

Another strong reefer season ahead

Specialist operators see brisk demand from fresh and frozen trades, with time charter levels beating those of last year. By *Michael Hollmann*

The early part of 2020 will be remembered for unprecedented congestion and delays for reefer containers which carry the products we all put on our dining tables. Many thousands of boxes were stuck in China's ports or in transshipment hubs or they even got returned to their origins in Latin America.

Specialist reefer ships came to the rescue in many cases to haul produce they had long given up to container lines. They did so at very attractive rates. Although the pandemic still rages, 2021 so far is different than 2020. Disruptions to logistics are not as severe as last year. Yet port congestion worldwide remains considerable, causing another shortage of reefer containers just when the world needs them most. Once more it seems to lend a boost to specialized reefers after a long period of poor returns and dwindling market share.

Spot time charter rates for larger vessels (over 450,000 cbft) jumped to 110–115

US-Cents per cbft per month in early March compared with just 80–85 Cents one year ago, according to research firm Sopisco. The shortage of specialized reefer tonnage and of reefer containers is such that export activity of leading banana supplier Ecuador gets hampered, Sopisco warned. »[Seasonal] grape, banana and squid trades have slashed the availability of vessels in excess of 400,000 cbft capacity«, reported Irish Shipbrokers who raised their ISB Seafield Reefer Index by 6 % to 1,102 points during February (+2 % y-o-y). An abundant squid catch in the South Atlantic, a shift of Russian Far East herring cargoes from containers to conventional and the nascent blue whiting season on the Faroes have kept adding fire to the reefer market at a time when the southern hemisphere fruit season kicks in, Irish Shipbrokers advised. »Especially Chile has been active and we have a lot of vessels in that trade system. We are basi-

cally sold out«, said a chartering executive of a leading operator.

Expectations are also high for the important New Zealand kiwi export season that has just begun. Marketing co-operative Zespri projects an increase of its shipping programme from 49 to 57 reefer charter trips, complemented by 18,000 containers, to lift a record-breaking crop of 700,000 t. It has secured the latest tonnage for its first shipments including the »Kakariki« (12,313 dwt, blt. 2021) of Fresh Carriers (to Japan/Korea) and the jumbo reefer »Cool Eagle« (23,169 dwt, blt. 2021) of Baltic Shipping/Cool Carriers for a trip from Tauranga to Zeebrugge.

Alastair Hulbert, Chief Global Supply Officer at Zespri, points out that the group gains increased flexibility from an additional 47,500 pallets of specialized reefer capacity in the face of port and container congestion. A further boost to reefer demand could be around the corner, as ana-

VIEWPOINT

»Never get nervous...«

Earnings prospects for liner operators remain good and should keep the container ship charter market on a firm path, say managing directors Claudia Paschkewitz and Michael Zankl of Hanse Bereederung. The chartering outfit of Schoeller Holdings sees only limited opportunities, though, for multipurpose tonnage in box trades.

Ongoing increases in container ship period rates make people rub their eyes. How much longer can the rally be sustained?

HB: The chance of further charter rate increases seems limited. However, based on current demand for long-term periods basis forward dates (2–3 year durations even for feeder class ships), there is no turning point on the horizon yet. The speed of increases might slow down during the second half but the market is likely to stay firm for the rest of 2021. In any case, as owner's brokers, it's important to be watchful and select the right partners.



Claudia Paschkewitz, Managing Director Operations, Michael Zankl, Managing Director Chartering / S&P, answering jointly as »HB«

We want to minimise any surprises if new market imbalances and stresses emerge, i.e. freight rates dropping after ships got fixed at higher t/c levels.

Fixing long (for less) or just short and wait for the market to climb higher? Play safe or run the risk...?

HB: As specialists in boxships and multi-purpose (MPP) vessels, we believe a good mix of short and long charter periods always pays out. But as the markets have endured difficult times for 12 years or so, it's better to play safe in general and give preference to longer periods. We were not anticipating today's rate levels only a year ago, so it is unnecessary to fix everything at peak levels which is impossible anyway. Our advice is to fix long-term on reasonably good terms and be prudent about future redelivery time and areas. For our clients on the liner side, spot freights will drop to normal levels, but contract rates will be much higher and these better term-rates will ensure carriers enjoy an even more profitable 2021.

The orderbook is growing again: 1.7 mill. TEU ordered in just 4 months mainly by liners. This must be reason for tramp owners to get a little nervous...?

HB: We never get nervous. After years of restraint, it's logical that newbuilding or-

Orders & Sales

New Orders Container

The post-panamax segment with up to 15,000 TEU is particularly popular with liner and tramp shipping companies. Recently there have been more orders with fixed and long-term charter agreements, for example from Seaspan or Cido (for MSC). The order book stands at 3.2 mill. TEU or 14% of active capacity.

Secondhand Sales

In view of the high tonnage demand, the secondhand market continues to be bustling. Brokers report both tramp owners expanding their fleets to jump on the bandwagon of high charter rates and lines buying themselves to counter this trend. Too many deals to list here. Just as example, tramp owner Seaspan and Swiss-based carrier MSC are among the active players again.

Demolition Sales

For the scrapping industry, container shipping is not a particularly grateful business field at present. Despite a further stable and in some cases rising price level, older box carriers are still being deployed to meet the much-discussed large tonnage demand. Meanwhile, the discussion about »green recycling« and the corresponding EU policy continues (see page 56 ff).

lyst Sopisco explains: »More tonnage is required for the southern hemisphere citrus season, starting in Argentina around week 12/13 and in South Africa with shipments to Europe and Russia around week 14/15.« The Citrus Growers Association of Southern Africa (CGA) forecasts a rec-

ord 158.7 million cartons to be shipped this year – +22 % in just 2 years. It already expressed concerns about looming logistics bottlenecks, citing »significant vessel delays, shortage of containers, congestion and poor productivity in Cape Town port« during the ongoing table grape season. ■

dering starts again in this improving market. However, most orders involve larger units outside our operating sectors as small feeder tramp owners. Investment decisions for tramp owners are more difficult. Fuels of the future will be key also for the success of the investment. However, at this stage it is unclear what the 'fuel of the future' will be. LNG, hydrogen, ethanol or something else, we have to wait and see. This uncertainty makes it difficult for tramp owners to choose the right ship and place orders.

Do you expect more MPP ships to join container services? Something you look into?

HB: We have been looking into this as competitive brokers for other owner friends. However, we don't see a realistic need for MPPs in container trades. There are too many negative aspects to MPPs such as non-cellular holds, low speed, gear hindering operations etc.. Consequently, MPPs will only take container cargoes in certain overflow in-

stances from A to B. In general they are not a workable option for period charter. In general they are not a workable option for period charter. We don't share the myth of great opportunities for MPPs in the container world.

Port congestion, corona, restrictions for crew changes – how has the operations side of chartering changed?

HB: COVID-19 brought its challenges, not least when it comes to crew changes which made life complicated for the industry. We at HANSE have looked at the charter parties and included where possible the option to deviate to alternative ports for necessary crew changes. We also work hard to keep deviation and off-hire times as short as possible. As most of our ships are on time charter, port congestion is more of a headache for charterers. But if a charter period ends, it can be a problem for owners, too, if they have to meet the next delivery date or a time-window for dry-docking. It makes planning more difficult.

Container ship t/c market



Month on Month 1,008 ↑ +6.7%

Container freight market

WCI Shanghai-Rotterdam	7,741 \$/FEU	-10.1%
WCI Shanghai-Los Angeles	4,245 \$/FEU	-2.4%

Dry cargo / Bulk

Baltic Dry Index	2,215	+25.1%
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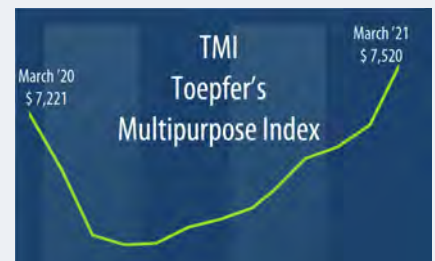
Time charter averages / spot: \$/d

Capesize 5TC average	18,873	+20.3%
Panamax 5TC average (82k)	25,400	+14.2%
Supramax 10TC average (58k)	23,258	+46.7%
Handysize 7TC average (38k)	24,426	+60.7%

Forward / ffa front month (Mar 21): \$/d

Capesize 180k	22,809	+34.0%
Panamax 82k	26,414	+11.7%

MPP



12,500 tdw MPP/HL »F-Type« vessel for a 6–12 months TC

Tankers

Baltic Dirty Tanker Index	746	+23.9%
Baltic Clean Tanker Index	558	-2.3%

Shortsea / Coaster

Norbroker 3,500 dwt earnings est.	4,000	+8.1%
HC Shortsea Index	21.48	+6.8%
ISTFIX Shortsea Index	876	+25.1%

Norbroker: spot t/c equivalent assessment basis round voyage North Sea/Baltic; HC Shipping & Chartering index tracking spot freights on 5 intra-European routes; Isthix Istanbul Freight Index covering spot freight ex Black Sea

Bunkers

VLSFO 0.5 Rotterdam \$/t	485	+0%
MGO Rotterdam \$/t	518	-1.1%

Forward / Swap price Q2/21

VLSFO 0.5 Rotterdam \$/t	478	+4.1%
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Data per 18.03.2021, month-on-month