

## Ocean carriers slash port calls as Red Sea disruptions grow



*The Saudi Arabian port of Jeddah on the Red Sea has been omitted from several calls by carriers amid recent rotation changes. Photo credit: Ivan Kuzkin / Shutterstock.com.*

Greg Knowler, Senior Editor Europe | Jan 24, 2024, 10:13 AM EST

Maersk has warned customers to prepare for “significant disruption” to global networks as the ongoing Red Sea diversions cause the carrier and 2M Alliance partner Mediterranean Shipping Co. to cut port calls across the Middle East and Mediterranean.

Shippers are already facing both a capacity shortage and soaring freight rates on westbound services as rerouting vessels around the Cape of Good Hope to avoid drone and missile attacks in and around the Red Sea launched by Houthi militants based in Yemen adds at least two weeks to Asia-Mediterranean services.

“The situation in and around the Red Sea-Gulf of Aden is deeply volatile with all available intelligence at hand confirming that the security risk continues to be at a significantly high level,” Maersk said in a statement Wednesday.

“While we continue to hope for a sustainable resolution in the near future and do all we can to contribute towards it, the situation currently remains untenable, and we encourage customers to prepare for complications in the area to persist and for there to be significant disruption to the global network,” the carrier added.

The changes to 2M port rotations on Asia-Europe and Middle East services will see Jeddah being omitted on MSC/Maersk’s Condor/AE7 service, while on the Griffin/AE55 service the ports of Salalah and King Abdullah will be omitted eastbound with ships instead calling Colombo for onward connections to the Middle East.

The Jade/AE11 service will omit Port Said, King Abdullah, Abu Dhabi and Jebel Ali eastbound, while Port Said and Gioia Tauro will be cut westbound. Jeddah will be omitted on the Phoenix/AE12 service with Port Said being cut eastbound and King Abdullah and Piraeus calls omitted on both eastbound and westbound services.

Other carriers are also adjusting port rotations or cutting entire services as they try to manage the impact the Red Sea situation is having on their shipping schedules.

CMA CGM has adjusted its services from North Europe and the Mediterranean to India and Oceania. Malta has been omitted on the southbound routes, with all Mediterranean calls routed through Valencia. On the northbound route, all Mediterranean calls have been omitted, with import volumes to be transshipped either in Tanger Med “whenever a berth is available” or in Hamburg.

Hapag-Lloyd said it has been forced to suspend its GEM service connecting the East Mediterranean and Turkey with the Persian Gulf via the Suez Canal and Red Sea “until further notice” as continuing the route would require double the number of vessels to maintain a weekly service.

At the same time, the carrier announced it is adding a trucking service from the Persian Gulf across Saudi Arabia to Jeddah, although a spokesperson for Hapag-Lloyd acknowledged that there was “very limited capacity” available on the overland route.

## **Vessel delays raise inventory issues**

Adding to the supply chain disruption caused by port omissions, the Red Sea diversions were causing vessels delays on Asia-Europe westbound legs of nine to 20 days plus another four to five days of wait time for berthing windows, Markus Panhauser, head of ocean freight/Europe at DHL Global Forwarding, told the *Journal of*

Commerce this week. The delays were leading to shortages of equipment and vessel capacity.

“The carriers released the laid-up vessels into service to compensate for the missing vessels that are not coming back to Asia in time,” Panhauser said. “This additional capacity and the longer roundtrip times are drying up the empty [container] stocks in Asia, India and Europe.”

Inventories among European importers grew during the pandemic supply chain disruptions and the weak consumer demand last year has provided some buffer against the extended transit times, but that is now being eroded.

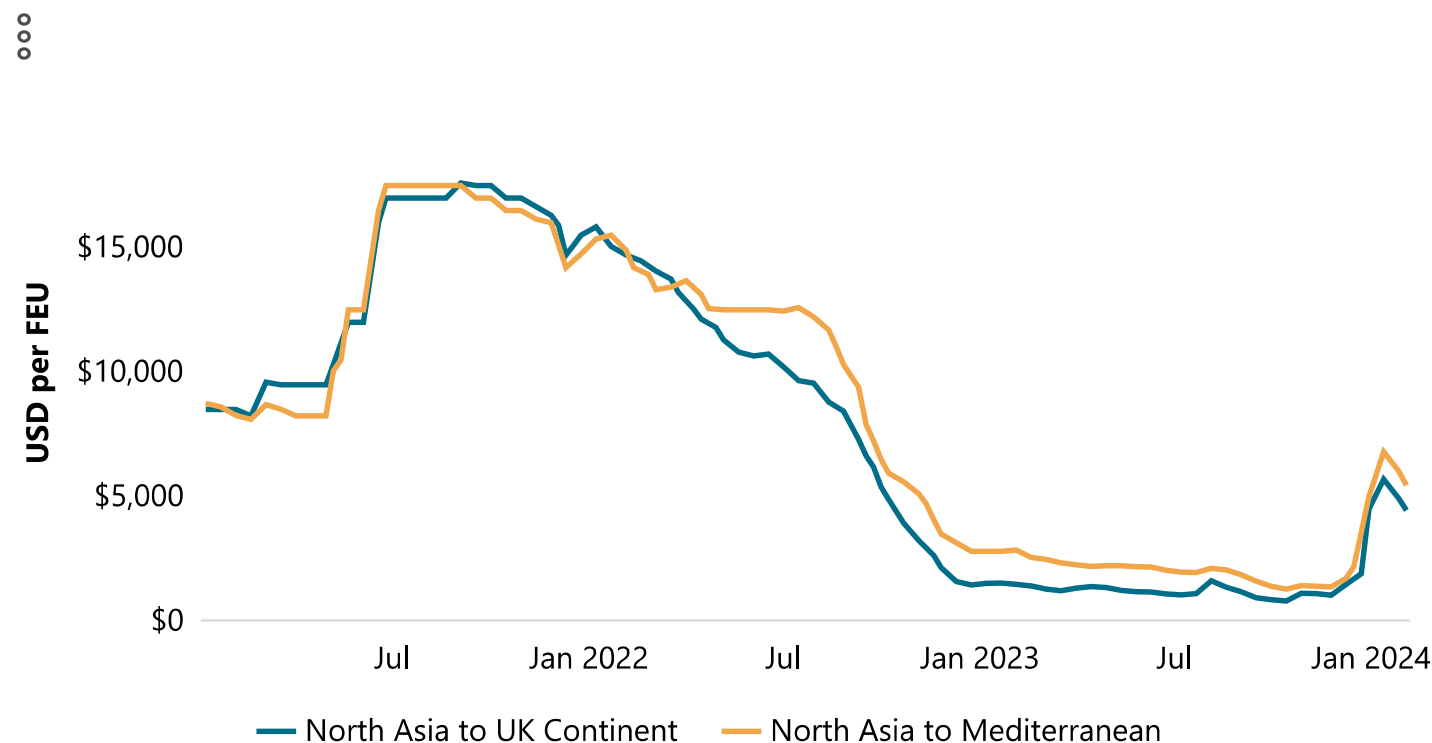
“Most customers are operating with a safety stock of 30 days [but] this stock is being absorbed by the delays and customers have ordered additional goods to refill their safety stocks, fueling the space shortage,” Panhauser said.

Tobias Burger, COO of Germany-based global forwarder Dachser, also noted that inventory issues were beginning to emerge as the Red Sea diversions continued.

“We might see a comeback of warehouse solutions in the supply chain, for example, to buffer or build up stock to have product available when just-in-time cannot be guaranteed due to delays in the schedule reliability,” he said.

### Spot rates soften slightly on Asia-Europe head haul corridor

Platts container rate North Asia to Mediterranean and North Asia to UK in USD per FEU



6M	1Y	YTD	MAX
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While Red Sea diversions continue to keep spot market rates elevated, carriers are reluctant to offer long-term Asia-Europe contracts with the prices at unattractive levels to the market, Burger told the *Journal of Commerce*.

“Currently carriers offer long-term rates to the market with a considerable add on to give the option of a guaranteed rate for a period of six month or longer,” he said. “The risk with such an agreement is that in a falling market the customer will overpay, hence during Q1 a FAK [freight-all-kinds] solution might be the best way forward to determine in which direction the market will develop and to decide on a long-term agreement effective Q2.”

Spot rates from North Asia to the Mediterranean are at \$6,500 per FEU this week compared with \$1,600 per FEU on Dec. 1, according to Platts, a sister company of the *Journal of Commerce* within S&P Global. However, the spot market has declined slightly from a high of \$6,800 per FEU on Jan. 12.

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