reefertrends

The month of January....

The year began with an imbalance in capacity favouring operators but the month of January ended with demand for tonnage evaporating and the number of units idling at Cristobal starting to build. The stalling of the charter market took some of the gloss away from the strong start to the year for the seasonal business out of Chile and South Africa and the liner services for bananas.

Demand for Ecuadorian bananas saw the exit price rise steeply, from below official levels to between US$12-14 per box FOB in a matter of two weeks. With banana market pricing in the eastern Med struggling to match the rise in CIF cost, and the container lines offering low prices and more flexibility on intake and discharge than ever before it is not a surprise that cargo defected from the specialized mode. Will this strategy be profitable for the lines in the longer term? Who knows!

After a record year and many months of near-100% utilization, even the smaller segment had started to feel the impact of a dip in demand by early February – with the N Cont to N Africa potato season coming to an end, Morocco 'in between' varieties and Nigerian coldstores full of fish, units that came open were not immediately fixed. This may partly be the result of the release of several vessels in quick succession after the congestion at Mostaganem. However it is also the case that Egyptian citrus into the Black Sea has been slow to start as a result of the instability caused by political problems in the Ukraine.

There were some interesting developments in the banana business with Dole reported to be on the verge of a marketing deal with Banacol. Analyst BB&T estimates that if Dole were to assume the marketing of all of Banacol's fruit, it would equate to an incremental volume of approximately 10-15m boxes/year that it would not have to source elsewhere.

BB&T also wondered whether the stories about Chiquita and/or Del Monte reactivating banana production on the west coast of Panama was just 'posturing' in order to alert high-cost producers (in Ecuador, Costa Rica) to the fact that there are alternatives.

The week that was…

With charter market activity limited to a couple of fish fixtures and no surge in demand forecast for the short term, last week's mood of cautious optimism has faded somewhat into one of stoic resolve. Although demand for bananas and pricing is reported to be improving in the transit markets, the landed CIF cost makes no commercial sense when the Ecuadorian FOB remains in double digit territory.

The exit price remains high, partly driven by the majors looking to supplement volumes from east of the Canal. For the first time in three years Chiquita last week loaded a vessel in Puerto Bolívar in the Province of El Oro, which is home to the predominantly smaller, independent banana producers. Elsewhere, Chile is running smoothly but is not likely to come to the market for more tonnage until later this month, if at all. Argentina is quiet.

The lack of orders has led to a minor accumulation of tonnage and this will likely result in a downward correction in rates. There is currently only one requirement posted for a single banana cargo in week 8 while there are reported to be 3 vessels open at Cristobal and more ballasting across.

While it may be good news for Moroccan shippers in general and Seatrade in particular that the westbound transatlantic citrus shipping season into the USEC has been extended, it is no use to any of the operators of Spot tonnage if there is little-to-no demand from banana or poultry charterers to cover the eastbound headhaul return journey!

Storms in the Bay of Biscay resulted in the loss of perhaps as many as 50/60 reefer containers from the decks of a number of specialized units en route to Antwerp and Hamburg. The temporary shortage of the pineapple cargoes has led to an equally temporary firming of the pineapple market…

The South African citrus industry will discover the result of a pest risk assessment report relating to citrus black spot (CBS) disease towards the end of February. The report, compiled by the European Food Safety Authority, comes in response to calls from European citrus producers to extend the ban on South African citrus imports. The largely symbolic ban was imposed by the EU at the tail end of the 2012/13 season and was lifted on 1 January 2014.

While Baltic Shipping may have been awarded the contract to ship citrus from Durban to the EU, Reefer Trends understands that the discharge port in N Cont has yet to be determined. However after taking 5 days to discharge 3,218 pallets of Argentinean grapes, the German Port of Wilhelmshaven is likely to have ruled itself out of the running: the next two Expofrut (topfruit) cargoes are to revert to Rotterdam.

S Hem fruit:

World Apple and Pear Association WAPA has released its estimates for this year's southern hemisphere topfruit crops and at first glance it looks as though apple volumes will increase despite the hostile weather conditions in both Latin America and South Africa during the fruit formation phase.

Collected from industry groups in Argentina, Australia, Brazil, Chile, New Zealand and South Africa, the WAPA forecast shows that the 2014 apple and pear southern hemisphere crops are expected to reach 5,570,000 MT and 1,476,000 MT, respectively. For apples, this represents an increase of 4% on the 2013 crop; while forecasted export figures also increase by 6% to 1811,303 MT. For pears, a decrease of 5% on the 2013 crop is recorded while forecast export figures are expected to be 3% lower at 724.864 MT.

Although production is lower in Argentina, South Africa and New Zealand, the volume reductions are more than offset in Latin America with Chile forecast

SHIPPING

SPECIALISED SHIPPING

270,000 cbft

'14	TREND	'13
78c	flat	107c

450,000 cbft

'14	TREND	'13
90c	flat/down?	80c

MONTHLY AVERAGE

JAN	'14	'13
450'cbft	77c	60c
270'cbft	82c	86c

BUNKER PRICES (380 cSt)

	'14	'13
Gibraltar	602	660
Rotterdam	**573**	**643**
St Petersburg	360	545
Panama Canal	**612**	**662**
Fujairah	607	660
Busan	**646**	**682**

EX RATES

	'14	'13
US$ / SAR	10.97	8.86
UK£ / SAR	**18.28**	**13.77**
€ / SAR	15.01	11.91
US$ / €	**0.73**	**0.74**
UK£ / €	1.22	1.16
US$ / ¥	**102**	**93**
US$ / RUR	**35.1**	**30.1**
US$ / NZ$	**1.20**	**1.19**
UK£ / NZ$	2.00	1.85
€ / NZ$	**1.64**	**1.60**
US$ / CLP	**547**	**471**
UK£ / CLP	910	732
€ / CLP	**748**	**634**
US$ / ARS	**7.81**	**5.00**
UK£ / ARS	13.01	7.77
€ / ARS	**10.69**	**6.73**

to post a record high 1.871m MT, while Brazil is only just shy of 1.2m MT. In varietal terms Cripps Pink (Pink Lady) has been worst affected – on the other hand Granny Smith volumes are forecast to reach record levels of 891K MT. At 1.715m MT the Gala variety is by far the largest, followed by Red Delicious which with 1.1m MT is a distant second.

Pear volumes in the southern hemisphere have remained largely static over the past decade. At 794K MT Argentina is by far the largest pear producer and is followed by South Africa with 346K MT. The 14% fall in the hemisphere's William's BC (Bartlett) crop is responsible for the overall reduction. The hardy Packham's Triumph variety accounts for just over a third of the total.

Finally, the Tucumán Citrus Association estimates that this year's Argentinean lemon crop will fall between 40-50% from last year's 1.3m MT. The preliminary estimation for this year's crop is 700K MT, down a massive 600K MT from 2013 and caused by the September frosts that hit the groves just as they were coming into blossom. Export volumes may be affected but it will be the lower-paying processing/industrial sector that will see the largest reduction in throughput. The All Lemon Group has signaled it will have enough stock to supply customers.

Morocco:

Morocco must be in a position to triple its citrus exports to Russia by 2018 according to the country's exporter association ASPAM. The country's strategic Maroc Vert Plan, will increase citrus fruit production to 2.9m MT by 2018 and boost exports to 1.3m MT. By 2020 annual production is estimated at 3.19M MT.

The Russian market currently absorbs 60% of Moroccan citrus exports – of the balance, 10% is shipped to the US and 30% to the EU. In 2012/13 Russia imported 200K MT of Moroccan soft citrus, 52% more than the previous season. Morocco will need to re-position itself in the UK, German and Benelux markets and develop Asian markets such as China in order to meet its export target according to Trade Minister Mohamed Abbou.

How successful Morocco will be in achieving its industry target will depend to a large extent on the varieties it has planted in order to take production to the 3m MT mark. With the core European, US and Russian pre-Christmas markets already saturated with citrus from Spain, Italy, Morocco, Israel and Turkey, and Egyptian fruit targeted at Russia post Christmas, Morocco has a limited number of choices: it is a lower cost producer than Spain, the world's largest citrus exporter, so it should be able to wrestle away some of the more cost-conscious customers in traditional markets via aggressive pricing.

It can also develop new and existing markets in the CIS states (Azerbaijan, Armenia, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Uzbekistan and Ukraine), the Middle East and Far East - but success here will neither be straightforward nor happen overnight. However one option open to shippers keen to access markets beyond the Caucusus is via the Black Sea port of Novorossiysk, which is a similar nautical distance to St Petersburg from Agadir but does not require ice class vessels. It is a more expensive journey for reefer operators because there is less backhaul cargo and no opportunity to take advantage of the cheaper bunkers in the Baltic.

Unless per capita citrus consumption in Russia rises significantly over the next 4 years, the best chance Morocco has to tripling shipments to its largest export market is to develop a late season soft citrus variety that extends the season well beyond January, which is by when the bulk of exports have ordinarily been completed. The good news for the specialized reefer business is that Moroccan charterers prefer the mode over the third party liner services. If the volume target is achieved by 2018 operators of small and handysized tonnage will be encouraged.

Letter to the editor:

Response to Week 4, 2014-Issue 686, in an article entitled "NOBOA".

Eric Crisman, Senior Corporate Advisor/Director of External Affairs for Bonita Banana global distribution has forwarded to this publication the following statement on behalf of Ecuadorian Company lawyers for Bonita Banana production facility Hacienda Clementina.

"The sale of Hacienda Clementina by the Government of Ecuador to a Worker Consortium is being challenged, in an appropriate and orderly manner, by The Company within the Ecuadorian judicial system. The Company strongly asserts that the Government sale is illegal, and, the alleged tax issue, going back to 2005, is politically motivated. Facts and figures comparing Bonita taxation with other leading banana exporters in Ecuador clearly illustrate the Company's position, and, are a matter of Public Record. The Company shall continue to defend its position within the judicial framework with tenacity and resolve.

The systematic Government attacks against Alvaro Noboa, internationally recognized as the wealthiest and most successful businessman in Ecuador; and, leading political voice of the opposition (having run for the Presidency 5 times) are well known. He has made a formal complaint of political persecution to the Organization of American States (OAS). His philanthropy through the Alvaro Noboa Foundation, spanning more than 33 years, is a socially responsible model for disaster relief, free medical treatment, educational support, housing assistance, and "micro-credit" financial aid to the poor in Ecuador. The many companies under the control of Alvaro Noboa represent the leading private sector employer in Ecuador, and are debt-free."

Bunker Review:

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

West Texas Intermediate dropped from its highest closing level in almost four months. The Market felt that the advance was excessive. Futures fell as much as 1% in New York as a technical indicator approached a level signaling further gains can't be sustained. Prices have increased six times in the past seven days amid freezing temperatures in the US.

Oil inventories in the advanced economies tumbled in the fourth quarter by the most since 1999 because of surprisingly robust demand in the US and other developed nations, the International Energy Agency (IEA) said on Thursday. The IEA said oil inventories in the developed world plummeted by 1.5m barrels per day in the last three months of 2013, the steepest quarterly decline since 1999.

The IEA, which advises most of the largest energy consuming countries on energy policy, becomes the third major forecaster this week to predict higher oil use as economic growth picks in Europe and the US. Far from drowning in oil, markets have had to dig deeply into inventories to meet unexpectedly strong demand. The IEA raised its forecast for global oil demand growth this year by 50.000 bpd to 1.3m bpd based on boosted demand in North America and Europe after several years of declining consumption.

Growing oil production in North America had led some to predict international crude prices would fall in 2014, after averaging around $110 a barrel in each of the past three years.

For the coming week expect irregular price movements.

Personnel:

The Noboa Group has confirmed that Román Olivé has been appointed General Manager of subsidiary Truisfruit, based in Guayaquil. Sr Olivé was previously Marketing Director of Barcelona-based tropical fruit importer and distributor Fruta Del Pacífico.

A Reefer Trends Production
+44 (0) 1494 875550
http://www.reefertrends.com