



**AgTC** Ag Transportation Coalition

# Global Ocean Shipping Overview

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# State of the Trade

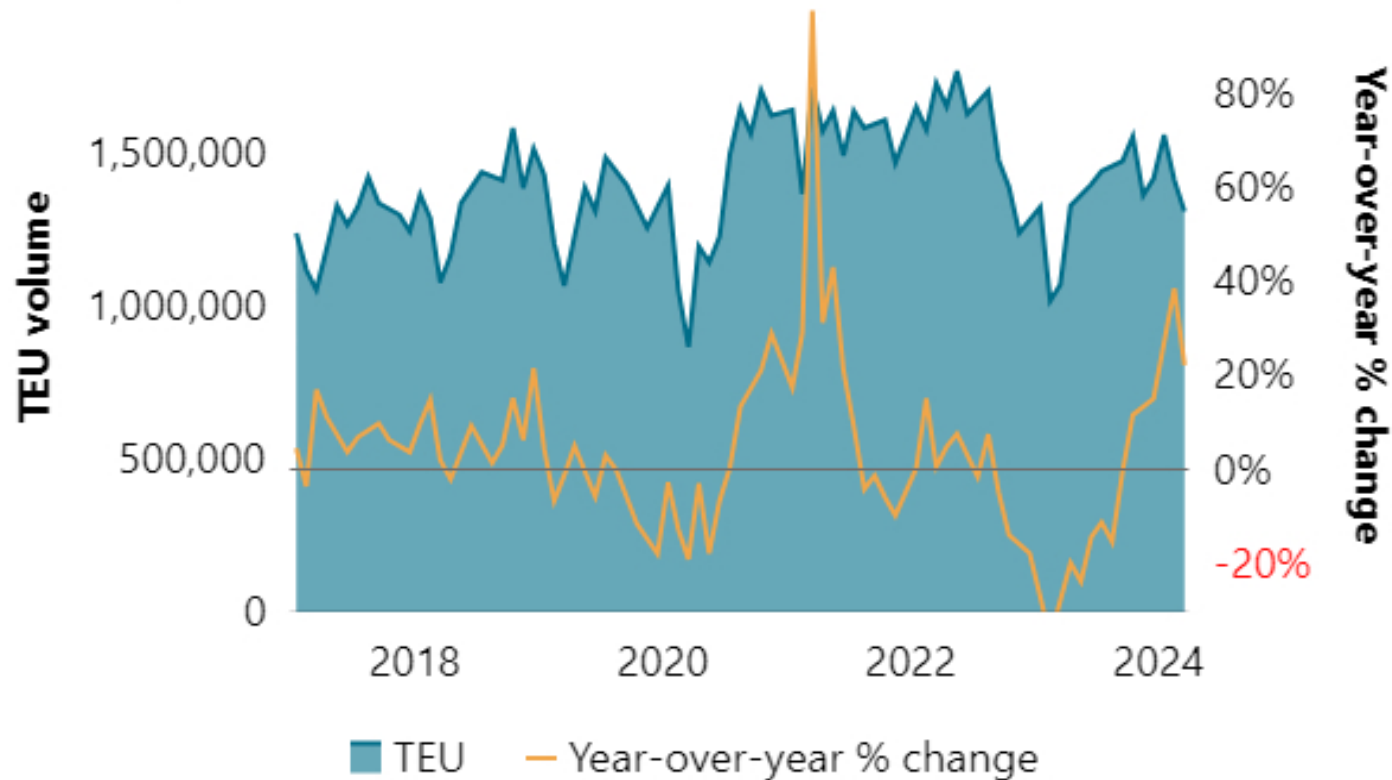




# State of the Trade: Pandemic Induced Cargo Volume Volatility

## US imports from Asia jump sharply in Q1 year on year

Total monthly volume of US containerized imports from Asia, with year over year change



### COVID-19 Whipsaw Effect

- 2021-22 Record High Cargo Volumes & Freight Rates
- 2023 Sharp Decline in Cargo Volumes & Rate Reductions
- Post Pandemic Market Impact Downturn Surpassing Duration of Peak Disruption

Source: S&P Global

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TEU = Twenty Foot Equivalent Unit



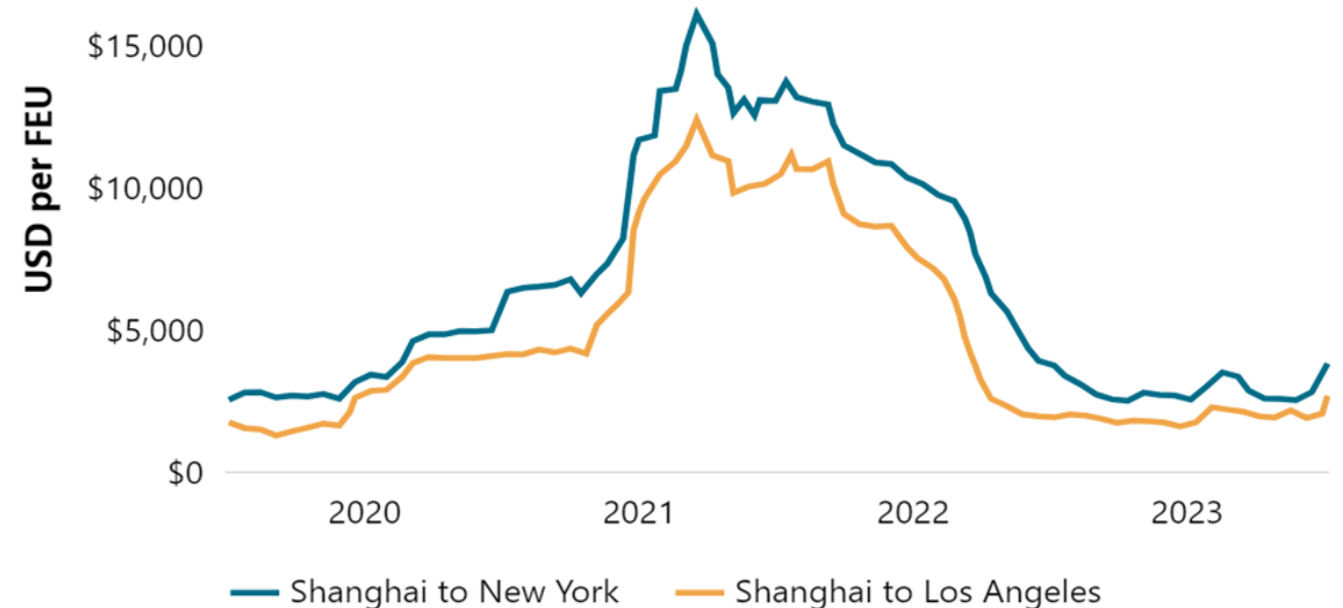


# State of the Trade: Extreme Rate Volatility

## Import Rate Volatility

- 2021 -22 Obscenely High Import Ocean Freight Spot Rates During Pandemic
- 2023 Collapse in Import Ocean Freight Spot Rates
- Must Create a More Stable and Sustainable Rate Environment for all Stakeholders

Shanghai to Los Angeles, New York container spot rates (Drewry)



Source: World Container Index assessed by Drewry

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FEU = Forty Foot Equivalent Unit

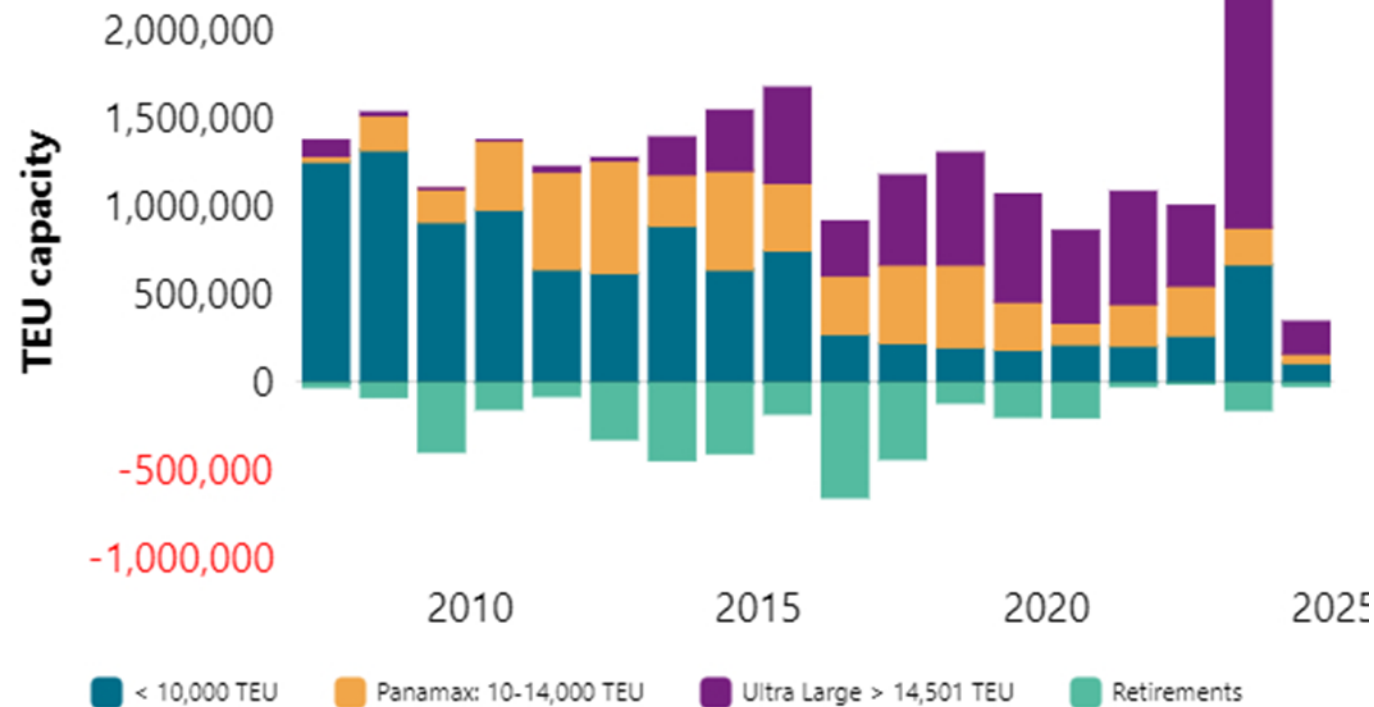




# State of the Trade: Container Ship Order Book

## Container shipping received record vessel capacity in 2023

Global container ship fleet development by ship size each year



Source: S&P Global

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## Carriers Invested In New Capacity

- 7.54 mil TEUs on Order Book
  - 28.9% of Existing Fleet
- 5.03 mil TEUs Scheduled for Delivery in 2024
- 70% of Container Fleet Over 10 Years Old
  - Shorter Shelf Life due to IMO Regulations of Net Zero by 2050
- 57% of New Builds Support Dual Fuel

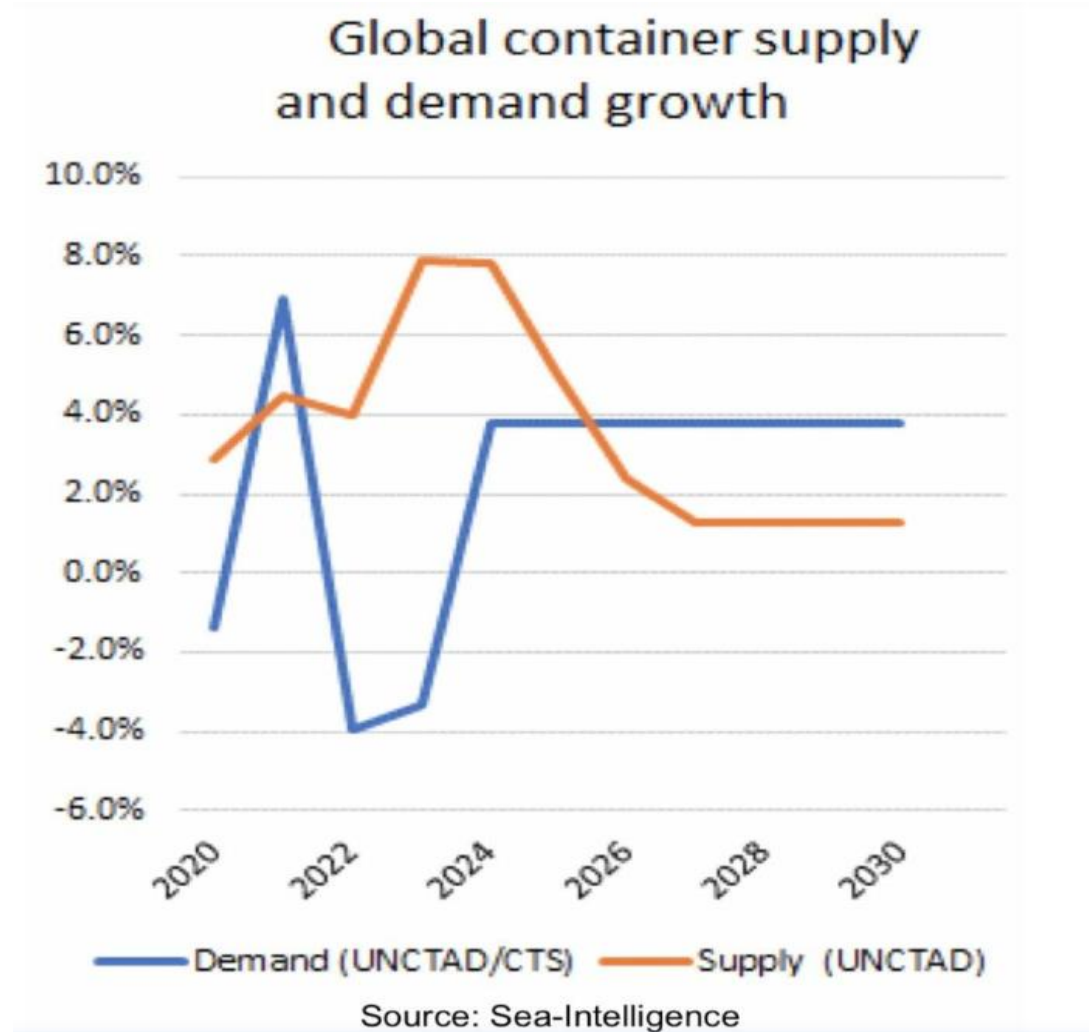




## State of the Trade: Supply vs. Demand

### Vessel Capacity Exceeds Demand

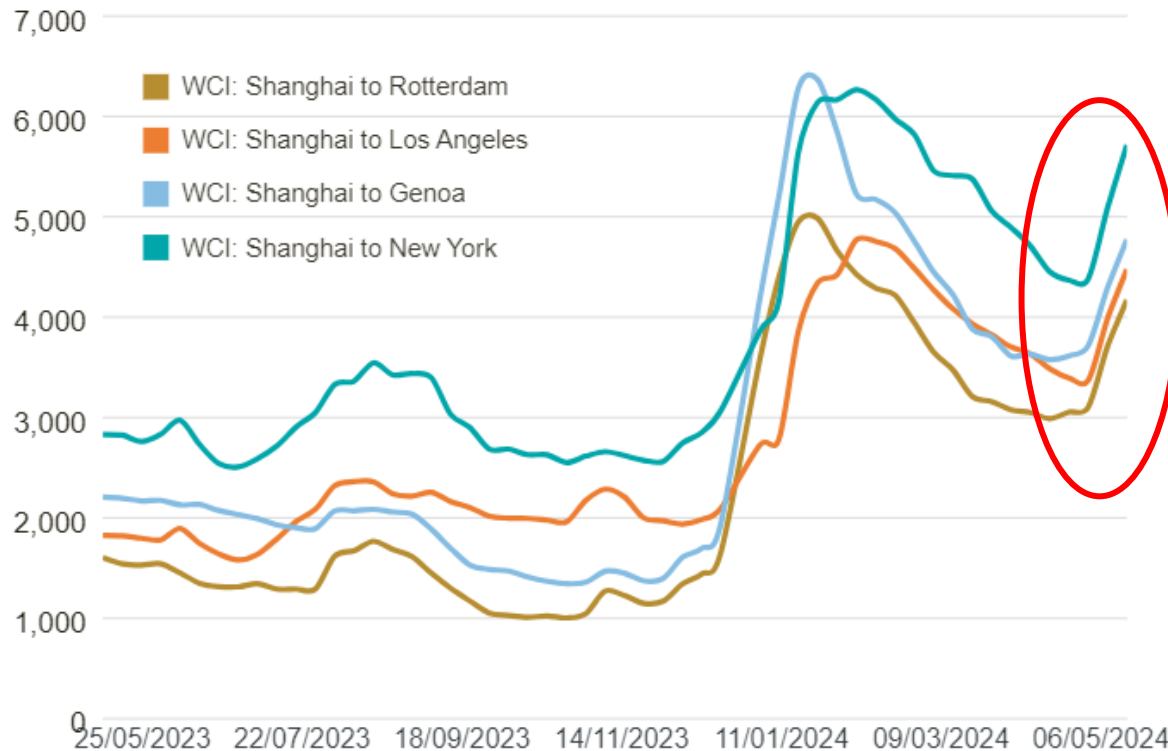
- 10/23 Drewry Forecasted Ocean Carriers Would Collectively Lose \$15 Bil in 2024 Due to Imbalance
- Red Sea/Suez Disruptions Have Enabled Carriers to Temporarily Absorbed Surplus Capacity
- Supply vs. Demand Imbalances Forecasted to Continue Until 2026





# State of the Trade: Recent Rate Anomalies

Drewry WCI: Trade Routes from Shanghai (US\$/40ft)



## Import Rate Increases

- Ocean Freight Rates Spiked When Red Sea & Suez Disruptions began earlier this year
- Rates Softened Slightly During Q1 As Carriers Added Capacity to Manage Longer Transits
- Carriers Announced GRIs on 5/15 (Just 2 Weeks Into New Contracts) which is Uncharacteristic Timing



An aerial, high-angle photograph of a port at night. The scene is filled with rows of colorful shipping containers in shades of red, blue, green, and yellow. Several large gantry cranes are visible, some with their lights on. The port is illuminated by artificial lights, creating a mix of warm and cool tones. The sky is dark, and the overall atmosphere is one of industrial activity.

# Industry Challenges





# Industry Challenges: Geopolitical Factors

## Red Sea/Suez Canal Disruptions

- Geopolitical Tensions in the Red Sea Continue to Disrupt Vessel Traffic That Would Normally Transit the Suez Canal
- Carriers Re-routing Cargo Around Cape of Good Hope Adding 10+ Transit Days to Avoid Risk to Vessels, Cargo and Crew
- Region Remains Highly Volatile With No End in Sight of Returning to Normalcy
- An Estimated 10% of all US Inbound Cargo Destined to the US East Coast Had Been Traditionally Routed on Ships Transiting the Suez Canal.





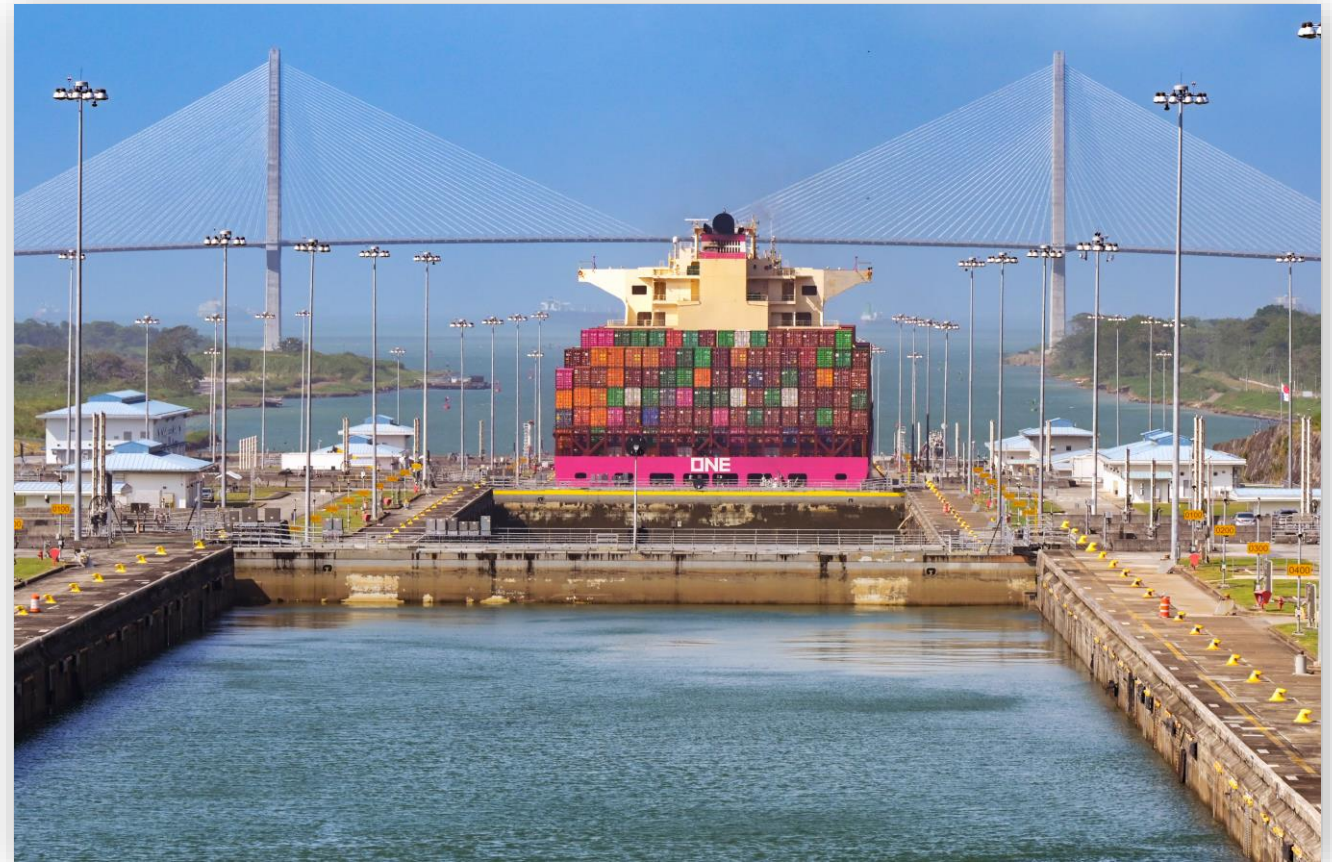
# Industry Challenges: Weather Factors

## Panama Canal

- Drought Conditions in Panama Resulted in Significant Reductions in the Total Number & Draft of Vessels Transiting the Panama Canal
- Increasing the Daily Number of Canal Transits from 24 => 32 & the Max Draft to 45'
- Ocean Carriers Pressing Panama to Develop Climate Mitigation Measures to Preserve Water to Support the Locks Consistently

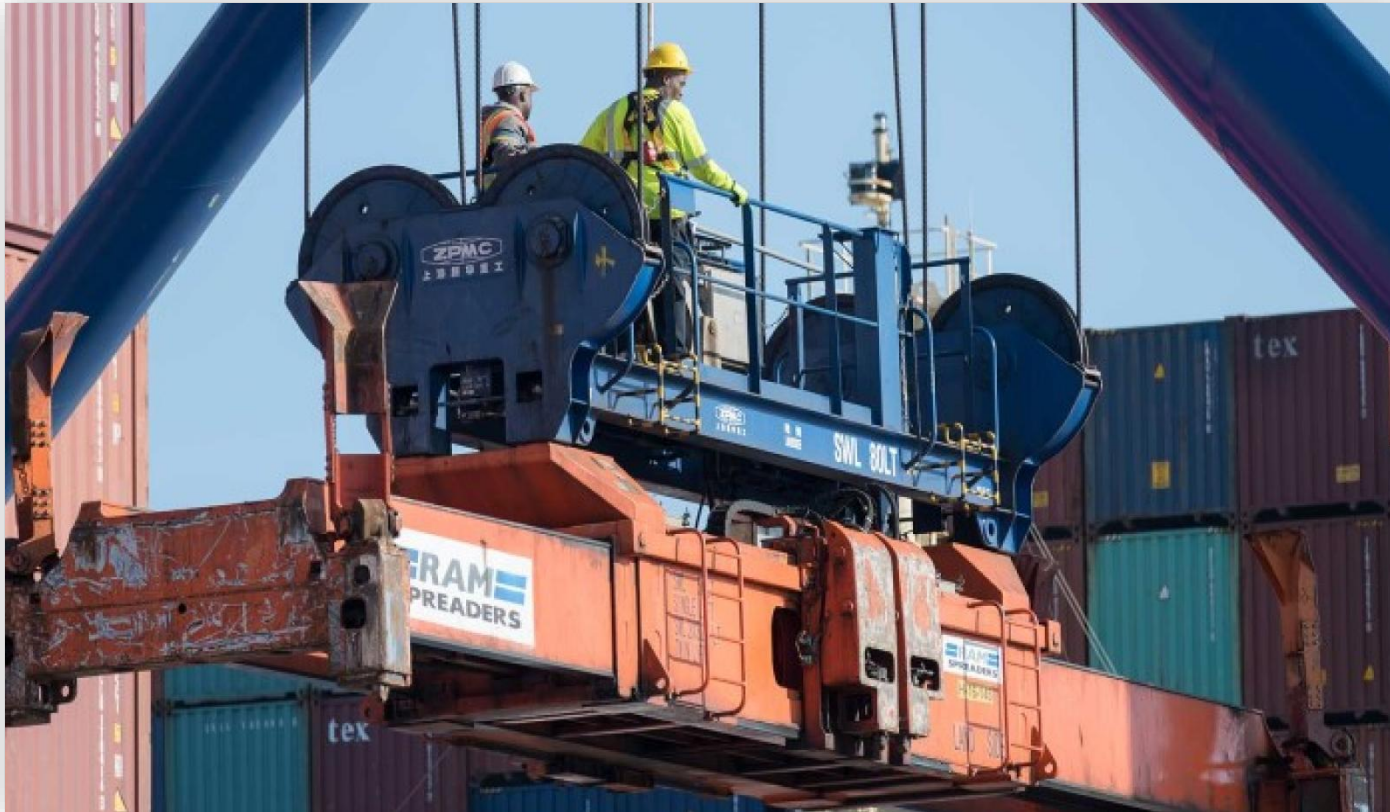
## Atlantic Hurricane Season

- Meteorologists Are Predicting a 57% Increase in the Number of Hurricanes this Season
- Season Runs from June 1<sup>st</sup> thru November 30<sup>th</sup>





## Industry Challenges: Labor Factors



### **USMX-ILA Contract Negotiations**

- Contract Expires at End of June 2024
  - No Extensions
- Local Contract Negotiations Reported Close to Completion
  - Attempt to Mitigate Cargo Loss
- Coastwide Master Contract Negotiations Are Next Step

### **Canadian Labor Unrest**

- Teamster Rail Strike Scheduled on 5/22 with CN & CP was Temporarily Averted Due to Gov't Intervention
- ILWU Potential Strike Regarding DP World Use of Semi-Automated Cranes





# Industry Challenges: Policy Factors

## U.S. Tariffs on Chinese Products

- US Announces Significant Tariffs on Key Chinese Imports Including EV Batteries, Computer Chips & Medical Supplies
- China Threatens Retaliation Against US Imports

## OSRA '22 & FMC Rules on D&D

- New Detention & Demurrage Ruling Effective 5/28
- Invoices Must Go to BCO (Not Motor Carrier) and Will Require Industry-wide Behavioral Changes
- Strict Adherence to New Invoicing Requirements Including 13 Mandatory Data Fields Required on Invoices and 30-Day Timelines to Invoice and to Dispute Invoices





## Industry Challenges: Environmental Factors



### California Environmental Policy

- California Leads the Country in Environmental Policy Often with Aggressive and Unrealistic Implementation Requirements
- Advanced Clean Fleet (ACF) is Latest Where Effective 1/1/2024 only Zero Emission Trucks Can be Added to Drayage Truck Registry

### Global Environmental Policy

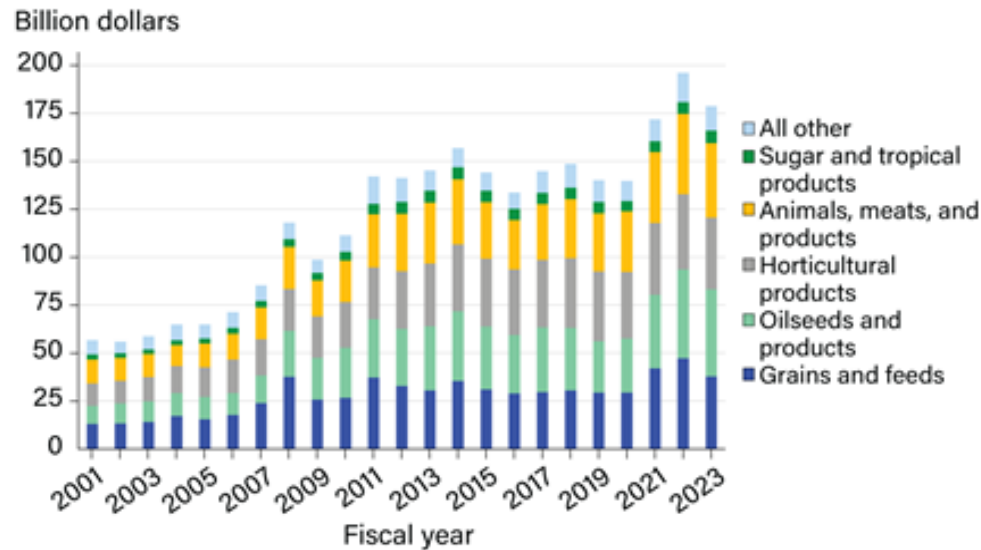
- International Maritime Organization (IMO) Mandate to Reduce Vessel Greenhouse Gas (GHG) Emissions to Net Zero by 2050
- Ocean Carriers Exploring Alternative Fuels to Determine Best Long-Term Option and Infrastructure required to support & scale





# State of the Trade: Agriculture

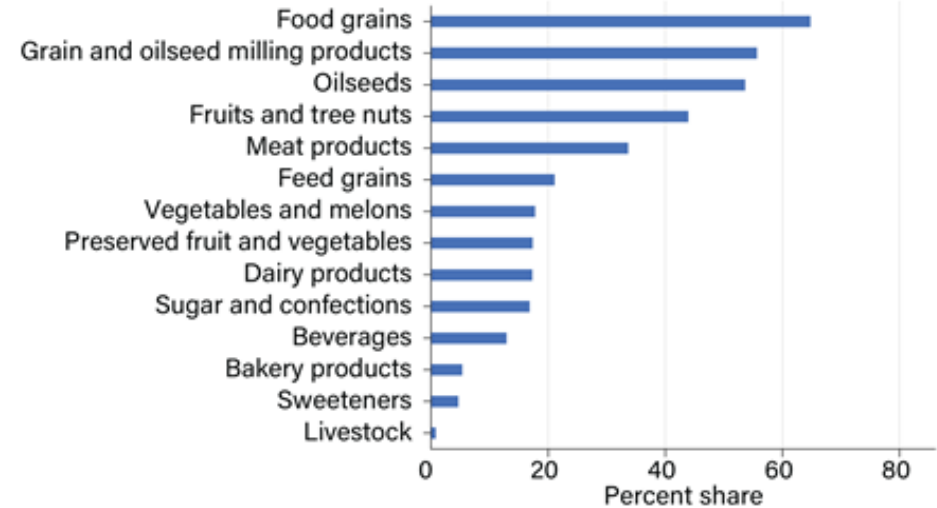
U.S. agricultural exports, 2001-23



Note: Values are not adjusted for inflation.

Source: USDA, Economic Research Service using data from U.S. Department of Commerce, Bureau of the Census.

Export value share of production, 2013-22



Source: USDA, Economic Research Service using data from U.S. Department of Commerce, Bureau of the Census.

- Agriculture exports saw a **decline in 2023** and are forecasted to **drop further in 2024**
- 2022 described as an anomaly, with 2023 accurately reflecting the state of agricultural trade
- U.S. is losing global market share due to strength of the Dollar and low-cost alternative sourcing

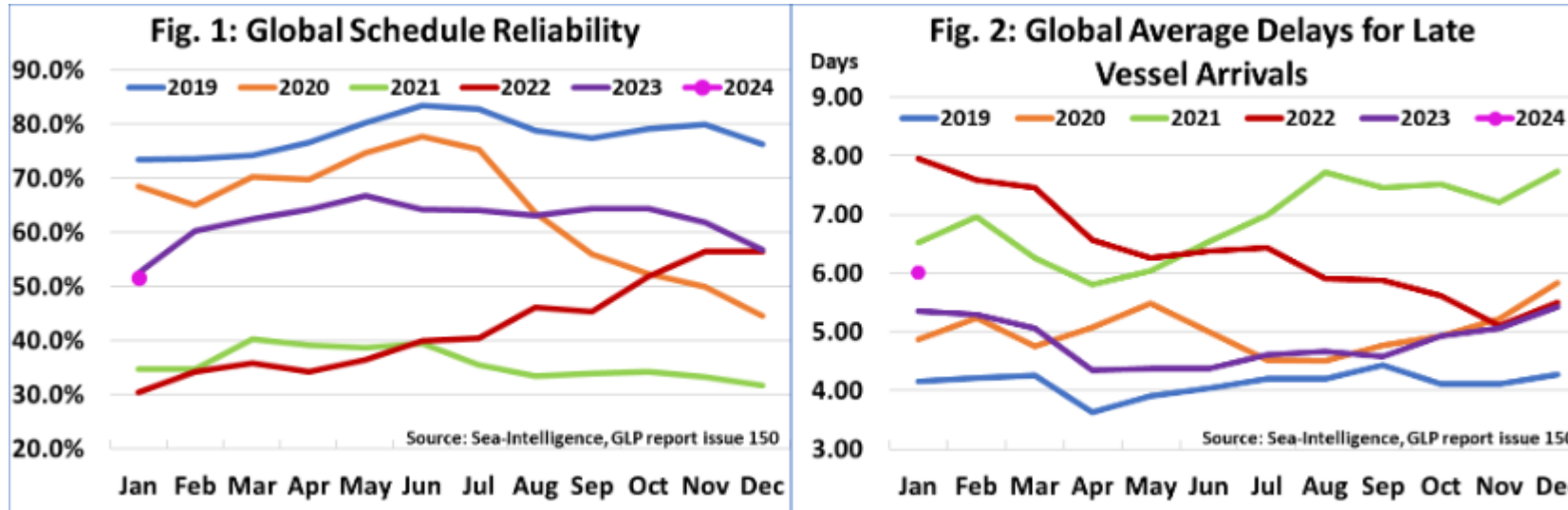


An aerial photograph of the Golden Gate Bridge in San Francisco, California. The bridge's orange-red suspension cables and towers are prominent on the left side of the frame. Below the bridge, a large blue container ship is sailing on the water, carrying a load of colorful shipping containers. The background shows the city of San Francisco and the surrounding hills under a clear blue sky.

# Carrier & Marine Terminal Challenges



# Carrier Challenges: Vessel On-time Performance



## Vessel On-time Reliability

- Vessel On-time Performance Has Been Poor at Best Compared to Pre-Pandemic Levels
  - Currently at 50% & Average of 6 Days Late
- 2023 Showed Some Improvement vs. 2022 but Still Sub-standard
- Proactive Communication Must Improve
  - Vessel ETAs, Cargo Cut-offs & ERD Require Dynamic Management







## Terminal Challenges: Terminal Service Is Vital



### Terminal Efficiency

- Cargo Volumes to Support 5 Day & 4 Night per Week Gate Schedules
- Terminal Turn Times for Motor Carriers Need to Further Improve
  - Total Turn Time => Not Pedestal to Pedestal
- Rail Dwell in PSW has Increased to 7 Days - On the Verge of Disruption
- Some Terminals Divesting Themselves of Demurrage Collection
  - Ocean Carriers Assuming Control of Collection at Some Terminals
- Terminals Are Becoming an Ocean Carrier Selection Criteria Amongst BCOs





# How to Mitigate Exposure to Supply Chain Disruptions

## Diversify Your Supply Chain Gateway Strategy

In the industry of shipping and logistics, it's not a matter of if, but when we'll see the next supply chain disruption. Are you prepared?

## Select Your Supply Chain Partners Carefully

The pandemic helped identify which partners came through for you and who fell short. Are you selecting partners based on the value they create or simply by who offers the lowest rate?

## Lean on Industry Associations

Industry associations like AgTC are a wealth of information that can help you tackle common challenges thru a larger voice without being isolated. They can also prove helpful in terms of benchmarking impacts and results.





Thank you!



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