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MARKET UPDATE MARCH 2022

We all had high hopes that coming off the pandemic chaos of 2021, we would have smoother sailing in 2022. Unfortunately, the reverse had happened and the oilseeds market seems to be in turmoil.

Here are some of the reasons as we see them:

1. One of the major issues that has created havoc in the supply chain for the products and components we purchase is shipping. During the Covid shutdown, some of the ocean carriers reported record profits even though transporting less containers because they started raising their prices. Since that time, we have seen continued increase and delays. What used to cost us \$3000 for a shipment from Europe is now as much as \$14,000 just for the ocean freight.

When production started up again, it was said that the empty containers were in the wrong position. There were no empty containers to fill because they were sitting in other countries. At one time, we had a supplier in Spain who was waiting for 68 empties to fulfill their export demand. We recently were told that China was paying a premium to the shipping lines to ship all the empties to them instead of filling them with U.S. goods for export from here.

Because of the unavailability of empties, the shipping lines stopped doing their regular transit schedule among the countries thereby extending the lead-time to get a container shipped.

Besides the problem with ocean freight, the shipping problem is widespread throughout the United States. There is a shortage of drivers and the cost of freight has gone up exponentially. We have seen our freight rates go up about 25% overall.

2. Port congestion has been a major issue. Reports say that our ports were already congested prior to the post-Covid shipping rush and the strong union influence has kept some modernization out of the processing system. The backup has been historical with ships standing in line for up to three weeks waiting to be unloaded. Once unloaded, many of our containers have been buried on the dock in an area that "can't be reached"! Government intervention has only made it worse causing a fine system for a container sitting there which is passed onto us even though we are unable to do anything at all to expedite the release. We have had containers in the port for over a month after being unloaded.

We heard that certain companies during Christmas had been paying as much as \$50,000 per load for expedited unloading at the port which could explain why ours get buried. I tried to find out how to pay for expediting our loads (not that we could afford \$50,000) but hit a brick wall with that.

3. In 2021, we had an unprecedented event with having such a severe shortage available of oils such as soybean oil and canola oil. Droughts in Canada severely lowered the available seed for making canola and for months, we couldn't even buy any of these products through our normal supply chain. The only trading going on was between companies similar to us. When quotations started becoming available again, the basis and the board were quite different- about 50% higher than before.

Because of this shortage, the cost of other available oils became more commoditized and prices steadily increased on those as well.

Because of the high price on regular canola and soybean oils, the farmers reduced the planting of non-GMO versions of these oils, thereby skyrocketing the pricing on those oils as well.

We started changing customers over to other non-GMO oils such as sunflower and safflower oils which were more readily available and less expensive.

Then comes 2022 when we thought things would calm down. However:

- South American declines in production of soybean has increased the value of the soy and canola products in the U.S. causing a competitive rise.
 - U.S. producers have severely cut back on producing sunflower oil due to the cheaper imports and the higher price on soy and canola.
 - 80% of the world crop of sunflower oil comes from Ukraine and what is going on over there has affected all the oils. Besides potential issues of getting the product out of that country it is unclear whether they will make the window for planting this year's new crop.
 - Every oil is being affected right now. Many suppliers have pulled from the market and aren't offering any pricing. Others are offering much higher prices. Just today we received a price for Extra Virgin Olive Oil that is 17% higher than what we were quoted last week and Olive Pomace Oil went up \$1.00 per pound, a 45.5% increase.
 - Mexico has had an upsurge in Covid cases shutting down some plants. The lead-time for sesame oil we bring from there has increased by four months.
 - European co-operatives are cancelling contracted orders if the shipping line doesn't load the container on the date confirmed on the orders.
4. Components are in many ways even worse. Many of them come from China and lead-times have risen from 4-6 weeks to 6-8 months. Factoring in increased costs of the items and the outrageous freight charges, many have more than doubled in price.

The challenge in the market right now isn't necessarily the price but finding availability of the items we need. We have placed orders way ahead of our needs and are just hoping that they will be shipped to us in time. We are asking our customers to be patient and open to new ideas based upon what we can get. If we can't get the oil that you are used to buying, we will try to offer you something similar. Maybe the packaging might change a little bit we will try our best to keep you in stock.

Thank you for your patronage and we hope for things to become easier as the year progresses. Our prayers are with the people of Ukraine and those friends in Russia who are not happy with what their government is doing.