Ag shippers slam carriers for refusing some export loads

Bill Mongelluzzo, Senior Editor | Oct 23, 2020 4:42PM EDT

Soybean exporters decried a “bombshell” decision by Hapag-Lloyd to suspend liftings of some agricultural shipments in order to rush empty containers back to Asia where they are in short supply, and the exporters expressed concern that other carriers may take similar measures.

“Hapag-Lloyd has dropped a bombshell, informing exporters it is suspending overseas ag container shipments from North America, a decision that could cause major hardships within the entire US ag community,” the Specialty Soya and Grains Alliance said in a press release Friday.

However, Uffe Ostergaard, Hapag-Lloyd’s president, Americas, told JOC.com Friday the carrier did not take this decision lightly, and in fact is accepting some ag export shipments when they are generated in proximity to ports. For example, there are a number of transloading facilities near West Coast ports where grains are transferred from rail cars to marine containers.

Agricultural exports generated in the US interior will undoubtedly suffer, though, as they are denied access to the containers they need to ship products to destinations throughout Asia, especially if other carriers also reject shipments.

This is not the first time that trans-Pacific carriers have curtailed their liftings of US agricultural exports to Asia in order to expedite the shipment of the empty containers back to Asian load ports, said Mike Steenhoek, executive director of the Soybean Transportation Coalition.

“I see continued pressure on carriers to do this, and it comes at an awful time because this is our key export season,” Steenhoek said.

Suspension of ag export liftings may be spreading

Peter Friedmann, executive director of the Agriculture Transportation Coalition, said many exporters, including hay, resin, and forest product shippers, are already seeing other carriers restrict their export liftings. However, he said he has not seen any formal announcements from carriers other than Hapag-Lloyd.

“They have indicated they are suffering the same fate from various carriers who are choosing to ship containers empty rather than accepting export loads,” Friedmann said.

Ostergaard noted that Hapag-Lloyd is attempting to achieve a balance between its pressing need for more containers at Asian load ports and its commitment to US agriculture exporters to be a reliable carrier.

“We have to look at all parts of the business to make things run,” he said.

Trans-Pacific shipping lines and non-vessel-operating common carriers (NVOs) have told JOC.com that marine containers of all sizes are in short supply in Asia. Due to a surge of imports in North America and Europe, containers have backed up at distribution warehouses, and carriers have struggled to return the empties to ports for repositioning to Asia. Ostergaard said that because the import surge into the US is projected to continue at least until the Lunar New Year on Feb. 12, 2021, the container shortages in Asia will likely persist until then.

Reputation of US exports at stake?

Nevertheless, US agriculture shippers believe that carriers will continue to restrict export liftings primarily for economic reasons. They note that freight rates for US imports from Asia can be as much as eight times the export rates.

The spot rate for an eastbound shipment from Shanghai to the West Coast this week was $3,865 per FEU, according to the Shanghai Containerized Freight Index published in the JOC Shipping & Logistics Pricing Hub. The average westbound spot rate from Los Angeles to Shanghai was $518 per FEU.

Soybean shippers are being hit especially hard by carriers’ rejection of export loads. Although most US soybean exports, especially to China, move in bulk vessels, shipping soybeans in containers is crucial for secondary markets, Steenhoek said. According to the Soy Transportation Coalition, the top destinations for soybean exports in containers are Taiwan (28 percent), Indonesia (25 percent), China (11 percent), Thailand (10 percent), Malaysia (9 percent), Vietnam (5 percent), Japan (5 percent), and South Korea (2 percent).

“Ag shippers rely on containers to these markets, and now the rug is pulled out from under them,” Steenhoek said.

The Specialty Soya and Grains Alliance noted that all types of ag shipments could be harmed by carriers' decisions to reject export loads. Farmers in the upper Midwest ship a variety of exports to Asia, including identity-preserved grains, peas, lentils, and other ag products for human consumption.

“This disrupts the food supply chain,” said Bob Sinner, president of SB&B Foods in North Dakota. “Companies in those countries rely on us for their food manufacturing. We've got our new crop harvested and we're making significant and consistent bookings with carriers to get our products shipped quickly and as soon as possible,” Sinner said.

In a broader sense, US agriculture exporters say their reputation as a reliable shipper of all types of ag products is at stake. US products have always had an advantage over competitors in other agricultural export nations when it comes to their ability to fulfill commitments to overseas buyers and to ship their products in a timely, cost-effective manner due to the superior US transportation network.

“Cost-effective, reliable transportation versus our competitors, especially in South America, is our main advantage,” Steenhoek said.

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