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 break down 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 three key economic indicators that directly impact the reefer market:

1. USDA Average Refrigerated Truck Rates
2. USDA Refrigerated Truck Volumes
3. USDA Truck Availability Data

Demand: Reefer Market Demand Index (MDI)

The big picture: The Truckstop and FTR MDI measures the relative demand in the trucking market by calculating the ratio of load postings to truck postings on the Truckstop platform.

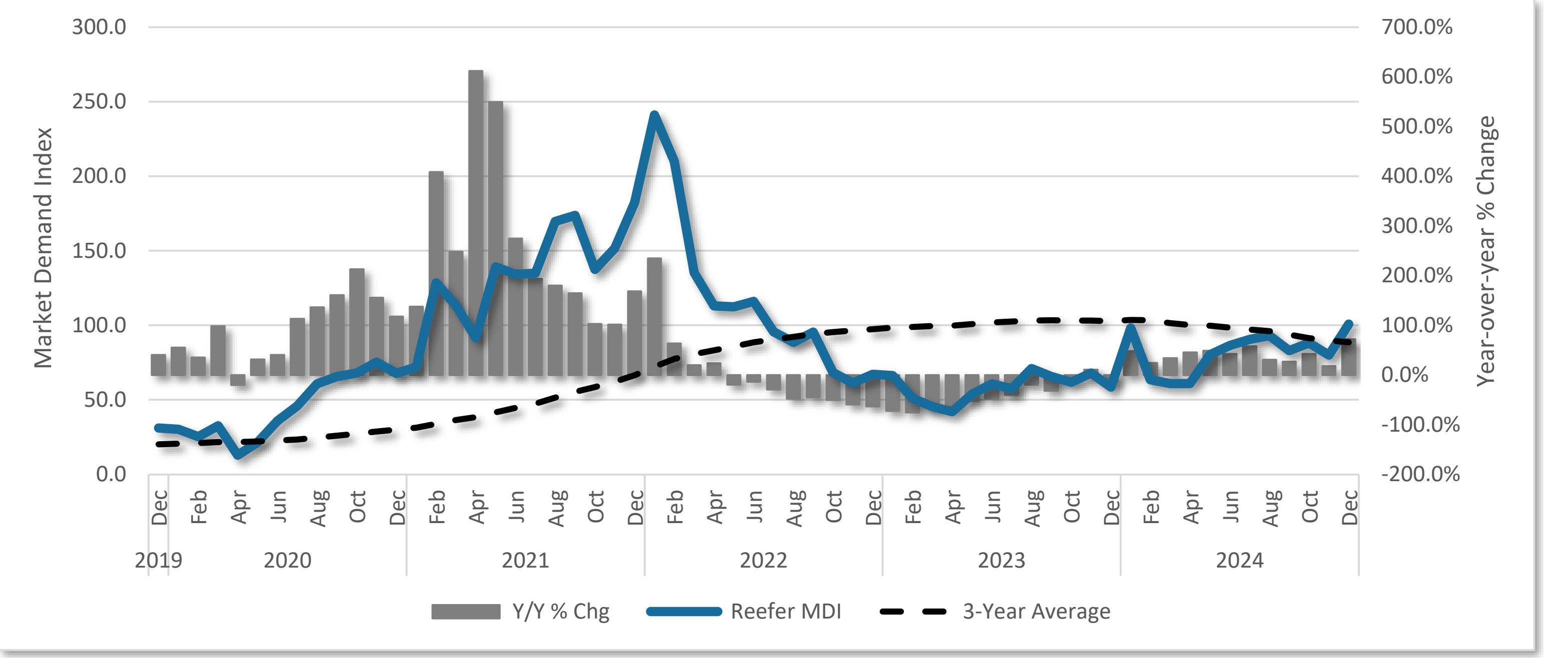
Why it matters: The MDI depicts the balance between available freight and available capacity at a given time, meaning that fluctuations in the ratio often signal impending changes in rates.

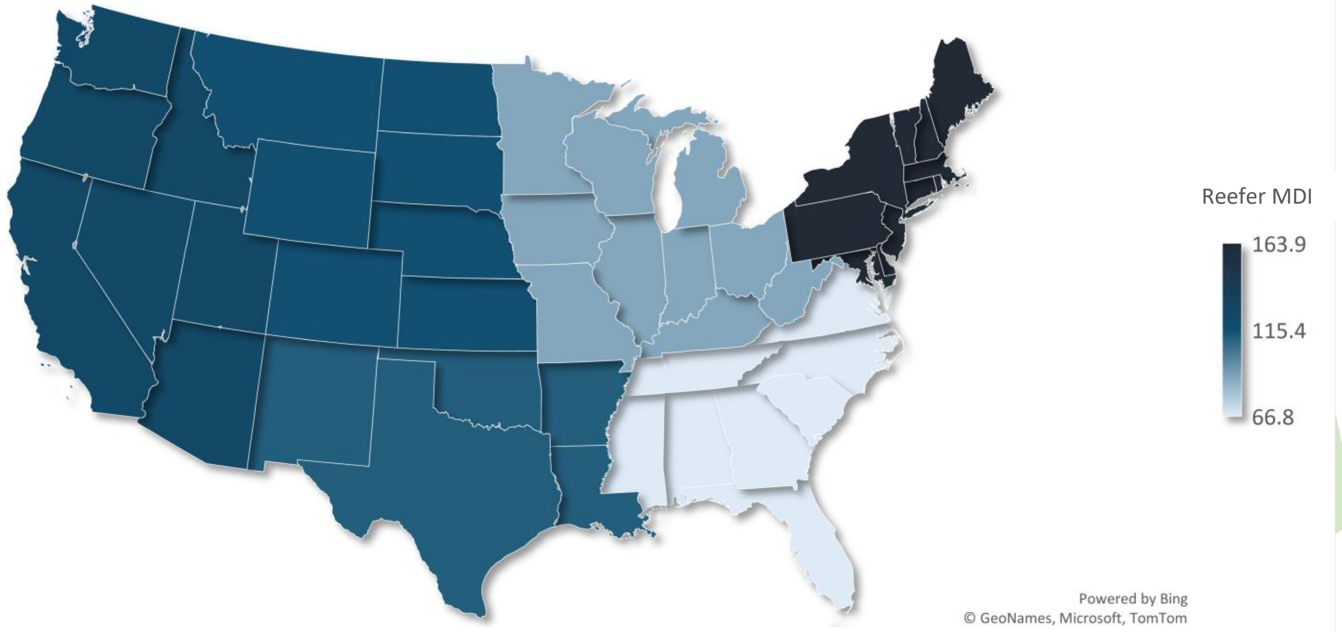
Our thoughts: The Reefer MDI jumped quite significantly in December. The increase, while normal for this time of year, was abnormal in its magnitude.

- The Reefer MDI rose 25.9% month-over-month to 100.8, after falling 9.3% last month.
- The jump was a combination of an increase in freight and a sudden drop in capacity as the amount of available loads increased 2.5% compared to a 18.6% decrease in trucks.
- The ratio is 72.2% higher than last year, marking 12 consecutive months of increases, and is 13.8% above the 3-year average. This is the first time the Reefer MDI has crossed that threshold since September 2022.

Regionally speaking, ratios were more favorable for carriers operating in the Northeast (163.9) and West Coast (122.9) regions, compared to other areas in the country.

- 4 of the 6 regions experienced an increase in MDI. The largest increase being the South Central region, which rose 89.5% from 58.4 to 110.7. While the largest decrease was Mountain Central, which dropped 20.4%.





Source: Truckstop + FTR | https://freight.ftrintel.com/spotmarketinsights | Monthly

Rates: Reefer Spot Rates

The big picture: Truckstop and FTR have partnered together to provide a comprehensive picture of the spot market for various load types, including dry van.

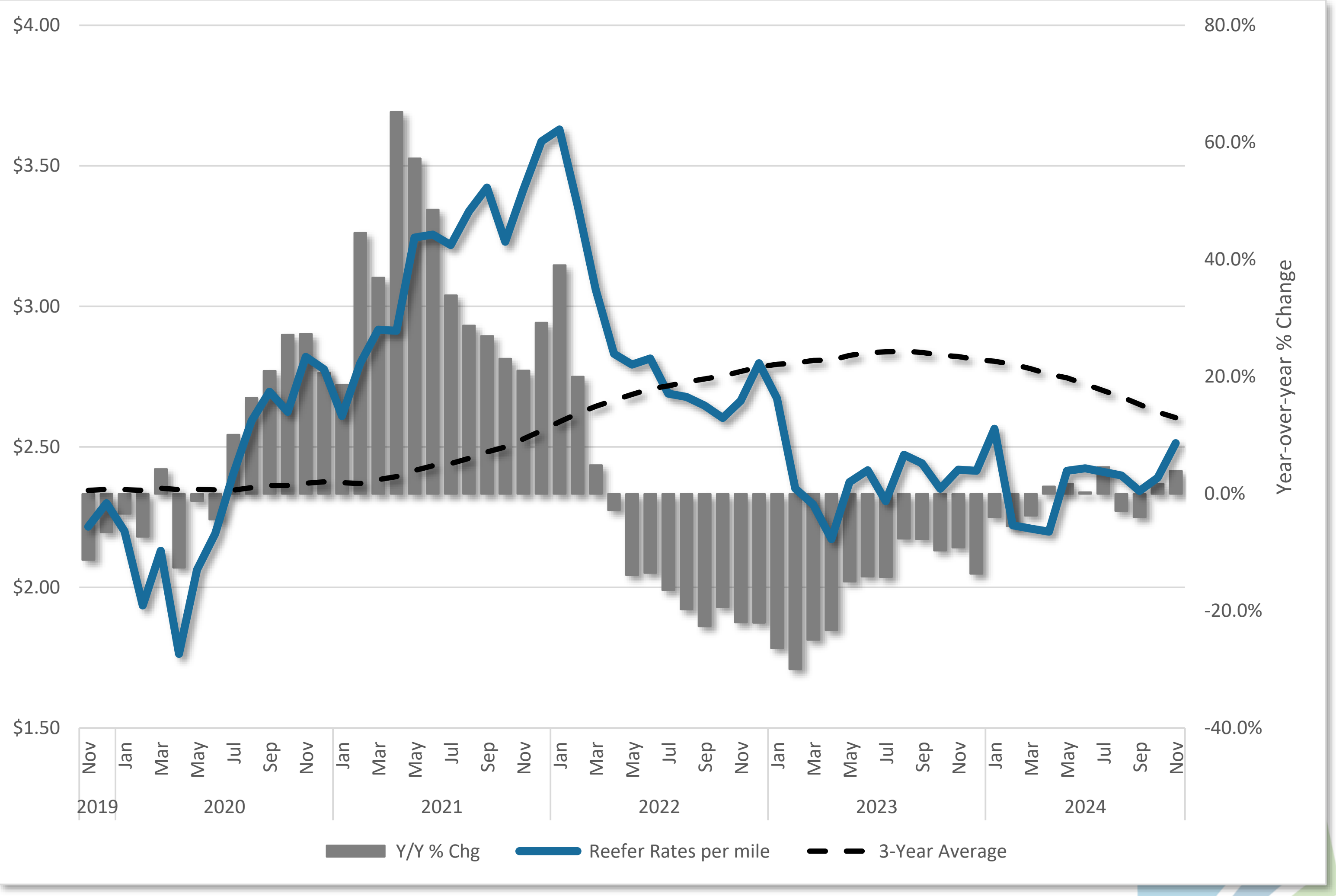
Why it matters: These rates reflect the condition of the freight market in real-time. Please note that they include fuel surcharges.

Our thoughts: Reefer spot rates increased month-over-month (M/M) in November, despite the drop in demand, after increasing $0.05 per mile last month.

- Spot rates improved $0.12 per mile M/M to $2.51, marking two consecutive months of growth, and are 3.9%, or $0.09 per mile higher than last year when rates were $2.42.
- Spot rates have increased year-over-year 6 times in the past 8-months, but are $0.09 per mile below than the 3-year moving average.

Bottom line: The spread between the spot rate and the 3-year moving average clearly demonstrates where we are in the reefer market cycle.

- The spread improved $0.14 per mile M/M, and is $0.31 better year-over-year.
- The spread has improved substantially (85.9%) from its bottom in April 2023. We're incredibly close to crossing into positive territory.



Source: Truckstop + FTR | https://freight.ftrintel.com/spotmarketinsights | 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.

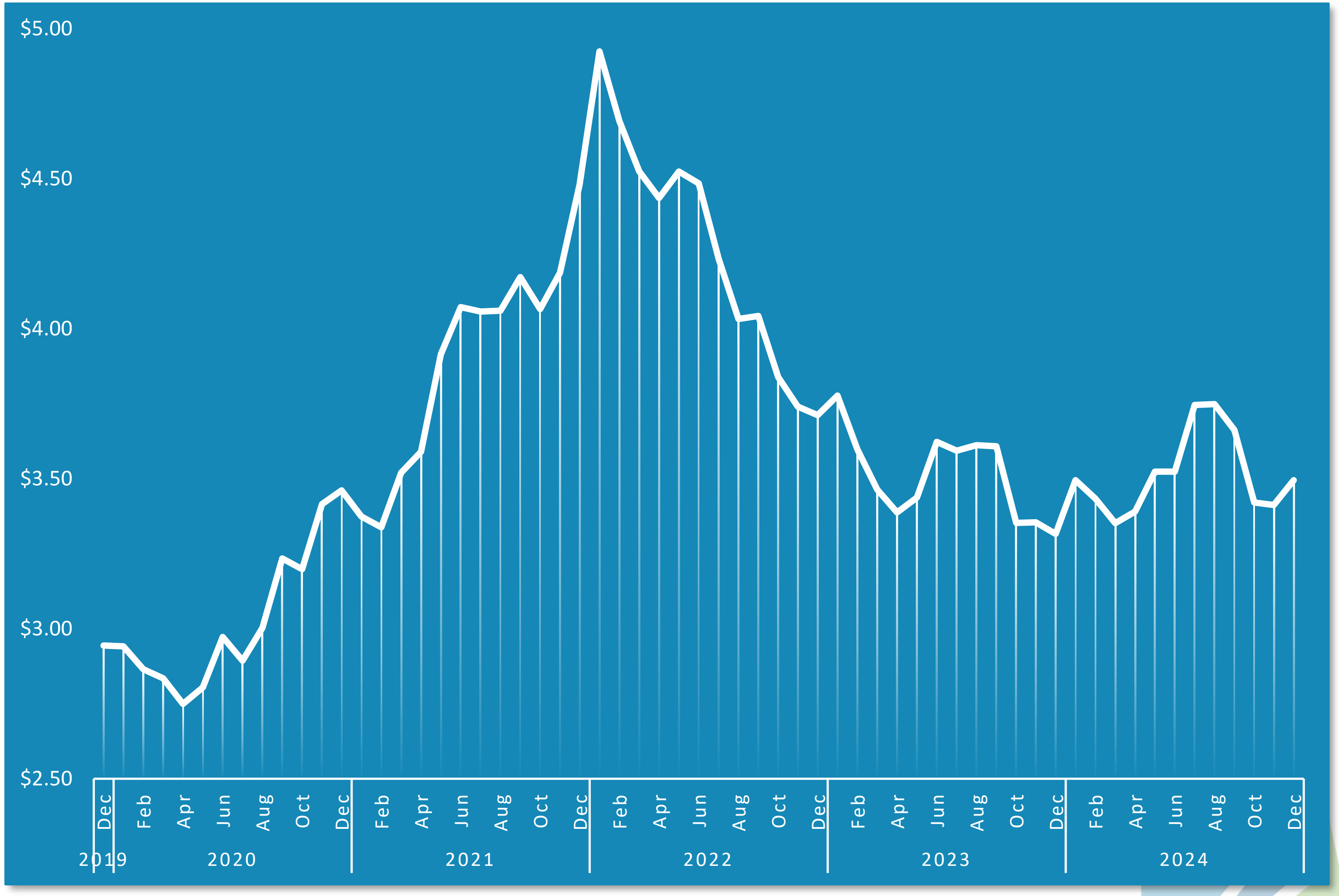
Why it matters: Produce requires fast and efficient movements of perishable commodities.

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

Our thoughts: Fruit and vegetable reefer rates in December were 21.4%, or $0.62 per mile, above 2019 levels according to the USDA.

- Rates per mile jumped $0.08 month-over-month to $3.50 in December, after declining $0.01 in November. We're now exactly where we started in January 2024.
- Rates per mile were 5.4% or $0.18, higher year-over-year, but are $0.14 per mile or 3.8%, below the five-year average.

According to USDA, carriers in the Mexico-Arizona region experienced the greatest increase in pay per mile month-over-month, increasing $0.26 per mile, followed by the Florida region, which increased $0.23.



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

Fruit and Vegetable Industry: Truck Volume

The big picture: The USDA's Crops report includes daily fruit and vegetable volume data by weight for different regions and commodities.

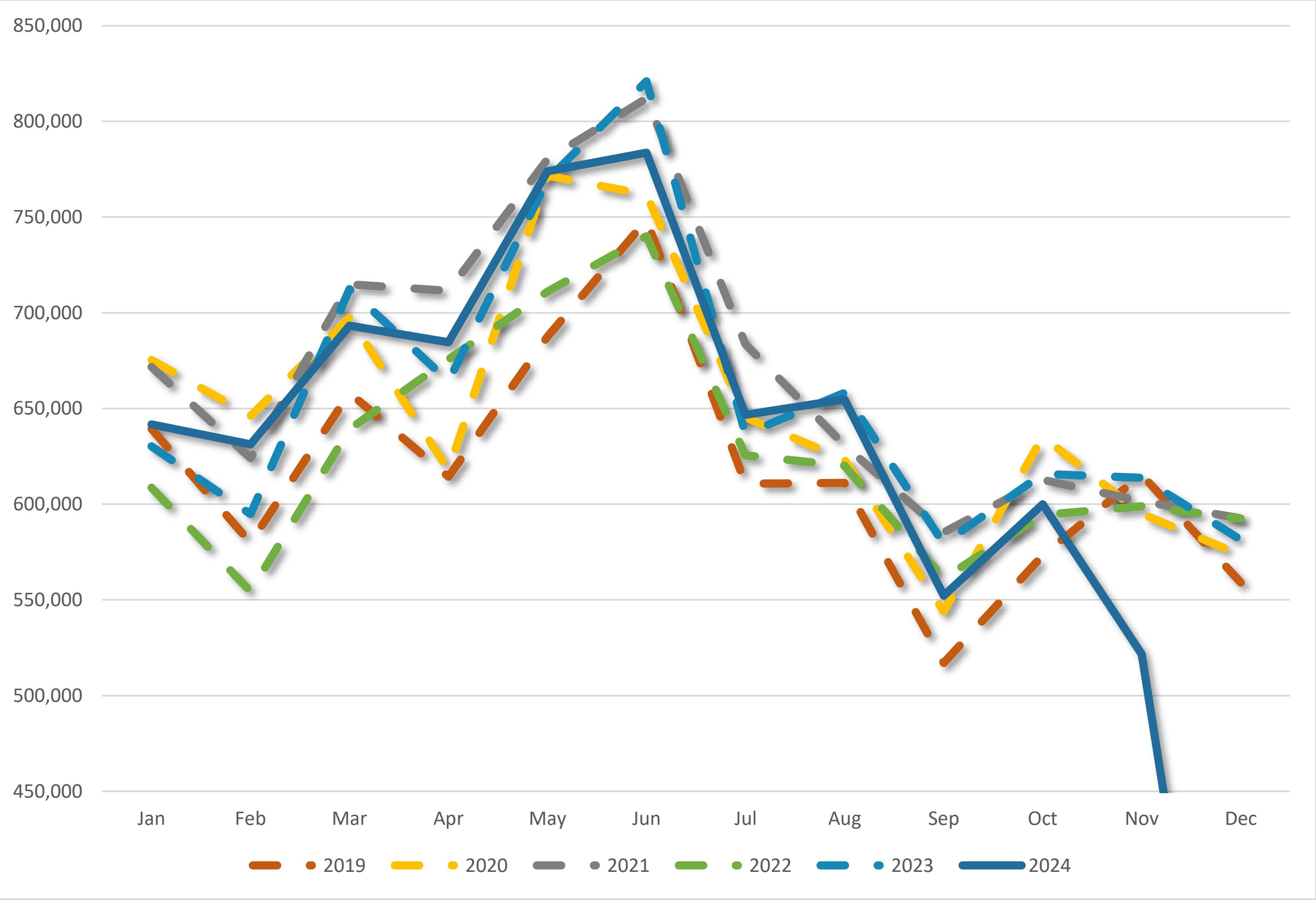
Why it matters: This information is a barometer for the health of the overall reefer market.

- It also provides visibility into what exactly is driving reefer rates, either volume, capacity, or a combination of both.

Our thoughts: Reefer volumes plummeted in December after falling 13.1% in November following adjustments. The chart depicts that volumes have fallen precipitously compared to the seasonal, but this is probably due to an error in the data. Look for the data to correct next month.

- Reefer volumes decreased 62.5% month-over-month to 195,764 pounds, and are 66.3%, or 385,641 pounds, lower year-over-year. Volumes are 68.3% below 2019 levels.
- The California region declined 77.2% month-over-month, and is 82.3% lower compared to last year.
- All of the regions experienced decreases in volumes. The greatest declines occurred in Texas, New York, and the Southeast regions, respectively.

The bottom line: We don't believe this data is accurate. Instead there appears to be some sort of error in USDA's reporting.



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

Fruit and Vegetable Industry: Truck Availability

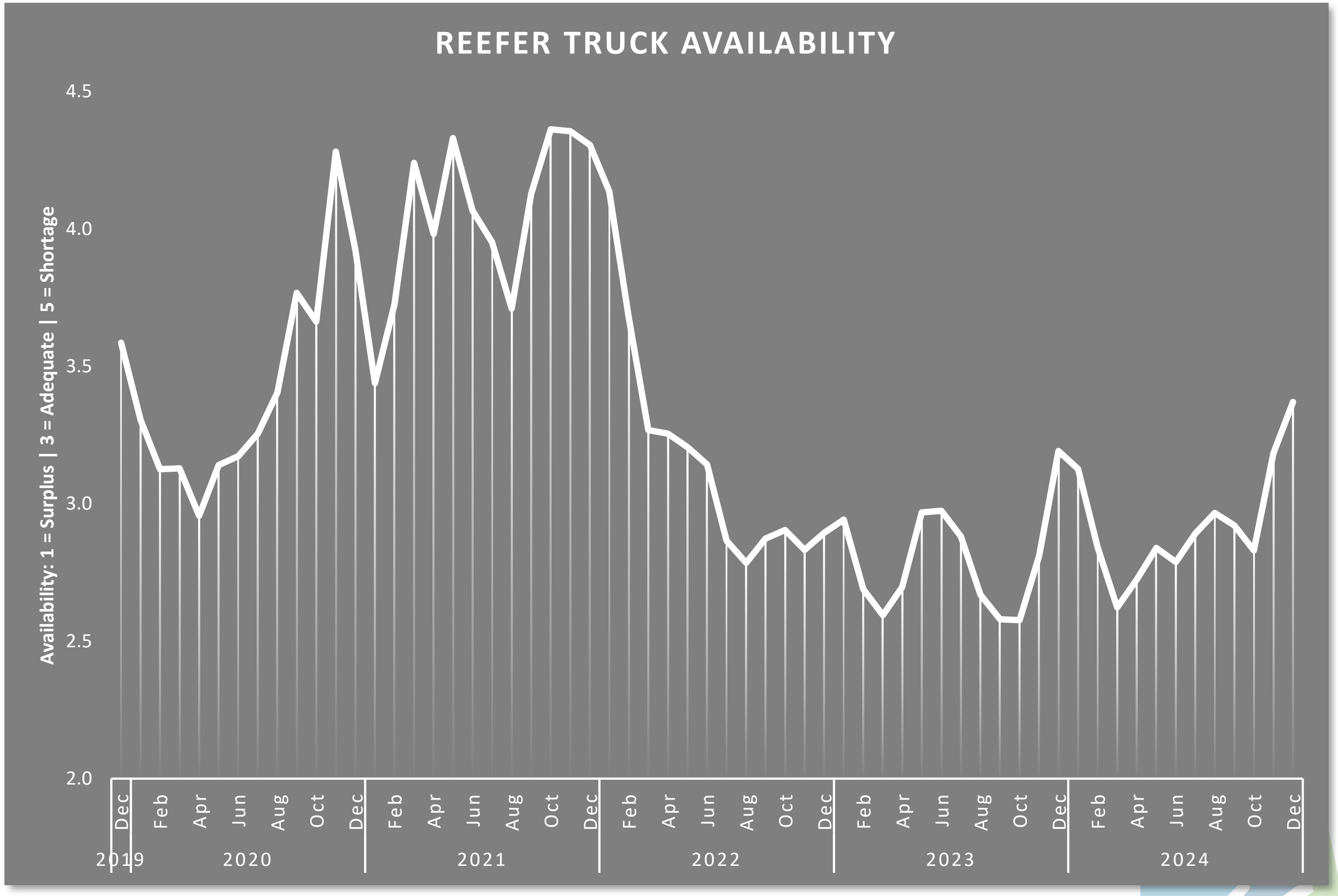
The big picture: The USDA's Crops report includes daily fruit and vegetable data for refrigerated truck availability across different regions and commodities.

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

- **Reefer Truck Availability** is coded on a scale of 1 to 5, with 1 representing a surplus and 5 representing a shortage of trucks.

Our thoughts: Reefer truck capacity tightened again in December after tightening in November as well, which adds to our suspicion that the USDA's volume data is erroneous.

- Capacity was 13.1% tighter than it was in 2019.
- Reefer truck availability tightened to 3.37, and is 5.6% tighter than the previous year.
- Capacity levels were still mixed across the country.
- Availability was tightest in the Pacific Northwest region. Whereas the Mexico-Texas region remained the most loose even though it saw a jump from the previous month.



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