

Why lack of containers will hurt global trade for a while



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Containers at the Port of Mombasa on March 2, 2021. FILE

A global shortage of containers continues to hurt global trade with the local freighters feeling the impact as they grapple with delays in deliveries.

The situation is even set to get worse as stakeholders in the marine sector project that the shortage, which began last year and attributed to the effects of the Covid-19 pandemic, will persist until 2022.

COVID-19 PANDEMIC, WHICH IS STILL RAMPANT IN EUROPE AND AMERICA, HAS CONTRIBUTED TO THE SHORTAGE AS SHIPPING CONTAINERS ARE NOT RETURNING TO CHINA DUE TO DRASTIC REDUCTION OF BEIJING IMPORTS

This implies that consumers will have to wait longer for their deliveries and cope with high cost of goods which is in line with an increase in price of containers.

“We are now witnessing delays in our deliveries and high freight costs, for instance a cargo that we were to deliver say in July ends up being delivered in August,” said Meshack Kipturgo, managing director Sigison Group.

Shippers are waiting for up to three weeks before they could get empty containers with the shortage in supply having a negative impact on cost.

Covid-19 pandemic, which is still rampant in Europe and America, has contributed to the shortage as shipping containers are not returning to China due to drastic reduction of Beijing imports.

A global surge in demand for certain goods during the pandemic has upended normal trade flows, stranding empty cargo containers and leading to bottlenecks.

As a result, shippers have been forced to pay a premium in order to get shipping containers as the world continues to witness a shortage that has seen freight charges continue on an upward trajectory.

The cost of shipping goods to Kenya has been on a steady rise since December last in April with a knock-on effect being the rise in cost of goods locally.

“Importers have had to wait longer or pay a premium to get the containers, a cost that has to be passed over to consumers,” said James Kariuki, chairperson of the Kenya-China Trade Association.

According to the Kenya Ports Authority (KPA), there are three containers dedicated for every one container slot in a ship.

For example, if a ship has a stowage capacity of 10 containers, a total of 30 empty containers will be dedicated to that ship and that the 30 containers will have to be managed such that they are always available for that particular vessel.

However, there is always a challenge in maintaining the ratio since not all importers will surrender back the empty container in good time after they have collected their import cargo.

“This is the reason why container deposit and demurrage or retention fees are charged to serve as a deterrent or to compel importers to surrender back the empty containers after they have collected their cargo in order to make available the empty container for use in freighting export cargo,” said KPA in a previous interview.

The shortage has seen the cost of cargo change every month as opposed to previously where shippers would have a catalogue that indicated the freight charges for a certain period of time.

The cost of shipping a 40-foot container from China moved up to \$5,092 from \$3,055 in December before settling at \$6,000 in April, according to a traders lobby.

Last month, freighters complained of a decline in cargo from Mombasa following a shortage of goods to be transported at the Mombasa port.

KPA said the fall in cargo has been occasioned by the effects of the Covid-19 and a shortage of containers that have affected the shipping industry across the world.