Logenix Global Insider

The Official Newsletter of Logenix International

IN THIS ISSUE

High Volume Supply Chain Mastery in India

Global Market Update

Industry News

Connect with Us

February 2024 | ISSUE 26

High Volume Supply Chain Mastery in India

High-volume supply chain strategies that work on paper often don't unfold as neatly in the real world. Particularly in the developing world, where challenges are abundant and infrastructure is almost always lacking, supply chain success requires a level of mastery that's only attainable through deep hands-on experience.

Recent Logenix operations in India provide a powerful example of what that type of mastery looks like at scale. Over a period of 15 months, we built a dependable, high-volume ocean freight supply chain capable of overcoming the infrastructure challenges that brought our competitors to their knees. Our innovative approach to managing the thousands of containers required annually has equipped our client to confidently ramp up manufacturing capacity, eliminate downtime losses, and maintain the steady flow of one of India's most vital imported goods: palm oil.

The significance of palm oil to India and surrounding countries cannot be overstated. Not only is palm oil relied on as a staple cooking oil, but it's affordability and versatility make it a critical ingredient in everything from laundry detergent to biofuel. Due to exceptionally high demand, any interruption of the palm oil supply chain can create a costly domino effect, hindering economic growth and disrupting daily life.

With refinery production schedules demanding 200-250 containers of palm oil per month, our client in India faced this very challenge. Central to the problem was not just the sensitive nature of the cargo itself, but the specific locations from which the shipments originated. In the Philippines, origin port cities of Davao and Cagayan have far less throughput and available capacity than more prominent port cities like Manila, particularly with Grade A containers required for each shipment.

Previous logistics providers had become outmatched by the sheer volume of shipments, disrupting downstream refineries, distributors, and manufacturers. Forged through leadership-led partnerships, our team engineered a system capable of handling the required volume without compromising production schedules, shipment visibility or cost efficiency.

Core carrier policies with local shipping lines help us secure carriers at least 3 months in advance. A dedicated control tower and real-time analytics ensured our client is informed at every step. And above all, our unparalleled experience in the developing world has proven critical at every roadblock, clearance issue and bill of lading dispute along the way.

Logenix is now moving 200-250 containers of palm oil and palm kernel per month on a continuous basis. Not only have we achieved nearly a 100% on-time delivery record, but our ability to supply 100% of the equipment required to meet target production volume has led to immediate, tangible growth. Armed with the confidence that Logenix can handle the high-volume challenges, our client is now expanding into new markets, starting with a similar operation in Chennai.

Anytime a high-volume commodity has such economic significance, particularly in the developing world, success lies in the balance between long-term vision and tactical execution. Through close collaboration with our global partner network, we’re proud to help our clients orchestrate solutions they can depend on both today and for years to come.

GLOBAL MARKET UPDATE

According to the International Monetary Fund's (IMF) January 2024 World Economic Outlook report, the global economy is projected to grow by 3.1% in 2024. While world trade growth is projected for a strong recovery this year analysts fear that the Red Sea Crisis, which was relatively young at the time of IMFs published report, was not taken into consideration. Continued tensions in the Red Sea area could risk supply shocks and disruptions to the moderation of global inflation. This would potentially lead to the downwards revision for 2024.

Steam ship lines have begun to publish their earnings reports for the end of 2023 and the trend appears to reflect the weak global demand that characterized the sea freight industry in 2023, with significant losses reported across the board and year-over-year growth at only 0.2%. Maersk, Hapag Lloyd, and ONE are among the significant carriers who have posted their preliminary, unaudited financials for the 2023 year with all of them showing drastic declines.

The Red Sea crisis has now evolved to the extent that major global shipping lines have entirely abandoned transit via the Red Sea and Suez Canal. This signals the largest disruption to the supply chain since the pandemic and dwarfs the impact of the Ever Given situation. Two of the world's three major lanes have been impacted, China-Europe and China US East Coast, from the extension of almost one month of sailing time.

AIR INSIGHTS

- CARRIERS CONTINUE TO IMPLEMENT PIVOT WEIGHT ON ROUTES WHICH HAVE LIMITED CARRIERS AND HIGH VOLUMES, TO INCLUDE NIAMEY (NIM), LOME (LLW), LUBUMBASHI (FBM), ENTEBBE (EBB), AND ADDIS ABBA (ADD).
- ONGOING FARMER PROTESTS NEAR INDIA'S SINGHU BORDER AND THE SUBSEQUENT SEALING OF STATE BORDERS BY THE HARYANA GOVERNMENT HAS HAD A SIGNIFICANT IMPACT ON THE TRANSPORTATION MOVEMENT FROM SUPPLIERS IN INLAND INDIA TOWARDS MUMBAI AIRPORT & SEA PORTS.
- INDIA LIFTS ITS RESTRICTIONS IMPOSED IN 2020 ON INTERNATIONAL CARRIERS, AND WILL NOW ALLOW FOREIGN CARRIERS TO OPERATE NON-SCHEDULED CARGO FLIGHTS.
- CARGO OPERATIONS RESUME NATIONWIDE AS CHINA RETURNS FROM HOLIDAY CELEBRATIONS FOR THE CHINESE NEW YEAR, AIRLINES REPORT SPACE CONSTRAINTS AS THEY RETURN AND CLEAR BACKLOGS.

OCEAN INSIGHTS

- DUE TO MARCH BEING FINANCIAL YEAR END IN INDIA, VESSELS WILL BE OVERBOOKED FOR BOTH DRY AND REEFERS WITH SHORTAGE OF EQUIPMENT AS WELL.
- REEFER SPACE IS CONSTRAINED DUE TO GRAPE SEASON.
- CMA CGM IS IMPLEMENTING OVERWEIGHT SURCHARGES EFFECTIVE FROM 17TH FEB UNTIL FURTHER NOTICE FROM INDIAN PORTS AND OVERWEIGHT SURCHARGES EFFECTIVE MARCH 1ST IMPOSED ON ALL SHIPMENTS FROM NORTH EAST ASIA, SOUTH EAST ASIA, CHINA, HONG KONG & MACAU. THE OWS IS IMPOSED ON DRY CARGO CONTAINERS EXCEEDING 18 TONS, WITH A SET RATE OF USD 250 PER TEU.
- AMONG THE MAJOR TRADE LANES FOR THE PORT OF SHENZHEN, 99 OF THE 650 SCHEDULED VOYAGES HAVE BEEN ANNOUNCED BETWEEN WEEK 5 AND WEEK 9, REPRESENTING A 15% CANCELATION RATE.
- ALL TERMINALS OF THE PORT OF DURBAN ARE CURRENTLY REPORTING AN AVERAGE OF 6+ DAYS BERTH DELAY WHILE THE PORTS HANDLE AN INFLUX OF TRAFFIC. THE TERMINALS IN CAPE TOWN REPORT AN AVERAGE OF 3+ DAYS DELAY.

Although the Red Sea Crisis itself shows no signs of easing, analysts believe its effects on the ocean freight market itself may have reached a stable peak. According to Xeneta, while rates remain well above the standard market, there are indications that the peak of this crisis’s effect has been reached. This would be due to the ability of carriers and shippers alike to understand the new routings, transit times, and capacity. While this does not create any indication of rates fully softening it does allow for some optimism that rates should not increase much further, barring any more significant setbacks.

The Gaza conflict also appears to have no end in sight and when examined along with the other current major conflicts, (the Ukraine-Russia war and heightened global tensions between the US and Iran) the ‘New Normal’ for global supply chains appears to have a high prospect of continuing disruptions resulting in increasing rates and delays. Higher rates and surcharges have proliferated for ocean freight and air freight alike, with air cargo capacity being squeezed as significant amounts of ocean freight are diverted to air to avoid lengthy transit times. With ocean freight demand expected to continue to be weak, there will be no incentive for the carriers to switch back to a Suez routing as this reversal would likely cause rates to tumble again.

In weeks 6 and 7, the airfreight market appears to have hit it’s first road bump of the year, as volumes have now seen 2 consecutive weeks of decreases, for a worldwide average of -14% over that time. Over the same period, the past 2 weeks, deployed equipment in the air freight market has also shrunk -4% globally. While this shows a slowdown in what was a fast-moving market, one should keep in mind that that air freight cargo has been characterized by exceptional week-over-week volume and capacity growth in the first weeks of 2024. From a year-over-year perspective, all regions report growth in capacity for a global average of +9% as overall connectivity, equipment, and schedules have improved for the second consecutive year since the pandemic. When looking at year-over-year volumes, all regions report decreases in chargeable weight with the exception of Africa (+2%) and Middle East & Southeast Asia (+22%).

Industry News

Red Sea Shipping Attacks Prompt Africa Price Concerns

"The disruption to global supply chains from Houthi attacks on Red Sea shipping could hit African countries struggling with rising prices, including Ghana, Ethiopia, and Nigeria."

Read Article

New Freighters Could Ease Red Sea Cargo Disruptions

"Shipping costs remain elevated, but some analysts expect the robust supply of new ships to push down rates later this year."

Read Article

India Renews Open Sky Policy for Foreign Air Cargo Carriers

"India has liberalized its aviation policy to permit foreign cargo airlines to operate out of all its international airports."

Read Article

Cargo Volumes in Red Sea Area Drop 21% Due to Attacks on Ships

"The number of ships transiting through the Gulf of Aden and the Suez Canal so far in February is 50 percent and 37 percent lower than last year, respectively."

Read Article

FEBRUARY 2024 | ISSUE 26

Thank You

We would like to thank all of our clients and partners for the impactful collaborations both featured and not featured in this newsletter.

Connect with us to learn more

SUBSCRIBE

Logenix International | 3060 Williams Drive, Suite 400, Fairfax, VA 22031, USA
Privacy Policy | info@logenix.com | 703-256-4885