Scrapping chaos

Crashing prices and continued uncertainty over the future of Bangladeshi recycling yards brought chaos to the scrapping market last week.

Only two sales were completed following an abrupt change in the market dynamic, US cash buyer GMS reports.

It says scrapping candidates remain in plentiful supply, but a "catastrophic price drop in Bangladesh" and concerns over the forced closure of yards played havoc with buyer sentiments.

"Shipowners unexpectedly found themselves chasing the market down and saw revised offers almost 25% below last done," its latest weekly report said.

"Logically, owners started exploring further options before committing their vessels. Furthermore, with Easter holidays upon us, this week ended up on a somber note with most cash buyers and owners focusing on getting their ships delivered after gut-wrenching renegotiations."

GMS says no vessels were sold to Bangladesh in the past week due to a sharp rise in ship steel production which has dragged prices down by a $90 per tonne during the past fortnight.

"As a result, demo prices followed suit and tumbled as well. Unnerved by the drop in steel prices, local recyclers remained very worried to bid for vessels, fearing that the next few days would bring another low," it said.

Troubles in Bangladesh, where the High Court has ordered the Department of Environment (DOE) to close breaking yards which lack environmental clearance, also had a knock-on effect on other scrapping centres.

Only the Chinese-owned 28,876-dwt Blue Master (built 1971) was sold for scrap in India as recyclers became nervous about the drop in prices in Bangladesh. It is said to have fetched $265 per ldt.

GMS said: "Most buyers remained apprehensive to come forth and match price expectations of shipowners."

It was a similar story in Pakistan where only the 23,572-dwt bulker Dorset (built 1978) was sold for scrap at $279 per ldt. The vessel is said to have been owned by Uleholmen Shipping of Norway.

"Even though we have seen an approximate 15% price correction already, we fear that the increased sales pressure on Pakistani market may affect demo prices further," GMS said.

By Andy Pierce in London

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