

Consolidated Overview: Impact of the Houthi rebel attacks in the Red Sea on agri-food shipments

CELCAA is the European Liaison Committee for Agricultural and Food Trade and as such represents at European level the main agri-food sectors such as meat and livestock, dairy products, cereals, cereals and oilseeds, eggs, egg whites and yolks, wine and aromatised wine products, hops, tea and herbal infusions, tobacco and the butchery sector and their trading operations.

The ongoing security threat to the Red Sea shipping lane due to attacks by Houthi rebels is seriously affecting EU agri-food imports and exports to and from key Southeast Asian partners such as India, China, Indonesia, Thailand, Malaysia, Vietnam, Japan and to some extent Australia. Based on the latest trade data consolidated for the year 2022 from the above origins provided by the Directorate-General for Agriculture and Rural Development, 15 % of EU agri-food exports, with a market value of around €34.5 billion, and 19.4% of EU imports, with a market value of €33 million, are estimated to be passing the Red Sea annually. It further concerns agri-food trade with countries in the MENA region with traders reporting, that in countries such as United Arab Emirates, Oman and Saudi Arabia traders are challenged to send and receive agri-food.

Therefore, disruptions on this shipping lane are particularly, but not exclusively, a concern for exports in pigmeat, dairy products, wine, egg white powders, cereal preparations and milling products to Southeast Asia. On the import side, trade in non-edible inputs, tea and herbal infusions, dairy products, vegetable oils, meat and edible meat offal, pulses, spices and, to some extent, poultry and egg imports from Thailand and India are affected. However, limited to no real-time information is currently available on quantities and value of commodities including their destination affected by the acute situation to date.

To date, CELCAA members have reported the following challenges:

- **Impact on agri-food sectors:** While most agri-food sectors are affected by the dangerous shipping situation in the Red Sea, the significance varies by commodity. For example, dairy products face significant challenges, while commodities such as cereals and oilseeds are less affected by disruptions on this route. As the situation continues, some operators have currently stopped routing through this sea route.
- **Rerouting/Diversion from the Red Sea:**
 - Six of the top ten container carriers are diverting from the Red Sea, including MAERSK, MSC, Hapag-Lloyd, ZIM, ONE, CMA CGM, representing around 62% of global capacity, according to Freightos Weekly Update of 10 January 2024.
 - Carriers with a lesser presence on this route appear to have already withdrawn their services (but the gap is still being filled by the larger/more present carriers).
- **Effects of rerouting:**
 - **Longer voyages for carriers,** using more fuel and more ships for longer voyages using the route around the Cape of Good Hope /South Africa.
 - **Delays in deliveries:** Agri-food traders will face delivery delays of around 2-3 weeks, leading to longer transport times, increased costs and disruptions to supply chains; as a result, longer transit times on non-Red Sea routes and possible schedule disruptions are expected.
 - **Congestion at certain ports and the beginning of container shortages:** Traders are starting to notice the shortage of equipment/containers as European operations are

heavily dependent on containers from China. A tightening of capacity will also affect lanes not directly affected by the Red Sea diversions.

- **Challenges for temperature-controlled products:** Longer transit times due to a longer journey and delays at ports mean that the quality of certain temperature-controlled products (e.g. butter) is affected.
- **Tracking of deliveries:** It has become much more difficult to track deliveries and provide customers with an accurate Estimated Time of Arrival (ETA).
- **Volatile trading relationships:** Several Asian suppliers try to cancel shipments, renegotiate prices or delay shipments. This causes a lot of discussion between the parties.
- **Shift in geographical competitiveness:** The current diversion is also changing the competitiveness of EU destinations towards Western EU and its ports compared to Mediterranean and Central European Sea ports. This may also lead to a shift of trade flows to and from other destinations.
- **Higher container rates for shippers:** Agri-food operators are currently reporting increased transport costs with a varying degree between 70% to 80% above the average price, as carriers are adding disruption charges:
 - **Overview additional costs:** Depending on carrier and origin/destination surcharges are varying between \$ 200 to \$ 2000 with traders reporting:
 - Containers from Asian destinations have been increasing from \$ 800 to \$ 3.500/3.600
 - Containers from Australia have been surcharged with round about \$ 1600
 - Reefers are currently operating with surcharges between \$ 450 and \$ 2000
 - Dry containers are surcharged between \$ 200 and \$ 1500
 - Further increases up to \$ 5000 per full container load are expected in the upcoming weeks.
 - **Surcharges on other shipping routes:** Surcharges have not just been limited to vessels directed to the Red Sea, but also on other shipping routes destined to the U.S., Canada and parts of Africa with outlook on further increases.
 - **Expected additional costs:** While not yet reported, agri-food operators expect the imposition of retroactive costs as well as higher insurance costs on cargo.
- **Market prices:** Long-term increase of market prices for certain agri-food commodities due to higher shipping costs as well as the ongoing change of trade flows are expected, but requires further analysis.
- **Private sector armed security forces:** Normally armed security forces board vessels at ports. Given the increased demand for such services, they are now boarding just before the hazardous zone and disembarking just after, to minimise their time on board of the vessels and to free up each team to assist another vessel. Embarkation and disembarkation points are public knowledge and available online. Therefore, this could be potential targets for further rebel attacks, with consequence of further reducing shipping through this zone. (Annex I)
- **No administrative disruptions:** To date no administrative, certificate or customs issues have been reported.

As the security situation deteriorates, we believe that an initial stocktaking exercise with the European Commission will be essential to further analyse and understand the current short- and long-term impact on agri-food trade to and from Southeast Asian destinations as well as the MENA region. It will also be essential to have a more detailed understanding of the range of affected agri-food commodities in terms of tonnage transiting the Red Sea monthly to better understand the impact. Thirdly, it will be

essential to further understand the steps taken by the EU Commission with regard to this security crisis, to mitigate the impact on agri-food trade and the overall food security situation.

CELCAA will continue to analyse the situation for agri-food traders as the threat situation in the region remains.

Annex I: Overview value of agri-food trade affected by shipping disruptions in the red sea

	Exports in mio €	Imports in mio €
China	15.819,0	9.811,0
India	1.406,0	3.669,0
Australia	3.838,0	3.856,0
Indonesia	1.157,0	6.708,0
Thailand	1.239,0	2.361,0
Malaysia	1.256,0	3.404,0
Vietnam	1.310,0	3.460,0
Japan	8.330,0	487,0
Total South East Asia	34.355,0	33.756,0
Total World	229.428,0	171.766,0

Source: The analysis has been build on combined data provided through DG Agriculture and Rural Development services available via: https://agriculture.ec.europa.eu/data-and-analysis/markets/trade-data/trade-countryregion/trade-value_en#v – Contacted: 15.01.2024