# 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

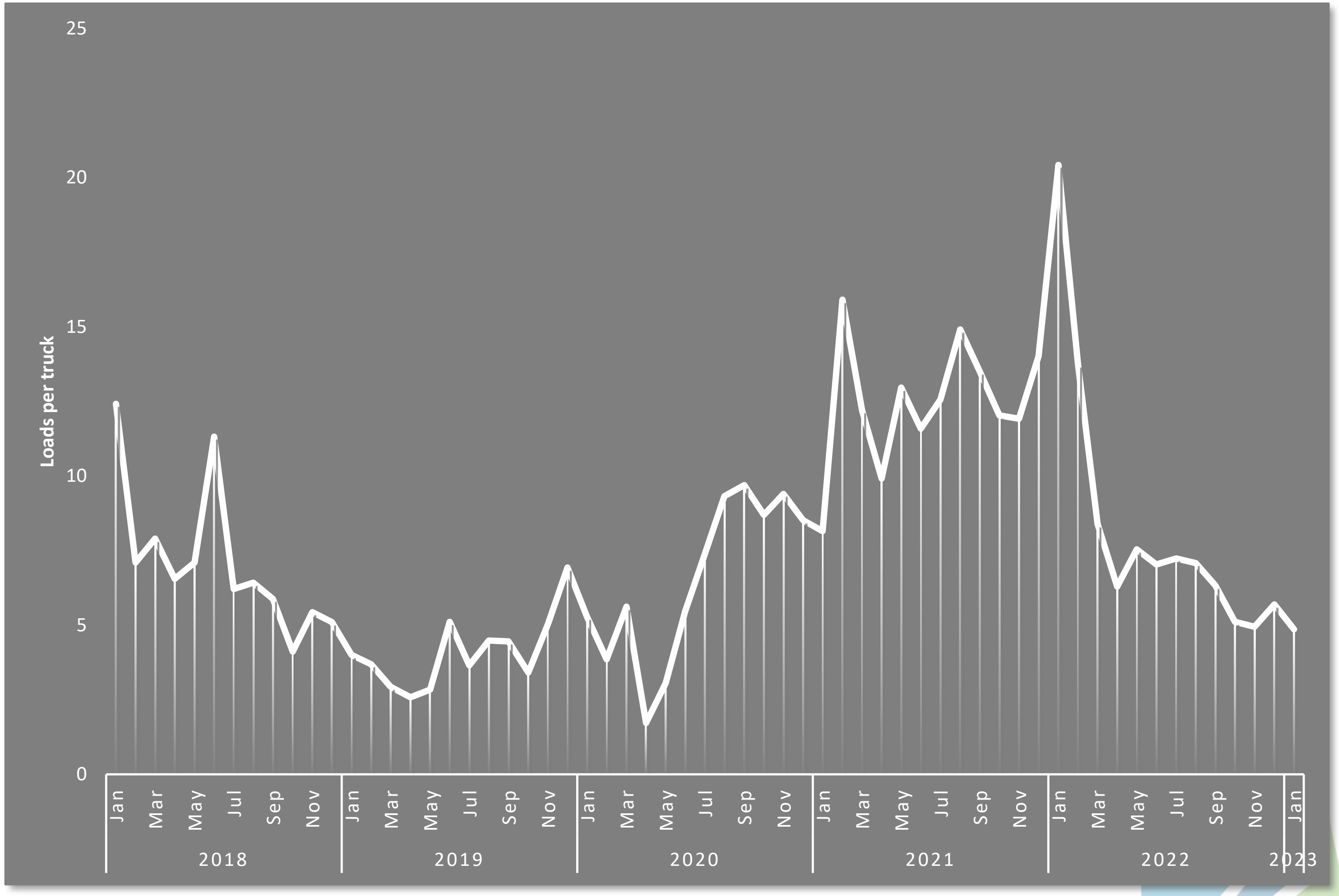
**The big picture:** Load-to-Truck Ratios represent the number of loads posted for every truck posted on DAT Load Boards.

- 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 continued its downward trend in demand following an almost 15% increase in December as produce volumes continue to underperform.

- The ratio decreased 14.6% month-over-month to 4.86 loads to every one truck posted.
- This is 37% below the 5-year trend, and 76% lower than it was in January 2023.
- Load posts are more than three times lower than this time last year, and while truck posts with refrigerated trailers have declined slightly, equipment posts are still the highest they've been in seven years.




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

# Rates: Reefer Spot and Contract Rates

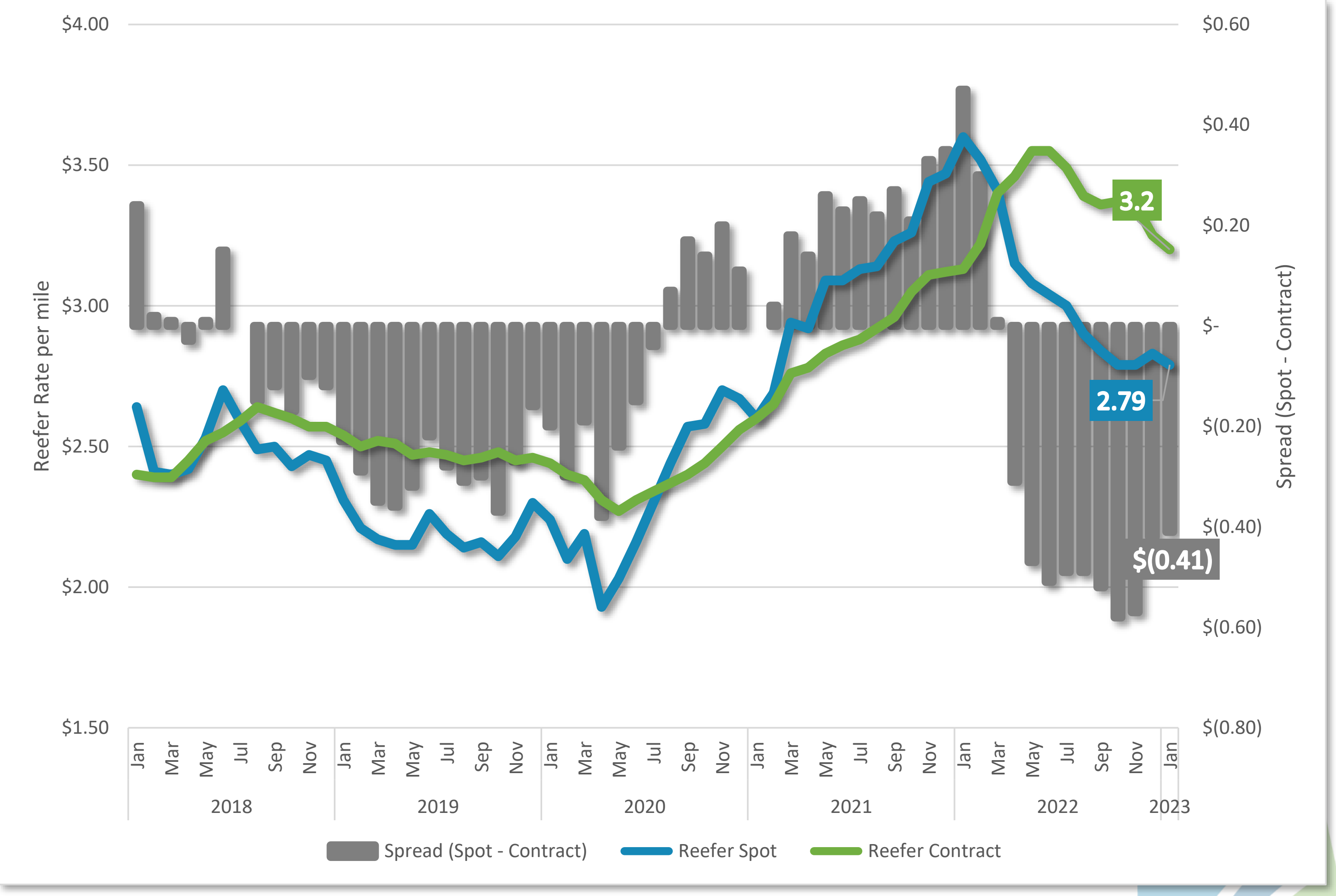
**The big picture:** Rates are market averages from DAT's RateView, which provides real-time reports on prevailing spot market and contract rates.

- 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 moved downward month-over-month in January, reversing last months increase, while contract rates dropped 5 cents per mile.

- Spot rates decreased $0.04, or 1.4% to $2.79 per mile, but decreased $0.81 since January 2022.
- Contract rates declined $0.05, or 1.5%, to $3.20 per mile, which is $0.07 above where we were in January.
- The spread between spot and contract is $0.41, marking the third consecutive month that the spread has contracted.
- DAT is forecasting that spot rates excluding fuel will remain mostly flat as we head into March.
- Produce season doesn't officially start until April.




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.

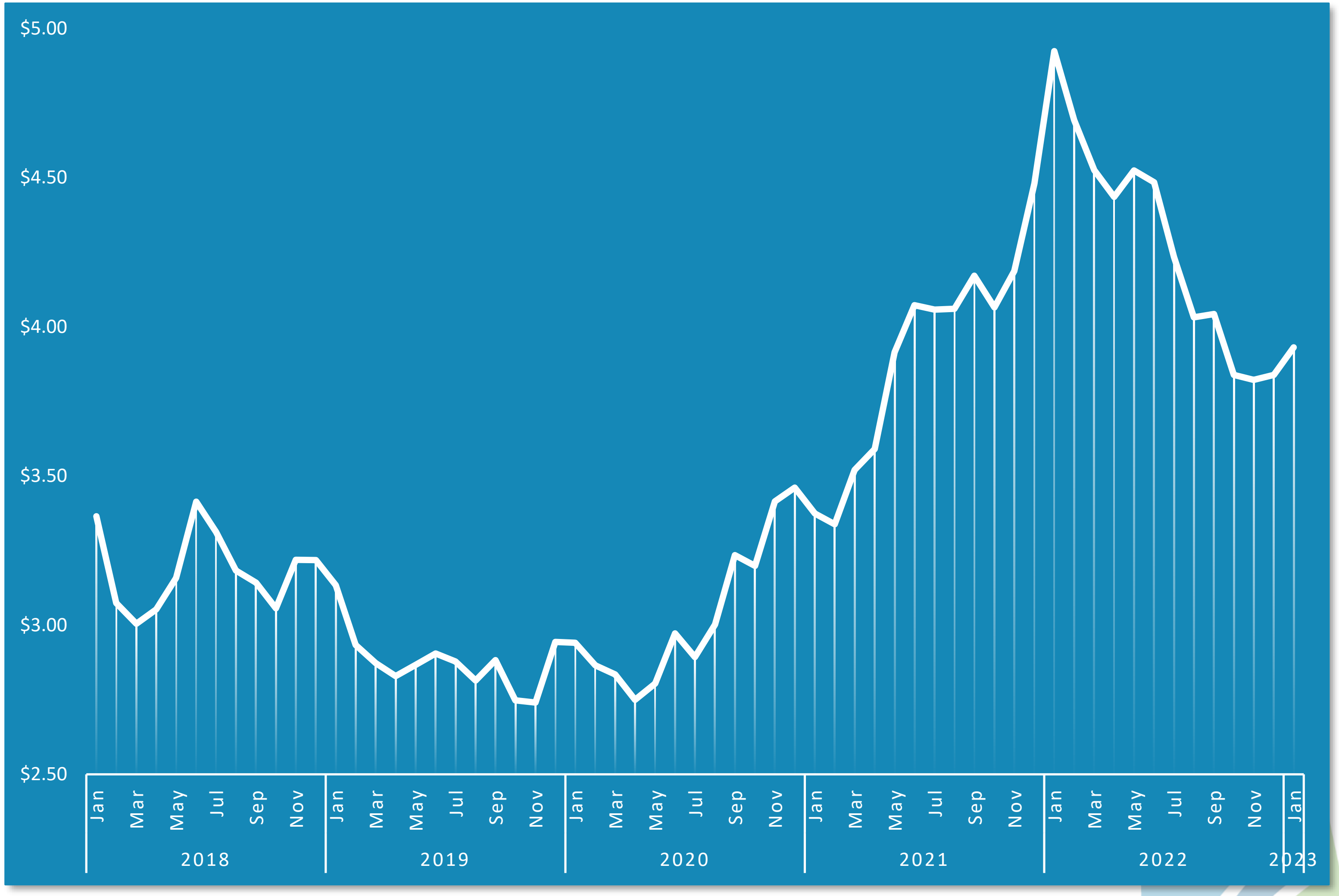
**Why it matters:** Produce requires fast and efficient movements of perishable commodities.

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

**Our thoughts:** Fruit and vegetable reefer rates are 20% below their high in January 2022, though there was a small gain in January. The beginning of the year marks one of the slowest season for reefers until early spring.

- Rates per mile increased 2.4%, or $0.09 per mile, month-over-month to $3.93 in January.

- Rates are $0.47 per mile, or 13.5%, 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

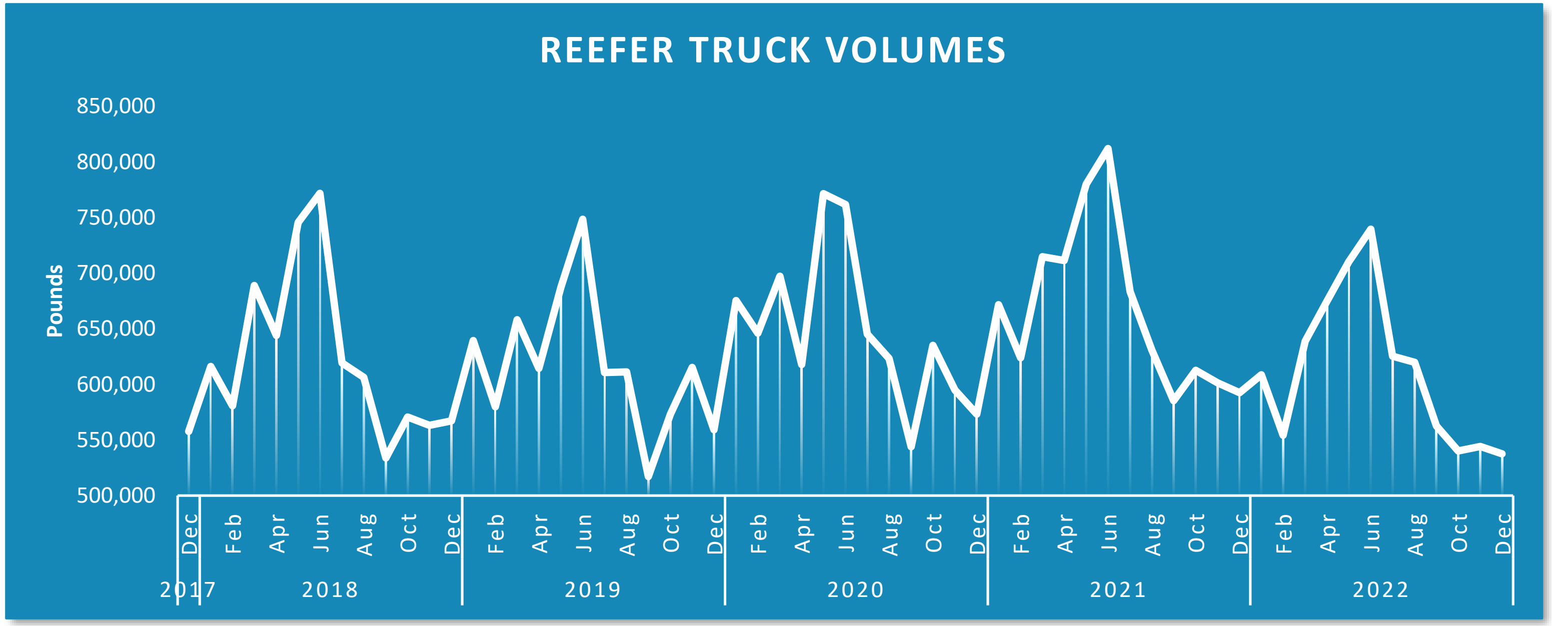
**The big picture:** The USDA's Crops report includes daily fruit and vegetable volume data by weight and weekly refrigerated truck availability data.

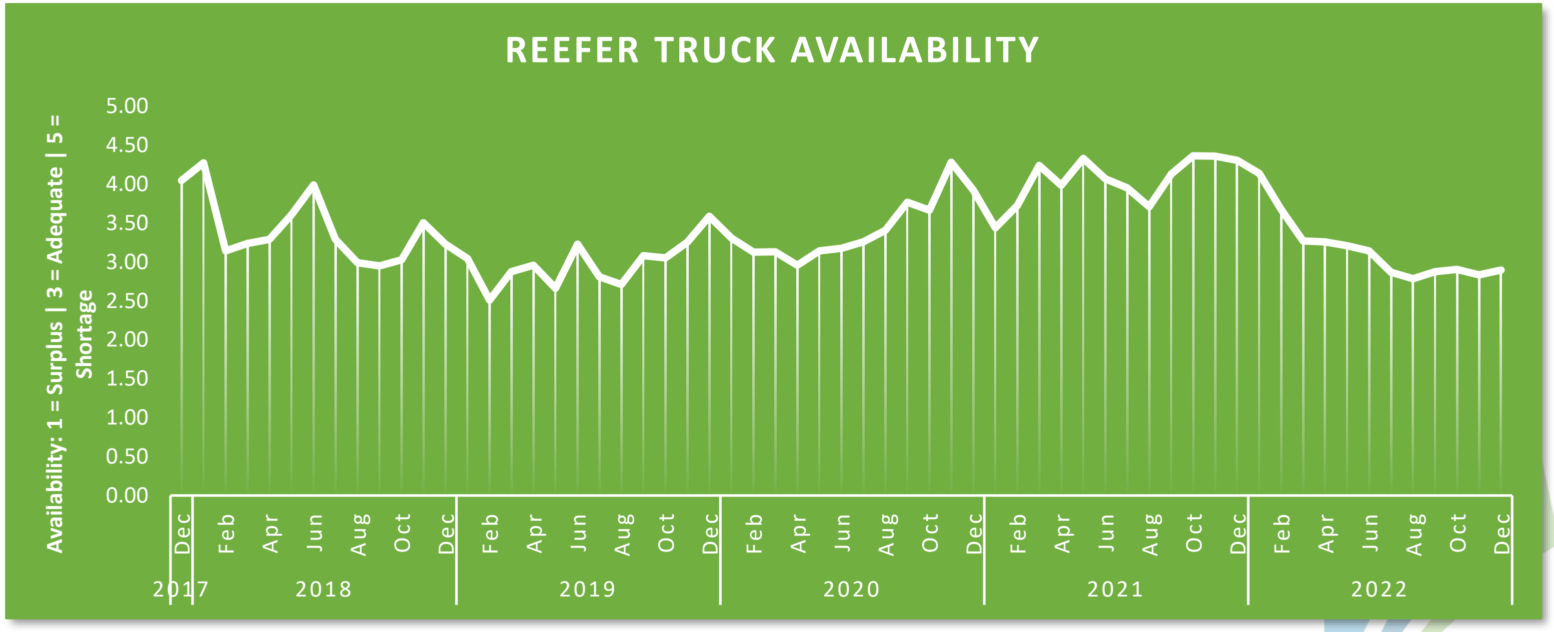
**Why it matters:** This information is a barometer for the health of the overall reefer market.

- 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 dropped in January, while truck capacity tightened ever so slightly for certain markets.

- Reefer volumes declined 2.4% month-over-month to 530,165 pounds, and 12.9% year-over-year, which is equates to 78,500 fewer pounds.
- Reefer truck availability rose 0.2% to 2.94, meaning that capacity tightened for the second consecutive month, but is still 28.9% below the previous year.




Source: USDA | 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.

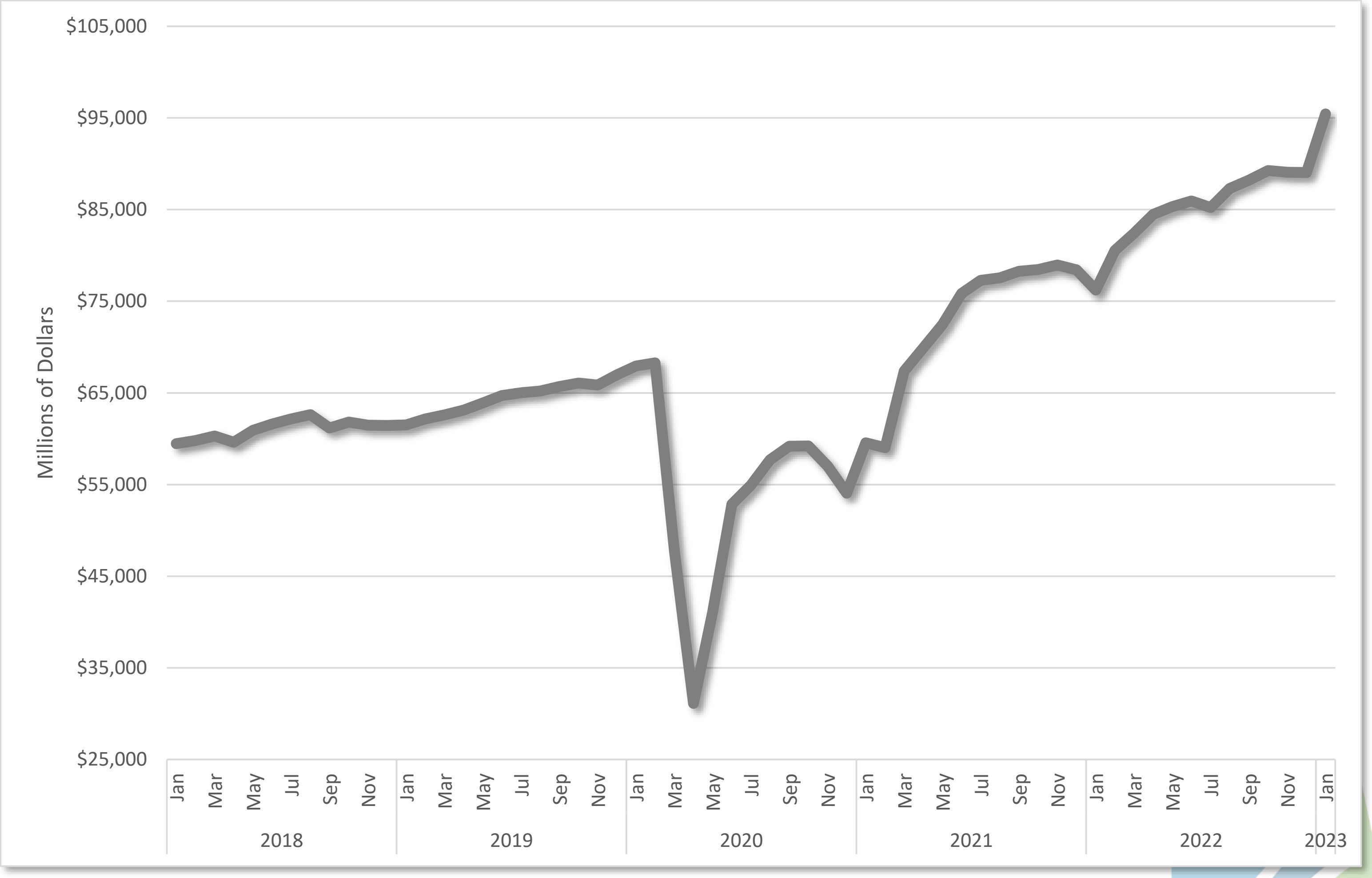
- These are broken down into several categories, including food services and drinking places (FSDPs).

**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 jumped significantly in January 2023 even while spot rates continue to slide. However, this spike was due to seasonality, meaning that not seasonally adjusted figures actually declined $3.9 billion month-over-month.

- Seasonally adjusted FSDPs retail sales increased 7.2% month-over-month to $95.4 billion, and are 13% higher, or $10.9 billion more, year-over-year.
- FSDP sales are 39.5% higher than the 5-year trend of $68.4 billion.
- **Yes, but** spot rates continue to fall due to an excess in reefer truck capacity and fewer volumes overall, indicating that the increase in FSDP retail sales may be more due to seasonality and inflation than volume.




Source: FRED | [https://fred.stlouisfed.org/series/RSFSDP](https://fred.stlouisfed.org/series/RSFSDP) | Monthly