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Reefer cargo market seeing opportunities, challenges

By

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The current reefer cargo market is expecting significant annual growth, presenting opportunities as well as challenges, including a mass shortage of reefer equipment brought on by increased demand.

Mediterranean Shipping Company recently hosted a virtual presentation that provided participants with essential information on the latest developments and challenges in the refrigerated cargo market, as well as updates on the steps the company is taking to improve transportation of perishable commodities.

Based in Geneva, Switzerland, MSC is a global leader in transportation and logistics that was founded in 1970 and which today has 524 offices in 155 countries, more than 70,000 employees and a fleet of 570 vessels.

The program was hosted by Pietro Pinto, nationwide sales director for MSC USA in Chicago, who began by noting that the company's cargo division is growing both in terms of fleet and the number of 20-foot-equivalent units (or TEUs) it can carry.

"Our goal this year is to move over 21.5 million TEUs, that is reefers and dry combined," Pinto said. "Our total intake capacity is more than 3.8 million TEUs — this is a number that we need to keep an eye on as it will continue to grow. MSC is making a lot of investments, and shortly we will surpass 4 million."

He added that the company is the No. 2 steamship line in the world and links all major continents together while also playing a key role in intra-regional trades. He added that the company's efforts to become more energy efficient include investing in larger vessels.

In terms of the current reefer cargo market, Pinto explained that it's expected to grow at 3.7 percent annually, which he described as "quite significant."

While all of this positive news creates opportunities, Pinto said it also presents challenges, and one of the biggest challenges the company faces is what he described as a mass shortage of reefer equipment. That is in large part due to the increased demand that came at the beginning of 2020 and the start of the pandemic.

The company is also paying attention to trends, such as the variety of commodities that are in demand around the world and the changes in diets that many countries are adopting.

"We have noticed that a lot of different countries and cultures are trying to eat more healthier (foods with) high density of vitamins or minerals, which usually are found in commodities such as fruits or vegetables," he said, explaining that fruits are by far the largest perishable commodity being moved, with 70.7 tons in 2018, followed by vegetables with 38.1 million.

Another challenge is the fact that while the majority of food is routed in the Southern Hemisphere, most of it is traded in the Northern Hemisphere, which means a lot of refrigerated cargo is heading in one direction, thus adding to complications in terms of equipment availability.

Seasonality also has an effect, and Pinto said one thing MSC consistently asks its customers for is forecasts.

“We know it’s difficult,” he said. “It’s not easy, especially when you’re dealing with perishable commodities, but we want to have an idea, and once we have an idea from our customers, we will obviously continue to meet with them regularly — bi-weekly, weekly, whatever is needed in order to make adjustments accordingly.”

Pinto wrapped up the presentation by assuring participants that MSC is dedicated to solving these issues and keeping its partners informed on the progress it is making.

“One thing that we need to take into consideration when we’re talking about assets, like a refrigerated unit, it’s not only what comes in, it’s also what goes out,” he said. “Every year, there are a lot of units that become obsolete that need to be taken off the market and they need to be replaced with new ones. There was a slowdown in that in 2020 because of the manufacturing, but I can assure you MSC has already made a lot of investments, and a lot of orders.”

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