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PATIENCE CAN BE A VIRTUE IN THE CURRENT RATE MARKET

In a time of historic consumer demand and limited space, carriers are using their power to increase the price of shipping goods around the globe.

The surge in shipping costs is a result of record volumes from pent up consumer demand after months of quarantine; no additional vessels available to meet increased demand; and supply chain stress caused by the simultaneous reopening of virtually every global economy. Some say multiple stimulus checks from the U.S. government may have played into that demand spike, as well. This has fundamentally changed the way carriers view their business.

Carriers no longer focus on securing volume. Instead, they have shifted their efforts to increasing revenue. In terms of contracts and contract types, carriers are moving away from long term fixed deals to the spot market for the first time in many years, and they are concentrating on profitability. As a result, for at least this year, carriers are only willing to sign contracts that guarantee the current high rates – without any perks.

“Carriers have the upper hand in this year’s contract negotiations, and they are taking full advantage,” said Peter Hsieh, Vice President of Sales and Marketing for OEC Group’s Northeast Region. “It is a simple case of supply and demand. There is very limited capacity and significant demand for any open space on every available ship because consumers are purchasing products in record numbers. As a result, carriers haven’t been pressured to give in on their fees, so they’re not.”



To make matters worse, this comes at a time when carrier reliability is at an all-time low. In any other year, these problems and the weakened state of carrier services would give shippers a robust upper hand, but volume and demand are so high that those issues have had no effect. Now, clients that are forced to pay high rates to ship their products don't even know if their goods will get to the intended destination in time.

“The last thing you want to do in a market like this is postpone your shipments, hoping things will improve next week, next month,” said Frank Costa, Vice President of Sales at OEC Group’s North East Region. “Finding a reliable partner with sufficient space to keep your shipments moving is vitally important to maintaining your supply chain integrity, and things will not improve in the short term.”



KEITH SARNELL

Vice President of OEC's
Great Plains region

INTERVIEW WITH AN EXPERT

Keith Sarnell, Vice President of OEC's Great Plains region, gives his thoughts on the Ever Given incident and what it means for our current market.

Q: How disruptive was the blockage in the Suez Canal to the industry and world trade?

A: The Suez Canal is an important waterway. It connects Europe and the Mediterranean Sea to the Far East, and it's an important route from Southeast Asia to the East Coast of the U.S. About 10-12 percent of global trade travels through the canal, which is roughly 19,000 vessels per year. Based on that substantial volume, and the significance of the affected trade lanes, the incident was acutely disruptive to a supply chain that was already heavily backlogged.



Q: Who took the biggest brunt and what are some repercussions that the market is dealing with now?

A: Right out of the gate, the incident caused about 33 container ships to be stuck within the canal. On top of that, over 300 vessels were backlogged on either side of the Suez Canal for the seven days while crews worked to refloat the Ever Given. That was a lot of capacity carrying a large amount of freight and goods, specifically commercial goods, that did not flow through the supply chain like they were supposed to. A huge financial impact will be felt for a while as a result of this accident. That being said, the true impact will not be felt until delayed vessels reach their ports of call in the United States. Their arrival will result in severe congestion on the East Coast from vessel bunching, and those delays will take many months to clear as the supply chain tries to catch up, especially if it coincides with our traditional peak season – starting in June.

Q: Did you immediately think of any changes that need to be made so this never happens again?

A: While the canal had been blocked in the past, it has never been to the size and scale of what we just witnessed a few weeks ago. The megaship was able to block the entire canal, from one bank to the other. What people may not know, is that many container ships that pass through the Suez are just as large. This begs the question, “Should these megaships start finding alternative routes?” If that’s not possible, the next question would be, “Does the Suez Canal need further expansion?”

Q: How will this incident factor into contract negotiations?

A: I think this year more than ever, we’re in a market where demand far outpaces supply. Space is at a premium that we’ve never seen before. This incident is only going to strengthen the position of the carriers as they renew contracts on May 1st, suggesting that rates will remain high for the remainder of the contract year.

GOLF

Fun Facts

1

The Old Course at St. Andrews in Fife, Ireland is the oldest golf course in the world. It was officially established in 1552.

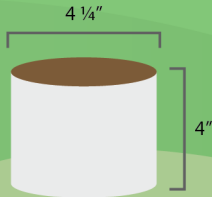


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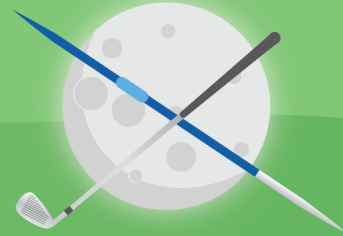
The Scottish Parliament legally banned golf and soccer in 1457, 1471, and 1491. Supposedly, the ban was meant to help civilians refocus on military training.

3



To meet regulations, golf holes must have a diameter of 4 1/4" and a depth of 4".

4



A golf shot and an improvised javelin throw are the only two documented sporting activities to be done on the moon.

5

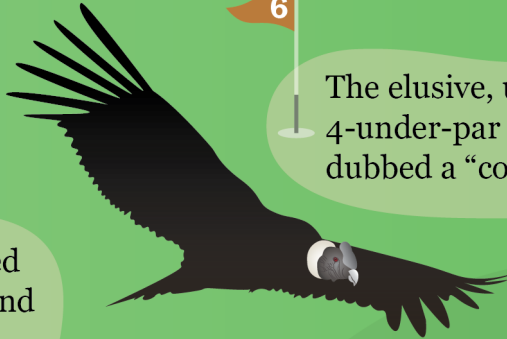
Due to early golf course configurations, rounds originally consisted of 22 holes.

6

The elusive, usually extremely lucky, 4-under-par shot on one hole is dubbed a "condor".

7

During the Song Dynasty, a game called *chuiwan* rose to popularity. The rules and strategies suggest this could be one possible origin of the sport.



8

Historians agree that modern golf emerged in Scotland during the 15th century.



9

The ancient Roman game, *paganica*, is another possible precursor to the game of golf we know today.





ABOUT OEC GROUP

At OEC Group, we have demonstrated our commitment to customer service in trans-Pacific trade for more than 35 years. Founded in 1981, OEC Group had a vision to provide comprehensive logistics services to clients. Today OEC Group serves destinations throughout the world and has grown into one of the leading logistics providers in North America. With over fifty offices worldwide, we take pride in being close to your cargo at all times.

OEC Group is monitoring and adapting to the changing market. We are well positioned to make continuous improvements to your supply chain using the fastest, most efficient and cost-effective services available. We work tirelessly to stay on top of the ever-changing logistics industry with the goal of delivering the most current information and services to you, our customer.

Our business is making our logistics expertise, your competitive advantage.