Demolition sales remain stagnant

Declining price levels and capacity saturation at yards has put the brakes on further sales.

Ship-demolition sales remained largely becalmed this week as a combination of factors conspired to slow the market even further.

Recent sharp declines in price levels, an oversupply of ships and tightening plot capacity in the Indian subcontinent meant no let-up in the dramatic slowdown highlighted last week by TradeWinds. Shipbreaking capacity especially in Bangladesh and India is said to be close to saturation point after owners responded to weaker freight rates by consigning tonnage to the torch.

But broking sources say what is also preventing buyers from offering attractive prices is uncertainty about the impact on steel prices and the activities of upcoming annual early-June budgets in Pakistan and Bangladesh.

Any exceptions in the current climate are likely to involve "dirt-cheap" deals below market levels. Almost everyone is holding off until after the budgets, commented one broker who by mid-week had no fresh sales to report.

He said: "We have a couple of negotiations but frankly they are going nowhere due to this." The only tonnage that has a chance has to be for very prompt delivery and although ships are available, few owners will be in a position to comply.

Some believe prices have further to fall after tumbling on average at least $50 per ldt since mid-March including roughly $25 per ldt in the past couple of weeks.

Not only does it make buyers harder to find and sellers more reluctant but rumours continue to circulate of renegotiations.

Although it is hoped that many differences have been resolved, brokers point out that end-receivers are expected to continue trying to renegotiate as tonnage now being delivered was negotiated five or six weeks ago when prices were considerably higher.

Cash-buyer Global Marketing Systems (GMS) says in its latest market report that with steel plate prices having steadied and local currencies remaining unchanged, prices may have finally stabilised. But with marginal sales it is "hard to peg exactly where the market is".

Brokers pitch dry-cargo vessels at around $225 to $230 per ldt in the Indian subcontinent, tankers obviously more. China is up to around $210 to $220 per ldt depending on vessel type - evidence of how the price gap with the subcontinent has closed.

China is the only market to have shown any improvement in prices, although brokers point out that it only becomes competitive when a ship is discharging locally.

China is said to have secured the 17,790-ldt panamax bulker Great Zhejiang (built 1984) for $220 per ldt and 12,268-ldt car carrier Morning Peace (built 1979) for $210 per ldt.

The bulker Jin Yuan (built 1972) went to India for $236 per ldt after an original sale to Bangladesh at $290 ldt in March failed.

The general cargoship QSM Coaster is said to have been sold to Pakistan for $228 ldt. It is under tow. Also, the 11,600-dwt car carrier Violet Ace (built 1986) was taken by India for $235 per ldt along with the 6,200-dwt tweendecker Silver Castle (built 1973) for $238 per ldt.

One broker says firmer bulker rates have not had a noticeable effect so far on the demolition market but this could change if some of those vessels earmarked for scrapping are instead fixed out for a few months.

A cash buyer involved with India claims that one reason yards are so busy is because improving their health, safety and environmental standards is attracting more interest from sellers.

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http://www.tradewinds.no/weekly/w2009-05-01/article535885.ece?service=printArticle
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