

©TradeWinds, all rights reserved. Any unauthorised reproduction is strictly prohibited. This weekly newspaper is a subsidiary of Norges Handels og Sjøfartstidende (NHST), Grev Wedels plass 9, PO Box 1182 Sentrum, N-0107 Oslo, Norway, and is printed by Dagblad Trykk. This issue was printed 15 March 2007.

EDITORIAL OFFICES

E-mail: letters@tradewinds.no
 Athens: (+30) 210 724 5541; fax: 9508
 Genoa: (+39) 0185 362 331
 London: (+44) 20 7842 2720; fax: 2725
 New Delhi: (+91) 11 2689 2988; fax: 5531
 Oslo: (+47) 2200 1200; fax: 1210
 Singapore: (+65) 6557 2771 or 0014; fax: 0444
 Shanghai: (+86) 21 6329 6312; fax: 6307
 Stamford, CT: (+1) 203 324 2994; fax: 3368

SUBSCRIPTIONS & ADVERTISING

E-mail: sales@tradewinds.no
 Bergen: (+47) 5530 2238; fax: 2239
 New Delhi: (+91) 120 320 3232; fax: 289 4748
 London: (+44) 20 7842 2700; fax: 2705
 Singapore: (+65) 6557 0555; fax: 0444
 Shanghai: (+86) 21 6329 6301; fax: 6307
 Stamford, CT: (+1) 203 324 2994; fax: 3368

DISTRIBUTORS

Greece: Costas Papaconstantinou (+30) 210 429 3618
 BeNeLux countries: Peer Frederiksen (+32) 16 47 00 10
 Denmark: Int'l Press Distribution (+45) 33 27 77 24
 Hamburg: Media Distribution (+49) 408 537 6313; fax: 6316
 Hong Kong & China: Cel South Asia (+852) 2796 9228
 London: Darrell Jones (+44) 207 511 6979; fax: 476 9704
 Singapore: Cel South Asia (+65) 6440 5707
 US: SNI (+1) 908 464 0667

Visit www.tradewinds.no for subscription information, advertising rates or a free trial subscription. Annual subscription fees for 2007 are United Kingdom (GBP 470), Norway (NOK 5,950), Europe and Africa (EUR 645), Asia and Americas (USD 795).

E-mail any of our EDITORS & REPORTERS by using "firstname.lastname@tradewinds.no" — Athens: yiota.gousas and gillian.whittaker; Genoa: ian.lewis; London: paul.berrill, adam.corbett, gary.dixon, geoff.garfield, lucy.hine, john.landells, jim.mulrenan, eoin.oinneide and liz.shuker; New Delhi: narendra.taneja; Oslo: trond.lillestolen; Singapore: irene.ang, jonathan.boonzaier and dale.wainwright; Stamford, CT: joe.brady and bob.rust; and Wavelength columnist: terry.macalister

MARKET FOCUS



Photo: JSEA

TONNAGE BOOM: There are around 340 handymaxes of 18.5 million dwt, equal to 31% of the existing fleet, on order around the world.

Handymax sector oversupply fears

Analysts warn the threat of oversupply is looming over the handymax-bulker sector.

Geoff Garfield London

Hundreds of handymax bulkers are on order but sentiment for at least the next couple of years remains bullish.

The fear is that the euphoria of current high freight rates will push the global orderbook to unhealthy levels and when the markets fall back, owners will be left sitting on expensive tonnage booked at premium prices.

Already around 340 handymaxes of 18.5 million dwt, equal to 31% of the existing fleet, are on order and if owners continue to invest heavily, then oversupply in 2010 and 2011 is a real threat, says leading German-Dutch transport bank DVB. Record handymax values could hit reverse.

But in the near-term the outlook is good, says the bank in its latest report on the sector.

Clarkson Research Services guru Martin Stopford in his most recent analysis of the buoyant bulker markets also highlights the contribution of China, whose

brand of capitalism has produced "two historic years and has now chucked in another".

One consequence both DVB and Stopford touch on is the subsequent congestion at ports in Australia, where Clarkson estimates that 145 bulkers are waiting. Around 70 are capesizes but the main coal-trading routes for handymaxes to Japan and India are also out of Australia.

DVB says at some ports including Newcastle, Australia, bulkers are having to wait more than 20 days to load, pushing demurrage costs up dramatically. Freight rates have benefited.

The bank predicts that this year global coal shipments will rise 3.6%, although handymaxes could do even better by carrying 7.7% more for a total of 97 million tonnes.

One reason is that total coal imports to India are set to rise 17% year-on-year up to 2011, also tying up more handymaxes on short-haul runs from Indonesia. The rise in handymax shipments

from Australia will be less dramatic.

Plenty of handymax bulkers also trade from China and Indonesia to Japan, routes where there is the potential to capitalise on the roughly 48 million tonnes of steam coal predicted this year. Japan is the world's largest importer of coal.

Handymax tonnage also caters for roughly 10% of worldwide seaborne iron-ore trades, which in 2007 are expected to reach 799 million tonnes, up 9% on previous levels.

Shipments by handymax bulkers have tracked this China-driven development of the past several years. In 2002, handymaxes carried 61 million tonnes, this year an estimated 80 million tonnes and by 2010 some 97 million tonnes will be carried.

DVB says one reason is that more handysize bulkers will be phased out because of age. Around 90% of handymaxes are geared and therefore suitable for loading and discharging in smaller ports with inadequate infrastructure where handysize units are typically utilised.

On the downside, the Indian

government's recent tax of \$6.78 per tonne to reduce iron-ore exports has raised questions over future liftings. India is responsible for the largest number of handymax ore shipments in the world, some 1,177 last year with a useful return-leg cargo for the coal trades.

Using raw data also from Lloyd's Register Fairplay, Clarkson and MSI, DVB highlights various trends including the swing toward upsizing. More than 10 million dwt of supramax vessels, those between 55,000 dwt and 60,000 dwt, are on order, the equivalent of roughly 160% of existing ships of that size.

This year alone, 65 supramaxes are scheduled for delivery and another 58 in 2008.

In summary, DVB says that as of March 2007 there are no "immediate or overwhelming" signs that freight rates and values will slide in reaction to raw materials-shipments falling short of expectations.

The fleet, which in January totalled roughly 1,250 ships, was fully utilised in the second half of 2006 and the beginning of this year.

Taking the lead



Did you know that?

OSM is growing as chemical manager. Between May and December OSM has acquired full management of 12 new chemical vessels. This confirms our leading position in the world wide market. OSM knows all about the need for being competent. We know about the increasing requirements from both the oil companies and the authorities. We know that the world of shipping and offshore requires more resources and systems, closer follow-up of each vessel, a highly skilled organization and up-to-date systems.



Kjell Andreassen
Fleet Manager

Optimal operation starts with a high level of knowledge and the ability to perform accordingly. OSM aims to secure proper implementation of all routines. We know because this is what we do every day. Our mission is to make our customers succeed. We want you to take the lead as well.

Please don't hesitate to get in touch if you want to know more about our way of thinking. You can reach me at kjellandreassen@osm.no.



The New Generation in Ship and Offshore Management

OSM
Telephone +47 37 07 38 00
E-mail: osm@osm.no
www.osm.no