

Maritime

New Container Prices Hit 19-Year High

Bruce Barnard | Jun 22, 2010 1:22PM GMT

The Journal of Commerce Online - News Story

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"Critical" box shortage drives price as manufacturers struggle to keep pace

Prices for new maritime containers are close to the highest point in 20 years, driven by a rush of new orders from ocean carriers and container leasing companies in response to a growing shortage of boxes.

The current price for a 20-foot dry container has risen to \$2,750, its highest level since 1991, from less than \$2,000 at the end of 2009, according to Alphaliner, the Paris-based container shipping consultancy.

"Even at these higher prices, demand will still outstrip supply for the current peak season," Alphaliner said.

The average price of 20-foot dry containers has oscillated between \$1,500 and \$2,400 over the past 10 years.

"The shortage of containers has reached critical levels," Alphaliner said.

Container manufacturers are facing difficulties in ramping up to full capacity after halting production of dry container in October 2008.

Total capacity has been slashed since late 2008 with production lines shut down and twin-shift operations cut back to single shifts.

While the two largest box manufacturers, CIMC and Singamas, have a combined capacity of over 3.5 million TEUs they are expected to produce only 1.35 million TEUs in 2010.

Global output of ocean containers is forecast at between 1.5 million and 2 million TEUs this year, down from a peak of 4.2 million TEUs in 2007 and total worldwide capacity of 5 million TEUs.

Demand has picked up significantly since the beginning of the year with CIMC selling 102,900 TEUs in the first quarter of 2010 compared with 60,400 TEUs in the whole of 2009.

Maersk Line, the world's largest ocean carrier, last week announced it would start manufacturing containers in response to the "pronounced and serious" shortage of boxes which it expects to persist through the third quarter.

The carrier has also obtained 50,000 extra 40-foot containers and has re-activated laid-up vessels to transport empty containers from import regions back to Asia.

Carriers were caught out by an unexpected rebound in container traffic, driven by a surge in exports from China since the Chinese New Year in February, contributing to a 23 percent year-on-year increase in Asia-Europe shipments in the first five months of 2010.

The market was forecasting single digit growth just six months ago, according to Maersk.

In response to the steep rise in traffic, carriers are estimated to have boosted weekly capacity on routes from Asia to Europe, the Mediterranean and the U.S. West Coast by over 85,000 TEUs so far this year.