S&P Journal of Commerce

Tariff realities prompt growth in ‘origin-controlled’ cargo on trans-Pacific

As Chinese companies emerge as sellers of goods under their own brand names, the ocean freight landscape will begin to change, according to market participants. Photo credit: Wang An Qi / Shutterstock.com.

Peter Tirschwell, Vice President | Aug 6, 2025, 1:29 PM EDT

Growing volumes of trans-Pacific eastbound spot cargo are being controlled at origin countries such as China as the impact of US tariffs bores deeply into shipping practices, sources tell the *Journal of Commerce*.

The reasons for a noticeable increase in origin-controlled container trade are largely tariff-related, sources said, as parties to trade transactions adjust to possibly permanently higher tariff levels imposed by the Trump Administration.

Origin-controlled cargo means the purchasing of ocean transportation is done by parties in exporting countries such as China, for example, rather than in the US.

"At Toll Group, we are observing a slight upward trend in origin-controlled cargo," said Marc Meier, Toll's global head of ocean freight. "This trend appears to be influenced by factors such as the current supply and demand situation, where supply is notably higher than demand, as well as ongoing tariff discussions."

Meier said Toll's origin-controlled cargo is now about 35% of its total cargo compared with 20% a few years ago. "We believe going forward, it might be 40-45%," he said.

Others see the trend also.

"I have noticed a significant shift in the traditional mix of our smaller volume shippers where there is more Asia controlled/nominated shipments as a percent of our overall weekly bookings … this has been going on for the last five to six months," said Kurt McElroy, executive vice president at the forwarder Kerry Apex.

McElroy said the shift could be due to "smaller importers choosing to buy DDP [delivery duty paid] and leaving the duty uncertainty to the shipper."

"Volatile freight rates could also be a contributing factor in small importers' decisions to have terms of sale [DDP or cost-insurance-freight], instead of typical [free-on-board] terms of sale," he said.

Under DDP terms, the seller bears all shipping and customs costs until it delivers the goods to the buyer, having cleared customs as the named place of destination.

Another possible reason for growth in origin-controlled spot cargo is the growing ease of booking using online tools from carriers such as Maersk, Hapag Lloyd and CMA-CGM, who sources say are allocating greater amounts of their vessel space to online channels.

McElroy said the volatile market could also be prompting large US retailers to seek DDP terms from their suppliers versus receiving such goods at origin and shipping them under their own contracts.

"Big box retailers like Walmart, when ocean rates are not as volatile, will want to purchase FOB from their smaller suppliers and move under their own contract," McElroy said. "Yet, when rates get volatile … on the upswing, and space tightens, along with duty uncertainty, Walmart will choose to have small suppliers ship to Walmart distribution centers CIF and not allow price increases. They have such leverage with smaller suppliers to accept these kind of terms."

Contract market shifting from US control?

Few are seeing the contract market shift from US control, but some see it coming.

"In the trans-Pacific trade, there has been a view that importers of goods into the USA were the major buyers of freight as they purchased goods from manufacturers in Asia FOB and controlled the import supply chain into the USA," said Lian Hoon Lim, Singapore-based partner and managing director of Alix Partners, which has a long history in ocean freight.

"So carriers naturally gave priority to marketing and selling freight to the 'FOB buyer' over the exporter in Asia who was labelled the 'CIF buyer,'" he added. "Ten to 15 years ago that was very true for pretty much everything that came out of China, and that you could price up somewhat for FOB cargo vs. CIF."

But as Chinese companies emerge as sellers of goods under their own brand names, the ocean freight landscape will begin to change.

"If you look at South Korea and Japan, as their exporting companies became big enough and more adventurous and spread their wings overseas, they established sales units in the US and Europe," Lim said. "So instead of exporting their goods to third-party distributors, they sold to their own sales companies in the US and Europe. At that point the FOB vs. CIF issue becomes moot, because the control of the freight passes over to those companies and if their [headquarters] are in Japan or Korea or China, they are more likely to buy freight there versus at destination.

"I can easily imagine that at some point in time, companies like Huawei saying we have a sales company in the US or Europe and that we should take control of long-distance shipments ourselves, and when that happens you can easily see the freight buying shifting from destination to origin," Lim added.

Contact Peter Tirschwell at peter.tirschwell@spglobal.com.