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February 6, 2024

*******ALERT CONCERNING GLOBAL OCEAN CONTAINER TRANSPORT*******

To Our Valued Customers:

We at SFI strive to offer high quality products at competitive prices, and our team is dedicated to staying connected to world events which may affect our ability to service our customers.

A new threat to the global supply chain has taken shape in the Red Sea because of the conflict in the Middle East. Iranian backed Houthi militants have been attacking commercial shipping vessels in the Bab al-Mandab Strait (not at the Suez Canal directly). This narrow water passage, situated off the coast of Yemen, serves as the entry/exit point to the Red Sea. In fact, multiple vessels have sustained damage from these attacks, which have now been taking place for more than 50 days.

As a result of this, ALL major shipping lines, including MSC, Maersk & Evergreen have now ceased sending their vessels into the Red Sea and will no longer use the Suez Canal. The Suez Canal plays a critical role in global trade, handling approximately 30% of all worldwide container traffic. This strategic waterway allows vessels to cut transit times from the Far East to Europe and to the United States East and Gulf Coasts.

The situation is unfolding while the Panama Canal, which handles 8% of shipping volume, is at reduced capacity due to drought, and shippers had been using the Red Sea as an alternate route for several months. There has been some improvement to the Panama Canal situation, which is good news.

With both canals being compromised, carriers are being forced to send vessels around Africa via the Cape of Good Hope. This route, traditionally avoided by carriers due to the longer transit time and inherent danger from rough seas, is now the main route for all traffic from the Far East, India and the Middle East. This adds approximately 13 to 15 days of travel time, in addition to requiring major schedule changes which further impact transit times.

Our concern is for our customers as we continue to monitor this situation. Freight rates have risen quickly, and have doubled in many trade lanes, particularly for shipments from China & Thailand to the East Coast. Shipments from Europe, the Mediterranean and the Middle East may be subject to Emergency Operation Surcharges ranging from \$750 to \$1500 per container starting in February. There is also the potential for equipment shortages, which we have seen in some foreign ports. The good news here is that the carriers have been able to utilize new vessels recently added to their fleets, so that the impact is not as severe as originally feared.

We at SFI will continue to monitor this situation and do everything possible to mitigate the impact on our customers by carefully managing our inventory and keeping our customers informed.

Thank you for your continued support.