

Market Update – November 2021

- **Chinese Energy Crisis Continues to Strain Global Supply Chain**
 - High demand and soaring energy prices have forced Chinese factories to limit capacities or shutdown, adding further problems for already snarled global supply chains.
- **Holiday Shipping Leads to Delayed Air and Sea Shipments**
 - Black Friday air shipments have delayed most normal air shipments out of China until Late November. Hundreds of container ships wait on of USA ports waiting to be unloaded.
- **Packaging Prices Continue a Historic Increase**
 - Cold rolled steel prices has 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
- **Limited Feedstock Supplies are Increasing Global Commodity Prices**
 - High Demand for basic chemical feedstocks like corn, glycerols, and toluenes are causing flavor/fragrance commodity prices to rise.
- **Chinese New Year and Beijing Olympics May Strain Q1 2022 Shipments**
 - Additional shipping and raw material delays are forecasted for the upcoming Chinese New Year during the week of Jan 31st through Feb 4th and the Beijing Olympics during Feb 4th though Feb 20th.

Chinese Energy Crisis

Summary – High demand and soaring energy prices have forced Chinese factories to limit capacities or shutdown, adding further problems for already snarled global supply chains.

- **Causes**

- Chinese Clean Air Act policies have reduced the amount of coal used and mined from China
- Demand for all chemicals from China has been very high. Energy stores have dwindled to low levels due to the high demand for Chinese manufactured chemicals and raw materials

- **Effects**

- China is currently rationing coal and energy usage of all manufacturing plants. Some factories have had to reduce capacities to 50% due to low energy allotment.
- China has stepped up in policies to boost output of coal production ahead of the winter season. China daily output has surged 10% since October.



Graph 1: World Coal Prices



Holiday Shipping

Summary - Black Friday air shipments have delayed most normal air shipments out of China until Late November. Hundreds of container ships wait on of USA ports waiting to be unloaded.

- **Causes**

- Labor shortages are causing the containers to take longer to unload at port
- High Shipping Volumes to the USA are causing a stockpile of containers in the USA and a shortage around the world.
- Additional holiday shipping surge to strain the supply chain even more.

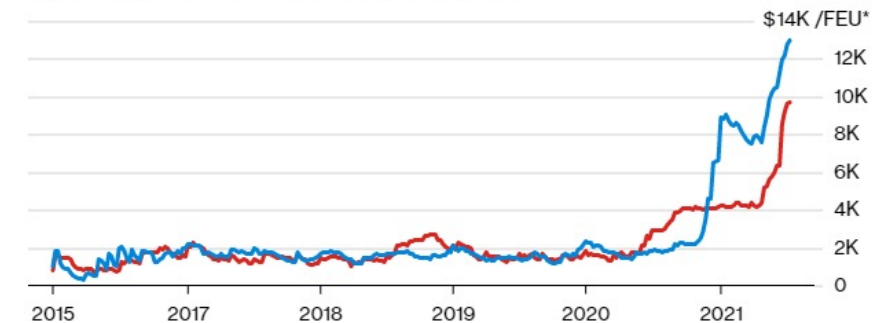
- **Effects**

- Delayed air shipments for the months of November and December
- Ports will continue to not be efficient in unloading containers. Containers may take additional lead times to unload
- 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 10 to 14 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



Steel and Plastic Drum Prices Increase

Summary - Cold rolled steel and basic resin prices continue to rise which directly affects the pricing of steel and plastic packaging. Shortages for all packaging sizes have been observed.

- **Causes**

- China steel production was limited in capacity due to coronavirus restrictions 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 Roll Steel Pricing



Graph 2: Basic Plastic/Resin Pricing



Feedstock Shortages

Summary - High demand for basic chemical feedstocks like corn, glycerols, and toluenes are causing flavor/fragrance commodity prices to rise.

- **Causes**

- Acetic Acid, Alcohols, Ethyl Esters, Benzyl Esters, Butyrates, Pyrazine, Thiazole are short due to Shangdong Province shutdown due to energy crisis
- Basic oleochemicals are short due to shortage of labor and manufacturing capacities in Indonesia
- Toluene shortages have reduced capacity of basic commodities for fragrances causing increased demand on similar food grade commodities.

- **Effects**

- Commodity pricing continues drastic increase.
- Shortages where raw material cannot be obtained
- Required Prepayments for raw materials.



Graph 1: Global price of corn



Graph 2: Global price of palm oil



Summary - Additional shipping and raw material delays are forecasted for the upcoming Chinese New Year during the week of Jan 31st through Feb 4th and the Beijing Olympics from Feb 4th through Feb 20th.

- **Causes**

- There is usually a backlog of shipments due to holiday shipping in the months of November and December. Shipments do not usually ease until after Chinese New Year
- With the Beijing Olympics directly after the new year, we anticipate additional manufacturing shutdowns for energy consumption and/or Chinese Clean Air Act.

- **Effects**

- Continued supply chain disruption through Q1 2022
- China may be very strict on the Chinese Clean air act regulation as they have approved increased coal usage due to the energy crisis. Manufacturing capabilities may be cut.



BEIJING 2022

