



ISSUE BRIEFING

SHIPPING DELAYS CAUSING WORLDWIDE BACKLOGS

The supply chain is strained, Back-to-School is here, & peak season is right around the corner. Things will only get worse before they get better – which they will, just not this year. Orders keep increasing, and consumers keep buying, which would be great news if manufacturers, distributors, and retailers could stock enough goods to meet the demand.

Import Volumes Set New Records

- The Port of Los Angeles will exceed 10 million TEU's this year, the largest volume ever recorded. They processed 1,004,222 TEU's in May, a 70% increase from last year, making it the busiest month in the Port's 114-year history.
- Added volume is creating backlogs with ships waiting up to 16 days to berth. When a ship leaves port later than expected and arrives at the next destination late, it causes ongoing service disruptions.
- National Retail Federation (NRF) VP for Supply Chain and Customs Policy Jonathan Gold commented in Lloyd's Loading List - "There's no shortage of demand from consumers, but there continue to be shortages of labor, equipment, and shipping capacity to meet that demand. Supply chain disruptions, port congestion, and rising shipping costs could continue to be challenges through the end of the year."
- US ports covered by the NRF Global Port Tracker reported 2.27 million TEU's in March, a record for the most containers imported during a single month since they began tracking in 2002.

Shenzhen's Yantian Terminal is wreaking havoc on the supply chain

- The ports of Yantian, Shekou, and Nansha have all been impacted by Covid outbreaks. This resulted in reduced handling capacity at terminals since late May, when a 6-day stoppage on export containers was imposed.
- With containers backing up at the Chinese ports, it is causing a trickle-down effect throughout China, Europe, and North America.
- According to a Maersk advisory, some terminals in Yantian were operating at 30% capacity while others had to suspend service. As a result, ships were waiting up to 16 days to dock.
- Demand for trucking increased as shippers looked to Shanghai and Ningbo as alternate ports. Some carriers bypassed Yantian only to find delays and equipment shortages at the alternate ports.
- Yantian opened at full capacity June 24. But, as cargo begins to move off the docks, the backlog volumes hitting European and US ports will strain their resources.

Container imbalance getting worse – where is all the equipment?

- Equipment shortages will continue, and costs will rise for the rest of 2021 for containers and chassis.
- Increased volumes are also straining the surrounding logistics infrastructure creating truck, rail, and warehouse shortages.
- Port congestion in China, Southeast Asia, and the US is delaying container ships for weeks taking loaded containers out of service.
- Container rates are surging because demand is outstripping the availability of 20'- and 40'- boxes.

After a brief reprieve, costs are rising

- Rates stabilized in early 2021, though at a high level.
- Rates are now increasing, and where carriers previously filed GRI's with the Federal Maritime Commission to take effect the first of a month, they are also applying for GRI's mid-month.
- Carriers are offering premium service at a cost. The extra charges are assessed to guarantee loading and on-time delivery, but many times, cargo is still rolled, and schedule guarantees are unmet.

Widespread international delays are unprecedented in the industry

- UTC Overseas is working hard to keep your cargo moving. Our representatives will work with you to find the most expedient methods of moving your cargo to its destination.
- To ensure smooth delivery, we suggest planning ahead and booking as early as possible, considering using less congested ports, and staying in constant contact with UTC for updates on availability and rates.

We value the trust you have placed in us and are committed to working hard to service your business. Please contact us so we can assist with your transportation, customs, and logistics needs.