Changing loading windows challenge US ag shippers

Bill Mongelluzzo, Senior Editor | Apr 14, 2020 5:52PM EDT

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A plethora of blank sailings in response to the coronavirus disease 2019 (COVID-19) has shippers grappling with constantly changing windows during which to deliver their products to ports for export, costing them extra in terms of storage and equipment fees if they miss loading times.

The blank sailings are disrupting vessel schedules and creating costly logistics problems for exporters who must coordinate the transport of containers from inland warehouses to seaports within the narrow windows that carriers have set for receiving export containers. The disruption is occurring as export of some ag products such as citrus, meat, and cotton are growing.

Exporters are struggling to comply with carrier-imposed deadlines known as the earliest receiving date (ERD) for delivering their containers to the ports. Ag shippers say the knock-on impact of sudden changes in the ERD due to changes in vessel arrival dates is resulting in exporters paying costly penalties at packing houses, rail ramps, and marine terminals when they are unable to meet the shipping and receiving commitments they made at those locations.

“This is a generic issue for all ag shippers,” Peter Friedmann, executive director of the Agriculture Transportation Coalition (AgTC), told JOC.com. AgTC recently submitted to the Federal Maritime Commission (FMC) a document on the impact of ancillary charges exporters face from ocean carriers. Fees are charged for leaving containers at marine terminals beyond expiration of free time (demurrage), and for the late return of equipment (detention).

In addition to detention and demurrage issues, ERD issues are discussed in the FMC submission. Friedmann said the logistics manager for a large forest products exporter told him, “These earliest return dates are killing us.”

Exporters need advance notice on ERD changes

Exporters say carriers are not giving them sufficient advance notice of changes in vessel schedules to adjust their lengthy supply chains.

“The timing of the notices from carriers is not enough. Giving two or three days' notice is not OK,” said Hayden Swofford, executive administrator of the Pacific Northwest Asia Shippers Association, whose members include forest products and other ag shippers.

For agricultural shippers, whose products often command low margins, the added supply chain costs can knock US exporters out of global markets. Michael Symonanis, director of logistics, North America, at Louis Dreyfus, told a JOC.com webcast earlier this month US cotton stocks are up 30 percent and prices down 30 percent due to a global glut of cotton.

If cotton exporters are going to regain market share, they can only do so only by “leveraging superior infrastructure and logistics capacity to create value for our product,” Symonanis said. Unexpected costs in the transportation supply chain prevent cotton exporters from leveraging the quality of their product and the logistics advantages they should enjoy, he said.

ERDs intended to mitigate terminal congestion

Ocean and rail carriers set ERDs because they can't have containers sitting idle at their ramps or terminals, taking up space needed for cargo handling operations. ERDs, also referred to as export receiving dates, are basically a window of several days at rail ramps, and about a week at marine terminals, within which the export containers must be delivered. If the containers are delivered before the ERD, the shipper is charged a fee.

A former shipping executive, while not discounting the economic and logistics impact the blank sailings are causing exporters, said the transportation supply chain can be disrupted at any location, including rail ramps, where the railroads' windows for ERDs are usually shorter than what ocean carriers set at marine terminals.

Shippers incur penalties for failing to meet pickup or delivery commitments throughout their supply chains. They are penalized for failing to deliver empty containers to packing warehouses in the designated window, or pulling the loaded containers from the facilities in the allotted time. Fees are also charged by railroads for delivering the export containers to a rail ramp before the designated ERD, or delivering the containers to marine terminals before the earliest return date.

Exporters, especially those in the interior of the country, are constantly juggling their supply chains, even in normal times, to meet the deadlines they face at loading facilities, rail ramps, and marine terminals. Joe Schuele, a spokesperson for the US Meat Export Federation, said that for a meat exporter in Iowa or Colorado who must coordinate a truck-to-rail-to-port move, a change in the vessel arrival at a West Coast port of just two days can be a big deal.

"It's definitely a concern for our members when there is a lot of distance from the packing plant to the port," he said.

Blank sailings spawned ERD problems

ERD changes became a big problem in February when carriers began to cancel sailings during the slack post-Lunar New Year period. Additional blank sailings took place in March when COVID-19 disrupted production in China. Carriers over the past couple of weeks have announced additional blank sailings lasting into mid-June as COVID-19 disrupts consumption patterns in the US. From early February to mid-June, carriers have canceled, or plan to cancel, 150 sailings to the West Coast and 65 sailings to the East Coast.

Although exporters can look through carrier websites for schedule changes and other notices, the exercise can be burdensome. “We’re trying to get the communication going with carriers so the notification is automatic,” Symonanis said.

He added that carriers and the terminals where their vessels call handle ERDs differently, which further complicates the information and operational issues exporters face. “There is no uniformity as to how this is handled,” he said.

Exporters are communicating their concerns to trade associations that represent them, who in turn suggest best practices to the carriers.

In many cases, though, individual shippers achieve quicker results by attempting to negotiate service issues directly with their core carriers in their annual service contracts. Friedmann said some of the larger ag shippers have reached contractual agreements with their carriers on ERD issues, although smaller shippers may find it more difficult to do so.