

Fracht Newsflash

Market Update August 2021

The supply chain is being tested now more than ever as COVID cases continue to increase at an accelerated rate. With the current number of COVID cases surpassing the amount of last year's COVID peak, our supply chain is fighting to balance supply and demand with the continued added pressure. Companies worldwide are looking for alternatives to keep the supply chain alive and get their products delivered.





Ocean Freight

Declining Trans-Pacific Performance

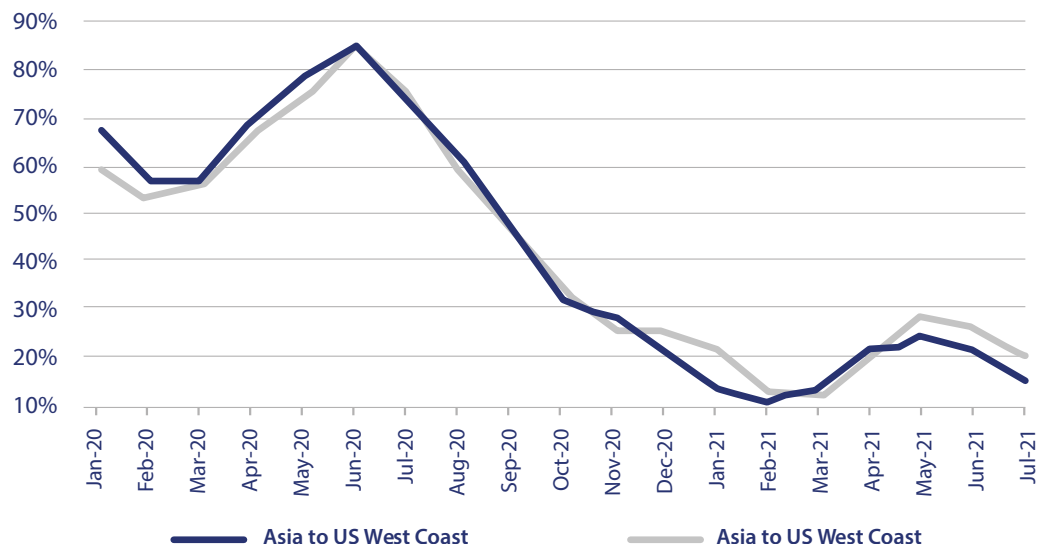
As the trans-Pacific situation continues to worsen, performance reports for July indicate that on-time arrivals of container ships continue to decline. The three vessel-sharing alliances continue to struggle with severe

congestion at the port level in Asia and the US. Additionally, ad-hoc vessel deployments are straining terminal assets as they are needed to manage the surging Asia imports into the US.

According to July's reports, **28 of the 34** trans-Pacific trade lanes show a clear decline in on-time arrivals.

Trans-Pacific Schedule reliability slips for third straight month

Percentage of on-time arrivals of container ships. Ships are considered late if they arrive one calendar day or more after schedule.





The Congestion Continues

As we continue to navigate the ongoing congestion issues worldwide, many carriers are getting creative in securing additional vessels by sourcing smaller vessels as extra loaders. This creativity is necessary to attempt to meet the increasing demand in the eastbound trans-Pac Lane. While many have increased vessel numbers, getting these vessels into the congested ports on the West Coast is a problem.

Though the per-unit costs are higher for carriers on smaller vessels, deployment of these vessels is still profitable.

Higher demand = higher rates.

Dan Smith, principal at Tioga Group, a US transportation consulting firm, states that it is predicted this will continue into early next year. Also stating-

“As long as people are willing to pay these astronomical rates, carriers will be able to find enough ships.”

Berthing Space Availability

While capacity is increasing, the ability to secure berthing space for these improvised calls at terminals on the West Coast is proving to be an additional challenge. These terminals are operating at capacity as they are.

Several terminals have stated that they can accommodate a handful of these additional, extra-loader vessels. Terminal operators are making it clear that the wait time at anchor for these ships could be a week or longer as they wait for a berth to come available.

On the East Coast, Georgia Ports Authority urges importers in the US to stay on top of their cargo as volumes continue to increase the dwell times (up to 10 days, in some cases). GPA encourages faster pick-up and the utilization of rail options as they wait for new storage space for containers at the Garden City Terminal in Savannah.

On September 29th, the California coast hit a record-breaking 50+ ships stuck at anchor, awaiting the ability to enter Ports in Los Angeles/Long Beach & Oakland. The previous record was set in February of this year, with 40 ships at anchor.



© Brittany Murray/MediaNews Group/Long Beach Press-Telegram via Getty Images Freight ships sitting off the coast of California in January. US ports have experienced some of the worst bottlenecks in more than a decade throughout the COVID-19 pandemic. Brittany Murray/MediaNews Group/Long Beach Press-Telegram via Getty Images

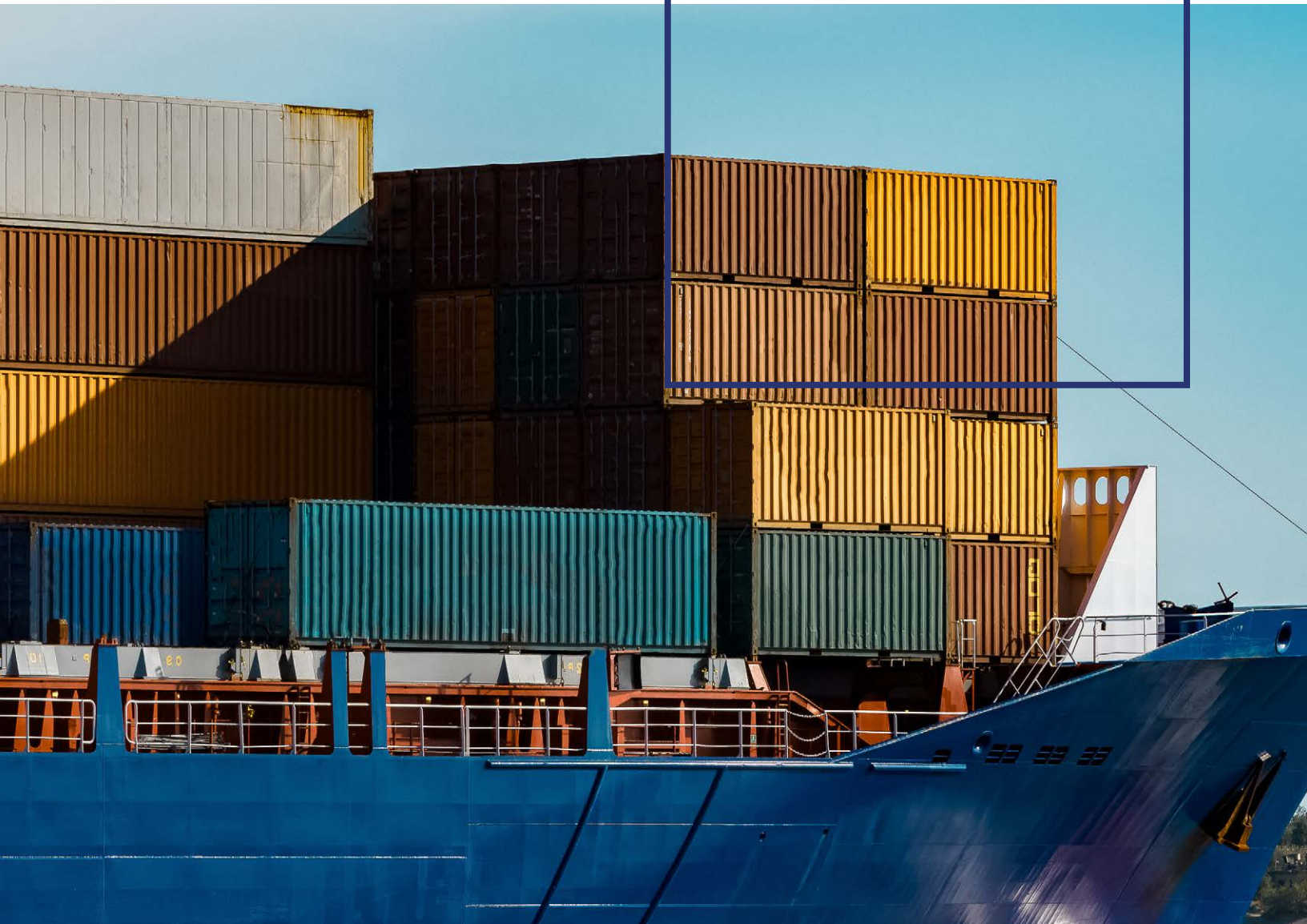
PORT	VESSELS AT ANCHOR	VESSELS AT DRIFT	VESSELS INBOUND TO BERTH
LOS ANGELES/LONG BEACH	45	5	
OAKLAND	8		
VANCOUVER	11		
SEATTLE/TACOMA	12		1
CHARLESTON	2		1
SAVANNAH	20		
NYC/NJ	3	1	1



Chassis Shortages and Delays

Chassis shortages continue to be a major issue across the country as truckers also continue to struggle with the increased capacities. Currently, we are seeing an average requirement of approximately 3 weeks' notice for chassis across the country. Places like Dallas, Atlanta, Cleveland, and Columbus require a **1.5 WEEK** estimated notice. Other cities such as Charleston, Miami & Savannah are requiring **4 TO 5 WEEKS** or more.

Proactivity is absolutely key in obtaining chassis.





Air Freight

Disproportioned Air Freight Market

Tightening COVID-19 regulations has been a recent cause of the increase in air freight rates. Multiple Chinese airlines have canceled international flights where crew members must stay overnight. Furthermore, many overseas flights have been canceled and those crewmembers participated in 14-day quarantines. Flight cancellations that lead to space shortage is why we are expecting rates to increase.

India is experiencing an increase in rate prices too. "Every week there seems to be a substantial increase in rates, especially to Europe and the US. "The approximate rate for the US is more **than \$8.5 to \$9, with a maximum of \$13 per kg, while to the EU they are about \$3.45 to \$3.60.** Rates are not stable". A forwarder in India reported.

Shanghai Shutdown

SHANGHAI AIR CARGO BOTTLENECKS ARE BUILDING RAPIDLY AT SHANGHAI PUDONG INTERNATIONAL AIRPORT WITH NO INBOUND CARGO FLIGHTS TO COLLECT CHINA'S EXPORTS FROM THE WORLD'S THIRD-BUSIEST AIR FREIGHT HUB.

Effective late August, all inbound freighter and cargo-only passenger flights have been on hold following two positive cases of the COVID-19 Delta variant. Airport terminals and ground management have placed strict isolation requirements for employees, **which has severely impacted unloading and loading of cargo and led to flight cancellations. Operations will remain limited until further notice.**



Rail Freight

Peak Season Imports Disrupted by Congestion

Inland rail congestion has taken a major toll on the supply chain. For example, **“the Chicago area is storing ROUGHLY THREE TIMES the amount of ocean containers as they were at this time last year.”** Although monitoring of our railways has increased, the intense import volumes are continuing steadily. In fact, **congestion is predicted to last until 2022.**

Knowing that peak season is rapidly approaching, shippers are scrambling to free up storage space, especially on the west coast where they're bombarded with an overflow of containers.

“The number of 53-foot containers moving from the Southwest to Midwest...**INCREASED 12 PERCENT** year over year in the second quarter and **JUMPED 19 PERCENT**

compared with the same quarter of 2019.” According to the Intermodal Association of North America (IANA). Demand is simply overpowering the available capacity, leading to massive amounts of congestion.

To provide relief railroads are diverting containers to alternative inland depots and offering financial incentives to customers in a desperate attempt to speed up the process of container removal from terminals. Even further, “Effective early September, NS will roll out a **\$200-PER-CONTAINER INCENTIVE** for importers whose drayage partners can perform a “dual move” — i.e., drop off and retrieve a container in a single trip.” Shippers are giving their all to free up space for the approaching peak season.

Metering Inland Congestion

Inland intermodal networks and rail ramps in Chicago, Memphis, Kansas City, and the Ohio Valley country have been overcrowded and congested for the past two months. The surge in ocean container volume became so overwhelming that the Union Pacific Railroad suspended international service into Chicago for one week in July. Several other Railways including BNSF Railway, CSX Transportation, and Norfolk Southern Railway have all restricted the number of containers taken to and from Chicago.

METERING is defined as “regulating the flow of traffic to a destination terminal under stress or congestion due to many factors such as international chassis availability.” The railways are using metering to get caught up on shipments and deliveries. Although metering alone will not resolve the congestion issue it has helped tremendously to coordinate between railways over the past two months.



Truck Freight

Peak Season Arrives Early for Trucking Rates

Peak season has arrived early for the Truck Freight Industry, both spot and contract truckload rates continuing at a stable and heightened rate. Shifting from the normal peak season months of October through November **to July through August**. A combination of constant demand and disturbance to the supply chain is the ultimate cause for the early peak season.

The truck pricing cycle is not going to budge anytime soon. This is because the industry is still impaired from plant closures across the US and various port shutdowns overseas. Not only are truckload rates rising, but so are contracted truckload rates. According to The Journal of

Commerce Online, **“Large publicly owned less-than-truckload (LTL) carriers in the past month have reported average contractual rate increases ranging FROM 8 TO 12 PERCENT FOR THE SECOND QUARTER”**. Leading to the incapability to move freight, causing a delay in the trucking supply chain pipeline.

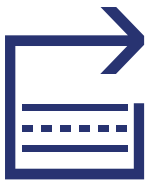
Returning to normal market conditions this season is not foreseeable. Due to the widespread COVID- Delta variant and other economic factors like hurricane season. As the holidays are approaching, shippers and carriers are preparing for further disruption of the already distressed supply chain.

Constrained Capacity

Inland Truck capacity is extremely tight across the US. Lengthening delays on the ocean are threatening inland transportation networks, **adding weeks to many delivery times**. In addition to continued high import volumes, Typhoon In-fa and the ongoing COVID-19 pandemic, disruptions to the inland transportation network have only deepened.

Freight demand will remain strong through the end of 2021 as the holiday season **is expected to begin sooner and exceed 2020 numbers**.

Disruptions are expected during this time and your team here at Fracht is here to help ease the impact, offer support, and provide alternative solutions where and if necessary. Together, we hope to maintain visibility of any disruptions and work through any challenges we may face. If you have any questions, concerns, or would like any further information regarding the above, please do not hesitate to reach out to your local Fracht representative – we are here to help.



Looking ahead

As conditions across the world continue to change due to the rekindling of COVID, the supply chain will continue to adapt to the best of its abilities. If you are affected by any news mentioned or other COVID impacts, please contact your Fracht representative.

We will work together to deliver a tailored solution to you!

Sources

Hannah Towey, G. K. (2021, August 30). *A record-breaking 44 container ships are stuck off the coast of California*. Business Insider. <https://www.businessinsider.com/shipping-delays-china-supply-chain-record-ships-stuck-california-ports-2021-8>.

Lennane, A. (2021, August 10). *Edgy air cargo market could see 'a Crazy' peak season Rates boom*. The Loadstar. <https://theloadstar.com/edgy-air-cargo-market-could-see-a-crazy-peak-season-rates-boom/>.

Peak season arrives early for US trucking. Economy: Peak season arrives early for US trucking. (n.d.). https://www.joc.com/trucking-logistics/truckload-freight/peak-season-arrives-early-us-trucking_20210812.html.

Pvg quarantines pile pressure on air cargo supply chains. Air Cargo News. (2021, August 24). <https://www.aircargonews.net/business/supply-chains/pvg-quarantines-pile-pressure-on-air-cargo-supply-chains/>.

Railroads look to ease inland congestion through metering. US Ports: Railroads look to ease inland congestion through metering. (n.d.). https://www.joc.com/rail-intermodal/class-i-railroads/railroads-look-ease-inland-congestion-through-metering_20210826.html.

US intermodal congestion derailing peak season imports. US intermodal Congestion derailing peak SEASON IMPORTS. (n.d.). https://www.joc.com/rail-intermodal/us-intermodal-congestion-derailing-peak-season-imports_20210819.html.

Journal of Commerce / JOC.com