

Market Update – July 2021

- [Lead Times and Container Costs for Imported Goods Continue to Rise](#)
 - Lead Times have increased to an additional 30-60 days as exporters and importers struggle to handle the increased volume of shipped containers. Rates continue to increase to over 300% as compared to 2020.
- [Severe Flooding Disrupts Indian and Chinese Trade](#)
 - Severe Flooding in India's Maharashtra Economic Zone and China's Zhengzhou Industrial Zone have shutdown key links in the supply chain for these countries.
- [Indonesia Extends Lockdown as Delta Variant Continues to Spread](#)
 - The Delta Variant continues to spread in Indonesia while also causing domestic spikes in unvaccinated areas of the USA. Indonesia extends lockdown to July 25 which is causing Crude Palm Oil prices to rise.
- [Raw Material Pricing for Packaging Containers Continues to Climb](#)
 - Cold Rolled Steel prices have skyrocketed approximately 300% while Resin Pellet pricing has climbed 50% in the last 12 months. These increases directly affect the pricing of steel and plastic drums.
- [Lumber Prices Fall but Lumber Pallets Remain in Short Supply.](#)
 - After hitting a peak in May 2021, lumber pricing have normalized to historic levels. Pallet producers have indicated short supply after high demand and high material cost.

Lead Times & Container Costs for Imported Goods



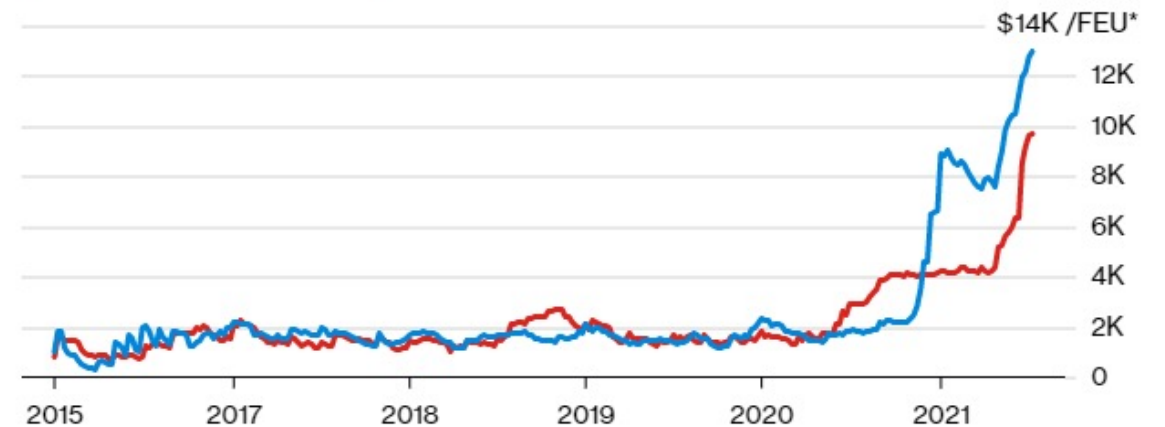
Summary - Lead times have increased to an additional 30-60 days as exporters and importers struggle to handle the increased volume of shipped containers. Rates continue to increase to over 300% as compared to 2021.

- Causes
 - High shipping volumes to the USA are causing a stockpile of containers in the USA and a shortage around the world.
 - Labor shortages are causing the containers to take longer to unload at port.
- Effects
 - Shipping rates continue to rise when shipped from Asian regions
 - Shipping lead times at international ports have increased from 7 to 21 days on average
 - Receiving lead times at domestic ports have increased from 7 to 10 days
 - FCL prices have raised from \$3,000 to \$13,000 per container

Ocean View

Spot rate for 40-foot shipping container from China to U.S. hits new high

▲ Shanghai to Los Angeles ▲ Shanghai to Rotterdam



Source: Drewry World Container Index

*Note: FEU refers to a 40-foot container



Severe Flooding Disrupting Trade

Summary - Severe Flooding in India's Maharashtra Economic Zone and China's Zhengzhou Industrial Zone have shutdown key links in the supply chain for these countries.

- Causes
 - The Maharashtra Economic Zone received 23 inches of rain in 24 hours.
 - The Zhengzhou Industrial Zone received 24 inches of rain in 72 hours.
- Effects
 - The Maharashtra Economic Zone exports a significant amount of raw materials from the Mumbai and Gujarat Regions of India. It is expected that there will be an additional 7 day delay lead time for Indian Shipments from this region until operations can start again.
 - The Zhengzhou Industrial zone manufactures the basic commodities that act as starting material for the food industry. There may be additional product shortages out of China depending on how long it takes for floods to recede.



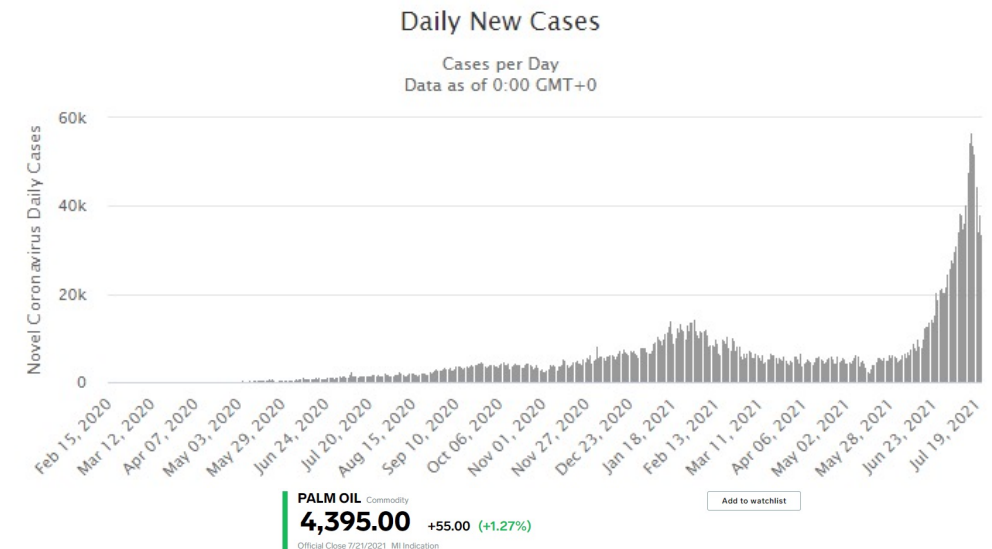
Delta Variant, Indonesian Lockdown, Crude Palm Prices



Summary – COVID Delta Variant continues to spread in Indonesia while also causing domestic spikes in unvaccinated areas of the USA. Indonesia extends its lockdown to July 25th which is causing Crude Palm Oil prices to rise.

- Causes
 - Low Vaccination Rates and the new highly contagious Delta Variant has caused a spike in new cases in Indonesia.
- Effects
 - Palm production has been limited in capacity
 - Palm products have already seen a worldwide scarcity after RSPO blocked many plantations from receiving certification
 - US has banned imports from one of the largest Malaysian palm companies (FGV) due to human rights allegations
 - Crude Palm Oil prices continue to rise which will lead to rises in oleochemical pricing.

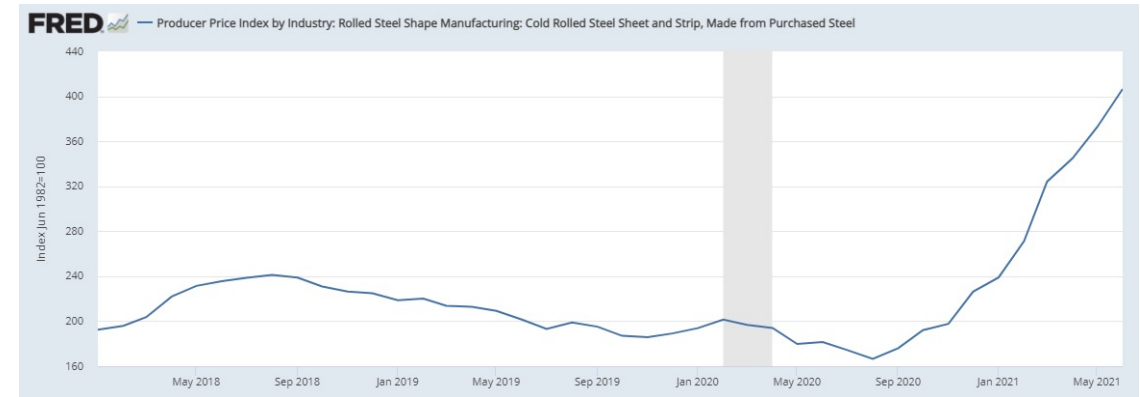
Daily New Cases in Indonesia



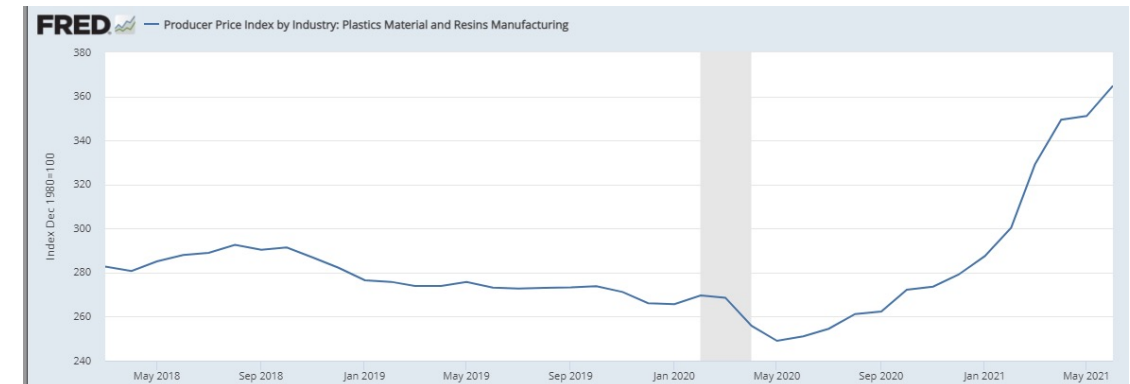
Steel and Plastic Drum Prices Increase

Summary - Cold Rolled Steel prices have skyrocketed approximately 300% while Resin Pellet pricing has climbed 50% in the last 12 months. These increases directly affect the pricing of steel and plastic drums.

- Causes
 - Chinese steel production was limited in capacity due to coronavirus restriction in 2020. This caused a backlog of orders to fill that hasn't gotten caught up yet.
 - Resin manufacturing is prominent in Texas which had a major shutdown due to Winter Storm Uri of 2021
 - The demand for steel and plastics have continued to accelerate as world economies try to re-open and satisfy backlogged demand.
- Effects
 - Steel and plastic drum prices have increased dramatically since Jan 2021
 - Where possible, manufactures are utilizing more plastic drums as plastic is cheaper than steel.



Graph 1: Cold Rolled Steel Pricing



Graph 2: Basic Plastic/Resin Pricing



Lumber Prices Fall but Pallets Remain Short

Summary - After hitting a peak in May 2021, lumber pricing have normalized to historic levels. Pallet producers have indicated short supply after high demand and high material cost.

- Causes

- Wood demand shot up during the pandemic as homeowners spent less on vacations and more on house projects. Stimulus checks increased the demand for special housing projects.
- Low interest rates caused a buying frenzy in the housing market and homebuilders increased construction.
- The mountain pine beetle in the Pacific Northwest and Canadian forests have caused significant damage to the commercial lumber industry. Lumber supply will be limited until the upcoming winter.

- Effects

- Wood shortages caused a buying frenzy which increased foot board prices by 300%.
- Boards for pallets were limited in May which is causing a shortage in July.

Commodity Lumber Prices

