

# Market and business update

June 2023





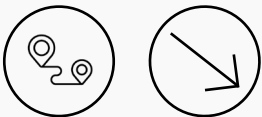
# Commodity prices relatively stable, but still remain elevated

Oil prices, freight rates, and transit times continued dropping in April and May 2023 at a low pace, but remain considerably higher than average pre-inflationary levels. Food prices – though also still significantly higher – have dropped marginally since January 2023. Yet, especially rice and olive oils are highly influenced by lower supplies due to extreme weather in certain parts of the world.

This market and business update intends to give you an indication of the expected price development of the most important commodities, freight rates, supply chain challenges, the additional effects of labor shortages, and challenges in major ports.

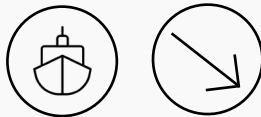
## Transit times

Slightly down



## Freight rates

Slightly down



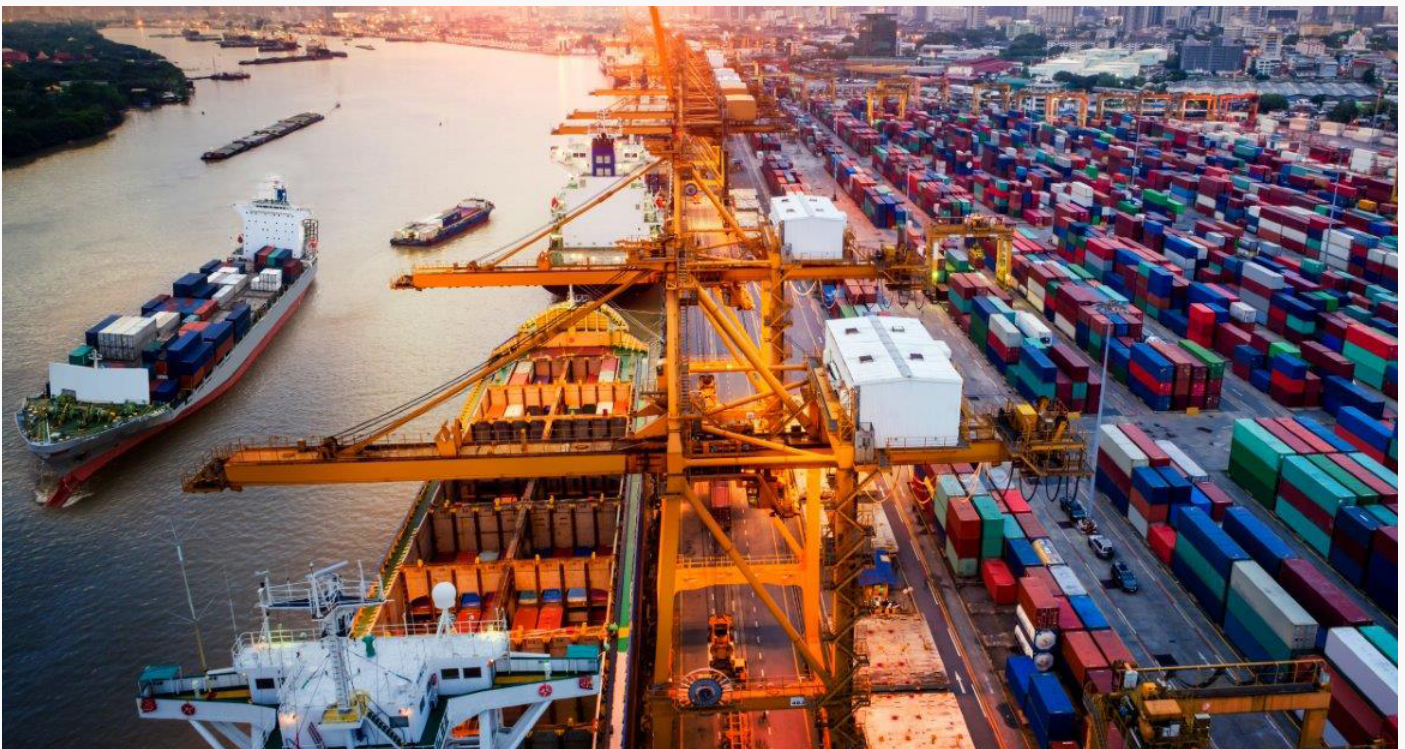
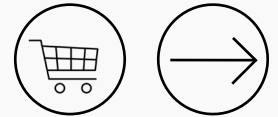
## Oil prices

Slightly down



## Commodity prices

Elevated



## Transit times still decreasing, but remain above pre-pandemic level

According to [Ocean Timeliness Indicator \(flexport.com\)](https://flexport.com), TPEB transit times have decreased slightly since March 2023, matching the fastest transit time since November 2020. FEWB decreased from 80 days in March to 69 days in June, in line with average level in November 2020. The transit times are still decreasing, however levels are still well above pre-pandemic level.

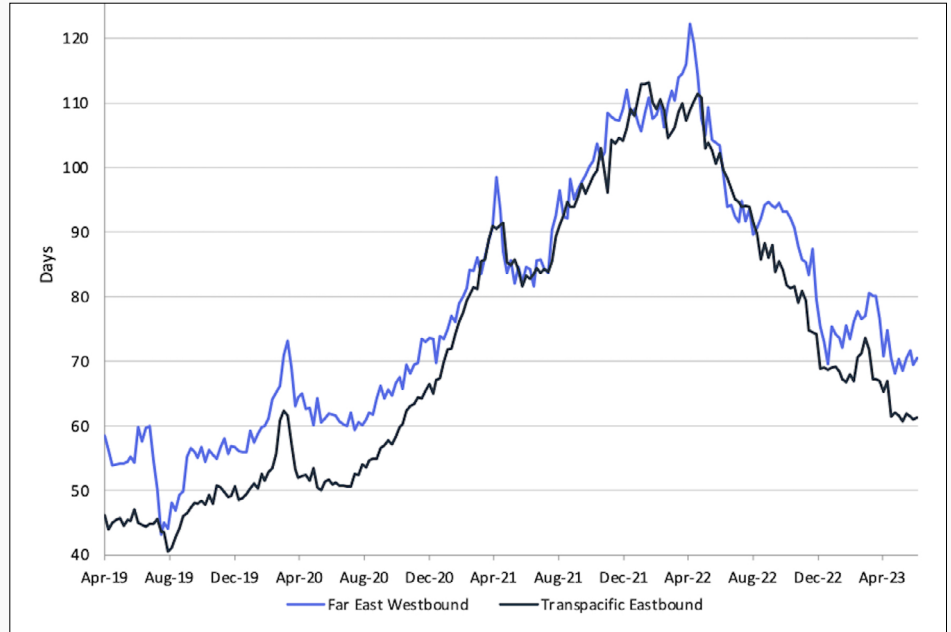
**The Flexport Ocean  
Timeliness Indicator (OTI)**

**Transpacific Eastbound (TPEB)**

- › October 2021: 102 days
- › October 2022: 82 days
- › March 2023: 67 days
- › June 2023: 61 days

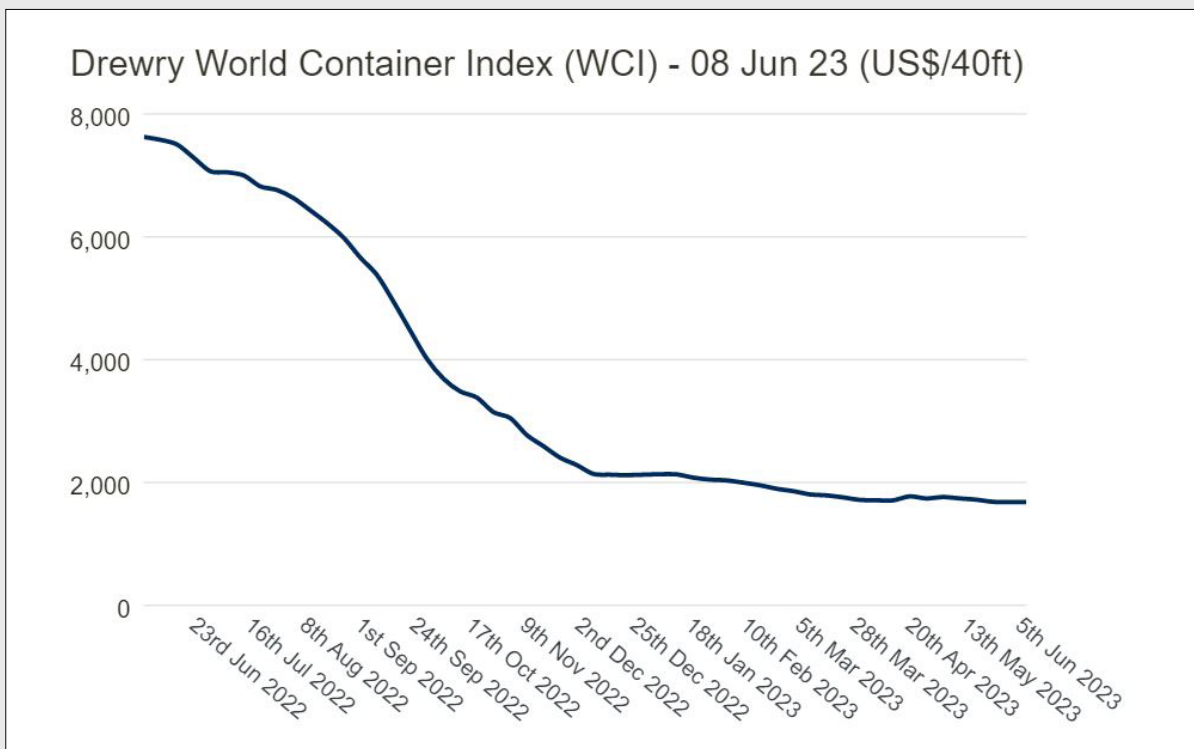
**Far East Westbound (FEWB)**

- › October 2021: 103 days
- › October 2022: 89 days
- › March 2023: 80 days
- › June 2023: 69 days



**Freight rates remain stable, but still 18% higher than pre-pandemic levels**

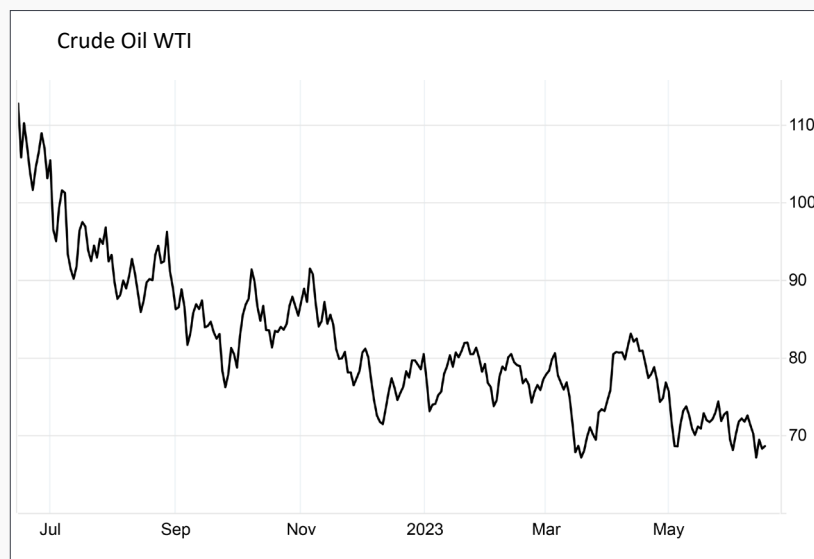
According to the [Drewry World Container Index](#), a 40-foot container is now 84% below the peak reached in September 2021, indicating a return to more normal price levels. However, the container index still remains 18% higher than average pre-pandemic rates in 2019. [Freightwaves](#) also considers the market to have normalized, but predicts a moderate increase in the peak season ahead.



## Oil prices still slightly dropping from last year, but are expected to increase in 12 months' time

Oil prices reached USD 70 a barrel this week, dropping from USD 107 in June 2022. However, crude oil is expected to rise by 6% from 2023 to 2028 due to an expected robust demand from the petrochemical and aviation sectors after 2026, although the use of oil for transport fuels is set to decline due to the expansions of electric vehicles.

(Source: [Trading Economics](#))



## Commodities relatively stable the recent months, but adverse weather patterns driving up rice and olive oil prices

According to the [CRB Index](#), the overall commodity prices remained relatively stable since late April 2023 and landed around index 250 this week, however commodity prices still remain on an elevated level compared to pre-pandemic prices at index 125. Due to the intermediate downturn of the commodity index, some provisions and stores have decreased slightly whereas others have stabilized or increased. Other factors, including shortages in agricultural supplies related to the Russia-Ukraine war and adverse weather patterns, will maintain the high commodity price level in 2023.

According to the [FAO Rice Price Index](#), rice averaged 127.8 points in May 2023, up 2.9% from April and its highest level since October 2011. The recent drought in China has caused lower crops, and the flooding in Pakistan and India brings destruction to rice crops. Concerns over the potential production impacts of the emergence of an El Niño also spread further price increases in the Pakistan rice market. Rice prices rose the most in Vietnam and Pakistan – in Pakistan prices are 16% above last year's price level.

In Spain, olive oil prices have hit record levels, thanks to a prolonged drought. Spanish olive oil prices have been pushed to the highest level in 26 years (Source: [IMF Global Crop Prices](#)).



## Inflationary impact on provisions on short and medium term

On short term, we do not foresee any major shortages on provisions as our existing contracts are still honored by our suppliers, giving high priority to large customers. However, this situation might change any time due to volatility, forcing us to substitute certain products with comparable products.

According to the [FAO Food Price Index](#), food prices averaged 124.3 points in May 2023 and dropped marginally compared to January 2023, continuing the downward trend since its peak of 160 points in March 2022. Still, the FAO Food Price Index is significantly higher than pre-pandemic food price levels.

## Inflationary impact on provisions on short and medium term

Due to the inflationary effects, we expect certain price increases within the provision categories on short and medium term. The list is not exhaustive.

Category	Name	Price expectation - short term	Price expectation - medium term
Meat	Beef	Increase	Decrease
Meat	Pork	Increase	Decrease
Poultry	Chicken	Decrease	Decrease
Seafood	Salmon	Stable	Increase
Dairy and eggs	UHT milk	Decrease	Stable
Dairy and eggs	Cheese	Decrease	Stable
Dairy and eggs	Eggs North America	Stable	Stable
Dairy and eggs	Eggs rest of the world	Stable	Stable
Butter, Margarine & Oil	Butter	Stable	Stable
Butter, Margarine & Oil	Sunflower oil	Decrease	Stable
Butter, Margarine & Oil	Canola/rapeseed oil	Decrease	Stable
Butter, Margarine & Oil	Soyabean oil	Stable	Stable
Butter, Margarine & Oil	Olive oil	Increase	Increase
Juice	Juice	Increase	Increase
Rice and Oats	Rice	Increase	Stable
Sugar	Sugar	Increase	Increase
Pasta and Noodles	Pasta	Stable	Stable
Flour	White all-purpose flour	Decrease	Stable
Potato product	Potato product	Increase	Stable
Bread	Bread	Decrease	Stable
Cakes and Cookies	Cakes and cookies	Stable	Stable
Cereals	Corn-based	Stable	Stable
Cereals	Wheat-based	Stable	Stable
Coffee and Tea	Coffee	Stable	Stable

## Inflationary impact on stores on short and medium term

On short and medium term, we do not foresee any shortages on technical consumables and stores. However, this situation might change any time due to volatility.

The raw material of several commodities has been decreasing during recent months, for which reason we expect the prices of the following stores categories to decrease or stabilize on short and medium term. The list is not exhaustive.

Category	Name	Price expectation - short and medium term
Tableware and Galley Utensils	Paper- Plastic and Bags	Stable/slight decrease
Tableware and Galley Utensils	Paper Pulp	Stable/slight decrease
Rigging and General Deck	Lifting Equipment	Stable
Rigging and General Deck	Oil Funnels and Oil Sample Cans	Stable/slight increase
Rigging and General Deck	Waste and Rags	Stable
Petroleum Products	Aerosol Lubricants	Stable
Petroleum Products	Charcoal	Stable
Petroleum Products	Grease	Stable
Petroleum Products	Molybdenum disulfide lubricant	Stable
Petroleum Products	Silicone Grease and Compounds	Stable
Petroleum Products	Misc. Petroleum Products	Stable
Metals	Aluminum Materials	Stable/slight decrease
Metals	Brass and Bronze Materials	Slight increase
Metals	Copper Materials	Slight increase
Metals	Gratings	Stable/slight decrease
Metals	Lead and Zinc Materials	Stable
Metals	Stainless Steel Materials	Stable
Metals	Steel Materials	Slight decrease
Metals	Misc. Metal Sheets- Bars- Etc.	Slight decrease
Pipes and Tubes	Pipes	Stable
Pipes and Tubes	Tubes	Stable
Pipes and Tubes	Misc. Pipes and Tubes	Stable
Pipe and Tube Fittings	Ermeto High Press. Steel Coupl.	Stable/slight increase
Pipe and Tube Fittings	Fittings	Stable/slight increase
Pipe and Tube Fittings	Flanges	Stable
Pipe and Tube Fittings	Flexible Pipe Couplings	Stable
Pipe and Tube Fittings	HP pipes and fittings	Stable
Pipe and Tube Fittings	Misc. Pipe and Tube Fittings	Stable



## Inflationary and other macro impacts on major ports

<b>HOUSTON</b>	<ul style="list-style-type: none"><li>› We are still seeing <u>increased holds and document reviews from Customs, FDA, and USDA on inbound cargo</u>. Stations for intensive inspections are backed up with containers in line to be inspected and it takes up to 6 weeks until we see the container released back to us. Importer is responsible for all the fees. Some of the containers are getting reloaded to another vessel during voyage and we see delays up to another month until container reaches the destination. These compounded issues have led to unexpected and fluid increases in lead time, forcing us to bridge buy items at higher prices and/or short orders.</li><li>› Still dealing with <u>requirements on hazardous items</u>. There are a lot more items added to the list from our sourcing centers in China and Rotterdam that no longer are allowed to be consolidated on the same container. Extensive list of items, such as refrigerators, fuses, markers and magnets cannot be shipped on the container at all and have to be sourced locally at a higher price. Wholesalers are not given much distinction nor priority, often times leading to either no available product or being short product that was ordered. Again, these issues are causing us to bridge buy items at higher prices from retailers and/or short customers' orders. There is a select group of products, including Atta flour and sawdust, that are currently not available on the market due to production, export restrictions, and raw material disruptions.</li><li>› <u>Packing material costs have stabilized</u>. Additionally, the cost and availability of pallets have stabilized; even seeing a slight decrease in cost. All of these costs are still dramatically higher than pre-COVID-19, but we feel that we are past the peak from a cost and availability perspective. The Houston branch recently transitioned into a much larger, state-of-the-art facility and started operating out of the new facility on March 27th. This larger location will allow for more items to be stocked and shorter lead time on stock to all locations throughout Wrist North America as Houston is now both a Distribution Center and an Order Fulfillment Center.</li><li>› In Corpus Christi, TX; Phase Four of the Port Expansion Project has come to a halt due to the inclement weather and is projected to start work again in the middle of April. Once complete, large vessels will be allowed into the port. In the interim, it will cause delays (particularly in Ingleside) but has huge benefits once completed. There is more information on the project available at <a href="https://harborbridgeproject.com/">https://harborbridgeproject.com/</a>.</li></ul>
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<p><b>NEW ORLEANS</b></p>	<ul style="list-style-type: none"> <li>› NOLA is seeing multiple grain terminals close in the coming 8 weeks. Both Zen-noh grain terminal and CHS harvest states terminals were closed during May. They have reopened in June, but traffic is very slow if not nil.</li> <li>› ADM reserve terminal is closed until 8/16</li> <li>› ADM is expected to be closed from mid-June until 9/05</li> <li>› ADM Destrehan is expected to be closed from mid-June until 9/15</li> <li>› Cargill reservice upper berth is closed from 7/10 until 7/24</li> <li>› Cargill Westwego is closed from 8/24 until 9/7</li> </ul>
<p><b>LONG BEACH</b></p>	<ul style="list-style-type: none"> <li>› <a href="#">The Port of Los Angeles</a> handled 688,000 container units in April. While down 22% Year over Year, container movement has increased two consecutive months (Source: <a href="#">The Port of Los Angeles</a>)</li> <li>› <a href="#">The Port of Long Beach</a> showed trade softened in April. Cargo declines due to reduced consumer demand shifting trade routes (Source: <a href="#">Port of Long Beach</a>)</li> <li>› <a href="#">The Port of Oakland</a> April container volume climbs second month in a row. The load container volume rose by more than 7,000 TEU's compared to last month (Source: <a href="#">Port of Oakland</a>)</li> <li>› <a href="#">Cruise Business Update</a>: Cruising continues to see surge in popularity and expected to have record-breaking year (Source: <a href="#">TravelPulse</a>)</li> <li>› <a href="#">Alaska Season</a> has started, and awarded contracts are in progress. Cruise season is from April – September 2023. We are expected to have a very busy season in the West Coast &amp; the Gulf region</li> <li>› <a href="#">West Coast Labor Disruption</a>- find key points here: <a href="#">CNBC</a></li> <li>› <a href="#">West Coast Labor Negotiations</a> - read statement here: <a href="#">Port of Long Beach</a></li> <li>› We are fully staffed in Sales, Purchasing &amp; Operations Team. We are fully operational, and there are no issues with our normal day-to-day business operations</li> </ul>
<p><b>NEW YORK/ NEW JERSEY</b></p>	<ul style="list-style-type: none"> <li>› <a href="#">East Coast port volume went up 3%</a>. This shift wasn't all caused by the pandemic. <a href="#">Labor disputes on the West Coast</a> have frightened shippers and retailers, who worried that a strike might break supply chains all over again. But this <a href="#">shift away from the West Coast</a> was actually happening even before all that</li> <li>› For East, we expect volumes to remain at higher levels than pre-pandemic, primarily because these ports have proven to be viable options for shippers. However, as overall demand continues to drop, total volume will also continue to fall</li> <li>› Most East Coast ports are focusing on equipment updates, software enhancements, and improvements to accommodate the massive new containerships on order. A record 2.5 million TEUs of new containerships are scheduled for delivery this year</li> </ul>



<b>JACKSONVILLE</b>	<ul style="list-style-type: none"> <li>› We are experiencing an exponential <u>increase in our operating cost</u> due to the fuel, insurance, and maintenance fees going up</li> <li>› The <u>cost for new assets</u> continues to increase and the availability remains bleak</li> <li>› <u>The labor market continues to be the most challenging</u> that we have seen. We continue to face driver shortages and we have been forced to increase wages. We continue to face warehouse associate shortage, and we have been forced to increase wages to retain the people we have. We still struggle to find people that want to work, and the hiring is still very difficult</li> <li>› <u>Port congestion in the South East</u> continues in certain ports (Savannah and Charleston the highest). Port of Savannah is the largest and fastest growing container port in America</li> <li>› <u>Cost of drivers</u> having to stay overnight continues to see high rates at hotels</li> <li>› <u>Airfreight is experiencing delays</u> due to lack of labor and equipment which is impacting spares. Customers need to understand they need to send spares well before the berthing schedule. It can land here on Monday but with the shortage of staff at the airports, they may not clear the package until Friday of that week. They are in no hurry and will let you know that as well</li> </ul>
<b>MONTREAL</b>	<ul style="list-style-type: none"> <li>› Wildfires across Canada have led to some delays with heavy smoke reaching all the way down parts of the East Coast of the US</li> </ul>
<b>VANCOUVER</b>	<ul style="list-style-type: none"> <li>› Due to <u>wild fires across the country</u>, there has been a slowdown in rail traffic</li> <li>› The <u>restriction of chicken and egg</u> importing from the US due to the avian flu has caused the prices to remain high</li> </ul>
<b>SEATTLE</b>	<ul style="list-style-type: none"> <li>› Seattle has some issues with striking longshore due to the ILWU contract disputes. It has not affected our deliveries so far, but something to keep in mind. This potentially could disrupt all West Coast ports</li> </ul>
<b>PORTLAND</b>	<ul style="list-style-type: none"> <li>› Portland is seeing the same labor issues as Seattle but no strike in the port as of yet</li> </ul>
<b>PANAMA</b>	<ul style="list-style-type: none"> <li>› Normal conditions</li> </ul>
<b>UAE</b>	<ul style="list-style-type: none"> <li>› <u>Crude oil prices</u> continue to be low</li> <li>› Many Middle Eastern countries tie their currency exchange rate to the USD, and oil revenues play a significant role in potential devaluation resulting in a <u>higher inflation rate</u>, which is already highly due to the global market situation</li> </ul>
<b>SINGAPORE</b>	<ul style="list-style-type: none"> <li>› Normal conditions</li> </ul>

<b>DALIAN, SHANGHAI &amp; SHENZHEN</b>	<ul style="list-style-type: none"><li>› Affected by the exchange rate of US dollar, <u>the prices of imported products have slightly increased</u></li><li>› With the arrival of summer and the ensuing typhoon weather, there will be a certain <u>impact on the vessels' schedule and ship supply</u></li></ul>
<b>ROTTERDAM</b>	<ul style="list-style-type: none"><li>› <u>The Dutch labor market</u> remains very tight, causing increased costs. It really is our main challenge. It is expected to continue for at least another 12 months. Since Q4 in 2021, there have been far more vacancies than unemployed people</li><li>› The <u>Dutch customs</u> is preparing the launch of a new system. This will have some operational impact we are preparing for</li></ul>
<b>ALGECIRAS</b>	<ul style="list-style-type: none"><li>› Normal conditions</li></ul>
<b>AALBORG</b>	<ul style="list-style-type: none"><li>› <u>FCL cost level</u> on pre-covid state, enabling lower logistics cost on overseas imports</li><li>› <u>Road logistics cost still high in Europe</u> due to new EU regulations and high fuel/labor cost, not expected to decrease in the near future</li><li>› Inflation is slightly decreasing in Denmark, but <u>price level remains high</u> on most product groups</li><li>› Supply of most consumer goods are stabilized and more or less back to normal, but <u>the draught in Europe</u> expected to influence price and supply of fresh products</li></ul>



## What our main supplier continuously does to reduce and mitigate price increases and other inflationary impacts:



### **Analysis and commodity index reporting**

- › We do in-depth analysis of the raw material cost impact on our products/categories.
- › We link products/categories to official commodity index reports to evaluate if our prices are within fair correlation.



### **Long-term vendor relationships and network extensions**

- › We extend our agreements with existing suppliers when possible.
- › We fend-off price increases or delay price increases, utilizing our long-term vendor relationships.
- › We continuously search the markets to investigate better options, also extending our supplier network.



### **Consolidation and large volumes**

- › We consolidate volumes into our Global Assortment to utilize our purchasing power
- › We source in full loads in LCC (eg. China, India, Pakistan, Vietnam, Egypt, Germany, Cyprus, Poland, Czech etc.), increasing our inventories and consolidating in our sourcing offices from where we distribute to branches
- › We forecast, secure, and contract large volumes to avoid shortages of products



### **Warehouse capabilities**

- › We combine and optimize our global warehouse capabilities to leverage scale and store the right products



### **Supply chain shortening**

- › We shorten our supply chain where possible by shifting from whole sellers to manufacturers.



### **Inhouse specialization and market intelligence**

- › We leverage our global and local network of procurement specialists to optimize purchases and contracts.
- › We utilize our market intelligence and purchasing power as well as expertise in negotiations.



### **Alternative product offerings**

- › We actively propose lower quality products to customers who cannot work with quality products impacted by price increases.