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U.S. Customs Begins Rejecting Some Canadian Imports at the Border

Motorcycles above 800cc, whey, molasses and packaged alcohol shipments are being turned back by automated filing rules.

Friday, October 2, 2026

U.S. Customs and Border Protection has begun rejecting customs entries for a group of Canadian-origin goods after new import restrictions took effect on Sept. 29, creating an immediate compliance problem for importers of motorcycles, dairy products, and some alcohol shipments into the United States.

According to a Flexport logistics and trade update published Thursday, entries filed under affected Harmonized Tariff Schedule codes are now being turned back by CBP's system with the message "HTS Not Allowed for Country of Origin." The products affected include motorcycles with engines above 800cc, whey, molasses, non-alcoholic beer, and direct-to-consumer shipments of beer, wine, brandy, and rum when they move in cans, bottles, or kegs. Bulk alcohol shipped in large vats and casks remains exempt.

The filing rejections matter because they move the issue from policy into day-to-day border operations. A shipment that cannot be filed correctly can be delayed before release, and importers may need to rework product classification, routing, packaging, or sales channels to avoid repeated rejections. For beverage companies in particular, the restrictions could disrupt the flow of imported beer, wine, and spirits into the U.S. market and may raise costs or tighten availability if shipments have to be reconfigured.

Flexport said it updated its tariff simulation tools so importers and customs brokers can verify classification before filing. That kind of check is becoming more important as customs enforcement increasingly depends on automated filing rules that can stop cargo before it clears the border.

The Canadian-goods restrictions were one of several trade and transport developments highlighted in the company's latest market report, which also pointed to delays in potential tariff relief on Chinese goods, tighter anti-transshipment rules for steel, and the strongest trans-Pacific eastbound container rates in more than four years.

On China, U.S. Trade Representative Jamieson Greer said planned tariff reductions on 77 import categories considered non-sensitive cannot take effect until the government completes the public notice and comment process required under Section 301. The categories under review are weighted toward consumer goods, including small kitchen appliances, household textiles, children's products, toys, games, and other retail items.

Flexport said the list aligns with a recent White House release that paired the potential U.S. tariff cuts with a separate list of U.S. exports that China could consider for reciprocal lower tariff treatment. Neither side, however, has published a timeline for implementation or specified what the new rates would be. That leaves importers without a near-term planning date and suggests that any relief, if it comes, could still take months. Flexport said the process resembles the Section 301 exclusion reviews during the first Trump administration, when comment periods often stretched out and not every product received relief.

Another policy change with operational consequences is a new multilateral steel arrangement aimed at curbing transshipment. Economies representing 55% of global steel trade will begin requiring exporters to identify where the steel in each shipment was actually melted and poured, rather than only stating where it was last processed or finished. The participants include the United States, Canada, Mexico, Japan, South Korea, Turkey, Australia, Argentina, Brazil, South Africa, and 16 European countries.

The change is designed to close a common loophole in steel trade, where material is lightly processed in a third country to obscure its true origin and avoid country-specific duties. For importers, the practical effect is a new documentation burden. Companies

that buy steel across multiple tiers of suppliers may now need to confirm that melt-and-pour records can be traced through the full supply chain before cargo reaches customs.

At the same time, ocean freight conditions remain tight on the Asia-to-U.S. route that many importers use for consumer goods and ingredients. Flexport said carriers are deploying full capacity on the trans-Pacific eastbound lane and that blank sailings will rise to about 8% of capacity in the week of Oct. 5 as lines adjust around China’s Golden Week holiday. Congestion at Chinese ports is adding more schedule uncertainty, and demand remains firm.

Container rates on that lane are now at their highest level since mid-2022, according to the report. Flexport attributed the increase to steady import demand and the effective loss of capacity caused by port congestion in Asia. Carriers have announced another rate increase effective Oct. 1, timed to cargo moving before the holiday slowdown. For U.S. importers, that means higher transportation costs even before any new tariff changes or customs delays are added to the bill.

Conditions are different on the Far East westbound route to Europe, where rates have fallen for about 12 straight weeks. Flexport said prices are down nearly 30% to Northern Europe and close to 40% to the Mediterranean since the start of July. Even there, however, reliability remains weak. Global on-time arrivals fell to 49.9% in August, the lowest level since September 2022, as congestion at Asian ports disrupted schedules across trade lanes.

On the trans-Atlantic westbound route into the United States, carriers are cutting Europe-to-U.S. capacity while shifting more tonnage to Canada. Flexport said direct capacity into Canada is running well above year-earlier levels even as total capacity serving the U.S. is down 6.6% from a year earlier. Demand on the lane remains soft, but carriers have kept ships full enough to support higher prices. Spot rates from Europe to the United States have roughly doubled since the Iran conflict began and have stayed above recent norms for more than a month.

Inland transport is also under pressure in Europe. Water levels on the Rhine, the main commercial waterway for Central Europe, fell to a record low this week, effectively stopping barge traffic through southern Germany and Switzerland. That is forcing cargo

onto rail and road alternatives and pushing inland freight costs to several times normal levels, Flexport said.

South Asian trade lanes are facing a separate set of problems. Flexport reported persistent congestion at Nhava Sheva, India’s largest container port near Mumbai, where truck gate-in turnaround times are near 20 hours. Colombo, the main transshipment hub for many Indian subcontinent routes, also remains congested. The company said shippers on those lanes should expect variability in transit times and book well in advance.

The energy crisis in Pakistan and Bangladesh is adding more uncertainty. Flexport said more than half of surveyed garment factories in Bangladesh now report canceled or reduced orders, and most have partly halted production because of fuel and power shortages. That could affect outbound cargo flows in coming weeks, especially for retailers dependent on apparel and other time-sensitive imports.

Air cargo is offering only limited relief. In India, heavy terminal congestion is delaying shipment handovers as more shippers move freight by air to bypass ocean bottlenecks. Flexport said trucks have been waiting as long as 72 hours outside the Mumbai air cargo complex, with daily offload volume running several times above normal forecasts. In Thailand, severe flooding around Bangkok has created staffing shortages in ground handling and taken cargo carts out of service, causing delays in cargo acceptance and pickup even though the airport remains open.