

## Forecast: 2019 Will See Strong Growth for Reefer Containers



BY [ROBERT SAPPJO, CEO OF SEACUBE CONTAINER LEASING](#) 2019-02-22 13:22:12



In 2019, SeaCube sees great opportunities for continued growth in the global refrigerated container shipping market. We expect the reefer segment to grow by more than five percent, which will outpace the growth of the dry sector. There are several important trends that will affect this growth, including both opportunities and challenges.

***Opportunities:***

- *Increased demand for fresh, imported food:* The consumer is becoming more and more selective and sophisticated about nutrition, demanding and paying a premium for quality imported food.

- *Growing population:* [According](#) to the UN, 2019 will see continued global population growth of more than one percent, which translates to about 80 million more mouths to feed.

- *Continued prosperity:* Forecasters predict a continued increase in prosperity. In fact, the Federal Reserve [predicts](#) that the unemployment rate in the U.S. will fall to about 3.5 percent this year. This prediction indicates that we can expect levels of disposable income to be above that of 2018.

- *Embracing technology:* The industry as a whole will continue to invest in technology and shift to digitization, which increases quality control and efficiency and shifts resource allocation. With regard to containers specifically, telematics and advanced fleet management technology will continue to enhance inventory control, increasing productivity and reducing costs.

- *Pharmaceuticals:* The demand for temperature-sensitive pharmaceuticals is anticipated to grow from a \$318 billion business in 2018 to \$416 billion in 2022, and the rules for compliance with regard to temperature may become even more stringent. The need for telematics-equipped refrigerated containers will continue to rise as the regulations get tighter.

- *Shift to leasing:* We have seen a shift in the ratio between owned and leased containers. In the recent past, the ratio was steady at 70/30 (owned/leased) but has shifted to about 50/50 (owned/leased). Leasing allows flexibility without the capital investment of ownership, reducing costs.

- *Accelerated conversion to containers:* Further growth will come from the modal shift from air to sea as well as the conversion from bulk to refrigerated containers. IMO2020 will adversely impact an aging bulk refrigerated cargo fleet, thereby accelerating conversion to containers and driving increased demand for refrigerated equipment.

- *New vessel construction:* The vessel delivery schedule for 2019 will require expanded container fleetings, increasing demand for new containers. The reefer market is viewed as more resilient and a higher growth market sector, and new vessels are being configured to accommodate additional reefer capacity. While the carriers will work to manage tonnage, they will also look closely at vessel size, versatility and reefer plug capacity. All this results in higher equipment demand.

- *Container velocity:* With all the recent inland and infrastructure challenges as well as those anticipated in the future, equipment fleets will need to be expanded to accommodate higher turn times and velocity degradation. The equipment fleet to vessel capacity ratios are expected to increase to accommodate slower equipment turns.

## **Challenges**

- *Lag in production*: While consumers' demand for imported food continues to rise, the production of reefer containers continues to lag. In 2018, there was a bit of a recovery compared to 2016 and 2017, but production is still behind historical levels. The growth of the sector directly relates to increasing production to levels that meet demand.
- *Geopolitical risks* as well as uncertainty around tariffs remain top of mind in several key areas, impacting planning and potentially impacting growth
- *Cybersecurity concerns*: As the industry moves toward digitization, its concern about cybersecurity risks will continue to rise, as recent attacks show the impact cybersecurity breaches have on day-to-day business.

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The opinions expressed herein are the author's and not necessarily those of The Maritime Executive.