

# Market and business update

May 2022



# Volatile market conditions continue

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The shipping and ship supply industries are still characterized by uncertain market conditions and volatility. The headwinds of COVID 19, containers piling up in Shanghai port under lockdown restrictions, and the Russian invasion of Ukraine have a radical inflationary impact on commodity prices and general market conditions. Especially, the war in Ukraine has caused major supply disruptions and led to historically high prices for a number of commodities.

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 – but slightly improved transit times

The shipping industry still suffers from considerable wait times, congestion and delays for ships headed into the main ports across the world, and the transit times are still significantly high compared to 2021.



However, according to the recent report by [Flexport Research](#), the ocean timeliness for both eastbound and westbound trade lanes (FEWB and TPEB) saw reduced transit times. TPEB fell to 103 days, the lowest since November 2021, and FEWB dropped to 105 days, breaking to levels last seen at the end of October 2021.

## The Flexport Ocean Timeliness Indicator (OTI)

### Transpacific Eastbound (TPEB)

- March 2021: 90 days
- March 2022: 108 days
- May 2022: 103 days

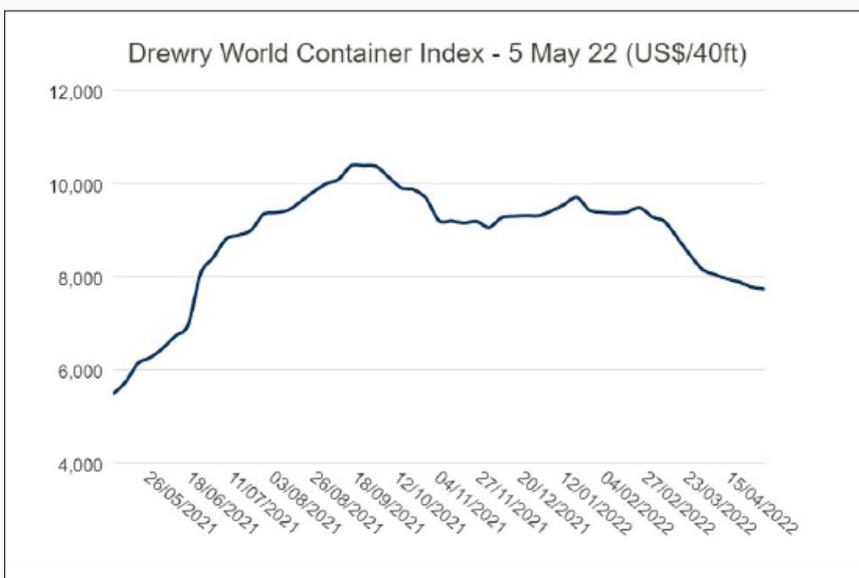
### Far East Westbound (FEWB)

- March 2021: 98 days
- March 2022: 110 days
- May 2022: 105 days



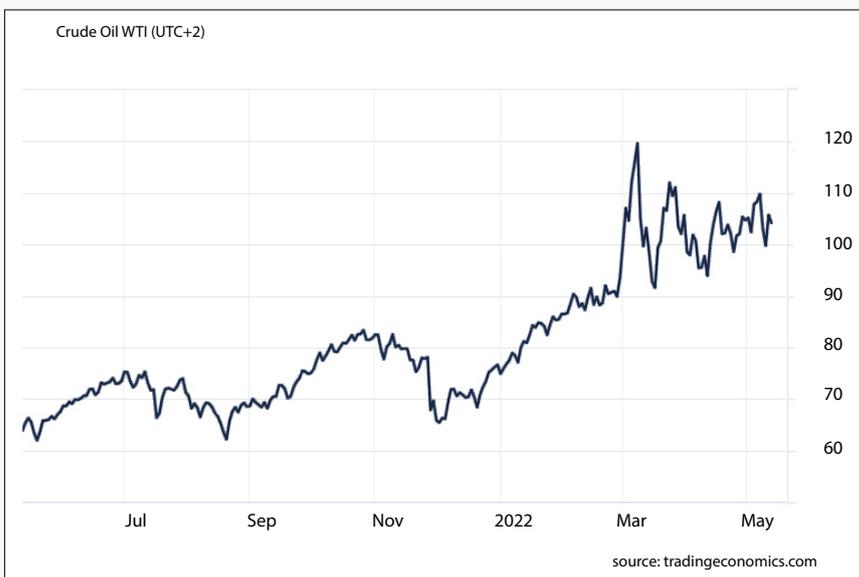
## High freight rates decreased by 0.5% this week

Freight rates are likely to remain elevated through 2022 due to rising fuel prices and congestion in supply chain. However, according to the [Drewry World Container Index](#), the container price index decreased slightly at the beginning of Q2 and by 0.5% per 40ft container this week.



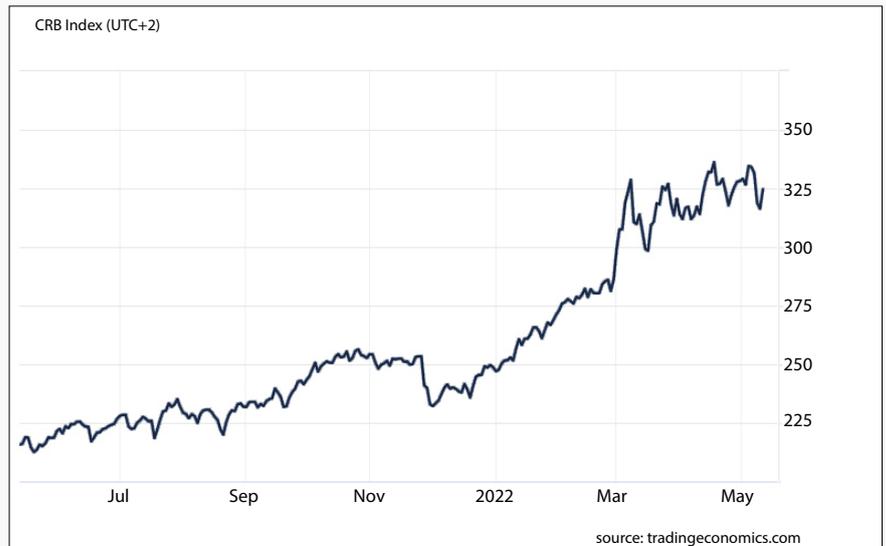
## Historically high oil prices continue

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



## Inflationary impact on commodity prices

According to the [CRB Index](#), the commodity prices are still on the rise, elevating also the price level of provisions and stores. At the beginning of Q1, the CRB commodity index stood at 298.85 index points. On the ninth of May the index was at 318.85 index points. Since the beginning of 2022, the CRB Index increased by 71.83 points or 29.08%



## 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, forcing us to substitute certain products with comparable products.

In 2022, food prices are predicted to increase between 5-6%. [FAO Food Price Index](#) retreated slightly in April from the all-time high registered in March 2022. Food prices increased 58.5% compared to the average food price index 2014-2016, down 0.8% compared to March 2022.

Due to the inflationary effects and predicted food price increases, we expect certain price increases within the provision categories 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 some of the following products.

Category	Name	Price expectation	Reason for Increase or Stable
Meat	Beef	Increase	Increase in grains for feed
Meat	Pork	Stable	Protein used for feed instead of grains
Poultry	Chicken	Increase	Increase in grains for feed and energy
Seafood	Salmon	Increase	Increase in production costs and feed
Seafood	Squid	Stable	Despite production costs
Seafood	Tuna	Stable	Despite production costs
Seafood	Vannamei shrimps	Stable	Despite production costs
Dairy and Eggs	Cheese	Increase	Increase in raw dairy and energy costs

<b>Dairy and Eggs</b>	Eggs	Increase	Increase due to bird flu and energy costs
<b>Dairy and Eggs</b>	Milk	Increase	Increasing demand and energy costs
<b>Butter, Margarine &amp; Oil</b>	Butter	Stable/Increase	Expect to be stable, but risk of increase
<b>Butter, Margarine &amp; Oil</b>	Oil	Stable	High prices due to usage for green fuel
<b>Rice and Oats</b>	Rice	Stable	High price level expected to be stable
<b>Pasta and Noodles</b>	Pasta	Stable	High price level expected to be stable
<b>Flour</b>	White and Wheat Flour	Stable	High price level expected to be stable
<b>Bread</b>	Misc. Bread	Stable	High price level expected to be stable
<b>Cakes and Cookies</b>	Misc. Cakes and Cookies	Increase	Increase in production cost & packaging
<b>Cereals</b>	Misc. Cereals	Increase	Increase in production cost & packaging
<b>Coffee and Tea</b>	Instant Coffee	Increase	Increase in production cost & packaging

## 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. Our access to a few selected items has been cut off due to a disrupted supply chain under lockdown in parts of China.

The significant rise in oil and gas prices is 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 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.

<b>Category</b>	<b>Name</b>	<b>Price expectation</b>	<b>Reason for Increase or Decrease</b>
<b>Tableware and Galley Utensils</b>	Paper- Plastic and Bags	Increase	Crude oil
<b>Tableware and Galley Utensils</b>	Paper Pulp	Increase	Crude oil
<b>Rigging and General Deck</b>	Lifting Equipment	Increase	Crude oil
<b>Rigging and General Deck</b>	Oil Funnels and Oil Sample Cans	Increase	Crude oil
<b>Rigging and General Deck</b>	Waste and Rags	Increase	Cotton/fertilizer/bad harvest
<b>Petroleum Products</b>	Aerosol Lubricants	Increase	Crude oil

<b>Petroleum Products</b>	Charcoal	Increase	Energy
<b>Petroleum Products</b>	Grease	Increase	Crude oil
<b>Petroleum Products</b>	Molybdenum disulfide lubricant	Increase	Crude oil
<b>Petroleum Products</b>	Silicone Grease and Compounds	Increase	Crude oil
<b>Petroleum Products</b>	Misc. Petroleum Products	Increase	Crude oil
<b>Metals</b>	Aluminum Materials	Decrease	Energy
<b>Metals</b>	Brass and Bronze Materials	Increase	Energy and copper
<b>Metals</b>	Copper Materials	Increase	Energy and copper
<b>Metals</b>	Gratings	Increase	Energy and steel
<b>Metals</b>	Lead and Zinc Materials	Increase	Energy
<b>Metals</b>	Stainless Steel Materials	Increase	Energy and steel
<b>Metals</b>	Steel Materials	Increase	Energy and steel
<b>Metals</b>	Misc. Metal Sheets- Bars- Etc.	Increase	Energy and steel
<b>Pipes and Tubes</b>	Pipes	Increase	Energy and steel
<b>Pipes and Tubes</b>	Tubes	Increase	Energy and steel
<b>Pipes and Tubes</b>	Misc. Pipes and Tubes	Increase	Energy and steel
<b>Pipe and Tube Fittings</b>	Ermeto High Press. Steel Coupl.	Increase	Energy and steel
<b>Pipe and Tube Fittings</b>	Fittings	Increase	Energy and steel
<b>Pipe and Tube Fittings</b>	Flanges	Increase	Energy and steel
<b>Pipe and Tube Fittings</b>	Flexible Pipe Couplings	Increase	Energy and steel
<b>Pipe and Tube Fittings</b>	HP pipes and fittings	Increase	Energy and steel
<b>Pipe and Tube Fittings</b>	Misc. Pipe and Tube Fittings	Increase	Energy and steel

## Inflationary and other macro impacts on major ports

North America overall	<ul style="list-style-type: none"> <li>• Labor shortages leading to increased supply and delivery times.</li> <li>• Longer lead and processing time as well as vendors shortages prolong sourcing processing.</li> <li>• Container processing time is increasing due to chassis shortages which are leading to stock shortages and cost increases.</li> <li>• Poultry prices have increased a lot recently due to bird flu.</li> </ul>
Seattle	<ul style="list-style-type: none"> <li>• Congestion at Seattle and Everett Ports: Seattle has been improving, but vessels can be at anchorage for Everett for 2+ weeks. This is due to yard space. The terminal is struggling to move containers out of the yard.</li> </ul>
Long Beach / West Coast	<ul style="list-style-type: none"> <li>• The port congestion is starting to get better as the terminals are now operating 24/7. So, instead of container vessels being in the anchorage for 2 months and then alongside for 10+ days, they are only at anchor for 2-3 weeks and alongside for 4-5 days.</li> </ul>
East Coast	<ul style="list-style-type: none"> <li>• Increased delays at the port as congestion is building due to lack of long shoremen.</li> <li>• Shortage of labor at 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>
US Gulf	<ul style="list-style-type: none"> <li>• Labor and vendor shortages remain the biggest issue in the supply chains.</li> </ul>
Canada	<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>
Panama	<ul style="list-style-type: none"> <li>• The price for petroleum is increasing every week which means that many suppliers increase their prices in products and services.</li> <li>• Products shortages lead to longer delivery time.</li> <li>• Due to weekly price increases, we are sourcing other alternative products to meet our customers' needs.</li> </ul>
Rotterdam	<ul style="list-style-type: none"> <li>• Ongoing shortage of labor in The Netherlands. There is a shortage of 8,000 people in Rotterdam port. This leads to longer lead times and increasing labor costs.</li> </ul>
Algeciras and other Spanish ports	<ul style="list-style-type: none"> <li>• The head winds of COVID are under control, the land borders with Morocco have been opened again, and the strike has finally ended. We do not expect any delays in the Spanish ports in the near future.</li> </ul>
Singapore	<ul style="list-style-type: none"> <li>• No significant factors impacting our ability to supply, however a few product substitutions might occur due to low market availability for some categories due to port congestions &amp; Covid lockdown in China.</li> </ul>

Dubai	<ul style="list-style-type: none"> <li>No significant factors impacting our ability to supply, however a few product substitutions might occur due to low market availability for some categories due to port congestions &amp; Covid lockdown in China</li> </ul>
Shanghai	<ul style="list-style-type: none"> <li>Supply at all ports and terminals in Shanghai have been seriously impacted since 1st of April due to lockdown.</li> <li>Suppliers cannot deliver any stores out of their factories and warehouses, and therefore all stores supplies are being diverted to ports in South or North China when possible.</li> <li>There is a serious shortage of certain provision items in Shanghai. Provision supply can only be arranged case by case subject to availability, and vessels are advised to divert supply in Northern and Southern Chinese ports.</li> <li>There is no clear information from government as to when this is going to be over. So far, the information given is not very reliable.</li> </ul>
Aalborg	<ul style="list-style-type: none"> <li>After Brexit, it has become almost impossible to serve our customers with bundled solutions in the UK due to new veterinarian regulations.</li> <li>Vendor shortage of items is increasing. It has not yet impacted our service level, but it is a future risk.</li> <li>Price increases on provisions are still accelerating, and for stores, most vendors are offering with noticeably short time to accept.</li> <li>Longer delivery time from vendors means day-to-day supplies are getting more complicated.</li> </ul>