



# The Bottom Line

AUGUST 2022 | VOL. 146

## LOW WATER LEVELS LEAD TO CAPACITY CRUNCH & SURCHARGES

### Summary

The closure of the German Rhine River was announced late on Friday as water levels fell to 37cm, making the river impassable for barges in some areas.

### Background

The Rhine is one of the European continent's most important shipping routes and is undoubtedly Germany's most important waterway. 80% of goods transported by inland waterway rely on this one river that passes through major cities and ports like Cologne, Dusseldorf, and Rotterdam.

"The Rhine is a crucial inland waterway, on which goods are shipped to and from the industrial heartlands of southern and western Germany," Salomon Fiedler, an economist at Berenberg Bank, said, adding that "low water levels mean that river barges will have to travel with reduced freight to limit their draft or even cease operating altogether."

It is crucial for transporting agricultural products, coal, oil, and chemicals. In previous years Germany's manufacturing sector has come under extreme pressure when water levels on the river run low.

2018 was the most recent dry year for the Rhine, with water levels reduced to just 30cm in places, making it unnavigable for larger cargo barges. The closure prompted many producers to resort to using other means of transport or smaller or partially-loaded barges, which pushed freight costs up for producers. Some manufacturers were even forced to halt production, increasing costs and disrupting supply chains.

### Current Status

The water's too low to allow some larger vessels through. Some smaller vessels have reduced their cargo to lighten the load, so they sit higher in the water. Operators are keeping a close eye on the river levels. 41cm is considered necessary for operations. During this drought, many barges have been running services at 20% capacity to reduce their draft.

Last week, Martina Becker of HGK Shipping expected that the Upper Rhine would be closed to traffic completely. "Low water happens every year," she said, "but it is not as extreme as this. Low water normally happens later in the year, in October."

"As a result, the amount of goods being shipped will decline while freight rates will rise," Berenberg Bank's Fiedler said, adding that "experience from past low-water periods suggests that it is very difficult in the short term to switch from river shipping to road or rail."

Metro Shipping MD Grant Liddell said, "For the past month, we've been redirecting shipments we'd normally send by barge to rail, but rail capacity is now full as it's not geared for taking 100% of the movements that don't travel by truck. So if the Rhine shuts, trucking is the only option." And switching from barge to rail brings its a premium, with sources suggesting it costs around €50 more to move goods – but compared with trucking (€300), it made sense, he said.

VP of Inland and Logistics Europe for DP World Rob Harrison said the "extreme" low water would impact congestion by limiting cargo-loading capacity. In addition, with minimum call sizes imposed by deep-sea terminals, swift delivery is extra challenging.

### Impact

With water levels below 50cm, Contargo has brought in a low water surcharge (LWS) of €589 per 20ft box and €775 per 40ft, where barge service is available—but the operator is not alone in implementing an LWS. Other forwarders said they were paying €200 and €260, respectively.

An industry insider told The Loadstar: "Truck capacity is getting hard to come by, but not impossible, but of course, it comes at a price.

Barges operating at just 20-30% capacity have generated a backlog. For the next week at least, users should expect a minimum 25% premium to shift from the Rhine to trucks."

#### RESOURCES:

[Rhine Closure Imminent as Low Water Hobbles Freight Movement](#) (Loadstar)  
[Rhine River Levels Running Low; Putting Economy at Risk](#) (CNBC)  
[Drought Hits Germany's Rhine River](#) (BBC News)