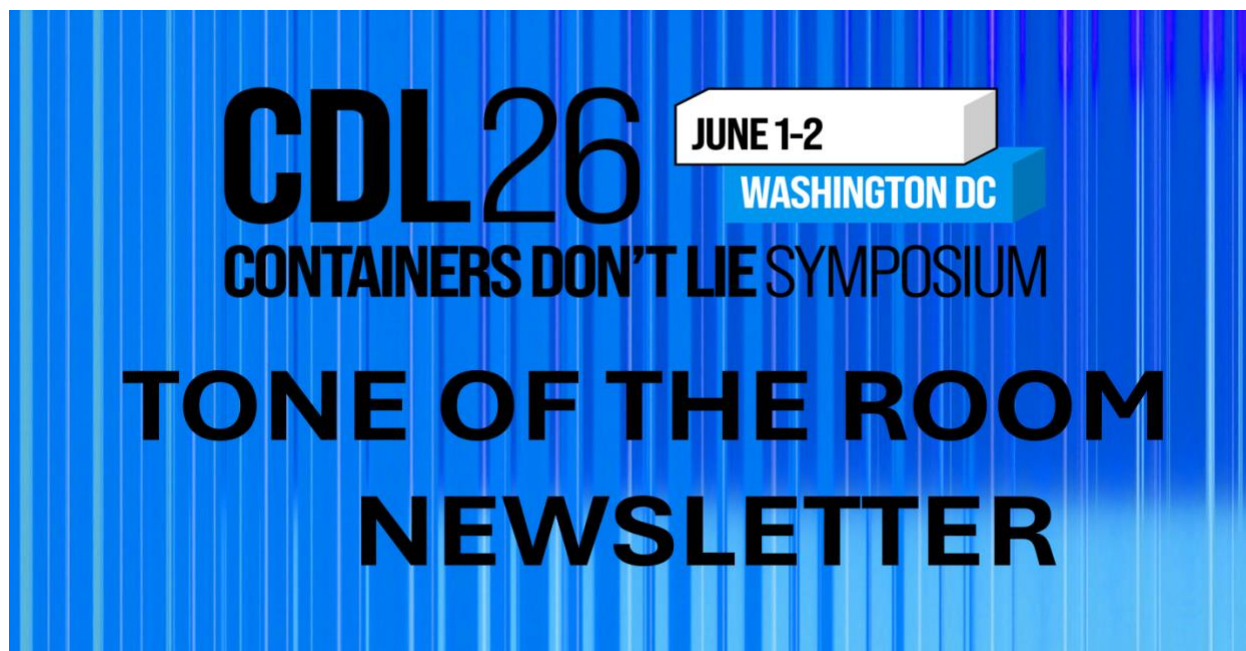




Lori Ann LaRocco

May 8, 2026

Good evening— and welcome to the first Tone of the Room Newsletter!

Every day, I speak with participants like yourself and dozens of trade and logistics leaders each week. My personal conversations and the data I review provide me with insights into what's impacting trade and the supply chain, and how companies are responding.



Here's what I'm hearing and seeing

Chemical shortages are getting worse which will create supply chain constraints. 70,000 products contain chemicals, and the availability of those chemicals and the prices are soaring. The American Chemistry Council says there are 750,000 end users of these products in the U.S. alone!

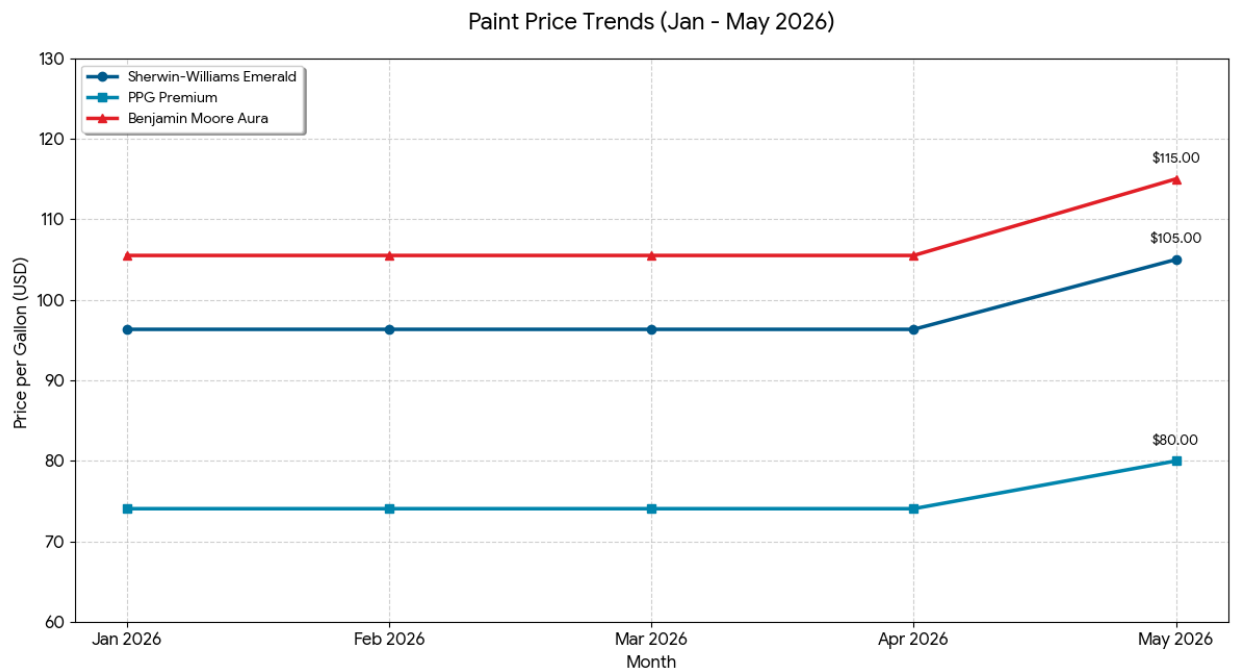
It's for this very reason that I have been focused on this disruption since the start of the war.

Companies that both manufacture products containing chemicals and sell chemical components to manufacturers are telling me prices are now up to 500-600 percent higher. Orders are also being restricted.

The demand is so great that companies are bidding up the pricing of the raw materials. An estimated 1.2 million barrels a day of naptha is being disrupted with the Hormuz crisis.

Naptha is commonly known as a key component of gasoline, but it is also critical for the manufacturing of many other products. Paint, paint thinners, coatings, dry cleaning, and plastics are just some of the products that rely on molecules derived from Naptha in order to be created.

Executives explained to me that, unlike in other sectors like retail, where the timeline from manufacturing to retail is around 6 months, chemical products have a shorter timeframe. For example, paint prices began rising in April.



Sources: PPG Investor Relations (April 2026); Hardware Retailing (April 2026); Sherwin-Williams Q1 2026 Earnings Call; Angi/USA Estimators (May 2026)

- **PPG Investor Relations:** Global price increase announcement (April 15, 2026).
- **Sherwin-Williams (NYSE: SHW):** Q1 2026 Earnings Call guidance regarding price realization and input costs.
- **Angi & USA Estimators:** Market price indexing for residential paint materials (Updated May 2026).

1. WHY IT MATTERS

Consumer: We all know paint is one of the low-cost ways for homeowners to refresh their rooms. This shows you the wallop to the wallet goes beyond the gas pump. We are seeing a more budget-conscious consumer. McDonald's Q1 2026 earnings beat analyst expectations, driven by a renewed focus on value meals to attract budget-conscious consumers. The National Association of Convenience Stores, which represent 80% of the gas sold in the US, has told me that price destruction with gasoline began at \$4, with consumers dropping that bagel or donut and just buying the coffee.

Companies: Executives are telling me the increased costs must be passed on to consumers, as there is no way to absorb them. Maintaining profit margins amid significant price increases is challenging. They are also being smacked with Diesel prices. This is adding another layer of costs to the chemical supply chain. It is also adding to the overall price of trade transportation.

Comments from those in the chemical industry:

“The shortage has led to a hand-to-mouth situation, with limited quantities of raw materials available.”

“The shortage could last for nine to twelve months, with the price inflation persisting for a period of time.”

“The current economic environment is not conducive to significant investment in new chemical plants.”

“This just adds to the challenges of onshoring production and the need for investment in domestic chemical plants.”

“The cost of diesel has increased, adding to the overall expense of transporting goods. The price continues to go up.”

One retailer told me, “We are consolidating loads to use fewer trucks. The price of diesel and the surcharges we are being hit with continue to rise.”

2. IMPACT ON GLOBAL CHEMICAL PRODUCTION AND WHY WE SHOULD CARE

Many countries are running chemical plants at reduced capacity or shutting down entirely. **WHY?** To conserve energy for their people.

Countries like India are facing shortages of both crude oil and natural gas and are prioritizing energy for essential services like hospitals and schools. Reduced or shuttered manufacturing has led to a shortage of raw materials, driving up chemical prices and affecting industries from coatings to medications.

Energy hoarding and forced majeure are becoming increasingly commonplace.

IMPACT ON US CHEMICAL MANUFACTURING-

Supply Chain disruptions- The US was never able to meet the entire North American demand for certain chemicals, leading to the need for imports. The current increased demand has further widened the gap between supply and demand. A fire at a major propylene oxide facility in the US has exacerbated the shortage, making it difficult to find replacements. The CEO of Dow Chemical estimated that it would take 7 to 12 months to resolve current supply chain issues if the Strait of Hormuz were to open immediately.

Fewer completed products are to be made. One retailer told me their Spring 2027 line will be more expensive because the raw materials used to make their goods are up and in short supply. “Spring 2027 prices will be up.”

The global chemical supply chain has undergone a significant realignment through 2025 and into 2026. While the United States remains a top global exporter of chemical products (reaching **\$253 billion** in 2025), the country also imports **\$402 billion** in chemicals to sustain domestic manufacturing and pharmaceutical production.

As of May 2026, the following countries are the primary sources for U.S. chemical imports, categorized by their trade volume and strategic importance:

Top Trading Partners by Import Value (2025–2026)

Country	2025 Import Value	Strategic Role
Ireland	\$111 Billion	Dominant supplier of pharmaceutical preparations and high-value organic chemicals.
Germany	\$34.5 Billion	Leading source for specialty chemicals, polymers, and advanced industrial intermediates.
Switzerland	\$22.1 Billion	High-purity active ingredients and specialty pharmaceutical chemicals.
India	\$21.2 Billion	Critical supplier of generic pharmaceuticals and bulk organic chemicals.
Canada	\$20.2 Billion	Highly integrated cross-border trade in fertilizers, resins, and basic inorganic chemicals.

3. ECONOMIC IMPACT

I really want you to think about this. Chemicals are just ONE example of an industry that contributes to the national GDP.



Source: American Chemistry Council

4. IN THEIR OWN WORDS

I wanted to highlight an audience participant this week who took the time to share their thoughts with me.

How are things going as you navigate this time?

From most vantage points, things are active—but not necessarily aligned. There is still a noticeable gap between strategy and execution across many supply chains. Organizations are investing, but not always simplifying. What I'm seeing—and advocating—is a return to

fundamentals: clarity of process, disciplined execution, and alignment between commercial and operational teams. When those are in place, the volatility becomes measurable and manageable.

What are your biggest challenges right now?

The biggest challenge is consistency—specifically, translating opportunity into repeatable, profitable execution.

- Margin pressure continues across ocean and inland movements (fuel, bunker prices, and over-capacity)
- Service variability still exists despite the desire to have capacity normalization
- Many organizations are overcomplicating their supply chains instead of simplifying them
- Geopolitical chaos / Military conflicts that are ongoing and those that may happen in the future

At its core, the supply chain is still about **people, process, productivity, and profit**—and when one of those breaks down, **performance** follows.

What are you keeping a keen eye on?

Three areas:

1. **Carrier and network strategy shifts** – particularly how ocean carriers are evolving their integrated logistics offerings and how that impacts traditional forwarders and 3PLs
2. **Cargo integrity and handling efficiency** – still a major blind spot across ports, inland terminals, and project cargo environments (conflicting goals that are neither mutually exclusive nor collectively aligned)
3. **Execution discipline at the market level** – companies that win over the next 24–36 months will be the ones that can scale *consistency*, not just capacity & compliance

*** Additional Perspective – Pace vs. Speed (PO to PoP)**

One of the biggest mindset shifts that is required—and I am reinforcing—is the move from ***speed to pace*** across the supply chain.

For years, the focus has been on moving products as fast as possible from **Purchase Order to Point-of-Purchase (PO to PoP)**. Speed was the KPI. But speed, without control, often introduces variability, cost overruns, and service inconsistency.

Today, the winners are focusing on **pace**:

- Controlled, predictable flow of goods
- Alignment between demand signals and execution cadence
- Reduced variability across nodes (port, rail, DC, final mile)
- Improved working capital and inventory positioning

Pace creates **reliability, visibility, and profitability**—where speed alone often creates disruption.

In simple terms:

Fast is good. Predictable is better. Profitable and predictable is the goal.

*** Additional Perspective – The “Empathic Supply Chain”**

Another area that Locative Logistics LLC focuses on is what I refer to as the **“empathic supply chain.”**

There is a growing need for supply chain stakeholders to **believe in and actively facilitate a model that evolves responsively to customer needs**. At its core, this comes down to trust and confidence:

- Confidence that partners will meet commitments, standards of care, and delivery expectations
- A shared responsibility to ensure customers have that same confidence in all of us that move something from Point A to Point B

When confidence is present, organizations are more willing to:

- Embrace change
- Test new ideas
- Collaborate across the ecosystem
- Take a deep breath and embrace "pace!"

The most successful organizations today are building **mutually vested, consistent standards** around:

- Customer care
- Product quality
- Trade compliance
- Client aligned, client attuned solutions

These standards drive **reliability, dependability, and long-term performance**—which ultimately differentiates winners in our current environment.

*** Net-net:** *The environment is still complex, but the solutions are not. The companies that simplify, execute, control pace, and build trust across an empathic supply chain will outperform.*

Have a wonderful weekend, everyone!

Lori Ann