

REEFER TRADE REVIEW

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Introduction

At the beginning of 2006 the world reefer market faced the situation, in which owners and operators of the conventional reefer vessels seemed to have some problems concerning the profitable management of their fleet. In spite of the fact that previous three years were favorable for the industry and companies were starting to think about fleet renewal, market conditions have suddenly deteriorated. The freight rate decline was caused by bad weather in Central America in 2005 season, when bananas plantations were damaged by hurricanes – bananas keep 20 – 25 per cent share of total volume – and disease to scrap older tonnage.¹

It should be noted that over last decade the share of the conventional reefer vessels was going down in the reefer market, they are not meeting container ships competition equipped with reefer plugs.

The young and growing container ships fleet has the opposite age structure compared with the conventional reefer fleet: at the beginning of 2005 22.5 per cent of reefer fleet, which totalled 1,284 units, was built after 1990, while two thirds of the 2,868 container ships with reefer capacity were built after 1990.

Seaborne refrigerated trade

Seaborne imports of refrigerated commodities increased by 32 per cent over 1995-2002 to 63.5mt, and there was further growth in 2003 and 2004, but there is no clear information concerning the years.

Over 1995 – 2002 year the most rapidly growing sectors were meat, fishery products and bananas. Shares in other sectors remained static or fell, except for that of tropical fruit which increased from 4.3 per cent to 5.9 per cent, as a result principally of advances in controlled-atmosphere technology, which have made it possible to transport more perishable commodities by sea instead of by air.

East Asia is the largest seaborne import market; its share of global seaborne trade rose from 22.7 per cent in 1990 to 27.7 per cent in 1995 and 29.5 per cent in 2002.

¹ The review is based on data supplied by Ocean Shipping Consultants “Refrigerated Trades and Outlook To 2015”, 2005 – 256 p.; Lloyd’s List dated February 28, 2006.

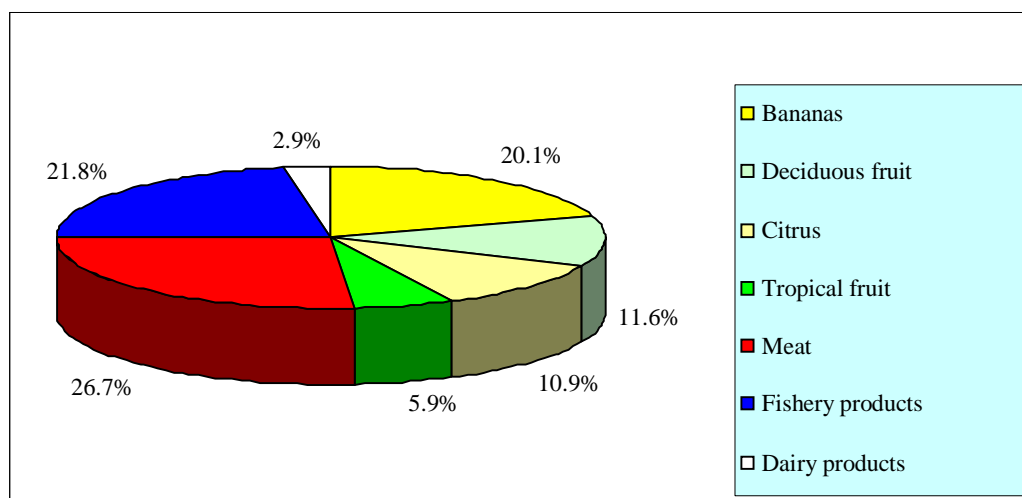


Figure 1 ♦ Seaborne refrigerated imports by regions, 2002

Fleet

The massive increase in reefer capacity in the containership sector has been the most significant fleet trend on reefer market and represented one of the principal challenges to the conventional fleet industry.

Many container ships are equipped with plugs for reefer containers, but they also can be used not only for this purpose. However, it is clear that the volume of container tonnage that can be involved in competition with conventional reefers is enormous and growing.

The total reefer capacity of the container ships expanded 5.2 – fold to 767 m cub. ft and accounted for 69 per cent of total temperature-controlled fleet. Over the same period the average reefer capacity of container ships rose from 123,598 to 267,329 cub. ft. Over 1990 – 2004, the total capacity of conventional reefer fleet increased by only 2.3 % to 345 million cub. ft; it has shrunk since 1995.

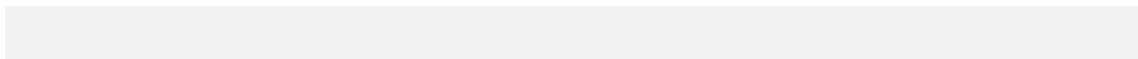
The average capacity of the conventional fleet has stabilised at around 269,000 cub. ft since the late 1990s. The peak years for the conventional reefer building were between 1981 – 1985, from which time 287 vessels and 77.8million ft of 2004 capacity are dated.

83.4 per cent of vessels built since 1990 are at least 200,000 cub. ft. Vessels of at least 300,000 cub. ft comprised 38.9 per cent of fleet vessel numbers and 67.7 per cent of total fleet capacity. 84.0 per cent of the 307 reefer vessels under 100,000 cub. ft were built before 1986.

Table 1 ♦ Reefership and cellular reefer capacity structure

Year beginning	Reefer fleet		Суда-контейнеровозы		Total
	Million cub. ft	Share, %	Million cub. ft	Share, %	
1981	268.3	80.1	66.7	19.9	335.0
1985	305.9	75.8	97.7	24.2	403.7
1990	337.2	69.6	147.1	30.4	484.3
1995	390.5	63.0	229.1	37.0	619.7
2000	367.4	46.7	418.7	53.3	786.1
2004	345.0	31.6	766.7	69.0	1 111.7

Within the last years fleets of reefer vessels have been consolidated among the largest owners and operators whose strategy for fleet management has shifted to alliance forming.



Conclusion

In spite of the fact that conventional reefer fleet competes with cellular reefer vessels too hard, the former has obvious advantages which will help to keep the positions of owners and operators in the market:

- conventional reefer vessels are used in transporting large volumes of homogeneous cargoes;
 - many ports are not equipped with terminals for receiving reefer containers;
 - while the pure cost of a container may be lower than the reefer cost, shippers are learning to add the extra costs at the receiving end and many clients have returned to conventional reefer business.
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