Scrap prices reach $500 per ldt

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Strong steel prices lead to aggressive pricing as two vessels earn top dollar for tonnage

INDIAN breakers picked up two bulk carriers at prices over $500 per ldt last week as a downturn in the dry freight markets pushed some owners to seek scrap options for vintage ships.

Underlying steel prices in India have remained generally strong, leading to sustained aggressive pricing from cash buyers of ships sold for demolition.

But the deals have also prompted a cautionary note from some observers who warned that speculative purchasing could result in renegotiations on delivery.

"In this circumstance, any owner who can escape renegotiation of such a firm price on delivery must count themselves lucky," said London-based Clarkson Research Services.

Even so, "for the time being [buyers] seem perfectly relaxed about the high levels, based on a bullish outlook for Indian steel demand in the coming year," said Clarksons.

"It may be that owners may be lucky enough to be looking to scrap in a year when the Indian economy is continuing to grow strongly enough to keep perldl rates firmer than freight rate fundamentals ought to suggest."

The high-priced deals included the 1983-built, 9,106 ldt tweendecker Panama Express, operated by Anglo-Eastern Antwerp and reported sold for $525 per ldt, or nearly $4.8m.

In another sale that breached the $500 mark, the 1981-built, 15,154 ldt ro-ro vessel Charlottenborg, operated by Jutha Phakakrong, was reported sold, most likely for delivery to an Indian buyer, at $513 ldt, or nearly $7.8m.

Deltemar Shipping’s 1982-built, 20,178 ldt bulk carrier Angelo Della Gatta was also reported sold for delivery in the India/Pakistan range at a rate of $505 per ldt, or nearly $10.2m.

Indian buyers picked up some other ships too, including the the 1972-built, 9,100 ldt passenger ferry Meridif 2, operated by Marco Shipping and reported sold for $474 per ldt, or just over $4.3m.

The 1981-built, 3,100 ldt tanker Eylen was also reported sold to India at a rate of $780 per ldt, or $2.4m. The price reflected the presence of nearly 300 tonnes of stainless steel on board the ship.

"Cash buyer speculation seems to have pulled levels to their current peak and, for the most part, this is based on very positive fundamentals such as steel prices and demand," said US-based cash buyer CMS. "Market outlook therefore remains strong despite the notoriously volatile nature of it all."

There were no sales to report to Pakistan which, alongside India, has dominated the sector recently.

In neighbouring Bangladesh, buying activity remained on hold despite rumours that as many as 40 yards could be about to receive permission to start operations again.

If it happens, that could lead to a surge in prices as Chittagong yards step back into the market and stock up on tonnage, after remaining closed since April 2010 on environmental grounds.

Since December, government officials have been sending clear signals that Bangladesh will seek to meet safety concerns while ensuring the viability of the shipbreaking sector, which is seen as vital to the nation’s economy.

For now though, the market remains cautious about Chittagong’s prospects for reopening, having witnessed numerous faltering starts throughout last year.

Reports of an accident over the weekend in which 20 workers were injured could spur labour and environmental activists to renew pressure on local authorities to ensure standards are lifted across the sector.

Aggressive purchasing by Indian buyers left Asian yards trailing behind with rates lower by about $50 per ldt. Even tonnage opening up in the region was being picked up by cash buyers and fixed for delivery to the Indian subcontinent.

But CMS said it was only a matter of time before Chinese breakers stepped up their game. "China has already showed resilience in the past year with some high-priced and high-profile purchases, and it will only be a matter of time before they too are back at the heart of the buying," the cash buyer said.

There was one market deal to China reported last week. The 1974-built, 3,100 ldt cement carrier Asano No. 18, operated by Prosperity Steamship, was reported sold at $406.25 per ldt, or nearly $1.3m n

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