



GLOVE MARKET

JULY 2022 UPDATE

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DEMAND UPDATE

CORRECTING INVENTORY IMBALANCES

Manufacturers and vendors are operating at less than 100% capacity and looking to correct imbalances in product availability.

More containers than in previous months are arriving with needed inventory due to the delayed and backlogged rail freight hitting warehouses. While dates and timing for most gloves and bags are improving from vendors, transportation will be key to receiving according to planned scheduled.

Inventory that continues to experience an imbalance may still require cross-shipping or substitutions. Please speak with your FoodHandler Representative for specific details.

RE-INTRODUCING PINK THINSENSE™

The much anticipated arrival of Pink Thinsense™ is projected for availability in early Q3 to support Breast Cancer awareness month and the [Breast Cancer Research Foundation](#) (BCRF).

NEW PRODUCTS COMING SOON

Available now for pre-order – JobSelect® Black Vinyl, JobSelect® Black Comfort™ Nitrile, and White Thinsense™. Demand has already been high; forecasts will be imperative to ensure adequate supply. Please speak with your FoodHandler Representative for more details on forecasting and how to order.

EFFECTS OF WAR

It is not currently projected that the Russia-Ukraine war will directly impact the supply chain, however, duration has already driven the price of diesel fuel, now leveling, to reach a record average of \$5.718 per gallon (during the week of June 13, 2022)¹ and adds to rising inflation. "The crisis has reduced the production levels of food staples including grain and oils, and driven up energy and fuel costs by increasing oil prices and restricting gas supplies" with "soaring prices starting to affect consumers' spending"².



¹ [Resource Credit] Keith, Scott. FleetOwner, "Diesel Prices Slow Their Ascent, But Still Reach Record". <https://www.fleetowner.com/news/article/21244225/diesel-prices-slow-their-ascent-but-still-reach-record>. June 14, 2022.

² Bracken, Maria. Catering Insight, "Foodservice Industry Warned of Continuing Inflationary Pressures". <https://www.cateringinsight.com/foodservice-industry-warned-of-continuing-inflationary-pressures/>. June 14, 2022.

SUPPLY UPDATE

NITRILE

- Nitrile supply is adequate.
- Pricing is expected to ease in Q3 2022 due to low demand, despite increased manufacturing costs.
- Newly reviewed tariffs by current administration may seek supply from new manufacturers.

LATEX

- Natural rubber latex will have adequate capacity with slight demand decrease.
- New Illinois law has forbid latex gloves in food prep going into effect for food service and EMS workers on January 1, 2023 (and health care facilities on January 4, 2024).
- Pricing is expected to ease in Q3 2022 due to low demand (see [No Bare Hand Contact Map](#) on www.foodhandler.com for full Latex ban details).

VINYL

- Raw material is relatively stable.
- PVC supply is adequate.
- Pricing is expected to ease leading into Q3 2022 due to low demand, despite increased manufacturing costs.

POLY

- Raw material demand has decreased resulting in adequate supply of raw material that is expected to be available throughout the remainder of 2022.
- Pricing is expecting to ease in Q3 2022 due to low demand, despite increased manufacturing costs.
- Newly reviewed tariffs by current administration may seek supply from new manufacturers.



MARKET COMMENTARY

INEFFICIENCIES TO AFFECT PEAK SEASON

"Port congestion is growing again as a result of labor and equipment inefficiencies"³ that is being felt on a global scale. Lockdowns in Asia, wage strikes in Europe, along with port congestion and increased yard occupancies, persistent rail delays, chassis shortages, and maximum capacity in US warehouses – all aim to impact peak season.

Leading into an unusual peak season, with the US economy experiencing "persistently high prices"³, further aid is being looked to, including "relief from high and regressive tariffs that are currently being charged..."³.

CONGESTION, SKIPPED SAILINGS

The persistent US port congestion has "forced carriers to blank sailings to maintain vessel schedules" with "lack of reliability and space" to add potential "more pressure"⁴. According to Carlos Fuchs, commercial director of Royal Cargo, he "foresee[s] a lack of space, longer transit times due to congestion, and if demand slows, carriers will apply blank sailings" with demand during Q3 2022 increasing "despite the economic situation[s]"⁴.

ECONOMIC IMPACT ON THE FOODSERVICE INDUSTRY

With the US economy heading towards recession, food prices are on the rise all around. "The food-away-from-home index rose 7.4% year-over-year in May [2022], the biggest month increase since the period ending November 1981, according to the Bureau of Labor Statics. Quick service menu prices rose 7.3% while full-service prices increased 9%"⁵. It is not anticipated that, despite rising food costs, consumers will stop patronizing their favorite restaurants. While many may visit less often, it is projected that eating out will not be an expense completely cut from consumer budgets.

The unknowns that recession is sure to bring, the influx of restaurant industry CEO turnover of late, and looming potential for employee layoffs has the industry gearing up with preparations to withstand the coming impact, positive or negative, of consumer spending on away-from-home dining⁶.



³ LaRocco, Lori Ann. American Shipper, "Viewpoint: The Jaws of Trade Squeezing the Supply Chain". <https://www.freightwaves.com/news/viewpoint-the-jaws-of-trade-squeezing-the-supply-chain>. Tuesday, June 28, 2022.

⁴ Wallis, Keith. The Journal of Commerce Online, "Brazil-US Freight Rates Spike Amid Tight Capacity, Port Congestion". https://www.joc.com/international-logistics/brazil%E2%80%93us-freight-rates-spike-amid-tight-capacity-port-congestion_20220627.html?page=1. June 27, 2022.

⁵ Klein, Danny. QSR Consumer Trends, "Is a Recession Coming for Restaurants?". <https://www.qsrmagazine.com/consumer-trends/recession-coming-restaurants>. June 27, 2022.

⁶ [Resource Credit] Moody, Kathryn. Dive Brief, "As Recession Concerns Rise, CEOs Are Stepping Away". <https://www.restaurantdiver.com/news/as-recession-concerns-rise-ceos-are-stepping-away/625971/>. June 27, 2022.



Q1 2022

- Cost increases on goods from Asia as a result of limited transport capacity, driver shortages, and higher fuel prices
- US West Coast port congestion gets relief from lockdowns in Asia, lessened number of sailed ships to port, and East Coast reroutes
- End of Q1 – Omicron has spread quickly across China causing inter-city transportation to be affected – Shanghai now under lockdown is experiencing limited transportation; pricing from Shanghai ports will be greatly effected until further notice

Q2 2022

- Shanghai lockdowns, full and partial, caused need for cargo shifts to other ports; freight backlogs, congestion, and disruptions are greatly reduced
- Railways struggle to move containers from West Coast to Midwest customers
- Due to effects of war, oil and gas prices cause instability in raw material costs
- Due to lack of orders, low demand, and aggressive expansion, most Chinese manufacturers are running below 50% of their capacity
- Minimum wage increase in Malaysia affects FOB costs

Q3 2022 OUTLOOK

- China's Ministry of Transport (MOT) is working on solutions to increase and accelerate production within their logistics and transportation to regain productivity lost during Q2 lockdown
- North European port congestion and yard occupancy is expected to continue increasing, along with emergency surcharges, storage fees, and standard tariffs – much like US ports that projects continued rail delays, chassis shortages, and warehouses at capacity
- COVID will continue to be the unknown influence on the global market

FoodHandler will announce pricing adjustments based upon raw material, packaging, labor and pricing throughout the supply chain.

FoodHandler has removed all products from allocation; products will continue to be monitored and evaluated based on availability. Please speak with your FoodHandler Sales Director about additional product availability.

CAPACITY UPDATE

LOCKDOWNS LIFTED, BUT ONLY PARTIALLY

As the main testing and lockdowns in Shanghai have passed and lifted, new cases have caused partial lockdowns. Mandatory 72-hour Negative COVID tests are required for public transportation, affecting many laborers getting to work. Truck drivers are tested daily for compliance and to reduce any spread to ports or stations.

Although China continues to enforce a Zero Tolerance Policy on COVID infections, we are now hearing they are beginning to soften their approach to complete lockdowns. It is still unknown how this policy will impact future manufacturing capacity and port delays.

BLANK SAILINGS GOING INTO PEAK SEASON

Despite cargo shifts from Shanghai to other ports to help to reduce freight backlogs, congestion, and disruptions, blank sailings continue. U.S. retailers are reportedly pulling back orders from Asia due to instability and uncertainty, furthering the ease in capacity at hindered origin ports.

On time performance, while not as high as considered "normal", has been coming in 20% higher than in recent months and previous years have shown.

PORT & RAIL DELAYS

As of June 2022, there are 86 containers held up in LA/LB. Rail providers have reduced volume allocation due to receiving labor and chassis shortages; insufficient chassis are available to move containers. Limited rail car supply will increase delivery time between West Coast and Central U.S. regions as much as 8 weeks.

There are an additional 10 vessels waiting for berth at the port of Los Angeles, dropping the average wait time to 1.8 days.

Shanghai container port handling is nearing pre-lockdown levels. Shanghai's daily average container throughput has recovered 95% of pre-lockdown levels, regaining productivity loss that ended in early June.



KEY TAKEAWAYS

RAW MATERIAL SUPPLY STABILIZATION

With over supply and low demand, many product lines are expected to see possible softened pricing throughout Q3 with inventory stabilization.

PEAK SEASON AROUND THE CORNER

Continued port congestion due to global issues mound as peak season approaches – includes labor and equipment inefficiencies, partial lockdowns in Asia, wage strikes in Europe, chassis shortages, limited warehouse capacity, and strained rail car supply in the United States.

RECESSION IMPACT ON RESTAURANTS

While reports do not project consumer spending on away-from-home dining, it may see some fluctuation and changes due to the historic rises in food prices. "Foot traffic at full-service restaurants fell by 4% year-over-year for the week of June 6 [2022], while quick-service traffic was up 7.3%, according to a report from Placer.ai"⁷. Rising menu prices do not appear to affect the consumer as a whole. Prices increasing across the board, outside the industry, however, "meeting the consumers' definition of value... is going to become even more critical as the current inflationary environment isn't expected to ease anytime soon"⁷.

COVID & INFLATION UNKNOWNNS

COVID will continue to slow and disrupt the global economy, while looming recessions and economic slowdown will strain consumer spending.



⁷ Kelso, Alicia. Dive Brief, "Full-Service Traffic Takes a Hit as Inflation Lingers, Report Says". <https://www.restaurantdiver.com/news/full-service-restaurant-traffic-takes-a-hit-as-inflation-lingers/625825/>. June 22, 2022.