## Project scope and objectives

### Project objectives

- Minimise the impact of COVID-19 logistics disruption on agricultural export supply chains.
- Conduct ongoing analysis of logistics disruption by assessing market impacts and providing timely and accurate information to select 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
A summary of the September 2021 key logistics disruption insights with the potential to impact producers

September 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.

The impacts of continued shutdowns of major global ports and airports, largely in China, South Korea and the United States (including the ports of Los Angeles, Long Beach and New Orleans) are having ripple effects across global supply chains. This has caused goods to back up in storage and ships to be diverted or slowed down, thereby slowing global trade flows.

Congestion at key connecting ports along the US West Coast has produced a record backlog, with 65 cargo ships forced to queue and wait, at times for more than eight days. Ports are taking additional steps to reduce the backlogs by extending operating hours. US shipping freight rates continue to rise to record highs, which is increasing prices of consumer goods globally and increasing the risk of shipping lines cancelling their calls in Australia in favour of more lucrative freight routes.

Australian COVID-19 border restrictions continue to impact the transfer of goods across state borders for export, and there remains the threat of outbreaks at key freight hubs. A COVID-19 outbreak at the Port of Botany caused only minimal delays but is a leading indicator of the disruption that may occur as restrictions begin to ease. The limited number of connecting flights reduces the feasibility of air freight as an alternative pathway for Australian exporters, considering air freight costs on trans-Pacific routes jumped to a new record in mid-September 2021.

New Gateway Clearance measures at Australian ports will benefit importers and transport providers by reducing the time required for customs clearance. Announcements on a number of other future port developments, particularly in NSW and Victoria, create a favourable outlook for medium-to-long-term Australian freight capacities.

Announcements regarding the incoming Agriculture Visa have many agriculture sectors hopeful the pandemic-induced labour crisis will be alleviated and there will be greater support for ongoing export volumes. However, it is currently not clear whether the new arrangements will be established in time for imminent harvests.

Global trade and geopolitical shifts, such as bids by a number of Australia’s key trading partners to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), are predicted to expand trading opportunities for Australian producers in the medium-to-long term.

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1 Record backlog of cargo ships at California ports | BBC News
2 Supply China Latest: China’s Storm-Hit Ports Scramble to Reopen | Bloomberg

4
The flow of trade through Southeast Asian ports continues to be hindered by COVID-19 and extreme weather

Key insights

• China has seen another COVID-19 Delta variant outbreak in the Southeast province of Fujian, less than a month after the August 2021 Ningbo outbreak was contained. This is expected to create further delays in the region, which will slow major trade routes.

• Sustained container backlog is expected at major Chinese ports in Shanghai and Ningbo due to extreme weather conditions and ongoing impacts of COVID-19 outbreaks. Australian exporters must remain aware of the risk of extended lead times and the holding of products at port.

Shanghai

• Several terminals at Shanghai Port, the world’s busiest port by cargo volume, halted container operations. Most flights from Shanghai Pudong International Airport in mid-September 2021 were cancelled due to Typhoon Chanthu.

• The storm’s subsequent impacts on South Korea, another major exporter in the region and a key red meat trading partner for Australia, will also cause delays in the region.

• Nearby Ningbo-Zhoushan Port, which was just starting to recover from a COVID-19 outbreak in August 2021, also ceased operations at select terminals.

• These operational stoppages are likely to further delay shipments and the clearing of cargo through key Shanghai freight hubs, which are already grappling with China’s record export volumes in the lead-up to the end of the year. Given recent trends in both weather and pandemic-induced port disruption, similar delays can be expected in coming months.1

Fujian

• A COVID-19 Delta variant outbreak in Fujian infected dozens and shut down local economies. Major connecting ports, such as Los Angeles, are already bracing for delays in throughput. The impacts could be akin to those seen during past closures at Ningbo and Yantian.3

• Mid-Autumn Festival activities in Fujian have been cancelled. The Festival is an occasion that typically elicits strong demand for Australian fresh exports such as citrus.2

• Continued Delta variant disruption is causing industries to question the sustainability of China’s zero-tolerance COVID-19 policy, while other countries in the Asia-Pacific region have gradually begun accepting the virus as endemic.1 Any changes to China’s zero-tolerance policy may impact the stability and predictability of global logistics. Extreme weather events are also adding to the current uncertainty.

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1 COVID-19 Delta Variant Breaches China Again, Just Weeks After Last Outbreak | TIME
2 Market Insight – China Cultural Festivals and events featuring fruits and nuts as gifts of offerings | Austrade
3 Is China’s port closure a canary in a COVID mine? | Aljazeera
Key connecting ports along the US West Coast are taking additional steps to reduce backlog by extending hours

### Key insights

- Delays at the key US gateway ports of Los Angeles and Long Beach continue to create major supply chain bottlenecks, with the vessel queues reaching 65 ships for the first time, as reported on 22 September 2021. Given that both these ports account for 40% of all cargo containers entering the US, this congestion continues to inflict widespread disruption on all connecting global supply chains.⁵

- Both ports are taking additional measures to extend working hours in order to work through the backlog, therefore some easing of congestion is expected in the coming months. However, any improvement is subject to the risk of other global shocks, such as extreme weather or recurring COVID-19 outbreaks affecting key trading partners/regions. These have also been major contributors to the vessel pile-up to date.

- Reduced US corn exports resulting from Hurricane Ida in the US southeast may help to increase global demand for wheat and other high-volume grain, which may align with expectations of a strong incoming Australian harvest.

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### United States

- Hurricane Ida, which hit the US’s southeast regions in late August 2021, posed significant threats to the country’s busiest agricultural port of New Orleans. The port was shut for more than a week due to power loss.

- The impact of delayed grains shipments may worsen as the nation approaches its peak harvest season, whereby the majority of grain (predominantly corn) exports will be shipped from the Gulf of Mexico.¹

- This impacts Australian export industries in the first instance by creating a logistical backlog in the region, which could flow back to Australian shores via delays and increased shipping prices. However, this may again create short-term supply gaps for Australian wheat and other grain exports.

- Further, the region impacted by Hurricane Ida is home to one of the world’s largest fertiliser production factories, which may pose risks to any Australian grain producers importing components of select fertiliser inputs for harvest.⁴

- The impacts come at a time when the average wait time for container ships to enter the ports of Los Angeles and Long Beach is exceeding eight days, representing generally unfavourable trade and logistics circumstances in the country.²

- Terminals at Los Angeles and Long Beach ports have announced additional measures to clear the backlog. The Port of Los Angeles has expanded weekend operating gate hours while Long Beach is piloting an extension of the hours during which trucks can pick up and return containers.³

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¹ Hurricane Ida Threatens U.S. Grain Exports if Disruptions Linger | Bloomberg
² Los Angeles Port Logjam Tops 50 Ships; Wait Exceeds Eight Days | Bloomberg
³ LA-LB ports to expand gate hours to ease historic congestion | JOC Port News
⁴ U.S. Gulf Coast grain exports slowly resume after Ida as more power restored | Reuters
⁵ Record backlog of cargo ships at California ports | BBC News
Major Australian ports are continually impacted by both COVID-19 disruption as well as ongoing industrial action

Key insights

- A COVID-19 outbreak at the Port of Botany caused minimal delays, however reflects the potential disruption that may occur in coming months as NSW begins to ease restrictions. New technology implemented to increase load and unload efficiency will hopefully alleviate congestion in the near term.1
- Rolling industrial action at Patrick’s Melbourne terminal on Mondays, Wednesdays and Fridays in October has been announced, in addition to existing on-and-off work bans in Brisbane, Sydney and Fremantle. Ongoing delays can be expected.6

State-by-state breakdown

**NSW**
- Operations at DP World Australia’s Port Botany terminal ceased on 15 September 2021 due to the detection of a COVID-19 case. The company implemented significant measures to minimise delays in the loading and discharging of containers. There were impacts in the days following the outbreak, however prolonged delays did not occur. There is concern that as the state begins to relax restrictions, this kind of event could re-occur at key ports and intermodal terminals (see medium-to-long-term impacts).1
- New technology designed to more efficiently and safely manoeuvre ships to port is being rolled out at Botany, Newcastle and Kembla ports. Known as ‘Dynamic Under Keel Clearance’, the technology provides near-real-time data, taking into account variables such as tide and speed of ship, all essential information needed to more systematically clear cargo.2
- The load and unload efficiency that will result is intended to reduce delays and, in turn, costs for exporters in the medium-to-long term.
- Industrial action planned for the final weekend of September 2021 was expected to cause delays in early October.6

**VIC**
- Port of Melbourne’s most recent stakeholder update (August 2021) reported that container trade was down compared with August-September 2020 levels.
- The update also reported that the local freight supply chain was adapting to global disruption. However, congestion and ongoing industrial action at other Australian ports had caused shipping line delays and changes to vessel rotation, which in some cases even caused vessels to omit Melbourne or other Australian ports in an attempt to recover from ongoing delays.3
- Planned industrial action at the Port of Melbourne is expected to result in rolling stoppages throughout October, creating ongoing delays.6

**QLD**
- Bulk cereal exports out of Brisbane continue to perform strongly. Favourable weather conditions resulted in an increase in wheat and sorghum tonnages, as well as the resumption of cotton seed shipments, the first since 2014.4
- Tough restrictions and extensive document checks between NSW and Queensland are causing an administrative burden on businesses that operate on both sides of the border, particularly those transferring grains over the border for export.5

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1 DP WORLD PORT BOTANY TERMINAL CLOSES ON WEDNESDAY AFTER COVID CASE IN WORKFORCE | Daily Cargo News
2 Maneuvering very large ships to port is now safer and more efficient thanks to new technology | Port Strategy
3 Port of Melbourne container volumes continue in July 2021 | Port of Melbourne
4 Port of Brisbane News September 2021 | Port of Brisbane
5 Border farmers, ag businesses disrupted as NSW locks down | Beef Central
6 Warning port strikes could threaten Christmas deliveries | Nine News
7 More supply chain misery down under with new MUA strikes at Patrick | The Load Star
New Gateway Clearance measures at Australian ports will benefit importers and transport providers by reducing time required for customs clearance

**Key insights**

- As of 1 October, Australian Border Force (ABF) requirements on imported goods will change, allowing consignments to undergo customs clearance at the port where they are received, regardless of the goods’ final destination.
- Previously, the discrepancy between consignment’s discharge and final destination meant that goods had to be transported under costly customs control arrangements in order to undergo customs clearance at both ends of the journey, which unnecessarily complicated the last-mile logistics (adding complexity and cost).
- This change is predicted to result in noticeable transport cost and time savings for many businesses that regularly import goods, a reflection of ongoing collaboration with ABF and the Department of Agriculture, Water and Environment (DAWE) to increase the efficiency of trade.
- In particular, grains and other imported fertiliser and machinery-reliant agricultural industries will hopefully see lower costs across the value chain. Importers that are distant from major sea ports or regularly import less than a container load worth of products will also see benefit.

**Customs clearance at Australian ports**

- The Freight and Trade Alliance (FTA) and Australian Peak Shippers Association announced in September 2021 an important change in regulation across Australian ports, which will allow the release of cleared sea cargo from customs control at the port of discharge, regardless of the final delivery destination. The change will take effect from 1 October 2021.
- Australian Border Force (ABF) Commissioner Michael Outram said the change brought customs and biosecurity release requirements for imported sea cargo in line with those for air cargo, and would simplify last-mile logistics.
- With this change, a consignment with customs and biosecurity clearance can be released for home consumption from the nominated port, or movement to any final destination can be made via less-costly domestic freight services, given transport under customs control is no longer required.
- Importers or logistics providers importing less than a container load worth of products will especially benefit from the change.
- The change reflects ongoing collaboration between ABF and DAWE to increase the efficiency of customs clearance processes in order to support trade, industry and the economy.¹

¹ New Gateway Clearance measures to benefit importers and transport providers | Freight and Trade Alliance via The National Tribune
A new high for global air freight costs is causing a surge in prices for inbound and outbound freight to Australia

Key insights

• The global benchmark gauge for air freight costs on trans-Pacific routes jumped to a new record in mid-September 2021. The TAC Air Cargo Price Index, a global tool that tracks volatility in the air cargo market, reported rates from Hong Kong to North America rose to 9.7, compared with an average of 3.52 in the five years leading up to the pandemic.¹ This figure is being used as the flagship indicator of unprecedented global air freight disruption levels.

• This increase is reflective of the growing demand for air freight as a means of circumventing the disruption and delays faced by sea freight routes, and the insufficient supply to keep up with this demand.

• Ongoing shocks to air freight flows at major trade hubs such as Shanghai caused by extreme weather and COVID-19 outbreaks are also pushing up the global price of air freight, which is flowing back to Australia via rising costs of inbound flights. Australia’s cap on international arrivals is also tightening supply and pushing up the freight prices.

• As reported in the Australian Financial Review, the freight industry is concerned that if caps on international arrivals into Australia persist as pandemic recovery increases across North America and Europe, many carriers will be forced to consider whether it is more economical to re-allocate crew and freight capacity resources away from Australia.² This is not dissimilar to the situation regarding the flow of sea freight through Australian ports, where shipping companies are opting for more lucrative, volume-driven routes over calling through small markets like Australia.

Climbing global air freight price trajectory ahead of Christmas worsened by limited supply of connecting Australian flights

• In Australia, the freight industry has warned that international arrival caps could force airlines flying cargo to consider pulling out of the Australian market. Specialist freight consultant Frederic Horts reported that these cuts represented a significant portion of Australia’s inbound capacity.²

• Reduced flight availability will significantly increase prices of both inbound and outbound freight in the lead-up to Christmas. Airlines are anticipated to charge more for cargo coming out of Asia and the Middle East in particular. This will likely then materialise in increased prices of goods for consumers.

• The freight industry has reported that more assistance and supply chain planning will be necessary to avoid shortages of key goods.

• Announcement of the Australian Government’s commitment to support the International Freight Assistance Mechanism (IFAM) program until mid-2022, and announcements alluding to the re-starting of more regular inbound and outbound international passenger flights in coming months, will hopefully relieve some of these pressures on Australian exporters and importers.

¹ Supply China Latest: China’s Storm-Hit Ports Scramble to Reopen | Bloomberg
² Freight pressures to hit consumers at Christmas peak | Australian Financial Review
Global airfreight volumes continue to decrease at a slow rate, while container throughput at major global ports has seen marginal change

Key insights

- Inbound and outbound global air freight volumes continue to decrease marginally on a month-by-month basis, reflective of limited supply in capacity.
- No improvement has been identified in the container surplus at the Port of Los Angeles, while the Port of Singapore is experiencing a slight surplus in the number containers leaving versus entering the port, which may cause a container shortage for imports in coming months.

![Container Availability Index (CAx) July 2021](image)

- **CAx 0.5** same amount of containers leave and enter the port
- **CAx > 0.5** more containers enter than leave
- **CAx < 0.5** more containers leave than enter

**Shanghai Port:** Weekly average of 0.51, 1% increase on August 2021 levels

**Singapore Port:** Weekly average of 0.47, 2% decrease on August 2021 levels

**Los Angeles Port:** Weekly average of 0.88, no change on August 2021 levels

**Inbound and outbound air freight movements for July 2021**, compared with one month, one-year, and two-year benchmarks

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

**Takeaways**

- Exporters are advised to monitor fluctuations in global air freight volumes as an indicator of capacity, in line with the gradual reopening of international borders and the return of commercial air travel to pre-pandemic levels.

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Total container throughput has decreased at most major Australian ports compared with July 2021 levels

Key insights
• Total throughput of both empty and full containers at Port of Botany has decreased in recent months, indicating wavering freight capacity, while throughput at the Port of Fremantle improved on July 2021 levels.

August 2021
Containerised exports and imports at major Australian ports

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<thead>
<tr>
<th>Port</th>
<th>Export</th>
<th>Import</th>
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<td>Port of Melbourne</td>
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<tr>
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Full vs empty containers at major Australian ports

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July 2021
Containerised exports and imports at major Australian ports

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<td>Port of Fremantle</td>
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Full vs empty containers at major Australian Ports

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<th>Port</th>
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<th>Empty</th>
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<tr>
<td>Port of Melbourne</td>
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<tr>
<td>Port of Brisbane</td>
<td>89</td>
<td>35</td>
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<tr>
<td>Port of Fremantle</td>
<td>33</td>
<td>11</td>
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Air freight volumes on all Sydney-based flight routes continue to increase

Key insights
- Freight volumes carried on all top Australian flight routes from Sydney increased on May and June 2021 levels, including Sydney to Singapore, Los Angeles, Auckland and Hong Kong. Freight carried on the Melbourne-to-Singapore route decreased.
- This reflects Sydney’s status as a strong performer in Australian air freight throughout the pandemic and bodes well for high-value red meat exports into Singapore and Hong Kong.

What does this mean for...

Red meat
- Expanding freight capacity to send high-value red meat exports to top markets Singapore and Hong Kong.

Grains
- Improvement in export performance at Port of Fremantle creates a favourable outlook for high-value grains exports that will soon be ready for shipment.

Citrus
- Decline in container throughput through Port of Botany and Port of Melbourne does not indicate strong freight capacity for citrus exports in coming months.

Cross-industry
- Australian exporters can expect to see continued delays and reefer shortages as the impacts of port shutdowns on Southeast Asia and the US are felt across global supply chains.

Comparison of freight quantities carried on top Australian flight routes May-July 2021¹

1 Bureau of Infrastructure and Transport Research Economics, 2021. International Airline Activity monthly publications, most recent available is July 2021.
Medium-to-long-term logistics disruption insights
## Key insights

- Ports Australia warns that disruption to shipping in Australia could worsen as state lockdowns are lifted, if collaborative government-industry contingency planning for inevitable outbreaks at key supply chain points, like ports and intermodal terminals, is not started immediately.
- Outcomes of the Productivity Commission inquiry into vulnerable supply chains appear promising in recognition of the potential need for future intervention should severe market disruption pose critical threats to Australian supply chains.

### Post-lockdown Australian supply chains

- As communities begin to live alongside the virus in coming months, the Australian freight industry fears that despite vaccinations, impacts of outbreaks on shipping will worsen existing delay challenges. Most importantly, this may deter shipping lines from calling through Australia, an ongoing concern for many industries that is driving up freight prices.
- The COVID-19 outbreak at a Port Botany terminal in September 2021 and subsequent delays reflect the disruption that will likely occur as economies reopen and restrictions lift.3
- Australian exporters and industry members are encouraged to call for and monitor any COVID-19-related changes in protocols and standard procedures in coming months at port and airport facilities in order to safeguard supply chains.1

### Productivity Commission inquiry into vulnerable supply chains

- The final report of the Productivity Commission inquiry into vulnerable Australian supply chains and Australia’s global role as a key exporter was publicly released on 13 August 2021.
- The Commission identified strategies to mitigate supply chain risks and outlined the circumstances under which government might intervene. These include situations such as where an industry or organisation’s ability to manage risk is hindered by regulation, or where disruptions have spill-over effects into other industries.
- The report’s indication that in these cases, government could consider a number of intervention options to mitigate disruption risks. This is encouraging for future Australian agricultural exports, given it is highly likely that further shocks to trade and logistics will again occur in the future. Options for intervention identified in the Commission’s report include:
  - Providing additional information on risks that would not have otherwise been shared,
  - Assuming more direct ownership of risk management (such as supporting market diversification, maintaining government stockpiles, mandating or subsidising private stockpiles, or maintaining domestic production capacity).2

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1. Governments must plan with supply chain before we begin living with COVID-19: Ports Australia | Ports Australia
3. DP WORLD PORT BOTANY TERMINAL CLOSES ON WEDNESDAY AFTER COVID CASE IN WORKFORCE | Daily Cargo News
The domestic supply crunch may be alleviated by the new Agriculture Visa, although the timing of its implementation remains unclear

Key insights

- Severe pandemic-induced labour shortages, which have impeded the export of many key agricultural products, may be partially alleviated through the implementation of Australia’s new Agriculture Visa, which will ease pressure on other input costs such as logistics.
- Industry members are advised to monitor changes in regulations as the visa is operationalised and implemented, noting claims by the Australian Government that the visa will be available before the end of 2021.

Australian Agriculture Visa

- The Australian Agriculture Visa was officially announced on 23 August 2021. The visa will be available to workers across the agriculture (including meat processing), fisheries and forestry sectors.\(^1\)
- The visa will be open to applicants from a variety of countries, as negotiated through bilateral agreements, with a reported focus on Southeast Asia. Full conditions will be developed and implemented over the next three years as the visa is operationalised. Minister David Littleproud has reported he is confident the visa will be up and running before the end of 2021.\(^2\)
- Regulations to enable the creation of the Australian Agriculture Visa will be in place by the end of September 2021, therefore industry members are advised to monitor communications closely to allow for the change to inform production and export planning.
- Minister Littleproud reported that the new visa must annually recruit more than 10,000 workers, who will work in agriculture for six to nine months each year for three years.\(^2\)
- Under new and existing visa arrangements, the number of Pacific and Timorese workers in Australia is expected to double to more than 24,000 between now and March 2022.
- Visa prioritisation will follow a demand-driven approach and consider permanent residency pathways and regional settlement.

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1. Joint media release: Australian Agriculture visa | Minister for Foreign Affairs
2. New agricultural visa to include South-East Asian workers but farmers remain unconvinced | ABC News
### Ongoing expansions of Australian port facilities will widen freight capacity in the medium-to-long term

#### Key insights
- Port Kembla in Wollongong will likely develop new ethanol storage facilities for bulk exports, while applications to develop a container terminal at the Port of Newcastle have been rejected.
- Ports Victoria also recently announced a three-decade plan to grow freight and logistics capabilities state-wide, however benefits are unlikely to be seen in the short term.

#### Evolving capacity of NSW Ports
- Opportunities to export ethanol out of Port Kembla may expand given applications by NSW Ports to develop an ethanol storage facility to temporarily store ethanol manufactured at the Manildra facility in Nowra. NSW Ports expects the application to be approved.
- This would bolster the Port of Kembla’s growing role as a crucial bulk grains exporter for Australia’s east coast.\(^1\)
- Applications for a container terminal to be developed at the Port of Newcastle have been denied, a move viewed as a major setback to the port’s ambition to become a major sea freight hub.
- This outcome reduces the opportunity for container-reliant agricultural exports produced in nearby regions to be exported via Newcastle.\(^2\)

#### Ports Victoria to implement long-term change
- The Victorian government announced on 31 August 2021 that it will accept all 63 recommendations of the Independent Review of the Victorian Ports System report, which details a plan for three decades of growth of the state’s freight and logistics tasks.
- A new container port is likely to be developed during this time, which will support the export of the region’s key food and fibre exports, which are currently experiencing freight capacity challenges.\(^3\)

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1. Port Kembla: Planning Applications in Progress | NSW Ports
2. Federal Court rejects ACCC’s bid to allow Port of Newcastle to develop container terminal | ABC News
3. Victorian Independent Ports probs advice accepted | Australasian Transport News
Widening of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership may impact trade opportunities and freight capacity in the long term

Key insights

- Bids by many of Australia's key trading partners, including the UK, China and Taiwan, to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership pose opportunities to widen the scope of Australia's export base, particularly for customers willing to pay a premium for Australian products.

- While China's application is unlikely to be successful and is seen more as a geopolitical move, it illustrates the rapidly shifting geostrategic environment in the Indo-Pacific region, which will inevitably impact the flow of trade in the medium-to-long term.

- The potential acceptance of new members to the agreement, which removes 95% of tariffs between members and is worth US$23 billion to Australia, will have significant and lasting impacts on the destinations and returns on key Australian agricultural exports.¹

- However, there is also a risk that expansion of the agreement may reduce the trade pact's original intention to provide concentrated, regional-based free trade, posing risks to Australia's Asia-Pacific-focused trade strategy of recent years.³

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<th>Evolving CPTPP may alter Australia's export agenda</th>
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United Kingdom
- The UK is aiming to conclude negotiations to join the CPTPP by the end of 2022, after receiving the green light in June to commence the process of joining the agreement.² UK membership of the CPTPP is viewed as having favourable outcomes for future Australian trade with the nation by building on the incoming Free Trade Agreement between the two nations.³

China and Taiwan
- China submitted an application to join the CPTPP in mid-September 2021 following Australia’s announcement of AUKUS, an enhanced trilateral security partnership between Australia, the US and the UK. China’s application, which has been interpreted as a geopolitical move unlikely to succeed, is intended to demonstrate to the region that China is pursuing peaceful economic ties. The move has been interpreted as opposition the security influence associated with the US’s recent engagement with AUKUS and the Quad (strategic dialogue between the US, India, Japan and Australia).⁴

- While China’s application is unlikely to be approved, its submissions to the Australian parliament on why it should join the CPTPP indicates its membership would lift the worth of the agreement to Australia from US$23 billion to US$36 billion.¹

- Taiwan is also bidding to join the trade pact; the Australia-Taiwan Business Council says Taiwan’s membership would help alleviate the challenging trade conditions Australian exporters are experiencing in key established markets. The chair of Australia’s parliamentary inquiry on the subject reports many submissions supporting Taiwan’s potential membership have been received, and that this is understandable given the lack of an Australia-Taiwan FTA despite the countries’ major trading partnership.

- Other potential new parties to the agreement include South Korea and Thailand, while the US, the prior frontrunner, could rejoin.

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¹ China lobbies MPs to back its bid to join free trade pact | Australian Financial Review
² U.K. aims to conclude Pacific trade group talks next year, report says | Japan Times
³ Australia’s Asia-Pacific strategy endangered by UK CPTPP accession | East Asia Forum
⁴ China applies to join Pacific trade agreement designed to counter its grown in the region, just hours after criticising AUKUS | Sky News
Addressing the power of global shipping lines through greater regulation is reported as unlikely in the short term

**Key insights**

- There is industry debate as to whether moves by the US to enforce stricter regulations on shipping companies will benefit global shipping circumstances, and whether similar impositions by Australian authorities will lead to more inclusive treatment by global carriers. According to reporting by Meat & Livestock Australia (MLA), greater regulation will likely have inequitable impacts according to the scale of countries' trade volumes, disadvantaging smaller nations like Australia.¹
- Supported by the most profitable 12 months on record, major carriers appear to be responding to price signals and adding capacity via new ship orders that will come online in the next few years, as well as increased purchases of dry and reefer containers. Exporting industries worldwide hope that this will relieve pressure on existing resources and drive prices down.

**Impact of regulation on the behaviour of shipping lines**

- The ability to coerce global shipping alliances and ease freight disruption through domestic regulation is uncertain. Meat & Livestock Australia notes that regulation is unlikely to address the fundamentals of limited short-term capacity, surging demand for goods in high-income countries and ongoing disorder from COVID-19 outbreaks.
- US lawmakers, for example, are seeking to increase the power of the Federal Maritime Commission to ensure fair application of penalties to shipping lines for omitting ports of call, in order to compel carriers calling at congested US ports to accept exports.
- MLA notes that while unilateral action by the US may reduce some global freight pressures, this could worsen the issue for select regions as carriers reposition reefers and dry goods containers to the US over countries like Australia.
- Unlike the US, Australia lacks economic and trade scale to compel shipping lines change their behaviour, therefore the tightening of Australia’s regulatory shipping agenda may mean they simply stop calling to Australia in favour of more-profitable routes elsewhere.¹

¹ Freight turmoil hitting red meat exports | Meat and Livestock Australia
Red meat: Industry snapshot
Red meat is seeing demand shifts in key export markets due to supply shocks and evolving consumption patterns

<table>
<thead>
<tr>
<th>Update</th>
<th>Context</th>
<th>Insight</th>
</tr>
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<tr>
<td>Global bans on Brazilian beef imports due to Mad Cow incursions have caused a major shock to red meat trade in Southeast Asia</td>
<td>The world’s biggest beef exporting country, Brazil, is in dispute with its biggest customer, China, over the discovery of two Mad Cow cases in September 2021. China and Russia have since banned Brazilian beef exports, with unofficial reports that Indonesia, Egypt, Iran and Saudi Arabia have imposed similar sanctions.</td>
<td>A recent report by Rabobank considered China’s evolving demand and rising consumption of beef, which is not traditionally a major animal protein consumed in China.</td>
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<td>Decline in Australian frozen beef exports to China compared with the US reflects ongoing diversification</td>
<td>The US overtook Australia as the leading frozen beef exporter to China in the months to September 2021. In July 2021, the US exported US$107 million worth of product, compared with US$35 million from Australia. This change comes even as some Australian exporters have had to freeze chill beef in transit due to unexpectedly long lead times.</td>
<td>Trends such as rapid e-commerce expansion, African swine fever, COVID-19 and lifestyle changes of many consumer demographics are contributing to China’s burgeoning beef market, where volume will decline but value will rapidly rise, increasing the need for refrigerated transport. Demand for beef is predicted to shift from a food service-dominated model to multi-channel, with consumption growth expected, particularly in modern retail and e-commerce.</td>
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<td>Predictions of China’s beef demand to extend to new distribution channels may create medium-to-long term opportunities for other Australian red meat exports</td>
<td>While Australia traditionally dominates frozen beef exports into China, this widening trade gap reflects the ongoing agenda of Australia’s red meat industry to diversify export markets and products. However Australia’s beef exports have reduced overall, down 24% in the first half of 2021 compared with 2020 levels, particularly in frozen products.</td>
<td>China’s promotion of increased domestic beef production, compared with other nations where it is often portrayed as unsustainable, is predicted to generate further interest in the category.</td>
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<td>Australian red meat exporters may benefit in the short term by avoiding logistics disruptions at Chinese ports and airports</td>
<td>Despite volume decline, this shift may favour Australian exporters in the short term by enabling them to avoid Chinese congestion.</td>
<td>Premiumisation of the Chinese beef market creates a favourable outlook for the trade situation post congestion recovery</td>
</tr>
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</table>

1 China’s ban on Brazilian beef over mad cow joined by Indonesia, Egypt, Saudis | ABC News
2 A New Era in China’s Beef Market: Domestic and Global Impacts of China’s Rediscovered Meat | Rabobank
3 US Frozen beef exports to China surge, adding to Canberra-Beijing tensions but boosting trade deal | US-China Relations
4 Reduced Australian exports in first half of 2021 | Meat and Livestock Australia
Long lead times via sea is causing some to halt red meat exports or shift focus to air freight for high-value products

Key insights

- Some Australian red meat exporters are being forced to shift focus to frozen products, with unexpected delays at sea and through customs, leaving the exporters with no choice but to freeze down chilled products in transit, at a significant loss of premium.
- Air freight is proving a successful alternative to avoid the sea freight disruption for some high-value chilled meat exports, however for products traditionally reliant on the distribution mechanism, current and expected near-term capacities are not adequate.

Flow-on impacts

Unexpected shift in focus to frozen products

- Given the risks of extended lead times and holding products in ports, Australian red meat exporters are seeing a shift to frozen over chilled products, which can often be unwarranted. Meat & Livestock Australia has reported that while red meat products on vessels may depart Australia as chilled, they may need to be frozen down at substantial loss of premium once landing in market due to delays in shipping and customs clearance.

Minimising disruption

Air freight is providing a lifeline for some red meat exporters to reach key markets, however for some products it may not be sufficient

- Select red meat exporters have been able to address reefer shortages and ongoing delays by turning to air freight, a distribution pathway limited in availability but suited to high-value products. These include predominantly beef in chilled boneless form, and chilled lamb boneless and bone-in.
- Department of Agriculture figures for the eight months to the end of August 2021 show meat exports by air to all destinations totalled 41,900 tonnes, of which beef specifically made up 13,200 tonnes (about 32%).
- Top destinations were China and Singapore, followed by traditional air freight markets in the Middle East (Dubai, Saudi Arabia, Bahrain, Qatar, Oman), and finally the US West Coast. Red meat exporters are also finding success sending small volumes to South Korea, Western Europe, Taiwan and Japan.
- With a commitment from the Australian Government to continue supporting IFAM, and as international passenger flights slowly begin to recover in 2022, air freight may become a more viable export pathway for many red meat exporters to circumvent sustained sea freight volatility.
- However, for products traditionally reliant on air freight to send significant volumes, current support arrangements and expectations for a slow return to pre-COVID freight volumes create a bleak outlook. This applies largely to the most vulnerable red meat product to limited capacity, lamb carcass trade to Middle East. While recent gains in shelf-life requirements may enable some customers to switch to vacuum-packed chilled primals sent via sea, the preference for carcasses, particularly in retail, is expected to remain in the immediate future. MLA reported that as a result, alternative packaging and freight solutions may be required to shift a greater portion of this carcass trade away from planes and onto ships.

1 Freighter turmoil hitting red meat exports | Meat and Livestock Australia
2 Airfreight lifeline for red meat exporters during COVID era | Beef Central
Grains: Industry snapshot
Transport restrictions, extreme US weather and a labour shortage are increasing pressure on upcoming harvest

**Update**

| Border restrictions continue to slow the delivery of grains and key inputs within and across state borders |
| Compromised US grains export logistics are impacting global supplies and trade dynamics |
| Labour shortages are a concern ahead of an expected record grains harvest, although measures are in place to mitigate risk |

**Context**

- Extensive border checks are slowing the movement of grains as well as key fertiliser, machinery and labour inputs between states.
- The early August lockdown of the Hunter Valley region, home to grains export terminals and several large consumers, caused some truck drivers to avoid the area, omitting deliveries for export and extending lead times.
- There have been some cases of feedlots pausing grain deliveries due to regional NSW outbreaks, although delivery timelines are not anticipated to fall behind.
- Clearing of grains stocks by bulk handlers in preparation for the southern Queensland harvest is accelerating demand for NSW grains, although restrictions may delay these movements.

**Insight**

- Queensland demand for NSW feed grains is increasing demand for cross-border logistics
- While Australia does not produce corn, a short-term supply shock may increase demand for alternative crops such as wheat
- Industry is prioritising contingency planning and risk mitigation due to reduced labour availability across the grains supply chain

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1 Border farmers, ag businesses disrupted as NSW locks down | Beef Central
2 Hurricane Ida Threatens US Grain Exports & Disruptions linger | Bloomberg
3 Tankers Flee Deeper Into Gulf as Nicholas Heads for Texas Ports | Bloomberg
4 U.S. Gulf Coast grain exports slowly resume after Ida as more power restored | Reuters
5 WA grain industry faces huge losses as COVID-fuelled worker shortage derails record harvest | ABC News
6 Calls for grey nomads, students to help fill labour shortage as harvest looms | ABC News
Global fluctuations in grains trade are adding to concerns around labour availability for upcoming Australian harvest

Key insights
• Queensland producers are showing strong demand for NSW feed grains due to recent clearing of Queensland stocks in preparation for harvest.
• Global market uncertainty in the price, quality and direction of grains trade due to shocks to US supply is expected to continue. Short-term supply gaps may present further opportunities for Australian suppliers, however the situation remains unpredictable.

Flow-on impacts
Queensland and NSW prepare for harvest
• As southern Queensland producers, traders and exporters clear grains stocks for exports, demand for milling wheat as well as feed grains brought in from NSW is expected to continue until new crop is available in October 2021. Tight border restrictions between Queensland and NSW have caused delays on these deliveries, with pick-ups deterred altogether in some cases.1

Global grains buyers may diversify customer base
• The impacts of Hurricane Ida pose risks to the ability of dominant southeast-based US exporters to serve key trading customers ahead of peak harvest. Bloomberg reported that global importers may start to seek alternative grains supplies amid prolonged delays in US exports, such as from the US Pacific Northwest, Brazil or Argentina.2

• Given Tropical Storm Nicholas caused further disruptions to the Texas grains-exporting region shortly after Hurricane Ida, many are concerned about the unpredictability of US grains supply (and quality) as extreme weather continues. Commodity prices are being closely monitored, with the price of corn, wheat and other grains skyrocketing due to global uncertainty around price fluctuations, as well as weather and pandemic-related supply shocks.3

Minimising disruption
• Grains producers are extensively recruiting to acquire sufficient labour resources for the upcoming harvest, with labour needed on-farm, in transport, at export and elsewhere along the supply chain.

• Programs are in place to recruit ‘grey nomads’ or travellers, students or city residents looking for a change in lifestyle. Programs such as Operation Grain Harvest Assist, which recruits retired and former ADF servicemen and women to work in the industry, are being implemented to support labour security.5

• Given commitments have been made that the new Agriculture Visa will be in place before the end of the year, industry members are advised to closely monitor announcements of any changing regulations and arrangements to ensure it is fit-for-purpose for the grains industry.

References:
1 Border farmers, ag businesses disrupted as NSW locks down | Beef Central
2 Hurricane Ida Threatens US Grain Exports If Disruptions Linger | Bloomberg
3 How the Extreme Weather Conditions are Shaping the US Wheat Market in 2021-22 | AgFlow
4 Calls for grey nomads, students to help fill labour shortage as harvest looms | ABC News
5 FROM TANKS TO TRACTORS – OPERATION GRAIN HARVEST ASSIST LAUNCHED | Grain Producers Australia
## Update

### Future changes to the Victorian Ports system will improve logistics capacities for the export of fresh regional products such as citrus

- As of 31 August 2021, the Victorian government announced acceptance of all 63 recommendations of the Independent Review of the Victorian Ports System report, which aimed to outline a plan for three decades of growth of the state's freight and logistics tasks. Given the majority of citrus exports are sent via Melbourne, this favours future exports.

- A new container port is likely to be constructed during this time, which will support the export of the region’s key fresh exports such as citrus, currently struggling with container shortages, recognising that Victorian Ports handle almost 25% of Australia’s food and fibre exports.

- These developments will hopefully reduce logistics costs and alleviate industrial action bottlenecks, particularly given Victorian freight volumes are expected to more than double over the next three decades.1

### Citrus producers welcome announcements of a new visa however remain concerned it will not be implemented in time for the 2021 harvest

- The citrus industry has expressed appreciation for a new agricultural visa to relieve the labour supply crunch faced throughout COVID-19, set to widen availability of unskilled, semi-skilled and skilled labourers for annual harvests.

- Citrus Australia CEO reported that the visa will be a key component of a reformed and sustainable agricultural workforce, and said structural change was imperative for growth.

- The visa will give citrus producers confidence to invest in export programs, and increase the efficiency of their businesses by retaining workers for farms and pack sheds.1

- However, industry members have also expressed uncertainty that arrangements will be in place in time to secure workers to assist with this season’s harvest, posing risks to an already uncertain labour scheme.2

### Khapra beetle biosecurity breach may threaten export markets for Australia’s plant industries

- Several recent detections of Khapra beetle at Australian ports in products from Southeast Asia pose a major threat to Australia’s primary production, biosecurity and environment.

- The threat to Australia’s Khapra beetle-free status is crucial to maintaining market access to international export destinations, particularly priority markets for citrus such as China. While the Khapra beetle is a pest of grains, dried fruit, rice and nuts, it poses a threat to the export of all agricultural products, particularly plants.4

- Australian importers and exporters are advised to remain highly vigilant for container contamination to prevent Khapra beetle and other pest incursions. The Australian Government is taking a number of measures to minimise risks by tightening phytosanitary requirements for imported products. High-risk plant products will be treated offshore.4

### Insight

#### Infrastructure and policy improvements at Victorian ports provide a favourable outlook for future citrus exports

- The new agricultural visa is expected to restore confidence in export programs and incentivise investment to restore stability.

#### The new agricultural visa is expected to restore confidence in export programs and incentivise investment to restore stability

#### As a biosecurity-sensitive industry, citrus exporters are advised to monitor any changes in the Khapra beetle threat to market access

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1 Citrus Australia welcomes new Agriculture Visa | Citrus Australia
2 Ap visa timeline doubt as citrus growers battle to secure workers | Weekly Times
3 Victorian Independent Ports probs advice accepted | Australasian Transport News
4 Insight – Khapra beetle threatens export markets for Australia’s plant industries | Mirage News
Changes in labour, biosecurity or freight arrangements should be monitored in planning for future citrus export

Key insights

- Given the majority of Australian citrus exports are sent through the Port of Melbourne, the recent announcements made by the Victorian Government to implement state-wide reforms to ports should indicate potential alleviation of the persisting barriers to export, as experienced by the citrus industry throughout 2020-21. These include reefer shortage, record high shipping costs and ongoing delays that threaten product integrity.
- Incoming changes include greater accountability among port authorities, which is intended to reduce the impact of industrial action and other supply chain shocks.1

Flow-on impacts

- Claims that the new agricultural visa will expand pathways to permanent residency will hopefully provide the citrus industry with the security and stability in labour supply it needs to maintain consistently strong export volumes.
- Given the broader horticulture sector has reported a need for more than 20,000 additional workers for the 2021 summer harvest, delays in the implementation of the new agricultural visa to address labour supply shortages could result in negative impacts on short-term production and export volumes, and subsequently key trading relationships.2

Minimising disruption

- The Victorian Government’s announcements about implementing a Victorian Commercial Ports Strategy will provide clear direction on the current and future management of the state’s growing freight agenda. It is hoped that this change will reduce uncertainty in export supply chains based in Victoria, minimising the margin for complexity.
- Industry is advised to closely monitor ongoing announcements around the implementation of the new agricultural visa, with the Australian Government maintaining that industries will be able to leverage new arrangements before the end of the year. Agreement to sign up to the new visa by other countries has not yet been publicised, leaving many doubtful of any tangible change in the short term.
- With regards to the potential Khapra beetle biosecurity breach, exporters have been advised by the Australian Government to use shipping companies with processes in place to minimise the risk of contamination by the Khapra beetle. The government is taking additional precautions regarding the treatment of imports to minimise this risk, however industry members must remain vigilant.3

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1 Victorian Independent Ports probe advice accepted | Australasian Transport News
2 Details of new agriculture visa still thin on the ground but industry remains hopeful of meaningful change | ABC News
3 Insight – Khapra beetle threatens export markets for Australia’s plant industries | Mirage News
Takeaways
A summary of the September 2021 key logistics disruption insights with the potential to impact producers

September 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.

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<td>The impacts of continued shutdowns of major global ports and airports, largely in China, South Korea and the United States (including the ports of Los Angeles, Long Beach and New Orleans) are having ripple effects across global supply chains. This has caused goods to back up in storage and ships to be diverted or slowed down, thereby slowing global trade flows.</td>
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<td>Congestion at key connecting ports along the US West Coast has produced a record backlog, with 65 cargo ships forced to queue and wait, at times for more than eight days. Ports are taking additional steps to reduce the backlogs by extending operating hours. US shipping freight rates continue to rise to record highs, which is increasing prices of consumer goods globally and increasing the risk of shipping lines cancelling their calls in Australia in favour of more lucrative freight routes.</td>
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<td>Australian COVID-19 border restrictions continue to impact the transfer of goods across state borders for export, and there remains the threat of outbreaks at key freight hubs. A COVID-19 outbreak at the Port of Botany caused only minimal delays but is a leading indicator of the disruption that may occur as restrictions begin to ease. The limited number of connecting flights reduces the feasibility of air freight as an alternative pathway for Australian exporters, considering air freight costs on trans-Pacific routes jumped to a new record in mid-September 2021.</td>
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<td>New Gateway Clearance measures at Australian ports will benefit importers and transport providers by reducing the time required for customs clearance. Announcements on a number of other future port developments, particularly in NSW and Victoria, create a favourable outlook for medium-to-long term Australian freight capacities.</td>
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<td>Announcements regarding the incoming Agriculture Visa have many agriculture sectors hopeful the pandemic-induced labour crisis will be alleviated and there will be greater support for ongoing export volumes. However, it is currently not clear whether the new arrangements will be established in time for imminent harvests.</td>
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<td>Global trade and geopolitical shifts, such as bids by a number of Australia’s key trading partners to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), are predicted to expand trading opportunities for Australian producers in the medium-to-long term.</td>
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1. Record backlog of cargo ships at California ports | BBC News  
2. Supply China Latest: China’s Storm-Hit Ports Scramble to Reopen | Bloomberg
References
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