

# The Global Food Trade Has Been Upended by a Container Crisis

- Some food prices could go up if costs are passed to consumer
- Three in four containers leaving Los Angeles to Asia are empty

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Food is piling up in all the wrong places, thanks to carriers hauling empty shipping containers.

Global competition for the ribbed steel containers means that Thailand can't ship its rice, Canada is stuck with peas and India can't offload its mountain of sugar. Shipping empty boxes back to China has become so profitable that even some American soybean shippers are having to fight for containers to supply hungry Asian buyers.

"People aren't getting their goods where they need them," said Steve Kranig, director of logistics at IM-EX Global Inc., a freight forwarder that handles cargoes including rice, bananas, and dumplings from Asia to the U.S. "One of my customers ships 8 to 10 containers of rice every week from Thailand to Los Angeles. But he can only ship 2 to 3 containers a week right now."

The core issue is that China, which has recovered faster from Covid-19, has revved up its export economy and is paying huge premiums for containers, making it far more profitable to send them back empty than to refill them.



Shipping containers next to gantry cranes at the Yangshan Deepwater Port in Shanghai, China, on Monday, Jan, 11, 2021.

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There are signs that the soaring freight rates are boosting the cost of some foods. White sugar prices surged to a three-year high last month, and delays in food-grade soybean shipments from the U.S. could mean higher tofu and soy milk costs for consumers in Asia, said Eric Wenberg, executive director of the Specialty Soya and Grains Alliance.

## **Food Costs**

While it's not entirely uncommon for containers to transit back empty after a voyage, carriers usually try to backfill them to profit from shipping rates in both directions. But the cost of carrying goods from China to the U.S. is almost 10 times higher than the opposite journey, prompting liners to favor empty boxes instead of loading them, Freightos data showed.

At the port of Los Angeles, the U.S.'s biggest for container cargo, three in every four boxes going back to Asia are traveling empty compared with the normal 50%

rate, said Executive Director Gene Seroka. In Vancouver, containers remain in the yards. Terminals have shortened the time to transport the stuffed boxes onto ships from three days to as little as seven hours, said Jordan Atkins, vice president of WTC Group.

“It’s not possible to get the amount of volume we have here in Vancouver to return containers in those tight windows,” said Atkins. “Pulses, in general, are struggling getting on the ships,” he said, referring to crops like peas and lentils. Canada is the world’s second-largest producer of pulses.

India, the world’s second-largest sugar producer, exported only 70,000 metric tons in January, less than a fifth of the volume shipped a year earlier, said Ravi Gupta, president of Shree Renuka Sugars Ltd, the nation’s top refiner.

Vietnam, the largest producer of the robusta coffee beans used to make instant drinks and espresso, is also struggling to export. Shipments dropped more than 20% in November and December, said Le Tien Hung, chairman of Simexco Dak Lak, Vietnam’s No. 2 exporter.

Warehouses in Vietnam are full due to seasonal selling and low exports following the shortage of containers, Volcafe Ltd., the coffee unit of commodities trader ED&F Man Holdings Ltd., said in a report.

Around the world, some foodstuff buyers are waiting while others have halted purchases altogether, traders say.

## **‘Shortage of Everything’**

“It’s been like that since December,” said Kranig of IM-EX Global. “You’re going to get not only a shortage of food but a shortage of everything. I would not be surprised to hear some beneficial cargo owners’ freight rates for 2021-2022 shipping season double from previous years.”

If that prediction bears out, once the bulk of North Americans and Europeans are vaccinated, some of those high freight rates could be passed on to them as they return to cafes, restaurants, and office towers.

The container crunch comes just as American shippers are trying to boost exports of everything from soybeans to grain meals to Asia. China is scooping up

American crops to feed a hog herd that's recovering from a deadly pig disease faster than most expected. The situation is so dire that some buyers are canceling contracts, opting for bulk shipping methods, the most common for feed products, or delaying purchases to avoid high freight costs.

"We know that some of the industry's largest and most consistent buyers of soybean containers in Asia over the years are now electing to buy bulk vessel supplies," said Doug Grennan, vice president for select global grain and oilseeds at Scoular Co., a century-old trader that's one of the U.S.'s largest shippers of agricultural goods in containers. "And certainly like others, we had some booking cancellations."

Still, a major global spike in food costs is unlikely. Only a small percentage of grains and oilseeds is traded in containers, said Arnaud Petit, executive director of the International Grains Council in London, with the rest going bulk cargo. It's also unclear how much of the rise in shipping costs companies will be able to pass on to consumers, given the economic slowdown caused by the coronavirus.

## **Suspending Shipments**

Hapag-Lloyd AG last year told customers it was suspending overseas container shipments of North American agriculture products to reposition empty containers back to Asia. Nico Hecker, director of global container logistics at the German sea-freight company, said in November that the firm was experiencing the strongest increase in demand for 40-foot containers following one of the biggest decreases ever.

"As containers became scarce in Asia, demand outpaced supply" along all container routes, said Judah Levine, research lead at Freightos. Some carriers have canceled sailings in coming weeks to catch up from delays, he added.

The pandemic has also upended flows of refrigerated containers. In China, boxes are piling up at ports as workers have to comply with strict Covid-testing procedures as well as disinfection of meat and seafood products after frozen-food imports were blamed for the spread of the virus. There are so many cold containers in Dalian that the port is running out of power plugs to keep them on.

As imports are being held up, wholesale pork prices in China, the world's top consumer, jumped to the highest since September. That's prompted the

government to boost sales of state pork reserves to meet booming demand ahead of the Lunar New Year holiday.

Labor shortages due to the spread of the coronavirus are slowing operations at ports, and worsening the container shortage. Strikes in Argentina have also boosted demand for American agriculture products to supply Asia, increasing competition for boxes.

“It’s a bit of a perfect storm,” said Grennan. “You have pent-up demand in Asia for agriculture products and that’s at the same time you have a pretty substantial consumer goods demand in the U.S. When you add to that some of these labor issues, that’s what really crated the scarcity you are seeing.”

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