



# Supply Chain Outlook

## Catching Up and Going Forward

**Stephen Paul**



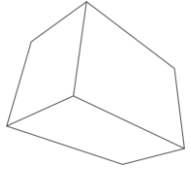




# RAY-MONT ORIGINS



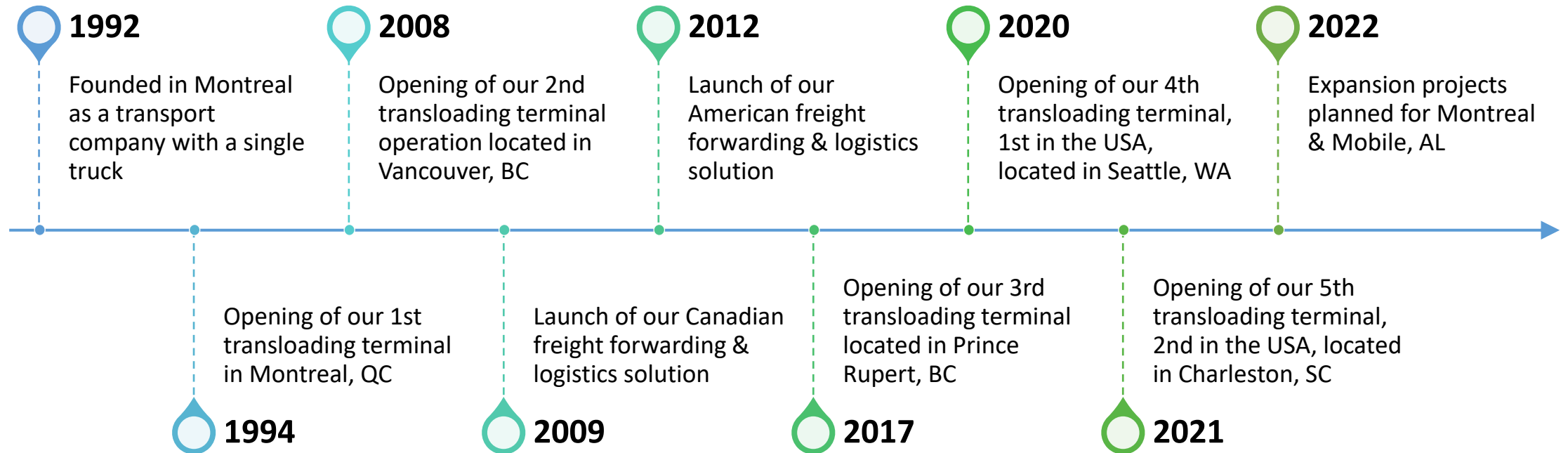




# **TERMINAL LOCATIONS NORTH AMERICA CURRENT & UPCOMING**



# RAY-MONT'S MILESTONES



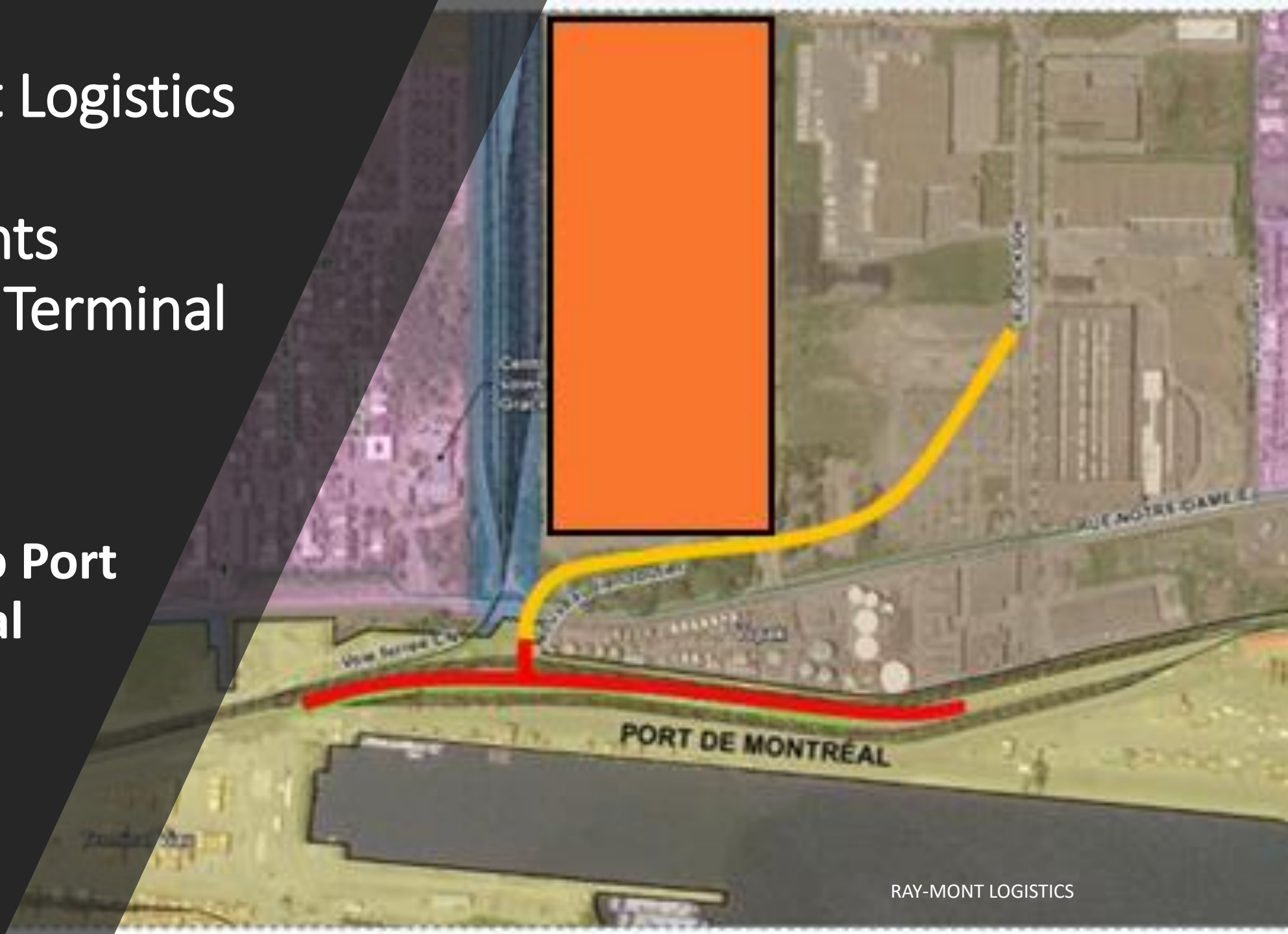


# Ray-Mont Logistics Soybean Movements Montreal Terminal

- Long-Term Partnership with B.O.L.D. Agriculture Est in 2020
- Transloading and Cleaning of Eastern Canada Soybeans
- Truck unloading and Storage
- Phase 1 design

# Ray-Mont Logistics Soybean Movements Montreal Terminal

Phase 2  
expansion  
adjacent to Port  
of Montreal





# **IMPORTANCE OF INTEGRATED LOGISTICS**



# WHY INTEGRATED LOGISTICS IS IMPORTANT

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Through the amalgamation of Ray-Mont's core logistics services, Ray-Mont pioneered an Integrated Logistics Solutions to the market, aligning together terminal operations & international freight forwarding.



Vertical integration of logistics services allows for enhanced cargo fluidity, increased efficiency, and valued added services to the overall logistics supply chain, to ensure cargo is delivered on time to final destination, with quality at the forefront of all operations and customer service.



Ray-Mont Logistics has developed extensive, and long-term partnerships, with all major ocean carriers worldwide, as well domestics railways, for the comprehensive benefit of all industry stakeholders.



International freight forwarding divisions provide us the flexibility to adapt to emerging market and supply chain disruptions, while continuing to maintain a high standard of quality throughout the entire supply chain





# **CANADIAN LANDSCAPE AND IT'S IMPORTANCE ON SUPPLY CHAIN MOVEMENTS IN CANADA**



## Top Canadian & U.S. Container Ports : Throughput TEU's (2020)

Note: (\*) indicates 2019 data as 2020 is not yet available

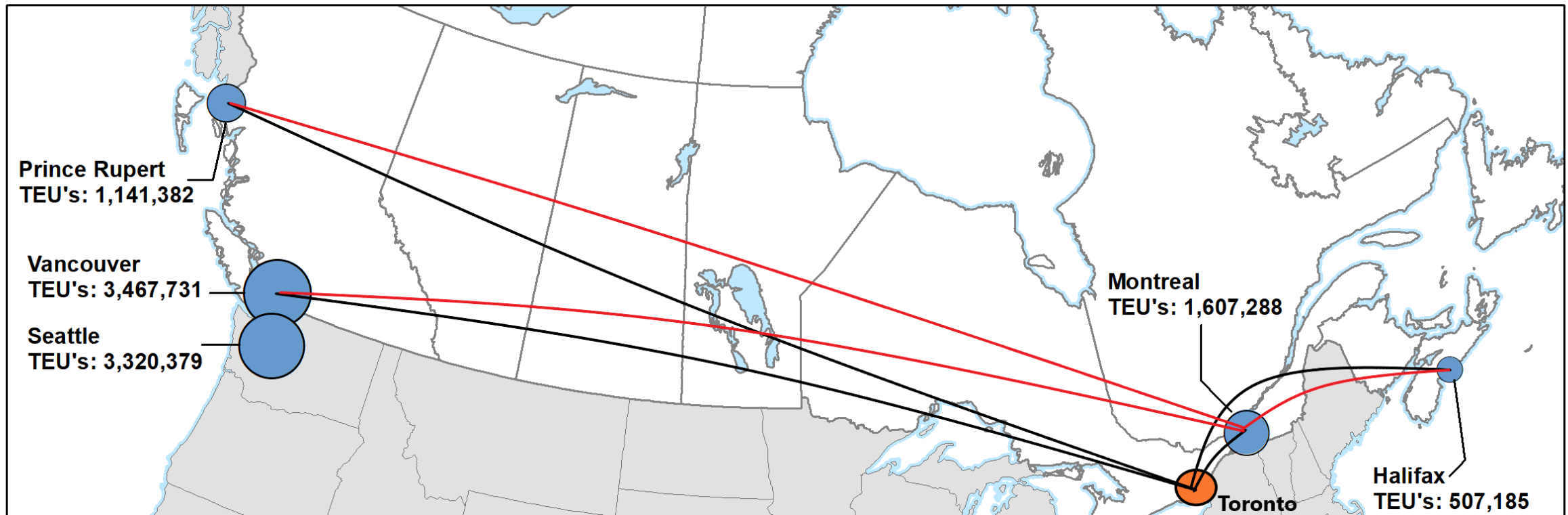


West Coast Ports of Vancouver and Prince Rupert handle approximately 2/3rds of all container movements (Import & Export) in Canada

# Import containers are moved inland by rail from the Ports to large populations centers such as Toronto and Montreal

## Top Canadian & U.S. Container Ports : Throughput TEU's (2020)

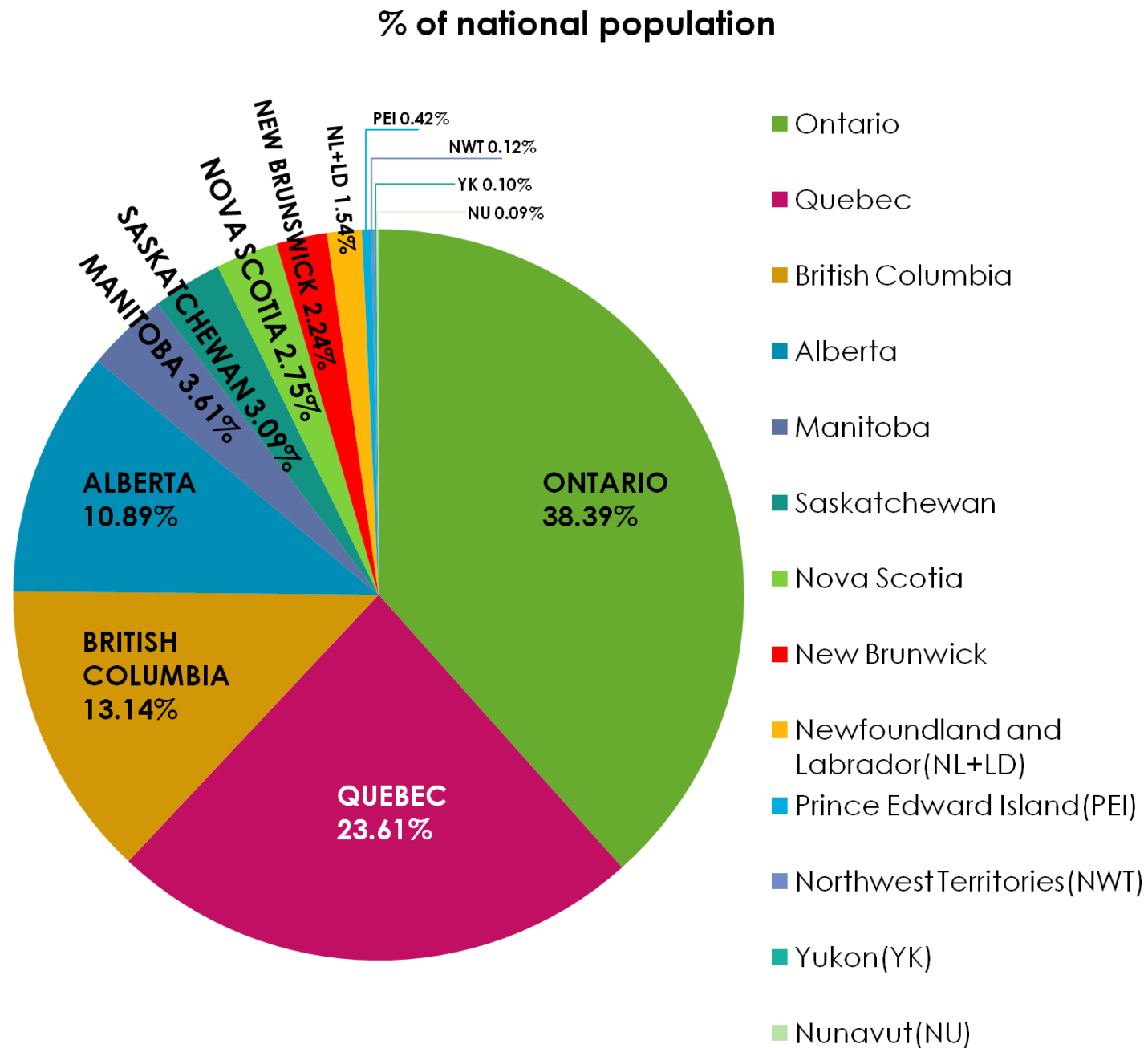
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# Canadian Population by Province

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Historically over the years, there has been a surplus of empty containers in Ontario & Quebec to be utilized for Soybean Exports



# Historical surplus of empty containers in Ontario and Quebec

Surplus was a byproduct of:

- Container trade imbalance with focus on imports
- Numerous warehouse and distribution centers located in Eastern Canada near highly concentrated population centers
- Export demand for empty containers was largely limited to the adjacent region due to strength of supply chain options via Western corridors



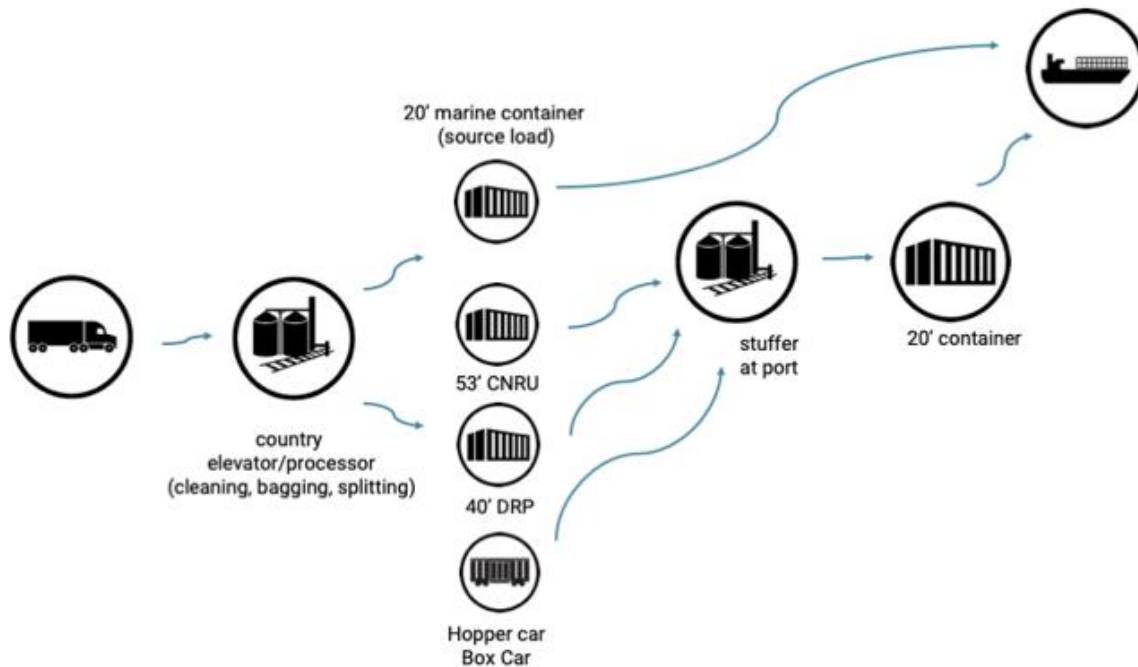




# **TWO COEXISTING SUPPLY CHAINS FOR AGRICULTURAL CONTAINER EXPORTS IN CANADA**

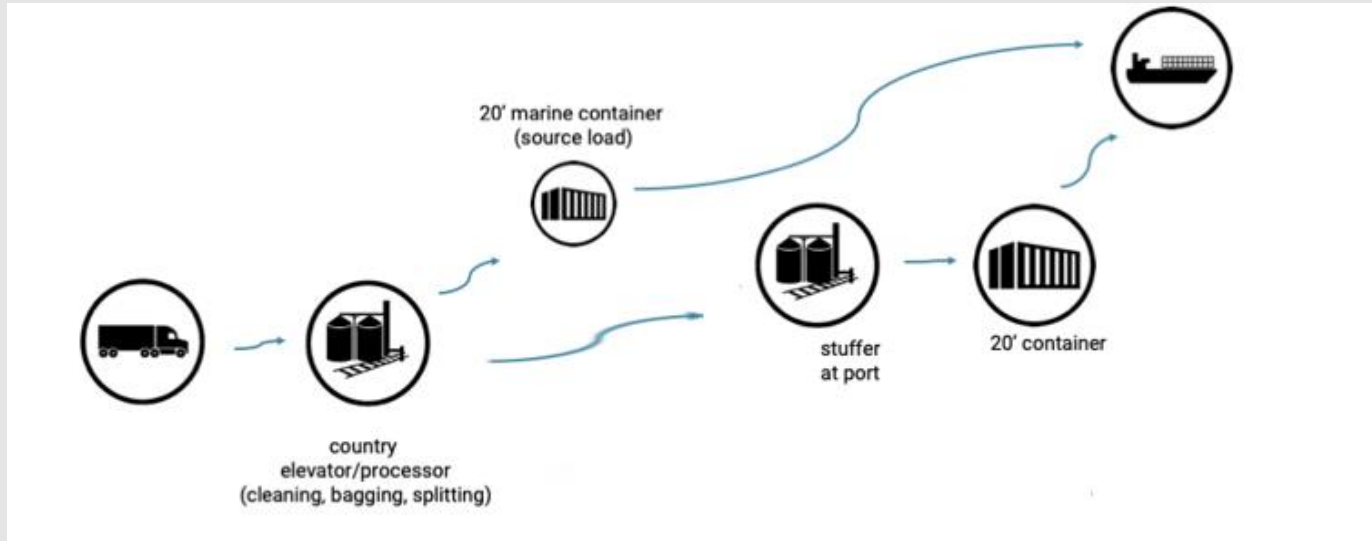
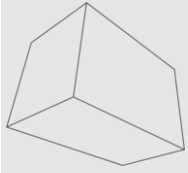


# Western Canadian Agricultural Containerized Exports



- This model relies heavily on the railways to help facilitate the movement of the commodities to the Port of Loading by means of Intermodals, Domestic Repositioning Units, Box Cars or Hoppers Cars
- Rail economic in Canada have always favored movements to the West Coast vs East Coast
- Historically there were an abundance of ocean carrier options off the West Coast to support this routing of business to most global destination
- Commodities are then transloaded into containers (20 ft or 40 ft containers)
- Containers are then delivered directly to the port for loading to the vessel





# Eastern Canadian Agricultural Containerized Exports

- This model capitalizes on the proximity of the commodities to major empty container hubs in Eastern Canada
- Large empty container hubs translated into favorable container freight rates
- Commodities are either loaded directly into containers at the plant or transported by truck to a transload facility for loading into containers
- Historically these movements were considered a backhaul option on import movements into Eastern Canada, particularly to move containers back to Asia
- Containers are then delivered directly to the port or rail terminal for loading to the vessel





# **Pre Pandemic Supply Chain**

## **Brief Retrospective**



## PRE PANDEMIC SUPPLY CHAIN

### Favorable Supply Chain Conditions

- Lower export rates
- Surplus of empty containers
- Competitive marketplace amongst ocean carriers

### Hanjin Shipping Bankruptcy in 2016

- Cause and effect
- Historical importance

### Consolidation and Alliances

- Reshuffling of container alliances in North America
- Mergers and acquisitions reducing available options to the trade

### Emergence of “Blank Sailings”

- Market share vs revenue
- Importance of analytics in shipping

# ILLUSTRATION OF CONTAINER PRICING 2015-2017







# **Pandemic Supply Chain**

## **Phase 1: Spring And Summer 2020**

### **Initial Shock Of Pandemic**



# PANDEMIC SUPPLY CHAIN: INITIAL SHOCK

## Emergence of COVID-19

- North America lockdowns
- Global economic uncertainty
- Increase in demand for goods

## Supply Chain Slowdown

- Numerous blank sailings
- Dramatic reduction of import containers into North America
- Container shortages start to emerge

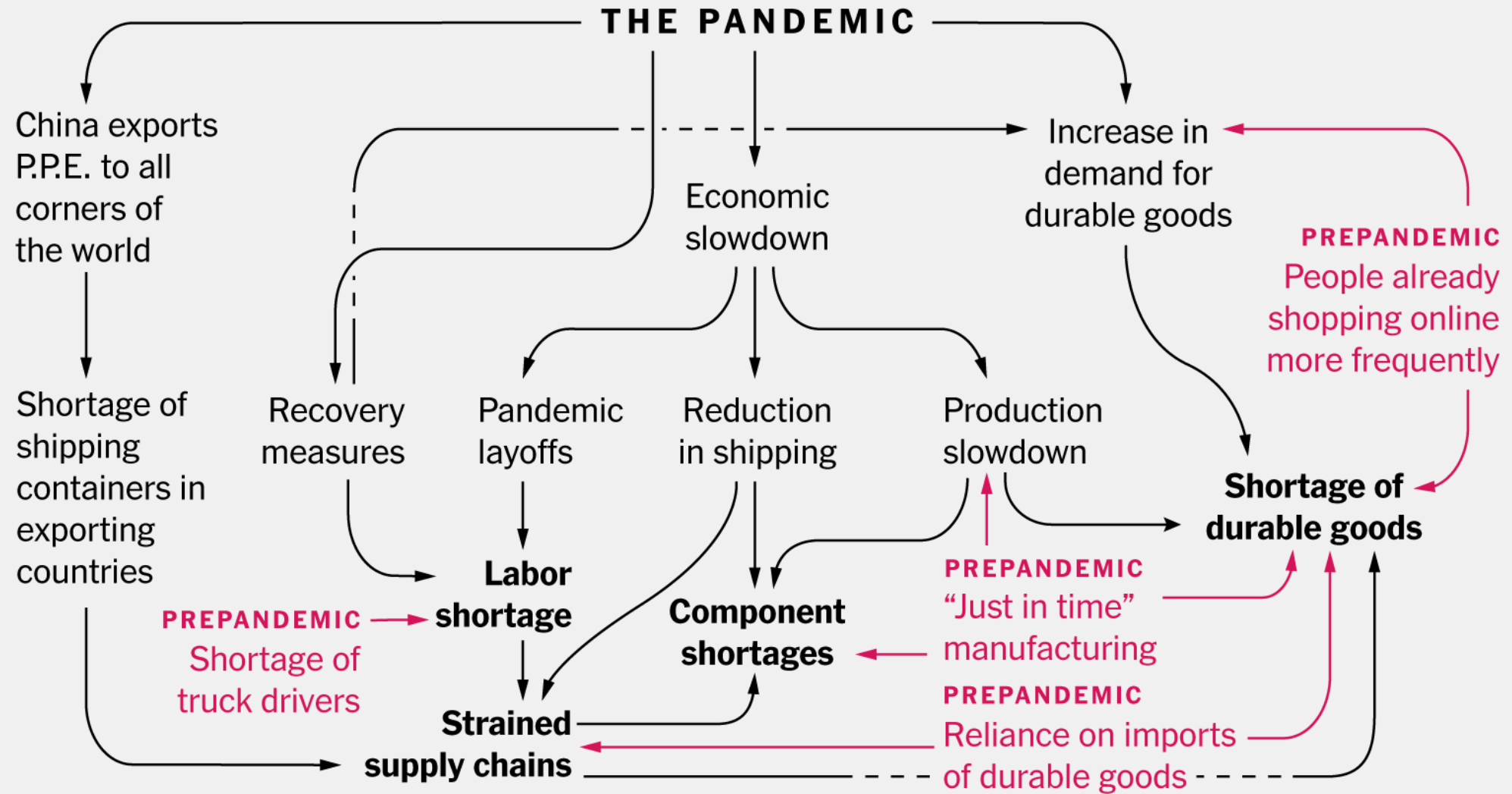
## Staffing and Labor Challenges

- Supply chain disruptions due to Covid-19
- Irregular service across multiple points of the supply chain
- Pandemic layoffs

## Change in Consumer Spending Habits

- Reduced travel equates to more disposable income
- Government economic relief injects additional funds into economy
- Imports show signs of life once more

**PHASE 1: SPRING AND SUMMER 2020**





**Pandemic Supply Chain**

**Phase 2: Fall 2020 – Spring 2021**

**Import Recovery Shifts Priorities**





# PANDEMIC SUPPLY CHAIN: IMPORT RECOVERY

### North America Import Demand Rises

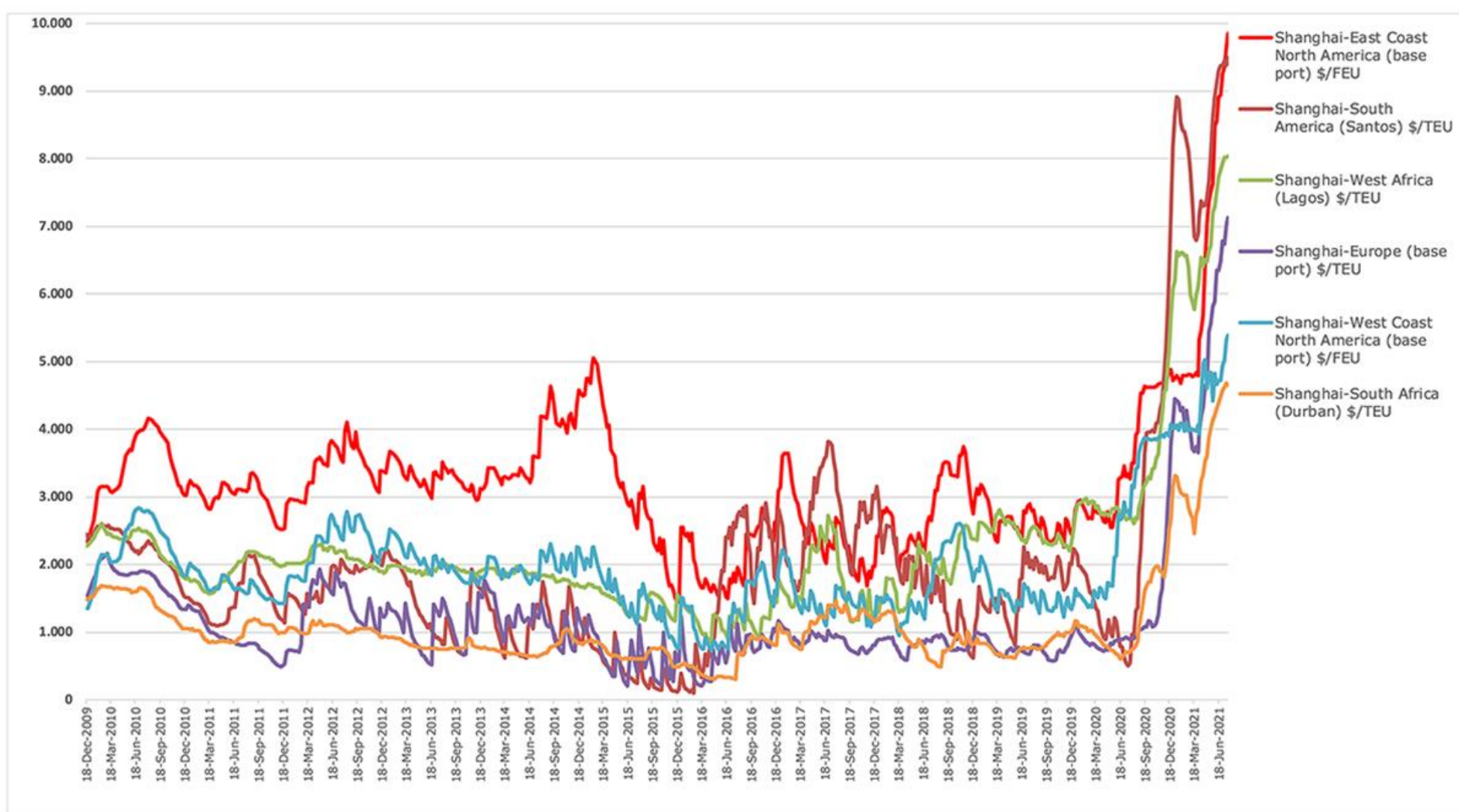
- Improvement on containers flows into North America provide new hope at the onset
- Dramatic rise in inbound container pricing
- Supply chains unsuccessfully attempt to pivot quickly to adapt to rapid increase in volumes

### Unfavorable Supply Chain Conditions

- Asset and equipment utilization come into focus for ocean carriers, as export start to become an afterthought
- Export pricing rises in attempt to remain competitive
- Development of “Take it or Leave it” mentality amongst ocean carriers

### Demand Outreaches Port Capacity

- Port congestion grows worldwide
- Vessel delays become the new normal
- Labor issues resulting from Covid continue to wreak havoc on supply chain efficiencies



# ILLUSTRATION OF CONTAINER PRICING 2009- JUNE 2021



**Pandemic Supply Chain**

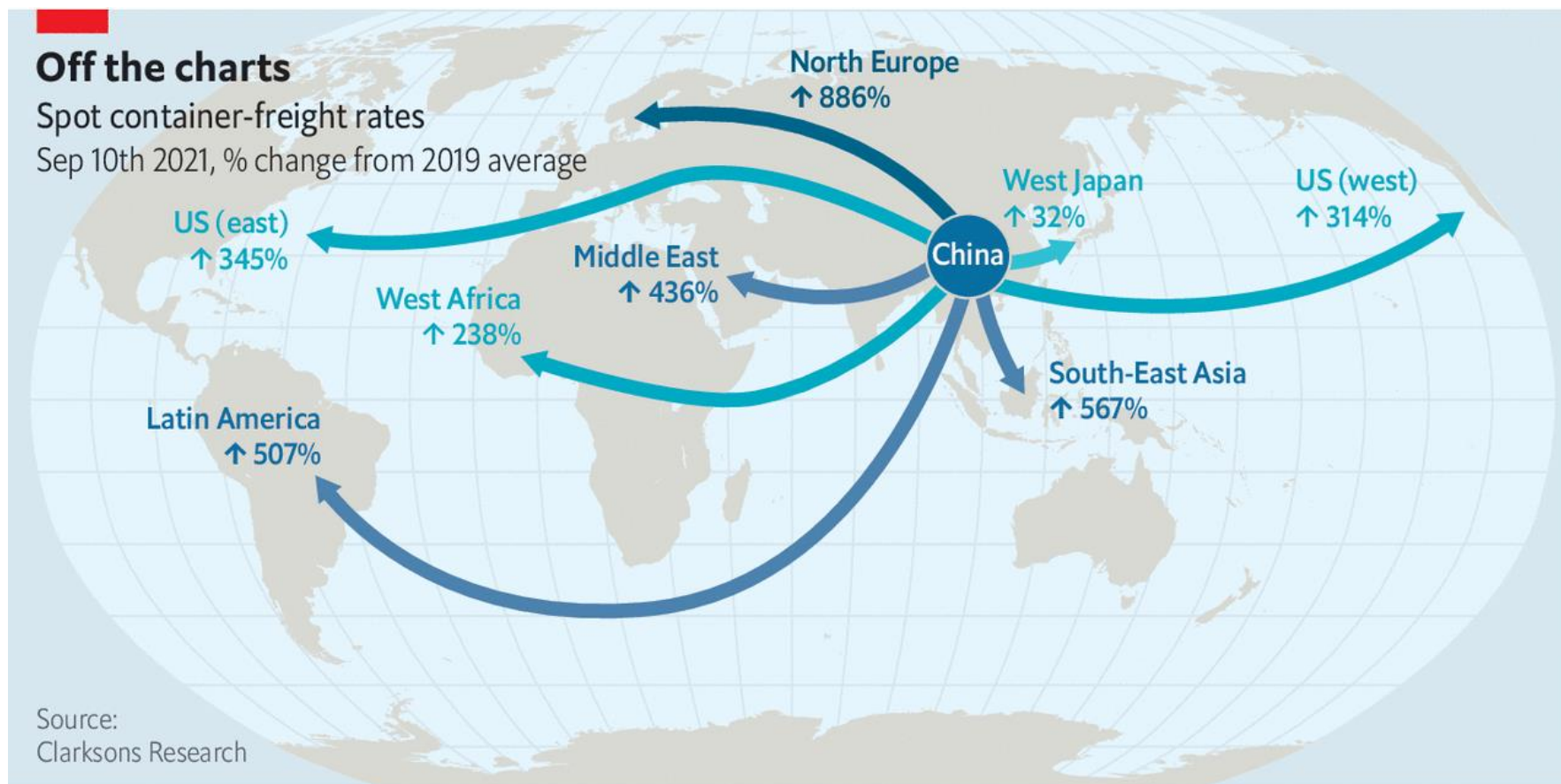
**Phase 3: Summer And Fall 2021**

**Asset Utilization In Full Effect**





# SUMMER AND FALL 2021: CONTAINER PRICING SOARS







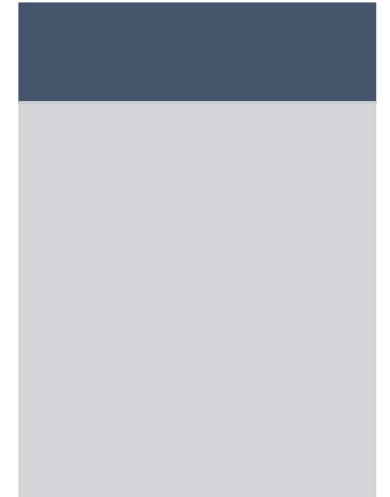
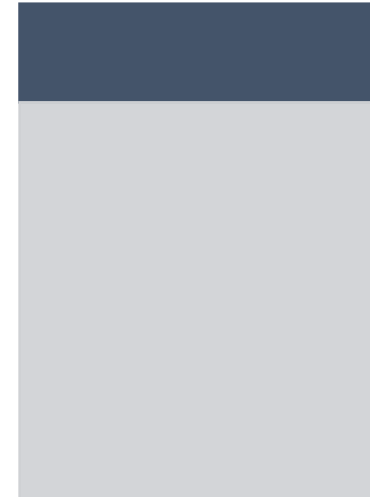
# PANDEMIC SUPPLY CHAIN: ASSET UTILIZATION

## Increase Focus On Container Utilization

- Carrier focus on Port-to-Port Imports
- Encouragement through pricing and/or vessel space
- Objective to return empty containers back to Asia as soon as possible

## Empty Container Inventory Out West

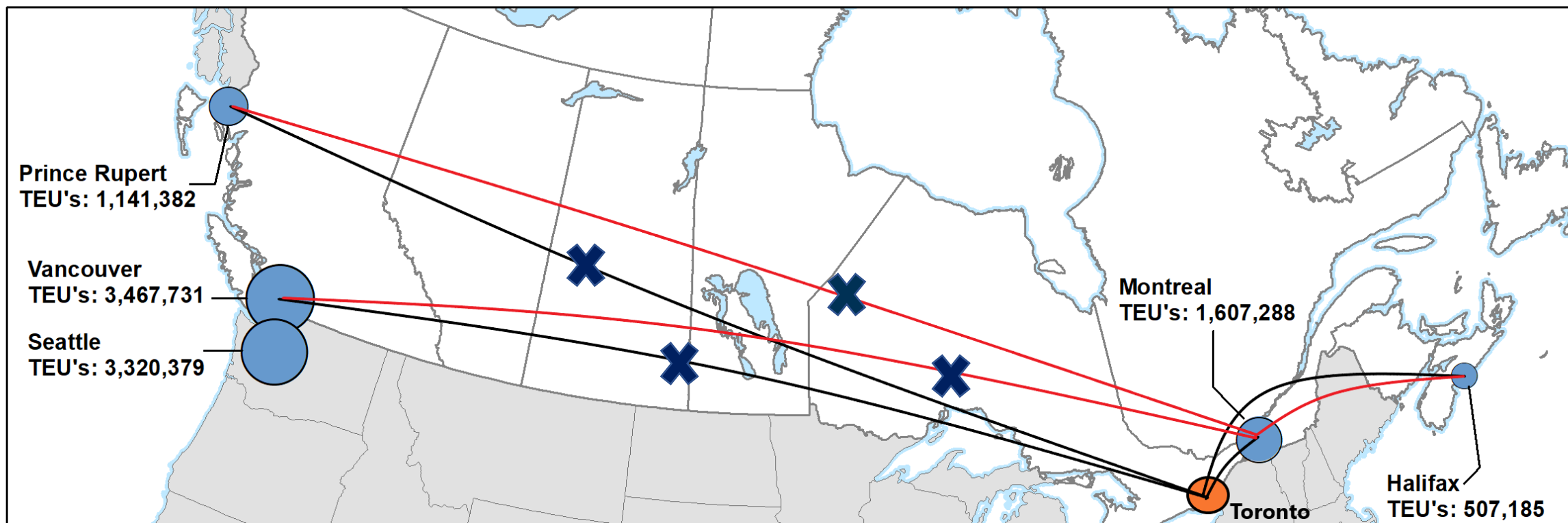
- Empty containers no longer a surplus in Eastern Canada
- Additional pressure on supply chain to adapt in Canada
- Port congestion resulting in higher local volumes



# Focus on asset utilization, as well as end to end container dwell times, discourage movement of containers inland

## Top Canadian & U.S. Container Ports : Throughput TEU's (2020)

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# PANDEMIC SUPPLY CHAIN: ASSET UTILIZATION

## Increase Focus On Container Utilization

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## Empty Container Inventory Out West

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## Increased Focus On Vessel Utilization

- Export trade lanes discouraged by reduced capacity or extreme pricing
- Historical vessel service removed to reposition vessels
- Goal to maximize transpacific trade

## Competing Supply Chains

- Western Canadian agricultural shifts to Port of Montreal
- Already reduced container supply worsened with increased demand
- Demand outweighs supply driving up container rates





**Pandemic Supply Chain**

**Phase 4: Current Situation**

**Adjusting To The New Normal**





# PANDEMIC SUPPLY CHAIN: THE NEW NORMAL

An aerial photograph of a port yard at dusk or dawn. In the foreground, there are stacks of colorful shipping containers (blue, red, yellow) and several semi-trailers parked. A yellow crane is visible on the left. In the background, a city skyline with various skyscrapers is visible under a clear sky. The overall scene depicts a busy logistics hub.

## Relative Rate Stability

- While rate increases are present, volatility has reduced
- Ocean carriers have settled into their desired trade lanes and costs
- Renewed focus on exports for 2022

**PHASE 4: CURRENT SITUATION**



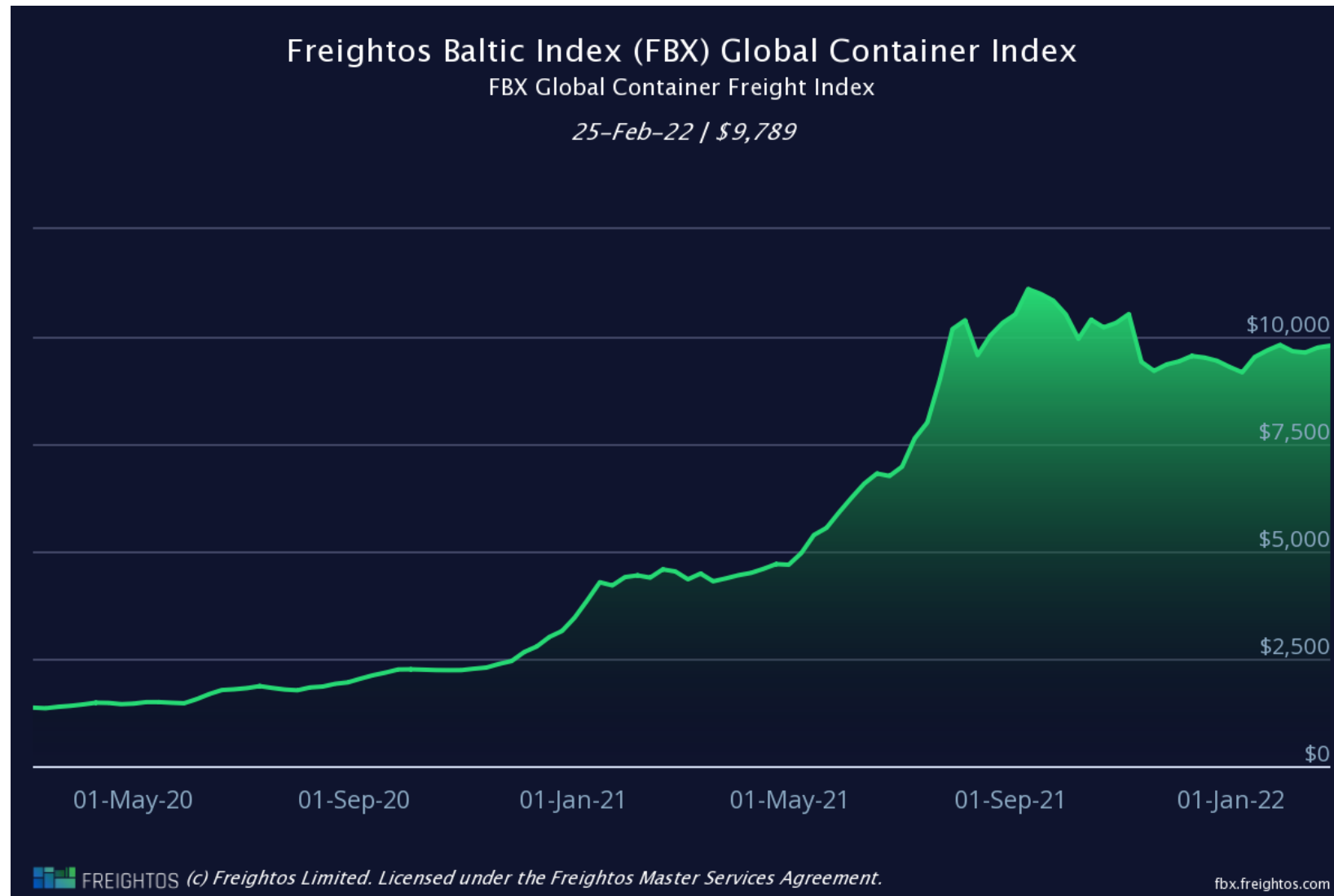


ILLUSTRATION OF FREIGHTOS BALTIC INDEX MAY 2020 - CURRENT

# PANDEMIC SUPPLY CHAIN: THE NEW NORMAL

## Relative Rate Stability

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## Continued Container Instability

- Ongoing demand for containers from multiple industries
- Forecasting empty container needs becomes essential
- Coordinating empty container arrival is critical

## Freight Dynamics Evolving

- Emergence of two way “take or pay” style agreements
- Presence of “Spot Booking” type tools similar to the airline industry
- Desire for long terms commitment by ocean carriers

## Vessel Space And Allocation

- Vessel space to certain destination remains limited
- Focus on services via the East Coast vs the West Coast
- Vessel space can be dependent on equipment type and contracts

**PHASE 4: CURRENT SITUATION**



# **Supply Chain Forecast**

## **Eye Towards The Future**





# SUPPLY CHAIN FORECAST

## What happens to West Coast gateway?

- Will traditional vessel service return prompting Western Canada Grain back to historical patterns
- Will import cargo return to traditional movements, discharging containers out East
- Will containers rates normalize to realign focus once more back to a more balanced portfolio

EYE TOWARDS THE FUTURE

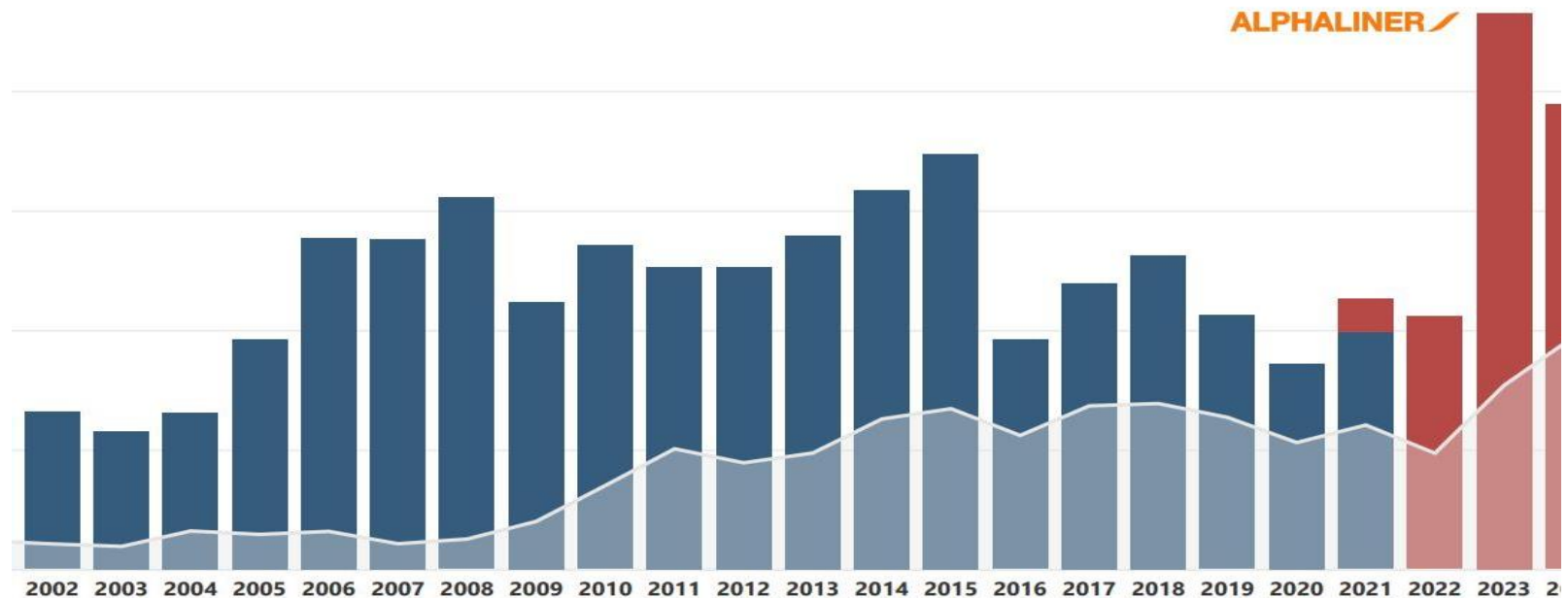


# Cellular Containership Deliveries by TEU

VLCS Watch	Current Fleet		Orderbook	
Size range	Units	TEU	Units	TEU
> 18,000	145	3,020,791	53	1,256,616
15,200-17,999	56	924,151	75	1,180,164
12,500-15,199 NPX	269	3,712,464	120	1,718,800
10,000-12,499	188	2,047,785	19	226,298
7,500-9,999	478	4,231,600		
<b>Total</b>	<b>1136</b>	<b>13,936,791</b>	<b>267</b>	<b>4,381,878</b>

Cellular Containerships Deliveries by TEU

● Average of TEU



# SUPPLY CHAIN FORECAST

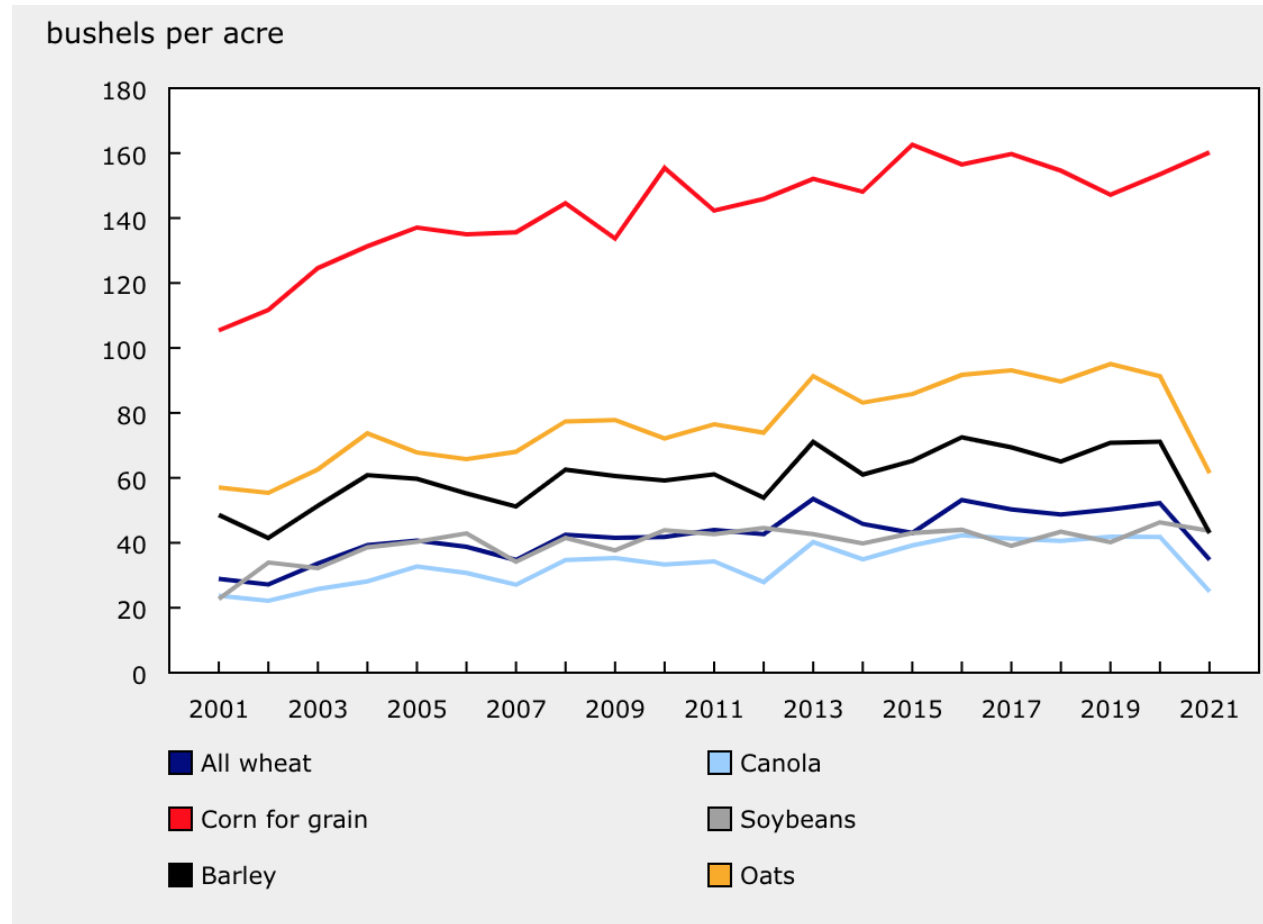
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- Will traditional vessel service return prompting Western Canada Grain back to historical patterns
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- Estimate of 2023 before market balance

## Supply chain storm on horizon?

**EYE TOWARDS THE FUTURE**

# 2022 Crop Outlook In Canada And Potential Supply Chain Effects







# SUPPLY CHAIN FORECAST

## What happens to West Coast gateway?

- Will traditional vessel service return prompting Western Canada Grain back to historical patterns
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## Supply chain storm on horizon?

- Logistical issues on the West Coast persist, combined with a normal crop production, will test Eastern Canada supply chain further
- Ongoing world events both political and in terms of supply chain factors, will increase demand

## Solutions for the upcoming year

- Increased importance on ocean carrier forecasts, agreements and two-way commitments
- Diversify where possible, both in terms of alternate routings and equipment types
- Align with supply chain specialist and partners, to get creative, find nontraditional solutions, and maximize the available opportunities as they become available

**EYE TOWARDS THE FUTURE**





**QUESTIONS?**

