



Here's How Much Air Freight Costs, Demand Have Escalated in 2021

By Glenn Taylor



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Today's global [supply chain constraints](#) have given rise to [air freight](#) as a chief alternative for

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According to U.K.-based Air Charter Service, a transpacific Boeing 777 charter costs around \$2 million per flight, more than double the pre-pandemic peak price of \$750,000. As of Oct. 18, the latest TAC Index calculated the rate to fly goods from Hong Kong to the average North American airport was \$10.40 per kilogram of cargo carried, more than tripling the \$3.30 per kilogram on Jan. 6. Hong Kong to Europe saw a big jump from \$2.90 to \$7.20 per kilogram of cargo in the same time frame, according to the independent provider of air cargo pricing data.

Edward DeMartini, vice president of air logistics development for North America at Swiss freight forwarder Kuehne+Nagel, told American Shipper that the months-long disruptions in [Vietnam](#) are sending outbound chartered flight costs through the roof. DeMartini estimated that air shipping goods out of Vietnam could fall within the \$2.5 million to \$3 million per-flight range.

The demand is certainly increasing as more brands seek to get out in front of holiday spending, with Nike [increasing investments](#) in air freight as it downgraded its full-year guidance. OEC Group's air manager, Alan Dong, told Sourcing Journal that since Golden Week 2021, which lasted from Oct. 1-7, the freight forwarder has already seen a 25 percent increase in air cargo inquiries.

And in Vietnam, constrained supply means stratospheric price increases.

"Currently, there are only a handful of air carriers operating out of [Vietnam](#), and direct service is very limited," Dong said. "Most of the cargo out of Vietnam is interlined through another hub such as Hong Kong, Taipei, or other major airports in Japan and China. Compounding the issue is that these hubs are saturated with their own freight. Adding extra volume from Vietnam causes even more congestion and delays. Airlines see this as an opportunity because as market demand expands, they increase their rates."

Dong was quick to note that switching to air freight doesn't alleviate all ocean shipping issues, namely because of the differences between air freight and ocean freight customers.

"Usually, clients looking for air freight solutions are transporting high value commodities like electronic goods, fashion apparel, auto parts and other seasonal products that need to reach storefronts quickly," Dong said. "Less common air freight customers are those that switch their cargo from ocean to air because they have a mandatory delivery deadline to make, and ocean service will not be able to accommodate that deadline."

In a quickly changing landscape, Adidas is also leveraging air freight as part of its efforts to secure additional production capacity, one of five key actions to mitigate the impact from the [shutdowns in Vietnam](#). In total, the athleticwear and footwear giant indicated in an August earnings call that it was already able to secure additional capacity for 30 million pieces. In line with Dong's observation, those in transit would be "high-priced" products.

“We are working with our partners to mitigate the impact, for example by temporarily reallocating production to other countries and gradually ramping up production in Vietnam again,” an Adidas spokesperson told Sourcing Journal. “As [with] many other industries, we are still confronted with constraints on port and transport capacity.”

As more importers charter their own goods, the most common type of charter is the “forwarder’s charter,” according to Dong. This approach means importers can bypass the traditional commercial airline mentality and develop their own charter network, routing, and services. They lease an aircraft and, operating as airline, sell the space to the market. This creates more options for customers facing limited commercial airline service.

“For customers looking to charter, this method benefits from shorter transit time, reliable delivery deadlines, less hassle coordinating with different carriers, and a decreased chance of irregularities during transit such as missing or damaged goods,” Dong said. “Obviously, better service comes with higher expense. With the air freight market doing so well and most freighters under strict leases, it will be very difficult to find a temporary charter. If a charter can be found, the current cost is nearly four-times higher than pre-pandemic prices.”

Amazon, perhaps the poster child for making moves like this to get products to consumers quicker, is reportedly considering making an even bigger splash in the arena. Bloomberg reported earlier this month that the e-commerce giant is considering onboarding [long-range cargo jets](#) and hiring its own flight crews to directly transport goods from overseas, namely China.

In the most recent example of a splurge on air transit, Crocs chief financial officer Anne Mehlman said that the popular clogs brand is pulling no punches in aggressively leveraging the option to bring in product for the 2022 Spring/Summer selling season. Ahead of the season, the company will invest approximately [\\$75 million](#) in air freight expenses due to the recent Vietnam production issues and [port congestion](#). The increased air freight spending won’t be for holiday season product, however, since most of that is either already in the U.S., or inbound, CEO Andrew Rees said in the company’s Q3 earnings call.

“Our normal air freight is certainly less than \$10 million,” Mehlman said. “We don’t tend to spend a lot on air freight. We actually spent just a little bit more this year than we did last—it will be between \$8 million to \$10 million. So it’s kind of in the normal run rate for this year.”

Air cargo demand brings capacity constraints to North America

Overall, total [air cargo growth](#) continues to climb worldwide, but appears to be stabilizing ahead of the holiday. Industry-wide cargo tonne-kilometres (CTKs) rose by 7.7 percent on a two-year basis in August 2021, but that growth percentage actually decreased from the 8.8 percent rise in July 2021, according to data from the International Air Transport Association (IATA). Comparisons are made on a two-year basis due to mass flight cancellations throughout the early onset of the Covid-19 pandemic.

In particular, North American carriers posted an 18 percent increase in international cargo volume

With such high demand, it shouldn't come as a shock that international cargo capacity remains restricted, as air cargo hubs such as Los Angeles and Chicago also reporting severe congestion, similar to that of the [ports at sea](#). International capacity is down 6.6 percent versus August 2019 totals, IATA found.

Chinese containers see price declines

The air freight pivot appears to be coinciding with at least one good sign for U.S. importers on the ground—average [shipping container prices](#) coming out of China appear to be in decline, at least for the moment. Germany-based logistics service Container xChange says that the average trading price of a 40-foot equivalent unit (FEU) shipping container fell in China just ahead of Golden Week.

The average container price dipped from \$8,516 in Week 39 of 2021 to \$6,598 in Week 42, marking a 22.5 percent decline, which is the biggest drop this year in China.

“We are experiencing improvement in market situation as the one-way leasing charges, spot rates and other freight costs are starting to stabilize and average standard container prices are witnessing a drop for the first time in many weeks,” Christian Roeloffs, founder and CEO of Container xChange, said in a statement Tuesday. “Though we are still yet to see how the market responds further to [inventory stocking](#) by the U.S. importers in the coming months, these are good signs of market correction. The drop in prices could also possibly be only a temporary decline because of the Golden Week, if the prices do not decline further.”

At different ports in China, the average trading prices have declined 11 percent in the port of Qingdao, and 2 percent in [Ningbo](#).

“The easing prices show temporary consolation in the global container shortage crisis. There are possibilities that the trend continues because we are half way through the busiest time for the shipping industry,” said Dr. Johannes Schlingemeier, founder and CEO, Container xChange. “Retailers are looking to pile up stock ahead of the Christmas holidays and the falling prices could well become the new normal from here. This could probably be a very early sign of stabilization of the market. We will continue to monitor the prices and availability but for the time being, this is [good news for the industry](#).”

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