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MEMO

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From: **OOI (SSD)**

for **THRO: DRS** Salam 18/11/2024

To: **DD (ICT)**

Dept:

Date: **18/11/2024**

FORWARDING THE FREIGHT RATES ANALYSIS AND REPORT FOR THE THIRD QUARTER (JULY - SEPTEMBER), 2024.

Please, find attached, the freight rates analysis and report for the third quarter (July - September), 2024 for upload on the Council's website.

Sir, a softcopy of the freight rates analysis and report has been forwarded to the web content email webcontent@shipperscouncil.gov.ng.

This is submitted for your information and necessary action, please

Olabode O. Sheba

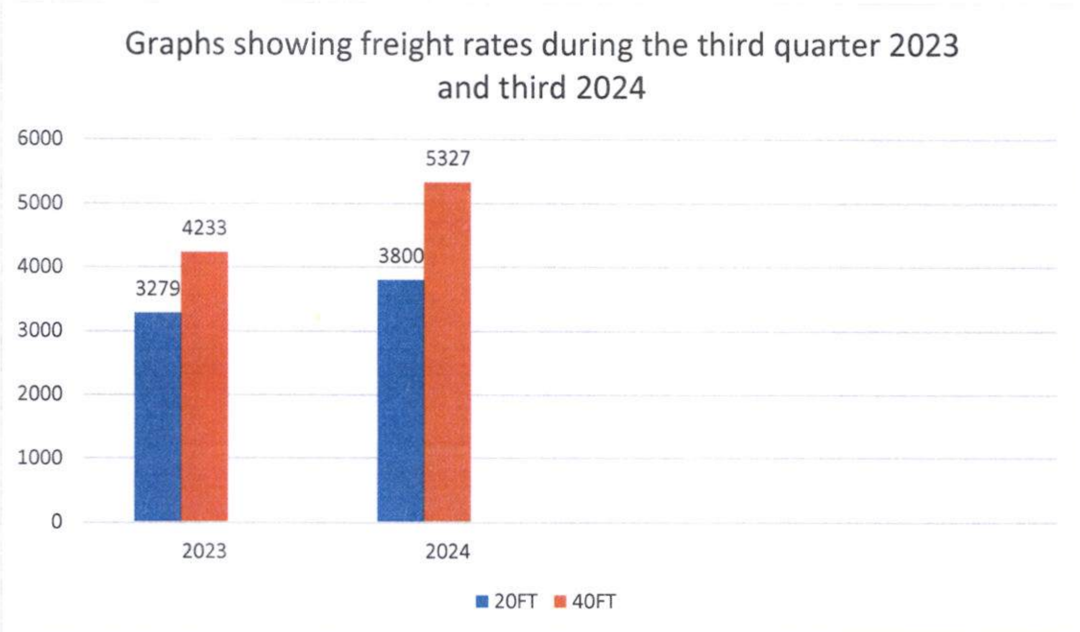
PA I - Enagi
Please treat.
DD (ICT)
19/11/2024

FREIGHT RATE ANALYSIS AND REPORT FOR THIRD QUARTER (JULY-SEPTEMBER) 2024

1.0 Introduction

According to Drewry Supply Chain Advisors Global Freight Rate Index decreased 16% to reach $4,265 MoM for a 40ft container in September. If this downward trend continues, it will take a significant amount of time for rates to normalise. Despite the recent drops in rates, rates remained significantly higher, with a remarkable 104% increase YoY and 178% above pre-pandemic levels. Drewry predicts the decline in spot rates will continue in October.

2.0 Nigeria's Major Trading Routes Freight Rate Index



	20FT	40FT
2023	$3,279	$4,233
2024	$3,800	$5,327

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3.0 Interpretation of the Above Graphs /Table:

The graphs and table show graphically the freight rate charged on 20 and 40 teu's on Nigeria's trading route for the period of the third Quarter of 2023 to the third Quarter of 2024. The blue-coloured graph represents a 20-foot container while the red one is for a 40-footer. The graphs show that during the 3rd Qtr. 2023 freight rate for 20teu was $3,279 while that of 40 teu was $4,233. In the corresponding period in 2024, the freight rate for 20teu was $3,800 Year on Year-YoY (16% increase from that of 2023) and that for 40teu stood at $5,327 (26% increase from that of 2023).

The increases in rates from the 3rd Quarter of 2023 to the 3rd Quarter of 2024 which is high, was as a result of the recovery in supply chains and the Panama Canal's increased depth limits/additional transit slots that is expected to play a pivotal role in accommodating larger vessels and heavier cargoes, thereby boosting the canal's overall throughput and efficiency.

4.0 Observations:

Based on the above analysis, we wish to observe the following:

I. Global freight rates during the Third Quarter 2023 were low compared to rates obtainable in the Third Quarter 2024.

II. Third Quarter 2024 Freight rates stood at $3,800 for 20Teu and $5,327 for a 40Teu.

III. There were increases in rates from 3rd Quarter 2023 to the 3rd Quarter 2024 which was as a result of the recovery in supply chains.

IV. The Drewry's global freight rate index from August to September was the first time the index decreased after rising for three straight months. Despite the decline, spot rates on this trade remain higher than pre-pandemic levels.

V. There were increased depth limits/additional transit slots to vessels passing through the Panama Canal.

VI. Ocean carriers are focusing on Asia-West Africa trade as effective from November 2024, ONE, COSCO, OOCL and Gold Star Line will alter the

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rotation of their joint-operated services. The affected loops are 'WA1/WAX1/FAX' and 'SW2/WA3/WAF3/FA2'.

5.0 Freight Rates Composition

The freight Rates for **20**ft and **40**ft containers still consist of the followings:

- Base Ocean Rate (Base Rate=$3,320).
- Terminal Handling Charges at Origin (OTHC=$358)
- Destination Terminal Handling Charges (DTHC=$475)
- Fuel Surcharge (BAF=$730) and all other charges apart from the Inland Cost. Other factors that may greatly affect rates include amongst others, the intended destination, Season and Fines/Fees.

6.0 Recommendations/Advises:

- **Advise to Shippers**: Shippers are still advised to ensure the following:

✓ Be ready to negotiate: Before entering negotiations, it's important to fully understand the latest market trends in the shipping industry and stay informed about currency fluctuations.

✓ Know your freight rates needs: You can negotiate freight rates with the carriers or freight forwarders after having clarity about your freight needs, and accordingly, you can place your terms and conditions.

✓ Try negotiating with multiple carriers: Interact with different carriers and compare the quotes (rates). This will enable you to ease the negotiation process, and you will be in a position to make competitive demands. The more you negotiate, the better price deals you will get.

✓ Contract and spot cost: Freight rates symbolize contract and spot rates in the shipping industry. Spot rates specify the current price for a shipping route; on the other hand, spot costs are negotiated in advance and fixed for a specific duration.

✓ Establish Strong Bonding: This will help you cultivate a strong relationship with them. Not only this, but you can come up with better negotiation terms every time you conduct a shipment.

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- ✓ Consolidation of the shipments: You can opt for Less Container Load (LCL), this strategy can enable you to negotiate a competitive freight cost.
- ✓ Pay only for the required services: Try to negotiate with your carrier by checking the aspects of the price contract, which include added services, insurance, applicable fees, and other relevant services.
- ✓ Go through the fine print(document): Having a clear understanding of the document can help you check for restrictions and limitations and negotiate reasonable freight rates.
- ✓ Avoid peak seasons: You can compare the quotes of various shipping lines and book a vessel schedule in advance or after the peak season goes down. Most of the carriers offer a lower rate in the off-seasons to keep their business running smoothly.
- ✓ Avoid the hidden costs: Check out for any hidden costs or any additional surcharges that might create an obstacle to negotiating the required freight rates.
- ✓ Better coordination of origin and transport operations and hand offs (Inland transport disruptions).
- ✓ Shippers should continuously negotiate freight rates as findings have shown that shipping lines build their operations cost into freight rate charged as another way of recovering cost.

- ❖ **Shippers** should position themselves to steer their business in this period of economic volatility.
- ❖ **Nigerian Fleet-** Considering all the above findings, it becomes clear that the only path Nigeria can take to get out of the worsening challenges in her shipping services is to have her indigenous Shipping lines in place and compete with foreign shipping lines. This will bring about lower freight charges on Nigeria's route.