

OCEAN REEFER MARKET UPDATE

TEMPERATURE CONTROLLED BUSINESS

Q4 2024

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Introduction

As we move through the final quarter of 2024, the reefer container market remains shaped by several dynamic factors impacting global ocean freight shipping. Geopolitical tensions, including ongoing conflicts and vessel diversions in the Red Sea, continue to cause disruptions, with delays and rerouted shipments affecting key trade lanes. Additionally, weather-related challenges around critical routes, such as the Cape of Good Hope, are adding further complexity to shipping operations.

At DHL, we recently hosted the Life Sciences & Healthcare event under the theme "The Era of Disruption," where we explored how these challenges are influencing the supply chain, particularly for temperature-sensitive cargo. The reefer market, especially for pharmaceuticals and perishables such as fruits, vegetables, and seafood, is facing tight capacity and rate fluctuations due to the ongoing pressures.

This market update provides you with key insights into the latest trends, capacity outlooks, and rate movements, helping you navigate the shifting landscape of the reefer market as we approach the peak holiday season. Our goal is to offer you a comprehensive overview to help with planning and decision-making in this ever-evolving market environment.

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Ocean Freight Reefer Market Update – Q4 2024

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General Reefer Market Developments



News

General updates

- A potential **strike** at US East and Gulf Coast ports by September 30, 2024, could **cause** major delays and supply chain disruptions.
- Asia **leads** global Reefer **imports**, accounting for 35% of the market, with Oceania as the **fastest-growing** region.
- Reefer containerization **dominates**, with 89% of reefer cargo moved in containers by 2024.
- Reefer **plug capacity** grew by 8% in 2024, with overall capacity expected to **increase** by 11%, despite disruptions from geopolitical issues and congestion.

Outlook

Growth ahead despite challenges

- Reefer volumes **declined** by 0.7% YoY in 2023 due to high inflation and economic slowdowns, marking the **second consecutive** year of decline after 20 years of growth.
- Despite geopolitical and environmental **challenges**, population growth in Asia and North America is **driving future demand**, with Reefer volumes expected to **grow** at a 2.2% CAGR through 2028.

Environment

Perishable Update

- The **largest** Reefer commodity groups by volume **remain** meat, bananas, fish/seafood, and fresh vegetables, driven by protein demand in Asia, North America, and Europe.
- Central America to North America trade lane **became the largest** by volume in 2023, with **strong demand** for bananas and exotics.
- **Latin America remains** a key growing **export** region for meat, fruit, and vegetables.

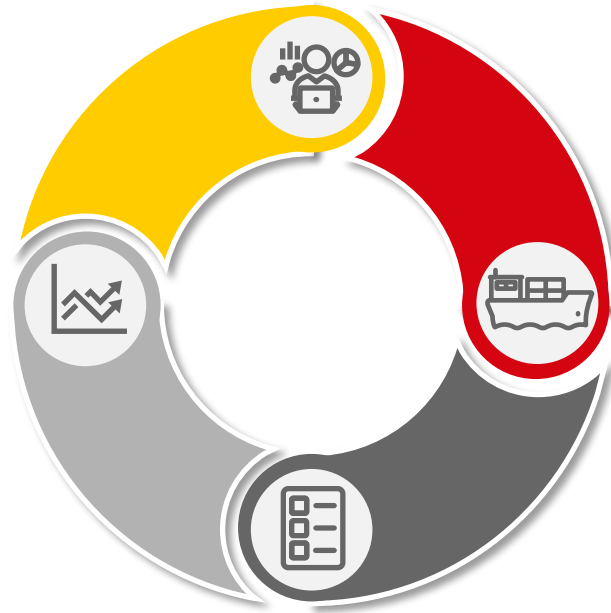
Ocean Freight Market Outlook Q4 2024

Economic & Demand Outlook

- The US core inflation rate is decreasing more slowly than Europe's, which has already returned to pre-COVID levels. This could lead to prolonged higher prices in the US compared to Europe.
- A potential strike at US East and Gulf Coast ports after September 30, 2024, could cause major delays and supply chain disruptions.
- US consumer spending data shows no sudden spike, suggesting the peak season is likely driven by import stockpiling or inventory restocking, not a surge in consumer demand.

Freight Rates

- Brazilian port congestion from Far East services is raising export rates and reducing reliability, with a solution delayed until the end of Q4.
- Oceania rates rapidly increasing due to limited capacity.
- Asia-Europe rates weaken with excess capacity and slowing demand. Transatlantic rates increasing moderately.
- Both CMA CGM and Hapag-Lloyd have announced surcharges to and from US East Coast and Gulf ports as a dockworker strike threat draws closer.



Capacity Outlook

- Port congestion and Cape route diversions limit capacity growth.
- Smaller vessels, usually operating within regions are diverted to longer routes.
- Containership diversions to the Cape route remove another 7% of the total capacity. Despite a record increase in nominal capacity from new deliveries, effective demand currently exceeds it.
- Conditions in the Panama Canal continue to improve. The total number of daily transits allowed has also risen from 32 to 35.

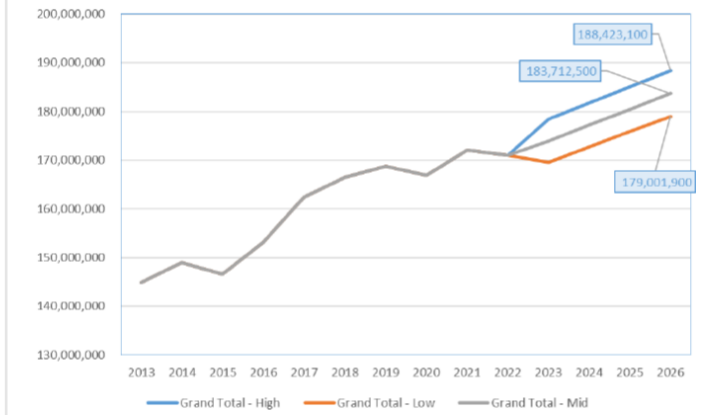
Regulations / News

- CMA CGM negotiating share in Hamburg terminal, following Cosco Shipping and MSC's recent terminal acquisitions.
- India port strike has been caught off for now.
- Potential rail strike in Canada avoided for now.
- US East Coast port wage negotiation continuing.
- New shipping alliances are forming, which could lead to changes in transit times and the availability of certain port-to-port services.

Global Reefer Container Development

Trade	Growth	Avg. Growth	2026	2025	2024	2023	2022	2016
Commodity	26/22	26/16	Tons in K	Tons in K	Tons in K	Tons in K	Tons in K	Tons in K
Dairy	5%	24%	4,188	4,103	4,017	3,932	3,985	3,376
Fishery Products	2%	13%	24,318	24,018	23,718	23,419	23,760	21,453
Fruit	10%	16%	79,975	72,872	71,769	70,666	67,118	63,664
Meat	8%	23%	35,751	35,019	34,287	33,555	33,228	29,116
Vegetables	6%	28%	45,477	44,450	43,424	42,397	42,917	35,461
Total Trade	7%	20%	183,712	180,465	177,217	173,970	171,010	153,073

Reefer Export Forecast¹⁾



- As shown in the chart, perishable trade volumes experienced a decline from 172.09 million tons in 2021 to 171.01 million tons in 2022.
- In 2023, a recovery to 173.97 million tons was observed.
- Growth is anticipated to continue through 2024-2026 as food price inflation eases and other negative impacts on global trade diminish.
- This growth during 2024-2026 is expected to compensate for the slower growth seen in 2021 and 2022.

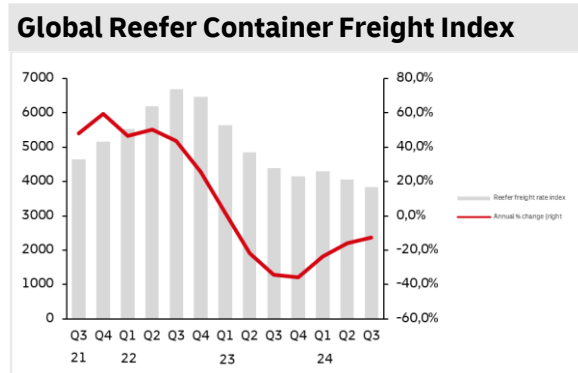
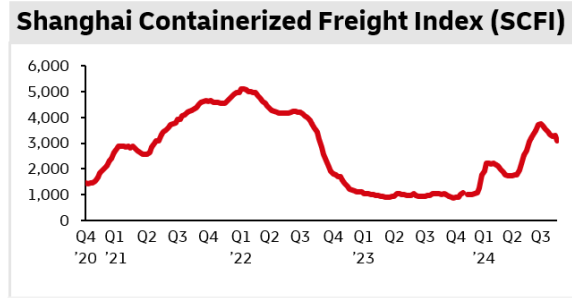
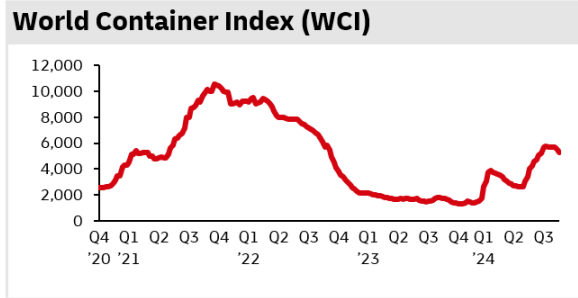
1) Dynamar

- Global reefer container trade is expected to grow over the next two years, driven not only by the perishable and protein sectors but also by the Life-Science & Healthcare industry.
- The latter now accounts for approximately 6% of global reefer container trade.

ILA – USMX Labor Negotiation Update

- The Current contract is expiring on 9/30/24
- Last round of negotiations with the ILA have ended 9/23 without any agreements, ILA membership is supporting a strike if no new contract is in place by 10/1/24.
- Anything that is being booked now in Europe will arrive on the East Coast during a possible strike.
- Any changes at this stage will likely not generate any positive impact, in fact it may further delay their shipments (departure and arrival) - it is too late for changes
- Capacity on alternative routings is limited and may not be available.
- Considering conversion from Ocean freight to Airfreight: Airfreight should be prioritized for critical lanes.

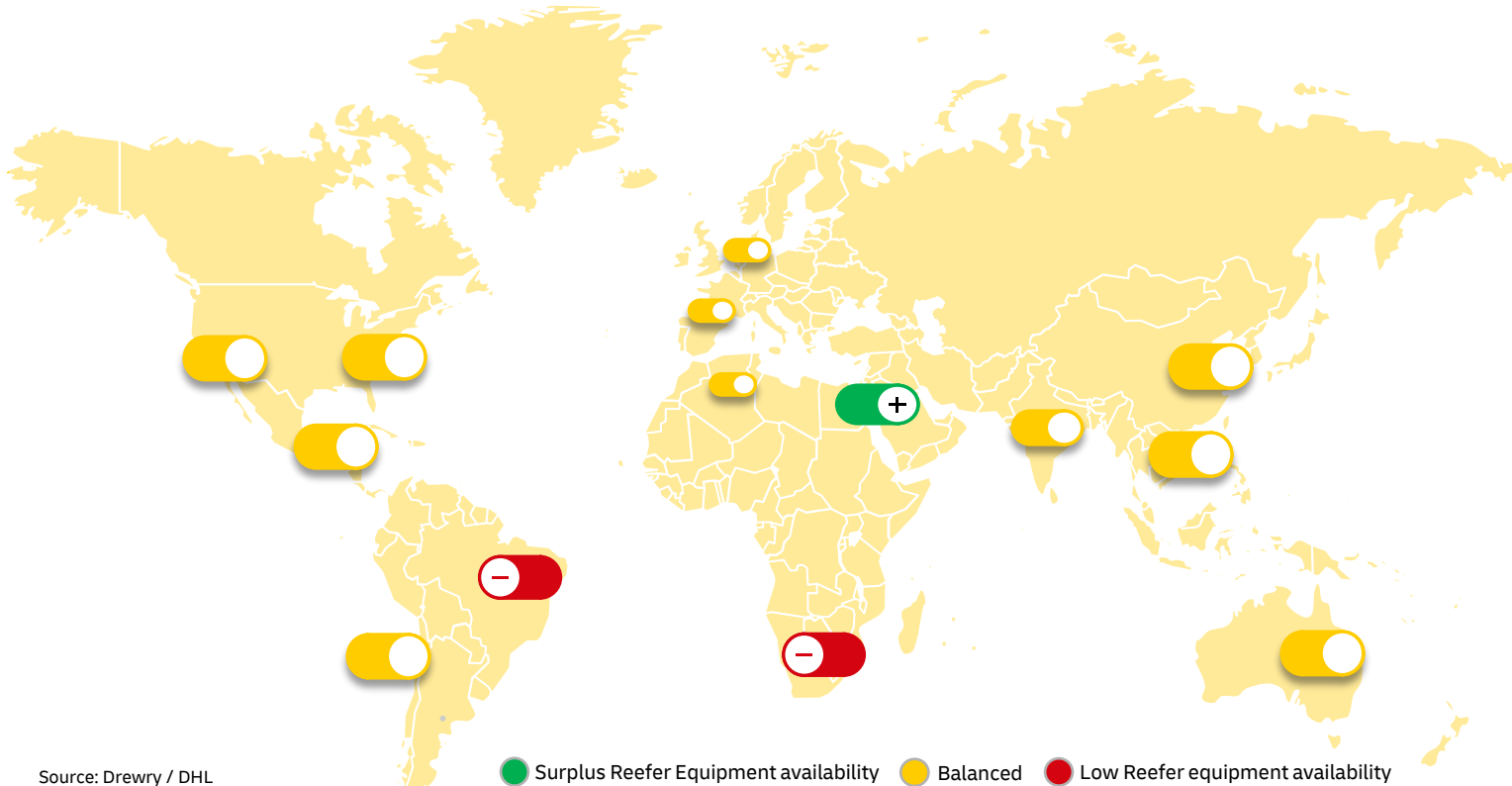
Rates



Note: Surcharges related to e.g., equipment & space availability are not reflected in WCI & SCFI; Source: Drewry, in USD/40ft container, including BAF & THC both ends, 8 individual routes, excluding intra-Asia routes; Shanghai Shipping Exchange, in USD/20ft ctnr & USD/40ft ctnr for US routes, including BAF, EBAF, CAF, PSS, WRS, PCS & SCS/SCF/PTF/PCC, excl. THC, 15 routes from Shanghai
 Note: Global Reefer Container Freight Index: Based on weighted average freight rates across the main reefer intensive trade routes.

- Rates have stabilized, reaching a plateau significantly higher than they were a year ago
- Asia-Europe experiences slightest decrease due to limited capacity, schedule changes, port strikes, and adverse weather.
- TP and AMLA see consecutive weeks of decline.
- Oceania and India face equipment shortages.

Reefer Container Equipment Availability Development



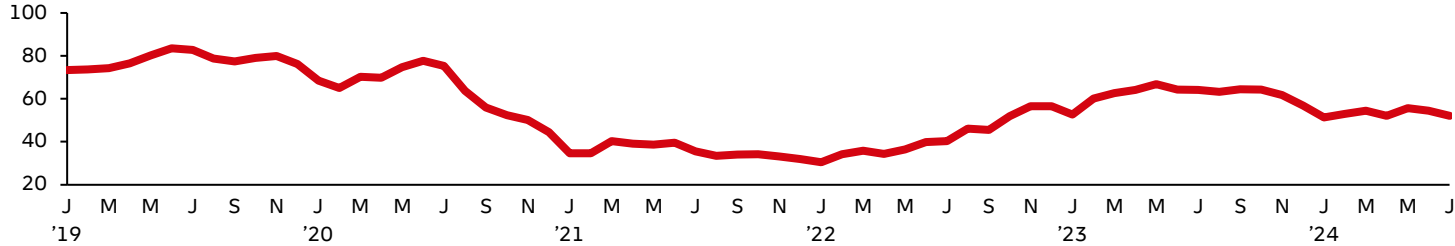
Source: Drewry / DHL

- Projected regional imbalances in reefer container equipment.
- The current equipment situation Drewry's reported data.

Schedule Reliability

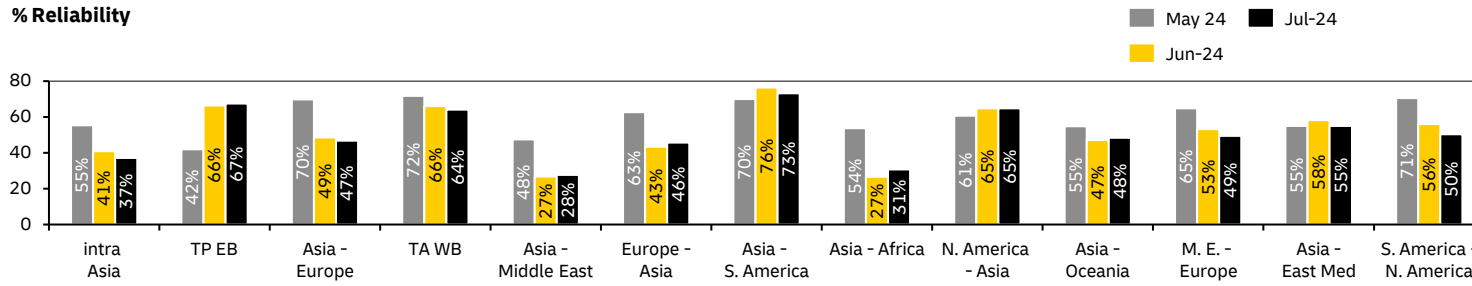
Global Schedule Reliability

% Reliability



Schedule Reliability by Trade

% Reliability

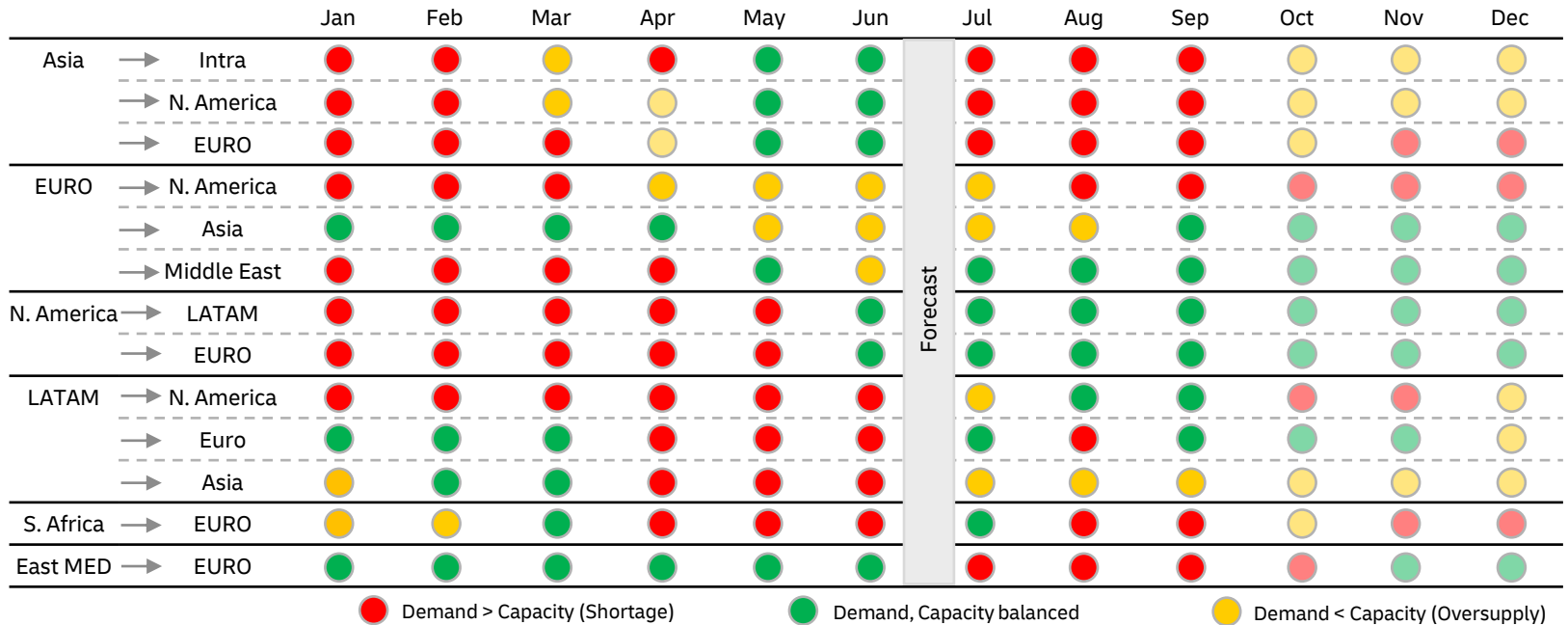


Source: Sea-Intelligence, Linerlytica; intra Asia = Asia – IBPC, TP EB = Asia-NAWC, Asia-Europe = Asia-N. Europe, Asia-S.America = Asia-WCSA, N. America-Asia = Transpacific WB, Asia-East Med = Asia-Med

- Port congestion is improving in SG, but adverse weather in CN/ZA, strikes in DE, and political unrest in BD contribute to ongoing challenges.
- Normalization is not expected in the near future, with factors like alliance shakeup, carrier yield management, port strikes in USEC/Europe/India, and CA Rail disruptions impacting the situation.

Regional Market Development – Major Reefer Trades

Market Development on Key Regional Tradelanes for Reefers



Source: DHL

Update from the Region – ASIA PACIFIC

News from the Region



- Pomelo season in China typically begins in early September and runs through December, with major production regions including Fujian, Guangdong, Guangxi, Hunan, Sichuan, and Yunnan.
- We are currently collaborating with several customers to manage pomelo shipments from Xiamen.



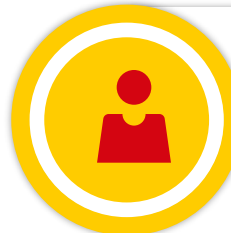
Capacity

- Space to Australia remains tight. However, there are a few extra loaders from PIL/TSL available in the market during the first half of September to help clear the backlog.
- MSC has introduced a new standalone service, Clanga, which offers competitive transit times for Asia-Middle East cargo and strengthens trade connectivity between China, Singapore, and Saudi Arabia with a call in Dammam. The Clanga service will commence in week 35, with the following rotation: SHA-NGB-SHK-SIN-DAM-SHA.



Rates

- For Oceania, carriers have introduced a GRI from NEA to Australia, effective at the start of September, with an additional Peak Season Surcharge announced for mid-October from NEA to AUEC.
- Rates to the EU have declined in the early weeks of September and are expected to decrease further as the month progresses.



Local updates & Regulations

- Port and rail strikes in Canada have been called off, with minimal impact on the global supply chain, including Asia.
- The potential ILA labor strike on the US East Coast is being closely monitored, as it could affect shipping routes to and from Asia.

Update from the Region – AMERICAS

News from the Region



- Looming ILA-USMX strike at US East and Gulf ports expected by the beginning of October 2024.
- Trade show preparations: ICBC, Fruit Attraction, IFPA, SIAL.



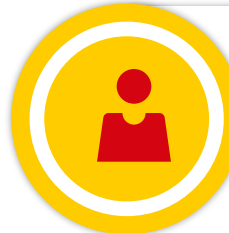
Capacity

- ECSA exports are under pressure due to congestion, with the biggest impact on exports to the US.
- New services on the WCSA to US and CENAC to US are being introduced.
- Evaluating the potential effects of the ILA-USMX strike.



Rates

- IAM NB rates have seen some increases due to congestion on ECSA, with some announced even from WCSA.
- Some of these rate increases are reflected on the ECRS (ECSA exports).
- Export rates from the USA remain largely unchanged.



Local updates & Regulations

- Start of natural juice exports in Q4
- Peru preparing for blueberry and grape exports

Update from the Region – MIDDLE EAST & AFRICA

News from the Region



- The avocado market from South Africa has opened up to China, which will increase sea freight volumes on that route and create new opportunities.



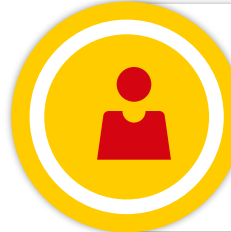
Capacity

- Capacity from certain regions within MEA increased in August. However, from October, capacity is expected to tighten as global demand for food products and perishables rises in the lead-up to December.
- Port congestion continues to impact certain areas, leading to backlogs and shipping delays.



Rates

- In Q3, we observed a slight softening in reefer rates from exporting countries, though rates are expected to remain relatively stable in Q4.



Local updates & Regulations

- Durban port is currently experiencing berthing delays of up to 14 days.
- The ongoing Red Sea crisis is putting additional pressure on sailing times and routing as we approach the final quarter of 2024.
- Severe weather patterns around the Cape of Good Hope have affected some vessels.

Update from the Region – EUROPE

News from the Region

- Continued strong export traction with key customers
- New Reefer Manager appointed in Benelux, a key market both in Europe and globally.



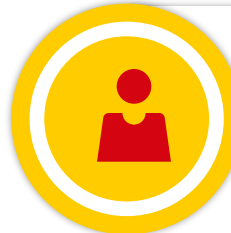
Capacity

- There have been reports of localized equipment shortages in key export hubs, particularly for reefer containers in Poland and Spain, which may lead to fluctuations in availability over the next quarter.



Rates

- Reefer rates are stable overall, but certain seasonal routes (such as Mediterranean to the Middle East and North Africa) are seeing slight increases due to higher demand for fresh produce.



Local updates & Regulations

- European regulators are increasingly pushing for carbon reduction measures in the shipping industry. Companies moving reefer cargo may need to adjust operations to comply with stricter emission standards under the EU's Fit for 55 initiative, which could impact costs.
- Demand for pharmaceuticals and high-value perishables like seafood and meat is rising, due to stricter regulations on temperature-sensitive cargo handling.

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