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Grains unlikely to support bulkers in the near term

A SLOWING GRAINS market is expected through the coming months as the South American season comes to an end, and before US exports begin, according to analysts.

While volumes up until now have been described as "fantastic," helping to support bulkers from supramaxes to panamaxes, June and July are expected to see softer trades.

"Grains is actually a weak spot at the moment," said Torvald Klaveness head of research Peter Lindstrom. "It's still strong on a year-on-year basis, but the peak is now behind us as the strong Brazilian export season is winding down."

The "armada of panamax vessels" that has loaded soyabeans in the east coast of South America in the last couple of months will, going forward, be discharging in the Far East, which from here until July is "negative for the freight market", he said.

"But, from August, when the US season starts and once China continues to buy, we should see a more positive freight market as vessels are sourced for this trade," he added.

Indeed, there are hopes that China will return to the US market for soyabean shipments as it looks to replenish stocks amid concerns about supply chain disruptions due to coronavirus.

According to Jefferies, there was some "positive news" for the dry bulk sector as Chinese importers reportedly bought 240,000 tonnes of US soyabeans for loading in July, with a further 1m tonnes likely in the second half of the year.

Longer term, China could even import 30m tonnes of US agricultural products, including 10m tonnes of soybeans, Jefferies analyst Randy Giveans said.

Relations between the two superpowers look to be thawing with economic recovery the number one priority amid the virus pandemic, improving trade prospects, he said.

Price competitiveness

Klaveness' Mr Lindstrom believes that at this time, the US is still not price-competitive, meaning that commercial buyers in China, continue to source their beans from Brazil, while state-run companies are buying US beans as they have quotas to rebuild stockpiles following the easing of its lockdown measures.

But as Brazilian beans become more scarce going into the third quarter, prices will rise, making them less competitive than the US. That, in turn, will attract China's commercial buyers, he noted.

A Singapore-based grains trader said that despite the phase 1 agreement between the US and China, not much grain movement has thus far been seen. Should China increase its purchases, as was the case last year, US soyabean exports in 2019/20 have the potential to still reach the US Department of Agriculture's current projection of 48.3m tonnes.

But continuation of the current slow export pace will bring total US exports to around 45.1m tonnes, he said.

For Brazil, a weak real has incentivised exports.

Brazil had a bumper month in April, exporting a record 16.3m tonnes, three quarters of which made their way to China. That followed shipments of 13m tonnes in March. It has provided much-needed employment for panamaxes and kamsarmaxes while Atlantic coal trades have been weak.

Chinese appetite

"Increased buying interest from China has driven trade volumes as crushers have sought to fill both near-term and deferred requirements," said brokerage Simpson Spence Young in a note.

Chinese soyabean imports are forecast to reach 89m tonnes in the 2019/20 marketing year, 2m tonnes higher than the previous year, with further growth expected in the 2020/21 season at 92.5m tonnes, it said, citing the International Grains Council.

While Brazilian volumes have soared, Argentina's exports, of mainly soya meal, have fallen due to pressures faced by farmers, SSY said.

In addition, low water levels on the Parana River have restricted the movement of soyabeans to crushing plants, it said, forcing exporters to load reduced cargo stems, which in turn, supported demand for some shallow-drafted geared vessels.

North Pacific trades are meanwhile also suffering from a seasonal supply slowdown and general uncertainty in the market related to the direction that China may take, according to Danish grains consultancy BullPositions.

"China is the epicentre of most of the Pacific trade flow concerns," managing director Jesper Buhl said, adding that despite the fact that the expected Chinese 2020/21 demand for wheat, barley, corn, rapeseed and soyabeans imports has returned to an upwards trajectory, Pacific trades are on the decline.

And tariff threats "continue to crisscross the Pacific Ocean", he noted.

According to reports, there are growing tensions between Australia and China over a coronavirus inquiry, for example.

But all is not lost.

According to BIMCO's chief shipping analyst Peter Sand, the volume of grains traded has been "fantastic" and if it was not for that solid support, the dry bulk market would be in an even more dire situation.

That sentiment rings true for London-based Maritime Strategies International, which expects overall dry bulk demand to fall by more than 1% this year, while grains trades are expected to rise by 3%.

Earnings for panamaxes and smaller bulker sizes are thus forecast to increase through October, although they will be lower than last year's levels due to weakness in other commodity flows.

Panamaxes are estimated to generate an average of $7,400 per day in the spot market in July, rising to $9,700 in October, MSI estimates show, while supramaxes should earn $6,200 in July and $7,500 in October, and handysizes should fetch $6,900 in July, increasing to $8,300 in October.

"I wouldn't say that grains are the only commodities that are helping the bulk market, but it is certainly a bright spot in an otherwise gloomy outlook," said MSI's lead analyst Will Fray.

"Overall, governments are naturally supporting grains production, which is heavily mechanised for key traded grains, so productivity is not significantly impacted by social distancing, and trade as a priority," he said.

WHAT TO WATCH

Abandoned LPG carrier had insurance and class revoked after Iran call

GLOBALGAS, the insolvent Spanish shipowner at the centre of a crew abandonment case, had its class and insurance cut off over accusations that it had breached Iranian sanctions.

Globalgas' liquefied petroleum gas carrier *Celanova* lost its rudder in a storm in December as it sailed from Singapore to China, and was later towed to anchor 13 miles off Manila.

The International Transport Workers' Federation has since claimed Globalgas abandoned its 15 crew, who have not been paid since October.

However, it has now emerged that the 7,300 dwt vessel had previously entered Iranian waters in November last year — a move that ultimately prompted the American Club to withdraw cover.

American Club chief legal officer Daniel Tadros confirmed to Lloyd's List that the club retroactively terminated *Celanova*'s cover after it became aware the vessel "had called in Iran and was carrying a cargo of butadiene in contravention of US sanctions and the club's rules".

He added: "Because the American Club is a US-based company, once the origin of the cargo was confirmed, club cover terminated in all respects ab initio."

Mr Tadros said Bureau Veritas suspended the vessel's class on January 8, but the American Club was not aware of this until about January 22.

Bureau Veritas was not immediately able to confirm the details of the case.

Mr Tadros said the club had paid to tow the vessel to safety outside Manila, arranged repairs for its generators and provided other help to its master and crew.

Mr Tadros said it obtained permission from the US Treasury's Office of Foreign Assets Control to continue to help the vessel and crew, but the permission was conditioned on the cargo remaining on board.

When Globalgas arranged for the cargo to be transhipped to China, "the American Club was left with no powers to assist".

"Only very recently, and purely for humanitarian reasons, the club has been allowed to provide necessary supplies and other services to the crew despite the fact that the club's Maritime Labour Convention obligations had terminated as of February 8, 2020," Mr Tadros said.

"The club has also agreed to assist with repatriation of the crew but, much like the ITF and other international organisations, has faced difficulties in obtaining permission for the vessel to berth in the port of Manila."

Rodolfo Burgos Escudero, head of Globalgas, said: "We are a Spanish company, so we are not affected by US unilateral sanctions to any country and we are free to trade as per European Commission and Spanish regulations."

Mr Burgos said the cargo was originally documented from Oman. He said all the documentation given by shippers was correct and accepted by receivers, "so there is not any fact that this cargo is [coming in] origin [from] Iran, which, by the way, should not be a problem".

He said *Celanova* and Globalgas have not been charged with any US sanctions and that the American Club had not given any assistance to the crew based on MLC insurance and all supplies and services to the ship had been on Globalgas' account.

"The only thing they have tried to do is to incite the crew to arrest the vessel when she was still loaded with cargo, with the risk to the environment and crew safety," Mr Burgos said.

A US Treasury spokseman told Lloyd's List: "We take allegations of sanctionable conduct seriously but we do not comment on the applicability of sanctions in individual circumstances, nor do we comment on possible or pending investigations."

Lloyd's List Intelligence shows the *Celanova* entered Iranian waters last year between November 4-8 on its way to Oman, and on August 22-29 on its way to Fujairah.

The ITF has said the 2003-built *Celanova* was detained by the Philippines Port State Control on February 14 for breach of the MLC over unpaid wages. It is negotiating with the Spanish and Filipino authorities about repatriating the crew.

Mr Burgos has said Globalgas declared voluntary insolvency on March 7 and he intended to disembark the crew when Manila's coronavirus restrictions eased.

Green initiative to target shipping in developing countries

AN international partnership has been launched to explore potential decarbonisation opportunities for maritime in developing countries.

The initiative — the P4G Getting to Zero Coalition Partnership — is the latest mobilisation effort by leading industry coalitions, research groups and government bodies to engage with partners beyond the maritime sector to decarbonise it.

The collaborarion involves the Global Maritime Forum, World Economic Forum, Friends of Ocean Action, the International Association of Ports and Harbors, the Environmental Defence Fund and University College London Energy Institute all teaming up with the P4G global network, a forum for developing public-private partnerships.

"The partnership aims to identify new growth opportunities that will be needed as countries seek to recover better from the current coronavirus pandemic," the partners said in a statement.

The new partnership builds on the Getting to Zero Coalition, a multi-stakeholder initiative launched in September of 2019 with the aim of developing zero-emission vessels for commercial use by 2030.

Initially, it will start with three country-specific reports, which the stakeholders hope can offer a national blueprint for cutting shipping emissions and offer lessons to involve other developing and emerging economies.

"Studies of Indonesia, Mexico and South Africa will identify tangible business and investment opportunities in green energy projects that can propel maritime shipping's decarbonisation and contribute to sustainable and inclusive growth in developing and emerging economies," the joint statement said.

The Global Maritime Forum has previously estimated that fully decarbonising shipping by 2050 would require between $1.4trn and $1.9trn in investments from 2030 onwards.

The initiative comes as global decarbonisation negotiations have come to a halt owing to the coronavirus backdrop. Shipowners are already indicating that they expect to cut back on planned emissions investments.

"As policymakers formulate policies and stimulus measures to kickstart the global economy, they have a unique opportunity to rebuild a better more sustainable and resilient economy by taking the long-term impacts of investments on the climate into consideration," the P4G Getting to Zero Coalition Partnership said.

Shipping's decarbonisation, although widely supported, has also stoked debate about the varying obligations different countries have in contributing to it and the potential adverse economic effects it could have on developing and the least-developed countries.

The International Maritime Organization has pledged to take this concern into consideration when laying out future decarbonisation regulations.

Tristan Smith, a University College London Energy Institute reader, said it was crucial that developing countries are decarbonisation leaders, which will require public-private multi-stakeholder dialogue to ensure that all circumstances are considered both in small island developing countries, the least-developed countries and the countries this project will study.

"The P4G Getting to Zero Coalition Partnership will explore how it can accelerate shipping's green transition while taking into consideration the technological and economic impact on trade and opportunities for developing states, to ensure access to affordable, reliable, sustainable and modern shipping for all," he said.

P4G is an international initiative comprising 12 partner countries as well as other organisations and is funded by the governments of Denmark and the Netherlands. It invests in more than 50 public-private partnerships with projects in developing countries.

ANALYSIS

Roadmap leads way to digital bills of lading

THE Digital Container Shipping Association is launching a process to establish the open collaboration it says is necessary to achieve full adoption of electronic bills of lading.

The association was set up by the major container lines last year to bring about interoperable standard in the sector.

As part of this initiative, it aims to develop open source standards for necessary legal terms and conditions, as well as definitions and terminology to facilitate communication among customers, container carriers, regulators, financial institutions and other industry stakeholders.

"Our mission is to drive alignment and digital standardisation to enable transparent, reliable, easy to use, secure and environmentally friendly container transportation services," said chief executive Thomas Bagge.

"Digitising documentation, starting with the bill of lading, is key to the simplification and digitisation of global trade. The transformation that has taken place in the airline industry is an example of what's possible if we work together."

The association estimates that even with a 50% uptake of electronic bills of lading, the sector could save as much as $4bn per year by 2030.

Despite the lack of a standardised approach to digitalisation, some carriers and associated logistics intermediaries have continued to move forward with proprietary electronic bills of lading initiatives, albeit at a limited scale.

André Simha, head of digital and innovation at Mediterranean Shipping Co, said the coronavirus pandemic is highlighting the benefits of electronic bills of lading.

"Cargo in ports cannot be gated out because of paper that is stuck elsewhere due to airfreight delays caused by the pandemic," said Mr Simha, who is also the chairman of the DCSA.

But three elements were required first for standardisation to take place, according to the association.

These included a "robust technology" capable of maintaining the integrity and uniqueness of the document along the supply chain, which had been difficult in the past.

"New technologies such as distributed ledger technology, peer-to-peer and blockchain offer potential solutions for eliminating the risk of a single catastrophic failure or attack that would compromise the integrity and uniqueness of an electronic bill of lading."

Concerns about legal enforceability, given some jurisdictions' insistence on paper documentation, had been eased during the pandemic, as social distancing measures were discouraging the handling of physical documentation.

Finally, the industry would need to come together in an open collaboration to establish data modelling and transmission standards.

"If everyone who touches the electronic bills of lading is using the same data format and communication standards, it can be transported seamlessly regardless of pre-existing relationships between stakeholders," the DCSA said.

Chinese tanker giants push for blockchain use in oil trade

A GROUP of Chinese oil trade players, including two major tanker owners, have published a white paper on the use of blockchain applications to increase efficiency and security in the sector.

The initiative, unveiled last Friday, envisages a digital platform that incorporates all the key stakeholders in the supply chain of the energy and petroleum industry — including oil companies, trading houses, pipeline operators, ports, shipping firms, financial institutions and regulators — to streamlines the processes involved.

China Merchants Energy Shipping and Cosco Shipping Energy Transportation, two of the world's biggest owners of very large crude carriers, are among the co-authors. Others are Sinochem Energy Hi-Tech, PetroChina International, Bank of China, China Construction Bank and Macquarie and Wanxiang Blockchain Labs.

The paper said that tanker shipping firms are in the middle of the industry's supply chain and are required to provide more secure and transparent services. But at the same time, they have large funding needs, which can be difficult to meet using traditional tools such as corporate guarantees, vessel collateral and project financing.

"Shipping companies want to use blockchain technologies to share shipping bills, make data safe and transparent, and renovate financing methods," the white paper said.

One practical example of this is enabling demurrage charges and other fees under contracts of affreightment to be automatically authenticated and paid for with smart contract technologies.

At the same time, the paper added that this digitalised and secure information can be used for collateral loans backed by demurrage charges, sale of overdue accounts or even structural financing to "improve the efficiency of shipping companies' use of funds".

In addition to greater flexibility in financing arrangements, digitalised documents can also offer "a perfect solution" for tanker owners who at present cannot obtain the original bills of lading from cargo owners and have to rely on charterers' letters of guarantee when discharging.

"Blockchain is the most disruptive innovation after the internet," China Merchants Energy Shipping chairman Xie Chunlin was quoted by the white paper as saying. He added that his company was willing to work with its partners to further explore the cutting-edge technology.

His counterpart at Cosco Shipping Energy Transportation, Liu Hanbo, said the white paper "has portrayed the common ideal" shared by those in the energy and petroleum industry, and that its ambitions will be realised with the joint efforts of the company and its allies.

MARKETS

EuroDry sees dry bulk slump lasting months

EURODRY, the Nasdaq-listed owner of seven bulkers, has been talking to its banks about possible rescheduling as it expects the coronavirus pandemic to spoil the market for some time yet.

"Countries have only timidly started reopening their economies and as a result, we anticipate that we will continue experiencing low charter rates and low demand well into the next few months," chief executive Aristidis Pittas said as the company unveiled a first-quarter loss.

Mr Pittas said that the market had already been weakening in the fourth quarter of last year but linked coronavirus to a "dramatic" drop of about 50% in rates since the start of this year.

Chief financial officer Tasos Aslidis told an earnings call that "we have already had discussions to find ways to possibly reschedule some of our near-term debt."

The health crisis had also set back plans to refinance the company's preferred shares.

"The market is not helping us... to refinance the preferred that we want to do by February next year," he said. That was a priority and any liquidity generated by the company in the interim would likely go towards that, he added.

This could be through operations or through refinancing certain vessels, with either direct debt refinancings or sales and leasebacks, he said.

Initially EuroDry had envisaged refinancing its preferred shares about this time of the year, but this would now likely be done in the autumn, said Mr Pittas.

Average time charter equivalent rates for EuroDry's vessels slumped from $9,472 per day in the same quarter last year to $7,885 in the first quarter of 2020.

EuroDry posted a net loss of $2.3m, compared to a $900,000 first-quarter profit last year.

But distributing $354,826 to preferred shareholders took the loss attributable to common shareholders to more than $2.6m.

Vale reopens Malaysian terminal

VALE has reopened its Malaysia distribution centre, bringing back online some 23m tonnes of iron ore capacity.

In an announcement, it said that loading operations at its Teluk Rubiah Maritime Terminal had resumed on May 16 after being halted on March 24 due to the temporary inability to secure the minimum resources to operate the terminal amid the coronavirus pandemic.

Malaysia put in place a Movement Control Order to lock down the country on March 18. This was an effort to control the spread of coronavirus.

The facility was originally set to be shut down until March 31, with an estimated impact on first quarter sales of 500,000 tonnes.

Vale and the Malaysian authorities have since been assessing the development of the coronavirus backdrop in the region and making sure adequate health and safety protocols are in place and ensuring there are essential resources to safely operate the terminal.

The Brazilian miner that supplies large quantities of iron ore to China added that maintenance had also been carried out at the terminal in the past two weeks to ensure a safe return to operations.

Vale said Teluk Rubiah Marine Terminal was responsible for distributing 23.7m tonnes of iron ore in 2019. "The resumption improves Vale's operational flexibility and strengthens its value chain," it added, while emphasising that there would be little impact from the halting on Vale's 2020 iron ore production guidance of 310-330m tonnes.

Blank sailings cut container throughput at Northwest Seaport Alliance

WASHINGTON state's Northwest Seaport Alliance of Seattle and Tacoma has again joined other ports along the US Pacific coast in announcing sharply reduced container throughput due to blank sailings resulting from the coronavirus pandemic.

NWSA chief executive John Wolfe said the economic fallout from the coronavirus pandemic continues to disrupt the global supply chain, especially in the form of blank sailings.

Mr Wolfe told a press conference on Monday that the NWSA has experienced 39 cancelled sailings through April, driven by the lingering trade dispute with China and the coronavirus pandemic. He said a further 18 blank sailings are expected into July.

The NWSA, comprised of the ports of Seattle and Tacoma, handled 247,675 teu in April 2020 a decline of 23.5% year over year. Compared with April 2019, full imports declined 13.9% while full exports decreased 17.6%.

During the first four months of 2020, NWSA handled 1.04m teu — down 17.5% year on year.

The NWSA joins leading container ports to the south — Oakland, Long Beach, and Los Angeles — in announcing lower throughput due to the adverse effects of the coronavirus backdrop, especially blank sailings.

In northern California, the port of Oakland saw a slight rise in loaded container volume for April, but officials expect a downturn ahead as 11% of the port's scheduled vessel calls have been cancelled for May and June.

"We are faring better than some other ports, but our forecast in the coming months is an overall volume throughput decline of 5% to 10%," port officials said.

Long Beach had one cancelled sailing in April, but more are coming, said port officials who expect 16 between April 1 and June 30. Last year, Long Beach and neighbouring Los Angeles had just 10 blank sailings between them.

The current figures follow 61 cancelled sailings for the two San Pedro Bay ports during the first quarter of 2020, nearly double the 31 blank sailings recorded a year earlier.

Meanwhile, Long Beach moved 519,730 teu in April, down 17.3% from April 2019. Imports plummeted 20.2% to 253,540 teu, while exports declined 17.2% to 102,502 teu. Empties heading abroad fell 12.2% to 163,688 teu.

Overall, the port moved 2.20m teu during the first four months of 2020, down 9.5% from the same period in 2019.

The port of Los Angeles earlier reported a 15.5% decline in its cargo throughput so far this year, with April volume down 6.5% as a result of the coronavirus outbreak.

Port executive director Gene Seroka acknowledged that blank sailings have been costly to his port, with some 10,000 teu affected with each cancellation, and he anticipates a further 28 blank sailings in May and June.

IN OTHER NEWS

Skuld flags premium rises as Britannia downplays virus impact

P&I clubs Skuld and Britannia have both recorded positive results for 2019-20.

While the former is hinting at premium hikes in the pipeline after its first negative technical result in nearly two decades, the latter believes that its financial strength leaves it well-placed to meet any financial and operational challenges flowing from the pandemic.

Skuld has unveiled a positive "bottom-line result" — its preferred term — of $25m, up $11m on the year-earlier period, on the back of a total combined ratio of 109%.

Commercial marine liability and hull underwriting also contributed positively to the overall outcome, with financial returns coming in at a healthy 5.5%.

German owners seek support as economic crisis deepens

GERMAN shipowners fear the coronavirus pandemic could be placing the country's role as a leading shipping location in jeopardy and have long-term consequences for the industry.

A survey of 50 of leading shipping companies conducted by the German Shipowners' Association (VDR) found that revenues were down by 30%-40% during March and April, with 44% reporting "substantial impairment" to their liquidity.

"Cruise and ferry shipping were severely impacted by the pandemic right from the outset," said association president Alfred Hartmann. "Our current survey clearly shows that almost all areas of the industry segment meanwhile are being heavily impacted."

Danaos acquires another boxship as rates slump

CONTAINERSHIP owner Danaos has acquired its third vessel so far this year as it adds to a fleet that is predominantly fixed for the next 12 months, providing the company with some protection from the coronavirus pandemic's impact on the market.

However, chief executive John Coustas warned of the "very negative effect" of the pandemic and said that the uncertainty caused in the market made it too early for the New York Stock Exchange-listed owner to consider immediately reinstating a dividend.

"We have companies actually dropping and cancelling dividends," he told analysts in a first-quarter earnings call. "Where we are, it is more prudent to see where we are going. In any case the value remains in the company."

China Merchants orders two eco VLCCs at DSIC

CHINA Merchants Energy Shipping has firmed up orders for two eco-design very large crude carriers at Dalian Shipbuilding Industry Co, according to an exchange filing.

The ordering plan was first unveiled in April when Shanghai-listed CMES announced its first quarter results, in which its net profits jumped more than 250% year on year to about $180m.

The $166.3m deal represents renewed co-operation between the two state-owned giants in their respective sectors, following a contract for four VLCC newbuildings they signed separately in November.

US boosts loan to Mozambique LNG in competition with Russia and China

THE US Export-Import Bank, clearly competing with Russia and China, has increased a previously approved direct loan to the Mozambique LNG project, operated by Total SA on the Cabo Delgado coast of the East African country.

"We were told that China and Russia were slated to finance this deal," Exim Bank president and chairman Kimberly Reed said in announcing the loan, which has increased to $6.5bn from the original $4.7bn.

The Exim Bank helps foreign companies buy American products when private lenders will not provide financing, with one of its goals being to "advance the US's comparative leadership in the world with respect to China".

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