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Agriculture exporters worry ocean carrier consolidation undermines service

Jun 08, 2017



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A panel of agricultural exporters speaking at the Agriculture Transportation Coalition (AGTC) Annual Meeting in California on June 7th are worried that new ocean carrier alliances may be hurting service and costing shipper's money.

However, the exporters also noted improved operations at the Port of Oakland and praised K Line and Hapag Lloyd and Zim Lines as three ocean carriers that provide superior customer service.

The 'Shipper Perspective' panelists included: Elena Asher, Dairy Farmers of America (powdered milk and cheese), Justin Cauley, CHS (grain and soybean), Blanca Palomino, Carriere Family Farms (walnuts), Greg Jackson, Border Valley Trading (hay/forage) and Allison Baker, JBS (beef, pork, poultry and hides).

The panelists said consistency of ocean carrier service remains a problem and some blamed the consolidation of carriers into larger vessel alliances:

- **Free Time.** Panelists complained that definitions of "free time" allowances before demurrage charges are assessed by ocean carriers and fluctuates from port to port. The result is that sometimes shippers are forced to pay demurrage penalties for violating free time provisions that they did not realize they violated.
- **Vessel Schedule Reliability.** Panelists complained that some export containers arrive at final Asian destinations late, because the ocean carrier was late and missed the sailing time of the Asian transloading vessel transporting the container to its final destination. In some cases, the agricultural container arrived at the end user's facility when the contents had spoiled and was a total loss to the exporter, panelists said.

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- **New Carrier Alliances Increase Confusion.** While some panelists noted that a good relationship with an ocean carrier sales rep wards off problems, others complained that consolidations into new and bigger new ocean carrier alliances sometimes undermined carrier accountability. This adds to confusion, panelists said, when an exporter books a container with one carrier but discovers the container sailed on another carrier's vessel belonging to the same carrier alliance. Sometimes, the result is late deliveries.
- **Container Shortage.** There were continued frustrations expressed about the lack of container availability. Import containers pay the higher freight rate and so ocean carriers are more prompt to provide containers to importers than to exporters who pay lower freight rates.

The result is a shortage of containers for exporters some panelists said. One panelist complained that a carrier announced a cancellation of delivering containers at the last minute contributing to dislocations.

- **Terminal Reliability and Longshore Labor.** Panelists continued their complaints about inconsistent service at some California terminals. Issues with the performance of longshore labor union members from the International Longshore and Warehouse Union (ILWU) remain a concern with some shippers who move exports to Asia through California and other West Coast ports. Peter Friedman, AGTC executive director, has fostered closer ties with the ILWU and has encouraged union leaders to attend AGTC meetings and listen to the concerns of shippers. This has improved relations between exporters and the ILWU, but many concerns remain.
- **Consolidation and Last Mile Reliability.** The accumulation of container shortages, schedule reliability, free time confusion and concerns that consolidation is undermining service for exporters is further complicated by bottlenecks at terminals and the higher cost of trucking to and from the ports. Truckers located in California's San Joaquin Valley say that with larger ships arriving at the Ports of Los Angeles and Long Beach destined for Asia, they see more California agricultural exporters trucking their containers longer distances to the Southern California ports as opposed to the Port of Oakland which may be closer. This adds to cost and travel time.
- **Port of Oakland Praised.** Blanca Palomino, representing Carriere Family Farms noted that the "Port of Oakland has stepped up to the plate" in reducing congestion problems at its terminals.
- **Carriers Praised.** Several panelists praised K Line, Hapag Lloyd and Zim Lines for providing superior customer service

William Rooney, Vice President Strategic Development, Kuehne + Nagel Inc, followed the shipper panel and reminded AGTC participants that ocean carriers face an over capacity problem as more and bigger ships continue to be delivered from shipyards. Rooney said new mega-container ship orders with carrying capacity of 18,000 teus continue to increase ocean carrier container ship capacity. This means carriers must scrap smaller vessels and to reduce the flood of new capacity. The result is that freight rates have been low. The new ship orders result in higher debt for carriers. To pay off the debts, carriers rely on importers for revenue. Importers pay higher freight rates than exporters. Improved service for exporters would cost more money and higher freight rates for agricultural exporters than most exporters would be unwilling to pay, Rooney said. He noted that over capacity would soon end and freight rates for importers and exporters will rise.



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