BARRY ROGLIANO SALLES

BRS is a full-service shipbroker engaged in all segments of the shipping industry
Mr Ran Xing

Newbuilding

Sale & Purchase  Chartering

Presentation Outline

✓ Who are we?
✓ Dry Bulk Seaborne Trade: Major Commodities
✓ Steel Mills & Iron Ore Imports
✓ Power Plants & Coal Imports
Key Points:
30% of freight trade is for coal

Key Point:
Freight transportation costs determine supply competitiveness
Key Point:
For coal, bunker prices are typically less than 30% of the freight cost.

Key Point:
Thermal coal and iron ore demand growth has driven freight markets.
FRT EVOLUTION / FACTORS

✓ HISTORICAL CYCLES
✓ BUNKERS
✓ NEWBUILDING PRICES
✓ NEW DELIVERY
✓ CONGESTION

Dry Bulk Shipping cycles since 1948

Key Point:
Very high freight prices between 2003-2009 have encouraged investment in new ships
Dry Bulk Carriers Newbuilding Prices

- 180,000 Dwt
- 76,000 Dwt
- 57,000 dwt
- 35,000 dwt

($m)
(Handysize, Supramax, Panamax, Capesize)
(Monthly)

Newbuilding prices bottoming out?

Key Point:
Reduction in new building costs supports ongoing fleet capacity investment

Dry Bulk deliveries from 2000 to 2009

(number of ships)

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Key Points:
New deliveries have almost doubled the shipping fleet since 2008
Freight rate reductions are primarily due to increased shipping capacity
Impact of cancellations still relatively marginal

Key Point:
Shipyard capacity utilisation and low building costs will not result in large scale order cancellations

Dry bulk orderbooks

Updated on: 11-04-2011

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Key Point:
New shipping capacity investment will maintain capacity oversupply in medium term
Port congestion by country: here to stay?

Key Point:
Port congestion highlights lagging investment in both port and mine production capacity

CONCLUSIONS

• Due to new capacity delivery and oversupply;
  – Freight rates will remain only marginally above costs for the medium term
  – Bunker prices will be a determinant, but will not drive price spikes

• Ongoing port congestion highlights;
  – Demand growth which is driven by domestic supply shortages
  – Rate of investment in seaborne export capacity for coal is lagging demand growth
  – Rate of investment in coal new mine supply capacity is lagging demand growth