

Report on the AMIC Shipping Survey Results

October 2021

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Purpose of the Survey

It has become widely known that the current international shipping setting is dire and looks to be becoming increasingly difficult as COVID-19 related pressures endure. While there is a lot of data available on the impacts of the global shipping crisis, there is no quantitative evidence depicting its effects on the Australian meat industry specifically.

This survey was conducted to quantitatively confirm anecdotes of the impacts of the current shipping crisis on the Australian red meat export industry. While this survey is designed to capture the impacts on the Australian meat export industry, since its release, we have also been made aware of the impacts smallgoods manufacturers are experiencing when importing meat and meat products – an integral aspect of the smallgoods manufacturing business model.

The following information in this report delineates key findings from the survey. Anecdotal reports from smallgoods members on the current meat import challenges are also included towards the end of this report.

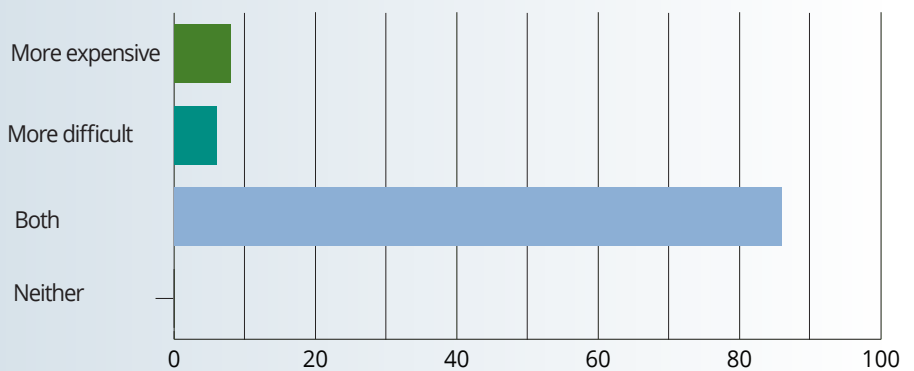
Executive Summary

There were 52 respondents in total to the AMIC Shipping Survey conducted in September 2021 and, as expected, the results have confirmed that the Australian red meat export industry is suffering from the global shipping crisis.

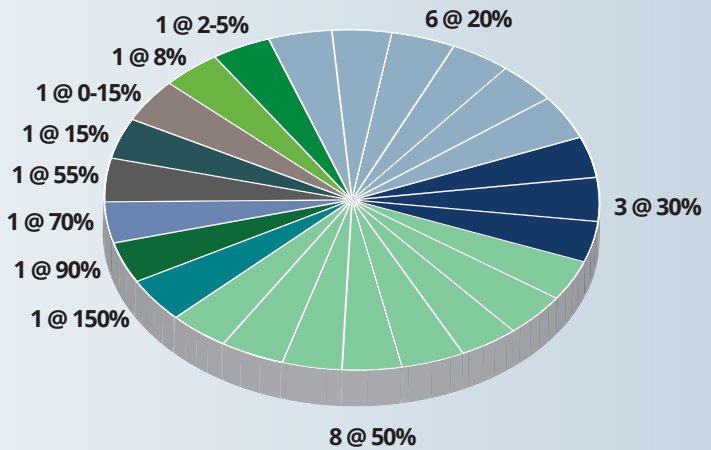
To the first question “Has exporting your product been more difficult and/or more expensive recently when compared to pre-COVID times?”, 6% responded that it had been more difficult, 8% responded that it had been more expensive and an 86% of respondents reported that it had been **both** more difficult and expensive exporting their product when compared to pre-COVID times.

The following question inquired about whether the respondent’s business had experienced a downturn in profits over the past 18 months as a result of COVID-19 when compared to pre-COVID times. 80% of respondents reported that they had experienced a downturn of some degree as a result of COVID-19. The reported downturns in profit ranged from 2% to 150%. The most common percentage of profit downturn as answered by a third of respondents was 50-55% downturn in profits compared to pre-COVID times. The next most common profit downturn amount was a 20% downturn with a quarter of respondents reporting.

Q1 Has exporting your product been more difficult and/or more expensive recently when compared to pre-COVID times?



Q3 If yes, what percentage profit loss have you experienced?



The survey was broken down into region-specific question sequences to identify if there were particular regions experiencing more severe issues than others and to gain insight on what the challenges of each region were. The same list of questions was asked for each of the regions. The regions that were inquired about were the Middle East and North Africa (MENA),

Southeast Asia (SEA), North Asia and China (NAC), Europe, North America (NA), South America (SA), and Other. The survey found that the regions most affected (by order of most affected first to least affected last) for Australian red meat exports were NAC, SEA, MENA, NA, EU, and SA.

Regions and reported difficulty



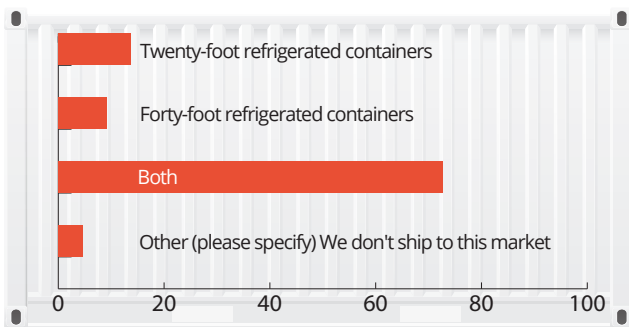
Region-Specific Survey Outcomes

North Asia and China

There were 38 respondents (73% of total respondents) who engaged with the questions for this region. Of those 38 respondents, 26 (68%) responded that they had experienced difficulty exporting their product to NAC.¹

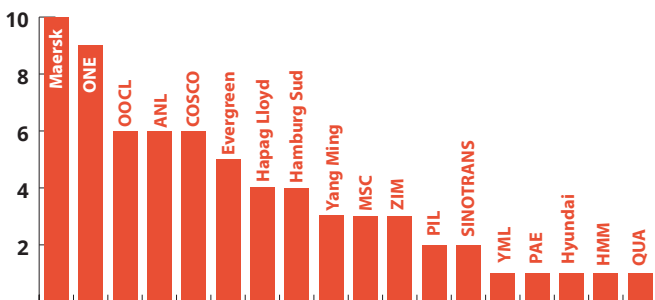
Container Availability

100% of respondents reported that they had experienced difficulty accessing export containers for product destined for this region with 68% reporting having trouble accessing both twenty-foot and forty-foot refrigerated containers.



Shipping Capacity and Freight Rates

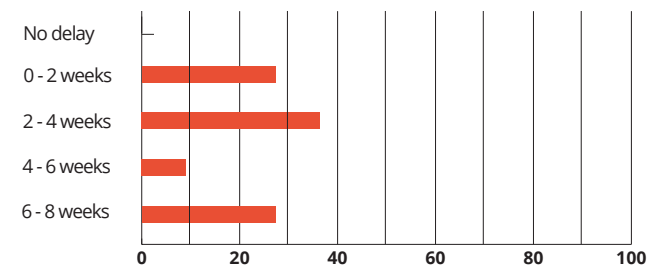
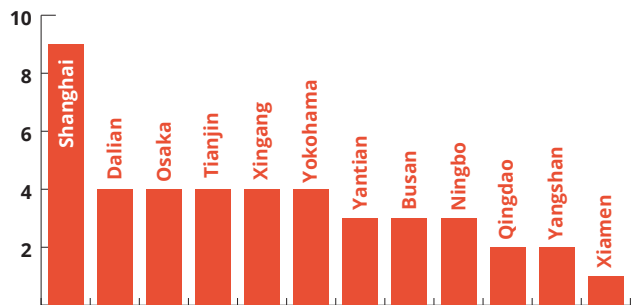
The next question asked which shipping lines each respondent's business was using to ship product to NAC. Maersk was the most commonly used shipping line reported for product destined for NAC, closely followed by ONE. 95% of these respondents reported that they were experiencing difficulty accessing container space on the shipping line vessels they were using for this region.



When asked how much freight rates had increased to NAC when compared to pre-COVID-19 levels, 65% of respondents reported increases of between 50-100%, 20% reported increases of 150-200% and 15% reported increases of 100-150%. Again, no respondents reported that there had been no increase in freight rates to NAC when compared to pre-COVID levels.

Port Information

The port that was most frequently reported when asked which ports in NAC they were experiencing issues at, was Shanghai. Other reported ports included Tianjin, Yokohama, Osaka, Dalian, and Xingang (in no specific order). It was found that most exporters were experiencing between 2-4 weeks of delay when exporting to NAC. 27% of participants reported 0-2-week delays and 27% also reported 6-8-week delays. 9% of participants reported 4-6-week delays but importantly, no respondents reported experiencing no delays at port when shipping to NAC.



The last question for the region asked, "What is causing the delays your consignments are experiencing at these ports?". The most common response to this question was port congestion, followed closely by COVID-19 measures at the port, followed by a lack of port handlers. The next most common answer to this question was cold stores being at full capacity.

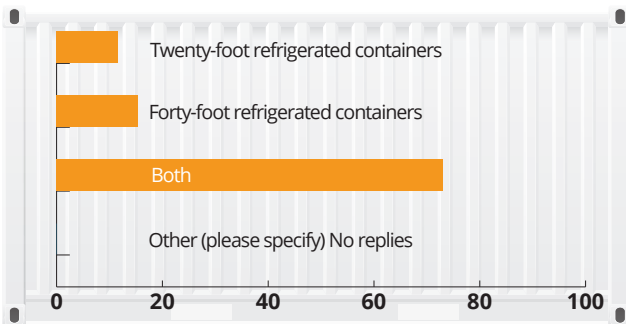
¹ All further percentages in this section have been worked out as a percentage of those 26 respondents. Those who indicated that they had NOT had trouble exporting to this region, were excluded from the rest of the questions for this region as they would have been irrelevant.

Southeast Asia

There were 41 respondents (79% of total respondents) who engaged with the questions for this region. Of those 41 respondents, 28 (68%) responded that they had experienced difficulty exporting their product to SEA.²

Container Availability

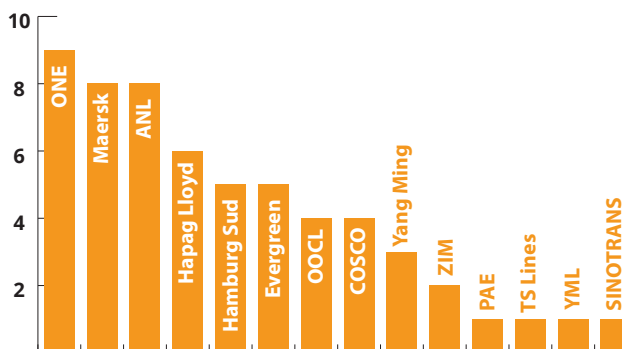
100% of respondents reported that they had experienced difficulty accessing export containers for product destined for this region with 73% reporting trouble accessing both twenty-foot and forty-foot refrigerated containers.



Shipping Capacity and Freight Rates

The next question asked which shipping lines each respondent's business used for SEA.

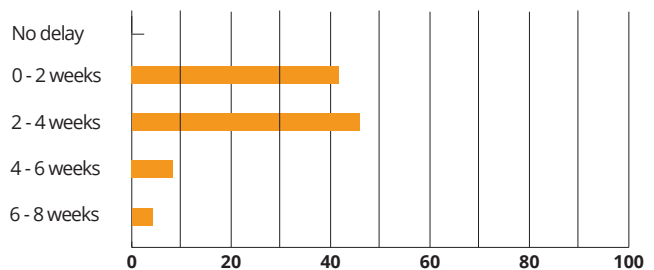
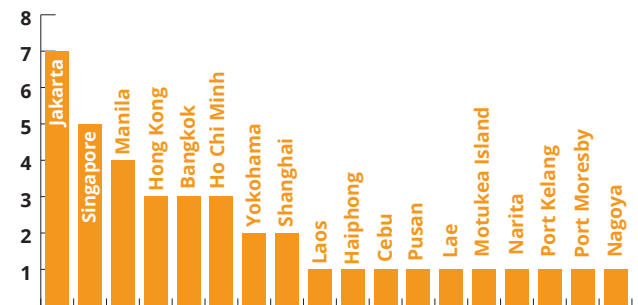
ONE is the most commonly used shipping line reported for product destined for SEA closely followed by Maersk and ANL which were reported the same number of times. 100% of these respondents reported that they were experiencing difficulty accessing container space on the shipping line vessels they were using for this region.



When asked how much freight rates had increased to SEA when compared to pre-COVID-19 levels, 71% of respondents reported increases of between 50-100%, 17% reported increases of 150-200% and 8% reported increases of 1-100%. Importantly, no respondents reported that there had been no increase in freight rates to SEA when compared to pre-COVID levels.

Port Information

The ports that were most frequently reported when asked "Which ports in this region are your consignments experiencing issues at?", were (in order of most frequent first) Jakarta, Singapore, and Manila. The other two commonly reported ports were Ho Chi Minh and Bangkok (in no specific order). It was found that most respondents (46%) were experiencing between 2-4 weeks of delay exporting to SEA. 42% of respondents reported 0-2-week delays and 8% reported 4-6-week delays. No participants report no delay at SEA ports.



The last question for the region asked, "What is causing the delays your consignments are experiencing at these ports?". The most common response to this question was port congestion, followed by COVID-19 measures at the port, then followed by distribution backlogs. The two following common responses to this question were cold stores being at full capacity and a lack of port handlers.

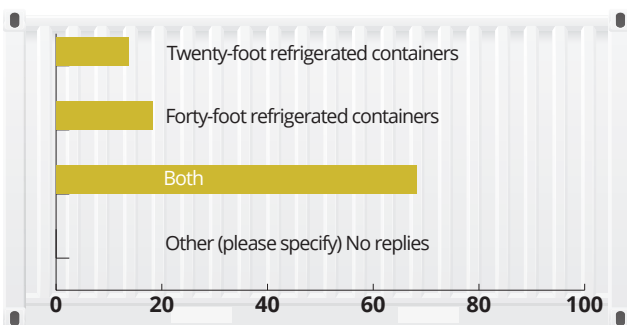
² All further percentages in this section have been worked out as a percentage of those 28 respondents. Those who indicated that they had NOT had trouble exporting to this region, were excluded from the rest of the questions for this region as they would have been irrelevant.

The Middle East and North Africa

There were 44 respondents (85% of total respondents) who engaged with the questions for this region. Of those 44 respondents, 26 (59%) responded that they had experienced difficulty exporting their product to MENA.³

Container Availability

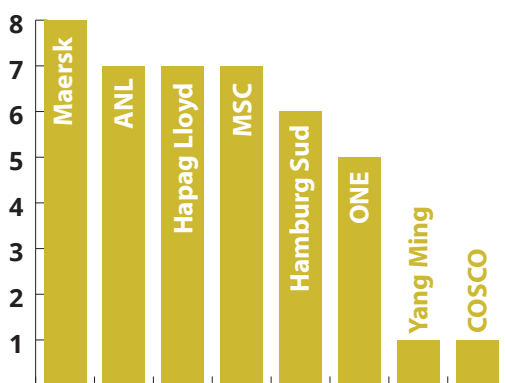
85% of respondents reported that they had experienced difficulty accessing export containers for product destined for this region with the majority of those 85% reporting trouble accessing both twenty-foot and forty-foot refrigerated containers.



Shipping Capacity and Freight Rates

The next question asked which shipping lines each respondent's business used for MENA.

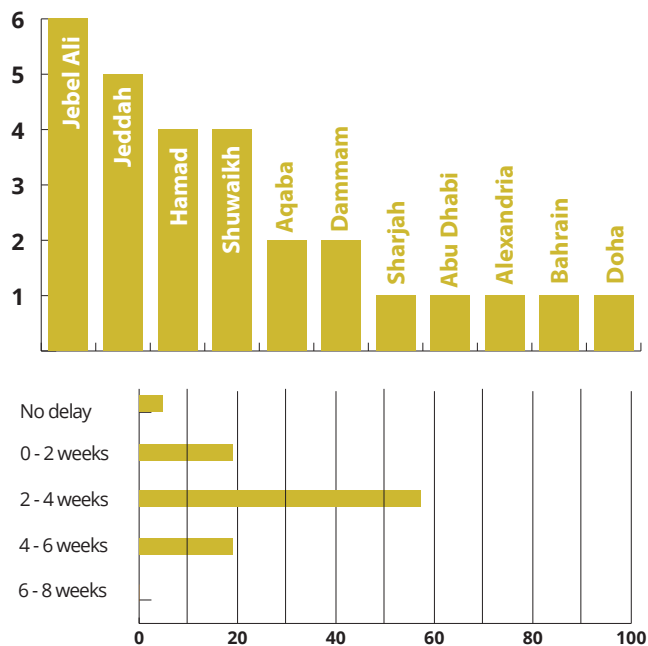
As can be seen in the graph above, Maersk is the most commonly used shipping line reported for product destined for MENA closely followed by ANL, MSC, and Hapag-Lloyd which were all reported the same number of times. 100% of these respondents reported that they were experiencing difficulty accessing container space on the shipping line vessels they were using for this region.



When asked how much freight rates had increased to MENA when compared to pre-COVID-19 levels, half of the respondents to the question reported increases of between 50-100%, a quarter reported increases of 100-150% and a fifth reported increases of 300%+. Importantly, no respondents reported that there had been no increase in freight rates to MENA when compared to pre-COVID levels.

Port Information

The ports that were most frequently reported when asked which ports in MENA they were experiencing issues at, were (in order of most frequent first) Jebel Ali, Jeddah, and Hamad. Other reported ports included Kuwait, Dammam, Aqaba, Bahrain, and Alexandria (in no specific order). It was found that most exporters were experiencing between 2-4 weeks of delay when exporting to MENA. 19% of participants reported 4-6-week delays and 19% also reported 0-2-week delays. Only 5% of participants reporting experiencing no delays at port when shipping to MENA.



The last question for the region asked, "What is causing the delays your consignments are experiencing at these ports?". The most common response to this question was port congestion, followed by COVID-19 measures at the port, followed by a lack of port handlers. The other two most commonly reported answers to this question were distribution backlogs and cold stores being at full capacity.

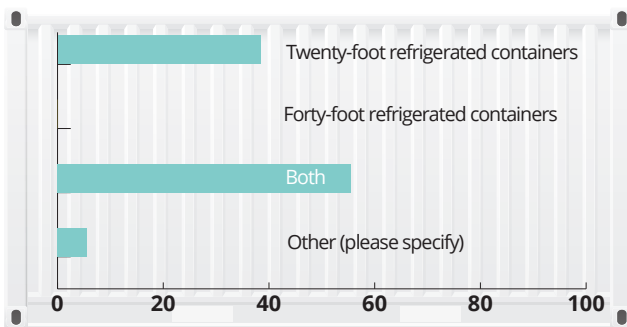
³All further percentages in this section have been worked out as a percentage of those 26 respondents. Those who indicated that they had NOT had trouble exporting to this region, were excluded from the rest of the questions for this region as they would have been irrelevant.

North America

There were 36 respondents (69% of total respondents) who engaged with the questions for this region. Of those 36 respondents, 19 (53%) responded that they had experienced difficulty exporting their product to NA.⁴

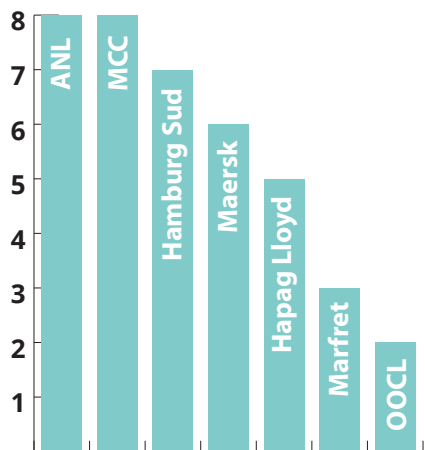
Container Availability

100% of respondents reported that they had experienced difficulty accessing export containers for product destined for this region with 56% reporting trouble accessing both twenty-foot and forty-foot refrigerated containers and 39% reporting only having issues accessing twenty-foot refrigerated containers.



Shipping Capacity and Freight Rates

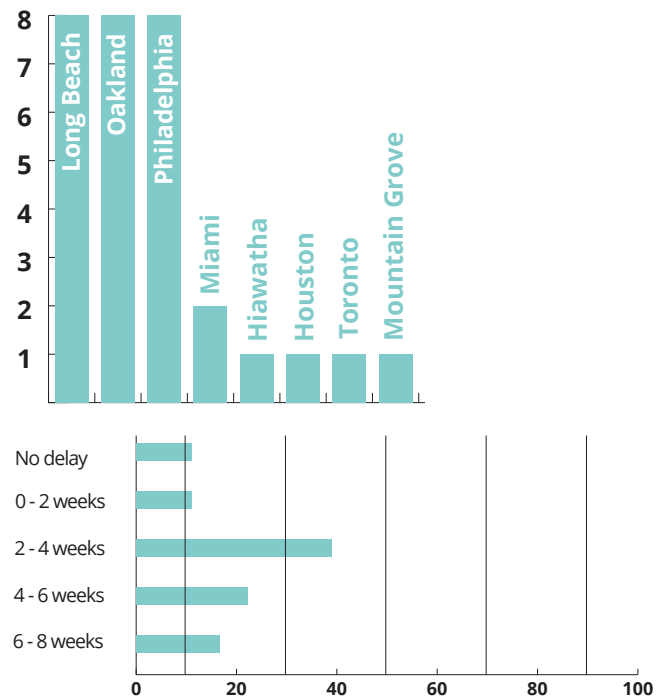
The next question asked which shipping lines each respondent's business used for NA. MSC and ANL are the most commonly used shipping lines reported for product destined for NA closely followed by Hamburg Sud. 94% of respondents reported that they were experiencing difficulty accessing container space on the shipping line vessels they were using for this region.



When asked how much freight rates had increased to NA when compared to pre-COVID-19 levels, 64% of respondents to the question reported increases of between 50-100%, 21% reported increases of 100-150% and 14% reported increases of 250-300%.

Port Information

The ports that were most frequently reported when asked which ports in NA they were experiencing issues at, were Long Beach, Philadelphia, and Oakland. These three ports were reported the same number of times. Other ports that were recorded include Houston, Miami, and Toronto (in no specific order). It was found that most exporters were experiencing between 2-4 weeks of delay when exporting to NA. However, 22% of participants reported 4-6-week delays and 17% reported 6-8-week delays. Only 11% of participants reporting experiencing no delays at port when shipping to NA.



The last question for the region asked, "What is causing the delays your consignments are experiencing at these ports?". The most common response to this question was port congestion, followed by COVID-19 measures at the port, followed by a lack of port handlers and cold stores at full capacity having the same number of survey responses. The other most common answer to this question was distribution backlogs.

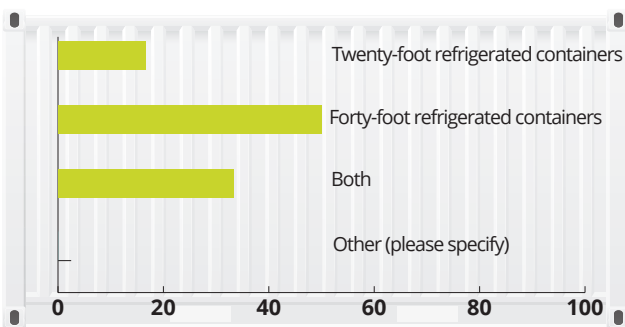
⁴All further percentages in this section have been worked out as a percentage of those 19 respondents. Those who indicated that they had NOT had trouble exporting to this region, were excluded from the rest of the questions for this region as they would have been irrelevant.

Europe

There were 34 respondents (65% of total respondents) who engaged with the questions for this region. Of those 34 respondents, 6 (18%) responded that they had experienced difficulty exporting their product to Europe.⁵

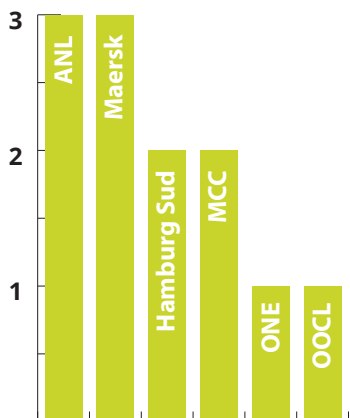
Container Availability

83% of respondents reported that they had experienced difficulty accessing export containers for product destined for this region with 50% indicating that they were only having trouble accessing forty-foot refrigerated containers, 33% indicating having trouble accessing both twenty-foot and forty-foot refrigerated containers and 17% indicating only having issues accessing twenty-foot refrigerated containers.



Shipping Capacity and Freight Rates

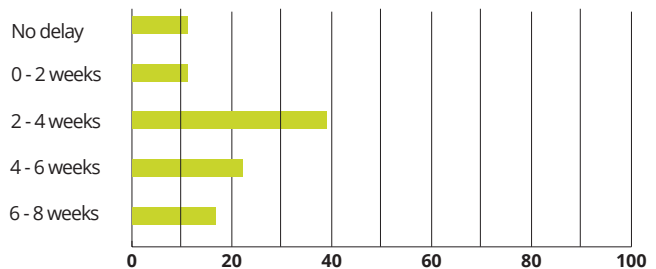
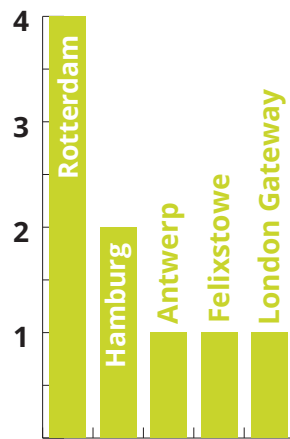
The next question asked which shipping lines each respondent's business used for Europe. Maersk and ANL were the most commonly used shipping lines reported for product destined for Europe closely followed by Hamburg Sud and MSC which were reported the same number of times. 83% of these respondents reported that they were experiencing difficulty accessing container space on the shipping line vessels they were using for this region.



When asked how much freight rates had increased to Europe when compared to pre-COVID-19 levels, half of the respondents to the question reported increases of between 50-100%, 16% reported increases of 100-150%, 16% reported increases of 150-200%, and 16% reported increases of 300%+. Again, no respondents reported that there had been no increase in freight rates to Europe when compared to pre-COVID levels.

Port Information

The port that was most frequently reported when asked which ports in Europe they were experiencing issues at, was Rotterdam. The second most reported port was Hamburg. It was found that almost 40% of respondents were experiencing between 2-4 weeks of delay when exporting to Europe. Over 20% were experiencing delays of 4-6 weeks and 17% reported delays of up to 6-8 weeks.



The last question for the region asked, "What is causing the delays your consignments are experiencing at these ports?". The most common response to this question was port congestion, followed by COVID-19 measures at the port, followed by a lack of port handlers.

⁵ All further percentages in this section have been worked out as a percentage of those 6 respondents. Those who indicated that they had NOT had trouble exporting to this region, were excluded from the rest of the questions for this region as they would have been irrelevant.

South America

There were 34 respondents (65% of total respondents) who engaged with the questions for this region. Of those 34 respondents, only 1 responded that they had experienced difficulty exporting their product to SA. As such, this section of the report will not go into as much depth as the previous regions.

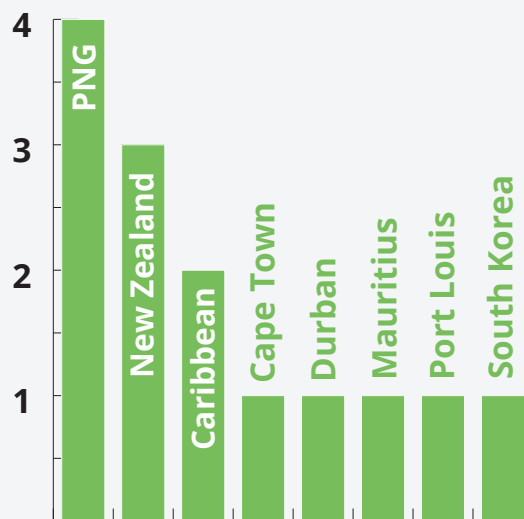
The respondent reporting having difficulty accessing twenty-foot refrigerated export containers for the region with difficulty accessing space on export vessels and reported an increase in freight rates to the region in excess of 300%.

This respondent did not identify which ports they were experiencing issues exporting their product to within SA. They reported having 4-6-week delays exporting to the region. The respondent provided no further information.

Other Regions

To the question “Have you experienced any difficulty exporting your products to any other regions?”, there were a total of 33 respondents with only 9 responding in the affirmative. The regions that were reported by the 9 respondents were (in order of most reported to least) Papua New Guinea, New Zealand, and the Caribbean. Cape Town, Durban, Mauritius, and Port Louis were all reported once.

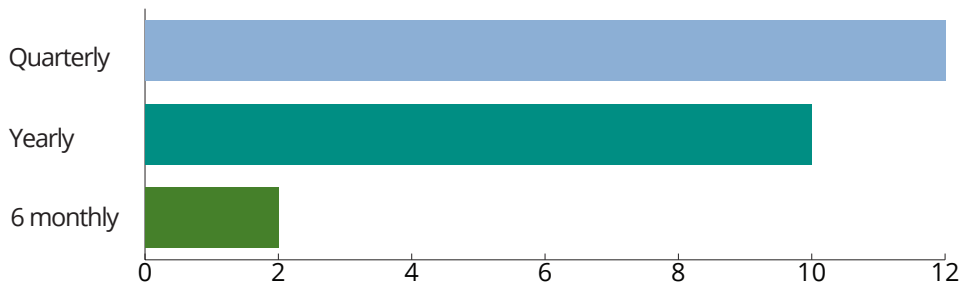
All respondents answered that they were having difficulty accessing both twenty-foot and forty-foot refrigerated export containers for all regions and all respondents reported difficulty accessing space on shipping vessels. Most respondents reported experiencing between 150-200% increase in freight rates with average delays of between 2-4 weeks..



Types of Shipping Contracts

There were a total of 24 responses to the second last question which asked, "In general, what types of contracts do you have with your shipping lines?". This question was not specific to any region. This question was not specific to any region

The two main contract types that respondents to this survey were engaging with their shipping lines on were 'quarterly contracts' making up 50% of total responses and 'yearly contracts' making up 42% of total responses. The remaining responses were '6-monthly contracts'.



Impacts on the Meat Import Sector

The following anecdotes have come from two major smallgoods manufacturers in Australia.

The cost of containers and shipping is not only affecting exports, but also having a significant effect on imports. Most packaging for fresh meat and ingredients for processed meat products are imported. In the case of smallgoods, there is a significant amount of pig meat being imported for processing into ham and bacon which is also being impacted by the escalating cost of containers and shipping.

The increased cost of packaging and ingredients is not only having a significant effect on the price of locally supplied fresh and processed meat products but also meat products that are exported from Australia.

Several shipping companies have reduced shipping services to Australia and New Zealand which is affecting both imports into Australia and exports out of Australia. The shipping issue goes a lot deeper than just the cost of containers and shipping. It is about the supply of critical imports packaging, ingredients, spares, machinery etc. without which, the Australian meat processing industry will have great difficulty to manufacture and supply local demand let alone export.

Conclusion

The data shows that North Asia and China, and Southeast Asia are the two regions most affected by the current global shipping crisis for Australian red meat exporters. The Middle East and North Africa and North America followed closely as the third and fourth most affected regions. Europe and South America were found to be significantly less affected by the current shipping crisis on an industry wide basis. Importantly however, despite these regions being less affected on an industry wide basis, there are still individual exporters experiencing considerable challenges in these markets and thus, freight to these regions must not be neglected.

As can be seen in the data, regardless of the region and port, container shortages and restricted access to space on shipping vessels are being felt industry wide. Reports of increased freight rates are consistent in the data across all ports and regions and range from anywhere between 50-300%+ when compared to shipping rates from pre-COVID times.

While the delays exporters are experiencing at the different ports have a range of different symptoms, the reality is that these delays are being caused by the broader issues arising from COVID-19. In general, COVID-19 has led to a decrease in port workforce capability, ultimately causing a wholesale tightening of port capacity across the globe. We have also seen a spike in consumer demand for non-perishable goods coming predominantly from China as a result of increase internet shopping stemming from people staying at home, browsing the internet more and having extra money to spend. Increased consumer demand for goods has mounted pressure on the supply of export containers and the capacity of shipping line vessels and unfortunately, exporters of perishable goods are paying the price.

We are seeing shipping lines omit Australian ports to focus their business on the lucrative ex-China to USA route, further reducing the supply of shipping capacity and consequently increasing freight rates. We are also seeing refrigerated containers, which the red meat export industry is reliant upon for the export of chilled and frozen product, being converted into dry containers to increase capacity for the shipping of non-perishables goods on more lucrative shipping routes.

AMIC is currently developing the 'AMIC Logistics Strategy' (the Strategy) in consultation with the seventh internal reference committee (IRC7 – infrastructure committee). The findings from this survey will be used to inform part of this Strategy and an agreed advocacy plan will be decided.



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