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Navigating the Export Pellet Market

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Agenda

- Introduction
- The export decision
 - Global demand
 - Price and volatility
 - Time and effort
- Overcoming obstacles
- Container shipping as a valuable tool
- Summary



Introduction

- 20 years of experience in the supply and export of commodities.
- Expert in the container shipping markets.
- Strong relationship with multiple suppliers & customers
- Experienced staff of 30+ with an average of almost 20 years in the agricultural commodity, transportation and export business.
- Diverse Product Mix



The Export Decision

Global demand

vs.

Price considerations

vs.

Time & effort involved

Global Pellet Flows

Million metric tons				
		Trade Balance		
		<u>2010</u>	<u>2015E</u>	<u>2020F</u>
North America		1.5	4.2	5.2
Western Europe		(3.1)	(5.7)	(10.8)
Eastern Europe		1.8	2.2	2.5
Russia		<u>0.6</u>	<u>1.3</u>	<u>1.5</u>
Total Europe		(0.7)	(2.2)	(6.8)
Japan & Korea		(0.1)	(3.4)	(4.4)
Oceania		<u>0.2</u>	<u>0.3</u>	<u>0.7</u>
Total Asia		0.1	(3.1)	(3.7)
(source Poyry)				



Benefits of Exporting

- Enhance demand
 - Additional markets = additional demand
 - More consistent sales over the year
 - Multiple price points
- Diversified customer base
 - Reduces demand fluctuations / hedging against local warm winter
 - Less reliant on one market
- Long term & spot contracts
- Accessing “hot markets”

“The Three Markets”

Domestic Markets

- Available price
- Terms
- Demand
- Long-term prospects

Shipping Markets

- Global trade flows
- Availability of containers / vessels
- Competition from other commodities
- Ocean freight rates

Foreign Markets

- Price / terms
- Local Supply
- Competition from elsewhere
- Future demand



Price Considerations

- Impact on pellet price
 - Pellet quality (industrial vs. residential)
 - Volume (minimums for some markets)
 - Bulk vs. bagged
 - Certifications
- Logistics
 - Distance to port – cost per mile
 - Method of transport (rail vs. truck)
- Price volatility even in long-term contracts



Time & Effort

- Finding customers
- Logistics
 - Truckers and railroads
 - Transloading of commodities into containers
 - Expertise with major steamship lines
 - Delivery to destination port
- Creating export documentation and certificates.
- Collecting invoices / managing letters of credit etc.



TIME INTENSIVE

Overcoming Obstacles

- Managing customers to ensure contract performance
- Working with customers whose requirements change mid sale
- Keeping updated with evolving government policies
- Managing relationships with shipping lines
 - Negotiating contracts
 - Assuring fluent service when dealing with:
 - Rolled bookings
 - Congestion
 - Delays in shipping schedule
 - Container shortages can occur

Container Shipping – a Valuable Tool

- Allows for “Just-in-Time” operations practice
 - Reduced storage costs
- Manage shipping risk
 - Less volume subject to:
 - Bad weather
 - Ship breakdowns
- Flexibility in delivering to multiple ports within a country
- Can lead to increased freight options and sometimes lower freight costs
- Minimize loss of product – if loaded at plant

Summary

- Global demand is increasing
- Exporting can be the right decision for some pellet manufacturers
- Containers can be beneficial tools for exporting