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Trans-Pacific carriers determined to win higher contract rates this year: sources

Bill Mongelluzzo, Senior Editor and Laura Robb, Associate Editor | Jan 28, 2025, 3:50 PM EST

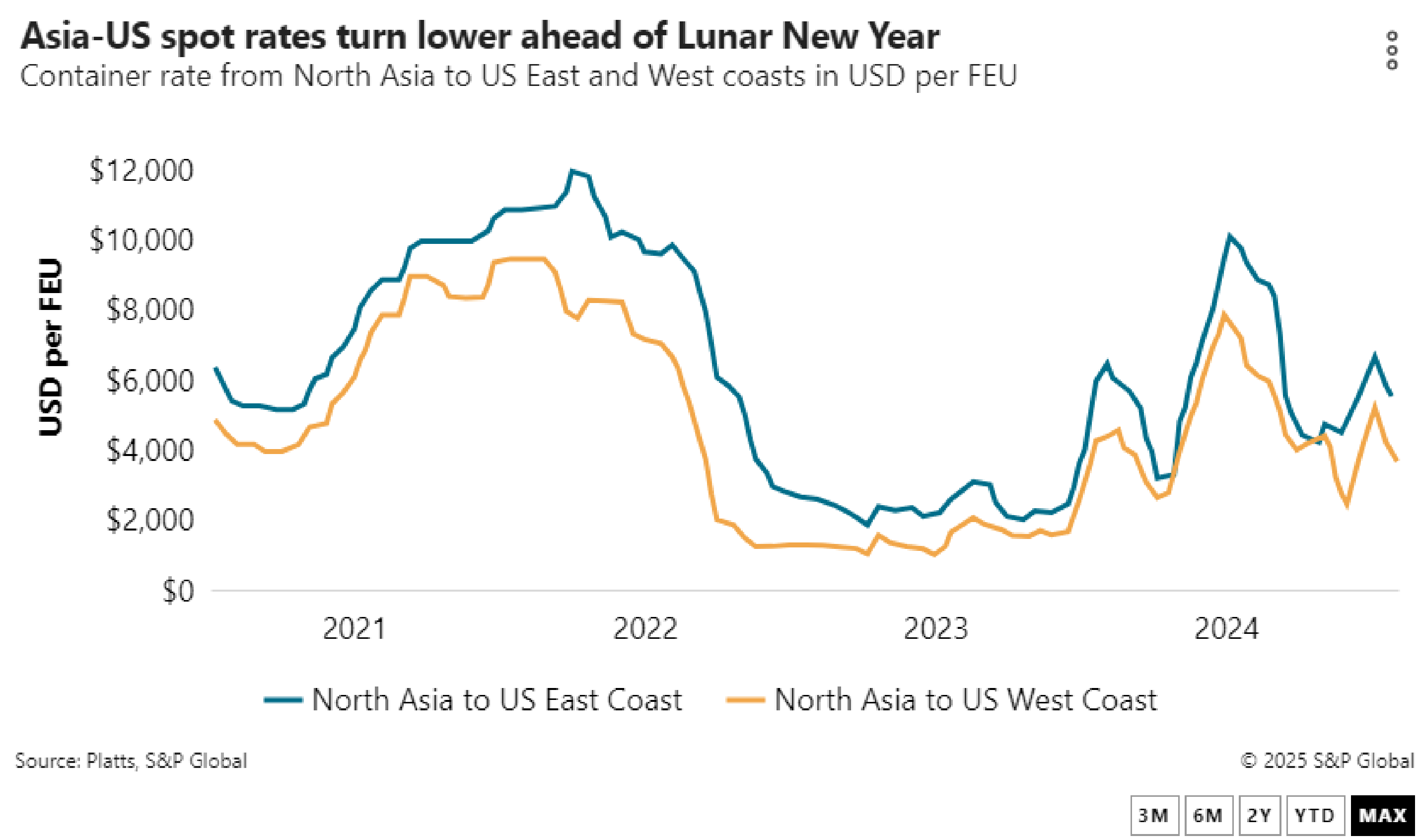
Ocean carriers plying the trans-Pacific are quoting initial rates for the 2025–26 contract year about 25% higher than the current year on the belief they underpriced their services from Asia to the US a year ago, sources with knowledge of the early-stage talks say.

Those sources say carriers are trying to use this year’s talks with shippers to essentially recoup money they believe they left on the table in the current 2024–25 contracts.

“They are certainly starting this year higher,” James Caradonna, executive vice president at the forwarder M&R Spedag Group, said of the carriers.

According to sources that include non-vessel-operating common carriers (NVOs) and industry consultants, trans-Pacific carriers in the opening round of discussions with their larger core customers for the 2025–26 service year have quoted contract rates of $2,500 per FEU to the West Coast and $3,500 per FEU to the East Coast.

Those sources told the *Journal of Commerce* that for the current contract year that, for most deals, wraps up at the end of April, initial quotes from carriers were approximately $1,800 to $2,000 per FEU to the West Coast and in the high $2,000s per FEU to the East Coast. Those levels eventually settled at or below $1,600 and $2,500, respectively, the sources said.



Kurt McElroy, executive vice president of the NVO Kerry Apex, said that in his conversations with several customers, any anxiety they are expressing is not about price, but rather about securing the vessel space they will need in the coming year, even if that involves paying higher contract rates to lock in the space commitments.

With the spot rate from Asia to the West Coast at $3,800 per FEU as of Jan. 27, according to Platts, a *Journal of Commerce* sister company within S&P Global, a $2,500 per FEU contract rate "is still pretty good," McElroy said.

Forecast of overcapacity in 2024 drove contract rates lower

Carriers underpriced their services last spring because they bought into the prevailing view of the trade that there would be huge overcapacity in 2024, a carrier source told the *Journal of Commerce*.

This year, however, carriers want to take control of the narrative and set the "perception" of what supply and demand will look like for the 2025–26 contract year, the source said. Most contracts for the upcoming service year take effect on May 1.

"What is the market's perception of 2025? Shipping lines want to take the initiative," the carrier source said.

Forwarders appear to be equally divided as to what rate levels the market will support, given the uncertainties over whether vessels will resume normal transits through the Suez Canal and Red Sea at some point this year. A shift back to the Suez would mean a flood of capacity — now being absorbed by the longer transits around southern Africa — returning to the market, thus softening rates.

Another unknown hanging over the market is around potential new tariffs that may be implemented by the Trump administration.

"Everything that is happening is exerting downward pressure [on rates]," said Robert Fredman, principal at the consulting firm SF Global Insights and a former logistics manager at a national retailer. "My gut tells me the rate will be below $2,000 [to the West Coast]."

An importer in the automotive sector said he has heard the rates carriers are now quoting, and how carriers feel they must charge compensatory rates to make up for falling short a year ago. "Carriers have told us the story about setting contract rates that did not cover their costs last year and they are determined not to make the same mistake again this year," the source said.

Still, with spot rates dropping steadily during the Lunar New Year lull and the uncertainty around US tariffs, there is apparently no rush to sign up for the rates carriers are quoting at present.

"We will probably wait until late April to sign just because of so much uncertainty with the tariffs," the importer said.

Trump tariffs could be a market disrupter

Given the uncertainties linked to the Red Sea and the Trump tariffs, Jon Monroe, who serves as a consultant to NVOs, said it is difficult at this time to determine what the capacity situation in the trans-Pacific will be. However, carrier costs have risen in recent years, so if they remain determined to hold the line on contract rates, which is not out of the question, service contract rates will go up.

“I think $2,000 to $2,500 [per FEU to the West Coast] is where the rates should end up,” Monroe said.

A second industry consultant who once served as the logistics manager at two national retailers said he believes West Coast rates will end up “closer” to $2,000, with East Coast rates about $800 to $1,000 higher than that.

If import volumes and spot rates do not recover quickly in March in the aftermath of the Lunar New Year factory shutdowns in Asia, some importers say they will likely delay signing service contracts until April.

“Our strategy, at least today, is to drag our feet,” an importer in the home furnishings sector said. If it appears capacity is readily available, “that will drive the market lower,” the source said.

One thing that could cause a spike in US import volumes is if the Trump administration announces large tariffs on key trading partners that take effect later in the spring, said another NVO. “Then you’ll see a bunch more front loading,” he said.

“Otherwise, I think this year is going to be like a traditional year with a normal peak,” the NVO said.

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