



Postcard from Atlanta

AgTC Ag Shipper Workshop
Wednesday, November 2nd 2016



Gathering in a time of uncertainty

Growers and producers of grain, animal feed, hay, lumber, dairy, poultry, and other meat products convened to discuss growing concerns over ocean carrier instability, rates, and global regulation. They were joined by local freight forwarders, the experts who manage the cargo booking and documentation process for outbound shipments. Discussion leaders included the President, North America of United Arab Shipping Company, a representative from the South Carolina Ports Authority, and trucking experts.

Ocean Carrier Turmoil

Hanjin bankruptcy- impacts and next steps

Exporters still reeling from the impacts of the ocean carrier's declared bankruptcy are still trying to recover cargo shipped on Hanjin, and looking nervously towards the possibility that this could occur with other carriers. U.S. agriculture exporters shipped about 7% of total volume with Hanjin, but the impacts were magnified since carriers in the CKYHE alliance had boxes on Hanjin vessels as well. Most exporters tried to recover their containers quickly no matter the cost. The alternative? Waiting months through a legal process which effectively places cargo holders last in terms of placing claims. Some exporters paid hundreds of dollars to terminal operators in the U.S. to reclaim their container before it was loaded onto a vessel. Cargo already shipped to Asia created more problems, including how to handle containers discharged at the wrong port. Exporters struggle to move their containers off of Asian terminals and find a new carrier to transship them to their final destination. In some cases, documentation and phytosanitary issues are so unsurmountable, that the cargo is shipped back to the United States, at a loss to the exporter.

Mergers and Alliance Restructuring

After Hanjin bankruptcy, exporters began to ask "which carrier is next?" It is no secret that the carrier industry is under financial distress, with a combination of global vessel overcapacity, and heavy competition among carriers leading to unprofitable freight rates. Ocean alliances are one way carriers try to manage these issues. Now, increasingly, carriers are merging or acquiring one another in order to gain market share and drive up freight rates. In the span of 18 months, the number of carriers will have dropped from 18 to 10. Exporters struggle with these limited options encountering challenges from reduced sailings, to less competition in cargo and documentation cut-offs times, to unpredictable freight rates. Though it's widely recognized that rates simply must rise at some point in order to keep the carriers afloat, exporters are currently experiencing a strong U.S. dollar which impacts global sales. Any increase to the cost of transportation right now deeply impacts the bottom line for U.S. agriculture and forest products exporters.

Zika Virus: The threat of spread in the U.S. Southeast

In August, the Chinese Ministry for Quality Supervision, Inspection and Quarantine (AQSIQ) required that ALL containers leaving the United States must be "dis-insected" and certified in order to prevent the spread of mosquitos carrying the zika virus. This declaration shocked US exporters as zika-carrying mosquitos have only been found in Florida. Measures typically involved spraying containers with insecticide products before loading cargo, an expensive and time consuming process.

By early September AQSIQ declared a new "regionalization approach" whereby only containers exiting out of Florida ports are subject to these measures. However, should the outbreak spread further in the United States, the measures would be imposed once more. Exporters discussed the real concern that the mosquitos might spread north into Georgia and the Carolinas in the warmer months and will develop preparedness measures in preparation for next Spring and Summer