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Excellence in supply chain

SEA FREIGHT: the evolution of rates

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The growth of international trade has been a major driving force behind the sea freight forwarding industry, leading to significant structural changes in the shipping industry since the end of World War II.
The increase in the volume of international traffic has largely contributed to the development of the sea freight forwarding industry. The global economic environment of the last 40 years has been bright but unstable.

Shipping conferences

Historically, liner conferences were authorized groups of shipowners who collectively established shipping rates in the sea freight forwarding industry. These practices were subject to competition law to ensure a fair and balanced operation between shippers, shipowners, and countries. Liner conferences brought regulation and structure to the sea freight environment, regulating market prices to benefit all parties involved and ensure industry viability with competitive prices for customers.

The 2008 economic crisis

The subprime crisis in 2008 led to a slowdown in global trade, causing a decline in sea freight transport growth and initiating a global economic crisis. This resulted in a collapse of demand for sea freight transport and freight rates, negatively impacting the profitability of shipping companies. As a result, the European Union revoked liner conferences due to its opposition to rate agreements.

Towards the rise of alliances

The European Union has banned liner conferences, which has led to the creation of new agreements between shipowners called shipping alliances. These alliances aim to help companies save money and prevent overcapacity. Unfortunately, many shipowners have gone bankrupt recently, including the famous Hanjin Shipping company from Korea, which was once 7th in the world before their activity ended in 2017. Currently, there are three major alliances that divide international sea freight transport.

The "2 M" alliance is a group made up of three companies:
- MAERSK, Denmark; with the acquisition of HAMBURG SUD, Germany.
- MSC (Mediterranean Shipping Company), Switzerland + Italy;
- HAMBURG SUD, Germany;

This alliance includes 223 vessels for a total capacity of 2.1 million TEU.

The "Ocean Alliance" composed of the association of :
- CMA-CGM (Compagnie Maritime d'Affrètement - Compagnie Générale Maritime), France + APL (American President Lines), Singapore + United States ;
- EVERGREEN (Evergreen Marine Corporation), Taiwan, associated with OOCL (Orient Overseas Container Line), Hong Kong;
- COSCO (China COSCO Holding), China, associated with CSCL (China Shipping Container Lines), China.

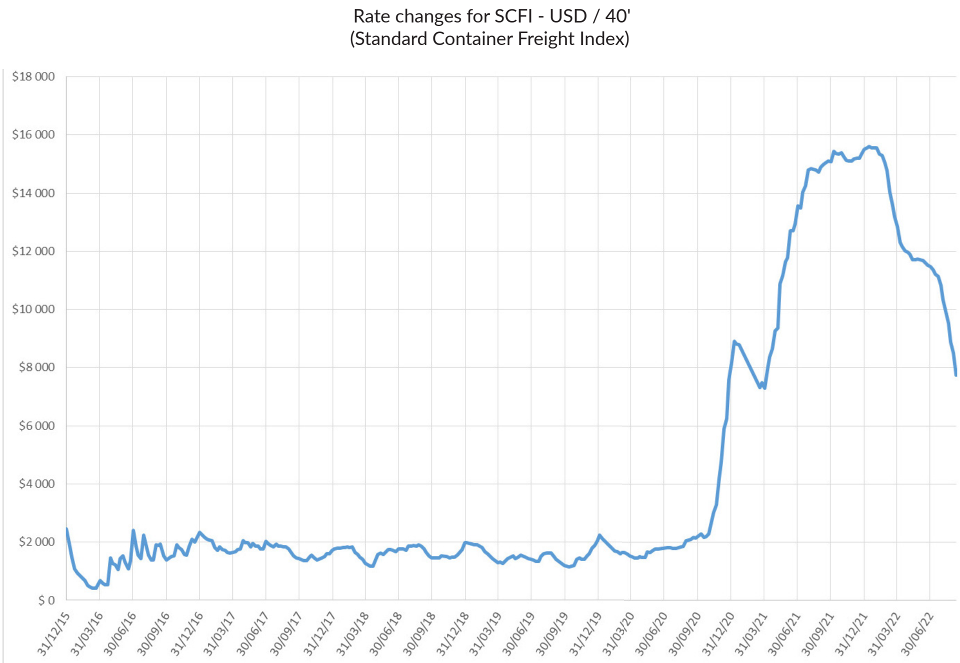
It consists of 323 vessels with a total capacity of 3.8 million TEUs.

"The Alliance" alliance is made up of four big companies:
- ONE (Ocean Network Express) - Merger of the companies MOL - NYK - KLINE, Japan
- YANG MING (Yang Ming Marine Transport), Taiwan ;
- HAPAG-LLOYD, Germany, integrating UASC (United Arab Shipping Company), Kuwait, after its acquisition in May 2017.
- HYUNDAI (Hyundai Merchant Marine), South Korea.

This alliance includes 249 vessels with a total capacity of 3.5 million TEUs.

The health crisis of 2019

The COVID-19 crisis has shown us that relying on just a few places on the planet to produce goods can create vulnerabilities. After an initial fall in demand, demand for goods rose to all time highs, and the shipping industry had trouble keeping up. There was a shortage of resources like materials, workers at the ports, and even containers to transport goods. As a result, sea freight rates skyrocketed.



Asia-Europe flow

We are seeing major changes in the way things are being imported and exported due to the pandemic because of shifts in the way people consume goods all over the world. As a result, there's an unprecedented break in the usual cycle of import and export.

$15,000 Average price for a 40-foot container between Asia and Europe (end of 2021)

BETWEEN 2019 AND 2020

X10

Container prices increased and sea freight rates increased 10-fold.

According to the Freightos Baltic Index, the price for a 20-foot container on major shipping routes increased five times in just one year, from 2019 to 2020. It cost around $9,000 to ship a container from China to the west coast of the United States, and over $13,000 to ship to Europe! In 2019, it was only $1,200 to ship to Europe, so you can see how big of a jump that is. The problem is that there aren't enough ships to meet the demand, so some ports are getting really crowded. This situation doesn't seem to be ending anytime soon.

BETWEEN 2019 AND 2020

+4-6 weeks

waiting time at the port of departure in Asia

Under-capacity and unusually high demand do not mix well.

Waiting in Asia
28 to 42 days

Departure from factory and unloading at port of arrival
40 days

Central European warehouse passage and local redistribution
15 to 20 days

Total excluding pandemic crisis
55 to 60 days

Total during the pandemic
83 to 102 days

The Covid-19 pandemic has had a lasting impact on the global economy and trade.

The prices for getting things transported around the world have gone up a lot - anywhere from three to ten times more expensive, depending on where you're shipping to. This has caused some delays, cancellations, and even suspensions of shipments. And because of all this, consumer prices have gone up too. It's been a bit of a mess, especially in Asia.

Blank Sailing (Cancellation of one or more stopovers or an entire trip)

Under normal circumstances, shipping companies follow a set schedule when transporting goods by sea, with specific dates for when they will stop at different ports along the way.

But due to various factors like the pandemic, political circumstances, or too many ships at a port, the shipping company may choose to skip a port or even cancel the entire route. This can also happen if they want to create a shortage of space or if there isn't enough cargo to fill the ship.

As a result, the ship may be absent from a port for a week or longer, even though the cost of shipping is very high.

This can lead to lower quality service and delays for customers waiting for their goods.

DID YOU KNOW?

The International Maritime Organization (IMO) has laid out a new plan that calls for companies to speed up their efforts to reduce greenhouse gas emissions from their ships by 2023.

What does the future hold?

The acceleration of the decarbonization of the fleet should lead to a reduction or even disappearance of the chartering offer, i.e., vessels chartered on an ad hoc basis to relieve port congestion. But it will also lead to a reduction in capacity on the main shipping lines, as vessels will have to be mobilized for about two months to bring them up to standard. It is not certain that there will be enough ships to meet the demand.

To meet emission standards, ships will need to sail slower, which will require 10% more ships to transport the same amount of goods. This could drive up transportation prices even further.

According to the United Nations Conference on Trade and Development (UNCTAD), if freight rates continue to rise, consumer prices worldwide will go up by 11%.

It is necessary to wait for the arrival of the new vessels ordered, which will be put into circulation in 2023, to estimate the capacities of shipping companies. Only 55% of the world's fleet is currently compliant with the new standards.

This transition will take time and the supply chain will continue to be disrupted beyond 2023.

The present day

The pandemic and the geopolitical conflict has led to a rise in raw material prices.

This has caused many companies to order in bulk to reduce costs and prevent possible shortages. As a result, there is now an overstocking of goods and a decrease in demand for transportation.

However, as the economy weakens and inflation rises, demand for goods is slowing down.

At present, transport capacities are available again and port congestion is being reduced more rapidly, while at the same time we are witnessing a slowdown in world demand with a possible recession by 2023.

China's exports are also slowing down, leading to less demand. The historically "lucrative" routes for shipping companies (Asia / USA, in particular) are less so and they must review their transport plans to adapt to these changes. Some even plan to reposition ships on the Europe/USA route.

In early 2023, new vessels will be introduced, increasing the capacity available on the market.

However, this increase will be tempered by the withdrawal of some older vessels, and by the need for shipping companies to bring the rest of their fleet into compliance with the new IMO 2023 regulations.

What about the future

It's tough to predict how much freight will be needed in the future. Shipping costs have gone way up, which has caused a lot of tension between the companies doing the shipping and the ones receiving the goods.

But things are starting to change! As demand for shipping goes down, companies that own ships are competing with each other to find enough freight to fill their vessels. This competition is leading to a decrease in shipping rates, which is great news for businesses that need to transport their products.

We might soon see shipping rates go back to what they were before the pandemic.

OUR EXPERTISE IN SEA FREIGHT

Strategically located around the world, Ziegler offers an advanced range of sea and inland waterway solutions.

We offer expertise in global supply chain and distribution, from groupage to customized containers, from full single or multi-stop to triangular trading solutions.

We have extended this expertise to specific solutions such as temperature-controlled transport, oversized transport (OOG), undivided bulk transport, conventional transport and ship chartering.

Aware of the industrial stakes and the permanent evolution of the markets, we develop customized solutions adapted to all sectors of activity.

Ziegler Group owes its success to its amazing employees, who are experts and passionate about what they do. They strive to provide customers with innovative, customized, and responsive multimodal transportation services. It is because of their dedication that Ziegler is known for its expertise and has been able to grow and thrive as a company.

RECOGNIZED KNOW-HOW

Ziegler Group has been around since 1908 and has become the top player in the transport and logistics industry, providing custom solutions for air, sea, road, rail, customs, and logistics.

With over 3,200 employees worldwide and a network of 154 branches in 16 countries, we have a strong global presence to meet our clients' needs.

Our exclusive agent network also extends our reach to the rest of the world.

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