

**RED SEA SHIPPING DISRUPTION &  
POTENTIAL CONSEQUENCES**

# **MARKET REPORT**

## **JANUARY 2024**



# RED SEA SHIPPING DISRUPTION AND POTENTIAL CONSEQUENCES

Global supply chains are facing severe disruption as a result of the world's biggest shipping companies diverting journeys away from the Red Sea.

Since November 2023, the Houthis have carried out more than 20 attacks on foreign-owned merchant vessels carrying goods through the Bab al-Mandab strait, a 20-mile wide passage that separates Eritrea and Djibouti on the African side from Yemen on the Arabian Peninsula, a major route for global maritime trade.

With the escalation of disruption in the Middle East and the ongoing war in Ukraine, it will come as no surprise that this report focuses on the potential commercial consequences and steps being taken to limit the impact on supply.

As always, the Meadow Vale Foods team is here to support you.



A handwritten signature in dark ink, appearing to read 'Nigel O'Donnell'.

**NIGEL O'DONNELL**  
MANAGING DIRECTOR

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As UK Prime Minister Rishi Sunak has stated,  
*“The Houthi attacks have been causing major disruption to a vital trade route and driving up commodity prices”*

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# THE IMPACT ON GLOBAL SHIPPING

## THE BACKGROUND

The Suez Canal is the quickest sea route between Asia and Europe and is particularly important for global trade of energy and food products.

Any ship passing through the Suez Canal to or from the Indian Ocean has to come via the strait of Bab al-Mandab and the Red Sea.

Since November, the Houthis have carried out more than 20 attacks on foreign-owned merchant vessels carrying goods through the Bab al-Mandab strait.

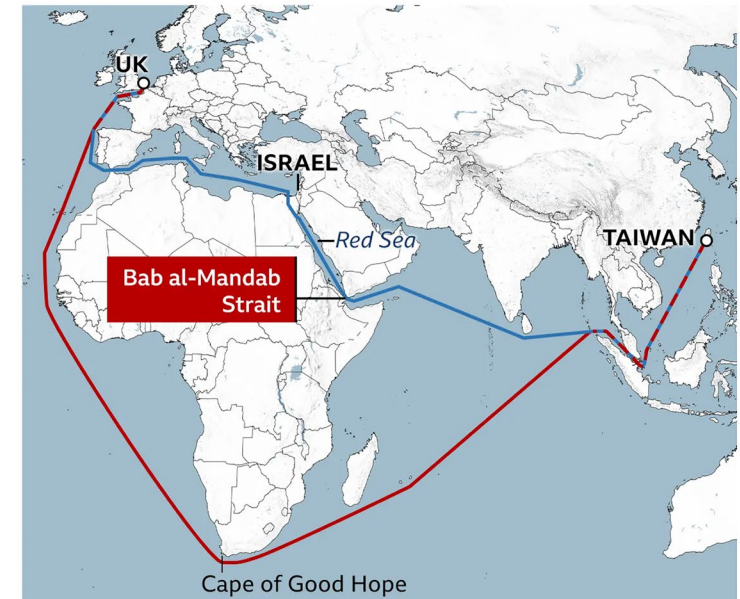
## THE IMPACT

The attacks have led major shipping companies to divert vessels away from the Red Sea, taking a longer route around southern Africa via the Cape of Good Hope (adding up to 10 days). Additional port congestion and container logistics take the overall lead time increase to around 4 weeks.

### Alternative shipping route avoiding Red Sea

— Using Red Sea/Suez Canal	— Around Cape of Good Hope
10,019 nautical miles (18,555km)	13,422 nautical miles (24,858km)
<b>25.4 days*</b>	<b>34 days*</b>

\*Based on ultra large container vessel's average speed of 16.43 knots



Source: Vescon Nautical

BBC



The situation remains too dangerous to transit the Suez Canal and we will continue our diversion around the Cape of Good Hope.  
(9th Jan)



Extending diversion of vessels from the Red Sea for the "foreseeable future" due to safety concerns amid a spate of attacks by Houthi militants.  
(5th Jan)



Guided OOCL-operated vessels to either divert route or suspend sailing to the Red Sea.  
(22nd Dec)



Paused all shipments of oil through the Red Sea, blaming the "deteriorating security situation"

# THE IMPACT ON SUPPLY CHAINS

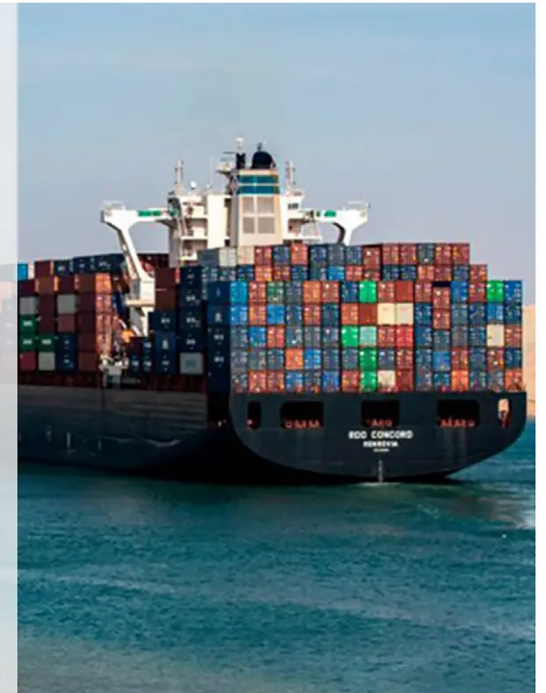


**17,000** ships go through the Suez Canal each year

Meaning **12%** of annual global trade passes through the Red Sea

That's **\$1 trillion** worth of goods

Source: Lloyd's List, Getty Images



BBC

# RECENT PRESS COMMENTS

## The Guardian

(3rd January 2024)

There could be a knock-on impact for turnaround times at ports in the UK and large European hubs such as Rotterdam, Antwerp and Hamburg...**Redirecting ships is expected to cost up to \$1m in extra fuel** for every round trip between Asia and Europe, while insurance costs are also rising, adding to the overall cost of shipments.

## marine insight

(20th December 2023)

According to Peter Sand, Chief Analyst at Xeneta, rerouting via the Cape of Good Hope can increase sailing time by up to **10 days** and **massive fuel expenses**.

## THE LOADSTAR

(18th December 2023)

Flexport CEO suggested this rerouting is "adding as much as **four weeks** to each voyage.

## REUTERS

(3rd January 2024)

**Asia-to-North Europe rates more than doubled** to above \$4,000 per 40-foot container this week, with Asia-to-Mediterranean prices climbing to \$5,175, according to Freightos, a booking and payments platform for international freight. Some carriers have announced rates above \$6,000 per 40-foot container for Mediterranean shipments starting mid-month, and surcharges of \$500 to as much as \$2,700 per container could make all-in prices even higher, Judah Levine, Freightos' head of research, said....while rates have spiked, they remain far below 2021's pandemic-fueled record highs of \$14,000 per 40-foot container for Asia to North Europe and the Mediterranean

## Lloyd's List

(2nd January 2024)

In addition to delays caused by diversions, "container freight rates have **more than doubled in two weeks** on routes from Asia to northern Europe and the Mediterranean...rates for the Asia-to-Mediterranean route spiked by 123%, while Asia-Europe rates were 163% higher than mid-December, with further rises likely if more surcharges are added by container lines during January

## BBC

(3rd January 2024)

Guy Platten, secretary general of the International Chamber of Shipping warned "we won't see much of an impact until later on in January. One business owner importing from China claimed the impacts **amounted to a 250% increase in shipping rates in the past two weeks**.

## HELLENIC SHIPPING NEWS

(8th January 2024)

The increasing Red Sea crisis may impact trade as it is expected **to push shipping costs by up to 60 per cent and insurance premium by 20 per cent**, a report by economic think tank GTRI said on Saturday.



# OUR ACTION PLAN

The improvements we made to our supply chain over recent years hold us in good stead to limit the impact including:



## PLANNING AHEAD

Extending our planning cycles from 6 months to 24 months, giving our factories transparency and ability to schedule efficiently.



## MAXIMISING LOAD EFFICIENCY COMMITMENT TO VOLUME

We have increased production and stock holding at factories to take advantage of short-term shipping availability.



## CASE SIZE RATIONALISATION

To reduce complexity and improve pallet efficiency and container volume.



## SUPPORTING DISTRIBUTION

Introducing direct (MVF labour) at our cold store partner facilities for quality control and verification.

# IN SUMMARY

With no imminent end in sight to the ongoing war in Ukraine, together with the recent increased disruption in the Middle East, it is hard to see a short term solution to Global Shipping challenges and uncertainty.

**Our latest Trend Report** shows demand for Poultry in Food Service is continuing to rise and with our customers reporting their priorities remain:

- 📍 Stock Availability
- 📍 Consistent High Quality
- 📍 Innovation in Products and Services

We will continue to invest heavily in stock and work closely with our customers and supply chain partners to identify further actions to limit the impact of this market wide issue.

I am sure you will join me in looking forward to a time when these reports predict a more stable environment and supply chain.

For more guidance on supply issues or anything else regarding your orders, please contact me directly, speak to your account manager or to our **customer service** team.



**NIGEL O'DONNELL**  
MANAGING DIRECTOR



## CONTACT US

To discuss any of the points in more detail please get in touch:



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