

Market and Business Update

November 2023



Elevated food price index stabilized since September, while some provisions still on the rise

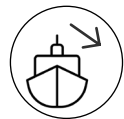
Since September 2023, ocean freight rates have decreased due to overcapacity, and crude oil prices have dropped around 18%, but are expected to increase and start fluctuating in the coming months due to the war in the Middle East.

The average FAO price index for food dropped by 0.5%. Yet, sugar, rice, and salmon are on the rise, mainly driven by adverse weather patterns and an increasing demand.

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



Transit times
Stable



Freight rates
Decreased



Extreme weather
Increased



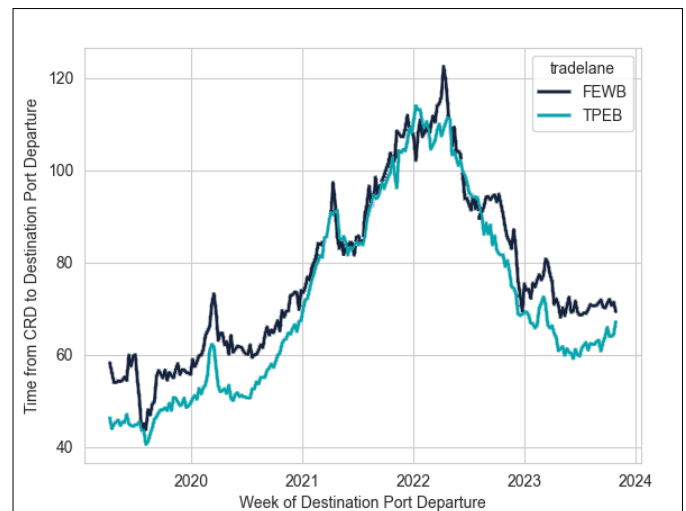
Oil prices
Decreased



Commodity prices
Elevated

Transit times for TPEB slightly increased from September to October 2023

According to [Ocean Timeliness Indicator \(flexport.com\)](https://flexport.com), FEWB transit times remain relatively stable compared to September 2023, whereas the TPEB increased from 61 days in September to 67 days in October this year.



The Flexport Ocean Timeliness Indicator (OTI)

Transpacific Eastbound (TPEB)

- › October 2021: 102 days
- › October 2022: 82 days
- › September 2023: 61 days
- › October 2023: 67 days

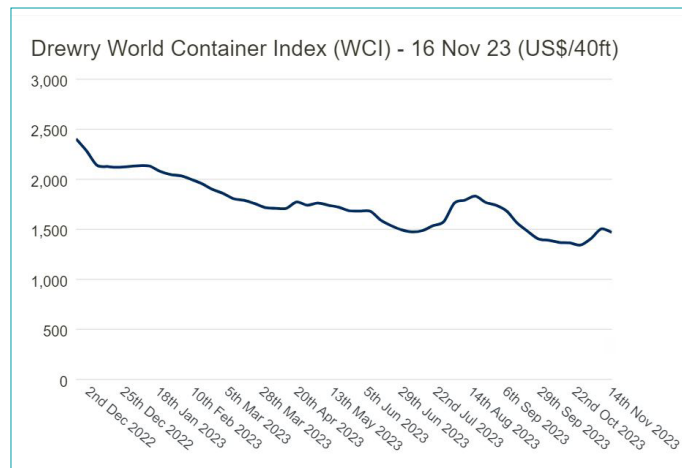
Far East Westbound (FEWB)

- › October 2021: 103 days
- › October 2022: 89 days
- › September 2023: 70 days
- › October 2023: 69 days

Freight rates decreasing due to overcapacity from record wave of newbuildings

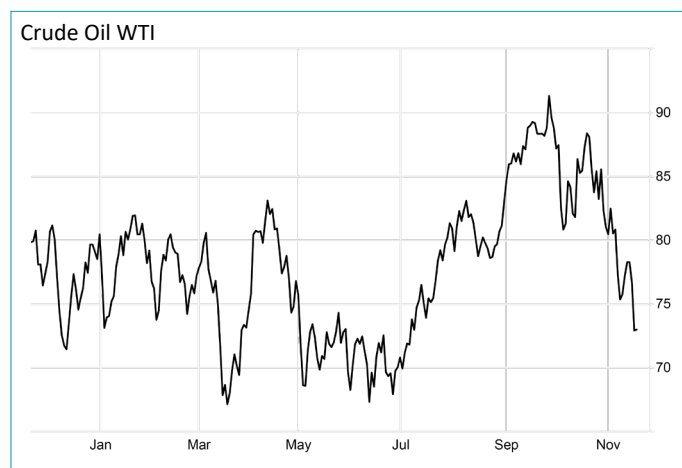
According to the [Drewry World Container Index](#), a 40-foot container has slightly decreased since September 2023. It has dropped 43% compared to the same period last year, and the price index is only 3% higher than average pre-pandemic rates in 2019

According to [Freightwaves](#), ocean rates have generally decreased in the recent months due to overcapacity from the record wave of newbuildings even though volume is substantial.



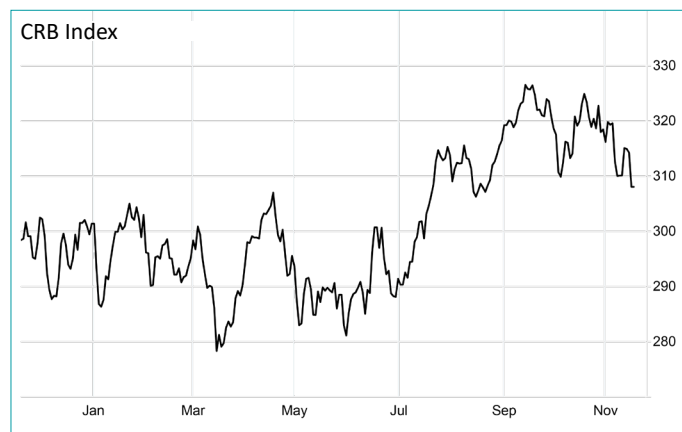
Oil prices have decreased since September 2023, but are expected to increase in the coming months

Oil prices fell to USD 76 a barrel at the beginning of November, decreasing from USD 90 in September 2023. The oil market has not been as tight as initially expected due to higher oil production in the US and in Brazil. However, according to [tradingeconomics.com](#), oil prices are expected to increase to around USD 80 a barrel by the end of this year and to USD 87 within 12 months. Moreover, crude oil prices will probably face a turbulent forecast in the coming months driven by geopolitics and the war in the Middle East.



Commodity index still on the rise in 2023, but held on the same level since September

According to the [CRB Index](#), the overall commodity prices increased by around 2.2% since the beginning of 2023. However, since September, the CRB Commodity Index held around 315, though expected to increase slightly by the end of this year. The high commodity price level in 2023 is mainly driven by high inflation, shortages in certain agricultural supplies related to the Russia-Ukraine war, and adverse weather patterns.



Inflationary impact on certain provisions

According to the [FAO Rice Price Index](#), rice decreased by 2% compared to September 2023, after having reached its highest level in 15 years, reflecting, among others, trade disruptions in India and irregular rain patterns in Thailand.

The price index of raw sugar has increased by 35% since the beginning of 2023, mainly driven by El Niño impacting the sugarcane crop and production in India, heavy rains in Brazil, and dry weather conditions in Thailand (Source: [Tradingeconomics.com](#)).

The FAO Dairy Price Index increased by 2.2% from September to October 2023, but still down 20% from its level in October last year (Source: [FAO Food Price Index](#)). Salmon prices have been back on the rise and are expected to stay elevated, driven by an increased demand.



Price expectations for provision categories

In this Update, we describe price expectations within provision categories, in Q4 2023, Q1 2024 including Q2-Q3 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 Q4 2023 | Price expectation Q1 2024 | Price expectation Q2-Q3 2024 | Factor |
| Meat | Beef | Increase | Increase | Stable | |
| | Pork | Decrease | Decrease | Stable | Q4-Q1 Reduced demand from Asia |
| Poultry | Chicken | Decrease | Stable | Stable | |
| Seafood | Salmon | Increase | Increase | Stable | |
| Dairy & eggs | UHT milk | Increase | Stable | Decrease | Q4 Low seasonal supply |
| | Cheese | Increase | Stable | Decrease | Q4 Low seasonal supply |
| | Eggs | Stable | Stable | Stable | |
| Butter, Margarine & Oil | Butter | Increase | Stable | Decrease | Q4 Low seasonal supply |
| | Sunflower oil | Decrease | Stable | Stable | |
| | Canola/rapeseed oil | Stable | Stable | Stable | |
| | Soyabean oil | Stable | Stable | Stable | |
| | Olive oil | Increase | Stable | Stable | 30% lower output compared to 5-year average – harvest done Q4 |
| Juice | Juice | Stable | Increase | Increase | Poor harvest of citrus and sugar |
| Rice & Oats | Rice | Increase | Increase | Increase | Poor harvest and ban out of India – full period |
| Sugar | Sugar | Increase | Increase | Increase | Poor harvest due to El Niño in 2 out of 3 main producing countries |
| Pasta & Noodles | Pasta | Stable | Stable | Stable | |
| Flour | White flour | Stable | Stable | Stable | |
| Potato product | Potato product | Stable | Stable | Stable | |
| Bread | Bread | Stable | Stable | Stable | |
| Cakes & Cookies | Cakes and cookies | Stable | Stable | Stable | |
| Cereals | Corn-based | Stable | Stable | Stable | |
| | Wheat-based | Stable | Stable | Stable | |
| Coffee & Tea | Coffee | Stable | Stable | Stable | |



North American region

| Category | Name | Price expectation Q4 2023 | Price expectation Q1 2024 | Price expectation Q2-Q3 2024 | Factor |
|-------------------------|---------------------|---------------------------|---------------------------|------------------------------|--------------------------------------------------------------------------|
| Meat | Beef | Stable | Stable | Stable | |
| | Pork | Decrease | Decrease | Stable | Q4-Q1 Reduced demand from Asia |
| Poultry | Chicken | Decrease | Stable | Stable | |
| Seafood | Salmon | Increase | Increase | Stable | |
| Dairy & eggs | UHT milk | Stable | Stable | Decrease | |
| | Cheese | Stable | Stable | Decrease | |
| | Eggs | Stable | Stable | Decrease | |
| Butter, Margarine & Oil | Butter | Stable | Stable | Decrease | |
| | Sunflower oil | Decrease | Stable | Stable | |
| | Canola/rapeseed oil | Stable | Stable | Stable | |
| | Soyabean oil | Stable | Stable | Stable | |
| | Olive oil | Increase | Stable | Stable | 30% lower output compared to 5-year average – harvest done Q4 |
| Juice | Juice | Stable | Increase | Increase | Poor harvest of citrus and sugar |
| Rice & Oats | Rice | Increase | Increase | Increase | Poor harvest and ban out of India. US crop had good output – full period |
| Sugar | Sugar | Increase | Increase | Increase | Poor harvest due to El Niño in 2 out of 3 main producing countries |
| Pasta & Noodles | Pasta | Stable | Stable | Stable | |
| Flour | White flour | Stable | Stable | Stable | |
| Potato product | Potato product | Stable | Stable | Stable | |
| Bread | Bread | Stable | Stable | Stable | |
| Cakes & Cookies | Cakes and cookies | Stable | Stable | Stable | |
| Cereals | Corn-based | Stable | Stable | Stable | |
| | Wheat-based | Stable | Stable | Stable | |
| Coffee & Tea | Coffee | Stable | Stable | Stable | |



Price expectations for stores on short and medium term

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 and/or slightly increase or decrease on short and medium term. The list is not exhaustive.

Europe, Far East, Middle East, and North America

| Category | Name | Price expectation - short and medium term |
|-------------------------------|---------------------------------|-------------------------------------------|
| Tableware and Galley Utensils | Paper- Plastic and Bags | Stable/slight decrease |
| Tableware and Galley Utensils | Paper Pulp | Decrease |
| Rigging and General Deck | Lifting Equipment | Stable |
| Rigging and General Deck | Oil Funnels and Oil Sample Cans | Stable |
| Rigging and General Deck | Waste and Rags | Stable/slight increase |
| Petroleum Products | Aerosol Lubricants | Stable |
| Petroleum Products | Charcoal | Stable |
| Petroleum Products | Grease | Slight increase |
| Petroleum Products | Molybdenum disulfide lubricant | Slight increase |
| Petroleum Products | Silicone Grease and Compounds | Slight increase |
| Petroleum Products | Misc. Petroleum Products | Slight increase |
| Metals | Aluminum Materials | Stable/slight decrease |
| Metals | Brass and Bronze Materials | Stable/slight increase |
| Metals | Copper Materials | Stable/slight increase |
| Metals | Gratings | Stable |
| Metals | Lead and Zinc Materials | Stable |
| Metals | Stainless Steel Materials | Stable |
| Metals | Steel Materials | Stable/slight decrease |
| Metals | Misc. Metal Sheets- Bars- Etc. | Stable/slight decrease |
| Pipes and Tubes | Pipes | Stable/slight decrease |
| Pipes and Tubes | Tubes | Stable/slight increase |
| Pipes and Tubes | Misc. Pipes and Tubes | Stable/slight decrease |
| Pipe and Tube Fittings | Ermeto High Press. Steel Coupl. | Stable |
| Pipe and Tube Fittings | Fittings | Stable |
| Pipe and Tube Fittings | Flanges | Stable/slight decrease |
| Pipe and Tube Fittings | Flexible Pipe Couplings | Stable |
| Pipe and Tube Fittings | HP pipes and fittings | Stable/slight decrease |
| Pipe and Tube Fittings | Misc. Pipe and Tube Fittings | Stable/slight decrease |

Global port trends

Houston

- › FDA continues to be strict on imports of food products, causing delays on container clearance time.
- › October saw a drop in port calls of 3% from the previous month and a decrease of 2% from last year.
- › We had a few days of Fog/Weather that had an impact on total port calls.

Corpus Christi

- › A completion timeline for the new Harbor Bridge was announced. Officials with Flat Iron Dragados, the engineering firm heading the project, said it will be finished in 2024. Once the bridge is complete, we expect to see cruise activity pick up at the Corpus Ports (Source: www.kristv.com).

San Francisco/Oakland

- › 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.
- › Port of Oakland holds steady in September (Source: portofoakland.com).

New Orleans

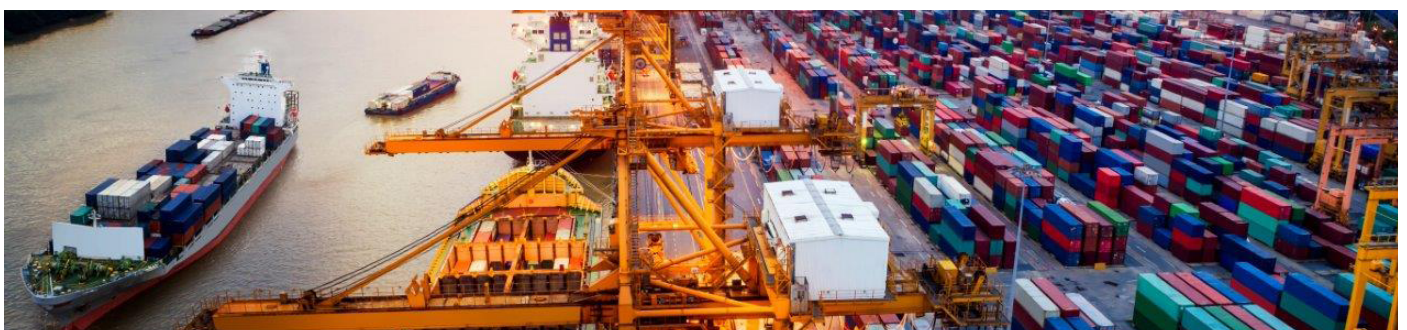
- › New Orleans' bulker segment is under pressure due to weather conditions and the impact on the global market.
- › 60% of all grain exported by USA is transported down the Mississippi river.
- › The cost to transport grain down the Mississippi river is up 77% from the average of the last 3 years due to low water levels.
- › 2023 was the worst grain harvest in a decade with only 50% of grain rated at good to excellent.
- › These increased transportation costs impact the cost of grain commodity and as a result vessel traffic in the Gulf of Mexico.

Long Beach

- › 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.
- › Port of Los Angeles Cargo increases again in September: (Source: www.portoflosangeles.org).
- › Port of Los Angeles Zero Emission Initiative (Source: www.portoflosangeles.org).
- › Strongest Record in Port of Long Beach (Source: <https://polb.com>).

New York/New Jersey

- › In the perennial tug-of-war between the West Coast and East Coast ports, the momentum has shifted yet again. Imports from Asia are starting to head back to America's Pacific gateways.
- › East and Gulf Coast ports increased their market share in the years prior to the pandemic as the expanded Panama Canal allowed more cost-effective shipping service to Eastern states, which led to the highest population of consumers.
- › CMA CGM is pumping \$600m into its recently acquired New York and New Jersey terminal operation as it looks to boost capacity by some 80%. Announcing the investment, less than two months after purchasing the Bayonne and New York terminals, the company said the development was being run in "close partnership" with the states of New Jersey and New York.
- › South Fork Wind will place 12 turbines in the waters off Long Island, New York, about 35 miles (56 kilometers) east of Montauk Point, to power 70,000 homes. And Ocean Wind I, the first of two Orsted projects in New Jersey, will place 98 turbines about 15 miles off Atlantic City and Ocean City, generating power for 500,000 homes. The company is a Danish wind power business that will build two of the three offshore projects approved for New Jersey.



Jacksonville

- › Hurricane season is here and can potentially cause disruption and delays.
- › For East Coast ports, volumes are expected to remain at higher levels than pre-pandemic, primarily, as these ports have proven to be viable options for shippers. Meanwhile, the outlook for the U.S. economy still remains unclear. In the meantime, U.S. consumers continue to spend, although more on service expenditures and less on retail goods.
- › The labor market continues to be the most challenging that we have seen. We continue to face warehouse associate shortage and we have been forced to increase wages.
- › We are experiencing an exponential increase in our Operating Cost due to the fuel, insurance, and maintenance fees going up.
- › The cost for new assets continues to increase and the availability remains bleak.
- › Port congestion in the South-East continues in certain ports (Savannah and Charleston the highest). Port of Savannah is the largest and fastest growing container port in America.
- › Airfreight is experiencing delays due to lack of labor and equipment which is impacting spares. Customers need to send spares well before the berthing schedule.

Montreal

- › A challenge was the strike in Canada's St. Lawrence Seaway which shut down an important maritime trade route linking the Great Lakes to Montreal port and impacting about 115 vessels.
- › Fortunately, Montreal was not greatly affected.

Vancouver

- › Backlog has started due to poor weather conditions at the grain and potash terminals.
- › Roberts Bank Terminal 2 is closed while undergoing maintenance.
- › BC Sugar employees are on strike, and the terminal has been closed since September 28th. This is also causing a shortage in sugar locally.

Portland/Seattle

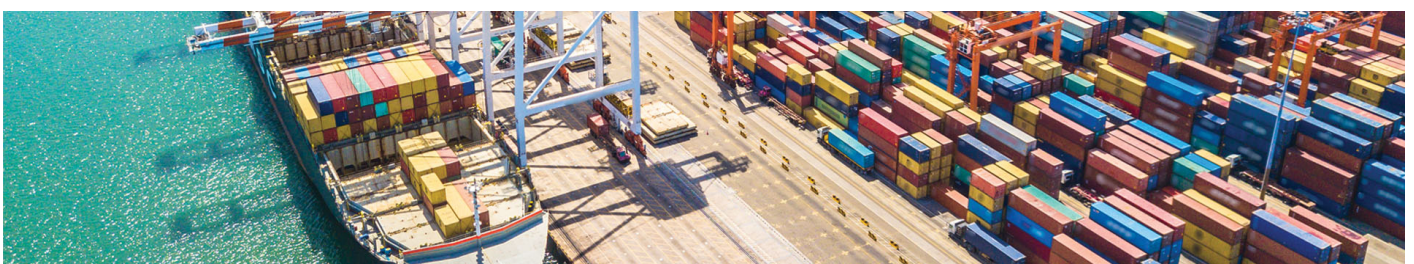
- › Bonded stores (besides cigarettes) are the only challenge we're dealing with as we haven't had a bonded store since F/S closed during covid.
- › Majority of liquor and beer that we now sell are tax paid. We get wholesale prices but not close to duty free prices.

Panama

- › The reduction in water levels in the Gatun Lake which is feeding the locks of the Panama Canal has made the Panama Canal Authorities reduce the maximum draft for vessels passing through the canal. Furthermore, they have reduced the number of vessels that can pass through the canal to save water and not be forced to make further draft restrictions.
- › The canal authorities' prediction of the number of transits is a reduction from previously 40 vessels daily declining to 18 in the month of February 2024. An increase in water levels and number of transits is unlikely to happen until the second half of 2024.
- › The reduced draft and number of transit slots per day will result in longer waiting time for transiting vessels and an increased costs for transiting. Bulk vessels will likely be the first to look for alternative trade routes, followed by project cargo, smaller tankers, and smaller container carriers. Carriers' trade pattern is more unpredictable. The LNG carriers and the large container vessels are more unlikely to change patterns.
- › The Panama Canal is still the preferred trade route, and Panama remains a favorable location to take stores and logistics services.

UAE

- › For the UAE, cruise season has started and the first Christmas orders have trickled in.
- › The climate is more manageable now, and it is the perfect time to visit.



Singapore

- › Business as usual.

Dalian, Shanghai & Shenzhen

- › For Shanghai and Shenzhen, it's business as usual.
- › In Dalian, due to cold weather, we see an upward trend for fresh items prices.

Rotterdam

- › Business as usual.

Algeciras

- › Business as usual.

Aalborg

- › The road logistics cost in Europe is still a challenge, and as we see a higher request of transportation for "green fuel", this will continue.
- › Daily shuttle traffic between Aalborg and Rotterdam is currently tested on "gas driven" trucks which on normal gas emits 20% less CO₂. When Biogas will be available, it will be 95% less.
- › The supply of consumer goods has stabilized even more, but we are entering the low season on fruits and vegetables where supply and demand will lift prices.

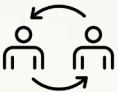


What our main supplier continuously does to reduce and mitigate price increases and other inflationary impacts:



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



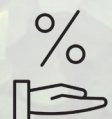
Supply chain shortening

- › 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.