

Market and Business Update

May 2024



Marginally Increasing Commodity Prices Driven by Geopolitical Crises and Extreme Weather Events

The Red Sea crisis still prolongs the Far-East Westbound transit times due to the vessels rerouting via the Cape of Good Hope, driving up the global container price index. The world food price index is on a marginally upward trend into Q3 and Q4 2024 affected by increasing freight rates. At the same time, prices for poultry, eggs, rapeseed oil and coffee are on the rise, impacted by outbreaks of avian influenza, increased demand and flooding in Brazil.

This Market and Business Update intends to give you an indication of the expected price development of the most important commodities within provisions and stores, freight rates, supply chain obstacles and challenges in major ports.

Transit times still impacted by geopolitical and climate consequences in the Panama and Suez Canals

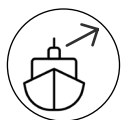
According to [Flexport Ocean Timeliness Indicator](#), the Ocean Timeliness Indicator (OTI) from China to Northern Europe increased to 62 days compared to 50 in February, due to the continuous rerouting around the Cape of Good Hope.

The OTI from China to the US West Coast remained at 35 days this week while the OTI from China to the US East Coast remained at 52 days due to the ongoing drought at the Panama Canal.

In general, rerouting around the South African coast increases transit times by 7-10 days. However, the reliability of the global shipping line schedules has improved as the rerouting from the Red Sea has become the norm.



Transit times
Increasing



Freight rates
Increasing



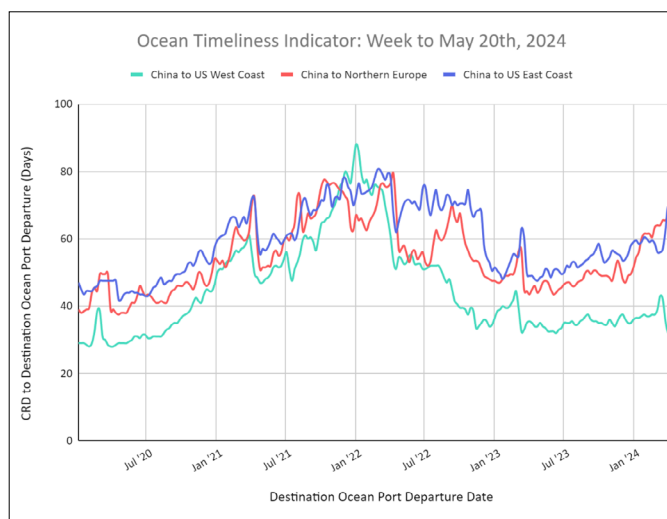
Extreme weather
Elevated



Oil prices
Increasing



Commodity prices
Increasing



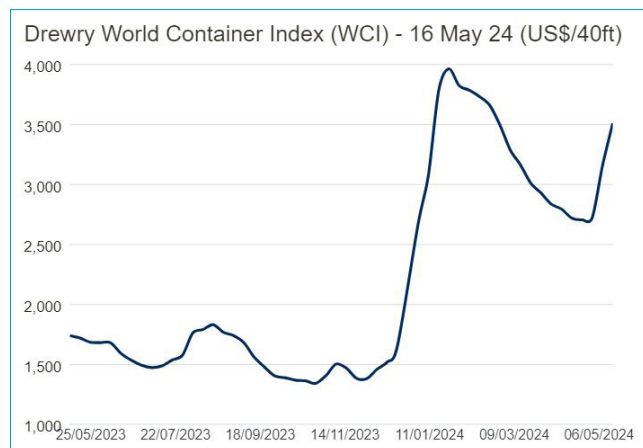
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Rerouting around South Africa and early peak season driving up the world container index

Since April, the 40-foot container index has increased by 30% to USD 3,511 ([Drewry- World Container Index](#)), and especially during the last two weeks, the sea freight market index has seen heavy market increases.

A higher vessel capacity is still needed, and part of the over-capacity from the new buildings, added to the market in 2023 and 2024, is being absorbed by the need to sail around South Africa. The long journey around Cape of Good Hope might have prompted more businesses to start ordering goods home for Christmas shopping season too early rather than too late, pushing up freight prices in the midst of a major supply crisis ([ShippingWatch.com](#)). General nervousness of running out of stock among businesses may also have prompted them to order more goods, resulting in an increase in the world container index.

Our main supplier has ensured attractive fixed sea freight prices for April and May, gaining back competitiveness on freight prices, though still higher than freight prices in 2023. Fixed freight prices are negotiated every three months to maintain our procurement prices for provisions and stores highly competitive.



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The 40-foot container index is 104% higher than in the same week last year and 147% higher than average pre-pandemic rates.

Oil prices have risen slightly recent months

After reaching USD 89 in April 2024, oil prices decreased to USD 78 a barrel this week. Earlier this year, the crude oil index was expected to face a turbulent forecast driven by the Red Sea crisis, raising risks in the oil-producing Middle East region. However, as the crude oil market appeared largely unaffected by the war in Gaza, oil prices have only slightly increased this year and are expected to continue this trend until the end of this quarter. Looking forward, crude oil is, though, estimated to trade at USD 82 in 12 months' time ([tradingeconomics.com](#)).



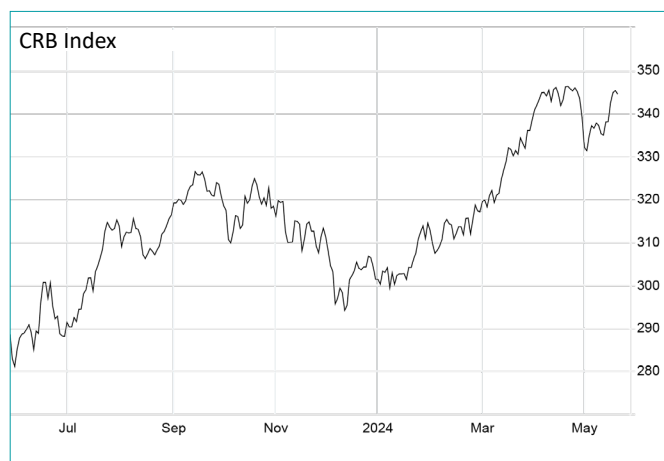
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Commodity index increasing since the beginning of 2024

According to the CRB Index, the overall commodity prices have increased by 15% since January 2024, rising to Index 344 this week, partly due to the geopolitical tensions in the Middle East. Outbreaks of avian influenza drove up prices for poultry and eggs, and critical weather conditions, including flooding in Brazil, might lead to increased prices for soybeans and soy oil.

The CRB Commodity Index is expected to trade at the same level by the end of this quarter, however, looking forward, it is estimated to reach index 352 within 12 months, mainly driven by the continuous increase in oil prices and geopolitical tensions and uncertainties.



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Food price index marginally up towards Q4 2024

The [FAO Food Price Index](#) stood at 119 in April 2024, up 0.3% compared to March 2024, but down 7.4% from its corresponding level in April 2023.

FAO Cereal Price index averaged 111 in April 2024, up marginally by 0.3% from March, but 18% below its level of April 2023. Average wheat export prices stabilized, whereas maize export prices increased in April, mainly driven by high import demand and logistical disruptions as a result of infrastructure damages in Ukraine.

The FAO Vegetable Oil Price Index, reflecting prices across palm, soy, rapeseed and sunflower seed oils, averaged 130.9, up 0.3% from March 2024. International sunflower and rapeseed oil kept rising, mainly driven by continued high demand whereas palm oil prices trended lower in April due to seasonally higher outputs. Earlier this month, the flooding in Rio Grande do Sul, Brazil, destroyed parts

of the soybean harvesting area which might lead to increasing prices, however, we have not yet seen the potential price effect of the flooding.

In April, the FAO Meat Price Index averaged 116.3%, up 1.6%. The poultry meat prices rose due to avian influenza outbreaks. Also, international bovine meat prices increased, mainly driven by higher demand whereas world pig meat prices slightly decreased due to lower demand in Western Europe and China.

The FAO Sugar Price Index decreased by 4.4%, compared to March 2024, mainly driven by better global supply prospects and improved rainfall in Brazil after a long period of dry weather conditions. Global coffee supplies were hit by flooding in Brazil earlier this month and a heatwave in Vietnam at the beginning of this year. These two key coffee producing countries account for nearly 50% of global coffee production and exports, driving up global coffee prices by more than 30% in 2024 ([Food Digital](#)).

Price expectations for provision categories (excluding freight)

In this Update, we describe price expectations within provision categories, in Q2-Q4 2024, in the following four regions: Europe, Middle East, Far East and North America. The commodity markets are still characterized by certain volatility, and almost

50% of food price expectations in Q4 2024 are on a marginally upwards trend, in all four regions, due to the continuously increasing transit times, crude oil prices, freight rates, outbreaks of avian influenza and/or increasing demand. The price expectations are subject to uncertainty and changes, and the tables of provision categories are not exhaustive.

Middle East, Far East and European regions					
Category	Name	Price expectation Q2 2024	Price expectation Q3 2024	Price expectation Q4 2024	Factor
Meat	Beef	Stable	Stable	Stable	
	Pork	Stable	Decrease	Increase	Decreased demand
Poultry	Chicken	Increase	Increase	Increase	Outbreaks of avian influenza
Seafood	Salmon	Stable	Decrease	Increase	
Dairy & eggs	UHT milk	Stable	Stable	Increase	
	Cheese	Increase	Increase	Increase	
	Eggs	Increase	Increase	Increase	Outbreaks of avian influenza
Butter, Margarine & Oil	Butter	Increase	Increase	Increase	
	Sunflower oil	Increase	Stable	Decrease	
	Canola/rapeseed oil	Stable	Increase	Increase	Increased demand
	Soyabean oil	Decrease	Decrease	Decrease	
	Olive oil	Increase	Stable	Stable	
Juice	Juice	Increase	Increase	Increase	Fruit harvest this year has been extremely bad
Rice & Oats	Rice	Increase	Increase	Increase	
Sugar	Sugar	Stable	Decrease	Stable	Improved supply and rainfall
Pasta & Noodles	Pasta	Stable	Stable	Stable	
Flour	White flour	Stable	Decrease	Decrease	
Potato product	Potato product	Increase	Increase	Stable	
Bread	Bread	Stable	Stable	Stable	
Cakes & Cookies	Cakes and cookies	Increase	Stable	Stable	Some of the ingredients have increased significantly due to low availability
Cereals	Corn-based	Decrease	Decrease	Decrease	
	Wheat-based	Decrease	Decrease	Decrease	
Coffee & Tea	Coffee	Increase	Increase	Increase	Heavy rains in Brazil combined with poor output in Vietnam



North American region					
Category	Name	Price expectation Q2 2024	Price expectation Q3 2024	Price expectation Q4 2024	Factor
Meat	Beef	Increase	Increase	Increase	
	Pork	Stable	Stable	Stable	
Poultry	Chicken	Increase	Increase	Increase	Outbreaks of avian influenza
Seafood	Salmon	Stable	Decrease	Increase	
Dairy & eggs	UHT milk	Stable	Stable	Increase	
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Price expectations for stores categories (excluding freight)

Most stores categories are on a stable trend, as the raw material of several commodities has been

decreasing during recent months. However, we still see an expected increase in aluminum, brass, bronze and cobber materials in Q3 and Q4 2024. The list is not exhaustive.

Middle East, Far East, European & North American Region

Category	Name	Price expectation Q2 2024	Price expectation Q3 2024	Price expectation Q4 2024	Factor
Tableware & Galley Utensils	Paper- Plastic and Bags	Stable	Stable	Slight increase	Commodity stable with decrease of energy over summer period but increasing oil price.
	Paper Pulp	Slight increase	Slight increase	Slight increase	Commodity currently increasing
Rigging & General Deck	Lifting Equipment	Slight decrease	Stable	Slight increase	Driven by lower Rebar steel prices. Expected increase at end of the year.
	Oil Funnels & Sample Cans	Slight decrease	Stable	Slight increase	Commodity stable with decrease of energy over summer period.
	Waste and Rags	Slight increase	Increase	Stable	Increasing road transport over the summer period leads to an increase in prices. Increased ESG focus on recycling clothing also impacts the rags prices on long term.
Petroleum Products	Aerosol Lubricants	Stable	Stable	Stable	No development
	Charcoal	Stable	Stable	Stable	No development on commodity
	Grease	Slight increase	Stable	Stable	Crude Oil has seen an increase but is expected to stay at this level.
	Molybdenum disulf. lubric.	Slight increase	Stable	Stable	Crude Oil has seen an increase but is expected to stay at this level.
	Silicone Grease & Comp.	Slight increase	Stable	Stable	Crude Oil has seen an increase but is expected to stay at this level.
	Misc. Petroleum Products	Slight increase	Stable	Stable	Crude Oil has seen an increase but is expected to stay at this level.
Metals	Aluminum Materials	Stable	Slight increase	Increase	Aluminum prices are expected to increase towards Q3/Q4
	Brass & Bronze Materials	Slight increase	Slight increase	Increase	Copper prices are on the rise. Copper is the main material in brass.
	Copper Materials	Slight increase	Slight increase	Increase	Copper prices are on the rise. Copper is the main material in brass.
	Gratings	Slight decrease	Slight decrease	Slight decrease	Steel Rebar is on a down trend.
	Lead and Zinc Materials	Increase	Increase	Increase	Zinc and lead are expected increase next 12M.
	Stainless Steel Materials	Stable	Stable	Stable	Prices expected to remain stable.
	Steel Materials	Slight decrease	Slight decrease	Slight decrease	Steel Rebar is on a down trend.
	Misc. Metal Sheets-Bars	Slight decrease	Stable	Stable	Impacted by steel rebar.
Pipes & Tubes	Pipes	Slight decrease	Slight decrease	Stable	Impacted by steel rebar.
	Tubes	Slight increase	Slight increase	Increase	Impacted by increasing copper prices.
	Misc. Pipes and Tubes	Slight decrease	Slight decrease	Stable	Impacted by steel rebar.
Pipe & Tube Fittings	High Press. Steel Coupl.	Stable	Stable	Stable	Prices expected to remain stable.
	Fittings	Stable	Stable	Stable	Prices expected to remain stable.
	Flanges	Slight decrease	Stable	Stable	Prices expected to remain stable with a small increase that already hits the market in Q2.
	Flexible Pipe Couplings	Stable	Stable	Stable	Prices expected to remain stable.
	HP pipes and fittings	Stable	Stable	Stable	Prices expected to remain stable.
	Misc. Pipe and Tube Fittings	Slight decrease	Stable	Stable	Prices expected to remain stable with a small increase that already hits the market in Q2

Global Port Trends

Houston

- › US Crude Export is expected to increase as sanctions on Venezuelan oil export reimposed. Venezuelan oil exports declined by 38% in April after tanker owners and customers pulled several vessels, waiting to load, out of the country's waters.
- › The U.S. Maritime Administration has approved construction of a record size offshore oil export terminal in the Gulf of Mexico 30 miles off Freeport, Texas. The project also includes two pipelines to shore, each 40 miles, and a 10-mile onshore line to a proposed inland terminal. The project is required to be completed by December 31, 2028: [Sea Port Oil Terminal \(SPOT\)](#)
- › Recurring mechanical problems have hit Freeport LNG, the second largest U.S. plant by capacity. Last month, the Quintana terminal in Texas exported five cargoes of 330,000 tons in total, compared to 21 cargoes and 1.42 million tons in December. The Freeport Terminal is not expected to reach its typical summer utilization near 90% until June, at the earliest, given its previous maintenance challenges.
- › Port calls in Western Gulf are down 2.7% versus March, this being led by LNG/LPG carriers that are down 5.7% versus March, primarily due to the operational disruptions at the Freeport Terminal.

New Orleans

- › Grain season has officially ended until the next Harvest in August. Local grain terminals are either shut down or working at partial capacity.
- › Temperatures are already in Mid 90's F as we approach summer, and dry ice is being utilized on all deliveries.

Long Beach & San Francisco/Oakland

- › In April 2024, Port of Los Angeles finished 1st quarter up 30% over previous year ([Port of Los Angeles](#)).
- › Ports of Long Beach and Los Angeles win sustainability award ([Port of Long Beach](#)).
- › April 2024: High growth in Port of Oakland container volume ([Port of Oakland](#)).
- › Baltimore Bridge impacts LA and Long Beach ports ([NBC Los Angeles](#)).
- › California Bird Flu outbreak (impact in egg pricing) ([CPIF](#)).

- › Alaska cruise season has begun ([Cruisehive](#)).
- › Los Angeles/Long Beach had a very successful cruise season in 2023 and look forward to the start of the Alaska season in May – October 2024.
- › We are fully staffed in Sales, Purchasing & Operations Teams. We are fully operational, and there are no issues/challenges with our normal day-to-day business operations.

New York/New Jersey

- › East Coast ports are scrambling to absorb cargo as a result of the Baltimore ship accident.
- › Post accident – the vessel back up has grown to 29 vessels outside the Norfolk anchorage, and these vessels are most likely waiting for discharge instructions for Norfolk, New York and Charleston.
- › Baltimore closure having scheduling effects on vessels with an East Coast destination. Last minute berthing schedules and port changes are impacting expenses, service and sales.
- › Additional costs to serve are being monitored as vessels use more distant ports (Virginia) to handle the Baltimore closure.
- › Baltimore closure causing vessels to receive deliveries in new ports in our area of coverage, often includes high terminal and delivery fees.
- › Baltimore clean-up is moving forward as they have cleared a temporary path for trapped vessels to depart from the port.
- › Port of Virginia investing to both widen and deepen by the end of 2024 to accommodate super-sized container ships.

Jacksonville

- › Jax port calls remain strong with container vessels leading the way.
- › Port of Savannah continues to grow moving 11.4% of the nations loaded international containers in 2023 – an increase of 7% from previous year.
- › No weather conditions at this time, but we are starting what is expected to be an active hurricane season on June 1st.

Montreal

- › Food pricing is continuing to increase in Montreal. Baked goods have seen an increase of 4-4.5% while meats and vegetables are expected to increase by 5-7% in the coming months.

Vancouver

- › Prices for provision items, such as beef, dairy and pork, remain mostly unchanged from previous month with inflation trends just under 3% in Canada. Where we can find savings is importing from the US. The price of eggs in the US has now dropped low enough to bring savings to vessels calling the Port of Vancouver.
- › The Alaskan cruise season has begun in Vancouver. About 1.27 million passengers are expected to pass through the Canada Place cruise terminal at the Port of Vancouver this season, with 329 cruise ship visits scheduled between March 11 and October 29. This would represent about 2% more passenger visits than 2023's record of 1.24 million.

Portland/Seattle

- › Bonded stores continue to be a challenge with limited selection of items.
- › Prices for fresh products starting to drop as we move into summer.
- › Slower ship traffic as we move into the spring/summer slow season, one loading berth already closed to begin repairs.
- › New contract should significantly help with egg prices.
- › Cruise ships back in full force to the area, tanker business holding steady as we are seeing positive uptick in numbers.
- › Grain ships are mostly done calling to the Puget Sound for the spring/summer months.

Panama

- › The authorities continue to restrict the number of vessels that pass through the Panama Canal, as drought has caused a lower water level in Gatun Lake and thus the Canal to drop. However, the Canal will progressively increase daily transits in May and June. Moreover, the maximum draught for vessels transiting the locks will be raised. These actions are taken after a series of analyses based on water availability, ensuring safe navigation.

UAE

- › Dubai is currently leaving the cruise and tourist peak season after having seen a great spike in cruise sales this season, surpassing even pre-Covid numbers, which reflects the industry's growth in Dubai recent years.
- › Unfortunately, the Red Sea crisis is still driving

prices for provisions up due to longer transit times and thus higher container prices.

- › We have extended our stock of certain provisions to ensure we are always ready for any delay or disruption caused by the rerouting. We recommend our customers to plan for deliveries earlier to make sure we can deliver whatever is needed for the crew despite the challenging situation.

Singapore

- › Shipping companies have reported certain delays, including extended waiting times in Singapore due to longer transit times and rerouting caused by the Red Sea crisis. We are working to minimize these disruptions, securing a stock of critical items to be ready to deliver despite the shipping companies being challenged.

Dalian, Shanghai & Shenzhen

- › Shipping companies have reported certain delays, including extended waiting times in Singapore due to longer transit times and rerouting caused by the Red Sea crisis. We are working to minimize these disruptions, securing a stock of critical items to be ready to deliver despite the shipping companies being challenged.

Rotterdam

- › Despite the fact that the economy in The Netherlands has slowed down, the number of vacancies in the Port of Rotterdam area and generally in The Netherlands remains high. Labor costs continue to increase, and scarcity of specific professions (drivers, logisticians and IT people) remains.

Algeciras

- › Traffic has increased in the Mediterranean's western container ports, including the Port of Algeciras, as a result of the Red Sea crisis causing new port patterns and rerouting. The Port of Algeciras experienced an increase in cargo throughput of 3.3% in Q1 2024.

Aalborg

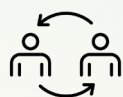
- › Inflation and consumer indexes have returned to pre-Covid levels.
- › Far East import lead time and planning is challenging due to increased and more volatile travel times on sea freight.
- › In general, the Aalborg branch is in good condition to serve our customers.

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.



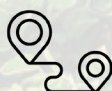
Consolidation and large volumes

- › We consolidate volumes into our Global Assortment to utilize our purchasing power
- › We source in full loads in LCC (e.g. 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.