rockfarm Supply Chain Solutions

SUPPLY CHAIN DIGEST

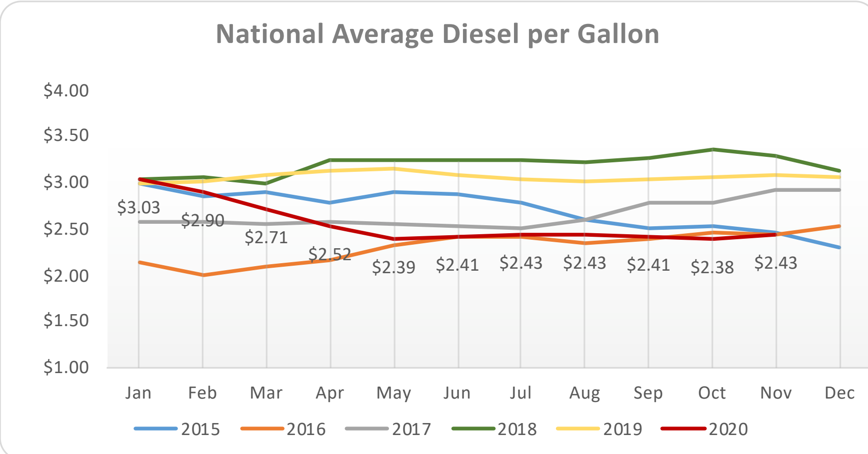
INDUSTRY NEWS

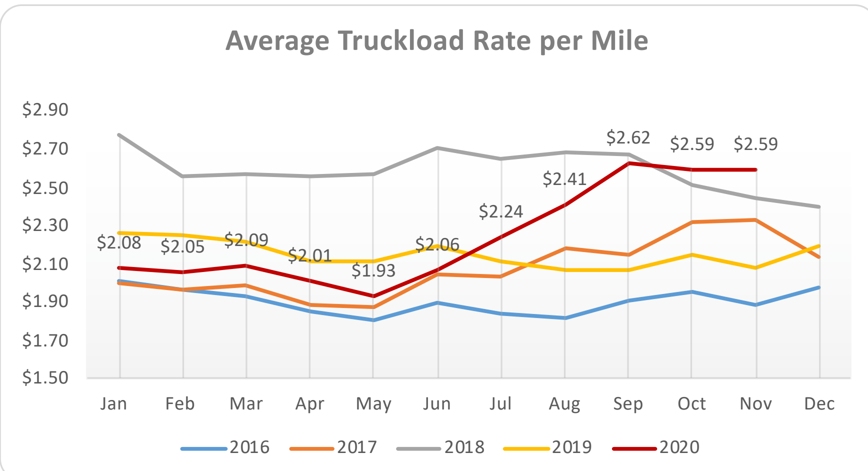
- Approximately 3 million doses of COVID-19 vaccine departed Pfizer's Kalamazoo manufacturing plant in Portage, MI Sunday December 13th. The cold chain is being put to the test with the vaccine requiring storage at 94 degrees below zero. The first wave of vaccines are being moved through UPS and FedEx's networks to vaccination centers throughout the U.S.
- XPO Logistics, Inc. has announced a plan to split itself into two companies. One is focused on the trucking and brokerage businesses, and the other on its logistics operations.
- New trucking companies rose by 88,910 in the months of January through October helping to offset the loss of drivers being dislocated during the pandemic.
- As one of eleven classified national security businesses, YRC Wordwide received a $700 million dollar US government loan under the CARES Act, which Secretary of the Treasury Mnuchin has said can be sold next year at a profit to the US tax payers.

WHAT TO WATCH FOR IN 2021 AS WE WIND DOWN 2020

- Federal Motor Carrier Safety Administration's Drug and Alcohol Clearinghouse reported positive test results for 46,000 drivers through October. To date less than 10% of the drivers who tested positive have completed the return to work process after testing positive for drugs. That leaves over 38,000 drivers no longer available for driving. Marijuana is the number one drug in testing results with positive cocaine tests pulling a distant second.
- Dispatch services for owner operators and small fleets are on the rise as small fleets look to remove the burden of keeping their truck moving and leveraging a service. The shipper challenge is validating the qualified carrier is the one hauling your load.
- The growing trend toward contactless shipment pickups by carriers has gained momentum in the pandemic, but remains under utilized as shippers are slow to adopt electronic signature capabilities for drivers and delivery processes within their customer base.
- Economic expectations are showing the GDP to reach pre-pandemic levels sometime in the 2nd quarter. Items to watch for include large fleet truck utilization and LTL tonnage levels. Economic robustness will continue to apply pressure on truck rates.
- Consolidation and acquisitions have continued throughout the pandemic with the latest announcement of Penske Logistics' acquisition of dedicated fleet carrier, Black Horse Carriers. There is still a great deal of investment money streaming into the supply chain industry as companies strengthen their depth of services or add revenue to their already existing business lines.
- Supply chain technology is developing rapidly with AI and machine learning. Before plugging into new supply chain technologies meant to take you to the next level in automation, gain a clear understanding of your gaps and work collaboratively with your software provider to get to your end goals.
- Data is king. Engagement of a business intelligence platform will continue to grow as companies look for an edge in their analytics to drive cost out and create a better experience for their customers. Leveraging your logistics service providers for deeper analytics allows for the "what if" questions to be answered as expansion and final mile begin driving network design.
- Communicating sustainability efforts will continue to be a focus in 2021 and beyond. Customers want to know what sustainability efforts are underway and how it is creating a positive impact upon the environment. Supply Chains are a focus point for those efforts.

Rockfarm Indexes





As we wind down 2020 to a mere memory, we are finally beginning to see a flattening in higher truck rates from May's low of $1.93 in the Rockfarm truckload index. This same trend is also apparent in our truckload market indicators that illustrates rates within our Rockfarm indexes have also started to flatten in November. Adding to the mix is the tender rejections seen within our internal business that have stayed below the trend line midway through December.

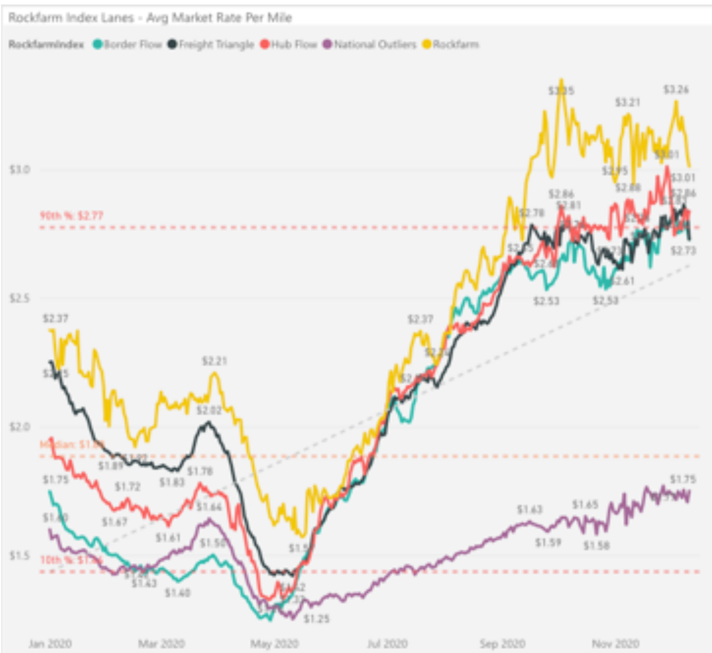
Fuel has started to climb with the first week of December now posting $2.52 per gallon in diesel. December fuel costs are expected to continue to rise the remainder of the month as we head into the new year.

Deeper Dive into the Indexes

Hot on the list this year has been deeper discovery on contributing factors to higher rates. Internal efforts put forth now include measurement of tender reject percentage and load opportunities presented by our customer base. The tender reject ratio is closely aligned to the available capacity within each lane. As the trend line shows below, capacity was tight to start 2020 as the economy started strong after the holidays. As concerns over C-19 took hold followed by state restrictions, the number of available loads shrunk considerably driving the tender rejection rate to a monthly low in May. As imports hit and restrictions were lifted, the tender rejection rate rose as available loads exceeded available capacity. Since September's high point of 16.73%, the tender rejection percentage has been dropping with November and December months to date reflecting tender rejections below the trend line.

In close alignment with the tender rejection rate is the increase or decrease in the number of opportunities we have to capture from our fulfillment customers. The opportunities come in the form of both contractual and spot opportunities presented. The trend line of opportunities presented illustrates two components.

The first is the increase in shipping activity within our customer base. Alongside the activity level is the number of load opportunities that may come from secondary lane awards, showcasing that the primary provider is unable to cover due to a lack of capacity. Coupled together, the tender rejection rate and the number of opportunities begin to indicate the level of capacity in the market and the trend to higher or lower truck rates.



In addition to the tender reject and opportunities indicators, short term forecasting indicators that illustrate influxes of truckload volume are being monitored to identify increased or decreased load supply into the U.S. network. International gateways such as ports and border crossings can quickly indicate increased load activity as we saw in the summer months. The chart illustration also confirms rates are stabilizing in key lane indicators such as the Midwest, national lanes and critical hubs such as Chicago. *For more information and our efforts in 2021 to push forward with our rate forecasting tool please reach out to info@rockfarm.com.*

COACHES CORNER EDITORIAL: "What Comes Next?"

By all comparisons, 2020 raised the bar in presenting us with challenges to overcome both professionally and personally. Though the resounding response to 2020 becoming past history versus living history has been, "See ya." There have been a number of lessons learned that we can use to keep our professional lives busy for the next couple of years.

First up is supply chain engagement. Obviously the remote work requirement many of us endured and still do, clearly illustrated supply chain planning requires the ability to see and execute our supply chains at anytime and from anywhere. By and large most of us had the visibility and capability to plan and execute from anywhere. The questions arise around our customers, suppliers and carriers. Is the same visibility and capability afforded within our technology that allows a 360 degree view of all parties within our supply chain? If not, the number one initiative for 2021: enable visibility and execution of your supply chain with enhanced technology and reporting.

Secondly, e-commerce has been accelerated as a standard in conducting business. Does your company have the integrated platforms necessary to get current and stay relevant in the marketplace? E-commerce has now evolved as a platform of choice for consumers and buyers ordering across all products in both local and non-local markets with a wide variety of products. The e-commerce experience is now shaping our B2B ordering habits and supply chain technologies are required to keep your company relevant.

Lastly, preparation for the next disruption can no longer be pushed aside. The impact of the pandemic will be felt for a long time and the lessons learned captured to prepare for the next event. That preparation should include a business continuity checklist as part of a larger enterprise risk management program. *For more information regarding supply chain planning please reach out to info@rockfarm.com for additional information.*

Editorial Note: From all of us at Rockfarm, we wish you, your family and friends joy throughout this holiday season. We look forward to 2021 and your continued support of our digest. 2021 will bring a fresh look and more content to keep us focused on the challenges head.

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