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CFR FREIGHT – WEEKLY TRADE SUMMARY
WEEK 40

GENERAL

Cargo Lead Times and Transit Times

Overall, there has been little change in global services, with many areas experiencing worsening delays. China was closed for most of the week due to the holidays being celebrated and estimates are that there will still be further blank sailings from the region and vessel scheduling delays.

As available capacity, erratic sailing schedules, blank sailings and port omissions continue around the globe, our published loadings and transit times are indicative only and subject to change as per carrier service adjustments. CFR Freight and our overseas partners continue to strive to load as per our planned schedules and we endeavour to accommodate all bookings for timely loading. Cargo routings may differ to published services as we strive to move shipments as efficiently as possible.

All carriers have cautioned that capacity constraints continue to worsen over the coming months, with further delays being predicted for hazardous cargo and heavy weight / dense shipments, weight restrictions are being imposed on more services.

Extended lead times and advance bookings are recommended to all clients.

Both import and export services are being impacted by the shipping line capacity constraints.

We are seeing increased delays from carriers with regards to acceptance of hazardous cargo; this is compounded by vessel delays and scheduling amendments, which will impact acceptance from transhipment hubs.

Shipper Hopes Dashed with Prediction of No Supply Chain Recovery Before Q4 22
Source: The LoadStar 07/10/2021

Hopes of a return to some form of normality in global supply chains after Chinese New Year in February have been dashed by analysts.

Both Drewry and MSI now do not expect the supply chain crisis underpinning highly elevated freight rates across several tradelanes to normalise before the end of next year.

"Supply chain turmoil will last longer than thought," says Drewry in its latest Container Forecaster report.

"We had expected more progress at this stage," said Simon Heaney, senior manager container research. The deteriorating situation makes us think the problem is much deeper-seated than feared, with the pandemic bringing forward latent crisis within certain sectors."

Drewry says its "consensus view from conversations with industry professionals" is that the end of 2022 was "a more likely timeframe" for recovery.

However, although the consultant expects spot rates to decline next year, it is forecasting "a significant increase in contract pricing, leading to an increase in average global pricing of about 6%".

Elsewhere, Maritime Strategies International (MSI) analyst Daniel Richards said freight rates were more likely to "move sideways" rather than "dramatically downward" next year, "since the task of reducing the level of congestion and backlogs across the system will take time, and the prevailing level of container demand will remain healthy".

Meanwhile, Drewry has upgraded its outlook for average global freight rates.

Continued high spot rates, together with a 'catch-up' in higher long-term contract rates, has obliged Drewry to upgrade its forecast for combined spot and contract rates for 2021 to a year-on-year increase of 126% – a big jump on its 47% forecast in June.
"Stronger-than-expected spot rate movement in Q3 and a longer supply chain recovery are behind our reason to upgrade the outlook," said Drewry.
The impact of this will see another profitability record for ocean carriers in the third quarter, after an estimated cumulative net profit in Q2 of some $62bn, according to New York-based consultant Blue Alpha Capital.
Drewry says it now expects the liner industry to clock up an "eye-watering" ebit of $150bn this year, up from its previous forecast of $100bn.
It says the input of higher charter rates for ships and bunker prices rises "had little impact" on the results, given the scale of the revenue hikes. Moreover, it is expecting carriers to make "slightly more again" next year, as the much higher contract rates impact carrier results.
Indeed, Hapag-Lloyd's average rate for Q2 was said to be $1,714 per teu, while Maersk recorded an average rate of just $1,519 per teu, reflecting a high level of contract cargo carried during the period.
"With regulators breathing down their necks looking for evidence of unethical activity, lines are on the defensive, and recent moves by some to cease further spot rate increases need to be viewed through the prism of a PR war," notes Drewry.
Shipper hopes dashed with prediction of no supply chain recovery before Q4 22 - The Loadstar

SOUTH AFRICAN PORTS & CFS

High traffic volumes and congestion continue in all major terminals in South Africa.
Extended berthing delays in the terminals impact already constrained and delayed vessel schedules.
Strong winds have been experienced around the country and expected to continue into week 41.

DURBAN
High cargo volumes currently moving through Durban and the transport systems are severely constrained.
Durban CFS – Zacpak is experiencing a surge in container and cargo volumes and is heavily congested. Due to the high volume and priority status of all containers, Out of Sequence processing may be limited at this time.
Vessel berthing waiting times:

- Pier 1: 5-7 days
- Pier 2: 2-3 days
- Point: 10 days

CAPE TOWN
Transport booking system has resulted in some transport delays in container movement to and from the Cape Town terminals.
Cape Town CFS – Zacpak is experiencing high levels of container and cargo volumes and is heavily congested.
Vessel berthing waiting times:

- CT Container Terminal: 1-2 days
- CT Multi Purpose Terminal: 4 days

PORT ELIZABETH
Port Elizabeth CFS – Zacpak is experiencing high levels of cargo volumes; no delays or congestion at this time.

- Port Elizabeth Terminal: 1 days
- Coega:2-3 days

NORAM
Amex (MSC & Maersk)
There has been no improvement to the challenges being experienced in the USA. Equipment shortages, transport delays, high terminal congestion and high cargo demand continue to impact all services from the US. The West Coast and Midwest regions severely impacted, however challenges are being experienced on the East Coast, Charleston and Savannah ports.
Shipco Transport advisory dated 7 October 2021 attached, provides summary of current situation within the US for inbound and outbound services.

Scheduling changes as advised by the carriers.

- **MSC Lilou UZ135S / UZ139N –** vessel was due to berth in Port Elizabeth latest 09/10/2021. Updated information received on Sunday 10/10/2021 that the vessel has cut and run PE and proceeding to DBN; we believe that the vessel has been under quarantine since 30/09/2021, but this has not been confirmed in writing by the carriers. Vessel will omit Cape Town and proceed directly from Durban to New York.
- **Voy. 139S – 143N – Blank sailing**
- **Voy. 148S – 152N – Blank sailing**

<u>LATAM</u>

Hapag Lloyd & MSC

Vessel capacity is severely constrained ex South America into South Africa; with expectations of very limited capacity in October

As advised in Week 39 Summary, due to severe space constraints on the MSC service for Port Elizabeth, we have temporarily rerouted Port Elizabeth and Cape Town cargo via the Durban consol. The Durban service is with Hapag Lloyd on a fortnightly basis, with estimated transit time into Durban of 13 to 15 days. There are four vessels on this trade, servicing South America into South Africa and delays can be expected.

<u>UK, NWC & MED</u>

MSC, DAL, ONE

High cargo demand out of Europe, port congestion and vessel delays continue to impact loadings.

Amendments to port rotations and increasing port omissions, unscheduled transhipments and in some cases additional port calls are negatively impacting transit times.

On both inbound and outbound services, we have been advised by the shipping lines that the vessels are over-committed, and this has resulted in rolled containers and delayed transshipments. Alternative shipping lines may be sourced where possible, resulting in last minute updates and changes to published schedules.

Feeder vessels into transshipment hubs of Algeciras and Las Palmas are also over committed and we are seeing some transshipment delays. Vessel capacity out of ports of Sines and Las Palmas into South Africa is severely constrained, with the following information received from MSC:

"*We are facing a severe shortage of capacity on the Europe to South Africa trade = we are sitting with a roll over situation in Las Palmas and Sines and believe that this situation will continue till end year*."

Priority is requested on all CFR Freight containers, however MSC has cautioned that there is no guarantee for priority loading and they are working on a "first in first out" basis for the transhipment hubs. Smaller vessels have a lower capacity of between 6500 and 7000 TEU and draft restrictions in Cape Town and Durban result in container and vessel weight being a concern.

A Peak Season surcharge has been announced by carriers for NWC/MED into South Africa, which will be effective from 23rd October.

HGV driver shortages continue to impact the delivery of fuel in the UK, as well as reduced capacity for cargo and container movement.

- **MSC Arica –** vessel is phasing into the NWC service (replacing the MSC Athens which is phasing out). Vessel will cover voyage NZ137A in London 23.09.2021, with ETA into CPT 22.10.2021. Vessel will phase out of the NWC service and onto the INGWE service after the CPT call.
- **MSC Branka –** vessel will phase out of the NWC service and will omit Hamburg. Hamburg import containers will discharge Bremerhaven. ETA 01/10.2021.
- **MSC Brittany –** due to MSC Branka amendment, the MSC Brittany will now slide by one week, covering voyage NZ139A in LGP – 02.10.2021
- **MSC Chloe –** due to the MSC Branka amendment, the MSC Chloe will now slide by one week, covering voyage NZ140A in LGP – 09.10.2021.
- **MV Cape Tainaro –** vessel will follow MSC Chloe, covering NZ141A in LGP – 16.10.2021.

- **Santa Ursula 214S –** due to delays experienced on previous voyage, the vessel will omit Cape Town southbound call and sail directly to Coega. CPT cargo will remain on board for discharge on the northbound call – ETA 21.10.2021.
- **Santa Barbara 214S –** vessel will phase out of the SAECS service during Durban call ETA 18/10/2021/ The vessel will omit Cape Town and all imports for CPT will discharge in Durban; transhipment details to be advised.
  Carriers have advised that due to berth unavailability in Algeciras, the Santa Barbara will omit her Algeciras call. Transshipment containers planned for the Santa Barbara expected to connect onto **Santa Cruz 214S.**
- **Santa Cruz 214S –** vessel will omit Cape Town southbound call. No updates as yet as to discharge on the northbound call, or discharge in another port for transhipment.
- **MSC Alessia –** vessel will phase out of the INGWE service onto the NWC service in Durban – voy ZN143R, for exports into NWC. ETA DBN 21.10.2021.
- **MSC Pamela** – vessel will phased into NWC service and run as extra vessel. Phase in NZ143A voyage in London. ETA Cape Town 26.11.2021.

MIDDLE EAST, SUB CONTINENT AND INDIAN OCEAN ISLANDS

All services remain heavily congested with very limited carrier capacity.
Hazardous acceptance by shipping lines is delayed and our partners will continue to work with origin booking parties and shipping lines to secure acceptance as soon as possible.
CFR Freight and our partners will plan load cargo on first available service and routings may change from week to week.
India remains severely constrained, with carrier services into Cape Town being suspended. Loadings will be planned over the Durban consol.
Jebel Ali sees very limited export capacity for October and November, with some carriers advising availability onto in late November. CFR Freight will plan our export loadings over our Singapore service for those customers who require earlier loading. On our inbound services, our partners indicate that berthing delays have significantly improved and vessel scheduling has stabilized slightly.
SA export services into Port Louis are experiencing severe capacity constraints with limited carrier choices available with suitable transit times. In order to provide short as possible transit, there may be delays and / or amendments to bookings.

APAC (including Oceana)

Carrier capacity remains at a premium from the region, with carrier scheduling changes, vessel delays and blank sailings. Possible delays anticipated out of major transhipment hubs.
Both inbound and outbound services are affected by carrier capacity constraints. CFR Freight and our partners will load as capacity is available; irregular carrier schedules and booking releases may result in alternative routings for cargo.

China have resumed operations after the Golden Week holidays. Carriers have advised of blanked sailings and vessel delays as a result of the holidays.

China's Energy Crisis is Hitting Everything From iPhones to Milk
Source: gCaptain.com – Bloomberg 08/10/2021

The hit from China's energy crunch is starting to ripple throughout the globe, hurting everyone from Toyota Motor Corp. to Australian sheep farmers and makers of cardboard boxes.
The extreme electricity shortage caused by soaring prices of coal in the world's largest exporter is set to hurt China's own growth, and the knock-on impact to supply chains could crimp a global economy struggling to emerge from the pandemic.

The timing couldn't be worse, with the shipping industry already facing congested supply lines that are delaying deliveries of clothes and toys for the year-end holidays. It also comes just as China starts its harvest season, raising concerns over sharply higher grocery bills.

“If the electricity shortages and production cuts continue, they could become yet another factor causing global supply-side problems, especially if they start to affect the production of export products,” said Louis Kuijs, senior Asia economist at Oxford Economics.

Slower Growth

Economists have already warned of slower growth in China. At Citigroup, a vulnerability index indicates that exporters of inputs to China’s manufacturing sector as well as commodities are particularly at risk to a weakening Chinese economy. Neighbors like Taiwan and Korea are sensitive, as are metal exporters such as Australia and Chile, and key trading partners such as Germany are also somewhat exposed.

As for global consumers, the question is whether manufacturers and retailers will absorb higher costs or will pass them along.

“This is looking like another stagflationary shock for manufacturing, not just for China but for the world,” said Craig Botham, chief China economist at Pantheon Macroeconomics. “The price increases by now are pretty broad-based — a consequence of China’s deep involvement in global supply chains.”

Beijing has ordered coal mines to increase production and is scouring the world for energy supplies at it tries to stabilize the situation. The impact on the global economy will depend on how quickly those efforts bear fruit.

Many Chinese factories reduced production for this week’s “Golden Week” holiday, and economists are closely watching whether power shortages will return as they ramp up again.

Due to a strong Chinese government response “the worst of this energy crisis – but not the entire crisis – may be over soon,” economists at Societe Generale SA said in a note on Friday. Still, power use curbs on the most energy-intensive industries such as steel, aluminum and cement will persist for months and China will continue to aggressively target imports of natural gas, adding to global price pressures, they said.

Some industries are already under pressure, and the damage they’re seeing could fan out to other sectors.

Paper

Consider paper. Production of cardboard boxes and packing materials was already strained by skyrocketing demand during the pandemic. Now, temporary shutdowns in China have hit output even harder, leading to a possible 10% to 15% reduction in supply for September and October, according to Rabobank. That will add further complications to businesses already suffering from the global paper shortage.

Food

The food supply chain is also at risk as the energy crisis makes harvest season more challenging for the world’s biggest agricultural producer. Global food prices have already jumped to a decade high, and worries are mounting that the situation will worsen as China struggles to handle crops from corn to soy to peanuts and cotton.

In recent weeks, several plants were forced to shut or reduce output to conserve electricity, such as soybean processors that crush beans to produce meal for animal feed and oil for cooking. Prices for fertilizer, one of the most important elements of agriculture, are skyrocketing, slamming farmers already buckling under the strain of rising costs.

The processing industry is set to be more severely affected than staples such as grains and meat, Rabobank analysts wrote in a report this week. In the dairy sector, power cuts could disrupt the operation of milking machines, while pork suppliers will face pressure from tighter supply of cold storage.

Wool

Outside of China, Australian sheep farmers are bracing for weaker demand just as they seek to sell their wool at auctions. The industry saw Chinese mills reduce production by up to 40% due to power cuts last week, Australian Broadcasting Corp. reported.

Tech

The tech world could also see a dramatic hit, given that China is the world’s biggest production base for gadgets from iPhones to gaming consoles, and a major center for the packaging of semiconductors used in autos and appliances.

Several companies have already experienced downtime at their Chinese facilities to comply with local restrictions. Pegatron Corp., a key partner for Apple, said last month it began to adopt energy-saving measures, while ASE Technology Holding Co., the world’s biggest chip packager, halted production for several days.

The overall impact on the tech sector has so far been limited because of customary shutdowns around the week-long holiday. Should the energy crunch worsen, it could hit production ahead of the crucial year-end shopping season. Industry giants including Dell Technologies Inc. and Sony Group Corp. can ill afford another supply shock after pandemic-induced turmoil fomented a global chip shortage that will extend well into 2022 and beyond.

Automakers

Any further deterioration of the semiconductor market would also add headaches for automakers, who have already seen production crunched by the chip shortage. The industry, which is high on the list of protected sectors in times like these, has thus far largely been spared from the effects of the power crisis.

Still, there have been some isolated instances. Toyota, which produces more than 1 million vehicles a year in China at plants centered around Tianjin and Guangzhou, has said some of its operations have been impacted by the power shortages.

–With assistance from Jasmine Ng, Debby Wu and Peter Vercoe.

AFRICA EXPORT SERVICES

ONE, MSC, Hapag Lloyd

Capacity and scheduling delays are negatively impacting all export services into Africa. As vessels call South African ports already full, there is little available capacity for SA exports to be loaded and carriers are rolling bookings and advising that limiting space availability for the balance of the year. As we see blank sailings into South Africa, in turn, exports sailings are also blanked by the carriers.

CFR will continue to endeavour to load as per carrier bookings and will communicate any booking adjustments as needed.

We thank you for your continued support and should you require any further information, please do not hesitate to contact your CFR Freight representative.

CFR FREIGHT
TRADE TEAM