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Limited air freight capacity available for US port strike-driven cargo shift

The top four Chinese e-commerce platforms use an estimated 150 freighters per day to move online orders to destination markets. Photo credit: Matheus Obst / Shutterstock.com.

Greg Knowler, Senior Editor Europe | Sep 19, 2024, 10:53 AM EDT

A strike-driven surge in demand for air cargo capacity if ports along the US East and Gulf coasts are shut down from Oct. 1 would come at the worst possible time for an air freight sector that is preparing for a strong peak season with capacity already severely limited.

Eight straight months of double-digit growth and a massive increase in trans-Pacific and Asia-Europe e-commerce volumes this year, mostly shipped from China by air, have kept rates elevated and encouraged airlines to shift freighter capacity from other trades to the booming ex-Asia markets.

Angel Rodriguez, president of ASF Air, said a port strike in the US would quickly create a backlog in shipments of “artificial or unplanned air freight” that would typically have moved by ocean.

“Now consider this occurring during the busiest season for air freight with the increased demand for e-commerce, holiday season around the corner and new product launches such as smart phones, all fighting for the same capacity from similar markets,” Rodriguez told the *Journal of Commerce*.

Air freight rates out of China to the US and Europe have been elevated all year with e-commerce volume dominating shipments and longer ship voyages around southern Africa to avoid the Red Sea shifting urgent freight from ocean to the air. Load factors in August were at 87% on Asia-North America and 86% on both the Asia-Europe and Asia-Middle East routes, meaning they are effectively full.

Air freight rates are being pushed up by a wide supply-demand imbalance, with supply growth in August increasing 2% year over year while demand was up 11%, according to rate benchmarking platform Xeneta. Data from the Baltic Air Index (BAI) shows that rates for the week ending Sept. 16 from China to the US were up 30% year over year at $5.87 per kilogram and China to Europe up 28%, at $4.10/kg.

Scramble for space

Airline executives estimate the top four Chinese e-commerce platforms use 150 freighters per day to move online orders to destination markets, most of that capacity contracted directly with airlines. That is leaving forwarders serving traditional air freight customers scrambling to find space in an ever-tightening market.

Alberto Mathia, regional head of air freight for the Americas at Hellmann Worldwide Logistics, said capacity was a growing issue and that air freight rates, especially from Asia, were already rising, regardless of a potential port strike in the US.

“Capacity will become even tighter as passenger flights may reduce after the summer schedule, creating additional challenges for already limited air capacity due to e-commerce from Asia and Red Sea diversions,” Mathia said.

Rodriguez said shippers should already be discussing contingency plans with their service providers to identify solutions to keep production lines moving undisturbed.

“Many of our clients at ASF have already started looking at full and part charters to have a safety stock in the unfortunate event that a strike does indeed occur,” he said.

Charter rates are also rising sharply, however, with reports of a return freighter flight on the Europe-South America trade lane recently contracted for more than $1 million.

‘Storm coming’ to China export markets

Niall van de Wouw, chief air freight officer at Xeneta, said the air cargo industry was facing “an extremely challenging year-end peak season,” when volumes traditionally increase in the run up to Christmas and New Year.

“There is a storm coming to the outbound China air freight market,” he warned. “Shippers need to take action now and have a clear plan in place for when the storm hits, such as working with their vendor to minimize the use of spot market capacity, which will likely come at spiraling costs.”

While a port strike along the US East and Gulf coasts will impact air cargo exports from China, the trans-Atlantic air freight market could be hit hard, said Glyn Hughes, director general of The International Air Cargo Association (Tiaca).

“To satisfy the demand, much of which is driven by e-commerce, air cargo freighter operators have been repositioning freighters to serve these high demand-Asian markets,” Hughes told the *Journal of Commerce*. “This has resulted in some trans-Atlantic freighter operations being stopped.

“If the…port strike goes ahead then some cargo will undoubtedly need to move by air, but capacity will be in short supply,” he added. “There will also be an expected reduction in passenger belly capacity as winter schedules may also see reduced services.”

However, the tight capacity will push up air cargo rates, and Hughes said this could lead to airlines moving freighters back to the trans-Atlantic market.

“But I think the capacity challenge will act as a form of volume restriction, and I wouldn’t expect to see cargo facilities [in the US] being overrun with air cargo volume,” he added.

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