Uncovering and minimising the impacts of COVID-19 logistics disruption

Medium-term logistics disruption report

June 2021

AgriFutures®
Australia
Project scope and objectives

Project objectives

- Minimise the impact of COVID-19 logistics disruptions on agricultural export supply chains.
- Conduct ongoing analysis of logistics disruption and market impacts to provide timely and accurate information to selected rural industries.
- Improve the resilience of rural industries to logistics disruption by providing information to support businesses to make strategic decisions.

Project scope

- Develop short-term logistics disruption assessment reports on a monthly basis, including general agriculture logistics information and three industry case studies.
- Develop medium-to-long-term logistics assessment reports on a quarterly basis, to investigate longer-term factors such as geopolitical impacts, customs and market access regulations.
Cross-industry insights

AgriFutures Australia
A summary of the June 2021 key logistics disruption insights with the potential to impact producers

This research has identified a number of key takeaways based on logistics disruption information from this month, which may be used to guide industry participants in their supply chain decision-making over the short, medium and long term.

<table>
<thead>
<tr>
<th>CROSS-INDUSTRY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Shipping delays due to a build-up in queuing vessels in Colombo, Los Angeles and Shenzhen are slowing the movement of freight across global and regional supply chains.</strong></td>
</tr>
<tr>
<td><strong>Ongoing industrial action at major Australian ports is decreasing the efficiency of vessel clearing. This is expected to continue until enterprise agreements can be finalised between stevedores and all shipping companies.</strong></td>
</tr>
<tr>
<td><strong>Intervention mechanisms are being implemented at some ports such as Botany to incentivise shipping companies to clear cargo more quickly, namely the Port Botany Empty Container Incentive Scheme and Voluntary Port of Melbourne Performance Model. In time, these initiatives may create an advantage for certain exporters and shipping companies.</strong></td>
</tr>
<tr>
<td><strong>Ongoing negotiations and finalisation of the UK Free Trade Agreement is changing the export outlook for Australian industries, and influencing long-term supply chain planning, particularly for red meat. The agreement will impact labour security for Australia's rural industries by ending the mandatory agricultural labour requirement for backpackers.</strong></td>
</tr>
<tr>
<td><strong>Other key global events positively impacting Australia’s exports include Argentina’s changes to red meat exports, which will be reduced by up to half, and China’s significant grains imports, which is increasing prices globally.</strong></td>
</tr>
</tbody>
</table>

Overall, the Australian logistics environment is continuing to show slight signs of improvement, however is not immune to the disruption occurring globally. The global recovery outlook is hindered by persisting congestion and high shipping prices, which are predicted to not fall in time to beat the annual Christmas-driven global surge in demand for shipping.
Industrial action and global delays are impacting logistics across all industries, though new investments offer a positive longer-term outlook

Australian logistics have been exposed to global trends of congestion, delay, and increased shipping costs, with flow-on impacts on the movement of freight through Australian ports. A backlog of containers globally, particularly at ports with which Australia heavily engages, decreases container availability and other resources in Australia and therefore efficient clearing of cargo. Increasing delays and shipping fees at Australian ports are feeding into a challenging cycle.

- Overall, Australian logistics continue to slightly improve, however remain impacted by disruptions occurring globally, including record high shipping prices and severe port congestion, particularly in Los Angeles, Shenzhen and Colombo.

- There is ongoing industrial action at major Australian ports in disputes between stevedore companies, the Maritime Workers Union, Australian Peak Shippers Association and others in negotiating enterprise agreements covering fair pay, hours, and working conditions.

- Ongoing strikes in Melbourne, Brisbane and Sydney have caused significant delays and in many cases increased shipping costs through late fees. Fulfilment challenges may also pose risks to trade relationships in the medium-long term.

- There is a positive outlook through global supply chain collaboration as Ports Australia signed the Neptune Declaration, a global initiative to increase the safety of seafarer crews, with a focus on vaccinations, which stands to decrease the risks posed by COVID-19 outbreaks to ports’ productivity globally.

- There are signs of the potential for longer-term improved stability for Australian exporters, through the Productivity Commission’s Vulnerable Supply Chains inquiry, which includes suggestions of a National Trade Regulator to facilitate competitive international trade by imposing regulations such as reporting requirements.

- The Commonwealth Government’s budgetary announcements to support freight supply chains are anticipated to improve logistics for agriculture in the medium to long term. These initiatives include:
  - $2b committed to a new intermodal terminal in outer Melbourne, linking inland rail with the port gate to increase efficiency in cargo flows.¹
  - $240m funding allocated for the Mount Ousley Interchange, which will support enhanced trade links between Port Kembla and Greater and Western Sydney. This funding will facilitate Port Kembla’s development as the next major container terminal for NSW.²
  - Commitment to establish a National Freight Data Hub to improve the collection of freight data, which will increase transparency across the supply chain and aim to enhance efficiency by standardising processes.³
Growing demand for Australian agrifood products is placing greater emphasis on accessing freight capacity

Red meat

- Future exports will be heavily influenced by a number of changes to global market access, including Argentina’s 30-day ban on red meat exports, ongoing UK FTA negotiations, and enhanced market access in the Middle East.
- These market access amendments are strengthening Australian export opportunities, however also putting further pressure on freight capacity, price fluctuations and global logistics movements.
- Increase in air freight opportunities through increased freight capacity on flights to Singapore, as well as a significant reduction in Argentinian air freight exports to this market.
- Beef prices are anticipated to remain elevated in line with an increase in demand from the US throughout the summer season, increasing opportunities for Australian exporters.

Grains

- A record season of bulk grain exports out of Port Kembla (Wollongong) is reflective of the Port’s development into ‘the southern gateway for NSW’s bulk grain exports’.
- Global grain prices have reached historic highs, due in part to China’s record-high level of imports to support its hog/pig herd. This has had flow-on impacts for grains logistics across the globe, with particular challenges in substantial build up and delays at Yantian port in Shenzhen (also decreasing freight availability for other Australian, non-barley exports).
- In recovering from barley market access challenges, exporters continue to grow their presence and strengthen logistics into markets across South-East Asia and the Middle East where freight capacity has been more readily available.

Citrus

- Industry is closely monitoring logistics availability to support the planned first shipments of premium Australian citrus exports to the US market, expected in late July.
- Congestion at ports such as Los Angeles is an ongoing concern relating to these initial shipments.
- Slow processing of Australian citrus exports at Chinese ports has resulted in the oversupply of citrus within the domestic market, freeing up freight capacity in the short term, however also driving domestic citrus fruit prices down.
- Concerns around the availability of labour in the transition from backpacker labour in the UK FTA to a new two-way agricultural visa.
Melbourne container availability has improved slightly

- April was a strong month in **container throughput**, with a total of 267,994 twenty-foot equivalents (TEU), up **22.4%** on April 2020.

- As of the Port of Melbourne’s **April stakeholder update**, **full container imports** were up **19.95%** in April 2020, and full container exports up **3.6%**, with one of the drivers being **wheat**. **Empty** container movements were **57.2%** above April 2020, with year-to-date volumes up by **19.6%**.

- The month of April saw an increase in **container transshipments through Melbourne**, driven by recent changes to global shipping container company MSC’s Asia-Oceania network linking China, South-East Asia, New Zealand and Australia – up **28.2%** on April 2020 and **34.2%** year to date.

- **April dry bulk trade** increased 61.0% over April 2020, up 19.5% year to date – **reflective of strong grain harvests** and capabilities to accommodate large bulk trade volumes.¹

- **Increase in cold storage opportunities**: Dutch firm **NewCold** announced on 18 June that it would expand facilities in Melbourne’s west, boosting storage capacity to 225,000 pallets – this will include one of the world’s largest automated high-bay warehouses, increasing opportunities for citrus and red meat.²

- **Industrial relations** – the Victoria International Container Terminal (VICT) experienced two 12-hour strikes on 1 and 3 May. Industrial action is anticipated to occur in the coming weeks as Melbourne exits COVID-19 lockdown,⁴ with **more disruptions anticipated** to impact port productivity and increase shipping costs.⁵
The Port Botany Empty Container Incentive Scheme (ECIS) will be implemented from 1 July 2021, aiming to address empty container build-up. The new scheme incentivises shipping lines to better manage and shift empty containers at Port Botany.

- **Higher wharfage charges** will be imposed for sub-optimal load/discharge ratio (efficiency of container movement) and wharfage rebates are awarded if load/discharge ratios are favourable.

- As part of the ECIS, NSW Ports will also implement a **CPI-based increase in all port charges** as of 1 July at Botany.

- The aim of ECIS is to create a **sustained supply chain balance** between imports and exports, enabling empty container flows to be handled efficiently through Sydney’s empty container parks and container terminals.

- The ECIS is a proactive initiative to hold shipping companies accountable for delays, however the risk that penalties are passed back to landside operators must also be monitored.

- According to the ECIS fact sheet released on 21 May, the volume of **empty containers at Botany is forecasted to continue to increase**. NSW Ports has committed $16.7m over the next 24 months to develop **additional container storage capacity**. Given scarce port land, this will not be a sustainable long-term solution, however will help alleviate the issue until global supply chains can become more balanced.¹

- The Maritime Union of Australia (MUA) engaged in a series of work strikes around 14 June at Patrick and Hutchison Terminals’ Sydney facility and plans **further action for the rest of June** and potentially into July. Berth delays are now averaging at five days and are predicted to extend further.²

  - Two vessels have already been sub-contracted and further opportunities are being explored for sub-contracting of vessels.³

  - Attempts to negotiate **enterprise agreements** between MUA and stevedores have been ongoing for months, with currently only one stevedore having ratified an agreement. Slow negotiations preventing the finalisation of agreements will continue to leave exporters vulnerable to delays caused by industrial action.²

- **Botany congestion fee**: Given the slow stabilisation of vessel schedules, multiple international shippers have announced their **withdrawal from the Botany congestion fee**.⁴ Those removing the fee include Hamburg Sud, Maersk, Hapag Lloyd, ANL/CMA CGM, MSC, T.S. Lines and Pacific International Lines.
**While investments are being made into port infrastructure, industrial action continues to delay freight movements**

<table>
<thead>
<tr>
<th>3</th>
<th><strong>Kembla</strong></th>
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</thead>
<tbody>
<tr>
<td>• As of 16 June, Port Kembla (Wollongong) announced that it is six months into what will be a record season of grain exports following extensive drought in NSW, part of the Port’s continued growth as the southern gateway for NSW’s bulk grain exports.</td>
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<tr>
<td>• The port continues to perform strongly in grain exports given its grain facilities located directly on rail links, with strong capabilities to handle, store and load a variety of grains.</td>
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<table>
<thead>
<tr>
<th>4</th>
<th><strong>Brisbane</strong></th>
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<tbody>
<tr>
<td>• In early May, TNS Logistics announced it had signed a 10-year lease agreement for a 1.56 ha site at the Port of Brisbane, offering valuable ports logistics and supply chain management expertise, which may increase export opportunities for container-reliant industries.</td>
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<td>• Construction is estimated to be completed by Christmas, and will double current warehousing space to support rapid growth of its new e-commerce division.</td>
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<td></td>
<td>• On 15 May, Team Transport and Logistics announced the completion and opening of new facilities at the Port of Brisbane, including increased warehouse capacity.</td>
</tr>
<tr>
<td></td>
<td>• Ongoing industrial action around 14 June at Hutchison Brisbane as part of a national dispute between the MUA and stevedores, which is expected to continue with little to no warning of strikes.</td>
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<table>
<thead>
<tr>
<th>5</th>
<th><strong>National</strong></th>
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<tbody>
<tr>
<td>• On 15 June, Ports Australia announced its signing of the Neptune Declaration, joining more than 800 companies worldwide with a shared responsibility of collaboration to overcome the seafarer crew change crisis. The purpose of the Declaration is to address the issue of seafarers stranded aboard ships due to a shortage of workers and delays at ports globally.</td>
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<td></td>
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<tr>
<td></td>
<td>• For Australian exporters, this will hopefully result in increased collaboration between ship operators and charterers to facilitate crew changes, increasing efficiency of vessel throughput and decreasing delays.</td>
</tr>
<tr>
<td></td>
<td>• The Declaration’s efforts to vaccinate seafarer crews also aims to reduce risks of COVID-19 outbreaks, which have consistently hindered port productivity worldwide.</td>
</tr>
<tr>
<td></td>
<td>• In the long term, delays caused by industrial action at major Australian ports pose risks of damage to Australia’s reputation as a world-class exporter and strategic trading relationships.</td>
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</tbody>
</table>
Ongoing congestion due to COVID outbreaks continues to slow the global movement of freight

Global port movements

- As of June, Asian exports to US West Coast ports were reportedly booming, as carriers launched six new trans-Pacific services to support demand forecasted to continue.¹
  - However, the bottleneck at Los Angeles port that has been persisting since November continues, with May seeing some of the highest shipping queues all year. The average waiting time for berth space has fluctuated between 5.9 and 6.1 days as reported on 14 June.³
- Continued congestion at the transhipment hub in Colombo, Sri Lanka has led to new containerised rail services to India’s interior – meaning increasing container export opportunities to India, particularly in categories well-suited to rail supply chains.
- Severe congestion has occurred at Yantian Port in Shenzhen, China due to a COVID-19 outbreak in mid-May, with Yantian International Container Terminals partially closed for several days after dockworkers tested positive to the virus. Three berths were closed on 21 May, however all berths were expected to be fully operational by 24 June.
  - Major shipping lines such as A. P. Moller and Maersk A/S have been avoiding the port due to tighter health and safety checks that have slowed productivity, leading to bottlenecks at other ports and increased pressure on already stretched supply chains.
  - Despite reopening, delays are predicted to persist as cargo build-up is cleared, with container lines and forwarders regaining terminal capacity over time. The backlog of containers is reported by some to be worse than that experienced with the Suez Canal blockage.²

Volatile global outlook

- Despite signs of recovery this year, experts predict that persisting congestion and high prices cannot be alleviated in time to beat the annual Christmas-driven global surge in demand for shipping. Full global recovery, including the alleviation of unsustainably high shipping prices, will likely not be seen before 2022, if at all.³
- Demand for shipping continues to be strong globally, despite the cost of shipping containers remaining at record high levels.⁴ Demand can be attributed in part to the rapid vaccination progress in countries like the US and the UK, compounded by peak summer season consumption habits, which are causing surges in demand for products as food service and other outlets reopen.
- However, high freight costs are at risk of being passed on to the prices of consumer goods. Higher freight costs for steel, for example, have caused the price of tin cans to rise by 30 to 40 per cent.⁵
Volatile global air freight and sea freight movements are reflective of container build-up at major ports

**Container Availability Index (CAx) June 2021**

- **Shanghai Port:** weekly average 0.57, 9% decrease on May levels
- **Singapore Port:** weekly average 0.51, 19% decrease on May levels
- **Los Angeles Port:** weekly average 0.82, 12% decrease on May levels

**Takeaway:** A CAx well above 0.5 at all case study ports indicates that there are still substantially more containers entering than leaving, particularly in **Los Angeles** (0.82). However, the CAx has decreased at all ports from May, meaning that the ratio is marginally returning to balance.

**Inbound and outbound air freight movements April 2021**, compared to one-month, six-month and two-year benchmarks

- **Inbound** and **Outbound**

**Takeaway:** Global air freight movements have **not changed substantially** on February-March levels. Inbound freight remains higher than outbound. This imbalance is anticipated to continue to increase in the lead-up to Christmas.

**What does this mean for...**

**Red meat**

- **Sydney to Singapore** remains the top-performing route for Australian air freight, showing promise for red meat given its status as one of the two nations with **highest demand** for Australian red meat air freight exports.

- However, the **decrease in air freight** from Sydney to **Hong Kong**, the other top destination for red meat air freight, is not as promising for air freight recovery.

**Cross-industry**

- Global air freight movements have **increased** on May levels, particularly for **inbound logistics**. This is reflective of ongoing supply chain issues, with **demand outstripping supply**, not likely to change until post Christmas.

- Australia’s large quantities of **empty container exports** and **imports** remain a concern, given requisite impacts on efficiency in freight movement.

- Despite **incremental recovery in the flow of containers** and overall performance of Australian ports, disruption and delays seen over the past 4-6 weeks emphasise that Australian logistics remains **highly vulnerable to global events**, particularly given a **reliance on foreign-owned shipping companies**.

- Consistent **industrial action** has been a severe barrier to growth and **requires risk mitigation** moving forward – supply chain participants would benefit from monitoring the situation closely, participating in inquiries where available, and **integrating announcements** of planned strikes into **supply chain planning**, where possible.
Container imports are exceeding exports at major Australian ports, increasing risk of delay

**March 2021**

**Full vs empty containers at major Australian ports**

<table>
<thead>
<tr>
<th>Port</th>
<th>Full Containers</th>
<th>Empty Containers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Port of Botany</td>
<td>148</td>
<td>79</td>
</tr>
<tr>
<td>Port of Melbourne</td>
<td>212</td>
<td>79</td>
</tr>
<tr>
<td>Port of Brisbane</td>
<td>88</td>
<td>41</td>
</tr>
<tr>
<td>Port of Fremantle</td>
<td>52</td>
<td>18</td>
</tr>
</tbody>
</table>

**Containerised exports and imports at major Australian ports**

<table>
<thead>
<tr>
<th>Port</th>
<th>Import</th>
<th>Export</th>
</tr>
</thead>
<tbody>
<tr>
<td>Port of Botany</td>
<td>109</td>
<td>118</td>
</tr>
<tr>
<td>Port of Melbourne</td>
<td>115</td>
<td>66</td>
</tr>
<tr>
<td>Port of Brisbane</td>
<td>64</td>
<td>65</td>
</tr>
<tr>
<td>Port of Fremantle</td>
<td>35</td>
<td>36</td>
</tr>
</tbody>
</table>

**April 2021**

**Full vs empty containers at major Australian ports**

<table>
<thead>
<tr>
<th>Port</th>
<th>Full Containers</th>
<th>Empty Containers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Port of Botany</td>
<td>156</td>
<td>71</td>
</tr>
<tr>
<td>Port of Melbourne</td>
<td>197</td>
<td>71</td>
</tr>
<tr>
<td>Port of Brisbane</td>
<td>72</td>
<td>38</td>
</tr>
<tr>
<td>Port of Fremantle</td>
<td>55</td>
<td>17</td>
</tr>
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**Containerised exports and imports at major Australian ports**

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<thead>
<tr>
<th>Port</th>
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<tbody>
<tr>
<td>Port of Botany</td>
<td>116</td>
<td>40</td>
</tr>
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<td>Port of Melbourne</td>
<td>110</td>
<td>58</td>
</tr>
<tr>
<td>Port of Brisbane</td>
<td>34</td>
<td>23</td>
</tr>
<tr>
<td>Port of Fremantle</td>
<td>35</td>
<td>20</td>
</tr>
</tbody>
</table>

- **Full containers exceed empty containers at all ports**: indicating strong domestic demand.
- **Improving cargo flow** in April compared to March, with **marginal increases** in full containers processed at all ports apart from Fremantle and Botany.
- **Imports exceed exports at all ports**: may indicate surplus of containers in the short to medium term and **increased availability**, also risk of **congestion**.
- Considerable amount of **empty container exports** in Brisbane.
High domestic production levels continue outweigh the availability of supporting freight capacity.

What does this mean for...

**Red meat**
- A decrease in full container exports out of Port of Brisbane raises concern around freight availability for Queensland red meat exports in coming months.
- Red meat export contracts have been particularly impacted by the volatility in shipping caused by ongoing industrial action in Botany, with reports of threats to contracts.

**Grains**
- Large amount of imported fertiliser and chemical inputs at Port of Fremantle – valuable for WA grain producers and exporters, particularly as harvest nears.
- Record bulk grain export volumes out of Port Kembla are showing significant promise for supply chains in the region and capacity of the port, as well as other east coast ports.

**Citrus**
- Global demand for citrus is forecasted to continue to exceed average levels.
- This is creating valuable opportunities for Australian exporters however also puts substantial pressure on logistics – ongoing delays and limited container availability are considerable risks.

**Cross-industry**
- Greater number of empty containers compared with full containers and more imports than exports indicates strong demand domestically and inefficient movement of freight back out of port – indicating risk of congestion in coming months.
- Considerable amount of empty container exports at Botany in particular has raised concerns over inefficiencies in logistics resources and capabilities, delaying prospects of recovery in export performance.
- Initiatives such as Botany’s Empty Container Incentive Scheme show promise in alleviating congestion and vulnerability to financial penalties imposed on Australian exporters by global shipping companies.
- Where possible, industry should look to capitalise on strong export performance out of Port of Melbourne compared to other gateways.

Comparison of freight quantities carried on top Australian flight routes February-April 2021

- In April, air freight quantities increased in most top flight routes compared to March and February, excluding slight decreases in freight sent to Hong Kong and Auckland. The replacement of Sydney to Hong Kong with Perth to Singapore in April further indicates growing export opportunities to Singapore.
- Sydney to Singapore remains the top-performing air freight route, showing promise for red meat exports given Singapore is one of two primary destinations. However, the decrease in air freight from Sydney to Hong Kong, a route not included in the top five for April, is not as promising for red meat air freight exports.
Air freight exports continue to be supported by IFAM flights, with several new routes starting in May and June

**Weekly inbound flights (supported by IFAM*)**

<table>
<thead>
<tr>
<th>Origin</th>
<th>Destination</th>
<th>Start date</th>
<th>Freight rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Melbourne</td>
<td>Los Angeles (1 x</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
|          | week)             | 13 May 021 | A$2,065 AKE min charge^  
|          |                   |            | A$5,015 PMC min charge^  
|          |                   |            | A$3.00 per kg loose 1000+ kgs QGoFresh^  
|          |                   |            | A$4.90 per kg loose 1000+ kgs live seafood^  |
| Sydney   | Tokyo (3 x week)  | 5 May 2021 | A$1,344 AKE min charge^ A$2,720 PMC min charge^  
|          |                   |            | A$1.60 per kg loose 1000+ kgs QGoFresh^ A$2.60 per kg loose 1000+ kgs live seafood^^ |
| Sydney   | Tokyo (1 x week)  | 24 May 2021| A$1.60 per kg |

**Weekly outbound flights (supported by IFAM)**

**New weekly flights starting in May-June 2021**

<table>
<thead>
<tr>
<th>Origin</th>
<th>Destination</th>
<th>Start date</th>
<th>Freight rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adelaide</td>
<td>Hong Kong</td>
<td>11 July 2021</td>
<td>Chilled (AKE, up to 1450 kg) AU$1.10 per kg, chilled (PMC, up to 4000kg) AU$1.10 per kg, chilled (PMC, 4001 kg-4450 kg) AU$1.10-$1.20 per kg, live seafood AU$3.50 per kg</td>
</tr>
<tr>
<td>Melbourne</td>
<td>Los Angeles (2 x</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>week)</td>
<td>30 July 2021</td>
<td>A$3.30 per kg seafood, A$3.00 per kg chilled meat/produce, A$7.50 per kg flowers</td>
</tr>
<tr>
<td>Perth</td>
<td>Singapore</td>
<td>29 July 2021</td>
<td>A$1.17 per kg</td>
</tr>
<tr>
<td>Toowoomba</td>
<td>Hong Kong</td>
<td>16 July 2021</td>
<td>A$0.90 per kg produce, A$1.80 chilled/live per kg</td>
</tr>
<tr>
<td>Toowoomba</td>
<td>Singapore (via</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cairns)</td>
<td>4 August 2021</td>
<td>A$1.25 per kg dairy, meat and produce, A$2.50 per kg live seafood from Cairns</td>
</tr>
</tbody>
</table>

**Finishing flights May-August 2021**

<table>
<thead>
<tr>
<th>Origin</th>
<th>Destination</th>
<th>End date</th>
<th>Freight rates</th>
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<td>4 August 2021</td>
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*IFAM is the International Freight Assistance Mechanism, a targeted support measure put in place by the Australian Government to keep global air links open in response to the ongoing effects of the pandemic*
Logistics insights for the medium to long term
Government is investing in supply chain resilience, through infrastructure and regulatory reviews

1. **Productivity Commission Vulnerable Supply Chains inquiry:** the Australian trade services sector is calling for the creation of a national trade regulator to oversee shipping and container trade, in a submission developed by the Freight & Trade Alliance (FTA) and Australian Peak Shippers Association (APSA).

   - The inquiry intends to recognise ongoing challenging circumstances for exporters due to a consolidation in shipping lines, stronger alliances, and vessel-sharing agreements, which may decrease the bargaining power of Australian exporters.

   - The purpose of a regulator would be to facilitate competitive international trade and to provide protections from the emergence of unreasonable pricing practices.

   - The submission also recommends the need for a formal shipping competition review, a call for minimum service levels and regulation of ‘terminal access charges’ and container detention practices.¹

   - The argument is for the Federal Government to intervene and safeguard the interest of Australia’s traders given Australia’s dependence on foreign-owned shipping lines to service containerised trade.

   - The final report of the Commission’s inquiry into vulnerable supply chains is to be handed to Government in July 2021 and publicly released shortly after.³

   - Overall, if approved, this could mean a reduction in shipping volatility and increased profitability for landside operators and wider supply chain participants in the medium to long term.

2. **The Security Legislation Amendment (Critical Infrastructure) Bill 2020,** currently before Parliament, will allow the Federal Government to regulate reporting obligations on operators of intermodal facilities with an annual revenue threshold of $150m and over, and critical freight services assets including Toll Group, Aurizon, DHL Global Forwarding and Linfox.⁴

   - If passed, this Bill could increase supply chain transparency and reduce exporters’ overall exposure to impositions by these companies, the costs of which flow back through chain.

   - The Bill includes a clear voluntary pricing protocol for notification periods for price increases or the introduction of any new landside charges, explanation of price increases, and the timing of price changes.²
## Ongoing changes to regulations that enable Australian exports have the potential to create favourable outcomes

**Export legislation framework**

- The Department of Agriculture has been promoting a **new legislative framework for agricultural exports** (The Export Control Rules 2021), which sets out the **operational details** for regulating the export of specific goods from Australia. These conditions ensure any importing country requirements are satisfied, and that the export conforms with requirements, industry standards and meets Australia’s internal obligations.

- The key benefits for producers will be:
  - **Legislation** that is more **relevant and efficient**, easier to understand and comply with, and that has reduced duplication;
  - Support for the export of a **broader range** of agricultural exports, incentivising smaller, **emerging business** to pursue export;
  - Enabling **regulatory changes** to be made more **quickly** to support changes in **importing country requirements**;

- The legislation will provide a broader range of penalties and sanctions on **those who disregard regulatory requirements** and damage Australia’s reputation in export markets.¹

- Overall, this framework will initiate **increased opportunities for Australian exports** by decreasing barriers for **first-time exporters** to encourage participation in the trade growth resulting from global pandemic recovery.

**Industrial disputes**

- As mentioned on page six, ASPA and MUA are currently working toward the negotiation of **new enterprise agreements** between stevedores and shipping companies, considering **reform in workforce regulations** around pay, hours and working conditions.

- Shipping companies have requested that talks continue **without interruptions to business**.

- However, the MUA extended their **Protected Industrial Action**, causing delay and disruption through bans on overtime and working shift extensions throughout the first two weeks in June, which **may reoccur in the coming months** until enterprise agreements can be signed for all major shipping companies.⁶

- Exporters can expect to **continue to experience potential delays** in shipments resulting from stevedore strikes until all enterprise agreements have been finalised.
Government continues to engage in global conversations to improve trade relationships

- **China-Australia trade**: an announcement by the Australian Foreign Minister, Marise Payne, in April that the Victorian Government's two Belt and Road agreements were terminated resulted in China's **suspension** of the China-Australia Strategic Economic Dialogue in May.\(^1\)
  - However, Prime Minister Scott Morrison announced at the G7 meeting in the UK in early June that his government wants to **restart dialogue with Beijing**.\(^2\)
- The WTO has become involved in **challenges** relating to tariffs on barley and wine exports.\(^8\) Australian exporters are monitoring the situation closely to account for any predicted flow-on effects to trade in other products.\(^3\)
- **Global trade** was a key topic at the **G7 summit**, particularly how to work **collaboratively** and effectively with other partners in the **international market**.\(^7\)
- Overall, dialogues between the Australian Government and global trading partners to increase trading opportunities are ongoing. As Australia continues to expand relationships with groups like the G7, increased export opportunities can be expected.
Signing of the UK FTA is promising for Australian exporters, however implementation will be a long-term process

- **Red meat**: the UK Free Trade Agreement has garnered support from Australian farmers, particularly from Australian red meat exporters, as 35,000 tonnes of lamb and beef will be imported into the UK tariff-free, with quotas increasing annually until the elimination of the beef tariff in 10 years.¹ The Australian beef market in the UK is projected to double or triple once the deal comes into fruition.²
- **Citrus**: a two-way agricultural visa will benefit the sector’s employment needs, however risks in losing backpacker labour must also be monitored throughout implementation.³
- **Grains**: the FTA is not expected to have large direct impacts on Australian grain.⁴
- **Favourable access** is reflective of lower costs of production in Australia compared to the UK, particularly for beef and lamb, and to a lesser degree wheat, barley and oilseeds. This indicates a favourable outlook for Australian exporters’ cost competitiveness with UK producers, however competition from proximal lower input cost and subsidised industries, for example the US and Brazil for red meat, remain a risk.⁶
- **Timing**: despite favourable outcomes for Australia’s industries, the FTA’s full suite of benefits will only be realised in the medium to long term once fully implemented.
  - For example, red meat access to the UK under the new terms will likely not be implemented until at least the second half of 2022.
  - While this allows time to prepare logistics, the risk of further extensions to the start date must also be monitored and industry is warned not to rely on materialisation of the deal by a given deadline.
- Overall, the negotiation of the UK FTA indicates valuable opportunities for Australian agriculture in the medium to long term to diversify export markets and find new price premiums for products where market share has decreased elsewhere.

**Short term (1-3 months)**
- Exporters to continue experiencing delays due to industrial disputes, congestion and trade challenges with existing markets.

**Medium term (3-6 months)**
- Marginally reduced congestion and shipping volatility, however delays to persist in lead up to Christmas.
- Demand to remain at record high levels given growth of e-commerce and direct-to-consumer consumption channels.

**Long term (6 months-plus)**
- Anticipated reduction in shipping volatility and increased profitability and opportunities, however contingency planning for delays and adversity should be integrated in to logistics planning.
- Start to see benefits materialise from infrastructure investments.
Red meat: Industry snapshot
Australian red meat export opportunities are increasing due to a number of global market access movements

Industry is working toward logistics planning for new access into the UK market.

Extended shelf life on red meat exports to Saudi Arabia is increasing trade opportunities.

Argentina’s 30-day ban of beef exports is set to end, but impacts will remain

- Red meat access to the UK under the new terms will likely not be implemented until at least the second half of 2022.¹
- While this allows plenty of time to plan logistics, risk of further extensions to start date must also be monitored.
- Industry is warned to restrain from heavily relying on this deal until it has been officially signed.
- Regardless, Australian logistics should ensure capacity to support increased demand for red meat from the UK as the country continues to open and channels like food service expand.

While free access to the UK is a long-term play, demand for logistics will remain.

Australian Government and industry advocacy has resulted in the Saudi Food and Drug Authority (SFDA) increasing the shelf life for chilled vacuum-packed beef and sheep meat to 120 days for beef and 90 days for lamb.

- This will enhance supply chain capabilities by enabling export via sea freight.
- Red meat sea freight supply chains can broaden export opportunities for industry, particularly new exporters.
- This change aims to support Saudi food security, decrease waste and, most importantly, strengthen bilateral trade.¹

Shelf-life extension is favourable for cold-chain logistics in new sea freight supply chains.

- In late May, Argentina implemented a 30-day ban on red meat exports that aimed to mitigate inflating domestic meat prices and promote Argentinian meat domestically.
- This sent a shock to logistics in the region, freeing up freight but decreasing supply, causing prices to climb.
- In ending the ban, a new agreement between industry and government was made where at least half of domestically produced Argentinian meat must remain in the country.
- Reduction in exports to China will significantly shift export flows to the country and in the region, an opportunity for Australian exporters to monitor.³

Reduced Argentinian beef exports to China will have prolonged impacts on logistics.
Changes in red meat market access may increase demand for Australian exports

### Flow-on impacts

#### Saudi Arabia

- Industry plans to **continue to engage** with other Gulf states such as Qatar, Kuwait, Oman and Bahrain to make the case for **similar shelf-life regulations**, increasing opportunities to export as well as strengthen current **logistics capabilities** to the market.¹

#### UK

- Australia’s **lower red meat production costs** than the UK favour Australia’s exports, however competition from low-input-cost countries remain a risk, particularly as the UK looks to finalise similar FTAs with Brazil, the US and other countries eagerly to **export low-cost meat** to the UK.² This indicates greater opportunity for Australia’s premium products, which may demand **more extensive logistics support**.

- Exporters can anticipate rigid **quality assurance processes** and **environmental standards compliance** checks in accessing the UK market, in light of British industry’s claims that Australian production does not adhere to equivalent quality standards.³
  - This may increase pressure on logistics considering already longer lead times than red meat’s other export destinations, with higher risk of **reduction in product quality** in the case of **prolonged** customs clearance.

- Without discounting the value the UK FTA will bring, industry must prepare for the fact that substantial work in executing the agreement remains. Government will have to set up processes to allow industry to benefit from tariff reductions, which will involve ensuring customs declarations register within the parameters of the agreement. Further, industry must invest the time in educating importers, exporters and other supply chain participants on how to make use of the FTA.

#### Argentina

The Argentinian Government’s compromise in ending the self-imposed export ban to reduce exports of domestically produced red meat by 50% will:⁴

- **Increase competition** for red meat exports to Argentina, however may also increase **availability of freight** in the region.

- Increase **Brazilian and US red meat exports to China**, adding to ongoing congestion issues at ports such as Yantian.

- Reduction in Argentinian **air freight premium beef exports to Singapore** may also create opportunity for Australia to increase air freight exports to the region. However, it is reported that Australia’s ability to fill any supply gap will be **restrained** by reduced **availability of premium supply that is equivalent in quality to Argentinian products exported via air freight to Singapore.**⁵

### Minimising disruption

#### Alternative market options and export destinations

- Australian red meat producers should continue monitoring the progress of the UK FTA and any other FTAs as new export opportunities materialise, despite implementation planned for the long term.

- Industry should also leverage increasing air freight opportunities for red meat to Singapore, currently the performing air freight route in Australia.
Grains: Industry snapshot
Global demand and prices for grains are at record high levels, putting significant pressure on the logistics service industry to support

- Major opportunities for Australian grain exports in response to poor Brazilian corn crop (estimates cut by 9.4%), ongoing drought in US and Brazil, and strong demand from China.¹
- Exporters continue to ship as much as they can as quickly as they can, pending the availability of freight.
- However, exporters remain aware that prices will likely fall in the long term.²
- Demand for bulk freight space continues to rise, hindered by global port congestion.

Increasing global grains prices are favourable to offset high shipping prices.

- Australian barley exports have been expanding across South-East Asia, the Middle East, and Mexico.
- Ships in the Red Sea carrying barley from the EU and Ukraine to China are crossing paths with Australian barley ships on route to the Middle East, reflective of the uniquely long lead times and high shipping costs of alternative logistics routes.
- Ports are at capacity to meet demand for Australian barley, wheat and canola in these markets, and demand is not expected to reduce in the near term.

Global focus on grains exports to China means opportunity to strengthen other supply chains.

- China’s grain imports have surged to support the recovery of hog herds post swine fever.
- Some grains vessels have been delayed for as long as a month outside southern Chinese ports, incurring hefty delay fees.³
- While Australia’s container grain exports to China are minimal, this delay still increases risk of congestion for non-barley exports, availability of container capacity in Australia, and flow-on disruption to new premium barley markets like the Middle East and South-East Asia.

Congestion in grains ships is compromising availability of freight for non-barley exports.

- China’s record grain import levels are increasing congestion in the region, with major flow-on impacts
Expansion in global grains trade will impact Australia’s distribution of exports as well as other industries

Flow-on impacts

- June saw a rise in demand for corn from the Middle East, North Africa and Asia, resulting from Brazil’s drought and Ukraine’s reallocation of most of its corn exports to China. China is estimated to import a record 26 million tonnes of corn this year and continuing into next year, according to the US Department of Agriculture.
  - While Australia does not produce large volumes of corn, rising demand may increase the opportunity in the medium to long term for Australia’s other grain exports, given that global corn supply will increase consumption of other grains such as Australian wheat.
- Canola has also experienced some of the highest prices within the grains category globally, generating significant interest from Australian exporters. Global wheat prices have been averaging US$358 per tonne, and canola at around US$840 per tonne.
- These record-high global grains prices are increasing the price of feed for Australian livestock. In the short term, high feed prices are supported by high domestic livestock prices. If the market is not willing to continually bear the costs of increased feed, this may cause a shift away from grain-fed livestock production in the long term. However, this is not seen as a likely scenario given the livestock industry's current focus on increasing national herd size.
  - China’s corn imports in the first four months of 2021 have increased four times the size, and sorghum imports five times the size, of imports for the same time in 2020, indicating continued pressure on supply and opportunities for other grains crops to plug gaps in supply.1
  - Demand for canola from the European Union to support its bioenergy market continues to create attractive opportunities for Australian grain exporters given premium prices offered. Australian producers and exporters continue to comply with the strict environmental regulations on grains production and handling that the EU’s bioenergy market imposes. Predictions of an incoming carbon border adjustment tax may significantly change the processes that enable this compliance, as well as the supporting logistics in sending grains to the EU.
  - Exporters continue to place emphasis on grains storage facilities on-farm and at ports as a means of ensuring product quality. Extended time in storage or in containers at ports can raise concerns, however this is not seen as an immediate risk.

Minimising disruption

Alternative market options and export destinations

- Given a positive outlook for the upcoming season with good weather, strong pricing and robust international demand, emphasis should be placed on planning logistics capabilities for increased export volumes.
  - Continue to strengthen new supply chains, such as those delivering Australian barley into Saudi Arabia and wheat into South-East Asia. Industry is prepared to continuing leveraging a diversified export base in light of geopolitical changes that may impact trade to previously dominant markets.
The availability of logistics and labour resources to support citrus production is being monitored

- Vietnam’s approval of an irradiation facility in Melbourne will increase speed to market for horticultural products and potentially decrease export freight costs for growers in the area. In some cases, Australian fruit will arrive in Vietnam 72 hours after picking.¹
- Although current use of irradiation in citrus is minimal, its use over cold disinfestation is growing as it can add a competitive edge for citrus and increases export opportunities across South-East Asia.²
- Irradiation offers the highest potential for lemon and soft citrus exports.

- One of WA’s largest citrus producers has been unable to deliver fruit due to hold-ups at Chinese ports, increasing shipping costs for exporters and decreasing availability of freight capacity for citrus back in Australia.³
- The resulting oversupply in the domestic market is driving prices down.
- This feeds into a wider trend this season of declining citrus container exports into China, increasing pressure to identify alternative markets and supply chains despite premiums offered by China.

- Slow processing in Chinese ports is creating oversupply in Australian markets
- Uncertainty in labour supply ahead of harvest may pose risks in availability and demand for logistics.

- News of a new seasonal agricultural worker visa applicable to all 10 ASEAN countries will assist the industry in preparing for export.
- However, the removal of mandatory agricultural labour for backpacker visa holders under the new UK FTA may compromise industry’s harvest outlook if the loss of this key labour supply is not quickly offset by new the new ag visa.
- On top of existing congestion issues, this threat to labour security imposes significant risk in servicing export customers.

- Increased access for Australian horticultural exports to Vietnam
- Strong outlook for logistics into key emerging market Vietnam.
- Delays in some markets are increasing the case for diversification.
- New agricultural visa will need to be rapidly implemented to avoid impacts on logistics.
Demand for citrus, in line with post-pandemic consumption habits, continues to rise

**Flow-on impacts**

- An **oversupply** in the Australian market will likely drive prices down, and industry may see competition from domestic-focused horticultural products such as bananas, grapes and strawberries.
- Increasing **access** into **diversified export markets** like Vietnam puts greater demand on logistics forecasting but mitigates risk through decreased reliance on certain markets.
- In the long term, potentially **higher labour costs** and compromised **ability to harvest** product may have negative impacts on industry participation.

**Minimising disruption**

**Alternative market options and export destinations**

- **Shore up freight routes** to strongly performing markets such as **Japan** and the **Middle East**, to increase export certainty.
- Continue to **capitalise on increasing demand** for healthy products in the recovery from COVID-19, emphasising convenient, ‘easy peel’ mandarins, as well as value-added products like pre-packed, lunchbox-style SKUs, and finished products like jams with extended shelf life.¹
- Industry is closely **monitoring logistics availability** to support the planned first arrivals of premium Australian citrus **exports to the US market** that are expected in late July, with congestion at ports like Los Angeles an ongoing concern.¹
Takeaways and next steps

AgriFutures Australia
A summary of the June 2021 key logistics disruption insights with the potential to impact producers

This research has identified a number of key takeaways based on logistics disruption information from this month, which may be used to guide industry participants in their supply chain decision-making over the short, medium and long term.

**Shipping delays due to a build-up in queuing vessels in Colombo, Los Angeles and Shenzhen are slowing the movement of freight across global and regional supply chains.**

**Ongoing industrial action at major Australian ports is decreasing the efficiency of vessel clearing. This is expected to continue until enterprise agreements can be finalised between stevedores and all shipping companies.**

**Intervention mechanisms are being implemented at some ports such as Botany to incentivise shipping companies to clear cargo more quickly, namely the Port Botany Empty Container Incentive Scheme and Voluntary Port of Melbourne Performance Model. In time, these initiatives may create an advantage for certain exporters and shipping companies.**

**Ongoing negotiations and finalisation of the UK Free Trade Agreement is changing the export outlook for Australian industries, and influencing long-term supply chain planning, particularly for red meat. The agreement will impact labour security for Australia's rural industries by ending the mandatory agricultural labour requirement for backpackers.**

**Other key global events positively impacting Australia’s exports include Argentina’s changes to red meat exports, which will be reduced by up to half, and China’s significant grains imports, which is increasing prices globally.**

Overall, the Australian logistics environment is continuing to show slight signs of improvement, however is not immune to the disruption occurring globally. The global recovery outlook is hindered by persisting congestion and high shipping prices, which are predicted to not fall in time to beat the annual Christmas-driven global surge in demand for shipping.
References
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Appendix 1.
Report materials
Logistics challenges rationale for inclusion of red meat

Between 2019 and 2021, Australian red meat exports experienced varying degrees of freight and market access disruption.

Key disruptions during the past two years include the following:

- China’s first COVID-19 lockdown caused a global reefer shortage and grounded flights.
- Processing plants closed or operated at reduced capacity during the pandemic due to COVID-19 contact threats or market access challenges.
- The second China container shortage increased the number of cancelled routes and reduced port stops for sea freight.
- Varying global impacts attributed to COVID-19 have contributed to export supply and demand planning challenges.
- Industrial action at Australian ports impacted short-term shipping schedules.

- Increased freight costs and inconsistent sales order volumes.
- Reduced air freight access for high-value, perishable red meat exports.
- Inability to book vessel space with enough time and certainty to effectively plan the product flows and export supply chain.

Decline in export volumes 2019-2021

-22%
Logistics challenges rationale for inclusion of red meat

Australian red meat exports have declined over the last two years

- Total red meat exports declined by 22% from Q4 2019 to Q3 2021.
- Should these trends continue, the forecasted compound annual growth rate (CAGR) is -5%.* Note this forecast is theoretical and does not take into account external factors.
- Disruption to logistics and reduced access to key export markets was a key contributor to the declining shipped volumes.

Global demand is volatile

- Disruptions during key holiday periods created seasonal demand fluctuations.
- Panic buying in key export markets disrupted retail inventories globally.
- Banning of red meat imports sourced from Australian suppliers by key trading markets, due to issues such as labelling and certification, had severe flow-on impacts across the entire supply chain.²
- Australian red meat industry suffered longer delays compared to competing export nations, for reasons unspecified – impacting competitiveness.⁵

*Compound annual growth rates have been self-calculated based on DAWE red meat export data using the standard CAGR formula.
Logistics challenges rationale for inclusion of grains

In contrast to other rural industries, grains were most impacted by the inability to import key production inputs, in high demand during a record growing season.

Key disruptions during the past two years include the following:

- Access to truck drivers and vehicles in WA slowed/reduced bulk exports.
- Logistics uncertainty resulted in price volatility, making supply forecasting more challenging.
- Industrial action at the Port of Botany severely impeded container trade.
- Market access instability resulted in cancelled routes and lost export opportunities.
- A surge in Australian demand occurred for fertilisers, chemicals and other inputs, which couldn’t be sourced from China as usual, due to lack of product availability and understaffed ports.

- Slowdown in global grain trade drove down prices and caused a build-up of Australian grain at Chinese ports.
- Pivoting to other markets due to market access challenges in key export locations has increased cost and complexity of supply chains.
- Inability to import inputs meant some producers have struggled to plant seeds in the ground.

-20% 2020 reduced export volumes against the 10-year industry average
Logistics challenges rationale for inclusion of grains

**Global demand has been variable**

- Tariffs of up to 80% on Australian barley were imposed by key markets for the next five years – significantly impacting competitiveness in those locations.
- A decrease in demand for luxury consumer goods (like beer) in key export markets has severely reduced demand for Australian barley, which is a core raw material.
- Longer-term storage of grain exports at overseas ports occurred throughout 2020 – resulting in reduced forward sales in some markets.\(^1\)
- **Australia has a high dependence on inputs manufactured abroad, increasing exposure of the industry to global logistics.** For example, a particularly cold Chinese winter diverted fertiliser and reduced availability to the global market.

Source: UN Comtrade Database. SITC Rev.2 commodities: (1) 110411 - Cereal grains; rolled or flaked, of barley. (2) 110412 - Cereal grains; rolled or flaked, of oats (3) 1001 - Wheat and meslin. (4) 100700 – Grain sorghum. These graphs are not indented to represent the grains industry as a whole but show an example of some of the volatility certain exports have experienced.
Logistics challenges rationale for inclusion of citrus

Citrus* export volumes continue to grow, however access to labour and global export competition have exacerbated freight capacity challenges.

Key disruptions during the past two years include the following:¹

- Border closures limited migration of critical Pacific Island labour supply for harvest periods.
- Increased competition from Chile reduced price points in certain export market segments, and increased pressure on logistics costs.
- Australian citrus was held at ports in key export markets for extended inspections in recent months, giving rise to fears of future market access.³
- There was a surge in domestic and global demand during COVID-19 due to perceived health benefits.
- Industrial action at Port of Botany severely impacted access to container freight.
- Pressure on logistics costs has grown due to rising export competition and input availability such as domestic labour.
- Freight availability fell during a period of increased demand – creating a supply-demand imbalance.

Since 2011, Australian citrus exports have approximately doubled in value and quadrupled in volume*.

*Citrus includes oranges, mandarins, lemons, limes, and grapefruit.
Australian citrus exports experienced significant export growth over the past decade²

- Continued growth of citrus exports may be affected going forward if logistics disruptions over the last 18 months are to continue.
- Citrus Australia has indicated that the industry faces major logistics challenges due to global container access throughout the pandemic.
- If further major disruptions or other adversities are avoided, linear growth would represent a forecasted CAGR of 13% for value and 7% for volume. Note this forecast is theoretical and does not take into account external factors.

Multiple drivers will impact future industry outcomes

- The citrus industry has a large dependence on select Asian export markets for orange and mandarin exports, therefore the industry is highly exposed to access limitations and disruptions to those regional supply chains.
- Citrus logistics face high pressure with increased demand, fluctuations in container availability and rising competition, and the possibility of market access challenges.

"Value $M AUD
Volume 000 Tonnes

Theoretical forecast"

*Compound annual growth rates have been self-calculated based on Hort Innovation citrus export data using the standard CAGR formula.
IFAM-supported flights continue to offer air freight export opportunities amid reduced passenger traffic

### Weekly inbound flights (supported by IFAM*)

- **Australian arrivals**: 21 weekly flights
  - MEL: 11
  - BNE: 11
  - SYD: 2

### Weekly outbound flights (supported by IFAM)

- **Australian departures**: 35 weekly flights
  - MEL: 17
  - BNE: 10
  - SYD: 3
  - TWB: 2
  - PER: 1
  - CNS: 1

### Destinations/origins of weekly flights May 2021:

- **Outbound**
  - Hong Kong: 6
  - Tokyo: 4
  - Los Angeles: 5
  - Singapore: 2
  - Shanghai: 3
  - Seoul: 2
  - Abu Dhabi: 0
  - Bangkok: 1

### Key outbound freight prices:

- $1.25-3.86/kg chilled meat
- $2.90-$3.04/kg fresh produce
- $2.60-5.00/kg live seafood
- $924-$1,995 AKE min charge
- $1,870-$20,040 PMC min charge

### What does this mean for?

#### Red meat

- More frequent flights to Hong Kong and Singapore show promise for red meat exports, where traditionally (2019) air freight accounted for 84% and 81% of total chilled Australian beef into these markets respectively – worth a combined US$85 million.
- Flights to Tokyo and Los Angeles also offer new opportunities for high-value red meat exports.

#### Grains, citrus

Lower impact given primary use of sea freight

### Cross-industry

- Increased number of outbound flights will enhance short-term capacity. However, competition for freight space remains high and costs are inflated.
- Smaller number of inbound flights indicates limited availability for backloading imports of key agricultural inputs.

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*IFAM is the International Freight Assistance Mechanism, a targeted support measure put in place by the Australian Government to keep global air links open in response to the ongoing effects of the pandemic.*