

Freight rates may see more hike

India closely monitoring situation: DG Shipping

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The invasion of Russian forces into Ukraine has triggered panic among Indian exporters, coming as it does after over a year of high freight rates and container shortages. Freight rates to several ports in India had jumped eight to tenfold last year and are already on a rise in the last one week.

According to shipping companies, the cost of chartering a 4,200 TEU (20-foot equivalent unit) has soared from around \$8,000 a day eight months ago to around \$70,000 a day now. As a result of the Russian invasion, it is expected to touch \$100,000 a day.

Shipping companies and carriers are worried about the spike in crude prices, and some industry players expect India to initiate rupee-ruble trade to ease the impact of the sanctions imposed on Russia.

Indeed, the news appears to be grim for the commodities market, with at least three merchant ships reported to have been damaged in the Black Sea. And with insurers hesitat-

ing to cover traffic to the region, trade to all six countries in the region – Russia, Ukraine, Georgia, Turkey, Bulgaria, and Romania – may get affected.

India's monthly exports to these countries amount to around \$1.4 billion and imports of around \$1.6 billion.

Meanwhile, the Directorate General of Shipping said India is closely monitoring the situation. "We are constantly monitoring the current situation. In terms of container trade, if you see globally, India is the best-managed territory, as far as container or freight movement is concerned. That is the reason we have seen growth in exports despite the disruptions," Amitabh Kumar, DG Shipping, told Business Standard.

The Federation of Indian Export Organisations (FIEO) has already asked exporters to hold consignments to the region. "We are worried about the rise in freight rates in the last one week. Also, a likely supply disruption will impact Indian exporters," said A Sakthivel, president of the FIEO.

The Indian National Shipowner's



IN THE LINE OF FIRE

- **Countries in the Black Sea region:** Russia, Ukraine, Georgia, Turkey, Bulgaria, and Romania
- **\$1.6 billion:** India's monthly imports

Association (INSA) said no Indian flagged ships are stuck in the Black Sea at present. "There will be an impact on freight and business will have to readjust. There may be a rise of 2-3 per cent on insurance as war premium in that region, issuers will be reluctant to go there. Shipowners

- **\$1.4 billion:** India's monthly export to these countries (Dec 2021)
- **34 per cent:** Black Sea's exports share in global wheat market

may also have to give additional reward to the people on board as they are risking their lives," said Anil Devli, chief executive officer of INSA.

Based on data available with the International Grains Council, the overall proportion of global wheat exports taken by the Black Sea region

is maintained at about 34 per cent. Similarly, in oilseeds, Russia and Ukraine contribute to one-third of global sunflower exports. A crisis in the region is expected to impact the global commodity prices too.

"Markets like the European Union and the UK are a cause for concern as a war in the region may hit demand for apparel. With crude prices going up, freight rates are also seeing an upward curve. There is also concern about payments from Russia and Ukraine in case of sanctions," said Narendra Goenka, chairman of the Apparel Export Promotion Council (AEPC).

"In the last eight months, we have seen fuel rates going up from \$350 a tonne to \$749 a tonne. With the Ukraine crisis, we expect this to cross \$800. This means, straight away bunker costs are set to go up," said J S Gill, managing director of X-Press Feeders, one of the world's largest independent common carriers.

The Indian Seafood Exporters' Association said Europe accounts for 12 per cent of its annual business of around ₹50,000 crore and this latest disruption may hobble the industry, which is just about recovering from the pandemic-induced crisis.