Subcontinent scrap prices slip for clean and dirty tankers

Shipowners are closely monitoring scrap prices, which some brokers believe have further to fall.

The Baltic Demolition Assessments (BDA) were again in negative territory this week, with subcontinent prices slipping once more by between $14 and $18 per ldt for clean and dirty tankers, respectively. Bulkers fell $22.50 per ldt.

There has been talk for some time that the market faced a correction after prices reached up to $500 per ldt during the first few months of the year.

Weaker steel plate and ingot prices have contributed to the setback, as well as the volume of ships sold already en route to beaching and the approach of the monsoon season.

One broker says he is seeing offers for dry-cargo vessels as low as $350 ldt to $360 per ldt, well below the current BDA Assessment of $374 per ldt in the subcontinent and $390 in China.

Breakers have been rushing to acquire tonnage before the start of the rains, which continue until August and September. Capacity on the beaches is at a premium.

Also, many breakers have been stockpiling plates in the hope of a turnaround in what they get for the steel, something observers say seems unlikely until the monsoon season passes.

Meanwhile, ongoing falls in demolition prices have triggered tales again of both breakers and at least a couple of cash buyers walking away from deals.

But pinpointing which ships are involved is proving difficult.

Cash buyer Global Marketing Systems (GMS) says in its weekly report that renegotiations are "rife" and several done deals remain in jeopardy as end buyers turn their back on expensive purchases.

Another source says there are even renegotiations in China, which has normally been regarded as a "reliable market."

"Unfortunately, a lot of new names have appeared on the scene who just buy ships at what they think is the market price," he said. "When they come to resell, they find they are totally wrong and just pull out of the deal."

Worst hit by renegotiations are cash buyers because they have contractual obligations and face being blacklisted if they renege, especially where a vessel is described as per the memorandum of agreement (MOA), he adds.

The total number of vessels sold for demolition is for the first time this year said to be lower than at the same point in 2009. Dwt tonnage, however, is higher.

(Scrapping deals, see page 5.)

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