Uncovering and minimising the impacts of COVID-19 logistics disruption

Short-term logistics disruption report

July 2021
# Project scope and objectives

## Project objectives

<table>
<thead>
<tr>
<th>Objective</th>
<th>Details</th>
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<tbody>
<tr>
<td>✔️</td>
<td>Minimise the impact of COVID-19 logistics disruption on agricultural export supply chains.</td>
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<tr>
<td>✔️</td>
<td>Conduct ongoing analysis of logistics disruption by assessing market impacts and providing timely and accurate information to select rural industries.</td>
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<tr>
<td>✔️</td>
<td>Improve the resilience of rural industries to logistics disruption, by providing information to support businesses to make strategic decisions.</td>
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## Project scope

<table>
<thead>
<tr>
<th>Scope</th>
<th>Details</th>
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<tbody>
<tr>
<td>✔️</td>
<td>Develop short-term logistics disruption assessment reports on a monthly basis, including general agriculture logistics information and three industry case studies.</td>
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<tr>
<td>✔️</td>
<td>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.</td>
</tr>
</tbody>
</table>
Cross-industry insights
A summary of the July 2021 key logistics disruption insights with the potential to impact producers

July 2021 logistics disruption insights may be used to guide industry participants in their supply chain strategic decision-making over the short, medium and long term.

Port congestion in most major global container terminals has caused flow-on disruptions in international trade lanes. The ongoing impacts of the Suez Canal blockage, Los Angeles and Long Beach port congestion, and Yantian Port COVID-19 outbreak mean customers importing into Australia are experiencing delays of 7-10 days while those exporting from Australia through major trade lanes are experiencing delays between 1-3 months. Delays are expected to continue throughout 2021.

In July 2021, the Maritime Union of Australia (MUA) finalised enterprise agreements with container stevedore companies Victorian International Container Terminal (VITC), DP World Australia, Hutchison, and Flinders Adelaide Container Terminal which has reduced some disruptions at key ports. However, industrial action continues at Patrick Terminals Sydney, AutoStrad and at the Port of Melbourne, which is exacerbating existing congestion and delays, and causing productivity loss.

A scarcity of shipping carrier space, port congestion and lack of container availability (particularly for Twenty-foot Equivalent Unit (TEU) food-grade containers) continues to cause both delays and increases in freight prices at Australian ports. Exporters need to communicate regularly with shipping lines and freight forwarders to understand changes and disruptions to vessel schedules. Refrigerated storage containers (reefers) are required at ports and warehouses to mitigate risk of product damage due to delays.

The Australian agricultural supply chain continues to feel the impact of domestic labour shortages, market access issues amid COVID-19 outbreaks in major ports and a series of local biosecurity breaches across July 2021, including the resurgence of fruit flies and another needle contamination event in South Australia. Further freight rate increases are expected leading up to the 2021 Christmas period.

Outbound passenger flight and freight flight cancellations to China, Europe, Asia Pacific, the Middle East and the Americas continue to constrain air freight capacity. The Federal Government’s International Freight Assistance Mechanism (IFAM) has added flights to its existing schedule. Exporters are advised to regularly check air freight changes and forward plan to ensure timely export of goods in the lead-up to December 2021.

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1 International ports: Sydney’s Port Botany faces ‘gridlock’ amid union rail wrangle (joc.com)
2 Logistics firms raise concerns over yet another port strike (businessnewsastralia.com)
3 Australia Logistics Updates for Coronavirus COVID-19 | Agility
4 Australia COVID: Freight pressures to hit consumers at Christmas peak (afr.com)
Global supply chain disruptions continue to impact movement of Australian agricultural commodities to key markets

Key insights

- Bottlenecks impacting the global container shipping industry are increasing the prices of freight. Over the year to May 2021, the median cost of exporting a TEU container from Australia to China increased by more than 40% to almost AUD $1,479.¹
- Shipping lines are updating their vessel schedules daily. Exporters are advised to expect vessel disruptions and cancellations, given benefit some exporters are seeing from regular coordination with shipping lines and freight forwarders to understand vessel schedule updates.
- Exporters of perishable goods need to ensure access to refrigerated container points (reefers) at ports and in warehouses to mitigate the risk of product damage due to delays once goods have arrived at port, building flexibility into the supply chain.
- Some terminals are opening slots intermittently, so exporters and freight forwarders should be regularly checking websites and communication portals to take advantage of available container slots.
- On-dock rail infrastructure capacity will require improvement at major Australian ports to reduce truck legs and increase the speed with which cargo is cleared. The Port Rail Transformation Project (PRTP) at the Port of Melbourne and similar projects underway in NSW ports aim to achieve this efficiency; although more investment is required. These projects will reduce lead times for exporters in the medium-long term (over six months).

Background

- Customers importing products into Australia are experiencing delays of up to 7-10 days. Those exporting from Australia in major trade lanes are experiencing delays between 1 to 3 months.⁶
  - Shipping companies have reported attempts to minimise the impact of port congestion by skipping ports of call and cancelling planned routes in congested areas, leading to some delays. However, ships that divert from Australian ports to New Zealand cannot return for multiple weeks, which can further extend lead times.⁶
  - In some cases, shipping lines are picking up empty containers from Australian ports to transport goods on comparatively more profitable trade routes from China to Europe or the United States, reflecting the overall complexity in global trade that exporters will continue to experience throughout 2021.⁶
- COVID-19 outbreaks on ships and at shipping ports in southern China are causing further trade disruptions.⁴ Outbreaks have also led to the implementation of strict quarantine measures, impacting both wharf-side and land-side logistics movements. COVID-19 outbreaks in Australia’s key trading partner Indonesia have been causing significant delays to receiving and clearing of cargo at Australian ports, particularly in Western Australia, which is expected to continue.⁵

¹ Logistics: What is going on? | International Freight Forwarder TGL
² Shipping cost surge raises retail price pressures and inflation risks - ABC News
³ NSW Ports CEO Update - July 2021 | NSW Ports
⁴ Logistics firms raise concerns over yet another port strike (businessnewsaustralia.com)
⁵ Slow Vaccines for Seafarers Threaten to Worsen Shipping Chaos - Bloomberg
⁶ Stakeholder Update 18 - Port of Melbourne
Grains export capacity may be impacted by ongoing COVID-19 outbreaks and blockages in key ports

Key insights

- Delays in ports within the Asian region, particularly Hong Kong, may impact the import of key production inputs for grain producers in Australia, specifically pesticides and other farm chemicals.
- Greater demand for goods from Asia relative to imports means there is an imbalance of containers returning to the country. Shipping carriers are increasing prices to compensate and to prioritise goods that are ready and able to be shipped, pushing operations costs up for cargo ships to more than AUD $92,000 a day.
- Blockages in US ports may limit the available market destinations for Australian exports to US east coast customers.
- Potential ban of ships travelling from COVID-19-infected Indonesian ports to WA may disrupt the export of WA grain to Asian ports. This is likely to have significant impacts given on-farm storage may not be sufficient to hold WA’s record yearly wheat production until the prospective ban is lifted.
- Record grain production continues to put pressure on shipping routes, as well as the need for exporters to identify a diverse global customer base.

| Yantian / Shekou / Nansha | Restricted operations in major ports in southern China because of flooding and COVID-19 are causing delays. It is expected that resumption of regular operations will occur gradually and that full capacity will not be reached for the foreseeable future. This will lead to further delays for the import and export of grain to/from Australia and further hikes to freight rates. The cost of shipping a 40-foot container from Shanghai to Sydney on the spot market has doubled from June 2020 to USD $4,307 (AUD $5,563).

| US West Coast / San Pedro Bay / Port of Los Angeles | Congestion in the United States has improved over the six weeks to 30 June 2021, however several container ships remain queued in San Pedro Bay waiting to be unloaded, which continues to impact the inland freight logistics chain and indicates potential for continued delays. Overall, a constant flow of loaded containers entering the US is not allowing ports enough time to meaningfully reduce backlog.

| Suez Canal | Despite the effective end of the Suez Canal blockage, sea freight traffic is still being affected by downstream impacts of the event. The sudden and high volume of backlog freight arriving into European ports from the Suez is causing congestion and creating flow-on disruption to supply chains often linking back to Southeast Asian and Australian ports.

| Hamburg and Bremerhaven / Rotterdam | Ports of Hamburg and Bremerhaven have been affected by the backlog of containers coming from the Suez Canal. Due to this congestion, multiple shipping companies have been re-routing ships to the Netherlands, increasing lead times and freight costs.

| Indonesia | COVID-19 outbreaks in southern Chinese and Indonesian ports are impacting the movement of freight ships to Australia. The WA Government has announced it may ban ships travelling from Indonesia to Fremantle.

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1 COVID-19 infections surge in Indonesia, Australian live export industry express fears - ABC News
2 Sea freight: update on the global situation (dachser.com)
3 Shipping cost surge raises retail price pressures and inflation risks - ABC News
Industrial action and congestion at major Australian ports continues to disrupt the movement of agricultural goods

Key insights
- In early July 2021, the MUA struck a deal with Victoria International Container Terminal (VICT) for improved job security, working hours and pay rates which has slightly reduced container flow disruption as well as freight congestion in Victoria, and is expected to continue to do so.
- Despite reductions in frequency, industrial action continues at Patrick Terminals’ container handling facilities in Sydney, Brisbane and Fremantle, putting logistics and freight companies under further pressure and exacerbating existing shipping delays for Australian importers and exporters.

State-by-state breakdown

**NSW**
- Australian agricultural exports, including grains and red meat, through Port Botany are facing delays of up to three weeks and higher logistics costs because of the closure of many rail freight windows to Port Botany.¹
- Berth delays have led to port rotation changes to avoid Sydney’s congestion, affecting export timelines. Two vessels were subcontracted and further opportunities are being explored to mitigate the impact of the disruption.
- Work bans are also impacting import container availability, export suspensions and some truck services across some time zones.²

**VIC**
- Shipping lines are increasingly directing their containers to be de-hired directly to nominated stevedore terminals; which is inefficient given the lack of capacity at empty container depots in Melbourne. This has been creating additional administration and fees for shipping companies, which ultimately flow back to exporters and producers via higher prices and therefore diminished returns.

**QLD**
- Continued industrial action in Brisbane included work stoppages throughout July 2021 and some bans on working overtime and shift extensions.
- This is likely to cause delays and disruptions to vessel schedules and terminal operations during these periods, a potential pain point for the large volumes of red meat produced in Queensland and exported via containers.³

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¹ Deja vu’ in Australia’s ports as terminals are hit by new round of strikes - The Loadstar
² Logistics firms raise concerns over yet another port strike (businessnewsastralia.com)
³ MUA Industrial Action at Patrick Terminals and Westemport Victoria - Dieterle Victory (dieterle-victory.com)
⁴ Port of Melbourne Stakeholder Update 18 - Port of Melbourne
⁵ Logistics: What is going on? | International Freight Forwarder| TGL
Strong export growth through the NSW ports, with major infrastructure projects supporting supply chain capacity

Key insights
- There has been progress on key port infrastructure projects and initiatives in NSW which are expected to ease supply chain pressure over the medium-to-long term for exporters using NSW ports.
- However, ongoing industrial disputes, non-stop demand for ocean freight and weather issues continue to impact berth times and container availability, and are causing delays, fee increases, export suspensions and port congestion in NSW ports, including Port Botany.
- In early August 2021, average delays for vessels in Port Botany were estimated at ~ five days, causing some ships to skip Port Botany or Australia entirely.²

Background
- Initial results of the Port Botany Empty Container Incentive Scheme (ECIS) implemented on 1 July 2021 have shown the ECIS has been successful in slowly addressing empty container build-up by incentivising shipping lines to better manage and shift empty containers at Port Botany.²
- Multiple significant port infrastructure projects are now underway or complete in NSW, which will create supply chain efficiencies, including:
  - The doubling of on-dock rail capacity at the Sydney AutoStrad terminal (Stage 2 to be completed in 2023). The rail terminal will be able to handle at least one million TEUs per year once completed.
  - Infrastructure developments at Port Botany hope to increase on-dock port rail capacity to three million TEU through a staged investment program at the port (to be completed in 2-3 years).
  - Port Botany also completed a two-year project to rehabilitate Bulk Liquids Berth 1 (BLB1) to protect the structure against the effects of the harsh marine environment for the foreseeable future.
- Strong container growth volumes at NSW ports, with the highest volumes on record handled at Port Botany (2.7 million TEU processed). The primary driver of this growth was container imports, which increased nearly 11% on last year. These were primarily consumer goods such as furniture, electrical items, white goods and building materials.
- Agricultural exports remained healthy throughout 2021, following a resurgence of grain and cotton exports aligned with favourable seasons. Bulk grain exports through Port Kembla exceeded two million tonnes for the year.
- Non-stop demand for ocean freight, port congestion and weather issues are adding to the waterfront difficulties for cargo owners.¹
Strong container volumes continue through the Port of Melbourne, however freight fees remain high

**Key insights**
- Competition for container space means capacity will be used by higher-value goods. Export competition is likely to continue throughout 2021.
- Citrus, grains and red meat can expect higher freight costs and delays at the Port of Melbourne due to global logistics disruption. Delays due to industrial action are not anticipated to be a recurring issue in coming months due to the finalisation of enterprise agreements.
- Trucking and rail companies should ensure they regularly check for COVID-19-related changes to interstate travel and border crossings, which will continue to cause disruption and delays given the volatile state of restrictions on movement in both Victoria and NSW.
- Consistent with May and June 2020, strong performance in barley container exports, as well as the import of agricultural machinery, bodes well for agricultural exports in the coming months.

**Background**
- The Port of Melbourne continues to feel the impact of ongoing pandemic-related global freight disruptions, combined with unwavering levels of demand, which are continuing to put a major strain on global shipping capacity and ocean freight rates and in many cases increasing volatility in transit times.
- July 2021 was another strong month for container exports through the Port of Melbourne, with total container volumes up 7.2% on June 2020 levels and a strong overall increase in empty container movements.
- Full container overseas imports have not changed significantly, increasing by 0.2% on June 2020 levels, which is reflective of global trade delays. Year-to-date volumes are up 15.8%.
- Full overseas container exports were down 10.6% on June 2020, with year-to-date volumes up 3.1%.
- Barley was the strongest driver of container exports for June 2020.
- Dry bulk trade increased 20.0% over June 2020 to be up 19.5% for the year to date, a positive sign for bulk grain exports in coming months.
- Break bulk trade increased 168.9% over June 2020 to be up 53.0% for the year to date, with increased imports of agricultural equipment.
- The Port has not reported any disruptions resulting directly from the shifting of operations to meet new lockdown restrictions, which, if continued, are not anticipated to pose potential barriers to the clearing of cargo. However, connecting road and rail transport across state lines have been impacted and will likely continue to increase lead times in the coming months.
- The finalisation of an Enterprise Agreement between the MUA, Australian Maritime Officers Union (AMOU) and Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia (CEPU) is expected to substantially mitigate risk against any delays due to industrial action in the coming months. Two other agreements are being progressed by Patrick Terminals and Svitzer, which will also help to alleviate disruption.
Widespread flight cancellations from Australia to overseas destinations are impacting air freight cargo capacity, however IFAM has added new flights

Key insights

- Airfreight capacity from Australia to China, Europe/Mediterranean, Asia Pacific, the Middle East and the Americas are all significantly constrained due to passenger flight cancellations and freighter cancellations.\(^1\) **Reduced airfreight capacity has led to significant delays, increased export competition and increases to air freight prices.** More assistance and planning is needed to avoid future shortages.
- Exporters **should inform** the International Forwarders and Customers Brokers Association of Australia (IFCBA) of **expected export volumes** and requirements as soon as possible in order **to assist with efforts to continue** IFAM beyond September 2021.

Background

- The IFAM program offers financial support to airlines to maintain flights, as well as allocating grants to shippers of between 30-35% to help offset higher air freight costs.\(^1\)
- IFAM is scheduled to end in September 2021. If no additional capacity is added after September 2021, Australian freight forwarders could face further air cargo capacity shortages and higher freight rates.
- The IFCBAA has urged the Australian Government to continue the program to provide continued stability of capacity and rates in the market.\(^2\)
- Despite some cancellations, more flights were announced in July 2021, providing some interim relief for exporters.

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2. [https://www.aircargonews.net/business/supply-chains/australian-forwarders-fear-air-cargo-capacity-crunch-if-covid-support-ends](https://www.aircargonews.net/business/supply-chains/australian-forwarders-fear-air-cargo-capacity-crunch-if-covid-support-ends)
The Australian Government’s IFAM* assistance program added new flights to Japan and the US in July 2021

Key insights

- IFAM is supporting more flights to Tokyo and Los Angeles, which started in July 2021. IFAM continues to reconnect nine Australian ports to 58 international destinations, assisting the movement of high-value, perishable Australian products to international customers.
- Exporters of perishable fresh meat and fruit should take advantage of these new flights and extensions to the Qantas QGoFresh service, which offers special handling, dedicated labelling, online tracking and freight monitoring.
- Charter market remains as normal.

### New weekly inbound flights that started in July 2021

<table>
<thead>
<tr>
<th>Origin</th>
<th>Destination</th>
<th>Start date</th>
<th>Day(s) flying</th>
<th>Freight rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Los Angeles</td>
<td>Melbourne</td>
<td>3 July 2021</td>
<td>Saturday</td>
<td>-</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>Sydney</td>
<td>10 July 2021</td>
<td>Saturday</td>
<td>-</td>
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### New weekly outbound flights that started in July 2021

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<th>Destination</th>
<th>Start date</th>
<th>Day(s) flying</th>
<th>Freight rates</th>
</tr>
</thead>
</table>
| Melbourne | Los Angeles | 6 July 2021 | Tuesday | AUD $2,065 AKE min charge  
AUD $5,015 PMC min charge  
AUD $3.00 per kg produce/chilled meat/dairy  
AUD $4.90 per kg >1000 kg live seafood |
| Sydney | Los Angeles | 8 July 2021 | Thursday | AUD $1,995 AKE min charge  
AUD $4,845 PMC min charge  
AUD $2.90 per kg loose 1000+ kg QGoFresh  
AUD $5.00 per kg loose 1000+ kg live Seafood |
| Sydney | Narita (Tokyo) | 5 May 2021 | Additional Saturday route | AUD $1,344 AKE min charge  
AUD $2,720 PMC min charge  
AUD $1.60 per kg loose 1000+ kg QGoFresh  
AUD $2.60 per kg loose 1000+ kg live Seafood |

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1 International Freight Assistance Mechanism - Austrade

*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.
The Australian Government’s IFAM program extends flights scheduled to finish for Singapore and Hong Kong

Key insights
- IFAM has extended flights to **Hong Kong** and **Singapore** that were previously scheduled to finish in July and August 2021.
- **Red meat** air freight exporters to **Dubai** and **Singapore** are advised to check flight availability and monitor ongoing flight cancellations.

<table>
<thead>
<tr>
<th>Extensions to outbound flights due to finish and flights with extensions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Origin</strong></td>
</tr>
<tr>
<td>-------------</td>
</tr>
<tr>
<td><strong>Outbound – EXTENDED</strong></td>
</tr>
<tr>
<td></td>
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<td></td>
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<table>
<thead>
<tr>
<th>Flights scheduled to finish in August 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Origin</strong></td>
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<tr>
<td>-------------</td>
</tr>
<tr>
<td><strong>Outbound – DUE TO FINISH</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
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</tr>
</tbody>
</table>

*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. Note that these end dates and routes are subject to change due to market demand and supply. Note that these rates are subject to change and do not include freight forwarder fees or rates. These rates may change for different load quantities.*
Global container congestion appears to be slowly improving, despite a decrease in air freight movements

Key insights
- Despite increasing freight movements, global container congestion is slowly improving. Some delays expected to remain until December 2021.
- Containerised red meat and citrus exports to Los Angeles may experience reduced delays in the coming months with easing of congestion. Improved container flows in Singapore means transhipment to other Southeast Asian markets may be conducted more efficiently in coming months.

Container availability index (CAx) July 2021

<table>
<thead>
<tr>
<th>CAx</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.5</td>
<td>Same amount of containers leave and enter the port</td>
</tr>
<tr>
<td>&gt; 0.5</td>
<td>More containers enter than leave</td>
</tr>
<tr>
<td>&lt; 0.5</td>
<td>More containers leave than enter</td>
</tr>
</tbody>
</table>

- **Shanghai Port**: weekly average **0.59, 3% increase** on June 2021 levels
- **Singapore Port**: weekly average **0.48, 8% decrease** on June 2021 levels
- **Los Angeles Port** weekly average **0.86, 4% decrease** on May 2021 levels

Takeaway: More containers appear to be entering than leaving LA and Shanghai, with a CAx of over 0.5. Congestion has improved slightly in Los Angeles and worsened marginally in Shanghai, while Singapore has achieved a near balance. LA looks to be following a consistent downward trajectory, a positive sign given its role as a major transhipment port.

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

- **3% decrease** in inbound freight and **7% decrease** in outbound on last month’s volumes are reflective of ongoing volatility in the global flow of cargo.

Takeaway: Global air freight movements have not changed substantially since April 2021 levels, however slight decreases in both inbound and outbound freight are reflective of the unpredictability that will likely continue in the lead up to Christmas 2021.

What does this mean for...

**Red meat**
- Potential for reduced delays in container exports into Los Angeles.
- Little change in air freight movements indicate minimal improvement in freight capacity for high-value exports.

**Cross-industry**
- Overall, there has been minimal change in global freight movements compared to June 2021 via air or sea.
- A nearly balanced CAx at the Port of Singapore is a positive sign for cargo movements in the Southeast Asia region given its status as a major regional transhipment hub.
- Global port congestion appears to be slowly improving, particularly in Los Angeles, given an 8% decrease in CAx which indicates the surplus of containers entering compared to leaving is decreasing.
- However, this congestion is not anticipated to clear before Christmas, with logistics disruption recovery still not expected to materialise until at least mid 2022.

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2 Container Availability Index, 2021.
Container imports are exceeding exports at major Australian ports, increasing risk of delay

Key insights
- Container *imports are exceeding exports* at all major Australian ports, which is increasing the risk of delay. Surplus imports are being fuelled by *ongoing spending* on consumer goods.

June 2021

Containerised exports and imports at major Australian ports

<table>
<thead>
<tr>
<th>Port</th>
<th>Export</th>
<th>Import</th>
</tr>
</thead>
<tbody>
<tr>
<td>Port of Botany</td>
<td>108</td>
<td>105</td>
</tr>
<tr>
<td>Port of Melbourne</td>
<td>58</td>
<td>57</td>
</tr>
<tr>
<td>Port of Brisbane</td>
<td>113</td>
<td>54</td>
</tr>
<tr>
<td>Port of Fremantle</td>
<td>29</td>
<td>34</td>
</tr>
</tbody>
</table>

Full vs empty containers at major Australian ports

<table>
<thead>
<tr>
<th>Port</th>
<th>Full</th>
<th>Empty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Port of Botany</td>
<td>146</td>
<td>67</td>
</tr>
<tr>
<td>Port of Melbourne</td>
<td>220</td>
<td>75</td>
</tr>
<tr>
<td>Port of Brisbane</td>
<td>79</td>
<td>79</td>
</tr>
<tr>
<td>Port of Fremantle</td>
<td>52</td>
<td>11</td>
</tr>
</tbody>
</table>

May 2021

Containerised exports and imports at major Australian ports

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<thead>
<tr>
<th>Port</th>
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<tr>
<td>Port of Botany</td>
<td>112</td>
<td>116</td>
</tr>
<tr>
<td>Port of Melbourne</td>
<td>60</td>
<td>63</td>
</tr>
<tr>
<td>Port of Brisbane</td>
<td>118</td>
<td>65</td>
</tr>
<tr>
<td>Port of Fremantle</td>
<td>34</td>
<td>28</td>
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<th>Port</th>
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<tbody>
<tr>
<td>Port of Botany</td>
<td>159</td>
<td>69</td>
</tr>
<tr>
<td>Port of Melbourne</td>
<td>208</td>
<td>81</td>
</tr>
<tr>
<td>Port of Brisbane</td>
<td>89</td>
<td>39</td>
</tr>
<tr>
<td>Port of Fremantle</td>
<td>48</td>
<td>48</td>
</tr>
</tbody>
</table>
Domestic agricultural production continues to outweigh the availability of supporting freight capacity

Key insights
- There has been an increase in total container exports at all Australian ports, which is raising concerns around the availability of freight capacity.
- Exporters of high-value exports to Hong Kong may benefit from air freight recovery, however volatility in air freight capacity is expected to remain to December 2021.

What does this mean for...

Red meat
- A near balance in container flows entering and leaving the Singapore transshipment port will enable more efficient cargo clearance to other Southeast Asian markets.
- Increased air freight recovery to Hong Kong indicates opportunity for high-value exports however reflects the volatile nature of air freight capacity that will not ease pre-Christmas 2021.

Grains
- Although container grains exports are minimal, signs of slower processing of container containers through all ports from June-May 2021 indicates a risk to the efficient delivery of grains exports, particularly in Botany and Melbourne.
- However, given the favourable shelf life of grains exports, this is not perceived to be a high risk.

Citrus
- All citrus exports to Asia must be transhipped through Singapore or Hong Kong, and vessels at these ports can still experience 2-4-week delays.
- Significant surplus of full containers at Melbourne, (where most Australian citrus exports are processed) may increase the availability of empty containers in the next 2-3 months.

Cross-industry
- Increase in total container exports at all ports except Fremantle reflects easing congestion domestically, which will likely continue as industrial action alleviates.
- However, while a surplus of imported containers at all ports barring Fremantle indicates capacity of freight, it is likely congestion may take a few months to clear in the short term.
- Consistent with the first half of 2021, the Port of Brisbane shows the most balanced ratio of imported to exported containers, indicating efficient clearing of cargo.

Comparison of freight quantities carried on top Australian flight routes March-May 2021

- While Sydney to Singapore remained the route with the largest amount of air freight in May, it has decreased slightly on April levels, which suggests the recovery of pre-COVID air freight export volumes will not follow a consistent trajectory.
- Barring Sydney to Singapore, May 2021 air freight volumes have increased on all top routes compared to April, representative of the large volumes of freight typical of the pre-Christmas period. This cannot be taken to represent congestion levels, however increasing volumes suggests delays are likely to occur.

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Despite market access issues to key markets, demand for premium beef and lamb products continues to grow

**Update**

- Australian lamb and mutton exports to the US and China are spiking, significantly increasing demand for freight capacity.

**Context**

- Outbreaks of new strains of African Swine Fever (ASF) expected to increase demand for other red meats like mutton and lamb.
- Australian lamb exports grew 20% month-on-month in May (7% above the five-year average), driven by increased demand in China and the US, and in part by the recovery of the food service industry.
- The Australian dollar depreciated further to 0.73 USD on 21 July 2021. This will support exporters as China continues its high demand for Australian lamb and mutton.
- Export volumes to the Middle East have decreased over July 2021 on the back of the cancellation of the Qatar lamb export subsidy and suppression of food service activity due to COVID-19 (50% of consumption).

**Insight**

- Demand for Australian lamb and mutton is peaking in both the US and China.

**Market access challenges continue to impact the export of beef into the Chinese market**

- Australian beef exports to China declined 42% year-on-year over the year to May 2021. This reduction in trade has been heavily influenced by the suspension of exports from certain processing facilities in 2020.
- Argentina’s 30-day ban on beef has ended, however resurgent interventionist policies are likely to impact the long-term outlook for Argentinian beef exports to China, who are likely to look to other suppliers (Brazil, Uruguay or New Zealand) to fill the gap.
- US beef exports are benefitting from the reduced presence of premium Australian product in China, particularly grain-fed loins. However, overwhelmed supply chains and logistics services have largely limited US beef exports to China to frozen sea-freight. Australia remains the largest supplier of chilled beef into the market.

**Red meat exporters and producers are experiencing the flow-on impacts of the closure of rail freight windows to Port Botany due to industrial action**

- Red meat producers and exporters are feeling the flow-on impacts of recent disputes between Patrick Stevedores and the MUA, which caused the closure of over a quarter of rail freight windows to Port Botany, where a large volume of red meat exports are delivered.
- Rail freight has had to be unloaded at three congested intermodal freight handling depots in suburban Sydney and then placed back on trucks for transport to the port, increasing freight handling chargers to exporters and farmers.
- Flow-on impacts include major overflow in container parks contributing to the current average delay for vessels at the Patrick terminal in Sydney of 5.3 days (2 August 2021). Port of Brisbane could see similar disruptions for red meat exports to those experienced in NSW in light of recently announced planned strikes.

**Lower Argentinian beef exports to China is expected to continue to increase freight availability in the region**

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3. China is world’s largest imported beef market in 2021 - The Cattle Site
4. Agricultural commodities, June quarter 2021 | sindyvn.net.au
5. Botany rail choke exacerbates Sydney container crisis | Beef Central, 2021
6. Delays, Industrial Action at Patrick’s Sydney Terminal lead to lines omitting calls | Daily Cargo News, 2021
7. Aus Lamb Exports spiking in US, China | Mecardo
8. Reduced Australian exports in first half of 2021 | Meat & Livestock Australia (mla.com.au)
9. Abattoir in Jordan suspended from receiving Australian sheep after animal welfare breach - ABC News
Demand for red meat exports from North African and Middle Eastern countries is slowly increasing

Key insights

1. Australian beef exports to the Middle East and North African countries are slowly recovering to pre-COVID levels.
2. Demand for lamb exports into the Middle East remains low, with global sheep meat exports down over 50%. Prices are holding strong.
3. Eventual recovery in Middle Eastern markets is likely to give a boost to already strong lamb prices.
4. The flow-on impacts of rail freight window closures will continue to affect producers as increased shipping prices are passed back to producers in the form of reduced returns, particularly for those who rely on rail to deliver exports to the Port of Botany.

Total beef exports to the Middle East are recovering to pre-pandemic levels

• Australia’s beef exports to Middle East and North African countries (MENA) are recovering to pre-pandemic levels, up 22% year-on-year to July 2021.
• Demand for frozen and grain-fed chilled products is strengthening, particularly to larger export destinations such as UAE, Saudi Arabia and Kuwait.
• Given Middle East North Africa (MENA-10) countries’ strong dependence on food imports, efforts have been made to replace passenger-cargo flights with cargo-only flights to secure food supply, including meat.

Demand for lamb exports into the Middle East remains low

• Lamb exports to the region are 21% lower year-on-year as a consequence of reduced sheep meat demand overall.
• Decreased demand for lamb imports due to constrained consumer spending driven by continued lockdowns and economic uncertainty from COVID-19 and low oil prices.
• Cancellation of the Qatari lamb import subsidy at the end of 2020 contributed to a 59% decline in Australian lamb exports to Qatar in the first half of 2021 compared to 2020. Reduced supply of sheep meat out of Australia and increased freight costs have placed upward pressure on prices in the region.
• Despite weaker demand for lamb from the Middle East between 2019-20, prices for red meat have performed well in the past 12 months, indicating the strength of demand in other markets, including some emerging markets such as Hong Kong, Taiwan and Papua New Guinea.

Minimising disruption

• The Exporter Supply Chain Assurance System (ESCAS) submitted management plans to the Department of Agriculture, Water and the Environment outlining corrective actions to address compliance breaches reported in Indonesian abattoirs to minimise potential impacts on the industry.

1 Reduced Australian exports in first half of 2021 | Meat & Livestock Australia (mla.com.au)
2 Middle East demand for sheepmeat softens | Meat & Livestock Australia (mla.com.au)
3 The missing piece of the lamb puzzle | ruralbank.com.au
4 From coal to cars, Chinese floods tangle supply chains | Reuters
Grains: Industry snapshot
### COVID-19-related market access and labour constraints are impacting grain production and exports

**Update**
- Booming global demand for grain imports is matched by record high prices, however congestion is also increasing shipping prices

**Context**
- A lack of freight capacity, port congestion and understaffed ports are impacting the import of production inputs (fertilisers and pesticides) and export of grains to key markets. Charges of up to AUD $20 per tonne on grain and pulse exports from Port Botany are a product of double or triple handling of boxes coming from regional NSW.
- China’s record grain import levels are continuing to cause delays, exacerbated by the slow recovery of congestion at the Yantian Port.
- These delays continue to compromise the freight capacity of vessels transporting goods from Australia into key Chinese ports.

**Insight**
- The Western Australian Government has warned it may turn back cargo vessels travelling from and stopping in Indonesia amid rising COVID-19 infections in Indonesian ports. As COVID-19 infections worsen in Chinese ports too, further disruptions may be seen, which would have flow-on effects for Australian importers and exporters.
- India has passed a bill to cut the tariff on imported lentils from 33% to 11% in an effort to boost domestic supply and check rising prices; although the chickpea tariff remains at 66%. This lentil tariff reduction may only be temporary.
- India receives imported lentils bulk and containerised. Uncertainty in Australian exporters’ access to containers could limit the capacity of Australia to export lentils in the period of reduced tariffs, however a high-value opportunity still exists if congestion can be monitored.

**Uncertainty in trade with Indonesia is impacting grains exports and input imports, while India’s decreased tariffs look favourable**

**Drought conditions in Canada and the US and flooding across Europe are impacting global production of high-protein wheat**

**Drought conditions in Canada and the US and flooding across Europe are impacting global production of high-protein wheat**
- Global drought conditions and extreme heat are having an impact on production of high-protein wheat. The US spring crop condition, of which 95% is grown in the Northern Plains, was rated at just 16% good/excellent in mid-July compared with 70% in 2020.
- Flooding in Western Europe is impacting rail and road infrastructure as well as crop quality, leading to downgrading from milling wheat to more general purpose/feed wheat.
- As a result of global challenges in the supply of high-protein wheat, the domestic market in Australia is seeing strong prices for grains. In July 2021, 13% protein wheat was bid at upwards of AUD $320 in Port Kembla Track and new crop wheat is up AUD $20/mt in the month to July 2021. Australian exporters will likely continue to receive favourable prices and would be well-placed to leverage the strong performance of bulk exports out of Port Kembla.

**Container congestion and a lack of freight capacity may impact Australia’s ability to take advantage of India’s temporary reduced tariff window for lentils**

**Australia has an opportunity to capitalise on favourable prices to address supply gaps in high-protein wheat into Asian markets**

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1. Grain sector works its way through COVID disruption - Grain Central
2. Botany rail choke exacerbates Sydney container crisis - Beef Central
3. WA livestock industry warns a ban on cargo ships from Indonesia could have disastrous consequences - ABC News
4. Indian lentil tariff cut welcomed by Australian grain growers - ABC News
5. Here comes the grain | AWB
6. Mother nature: The driver of markets | AWB
Extreme weather in major grain-producing regions is impacting both production and logistics

**Key insights**
- Grain prices are expected to remain high, with volatility in global supply being caused by dry conditions across northern US and Canada, severe drought conditions across Russia, and excessive rainfall across northern Ukraine, China, and Western Europe.
- A lack of labour due to caps on international arrivals continues to cause challenges for the export of Australian grain, exacerbated by the anticipated size of the 2021 harvest resulting in large anticipated export volumes.
- Grain exporters are relying on bulk freight export availability, which is subject to volatile global trade disruptions, to mitigate risk against high freight rates and a lack of available containers (particularly lack of TEU food-grade containers).

**Flow-on impacts**
- Containerised grain exports from Australia dipped 11% from the April 2021 total. This could be driven by the continued container congestion in Port Botany and intermittent industrial disputes. Despite seasonal challenges and higher freight costs, export competition is expected to remain over 2021.
- Global wheat values have experienced volatility throughout July 2021, with ongoing poor climatic conditions in northern US, Canada, and Russia impacting the global production of high-protein wheat. If yields are compromised in coming months, global grain prices are expected to rise.
- Wheat prices have broken lockstep with corn as profit-taking across corn contracts has seen wheat develop a premium over corn. While globally low export stocks are being experienced, Australia is expecting another record harvest, which is playing a role in moderating prices.
- Excessive rain in northern Ukraine and France has caused lodging and reduced protein, lowering the overall crop quality and yield.
- Rainfall and flooding in China, particularly in Zhengzhou and in landlocked Henan (China’s major grain-producing region), has cut road links and caused power outages. This is disrupting the supply of wheat to key ports and is likely to have an impact on shipping and place upward pressure on already-high shipping rates.
- Flooding in Europe has caused disruptions to railways between ports and grain-producing regions. This has delayed cargo movements in and out of central ports, including Hamburg and Rotterdam in Germany, and there is likely to be further congestion when freight routes free up once the flooding clears.

**Minimising disruption**
- Exporters would be well-placed to leverage the freight advantage of close geographic proximity to Asian markets to plug a demand gap for high-protein wheat in light of supply constraints faced by producers in US and Canada.
- Enhanced data visibility over on-farm stored grain volumes is needed to improve supply chain planning and coordination of exports over time.
- Exporters would be well-placed to take advantage of Indian lentil tariff reductions to free up on-farm storage and ease supply chain pressure.

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1. Australia exports 2.66Mt wheat in May, up 11pc - Grain Central
2. Botany rail choke exacerbates Sydney container crisis - Beef Central
3. GrainCorp Weekly Market Wrap - Saxon Ag
4. Ukraine set for record crop if weather doesn’t crash the party - Grain Central
5. Here comes the grain | AWE
6. Floods in Europe and China disrupt global shipping, supply chains (cnbc.com)
7. Indian lentil tariff cut welcomed by Australian grain growers - ABC News
8. From coal to cars, Chinese floods tangle supply chains | Reuters
9. NSW Ports CEO Update - July 2021 | NSW Ports
10. RUSSIA – CENTRAL ASIA Drought strikes in Russia and Central Asia (asianews.it)
Citrus: Industry snapshot
Citrus exporters have an opportunity to plug US supply gap, although labour constraints are increasing risk

**Update**
- Lower US production and exports may create opportunity for Australian exporters
- Labour shortages in Australia’s largest growing region likely to increase pressure on input costs and reduce global competitiveness
- Fruit fly outbreaks have led to greater demand for cold treatment infrastructure from shippers

**Context**
- Citrus production in the US (the world’s fifth-largest producer of citrus) is estimated to drop 13% in 2021 to 4.2 million tonnes, in line with a continued decline. Driven largely by lower orange exports, this will create increased export opportunities for Australian citrus into key Southeast Asian markets.
- Citrus greening disease has severely decreased US supply, with production less than one-third of 2020 volumes. In addition, plantings for citrus are down by nearly 40%.
- Global production continues to trend upwards, with global exports estimated at 11 million tonnes in July 2021. Production in Brazil and China is forecast to be higher, given favorable seasonal conditions.
- With lower US production, Australia has the capacity to gain market share in markets typically dominated by the US, like Japan or South Korea, given equivalent product quality.

**Insight**
- Flight restrictions into Australia are limiting the availability of seasonal labourers, with some growers reporting wait times of more than six months for visa approvals.
- Industry representatives are lobbying for more quarantine facilities to support the Pacific Island Worker Program and the creation of quarantine-free travel bubbles.
- Labour shortages will put further pressure on Australian exporters’ input costs, which are already high compared to other citrus-exporting nations.
- Export competitiveness for citrus producers is hindered by the threat of labour shortages impacting delivery of critical volumes to key customers, exacerbated by shipping volatility.
- Uncertainty in the labour supply is causing challenges in supply chain and logistics planning as producers cannot forecast when they will be able to complete harvest for export.

**Requirements for cold treatment and additional risk mitigation measures are putting pressure on exports and freight costs**

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1 citruss.pdf (usda.gov)
2 Mandarin prices likely to rise as Australia’s largest growing region struck by labour shortage - ABC News
3 ANL | 2021 Citrus Outlook in Australia
4 Needle found in mandarin at SA supermarket prompts police warning to ‘reckless’ perpetrators - ABC News
Delays and congestion continue to deter citrus exporters’ ability to deliver critical, competitive export volumes

Key insights
- COVID-19 continues to slow processing at Chinese ports, impacting citrus imports, increasing oversupply in Australian markets and leaving exporters weary of their inability to export large volumes of premium citrus to key trading partners.
- Production in key citrus-producing regions including Brazil, Mexico and China is forecast to increase, which may increase competition for Australian citrus exports into low-quality-grade markets.

Flow-on impacts:
- COVID-19-related delays at Chinese ports continue to impact citrus imports, due to a lack of labour availability and broader port congestion.
  - While demand remains strong from Japan and the Middle East, citrus exports to China have softened as Chinese domestic supply remains strong.
  - Production forecasts in key citrus-producing regions are up, and prices remain strong.\(^2\)
    - Citrus production in Brazil is forecast to be up 7% to 15.9 million tonnes, despite adverse weather; Mexico’s production will rebound to 4 million tonnes as drought conditions ease from 2020.
    - Chinese production is up slightly to 7.5 million tonnes due to favorable weather. Consumption is flat and imports are down. Chinese exports are expected to more than double as logistics improves and demand recovers in key export markets such as Malaysia, Philippines and Vietnam.

Minimising disruption:
- Explore opportunities to transform backpacker hostels into quarantine facilities and streamline approvals process between other countries and interstate to fast-track availability of labourers.
- NSW citrus growers to take advantage of the NSW Government’s decision to reduce the grower contribution to hotel quarantine for seasonal workers to AUD $1500 from AUD $3000.\(^3\)
- Citrus Australia to continue to lobby the Federal Government to implement its proposed Seasonal Workforce Agricultural Visa in 2021.\(^4\)
- Increased CCTV monitoring of fruit expected in major retailers and across supply chains in efforts to mitigate contamination, including needles.
- AUD $400 million funding was announced in the 2021 Federal Budget to enhance plant biosecurity to protect horticulture. This includes AUD $84 million in frontline measures, including detector dogs and enhanced screening capabilities, and more than AUD $200 million to improve the detection and management of threats offshore.\(^5\)

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1 Mandarin prices likely to rise as Australia's largest growing region struck by labour shortage - ABC News
2 citrus.pdf (usda.gov)
3 Citrus Australia seeks greater focus on plant biosecurity - Citrus Australia
4 Prime Minister must deliver agriculture visa this year - Citrus Australia
5 Growers should take advantage of NSW government's decision to halve quarantine cost - Citrus Australia
Takeaways and next steps
A summary of the July 2021 key logistics disruption insights with the potential to impact producers

July 2021 logistics disruption insights may be used to guide industry participants in their supply chain strategic decision making over the short, medium and long term.

Port congestion in most major global container terminals has caused flow-on disruptions in international trade lanes. The ongoing impacts of the Suez Canal blockage, Los Angeles and Long Beach port congestion, and Yantian Port COVID-19 outbreak mean customers importing into Australia are experiencing delays of 7-10 days while those exporting from Australia through major trade lanes are experiencing delays between 1-3 months. Delays are expected to continue throughout 2021.

In July 2021, the Maritime Union of Australia (MUA) finalised enterprise agreements with container stevedore companies Victorian International Container Terminal (VITC), DP World Australia, Hutchison, and Flinders Adelaide Container Terminal which has reduced some disruptions at key ports. However, industrial action continues at Patrick Terminals Sydney, AutoStrad and at the Port of Melbourne, which is exacerbating existing congestion and delays, and causing productivity loss.

A scarcity of shipping carrier space, port congestion and lack of container availability (particularly for Twenty-foot Equivalent Unit (TEU) food-grade containers) continues to cause both delays and increases in freight prices at Australian ports. Exporters need to communicate regularly with shipping lines and freight forwarders to understand changes and disruptions to vessel schedules. Refrigerated storage containers (reefers) are required at ports and warehouses to mitigate risk of product damage due to delays.

The Australian agricultural supply chain continues to feel the impact of domestic labour shortages, market access issues amid COVID-19 outbreaks in major ports and a series of local biosecurity breaches across July 2021, including the resurgence of fruit flies and another needle contamination event in South Australia. Further freight rate increases are expected leading up to the 2021 Christmas period.

Outbound passenger flight and freight flight cancellations to China, Europe, Asia Pacific, the Middle East and the Americas continue to constrain air freight capacity. The Federal Government’s International Freight Assistance Mechanism (IFAM) has added flights to its existing schedule. Exporters are advised to regularly check air freight changes and forward plan to ensure timely export of goods in the lead-up to December 2021.

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1 International ports: Sydney’s Port Botany faces ‘gridlock’ amid union rail wrangle (joc.com)
2 Logistics firms raise concerns over yet another port strike (businessnewsausralia.com)
3 Australia Logistics Updates for Coronavirus COVID-19 | Agility
4 Australia COVID: Freight pressures to hit consumers at Christmas peak (afri.com)
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