Reefer Market Outlook

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The trucking industry consists of several different types of operations and segments. While one size certainly doesn't fit all, market analysts typically breakdown the industry into three main sectors based on trailer type: Van, Flatbed, and Reefer.

It's good to know the current conditions of the freight market, but it's also important to understand what the future holds, especially for your segment of the industry.

To examine the reefer market outlook, we will look at:

1. **Demand** shows us how many trucks the market needs to move freight.
2. **Rates** illustrate how much the average owner-operator can expect to earn.

We will also examine four key economic indicators that directly impact the van market:

1. USDA Average Refrigerated Truck Rates
2. USDA Refrigerated Truck Volumes
3. USDA Truck Availability Data
4. Advanced Retail Sales: Food Services and Drinking Places

Demand: Reefer Load-to-Truck Ratios

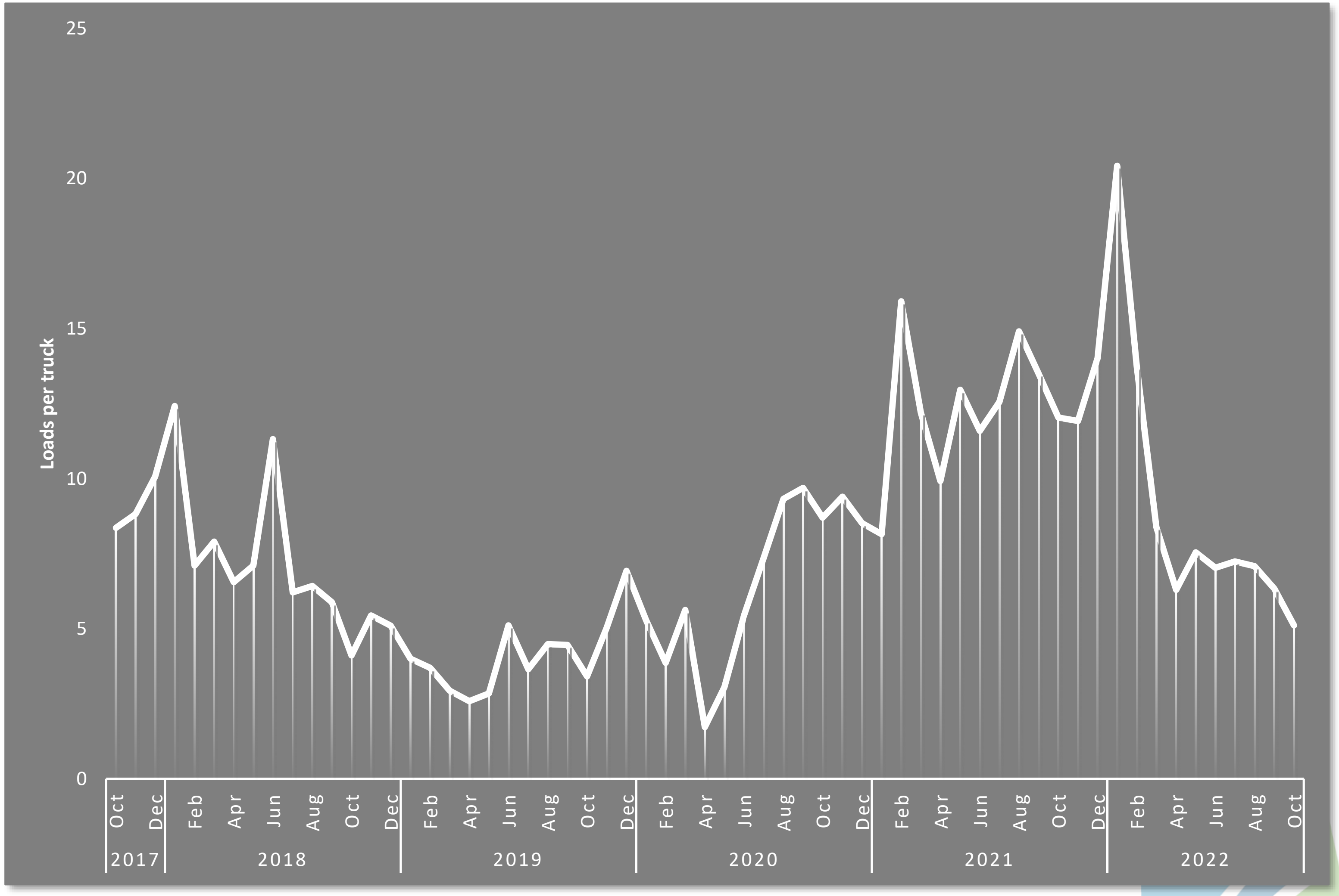
The big picture: Load-to-Truck Ratios represent the number of loads posted for every truck posted on DAT Load Boards.

- The Load-to-Truck Ratio is a sensitive, real-time indicator of the balance between spot market demand and capacity

Why it matters: Changes in the ratio often signal impending changes in rates.

Our thoughts: The reefer market saw its third straight month of decreases in the Load-to-Truck ratio, as DAT continues to report a record number of equipment posts, which is similar for flatbed.

- The ratio decreased 19.3% to 5.11 loads to every one truck posted in October.
- This is 35% below the 5-year trend, and 63% lower than it was in January.
- Except for 2020 and 2021, reefer ratios are following a more traditional pattern, meaning that demand tends to decline heading into October.



Source: DAT Trendlines | https://www.dat.com/industry-trends/trendlines | Monthly

Rates: Reefer Spot and Contract Rates

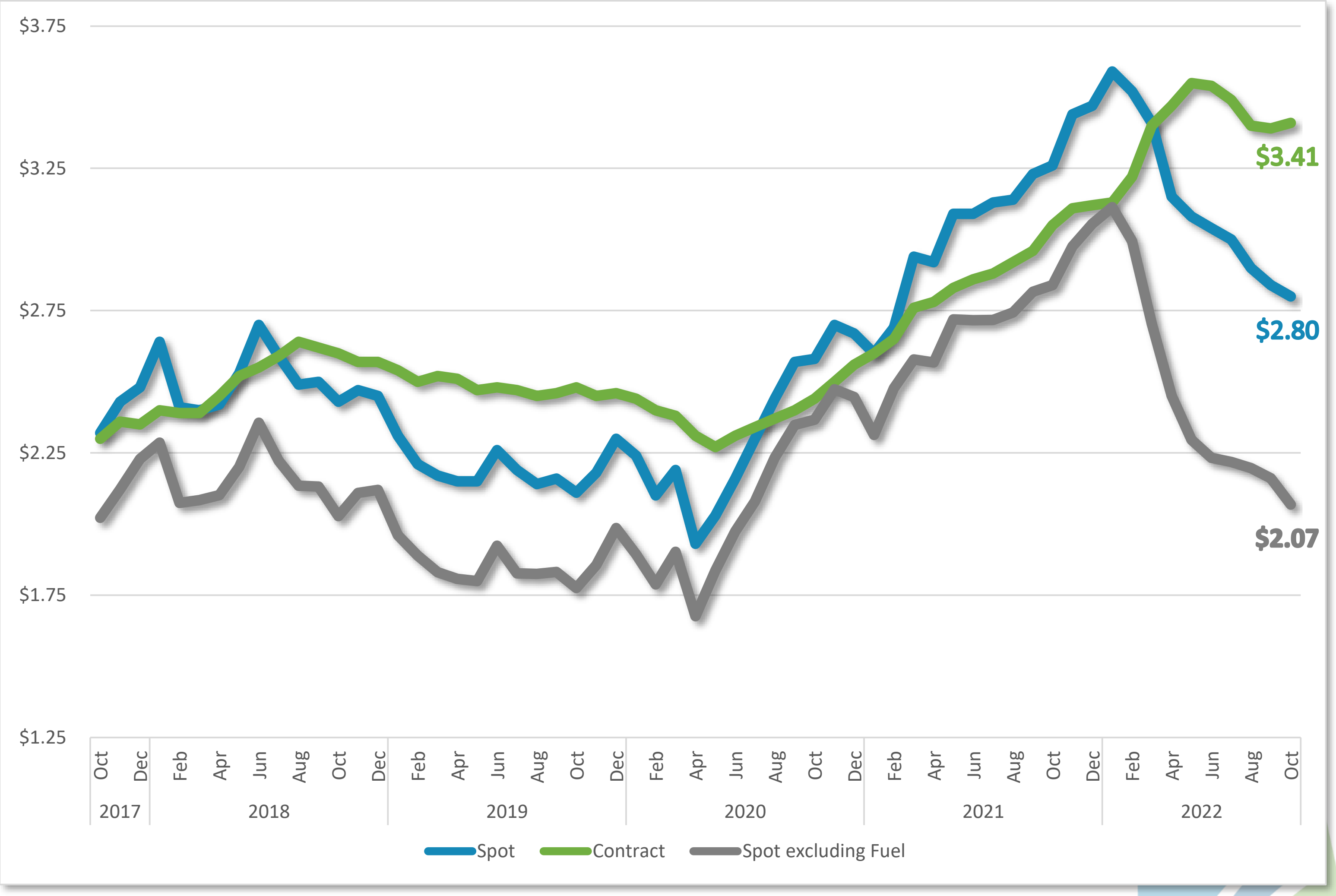
The big picture: Rates are market averages from DAT's RateView, which provides real-time reports on prevailing spot market and contract rates.

- RateView's database is comprised of more than $110 billion in freight bills in over 68,000 lanes

Why it matters: These rates reflect the condition of the freight market in real-time. Please note that they include fuel surcharges.

Our thoughts: Spot rates dropped month-over-month, marking five straight months of decline, while contract rates held ticked up slightly.

- Spot rates declined $0.04 in October to $2.80 per mile, which is a $0.79 drop since January 2022.
- Contract rates increased $0.02 to $3.41 per mile, which is $0.28 above where we were in January.
- DAT is forecasting that spot rates will continue to slide going into the middle of November and then level out.



Source: DAT Trendlines | https://www.dat.com/industry-trends/trendlines | Monthly

Fruit and Vegetable Industry: USDA Average Truck Rates

The big picture: The U.S. Department of Agriculture (USDA) collects data concerning the average truck rates for hauling fruit and vegetable goods.

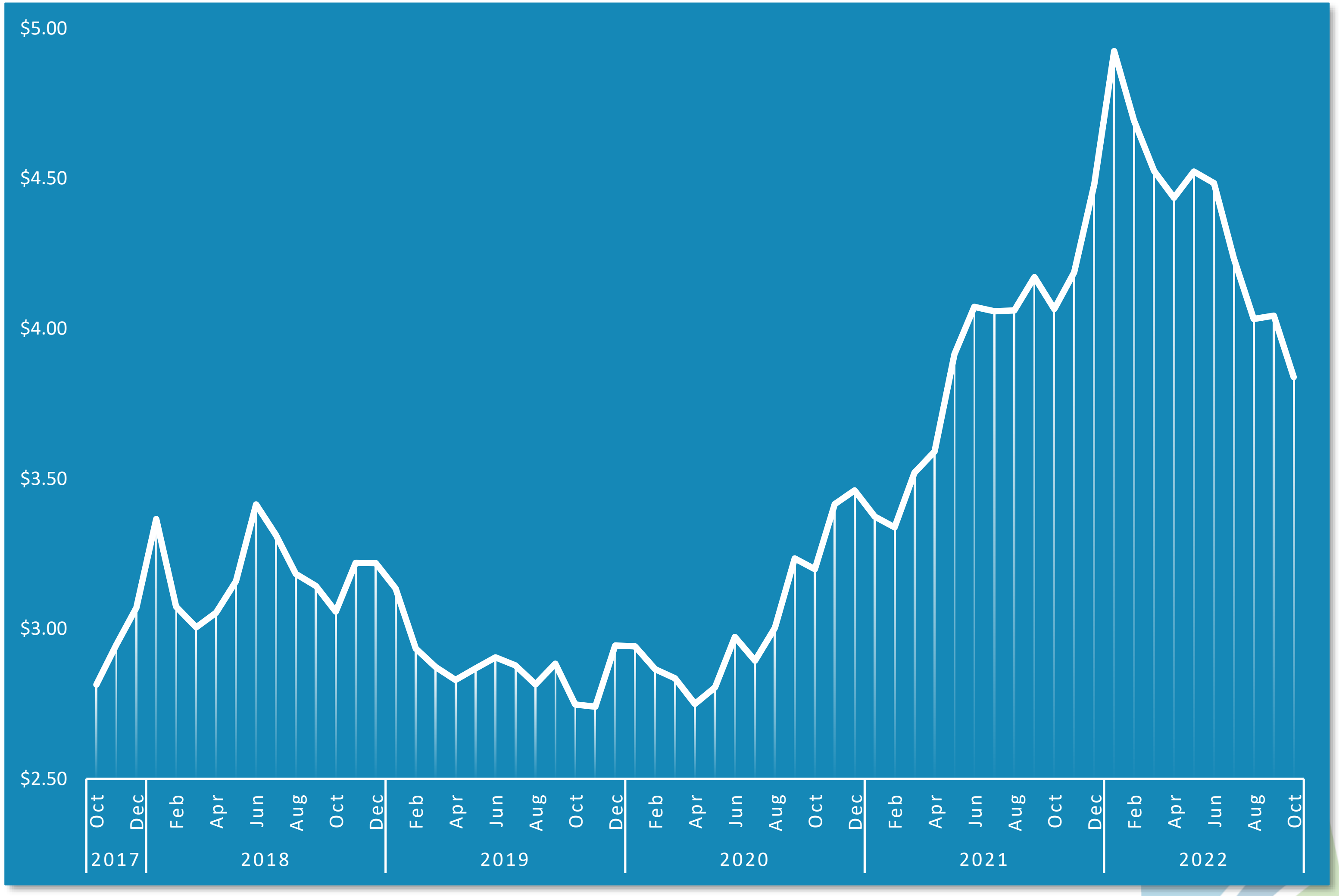
- USDA averages the rates over region and commodity.

Why it matters: Produce requires fast and efficient movements of perishable commodities.

- The USDA published rates gives the owner-operator a pulse of the reefer market.

Our thoughts: Fruit and vegetable reefer rates have slid 22% from their high in January even as we head into the Thanksgiving season where rates typically move upward.

- As witnessed in other markets, rates continue to normalize from their record highs in late 2021 and early 2022.
- In fact, rates per mile decreased 5.1%, or $0.20 per mile, month-over-month to $3.84 in October.
- **Yes, but** rates are still 12.3% higher than the five year trend.



Source: USDA| https://agtransport.usda.gov/stories/s/56s5-rpde | Weekly

Fruit and Vegetable Industry: Truck Volume and Availability

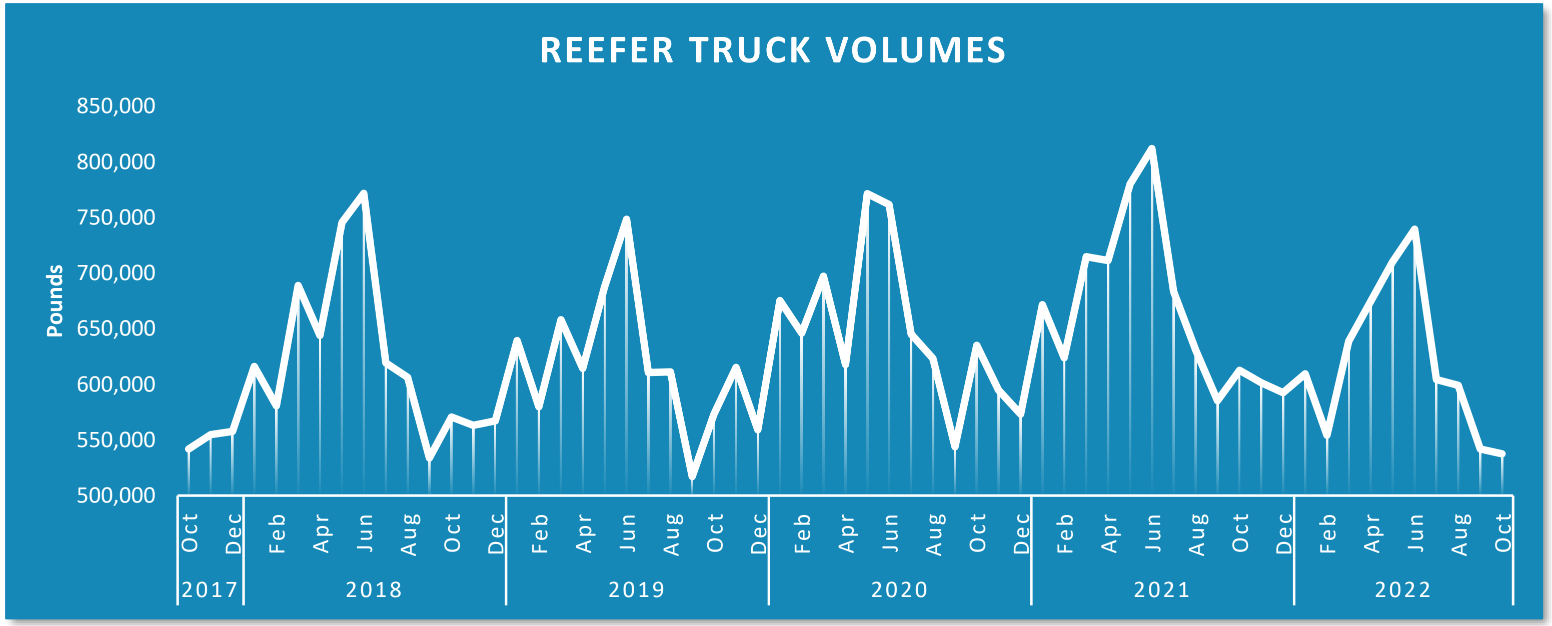
The big picture: The USDA's Crops report includes daily fruit and vegetable volume data by weight and weekly refrigerated truck availability data.

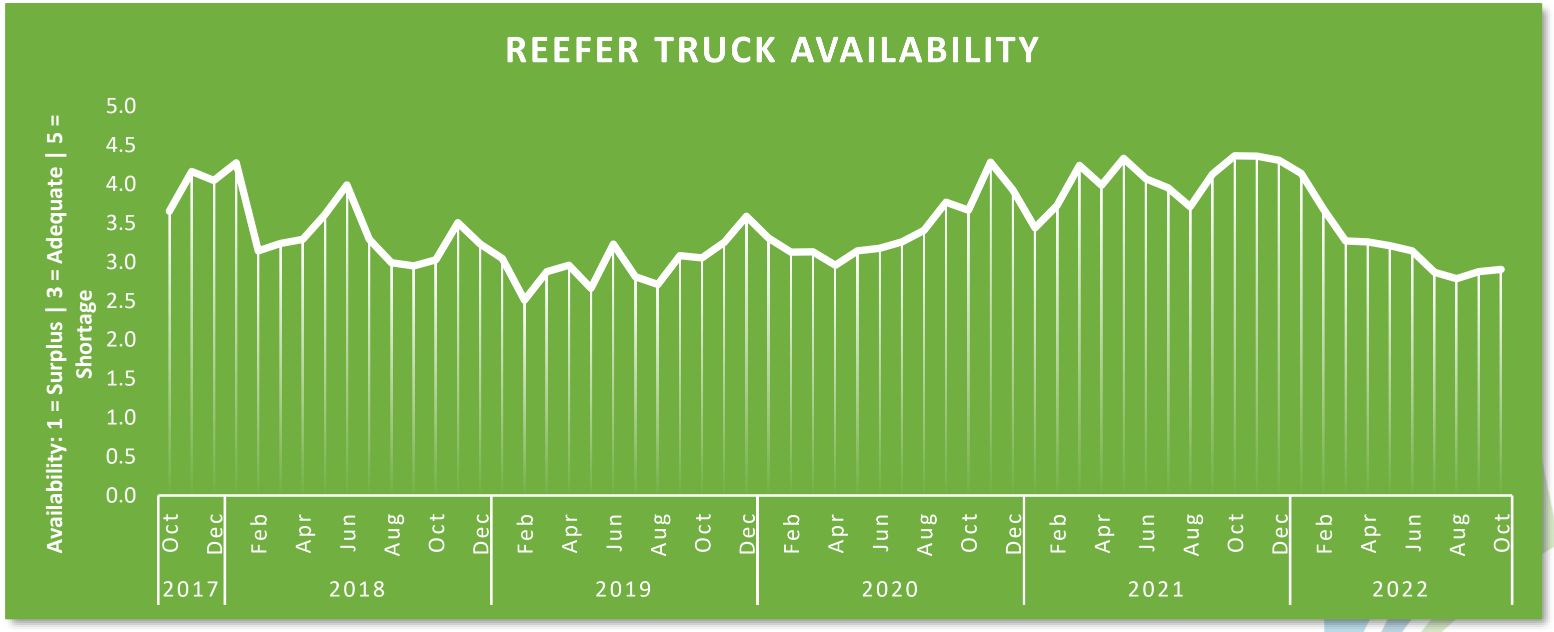
Why it matters: This information is a barometer for the health of the overall reefer market.

- It also provides visibility into what exactly is driving reefer rates, either volume, capacity, or a combination of both.
- **Reefer Truck Availability** is coded on a scale of 1 to 5, 1 representing a surplus and 5 representing a shortage of trucks.

Our thoughts: Reefer volumes decline for the fourth straight month, while truck capacity is continues to tighten ever so slightly.

- Reefer volumes declined 0.8% month-over-month to 537,685 pounds in October
- **Yes, but** it's normal for reefer volumes to fall at this time of year before a small jump heading into Black Friday.
- Reefer truck availability rose 1.1% in September to 2.9, meaning that capacity tightened for the second consecutive month.





Source: DAT Trendlines | https://agtransport.usda.gov/stories/s/56s5-rpde | Monthly

Advanced Retail Sales: Food Services and Drinking Places

The big picture: Retail sales capture in-store, catalog, and out-of-store sales of both durable and non-durable goods.

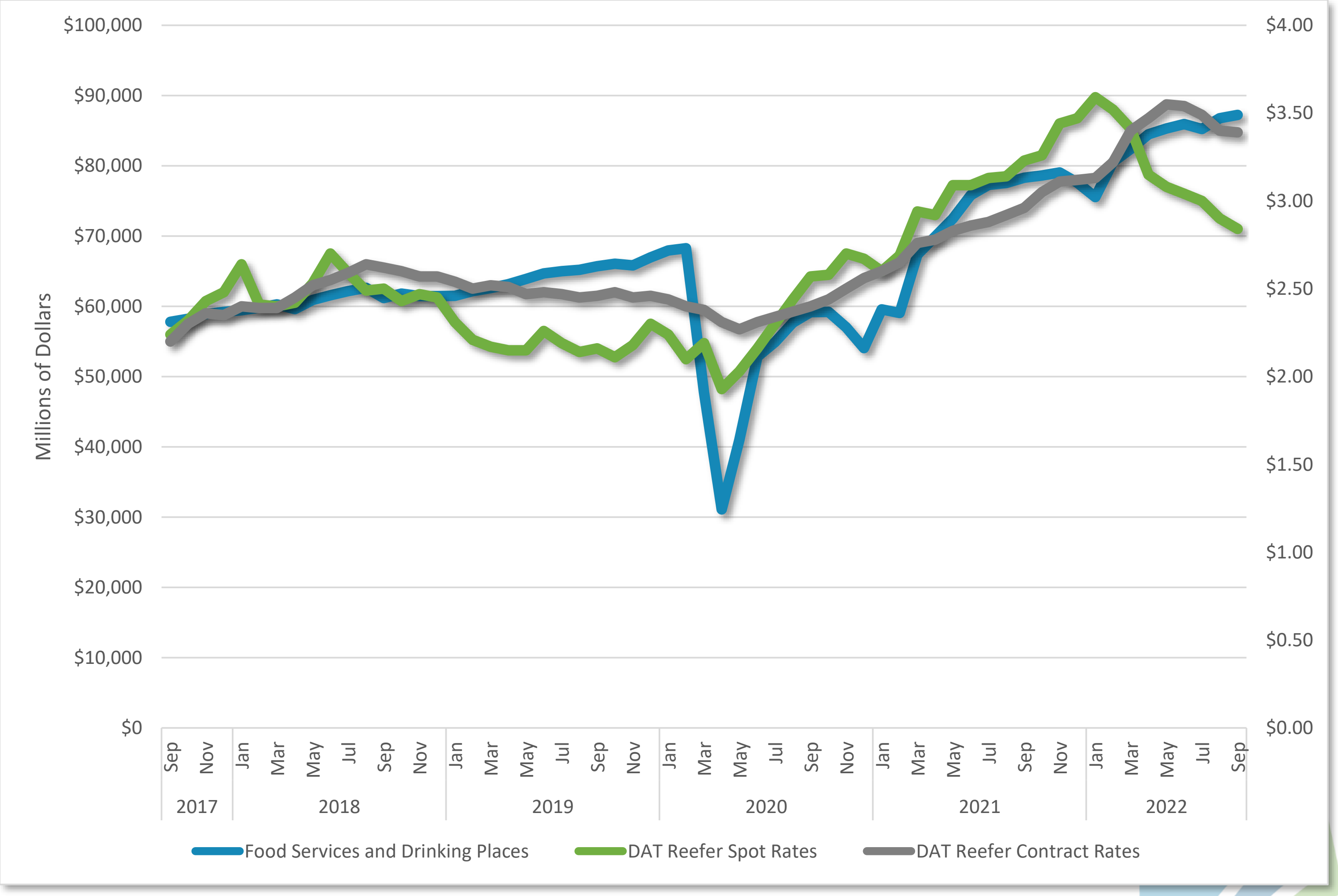
- These are broken down into several categories, including food services and drinking places (FSDPs).

Why it matters: Retail sales give the owner-operator a pulse of the economy and its projected path toward expansion or contraction.

- **Advanced Sales** categories provide us an early snapshot from large retailers.

Our thoughts: Retail sales for FSDPs closely mirror DAT's contract reefer rates as shown in the graph, while spot rates continue to slide.

- FSDPs retail sales increased 0.5% month-over-month in September to $87.2 billion, and 12.5% year-over-year.
- FSDP sales are 32% higher than the 5-year trend of $65 billion.
- **Yes, but** spot rates continue to fall due to an excess in reefer truck capacity. We expect this will be an ongoing trend.



Source: FRED | https://fred.stlouisfed.org/series/RSFSDP | Monthly