Overview of Ocean Carrier/Rail Service/Trucking Service Issues

With the surge in U.S. online shopping, imports from Asia are arriving – literally by the boatload – to satisfy the demand. One result is a shortage of shipping containers, and this impact is being felt from the Port of Los Angeles all the way to Chicago. While not officially announced, there is now a slow-moving “embargo” at Chicago rail for dry and refrigerated intermodal containers shipping to both the West and East Coasts. Mounting vessel delays and port congestion are the primary factors for this. Additionally, while westbound rail yards are still accepting loaded containers, the receiving capacity is about 25% of normal per day due to the container shortage. Simply put, it’s becoming much more difficult and expensive for U.S. companies and exporters to move their products from farmers and factories to the Coasts.

Ocean carriers play a vital role in transporting dairy products from across the United States to markets around the world. Unfortunately, USDEC members have experienced repeated, yet diverse instances of the carriers conducting unfair trade practices that has made it increasingly difficult to export products abroad. For instance, there are reports of shipping lines sending empty containers back to Asia as the rate for a container full of agricultural products back to Asia generally costs $500-1000 whereas the current rate of a container travelling from Asia to the U.S. is upwards of $5,000. Carriers are also omitting bookings for ports to avoid potential congestion and estimated times of arrival are not being update regularly.

Increased Shipping Costs and Financial Impact to Exporters:

Stress being placed upon the supply chain along with the increased delays and congestion is leading to increased fees and shipping costs for USDEC members. Trucking companies are charging flip and storage fees because they are unable to return loaded equipment and there are reports of ocean carriers denying assistance when asked to help absorb costs. For one business, there is a backlog of 450 containers worth $6-7 million of receivables that cannot be realized due to the container shortage. Other examples of exporters being charged for delays include demurrage costs when vessels have been delayed, rolled, or cancelled and storage fees for unloaded containers. Exporters are seeing higher shipping costs as general rate increases (GRI’s) continue to be implemented at $200-500 per month for lanes with unreliable and poor service from the ocean carriers. There is typically a 28-day lead time from production until shipment, but GRI’s are now happening with less than a standard 30-day notice. In one instance, a GRI occurred with just a 4-day notice.

Foreign Customer Complaints and Competitiveness Issues:

Difficulties being experienced by exporters are hurting their dependability to their foreign customers, and U.S. competitiveness is at risk. The European Union, Australia, and New Zealand are all major competitors and may be viewed by customers as more reliable. Japan reports that delays from the U.S. are more severe than from the EU, Australia, and New Zealand. Indonesia is now reporting that a shipment from the U.S. takes up to 80 days from the normal 30-40 days. Korea reports longer wait times (up to 45 days instead of 14 days) and importers risk running out of products. Costs are increasing for importers as well. For a 20-foot container, there can be an additional cost of $7,000-8,000, so the average delivery cost could increase by $350-400/per metric ton. Some customers have noted they would be willing to pay extra for freight, but exporters cannot secure a carrier.