



# The impact of COVID-19 on the International Air and Ocean Logistic

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Linda Carobbi

*Corporate Director Fresh Fruit and Vegetables*

*Vertical Market*

Savino Del Bene SpA

[linda.carobbi@savinodelbene.com](mailto:linda.carobbi@savinodelbene.com)



# COVID-19 - Global logistic

The coronavirus disease is upending global container volume demand and rippling through containerized supply chains.

That's sending shockwaves to all freight transport modes, from trucking to air cargo.



# OCEAN TRAFFIC: a first note

Which are the biggest shipping ports in the world?

1. Shanghai: 42 millions of TEU
1. Singapore: 36.5 millions of TEU
1. Shenzhen: 27.70 millions of TEU

[www.worldshipping.org](http://www.worldshipping.org) 2018 datas (2019 not available yet)



## OCEAN TRAFFIC: what happened ?

- Right before the Chinese New Year celebrations at the end of January 2020, China starts its lockdown
- All the Chinese activities are stopped. Logistic operations in the ports are almost disappeared, but in the meantime vessels are still docking and discharging the containers
- There is no longer any transport from the Chinese ports to the destination in the hinterland and the port personnel remain at home and cannot unload the vessels
- Result: at the end of February, thousands of reefer containers were stuck in Chinese ports, waiting to be customs cleared and collected / discharged. About 120,000 reefer containers, meaning around 8% of global refrigerated containers have disappeared from the market (estimated total reefer containers worldwide is around 1,5 to 1,6 million)



# OCEAN TRAFFIC: what happened?

- Bottleneck in Chinese ports: no discharging of containers = no return of empty containers = no availability of reefer plugs in the Chinese ports
- Due to the rising extra costs, shipping companies are introducing a congestion surcharge on top of ocean freight for reefer transport to China, in terms of 1,000 / 1,250 dollars per reefer container
- Consequence: strong shortage of reefers containers elsewhere. Several blank sailings on the Asia – Europe and vice-versa trades
- Ocean rates increases are applied everywhere in the world



# OCEAN TRAFFIC: most recent update

- At the end of March, China goes back to usual life. Containers are released from the ports and global reefer availability slowly sees the light at the end of the tunnel
- In most countries, cargo operations in the ports are adversely impacted due to shortage of labour
- Situation is very fluctuant and unpredictable since COVID-19 is impacting every single continent and country in different timing
- This week on the Transpacific, Transatlantic and EastWest trade, there is a massive and unprecedented list of blank sailings from all carriers
- **Shipping industry analysts says it will takes months to recover the huge losses this sector suffered**



# AIR TRAFFIC: where are we now?

- The demand destruction from the Coronavirus will be long-lasting and resulting in a smaller airline industry after the pandemic.
- This latest shock follows the 2019 where trade volumes fell marginally due to US-China trade conflict

WTO provided *two scenarios*:

*OPTIMISTIC*: fall in global volumes of 13% 2020 vs 2019

*PESSIMISTIC*: 2020 to be  $\frac{1}{3}$  of entire 2019 global volumes (similar to Great Depression)



# AIR TRAFFIC with COVID-19

- European air traffic is 90% less compared to 2019
- Airlines are decommissioning planes, and deploying passenger planes for cargo-only flights
- Majority of these cargo flights are globally booked moving pharmaceutical and PPE (Protective Personal Equipment) around the world
- Air rates are sharply increasing worldwide (Example: from China to Italy Euro 14 x kg non perishable goods)





# AIR TRAFFIC: most recent update

- ❑ Most airlines have already cut capacity by more than 90%
- ❑ Lufthansa recently announced a significant restructuring that includes a permanent reduction in capacity and the consolidation of several flight operations within the airline group. Board of directors made the decisions because it expects global travel restrictions won't be completely lifted for months and that it will take years until worldwide demand for air travel returns to levels before the coronavirus crisis.
- ❑ IATA : 25 millions of workers at risk



# AIR TRAFFIC with COVID-19

- **Focus on Africa**
- Millions of African farmers who grow fruits and vegetables (FFV) for export have lost market access as flights are canceled and borders restricted around the world. Morocco, Kenya, and South Africa are the most affected countries in Africa ([www.modernghana.com](http://www.modernghana.com))
- <https://www.selinawamucii.com/impact-covid-19-africas-agriculture/>
- Selina Wamucii is the platform for food and agricultural produce from Africa's agricultural cooperatives, farmers' groups, agro-processors and other organizations that work directly with family farmers across 54 African countries.



## So what's next?

- It is still a very ongoing situation, and it is expected to keep staying like this in the next 3 to 6 months. Coronavirus spread peak different in every country
- **A positive note:** While there remains considerable uncertainty surrounding the development of the pandemic and its duration, as well as the government response to support economic activity, the WTO expect a **strong recovery in 2021**. The air transport industry will play a vital part in ensuring that global trade and economic activity can be restored quickly and effectively, when that time comes.

# So what are we supposed to do now?

- **REMEMBER: Transportation is the biggest challenge nowadays!**
- **Stay healthy, safe, positive and daily informed:**

[www.freightwaves.com](http://www.freightwaves.com)

[www.iata.org](http://www.iata.org)

[www.worldshipping.org](http://www.worldshipping.org)

[www.joc.com](http://www.joc.com)

[www.modernghana.com](http://www.modernghana.com) (focus on Africa)

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