

Supply-Chain Contagion Arrives - "Global Trade" Roiled, Cargo-Owners Panic In Wake Of Hanjin Bankruptcy



by [Tyler Durden](#)

Sep 1, 2016 6:53 PM

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When we [reported on the stunning collapse](#) of South Korea's Hanjin Shipping, the country's largest shipping firm and the world's seventh-biggest container carrier, which earlier today was granted court receivership after losing the support of its banks, we speculated that "the global implications from the bankruptcy are unknown: if, as expected, the company's ships remain "frozen" and inaccessible for weeks if not months, the impact on global supply chains will be devastating, potentially resulting in a cascading waterfall effect, whose impact on global economies could be severe as a result of the worldwide logistics chaos."



We did not have long to wait for the aftershocks to emerge. As we first reported last night, just hours after the insolvency news hit the tape, [three Hanjin ships promptly found themselves stranded](#) off the California coast, stuck - together with the hundreds of tons of cargo - in legal and financial limbo.

That was just the beginning and as [Reuters updates](#) this morning, more Hanjin vessels have been seized at Chinese ports, **"further roiling the industry as freight rates jump and manufacturers scramble for alternatives."**



The Korea International Trade Association said on Thursday that about 10 Hanjin vessels in China have been either seized or were expected to be seized by charterers, port authorities or other parties. That adds to one other ship seized in Singapore by a creditor earlier this week.

After Hanjin's banks decided to end financial support for the shipper, which immediately catalyzed its insolvency proceedings, many of its vessels have either been denied entry to ports or unable to dock as container lashing providers worry that they will not be paid. This includes the port of Busan, South Korea's largest.

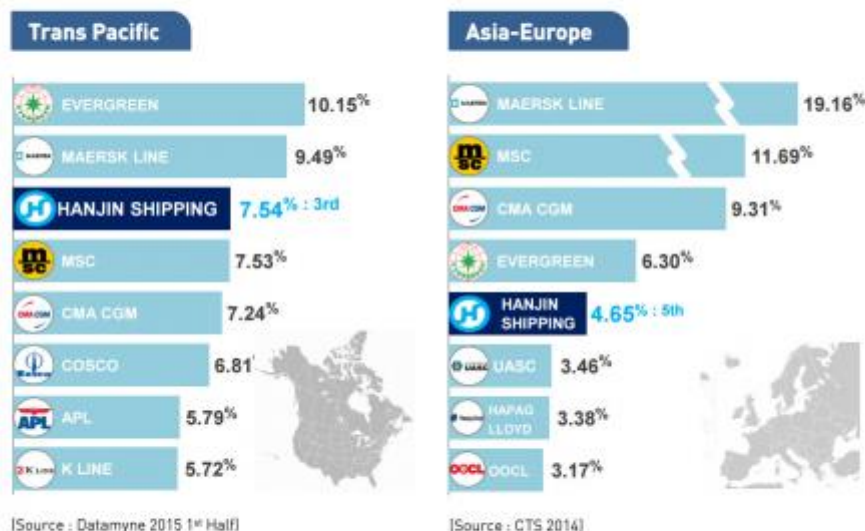


Seeking to contain the fallout, a South Korean court said it would soon begin proceedings to rehabilitate the carrier - which would allow Hanjin to take legal action in other countries to keep its ships and other assets from being seized. So far it appears to have failed, as reports of "frozen", and stranded container carriers emerge by the hour. Furthermore the task is moot: the court's move to rehabilitate the world's seventh-largest container shipper is seen as mainly procedural, and an eventual liquidation of assets is most likely.

"Unlike dry cargo, liner shipping is all about marketing and service reliability - we haven't seen any large carriers come back from collapse," said Rahul Kapoor, a director at maritime consultancy Drewry

announced they would deploy at least 13 of its ships to two routes exclusively serviced by Hanjin, while the South Korean government also plans to reach out to overseas carriers for help.

Market Share Status



 HANJIN SHIPPING
We move global trade

However, a lengthy period of time will pass before the Hanjin void is filled. In the meantime, freight rates routes where Hanjin operates have surged. **The cost of shipping a 40-foot container on the Busan-Los Angeles route has jumped about 55 percent, from \$1,100 to around \$1,700, according to South Korea-based freight forwarder Pantos Logistics. Rates between South Korea and the U.S. east coast via Panama have risen about 50 percent to \$2,400, it added.**

The most direct impact of this price surge will be borne by South Korean exporters: state-run think tank Korea Maritime Institute estimated that shipping rates on Busan to U.S. routes would rise 27% and Busan to Europe routes would rise 47% in the near term, causing Korean exporters additional shipping costs of about 440.7 billion won per year.

For South Korea, where approximately 50% of GDP is in the form of net exports, the hit would be substantial.

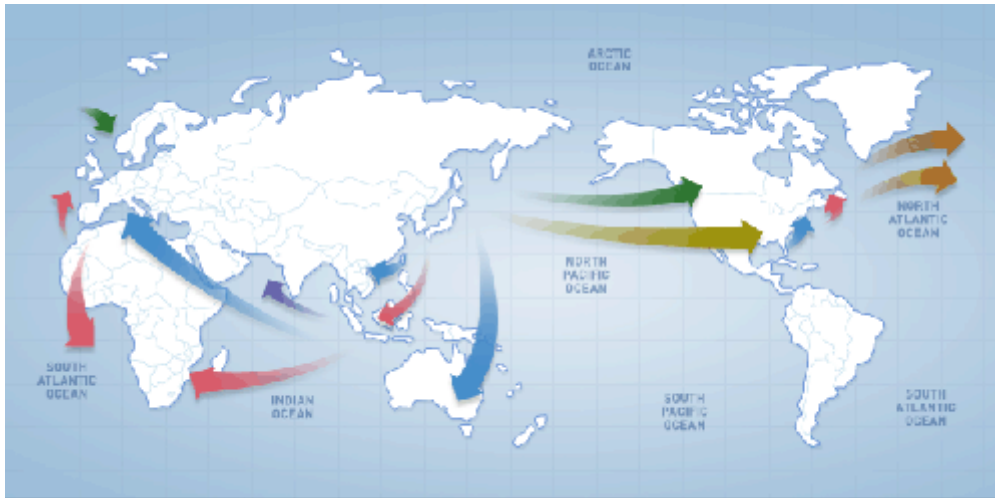
Soaring transportation costs are just the start, as South Korean conglomerates are now scrambling to find alternatives. LG Electronics, the world's No.2 maker of TVs, told Reuters it was cancelling orders with Hanjin and was seeking alternatives to ship its freight. **It is also making contingency plans for cargo already on board Hanjin ships in the event the vessels are seized.**

But, the most troubling outcome is that, as we predicted yesterday, "the impact on global supply chains will be devastating, potentially resulting in a cascading waterfall effect." This is already manifesting itself in the quietly creeping chaos that has gripped the global logistics industry, as operators realize what has happened.

South Korea's maritime ministry said on Wednesday that Hanjin's woes would **affect cargo exports for two or three months, with about 540,000 TEU of cargo already loaded on Hanjin vessels and facing delays.** Unfortunately, in a "just in time" delivery world, 2-3 months of cargo delays will result in havoc, as countless tolling, and intermediary operations suddenly find themselves without critical components to engage in production, bottlenecking overall production indefinitely.

As expected, Reuters says the **Korea International Freight Forwarders Association said it has been inundated with calls from cargo owners worried about the fate of their shipments in transit to the United States and Europe.** Since many of the ships have been seized and are now in legal limbo,

North America container trade, or, in dollar terms, hundreds of billions of dollars. According to its website, [Hanjin served 60 routes in 35 countries](#), connecting more than 90 major ports and 6,000 destinations around the globe. The company's complete route atlas can be [found here](#).

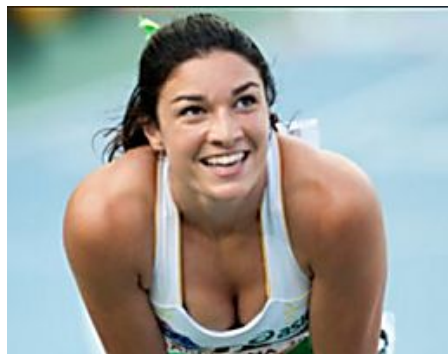


"This will have an impact on the entire industry," said Cho Kyung-kyu, a director at the Freight Forwarders association. Judging by the panicked response by cargo owners, the impact has already arrived, now the only questions are i) how to quantify it, and ii) how long until corporations and economists use the supply-chain logjam as a scapegoat to justify the "unexpected" swoon in Q3 economic and profitability metrics.

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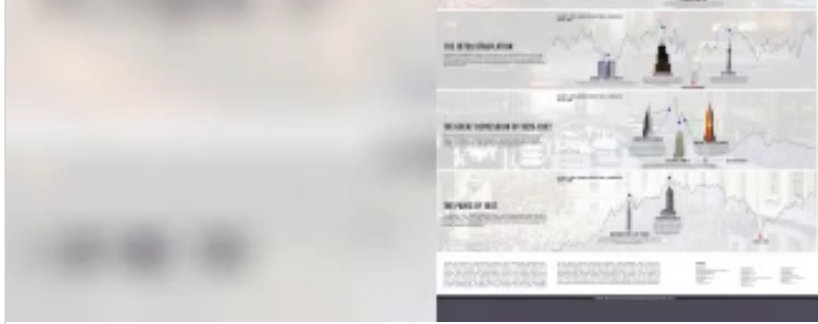
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Oh no! How am I going to get all that cheap plastic shit for Christmas?



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Oh no! How am I going to ship all that recyclable raw material to China so I can get all that cheap plastic shit for Christmas?



[CheapBastard](#) ↪ [Zero-Hegemon](#) • [Sep 1, 2016 1:12 PM](#)

I guess my Hello Kitty Vibrating Dildo delivery from Asia will be late?

<https://www.amazon.com/Vibrating-Hello-Kitty-Vibrator-Masturbator/dp/B00...>



[SomethingSometh...](#) ↪ [CheapBastard](#) • [Sep 1, 2016 1:17 PM](#)

Gonna be all sorts of pissed when my Mai Tai comes to the table without a Parasol. For fuck's sake!



[bigkahuna](#) ↪ [SomethingSomethingDarkSide](#) • [Sep 1, 2016 1:44 PM](#)

Urge your congressthing to support:

H.R. 1205, the American Sovereignty Restoration Act

<https://www.congress.gov/bill/114th-congress/house-bill/1205>

[bamawatson](#) ↪ [bigkahuna](#) • [Sep 1, 2016 2:07 PM](#)



[InjectTheVenom](#) → [bamawatson](#) • Sep 1, 2016 2:54 PM

this whole thing has gotta somehow be Trump's fault , right ? /sarc



[JackT](#) → [InjectTheVenom](#) • Sep 1, 2016 3:02 PM

What happens to "The Alliance" partnership?

2016.052016.05: Hanjin, Hapag-Lloyd, "K" Line, Mitsui O.S.K. Lines, Nippon YusenKaisha and Yang Ming to create a new partnership "The Alliance"

http://www.hanjin.com/hanjin/CUP_HOM_1730.do?sessLocale=en



[NoDebt](#) → [JackT](#) • Sep 1, 2016 3:15 PM

Convenient excuse for upcoming weak 3rd quarter GDP: locked in.



[glenlloyd](#) → [NoDebt](#) • Sep 1, 2016 4:28 PM

Sounds like solid excuse for QEX to me!



[38BWD22](#) → [glenlloyd](#) • Sep 1, 2016 5:53 PM

Eek! Just when I go on vacation. I hope our bearings are going on some other shipping line. Otherwise, this will suck.



[peddling-fiction](#) → [38BWD22](#) • Sep 1, 2016 6:28 PM

This seems to also be directed at South Korea as well.

In Finland the South Koreans left lots of large cruise ship building to the Germans.



[MisterMousePotato](#) → [peddling-fiction](#) • Sep 1, 2016 8:26 PM

Hm. Where are all the arrows from the United States on that map?



[bleu](#) → [MisterMousePotato](#) • Sep 1, 2016 9:31 PM

It's KARMA until the world rights the Greatest Injustice of the 20th Century.

<http://wp.me/p4OZ4v-19>



[sam i am](#) → [bamawatson](#) • Sep 1, 2016 6:47 PM

Sea trade collapses, because Eurasian land trade is growing

Simple

Men don't arch their backs, or why Russians reject "Western values"

CALM
CURB
STOMP

"Mayday mayday .. this is the container ship Hanjin Imperial .. we are taking on massive amounts of liquidity and sinking fast after a collision with a black swan" .. "urgently request central banker assistance "



[FrankDrakman](#) → [curbjob](#) • Sep 1, 2016 3:06 PM

Too late. The Crimson Permanent Assured will put paid to them.



[Mentaliusanything](#) → [FrankDrakman](#) • Sep 1, 2016 6:31 PM

Indeed, I'll ledger it's a murky accountant sea!



[Chauncey Gardener](#) → [FrankDrakman](#) • Sep 1, 2016 8:49 PM

Kudos for the Monty Python "Meaning of Life" reference. Good job!



[G-ray](#) → [Chauncey Gardener](#) • Sep 1, 2016 11:22 PM

Kudos for the Peter Sellers "you tell that asshole Rafael" memory !



[Things that go bump](#) → [CheapBastard](#) • Sep 1, 2016 2:42 PM

I'm just glad it don't have anything I've already paid for in transit at this time.



[Ajax USB Port R...](#) → [CheapBastard](#) • Sep 1, 2016 4:42 PM

Yup. Unavailable. Damn!

[inosent](#) → [Secret Weapon](#) • Sep 1, 2016 1:00 PM

lol. #chineseplasticshitmatters



[Theta Burn](#) → [Secret Weapon](#) • Sep 1, 2016 1:02 PM

Not much plastic shit out of Korea.

Major suckage for all those firms who won't be getting paid anytime soon for goods already loaded.



[HenryHall](#) → [Theta Burn](#) • Sep 1, 2016 1:28 PM

Exporters are compelled to buy export guarantees - effectively insurance - against eventualities.



[Doom Porn Star](#) → [HenryHall](#) • Sep 1, 2016 1:40 PM

...Meaning that the insurers are suddenly looking at large scale losses on what had been pretty safe bets up until yesterday.

Non-delivery of raw materials to manufacturers and builders may also pose significant downstream problems.

A lot of goods are probably going back or are going to be liquidated at horrendous loss.

At lot of 3rd, 4th, and next 1st quarter misses are already in the pipeline...

I wonder how long before ships are abandoned or piracy/looting of stranded/impounded vessels becomes a problem.



[Theta Burn](#) ➡ [Doom Porn Star](#) • Sep 1, 2016 1:53 PM

...Tony Soprano and the boys will be fucking pissed when the Vespas, and imported Provalone don't show up.

<https://www.youtube.com/watch?v=LXIKkuR2Yyk>

About that looting thing, you know dam well the crew is already cutting locks as we speak. and soon to be midnight boat runs



[macholatte](#) ➡ [Theta Burn](#) • Sep 1, 2016 3:47 PM

Odds are good that the goods have already been paid for by the customer/consumer so the Korean supplier is probably not going to be stuck too bad. However, the customer is going to end up getting screwed in several ways including a fight with the insurance company and any upstream obligations it may have with its customers. I smell dominoes tipping.

<https://www.youtube.com/watch?v=nW2GnPjCoQ0>



[KnuckleDragger-X](#) ➡ [Doom Porn Star](#) • Sep 1, 2016 1:47 PM

Nothing to worry about. It's just the sound of a butterfly flapping its wings.....



[g speed](#) ➡ [Doom Porn Star](#) • Sep 1, 2016 5:47 PM

IF the insurer goes bust who covers the guarantees and the letter of credit?

why the reinsurer of course'

<http://www.investopedia.com/terms/r/reinsurance.asp>



[Life of Illusion](#) ➡ [HenryHall](#) • Sep 1, 2016 1:48 PM

http://www.ncbfaa.org/Scripts/4Disapi.dll/userfiles/uploads/hanjin_bankr...

Any supplier of goods to Hanjin's vessels has a lien on the vessel to secure payment of what they are owed so there are potentially a lot of foreign creditors that exist. And, once one of the vessels is seized, it is likely that other foreign creditors would rush to do the

complete voyages in progress and deliver the goods (to the extent that the vessel is allowed to enter the port.) If a vessel is arrested, and Hanjin does not - or cannot - put up a bond to obtain its release, it is probable some third party will be appointed to arrange for disposition of the goods. The goods themselves will not be subject to a creditor's lien; however, freight charges owed on collect shipments will probably have to be paid because they will be considered Hanjin's assets. It is also probable that shippers may have to make their own arrangements for on-carriage of their containers.



[847328 3527](#) ➔ [Life of Illusion](#) • [Sep 1, 2016 3:10 PM](#)

Bankruptcy lawyers are going to be busy for awhile looks like. Moat job security for them. They are already pretty busy in the energy cities with more bankruptcies then they can handle.



[Debt-Is-Not-Money](#) ➔ [Theta Burn](#) • [Sep 2, 2016 11:28 AM](#)

But what about the perishable cargo going **to** Korea, **like the dogmeat?**



[The central planners](#) ➔ [Secret Weapon](#) • [Sep 1, 2016 2:37 PM](#)

Those containers has more plastic than kim kardashian's butt.



[Consuelo](#) • [Sep 1, 2016 12:57 PM](#)

Break out that \$4 Trillion butter knife Gramma, and get to spreadin'...



[Kirk2NCC1701](#) ➔ [Consuelo](#) • [Sep 1, 2016 6:29 PM](#)

They're perfect floating cities for a Zombie Apocalypse.

Hollywood said so. Mila Yovovich swears by them.



[Quantum Bunk](#) • [Sep 1, 2016 12:57 PM](#)

Why didnt the Swiss NB just buy it ?



[wildbad](#) ➔ [Quantum Bunk](#) • [Sep 1, 2016 1:04 PM](#)

they're waiting for a better price



[Dark Daze](#) • [Sep 1, 2016 12:57 PM](#)

welcome to global hyperinflation.



[Zero-Hegemon](#) • [Sep 1, 2016 12:58 PM](#)

Frozen?

<-- "Let it go"

<-- "Let it go"



[Kirk2NCC1701](#) • [Sep 1, 2016 1:00 PM](#)

So, the Markets are having a "Rick Astley" meme, but shipping is suckling wind?

Is that an 'anti-Rick-Astley' phenomenon?

Oh SNAP!



[Here2Go](#) ➔ [Kirk2NCC1701](#) • [Sep 1, 2016 1:13 PM](#)

[\[D\]Oh](#) EBT! is the new Oh SNAP



[DogeCoin](#) • [Sep 1, 2016 1:01 PM](#)

LOL shipping? Who cares about that, that's not the real economy. All that matters is new all time highs on the S&P. We all know the new economy is all on social media and Millenials texting each other and taking pictures of their food served to them by all the great and wonderful restaurant staff who've lost their higher paying jobs or are Millenials themselves.



[Yukon Cornholius](#) ➔ [DogeCoin](#) • [Sep 1, 2016 2:15 PM](#)

It's a good thing they ship Galaxies and Kim chi by plane or the millennial economy would really be in poop



[847328 3527](#) ➔ [DogeCoin](#) • [Sep 1, 2016 3:17 PM](#)

DodgeCoin makes a good point. We had some neighbors and their college age kids over and instead of taking pictures of their family and relatives, they just snapped photos of each plate of food.

Kinda strange if you ask me. It's no wonder none of them has a job lined up after they graduate. I mean, wtf is with the food photos and posting that on their social media?!

I'm guesing most of them are majoring in **"supply chain"** ... and taking 6 years to get that 4-year degree.

I won't even touch the level of their conversations which displayed how clueless they are.

Rotsa Ruck, kids!



[Yukon Cornholius](#) ➔ [847328 3527](#) • [Sep 1, 2016 3:31 PM](#)

You don't remember back in the day when you would Polaroid your fondue?

the place was full of brand new imported cars. That's good news, right??



[just the tip](#) → [BlindMonkey](#) • [Sep 1, 2016 1:17 PM](#)

as opposed to used import cars. yes.



[Zero-Hegemon](#) → [BlindMonkey](#) • [Sep 1, 2016 1:47 PM](#)

So the bars in Jacksonville are full of laid off longshoreman, must be great