RED SEA SHIPPING DISRUPTION
MARKET UPDATE
JUNE 2024

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RED SEA SHIPPING DISRUPTION LATEST UPDATE

Despite hopes that the situation would improve, tensions in the Red Sea remain. Following our **January Market Report**, this update provides the latest insight into supply dynamics and implications together with links to further reading.

In short, increased shipping times and blank sailings, combined with increased global demand are severely impacting global shipping availability and costs.

With **threefold** increases in container costs since the beginning of the year, the Meadow Vale Foods team continues to work closely with our supply chain partners to limit the impact on our customers.

For more specific information, please contact myself, your account manager or our customer service team.

NIGEL O'DONNELL
MANAGING DIRECTOR

CONTENTS

CONTINUED TENSION

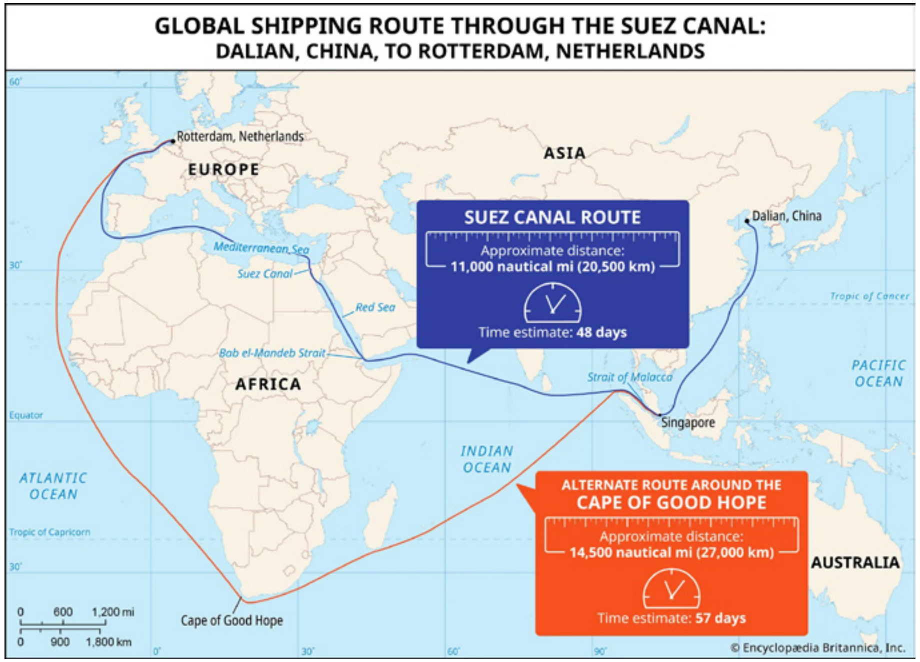
132 ATTACKS ON SHIPS IN THE RED SEA AND GULF OF ADEN RECORDED

THE BACKGROUND

The Suez Canal is the quickest sea route between Asia and Europe. Any ship passing through to or from the Indian Ocean has to come via the strait of Bab al-Mandab and the Red Sea.

Despite Western military presence in the troubled region, attacks on commercial shipping, carrying goods through the Bab al-Mandab strait, continue unabated.

132 Attacks recorded according to new figures from the Maritime Security Centre – Horn of Africa (MSCHOA).



The Maritime Executive*

INTELLECTUAL CAPITAL FOR LEADERS

THE IMPACT ON SHIPPING

With the Houthi threatening to increase activity, including into the Indian Ocean, carriers have been warned to increase diversion routes, meaning even longer distances and greater travel times.*

+2.5 WEEKS TRAVEL TIME

+4 WEEKS CONGESTION

20% CONTAINER CAPACITY

BLANK SAILINGS DRIVING UP COSTS

*The Maritime Executive Report: Singapore Port Congestion Mounts as Ships Divert from Red Sea
https://maritime-executive.com/article/report-singapore-port-congestion-mounts- as-ships-divert-from-red-sea

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RED SEA CRISIS
INTER-RELATED CHALLENGERS

As a major supply route, the impact of re-routing vessels away from the Suez Canal is far reaching, beyond the direct additional shipping time and fuel costs.

AN OVERVIEW OF THE KNOCK ON IMPACTS BELOW

DIVERSION

12-14 DAYS INCREASED SHIPPING TIME

INCREASED FUEL

INSURANCE COST

REDUCED CAPACITY

- Equipment Shortages
- As carriers focus on balancing supply with demand and continue to deploy **blank sailings**
- **Services Suspended** Ocean Alliance 'II3' suspended in Q2

Recent research from Alphaliner has reported on a significant shortfall in the number of ships available for Asia-Europe services, despite the introduction of new container shipping capacity. The data indicates that these services are operating with nearly 10% fewer ships than required.

Read More
https://theloadstar.com/vessel-juggling-leaves-ocean-alliances-short-of-asia-europe-capacity/

GLOBAL DEMAND

GLOBAL DEMAND

- Demand is trending towards the peak of the pandemic.
- 10-20% increase in demand year on year
- Driven by seasonal activity, re-stocking and increasing buffer stock to account for longer transit times.

VESSEL UTILISATION

100%

- Vessels operating at 100% capacity
- Services are over booked
- Loads being bumped

PORT CONGESTION

PORT CONGESTION

Two million TEU of ship capacity, or 7% of the global fleet, is now caught in congestion.

According to Hong Kong-based market intelligence firm Linerlytica diversion are causing major port congestion with Singapore the major bottle neck where vessel wait times have increased to **7** days vs previous **½ day** maximum wait time.

Analysts predict the situation will worsen in the coming months.

Read More
https://maritime-executive.com/article/report-singa-pore-port-congestion-mounts-as-ships-divert-from-red-sea#:~:text=Major%20carriers%20have%20repeatedly%20warned,worse%20in%20the%20coming%20month.

COST INCREASE & SCHEDULE RELIABILITY

> Global Shipping schedule reliability is spiralling down as costs surge.
> To date we have absorbed **$1k** per container in additional fuel charges. Since the beginning of 2024, container rates have increased threefold to close to **$10k**. Many shippers are paying more to avoid roll-overs
>
> Nigel O'Donnell - June 2024

SCHEDULE RELIABILITY

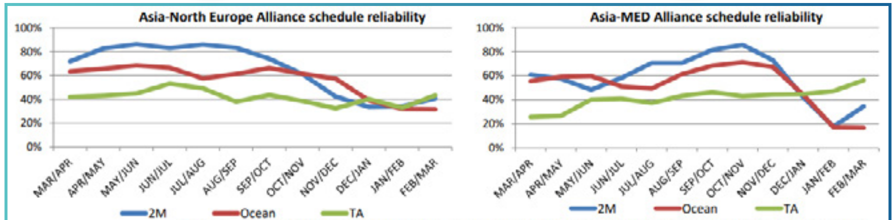
Port Congestion, Blank Sailings, Suspended Services, Reduced Capacity and Increased Demand have all hit service levels and schedule reliability.

Schedule reliability has plummeted making managing a smooth supply chain virtually impossible and fuelling further demand increases for buffer stock.

AVERAGE 80% OCT 23

ON TIME ARRIVAL

DOWN TO 37% POST OCT 23



		Alliance	MAR/APR	APR/MAY	MAY/JUN	JUN/JUL	JUL/AUG	AUG/SEP	SEP/OCT	OCT/NOV	NOV/DEC	DEC/JAN	JAN/FEB	FEB/MAR
Schedule Reliability	Asia-North Europe	2M	71.8%	82.7%	86.3%	83.0%	86.0%	83.2%	74.0%	61.1%	42.3%	33.6%	34.0%	40.7%
		Ocean	63.4%	65.7%	68.4%	66.5%	57.6%	61.2%	66.3%	61.5%	57.2%	39.1%	32.0%	31.7%
		TA	42.0%	43.1%	44.9%	53.1%	49.2%	38.0%	43.7%	38.6%	32.4%	40.3%	32.9%	43.4%
		Industry	62.3%	67.8%	70.4%	69.8%	66.9%	65.3%	64.4%	55.5%	46.6%	39.4%	34.0%	37.2%
	Asia-MED	2M	60.8%	57.5%	48.4%	58.2%	70.6%	70.6%	81.4%	85.6%	72.9%	42.3%	17.7%	34.6%
		Ocean	55.6%	59.2%	59.7%	51.1%	49.4%	61.3%	68.3%	71.2%	67.3%	44.4%	17.3%	16.9%
		TA	25.7%	26.7%	40.2%	40.9%	37.3%	43.3%	46.3%	43.1%	44.4%	44.7%	47.2%	56.3%
		Industry	53.5%	54.4%	55.1%	55.0%	55.8%	60.2%	66.5%	66.6%	62.6%	47.8%	33.1%	40.0%

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SHIPPING COSTS SKY-ROCKETING

x3 CONTAINER RATES

Several reports have warned that prices are returning to pandemic levels as a new wave of port congestion moves through the market.

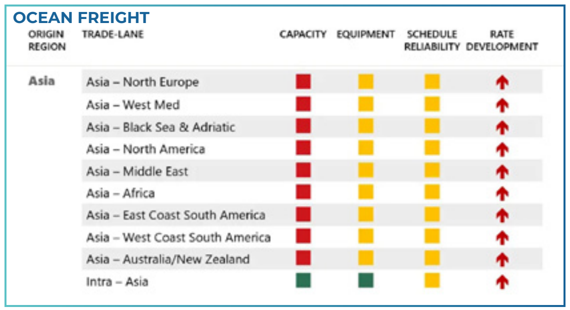
THELOADSTAR
MAKING SENSE OF THE SUPPLY CHAIN
21/05/2024

"Shippers and box lines expect Asia-North Europe freight rates to stay elevated until at least October, as the traditional Q3 peak season approaches, indicated by high trading volume of China's container shipping futures (CoFIF)"

"A severe ocean freight capacity crunch across most major trades has sent freight rates on a skyrocketing trajectory."

According to Scan Global Logistics' Mads Drejer (Global COO &CCO).

SCAN GLOBAL LOGISTICS



A traffic light view of global supply chains from Scan Global

SCAN GLOBAL LOGISTICS

RECENT PRESS COMMENTS

MAERSK

Despite hopes that the situation would improve, we continue to face additional challenges and costs.

You will see relevant surcharges on your latest invoices. These are to offset the costs of the longer journeys, increased sailing speed, and additional fuel costs. For example, we are currently using 40% more fuel per journey and charter rates are currently three times higher, often fixed for five years.

(6th May 2024)

THE LOADSTAR – MAKING SENSE OF THE SUPPLY CHAIN

The recent upsurge in spot rates is beginning to affect long-term contracts.

On the spot market, rates from the Far East to North Europe ***increased by 71%*** *between* ***30 April and 1 June****.*

(6/06/24) Xeneta's shipping analyst, Emily Stausboll.

THE LOADSTAR – MAKING SENSE OF THE SUPPLY CHAIN

Spot freight rates *on the Shanghai to North Europe route could rise by a further* ***35%*** *by August this year*

(21/05/24)

REUTERS

Red Sea diversions, tariff risks send ocean shipping soaring *- Spiking ocean shipping rates, vessel backups at seaports and empty container shortages - issues that wreaked havoc on global trade during the COVID pandemic supply-chain crisis - are back as the industry enters its busy season.*

"There is a cocktail of uncertainty and disruption across global ocean freight supply chains" said Peter Sand, chief analyst at pricing platform Xeneta.

(31st May 2024)

Lloyd's List

Carriers are struggling to move ships and equipment back to Asia. Shortages of space are pushing pricing to a premium

(31st May 2024, Cichen Shen)

Congestion is unlikely to ease any time soon, amid the rising demand from the US and Europe, coupled with an early peak season, analyst says

(24th May 2024, James Baker)

BBC

Rerouting shipments around the southern tip of Africa, the Cape of Good Hope, was adding an extra ***three*** *to* ***four*** *weeks to delivery times, the BCC said, with some firms citing price rises of more than* ***300%*** *for container hire, it said.*

(26th February 2024)

Hapag-Lloyd **SCAN GLOBAL LOGISTICS**

Hapag Lloyd's CEO provides his assessment of the current situation in an update to customers and investors on Wednesday, June 5, as follows:

'Container rates have reached corona levels, and shipping companies' capacity is stretched to the limit at the moment due to bottlenecks and high demand

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IN SUMMARY

We are experiencing threefold increases in container rates upto $8k and anticipate rates will continue to rise to at least $10k per container in the near future.

Despite these challenges, we continue to invest heavily in stock and work closely with our supply chain partners to identify further actions to limit the impact of this market wide issue.

It is hard to foresee a short term solution to Global Shipping challenges and cost increases, with no imminent end in sight to tensions in the Middle East or the war in Ukraine, coupled with increasing global demand.

I look forward to a time when these reports predict a more stable environment and supply chain.

NIGEL O'DONNELL
MANAGING DIRECTOR

CONTACT US

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

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OUR ACTION PLAN

The improvements we made to our supply chain over recent years continue to 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 or 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.

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