



The Great Shipping Crisis of 2021

Presented jointly by

All India Spices Exporters Forum – AISEF, Kochi

Indian Spices & Foodstuff Exporters' Association – ISFEA, Mumbai

Federation of Indian Spice Stakeholders – FISS, Unjha

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Acknowledgements



**To,
The Ministry of Shipping, The Ministry of Commerce and the Spices Board.**

Dear Sirs,

On behalf of all the Members of the

**Indian Spice & Foodstuff Exporters' Association (ISFEA), Mumbai,
Federation of Indian Spice Stakeholders (FISS), Unjha and
All India Spices Exporters Forum (AISEF), Kochi**

We would like to thank you for giving us an opportunity to give a presentation in this meeting on the shipping crisis in our industry and the issues members are facing and request your immediate intervention.



Shipping Crisis – the problems



- The pandemic resulted in slowing down of clearances of containers from major container terminals in the world.
- This was caused due to the acute shortage of manpower in the areas of customs clearance, food security, equipment handling, drivers etc.
- This created the worst congestions in all leading container terminals.
- In 2021, the largest terminal in China, Yantian was shut which caused huge disruption.
- Mother vessels with capacity of 20,000 TEUs wait for weeks to get space to dock at terminals.



Ships waiting to dock at Long Beach Port, California



Shipping Crisis – the problems



- None of the Indian companies figure in the top ten shipping companies in the world.
- Cosco which is a Chinese government owned shipping company is the 2nd or 3rd largest in the world. They own 59 terminals in the world out of which 51 are container terminals and they handle 126.8 million TEUs making them the world's largest container terminal operator.
- Boxes are not returning from US and Europe as expected but going directly to China, creating further shortages.



Truck congestion at most port



Shipping Crisis – the problems



- Freight from China to Europe and US has skyrocketed and hence shipping lines are giving preference on this route, which is affecting India.
- Next challenge will be with cargo starting to move for Christmas. Container ships are going to be over booked and they have already announced blank sailings to Indian ports.
- Even ships which call on Indian ports hardly take much export cargo.
- The Suez Canal episode added to the woes of the shipping crisis.



The blockage of Suez Canal which caused major disruption



Shipping Crisis – the problems



- Freight rates for both 20 & 40ft FCLs have gone up multifold if we compare the current rates to that of the pre pandemic days.
- Higher Exchange rates are being charged by the Freight Agents/Shipping Line at the time of the release of B/L. Also to get bookings in the current vessel, Members have to pay extra. The Ocean Freight charges have increased tremendously. For eg. for Felixstowe Port the Ocean freight was \$1000 in the month of Feb 21 and now it is \$7000, it was \$2000 for New York in Feb and now it is \$12000, it was \$1500 for Australia in Feb and now it is \$8000, it was \$2500 for Toronto in Feb and now it is \$17000, it was \$1500 for South Africa in Feb and now it is \$6000. These are only a few examples. Average rates are shown in the next slide.

Some Freight rates compared between March 2020 & August 2021 from Cochin & Mundra ports

Origin	Destination	Freight 2020 March		Current Rate		Increase in value		Increase in %	
		20ft	40ft	20ft	40ft	20ft	40ft	20ft	40ft
Cochin	Melbourne	\$ 650.00	\$ 800.00	\$ 5,200.00	\$ 8,800.00	\$ 4,550.00	\$ 8,000.00	700%	1000%
Cochin	Montreal	\$ 1,750.00	\$ 2,700.00	\$ 9,000.00	\$ 12,000.00	\$ 7,250.00	\$ 9,300.00	414%	344%
Cochin	Hamburg	\$ 550.00	\$ 750.00	\$ 6,200.00	\$ 7,300.00	\$ 5,650.00	\$ 6,550.00	1027%	873%
Cochin	Felixstowe	\$ 500.00	\$ 750.00	\$ 6,200.00	\$ 7,300.00	\$ 5,700.00	\$ 6,550.00	1140%	873%
Cochin	Kobe	\$ 225.00	\$ 550.00	\$ 750.00	\$ 1,400.00	\$ 525.00	\$ 850.00	233%	155%
Cochin	Yokohama	\$ 225.00	\$ 550.00	\$ 750.00	\$ 1,400.00	\$ 525.00	\$ 850.00	233%	155%
Cochin	Tokyo	\$ 225.00	\$ 550.00	\$ 750.00	\$ 1,400.00	\$ 525.00	\$ 850.00	233%	155%
Cochin	Penang	\$ 150.00	\$ 300.00	\$ 725.00	\$ 1,100.00	\$ 575.00	\$ 800.00	383%	267%
Cochin	HO chi Min City	\$ 225.00	\$ 375.00	\$ 900.00	\$ 1,500.00	\$ 675.00	\$ 1,125.00	300%	300%
Cochin	Rotterdam	\$ 500.00	\$ 750.00	\$ 6,200.00	\$ 7,300.00	\$ 5,700.00	\$ 6,550.00	1140%	873%
Cochin	Helsingborg	\$ 850.00	\$ 1,000.00	\$ 7,200.00	\$ 8,800.00	\$ 6,350.00	\$ 7,800.00	747%	780%
Cochin	Los Angeles	\$ 3,000.00	\$ 4,500.00	\$ 9,800.00	\$ 12,000.00	\$ 8,600.00	\$10,400.00	717%	650%
Cochin	Baltimore	\$ 1,900.00	\$ 2,800.00	\$ 9,500.00	\$ 13,000.00	\$ 7,600.00	\$10,200.00	400%	364%
Cochin	New York	\$ 1,300.00	\$ 1,600.00	\$ 9,000.00	\$ 12,000.00	\$ 7,700.00	\$10,400.00	592%	650%
Cochin	Cape Town	\$ 800.00	\$ 1,200.00	\$ 8,000.00	\$ 12,000.00	\$ 7,200.00	\$10,800.00	900%	900%
Cochin	Durban	\$ 800.00	\$ 1,200.00	\$ 8,000.00	\$ 12,000.00	\$ 7,200.00	\$10,800.00	900%	900%
Mundra	Montreal	\$ 2,100.00	\$ 2,900.00	\$ 9,500.00	\$ 12,000.00	\$ 7,400.00	\$ 9,100.00	352%	314%
Mundra	Hamburg	\$ 650.00	\$ 850.00	\$ 6,200.00	\$ 7,300.00	\$ 5,550.00	\$ 6,450.00	854%	759%
Mundra	New York	\$ 1,300.00	\$ 1,600.00	\$ 9,000.00	\$ 12,000.00	\$ 7,700.00	\$10,400.00	592%	650%
Mundra	Baltimore	\$ 1,900.00	\$ 2,800.00	\$ 10,000.00	\$ 11,500.00	\$ 8,100.00	\$ 8,700.00	426%	311%
Mundra	HO chi Min City	\$ 210.00	\$ 350.00	\$ 900.00	\$ 1,500.00	\$ 690.00	\$ 1,150.00	329%	329%
Mundra	Yokohama	\$ 300.00	\$ 435.00	\$ 800.00	\$ 1,500.00	\$ 500.00	\$ 1,065.00	167%	245%



Shipping Crisis – the problems



- Except for high value cargo none of the other exporters can afford such high freight rates.
- Trans-shipment delays and delays on account of roll over at ports have increased the transit delays by two and three times to what it was in 2019.
- Exporters who have signed off long term CIF contracts are losing heavily as customers are not agreeing to revise contracts.
- While India has been doing well so far in its exports, we could have done much more and we are facing a serious crisis going forward with huge sailing cancellations in August and impending surge in demand for Christmas goods.



Warehousing crisis



Shipping Crisis – the problems



- The top shipping lines seem to have formed a cartel and are controlling the freight rates as they know fully well that this shortage and crisis will continue until 1st Q - 2023.
- Chinese government is subsidizing its exporters for the incremental freight rates.
- The direct weekly sailing to Europe from Chennai/Cochin skipped Cochin call on 19TH APRIL, 26TH APRIL, 10TH MAY, 28TH JUNE , 12TH JULY.
- Over and above the blank sailings, ships that call the ports are not accepting cargo leading to export cargo being stuck at the Indian ports at the last moment, many a time leading to demurrages and contract cancellations.



Shipping Crisis – the problems



- The next two months are also expected to have blank sailings of the weekly Europe vessel on AUGUST 24TH, SEPTEMBER 21ST, OCTOBER 12TH from Chennai / Cochin.
- The feeder vessels to Colombo are also unduly delayed.
- We are seeing the same situation in all Indian ports, with Nava Sheva expecting more blank sailings in August alone.
- We are hearing news about capacity building both in terms of ship building and container manufacturing but the earliest we can expect additional capacities to be available is early 2023.
- The profits of leading shipping lines are at a record high. It is time that they sat across the table with international trade bodies and discuss short, medium and long term solutions.



Financial Results of major Carriers



Table below shows the Carrier Financial Results which backs the massive increase in prices of freight rates.

Carrier	Revenue			Operating Profit			Operating Profit Margin		Net Profit		
	2020	2021	%	2020	2021	%	2020	2021	2020	2021	%
Maersk Group ^{5),8)}	7,230	9,478	31%	348	2,700	676%	4.8%	28.5%	n.a.	n.a.	n.m.
CMA CGM ^{2),5),8)}	5,456	8,586	1%	797	2,975	3%	0	0	56	2,090	36%
COSCO SHIPPING Holdings ^{6),9)}	4,613	9,255	101%	n.a.	n.a.	n.m.	n.a.	n.a.	41	2,356	5,646%
Hapag-Lloyd ⁵⁾	3,684	4,903	33%	176	1,539	774%	4.8%	31.4%	27	1,451	5,274%
ONE ³⁾	11,865	14,397	21%	n.a.	n.a.	n.m.	n.a.	n.a.	105	3,484	3,218%
Evergreen Marine Corp. ^{1),7)}	1,442	3,214	1%	12	1,609	134	0	1	-15	1,289	89%
HMM	1,113	2,179	96%	-2	915	45,850%	-0.2%	42.0%	-56	138	346%
Yang Ming ^{1),9)}	1,145	2,186	91%	8	1,021	12,663%	0.7%	46.7%	-25	863	3,552%
Zim	823	1,744	112%	97	817	742%	11.8%	46.8%	-12	590	5,017%
Wan Hai ¹⁾	595	1,355	128%	20	618	2,990%	3.4%	45.6%	3	519	17,200%
Average⁴⁾	20,645	34,314	66%	659	9,219	1,299%	3.2%	26.9%	-37	7,206	19,754%

Source: Alphaliner, DynaLiners; n.a. = not available, n.m. = not meaningful; 1) Local currency numbers were converted into USD using the average exchange rate for relevant financial period; 2) Container shipping segment only, excl. CEVA Logistics, Net Profit for Group; 3) Result is Q1-4 of Japanese financial year, i.e., Apr – Mar not calendar year; 4) Average excluding ONE, CMA CGM, Evergreen; 5) Operating profit is EBIT; 6) COSCO Shipping Lines and OOCL, excl. terminals; 7) Not consolidated for Evergreen Group; 8) Ocean segment only; 9) Container segment only, excl. terminals. Net Profit for Group

Source: DHL Ocean Freight Market Update, August, 2021



How the Container shortage is playing out

INDIA to rest of the world – SEVERE SHORTAGE

CHINA to rest of the world – SEVERE SHORTAGE

INDONESIA to rest of the world – SEVERE SHORTAGE

AUSTRALIA to rest of the world – SLIGHT SHORTAGE

RUSSIA to rest of the world – MODERATE SHORTAGE

UNITED STATES to rest of the world – MODERATE SHORTAGE

SOUTH AFRICA to rest of the world – MODERATE SHORTAGE

EUROPE to rest of the world – CONSTRAINED SHORTAGE

BRAZIL to rest of the world – CONSTRAINED SHORTAGE





Shipping Crisis – What we ask of our Government

- India may take up this matter through international trade bodies and the large shipping lines to be made sensitive of the matter and to take extra efforts to avoid blanking of sailings and control further increase in freight rates.
- A control mechanism should be put in place to ensure that the shipping companies do not skip their scheduled sailings and if such skipping happens, they should not be given priority for increasing their schedules in future.
- Shipping companies must ensure that Indian exports are not affected during the upcoming Christmas season on account of container shortage and blanking of sailings.





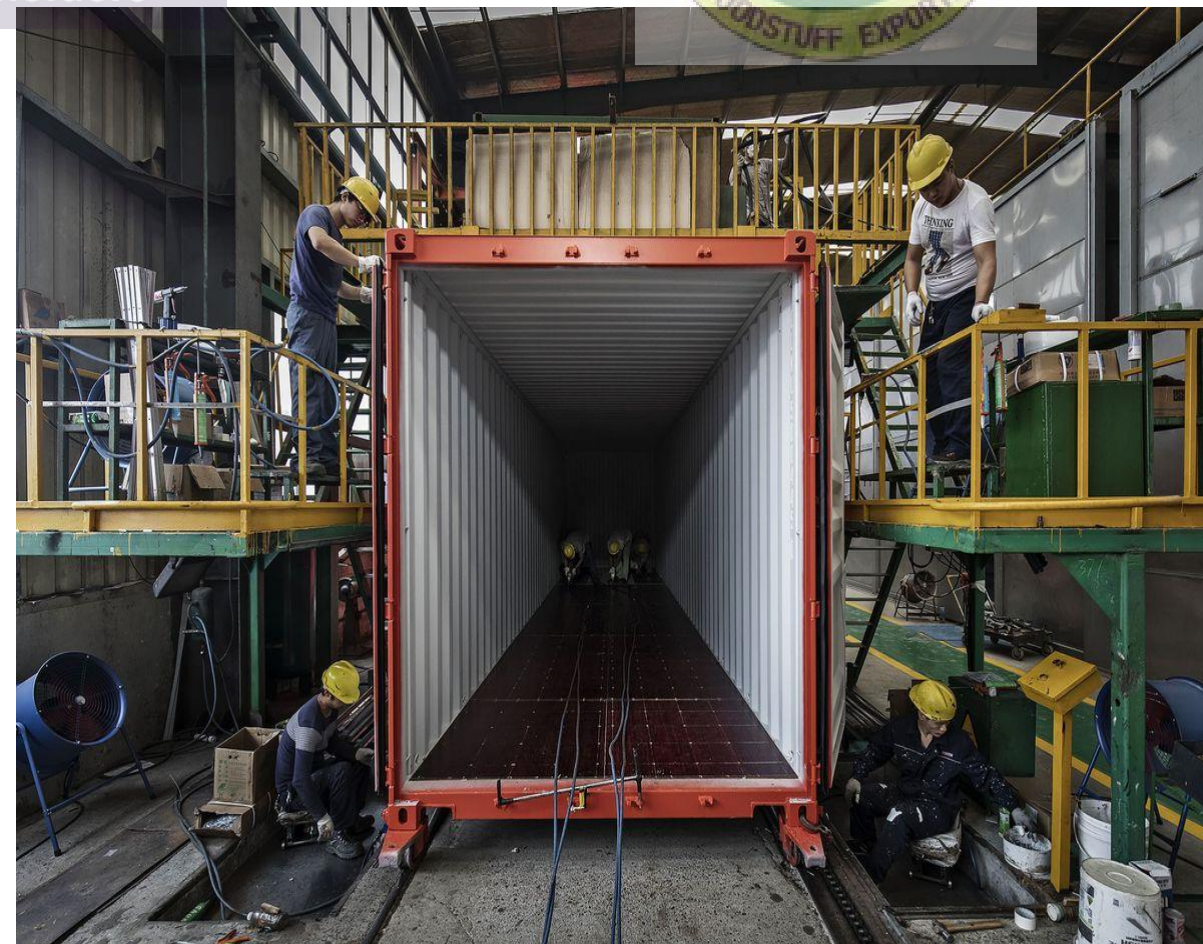
Shipping Crisis – What we ask of our Government

- The shipping companies should come forward and agree for short and medium term contracts with exporters, and exporters from their side will assure volumes. The shipping companies cancelled contracts this time without notice and exporters we asked to book on spot basis.
- The shipping companies should be asked to allocate larger and more vessels and containers to India to meet the 25-30% increase in merchandise exports.
- As a long term strategy, India should strengthen the state owned Shipping Corporation of India or have stakes in leading shipping company, as we are fully dependent on ocean freight for our exports.
- The Cartelization, Monopolistic and Restrictive Trade Practices of big shipping companies should be stopped immediately. The government should audit their costs. Government should immediately start a high-level probe into the costs of the shipping lines.
- As mentioned earlier, Transit times nowadays have increased – for example transit time to Vancouver's which used to be about 35 days is now 80 days. Transit delays needs taken up with the shipping lines.



Shipping Crisis – What we ask of our Government

- Government of India's proposed Container manufacturing facility in Bhavnagar must be put on priority fastrack.
- A notification was issued for import shipments during pandemic last year not to charge detention/demurrage on late clearance. This is still being charged and refund is not given. We request you to please look into this issue.
- The Exchange Rate charged by the Shipping Lines for Ocean Freight is higher than the interbank rates & we request some control on the higher exchange rate being charged by the Lines. They are not even uniform. Each Line has its own rate mechanism.





Shipping Crisis – What we ask of our Government

- Consider freight subsidies as requested below, to Indian exports as a measure to motivate Exporters who have performed exceptionally well during these trying times, and exports are at its peak. This should not be allowed to drop.
- Our Associations requests that the Shipping Ministry supports the exporters and take up the matter with The Ministry of Commerce & Industry regarding increase in the assistance amount per TEU in the scheme of Transport and Marketing Assistance (TMA). In Annexure (3) the amount of assistance per TEU against the specified region is very less as compared to the freight amount that we Exporters are paying now. For eg. For EU the assistance provided by the Govt. per TEU is Rs.9800/- (\$ 132.50) whereas the actual Ocean Freight paid for this sector is \$7000/-. Similarly for North America the assistance provided is Rs.21000/- (\$284) whereas the actual Ocean Freight paid for this sector is \$12000/-. Also TMA is provided for Specified Agriculture Products & with many pre-conditions. This assistance is not available where a container is having both eligible category (specified agriculture product) & non-eligible category (non-agriculture, processed foodstuffs & provision). We request that TMA should be provided to all eligible items of export and not just specified agriculture products. The TMA scheme should be permanently valid and not just for 1 or 2 years.



Shipping Crisis – What we ask of our Government



- Due to severe shortage of container at the ports our Members are unable to get any bookings. Earlier shipping company would provide 14 days free time for loading and other documentation after which they used to charge detention/demurrage but now they provide only 7 days free time. This results in heavy detention charges as picking up empty containers, transporting it to factory for stuffing & returning the filled container to the port after passing of Shipping documents nowadays take more than 7 days. Also due to last minute vessel delay, the gate opening date is postponed and the stuffed containers have to be moved to buffer yards which incur further expenses. Nowadays if the empty container is not picked up on the issued D.O. (delivery order), the shipping company levy cancellation charges, which was not the case earlier. We request similar notification for export shipments not to be charged any detention/ demurrage if the stuffed container is cleared within 14 days.



Once again, Mr. Hitesh Gutka, Hon. President, on behalf of The Indian Spices & Foodstuff Exporters' Association, Mumbai, Mr. U Karthik, Hon. Secretary, Federation of Indian Spice Stakeholders, Unjha and me, Cherian Xavier, Chairman, All India Spices Exporters' Forum, Kochi wishes to thank the Ministry of Commerce and the Spices Board of India for arranging this meeting AND The Ministry of Shipping for giving us the time to hear the tremendous difficulties faced by the exporters.

THANK YOU EVERYONE FOR YOUR TIME & PATIENCE.