

# Fracht Shipping News



**#2**

**Our Fracht Container  
Freight Newsletter!**



# CargoSphere has been launched!



This user-friendly contract management platform allows us to easily manage and distribute rate updates in real-time, allowing for faster response times to customer requests.

**Currently, 9 carrier contracts are uploaded in CargoSphere.**

**CMA, COSCO, EVERGREEN, HAPAG LLYOD, HAMBURG SUD, MSC, MAERSK, SEALAND, and ZIM.**

We are currently focusing on US Exports for the initial implementation. More contracts are being considered for upload in the near future for our CORE Carrier contracts. Anyone who would like training can contact: **Karen Simpson**  
**[Karen.Simpson@fracht.com](mailto:Karen.Simpson@fracht.com)**  
for access and scheduling!

# Industry News

## Market Conditions

The additional extra-loader vessels have yet to take the wind out of the soaring market rates as demand remains very strong. We were expecting market rates to cool off somewhat in the 2nd half of August with the added capacity from extra-loader vessels, however this is not the case. Demand in a variety of sectors remains strong. PPE products, furniture and other home goods are leading the surge which is expected to continue through the remainder of peak season.

### Market Rates Reach 10 Year High

Ocean carriers have announced another general rate increase, effective August 15th, with an average increase of \$400-\$500 per 40'. Strong market vessel utilization is driving the mid-month GRI. The additional increase will be the 4th GRI since July 1st, which has driven rates to 10-year highs. September is historically the strongest peak season shipping month of the year and with China National Holiday looming, that will shut down production from October 1st through October 8th with another rate increase on September 1st is quite possible, if not likely.

## Import Surge Likely to Continue Through September

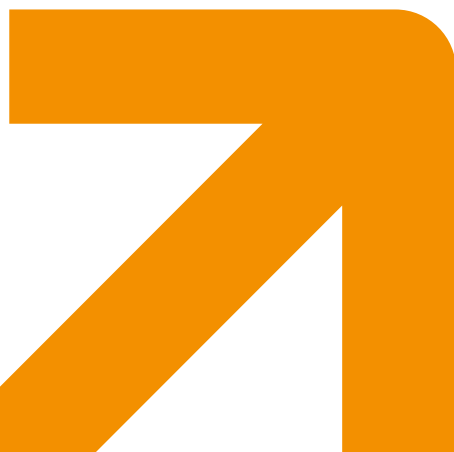
Due to the global pandemic many shippers had a foggy forecast on predicting how orders will look for peak season 2020. Now that peak season is upon us and volumes are being realized, import surge that started back in July looks to continue through the remainder of peak season. Big box importers and e-commerce market places are now forecasting stronger than expected volumes through early fall. Other seasonal importers that move the majority of products in August and September such as holiday decorations, giftware, and accessories expect similar volumes in comparison to last year or slightly lower. With very few blank sailings left in the market and carriers adding extra loaders, the expectations for a busy fall seems likely.

## Fixed/NAC-Rate Capacity Crunch

As market rates continue to increase it's becoming increasingly difficult for shippers to secure fixed rate capacity as the rate differential is astronomical. The market rate from China to LAX is more than double the cost of a fixed rate on a 40 container. We can only assume ocean carriers will strictly adhere to MQC with shippers and force additional volumes onto market-rate pricing even if booked for the same vessel. We have all seen this movie before!

## Equipment Shortages

A few China ports are starting to report shortages on equipment, especially 40'HC and 45'HC containers. Shanghai, Ningbo, and Yantian are reporting spotty shortages which vary depending on ocean carrier. We can expect sporadic issues on equipment to continue through peak season and potentially worsen if congestion is realized at US ports that can delay the turnaround of empty equipment back to Asia.



## MSC adds trans-Pacific capacity on strong US import demand

With the US import surge from Asia that began two months ago showing no signs of letting up, Mediterranean Shipping Co. has unveiled a new trans-Pacific service linking Yantian and Shanghai with Long Beach.

## New GRI set to push Asia-US West Coast FEU rates above record high

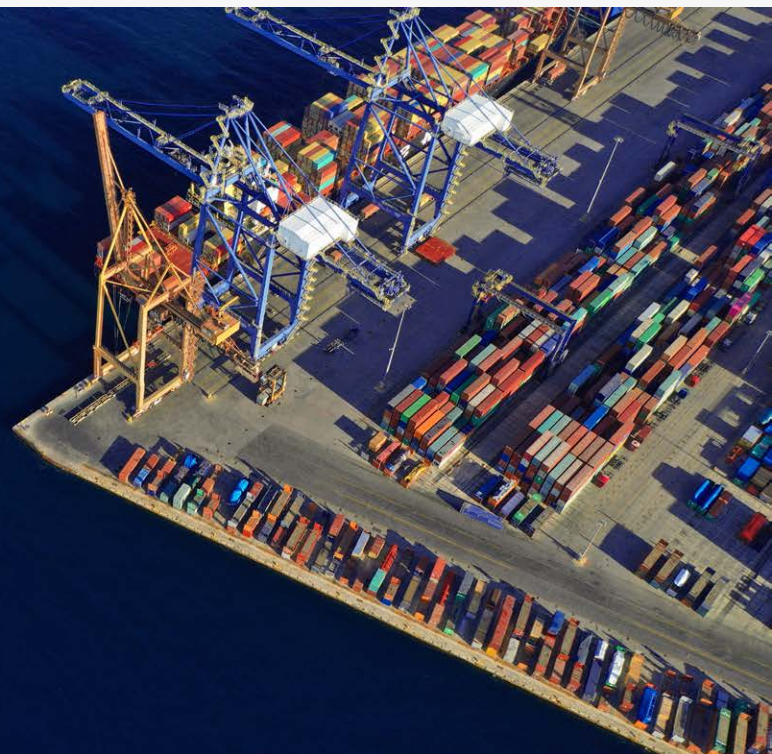
With stronger inbound volumes expected into at least mid-September, carriers have been emboldened to impose another general rate increase (GRI) that could elevate rates to the US West Coast to record levels. Forwarders say shipping lines in the eastbound trans-Pacific are telling them to prepare for a Sept. 1 GRI that could push West Coast spot rates above \$4,000 per FEU, a level that appeared inconceivable just a few months ago, when importers signed service contracts generally in the range of \$1,300 to \$1,600 per FEU. This would be the fifth GRI on US imports from Asia since June 1, when the spot rate was \$2,097 per FEU to the West Coast. In conversations with four non-vessel-operating common carriers (NVOs), executives said carriers continue to leverage tight vessel space and cargo rolling at Asian ports to command ever-higher rates.

## Container lines learning to make money in adversity

The second quarter financial reporting season is in full swing and container lines results rather than being the expected bloodbath with statements full of red ink are in general actually more profitable than they were a year ago. Q2 figures published by listed container lines reveal a very different story, yes volumes and to a lesser extent revenues are down, but profitability is up.

The biggest factor in these positive results has been the ability of lines to manage capacity thereby keeping up utilisation rates and avoiding the sector's seeming penchant for value destroying market share battles.

# Industry News



# Vessels/Rates

# Actual scenario

ORIGIN → DESTINATION RATES

VESSEL SPACE

ADDITIONAL INFO

|          |              |                   |                   |                          |
|----------|--------------|-------------------|-------------------|--------------------------|
| USA      | Far East     | Aggressive rates  | Space on vessels  |                          |
| Far East | USA          | Rates record high | Vessels collapsed | FAK prioritized/ 5th GRI |
| USA      | SAEC         | Aggressive rates  | Space on vessels  |                          |
| USA      | SAWC         | Aggressive rates  | Space on vessels  |                          |
| SAEC     | USA/Americas | Rates high        | Vessels full      | 3rd GRI                  |
| SAWC     | USA          | Normal rates      | Space on vessels  |                          |
| SAEC     | Far East     | Rates high        | Vessels full      |                          |
| Far East | SAEC         | High rates        | Vessels collapsed | FAK prioritized          |
| Europe   | USA          | Normal rates      | Space on vessels  |                          |
| USA      | Europe       | Normal rates      | Space on vessels  |                          |
| Europe   | SAEC         | Normal rates      | Space on vessels  |                          |
| SAEC     | Europe       | Normal rates      | Space on vessels  |                          |

# New Addition to the Fracht USA Procurement Team



Recently, we welcomed **Agustin Esposito** to the Procurement Team as the New Procurement & Tender Analyst.

Agustin has deep financial skills and we expect his expertise to take our procurement analysis to the next level!

**We are here to help you grow  
the business!**

Please feel free to reach out to us whenever needed

[procurement@fracht.com](mailto:procurement@fracht.com)