

Restocking begins on trans-Atlantic ahead of potential labor disruptions



The volume of US imports from Europe in July rose 3% year over year to 321,040 TEUs. Photo credit: ambient_pix / Shutterstock.com.

Greg Knowler, Senior Editor Europe | Aug 20, 2024, 10:39 AM EDT

US importers of Europe-sourced goods are facing an autumn of disruption with a possible rail shutdown potentially snarling Canada's gateway ports to North America later this week and a dockworker strike at marine terminals along the US East and Gulf coasts looking ever more likely at the end of September.

The growing threat of delays at ports from Canada to Texas is prompting US importers to restock inventories and frontload orders, with volume rising on the trans-Atlantic westbound trade lane, according to Hapag-Lloyd CEO Rolf Habben Jansen.

"A lot of people are taking some measures to ensure they are not too vulnerable," Habben Jansen told reporters during a media briefing Monday. But he added that what

happens after the existing dockworker contract expires on Sept. 30 “is anyone’s guess.”

The International Longshoremen’s Association (ILA) is locked in increasingly fractious negotiations over a new multi-year contract with US East and Gulf coast port employers represented by the United States Maritime Alliance (USMX).

“If you see the rhetoric that has been out there in the last couple of months, [the strike threat] has certainly not declined,” Habben Jansen said, reiterating a view he expressed last week during the carrier’s earnings call that the chance of a longshore worker strike closing ports has increased.

It is too early for any significant increase in demand to be reflected yet in the data of US imports from Europe. The latest westbound volume numbers for July from PIERS, a sister company of the *Journal of Commerce* within S&P Global, show a 3% year over year increase to 321,040 TEUs.

US retail sales also remain resilient, while the ratio of US retail inventories to sales, a barometer of inventory balance, edged up in June to 1.21 from 1.20 in May, according to US Census Bureau data.

Strike will be ‘devastating’ for US importers

Alison Leavitt, managing director of the Wine and Spirits Shippers Association (WSSA), said there was growing concern among members over an ILA strike that would follow disruption caused by a possible shutdown of the Canadian rail network that could begin on Thursday.

Little progress has been made in negotiations between the Teamsters Canada Rail Conference (TCRC) and Canada’s two freight railroads, Canadian National Railway (CN) and Canadian Pacific Kansas City (CPKC), which have already begun shutting down operations ahead of the possible work stoppage.

“If the Canadian rail strike starts on Aug. 22, there will be an impact as many US importers use Canada ports,” Leavitt told the *Journal of Commerce*. “For example, a lot of auto parts move via Montreal to the Midwest and this cargo would be immediately rerouted via US ports.

“If the ILA goes on strike and Canada remains fluid, there will be rerouting of cargo to Canada and to the US West Coast,” she added. “If both Canada rail and ILA strike, it will be truly devastating for importers on the East Coast.”

Leavitt said there has been limited frontloading among WSSA members to get high-volume products into the US before Sept. 30 as “wine and spirits are agricultural products and cannot easily be pushed forward in terms of production and bottling.”

Stephanie Loomis, head of ocean freight Americas at Rhenus Logistics, said the Germany-based forwarder’s main customers in the US have not advanced shipments “as of yet,” but there were signs of unease beginning to emerge as the ILA contract talks stalled.

“Rhenus sales teams here in the US are starting to hear some concerns coming from importers ... some of these accounts are discussing internally and looking to possibly fast track orders,” Loomis told the *Journal of Commerce*.

Another sign that carriers are expecting port disruption and a rise in volume through September are the announcements of “peak season surcharges” for Sept. 1 and Sept. 15, which Leavitt said was “highly unusual” for this time of year.

But Loomis was skeptical the carriers would get those surcharges to stick. “The amounts are all over the place with [Mediterranean Shipping Co.] coming out with a laughable \$1,000 per FEU while others are being more realistic with \$300 to \$600,” she said.

Average spot rates on the westbound trans-Atlantic have started to edge up after barely changing for the past three months. Rates this week were up 4.6% over last week at \$1,465 per FEU, an increase of 10% compared with the same week last year.

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