



GLOVE MARKET

OCTOBER 2020 UPDATE

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DEMAND UPDATE

Global production and logistics continue to be negatively impacted by the current demand, health, and safety restrictions in over 203 countries.

Currently, industry analysts approximate demand for some products to be three to four times global capacity with full supply chain taking up to a year or longer.

Contributing factors to the imbalance between supply and demand due to COVID-19:

- Factory shutdowns with many running operations at less than 100%
- Simultaneous increase in global demands
- Raw material shortages
- Government labor restrictions
- Logistical interruptions and export restrictions
- Packaging shortages
- Citizen movement control orders
- Pricing volatility – it has become commonplace for manufacturing costs to increase monthly.

Business re-openings require use of disposable gloves and other PPE.

Medical needs have been priority and foodservice establishments have been asked to prepare and remain flexible as vendors meet challenges and demand.



SUPPLY UPDATE

NITRILE

- Facing one of the greatest shortages due to spike in demand from Medical industry
- Factories are pushing orders into 2021-2022 with lead times beyond 180+ days
- Containers allotted based on previous sales
- 3rd and 4th party members are entering the industry for opportunity leading to fraudulent brands, scams and unfulfilled promises
- Gloves are being “recycled” and then sold compromising safety and cleanliness
- Global demand is upwards of 300-400%

LATEX

- Supply is available, but is not as heavily demanded, compared to Nitrile
- Prices remain reasonable

VINYL

- Government orders are taking up capacity
- Sales are driven with premiums for extra capacity at +500% based on supply and demand
- More containers have been secured for November and December 2020
- Potential price relief following the 2021 Chinese New Year

POLY

- Demand remains high (approx. 1000%) as Vinyl users seek alternative options
- Many factories are at full capacity through the end of 2020; some are booked into 2021
- New factories to open, offering some possible relief



MARKET COMMENTARY

PEAK SEASON CHANGES?

The Industry is predicting that US imports can sustain current peak levels through October, at least. A continued import surge will push already record-high spot rates in Asia to US even higher.

e-Commerce sales have alleviated this surge and are repairing some weakness seen from lowered in-store purchases. Timing of peak season shipping patterns in Asia to US trade could change as a result of the growing demand of online shopping.

US imports from Southeast Asia, especially Vietnam, continue to be at record levels as imports from Vietnam in July were up 39% from June.

The entire Transpacific trade lanes are at FULL capacity and space is overbooked going into the week long China holiday, "Golden Week". Carriers have been pushed hard by the US and China to put more capacity into this trade lane and warned them to reconsider any more price hikes.

QUALITY & OTHER CONCERNS

Large deposits are being required up front while vendors are producing at unprecedented rates.

A few new factories have been added to keep the supply chain intact.

Some FoodHandler items might have different colors and/or gram weight. FoodHandler is aware and have addressed how to segregate and will advise and update any product changes accordingly.

Counterfeit products are currently in the market. Fraud attempts are increasing as glove supply tightens. Buyers BEWARE. Only purchase from trusted sources.





TIMELINE & PRICE PROJECTIONS

FEBRUARY / MARCH

- Pandemic spreads globally
- First shelter in place orders result in factory shutdowns in Southeast Asia
- United States customers begin stockpiling PPE, drawing down domestic inventory

MAY / JUNE / JULY

- Demand increases exponentially
- Factories raise prices as demand exceeds supply
- New market participants enter, further driving up prices
- Prepayment requirements

PRESENT

- Preparations for 2nd wave of the virus in Fall drive continued demand
- Raw material shortages
- Aggressive price increases and long lead times (12 months)
- Factories selling out capacity to highest bidder

2020 OUTLOOK

- Elevated demand will continue into 2021
- Lack of new capacity being added to satisfy new normalized demand
- Prices should remain above historical levels
- Challenging payment terms
- Supply chain stabilization and recovery Q1 2021 or beyond

FoodHandler has announced market increases May, July, August, and October 2020. Any further adjustments will be based upon raw material, packaging, labor and pricing throughout the supply chain.

Product allocations based upon historical purchases and availability will remain in place until further notice.

CAPACITY UPDATE

SHORTAGES CONTINUE TO WORSEN

Shortages of equipment in Asia are worsening as importers in US and Europe struggle to return empty containers to China and other Asian hubs. This container imbalance has been caused primarily by the spike in imports to the US and Europe in July/August following economies reopening. Other contributing factors include:

- Severe weather is also contributing to shortages of vessels in China, South Korea, and Japan being scheduled to return port.
- Southern California warehouses have been overwhelmed by imports over the past two months with productivity down due to spaced shifts according to social distancing standards.
- Worker shortages are causing containers to remain at warehouses much longer than normal.
- Logistic problems in Asia and Southern California are pushing up delivered cost of imports in the US.

Customers who are desperate to obtain containers and secure space on vessels are willing to pay hefty surcharges on top of record high spot rates for ocean voyage.

Shippers are paying surcharges to guarantee receipt of equipment and to secure slots on vessels at Chinese ports. Carriers are also charging additional fees to guarantee priority unloading at US ports and delivery to railroads and truckers. Carriers are in such desperate need of containers in China that some lines are refusing to accept bookings to India and other Asian locations to get containers to China.

Carriers are prioritizing imports to the US over Europe as Spot Rates hit new heights. Acute equipment shortages in Asia means containers are being prioritized for higher-paying transpacific spot cargo. This year is expected to be different from recent years where factories generally ramp up slowly after the Chinese Golden Week holiday, but with a very strong order pipeline and backlog, factories are going to focus on getting back up to capacity at a very fast pace.





KEY TAKEAWAYS

STABILIZATION AND RECOVERY

Analysis predictions project possible supply chain stabilization and recovery following Q1 2021.

e-COMMERCE

Rises in e-Commerce shopping are changing patterns for peak season.

CONTINUED SUBSTITUTIONS

Customers are continuing to use materials substitutions as a way to manage cost increases.

BUYERS BEWARE

Counterfeit products are circulating within the market – only purchase from trusted sources!