CGA Citrus Summit

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REEFER TRENDS

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Latest news

Russian fruit imports set to stall — 04 March 2019

Russian imports of apples, grapes and pears are tipped to fall in 2019 as consumers increasingly look to purchase less expensive domestically grown fruit.

Storm brewing over boxship recovery — 04 March 2019

The container lines are facing a triple whammy of slowing global trade, rising fuel prices and ongoing over-capacity issues.

Caputto kaput? — 04 March 2019

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thereeferbrief

The week that was:

Despite the relative absence of spot activity this week, the large segment is near fully employed. Chile is working well with several vessels engaged each week. The first New Zealand to N Cont kiwifruit cargo is scheduled for week 14, and the first for the West Med in week 15. The first southern hemisphere citrus shipment to Russia is in the pipeline, while the All Lemon group must soon commit to its Med programme. Finally, the Brief understands that negotiations on the first South Africa to China citrus specialized reefer voyage is close to finalization.

Operators report a step increase in enquiry from banana charterers in anticipation of a fall in the exit price in Ecuador. In order for things to happen, either the CIF price in Mersin will have to rise from the current US$13-$14 per box, or the spot price in Ecuador will need to become more attractive for traders to speculate. With Chile absorbing more tonnage and the open list short, finding a spot unit prompt may also be an issue for charterers until vessels start redelivering ahead of the US Marketing Order deadline.

Elsewhere, momentum is beginning to build in the market for small tonnage, led by more enquiry from the Faroes and better catches in Mauretania and the Falkland Islands. After a busy fixture week last week, the trawlers are busy fishing off the Faroes this week: there is likely to be more chartering activity from the region next week. Such is demand that the open list has shortened to the point that operators are forecasting upward pressure on the current US$165 per MT rate for the benchmark Mauretania to West Africa voyage. The Brief understands that for the forseeable future, all Lavinia tonnage will be dedicated to the African fish and South Atlantic squid.

In related news, so congested are the Nigerian container ports that German carrier Hapag-Lloyd is to follow Maersk Line in imposing a US$700 per TEU peak season surcharge on containers bound for Tin Can Island and Apapa ports in Lagos. Maersk introduced a peak season surcharge that took effect on February 15, but excluded TinCan, Apapa and Onne (Port Harcourt) ports in Nigeria. The Brief understands that the congestion is so bad that significant volumes of frozen pelagic fish have been waiting to discharge for up to 5 months!

Fixtures:

The Ice River fixed a combined fruit/juice cargo to Frutamar from San Antonio Este to the USEC. The Autumn Wind is reported to have fixed consecutives from New Zealand to the Far East. The Everest Bay fixed to Global Shipping for a Chile to USEC voyage.

In the small segment, the GreenSea Orange Sea newbuild fixed fish from Walvis Bay to Matadi. The operator has yet to nominate a vessel for an Ijmuiden to West Africa fixture. Several vessels were fixed on subjects as the Brief went to Press. Details hopefully next week.

Costa Rica:

The heat and drought associated with weather phenomenon El Niño has started to affect either the quality or export volumes of Costa Rican bananas, melons and pineapples. According to anecdotal reports, bananas have been affected due to ongoing unusually dry conditions along the Atlantic coast – resulting in small fruit/thin peels and low yields. The forecast is that the present situation will persist until the end of March and could be prolonged if the dry weather conditions continue.

Meanwhile, although the melon industry typically loves dry conditions, the present heat and drought in the major production region of Guanacaste have slowed the harvest, causing melon growers to make last minute adjustments to their shipping arrangements. And finally, the pineapple farms in the northern zone of Costa Rica, adjacent to the Nicaraguan border, are also suffering. Although not yet visible, producers are warning that part of the production may soon become unsuitable for export, and will have to be converted into frozen concentrated pineapple juice. While this may not be great for the producers, it may in fact come as a blessing, as any restriction in supply will likely force prices to rise in depressed UK and EU markets.

Meanwhile Costa Rican export agency Procomer said on Wednesday that the value of pineapple exports is down 10% year-on-year while the value of banana exports is down 26%. The agency attributed the fall in value to meteorological conditions in January, which have affected all crops. Central America is feeling the effects of a weak El Nino, which has dropped temperatures. The value of pineapple exports fell from US$74m in January 2018 to US$67m this year. The value of banana exports has fallen from US$87m to US$64m, it said.

Bananas I:

By mid-February most of the major banana exporting nations have reported volume trends for the previous year. This year was no exception.

The world's largest banana exporter Ecuador shipped a record 345m boxes in 2018 at a value of US$2.79bn, according to exporter association AEBE statistics. The total was 21m boxes more than in 2017 and 'exceeded expectations', said the industry representative body. Highlights included a 4m-box increase to both the EU and the US markets. The 4% rise in volume to the EU is significant because EU imports from all sources increased by only 1%. There was a 7m-box increase to Middle Eastern markets and a 180% rise in shipments to African markets. The 60% rise in volume to China offset a fall in shipments to Japan. There were also falls in volume to Russia and Conosur markets, the latter of which was caused principally by economic problems in Argentina.

Colombia meanwhile claimed fourth spot in the banana exporting hierarchy. Banana Association Augura says that last year it shipped the highest volume

SHIPPING

SPECIALISED SHIPPING

270,000 cbft

'19	TREND	'18
82c	***flat***	65c

450,000 cbft

'19	TREND	'18
50c	***flat/up?***	60c

BUNKER PRICES (380 cSt)

	'19	'18
Gibraltar	430	375
Rotterdam	***401***	***352***
St Petersburg	375	315
Panama Canal	***440***	***365***
Fujairah	422	378
Busan	***460***	***400***

EX RATES

	'19	'18
US$ / SAR	14.09	11.78
UK£ / SAR	***18.69***	***16.25***
€ / SAR	16.03	14.39
US$ / €	***0.88***	***0.82***
UK£ / €	1.17	1.13
US$ / ¥	***111***	***107***
US$ / RUR	***65.9***	***56.2***
US$ / NZ$	***1.47***	***1.38***
UK£ / NZ$	1.95	1.91
€ / NZ$	***1.67***	***1.69***
US$ / CLP	***656***	***595***
UK£ / CLP	870	820
€ / CLP	***747***	***726***
US$ / ARS	***39.12***	***20.11***
UK£ / ARS	51.92	27.74
€ / ARS	***44.54***	***24.57***

Order of Play

- Trends in reefer shipping
- Market share
- Utilisation
- Why important..?
- 1 January 2020
- Impact
- Forecast

Southern African Citrus

- Significant expansion
- Marketing
- Logistics
  - Port-to-port
  - Inland

Port-to-Port

- Specialised reefer
- Reefer container

Reefer fleet evolution

Year	No. of vessels	CBFT	Years
2003	859	290 m	17
2019	487	168 m	28

Change - 43% lower and on the way out

Development of reefer slots

Year	Total TEU	Reefer slots
2003	5.7 m	558,000
2019	22.7 m	2.4 m

Change - 330% increase and trending higher

Development of reefer containers

Year	TEU	Number
2003	1.1 m	550,000
2019	2.9 m	1.45 m

Change - 164% increase and trending higher

Global Reefer Capacity

Reefer (plus freezers)	190m ‘cbft	5%
Container	3.5bn ‘cbft	95%

Market Share

- Reefer 18%
- Container 82%

Efficiency/Utilisation

- Lifespan container 12 years – average 5 paid voyages per year
- Lifespan specialised reefer 28 years – average 16 paid voyages per year

- Utilisation reefer container: 60 voyages
- Utilisation reefer: 448 voyages

What if?

- To replace reefer
  - 7.5 x 168 m cbft = 1.3bn cbft
- How many containers?
  - 530,000
- Current annual production
  - 250,000
- Need to produce 250K + 530K more p.a

Sulphur cap

- 1 January 2020
- Cost of fuel
- For reefer
- For carriers
- Who will pay?
- Doomsday scenario

Forecast

- Reefer
- Container
- Shipper

OUTSPANdingly juicy

Thank You