# High seas and high prices

**Here Ekkehard Beermann, managing director at Fastbolt Group, gives his thoughts on some of the big topics impacting the fastener and fixing industry and how Fastbolt has looked to handle each challenge.**

Without doubt the last two years have been some of the most challenging I can ever remember. Everything before 2020 can now be considered relatively normal, even big challenges such as the previous anti-dumping duties and the recession in 2008/09. That is because everything post February 2020 has distorted and totally changed how every sector is now working. The challenges just kept on coming and at one point it was almost unbelievable, it just didn't seem real.

I can only speak for the last 21 years at Fastbolt, but during this time we have never experienced anything like this on the supply side before – with the amount of different problems basically creating an unmanageable situation. At the same time, the enormous demand from the European spot market, especially towards the second half of 2020 and all throughout 2021, saw everybody looking for stock.

It all started with the outbreak of the Covid-19 pandemic and since then has escalated to include the price rally in raw material; the disastrous situation that is still ongoing with sea freight; as well as the announcement and implementation of anti-dumping duties. Just one of these challenges would be difficult enough, but together it really did create a 'perfect storm' not just for the fastener industry, but every market around the world."

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## Starting with the pandemic

The Covid-19 pandemic hit us in Europe in March 2020 and saw a drop in business activity from our customers – due to the distorted supply chains and how many industries were affected all over Europe. Due to this decline in business, we were very careful with the new purchase orders we placed in the Far East – because like everybody else we didn't know how long this situation would last and how bad it would get. However, the market started to pick up in Q3 of 2020, which led to issues towards the end of the year in obtaining stock – due to a multitude of factors, with the biggest being sea freight.

## High seas and high prices

As a wholesale importer 100% of our purchasing was impacted by the sea freight issues. We have no volume purchasing in Europe, all our strategic vendors are spread out over the Far East. This meant that from the first day of the sea freight crisis we were totally hit – not only by the rally in sea freight prices, but also the unavailability of equipment or containers, as well as the lack of loading space on vessels.

Historically, we have handled sea freight with our own logistics partners, as we saw this as being more efficient. It was a very smooth process, because there was always availability and space. Of course, the rates would go up or down, but only small percentages – nothing like we have experienced in the last year and a half.

Therefore, when the issues arose with sea freight it made the requirements to find solutions in this area a lot more important. We had to specialise more, with our logistics partners we work with, in finding solutions. To do this we worked also hand-in-hand with our suppliers in Asia to allocate loading space and equipment. It was often a case of accepting a price just to get the containers shipped, even then you would sometimes be told it was already too late and it was going to be another two weeks before the next slot – and the price was going to be even higher than the already shocking price before.

Over the last two months there has been a slight decline in sea freight costs. However, it is still very far away from what it used to be. I hope we have seen the peak in the costs, but how fast things recover to a more acceptable and manageable cost level, and how far it will go down, it is very hard to say – but currently it is still way too high.

It was not only the incoming freight but the outgoing freight as well that was causing issues. Due to a lack of truck drivers there were less trucks and less space available. Previously we would let our carriers know our requirements the day before and then the products would be picked up and delivered across Europe. However, we have had occasions were we have needed to ensure full truck loads to certain directions and give up to five days notice, which is something we have never needed to do before.

Both of these incoming and outgoing freight issues mean that the distribution cost is becoming more and more decisive in our competitiveness, as we are seeing a huge proportion of freight costs added to incoming goods. We are not the only company dealing with these issues and by supplying only resellers and distributors our customers are only too aware of what is happening in the market.

## Anti-dumping adds to situation

Another factor that further exasperated the market situation was the initiation of the anti-dumping investigation into certain iron or steel fasteners from China and the introduction of duties. As soon as the investigation was announced we started looking at shifting some of our supply chain volume from China to other sources. Whilst we already have many supply partners across the Far East, it was difficult to move this volume as the factories already had full production due to other European and US importers. We therefore had a very hard time to bring those volumes to new orders in south-east Asia. We were getting lead times from outside of China from anywhere between 5 and 12 months, which is very difficult to handle with the stock we kept in Europe. The Chinese factories can ship and produce faster, but then you needed to pay the duty. There is also the situation for some products where there is no alternative to Chinese manufacturers. This means we then have to face the fact that we import from China and pay the duties, which then has to be passed onto customers.

This is very difficult as the levels of the duties introduced are, in my opinion, totally unrealistic and unjustified. In the last investigation, in 2008, we were all shocked with the high-level of duties and couldn't understand how they got to that level. Finally, the WTO decided that the way it was calculated was not correct and that is why the old AD duties were withdrawn in 2016. We therefore felt that with this investigation there would at least be little chance of the duties being as high again, but the duty levels are almost identical, which I believe is absurd and does not reflect reality at all.

To make things even more difficult, the various country lockdowns has made it almost impossible to visit existing and new potential suppliers in preparation for any duties. So far this year I have been able to make two visits to south-east Asia, which is nice because we are starting to get back in touch with our suppliers. However, I still haven't been able to go to Taiwan, which is extremely important to us as a business and the fastener industry as a whole. Quarantine regulations are now slowly being reduced, so I am hopefully I can get over to Taiwan and find more solutions to the supply issues we have in that market, but it is going to be difficult.

## Remember BREXIT?

Prior to the pandemic outbreak the biggest challenge we thought we were going to be facing was BREXIT. With operations in both the UK and Germany we often have intercompany business between our UK and German warehouses, so sometimes we will buy something from the UK that we need to bring to the German warehouse and vice versa. This obviously has become very complicated now due to BREXIT, because there is customs clearance, which add a host of paperwork and delays that were never an issue before. Of course, the anti-dumping duties on EU countries also do not apply to the UK, which can make it very difficult for our central purchasing team in Germany when placing orders to suppliers. Previously, where we had one system and process for the three warehouses, we now almost have different supply markets. This means that for us as a European wholesaler it has really changed how we are placing the orders to our vendors; how our inter-company business works; as well as how we supply our customers. For instance, to help avoid issues and delays for our Irish customers we have started supplying them directly from the German warehouse, whilst they still have the same contacts within the UK office. This has helped ensure that we continue to supply the quick service our Irish customers have come to expect.

## The final result

The current market condition is certainly very complex, and unique, and I think none of us have experienced anything like this before. Due to the situation regarding freight, low capacity outside China, anti-dumping duties, as well as issues with raw materials, there has been a dramatic impact on costs, which have gone up for everybody, and every product group, from anywhere between 40% – 80% and sometimes even more than doubled. To some extent these challenges are continuing because we are still in very difficult and unplannable times. As a business Fastbolt will continue to look to find solutions to every factor impacting the market – so that we can provide the necessary products and stock to meet customers' needs going forward. ✚

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