

# The Global Refrigerated Market- Game plan South Africa

May 26,, 2023



# ESKESEN ADVISORY – Who WE Are

## Our Main Focus is in **The Cold Chain**

We work on the **Cargo Side**

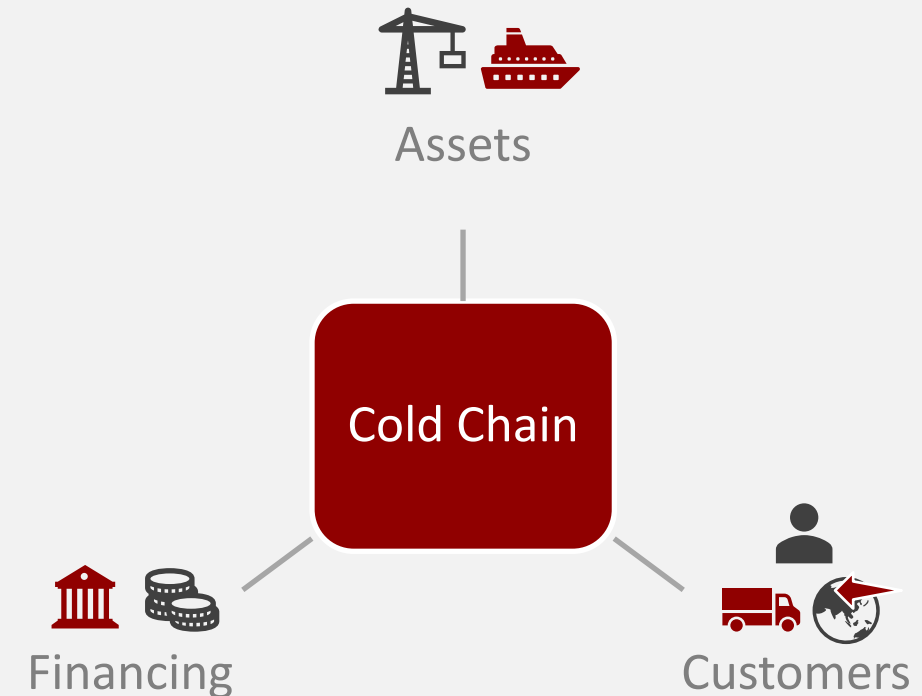
- (Shippers/Importers, Etc.)

We work on the **Asset Side**

- (Ports/Vessels/Eqpt./Warehousing/Telematics)

We work on **Client Financing**

- ( M&A /Financing)



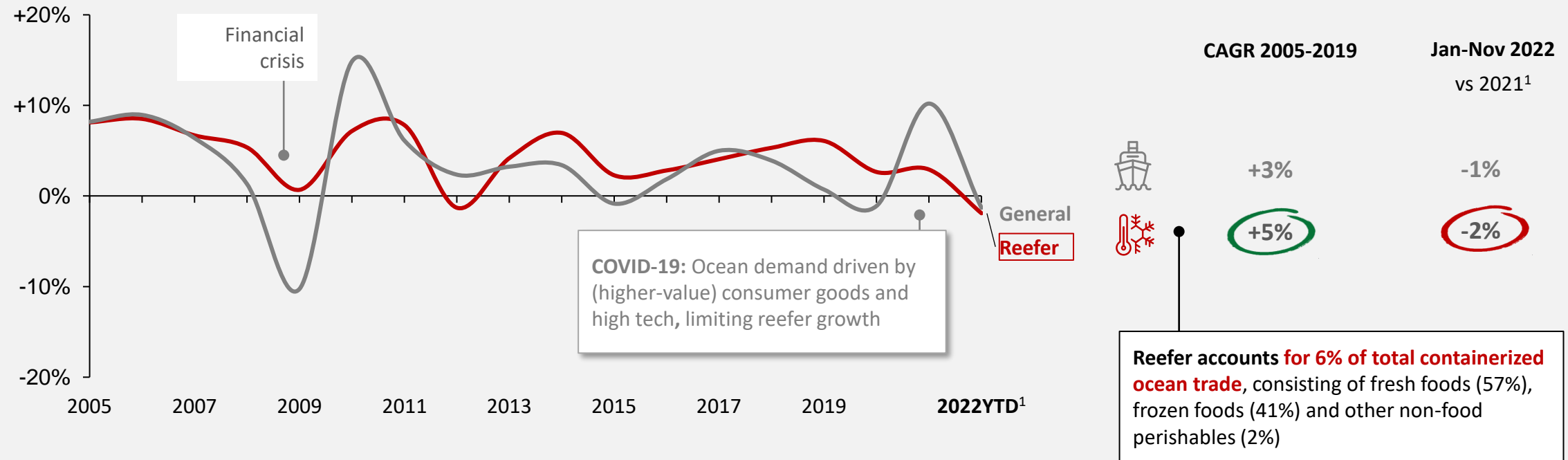
# Agenda

1. Highlights of the Global Refrigerated Trade
2. South Africa – Implications – Game Plan
3. 2023 Outlook

# Long-term historic growth of reefer trade higher than dry cargo

## Annual growth of containerized ocean trade, 2005-2022YTD

Year-over-year TEU change (%)



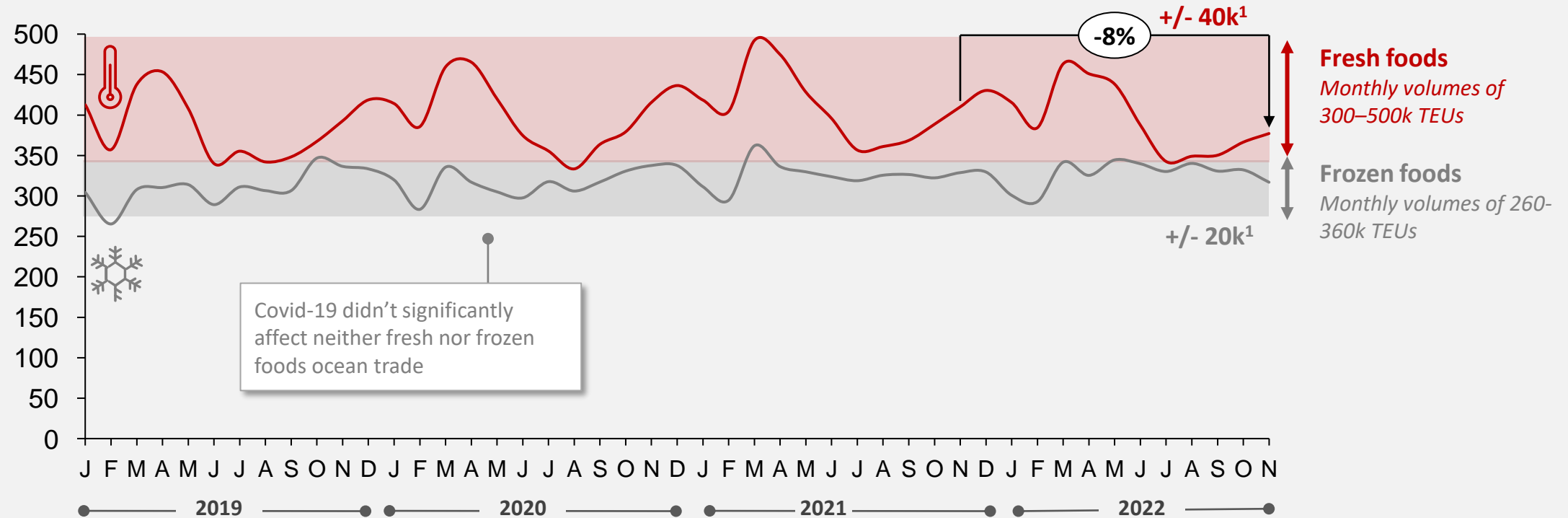
Note: Container ocean trade only; Reefer container trade described as "Temperature Control" in Seabury databases; 1) Includes Jan-Nov data, compared against Jan-Nov 2021  
 Source: Seabury Cargo Global Ocean Trade Database; Seabury Cargo and Eskesen Advisory analysis (February 2023).

## Reefer volumes decreased in 2022, after a decade of continuous growth

# Fresh food volumes **dropped - 8%** through December vs 2021

## Global ocean trade of perishables, 2019-2022

Thousand TEU

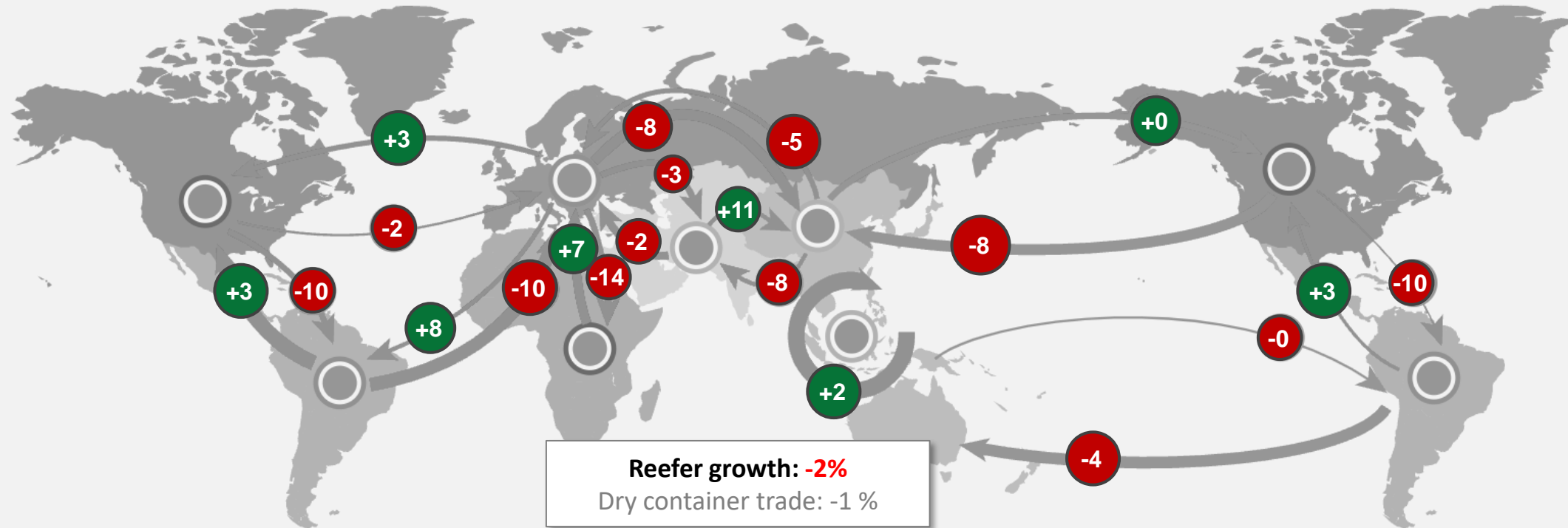


Note: 1) Standard deviation  
Source: Seabury Cargo Global Ocean Trade Database; Seabury Cargo and Eskesen Advisory analysis (February 2023)

# Reefer trades grew less than dry trade in 2022, especially into Asia Pacific and from Latin America to Europe

## Reefer trade growth by trade lane, 2022 YTD<sup>1</sup> vs. 2021

TEU change (%)

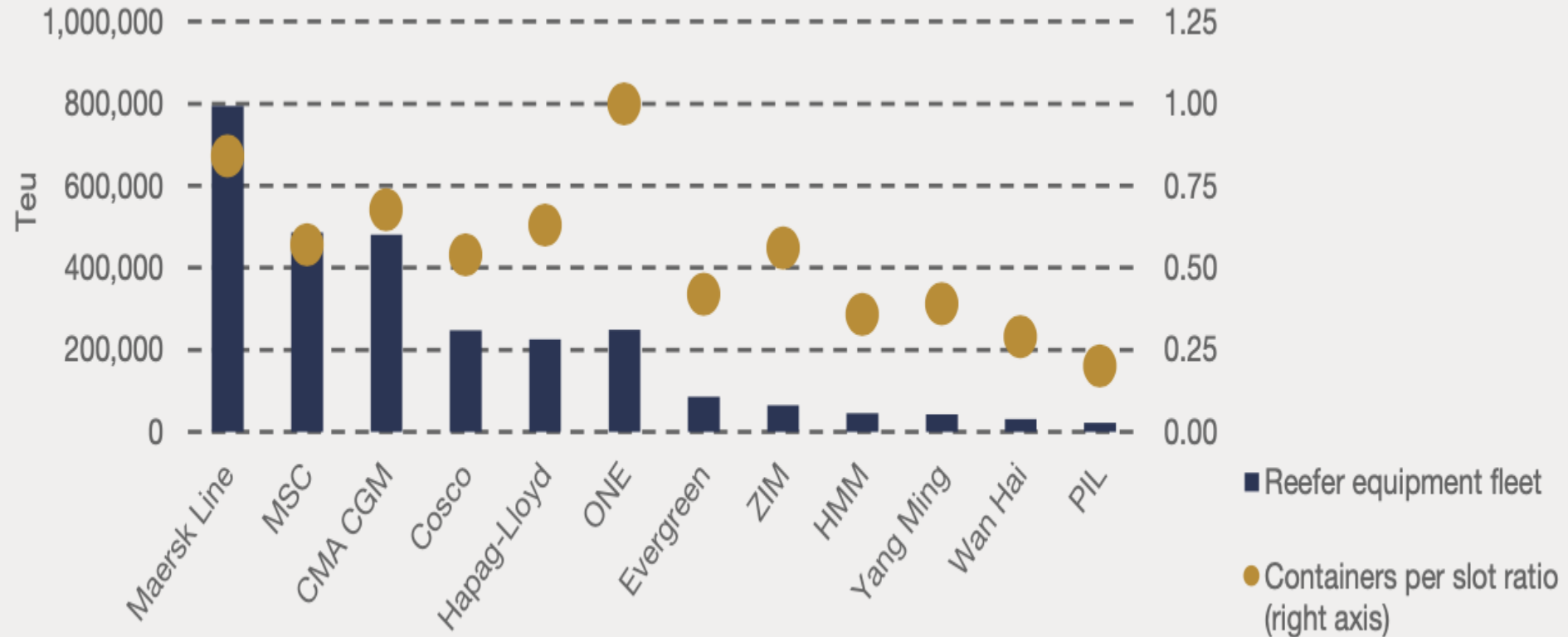


Notes: Container ocean trade only; Reefer container trade described as "Temperature Control" in Seabury databases; 1) Comparison of Jan-Nov 2022 v Jan-Nov 2021  
Source: Seabury Cargo Global Ocean Trade Database, Seabury Cargo and Eskesen Advisory analysis (February 2023).

**FARMERS OF FRESH PRODUCE/FRUIT HAVE BEEN IMPACTED NEGATIVELY IN 2022**

# The Global Reefer market is highly concentrated top 6 dominates with high barriers to entry

**Figure 5.3 Operating container equipment fleet estimates for leading container carriers, June 2022**

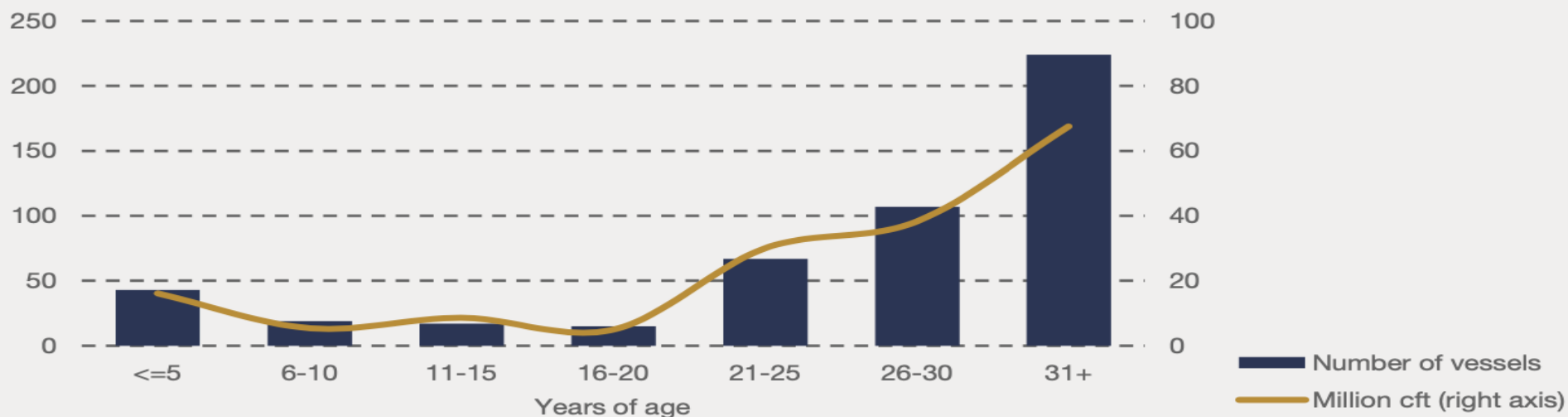


Source: Drewry Maritime Research

# The ageing Specialized reefer fleet continue to decline

## Specialised reefer fleet

**Figure 6.2 Specialised reefer and freezer fleet: age summary, June 2022**

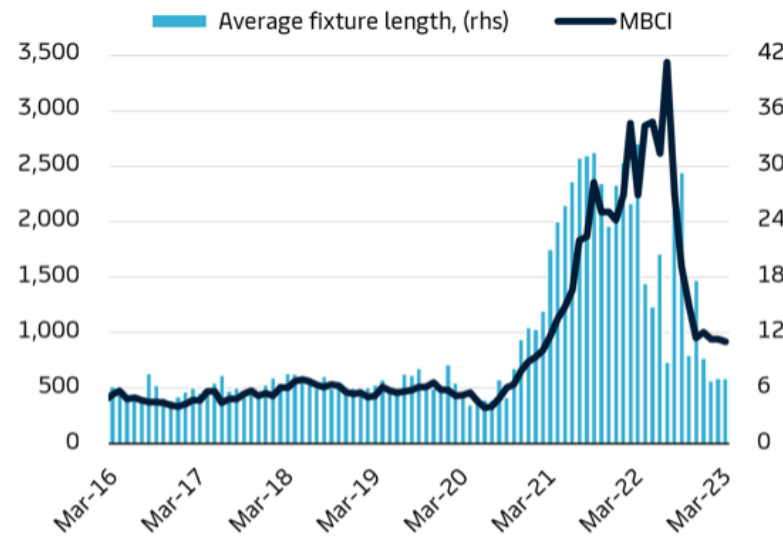


Source: Drewry Maritime Research



# Container Rates and Time Charter – Correction towards pre-Covid

**Maersk Broker Container Index (MBCI) & Fixture Length**  
Index, Jan 95 = 1.000 (lhs), months (rhs)



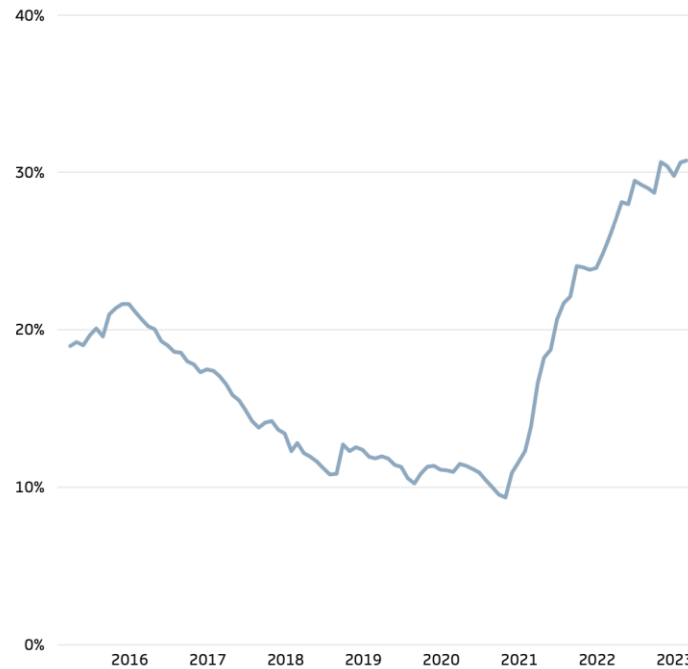
Monthly Comparison	Mar-19	Mar-20	Mar-21	Mar-22	Latest
MBCI	431	433	968	2,241	916

**Average Charter Rates**  
USD/day

Size (TEU)	2019 FY	2021 FY	2022 Q2	2022 Q3	2022 Q4	2023 Q1*
900-1,200	6,343	16,339	27,035	29,875	13,333	11,917
1,600-1,800	8,463	23,383	48,600	41,125	16,079	14,290
2,400-2,700	10,050	30,370	74,667	57,000	19,450	16,817
2,700-2,900	10,814	31,199	46,250	42,000	21,650	16,500
4,000-5,400	13,468	40,679	78,333	46,083	22,200	18,750
5,500-7,000	21,150	39,408	N/A	56,563	45,000	29,250

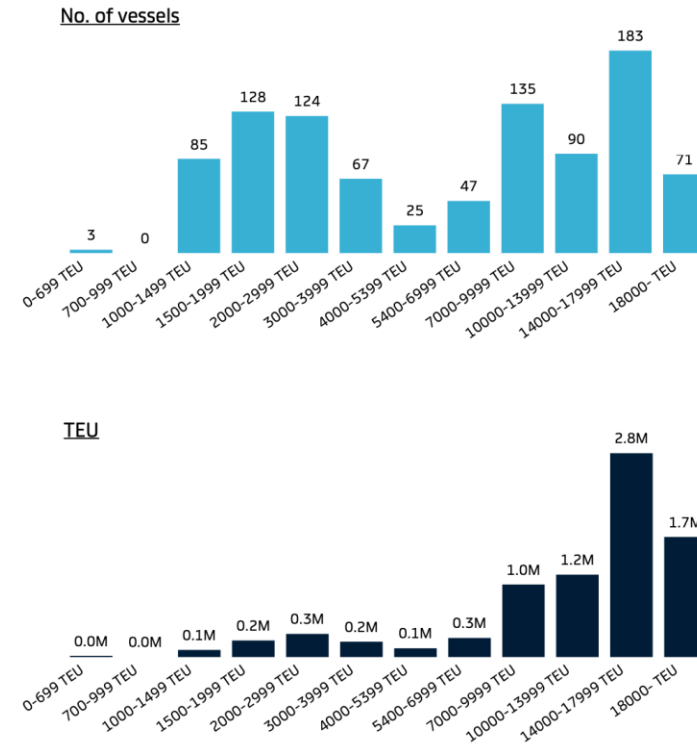
# Container Newbuilds – Orderbook 30% of current fleet

Orderbook % of Fleet (TEU)



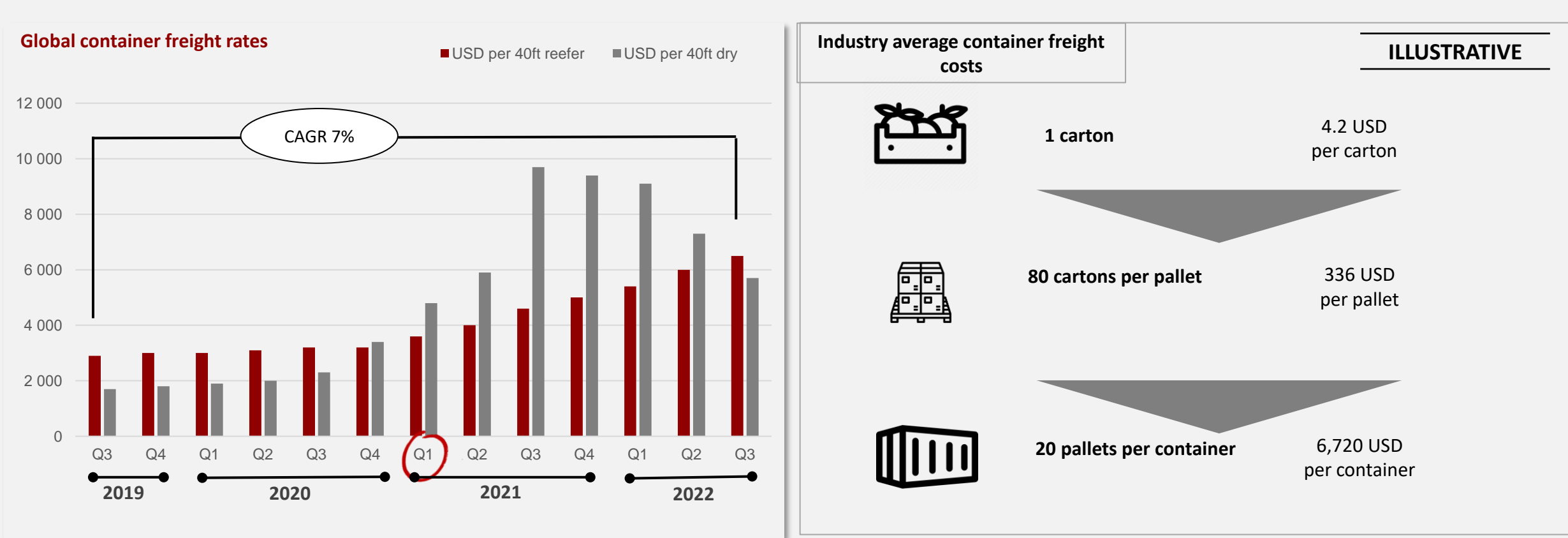
Source: Maersk Broker Insights

Current Orderbook per Segment



Page 5

# Reefer transport costs have roughly **doubled** since 2020

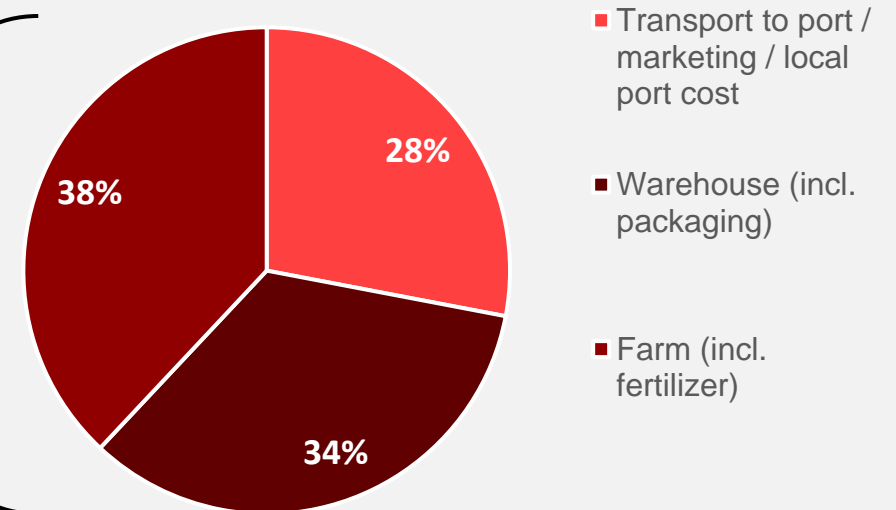


**Since 4Q 2022 dry container freight rates are falling, making reefer business relatively more attractive to container lines**

# In 2022 EBITA margins no longer paid for capital costs for farmers

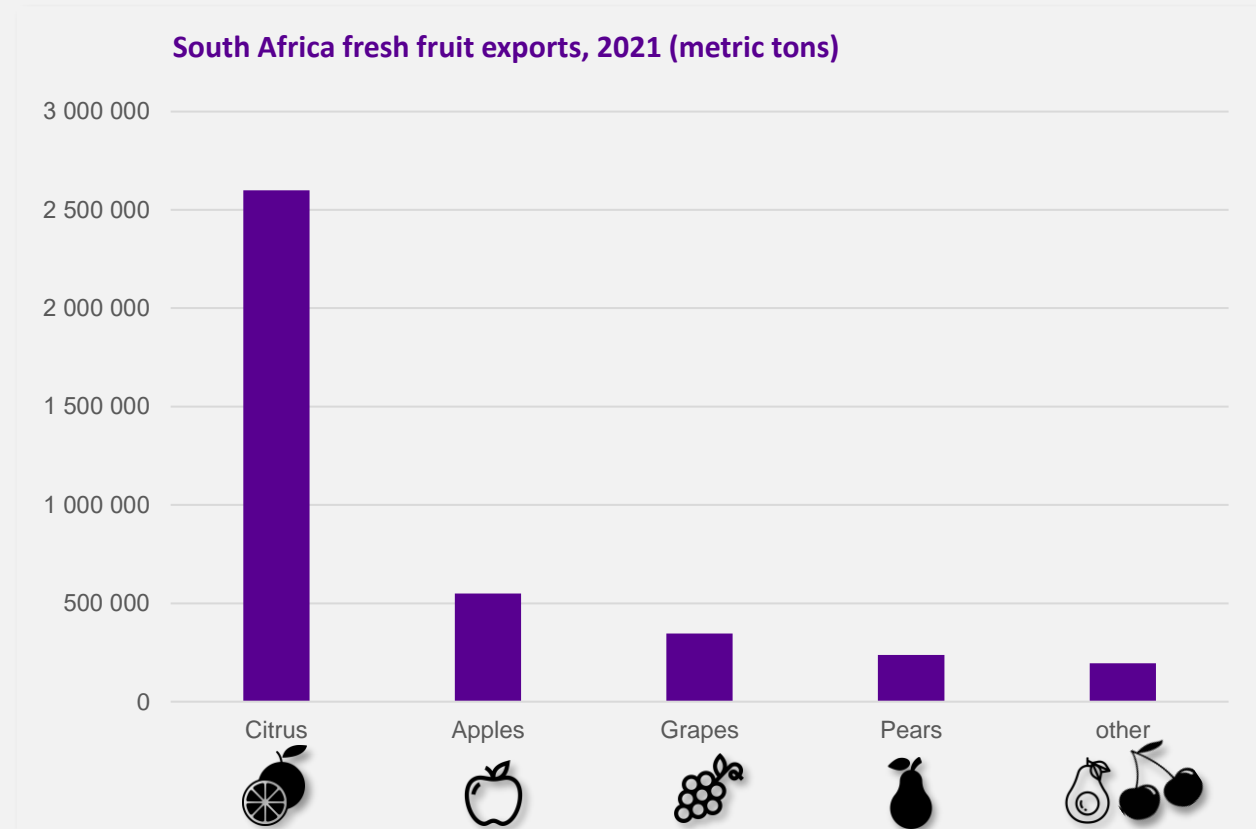
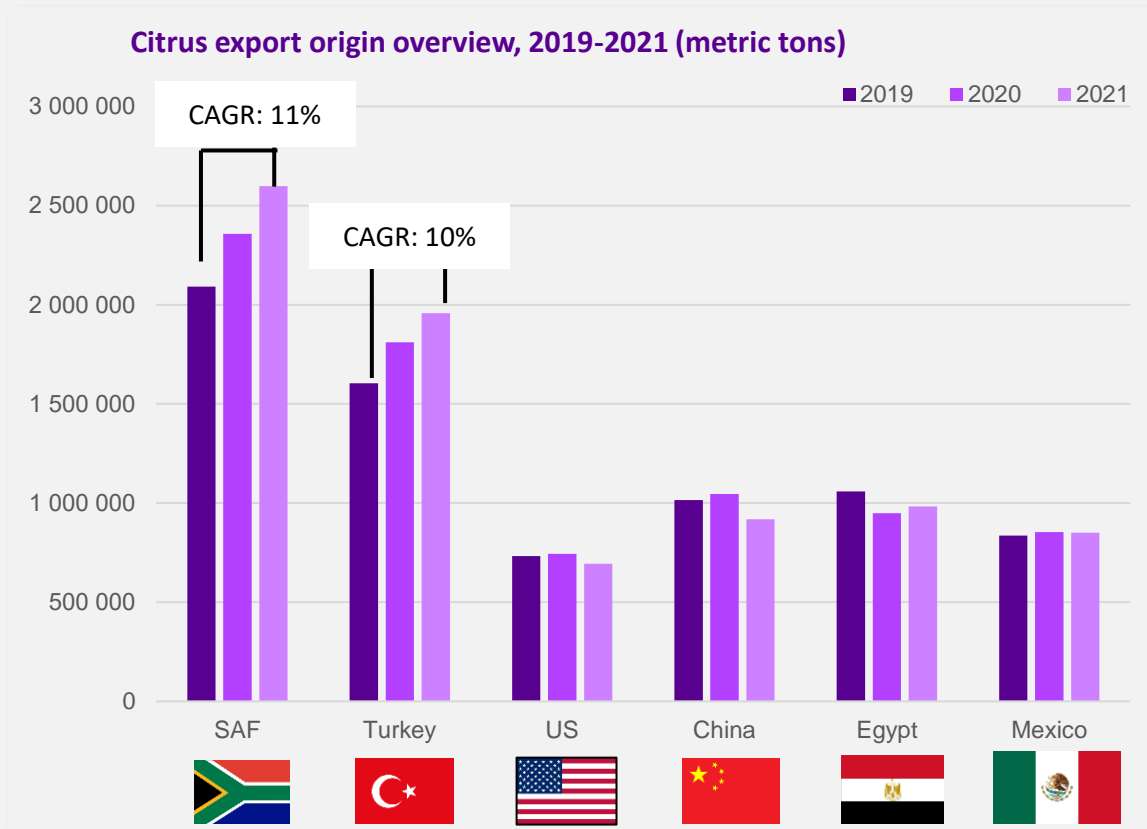
Average returns of Apr-Aug 2022 (USD per carton)	Industry average	Europe	Far East	Middle East	Northern America	Russia	United Kingdom
<b>CIF</b>	<b>14.8</b>	<b>14.0</b>	<b>15.6</b>	<b>12.9</b>	<b>19.1</b>	<b>14.5</b>	<b>15.3</b>
Freight	5.0	4.9	4.1	3.6	6.8	6.1	4.9
Cost & Insurance	1.5	1.5	1.6	1.5	1.6	1.5	1.6
<b>FOB</b>	<b>8.3</b>	<b>7.6</b>	<b>10.0</b>	<b>7.8</b>	<b>10.7</b>	<b>6.8</b>	<b>8.9</b>
Cost: Farm, Packhouse, Transport, Commission, Local port cost			7.7				
<b>EBITA</b>	<b>0.6</b>	<b>-0.1</b>	<b>2.3</b>	<b>0.1</b>	<b>3.0</b>	<b>-0.9</b>	<b>1.2</b>

Farm to FOB cost split



**Freight rates account for about 1/3 of total CIF costs for citrus fruit exports, and other FOB costs are on the rise as well**

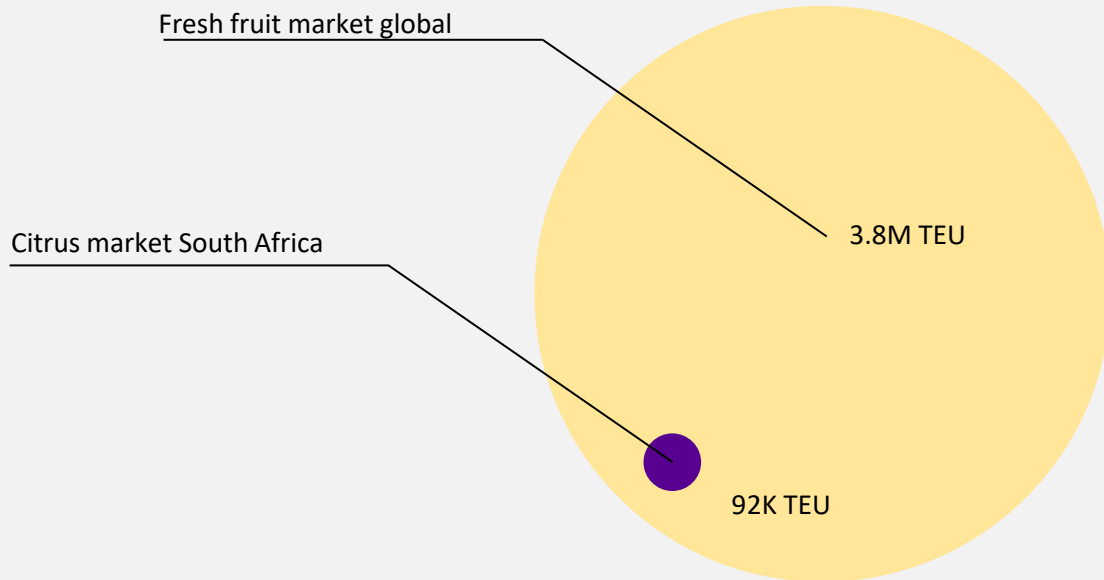
# South Africa is the largest citrus exporter in the world by ocean



## Citrus fruit is the largest category in all fresh fruit exports from South Africa

# EBITA pressure is not necessarily limited to the South African citrus market but could affect all fresh fruit worldwide

## 2022 Global fresh fruit market is 41x South African citrus



Note: chart not on scale

## Not only South African citrus is having a difficult year

**Moroccan citrus exports slump**

After shipping a record 766K MT last season, exports are on course for a total of between 400K-450K MT in 2022/23.

(26 January 2023)

**Slow start to Brazilian melon season**

According to agricultural organization Hortifruti/Cepea, the 25% drop in volume is the result of a reduction in cultivated area, the crisis in Europe and high freight costs.

(24 January 2023)

**ASOEX upgrades Chilean table grape estimate**

While the latest forecast projects a marginal increase on the previous estimate, the volume of 556K MT represents a 9% year-on-year fall, according to the exporter association.

(10 January 2023)

**Liner industry could face revenue loss of USD 1B if fresh fruit market declines**

# SA Fruit Project - Conclusions

SA fruit industry in dire straits due to dramatic rise in input/output cost

Value destruction is likely to continue in 2023+ unless things change

The SA fruit industry is highly seasonal, fragmented and competitive. Large quantities exported on consignment and frequent use of middle men

Shipping lines cost to serve SA hampered by poor infrastructure costing the SA fruit industry in excess of \$100m annualised

Longer term SA well positioned to service high populous markets in Asia, Sub-Continent and Africa

The SA fruit industry has opportunities to stimulate more shipping choice but it requires a different mind set to control own destiny

# 2022 Highlights and 2023 Expectations

Global Port **congestion** impacted deliveries and **on-time** arrivals well **below 50%**

- Should improve. Local strikes a big wild card

Carriers Reefer equipment positioning was hampered by full and more attractive dry cargo, prompting carriers to accelerate **reefer rate increases** in most trades

- Much **improved outlook, rates will be lower in most markets with rational competition**

Record profits by ocean liner companies may eventually translate into better service and capabilities

- May well return to **losses in 2<sup>nd</sup> half of 2023**

Significant investments made by Ocean carriers in newbuilding's, containers and logistics assets

- Switch toward **green assets** likely to accelerate

The **Russian invasion of Ukraine** had profound impact on reefer markets and input costs.

- Likely to **continue**

**Fresh / Perishable SUPPLY** Side will remain **tight** World Wide



Thank you! For more information, please contact:



**William Duggan Jr**

Partner

*Eskesen Advisory*

Email: [William.Duggan@esksenadvisory.com](mailto:William.Duggan@esksenadvisory.com)

Phone: +1 973 960 6417

Website: <https://eskesenadvisory.com/>



**Thomas Eskesen**

Founder

*Eskesen Advisory*

[Thomas@esksenadvisory.com](mailto:Thomas@esksenadvisory.com)

+45 20140347