Opinion

Rob Shelley

MAERSK'S INVESTMENT HAS GOT EVERYONE TALKING

Container shipping lines made record profits of more than US$14 billion last year in what was, for many carriers, their most profitable year ever and almost making up for the $15 billion losses they suffered in 2009. But there are already warnings that this year will be lower as operating margins have crashed in the first quarter of 2011 as lower freight rates and higher operating costs take their toll on carriers' margins.

Subsequently, it's expected that more carriers will join the growing call to increase shipping rates, although the jury is still out on their ability to implement such a general rate increase as they continue to undercut each other.

The WTO has warned that the short-term outlook is clouded by significant risk factors including, of especial note to readers, rising prices for food and other primary products and unrest in major oil-exporting countries.

All of this means that, as global supply chains become more complex and time and cost-sensitive, fresh produce importers and exporters need to make sure they are working with freight forwarding partners capable of ensuring they are getting the best possible advice and service.

What may possibly, in the fullness of time, make some difference to shipping costs and has the international freighting community 'all agog' is the announcement by Maersk, the world's largest container ship operator, which recently announced it is building a new fleet of what will be, far and away, the largest container ships in existence, and some of the statistics and costs involved are stratospheric.

The total order is worth a potential $6 billion and would represent the largest single contract in shipping history. The ships will be 400m long, 60m wide and will each carry 18,000 20ft containers. They have been called the Triple-E; for economy of scale, energy efficiency and environmental performance. Maersk claims the sheer size and modern technological efficiency of the new fleet will mean that they are 50 per cent more CO_2 'friendly' than the average ship ploughing the same trade routes. This is a major marketing point and may play well for shippers with sustainability and environmental commitments in mind for their products.

But beyond the anticipated environmental benefits, what will this mean in the cold light of day? Well, Maersk is anticipating that industry volumes will grow at between five to eight per cent annually over the coming years – more than enough to ensure these behemoths are kept full. They are also claiming that these ships will cut the cost of transport by around 20-30 per cent per container. But how quickly and how extensively this trickles down the supply chain to the importer of fresh products is another thing altogether.

For Maersk it's a very expensive throw of the dice. For fresh produce shippers, it might mean that you will eventually see some savings in your supply chain. And I'm afraid the emphasis remains on the word 'might'. ■

Rob Shelley is CEO of Maritime Cargo Services

This week on Twitter

Asda is going to be stocking a branded Cornish potato exclusively this year. Well done Asda.

(@BerryBuddies)

Great article by @FPJlive about Mack Multiples and their decision to reinvest in UK production. Must be British.

(@GrowingDirect)

Pay less for fresh produce and ensure growers get fair prices: shop your local fruit and veg market.

(@RBKC_Markets)

Ever fancied getting down and dirty on a farm? Now's your chance. Join the National Trust My Farm project.

(@Channel4Food)

This week on the currency markets

In early 1974 Edward Heath's government imposed the three-day week in response to an electricity shortage caused by a miners' strike, *writes Moneycorp's Chris Redfern.* Since then it has been a rarity, so the one last week will have been a novelty and a pleasure to most people even if its effect on the economy was as dampening as its predecessor's nearly forty years ago.

And a dampening was not at all what the economy was looking for. There was only muted relief when figures for gross domestic product showed growth of 0.5 per cent in the first quarter. The lack of jubilation was because that growth did no more than reverse the shrinkage in the previous three months. Between September and March the UK economy stood still. It appears to be moving ahead now but there are still glitches. The CBI reported falling industrial orders in April. Consumer confidence deteriorated from -28 to -31. Manufacturing activity is slowing, according to the purchasing managers' index.

And sterling interest rates are not going up. Not as long as Bank of England governor Mervyn King draws breath anyway. He used the May Day holiday to travel to Brussels in his capacity as vice chairman of the European Systemic Risk Board. There he told the EU that a rise in long-term interest rates would have "severe" consequences as a result of high levels of public and private sector indebtedness. Undoubtedly he will make the same point at this week's monetary policy meeting and, almost certainly, sterling interest rates will remain at a record low level.

That would be good news for home buyers and exporters. Other interest groups would be less than delighted though. Savers would see further erosion of their assets by inflation while importers would continue to be lumbered with a weak pound. ■

HOW KEY CURRENCIES ARE PERFORMING AGAINST £:

1. NOK	1.3%	3. AUD	0.9%	5. ZAR	0.8%	7. JPY	0.1%	9. NZD	–0.5%
2. CHF	1.3%	4. EUR	0.9%	6. SEK	0.8%	8. CAD	–0.2%	10. USD	–0.8%

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