

AgTC Annual Meeting, June 26, 2014

William C. Duggan, Jr, Maersk Line North American Refrigerated Services

Carrier perspective on Refrigerated Shipping

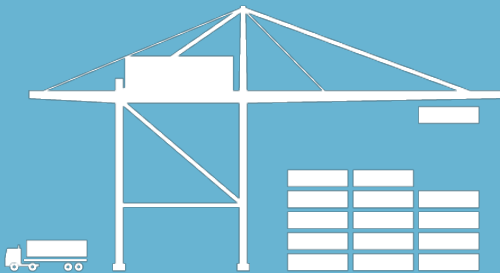


Agenda

- Key Messages
- The Global and USA Reefer Market
- The Reefer Container Challenge
- The Reefer Rate
- Japan & China 24 Hour Rule
- The Future
- Questions

My key messages today

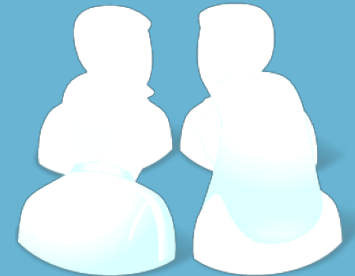
**MAERSK LINE
REMAINS COMMITTED
TO THE REEFER
BUSINESS**



**THE SHIPPING
INDUSTRY IS STILL
FACING SIGNIFICANT
CHALLENGES**



**PARTNERSHIPS AND
SERVICE INNOVATION
WILL BE FUTURE
VALUE DRIVERS**

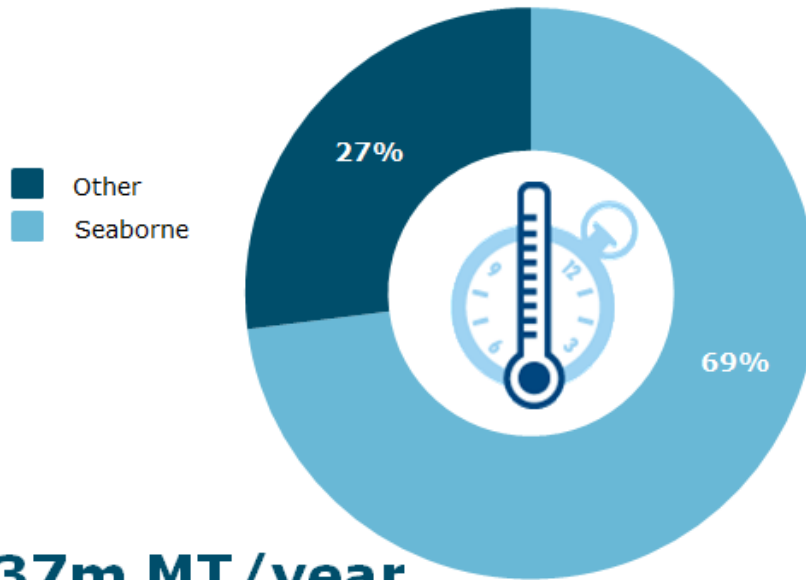




SECTION 4: GLOBAL & US REEFER MARKET

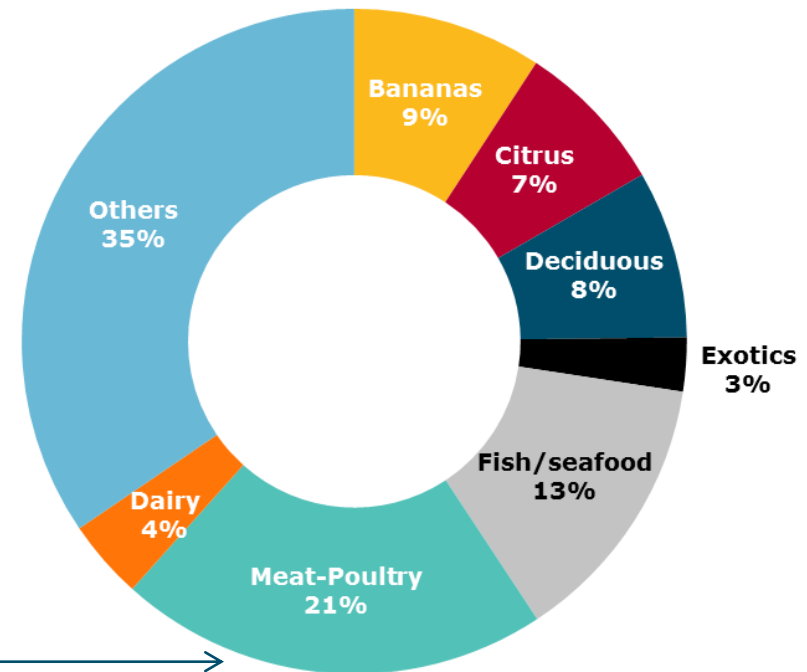
Global Market 2013- Reefer Cargo

International Perishable cargo



137m MT/year
Total cargo under refrigeration

Worldwide trade by commodity



- Meat-poultry is the largest and fastest growing segment
- At 4.8% CAGR from 2002-2012 (or 36.3m MT)

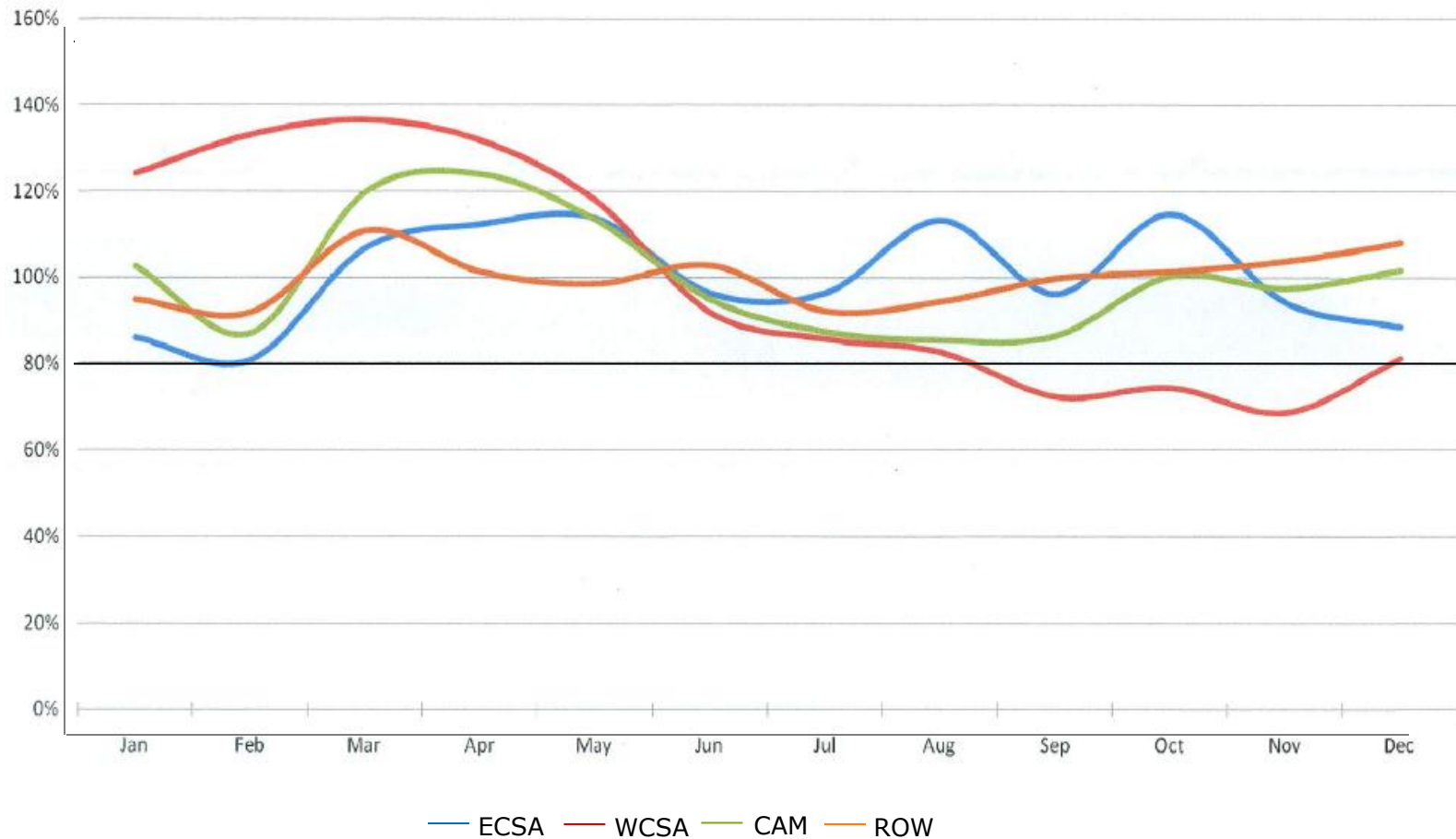


Source: Drewry Container Forecaster

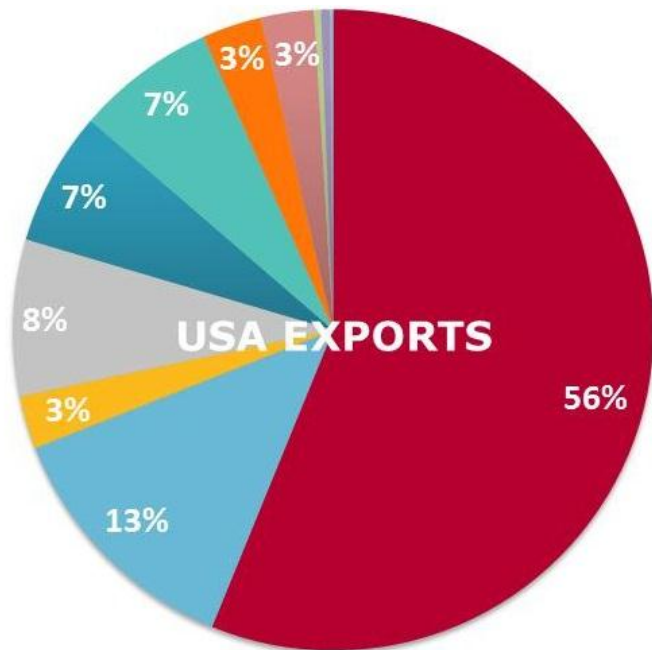


Seasonal demand creates pressure in Q1-Q2 peak

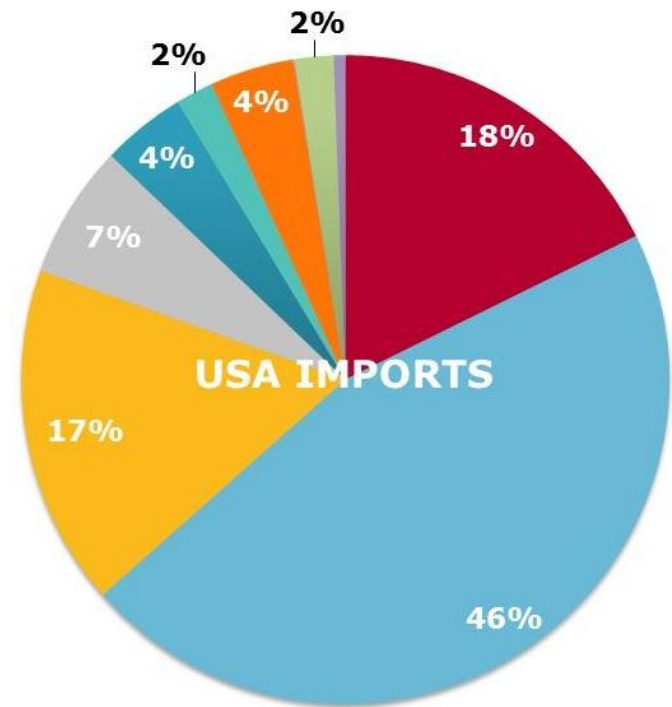
Global reefer market seasonality by index



USA Reefer Market - all



- TRANSPACIFIC
- WEST COAST SOUTH AMERICA
- MEDITERRANEAN
- OCEANIA
- EAST COAST SOUTH AMERICA
- EAST AFRICA



- CENTRAL AMERICA AND CARIBBEAN
- TRANSATLANTIC
- MIDDLE EAST INDIA PAKISTAN
- WEST AFRICA
- SOUTH AFRICA



USA Reefer Market Share and Volume

	Maersk Line		Total Market	Maersk Line YTD				Total Market	
	2013 Mkt Share	2013 Volume	2013 Volume	YTD Mkt Share	YTD ML Reef Volume	YOY Mkt Share Growth	YOY Volume Growth	YOY Volume Growth	YTD Mkt Reef Volume
	GRAND TOTAL	11.35%	117,098	1,032,051	12.06%	42,556	2.4%	18.1%	-5.5%
Import									
CAMCAR	3.51%	8,343	237,391	4.91%	4,907	0.6%	8.1%	-5.1%	99,999
EAFR	48.90%	19	39	5.04%	1	-55.6%	-92.6%	-11.3%	11
ECSA	0.68%	77	11,404	0.91%	28	-0.1%	-12.7%	1.5%	3,085
MED	11.81%	2,919	24,723	13.41%	1,169	-0.4%	-1.9%	1.3%	8,715
MEIP	16.46%	1,821	11,066	21.20%	636	5.0%	3.4%	-20.8%	3,002
OCE	17.02%	4,193	24,644	18.13%	1,539	1.8%	12.1%	0.7%	8,486
PAC	8.75%	9,092	103,912	9.68%	3,190	1.6%	29.2%	7.6%	32,959
SAFR	15.53%	524	3,374	4.85%	17	2.1%	19.6%	-32.6%	353
TATL	16.97%	6,643	39,147	19.81%	2,269	4.1%	16.6%	-7.7%	11,453
WAFR	38.73%	145	375	39.24%	53	14.2%	58.6%	1.4%	134
WCSA	7.30%	7,089	97,122	6.34%	2,048	1.6%	21.2%	-8.8%	32,324
IMPORT TOTAL	7.39%	40,866	553,196	7.91%	15,857	1.2%	14.0%	-3.8%	200,521
Export									
CAMCAR	3.74%	2,321	62,143	3.14%	558	2.0%	130.8%	-17.0%	17,809
EAFR	32.45%	245	755	45.36%	97	27.8%	96.9%	-23.7%	213
ECSA	6.32%	106	1,677	8.34%	47	-1.0%	4.4%	16.9%	563
MED	31.69%	10,196	32,174	29.43%	3,300	0.6%	12.1%	9.8%	11,214
MEIP	35.08%	11,794	33,621	36.83%	4,128	5.6%	2.9%	-12.6%	11,207
OCE	8.88%	1,271	14,314	8.46%	421	2.1%	33.9%	1.4%	4,977
PAC	10.64%	28,605	268,728	13.20%	11,368	3.9%	30.7%	-7.8%	86,105
SAFR	26.91%	579	2,150	27.07%	128	3.9%	-26.0%	-36.7%	473
TATL	33.17%	12,484	37,635	34.09%	3,987	8.0%	10.5%	-15.4%	11,694
WAFR	41.69%	5,322	375	37.56%	1,639	1.1%	38.4%	34.4%	134
WCSA	25.66%	3,308	12,893	27.04%	1,025	4.8%	20.6%	-0.6%	3,792
EXPORT TOTAL	15.92%	76,232	478,856	17.52%	26,699	4.1%	20.7%	-7.7%	152,412

YTD includes Jan – April 2014

#1 Carrier YTD	#2 Carrier YTD	#3 Carrier YTD
Maersk Line	Great White	Dole

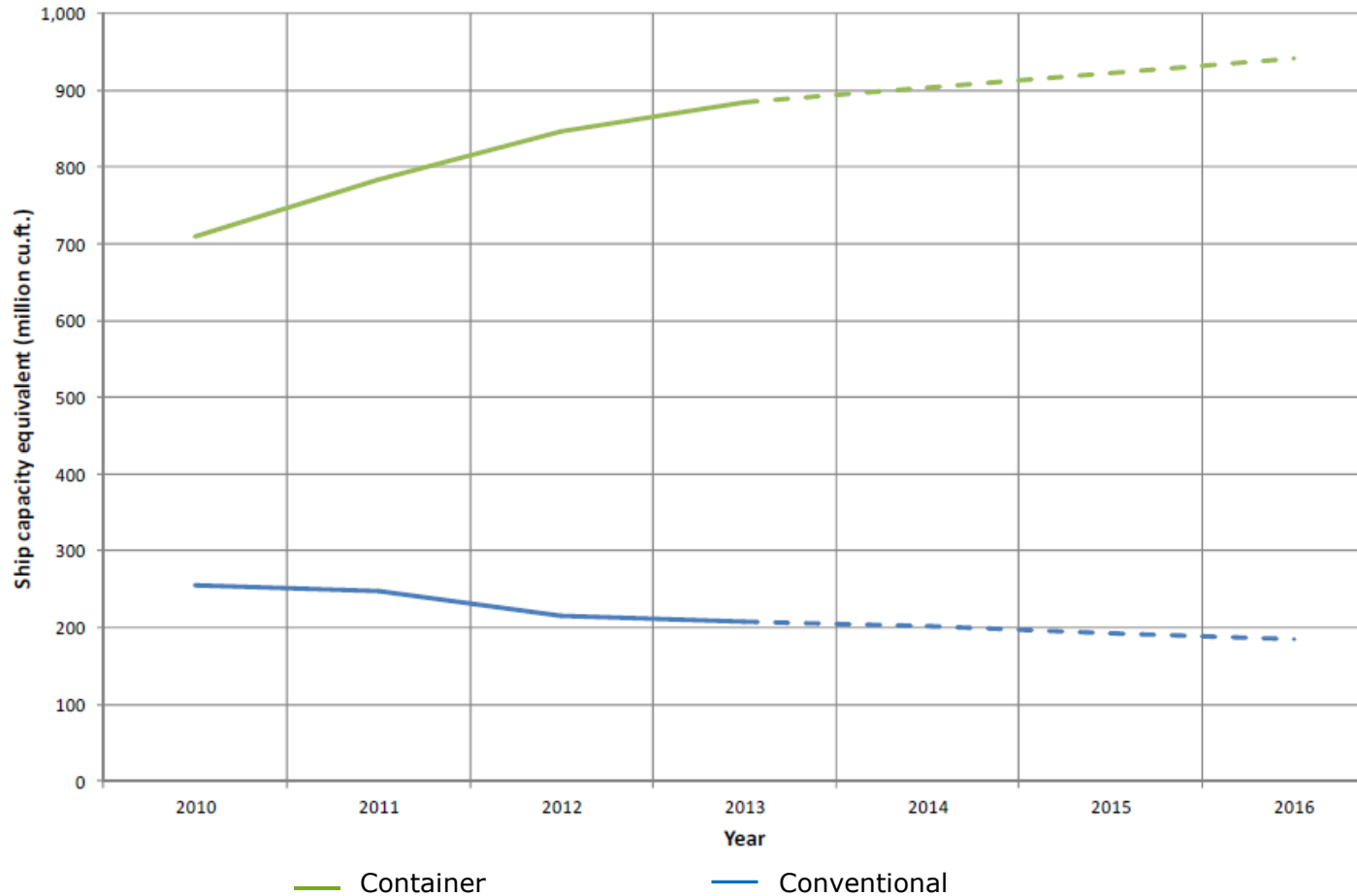
Great White	Dole	NETWORK
MSC	SETH	Maersk Line
Hamburg Sud	MSC	Hapag
MSC	Maersk Line	ZIM
Maersk Line	APL	Hanjin
Hamburg Sud	Maersk Line	USLINES
APL	OOCL	Maersk Line
MSC	Safmarine	Maersk Line
Maersk Line	APL	MSC
Maersk Line	Hapag	Safmarine
Dole	Great White	MSC
Dole	Great White	Maersk Line

TROPICAL SHIPPING	Seaboard Marine	Crowley
Maersk Line	MSC	CMA
Hamburg Sud	MSC	CSAV
MSC	Maersk Line	ZIM
Maersk Line	Hanjin	APL
Hamburg Sud	USLINES	Maersk Line
Maersk Line	MOL	Hanjin
MSC	Maersk Line	MOL
Maersk Line	Hapag	OOCL
Maersk Line	MSC	CMA
Maersk Line	MSC	Hamburg Sud
Maersk Line	MOL	Hanjin



SECTION 5: CONTAINER CHALLENGE

Actual reefer carrying capacity: container versus conventional



Global Cellular Container Fleet by size Range

5,122 Total number of vessels

Total TEU ship Capacity **16,701,264**



2.9M

Reefer Capacity (TEU)

17.8%

Source: Drewry June 2013) Reefer Shipping Market

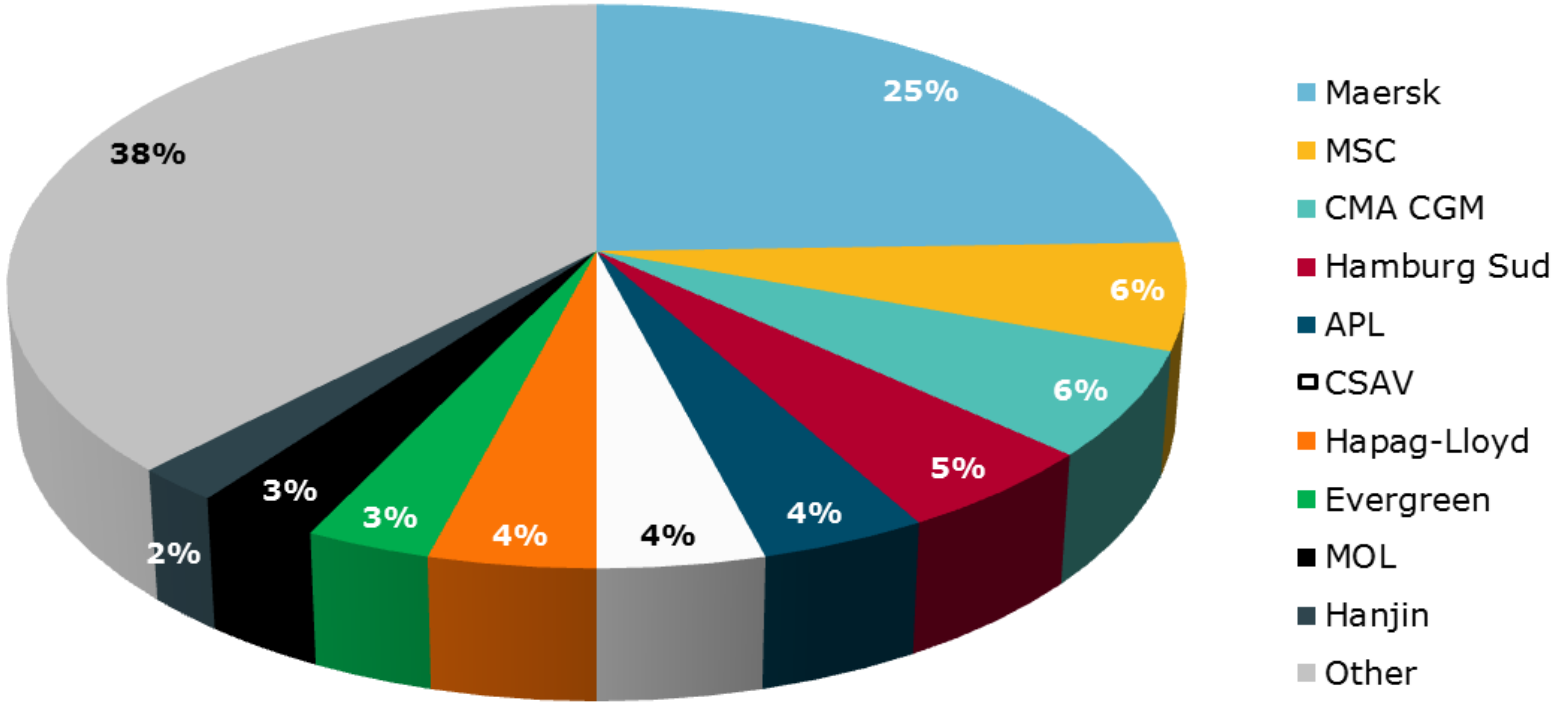
10 Major Reefer Carriers

comprise **1.17M** TEU of available equipment
or 63% of total Reefer supply

	Owned Fleet	Leased Fleet	Total Fleet	Total Mkt Share	Containerized Mkt Share
ML	425000	25000	450000	18%	24%
MSC	40,000	80,000	120,000	5%	6%
CMA CGM	50,000	70,000	120,000	5%	6%
Hamburg Süd	90,000	10,000	100,000	4%	5%
APL	38,000	42,000	80,000	3%	4%
CSAV	10,000	70,000	80,000	3%	4%
Hapag-Lloyd	45,000	21,000	66,000	3%	4%
Evergreen	59,000	-	59,000	2%	3%
MOL	32,000	18,000	50,000	2%	3%
Hanjin	35,000	7,000	42,000	2%	2%
Other lines	426,000	257,000	683,000	27%	37%
Total Container Carriers	1,250,000	600,000	1,850,000	74%	100%
Conventional Carriers				26%	

Source: Drewry Reefer Shipping Market Review and Forecast , Annual report, 2013/14

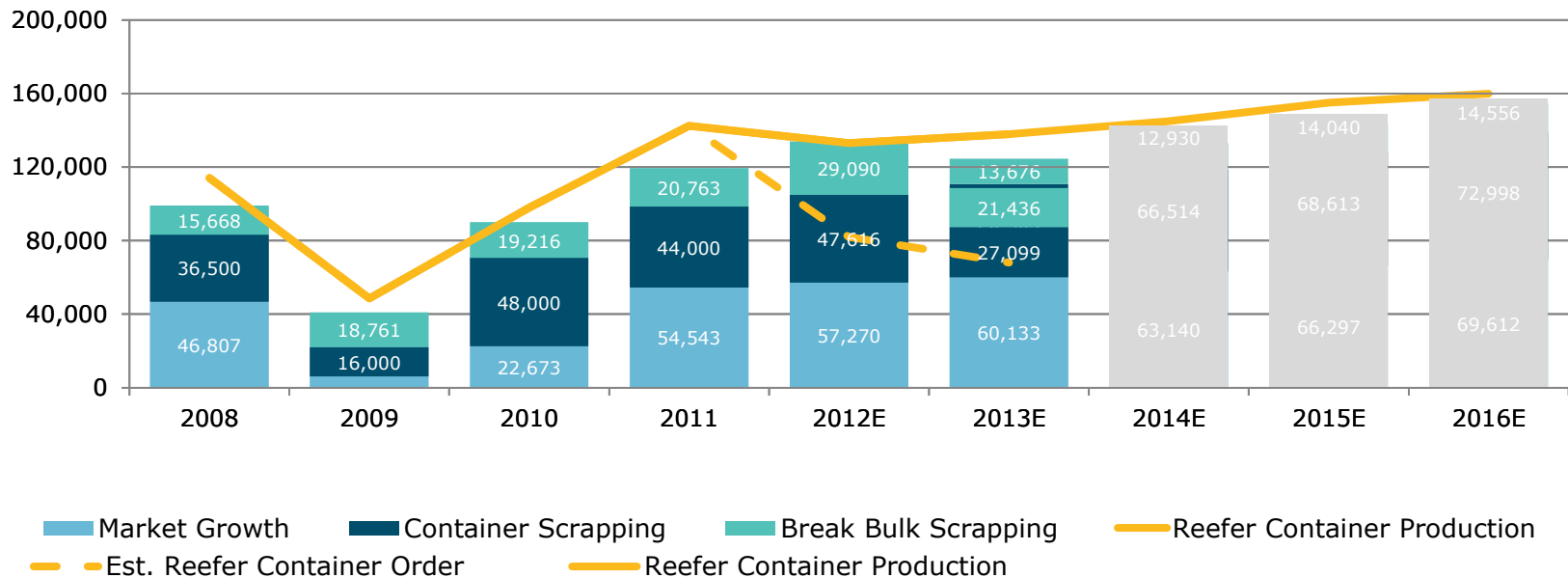
Reefer container fleet



Source: Harrison Consulting and Nordea Markets



Reefer Equipment will be a bottleneck when market improves



Assumptions:

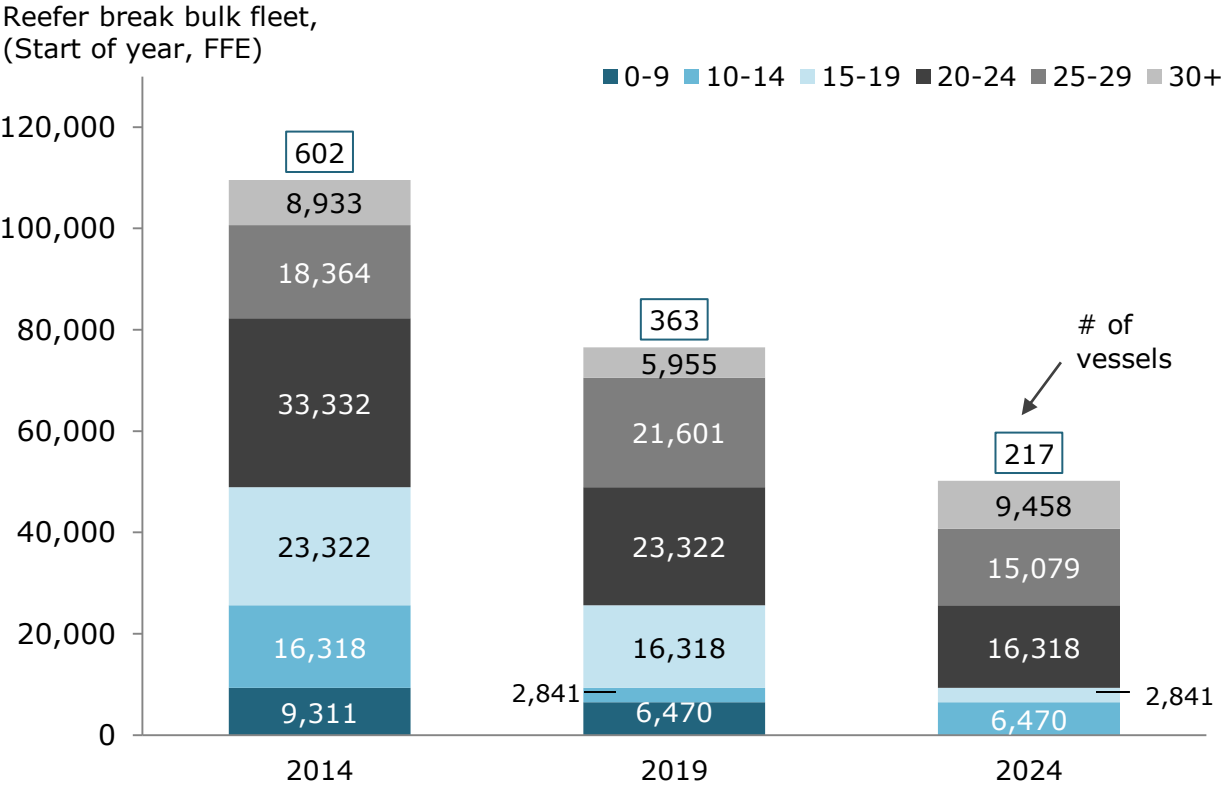
- Market growth estimated at 5% annually from 2014 onwards
- Container scrapping based on a 13 year lifespan
- Production for 2013 has been reduced to 82,000 FFE which is approx 60,000 unit below max production capacity
- BB vessel scrapping continues
- The containerized reefer market has grown strongly since 2008 and reached a share of 75% of total reefer

Direct containerization will increase ~ 2% p.a. in coming years while the break bulk fleet will shrink

Containerization will be driven by break bulk scrapping...

which will reduce the break bulk fleet by around 30% in the next 5 years and a further 25% until 2024

- In recent years, low prices for containerized reefer have pulled demand away from the break bulk market
- With increasing prices in the container market, the containerization in coming years will be mainly driven by the scrapping of break bulk vessels
- The scrapped reefer capacity is estimated to be fully replaced by containerized reefer



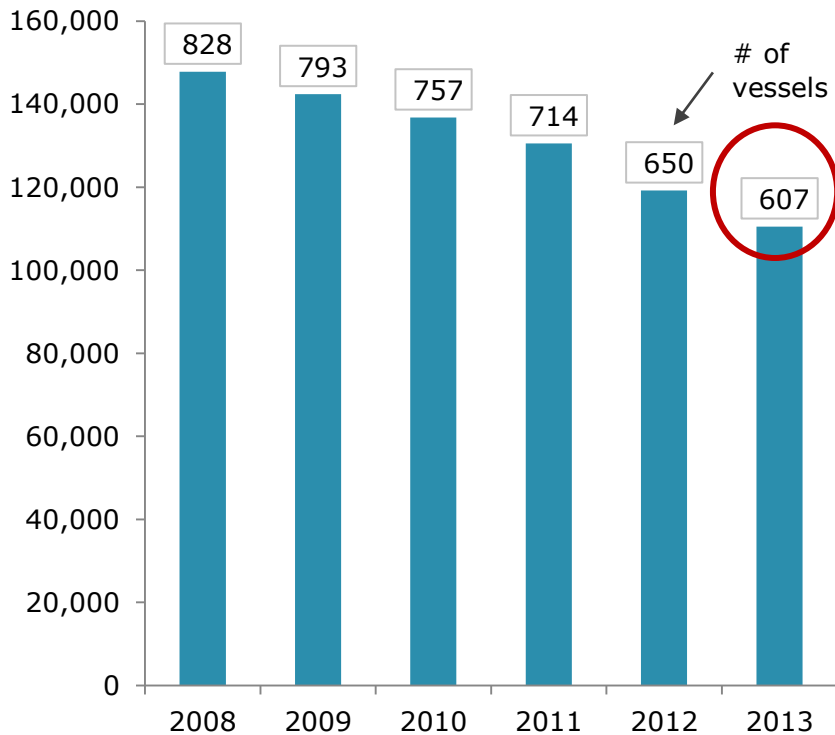
Source: Lloyd's list, Monaco Shipping



Both containerization and break bulk scrapping have been consistently growing in recent years

The break bulk fleet has been constantly decreasing with ~ 6% p.a. & very few deliveries

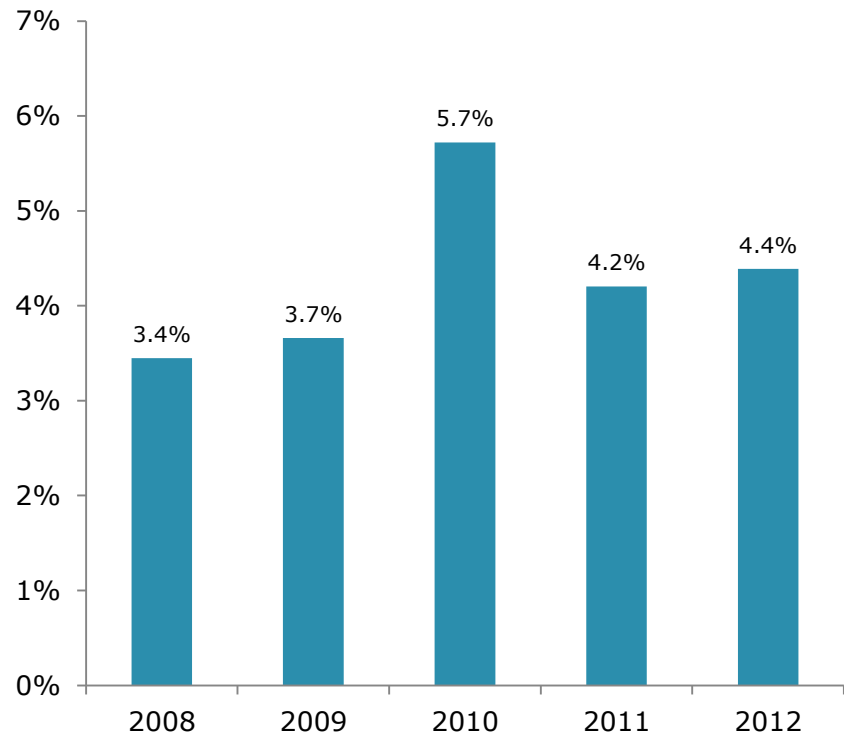
Average reefer break bulk fleet,



Scrappings	38	39	42	52	78	9
Deliveries	5	3	6	2	-	-

Since 2008, containerized reefer demand has grown 3-6% p.a. stronger than total reefer

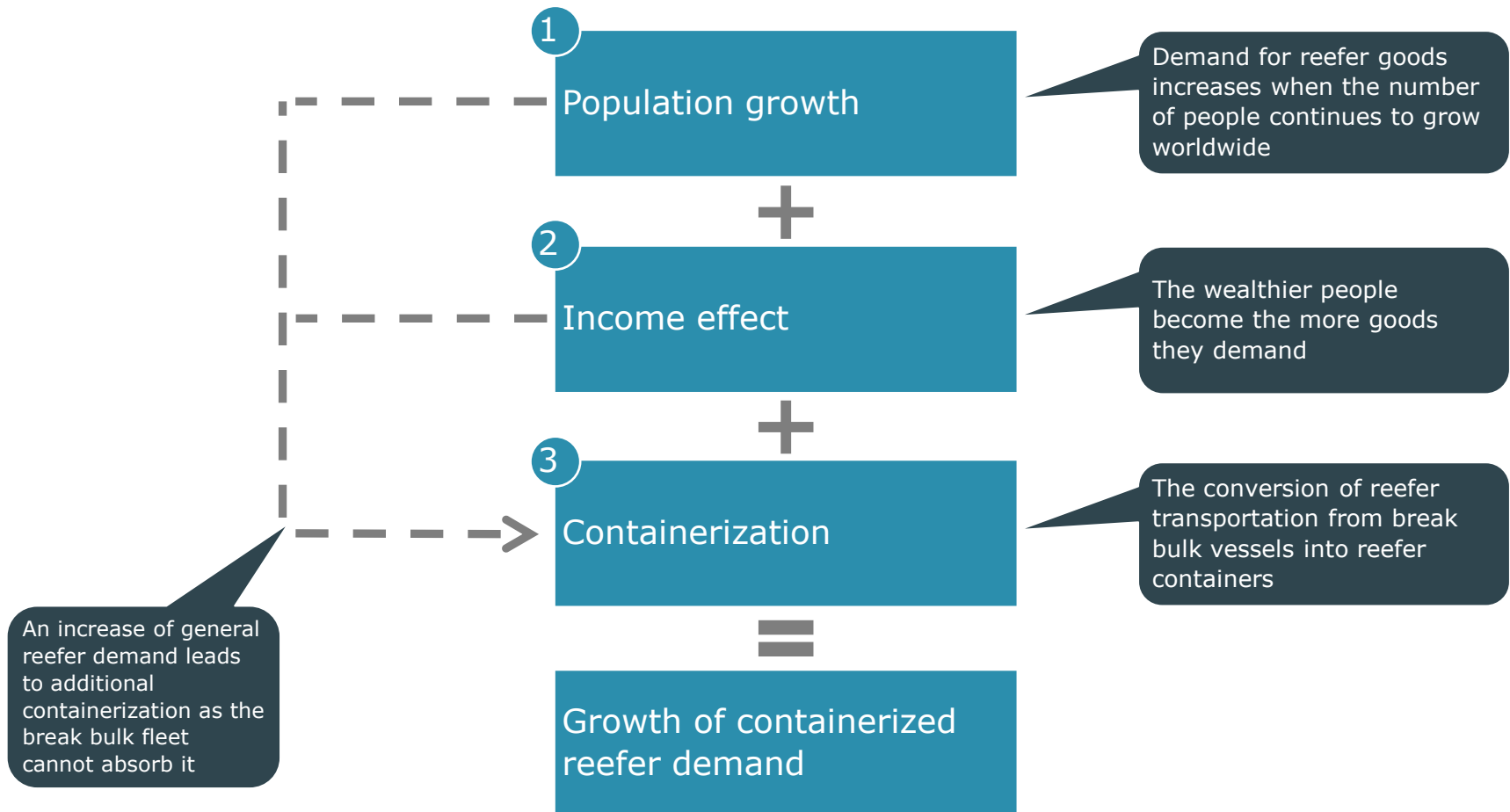
Reefer break bulk containerization, (%)



Source: Drewry, Lloyd's list, Monaco Shipping

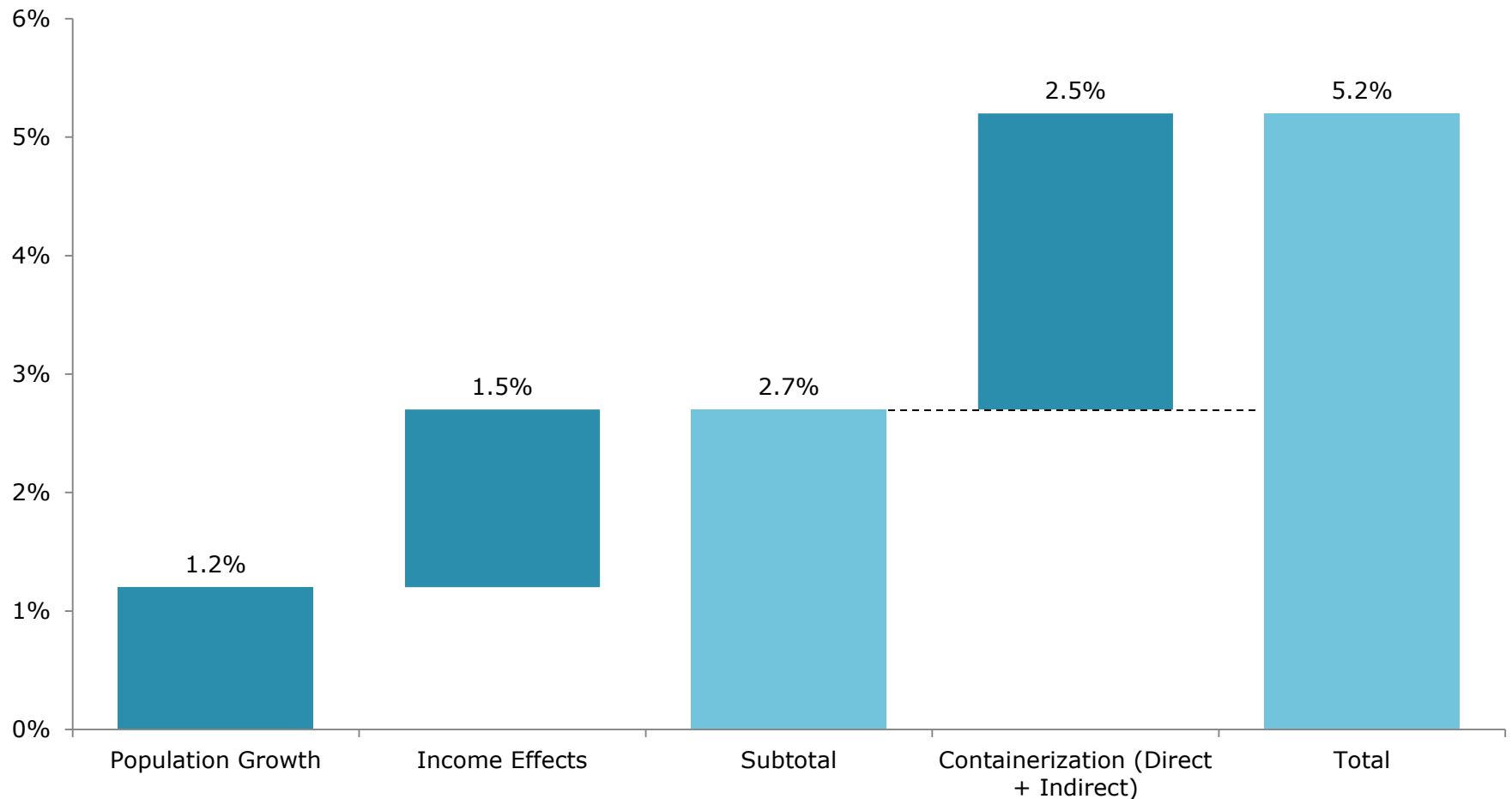


Growth of containerized reefer demand is driven by 3 main drivers



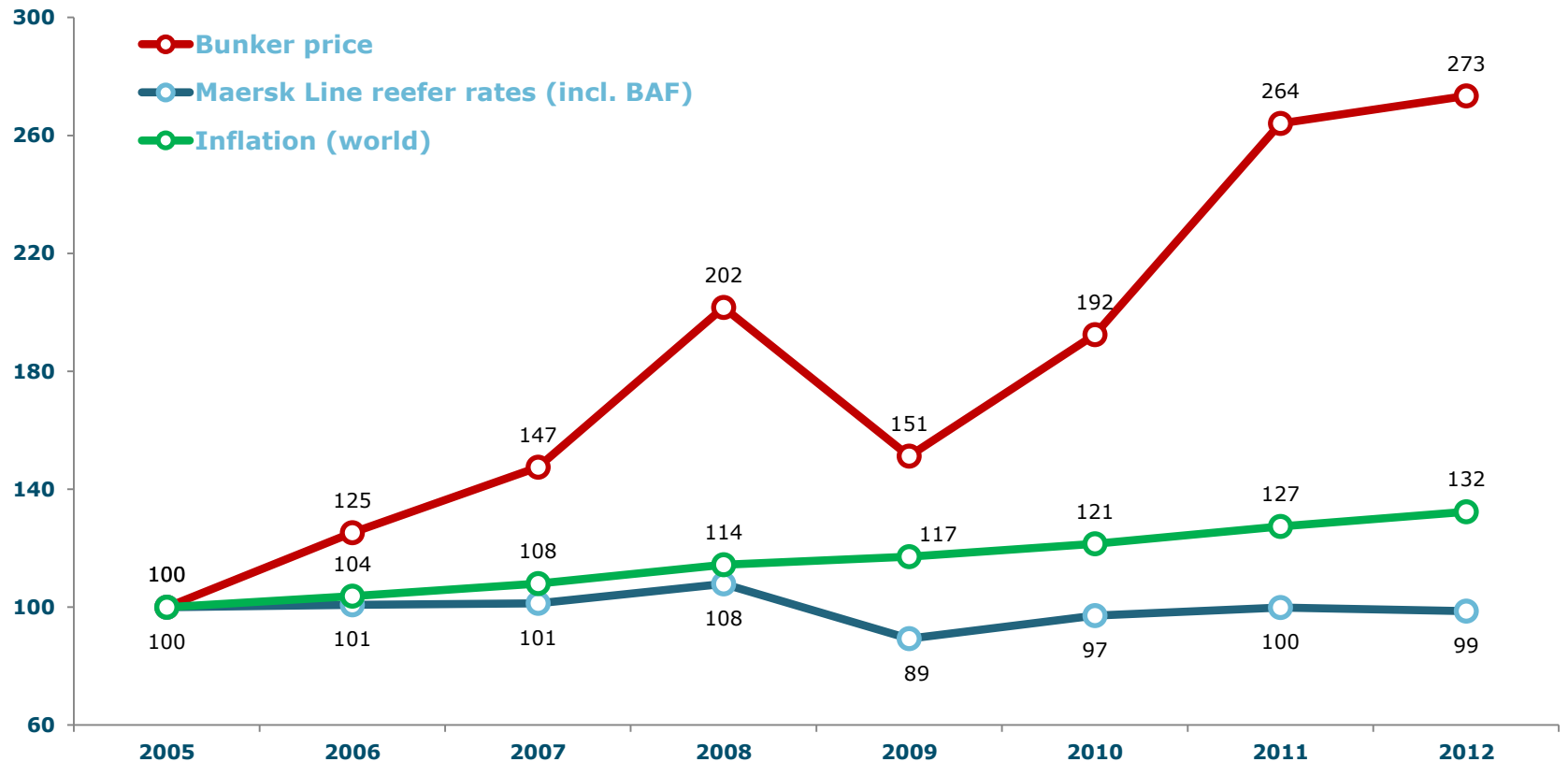
Overall, the containerized reefer demand is expected to grow by around 5.2% per year

Containerized reefer demand 2014-2019, y/y growth (%)



During the last 8 years our reefer rates have not covered inflation nor the rising bunker prices

Index 2005=100

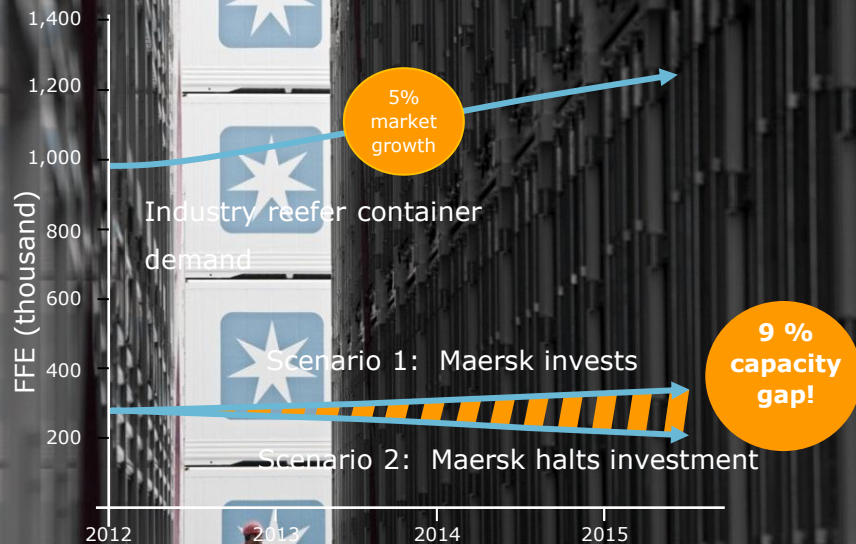


Source: Maersk Line internal data, IMF, bunker prices for ROT 380 CST



Investment is essential to meet market growth

- Investing in reefer equipment must be financially sustainable
- Cost of capital warrants a contraction of supply in the reefer market
- A.P. Moller Group has cancelled planned investments of USD 500 million in new equipment for 2014
- If Maersk Line does not recommence investment, global reefer container demand will outstrip supply by 9% by 2016



1.7b USD total investment cost in 2013 just to maintain existing reefer equip fleet

24 hour rule

■ Japan

- Electronically submit to Japan Customs the container cargoes to be loaded on a vessel intended for entry into a port in Japan, no later than 24 hours before departure of the vessel from the port of loading
- Carriers typically require these details 1-2 days in advance of Customs deadline so that information may be transmitted to Japan authorities by 24 hour deadline
- In effect since March 2014

■ China

- New China Customs Advance Manifest (CCAM) system
- Similar to Japan 24 hour rule to allow for prompt manifesting and transmitting of cargo details
- Applies to cargo discharging and/or transshipping at Mainland China ports
- Strict enforcement expected to begin September 30, 2014, though not official

- Maersk Line is maintaining all rules according to Japan 24 regulations and will do the same once China's are confirmed



FUTURE

Where is the reefer business heading?

The Future Ball Game

New and emerging markets will grow fast

Food shortages and increased commodity prices

Retailers want more control over their refrigerated supply chain

Increased focus on health, food safety and environment

Partnership & collaboration will increase to drive out waste: this will include reciprocal service level agreement

Full transparency in the cold chain

Key takeaways

As an Industry, Carriers are losing big money

The price paid in today's market for international shipping does not cover cost of capital

While markets, vessel plug & capacity grows, the reefer equipment is not

Alliances and cost savings will be the way of the near future

Closer partnerships between carrier and shipper is critical



Questions?