As freight rates turn too hot, spice exporters seek probe into shipping cost

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Exporters lose heavily with no space for contract revision

With freight rates soaring, spice exporters have urged the Ministry of Ports, Shipping and Waterways to start a high-level probe into the costs of shipping lines.

“The cartelised, monopolistic and restrictive trade practices of big shipping companies should be stopped immediately. The government should audit their costs and start a high-level probe into the costs of the shipping lines,” the Indian Spices and Foodstuff Exporters’ Association, Federation of Indian Spice Stakeholders and the All-India Spices Exporters’ Forum said in a joint presentation made to the Ministry of Ports, Shipping and Waterways.

Exporters face loss

Exporters who have signed off long-term, cost, insurance and freight contracts are losing heavily as customers are not agreeing to revise contracts, spice exporters said.

Shipping companies should come forward and agree for short and medium-term contracts with exporters based on assured volumes committed by the exporters, they said, adding that the lines "cancelled contracts in recent months without notice and exporters were asked to book on spot basis".

The shipping companies should be asked to allocate larger and more vessels and containers to India to meet the 25-30 per cent increase in merchandise exports.

"As a long-term strategy, India should strengthen the State-owned Shipping Corporation of India or have stakes in leading shipping companies, as we are fully dependent on ocean freight for exports," said Cherian Xavier, Chairman, All India Spices Exporters' Forum.

Government action required

The next challenge has started on cargo shipments for the Christmas season. Container ships are going to be overbooked and lines have already announced blank sailings to Indian ports.

"While India has been doing well so far in exports, we could have done much more," says Hitesh Gutka, President, The Indian Spices & Foodstuff Exporters' Association. "We are facing a serious crisis going forward with huge sailing cancellations in August and impending surge in demand for Christmas goods," he said while urging the government's intervention "to avoid blanking of sailings and control further increase in freight rates".

"A control mechanism should be put in place to ensure that the shipping companies do not skip their scheduled sailings and if such skipping happens, they should not be given priority for increasing their schedules in future," Gutka said.

"Shipping companies must ensure that Indian exports are not affected during the upcoming Christmas season on account of container shortage and blanking of sailings," he added.

The government's plan to set up a container manufacturing facility in Gujarat's Bhavnagar district must be put on priority fast-track, said U Karthik, Secretary, Federation of Indian Spice Stakeholders.

"The exchange rate charged by the shipping lines for ocean freight is higher than the interbank rates and there should be some control on the higher exchange rate being charged by the lines. They are not even uniform. Each line has its own rate mechanism," Karthik added.

The spices associations have also sought an increase in the assistance amount per twenty-foot equivalent unit (TEU) under the scheme of Transport and Marketing Assistance (TMA). "The amount of assistance per TEU is very less compared to the freight amount the exporters are paying now," Xavier said.

Besides, the TMA is given only to specified agriculture products and with many pre-conditions.

“This assistance is not available where a container is having both eligible category (specified agriculture product) and non-eligible category (non-agriculture, processed foodstuffs and provision). The TMA should be provided to all eligible items of export and not just specified agricultural products,” Xavier said, noting that the TMA scheme should be permanently valid and not just for one or two years.

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