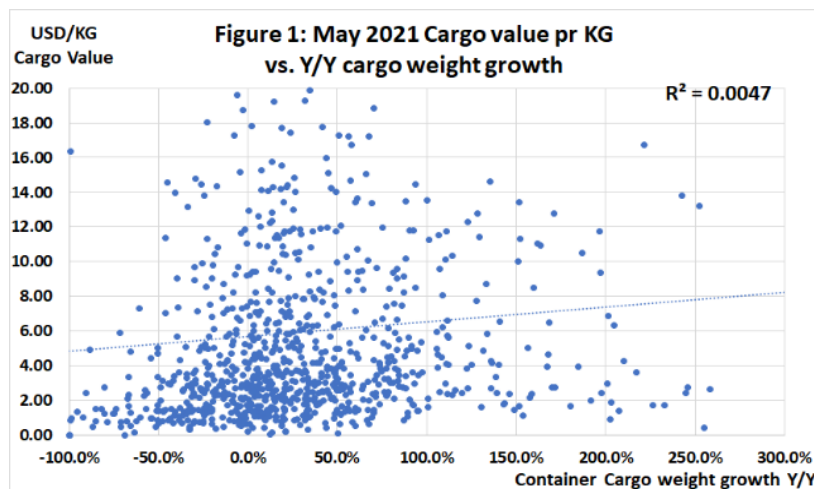


Transpacific: No signs of commodity price-out

In issue 523 of the *Sunday Spotlight*, we examined the relationship between Transpacific cargo weight and value, to determine if the unprecedented increase in freight rates over the past year has created a situation where low-value commodities are being priced out by higher-value commodities. That said, we have to stress that the analysis does **not** provide any basis to claim that low-value *cargo owners* are not being squeezed out of the market, as it is entirely possible that a price-out happens *within* commodity groups, rather than *across* commodity groups. Unfortunately, the US Census Bureau data does not support conducting an analysis on cargo owner level.

We started our analysis by looking at the Asia-USWC spot and contract rates along with the USD customs value per KG of containerised cargo moved on the Transpacific. Presumably, if the high freight rates are pushing out low-value cargo, we should see the average value of the cargo increase, as freight rates go up. This was, however, not the case. The swings in the second half of 2020 were well within the long-term variability. We followed this by an examination of HS2-level commodity groups but did not find any discernible differences between the higher-value and low-value commodity groups. We did the same for the HS6-level commodity groups as well, coming to the same conclusion.



Finally, as shown in figure 1, we charted the relationship between cargo value in USD per KG of cargo weight (Y-axis) versus the Y/Y growth in cargo weight in May 2021 over May 2020, for 909 different HS6-level commodity groups with cargo weight in either month of more 1,000 Metric Tonnes, accounting for 92.2% of the entire

Transpacific container trade. Once again, we did not find any statistically significant support for the hypothesis that low-value commodities are being priced out.

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Sea-Intelligence is a leading provider of Research & Analysis, Data Services, and Advisory Services within the global supply chain industry, with a strong focus on container shipping. Combining strong quantitative analytical skills with a deep understanding of the supply chain industry, based on many decades of experience at all central parts of the Ocean supply chain, Sea-Intelligence supports customers across all stakeholder groups.