

# OCEAN FREIGHT OUTLOOK

## U.S. Grain and Oilseed Transportation Conference

Barry Parker, bdp1 Consulting Ltd.

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# Key Take-Aways

- The ocean freight market has rebounded from lows of late 2008 / early 2009
- Demand is recovering, led by Asia
- Vessel supply over-hang still uncertain
- Cautious rate outlook, likely more volatility, based on iron ore trades
- Agricultural bulks a price-taker, not a rate setter



# Where We've Been



# Overall Supply- Demand

	Actual				Forecast					
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Overview</b>										
Dry Bulk Trade (m tonnes)	2,788	2,958	3,037	2,981	3,185	3,408	3,661	3,933	4,224	4,541
% Change	7.0%	6.2%	2.7%	-1.8%	6.8%	7.0%	7.4%	7.4%	7.4%	7.5%
Dry Bulk Trade (Tonne Mile)	14,213	15,091	15,518	15,253	16,305	17,468	18,788	20,207	21,724	23,383
% Change	5.3%	6.2%	2.8%	-1.7%	6.9%	7.7%	7.7%	7.7%	7.4%	7.6%
Dry Bulk Demand (mdwt)	312.5	365.2	366.1	347.8	397.5	458.7	489.7	509.1	525.7	537.6
% Change	9.4%	16.9%	0.2%	-5.0%	7.4%	7.1%	8.8%	7.7%	7.6%	7.8%
Dry Bulk Fleet (mdwt)	354.1	400.1	421.2	453.1	518.2	574.2	624.2	670.7	713.9	738.4
% Change	6.8%	13.0%	5.3%	7.6%	14.4%	18.3%	11.6%	4.8%	2.2%	0.7%
Orderbook (mdwt)	80.1	216.5	216.5	278.0	279.4	n/a	n/a	n/a	n/a	n/a
% Fleet	22.6%	54.1%	51.4%	61.3%	53.9%	n/a	n/a	n/a	n/a	n/a
Deliveries (mdwt)	25.7	24.8	24.4	40.6	65.7	102.7	79.6	38.9	21.2	9.7
New Orders (mdwt)	33.3	134.6	79.0	26.1	13.8	n/a	n/a	n/a	n/a	n/a
Deletions (mdwt)	1.8	0.4	4.0	9.5	4.3	1.3	2.7	1.6	1.8	1.6

**DEMAND GREW  
FASTER THAN THE FLEET,  
UNTIL 2008 - 2009**

Source: Drewry



# Closer Look at Demand Side

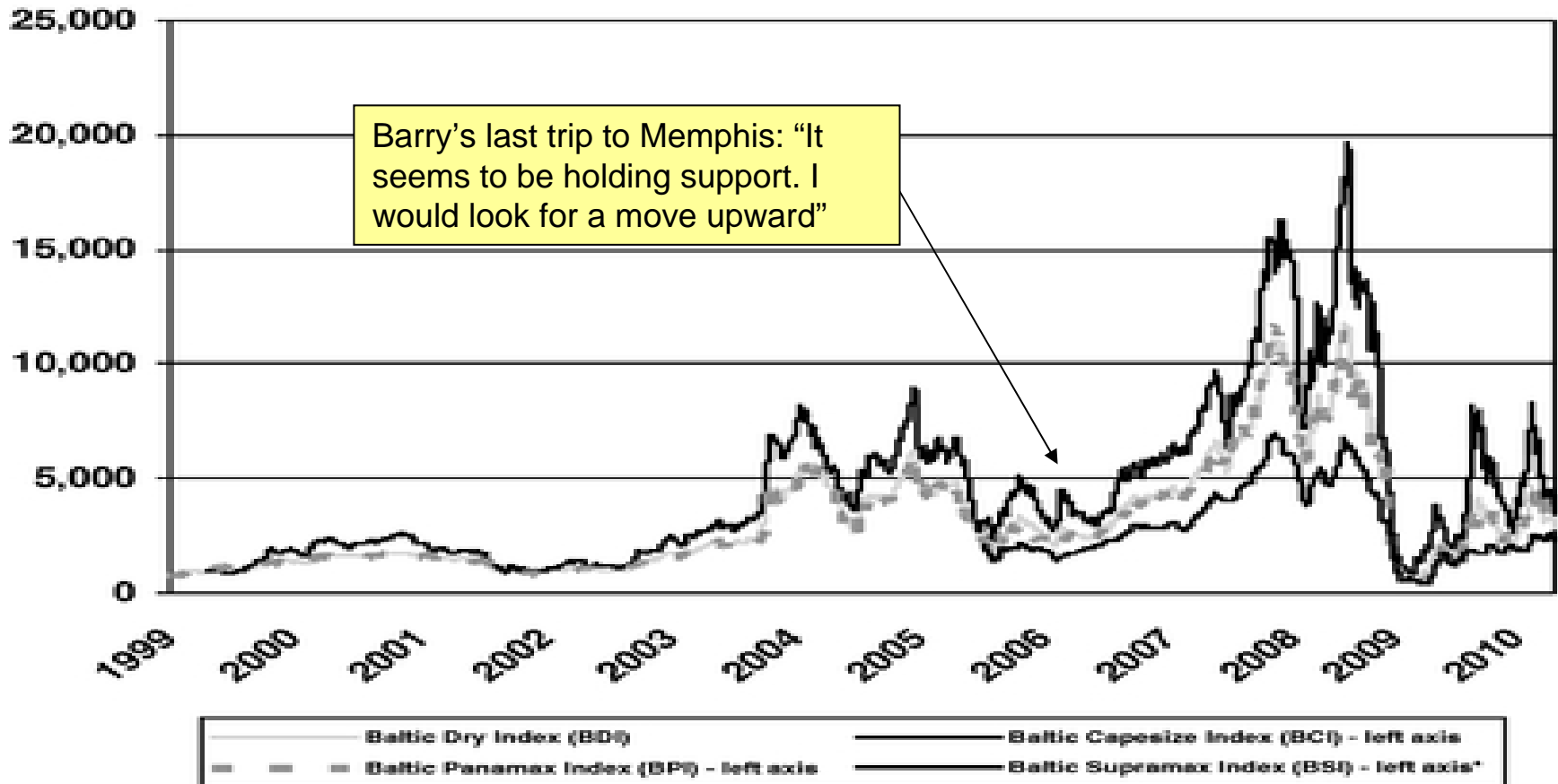
Table 2.1 Dry bulk seaborne trade (million tonnes)

	Iron Ore	Coking Coal	Steam Coal	Grain	Minor Bulks	Total Trade	% Change*
2006	758.8	239.3	529.2	221.1	1,035.0	2,783.4	7.0%
2007	822.7	246.5	586.8	227.8	1,074.5	2,958.3	6.3%
2008	885.6	250.4	579.8	234.5	1,087.0	3,037.4	2.7%
2009	909.4	191.1	580.0	209.7	1,091.2	2,981.4	-1.8%
2010 (p)	976.9	230.5	614.0	242.2	1,120.4	3,185.0	6.9%
2011	1,098.9	233.9	658.2	248.7	1,168.5	3,433.4	7.8%
2012	1,239.8	237.4	709.6	254.2	1,220.4	3,661.4	6.6%
2013	1,394.0	241.2	762.2	259.9	1,276.1	3,933.4	7.4%
2014	1,562.6	245.1	816.6	265.4	1,334.1	4,223.9	7.4%
2015	1,750.5	249.3	875.7	271.2	1,394.7	4,541.3	7.5%

Source: Drewry



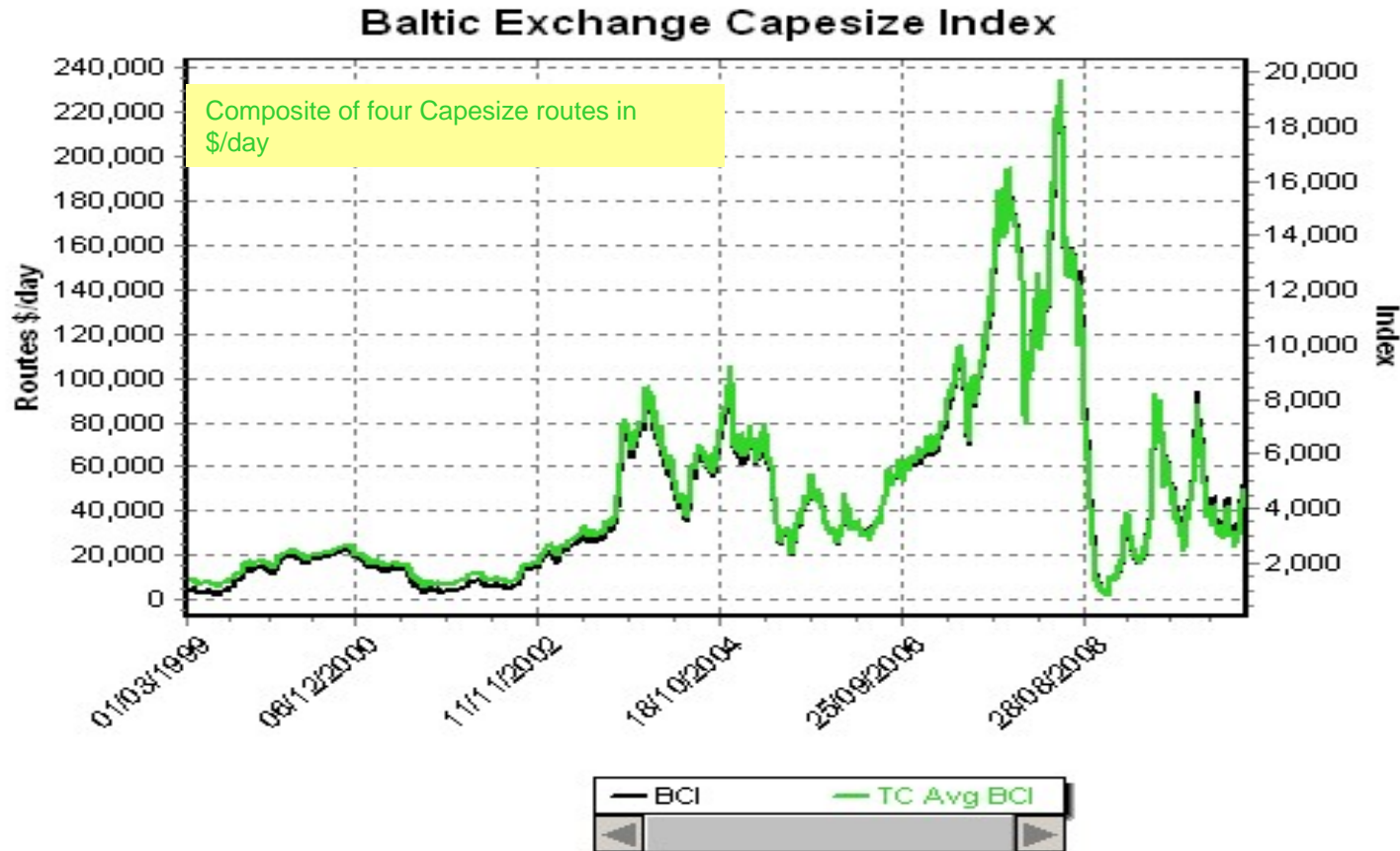
# A Decade of Drybulk Freight



Source: Drewry "Industry Section" in Baltic Trading International prospectus



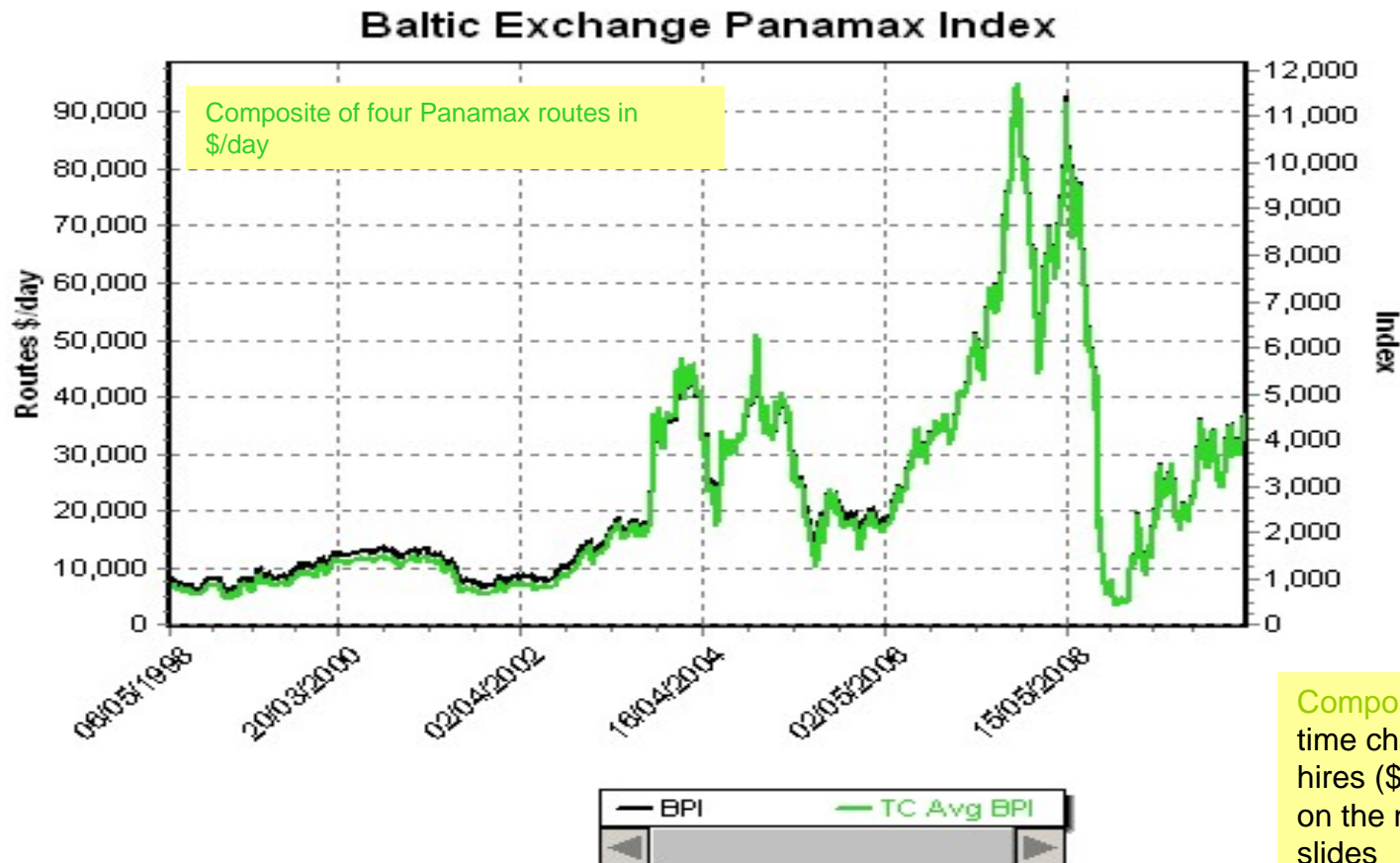
# Capesize- was above \$220,000/day



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# Panamax- was above \$90,000/day



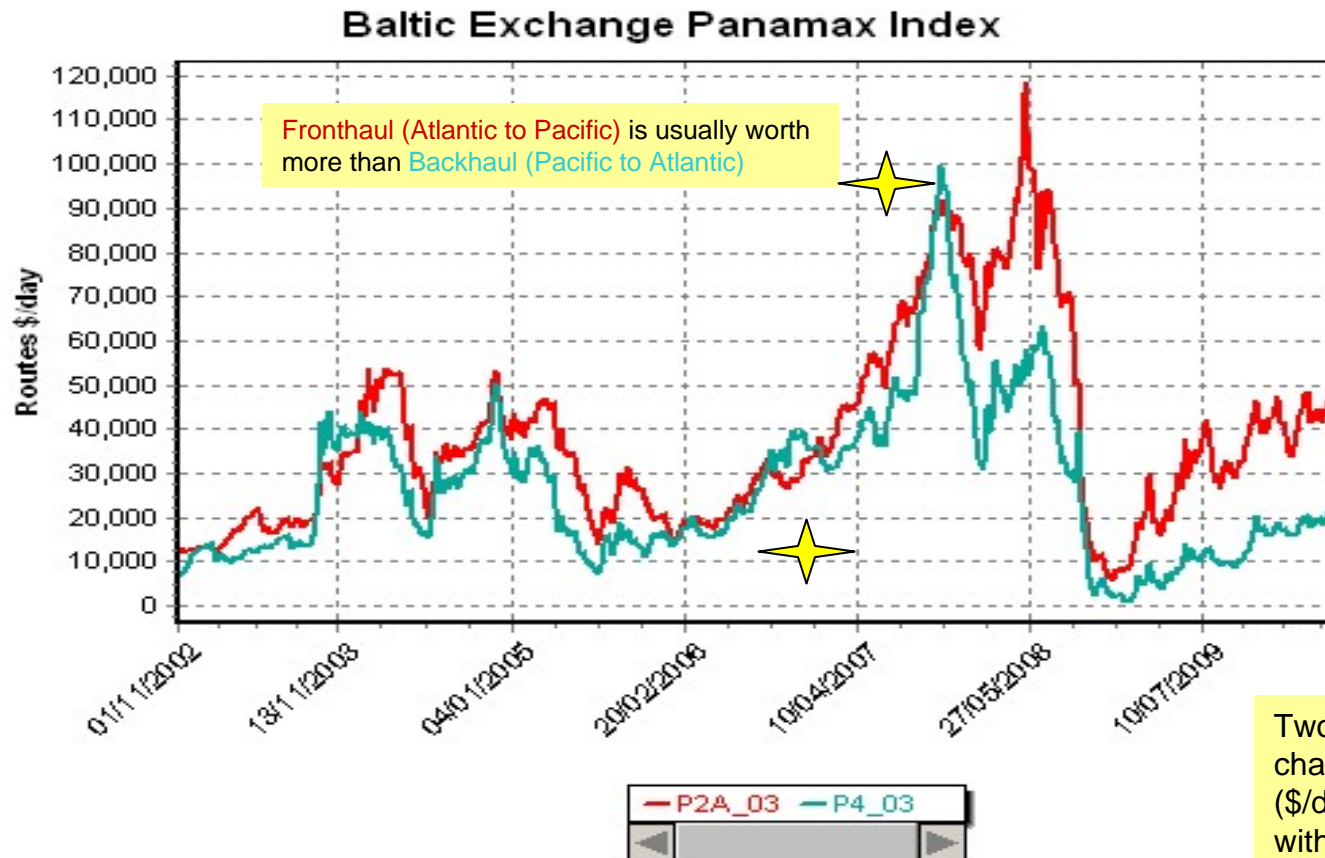
Composite of four time charter trip hires (\$/day), shown on the next two slides

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# Panamax: Atlantic and Pacific



May 20, 2010, TC out to Japan = \$50,000/day

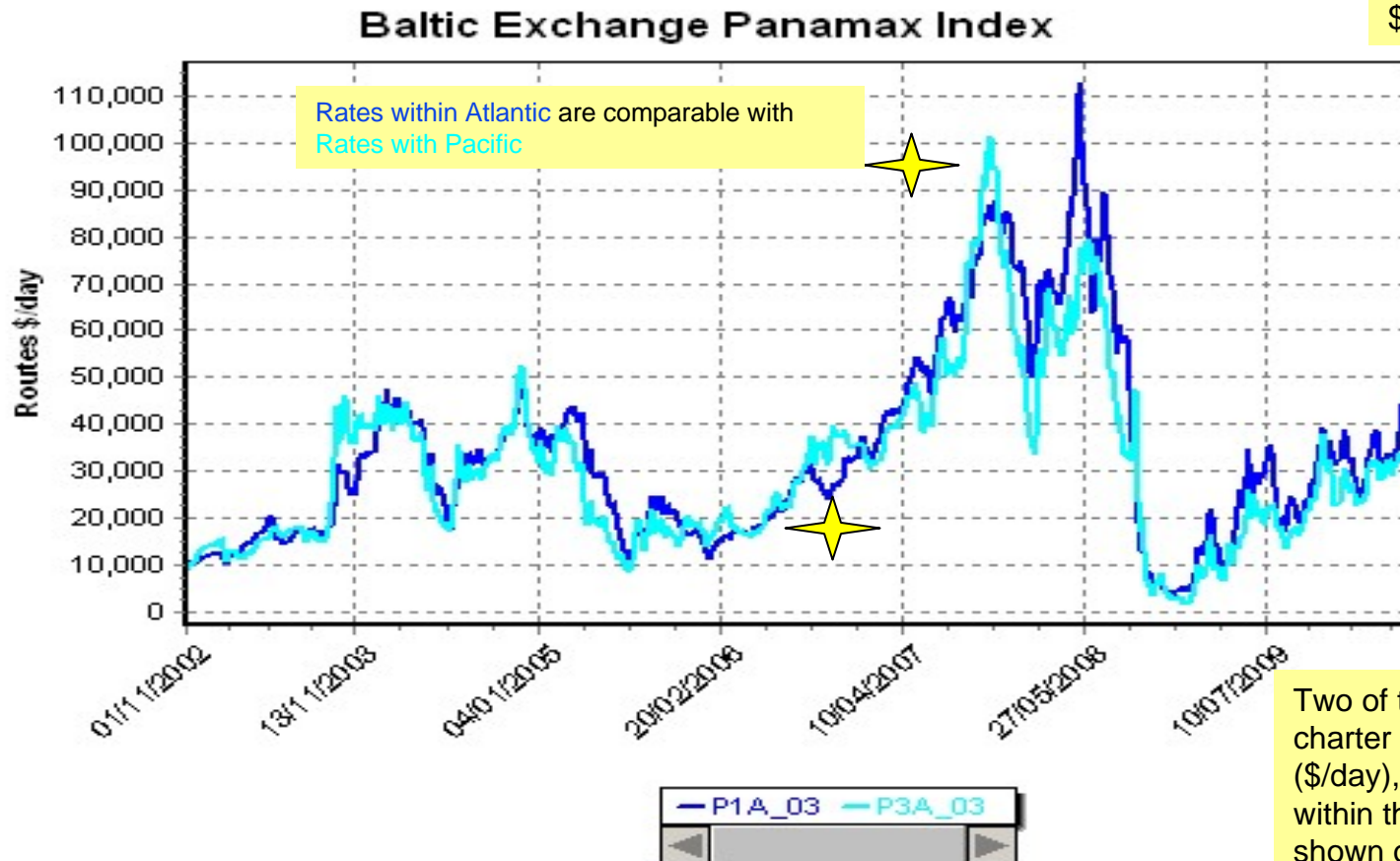
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Two of the four time charter trip hires (\$/day), contained within the composite shown on the previous slide



# Panamax: Atlantic and Pacific

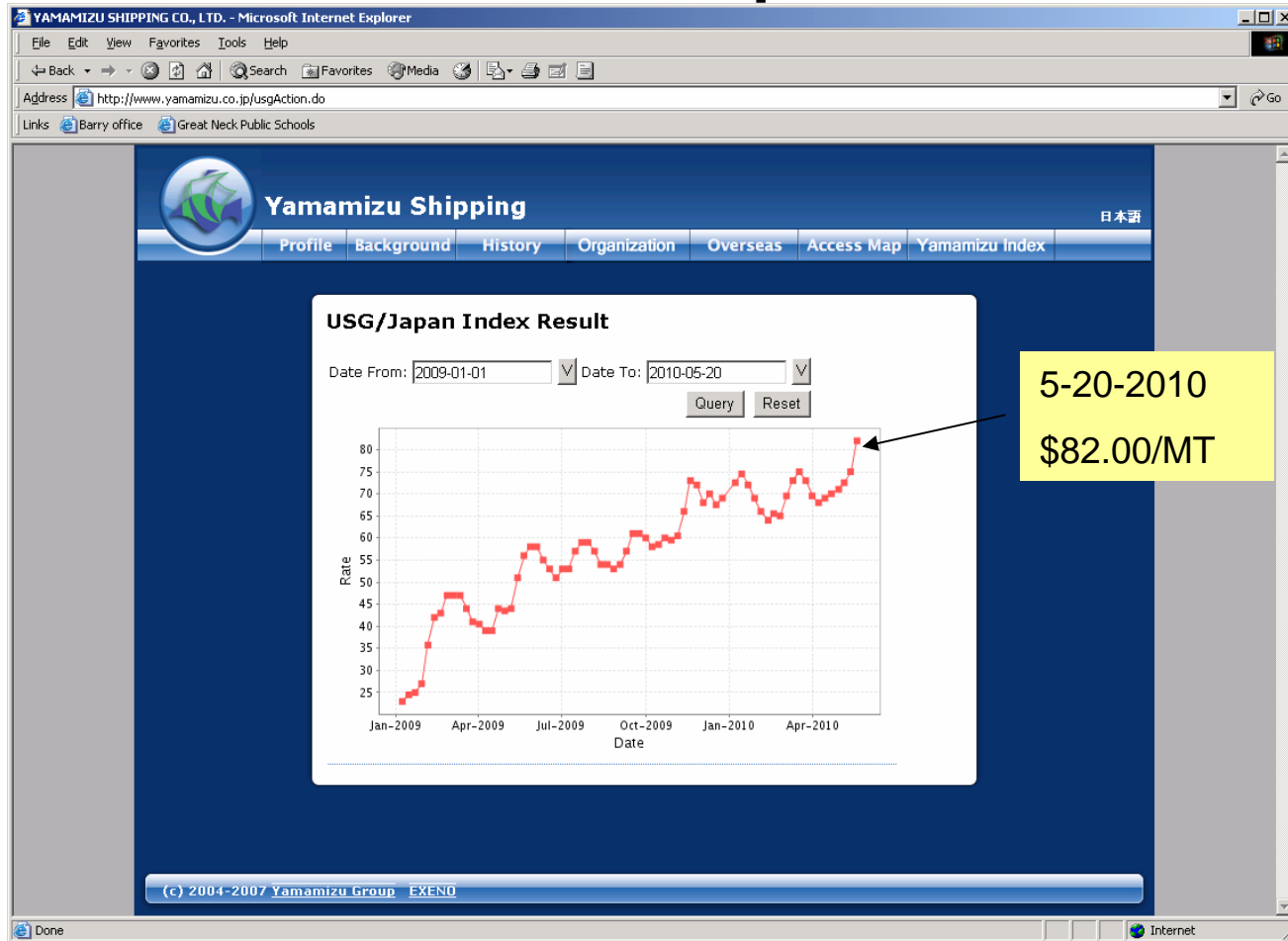
May 20, 2010, TC  
trans Pacific=  
\$33,000/day



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# Panamax: Yamamizu Index US Gulf/ Japan



# Back of the Envelope USG/ Japan

Time Charter Hire	\$50,000	per day		
			\$ 400	\$ 800
Total Voyage Time			Fuel - IFO	Diesel
Rotterdam to US Gulf	14	days	35	2
US Gulf to Japan	40	days	39	2
Days In Port	12	days		2
Days at Canal	3	days		2
Total Voyage Time	69	days		
<b>Fuel Cost</b>	<b>\$ 820,000</b>			
<b>Diesel Cost</b>	<b>\$ 110,400</b>			
<b>Vessel Cost</b>	<b>\$3,450,000</b>			
<b>Port Costs</b>	<b>\$ 150,000</b>			
<b>Canal Costs</b>	<b>\$ 100,000</b>			
<b>Total Cost</b>	<b>\$ 4,630,400</b>			
Divide by metric tons	60,000			
<b>Freight Per MT</b>	<b>\$ 77.17</b>			



# Back of the Envelope Nopac/Japan

Time Charter Hire	\$33,000	per day		
			\$ 400	\$ 800
Total Voyage Time			Fuel - IFO	Diesel
China to Nopac	22 days		35	2
Nopac to Japan	28 days		39	2
Days In Port	12 days			2
Days at Canal	0 days			2
Total Voyage Time	62 days			
<b>Fuel Cost</b>	<b>\$ 744,800</b>			
<b>Diesel Cost</b>	<b>\$ 99,200</b>			
<b>Vessel Cost</b>	<b>\$2,046,000</b>			
<b>Port Costs</b>	<b>\$ 150,000</b>			
<b>Canal Costs</b>	<b>\$ -</b>			
<b>Total Cost</b>	<b>\$ 3,040,000</b>			
Divide by metric tons	55,000			
<b>Freight Per MT</b>	<b>\$ 55.27</b>			



# Where We're Going



# The Forward Swap Curve- Panamax

4TC_P	SPOT (4 T/C)		\$ 36,413	\$ (315)
4TC_PCURMO	May (10)	\$/day	\$ 34,917	\$ 389
4TC_P+1MON	Jun (10)	\$/day	\$ 32,875	\$ 444
4TC_P+2MON	Jul (10)	\$/day	\$ 29,103	\$ 270
4TC_PCURQ	May/Jun (10)	\$/day	\$ 33,896	\$ 417
4TC_P+1Q	Q3 (10)	\$/day	\$ 27,347	\$ 564
4TC_P+2Q	Q4 (10)	\$/day	\$ 23,958	\$ 291
4TC_P+3Q	Q1 (11)	\$/day	\$ 21,822	\$ 236
4TC_P+4Q	Q2 (11)	\$/day	\$ 20,822	\$ 280
4TC_P+1CAL	Cal 11	\$/day	\$ 19,953	\$ 153
4TC_P+2CAL	Cal 12	\$/day	\$ 18,156	\$ 75
4TC_P+3CAL	Cal 13	\$/day	\$ 17,358	\$ 108
4TC_P+4CAL	Cal 14	\$/day	\$ 16,781	\$ 81
4TC_P+5CAL	Cal 15	\$/day	\$ 16,386	\$ 47

source: BALTIC EXCHANGE

A snapshot of market sentiment at one point in time. This table is from May 24, 2010

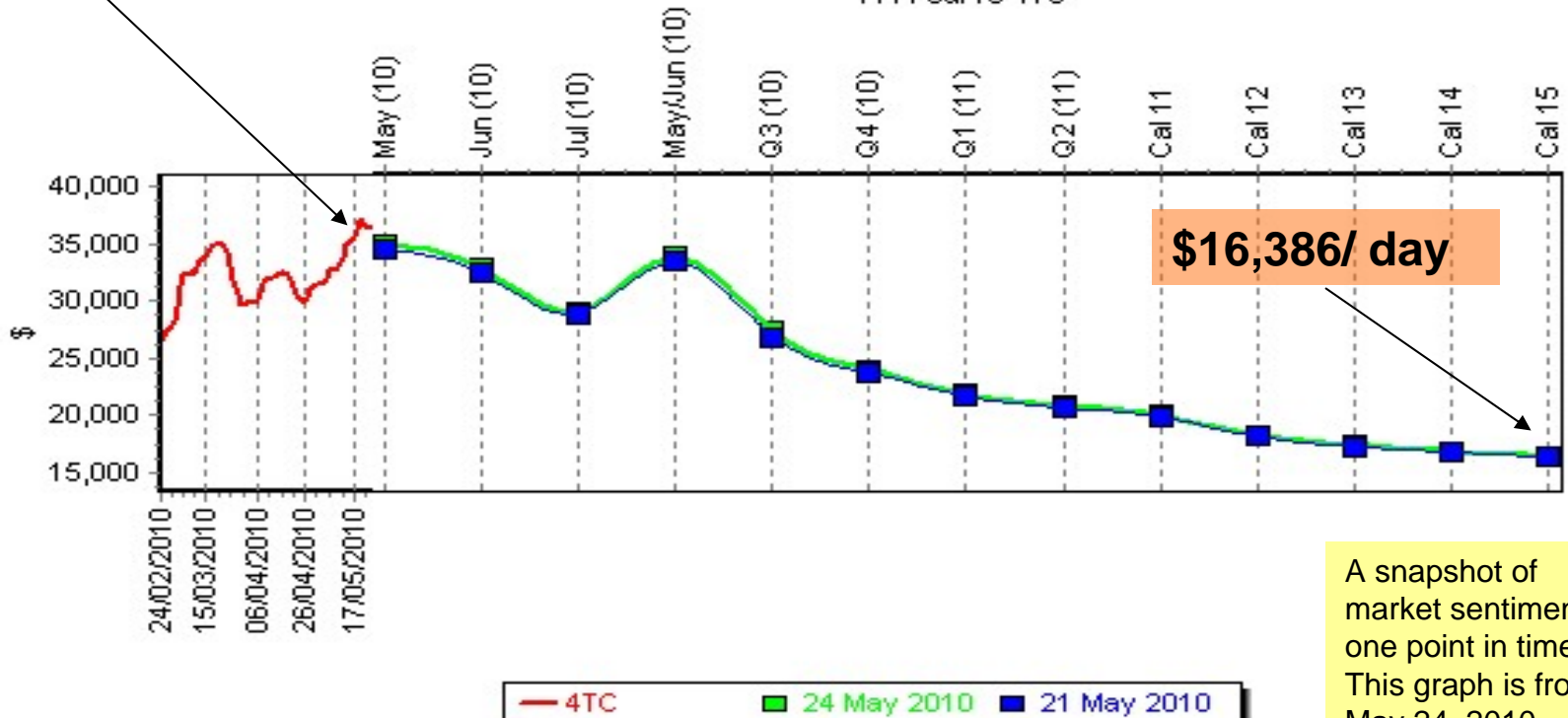


# The Forward Swap Curve- Panamax

\$36,413/ day

4TC

FFA Curve 4TC



\$16,386/ day

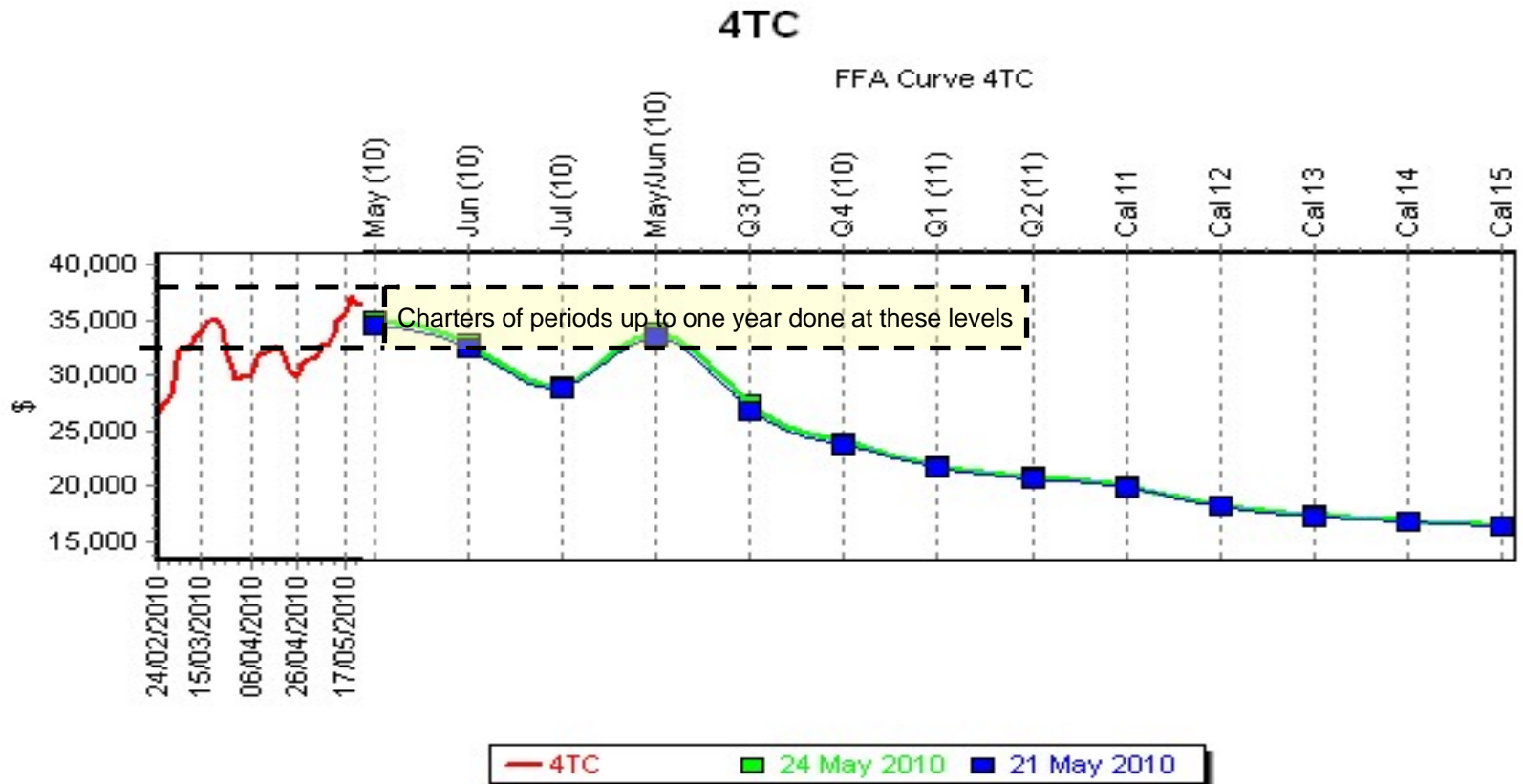
A snapshot of market sentiment at one point in time. This graph is from May 24, 2010

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# Forward Physical (Period Time Charter)



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# Overall Supply- Demand

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<b>Overview</b>										
Dry Bulk Trade (m tonnes)	2,588	2,958	3,137	2,981	3,185	3,408	3,661	3,933	4,224	4,541
% Change	7.7%	13.2%	5.3%	-1.8%	6.8%	7.0%	7.4%	7.4%	7.4%	7.5%
Dry Bulk Trade (Tonne Mile)	14,218	15,091	15,518	15,253	16,305	17,468	18,788	20,207	21,724	23,383
% Change	14.2%	6.2%	2.7%	-1.7%	6.9%	7.1%	7.6%	7.6%	7.5%	7.6%
Dry Bulk Demand (mdwt)	310.5	365.0	366.1	347.8	373.4	399.9	435.2	468.7	504.5	543.6
% Change	17.5%	17.9%	0.2%	-5.0%	7.4%	7.1%	8.8%	7.7%	7.6%	7.8%
Dry Bulk Fleet (mdwt)	301.0	453.0	453.1	453.1	518.2	612.9	684.2	717.3	733.2	738.4
% Change	6.8%	13.0%	5.3%	7.6%	14.4%	18.3%	11.6%	4.8%	2.2%	0.7%
Orderbook (mdwt)	80.1	216.5	216.5	278.0	279.4	n/a	n/a	n/a	n/a	n/a
% Fleet	22.6%	54.1%	51.4%	61.3%	53.9%	n/a	n/a	n/a	n/a	n/a
Deliveries (mdwt)	25.7	24.8	24.4	40.6	65.7	102.7	79.6	38.9	21.2	9.7
New Orders (mdwt)	33.3	134.6	79.0	26.1	13.8	n/a	n/a	n/a	n/a	n/a
Deletions (mdwt)	1.8	0.4	4.0	9.5	4.3	1.3	2.7	1.6	1.8	1.6

**FLEET WILL  
LIKELY GROW  
FASTER THAN  
DEMAND,  
THRU 2012**

Source: Drewry



# Closer Look at Demand Side

Table 2.1 Dry bulk seaborne trade (million tonnes)

	Iron Ore	Coking Coal	Steam Coal	Grain	Minor Bulks	Total Trade	% Change*
2006	758.8	239.3	529.2	221.1	1,035.0	2,783.4	7.0%
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Source: Drewry



# The Orderbook from Multiple Angles

source is Drewry

## Orders Placed

	Handysize		Handymax		Panamax		Post-Panamax		Capesize		VLOC		Total	
	No.	Dwt	No.	Dwt	No.	Dwt	No.	Dwt	No.	Dwt	No.	Dwt	No.	Dwt
2006	133	3,865	151	8,216	24	1,828	38	3,327	68	12,018	14	4,094	428	33,348
2007	318	9,971	463	26,280	82	6,238	225	19,803	345	58,261	52	14,063	1,485	134,614
2008	215	8,958	215	12,139	83	5,933	86	7,562	179	29,819	53	16,753	831	78,964
2009	114	3,802	71	4,071	61	4,460	96	8,156	58	10,326	25	8,518	425	39,332

## Stock of Orders

	Handysize		Handymax		Panamax		Post-Panamax		Capesize		VLOC		Total		% of Fleet
	No.	Dwt	No.	Dwt	No.	Dwt	No.	Dwt	No.	Dwt	No.	Dwt	No.	Dwt	
2006	271	7,888	297	15,924	124	9,382	120	10,991	112	19,801	68	16,730	992	80,118	20.1%
2007	574	17,703	728	40,503	204	15,004	386	33,440	479	81,921	106	27,967	2,477	216,537	55.2%
2008	868	27,216	969	54,367	235	16,772	541	46,699	652	109,929	146	39,951	3,411	294,935	70.4%
2009	755	24,247	861	48,539	270	19,403	469	40,635	608	102,423	154	44,184	3,117	279,432	59.6%

## Delivery Schedule

	2010		2011		2012		2013		2014		2015+		Total		% of Fleet
	No.	Dwt	No.	Dwt	No.	Dwt	No.	Dwt	No.	Dwt	No.	Dwt	No.	Dwt	
Handysize	358	11,052	282	9,308	99	3,352	15	504	1	32			755	24,247	32.2%
Handymax	415	23,391	340	19,187	91	5,137	15	825					861	48,539	52.0%
Panamax	88	6,473	92	6,652	73	5,116	17	1,161					270	19,403	19.4%
Post-Panamax	188	16,338	184	16,054	75	6,368	18	1,548	4	328			469	40,635	156.0%
Capesize	291	50,022	211	34,922	83	13,687	17	2,737	3	530	3	525	608	102,423	76.3%
VLOC	37	9,772	59	17,582	47	14,167	10	2,438	1	225			154	44,184	109.7%
<b>Total</b>	<b>1,377</b>	<b>117,049</b>	<b>1,168</b>	<b>103,704</b>	<b>468</b>	<b>47,826</b>	<b>92</b>	<b>9,213</b>	<b>9</b>	<b>1,115</b>	<b>3</b>	<b>525</b>	<b>3,117</b>	<b>279,432</b>	<b>59.6%</b>



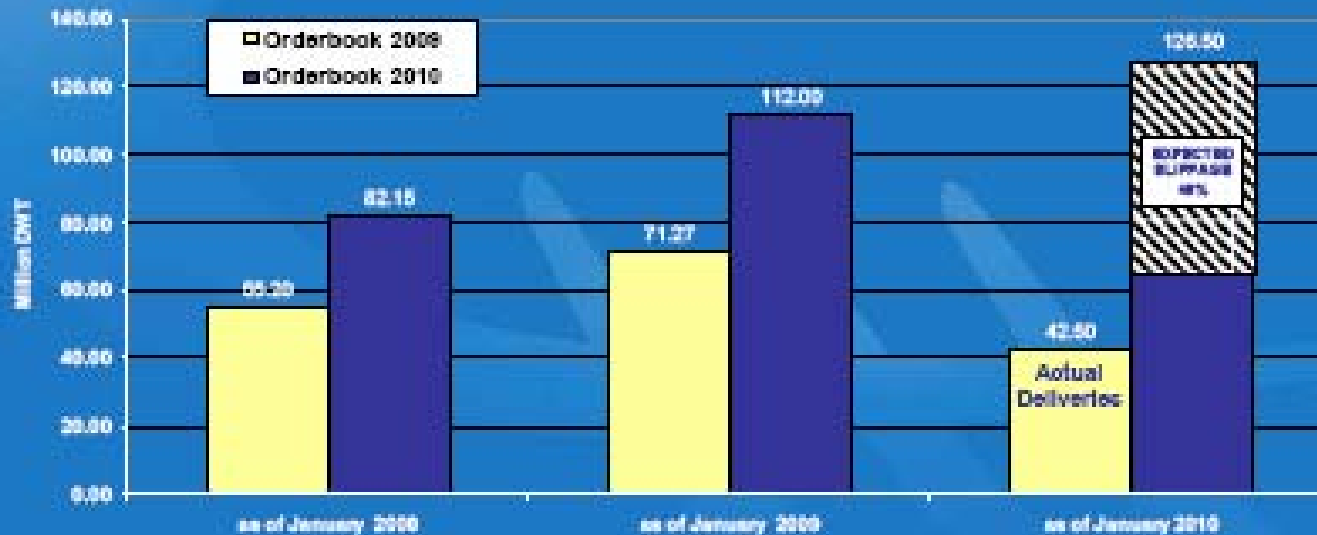
# A New Word, "SLIPPAGE"



Navios Maritime Holdings Inc.

## Orderbook Projections

- Non-deliveries for 2009 = 40% (29.8 m dwt)
- Non-deliveries for 2010 projected at 49% (61.4 m dwt)



Source: Clarkson



# Slippage? = Reduced Fleet Growth?

	Fleet in Mdw.	Est. Demand in Mdw.	Surplus in Mdw.	Utilization in %
2006	347.2	312.5	34.7	90.0%
2007	381.5	365.2	16.3	95.7%
2008	414	366.1	47.9	88.4%
2009	438.9	347.8	91.1	79.2%
2010		380.6		
2011		434.9		
2012		472		
2013		507.8		

Source= Drewry



	Fleet in Mdw.	Est. Demand in Mdw.	Surplus in Mdw.	Utilizatic in %
2006	347.2	312.5	34.7	90.0%
2007	381.5	365.2	16.3	95.7%
2008	414	366.1	47.9	88.4%
2009	438.9	347.8	91.1	79.2%
2010	538	380.6	157.4	70.7%
2011	638	434.9	203.1	68.2%
2012	700	472	228	67.4%
2013	715	507.8	207.2	71.0%

	Fleet in Mdw.	Est. Demand in Mdw.	Surplus in Mdw.	Utilizatic in %
2006	347.2	312.5	34.7	90.0%
2007	381.5	365.2	16.3	95.7%
2008	414	366.1	47.9	88.4%
2009	438.9	347.8	91.1	79.2%
2010	488	380.6	107.4	78.0%
2011	538	434.9	103.1	80.8%
2012	565	472	93	83.5%
2013	585	507.8	77.2	86.8%



# Conclusion

- Shipping rates are difficult to forecast with any reliability, even going out over months
- For cargo shippers, if the freight component can be locked in, do it !!!
- The large freight “operators” exist because they can absorb the many risks.
- Thank you for your attention
- Contact info at <http://www.conconnect.com>

