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Greg Knowler, Senior Europe Editor | Mar 29, 2022 11:01AM EDT



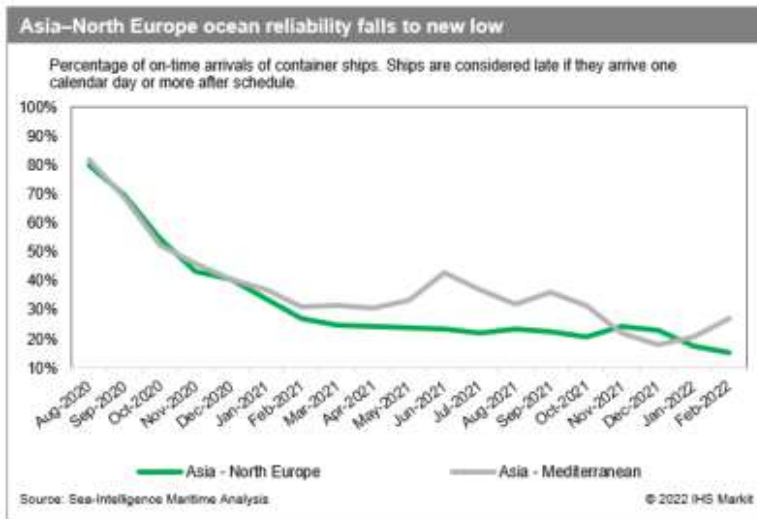
Port congestion and container dwell times are increasing at North Europe hubs. Photo credit: Shutterstock.com.

European importers are facing a growing shortage of available storage in container yards and warehouses as highly unreliable supply chains force them to increase orders and build inventory buffers against lead time delays and disruption.

China-Europe volume was up 3.1 percent in January compared with January 2021, after growing 11 percent in the last quarter of 2021, according to Container Trades Statistics (CTS).

The growth in demand is combining with persistent congestion across North Europe hubs where schedule reliability continues to reflect record lows. On-time performance of vessels on the Asia-North Europe trade lane plunged to 15 percent in February, down 2.6 percentage points compared with the previous month and a 12-percentage-point decline year over year, according to Sea-Intelligence Maritime Analysis.

Markus Panhauser, senior vice president for ocean freight in Europe at DHL Global Forwarding, said the unstable supply chains mean importers must plan for transit times that are 15-30 days longer than before the pandemic.



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“This, paired with raw material shortages and longer production lead times, leads to higher order volumes to make sure that the shelves do not run empty,” he told JOC.com.

“Meanwhile, these higher order volumes hit European ports and the warehouses have filled quickly,” he added. “UK, Germany, Netherlands, and France are hit the most. There is practically no free warehouse space available anymore and containers are still coming.”

That was confirmed by the logistics director for a European importer based in Germany importing 25,000 TEU a year.

“Everyone is ordering more than they usually would, so space in places like the Netherlands or Italy is extremely tight,” the source said. “We also try to build buffer stock, but the problem is that I am selling like crazy, and it simply doesn’t stop. Even with the Russia-Ukraine issues, we are seeing sales going through the roof compared to a regular month or year before the war.”

Manufacturers in Europe continued to be restrained by lengthening supplier delivery times during February, according to the IHS Markit Eurozone manufacturing PMI. The monthly survey of European manufacturers found new order growth continued to outstrip that of factory output, and stocks of finished goods were depleted for the 21st straight month.

Importers taking just-in-case approach

According to the “Trade in Transition 2022” report, an Economist Impact research program sponsored by DP World, one of the clearest trends during the pandemic has been the shift away from efficiency to resilience, with cargo owners moving from “just-in-time” to a “just-in-case” approach.

The report showed that 14 percent of the 3,000 companies surveyed around the world were using a just-in-time approach, while 27 percent, the highest share, said their companies were holding one-to-three-month buffers, and 26 percent were holding two-to-four-week buffers.

Hugues Morin, general manager of France-based forwarder Clasquin, said there was huge demand for warehousing space in Europe and in the UK.

“Everyone is ordering more and storing more to build up their stock,” Morin told JOC.com. “Where late last year sales were so strong that orders of inventory could not keep up, we don’t hear that now. But there are lots of missing products in the manufacturing sector, especially with commodities because of Russia sanctions.”

This was also highlighted by Barry Dekkers, founder of Eye4Storage, a business-to-business warehouse supply and demand visibility platform, who said from a raw materials perspective, there was “massive disruption” in European supply chains.

“Some of the elements are critical, and if you have a product that requires 40 different elements to manufacture and you only have 38, you cannot produce,” he told JOC.com.

Dekkers said the on-demand services required for the import of raw materials to support manufacturing were difficult in the current environment, and the high cost of transport did not guarantee products would arrive in time.

“So instead of ordering 10 pallets or 10,000 kg of stock, a company will order 100,000 kg in order to maintain the manufacturing process,” he said. “If you don’t have the materials and have to send 200 people on unpaid or even paid leave, the financial impact of that is far more significant than the cost of having additional space.”

Russian boxes stuck in North Europe hubs

The suspension of shipping to Russia, Ukraine, and Belarus has sharply increased dwell times for transshipment containers in European ports, according to visibility provider FourKites. Its data shows transshipment dwell times in Europe increased again this week and were now 36 percent higher than in mid-February.

There are no direct container shipping services from Asia to Russia — even before the war — and cargo must be directed through transshipment ports in North Europe. Most of these boxes — estimated to be about 10,000 TEU — are stuck in terminals or inland container stations using space urgently needed for import cargo.

A spokesperson for Hapag-Lloyd said warehousing space was scarce, and finding solutions was “enormously challenging.” He said containers were building up in European ports and in the hinterland, with average dwell times of the boxes up 25 percent compared with pre-pandemic levels.

Karsten Kildahl, managing director for Europe at Maersk, told JOC.com that trucking capacity was more of a challenge than warehouse space.

“We have so far been able to cope with the container terminal yard density by offering our customers storage in our inland container depots and the warehouses we have in Europe of almost 400,000 square meters capacity,” he said.

Kildahl said the main challenge for Maersk was an inland trucking capacity shortage rather than a lack of warehouse space.

“This trucking capacity was quite tense already before the Russian invasion of Ukraine, but with the many Ukrainian drivers no longer working on the European roads, the shortage has become acute,” he said.

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