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The shipping industry just couldn't tackle COVID-19 disruptions, other shocks: expert

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·Anchor

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The coronavirus pandemic has triggered a shipping container crisis driven by strong booking activity and limited supply, according to Patrik Berglund, CEO of Xeneta, a freight rate benchmarking platform.

“When COVID hit, the industry didn’t have the infrastructure in place to tackle such a shock,” Berglund told Yahoo Finance Live. “Since then it’s just been event after event... [that has] created disruption in the supply chains.”

One of those big events in the midst of the pandemic was the blockage of the Suez Canal — a major choke point for natural gas, oil and consumer goods shipments. The massive Ever Given cargo ship which blocked traffic in the Suez Canal for nearly a week in March, contributed to a further surge in container prices to all-time highs. But that's not the only big event that pushed shipping container prices to record highs.

"It's just been event after event, like Brexit... and the port strikes that have created disruptions in the supply chains," added Berglund.

Here's what this means for consumers. Disruption in the supply chain will likely result in two outcomes over the coming months: canceled shipments or increased prices.

"If this continues, [goods] will be out of stock," said Berglund. "And then it's an increase in prices… The smaller [industry] players will need to go through middlemen in order to secure any capacity, and that's where we'll see the highest price increases. They will struggle."

Logistics and transportation of Container Cargo ship and Cargo plane with working crane bridge in shipyard at sunrise, logistic import export and transport industry background

According to data from Xeneta, rates on ocean and air freight exports out of the Far East to the West Coast in the U.S. are at all-time highs on the spot market and the contract market, with rates jumping to $4,961 and $3,334, respectively, as of June 11.

Recent data compiled by S&P Global Market Intelligence shows no respite for logistics firms this spring as U.S. seaborne imports of containerized freight jumped 47.1% from one year ago. A number of sectors continue to experience elevated levels of imports, led by an 88% year-over-year jump in consumer discretionary goods last month.

“It’s driven by the fundamental mismatch between supply and demand,” Berglund added. “The root cause actually stems years back. The industry has experienced deep problems for almost decades trying to make money, resulting in waves of consolidation, and in 2016, Hanjin Shipping went bankrupt... The industry doesn’t have the proper infrastructure in place to tackle such a shock.”

Seana Smith anchors Yahoo Finance Live’s 3-5 p.m. ET program. Follow her on Twitter @SeanaNSmith