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Dear Valued Customer:

Quadra Chemicals Ltd.
Quadra Chimie Ltée.

3901 FX Tessier
Vaudreuil-Dorion, Qc
Canada J7V 5V5
t 450.424.2665

1100 Blair Road
Burlington, Ontario
Canada L7M 1K9
t 905.336.9133

1170 Invicta Drive
Oakville Ontario
Canada L6H 6G1
t: 905.815.8158

12925 – 146th Street
Edmonton, Alberta
Canada T5L 2H6
t 780.665.1213

700 – 4th Avenue S.W.
Suite 780
Calgary, Alberta
Canada T2P 3J4
t 403.232.8130

7930 Vantage Way
Delta, British Columbia
Canada V4G 1A8
t 604.940.2313

7802 -98th Street
Clairmont, Alberta
Canada T8V 7B9
t 780.832.4832

The summer in North America is drawing to an end and we are getting ready for a busy fall season. The next few months is the busy period in all segments of the transportation industry. We wanted to provide an update of the transportation market and what we foresee for the remainder of 2018

The ocean lines, through industry consolidations and vessel sharing, have reduced capacity to levels where demand is now greater than supply, This has allowed them to increase rates which has restored profitability to a majority of the global ocean lines. Pending trade wars between the United States and other countries has increased demand, as shippers, try to land product in North America prior to duty rate increases. The fall season is traditionally driven by retail traffic due to back to school, Halloween, Thanksgiving and Christmas, Ocean lines have already announced substantial peak season surcharges, consequently we see capacity becoming much tighter.

Rail capacity demand continues to be strong both on carloads and intermodal traffic. Carload shipments are up over two percent year to date, while intermodal demand is up four percent for the year across North America. To date railways have increased intermodal rates twice in 2018 and we expect they will try to push a third increase through this fall. Carload traffic rate increases are predicted to be close to double digit in 2019. Quadra will push back on any increases received to ensure we can continue to offer competitive pricing.

Truck capacity continues to be extremely tight, according to the latest Shippers Conditions and Freight Trucking Research Index. The index tracks conditions on freight demand, freight rates, fleet capacity and future demand. Strong economic growth, along with higher seasonal demand, will further strain truck availability resulting in rate increases, a need for longer lead times and a need to provide flexibility on pickups/deliveries. The next quarter will be extremely challenging for our logistics and operations personnel.

Quadra will continue to work hard at maintaining the high level of service to our customer and our supplier base. We have expanded our logistics team to meet the challenges of the marketplace and are looking to add further resources in this area. We have had strong support from our suppliers and customers on giving us additional lead-time while being flexible on pickups and deliveries. If everyone in the industry works together on better managing the supply chain, we will ensure all of our requirements are fulfilled at the most competitive possible price. Security of supply and managing inventory levels for the remainder of 2018 will be critical for all industries.

If you have any questions please feel free to contact us

Sincerely,
Quadra Chemicals Ltd.