IFFI Masterclass Sustainable Food Production

November 2021

Helping the world *thrive*

We live in a world of…

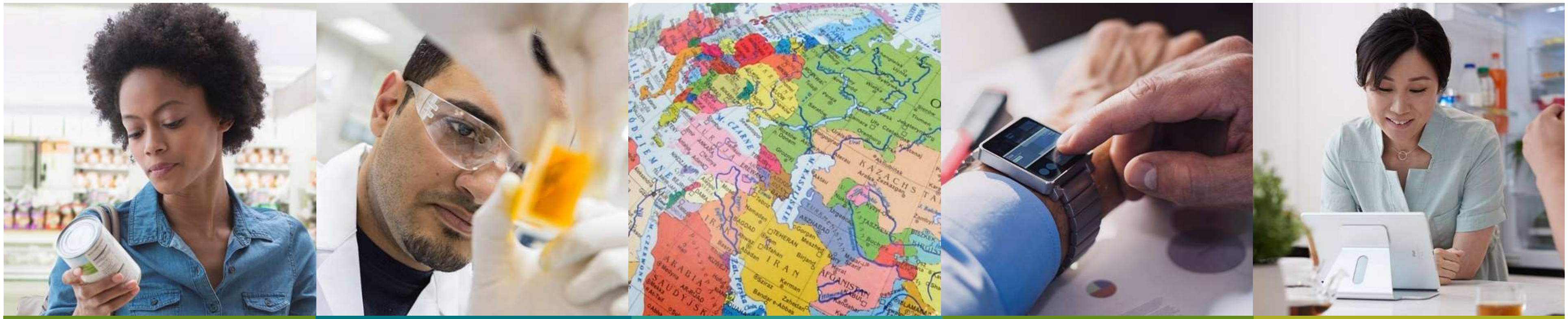
Changing consumer values

Advancing technologies

Geopolitical uncertainties

Information everywhere

Connected all the time



And expectations are headed one way: UP

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Short trip down memory lane

Early stages of COVID pandemic

Q1 2020:

- Equipment and space availability on acceptable levels, carriers positioning equipment around the globe to serve export markets
- Idle fleet container vessels on average 500,000 TEU

Q2 2020:

- Demand collapsed
- Liners taking out capacity, blanking sailings and omitting ports
- Idle fleet container vessels increased to 2,500,000 TEU

Q3 2020:

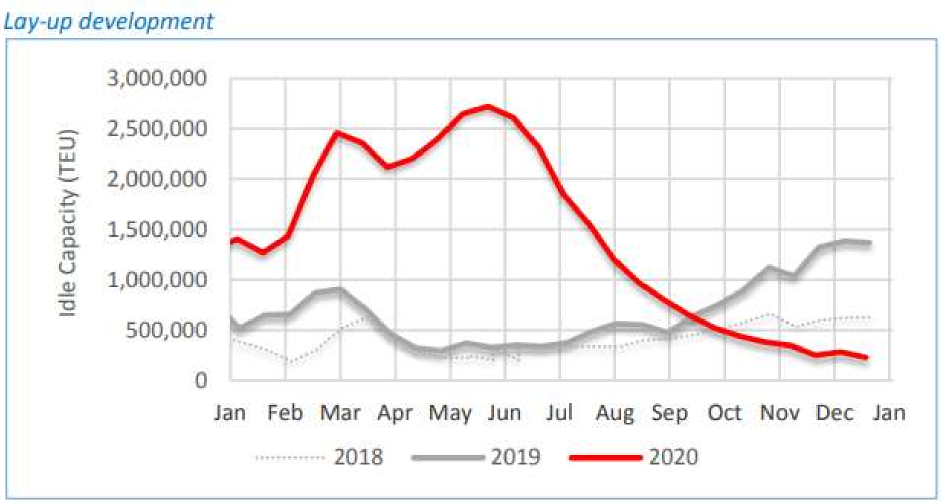
- Container turn times slowing down
- Equipment idling in terminals (eg. UK, Oceania)
- Terminal operations slowing down; congestion and COVID-19 restrictions
- Equipment availability decreasing
- Markets bouncing back (especially China)
- Liners balancing supply and demand, keeping spot market rates up

Late in 2020

- Combination of pressured space and equipment availability continues and pushes spot market rate levels up.

- YoY spot rate increase of 238% (Drewry East-West Freight Rate Index (40ft)

- All large container vessels in use, idle fleet reduced to 250,000 TEU



Source: Dynaliner

Month/Year	Spot	Spot % Changes
Dec 19	1698	-
Jan 20	1824	7.42%
Feb 20	1716	-5.92%
Mar 20	1730	0.82%
Apr 20	1743	0.75%
May 20	1853	6.31%
Jun 20	1943	4.86%
Jul 20	2252	15.90%
Aug 20	2437	8.21%
Sep 20	2775	13.87%
Oct 20	2838	2.27%
Nov 20	3178	11.98%
Dec 20	4043	27.22%

Continuing into 2021

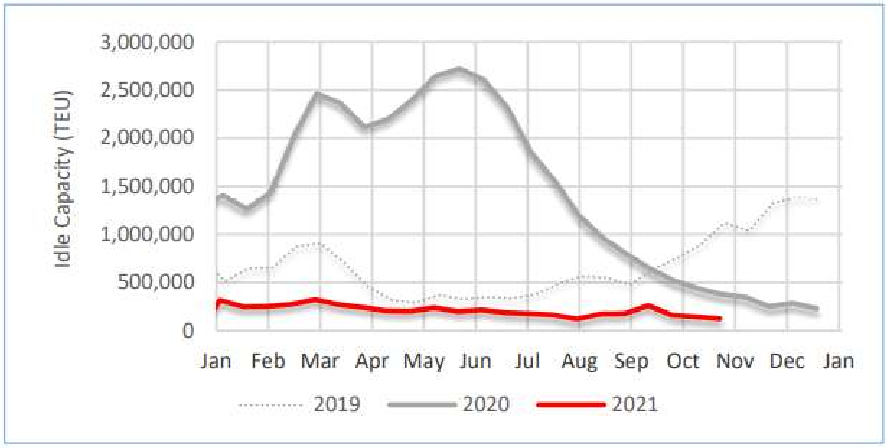
- Idle fleet container vessels dropping below the 250,000 TEU mark which is 0.5% of the global fleet, meaning all available capacity is being deployed and no relief on capacity constraints can be expected from bringing in idle fleet.

- Carrier schedule reliability dropping below the 35% mark. The Suez Canal incident, industrial actions, bad weather and continued COVID restrictions all adding up to severely disrupted schedules which will take months to recover, if at all in full. If one illustration, in August, only 20% of ships were on time in the Asia to North Europe trade, which is a record low.

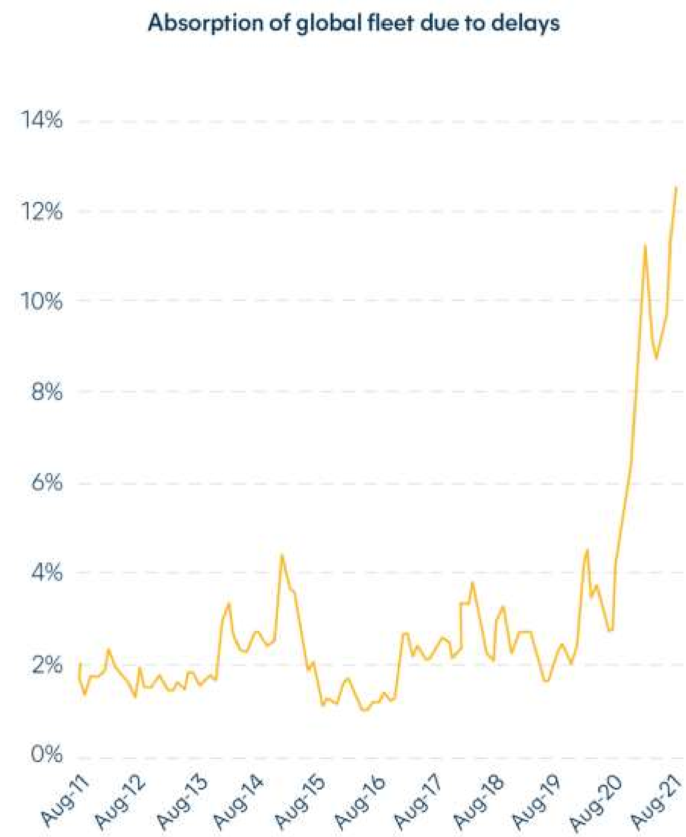
- An astonishing 13% of global fleet capacity is absorbed by these delays, which is like removing the entire fleet of CMA CGM or a Cosco from the seas. The actual effective capacity is probably down 1 million TEUs vs September 2020.

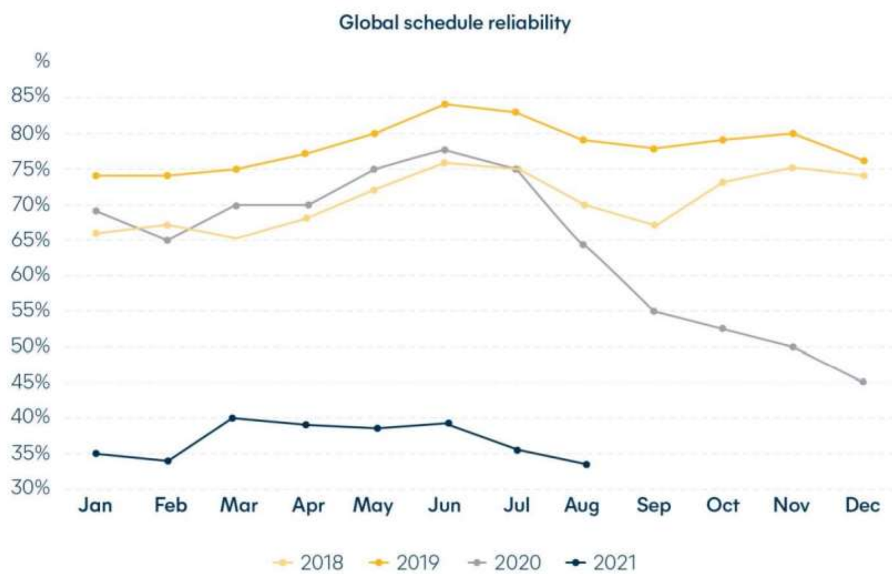
Continuing into 2021

Lay-up development



Sources: Dynaliner & Hillebrand



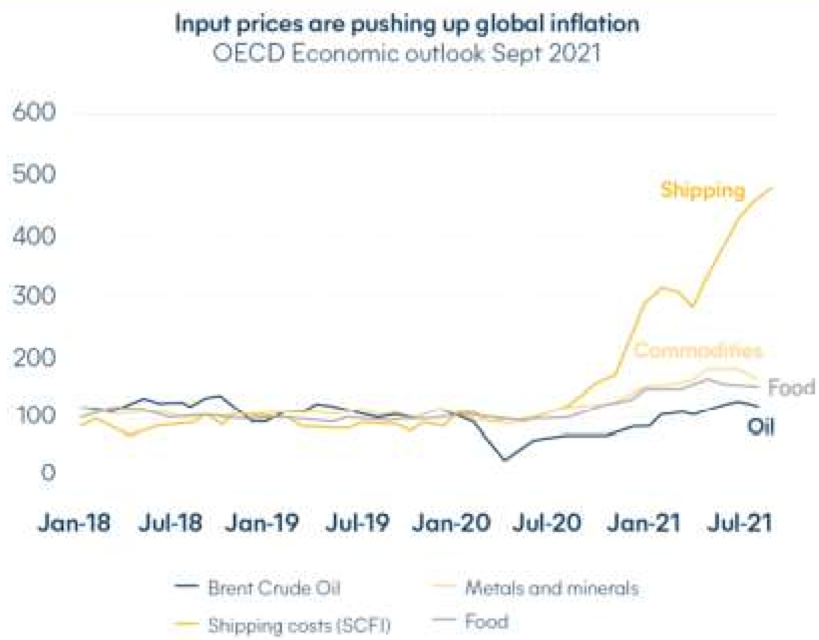


Expectations 2022

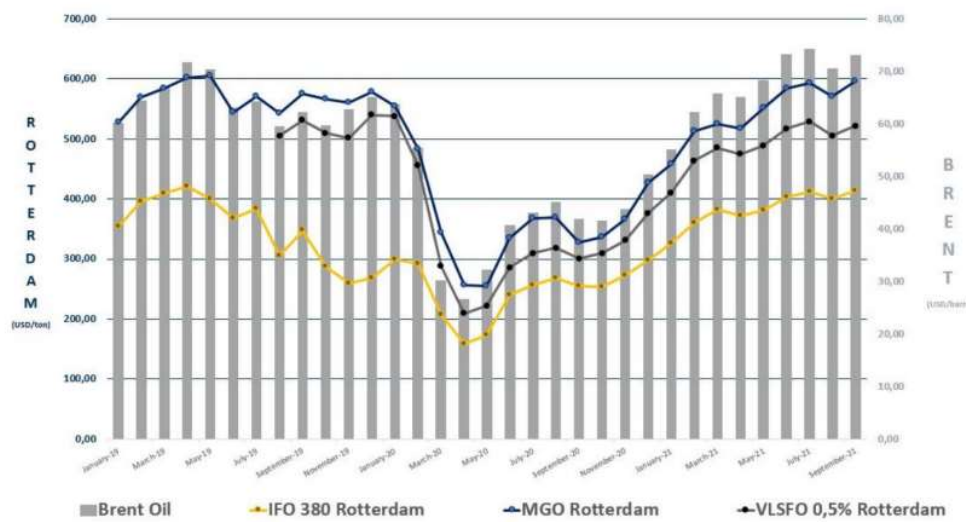
Expectations for 2022

- Year to date, consumer spend on goods is about 10% higher than in 2019, and inventory levels are still low.
- On the back of higher vaccination rates and a likely easing of the Covid crisis, consumer confidence indexes and GDP forecasts are enthusiastic.
- Disruption and high transportation costs will last unless the impact on inflation proves too detrimental to retail prices or regulatory bodies intervene to control freight rates practices.
- Meanwhile, even if demand was to slow down at some point, ports will still need months to ease congestion. And operational costs remain high:
  - Ports costs, equipment positioning,
  - More vessels needed, and speeding up to catch up delays,
  - Charter costs at record levels: an 8,000 TEU vessel costs now $140,000 a day for a three years contract,
  - And fuel is at its highest in three years.

Expectations for 2022



Source: Hillebrand



Expectations for 2022

Downwards trend in rates expected by FIS (Freight Investor Services) but still far from the pre COVID levels

All prices are US Dollars per FEU and indicative.

FBX01 China/ East Asia to North America WC

Period	Bid	Ask	Mid
Nov-21	13,500.00	15,000.00	14,250.00
Dec-21	14,000.00	16,000.00	15,000.00
Q4 21	13,750.00	15,500.00	14,625.00
Jan-22	14,500.00	15,000.00	14,750.00
Q1 22	14,500.00	15,000.00	14,750.00
Q2 22	9,500.00	10,000.00	9,750.00
Cal 22	9,133.33	9,600.00	9,366.67
Cal 23	7,500.00	9,000.00	8,250.00
Last Spot	13,924.00	-4806	
MTD	18,129.25		

FBX02 North America WC to China/ East Asia

Period	Bid	Ask	Mid
Nov-21	1,100.00	1,200.00	1,150.00
Dec-21	1,100.00	1,150.00	1,125.00
Q4 21	1,100.00	1,175.00	1,137.50
Jan-22	750.00	850.00	800.00
Q1 22	700.00	800.00	750.00
Q2 22	700.00	750.00	725.00
Cal 22	662.50	725.00	693.75
Cal 23	600.00	700.00	650.00
Last Spot	1,114.00	+43	
MTD	1,085.38		

FBX03 China/ East Asia to North America EC

Period	Bid	Ask	Mid
Nov-21	15,500.00	16,500.00	16,000.00
Dec-21	16,500.00	17,500.00	17,000.00
Q4 21	16,000.00	17,000.00	16,500.00
Jan-22	16,500.00	17,000.00	16,750.00
Q1 22	16,500.00	17,000.00	16,750.00
Q2 22	14,500.00	15,000.00	14,750.00
Cal 22	14,125.00	14,750.00	14,437.50
Cal 23	9,000.00	11,000.00	10,000.00
Last Spot	15,865.00	-4030	
MTD	19,391.25		

FBX11 China/ East Asia to North Europe

Period	Bid	Ask	Mid
Nov-21	14,200.00	14,300.00	14,250.00
Dec-21	14,200.00	14,400.00	14,300.00
Q4 21	14,200.00	14,350.00	14,275.00
Jan-22	13,500.00	14,000.00	13,750.00
Q1 22	12,600.00	13,200.00	12,900.00
Q2 22	8,900.00	9,000.00	8,950.00
Cal 22	9,000.00	9,425.00	9,212.50
Cal 23	7,500.00	8,000.00	7,750.00
Last Spot	14,219.00	-	
MTD	14,219.00		

FBX12 North Europe to China/ East Asia

Period	Bid	Ask	Mid
Nov-21	1,250.00	1,350.00	1,300.00
Dec-21	1,150.00	1,350.00	1,250.00
Q4 21	1,200.00	1,350.00	1,275.00
Jan-22	1,250.00	1,400.00	1,325.00
Q1 22	1,300.00	1,400.00	1,350.00
Q2 22	950.00	1,100.00	1,025.00
Cal 22	887.50	1,050.00	968.75
Cal 23	700.00	800.00	750.00
Last Spot	1,297.00	-	
MTD	1,294.50		

FBX13 China/ East Asia to the Mediterranean

Period	Bid	Ask	Mid
Nov-21	12,900.00	13,100.00	13,000.00
Dec-21	13,100.00	13,250.00	13,175.00
Q4 21	13,000.00	13,175.00	13,087.50
Jan-22	12,500.00	13,000.00	12,750.00
Q1 22	10,500.00	11,000.00	10,750.00
Q2 22	8,000.00	8,500.00	8,250.00
Cal 22	8,250.00	8,750.00	8,500.00
Cal 23	6,500.00	7,000.00	6,750.00
Last Spot	13,171.00	+11	
MTD	13,142.38		

The way forward

- Arguably opportunistically so, ocean carriers will continue to prioritize:
  - Remunerative trades & contributions.
  - Shippers' loyalty and engagement.
  - (Very) long term commitments.
- Shippers need to focus on…
  - Increase inventories, anticipate and allow for longer lead times.
  - Adapt to reduced container free times.
  - Provide reliable forecasts to help with equipment needs.
  - Deliver commitments to protect allocations.
  - Pay the right price.
  - Consider air freight alternatives for urgent flows.

2023 - 2024

- Shipping lines raising record profits as a result of the sky-high freight rates.
- Investments are being made in both new build containers as ships.
- This capacity is expected to be brought onto the market 2023/2024.
- However; new emissions regulations are coming into play
- Remember IMO2020? Ships were taken out of service to dry dock to be retrofitted to adhere to the lower emission regulations.
- While newbuild ships are more sustainable, the existing fleet might have to undergo (additional) retrofitting.
- Meaning 2023/2024 might be bring the desired and expected additional capacity…

Discussion topics

Discussion Topics

Source locally; sustainability statement or realistic near future development?

We can never take the container shipping process for granted anymore, either from equipment availability, quality or schedule reliability standpoint

Will the JIT process survive and be successful?

With bigger ships coming into ports the influx of cargo and thus pressure on terminal operations will only get worse. The only solution is to ensure both hinterland transportation and warehouse operations are working 24/7

Transportation costs for production materials endangering continuity and full capacity production

Should the market settle down in 2023/2024, will we go back to our old habits, or will we learn from the present to prevent future issues?

Has this turmoil outweighed reliability versus costs?

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