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MARKET UPDATE
UK & International
MAY 2024

SNAPSHOT

OCEAN:

- Significant capacity issues are expected to hit the market with over 100,000 TEU removed from the Asia-Europe trade lane in the first two weeks of May.
- The Red Sea crisis continues to play havoc on freight rates as the latest round of planned rate hikes by carriers is here to stay.
- Ex ISC factories have started production at full pace after holidays in April and volume is expected to increase from May onwards which will result in rate increases. [read more]

AIR:

- Several factors have led to a level of uncertainty in the Air Freight sector which is expected to continue into May.
- The E-commerce sector continues to dominate the Air Freight industry with Chinese companies such as Shein and Temu seen as the major contributing factor dictating capacity or rate fluctuations from the Far East.
- Ex ISC space is now available compared to April,2024 and rates are stable now. [read more]

WAREHOUSING & TRANSPORT:

- FMDC Solar Panel Switch on.
- Transport start to use HVO. [read more]

EUROPEAN TRANSPORT:

- How UK's new border controls will affect animal and plant imports.
- Truck Driver Shortage. [read more]

ENVIRONMENTAL COMPLIANCE:

- Beyondly exhibits at edie24, the corporate sustainability event of the year. Here is our round-up! [read more]

ONE WORLD:

- Can reshaping our supply chains help combat climate change and safeguard the future of our planet? [read more]

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OCEAN FREIGHT GLOBAL MARKET OVERVIEW

GLOBAL MARKET OVERVIEW

Significant capacity issues are expected to hit the market with over 100,000 TEU removed from the Asia-Europe trade lane in the first two weeks of May.

With the three main vessel sharing consortiums announcing blank sailing programmes across May, market conditions on Europe trade from the Far East are extremely volatile at the moment. Space is likely to be tight with restricted vessel options, some carriers are already blocking new bookings for May and in some instances cancelling space already accepted. Furthermore, equipment shortages in the Far East appear to be adding to the uncertainty as the impact of the Red Sea situation and extended transit times via the Cape Of Good Hope mean current vessel rotation cannot keep up with the demand. In summary May will see demand significantly outweigh capacity in what is expected to be an extremely challenging period.

The Red Sea crisis continues to play havoc on freight rates as the latest round of planned rate hikes by carriers is here to stay.

The schedule May capacity restrictions coupled with the continued diversion of vessels around the Cape of Good Hope is a combination that has left carriers in a much stronger position. Unlike previous months in which FAK rate hikes were implemented with a hope of keeping rates at a certain level, carriers are now in a stronger position as the increased demand, lack of capacity and escalation in the Middle East means rate increases are expected across the board.

Over the past week, tensions have escalated in the Middle East as the MSC Aries was seized in the Hormuz Straits.

The Hormuz Strait is a key passage for ships arriving at Dubai, which has been a key port for carriers since the start of the Red Sea Crisis. It is also a critical passage for the transportation of oil, therefore there is a strong possibility this could have an immediate impact on oil prices. The MSC Aries, was seized by Iran for “violating maritime laws” according to Iran’s foreign ministry. MSC which operates the Aries, have also confirmed Iran has seized the ship and said it was working with the relevant authorities for its safe return and the wellbeing of its 25 crew.

Maersk have announced a significant upgrade of their ME2 service with the addition of calls to Rotterdam, Felixstowe and Bremerhaven.

The strategic extension of the ME2 service to key destinations in North Europe will be benefit North India’s exporters, particularly those in the lifestyle and retail sectors as upgraded vessel options give manufacturers

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and exporters access to important consumer markets in North Europe. Transit Times are to be shortened from anywhere between five to seven days with a similar trend also expected on the return North Europe to India trade lane.

INDIAN SUBCONTINENT

- Shipping lines continue to avoid Red-Sea and Suez-canal which is impacting the schedule reliability and on-time performance of the carriers.
- Factories have started production at full pace after holidays in April and volume is expected to increase from May onwards which will result in rate increases.
- Equipment availability is normal from North & West India; slight shortages reported from South & East India.
- Due to the upcoming blank sailings, there are more equipment shortages expected in May,2024 by all major carriers.
- Carriers are planning another round of GRIs in the second half of May,2024.
- Hapag-Lloyd has begun offering guaranteed space on its India-US connections for clients willing to pay a premium at around USD 250 per TEU.

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AIR FREIGHT MARKET OVERVIEW & REGIONAL REVIEW

AIR FREIGHT SUMMARY

As we head into May, the air cargo situation in China remains dynamic, with the extended labour day holidays at the start of this month expected to drive a spike in volumes. Demand from e-comm platforms remains, so whilst rates may drop for a few days during and after the holiday, they are expected to rebound and remain reasonably strong through the month.

Likewise, Southeast Asia will see the same effects from labour day holidays and we will monitor demand closely as carriers from this region are also adjusting pricing quickly based on local demand.

In the Indian Subcontinent rates from India have started to plateau, with rates from Delhi slightly down week on week. The expectation is that rates will slowly reduce, but possibly not back to early January figures for some time, as pressure from the Far East might keep airline hubs busy.

Bangladesh has also seen slight reduction this week, though this may be in part due to a slow return to manufacture post EID. Return to production plus challenges with a number of their x-ray machines may mean that a slight backlog persists.

Rates and capacity from Sri Lanka are also expected to ease as transhipment volumes from Bangladesh soften.

Several factors have led to a level of uncertainty in the Air Freight sector which is expected to continue into May.

Capacity restrictions are continuing to cause issues with there being a significant spike in demand as a result of the Public Holidays due at the beginning of May across the Far East. Following that the ongoing tension in the Middle East has resulted in a backlog of cargo transiting through the Gulf with most carriers reporting a two-week backlog. Suppliers in China have reacted by looking into options at diverting cargo to other transhipment hubs to avoid delays. Dubai airport is also recovering from a flash flooding that hit the airport in Mid-April causing the cancellation of over 300 flights and the airport temporarily closing. All of which has contributed to a level on uncertainty in the market with a spike in rate levels expected in the middle of May.

The E-commerce sector continues to dominate the Air Freight industry with Chinese companies such as Shein and Temu seen as the major contributing factor dictating capacity or rate fluctuations from the Far East.

The overall volume being generated by such platforms accounts for between 20-30% of total air cargo volumes worldwide with the sector expected to continue to grow at an annual growth rate of 22.6%

AIR FREIGHT MARKET OVERVIEW & REGIONAL REVIEW

AIR FREIGHT SUMMARY

from 2023 to 2032, taking its market value from $386 billion USD in 2023 to just over $2400 billion by 2032. In recent months the volume of bookings from such platforms has led to severe space restrictions in many neighbouring countries, with China carriers fully booked or facing lengthen lead times e-commerce cargo Ex China has been routed via the likes of Taiwan and Thailand and given priority as airlines give priority to guaranteed volume.

INDIAN SUBCONTINENT

- Ex India space is now available compared to April, 2024 and rates are stable now. From Mumbai space issues continue, due to Mango volume which will last till June, 2024.
- Ex Bangladesh cargo movement is now in a stable trend but is expected to increase from May, 2024. Capacity could be an issue when volume increases as currently PAX flights are being used to carry cargo. All scanning machines are working efficiently at Dhaka airport.
- Ex Sri-Lanka the local and trans-shipment volumes are at normal level and airfreight is now stable. Volume is expected to increase in coming weeks due to factories resuming operations after Sinhala and Tamil New Year holidays.
- Ex-Pakistan mango season starts in 3rd week of May, 2024 and lasts till August, 2024 so we will see an uptick in the volume accordingly.

IATA announce 10% increase in volumes for March as the positive momentum in the sector continued.

This was the fourth consecutive month of double-digit year-on-year growth. IATA reported that total demand, measured in cargo tonne-kilometres (CTKs), rose by 10.3% compared to March 2023 levels, following rises in December last year as we well as January and February 2024. It's a clear sign of recovery for the Air Freight sector as for the first time, cumulative Q1 traffic surpassed the record heights experienced in Q1 2021. The 10.3% YoY growth in industry CTKs was driven by traffic on international routes, which expanded by a total of 11.4% YoY in March, helped by the rapidly increasing demand for e-commerce services.

WAREHOUSING & TRANSPORT UPDATE

WAREHOUSING

Solar Panel Switch on at FMDC

Uniserve's flagship FMDC (Felixstowe Mega distribution Centre) has recently announced the activation of its state-of-the-art solar panel array. This milestone marks a significant step forward in the company's commitment to a greener future and reducing its carbon footprint.

The FMDC, located has integrated an impressive array of 6,180 photovoltaic panels across its rooftop. This expansive installation is poised to generate a substantial 2,500 MW of clean, renewable energy. This achievement represents not just a technological feat but also a substantial investment, with Uniserve injecting £2 million into the project.

The impact of this initiative on environmental preservation is profound. Projections indicate that the FMDC's solar panels will save a staggering 507,927 kg of CO2 emissions annually.

The energy produced by these solar panels will cover an impressive 86% of the FMDC's internal operational needs. This means that the facility will significantly reduce its reliance on non-renewable energy sources, further bolstering its environmental credentials.

But Uniserve's commitment to sustainability doesn't end there. The project aims to contribute an estimated surplus power of 320,000 kWh to the grid.

The activation of these solar panels not only signifies a pivotal moment for Uniserve but also serves as a beacon of inspiration for other businesses looking to embrace sustainable practices. By leveraging renewable energy sources, companies can not only mitigate their environmental impact but also achieve long-term cost savings and resilience in the face of a changing climate.

With each ray of sunlight harnessed, Uniserve reaffirms its commitment to building a more sustainable and resilient future for generations to come.

TRANSPORT

Uniserve Tilbury Introduce HVO Tank for Sustainable Final Mile Deliveries

In a world increasingly conscious of its environmental footprint, businesses are continuously seeking greener alternatives to traditional practices. Uniserve, has taken a significant step towards sustainability by introducing an HVO (Hydrotreated Vegetable Oil) tank on-site at its Tilbury facility. This eco-friendly initiative aims to cater to the evolving needs of a new customer, providing a green solution for final mile deliveries.

HVO, a renewable diesel alternative, is derived from sustainable sources such as vegetable oils and animal fats. Unlike conventional diesel, HVO offers a cleaner-burning fuel option with significantly lower greenhouse gas emissions, making it a preferable choice for environmentally-conscious businesses.

One of the key benefits of incorporating an HVO tank into Uniserve's operations is its positive impact on final mile deliveries. By utilising this green fuel alternative, Uniserve can significantly reduce the carbon footprint of its transportation activities, particularly in urban areas where air quality is a growing concern.

HVO Benefits:

- Achieves up to a 90 reduction in CO2 greenhouse gas emissions, contingent on the HVO diesel blend used.

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- Original Equipment Manufacturers (OEMs) warranty Euro VI (2016) trucks for up to 100% HVO usage, with no need for vehicle or engine modifications.
- Energy content exceeds 95% of diesel per litre.
- A genuine “drop in” fuel, offering diesel as a contingency.
- Clean combustion enhances both air quality and engine performance, exemplified by improved function of the Diesel Particulate Filter (DPF) Complies with EN 15940 2016 standards.
- Reduced pollution risk compared to diesel fuel safer in case of spills and exhibits superior biodegradability.
- Outstanding cold weather performance down to 32 C (Neste).
- Driver training and setup costs remain largely unchanged.

The introduction of the HVO tank at the Tilbury facility opens doors for new partnerships and collaborations with customers who prioritise sustainable supply chain practices. By offering an eco-friendly solution for final mile deliveries, Uniserve enhances its value proposition, attracting environmentally-conscious clients who seek to minimise their environmental impact without compromising on efficiency and reliability.

Uniserve’s investment in sustainable logistics solutions reflects a broader industry trend towards greener operations.

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UNIEUROPE OVERVIEW

EUROPEAN TRANSPORT

How UK's new border controls will affect animal and plant imports

The UK has introduced a common charge and physical checks for animal and plant imports, excluding live animals coming into Britain via the port of Dover or Eurotunnel from the EU as of 30th April. This may cause significant costs for importers. These new checks are the second stage of the governments 'Border Target Operating Model (BTOM) plan. The first stage of this plan was that the majority of meat diary and plant products required a health certificate to enter the UK.

The stage two checks are unlikely to cause delays at UK borders but is estimated to cost businesses an extra £330 million a year and increase food inflation by 0.2%. The rates for common user charge are as follows:

Commodity Type	Imports	Transits
Low risk products of animal origin (POAO)	£10	£10
Medium risk POAO	£29	£10
High risk POAO	£29	£10
High risk food and feed of non-animal origin (HRFNAO)	£29	No charge
Low risk products and plant products	No charge	No charge
Medium risk plants and plant products	£29	No charge
High risk plants and plant products	£29	No charge

These rates have been determined based on the annual operating costs of government operated border control posts, divided by the estimated annual volume of SPS commodity lines entering through the Port of Dover and Eurotunnel.

If you need support with transporting controlled goods from Europe, Uniserve can help. Please contact us at unieuropecommercial@ugroup.co.uk

Truck Driver Shortage

The European truck driver shortage report by IRU reveals that close to half of operators face constraints on expansion owing to the scarcity of drivers. The high expenses associated with obtaining a truck driving license and professional qualifications, pose a significant barrier to attracting individuals to the profession, particularly young people. The lack of drivers reduces productivity of companies and has resulted decline of revenue of up to 39%. Despite the challenges, companies are actively striving to attract and retain more drivers.

Companies have begun to mitigate this issue by pursing measures to retain and attract driver, by increasing salaries. The average salary for a truck drivers is 55% higher than the national minimum wage, reaching as high as 133% in the Netherlands. Other measures operators are ae taking to address the driver shortage, includes investing in better vehicles, covering costs for accessing the profession and offering upskilling opportunities.

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UK TRANSPORT

The month of April was a month of two halves, very busy at the beginning of the month especially around the Easter Period. Then Volumes fell away for the last two months as the effect of the Chinese New Year shut down impacted volumes arriving in the UK.

Finally, the forecast for May is suggesting that volumes entering the UK are on the up and we can expect the demands for Container Transport in the UK to rise.

James Kemball have taken delivery of their first bulk consignment of HVO fuel to support the Carbon Reduction programme

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ENVIRONMENTAL COMPLIANCE AND CONSULTANCY

BEYONDLY

Last month (March 2024), we were delighted to exhibit and sponsor a circular economy workshop at edie24; edie's flagship corporate sustainability event hosted in London. This is an annual event that brings together sustainability and business leaders to inspire them to achieve environmental and social transformations.

Our team had the pleasure of connecting with many passionate, like-minded people at our Beyondly stand, as well as attending inspiring talks from industry leaders; all uniting for the common goal of driving positive change to preserve and protect our planet.

As a business for good, it was opportune to be involved in this pioneering event during B Corp month where we were able to share our story, knowledge, and expertise with other businesses to help them become more confident about their environmental choices.

Here are just a few of our highlights from the two days:

- We attended the thought-provoking opening session on 'The science: Rising to the scale of climate change and The Politics: A new path for a sustainable future.' This talk was chaired by the fabulous Lucy Siegle, with great speakers including Natalie Campbell from Belu and Chris Stark from the Climate Change Committee.
- Our very own Christopher Smith gave a passionate talk on Circular Economy Strategies, which was chaired by Paula Chin from WWF.
- Jon Khoo from Surfers Against Sewage hosted a brilliant session on collaboration and partnerships to achieve environmental and social change. The session had insights from Manchester Climate Change Agency, Beauty Kitchen UK Ltd and The Body Shop.
- Ben Tolhurst from Business Declares chaired an insightful session on unleashing the power of purpose in your organisation. The session featured Charmian Love from Natura & Co.
- We had the pleasure of meeting James Botton and Martin Turner from The Woodland Trust who were also exhibiting on the stand next to ours and look forward to collaborating with The Woodland Trust in the near future.
- The two days ended with a super engaging session featuring the ultra-inspiring Wildlife TV Presenter and Conservationist Chris Packham!

Our Resource Efficiency Leader Chris Smith, shared his experiences and key takeaways from edie24:

"It was heartening to hear about so many businesses striving and finding ways to engage their business with a Circular Economy and embrace the philosophy that sustainability does not have to be a competitive arena. Particularly exciting was the level of motivation, data and confidence from businesses that understand how their business can be more circular and how to make decisions at a range of scales to implement change, measure it and celebrate.

From our time at edie24, and our work reducing friction in circularity from pilots with difficult materials to embedding circularity in contracts and supply relations; we see the pace of change increasing as industry and partners learn together. At Beyondly we know that engaging with a Circular Economy isn't always clear or easy and our inspiration is the curiosity to understand industry systems, sharing experiences and finding the right data to make circular decisions."

Inspired by what organisations are doing to drive forward their environmental strategy? Speak to Beyondly on marketing@beyond.ly

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ONE WORLD UPDATES

Can reshaping our supply chains help combat climate change and safeguard the future of our planet?

The traditional linear model of 'Take Make Waste' is characterised by resource extraction, production, and eventual disposal. It is now widely accepted that this linear approach not only fuels environmental degradation but also perpetuates inefficiencies and squanders valuable resources. The circular economy model seeks to disrupt this linear trajectory, advocating for the elimination of waste and pollution, the circulation of products and materials, and the regeneration of natural systems. At its core, the circular economy fosters an interconnected network of partners committed to sustainable practices.

As global consciousness regarding our finite resources deepens, enterprises find themselves under increasing pressure to reimagine their operations through the lens of a circular economy. Supply chains lie at the heart of both the problem and the solution. This is evidenced by McKinsey & Company's research conclusion that a staggering 80% of companies' carbon emissions emanate from their supply chains. Such revelations serve as poignant reminders of the need for transformation. As a business that exists to increase transparency in the supply chain, One World's commitment to fostering a brighter tomorrow is at the heart of everything we do and is reflected in our vision of sustainable supply chains for the benefit of people, planet, and profit.

We recently attended the Ellen MacArthur foundation's webinar "Understand the opportunity: what does the circular economy mean for supply chains?" which highlighted the importance of transitioning towards circularity, emerging trends shaping the circular economy movement and showcased noteworthy examples.

We see firsthand that innovative brands across industries are spearheading the transition towards a circular economy, redefining traditional business models, and pioneering novel approaches to sustainability. Take Riversimple, a trailblazing car manufacturer, for instance. Riversimple manufacture hydrogen powered cars, which they loan to customers on a subscription basis. By embracing nearshoring and adopting smaller batch production techniques, Riversimple not only minimises its environmental footprint but also enhances operational agility and responsiveness.

Philips' foray into the circular economy demonstrates the transformative potential of sustainable business models through the introduction of a rental model for its hair removal products – posing the question 'Do we really need to own everything we use?'. Through this scheme Philips not only extends product lifespan but also fosters a closed-loop system wherein products are refurbished, recycled, or repurposed at the end of their lifecycle. Moreover, by establishing a feedback loop from rentals to product designers, Philips ensures continuous product improvement and innovation, thereby enhancing customer satisfaction, loyalty, and longevity.

It is not just electrical manufacturers looking for ways to make their products last longer, the fashion retailer Boden has introduced a 'Care: Repair: Rewear' scheme to extend the longevity of their clothing. A simple online form submission allows customers to apply for their clothes to be repaired back to the original state for a small fee, or completely free if they are still in their one-year guarantee.

One World customer, AllSaints are offering plant-based shirts derived from certified renewable wood sources and using an

ONE WORLD UPDATES

eco-responsible production process. These are manufactured using EcoVero™ fibres which produce lower emissions than more traditional fibres and promote supply chain transparency, key to improving Scope 3 sustainability. These are two noteworthly different approaches to many high street retailers focusing on the fast fashion.

LUSH is another notable example of a retailer embracing sustainability and the circular economy model. In addition to their longstanding 'Bring it Back' scheme incentivising customers to return their empty packaging for recycling and reuse, they are exploring how they can reduce the use of raw materials in the first instance. They are investing in a range of different initiatives, for example, some of their products, such as eyeshadows, are now being sold in Tagua nut cases. This is a naturally sourced and 100% biodegradable material traditionally used to make buttons. Investing in these materials not only deceases plastic waste, but it also increases biodiversity and supports the communities who harvest it.

In contrast to the back to basics approach they are also embracing emerging technology in the creation of their LUSH Lens app. Users with this app can hover over items instore with a mobile camera, the app will in turn identify the product and provide customers with information usually presented on product packaging, everything from the usage directions to the ingredients list. This allows more LUSH products to be sold entirely packaging free and is a prime example of how advancement in technology can support the shift to more sustainable business practices. Of course, the impact of such technology needs to be assessed to ensure that overall, environmental impacts are reducing when making such changes.

Packaging is an area of the supply chain that will come under even greater scrutiny as we progress through 2024, as some packaging producers will be required to conduct three data submissions this year. This is due to the 2007 Producer Responsibility Packaging Waste Regulations and data reporting requirements under Extended Producer Responsibility (EPR) Regulations running alongside each other. Consultancy and compliance firms such as Beyondly, a One World partner, have gained popularity in recent years as they offer compliance solutions to ensure every type of packaging producer achieves compliance. Executing on their vision to create a better, fairer, sustainable world for all.

As we navigate the complex terrain of the circular economy and increased regulations, several key trends are reshaping the landscape of supply chain management. Digital twins, for instance, enable businesses to create virtual replicas of physical assets, facilitating predictive maintenance and optimising resource utilisation. This transformative technology empowers businesses to proactively identify inefficiencies, mitigate risks, and enhance operational resilience. Moreover, the proliferation of reverse logistics solutions underscores the importance of efficient product returns management in the circular economy ecosystem. Whether through centralised processing hubs or decentralised refurbishment centres, businesses are exploring innovative approaches to streamline the reverse logistics process and maximise resource recovery.

So, to answer the question, 'How do we prepare for the Circular Economy in supply chains?' we must first acknowledge that the transition towards a circular economy represents not only a moral imperative but also a strategic opportunity. By embracing sustainability as a core tenet of business philosophy, companies can unlock new avenues for innovation, reduce costs, and enhance their competitive advantage in an increasingly volatile marketplace. So, in One World's view, we prepare by prioritising the opportunities over the risks and increasing transparency to a granularity that holds truth about environmental and societal impacts.