Ultra Dilemma

Every sanitizing product sold in the U.S. by Ultra Defense Sani + Smart is funneled through the Port of Los Angeles or the Port of Long Beach, where they're collected and trucked to warehouses in San Bernardino County for distribution across the nation.

Before arriving on shipping container barges on the shores of Southern California, its gel-based hand sanitizers, liquid hand soaps, sanitizing wipes and surface cleaners are slapped with a 30% tariff because they were made in China.

The Trump administration has raised the tariff four times since 2018 when the Office of the U.S. Trade Representative determined that China's acts, policies, and practices related to technology transfer, intellectual property and innovation were "unreasonable or discriminatory" and "burden or restrict U.S. commerce."



be pushed forward onto the consumer," he says. "There's hundreds of millions of sanitizers coming in from China. That's a massive amount of money that the American people are obligated to pay and it's not right."

On the Offensive

Ultra Defense has taken its argument to Capitol Hill, hoping to sway key members of Congress, the Senate and trade department to push for a tariff waiver on this specific product category.

With a 30% tariff on hand-sanitizer products from China, Ultra Defense has taken its argument to Capitol Hill, hoping to sway members of Congress and Senate to push for waivers on the specific product category that is desperately needed to combat Covid-19.

The coronavirus pandemic, instead of unifying the economic powers in a health crisis, has only strained the relationship, placing brands like Ultra Defense, sanitizing products and U.S. consumers in the middle of an escalating trade war with no end in sight.

"The category itself got sucked into the vortex at the worst possible time," says Ben Simmons, Director of Health and Wellness at New York City-based Ultra Defense.

He calls the high tariffs on sanitizers "reckless and detrimental" amid a plague and widespread economic struggles. "When its 30%, that has to

"We've had multiple conversations on the topic over the last few months, really pushing hard and involving some large, national retailers in those conversations," Simmons says. "We're making headway but steering a Navy vessel one degree takes a long time for that ship to turn."

Navigating the terrain in an election year presents its own unique challenges, but Ultra Defense has been on the offensive since its start. The brand was launched in 2015 by New York City parent K7 Design Group Inc., a private label product developer established by industry veterans with deep, global ties in the personal care, health and

wellness sectors.

"We were pretty much in business from day one," says Simmons, a former executive at Hong Kong-based Li & Fung, one of the world's largest supply chain network operators. Ultra Defense now sells more than 600 products, from cosmetics to sanitizers, through national retail chains, including CVS, Wal-Mart, Sam's Club, Kroger, Meijer, Kohl's and Albertsons.

It employs about 65 in the U.S. with offices in New York, New Jersey, Wisconsin and Arkansas, and 35 in China, where it owns a production plant.

Chain Reaction

The company offers a full line of sanitizer products billed to kill 99.9% of germs in 15 seconds. Before the outbreak, hand sanitizer and related material shortages were unheard of in the industry.

"When the pandemic hit everybody went into panic mode," Simmons says.

Well-intentioned manufacturers sprang into action, ramping up production while alcohol distilleries, perfumeries, color cosmetic brands and some contract manufacturers shifted priorities to fill the gaps.

Bad actors fueled bidding wars, as buyers primarily in China hoarded components such as pumps, bottles, caps, alcohol, and carbomer, a substance that transforms liquids into gels.

Bottles of hand sanitizers, like speculative real estate, were being flipped as many as five times in the marketplace before they hit retail shelves, causing mark-ups to double or triple from traditional pricing.

Retailers went from selling a few hand sanitizers a week to running out of stock the same day they became available.

"It was a straw house," Simmons says.

And it folded quickly, leaving many distributors holding the bag, and mass retailers holding no inventory, or perhaps worse, ineffective products rushed to market.

Indeed, the U.S. Food and Drug Administration has recalled more than 150 hand sanitizer products for dangerous methanol and one-propanol contamination, improper storage packaging, and low levels of ethyl alcohol or isopropyl alcohol, the active ingredients in hand sanitizer products.

Ultra Defense solidified its supply chain in the early days of the pandemic, securing some components in 100 million units. Others in 50,000-gallon daily purchases.

"We were going to be very strategic about how we present to retailers because the world's largest retailers were burnt in this process," Simmons says. "That was our window of opportunity. We produce our own pumps, we blow our own bottles and it gave us a strong leg up on the competition."

Demand continues to soar as students return to classrooms and dorms, which have been outfitted with acrylic glass dividers and other social distancing designs to mitigate the spread of COVID-19.

In most cases across the country, students are required to carry sanitizers or have direct access to them at all times.

Unprecedented demand has taxed an overburdened supply chain, with no global allegiances or equity, causing a critical shortage unseen in modern economics.

"There's a shortage of sanitizers in the marketplace and even a larger shortage of wipes and hand soaps," Simmons says. "I don't believe there's ever been a true shortage of any of these products." — By Chris Casacchia, California Business Journal.

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