



US Market Conditions

November 2021

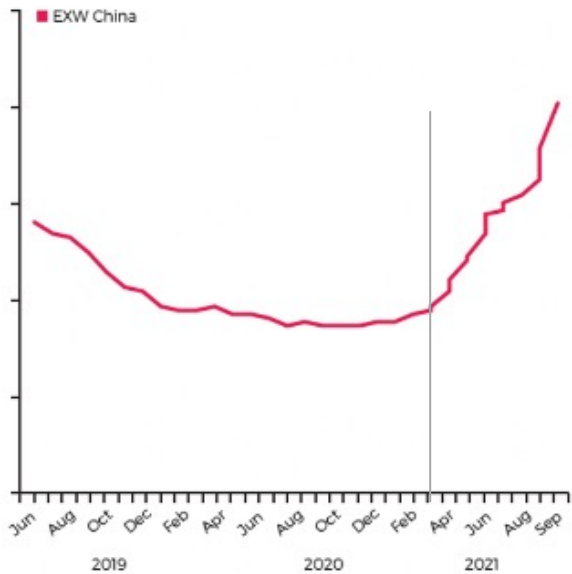
Greases Market

JobbersWorld News 9/10/21:

Grease

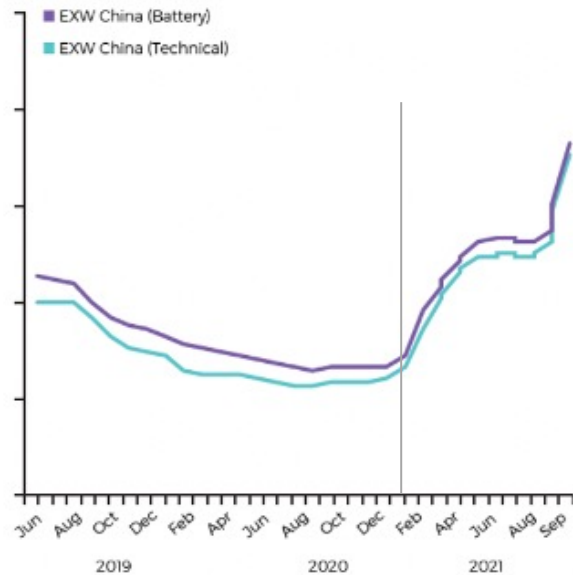
In addition to many of the increases JobbersWorld recently reported, marketers say the price of grease is experiencing significant upward movement following the explosion and fire that destroyed the Chemtool grease plant. Some have been notified that the price of grease will move up by as much as 17%.

LiOH (lithium hydroxide)



Source: Benchmark Mineral Intelligence

Li₂CO₃ (lithium carbonate)



Source: Benchmark Mineral Intelligence

Total Loss Expected From Chemtool Fire

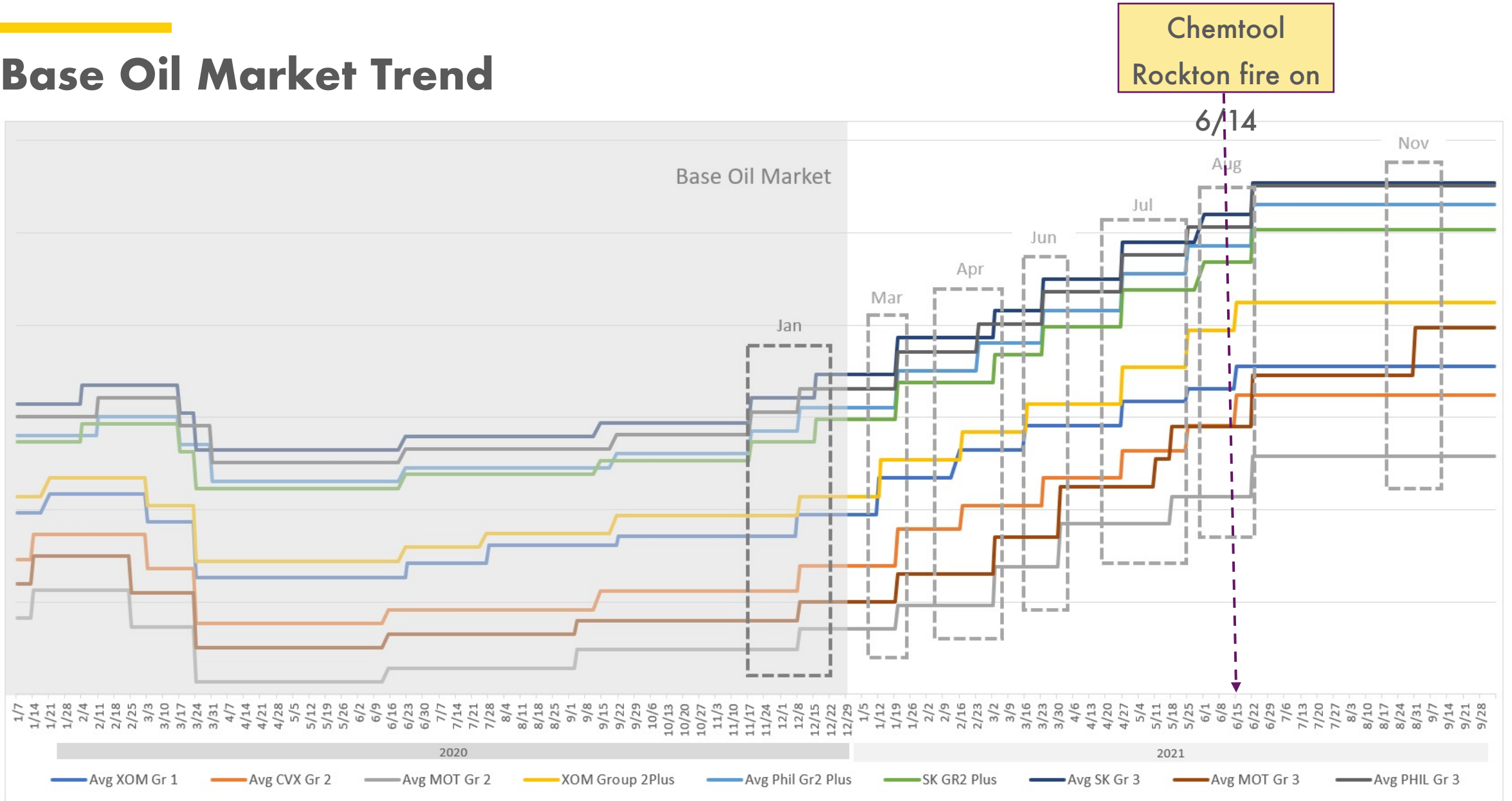
By Will Beverina - June 16, 2021



Additional commentary

- Lithium / lithium complex being the dominant grease thickener in North America is creating extra pressure on the cost of most greases
- The price increase of raw materials and the fire at Chemtool Rockton has created supply disruptions in the market

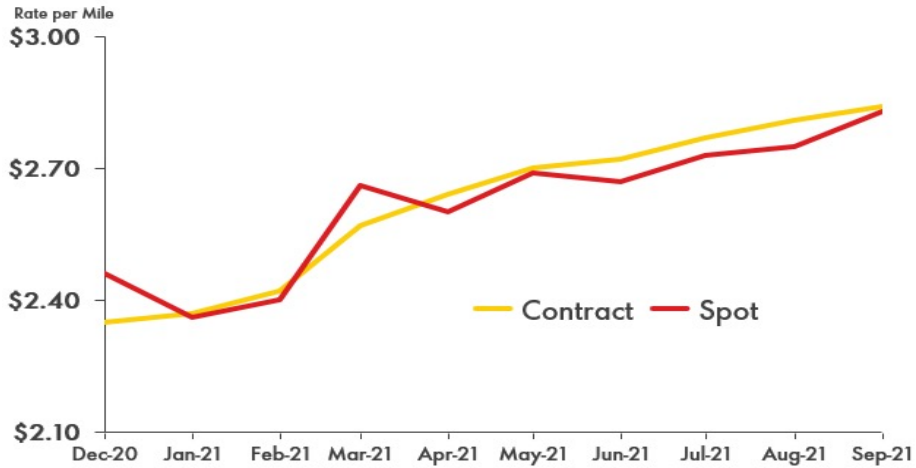
Base Oil Market Trend



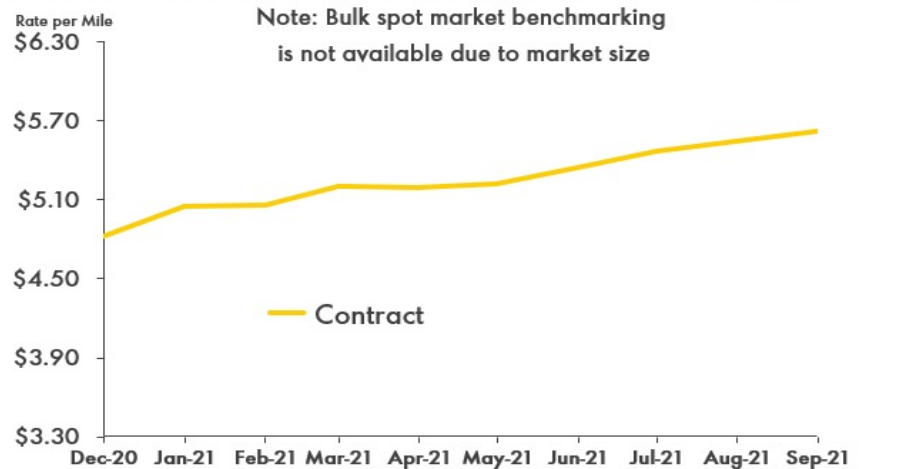
Sources: *Lubes&Grease, *ICIS, ZEMA

Logistics Freight Rate Snapshot

Pack RPM Marker: DAT National Avg (LH + Fuel)



Bulk RPM Marker: Transplace National Avg (LH + Fuel)



Key Takeaways

- Outlook:** Pack rates continue to escalate slightly with consumer demand and constrained supply chain capacity driving the current COVID triggered freight cycle. Upward cost pressures continue due to underutilization of freight capacity and inefficiencies created by the STEM supply shortages. (New Spot lanes, light FTL's, and increased LTL's)
- Pack Rates:** Carriers are not falling off their dedicated lanes as often as years past because customers and brokers are continuing to pay spot rates on contractual lanes to retain their capacity. Contract rates have continued to rise and have met or exceeded spots rates making it even harder to find carriers for additional spot freight.
- Delta Variant:** The economy is expanding at a robust pace but is starting to transition toward trend growth. The spread of the Delta variant is casting some clouds on the outlook. Retail sales have been inconsistent, and there are signs consumer confidence may be moderating after surging earlier this year.
- Bulk Rates:** Rates continue to escalate with significant driver/capacity headwinds.
- Domestic Inbound/Outbound Freight:** Tender rejection rates remain at 20% - matching the lowest point all year. Tender rejection rates tend to be one of the best leading indicators for spot rates with a high historical correlation. Although tender rejection rates have improved, rates remain stubbornly high. This is likely due to loads moving <250 miles growing by 11% since Q2 2021. One day routes are more attractive to drivers, thus higher acceptance rates.
- August Load to Truck Ratio:** National Avg: 6.5 *Houston 5.6* *Pittsburgh 10.4* *Los Angeles 10.7*
- Import/Export:** Congestion continues at record levels. contributing factor as demand outpaces supply. Changes to import paths are likely contributing as shippers seek out other port options besides LA/Long Beach.
 - 40 container ships are anchored off the adjacent ports of LA/Long Beach, the most since Feb 2021.
 - The chances of vessels arriving on time are ~40% vs 80% one year ago.
 - Composite cost of shipping a 40-foot container on eight major East-West routes hit \$9,613 the week to August 19, up 360% from a year ago.
 - Large companies such as Walmart and Ikea continue to book out entire ships and fleets furthering the congestion of freight at ports.

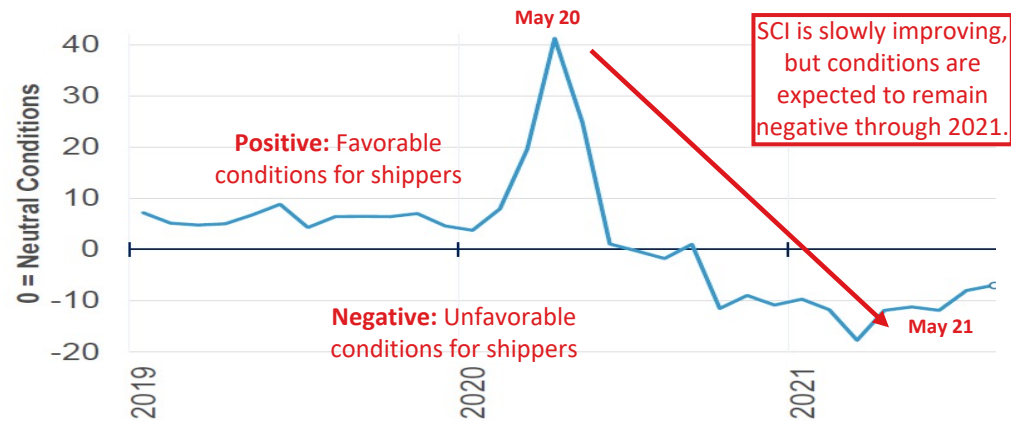
- Diesel Fuel:** Aug: \$3.35/gal



September Logistics Freight Signposts

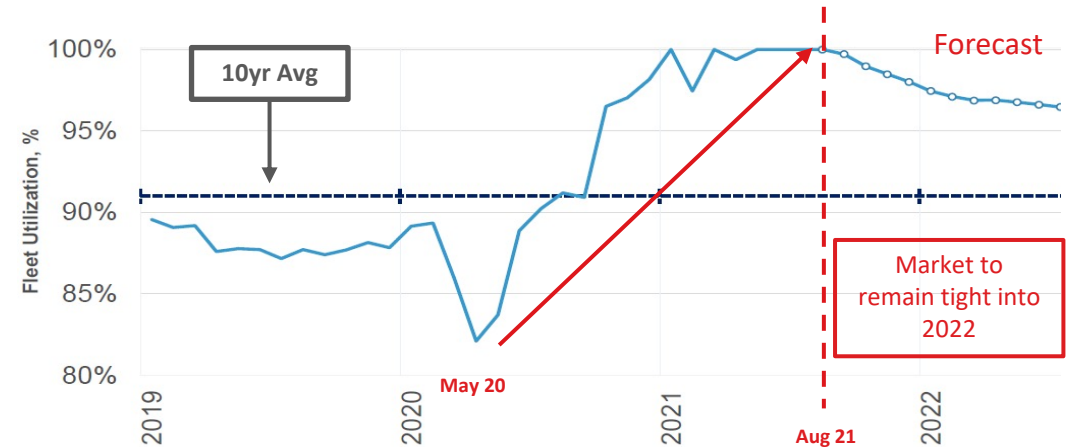
FTR Shipping Conditions Index

SCI is a broad measure of shipper conditions: volumes, rates, fleet capacity, fuel price, and financing.



Active Truck Utilization

Share of trucks actively engaged in hauling freight



All about the Driver

- Vaccination Mandate:** Per the Biden Administration, OSHA is developing a rule to implement a temporary emergency standard requiring all employers with more than 100 employees to ensure their workforces are fully vaccinated against COVID-19 or undergo weekly testing. Details are still under development, but it is possible that truck drivers will be viewed differently than employees at an office building with more than 100 workers.
 - Possible impact:** Some drivers may migrate from large company fleets to smaller ones under 100 employees and thus exacerbate the driver shortage challenges for shippers sourcing transport from large fleets.
- Recruitment:**
 - Amazon** is offering more than 750,000 U.S. hourly employees the chance to enroll in a fully paid bachelor's degree program after 90 days of employment. Walmart and Target also are offering education-benefits programs. The stepped-up perks signal that Amazon's \$15-an-hour base wage is no longer enough to attract workers.
 - Cowan** is incentivizing new drivers to join their program with a \$20k bonus. \$10k incentives have been offered in the past.
 - Dollar General** is offering a \$5,000 sign-on bonus to people who accept positions as drivers for its trucking operation, known as DG Private Fleet, through Jan. 28, 2022.
- Expanding the Driver Pool:** A provision in the infrastructure bill the Senate approved August would set up a pilot program allowing 18- to 20-year-olds to drive tractor-trailers across state lines. Most states allow people under 21 to get commercial driver's licenses, but federal rules restrict those drivers to working within state borders. The infrastructure bill's pilot program would allow up to 3,000 drivers at a time to take part in the test, in a heavy-duty and tractor-trailer trucking sector that altogether employs about 1.8 million people. The House is due to take up the bill in September.

Price Change Details

Important dates and details to keep in mind

| Description | Date |
|-------------------------|------------------|
| Announce Date | October 7, 2021 |
| Effective Date | November 8, 2021 |
| Price Change Amount (%) | up to 9% |
| Products | All Greases |

Note: Each sales channel may vary Sales Control by customer or product to address specific needs. Sales channel leadership will provide further information.

