Forwarder Profitability Faces Pressure Despite US-Iran Peace Deal

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Key Figures

This story is anchored to specific dates or periods such as 2021–2022. Those reference points make it easier to track how the situation develops over time.

> **Date / period:** 2021–2022 Since the air cargo boom of 2021–2022 dissipated, rates have fallen sharply while operating expenses have climbed.

The global air freight forwarding industry has navigated a turbulent few years marked by pandemic-driven demand surges, supply chain disruptions, and shifting geopolitical tensions. Now, a potential US-Iran peace deal is raising hopes for new trade lanes and

relaxed sanctions, but forwarders are warning that profitability remains under severe strain.

Peace Deal Raises Hopes for New Trade Routes

Freight Images

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Diplomatic breakthroughs between Washington and Tehran have historically triggered expectations of revived commerce. With sanctions likely to ease, Iran’s air cargo market could gradually reopen, offering fresh volumes for operators connecting the Middle East to Europe, Asia, and beyond. Forwarders would typically stand to benefit from handling new trade flows, yet industry leaders caution that any uplift will be slow and uneven.

Even if a deal is formalized, compliance checks, banking restrictions, and residual political risk will temper immediate gains. Carriers may need months to reinstate service, and shippers are expected to proceed cautiously. Meanwhile, forwarders are absorbing costs that erode the very margins such a deal might otherwise improve.

Persistent Margin Squeeze in Freight Forwarding

Freight Images (2)

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Profitability pressure is not a new phenomenon for freight forwarder (https://freightquotechina.com/freight-forwarder/) firms. Since the air cargo boom of 2021–2022 dissipated, rates have fallen sharply while operating expenses have climbed. Forwarders buy capacity from airlines and sell it to shippers, but when spot rates drop faster than contractual commitments, margins get crushed.

Many forwarders signed long-term capacity agreements when the market was hot. Those commitments now look expensive relative to prevailing spot rates, leading to narrower spreads. Small and mid-sized forwarders are particularly vulnerable, lacking the volume to negotiate preferential terms with carriers.

Overcapacity and Rate Volatility

The global air cargo fleet expanded significantly during the pandemic recovery, with passenger aircraft belly capacity returning and dedicated freighters added. Demand growth has been steady but not enough to absorb the additional space. This overcapacity has intensified competition, pushing yields down across key trade lanes.

Asia-Europe and trans-Pacific routes—traditionally the most lucrative—have seen double-digit rate declines compared to last year. While volumes are healthy, the revenue per kilogram is insufficient for many forwarders to sustain their previous profit levels. The peace deal might add some incremental volume from the Middle East, but it is unlikely to reverse the broader overcapacity trend.

Operational Costs and Fuel Surcharges

Beyond rates, forwarders face rising operational costs. Jet fuel prices remain elevated by historical standards, and surcharge recovery mechanisms vary. Forwarders often struggle to pass the full cost on to customers in a competitive pricing environment. Additionally, labor shortages in ground handling and trucking push up warehousing and last-mile delivery expenses, further compressing margins.

Technology investments, demanded by shippers for real-time visibility, add another layer of cost. While large forwarders can amortize these over global networks, smaller players find it a disproportionate burden.

Outlook and Adaptation

Industry forecasts suggest that any rapid profitability recovery will require a sustained demand upswing or significant capacity discipline from airlines—neither of which appears imminent. Forwarders are responding by diversifying into higher-value verticals like pharmaceuticals, perishables, and e-commerce, where margins tend to be more resilient. Some are also renegotiating fixed-capacity agreements or shifting toward asset-light models.

The US-Iran development, if it materializes, could eventually carve out a niche corridor for specialized air freight. However, for the majority of forwarders, the immediate focus remains on cost control and efficiency rather than banking on geopolitical tailwinds. Balancing these competing forces will define the sector’s performance in the quarters ahead.

Forwarder profitability remains under pressure from structural overcapacity, elevated costs, and intense competition, even as the prospect of a US-Iran peace deal introduces cautious optimism for future market expansion.

Why This Matters

The air freight forwarding sector operates on thin margins, and the combined weight of structural overcapacity, fuel costs, and competitive pricing pressures can quickly erode profitability. Even geopolitical developments that may unlock new demand are not enough to reverse the current squeeze, signaling that forwarders must pursue operational efficiencies and value-added services to weather prolonged market challenges.

FAQ

What does the US-Iran peace deal mean for air cargo?

A diplomatic agreement could lead to the gradual lifting of sanctions, potentially reopening Iran’s air cargo market and creating new trade lanes. However, regulatory hurdles and lingering compliance concerns mean any volume increase will likely be modest and slow to develop.

Why are freight forwarders facing profitability pressure despite the peace deal?

Forwarders are grappling with global overcapacity that has driven down air freight rates, while their operational costs remain high. The peace deal may add incremental volume, but it is insufficient to offset the wider margin squeeze caused by competitive pricing, long-term contract commitments, and rising fuel and labor expenses.

How does overcapacity affect forwarder margins?

Overcapacity leads to a surplus of available cargo space, which pushes down spot rates. Forwarders who locked in higher contractual rates during demand peaks must sell at depressed spot prices, narrowing or eliminating their profit spreads.

When is the US-Iran peace deal expected to take effect?

Details of the deal’s timeline are uncertain, and even after an announcement, implementation phases could stretch over months. Trade resumption would depend on concrete sanctions relief and the re-establishment of banking and logistics channels, meaning no immediate impact for forwarders.

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