WEEK 37, 2020 – ISSUE 1007

thereeferbrief

The week that was...

There is very little material difference to the picture for large or small tonnage from last week. However, unless Iran reverses the near-closure status of its banana market, the fleeting optimism of recent weeks for both banana charterers and reefer operators will need to be revised. The Brief understands that the Islamic Republic has significantly reduced the number of licences awarded to banana importers. If this is the case, it will put added pressure on banana pricing in Mersin, from where the majority of bananas destined for Iran are procured. Given that Mersin is the only alternative to Algeria for full banana vessels, charterers may now be hesitant to take on tonnage, no matter how attractive the CIF proposition.

In the small segment, the supply of capacity continues to exceed demand. The rate on the benchmark Mauretania to West Africa voyage has eased further to US$125 per MT for a 4K MT cargo. The rise in number of open units means that it will take some time before supply/demand equilibrium can be re-established. Most significantly there is still no agreement between Morocco and Russia that would allow Russian trawlers to catch in Moroccan waters. Even if an agreement is signed, it may be too late for this season. This is bad news in the short term, but the flipside is that if there is no fishing this year, the biomass will recover so that next year there will be bumper catches.

As the mackerel quota in the Faroe Islands draws near to completion, there is an occasional spot charter opportunity. Operators will be hoping for a smooth transition into the herring season, for which there is good demand in St Petersburg. Until or unless the catch in Mauretania improves, it won't be until the Moroccan citrus season starts later this month that charter market activity will likely improve.

Fixtures:

The Baltic Pearl fixed to Frutadeli/Calfux for an Ecuador to Med banana voyage. Chiquita is reported to have fixed a Maestro jumbo for an east coast Central America banana position with laycan week 39. This could be the first of several charters. The Crown Ruby is in the Faroe Islands loading fish. The Libra fixed from Walvis Bay to West Africa. 1 TBN Lavinia vessel fixed from the Faroe Islands to West Africa.

In liner news, Seatrade has announced the commencement of operations at the port of El Rama on the Caribbean coast of Nicaragua, connected through its Zodiac service to and from Europe. The company says this is the first service from the Caribbean coast of Nicaragua into Europe, offering the best transit time from the whole of Nicaragua. An extensive coverage for inland locations in Nicaragua is to be offered on trucks via El Rama. Nicaraguan shippers thus far are forced to ship via Corinto (Pacific coast) with feeders towards Balboa, with lengthy transit times. El Rama has been used for exports to the US (Florida) only.

Bad week/good week:

Without wishing to downplay the gravity of the situation, in the bad week category, the Captain of the GreenSea operated Water Phoenix and a crewman were reported kidnapped while the vessel was approaching the pilot station in the roads outside the Nigerian port of Lagos. The rest of crew managed to take refuge in the vessel's citadel.

Maritime security consultancy Dryad Global reported that the vessel was boarded by an unknown number of persons, resulting in the kidnap of two Russian crew members including the ship's master. The vessel had a crew of 18 made up of 7 Russians and 11 Filipinos. According to the latest maritime reports, the situation remains unclear. The report says that as of Wednesday morning, the vessel was still adrift with AIS operational. According to Dryad Global, it is the 13th reported incident in waters of the Lagos Port Complex and Anchorage in the past 12 months.

In contrast, it was a good week for the Cool Carriers/ Baltic Shipping group, which celebrated the launch of the Cool Eagle, the third of six vessels in the E-class series. The group said that the E-class symbolizes the new era of specialized reefer vessels. With its 2.50 m deck height and vast combination of under deck and on deck capacity, the E-class vessels are excellent tools for an economy of scale operation.

During the last couple of years, the Baltic/Cool group has taken delivery of 5 newbuildings and has started a programme to take delivery of younger second-hand tonnage. The Baltic/Cool group is determined to remain in its core business and continues to focus on specialized reefer vessels. The Baltic/Cool group is today the largest operator of specialized reefers. Click on https://www.youtube.com/watch?v=T0nY7rT5LVM&feature=youtu.be and scroll forward to 19.40 minutes for the highlights of the launch.

Citrus:

At the end of last week, Citrus Growers' Association (CGA) envoy to the EU Deon Joubert announced that South Africa is to halt the shipment of some citrus fruit types from some production regions 'to protect the long-term sustainability of the EU market'. The move is a precautionary measure. "The objective has been to exclude potential interceptions of citrus black spot-symptomatic fruit at the tail end of the season and to protect the long-term sustainability of the EU market," he said.

The export statistics illustrate how successful South Africa has been in filtering away diseased or pest-infested fruit. To date in what is already a record season in volume terms, South Africa has shipped over 725,000 pallets of oranges, lemons, grapefruit and soft citrus to the EU and UK. Over the period South Africa has received 12 notifications of false codling moth (FCM) interceptions from the EU; the industry has implemented stricter measures to mitigate the risk of additional FCM interceptions. And although there has been only one

SHIPPING

SPECIALISED SHIPPING

270,000 cbft		
'20	TREND	'19
52c	**flat?**	95c

450,000 cbft		
'20	TREND	'19
30c	**flat**	30c

BUNKER PRICES (380 cSt)

	'20	'19
Gibraltar	295	352
Rotterdam	**248**	**327**
St Petersburg	230	314
Panama Canal	**285**	**410**
Fujairah	263	380
Busan	**300**	**522**

BUNKER PRICES (VLSFO)

	'20	'19
Gibraltar	305	545
Rotterdam	**277**	**519**
St Petersburg* (*price for 0.1% ULSFO)	287	
Panama Canal	**300**	**560**

EX RATES

	'20	'19
US$ / SAR	16.90	14.87
UK£ / SAR	**21.64**	**18.13**
€ / SAR	19.98	16.21
US$ / €	**0.85**	**0.91**
UK£ / €	1.08	1.12
US$ / ¥	**106**	**107**
US$ / RUR	**75.2**	**65.4**
US$ / NZ$	**1.50**	**1.56**
UK£ / NZ$	1.93	1.92
€ / NZ$	**1.78**	**1.72**
US$ / CLP	**773**	**713**
UK£ / CLP	990	881
€ / CLP	**914**	**787**
US$ / ARS	**74.77**	**56.09**
UK£ / ARS	95.78	69.29
€ / ARS	**88.41**	**61.95**

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Citrus Black Spot (CBS) interception in the EU so far this season, the CGA clearly felt that it should not overstay its welcome by risking late Valencias, in which a disproportionately high number of CBS cases has been historically prevalent. The following production areas and types of citrus fruit are excluded from the early closure: the CBS-free areas of the Western and Northern Cape, the low risk Gamtoos and Kat River production regions in the Eastern Cape, and mandarins (soft citrus) because it is a low risk citrus type.

While the CGA announcement will have been welcomed by European (Spanish) citrus industry associations, this is also an opportune move by the CGA, particularly in light of the EU's decision in early August to suspend all Argentinean citrus due to the unacceptably high number of CBS interceptions this season. This year's South African record citrus crop peaked early, and shipments to the EU are significantly higher to date than they have ever been. According to data presented to the Brief, to end week 35 South Africa had loaded 167K pallets more citrus to the N Cont, UK and Southern EU/Med in 2020 than it did in the corresponding time frame in 2019 – an increase of almost 30%. Almost all of the fruit destined for the EU will have already arrived by the time the protocol is implemented.

Given the extraordinary work done by the CGA and industry stakeholders to reduce the incidence of disease and pest findings, it would be unfair to label the CGA announcement a PR stunt. However, the CGA is all too aware of the dangers posed by the powerful Spanish citrus lobby: the low number of interceptions coupled with the decision to halt shipments of a targeted volume acts to reassure and convince the EU that South Africa really does have its house in order.

There is another specialised reefer related angle revealed by the statistics. To end week 36, the Seatrade/Cool/Baltic Shipping Reefer Alliance had shipped 36K more pallets to Europe against last year's number, an increase in market share of the total volume from 3.7% to 10.2%. Meanwhile, the absolute increase on the USEC shipments on the Seatrade service was 25K pallets, with the market share rising from 21% to 34%. To Russia, the increase was 14K pallets and a rise to 61% market share. With the season not quite over, a total of 43 citrus voyages have been made from South Africa against a total of 31 last year. The mode benefitted from a number of factors: the shortage of reefer containers at the start of the season, the logistical crisis at the Port of Cape Town Container Terminal during the peak export period, a Covid-related step increase in demand from the US market and the increase in total fruit exported. It will be interesting to see whether the reefer has done enough to maintain or grow its share next year.

In contrast, Argentina had a difficult season with its citrus. In mid-August, the European Commission issued a ban notice on all imports of Argentinean citrus following 151 interceptions of predominantly CBS diseased fruit. This understandably had an impact on the Med programme for both the reefer and the third party carrier services. Combined, the volume of oranges and lemons shipped into Spain - Algeciras, Barcelona, Cartagena, Castellon for the carriers and Cartagena, Castellon for the reefers – was down 16% from 54.6K pallets to 45.9K pallets. There was a small increase in lemon volumes (1.9K pallets) but a large deficit for oranges (-10.5K pallets). While the volumes shipped in reefers fell by 9.1K pallets year-on-year, forcing an early end to Baltic Shipping's All Lemon programme, there was a small increase in the total shipped into Spain in containers. Hmmmm….

Briefs:

The Panama Canal Administration (ACP) is to inject 'at least' 1.4m additional cubic meters of water into the interoceanic highway as a temporary measure to guarantee continuing operations. The ACP has begun the process to tender a project for a company to design, build and implement a system to optimize the use of water in the canal, at a time when the Central American country presents critical records for rainfall.

In 2019, the hydrographic basin of the Panama Canal, which also supplies water to most of the country, had the fifth lowest rainfall record in the last 70 years. As a result, of the 5.250m cubic meters of fresh water needed if the Canal is to operate, only about 3,000m is available. Panamanian authorities have warned that the lack of water, as a result of climate change, is the greatest challenge facing the Canal, which has been forced to adopt mitigating measures. To manage the situation, the ACP has started looking for new sources of water, underground or from treatment plants, building reservoirs or desalinating seawater. The ACP intends to invest some US$2bn in the water supply project, of which the majority will go to the company that wins the tender. Work should start in 2022.

Bunker Review:

The Bunker Review is contributed by Marine Bunker Exchange www.mabux.com

On Thursday morning, oil indexes decline on worries about fuel demand after data showed U.S. crude stockpiles rose last week. Moreover, COVID-19 cases continue to rise around the world. According to the American Petroleum Institute, U.S. crude stockpiles rose by 2.97m barrels last week as coronavirus case surged in several U.S. states. That compared with forecasts of a draw of 1.4m barrels. The U.S. Energy Information Administration will release official weekly inventory data later today, a day later than normal following the U.S. Labour Day holiday.

According to trading sources and shipping data leading commodity traders are booking tankers to store crude oil and diesel on the water, with supply outpacing consumption. The rising stockpiles come ahead of a meeting on Sept. 17 of the market monitoring panel of the Organization of the Petroleum Exporting Countries (OPEC) and allies including Russia, which in August trimmed supply curbs from earlier this year on expectations demand would improve. Record supply cuts by the OPEC+ have helped support prices, but with grim economic figures being reported almost daily, the outlook for demand for oil remains bleak.

Oil prices have fallen steadily during the week. Slowing economic activity around the world, restricted mobility, and fears of the second wave of COVID and of another trade war are just a few of the key factors that will continue to weigh on oil and fuel prices and could cause more significant move to the downside.

The Energy Information Administration (EIA) on Sep.8 once again lowered its oil demand growth forecast by another 210,000 barrels per day, for a total annual decline of 8.32 million bpd for this year. The EIA lowered its global oil demand growth forecast for next year as well, by another 490,000 bpd. The EIA is also expected that U.S. oil production will not fall as far as originally thought this year.

The MABUX World Bunker Index has declined for a week. The 380 HSFO index fell from US$310 to US$293/MT, VLSFO fell from US$358 to US$335/MT, and MGO fell from US$435 to US$411/MT. The Global Scrubber Spread (SS) (price difference between 380 HSFOs and VLSFOs) continues to narrow: this time by US$5.66 and averaged US$44.73 – it was US$50.39 a week ago.

Europe, one of the world's heaviest diesel consumers, faces a major glut which combined with weak demand is weighing heavily on the ability of the region's refineries to keep running. Having hit record lows at the height of the COVID-19 pandemic in April and May, European diesel margins are trending lower again after posting a modest recovery in July. While the easing of lockdowns in recent months across Europe has boosted diesel demand, some countries are seeing the recovery stall, including Spain and the UK. Besides, the diesel market is also afflicted with high stocks: Europe now accounts for the biggest share of global middle distillates floating storage globally.