Further scrap rate falls anticipated as market hesitates

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Hopes that by the end of the month Bangladesh breakers will go on buying spree and push prices back up

Rates for scrap ships in India and Bangladesh remained subdued compared to recent trends and were down some $30 per ldt from last month.

Although the fundamentals, including steel plate prices, remained stable, further drops are expected in the next fortnight.

All eyes are now on Bangladesh and the end of the Ramadan fasting period on August 31, which will also mark the tail-end of the monsoon season.

The hope is Chittagong breakers will return to the market in bullish form and fire up purchasing interest to soak up the ample tonnage on offer.

"More units, both definite and potential sales candidates, are streaming into the market," said London-based Clarkson Research Services.

"However, the cash buyers are seemingly reluctant to offer aggressively, as they are currently finding it difficult to attract 'real' interest from the breakers, particularly in Bangladesh and Pakistan.

"Larger LDT units are certainly attracting lesser interest than smaller dry vessels, as the financial risk factor is obviously greater for bigger tonnage."

As in past weeks, Indian buyers led the game with a string of purchases that included the 1989-built, 20,821 ldt bulk carrier Newlead Spartounta, operated by Newlead Holdings and reported sold for $645 per ldt, or $11.2m.

Double International's 1986-built, 8,779 ldt heavy lift vessel KKG-7 was reported sold to an Indian buyer for $510 per ldt, or $4.5m.

The 1981-built, 6,393 ldt general cargo ship Hong Success, operated by Hongyang Marine, was also reported sold to India for $520 per ldt, or $3.3m.

Crowley's 1981-built, 10,532 ldt tanker Coast Range was reported sold for $455 per ldt, or $4.8m, on an 'as is' basis in the Bahamas for delivery to Alang.

Bangladeshi breakers also dipped in over the past week to buy two ships, including the 1987-built, 16,924 ldt bulk carrier Sea Trinity, operated by Cosco Bulk Carrier and reported sold at the weak rate of $465 per ldt, or $7.9m.

The price is significantly below what a ship of this size would normally fetch in the Indian subcontinent and some brokers said the vessel had in fact been sold for delivery to a Chinese yard.

Another vessel, the 1983-built, 7,706 ldt bulk carrier Eimi S, operated by Marine Spirit, was reported sold to a buyer in Chittagong for $525 per ldt, or $4.1m.

Bangladeshi yards were granted an extension to import vessels until October 12, so many market experts expect increased activity in the coming weeks ahead of that deadline.

"There are only three more tides to contend with before the extension expires and the local recycling market again comes under scrutiny," said US-based cash buyer QMS.

"As such, it is anticipated that local activity could pick up once again towards the tail end of September. For the time being however, most end buyers were unwilling to even talk new vessels."

There were no sales to report to Pakistan, while Chinese buyers also remained quiet. Far East rates are significantly lower than their Indian and Bangladeshi counterparts, making competition difficult for Chinese yards.