

WPS INTEL

Supply Chain & Logistics



EXECUTIVE TAKEAWAYS

April reflects escalating geopolitical pressure on global supply chains, with direct implications for packaging, freight networks, and cost structures. Disruptions across energy corridors, sustained tariff volatility, and shifting freight dynamics are increasing operational complexity and exposing structural dependencies across sourcing and logistics.

▣ Geopolitics Is Directly Impacting Packaging Supply Chains

Tariffs, energy disruptions, and freight volatility are driving cost increases and exposing structural dependencies across global packaging networks.

▣ Freight Networks Are Operating Under Constraint and Rerouting Pressure

Chokepoint disruptions and carrier responses are reshaping routing strategies, increasing transit times, and tightening capacity across ocean and air.

▣ Cost Pressures Are Becoming Structural, Not Cyclical

Rising fuel, material, and logistics costs are reinforcing the need for supply chain visibility, diversification, and cost optimization strategies.



Geopolitical Disruptions

Are Reshaping Packaging Supply Chains



WHY IT MATTERS

Tariffs, conflict-driven disruptions, and rising input costs are increasing packaging cost sourcing while exposing structural constraints in sourcing and supply chain flexibility.

HIGHLIGHTS

- ◆ Tariff volatility and geopolitical conflicts, including the 2026 Iran conflict, are disrupting packaging supply chains and increasing costs.
- ◆ “Liberation Day” tariffs introduced a 10% baseline on imports, with tariffs up to 50% on metal-based packaging such as food and beverage cans.
- ◆ Rising oil prices and shipping disruptions are increasing costs for petroleum-based plastics and packaging logistics.
- ◆ Transpacific shipping rates increased by nearly 30%, impacting overall packaging costs.

Industry Response & Challenges

- ◆ Companies are making incremental adjustments, including stockpiling materials, adding alternative suppliers, and exploring limited domestic sourcing.
- ◆ Most brands continue to retain existing supply chains due to limited domestic capacity, higher reshoring costs, and complexity of packaging redesign and testing.



- ◆ Some experimentation with refill models and bulk distribution, though adoption remains limited.

▾ Cost Pressures & Business Impact

- ◆ Packaging costs have increased significantly.
- ◆ Pricing constraints limit the ability to pass costs to consumers.
- ◆ Major CPG companies expect continued volatility driven by fuel and logistics costs.

▾ Structural Industry Constraints

- ◆ Heavy reliance on global supply chains, particularly China, limits rapid sourcing shifts.
- ◆ Material substitution is often impractical due to product compatibility and performance requirements.
- ◆ Packaging changes require extensive testing and validation, slowing response times.

▾ Strategic Shifts

- ◆ Increased focus on supply chain visibility, supplier diversification, and cost optimization through lightweighting and design simplification.
- ◆ Packaging is increasingly being used as a lever for cost control.

▾ Industry Implications

- ◆ Packaging is becoming a critical supply chain and risk management function.
- ◆ Volatility is accelerating the need for flexible and resilient sourcing strategies.
- ◆ Stronger collaboration between packaging suppliers and CPG companies is becoming essential.

LESSONS & ACTIONABLES

Rising tariffs, input costs, and supply constraints require stronger supplier diversification, improved visibility, and packaging-led cost optimization to manage ongoing volatility.

Freight Network Disruptions Are Reshaping Capacity and Routing

WHY IT MATTERS

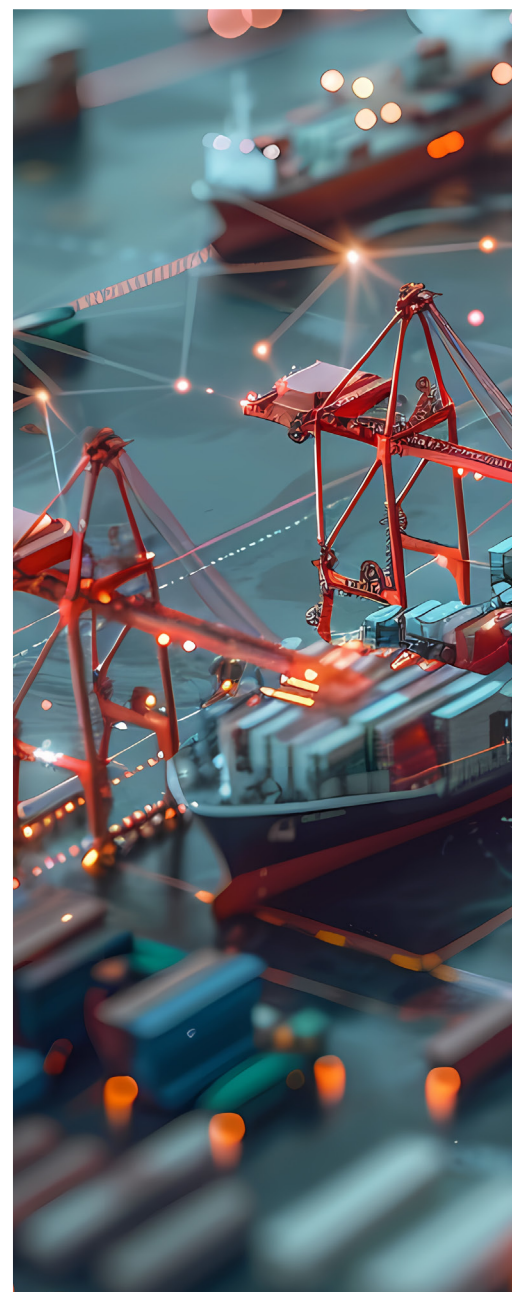
Geopolitical disruptions across key maritime routes are increasing congestion, extending transit times, and creating capacity constraints across both ocean and air networks.

HIGHLIGHTS

- ◆ Geopolitical disruptions in the Middle East are reshaping global freight networks across ocean and air cargo.
- ◆ Ocean carriers are rerouting vessels due to restricted access to the Strait of Hormuz, increasing transit times and operational complexity.
- ◆ Alternative routing includes shuttle services and reliance on transshipment hubs such as Khor Fakkan, Fujairah, and Sohar.
- ◆ Congestion is increasing at key ports, with extended vessel waiting times and overflow at adjacent ports.

Capacity Constraints & Network Shifts

- ◆ Bottlenecks are emerging at transshipment hubs and inland corridors operating at high utilization.
- ◆ Limited routing flexibility due to simultaneous disruptions across Hormuz and the Red Sea.
- ◆ Increased use of multimodal logistics to maintain cargo flow.
- ◆ Greater reliance on port-to-inland coordination to support Gulf region flows.



▢ Air Cargo Market Dynamics

- ◆ Air cargo demand increased 11.2% YoY, exceeding capacity growth of 8.5%.
- ◆ Capacity constraints developing on key Middle East routes, especially Asia–Europe corridors.
- ◆ Air freight absorbing spillover demand from ocean disruptions, further tightening capacity.

▢ Packaging-Relevant Insights

- ◆ Rising freight costs and delays affecting packaging material sourcing and distribution timelines.
- ◆ Increased use of multimodal transport leading to higher logistics costs.
- ◆ Reinforces need for localized sourcing and more resilient packaging systems.



LESSONS & ACTIONABLES

Capacity constraints and rerouting pressures require flexible logistics strategies, multimodal planning, and closer coordination across transport modes to maintain supply continuity.

Strait of Hormuz Disruption Is Impacting Packaging Supply Chains



WHY IT MATTERS

Disruptions in a critical energy chokepoint are increasing raw material costs, affecting production economics, and creating cascading impacts across packaging supply chains.

HIGHLIGHTS

▣ Core Issue: Energy Chokepoint

- ◆ Strait of Hormuz handles ~20 million barrels/day, representing ~20% of global petroleum liquids supply.
- ◆ Asia is highly exposed as a hub for plastics production, chemical processing, and packaged goods manufacturing.

▣ Packaging Dependency on Energy

- ◆ Packaging is closely linked to oil and petrochemical supply chains.
- ◆ Plastics depend on naphtha and oil-based feedstocks.
- ◆ Glass and aluminum require energy-intensive production.

▣ Market Disruption Effects

- ◆ Rising crude prices increasing resin costs and packaging input prices.
- ◆ Higher prices reported for plastics and polymers, with cost pass-through to downstream sectors.



- ◆ Shortages observed in PET, glass, and other packaging materials.

▾ Transmission Channels

- ◆ Raw materials: Tightening petrochemical feedstocks leading to higher downstream costs.
- ◆ Manufacturing: Energy price increases raising production costs.
- ◆ Trade flows: Asia's exposure impacting global packaging supply chains.

▾ Operational Impact

- ◆ Price inflation across packaging formats including bottles, films, tubs, caps, and closures.
- ◆ Availability constraints including longer lead times and unstable shipping schedules.
- ◆ Freight cost increases due to surcharges, longer routes, and reduced vessel availability.

▾ Risk Monitoring

- ◆ Exposure to oil prices, polymer costs, freight rates, and lead times.
- ◆ Highest risk when all factors increase simultaneously.
- ◆ Most exposed formats: flexible plastics, rigid plastics, glass, and aluminum.

▾ Strategic Implications

- ◆ Highlights structural vulnerability due to dependence on chokepoints and concentrated sourcing.
- ◆ Requires supplier diversification, resin exposure mapping, freight planning, and safety stock strategies.

▾ Long-Term Outlook

- ◆ Resilience depends on reducing reliance on single routes and concentrated feedstock supply.
- ◆ Packaging risk is increasingly systemic.
- ◆ Visibility across material and logistics exposure improves resilience.

LESSONS & ACTIONABLES

Energy-linked disruptions require proactive monitoring of input costs, diversified sourcing strategies, and improved visibility across material and logistics exposure.

Transpacific Ocean Rates Rise Despite Soft Demand



WHY IT MATTERS

Rising freight rates despite soft demand indicate cost pressures driven by fuel and geopolitical disruption rather than underlying demand strength.

HIGHLIGHTS

▣ Rate Movements

- ◆ Asia–U.S. West Coast: \$2,420/FEU (+11% week-over-week).
- ◆ Asia–U.S. East Coast: \$3,350/FEU (+5% week-over-week).
- ◆ Rates driven by fuel-related surcharges linked to rising oil prices.

▣ Impact of Iran Conflict

- ◆ Conflict disrupting global shipping flows and increasing fuel costs.
- ◆ A temporary two-week ceasefire between the United States and Iran adds uncertainty.
- ◆ Strait of Hormuz remains unstable, delaying carrier re-entry decisions.

▣ Carrier Response & Constraints

- ◆ Carriers implementing GRIs and fuel/emergency surcharges.
- ◆ Major carriers include Maersk, Hapag-Lloyd, and CMA CGM.



- ◆ Attempts to accelerate surcharge implementation were denied by the Federal Maritime Commission

▢ Market Dynamics

- ◆ Market remains relatively stable despite disruptions.
- ◆ Rates approximately 8% higher YoY on Asia–U.S. West Coast routes.
- ◆ Earlier concerns around overcapacity and falling rates have eased.

▢ Demand vs Capacity

- ◆ Post-Lunar New Year period typically sees soft demand.
- ◆ Rates rising despite low utilization and excess capacity.
- ◆ Market influenced by both structural issues and new geopolitical pressures.



LESSONS & ACTIONABLES

Rising rates amid soft demand require adjusted sourcing and contracting strategies that account for fuel-driven cost volatility and geopolitical uncertainty.



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Source: SupplyChainDive, GreenWorldWide, PackagingGateway,