

Market and Business Update

February 2024



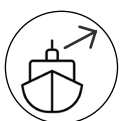
Relatively Stable Commodity Prices Driven up by Increasing Freight Rates

In January 2024, the Red Sea crisis drove up the world container price index and prolonged the Far-East Westbound transit times due to the vessel re-routing via the Cape of Good Hope. Though the world food price index was on a downward trend into 2024, increasing freight rates are now driving it up. At the same time, prices for wheat, maize and rice are still on the rise, impacted by tensions in the Black Sea, uncertainties about Brazil's second maize crop plantings and tight rice availabilities from Vietnam.

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
Increasing



Freight rates
Increasing



Extreme weather
Elevated



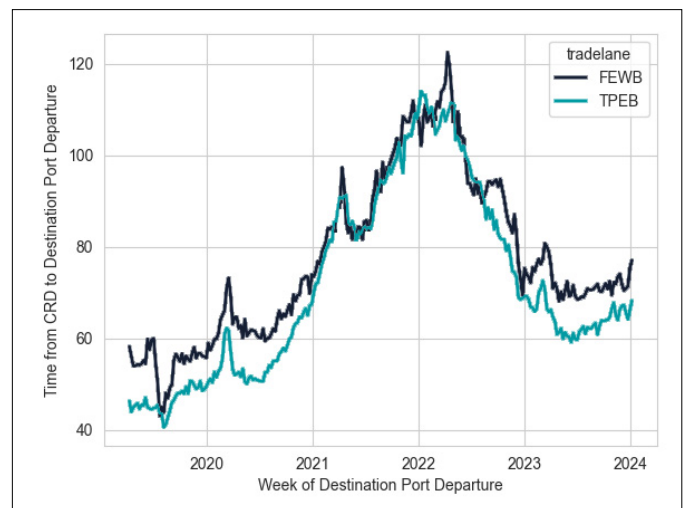
Oil prices
Increasing



Commodity prices
Increasing

Transit times for FEWB slightly increasing due to re-routing via the Cape of Good Hope

According to [Ocean Timeliness Indicator \(flexport.com\)](https://flexport.com), FEWB transit times increased from 69 days in October 2023 to 77 in the first week of January as a direct impact from the Red Sea crisis. Several carriers have paused their vessel routes via the Suez Canal and the Red Sea due to recent attacks on commercial vessels. In general, re-routing increases transit times by 7-10 days. TPEB transit times still hold steady on 67-68 days, partly due to the over-capacity of ocean vessels at the end of 2023 which made it possible for the market to absorb part of the effect.



The Flexport Ocean Timeliness Indicator (OTI)

Transpacific Eastbound (TPEB)

- › October 2021: 102 days
- › October 2022: 82 days
- › October 2023: 67 days
- › January 2024: 68 days

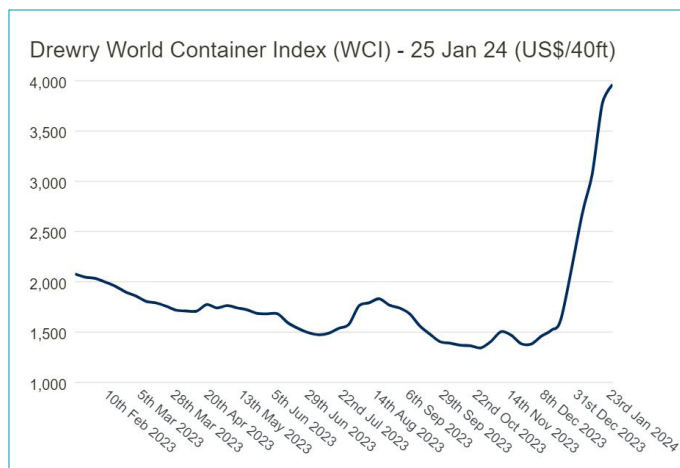
Far East Westbound (FEWB)

- › October 2021: 103 days
- › October 2022: 89 days
- › October 2023: 69 days
- › January 2024: 77 days

Red Sea conflict drove up the world container index from December to January

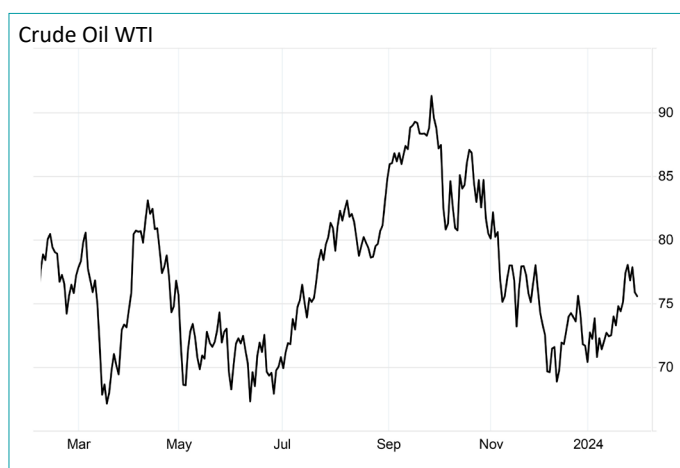
Since December 2023, the 40-foot container index has increased by 94%, compared with the same week in 2022, due to the Red Sea crisis and vessels being re-routed via the Cape of Good Hope ([Drewry World Container Index](#)).

The 40-foot container index of USD 3,964 is the highest since October 2022 and is 179% above pre-pandemic rates. However, according to [Freightwaves](#), the supply-driven peak might have been reached as the market is adjusting schedules to the longer routes. The over-capacity of containers and stable or even lower consumer demand might level off the container price index in the coming months.



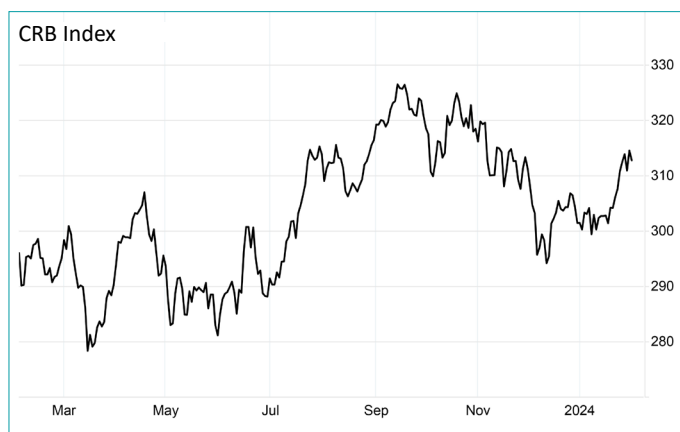
Oil prices have risen slightly since December 2023, but are expected to decrease by the end of Q1 2024

Oil prices increased to USD 78 a barrel in the third week of January, reaching the highest level in nearly two months. The oil market has not been as tight as initially expected due to higher oil production in the US and in Brazil. According to [tradingeconomics.com](#), oil prices are expected to decrease to around USD 74 a barrel by the end of this quarter. However, the crude oil index will probably face a turbulent forecast in the coming months driven by the Red Sea crisis and raising risks in the oil-producing Middle East region.



Commodity index slightly increasing since December 2023

According to the [CRB Index](#), the overall commodity prices increased from December 2023 to January 2024, and by around 4.12% since the beginning of 2024. It is estimated to trade at around 316 within 12 months. The high commodity price level in 2023, continuing into 2024, is mainly driven by the increase in oil prices.



Inflationary impact on certain provisions

Most food price expectations are on a downwards or stable trend in all four regions from Q2, but still remain above average index. The FAO Food Price Index stood at 118.5 in December 2023, down 1.5%. For 2023 as a whole, the index was 13.7% lower than the average level in 2022 ([FAO Food Price Index](#)). FAO Cereal Price index increased by 1.5% from November, but still 16.6% below the level of December 2022. World wheat and maize prices started to increase due to supply issues impacted by tensions in the Black Sea and concerns about Brazil's second crop plantings. World rice prices rose by 1.6% from November and by 21% throughout 2023, partly due to weak availabilities in Vietnam and El Niño's impact on rice production in general.

The FAO Vegetable Oil Price Index, reflecting prices across palm, soy, rapeseed and sunflower seed oils, averaged 122.4, down 1.4% from the previous month. Spanish olive oil prices increased by 75% from 2022 to 2023 due to extremely warm weather. The FAO Meat Price Index averaged 110.4%, down 1% from the previous month, influenced by a falling demand from Asia for pig meat. In 2023, as a whole, meat prices decreased by 3.5% due to subdued consumer demands and increased availabilities in the market. Finally, the FAO Sugar Price Index decreased by 16.6% compared to November 2023, however still 14.9% above its level in November 2022. The significant drop was mainly due to a strong production pace and supply from Brazil.

Price expectations for provision categories (excluding freight)

In this Update, we describe price expectations within provision categories, in Q1-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 the price expectations are subject to uncertainty and changes. The tables of provision categories are not exhaustive.

Middle East, Far East, and European regions					
Category	Name	Price expectation Q1 2024	Price expectation Q2 2024	Price expectation Q3-Q4 2024	Factor
Meat	Beef	Increase	Decrease	Decrease	
	Pork	Decrease	Increase	Increase	Decrease after the holidays, but increase again due to lack of supply
Poultry	Chicken	Increase	Stable	Stable	More demand than supply
Seafood	Salmon	Increase	Increase	Decrease	Seasonal pattern
Dairy & eggs	UHT milk	Stable	Decrease	Stable	
	Cheese	Stable	Decrease	Stable	
	Eggs	Increase	Stable	Stable	
Butter, Margarine & Oil	Butter	Stable	Increase	Increase	
	Sunflower oil	Stable	Decrease	Decrease	
	Canola/rapeseed oil	Increase	Stable	Stable	
	Soyabean oil	Increase	Decrease	Decrease	
	Olive oil	Increase	Increase	Stable	Two Subsequent harvest with reduced output
Juice	Juice	Increase	Stable	Stable	
Rice & Oats	Rice	Increase	Increase	Stable	Increased demand due to India band of non-basmati export
Sugar	Sugar	Decrease	Stable	Stable	
Pasta & Noodles	Pasta	Stable	Stable	Stable	
Flour	White flour	Increase	Stable	Decrease	
Potato product	Potato product	Stable	Increase	Increase	
Bread	Bread	Stable	Stable	Stable	
Cakes & Cookies	Cakes and cookies	Stable	Stable	Stable	
Cereals	Corn-based	Increase	Decrease	Decrease	
	Wheat-based	Stable	Stable	Stable	
Coffee & Tea	Coffee	Increase	Stable	Decrease	



North American region

Category	Name	Price expectation Q1 2024	Price expectation Q2 2024	Price expectation Q3-Q4 2024	Factor
Meat	Beef	Increase	Decrease	Decrease	
	Pork	Decrease	Increase	Increase	
Poultry	Chicken	Increase	Decrease	Decrease	Seasonal pattern
Seafood	Salmon	Increase	Increase	Decrease	
Dairy & eggs	UHT milk	Stable	Stable	Decrease	
	Cheese	Stable	Decrease	Decrease	
	Eggs	Increase	Stable	Stable	Fluctuating due to avian bird flu
Butter, Margarine & Oil	Butter	Stable	Increase	Increase	
	Sunflower oil	Stable	Decrease	Decrease	
	Canola/rapeseed oil	Increase	Stable	Stable	
	Soyabean oil	Increase	Decrease	Decrease	
	Olive oil	Increase	Increase	Stable	Two Subsequent harvest with reduced output
Juice	Juice	Increase	Stable	Stable	
Rice & Oats	Rice	Increase	Increase	Stable	Increased demand due to India band of non-basmati export
Sugar	Sugar	Increase	Stable	Stable	Decrease in domestic harvest
Pasta & Noodles	Pasta	Stable	Stable	Stable	
Flour	White flour	Stable	Stable	Decrease	
Potato product	Potato product	Decrease	Increase	Increase	
Bread	Bread	Stable	Stable	Stable	
Cakes & Cookies	Cakes and cookies	Stable	Stable	Stable	
Cereals	Corn-based	Increase	Decrease	Decrease	
	Wheat-based	Stable	Stable	Stable	
Coffee & Tea	Coffee	Increase	Stable	Decrease	



Price expectations for stores categories (excluding freight)

The raw material of several commodities has been decreasing during recent months, for which reason we expect the prices of several stores categories to

stabilize. However, we still see an expected increase in aluminum, brass, bronze and copper materials. The list is not exhaustive.

Middle East, Far East, European & North American Region

Category	Name	Price expectation Q1 2024	Price expectation Q2 2024	Price expectation Q3-Q4 2024	Factor
Tableware & Galley Utensils	Paper- Plastic and Bags	Stable	Slight decrease	Stable	Commodity stable with decrease of energy over summer period
	Paper Pulp	Slight increase	Slight increase	Stable	Commodity currently increasing
Rigging & General Deck	Lifting Equipment	Stable	Stable	Stable	Commodity has a stable forecast next 12M
	Oil Funnels & Sample Cans	Stable	Slight decrease	Stable	Energy price decrease over summer period
	Waste and Rags	Increase	Increase	Stable	Increased Sea freight
Petroleum Products	Aerosol Lubricants	Stable	Stable	Stable	Commodity stable
	Charcoal	Stable	Stable	Stable	No development on commodity
	Grease	Stable	Stable	Stable	Commodity stable
	Molybdenum disulf. lubric.	Stable	Stable	Stable	Commodity stable
	Silicone Grease & Comp.	Stable	Stable	Stable	Commodity stable
	Misc. Petroleum Products	Stable	Stable	Stable	Commodity stable
Metals	Aluminum Materials	Slight Increase	Slight Increase	Slight Increase	Commodity increasing next 12M
	Brass & Bronze Materials	Slight Increase	Slight Increase	Slight Increase	Commodity is increasing next 12M
	Copper Materials	Slight Increase	Slight Increase	Slight Increase	Commodity is increasing next 12M
	Gratings	Stable	Stable	Stable	Commodity has a stable forecast next 12M
	Lead and Zinc Materials	Slight Decrease	Slight Decrease	Slight Decrease	Commodity has a downwards trend next 12M
	Stainless Steel Materials	Stable	Stable	Stable	Commodity has a stable forecast next 12M
	Steel Materials	Stable	Stable	Stable	Commodity has a stable forecast next 12M
	Misc. Metal Sheets-Bars	Stable	Stable	Stable	Commodity has a stable forecast next 12M
Pipes & Tubes	Pipes	Stable	Stable	Stable	Commodity has a stable forecast next 12M
	Tubes	Slight Increase	Slight Increase	Slight Increase	Commodity is increasing next 12M
	Misc. Pipes and Tubes	Stable	Stable	Stable	Commodity has a stable forecast next 12M
Pipe & Tube Fittings	High Press. Steel Coupl.	Stable	Stable	Stable	Commodity has a stable forecast next 12M
	Fittings	Slight Increase	Slight Increase	Slight Increase	Special metals commodities are increasing next 12M
	Flanges	Stable	Stable	Stable	Steel commodity has a stable forecast next 12M
	Flexible Pipe Couplings	Slight Increase	Slight Increase	Slight Increase	Special metals commodities are increasing next 12M
	HP pipes and fittings	Stable	Stable	Stable	Steel commodity has a stable forecast next 12M
	Misc. Pipe and Tube Fittings	Stable	Stable	Stable	Commodity has a stable forecast next 12M

Global port trends

Houston

- › Vessel port calls have observed a noteworthy surge, up by 10% versus November. This growth is primarily propelled by increased activities in bulk carriers and oil tankers.
- › U.S. Producers break annual oil production record estimated to be 4.70 billion barrels for the full year 2023. This represents a 5% growth on previous record set in 2019.
- › The Sea Port Oil Terminal (SPOT), a proposed offshore oil export terminal that will be located 30 nautical miles off the coast of Freeport, TX, has encountered delays. The anticipated start date has been pushed from 2025 to late 2026/2027.
- › In December and January, Houston and Corpus Christi experienced below freezing temperatures causing port closures and sea fog. The below freezing temperatures caused ice on the roads and shut down terminals for one to two days. As a result, this delayed container imports on stock and caused ship diversions/delays.

New Orleans

- › Mississippi water levels in the Midwest have risen from 7 feet on Dec 15th to 13 feet on Jan 15th, positively impacting grain bulker traffic in New Orleans.
- › Grain operators indicate that soybeans are sold through March with traders currently negotiating by-product commodity sales for Q2 and Q3.

Long Beach & San Francisco/Oakland

- › Port of LA finishes 2023 with 5 months of YOY Growth ([Port of Los Angeles](#)).
- › Shippers continued to reposition cargo back to West Coast Seaports, lifting trade for the 3rd consecutive month at the Port of Long Beach ([Port of Long Beach](#)).
- › Port of Oakland Year-End Container volume ends strong ([Port of Oakland](#)).
- › Unrest in the Red Sea region prompts major cruise lines to rethink itineraries ([Cruisehive](#)).
- › We continue to see an increase in the price of

cage free eggs in CA due to an outbreak ([AP News](#)).

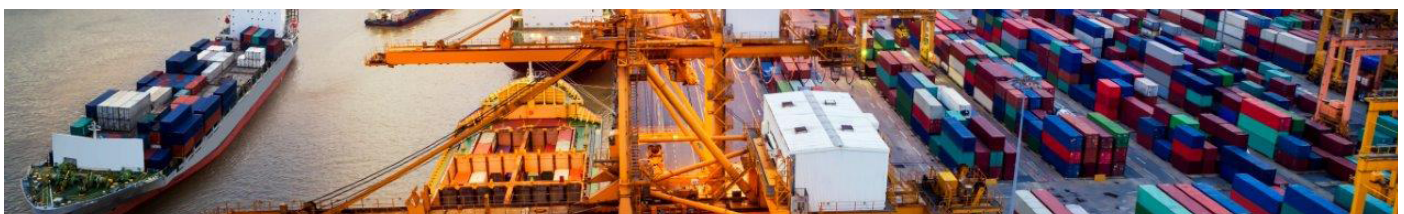
- › Los Angeles/Long Beach had a very successful Cruise Season in 2023 and look forward to the start of the Alaska Season in April – October 2024
- › We are fully staffed in Sales, Purchasing & Operations Team. We are fully operational, and there are no issues with our normal day-to-day business operations.

New York/New Jersey

- › Infrastructure Boost: The Port Authority is investing \$220 million in the Port Street Corridor Improvement project to enhance road and ramp infrastructure at Port Newark, critical for accessing the New Jersey Turnpike. Expected to finish in 2028, and the project aims to improve efficiency, reduce trucking time, and cut carbon emissions.
- › Future-Ready Port: Supported by a \$4 million grant from the U.S. DOT's INFRA program, the project is part of the wider master plan for Port Newark. Upcoming upgrades to the ExpressRail system and continued expansion efforts align with the port's goal to accommodate a 2x or 3x of cargo volume by 2050.
- › Growth of U.S East Coast Ports: Per reports, East Coast Ports have undertaken several investments in the past few years and have handled a rising amount of cargo. They have initiated upgrades to port equipment to handle more containers, deepened the existing berths and even expanded rail terminals to meet the growing demand and remain competitive.

Jacksonville

- › Macroeconomic challenges continued to challenge us starting back in Q4 of 2022 and continued for all of 2023. The perception of US must be changed with more customer interaction going in to 2024.
- › Inflation in the US rose faster than global markets – rates currently increasing globally – when will it reach equilibrium?



- › For East Coast ports, volumes are still expected to remain at higher levels than pre-pandemic primarily as these ports have proven to be viable options for shippers. The outlook for the U.S. economy also still remains unclear, while U.S. consumers continue to spend (more on service expenditures and less on retail goods).
- › The labor market is still the most challenging we have seen. We continue to face driver and warehouse associate shortages, forcing us to increase wages.
- › We are still experiencing an exponential increase in our Operating Cost due to the fuel, insurance and maintenance fees continuing to go up.
- › The cost for new assets also continues to increase and the availability remains bleak.
- › We still see port congestion in certain ports in the South East (Savannah and Charleston the highest). Port of Savannah continues to be the largest and fastest growing container port in America.
- › Airfreight is still experiencing delays due to lack of labor and equipment, impacting spares. Customers need to understand they need to send spares well before the berthing schedule.
- › Steel prices are not going down, steel output from China is down 15% YoY. Continuing to see higher prices on our steel.

Port Highlights in the South-East

- › JAX Port is deepening the harbor to allow bigger vessels to come to JAX port in the future.
- › Jacksonville is one of the nation's busiest ports for total vehicle handling. The port moved more than 553,000 vehicles last year. Florida is now the nation's third most populous state – and JAXPORT provides same day access to more than 98 million U.S. consumers. The result was consistent with declining margins for steel producers as macroeconomic headwinds and poor consumer demand for steel-intensive construction hamper the outlook for the commodity in the year ahead.
- › GA Ports achieve a record year for autos in 2023.

(Brunswick) At its current rate of growth, the Port of Brunswick is poised to become the nation's busiest gateway for Roll-on/Roll-off cargo.

- › The new ONE announcement will give the Port of Savannah a total of 37 ocean carrier services to global destinations – the most of any port from the mid-Atlantic to the Gulf of Mexico.
- › SC Ports has invested more than \$2 billion into port infrastructure in recent years to support the state's booming business sector. Combined with port funding and state funding, SC Ports plan to spend an additional \$2.5 billion over the next decade.
- › Charleston now has the deepest harbor on the East Coast at 52 feet, enabling the biggest ships calling the East Coast to access SC Ports' terminals any time, any tide. Widened channels and turning basins also make it easier and safer for large vessels to navigate the harbor. The successful Charleston Harbor Deepening Project makes SC Ports more competitive, helping to attract new ship services and further connecting South Carolina to global markets. The roughly \$580 million project, done in partnership with the U.S. Army Corps of Engineers, Charleston District, was fully funded by state and federal dollars.

Montreal

- › St Lawrence Seaways is now closed – a late closing due to warmer winter temperatures in the area.
- › Possible strike at Port of Montreal as bargaining continues.
- › Federal Carbon taxes and Inflation continue to impact prices throughout the supply chain.

Vancouver

- › Rogers Sugar employee strike continues since September 28th. Currently brown sugar is out of stock at all retailers. But, they have now reached a tentative deal, so the strike may be over soon, and the terminal will resume operations.
- › Rain has caused a delay for Potash and Grain loading. In January, we saw 1/10th of our yearly



rain in Vancouver over one week. When the weather clears for a few hours, there is a surge in movement, but not enough to clear the backlog. Grain/Potash vessels are all staying longer than their initial estimated ETD.

- › Due to inflation, our commodity prices have risen over the past months. We are now seeing it level off, but have not seen any decreases.

Portland/Seattle

- › No operational challenges for Seattle or Portland.
- › Oregon has now joined with Washington and we are required to only sell cage free eggs which exacerbates the already high prices we are now experiencing.
- › No weather-related issues currently. Freezing rains that shut down Portland during the 3rd week in January have resolved. Seattle not impacted.
- › We still face the persistent issue with bonded stores (except cigarettes) with no local bonded supplier.
- › All liquor and beer remain tax paid.

Panama

- › The authorities continue to restrict the number of vessels that pass through the Panama Canal as drought has caused water level in Gatun Lake and thus the Canal to drop.

UAE

- › We are currently in the middle of the cruise and tourist season which is creating a high demand in the market. Unfortunately, the Red Sea crisis is driving the prices up.
- › Our expectation is that by the middle of February, the delayed containers will have arrived and there would either be an over-supply in the market or the market would stabilize.

Singapore

- › We expect delays for upcoming Chinese New Year holidays (10th to 17th February 2024).
 - › For orders expected to be delivered between 8th – 14th Feb, please send in by 6th Feb so we can facilitate the necessary arrangements.
 - › Any orders received after 6th Feb, we may not be able to deliver in full due to Chinese New Year closures.
 - › We expect a slower response between 10th-12th Feb.

Dalian, Shanghai & Shenzhen

- › Due to upcoming Chinese New Year holiday, there is an impact to the supply for all Chinese ports.
 - › Provision: It is recommended that the orders are placed before 6th February in order to complete the customs procedure. For orders during the holiday, need to check case by case on supply possibility.
 - › Stores: Many vendors start holiday earlier than the statutory holiday, low availability of stores in the Market from beginning of February.
- › Expect all business to go back to normal after 20th February.

Rotterdam

- › The mild recession in The Netherlands continues with now multiple quarters showing a decline in the market.
- › Although the mild recession has some dampening effect on the 'hot' labor market, there are still around 8,000 vacancies in the Port of Rotterdam. So, pressure on labor costs and operational efficiency remains high.
- › The big ports in the ARA region have shared their latest numbers. Throughput in all ports year-over-year is down, varying from -/- 6% (Rotterdam and Antwerp) to -/- 11% (North Sea Ports). The Port of Rotterdam also published the number of port calls over 2023 and these show a decline of 8% for seagoing vessels compared to 2022.

Algeciras

- › There is a high risk of a national strike from 5th to 9th of February. There will be roadblocks which could cause delays in our supply chain.

Aalborg

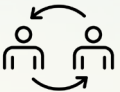
- › Aalborg continues the try-out with gas driven shuttle traffic between Aalborg and Rotterdam, awaiting biogas stations to be available in Germany in order to reach 95% less emission of CO2.
- › Within the recent month, container rates into Europe have been increasing due to the Red Sea security issue. If it continues, it will have a negative effect on imports.
- › Inflation in Denmark has normalized, but prices still haven't recovered to earlier level.

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



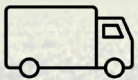
Analysis and commodity index reporting

- › 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



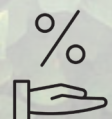
Supply chain shortening

- › 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.