Scrap tumult as paranoia strikes

Falling demolition prices are making both buyers and sellers nervous.

Turmoil is gripping the demolition market with few buyers stepping forward, existing deals being renegotiated and the credibility of end receivers being checked out by sellers.

Falling prices are also leading to other problems for shipowners including at least one deal failing because the agreed price would not clear the mortgage.

One broker tells TradeWinds that with price levels continuing to slide, few buyers are prepared to bid for tonnage.

Plenty of stories are circulating of deals being renegotiated, although the vessel names are rarely confirmed.

One is said to be the 33,026-dwt Mahe Marie (built 1982), which was originally sold at the end of March for $287 per ldt. However, it has been renegotiated at a much lower $237 per ldt.

The 61,900-dwt bulker Panamax Otter (built 1981) obtained $272 ldt for Bangladesh delivery but that off-market deal is now said to have failed.

"The market is so totally off the boil," said UK broker Ed McIlvaney of EBM Shipbrokers, although he is not prepared to discuss the sensitive issue of renegotiations.

"I have plenty of ships in hand but can't get an offer for them," he said. His sentiment is echoed by other broking sources. McIlvaney says China is the only place from where he is currently receiving offers.

Cash buyer Global Marketing Systems (GMS) reported earlier this week of a marked slowdown in deals with a large number of owners deciding to "temporise" sales in the hope that prices will recover.

GMS knows about owners of a VLCC, a capesize, a container ship and a pure car carrier, as well as a few handies, that have made that "painful decision" or have withdrawn ships from the market.

GMS said: "The million-dollar question is whether this is indeed a right move and if the markets are indeed poised for recovery." Local fundamentals mean that at current prices, decent margins have returned for recyclers in the Indian subcontinent and logically prices should be close to bottoming out. Conversely, available capacity at yards is at record-low levels and buyers have no incentive to compete.

One broker says he tried to negotiate a tanker last week at around $270 per ldt but now he cannot secure a single bid. And owners are so concerned about deals failing that some are said to be asking cash buyers the identity of end receivers so they can check up on their credibility. It may be the first time this has happened.

In most reported renegotiations it is the end receiver who has problems but the mortgage issue has put yet another new spin on events.

It is claimed that the owners of the 81,000-dwt Eternal Star pulled out of a sale because it would not enable them to discharge the mortgage attachment. The original deal last month was said to have involved South Korean sellers.

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