

Press Release:

Exports to US is getting costlier owing to clogging at ports and increased container and ocean freights: TPCI

-Exports to US from India has grown by more than 20% in first quarter of 2021 compared to 2019

New Delhi, 10th August 2021: New records have been hit in container freight spot rates of all carriers, as the Asia-Europe route continues to continuously rise and is currently approaching \$9,000 per Twenty Foot Equivalent Unit (TEU), with further rises expected this month. Industry is wary of the situation as unfrequented container and shipping rate surge to a new high due to clogging at the major US ports disrupting the supply chain.

TPCI in its statement said, “The data from ITC Trade Map shows that, exports to US from India has grown by more than 20% compared to the 2019 in the first quarter of 2021 (April- June period). A change in trend is being observed with respect to exports, which now is more focused towards the proximate markets, where the container turnaround time is shorter and freight costs are affordable, compared to the long haul distances like Europe and US. If this trend continues, India might see a decline in the exports in coming months as these are major markets of our exports.”

Speaking on the surge Sandip Patel of SLT Food Inc, and a US based TPCI member said, “During pre- covid, cost out of India to North America was on average US\$ 1800 per 20 feet container, which is now touched to a high of US\$ 6000 per 20 feet container.” Comparing this to previous months, container trading data reveals that during the first trimester of 2021 the average prices for 20 feet containers across Europe rose 57%. A surge in demand along with unexpected high volumes and pandemic-related restrictions were the main difficulties that lead to this problem, he added.

The US West Coast (USWC) is the worst hit, witnessing the record breaking import volume, labour shortages and massive yard congestion, the USWC is experiencing

severe delays and long dwell times. The Los Angeles/ Long Beach: 10 – 18 days vessel wait time, Seattle 4 – 6 days' vessel and Oakland 18 – 22 days is the vessel wait time.

While the U.S East Coast is witnessing the uptick in demand for imports, a lack of available truckers, and limited yard space, USEC terminals are experiencing heavy congestion and longer than usual dwell times. New York and New Jersey have 3 - 4 days vessel wait time; lines at the gate and congestion inside the terminal, Savannah 2 – 3 days vessel wait time and Norfolk 2 – 3 days is vessel wait time.

Industry is suffering from Container Company's own average delay, which has gone up by 160% to 3.9 days.

Shrikant Devhitka, Export Sales Director at Savion Ceramic (Q-BO) said," The ocean freight cost also kept on increasing after opening of the market from Mudra port in Gujarat to US the which was between US\$ 2000 to 2200 six month ago is today US\$ 10,000 to US\$ 11,000. Our orders are getting diverted to Turkey and Spain as they are closer destinations to the export market.'

YVR Sudhir, General Manager, Sales & Marketing. Frumar Agri Foods (P) LTD. said," Freight cost from Mumbai Nhava Sheva- to Long Beach was USD 5500 / 40' container in January 2021, which presently is US\$ 11500 and from Mumbai Nhava Sheva to New York was US\$ 4000 for a 40' container in Jan 2021 is now US\$ 8500." The value of food products is low and can vary between USD 10,000 to USD 40000 for a full container depending on the product. For products like South Indian rice the container FOB will be USD 12,500 to USD 14000 and as such the freight cost of the product will be almost 80%., he added.

As on 16th July 2021, China Container Freight Index (CCFI) increased by 2.7% in comparison to previous week. Drewry World Container Index (WCI) equalled US\$ 8883 per 40 feet container, increasing by 339% in comparison to previous year.

Industry is worried that if this situation persists there can be a 5% to 8% increase in the cost of goods from India. This will have an impact on exports too due to equipment shortages or shipments will be postponed due to very high ocean rates. Demand for Indian products will slow down due to high cost.

The Shanghai Containerised Freight Index rose 1.8% and the Drewrys World Container Index by 2% during the last week of May, as a decline in transpacific rates to the US west coast mitigated rises elsewhere; standing thus at nearly 300% above where it was during this same period in the past year

In the U.S., one of the biggest hurdles is re-structuring terminals to handle the influx of larger import vessels and the continuance of empty container prioritization.

Further Sandip Patel observed, “The problem started when global economies started entering lockdown during the first half of 2020, while China was recovering from it. The entire world bought medical protective equipment from China, but once those containers arrived and were unloaded in US or European ports, and due to the lockdowns that those countries were experiencing, there was not enough merchandise produced that allowed those containers to be filled and shipped out. Meaning, containers ended up stacking empty in places they were not needed, and they did not make it back to places they were supposed to.”

Data supporting press release

Imports of US from
China

Month	2019	2020	2021	% change over 2020	% change over 2019
April	36.4	32.6	39.9	22.30	9.61
May	41.0	38.4	41.1	7.16	0.29
June	40.7	39.4	42.6	8.27	4.76

Source: ITC Trade Map, import values in US\$ billion

Imports of US from India

Month	2019	2020	2021	% change over 2020	% change over 2019
April	5.24	3.48	6.29	80.86	20.14
May	5.83	2.23	6.34	184.54	8.65
June	4.31	3.39	6.14	81.07	42.47

Source: ITC Trade Map, import values in US\$ billion

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