Bulk carrier demolition prices set to drop below $500 per Idt

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Reduced buying demand from South Asian breakers as yards fill up with previous purchases dampening scrap prices

BDI

Bangladesh breakers bought the 1982-built, 132,086 dwt, 17,324 Idt Jimrich for just $508 per Idt.

Growing repair and demolition activity across Asia is set to push prices higher this week, as the market is looking for the long-awaited increase.

The onset of the wet monsoon season has led to a sharp increase in activity, with Bangladesh breakers buying large volumes of tonnage over the last two months, and subsequently pushing up prices.

"Prices continue to soften from the Indian subcontinent as downward pressure mounts on all markets. The local steel plate price has also dropped further which adds to the list of negatives the recycling market currently faces," Gibson said in its weekly report.

"In the coming weeks, we believe that the market will continue to soften. However, it is still too early to say whether or not this trend will continue," the report added.

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The only country that appeared to buck the trend in prices was India, where buyers were paying a premium for bunkers on board vessels delivered off the coast.

Of the five capesizes reported sold by Gibson, two were bought by Indian buyers that paid between $545-$550 per Idt.

The 1985-built, 170,968 dwt, 23,425 Idt Jia Fu Star had 1,600 tonnes of bunkers remaining on board, and achieved $12.8m for its owners, And the 1984-built, 149,581 dwt, 18,382 Idt Glory Shenzhen, with around 2,000 tonnes of bunkers, earned its owners over $10.1m.

By comparison, Bangladesh breakers bought the 1982-built, 132,086 dwt, 17,324 Idt Jimrich for just $508 per Idt, equivalent to $8.8m. If scrap rates had broken below the $500 per Idt barrier to $498, this would have shaved around $200,000 from the total price.

Even lower, however, was the $455 per Idt Chinese breakers paid for the 1982-built, 180,607 dwt, 24,184 Idt Sealink Majesty and 1989-built, 179,656 dwt, 24,000 Idt Tago, according to Gibson.

US and Dubai-based cash buyer GMS reported, however, that a number of dry vessels were already being sold below the $500 per Idt mark in India, which pegged "a new reality on prices" it said in its weekly report.

"With over 45 vessels arriving at Alang already this month (and not even that many open buyers to take on the vessels), it is hardly surprising that said breaking point has been reached," it said.

"Those unfortunate owners who had brought vessels on to the market just as the numbers started to dip were facing daunting levels by the end of the day.

"The last thing anybody wants is to be chasing down the market and so the advice at this stage is just to hold tight, wait and watch before the next firm sales emerge in order to gauge exactly which direction the market is heading in."

Broker Galbraith's said that Pakistan breakers had been quieter this week and their cautious attitude had "amounted to one sale", when the Greek-controlled 1991-built very large crude carrier Falkoner was reportedly sold for $540 per Idt, equivalent to $18m.