

The point of no return? The case of South African citrus and beyond

March 2023 – Citrus Summit



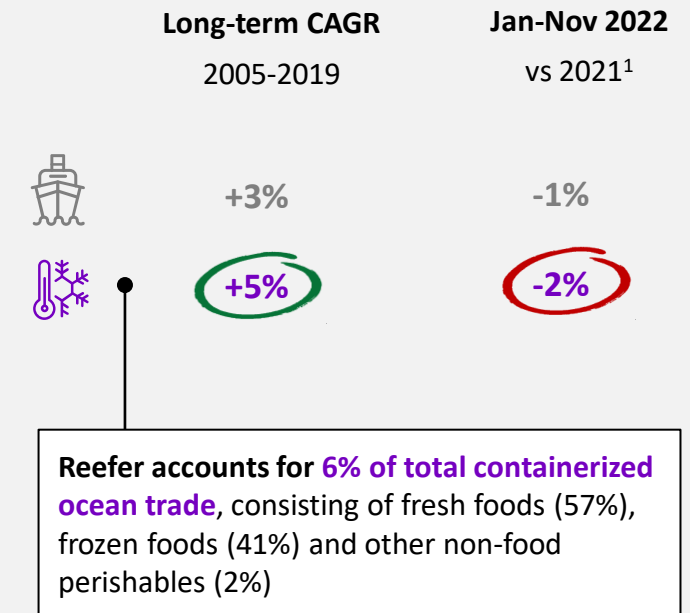
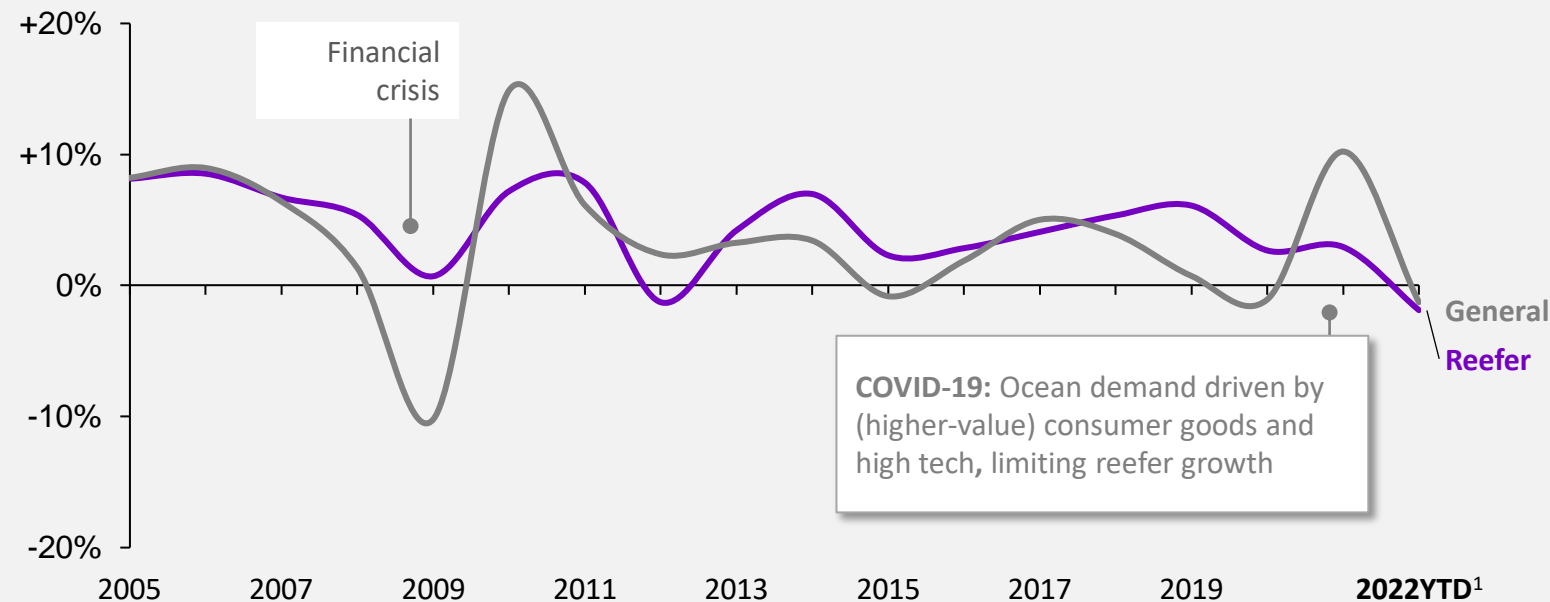
Agenda

- 1 Year 2022 Reefer market overview
- 2 South African Citrus case study
- 3 Key takeaways
- 4 SA Shipping project update

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

Annual growth of containerized ocean trade, 2005-2022YTD

Year-over-year TEU change (%)



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



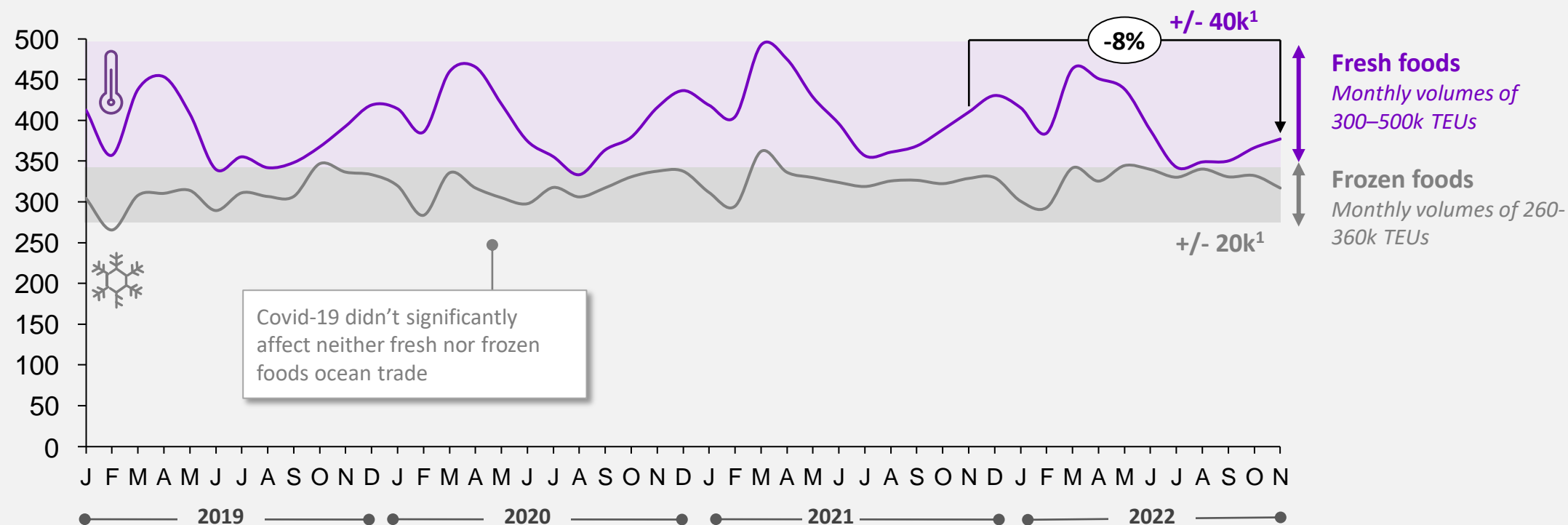
Note: Container ocean trade only; Reefer container trade described as "Temperature Control" in Seabury databases; 1) Includes Jan-Nov data, compared against Jan-Nov 2021
Source: Seabury Cargo Global Ocean Trade Database; Seabury Cargo and Eskesen Advisory analysis (February 2023).

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Fresh food volumes **dropped 8%** in November vs 2021

Global ocean trade of perishables, 2019-2022

Thousand TEU



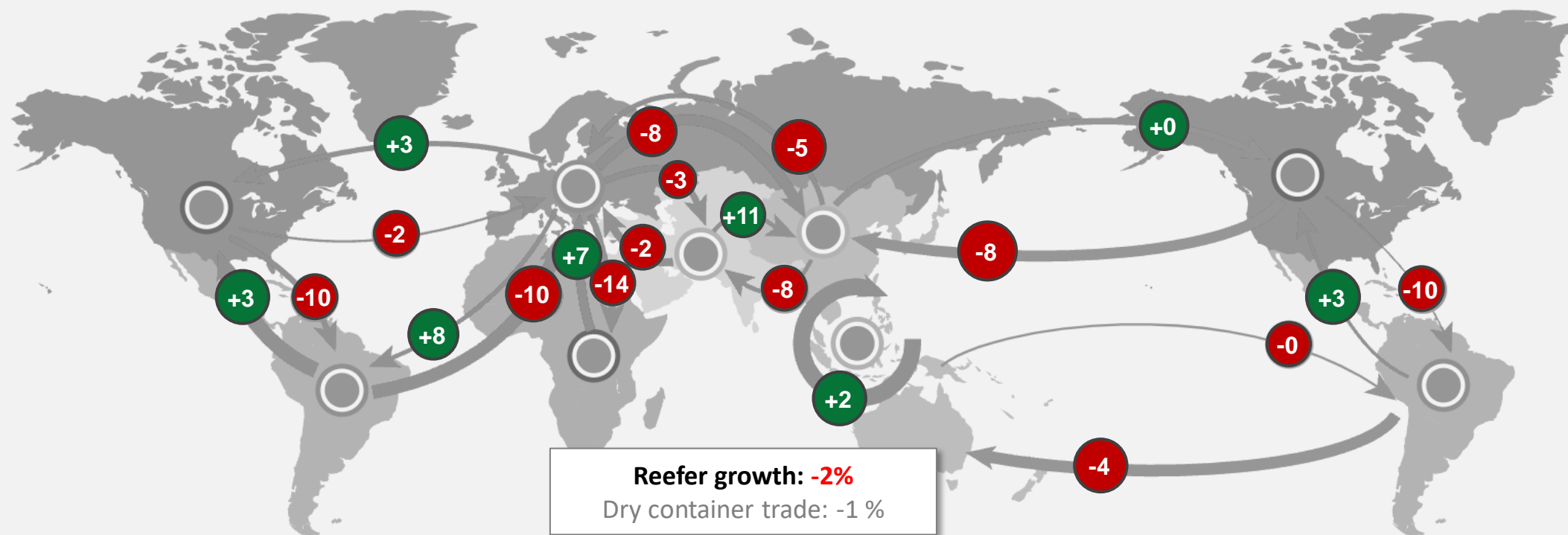
Container trade in frozen foods is reasonably stable across the year



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

Reefer trade growth by trade lane, 2022 YTD¹ vs. 2021

TEU change (%)



2022 Other major highlights

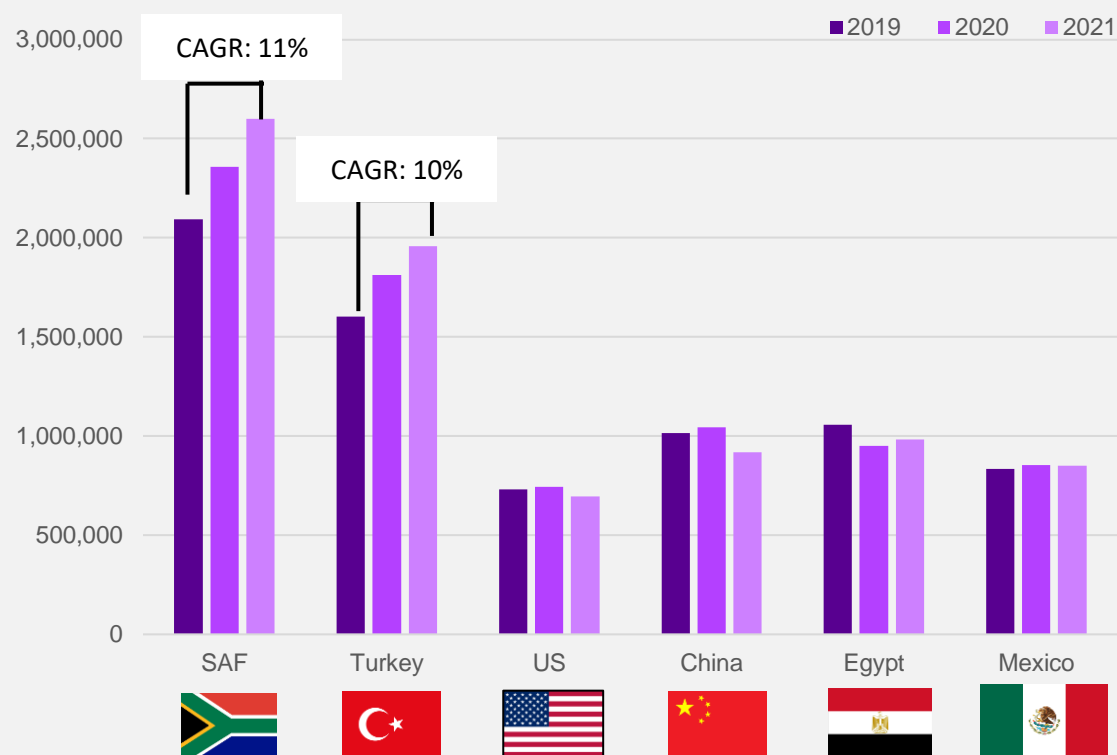
- Global Port congestion impacted deliveries and on-time arrivals well below 50%
- Carriers Reefer equipment positioning was hampered by full and more attractive dry cargo, prompting carriers to accelerate reefer rate increases in most trades
- Record profits by ocean liner companies may eventually translate into better service and capabilities
- Significant investments made by Ocean carriers in newbuildings, containers and logistics assets
- The Russian invasion of Ukraine had profound impact on reefer markets and input costs

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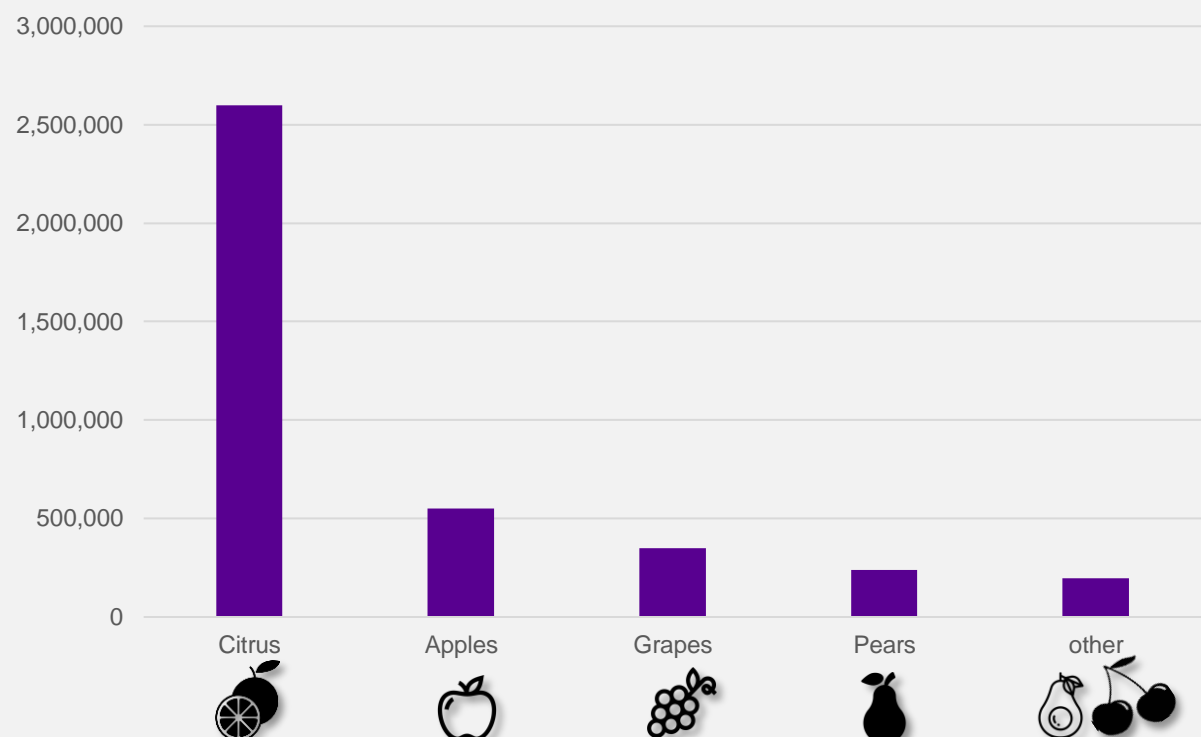
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South Africa is the largest citrus exporter in the world by ocean

Citrus export origin overview, 2019-2021 (metric tons)



South Africa fresh fruit exports, 2021 (metric tons)

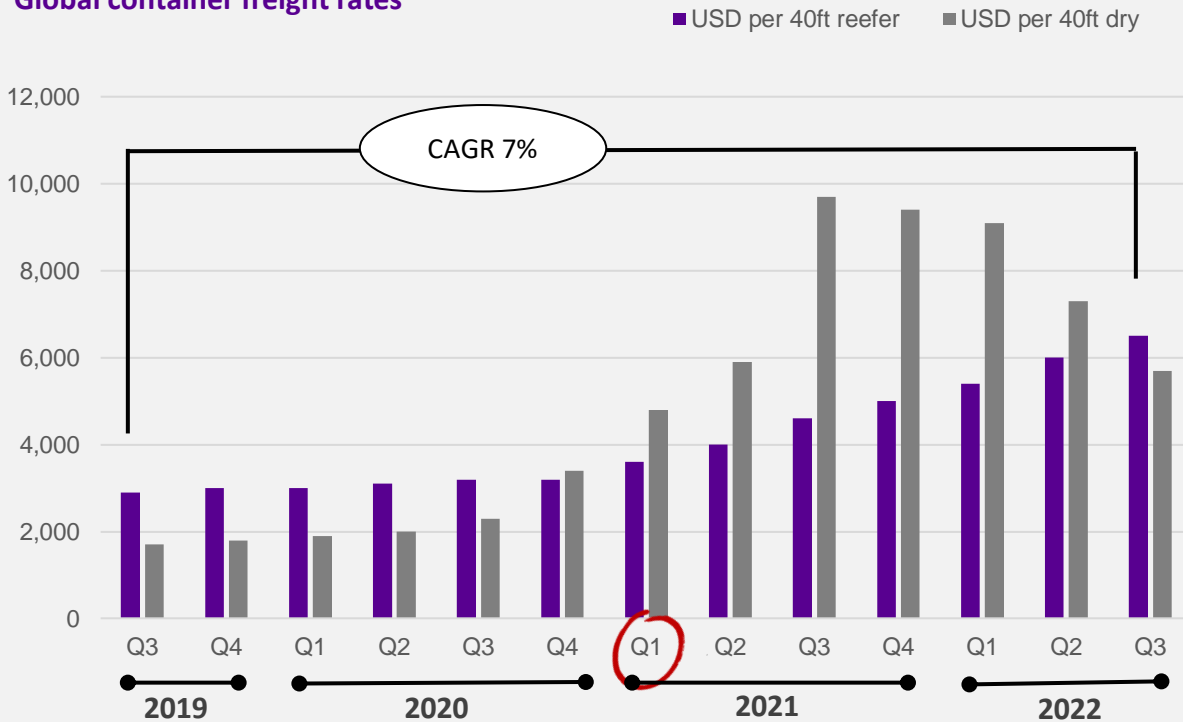


Citrus fruit is the largest category in all fresh fruit exports from South Africa



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

Global container freight rates



Industry average container freight costs

ILLUSTRATIVE



1 carton

4.2 USD
per carton



80 cartons per pallet

336 USD
per pallet



20 pallets per container

6,720 USD
per container

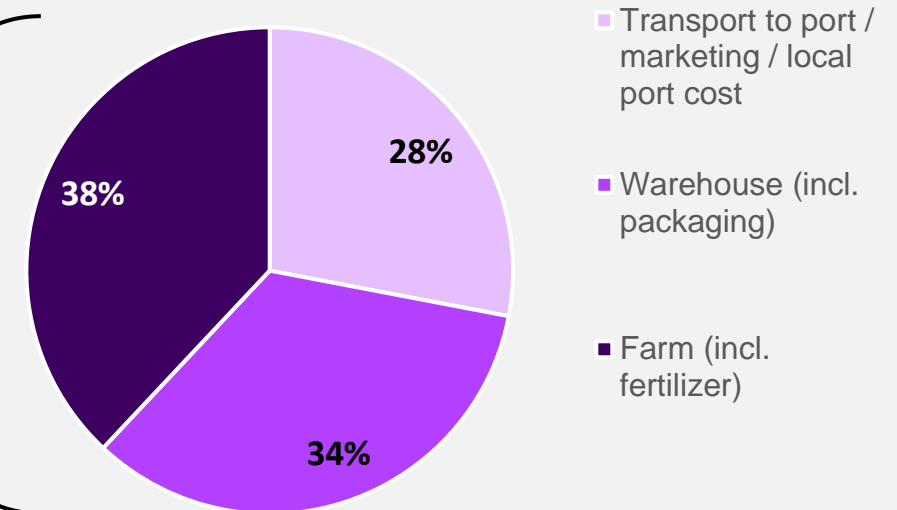
Since 4Q 2022 dry container freight rates are falling, making reefer business relatively more attractive to container lines



In 2022 EBITA margins **no longer pay for capital costs**

| Average returns of Apr-Aug 2022 (USD per carton) | Industry average | Europe | Far East | Middle East | Northern America | Russia | United Kingdom |
|---|------------------|-------------|-------------|----------------|---------------------|-------------|-------------------|
| CIF | 14.8 | 14.0 | 15.6 | 12.9 | 19.1 | 14.5 | 15.3 |
| 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 |
| FOB | 8.3 | 7.6 | 10.0 | 7.8 | 10.7 | 6.8 | 8.9 |
| Cost: Farm, Packhouse, Transport, Commission, Local port cost | | | 7.7 | | | | |
| EBITA | 0.6 | -0.1 | 2.3 | 0.1 | 3.0 | -0.9 | 1.2 |

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

Unless we see significant changes, farmers will go bankrupt

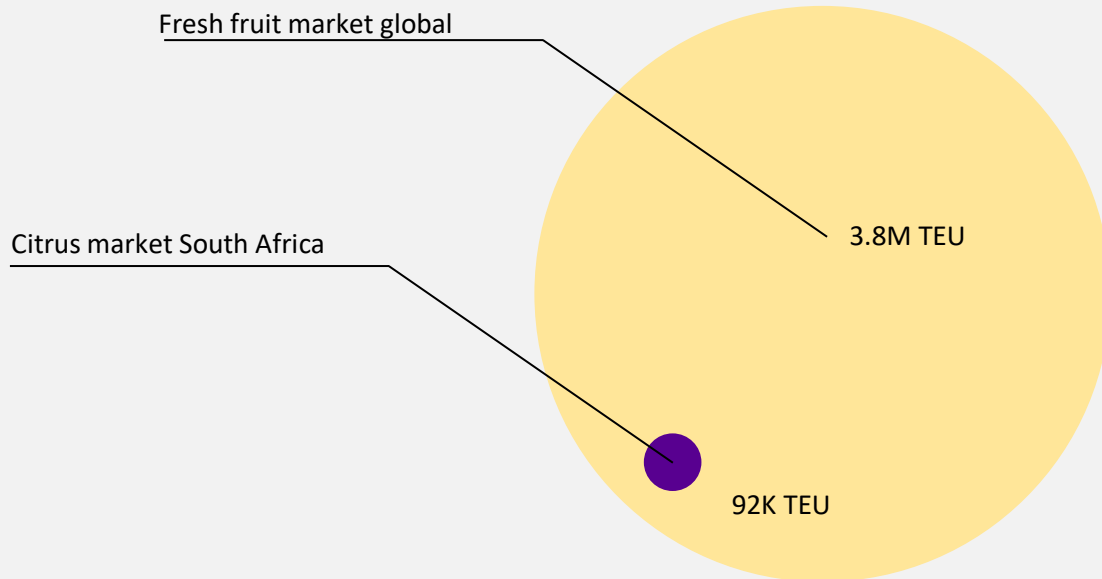
| Industry average | Reefer freight rate change vs 2022 | Russia | Europe | Middle East | United Kingdom | Far East | North America |
|------------------|------------------------------------|--------|--------|-------------|----------------|----------|---------------|
| 2.27 | -30% | 1.10 | 1.56 | 1.34 | 2.85 | 3.71 | 5.23 |
| 1.78 | -20% | 0.48 | 1.07 | 0.98 | 2.37 | 3.30 | 4.56 |
| 1.28 | -10% | (0.13) | 0.58 | 0.63 | 1.89 | 2.90 | 3.88 |
| 0.79 | 0% | (0.74) | 0.10 | 0.27 | 1.40 | 2.49 | 3.20 |
| 0.30 | 10% | (1.35) | (0.39) | 0.09 | 0.92 | 2.09 | 2.52 |
| (0.19) | 20% | (1.96) | (0.88) | (0.45) | 0.44 | 1.68 | 1.85 |
| (0.69) | 30% | (2.57) | (1.37) | (0.81) | (0.05) | 1.27 | 1.17 |

For the Russian market to turn into a positive EBITA, reefer container rates need to drop by more than 10%



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



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Key take-aways

- Global reefer volumes have declined by 2% in 2022
- Fresh volumes were down 4%, with frozen steady. Decline accelerated in the 2nd half to 6-8%
- We believe this relates to farmers inability to recover rising input costs like fertilizers, packaging, electricity and output for transport. This is projected to accelerate into 2023
- Container freight rates have risen sharply the last 2 years, putting the South African citrus industry and potentially others at risk
- The overall impact for shipping lines can be around 1B USD in revenue loss and even higher for the larger agricultural sector
- We need to think harder about sustainable returns to farms and the business model

SA Fruit Project 2022 - 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

Progress Update March 2023

1. Close dialogue initiated with Shipping Lines HQ's

- MSC
- Maersk
- CMA
- Hapag Lloyd
- ONE
- Baltic/Cool Carriers
- Seatrade



Progress Update

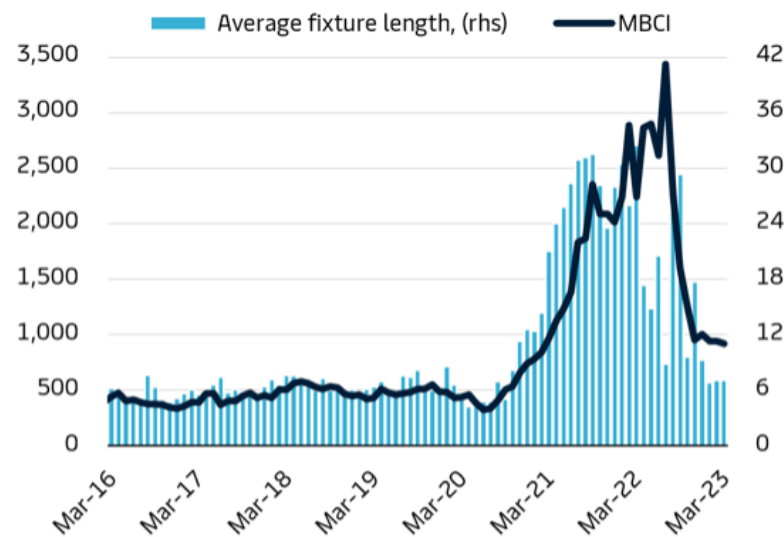
2. Global market conditions softened significantly since Q3

- Time Charter rates for vessels have fallen
- Ships availability improved
- Record ship newbuilding program commissioned for 2023-2025
- Global Port bottle necks eased to pre-covid
- Equipment situation improved and easier to position boxes

3. Cargo demand for reefers showing decline and reduced forecast for 2023

Container Rates and Time Charter – Correction towards pre-Covid

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



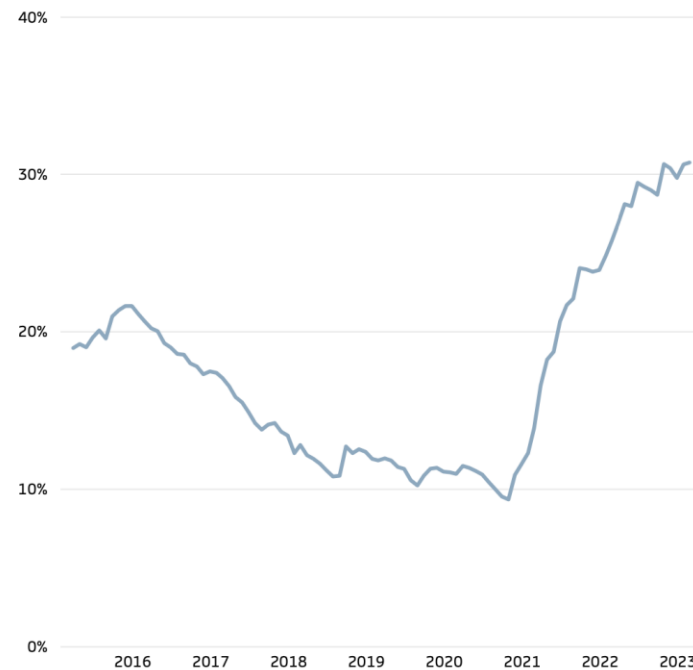
| Monthly Comparison | Mar-19 | Mar-20 | Mar-21 | Mar-22 | Latest |
|--------------------|--------|--------|--------|--------|--------|
| MBCI | 431 | 433 | 968 | 2,241 | 916 |

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 |

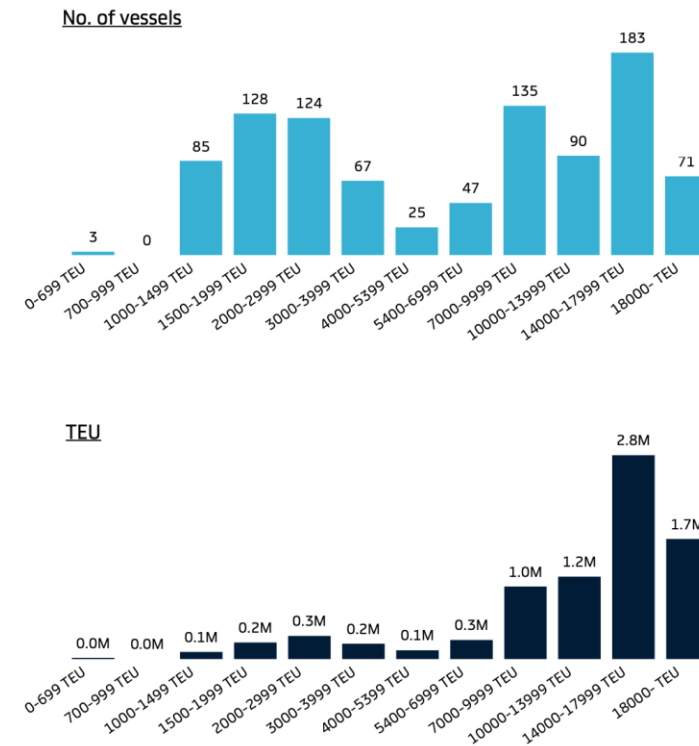
Container Newbuilds – Orderbook 30% of current fleet

Orderbook % of Fleet (TEU)



Source: Maersk Broker Insights

Current Orderbook per Segment



 **MAERSK BROKER**
SHIPBROKERS SINCE 1914

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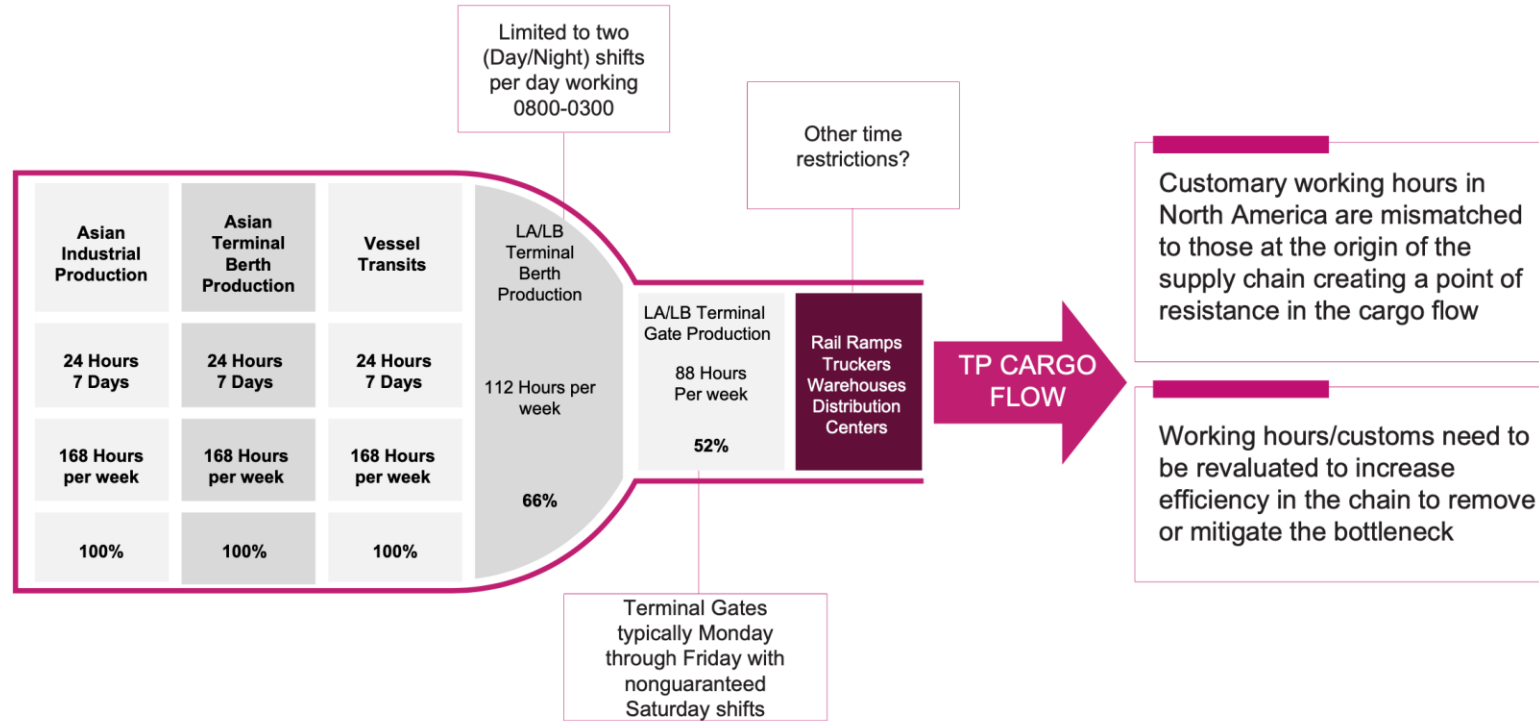
Progress Update

4. Dry spot rates returning to pre-covid levels in many trades
5. Reefer Cargo gradually becoming more attractive again for shipping lines
6. SA Infrastructure remain a large challenge to attract competition. SA extremely exposed as world has re-opened
7. Communication
 - Berlin Logistica – EA Key note delivered
 - TPM – Long Beach – EA Key note delivered
8. Contracting strategy 2023



BOTTLENECK ROOT CAUSES?

Bottleneck in the flow



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