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Summary

- Port challenges remain the most visible expression of supply chain challenges in the US, but the shortage of labour, most notably truck drivers, is also having a profound impact throughout the supply chain.
- Vaccine politics continue to play out across the agriculture supply chain, with vaccine mandates posing a challenge for some industries with low uptake so far.
- While recent moves by the Biden Administration to increase operating hours and relax zoning regulations have been welcomed by industry, neither is expected to result in relief for exporters and importers in the short- to medium-term.

Report

US food and agricultural representatives have voiced their concerns to the House of Representatives Agriculture Committee hearing on “The immediate challenges to our nation’s food supply chain”.

Port slowdown felt keenly by food and agriculture exporters

Leprino Foods, the US’ largest mozzarella manufacturer, argued that the US “cannot ignore this export crisis”. The Denver-headquartered company, which exports some 26% of its production to 25 countries, has seen outbound freight rates from the US to Asia climb throughout the pandemic to now sit at 15 times higher than the inbound journey.

99% of Leprino Foods’ export shipments through 2021 had been cancelled or rebooked at least once, with some being rebooked up to 10 times. The associated spike in freight fees and demurrage costs had amounted to US\$21 million in 2021 for the business and these additional costs were expected to continue at similar levels in 2022. Leprino Foods noted the combination of increased costs and inability to consistently meet demand would inevitably lead to the loss of customers and it will be difficult to get them back.

Trucker shortage at the heart of broader supply chain challenge

Beyond the congestion at ports and associated shipping challenges, witnesses repeatedly identified the shortage of truck drivers as posing the greatest supply chain challenge. The American Truckers Association (ATA) noted that trucking accounts for 75% of freight tonnage annually in the US, with 80% of commodities shipped in the US relying on trucking exclusively.

Estimates on the extent of the driver shortage varied widely. House Agriculture Committee Chair David Scott indicated that there were 50,000 too few truck drivers to service US needs, a figure which predated the pandemic. The ATA put the current figure at 80,000, before the National Grocers Association raised this further still to 100,000.

Witnesses highlighted the difficulties of attracting and retaining drivers, noting the challenges of long-haul trucking for families and well-being. Scott argued for “a significant recruitment and retention program” to

address the driver shortage, citing US Department of Transport data that 90% of US truckers last less than one year in the job.

Labour shortages were also being felt on farm, in processing, and throughout the warehousing and distribution chain, resulting in increased costs for labour as well as constrained operations and output. The American Bakers Association noted a distinct workforce shortage with high levels of turnover. This was resulting in its members not being able to fully staff shifts and having to cut down production lines, with the ultimate result being less product expected to be available in stores over the coming months.

Vaccine politics increasing costs and exacerbating labour woes

Many labour issues in the agriculture sector were being exacerbated by lower COVID-19 vaccine uptake amongst certain, notably rural, communities. While witnesses to the Committee hearing were reliably in favour of vaccination, many, including the National Grocers Association, highlighted the challenges of meeting mandated requirements. This included the costs of ongoing testing for those not vaccinated and associated COVID prevention costs.

While the Biden Administration began mandating in July for vaccination or regular testing of staff in businesses with over 100 employees, rates in many food and agriculture sectors remain low. Where mandates were enforced, industries expected to lose staff, with one industry representative pointing to the upcoming holiday season as a potential “catastrophe”.

Costs and competition squeezing margins and driving food price inflation

The above combination of factors is driving cost increases across the supply chain, squeezing margins and driving food price inflation. The Georgia Fruit and Vegetable Growers Association outlined some of the increased costs on farm where both fertilisers and crop protection products were increasing in cost, as well as being more difficult to source in a timely way.

In the packing and distribution side of the business, they had seen substantial increases in the cost of many inputs over the past year, including fuel (up 48%), boxes (up 35%), corrugated cardboards (up 17%), pallets (up 75%), and refrigerant (up 200%). The combination of cost and availability had meant at times the business didn't have the capacity to keep product moving.

No short-term fixes, and further disruption on the cards

Recent White House Executive Orders to expand operating hours at Los Angeles Port to 24/7 and over-ride local regulations to exceed maximum container storage at Long Beach and Los Angeles were welcomed by industry, but there was scepticism that these would result in any improvement in the short-term given the broader challenges of labour availability throughout the supply chain.

Additional legislative solutions to port congestion and trucker shortages were identified as important to provide longer-term stability for supply chains. The [Drive Safe Act](#), which would see the establishment of an apprenticeship programme for truck drivers under the age of 21 and the [Ocean Shipping Reform Act](#), to improve the efficient utilisation of shipping capacity through US ports are considered important pieces of the puzzle.

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