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# e-CARGO NEWSLETTER

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# FREIGHT MARKET

## Update

Ex INDIA



## SEA UPDATE

- **Rates:** Rates remain soft in many major trade lane. There is no peak season and demand has been slowing down.
- **Capacity/Space:** Space is available across most lanes at standard (non-premium) rates. Decreases in port congestion around the world is effectively increasing capacity as ships are experiencing less delays covering shorter periods of time.
- **Equipment:** Smaller ports and inland container depots (ICD) will continue to have sporadic deficits based on import/export cargo mix.



## AIR UPDATE

### The market is weak due to low demand.

- Export demand remains steady from all markets.
- US airports are running at a normal pace.
- Capacity is opening up further, especially into Europe, where most carriers have increased the number of passenger flights for their summer schedules.



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## TWO-TIER MARKET EMERGING AS OCEAN CARRIERS WIN OR LOSE ON SPOT VS CONTRACTS

A two-tier market within the container shipping sector is opening up as spot rates in key trades collapse.

Carriers that focused on quoting spot rates are seeing their revenue fall, while those that preferred to negotiate long-term contracts are maintaining their income.

Shipbroker and consultancy Alphaliner said spot-focused carriers like HMM and Zim had seen their average revenue fall 9% and 7%, respectively, to \$3,387 and \$3,596/teu.

It explained: "As long as contract rates remain intact, the industry is likely to see a widening two-tier market," adding that the key question now was whether these long-term contracts are legally enforceable, or indexed so that contract prices move with the spot rate.

James Hookham, a director at the Global Shippers Forum, told The Loadstar: "In the past, the technique used by shippers was to not commit all their volumes to contracts."

However, that was pre-covid methodology that has changed and, with shippers being warned at the beginning of the year that high spot rates could last for 30 months, encouraged shippers to agree contracts. At the beginning of the year interest rates were rising and the slump in demand gathering pace, and the GSF was warning members to consider these macro-economic factors.

Had shippers included an element of indexing contract rates to the spot market? Mr Hookham said they had not and added: "It will be interesting to see whether shippers will pay the very high rates seen at the beginning of the year. There is not a lot of case law in this area."

As carrier fortunes start to diverge as a result of the slump in spot rates on the key Asia-Europe and Pacific trades, Alphaliner says their operating margins will be the key indicator of their differing fortunes.



Operating margins measure the profit on sales after costs, such as wages and bunker fuels, but before paying interest and tax, and are calculated by dividing a operating income by net sales.

Seven of the top ten carriers saw their operating margins fall with the fall in the spot market and a substantial increase in costs, mainly fuel. Only Cosco, Evergreen and Maersk saw an improvement in operating margins in Q2 this year, compared with Q1 – calculated on the shipping business only. Overall, carriers saw a decline in Q2 margins, to 56.3%, compared with 57.4% in Q1. Wan Hai and Zim recorded the biggest drop, from more than 60% to the low 50%, according to Alphaliner.

However, said the consultant: “Despite the widespread fall in margins, the majority of

carriers reported higher (or even record) quarter-on-quarter operating profits (ebit) in the second quarter.”

Chief among those were Maersk, Hapag-Lloyd, CMA CGM, Cosco, Evergreen and ONE. And Maersk, Hapag-Lloyd and ONE all increased their average revenue per container by 9%, 5% and 3%, respectively. In contrast, spot players HMM and Zim saw revenue per teu fall 9% and 7%.

Moreover, according to the brokers weekly report: “Evergreen has racked up record profits after benefiting from the timely delivery of tonnage, which has enabled it to expand during a period of high rates without needing to charter-in expensive tonnage.”

That is compared with CMA CGM, whose costs, including port, bunkers and chartering, increased 22% in the second quarter.

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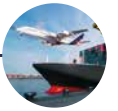
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# REEFER CHALLENGES

## TAKE A BITE OUT OF BOOMING GLOBAL PERISHABLES TRADE BY AIR.



Shortages of reefer containers and escalating costs are affecting global flows of perishables.

Some producers may pivot to domestic markets, but the international growth potential is mouth-watering.

Reefer vessels are enjoying a renaissance these days, with time charter rates up in the triple-digit range from pre-pandemic levels and, according to one broker, utilisation of these vessels has been close to 100%.

Before the pandemic, reefer vessels were struggling, as shippers had embraced containerships as the preferred way of sending perishables overseas by ocean transport. Now they are scrambling for capacity.

One reflection of this is the decision by Fresh Del Monte

to sell more space on its proprietary 13-strong containership fleet to perishables shippers.

Perishables exporters have struggled for months to find enough reefer containers to move their cargo, shortages being reported across a slew of markets. Shipper organisations in Latin America and Europe have raised the alarm about the problem

News that the air cargo market is continuing to soften is likely to trigger more rate renegotiations between carriers and customers.

The latest data, out today, shows volumes in June were down 8% year on year, while demand was down 7% compared with 2019.

Capacity was up 6% over 2021 – but is still 11% down on 2019 levels, according to Clive Data Services, part of Xeneta.

Overall, rates remain 129% higher than in 2019, but the market is seeing a steady decline, with the North Atlantic “a test case for the direction of other markets” – seeing a fall of 30% over the past three months.

## AS THE MARKET SOFTENS EXPECT TO SEE MORE AIRFREIGHT RATE RENEGOTIATIONS

“But I am not sure everyone will be happy with that. There are margins to be made from longer-term rates. Also, you need strategic planning in a business – you need to know what business there is, at what price. Technology will need to fill that gap.

“It’s much more transactional now, but there is potential wastage in there if you can’t manage it on a day-to-day basis.”



## Aircargo rates out of India on the decline as volumes drop and capacity rises

Air freight rates out of India have seen measurable corrections over the past month, due to a slowing of the country's export market and enhanced capacity, according to freight forwarder sources.

Freight forwarders, however, expect Indian export air freight rates to climb again from September, with peak demand season setting in ahead of the holiday season.

According to data released by the Airports Authority of India (AAI), international freight volumes from India in April and May (the first two months of fiscal year 2022-23) amounted to 321,301 million tons, down 2.8% year on year from 330,390 mt. However, domestic freight handling for the two-month period soared 28% to 218,964 mt.

Explaining domestic volume growth, sources said the air freight pricing moderation had encouraged local manufacturers and traders to move more cargo

## Lufthansa Cargo grows A321 freighter fleet

The freight carrier will welcome a second A321 P2F in October, thus further expanding its pan-European network. The new destinations served by the airline will be Birmingham (BHX), LHR and Madrid. Two additional A321 freighter aircraft will be added to the fleet in the first half of 2023.

According to Lufthansa Cargo, the decision to add a second medium-haul freighter to the fleet was triggered by the encouraging market response and the ongoing high demand from the eCommerce and Same-Day segments for intra-European air services.



## ETIHAD CARGO FURTHER EXPANDS OPERATIONS IN CHINA

Etiihad Cargo, the cargo and logistics arm of Etihad Aviation Group, will reinforce its commitment to the China market with the introduction of an additional 30 tonnes of belly capacity via two new weekly direct passenger flights to Guangzhou from 10 October, subject to regulatory approvals.

With this latest addition to the carrier's network, Etihad will become the first international airline to operate long-haul passenger and cargo services to the top three Chinese gateways since the start of the pandemic.

In July, the carrier announced the introduction

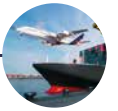


of direct passenger flights to Beijing, bringing the total number of direct passenger and freighter flights for China to 15. With the introduction of an additional two direct passenger services per week to Guangzhou using a two-class

Boeing 777, Etihad Cargo will offer 1,520 tonnes of total cargo capacity into and out of China per week.

In addition to offering cargo capacity on passenger flights, Etihad Cargo also operates six Boeing 777-200 freighter flights for Shanghai and five dedicated freighter services for Hong Kong per week.





## SNIPPETS

### IndiGo to launch four cargo aircraft connecting AP airports from Oct

IndiGo is set to introduce four dedicated cargo aircraft. The first of the four will be launched from October and will be connected to Andhra Pradesh airports also. IndiGo had a dedicated cargo facility at Rajahmundry airport that was operational before the Covid pandemic. The airline is planning to make the cargo facility operational again and make it available for exporters.

During an interaction with a delegation of AP Chambers, officials of IndiGo Airlines explained their plans to improve air cargo facilities at major airports such as Visakhapatnam, Vijayawada and Rajahmundry.



### Qatar Airways adds DUS to its global network



The Qatari carrier will commence flying to Dusseldorf (DUS) on 15NOV22, deploying a Boeing B787 "Dreamliner" on this daily route. Qatar Airways Group CEO, Akbar Al Baker speaks of "a milestone in our history," while emphasizing the importance of Dusseldorf as an international business and trade center. The carrier is the second airline from the Middle East to add DUS to its intercontinental network. The other is Emirates, which will soon increase its frequencies to twice-daily Dubai-Dusseldorf connections.

### VIETNAM'S FIRST FREIGHT AIRLINE IPP AIR CARGO EYES NOVEMBER START

IPP Air Cargo, Vietnam's first cargo airline, looks to begin operations as early as November. The airline is awaiting approval for different licenses from six various government organizations. The airline has received its Air Transport License but is awaiting several other permits, including the Aircraft Operator Certificate. It has officially begun the rental process for four Boeing 737-800BCF aircraft. One has been delivered; the other three are scheduled to be delivered in December and April. The airline has also purchased 10 Boeing 777 aircraft.



### Maersk Air Cargo looks poised to start operations

Maersk has moved closer to the official start of its air cargo operations after the carrier conducted a 'demonstrator flight' between Asia and the US last week.

Launched in April of this year, Maersk Air Cargo said in August it plans to begin offering daily flights in the second half of the year, with Denmark's Billund Airport as its primary hub. It will initially operate three leased B767-300Fs, two of which will arrive in Q4 this year for deployment on flights between Billund and China, and a third one in Q1 of next year, according to The Loadstar.





## ONE launches new feeder service from India to Singapore

The Singaporean container line Ocean Network Express (ONE) is announced the start of new feeder service for Hazira effective from September 10, 2022.

The port rotation of the new service will be Hazira (India) – Colombo (Sri Lanka) – Singapore. Ocean Network Express said that the new feeder service will have a weekly frequency and will start on 10 September 2022.



## ONE adds Mombasa port call to MIM service connecting Middle East, India, and Kenya

Ocean Network Express (ONE) is pleased to introduce a Mombasa (Kenya) port call to its' MIM service. This additional call will provide a direct connection between the Middle East, India and Kenya.

The service name has been changed to Maputo/Mombasa India Middle East service (Service code MIM remains unchanged) to reflect the added port call and will begin from the Westbound sailing arriving at Jebel Ali on 9th September 2022 and the Eastbound sailing from Mombasa on 20th September 2022.

The MIM service new rotation is as follows: Jebel Ali – Mundra – Mombasa – Maputo – Jebel Ali (Bi-weekly frequency)

The addition of Mombasa to ONE's MIM service will enhance ONE's global network providing greater flexibility for ONE's customers.

## Hapag-Lloyd starts installation of tracking devices on its dry container fleet



Hapag-Lloyd has taken the first step in its major project to equip its entire dry container fleet with real-time tracking devices. The first of these IoT devices are now being installed on dry containers at the CMR depot in Wilhelmsburg, a district of the shipping company's hometown of Hamburg. In the following weeks and months, installations will begin in other selected container depots in North and South Europe, Asia and the Middle East. Within the next year, up to 200 depots worldwide will take part in the installation of 1.6 million of these devices on standard containers. Plans call for the vast majority of Hapag-Lloyd's dry containers to be outfitted with these devices by the end of 2023.

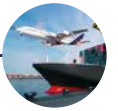
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**SAFEEN FEEDERS JOINS CMA CGM IN SOUTHEAST ASIA SERVICE**

Chennai - Colombo & Singapore (East Bound)  
Singapore - Chennai (West Bound)

AD Ports Group's SAFEEN Feeders will collaborate with shipping leader CMA CGM Group, a global player in sea, land, air and logistics solutions, in launching a new Southeast Asia service linking Singapore, Colombo and Chennai.

The company's 'SAFEEN Pioneer,' which has a container capacity of 2,034 TEUs, will join CMA CGM Group's 'Songa Tiger' on the India East Coast Express 2 service, connecting these key ports. SAFEEN Feeders will market the service under the name Singapore Chennai Colombo Service (SCC). This will be SAFEEN Feeders' first service to call in Southeast Asia, as the company

continues to expand its global reach.

Captain Ammar Mubarak Al Shaiba, Acting CEO – Maritime Cluster and SAFEEN Group, AD Ports Group, said: "We are very proud to be working with our partner, CMA CGM Group, on the India East Coast Express service. This service connects key global markets with some of the busiest ports in the world and will help boost trade and improve delivery times. Our aim is to provide key services across the seas where our customers need them most, and today's announcement demonstrates the breadth of our international ambitions."

## India tests the water on new route from Bangladesh to save truck miles

India's Kolkata Port, recently renamed Syama Prasad Mookerjee, has performed the last of four pilot sailings to move domestic cargo to the north-eastern corridor via Chittagong and Mongla, in Bangladesh, to encourage the use of waterways as an alternative to trucking.

This multimodal arrangement was drawn up under a government-to-government agreement reached in March between Dhaka and New Delhi, advancing the scope of the bilateral "inland water transit and trade protocol".

The renewed consultation called for two Kolkata-Chittagong trial routings and two Kolkata-Mongla trial connections, with onward cross-border landside connectivity.

The 4 September sailing of the Trans Samudera, loaded with containers for Assam and other north-eastern parts, from Kolkata to Chittagong marked the fourth in that "testing the waters" programme.

"Cargo movement from Kolkata to the north-east

through the Indo-Bangladesh Protocol Route will not only reduce transit costs by 25% and time by two to three days, but will also help to develop the economy of that part of India," said Kolkata port chairman Vinit Kumar.

Under the transit window, backhaul movements from north-east India to Kolkata via Chittagong have also been planned. And Bangladeshi export/import loads would be transhipped on such sailings, enhancing the scalability of this alternative supply chain model for vessel/barge service providers, according to port sources.

Last month, Maersk led a container-on-barge service from Kolkata to Mongla with containers destined for Meghalaya, aided by trucking for the last mile.

India and Bangladesh have been working at a brisk pace to accelerate coastal shipping co-operation in recent years, as government leaders see a "win-win" situation for both sides, as cross-border trade volumes expand.

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