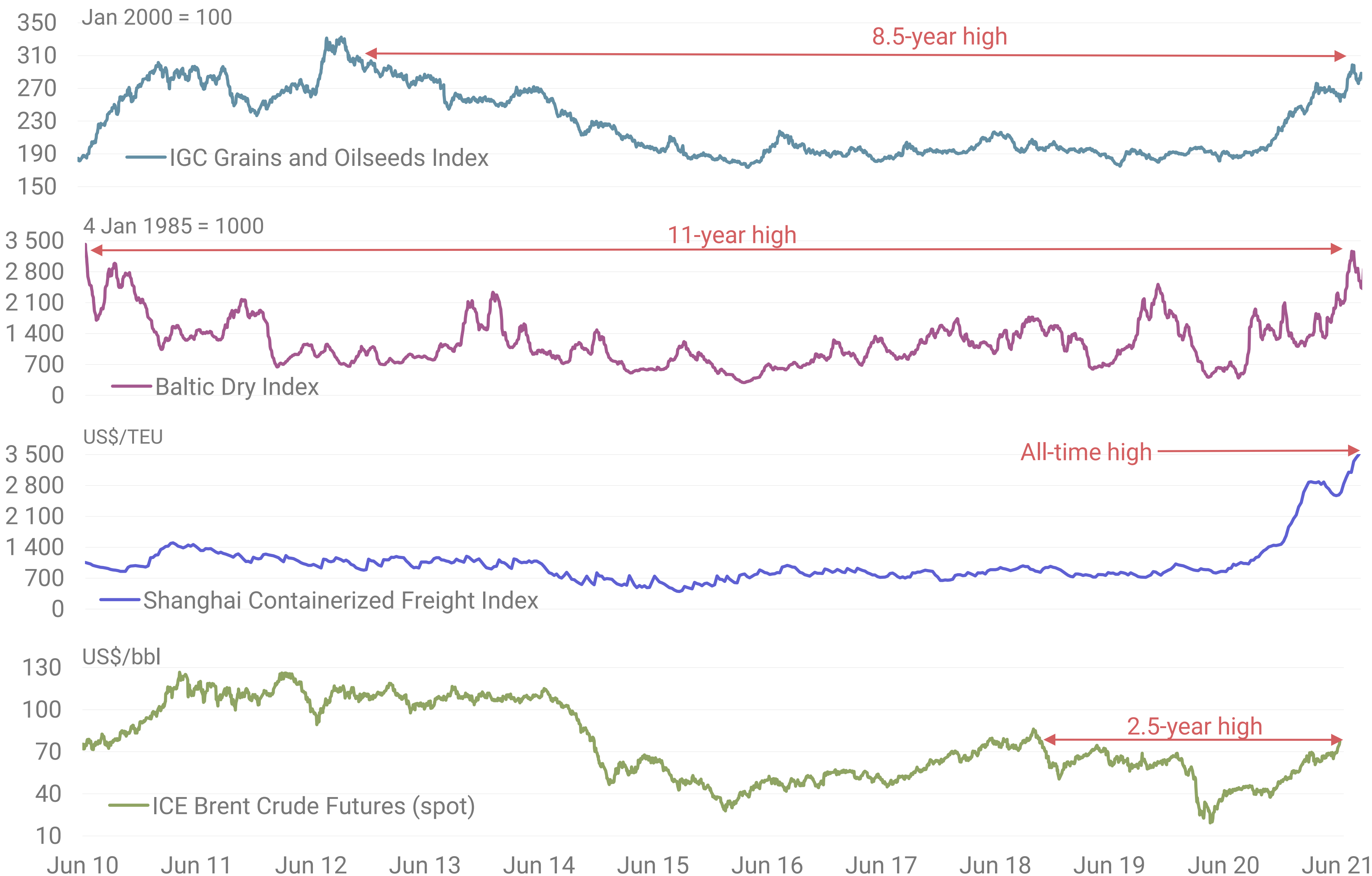
Ocean freight market developments

International Grains Council
30 June 2021

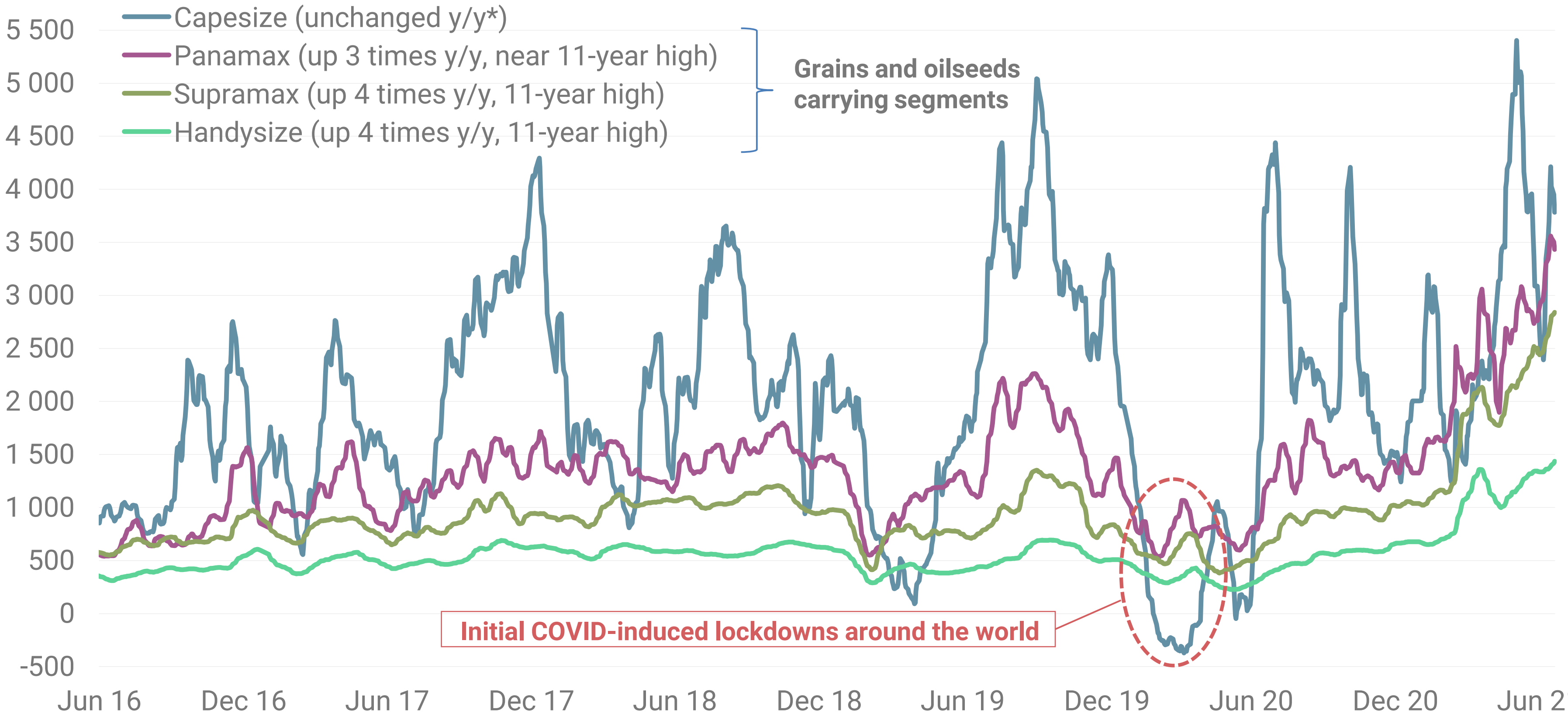
Importers are faced with high grains/oilseeds prices and transportation costs



Sources: IGC, Baltic Exchange, Reuters, ICE

Timecharter rates in the grains and oilseeds carrying segments at 11-year peaks. Capesize values typically volatile.

Baltic Dry Index: Capesize, Panamax, Supramax sub-Indices and Handysize Index



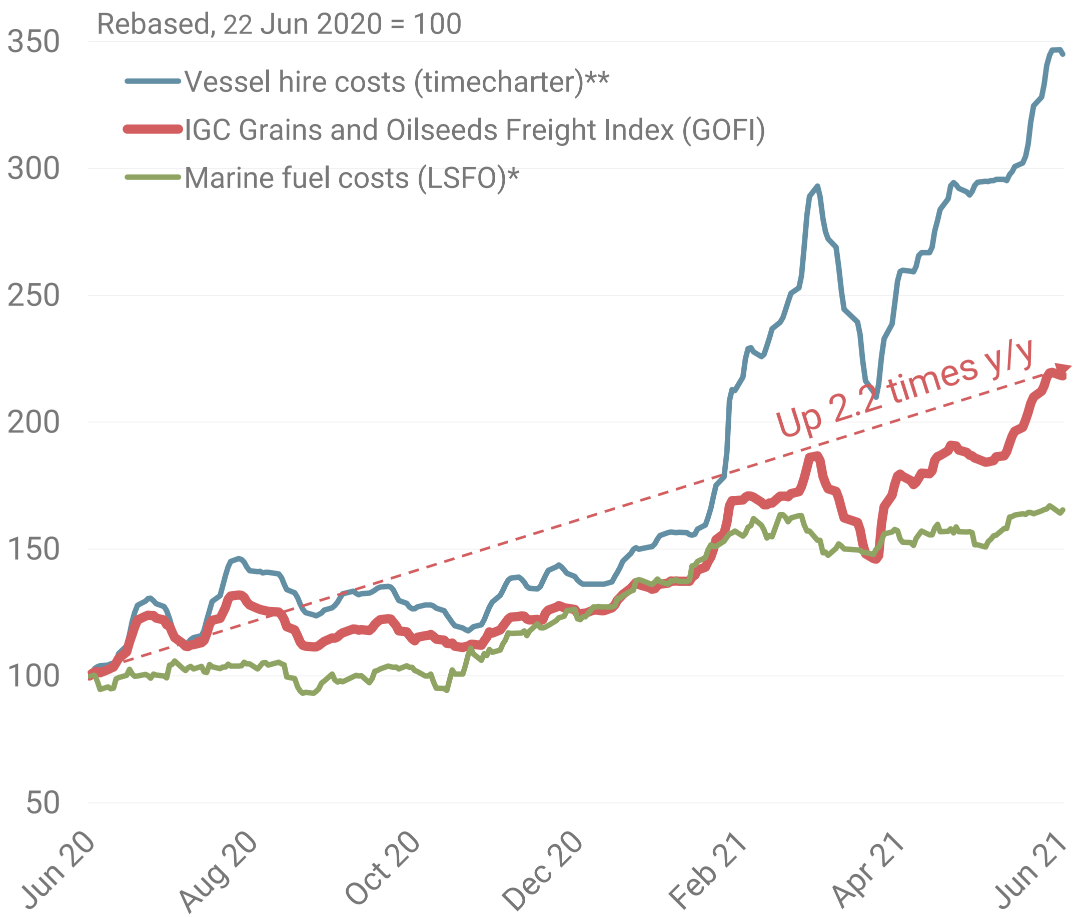
Source: Baltic Exchange. Note: The Baltic Handysize Index excluded from the BDI from 1 March 2018. * as at 10 June

Grains/oilseeds, coal, sugar, minerals, cement, metals, fertilizer

Iron ore, coal, heavy raw materials

Total voyage costs on main grains/oilseeds routes have more than doubled y/y, boosted by rising vessel hire rates and fuel prices

IGC GOFI and the main voyage cost components

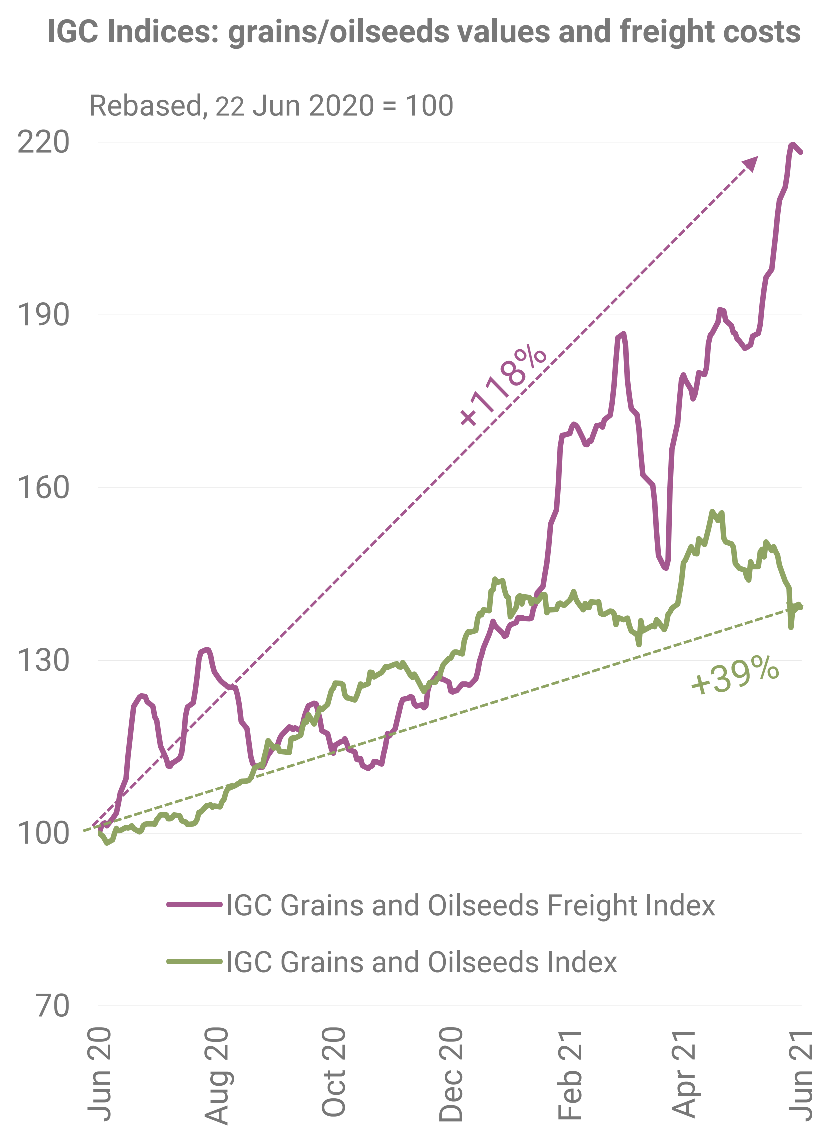


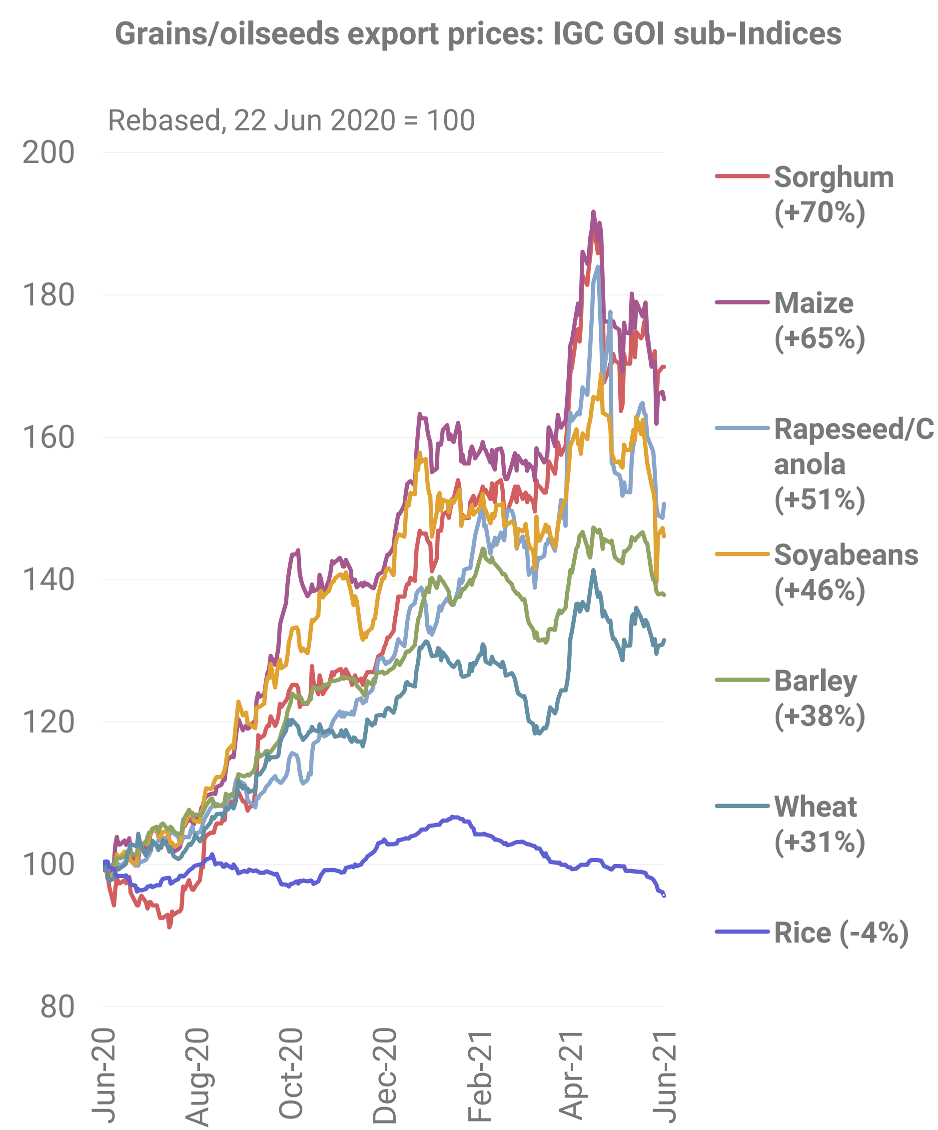
* Average prices at 17 selected fuelling destinations
** Average Baltic timecharter rates for Panamax, Supramax and Handysize segments

IGC Grains and Oilseeds Freight Index

- Provides a measure of movements in ocean freight costs across key selected grains and oilseeds routes
- Accounts for voyage-related costs – vessel hire, fuel, port / canal charges, commissions, etc.
- Focuses on “the grains and oilseeds carrying segments” (excludes Capesize)
- Covers around 300 routes for wheat, durum, soyabeans, sorghum, maize, barley (rice covered by a separate IGC Index)
- Calculated daily using trade-weighted approach (busier routes have heavier weights)
- Includes 7 sub-Indices for key origins (Argentina, Australia, Brazil, Black Sea, Canada, the EU, the USA)

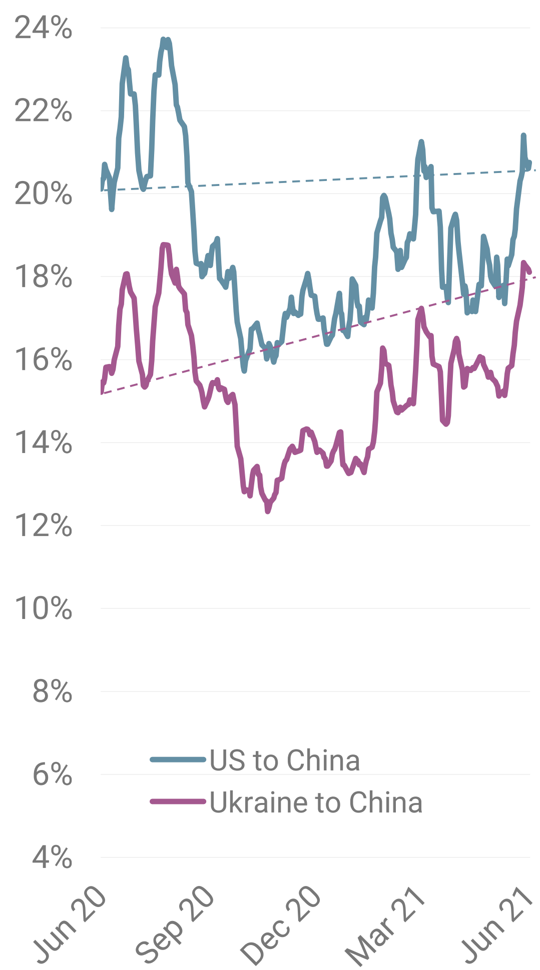
Freight rates have grown much faster than prices for grains and oilseeds, lifting the share of transportation in delivered costs





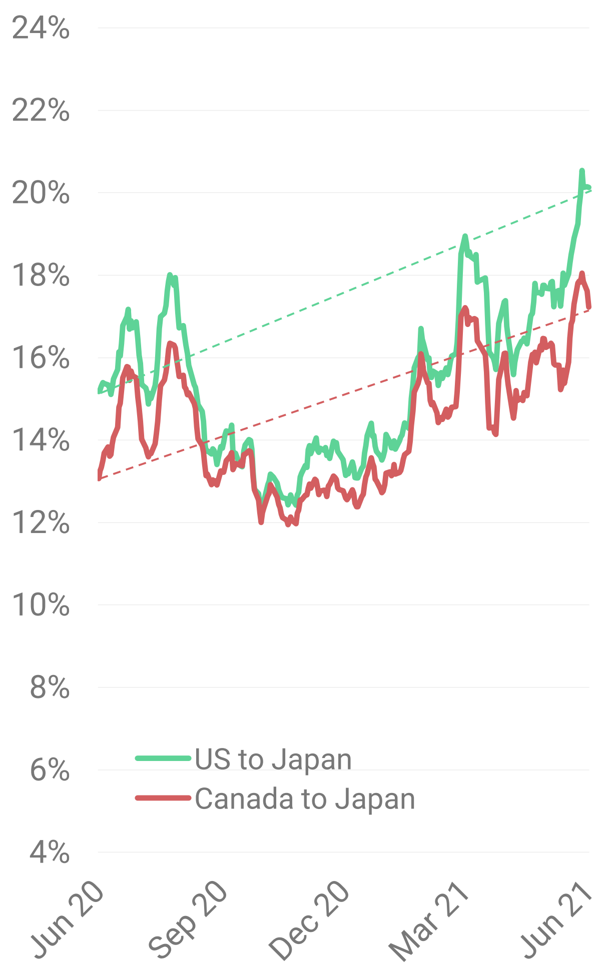
Share of freight in delivered (C&F) costs: generally trending higher, with the sharpest increases for rice

Maize: US and Ukraine to China



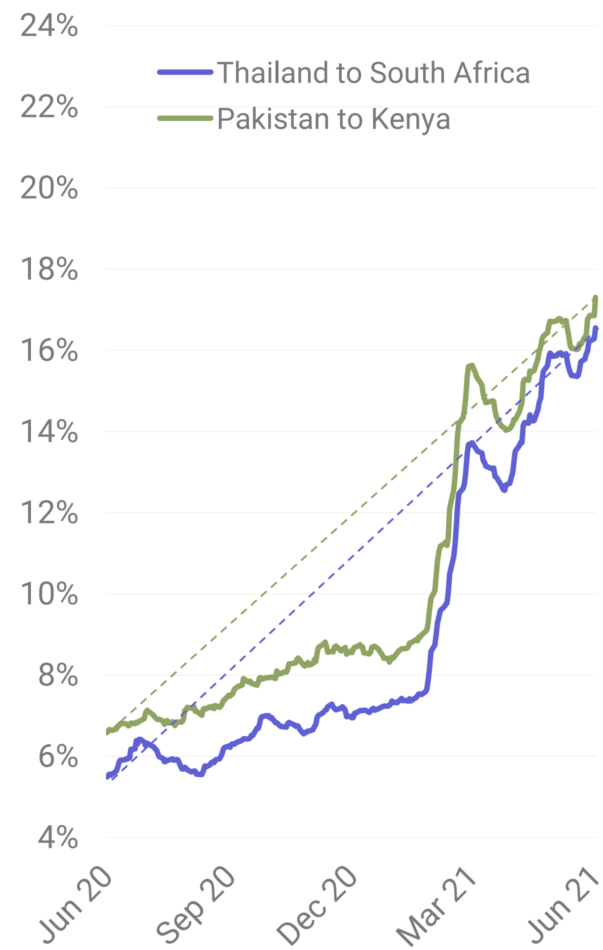
US maize (New Orleans) and Ukraine maize (Yuzhny) to China (Dalian)

Wheat: US and Canada to Japan



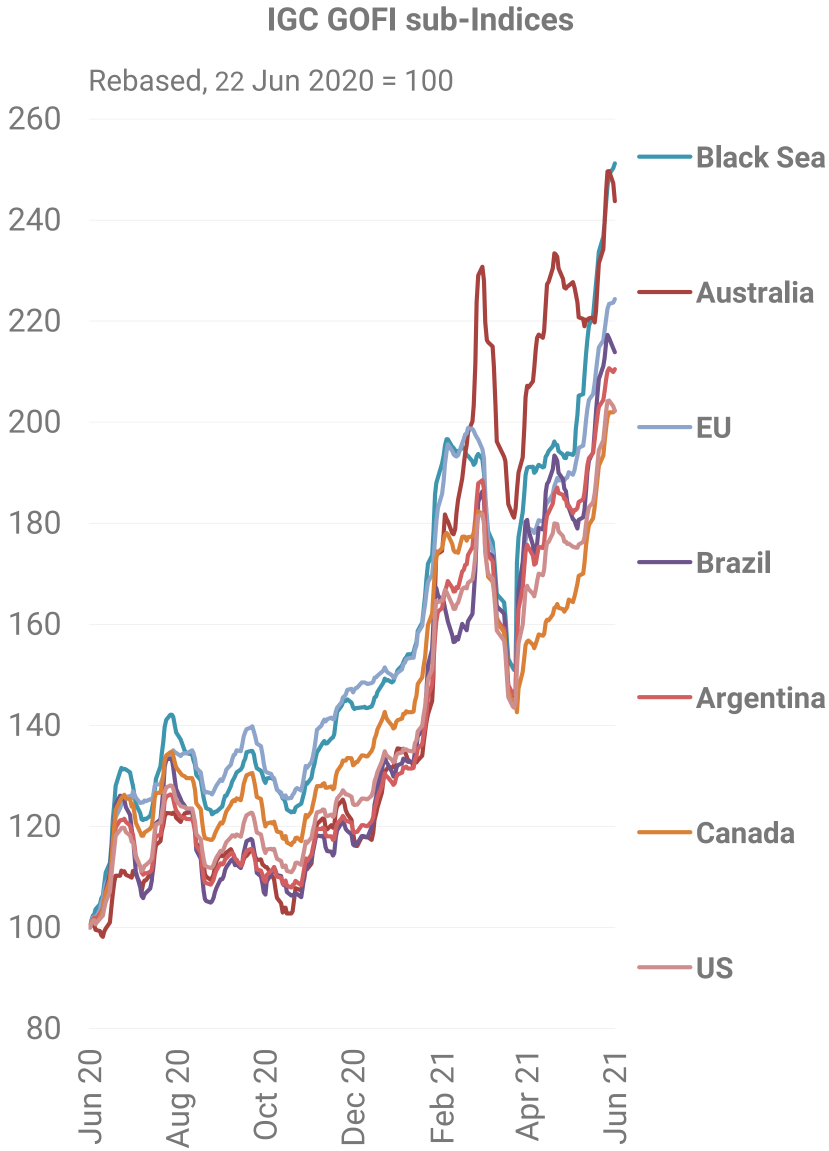
Canada 1 CWRS (Baie-Comeau) and US HRW (New Orleans) to Japan (Yokohama)

Rice: Thailand and Pakistan to SS Africa



Thai Parboiled (Bangkok) to South Africa (Durban), Pakistan 5% broken (Karachi) to Kenya (Mombasa)

Sharp gains across all key origins, led by Australia and the Black Sea region, linked to a multitude of supportive factors



Supportive factors

- strong iron ore activity from Brazil and Australia amid soaring prices for the commodity and China's demand
- buoyant coal trading, especially in the Pacific
- spillover demand from the container market
- overall recovery in economic activity partly underpinned by pandemic-related stimulus
- fleet inefficiencies due to quarantines/elevated congestion

Argentina

- occasional disruption due to industrial action
- river logistical challenges (low levels on the Parana River)

Australia

- surging demand for vessels amid a boost in grains exports
- loading delays at Western Australian ports following heavy rains in March and cyclone Seroja

Brazil

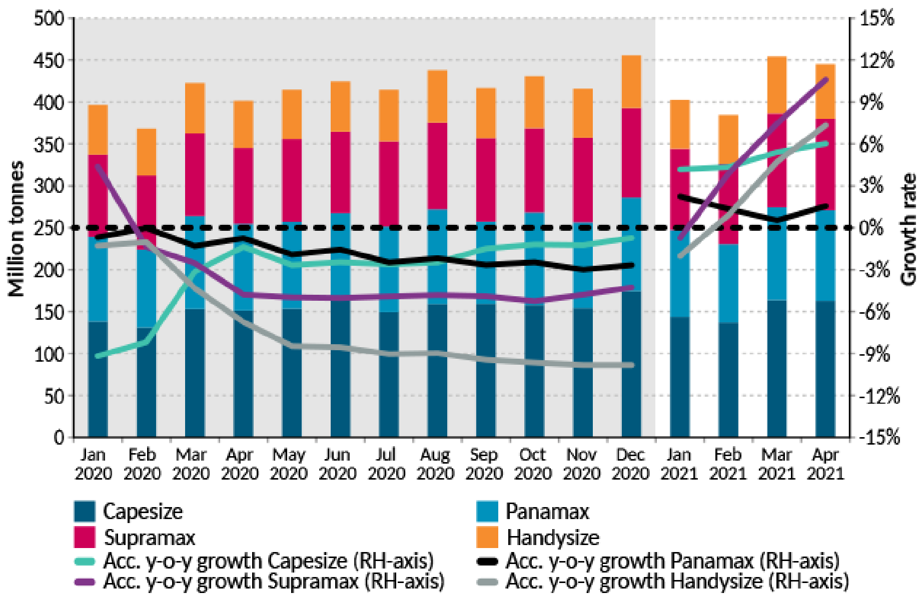
- severe backlog at ports in early-2021 due to a delayed soyabean harvest
- stiff competition for port capacity afterwards, as record soyabean volumes overlapped with sugar exports

USA

- subsiding soyabean shipments compensated by record maize dispatches, notably to China
- challenging wintry conditions

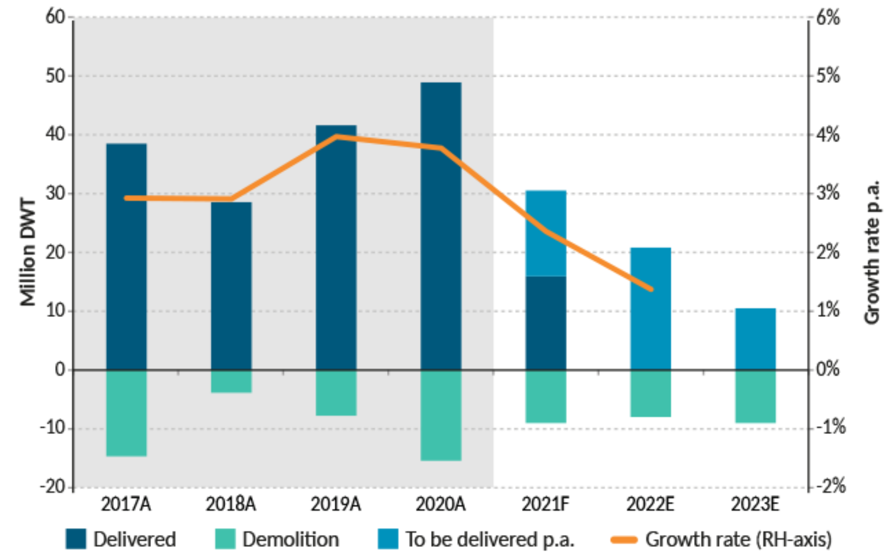
The freight market has exceeded expectations on strong supply and demand fundamentals, but how sustainable is the trend?

Demand: Volumes shipped by dry bulk fleet (all cargo types)



Sources: BIMCO, Oceanbolt

Supply: Newbuilding deliveries and demolition of bulkers



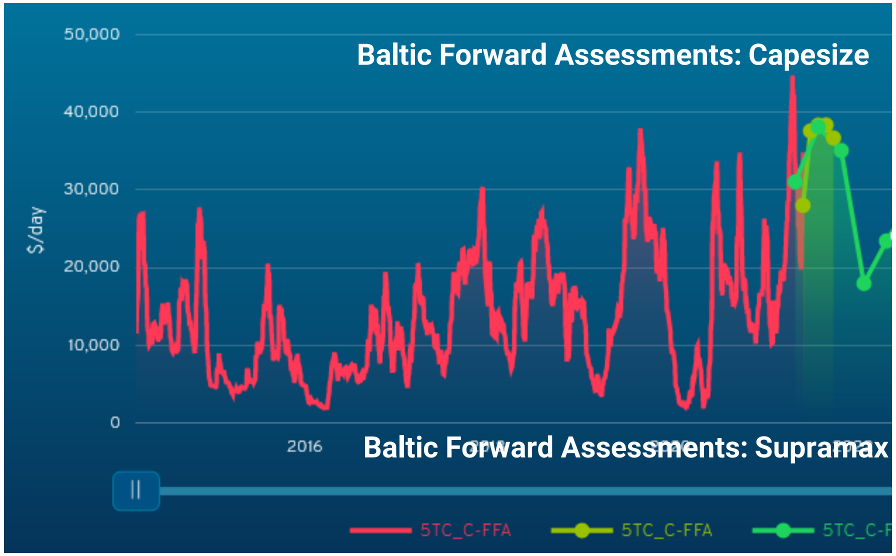
Sources: BIMCO, Oceanbolt

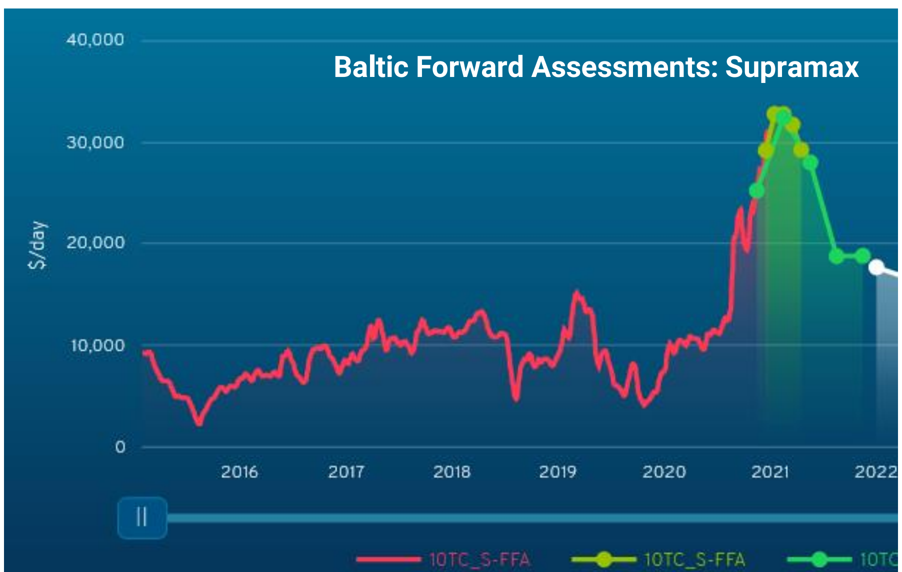
A is actual. F is forecast. E is estimate which will change if new orders are placed. The supply growth for 2021-2023 contains existing orders only and is estimated under the assumptions that the scheduled deliveries fall short by 10% due to various reasons and 30% of the remaining vessels on order are delayed/postponed.

- No major slowdown in shipments in 2020, with total volume only slightly down y/y
- Jan-Apr 2021 volume (all cargo) at 1.7bn (+6% y/y) – the strongest ever start to the year
- Strongest growth in volumes for smaller vessels in 2021 so far, driven by agricultural trade

- A reduction in newbuilding vessel deliveries envisaged in 2021 (YTD orders down 17% y/y)
- Increased demand for second-hand vessels
- Demolition also expected to drop (owners keen to benefit from high freight prices)...
- ...still, the rate of fleet growth to drop to 2% p.a. – a 5-year low (but yet another expansion)

Some cooling of the freight market may be in store for the near future, but values may remain above pre-COVID levels





- **Agricultural** exports remain strong (although high freight/grains prices cap forward buying)
- **Coal** trade is set to recover from the 2020's dip, but uncertainties persist about China and India + increased scrutiny of demand due to climate change (US President Climate Summit, G7 meeting, UN Conference in Nov'21)
- **Iron ore** trade has been supportive (China's Jan-May imports up 6% y/y, but slowing)
- How long will the impact of govt. stimulus around the world last?

Source: Baltic Exchange (data as at 22 Jun). Forward Assessments are an estimated mid price based on assessments by leading FFA brokers.

Thank you for your attention

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