

## **International shipping from late-2023 onwards to remain at its weakest point**

The drought in Gatun Lake providing water supply to the **Panama Canal** and the continuous bombing of international ships by the Houthis in the Red Sea have forced shipping companies to incur massive losses in what's labeled as a black period in supply chain logistics. Asian countries will see food imports getting costlier by 50% due to the El Nino phenomenon that resulted in droughts around the Panama Canal regions forcing the ACP to restrict the passage of ships from 40 to 21 in December 2023. By February 2024, it is expected to reduce to 18 ships. The ACP now resorts to auctioning off additional transit spots and successful bids on each of them range between \$1.7-\$3 million. Prices for hiring bulk carriers with a carrying capacity of 80,000 tonnes on a daily basis range from \$22,000 - \$24,500 marking a 70% jump when compared with the last price hike in July 2022.

Shipping companies that cannot afford these price fluctuations would be forced to use the Suez Canal or the Cape of Good Hope routes which adds an additional 20-25 days to the existing deadlines. Ships (*grain carriers*) traveling from the U.S. and Canada increasingly find it difficult to use the Cape of Good Hope route as they have concerns about the loss of quality of their products when they reach far-East Asian nations like Japan. This is due to these ships passing the Equator region twice. The agriculture ministry of Japan has stated in their reports that imports of corn and soybean from the USA form 66% & 72% of the daily consumption basket of its population. With the uncertainty over gaining discounted transit slots for their cargo ships, it's expected that domestic consumers would see a spike of 60% in terms of food prices.

Climate experts have now indicated that droughts and lower rainfall in the Panama Canal regions will continue until April 2024.

### **GLOSSARY**

**PCA** - Autoridad del Canal de Panamá (*Panama Canal Authority*)

