

# Market and business update

March 2022



# Inflationary impact expected to continue

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**The shipping and ship supply industries are characterized by uncertain market conditions and volatility in line with most industries in the world market. The head winds of COVID-19 and the Russian invasion of Ukraine have a radical inflationary impact on commodity prices and general market conditions.**

This market and business update intends to give you an overview of expected price increases within the most important commodities, freight rates, supply chain challenges, and the additional effects of labor shortages, increased lead times, and delays in major ports.

## Supply chain challenges

The shipping industry still suffers from considerable wait times, congestion and delays for ships headed into main ports across the world. The world trade continues to drive up the demand for containers, while at the same time experiencing a reduced container capacity.



The recent report by [Flexport Research](#) shows the impact on lead time on the two biggest trade lanes: The Transpacific Eastbound (TPEB) and Far East Westbound (FEWB).

## The Flexport Ocean Timeliness Indicator (OTI)

### Transpacific Eastbound (TPEB)

- March 2020: 50 days
- March 2021: 90 days
- March 2022: 108 days

### Far East Westbound (FEWB)

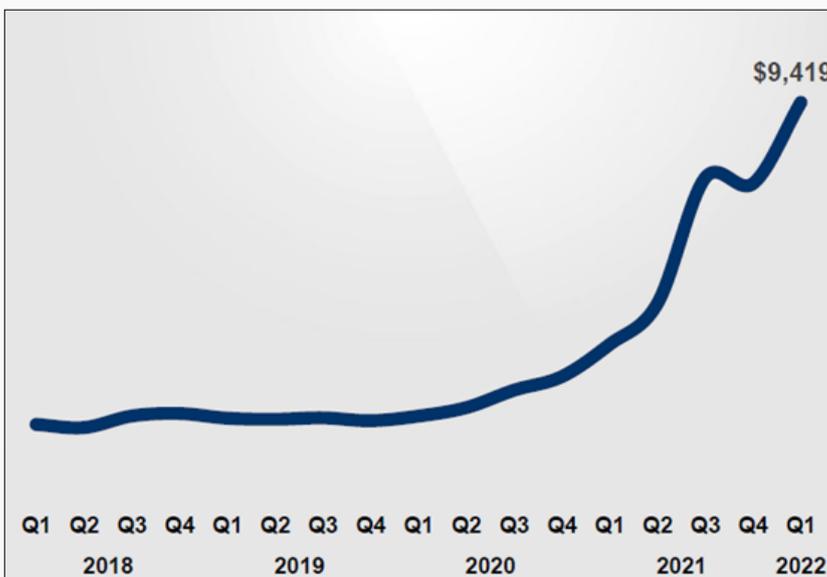
- March 2020: 65 days
- March 2021: 98 days
- March 2022: 110 days



## Sky-high freight rates

Freight rates are likely to remain elevated through 2022 due to rising fuel prices and congestion in supply chain. According to the [Drewry World Container Index](#), the container price index reached its highest level in Q1 2022.

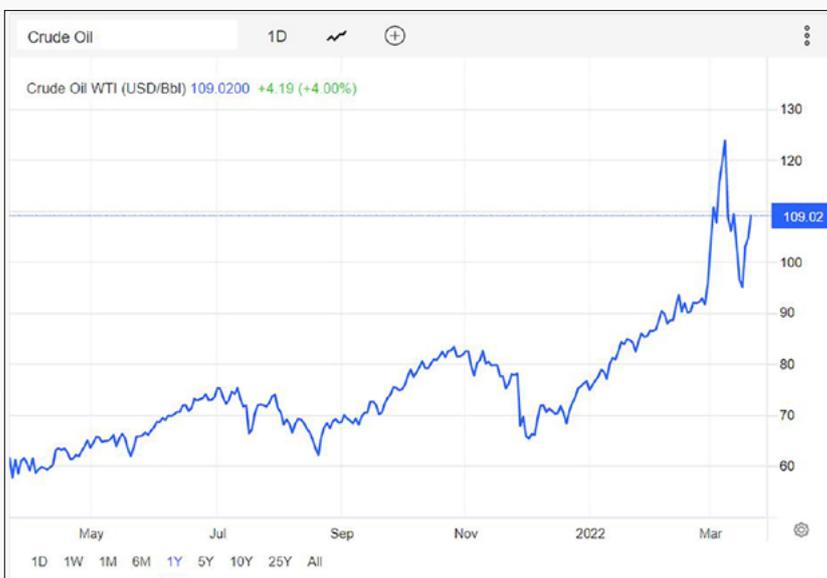
The costs of air freight have also increased due to less capacity, different routing, and rising fuel prices.



Source: Drewry World Container Index 40' container weekly price assessment of 8 major East-West trade lanes.

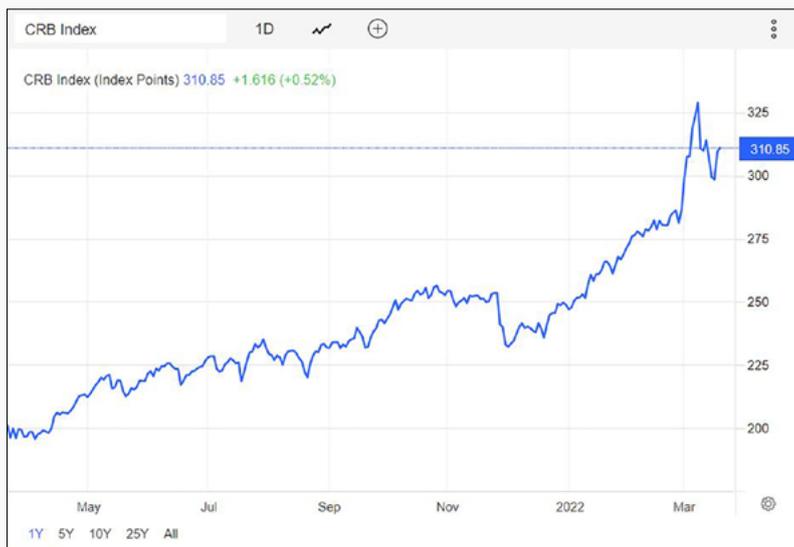
## Historically high oil prices

The crude oil prices driven by Russia's invasion of Ukraine, sanctions on Russia and tight market conditions have increased to historic heights. High energy prices are passed over to industries and consumers, and thus contribute to increased costs of virtually all commodities further fueling inflation expectations. The price increase in crude oil is reflected in this table by [Trading Economics Index](#).



## Inflationary impact on commodity prices

According to the [CRB Index](#), the commodity prices are on the rise, elevating also the price level of provisions and stores.



## Provisions

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. We are continuously investigating alternative suppliers as supply might get under pressure at longer term. Recently, several suppliers have invoked Force Majeure to exempt themselves from their contractual obligations, increasing prices with immediate or two weeks effect.

In 2022, food prices are predicted to increase between 5-6%, according to the [FAO Food Price Index](#). Food prices leveraged 3.9% from January 2022 to March 4, 2022, and this represents a new all-time high level, exceeding the previous top of February 2011.

Due to the inflationary effects and predicted food price increases, we expect the prices of the following provision categories to increase significantly on short term. The list is not exhaustive. We will of course try to limit the price increases, but you should expect extraordinary price increases for the following products.

Category	Code	Name	Due to price increase in:
Meat	51010	Beef	Grain, corn, wheat & energy
Meat	51016	Cold Cuts and Pate	Grain, corn, wheat & energy
Meat	51023	Game Meat	Grain, corn, wheat & energy
Meat	51026	Goat	Grain, corn, wheat & energy
Meat	51035	Lamb	Grain, corn, wheat & energy
Meat	51040	Mutton	Grain, corn, wheat & energy
Meat	51045	Pork	Grain, corn, wheat & energy

<b>Meat</b>	51047	Sausages	Grain, corn, wheat & energy
<b>Meat</b>	51055	Veal	Grain, corn, wheat & energy
<b>Poultry</b>	51215	Chicken	Grain, corn, wheat & energy
<b>Poultry</b>	51220	Duck	Grain, corn, wheat & energy
<b>Poultry</b>	51225	Goose	Grain, corn, wheat & energy
<b>Poultry</b>	51250	Turkey	Grain, corn, wheat & energy
<b>Dairy and Eggs</b>	53010	Cheese	No milk export from Ukraine
<b>Dairy and Eggs</b>	53012	Cream	No milk export from Ukraine
<b>Dairy and Eggs</b>	53015	Eggs	No egg export from Ukraine
<b>Dairy and Eggs</b>	53020	Milk	No milk export from Ukraine
<b>Dairy and Eggs</b>	53045	Yoghurt	No milk export from Ukraine
<b>Butter, Margarine &amp; Oil</b>	53210	Butter	No milk export from Ukraine
<b>Butter, Margarine &amp; Oil</b>	53235	Margarine	Oil and milk
<b>Butter, Margarine &amp; Oil</b>	53240	Oil	No RU/UA export on sunflower seeds
<b>Pasta and Noodles</b>	53610	Instant Noodles	Wheat flour
<b>Pasta and Noodles</b>	53615	Lasagne Sheet	Wheat flour
<b>Pasta and Noodles</b>	53620	Noodles	Wheat flour
<b>Pasta and Noodles</b>	53625	Pasta	Wheat flour
<b>Flour</b>	55110	Bread Mix	Wheat flour
<b>Flour</b>	55115	Corn Flour	Corn flour
<b>Flour</b>	55155	Rye Flour	Rye flour
<b>Flour</b>	55171	White and Wheat Flour	Wheat flour
<b>Flour</b>	55199	Misc. Flour	Wheat flour
<b>Bread</b>	55315	Baguette & French Bread	Wheat flour + veg. oils. + butter
<b>Bread</b>	55316	Buns-Croissant & Rolls	Wheat flour + veg. oils. + butter
<b>Bread</b>	55319	Crackers	Wheat flour + veg. oils. + butter
<b>Bread</b>	55320	Crispbread	Wheat flour + veg. oils. + butter
<b>Bread</b>	55322	CROUTONS	Wheat flour + veg. oils. + butter

<b>Bread</b>	55330	Dough For Bread	Wheat flour + veg. oils. + butter
<b>Bread</b>	55335	Flat Bread	Wheat flour + veg. oils. + butter
<b>Bread</b>	55345	Grissini	Wheat flour + veg. oils. + butter
<b>Bread</b>	55350	Pumpernickle Bread	Wheat flour + veg. oils. + butter
<b>Bread</b>	55355	Rye bread	Wheat flour + veg. oils. + butter
<b>Bread</b>	55360	Sandwich and White bread	Wheat flour + veg. oils. + butter
<b>Bread</b>	55365	White and Wheat bread	Wheat flour + veg. oils. + butter
<b>Bread</b>	55399	Misc. Bread	Wheat flour + veg. oils. + butter
<b>Cakes and Cookies</b>	55420	Biscuits and Cookies	Wheat flour + veg. oils. + butter
<b>Cakes and Cookies</b>	55425	Doughnut	Wheat flour + veg. oils. + butter
<b>Cakes and Cookies</b>	55435	Cakes	Wheat flour + veg. oils. + butter
<b>Cakes and Cookies</b>	55445	Muffins	Wheat flour + veg. oils. + butter
<b>Cakes and Cookies</b>	55455	Pastry	Wheat flour + veg. oils. + butter
<b>Cakes and Cookies</b>	55456	Pie	Wheat flour + veg. oils. + butter
<b>Cakes and Cookies</b>	55499	Misc. Cakes and Cookies	Wheat flour + veg. oils. + butter
<b>Cereals</b>	56020	Cereal Flakes	Wheat + grain
<b>Cereals</b>	56045	Muesli	Wheat + grain
<b>Cereals</b>	56055	Cereal Oats	Wheat + grain
<b>Cereals</b>	56099	Misc. Cereals	Wheat + grain
<b>Coffee and Tea</b>	58530	Instant Coffee	Russian Nestle Nescafe production closed

## Stores

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

The significant rise in oil and gas prices are feeding through into higher inflation, effecting raw materials, transport costs, energy costs, and production costs. Due to the inflationary effects, we expect the prices of the following stores categories to increase significantly on short term. The list is not exhaustive.

We will of course try to limit the price increases, but you should expect extraordinary price increases for the following products.

Category	Code	Name	Due to price increase in:
<b>Tableware and Galley Utensils</b>	31750	Paper- Plastic and Bags	Crude oil
<b>Rigging and General Deck</b>	32346	Lifting Equipment	Crude oil
<b>Rigging and General Deck</b>	32355	Oil Funnels and Oil Sample Cans	Crude oil
<b>Rigging and General Deck</b>	32385	Waste and Rags	Cotton > fertilizer < bad harvest
<b>Petroleum Products</b>	34510	Aerosol Lubricants	Crude oil
<b>Petroleum Products</b>	34525	Charcoal	Energy
<b>Petroleum Products</b>	34526	Grease	Crude oil
<b>Petroleum Products</b>	34540	Molybdenum disulfide lubricant	Crude oil
<b>Petroleum Products</b>	34560	Silicone Grease and Compounds	Crude oil
<b>Petroleum Products</b>	34599	Misc. Petroleum Products	Crude oil
<b>Metals</b>	36710	Aluminum Materials	Energy
<b>Metals</b>	36715	Brass and Bronze Materials	Energy and copper
<b>Metals</b>	36720	Copper Materials	Energy and copper
<b>Metals</b>	36735	Gratings	Energy and steel
<b>Metals</b>	36745	Lead and Zinc Materials	Energy
<b>Metals</b>	36750	Stainless Steel Materials	Energy and steel
<b>Metals</b>	36751	Steel Materials	Energy and steel
<b>Metals</b>	36799	Misc. Metal Sheets- Bars- Etc.	Energy and steel
<b>Pipes and Tubes</b>	37150	Pipes	Energy and steel

<b>Pipes and Tubes</b>	37160	Tubes	Energy and steel
<b>Pipes and Tubes</b>	37199	Misc. Pipes and Tubes	Energy and steel
<b>Pipe and Tube Fittings</b>	37325	Ermeto High Press. Steel Coupl.	Energy and steel
<b>Pipe and Tube Fittings</b>	37330	Fittings	Energy and steel
<b>Pipe and Tube Fittings</b>	37340	Flanges	Energy and steel
<b>Pipe and Tube Fittings</b>	37341	Flexible Pipe Couplings	Energy and steel
<b>Pipe and Tube Fittings</b>	37355	HP pipes and fittings	Energy and steel
<b>Pipe and Tube Fittings</b>	37399	Misc. Pipe and Tube Fittings	Energy and steel



## Inflationary and other macro impacts on major ports

<b>North America overall</b>	<ul style="list-style-type: none"> <li>• Labor shortages lead to increased supply and delivery times.</li> <li>• Lead time increasing with longer processing time and vendor shortages requiring more time for sourcing to ensure fulfillment.</li> <li>• Container processing time is increasing because of chassis shortages, leading to stock shortages and increased cost.</li> <li>• Poultry prices have increased significantly because of the recent bird flu.</li> </ul>
<b>Seattle</b>	<ul style="list-style-type: none"> <li>• Congestion in the Ports of Seattle and Everett: Seattle has been improving, but vessels can be at anchorage in Everett for 2+ weeks. This is mainly due to yard space. The terminal is struggling to move containers out of the yard.</li> </ul>
<b>Long Beach / West Coast</b>	<ul style="list-style-type: none"> <li>• The congestion in the Port of Long Beach is starting to get better as the terminals are now operating 24/7. So instead of container vessels being at anchorage for 2 months and then alongside for 10+ days, they are only in anchor for 2-3 weeks and alongside for 4-5 days.</li> </ul>
<b>East Coast</b>	<ul style="list-style-type: none"> <li>• Increased delays at the ports as congestion is building up as a lack of long shermen.</li> <li>• Shortage of labor in the Port of Longview causing long waits until berthing.</li> <li>• Grain terminals backed up due to usual circumstances for this time of year.</li> </ul>
<b>US Gulf</b>	<ul style="list-style-type: none"> <li>• Labor and vendor shortages remain the biggest issue in the supply chains.</li> </ul>
<b>Canada</b>	<ul style="list-style-type: none"> <li>• Backlogs in port and port congestions both on the East and West Coast seem to be building up.</li> </ul>
<b>Rotterdam</b>	<ul style="list-style-type: none"> <li>• Ongoing shortage of manpower in The Netherlands, but so far it has caused no delay in customer operations.</li> <li>• Increasing threat of cybercrime means that emails are being checked before attachments are opened. Longer response time might occur for customers who do not use system links, but request quotes by email/Excel.</li> </ul>
<b>Algeciras and other Spanish ports</b>	<ul style="list-style-type: none"> <li>• Spanish trucking strike blocks major highways, distribution centers and major ports, including the port of Algeciras which might cause delays.</li> </ul>
<b>Singapore</b>	<ul style="list-style-type: none"> <li>• No additional inflationary or other macro effects have been reported</li> </ul>
<b>Dubai</b>	<ul style="list-style-type: none"> <li>• No additional inflationary or other macro effects have been reported</li> </ul>