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TOMAX NEWS

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MARKET SUMMARY

• Shipping lines are yet again throwing their weight around by restricting space and services in order to facilitate the introduction of further rate increases. Lines have announced additional GRIs (General Rate Increases) to be applied on the South-bound Asia trade-lanes from 1st September. Actual demand still remains sluggish, so the current space constraints are purely artificially manufactured by lines via their blank sailing strategies.

• US Customs inspections are causing heavy delays on trade ex: USA to Australia currently as a higher than normal number of containers and consignments are being targeted for inspection. Some customers are seeing delays of between 5-8 weeks on cargo shipments due to the large backlogs of inspections to be carried out. The Tomax USA team are working closely with shipping lines and industry representatives to alleviate the delays as much as possible.

TARIFF CONCESSIONS GAZETTE (TC)

Tariff Concession Orders (TCOs) are an Australian Government revenue concession that exists where there are no known Australian manufacturers of goods that are substitutable for imported goods. When a new TCO is made, it is published in the Gazette by the Australian Border Force. The weekly Tomax Client Newsletter will contain a link to the latest Gazette document so that you can stay updated.

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DP WORLD PLANS 3 MILLION TEU EXPANSION BY YEAR-END

DP World has ambitious plans to bolster its global container-handling capacity by approximately 3 million TEU (twenty-foot equivalent units) by the close of this year. The container terminal operator, headquartered in Dubai, currently manages about 9% of the world's total container-handling capacity. These upcoming expansions, slated for completion this year, are set to elevate the company's total gross capacity to 93.6 million TEU.

Expansions are expected to take place in key locations including Caucedo (Dominican Republic) with a projected additional capacity of 1.2 million TEU, Yarımca (Türkiye) targeting an extra 579,000 TEU, Sokhna (Egypt) with a planned increase of 500,000 TEU, and Jeddah (Saudi Arabia) expecting to add 200,000 TEU, among other significant markets.

DP World's Group Chairman and CEO, Sultan Ahmed bin Sulayem, emphasised the commitment to invest in infrastructure to meet the escalating demand for trade. The expansions, he noted, will further solidify the company's position as a prominent global provider of supply chain solutions, facilitating connections between economies, businesses, and consumers worldwide.

DP World's Chief Operating Officer of Ports and Terminals, Tiemen Meester, stressed the importance of a forward-looking approach to global economics, focusing on how evolving demand can be effectively met. The company's medium-term objective is to reach an annual handling capacity of 100 million TEU, contingent on market demand.

According to DP World's "Trade in Transition 2023" report, global businesses are prioritising growth through market expansion, driven by escalating demand and the exploration of new markets.

In March, DP World introduced its Boxbay high-bay storage system into commercial operation at the Pusan Newport Corporation (PNC) terminal in South Korea. DP World holds a 66% stake in PNC, which operates a container terminal with a capacity of 5.3 million TEU. The integration of Boxbay is anticipated to enhance PNC's operational efficiency.

Moreover, DP World is preparing to commence operations at Indonesia's Belawan New Container Terminal (BNCT) in North Sumatra, projected to handle 600,000 TEU, by year-end. Plans are underway to expand BNCT's capacity to 1.4 million TEU and attract a higher number of direct calls.

In February, DP World secured a significant concession to develop, operate, and maintain the Tuna-Tekra mega-container terminal at Deendayal port on the western coast of India. Upon completion, the terminal will boast a 1100-meter berth and manage 2.19 million TEU annually.

Ackerman, I. (2023). DP WORLD AIMS TO INCREASE GLOBAL CAPACITY. Retrieved from https://www.thedcn.com.au/news/ports/dp-world-aims-to-increase-global-capacity/ on 17th August, 2023.

FEDERAL GOVERNMENT LAUNCHES $130 MILLION BIOSECURITY BOOST FOR HORTICULTURE

The Australian Federal government has unveiled a significant horticulture research initiative worth $130 million with the aim of bolstering biosecurity measures within the sector. This initiative follows the successful inclusion of industry and research partners into the Fresh and Secure Trade Alliance (FASTA), which has granted it the necessary approval to proceed.

Over the course of eight years, the program will be overseen by the Queensland Department of Agriculture and Fisheries and will be implemented through Hort Innovation, the federal horticulture research and development corporation. FASTA has a twofold goal: enhancing biosecurity efforts and establishing connections between Australian export stakeholders and officials to promote the growth of horticultural exports.

The Department of Agriculture, Fisheries and Forestry highlighted that insect pests pose a significant challenge for Australia's horticultural producers, impacting both production and domestic as well as international trade. With Australia's trading partners demanding proof of insect pest-free horticulture exports, this research initiative becomes crucial.

Murray Watt, the Federal Minister for Agriculture, Fisheries, and Forestry, emphasized that the insights gained from this research can be utilised in international trade negotiations, benefiting not only Australia's trade position but also supporting domestic trade within various states and territories.

Watt stated, "this initiative will mitigate the impact of native pests on sustainable horticulture crop production, enhance Australia's readiness for potential incursions of exotic pests, and foster a nationally coordinated approach to research, ultimately boosting horticultural market access and improvements."

Brett Fifield, CEO of Hort Innovation, underlined the increasing significance of export growth for the $16-billion horticulture sector as it strives to diversify its export markets. He noted that the sector's value is projected to rise by up to 22.5% by 2030, primarily due to heightened exports in trade-oriented commodities.

FASTA, through its evidence-based data collection and reinforced biosecurity measures, aims to support this growth trajectory. Mark Furner, the Queensland Minister for Agricultural Industry Development and Rural Communities, expressed confidence that FASTA would safeguard and enhance Australia's reputation for high-quality horticultural produce.

In a significant development, Western Australia plans to invest $8.47 million in the FASTA program, directing it towards horticulture production research and market access support. A multidisciplinary team from Western Australia's Department of Primary Industries and Regional Development is set to delve into various aspects including in-field management strategies, alternative treatment options, and advanced integrated management tools.

The team will also explore the application of digital technology in real-time trapping detection and identification, genetic testing for pest origin identification, and the formulation of science-based protocols for market pathways. The research is aimed at addressing ongoing challenges posed by endemic and exotic pests such as the Mediterranean fruit fly, fall army worm, and tomato potato psyllid.

This investment aligns with the state government's emphasis on biosecurity and is expected to improve production, lower costs, and provide the necessary systems and evidence to maintain export market access.

FASTA is a collaborative effort involving partners such as Hort Innovation, the Queensland Department of Agriculture and Fisheries, the Department of Primary Industries and Regional Development in Western Australia, as well as other relevant departments and institutions across various states and territories. These partners are supported by levy funding from the avocado and strawberry industries, along with federal government backing.

Williams, A. (2023). TRADE ALLIANCE LAUNCHED TO BOOST HORTICULTURE EXPORTS. Retrieved from https://www.thedcn.com.au/news/law-regulation-trade/trade-alliance-launched-to-boost-horticulture-exports/ on 16th August, 2023.

DREWRY CONTAINER INDEX: MILD INCREASE AMID YEARLY DECLINE

The most recent update from the Drewry World Container Index reveals a 2.3% increase, bringing the value to US$1832.48 per 40-foot container in the past week. However, when compared to the corresponding week of the previous year, the WCI has seen a substantial decline of 70.6%. This index is currently positioned 82% below its peak value of US$10,377, which was achieved in September 2021.

It is worth noting that the current index is 32% lower than the 10-year average of US$2683, signifying a return to more typical pricing patterns. Nevertheless, it still remains 29% higher than the average rates of US$1420 seen in 2019 before the pandemic.

For the year up to now, the average composite index is US$1773 per 40-foot container, marking a significant deviation of US$910 from the 10-year average mentioned earlier. In terms of specific trade routes, the freight rates for the Shanghai – Rotterdam route experienced a 6% increase or a rise of US$95, reaching US$1768 per 40-foot container.

Likewise, the spot rates for Shanghai – New York rose by 5%, resulting in a gain of US$182, bringing the total to US$3,545 per FEU. Similarly, the Rotterdam – Shanghai route observed a 2% increase, translating to a US$13 rise, amounting to US$539 per 40-foot box.

Meanwhile, the Shanghai – Genoa route surged by 1%, reflecting a US$14 increase to reach US$2086 per 40-foot container. Conversely, the rates for the Rotterdam – New York route experienced a 1% decrease, leading to a reduction of US$16, landing at US$1577 per FEU. Furthermore, the spot rates for Shanghai – Los Angeles, Los Angeles – Shanghai, and New York – Rotterdam remained steady at the levels of the previous week.

Drewry's projection is for East-West spot rates to remain consistent in the coming weeks. Drewry WCI gauges the fluctuations in ocean freight rates for 40-foot containers across seven major maritime trade lanes.

Daily Cargo News. (2023). WORLD CONTAINER INDEX POSTS ANOTHER WEEK OF MODEST GAINS. Retrieved from https://www.thedcn.com.au/news/containers-and-container-shipping/world-container-index-posts-another-week-of-modest-gains/ on 18th August, 2023.

CONTAINERSHIP FIRE CONTROLLED, 24 CONTAINERS IMPACTED

A fire that erupted on the containership KMTC Shenzhen (IMO 9626417) off the coast of Malaysia seems to be in check, although it has reportedly impacted 24 containers.

The blaze originated on August 12 while the vessel was in the waters of Port Klang. The ship, with a capacity of 2778 TEUs, held 1189 containers at the time. Initially, nine containers were reported damaged by August 14, but an update on a later date indicated that 24 containers were affected. All 18 crew members on board survived the incident, and there were no reported injuries.

Malaysian maritime authorities, along with collaborating agencies, promptly responded by dispatching firefighting tugs. Over the weekend, their efforts were focused on extinguishing the fire.

The Malaysian coast guard stated in a social media post on August 14 that the coordinated rescue operation had effectively curtailed the fire from spreading to high-risk areas. The fire was brought under control within two hours, although the smoke persisted due to the containers still emitting it.

A subsequent update from the Malaysian coast guard confirmed that by Tuesday afternoon, the fire had been fully controlled. Continuous monitoring by firefighters aimed to ensure that the fire would not rekindle.

According to marine claims consultant WK Webster, cargo located in close proximity to the fire might have sustained damage from heat, smoke, and water due to firefighting measures.

The situation may give rise to general average, salvage, and recovery concerns stemming from this incident.

The KMTC Shenzhen, a Korean-flagged vessel built in 2013, reportedly departed Hong Kong on August 8 according to AIS data.

Williams, A. (2023). BOXES BURNED IN CONTAINERSHIP BLAZE. Retrieved from https://www.thedcn.com.au/news/ports/containership-blaze-off-malaysia/ on 17th August, 2023.

GLOBAL ECONOMIC UNCERTAINTY PUSHES FORWARDERS TO CAPACITY CHALLENGES

Continued uncertainty in the global economic landscape is causing freight forwarders to grapple with substantial declines, prompting what's being referred to as a "race to the bottom" due to surges in available capacity.

Alphaliner reported that an additional 200,000 TEU of ocean capacity entered the market in July, following a record-breaking surge of 300,000 TEU in June. This influx of capacity has placed carriers in a challenging position as rates continue to plummet.

Similar dynamics are anticipated in the airfreight sector as vacationers make a robust return, leading to a surge in available belly capacity.

A forwarder, operating across both maritime and air modes, explained that airfreight is heavily influenced by passenger movements, and the significant increase in passenger flights, particularly from Europe to the US, has resulted in a flood of excess capacity. The forwarder noted that not only are there extra passenger services as part of the "post-pandemic normalisation," but flight numbers might even surpass those from 2019 due to pent-up travel demand after two years of restrictions.

In the UK, for instance, there has been a noticeable rise in flights between China and Heathrow, with added China services to Manchester, cargo flights to Stansted, and ad-hoc services to address supply surges.

Brandon Fried from the Airforwarders Association (AFA) shared that some AFA members have experienced double-digit declines in their operations.

One insider disclosed that the substantial excess capacity flooding the market has thrown the industry into "total discombobulation" on the pricing front. Desperate forwarders are engaging in speculative practices, significantly lowering their quotes in a competitive "race to the bottom" to secure major accounts.

This situation has led forwarders to see airfreight as a loss leader, hoping to offset losses through ocean freight operations.

Nevertheless, the source acknowledged that forwarders currently hold significant leverage in negotiations with carriers across various modes due to the sharp decrease in demand combined with the surge in available capacity.

Mr. Fried noted that the situation isn't entirely negative for forwarders, as SME (small and medium-sized enterprise) members are finding ways to stay active and operational within their specific market niches, despite the overall decline in volumes.

Whiteman, A. (2023). Slow demand and overcapacity driving a forwarder 'race to the bottom'. Retrieved from https://theloadstar.com/slow-demand-and-overcapacity-driving-a-forwarder-race-to-the-bottom/ on 17th August, 2023.

US CONTAINER IMPORTS TO TOP 2 MILLION TEU, DECLINES AHEAD

Containerised imports into the US are anticipated to exceed 2 million TEUs this month, a level not reached since last October. This projection comes from the monthly Port Tracker, co-published by the National Retail Federation (NRF) in collaboration with maritime consultancy Hackett Associates. While the volume for August is expected to slide below the 2 million TEU threshold for the remaining months of the year, the rate of year-on-year decline is projected to shrink.

Port Tracker's forecasts are based on traffic projections at major US container gateways, predicting an import cargo volume of 2.03 million TEUs for August, down 10.2% compared to August of the previous year. Although this still represents a decrease, it marks an improvement over July, which saw an estimated 1.91 million TEUs enter the US, reflecting a 12.7% decline from the corresponding period last year.

The trend continued in June, as US ports handled 1.83 million TEUs, marking an 18.7% year-on-year decrease. This brought the total for the first half of the year to 10.5 million TEUs, a 22% shortfall compared to the first six months of 2022.

Ben Hackett, founder of Hackett Associates, explained the divergence between rising sales growth and declining cargo volumes by citing retailers' inventory adjustments. He noted that as retailers work through inventories accumulated over the past 12-18 months, cargo growth is likely to pick up as inventories are depleted.

A similar view is shared by Tim Denoyer, ACT Research VP and senior analyst, who pointed out that while declining retail sales and destocking are persisting issues, the dynamics are shifting due to improving real incomes and the waning impact of destocking.

Despite these trends, concerns linger regarding consumer spending, which accounts for about 70% of the US GDP, making its potential impact significant.

In the NRF's August Economic Review, Chief Economist Jack Kleinhenz cautioned that although consumers have been spending more than the previous year, spending growth has slowed due to financial pressures like inflation and high interest rates, declining from 4.2% in the first quarter to 1.6% in the second.

While the decline in imports is anticipated to decelerate, Port Tracker does not foresee inbound container throughput surpassing August levels. The projections suggest volumes of 1.97 million TEUs in September, 1.99 million TEUs in October, and 1.92 million TEUs in both November and December. These projections result in an estimated total of 22.3 million TEUs for the full year, representing a 12.8% drop from 2022.

Notably, the December forecast of 1.92 million TEUs would mark a 10.7% increase compared to the previous year, signaling a return to growth after the year-on-year volume contraction in 2023.

Despite these insights, the first week of August has not shown a surge in imports, as intermodal volumes were down by 5.2% year-on-year. This brings the total for the first 31 weeks to a 9.5% drop in intermodal units moved on US rail carriers.

Judah Levine, Head of Research at Freightos, noted a similar subdued sentiment from the container carrier side, highlighting the need to reduce capacity to drive rate increases, given the oversupplied market conditions as fleet sizes continue to expand.

On a positive note, cargo owners can anticipate a period of business without the threat of congestion or labor disputes, according to Jonathan Gold, NRF VP for supply chain and customs policy, who anticipates a smooth shipping season ahead of the winter holiday shopping season.

Putzger, I. (2023). US container imports still on the decline, but the slope is easing. Retrieved from https://theloadstar.com/us-container-imports-still-on-the-decline-but-the-slope-is-easing/ on 16th August, 2023.