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.

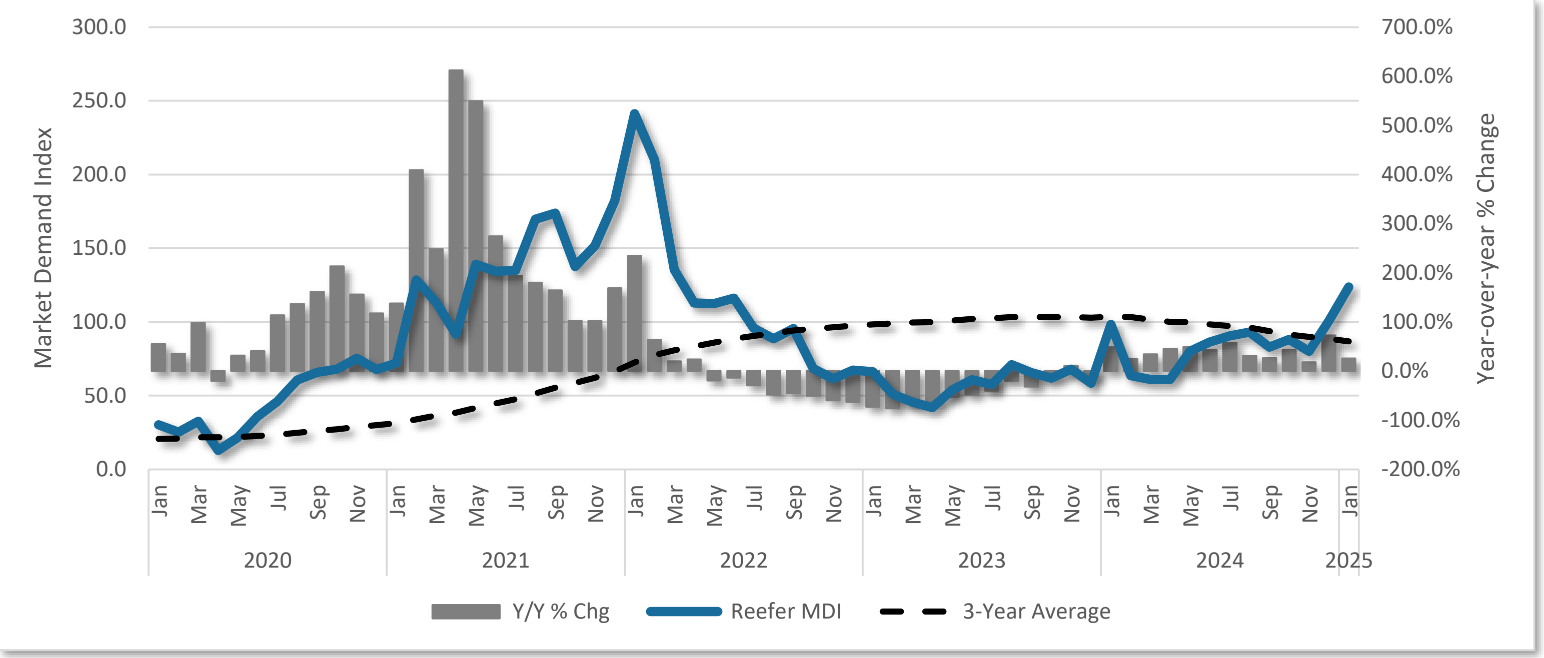
Why it matters: The MDI depicts the balance between available freight and available capacity at a given time, meaning that fluctuations in the ratio often signal impending changes in rates.

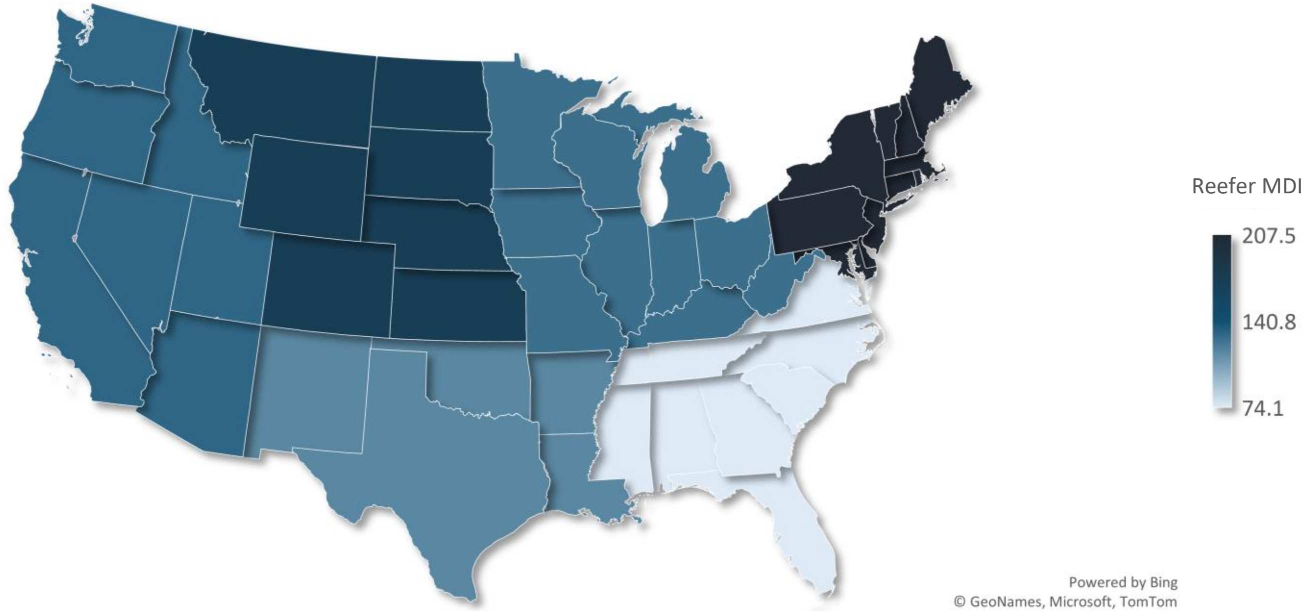
Our thoughts: The Reefer MDI soared in January. The increase was abnormal in both magnitude and seasonality as demand usually decreases until the start of produce season.

- The Reefer MDI rose 22.8% month-over-month to 123.7, after jumping 25.9% last month.
- The jump was a combination of an increase in freight and a drop in capacity as the amount of available loads increased 18.1% compared to a 3.8% decrease in trucks.
- The ratio is 25.9% higher than last year, marking 13 consecutive months of increases, and is 42.3% above the 3-year average. This is the second time the Reefer MDI has crossed that threshold since September 2022.

Regionally speaking, ratios were more favorable for carriers operating in the Northeast (207.5) and the Mountain Central (169.8) regions, compared to other areas in the country.

- All 6 regions experienced an increase in MDI. The largest increase being the Mountain Central region, which rose 47.5% from 115.1 to 169.8. The second largest increase occurred in the Midwest, which increased 44.8% to 127.1.





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.

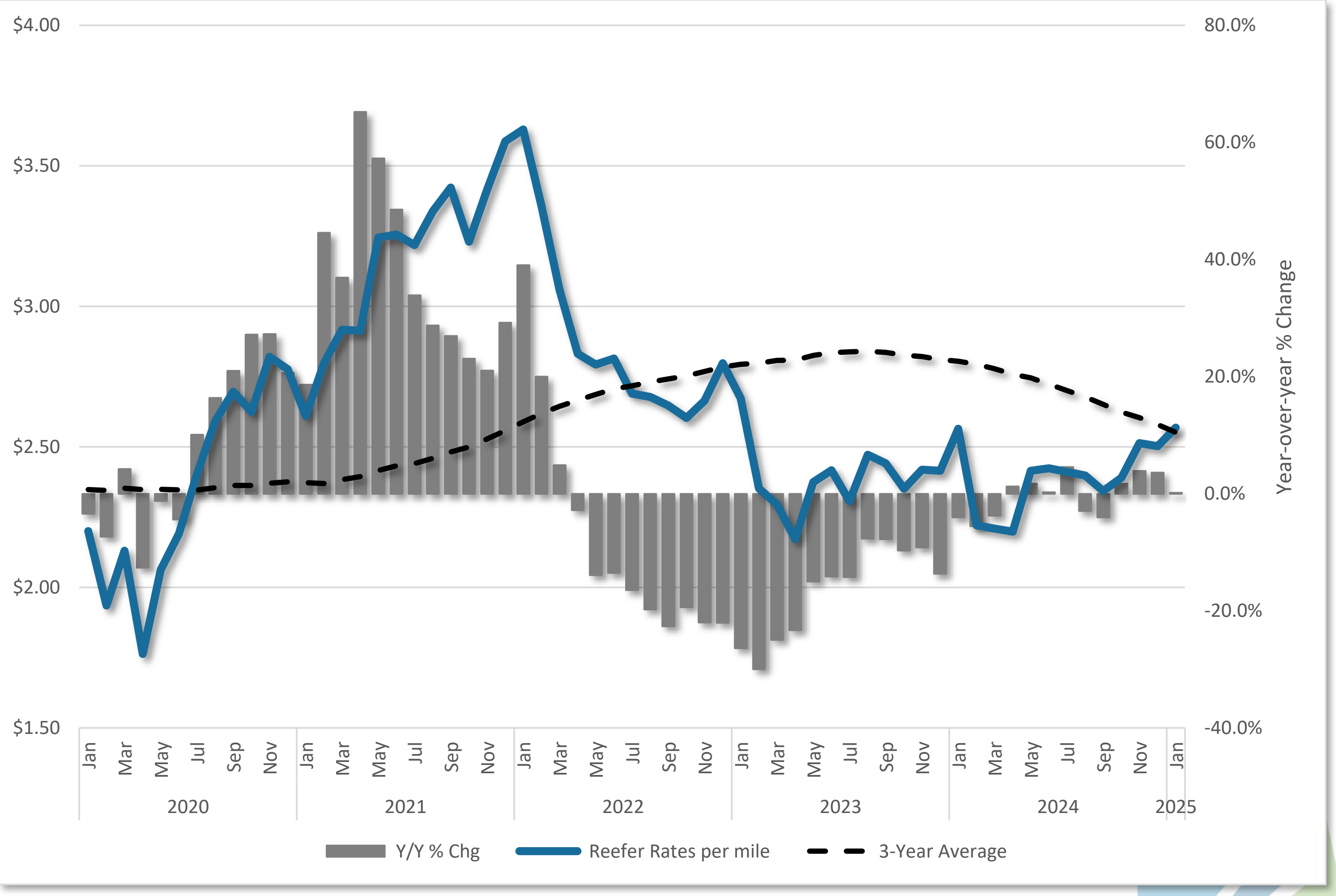
Why it matters: These rates reflect the condition of the freight market in real-time. Please note that they include fuel surcharges.

Our thoughts: Reefer spot rates moved with demand and increased month-over-month (M/M) in January, after decreasing $0.01 per mile last month.

- Spot rates improved $0.07 per mile M/M to $2.57, marking 3 out of 4 months of growth, and are 0.2% higher than last year when rates were $2.56.
- Spot rates have increased year-over-year 7 times in the past 9-months, and are $0.02 per mile above 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 $0.09 per mile M/M, and is $0.26 better year-over-year.
- While the spread crossed into positive territory for the first time in 25 months and has improved $0.65 per mile since its bottom in April 2023, we're still waiting to see when the next upcycle will officially begin; tariffs could delay or change things.



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.

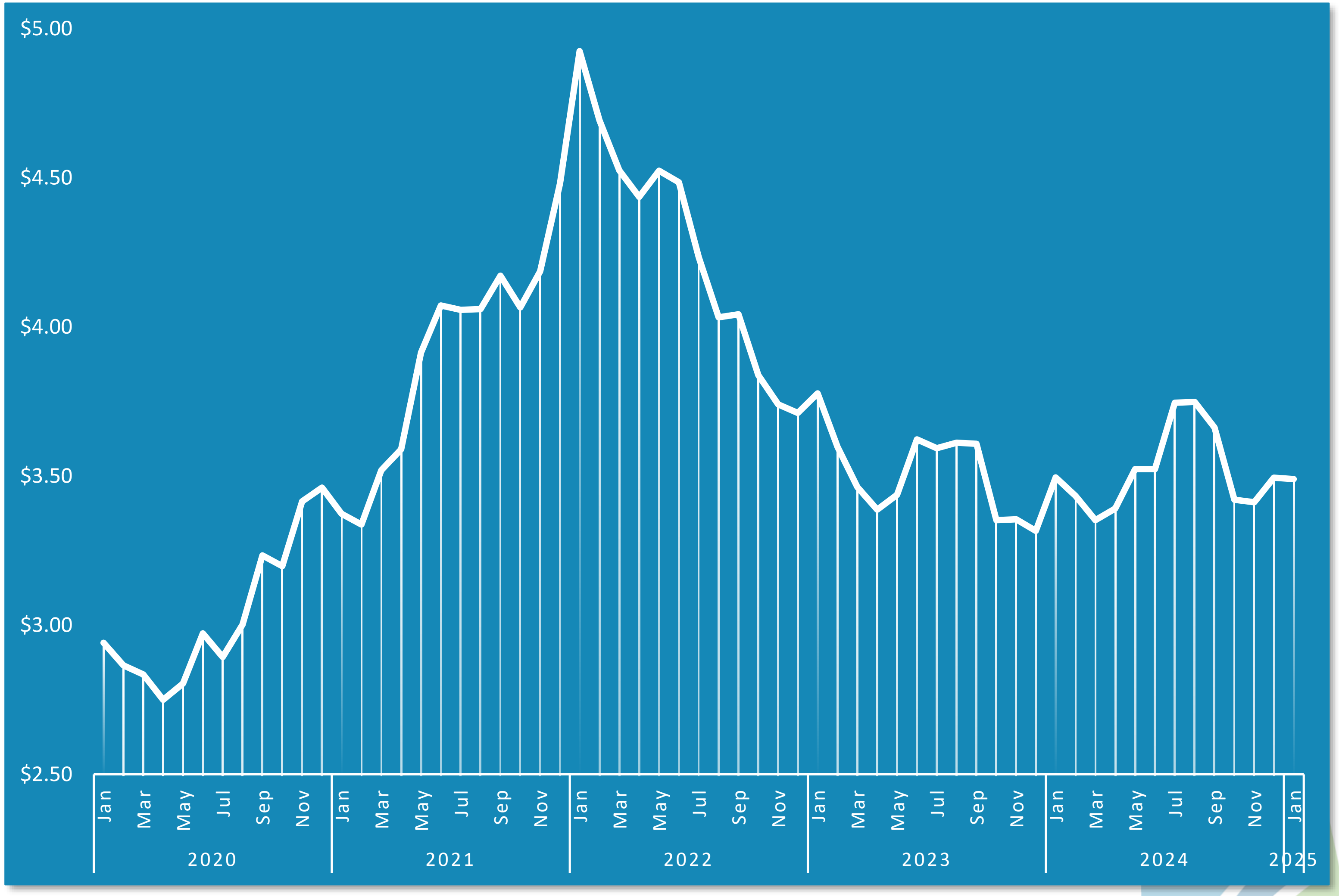
Why it matters: Produce requires fast and efficient movements of perishable commodities.

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

Our thoughts: Fruit and vegetable reefer rates in January were 21.2%, or $0.61 per mile, above 2019 levels according to the USDA.

- Rates per mile dipped $0.01 month-over-month to $3.49 in January, after jumping $0.08 in December.
- Rates per mile were 0.1% or $0.01, lower year-over-year, and are $0.15 per mile below the five-year average.

According to USDA, carriers in the Mexico-Texas region experienced the greatest increase in pay per mile month-over-month, increasing $0.35 per mile, followed by the Florida region, which increased $0.10.



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.

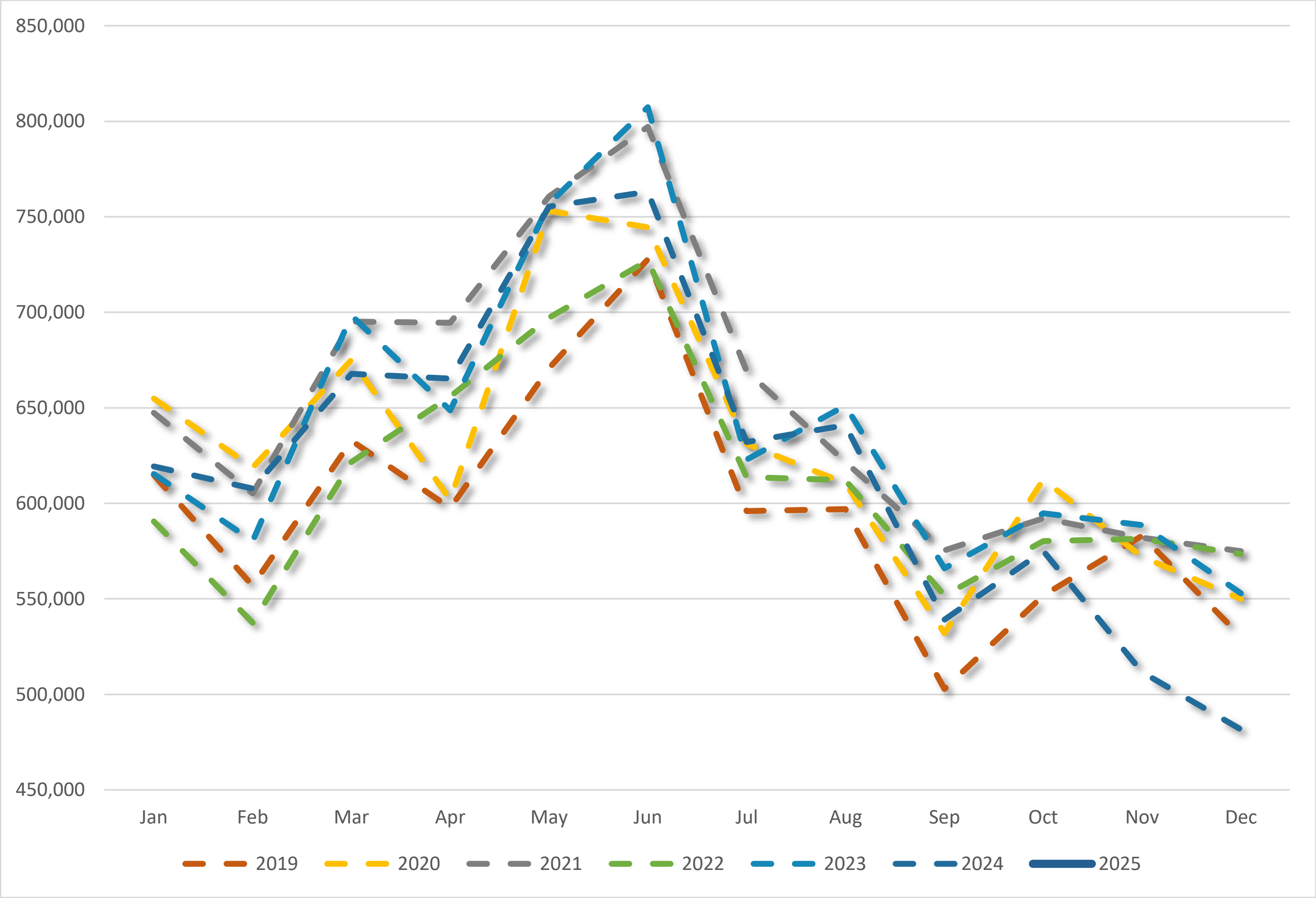
Why it matters: This information is a barometer for the health of the overall reefer market.

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

Our thoughts: Reefer volumes jumped in January after falling 5.9% in December following adjustments. The chart depicts that volumes are low compared to the seasonal trend, but this might be due to the winter storms and the fires in California.

- Reefer volumes increased 18.8% month-over-month to 572,079 pounds, but are 22.2%, or 137,747 pounds, lower year-over-year. Volumes are 5.9% below 2019 levels.
- The California region declined 25.3% month-over-month, and is 76.4% lower compared to last year.
- Nine regions experienced increases in volumes. The greatest increase occurred in the Arizona, Florida, and Mexico-Arizona regions, respectively.

The bottom line: While volumes increased in January, they are still lower than 2019 levels, which isn't good.



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

Fruit and Vegetable Industry: Truck Availability

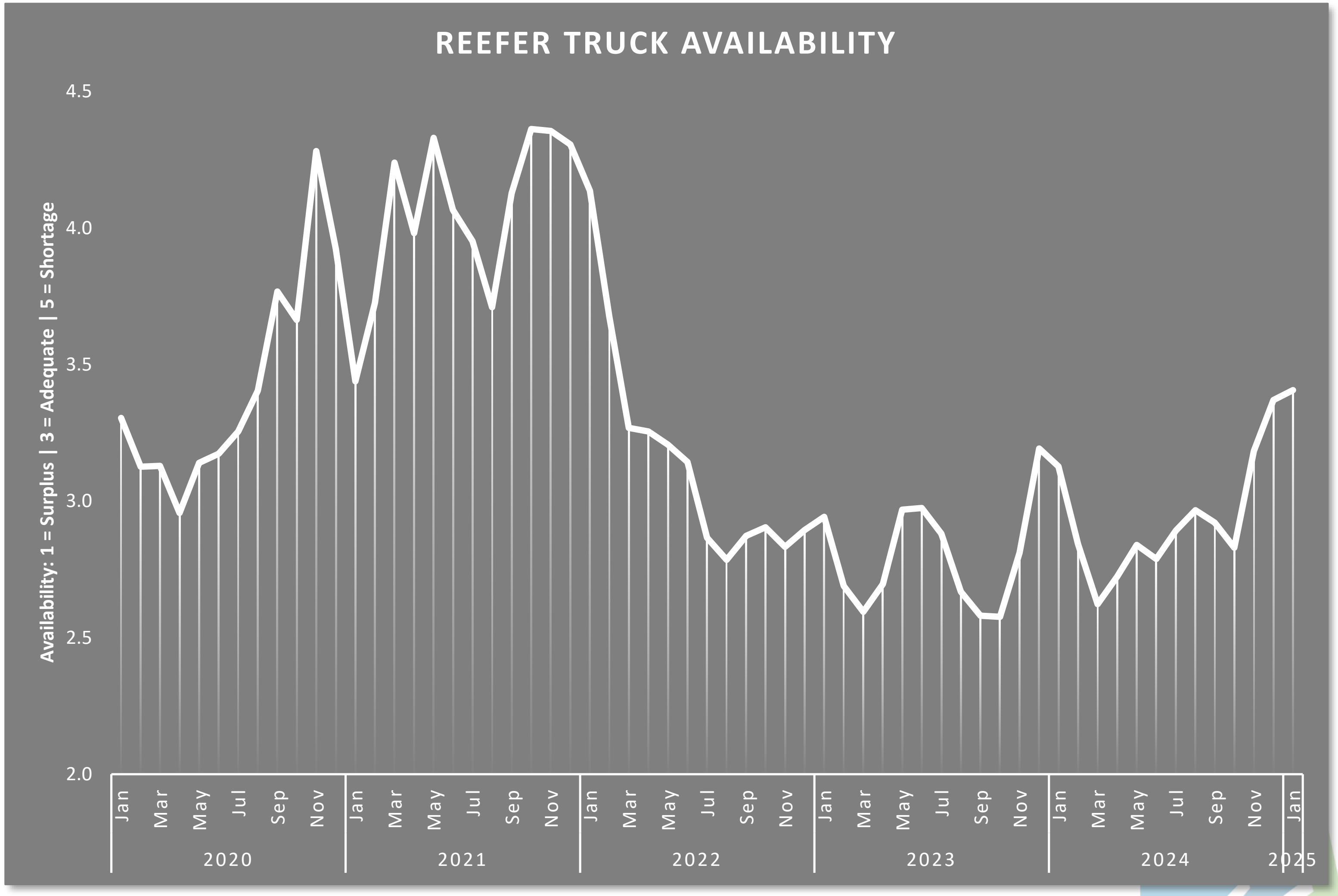
The big picture: The USDA's Crops report includes daily fruit and vegetable data for refrigerated truck availability across different regions and commodities.

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 January after tightening in December as well despite lower rates. This tightening was probably due to seasonality.

- Reefer truck availability tightened to 3.41, and is 8.9% tighter than the previous year. Capacity is 14.3% tighter than in 2019.
- Capacity levels were still mixed across the country.
- Availability was tightest in the Mexico-Arizona region, while Florida and the Pacific Northwest experienced the greatest loosening compared to the previous month.



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