

Red Sea shipping crisis to affect global food prices: UNCTAD

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Disruptions in grain shipments from Europe, Russia, and Ukraine pose risks to global food security, affecting consumers and lowering prices paid to producers The United Nations Conference on Trade and Development (UNCTAD) has expressed profound concerns over the escalating disruptions in global trade, particularly stemming from geopolitical tensions affecting shipping in the Black Sea, recent attacks on shipping in the Red Sea affecting the Suez Canal and the impact of climate change on the Panama Canal.



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Energy prices are witnessing a surge as gas transits are discontinued, directly impacting energy supplies, especially in Europe. The crisis is also reverberating in global food prices, with longer distances and higher freight rates potentially cascading into increased costs. Disruptions in grain shipments from Europe, Russia, and Ukraine pose risks to global food security, affecting consumers and lowering prices paid to producers.

Developing countries are particularly vulnerable to these disruptions and UNCTAD remains vigilant in monitoring the evolving situation.

UNCTAD underscores the far-reaching economic implications of these disruptions. Prolonged interruptions, particularly in container shipping, pose a direct threat to global supply chains, potentially leading to delayed deliveries and heightened costs. While current container rates are approximately half of the peak during the Covid crisis, passing on higher freight rates to consumers takes time, with the full impact expected to manifest within a year.

The organization emphasizes the urgent need for swift adaptations from the shipping industry and robust international cooperation to navigate the rapid reshaping of global trade dynamics. The current challenges underscore trade's vulnerability to geopolitical tensions and climate-related challenges, demanding collective efforts for sustainable solutions especially in support of countries more vulnerable to these shocks.

UNCTAD underscores the critical role maritime transport plays as the backbone of international trade, responsible for over 80 per cent of the global movement of goods.

The recent attacks on Red Sea shipping, coupled with existing geopolitical and climate-related challenges, have given rise to a complex crisis affecting key global trade routes.

UNCTAD estimates that the weekly transits going through the Suez Canal decreased by 42 per cent over the last two months.

The ongoing conflict in Ukraine has triggered substantial shifts in oil and grain trades, reshaping established trade patterns. Simultaneously, the Panama Canal, a pivotal conduit for global trade, is grappling with diminished water levels, resulting in a staggering 36 per cent reduction in total transits over the past month compared to a year ago. The long-term implications of climate change on the canal's capacity are raising concerns about enduring impacts on global supply chains.

The crisis in the Red Sea, marked by Houthi-led attacks disrupting shipping routes, has added another layer of complexity. Major players in the shipping industry have temporarily suspended Suez transits in response. Notably, container ship transits per week have plummeted by 67 per cent compared to a year ago, with container carrying capacity, tanker transits, and gas carriers experiencing significant declines.

The surge in the average container spot freight rates during the last week of December, by plus 500 dollars, in one week, was the highest-ever weekly increase. Average container shipping spot rates from Shanghai this week are up by 122 per cent compared to early December. i.e. have more than doubled. The rates from Shanghai to Europe went up by 256 per cent, i.e. more than tripled. Rates to the United States West Coast also increased above average, although they do not go through Suez. They increased by 162 per cent. Here we see the global impact of the crisis, as ships are seeking alternative routes, avoiding the Suez and the Panama Canal.