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REVIEW OF THE BULK CARRIER AND GENERAL CARGO VESSELS MARKET

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1. RESEARCH SUMMARY

As a result of the review of the bulk carriers and general cargo vessels market the following conclusions may be drawn:

1. The market of transportation by sea transport is progressing rather intensively which is mainly specified by the stable economic growth in Asian - Pacific countries. The annual increase of output in the world within 1990 - 2003, was 2,6% on the average, that promoted the increase of freight rates for bulk carriers and general cargo vessels since 2003.

2. Tankers and bulk carriers in 2003 accounted for 72,9% of the world tonnage. Specific weight of general cargo vessels - 11,1%.

3. The mean age of general cargo vessels in 2003 was 17,4 years, bulk carriers - 12,9 years.

4. Within the last 20 years a rather small amount of ships, deadweight up to 25 000 tons was built. The basic structure of orders fell on the ships of greater capacity - Capesize, Panamax and Handymax. Average deadweight of bulk carriers in 2003 was 68 300 tons.

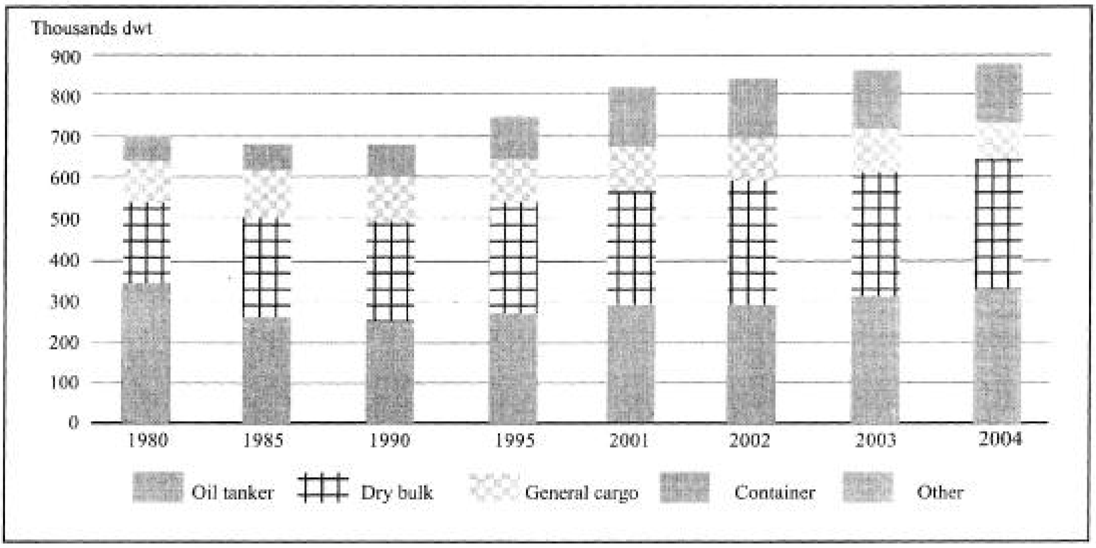
2. BASIC TENDENCIES OF FLEET DEVELOPMENT IN THE WORLD

As a result of stable growth in output in the world for 1990 – 2003 (on the average, the annual growth was 2,6 %) the volume of transportations by sea transport (in 2003 - 3,7% with reference to 2002, in 2002 - 2,7% with reference to 2001) is increased.

The total tonnage of the world fleet also grows having reached deadweight of 857,0 million tons by the early 2004 (1,5% is higher than the index as of the beginning of 2003). 72,9% of the world tonnage fell on tankers and bulk carriers.

The fleet of container carriers increased within 2003 by 9,3 % and was 90,5 million deadweight tons, in the market of liquid gas carriers the growth up to 20,9 million deadweight tons (+7,6%) also took place.

Over 1980 - 2004 the total tonnage of the vessels intended for transportation of general cargoes is kept at the same level, though since 2001 the trend has been toward to the reduction of vessels of such type in the fleet structure. The share of vessels in the world fleet in 2003 was 11,1 % - 2,3 % less than in 2002.



Source: Review of Maritime Transport, 2004 (www.umctad.org)

Fig. 2-1 ♦ The World Fleet Structure

The mean age of vessels in the world in 2003 was 12,5 years, vessels older than 20 years were 27,7 % in the structure of the whole fleet. The vessels with the least term of operation – container carriers (mean age - 9,2 years). General cargo vessels were of the greatest age (17,4 years), and bulk carriers - 12,9 years.

3. BULK CARRIERS AND GENERAL CARGO VESSELS MARKET

The world fleet of bulk carriers and general cargo vessels, deadweight over 10 000 tons according to data as of October 2004 consisted of 7 129 units. The fleet structure is tabulated in the Table:

Table 3-1 ♦ Fleet Structure of Bulk Carriers and General Cargo Vessels

Type of vessels	Deadweight, tons	Number of vessels, units	Deadweight, mln tons	Transported cargo
Capesize	+ 80 000 DWT	662	105,21	Iron ore/Coal/Grain/Salt
Panamax	60 – 80 000 DWT	1 139	80,46	Iron ore/Coal/Grain/Bauxites/Phosphates
Handymax	40 – 60 000 DWT	1 248	58,38	Grain/Coal/Metal/Cement/Potassic/ Secondary bulk cargoes*
Handysize	25 – 40 000 DWT	1 683	53,07	Secondary bulk cargoes / Metals
Handysize	10 – 25 000 DWT	1 132	21,09	Secondary bulk cargoes / Metals
General Cargo	10 – 25 000 DWT	1 265	19,98	Secondary bulk cargoes / General cargoes
Total		7 129	338,19	

Notes: *Secondary bulk cargoes include: rice, sugar, gypsum, fertilizers, timber products, metals, minerals etc.
Source: Market Situation, 2005 (www.thoresen.com)

For the last twenty years a rather small quantity of general cargo vessels and bulk carriers of small deadweight – up to 10 000 tons was put into operation. At present, the order book at shipyards consists of large-capacity vessels Handymax, Panamax and Capesize.

The level of freight rates for vessels referred to various segments is interdependent, because many kinds of cargoes are transported both by small and large vessels.

Under favorable economic conditions, large-capacity vessels are in demand in the market first of all, because their operation allows gaining greater income. However, there are factors which restricts the sphere of their operation:

a) restrictions connected with the port design characteristics;

b) infrastructure of the port and adjoining area does not permit to handle large lots of cargo within the acceptable dates;

c) many companies need not to receive large lots of goods of the same kind in various places of destination.

The average annual growth of the bulk carriers fleet for more than two decades was >2 %, which points to the fact that the market with weak growth rate has formed.

Rather considerable supplies of newly-built vessels were typical for the 80s, which affected the decrease in freight rates and further stagnation in the market.

2003 became a critical moment in the development of the bulk carrier fleet which is connected with a considerable growth ore consumption by steel casting industry and high demand for coal in Asian countries. The bulk carrier market capacity in 2003 increased by 5,1 % and in 2004 – by 4,7 %.

Freight rates have also shown a growth within the last two years, which is a direct result of the improvement of the market situation. Within the period it should be pointed out that there is increase in middle size of vessels.

The average deadweight of bulk carriers being built at shipyards in 2003 was 68 300 tons (for comparison: in 2002 – 62 400 tons). However, in 2003 the number of orders for the construction of bulk carriers reduced by 30 % in comparison with 2002 - 193 contracts (275). The number of contracts for the construction of general cargo vessels reduced by one third: 136 and 91 in 2002 and 2003 correspondingly.

Table 3-2 ♦ Trade Turnover (mln. tons) and change (in % in respect to previous year)

Name	Year			
	2002 / %	2003 / %	2004 / %	2005 / %
Iron ore	474 / 4,4	524 / 10,6	581 / 10,9	610 / 5,0
Coal	547 / 2,0	613 / 12,1	646 / 5,4	676 / 4,6
Grain	268 / 1,9	264 / -1,5	265 / 0,4	268 / 1,1
Other bulk cargoes	80 / -1,2	83 / 3,8	80 / -3,6	81 / 1,3
Secondary bulk cargoes	705 / -0,6	731 / 3,7	751 / 2,7	766 / 2,0
Others	1 506 / 2,6	1 549 / 2,9	1 619 / 4,5	1 684 / 4,0
Total	3 580 / 2,0	3 764 / 5,1	3 942 / 4,7	4 085 / 3,6

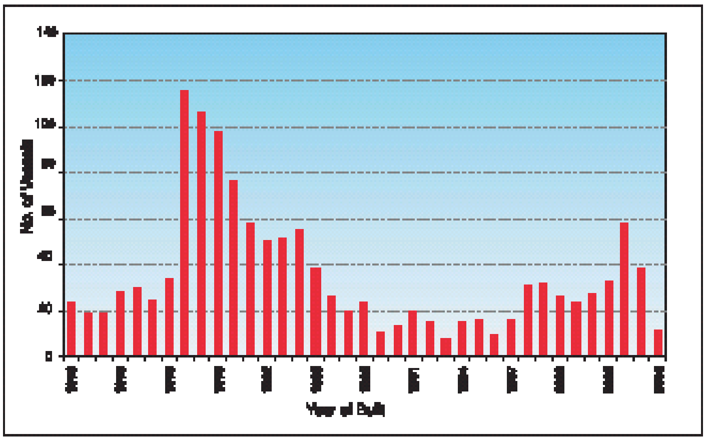
Sources: Market Situation, 2005 (www.thoresen.com)

Table 3-3 ♦ Deadweight of the World Fleet of Bulk Carriers and General cargo Vessels, Deadweight over 10 000 tons (mln. tons) and Change (in % in respect to previous year)

Name	Year			
	2002 / %	2003 / %	2004 / %	2005* / %
Capesize	94,0 / 1,5	98,5 / 4,8	105,9 / 7,5	113,0 / 6,7
Panamax	74,4 / 2,9	75,6 / 1,6	81,2 / 7,4	84,4 / 3,9
Handymax	53,1 / 7,3	57,0 / 7,3	61,1 / 7,2	64,9 / 6,2
Handysize	74,3 / -1,5	72,3 / -2,7	72,7 / 0,6	70,0 / -3,7
General Cargo	20,51 / -13,5	19,99 / -2,5	19,06 / -4,7	18,63 / -2,3
Total	316,3 / 0,9	323,4 / 2,2	340,0 / 5,1	350,9 / 3,2

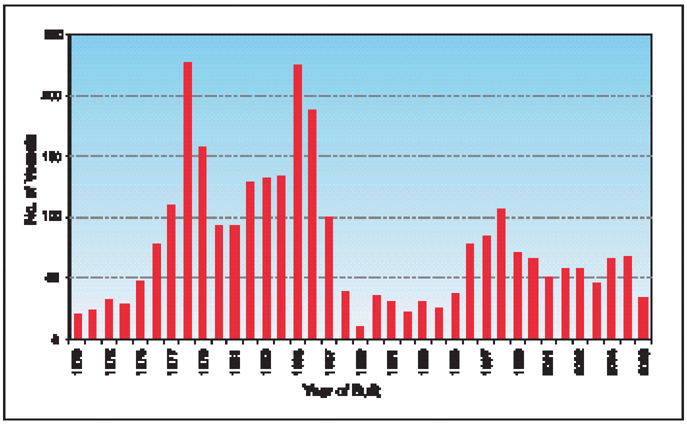
*Notes: condition for sector General Cargo for 2004 is determined on the basis of data on write-off of vessels for[1]

Source: Market Situation, 2005 (www.thoresen.com)



Source: Market Situation, 2005 (www.thoresen.com)

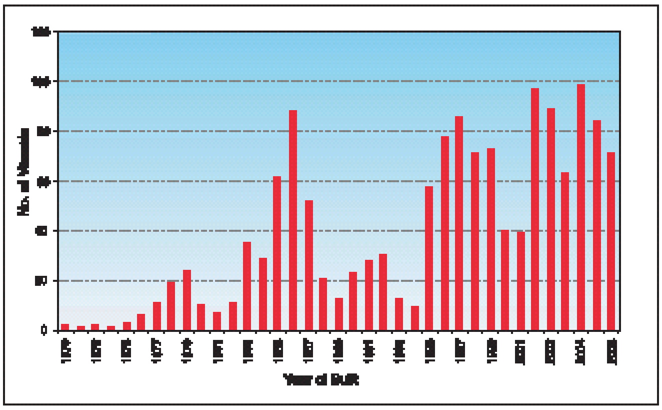
Fig. 3-1 ♦ Double-deck Vessels, Deadweight of 10 – 40 000 tons



Source: Market Situation, 2005 (www.thoresen.com)

Fig. 3-2 ♦ Bulk Carriers, Deadweight of 10 – 40 000 tons

[1] Source: Market Situation, 2004, Clarkson Research Studies

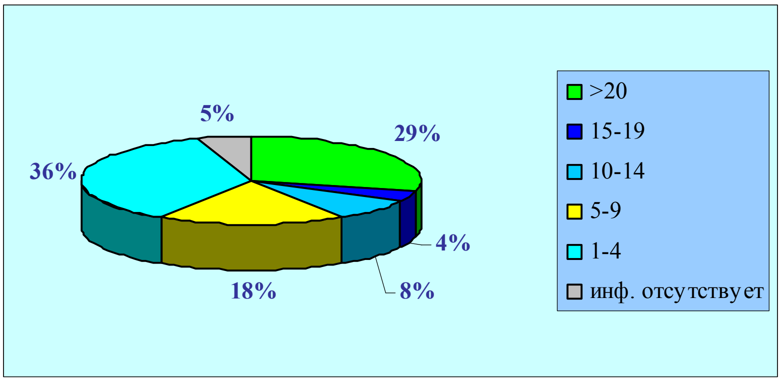


Source: Market Situation, 2005 (www.thoresen.com)

Fig. 3-3 ♦ Bulk Carriers, Deadweight of 40 – 60 000 tons

The average time of operation of bulk carriers and general cargo vessels, deadweight up to 25 000 tons is 27 years, it exceeds the similar index for large vessels. Such vessels may be operated for more than 30 years under favorable market situation – i.e. in the event of high freight rates.

Under the situation taken place: when rather small number of vessels, deadweight up to 25 000 tons is put into operation, one might expect that obsolete vessels will be in operation for several years.



Source: Market Situation, 2005 (www.thoresen.com)

Fig. 3-4 ♦ Structure of managing Companies in respect to the Number of General Cargo Vessels and Bulk Carriers, Deadweight of 15 – 45 000 tons

According to data as of January 14, 2005[2] the structure of all contracts for the construction of new vessels is the following: among 4 507 vessels under construction, the number of bulk carriers is 831 units (18,4 % of the total number), dry-cargo vessels – 355 units (7,9 %).

[2] Source: Fairplay Newbuildings, February 2005

Table 3-4 ♦ Structure of the Fleet available at the Shipyards and Vessels for the construction of which Contracts are signed

		Type of Vessel	
	Name	Bulk Carriers	General Cargo Vessels
1	Total vessels for which contract for construction are signed as of February 14, 2005, units, of which:	831	355
2	Vessels, in respect to which there is no information on design deadweight, units.	21	9
3	Vessels with known design deadweight, units:	810	346
4	Deadweight up to 5 000 tons	6	135
5	Deadweight up to 10 000 tons	5	127
6	Deadweight up to 20 000 tons	20	68
7	Deadweight up to 30 000 tons	49	11
8	Deadweight up to 30 000 tons	730	5

Source: Fairplay Solutions, 2005 (www.fairplay.co.uk)

Based on the figures shown in the Table a conclusion may be drawn that within the nearest 3 years the bulk carriers market, deadweight up to 10 000 ton will be replenished with minor number of new vessels – 11 units. The total number of universal dry-cargo vessels, deadweight up to 10 000 tons is 262 units, of which the vessels of deadweight within 7 500 tons – 10 000 tons are 62 units.

4. INFORMATION SOURCES

1) «Review of Maritime Transport», UNCTAD, 2004, www.unctad.org.
2) Marketing research from Internet-site of Thoresen Thai Agencies, «Market Situation», 2004, information from site www.thoresen.com.
3) Edition Fairplay, www.fairplay.co.uk.