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Larger retailers have been able to wield their scale to guarantee ocean capacity while more small shippers are having to lean on forwarders rather than contracting directly with carriers. Photo credit: Shutterstock.com.

For each major shipper able to charter their own ships, or in the recent case of Germany-based budget supermarket chain Lidl, register their own container line, there are hundreds of smaller importers that lack the transportation budgets to make such bold moves..

JOC Column

Partly thanks to those chartered ships, Walmart and Target were able to ensure their stores were stocked for winter holiday shopping despite US port congestion being at its worst. Others weren't so fortunate, spurring some smaller competitors to pressure the Federal Trade Commission to launch an inquiry in November into nine large retailers, wholesalers, and consumer good suppliers, including Amazon and Procter & Gamble, on the causes of supply chain disruptions. During an FTC hearing on Nov. 18, smaller retailers and grocers speculated that their far larger competitors were unfairly using their scale to tap suppliers and transportation providers, leaving them without needed goods and perishables, and the transport capacity to move them.

And while retailers and multinationals will likely be able to tell investors when they report first-quarter earnings they've got better control of inventories, their smaller counterparts, such as building supplies manufacturer Phipps International, are still scrambling and have little sense that disruption will dissipate. For those in the industry seizing on the recent easing of eastbound trans-Pacific container spot rates as a sign of coming relief, Jake Phipps doesn't see it, nor is he feeling it. He's still having to turn to smaller forwarders, who are getting capacity from larger forwarders, to get vessel space out of ports in China and Vietnam.

"We take the space and the [smaller forwarders] cancel on us because someone else came and paid more for the space," Phipps said in an interview with JOC.com. "They don't tell us someone paid $500 more for the space. They just tell you, 'You're not getting on this vessel,'" adding a two-week delay.

"It's been a very difficult game over the last 18 months, and it's getting worse," he added.

Phipps said the company hasn't contracted directly with container lines for two years because service has been so poor. Carriers are also unwilling to take its business because it ships from 16 different ports and the company's volumes on port-to-port pairs aren't consistent. He's hardly alone, as a growing number of smaller importers are finding carriers more selective, if not completely uninterested, in signing annual service contracts.

Then there are the problems at origin. Production at the Chinese factories on which Phipps depends has been slowing over the past three weeks as COVID-19 restrictions prevent truckers from moving raw materials from factory to factory. Outbreaks in Dalian and Tianjin in the north, Shanghai and Ningbo in the east, and Xiamen and Dongguan in the south have spurred authorities to ban truckers from high- and medium-risk areas transporting cargo to low-risk areas.

"You can buy from domestic manufacturers, but [they] have the same problem because all their raw materials that they need to complete finished products come from overseas," Phipps said.

No relief on trans-Atlantic, either

Importing several hundred containers a month, Phipps International pulls mostly from China, Vietnam, and Indonesia. But trans-Atlantic moves haven't been easy, either, Phipps said. For more than 45 days, he's been unable to get space for finished goods out of the factory in Istanbul. Phipps may have better luck soon, as Mediterranean Shipping Co. (MSC) is launching a new service from Gemlik, Turkey, to the US East Coast over the next few weeks, according to Sea-Intelligence Maritime Analysis.

Still, it's possible that luck won't improve, given that forwarders are telling him space isn't tight because of the nearby Russia-Ukraine war, but because "US ports are backed up and vessels aren't going to the United States if there isn't a way to offload them," Phipps said.

Things don't get much better even when imports land in the US. At the Port of New York and New Jersey, for example, Phipps can't get goods out of a marine terminal because his forwarders tell him there are not enough 20-foot chassis available for truckers to make the haul. Meanwhile, storage fees — also known as demurrage — are racking up. Phipps used to get five days of so-called free time before demurrage charges kicked in, but now the company has just three days to retrieve its containers.

“When you add up [demurrage for] a lot of containers all at the same time — at $500 a day and they sit there for 10 days — before you blink, you’ve got a $30,000, $40,000 and then a $50,000 bill from the steamship line that you have to pay,” Phipps said.

Asked how much he’s paid in demurrage since the COVID-19 pandemic began, Phipps said, “I don’t know; too much. It makes me sick to even look at it.”

Phipps hopes that the Ocean Shipping Reform Act (OSRA) passed by the US House and Senate will provide some demurrage relief, as the legislation shifts the burden of proof from the carrier to the shipper on whether demurrage is unreasonable. The House and Senate will hammer out a final version of OSRA before it’s sent to President Joe Biden for his signature and made law.

In the meantime, Phipps International is passing on the increased shipping costs to its customers. Container rates remain elevated and volatile, forcing the company to stop giving customers an estimate of what shipping costs will be since they change so much during a 60-day production cycle.

“It’s the only way to survive in this business, in this market right now,” Phipps said.

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