

SUNDAY SPOTLIGHT

SEAINTEL MARITIME ANALYSIS

OPPORTUNITY CARGO INCREASES

Forwarders and NVOCCs increasingly switch carrier

Currently carriers and their customers are engaged in the annual contract negotiations on the Transpacific service.

On the surface much is at stake. Basically all main shippers on the Transpacific have annual contracts with agreed volumes and rates in place with selected carriers.

As the contracts often spell out volumes to be met and rates to be paid over the next

12 months, it would be reasonable to assume that once these contracts are in place the market would then remain stable for the next 12 months.

However, as has been evident over the past 2 years rates on the Transpacific have been anything but stable with volatility having increased quite dramatically.

If rates and volumes are contractually firm and agreed upon how can this happen?

At SeaIntel we have analyzed the

different carrier. We have focused on cargo from the Pearl and Yangtze River Deltas going to California.

We have found that before the financial crisis, 15% of the cargo was shifted between carriers each month. After the financial crisis this has increased to 20%.

This means that the carriers now face an opportunistic cargo base which is 33% larger than

before the financial crisis.

Measuring the opportunistic cargo base

Using data showing volumes moved by NVOCCs and freight forwarders (henceforth for simplicity labeled NVOCCs) for individual cargo owners, we have calculated how each individual NVOCC has awarded his cargo to individual container carriers.

We have then been able to

THE CHICKEN AND THE EGG

NVOCCs are shifting an increasing share of their volume between carriers each month. The question is why?

On one hand NVOCCs find themselves in a situation where market rates decline below contract rates causing them to place more cargo on the spot market. On the other hand we are also gaining information that NVOCCs have been approached proactively by carriers offering lower rates without the NVOCCs having asked for it.

Hence it is a chicken and egg situation – is opportunity cargo increased because of lower freight rates – or are freight rates lowered in response to increased

This file is a preview provided by [SeaIntel.com](http://seaintel.com) for users who are not subscribers. Click on the link to view subscription options for SeaIntel Sunday Spotlight. http://seaintel.com/index.php?option=com_virtuemart&view=productdetails&virtuemart_product_id=5