Tonnage glut turns heat on breaking rates

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DEMOLITION rates for both dry and wet tonnage have softened on slower demand and relentless supply, but some owners with choice vessels continue to secure strong deals.

The onset of the monsoon season and the glut of tonnage purchased over the past few weeks have left breakers picking at the available tonnage to select only the best units.

The strongest recent sales have been for large ships, both tankers and bulk carriers.

Cash buyers continue to offer healthy rates, but levels in the Indian subcontinent have dropped to $500 per ldt for dry ships and $25 more for tankers.

The concern now is that buyers who paid high rates on initial purchase could struggle on resale if rates continue to slip.

"Some hesitancy is creeping into the market as local demand appears to be dwindling and therefore, despite some cash intermediaries still stockpiling units to resell to the breakers at impressive numbers, the resale rates now seem to be struggling to stay on par with what these cash buyers are offering," said London-based Clarkson Research Services.

Bangladeshi buyers continue to be selective about the vessels they purchase but have closed some very solid deals recently.

They include the 35,045 ldt ore carrier Alfred N, operated by Neu Seehafahrt and reported sold to a buyer in Chittagong at $525 per ldt, or $18.4m.

The 1978-built, 6,402 ldt bulk carrier Hareille, operated by Seaflit, was also reported sold to a Bangladeshi buyer for $516 per ldt, or $3.3m.

In an older sale, the 1985-built, 7,100 ldt general cargoship Nicotec, operated by Adani Shipping, was reported sold to a Bangladeshi buyer for $518 per ldt, or nearly $3.7m.

Indian buyers have followed a similar trend to their Bangladeshi rivals, moving in only on the most attractive demolition candidates.

Recent sales included the 1984-built, 24,099 ldt bulk carrier Alang, operated by Cosco Shanghai and reported sold for delivery to Chittagong at $555 per ldt, or nearly $13.4m. The rate included 1,800 tonnes of bunker fuel.

The 1985-built, 23,425 ldt bulk carrier Jia Fu Star, operated by Cosco Wallem, was reported sold for demolition in India at the rate of $545 per ldt, or nearly $12.8m. The rate included 1,000 tonnes of bunker fuel on board.

In neighbouring Pakistan, one buyer pounced on a large tanker, the latest in a string of such vessels to be sold for scrap in Gadani. The 1991-built, 33,334 ldt Falkonera, operated by Aeolos Management, was reported sold to a buyer in Pakistan for $540 per ldt, or $18m.

"Steel prices do remain strong across the board though, and there is little doubting the long term future of the industry," said US-based cash buyer GMS.

"But with supply currently outstripping demand, we could perhaps be due for a quieter few months altogether on the horizon, conveniently coinciding with the monsoon season, the worst time for end buyers to cut ships."

It added: "For the time being vessels continue to be proposed and deals concluded, but a certain sense of caution from cash buyers and end buyers alike should temper expectations somewhat.

"A certain sense of foreboding seems to be the overriding sentiment in today’s market and the top dollar should not necessarily be the priority now for many owners seeking immediate sales."

Rates in the Far East remain up to $50 per ldt behind what is on offer in the Indian subcontinent, but Chinese yards have still secured some notable sales.

They included the 1977-built, 5,814 ldt bulk carrier Levantes, operated by Newport and reportedly sold to a Chinese buyer for $463 per ldt, or $2.7m.

The 1982-built, 24,184 ldt bulk carrier Sealink Majesty, operated by Cosco Shanghai, was reported sold for demolition in China for $455 per ldt, or $11m.