CPG

May 2026

CPG Quarterly Newsletter

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Operations & Insights

By Jesse Alterman
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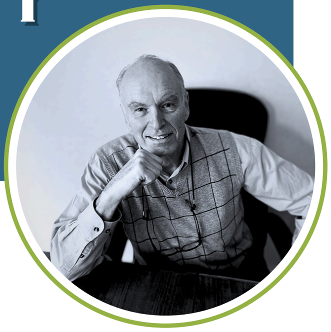
Supply Chains Are Shifting, Not Leaving China

The “China+1” strategy is often framed as a shift away from China. In practice, it is more accurately an extension of China-centered supply chains. Companies are adding Vietnam, India, or Mexico, but not replacing China. Many alternative manufacturing hubs still depend heavily on Chinese inputs, components, machinery, and technical expertise, creating supply chains that are geographically diversified yet structurally anchored in China. Even as firms pursue agility and risk reduction, true decoupling remains difficult given China’s unmatched scale, infrastructure, and supplier ecosystem. Supply chains may be becoming more distributed, but not necessarily less dependent on China.



A Word From Our CEO

By Michael De Clercq
CPG CEO

Last quarter I said that freight volatility had moderated. I spoke too soon. I was not expecting another war, or a blockade. In the meantime, China exports continue to grow. Despite adverse geopolitics, in 2025 China had a record $1.2trn trade surplus and its global exports rose to $3.8trn even while its exports to the USA decreased by $100bn. Talk about resilience...

I think back and reflect on the dynamics of China sourcing. When we first began, China’s exports of manufactured products to the West were in their infancy. The few goods produced—basic items like garments, bicycle tires, and rubber boots—were in such high demand that they were often subject to strict U.S. trade quotas. Our biggest challenge was to find factories capable of meeting our quality standards and then convince them to take our orders. We often had to act as consultants, sourcing components or troubleshooting production just to fulfill a client's order.

Prices were attractive, significantly lower than Taiwan and South Korea but the “Made in China” label was associated with “poor quality” and we had to overcome that liability with a robust onsite Quality Assurance program. Everything had to be specified and verified. We often used the "Cut, Make, and Trim" (CMT) model because China lacked the high-quality textiles required for export-grade apparel; we had to supply the fabrics ourselves. Foreign firms brought their know-how and opened turnkey factories in China. There seemed to be an inexhaustible supply of cheap labor from the interior.

At the time, Western companies were the ones guarding their Intellectual Property (IP) from local copycats. Today, the script has flipped and the IP concerns have reversed: Chinese innovators are now the ones fiercely protecting their proprietary tech.

China has transitioned from the "factory of the world" to “the factory of the world’s factories” (The Economist); from a recipient of know-how to a global exporter of it. It is now the PRC—more than the West—restricting exports. Chinese labor costs now exceed those of many neighboring nations, leading Chinese firms to invest in and manage manufacturing hubs across the globe. In sectors like electric vehicles, solar energy, and consumer electronics, "Made in China" is no longer a budget alternative—it is the gold standard. Quality is now a choice dictated by price point, not a limitation of ability, as China pivots from hardware assembly to leading the world in AI and software development.

And so the wheel turns. I hope you are well positioned to take advantage of this supply chain, otherwise let us know, maybe we can help.

Did You Know?

Q2 is often considered the ‘sweet spot’ for sourcing from China, after post–Lunar New Year disruptions settle and before peak season demand begins to drive up prices and lead times

SUPPLY CHAIN OF THOUGHT

By Laura Dow
Business Director

Have you listened to CPG's podcast, the The Supply Chain of Thought yet? In honor of International Women's Day in March, I interviewed three female business founders and CPG clients:

-Cécile Largeau, founder of La Petite Crème, an organic diapering lotion that replaces wipes, cream, and ointment. Cécile shares the challenges and opportunities of expanding her brand — now selling in Whole Foods!

-Juliette Fassett, founder of Flippy, the first multi-angle tablet pillow stand. Juliette discusses the realities of IP protection after her product was copied, covering the emotional toll, legal costs, and how she is fighting to defend what she built.

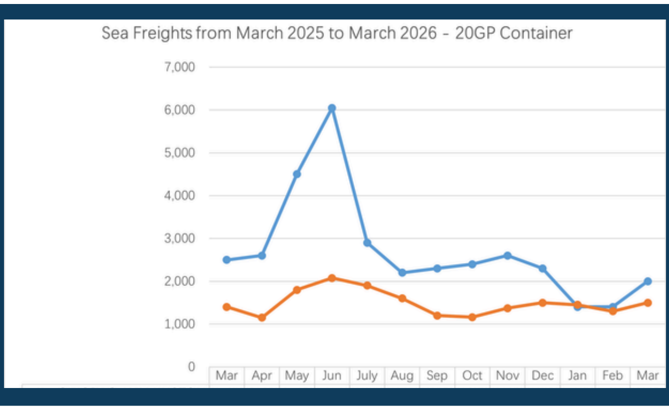
-Ghaida Alkhaled, founder of Maybliss and inventor of the BlissPod, a luxury aluminum pill and vitamin container. Ghaida shares how BlissPod helps transform health and wellness into a blissful experience.

Click above to watch the entire podasts. Also available wherever you listen to podcasts.

https://www.lapetitecreme.com/
https://getflippy.com/
https://www.maybliss.la/pages/maybliss-page

UPCOMING CHINA TRADE SHOWS

- May 16-18: The 26th Guangzhou International Metal & Metallurgy Industry Exhibition 2026
- June 24-26: Shanghai International Medical Device Exhibition 2026



SEA FREIGHT TREND

US Route

Stable early → stronger Feb–Mar → sharp surge in early April.
Rates: Flat at ~$2,000–2,200/FEU → jumped late Mar–Apr (+20–25%).
Drivers: Capacity cuts, retailer restocking, tight space/fully booked sailings.
Outlook: April surge & shortages → May–June volatile with tight capacity.

European routes

Trend moved high → dropped in February → rebounded in March; January peaked, late Feb–early March hit bottom, and mid-March recovered. Driven by Red Sea rerouting adding 10–14 days and higher costs, plus a sharp oil price rise. Outlook remains mixed to weak in April–May with a slight rebound in June, as higher fuel costs support rates but soft European demand limits growth, with recovery dependent on continued disruptions.

REBAR & HOT-ROLLED COIL TRENDS

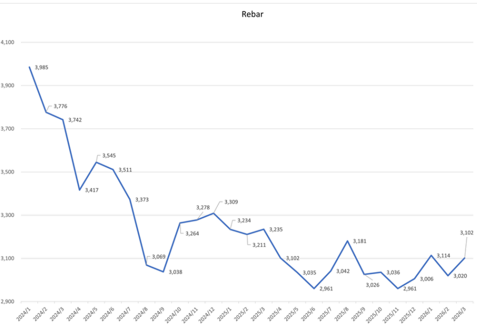
By Jane Xiong
Sourcing Associate

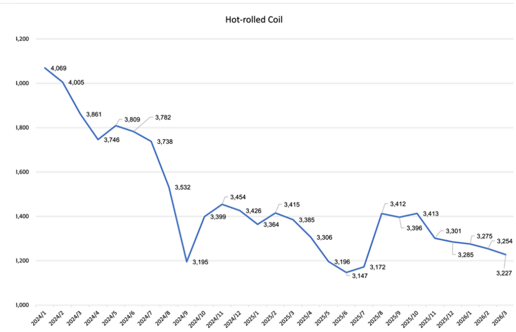
Rebar:

In Q2 2026, the rebar market shows strong cost support but limited upside. Rising energy prices are pushing costs higher, while ample supply and weak demand are capping price growth. Overall, prices are expected to stay range-bound around RMB 3,000–3,300/tonne, with a solid floor but limited upward momentum.

Hot-Rolled Coil (HRC):

In Q2 2026, hot-rolled coil costs show strong short-term support but may ease later.
April–May: High demand and energy premiums keep costs elevated around RMB 3,250–3,300/tonne, with slight upward movement.
May–June: As restocking ends and supply improves, costs are expected to gradually decline.





EMPLOYEE SPOTLIGHT: AURORA ZHAI

Position: Sourcing Team Leader

How long have you been at CPG?

14+ years (Since June 2021)

What do you do in your role?

I manage client projects in China, ensuring deliverables meet expectations and timelines. My role includes overseeing sourcing operations procurement (pricing, samples, orders), logistics coordination, quality support, and occasional trip assistance.

What do you love most about your job?

Identifying high-quality and reliable suppliers, facilitating communications and helping to build a professional and long-term partnerships.

What are some notable achievements during your time at CPG?

- Help clients bring new products to market: from concept to sampling to bulk production, while delivering value that drives satisfaction and fosters long-term partnerships.
- Negotiate with supplier on behalf of client to secure the most favorable payment terms, optimizing cash flow and financial flexibility.