Ocean freight rates

International Grains Council (IGC)

OCEAN FREIGHT MARKET (MAY 2023 – OCTOBER 2023)

The past six months featured variable dynamics across the main dry bulk vessel segments. While the benchmark Baltic Dry Index (BDI) has advanced by a net 43 percent since late April, the upside was almost entirely linked to solid gains in the Capesize sector, especially in the past two months. Rates across the grains- and oilseeds-carrying segments – notably the **Panamax**, **Supramax** and **Handysize** sectors (the latter sub-Index was excluded from the BDI in March 2018) – posted narrowly mixed changes, with values for smaller carriers faring relatively better. Owing to firmer Capesize rates, the BDI was 11 percent higher year-on-year as of late October, while vessel earnings in other constituent segments were around one-quarter lower.

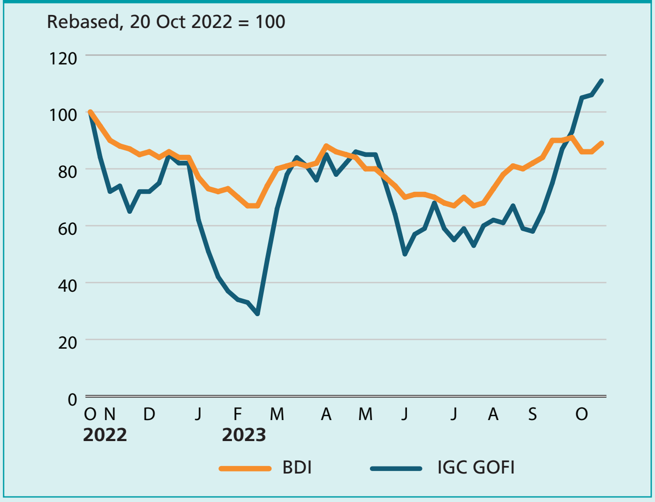
Although there have been worries about slower-than-expected economic growth in China, trade statistics point to relatively robust data around the country's dry bulk imports, including solid arrivals of iron ore and coal – the latter bolstered by reported disruptions to domestic hydropower generation.

In the grains and oilseeds markets, the mid-July cessation of the Black Sea Grain Initiative – the four-way agreement that enabled shipments from Ukraine's deep sea ports – had a negative impact. While a new seaborne corridor was established by the Ukrainian authorities shortly after, business via the new channel is reportedly restricted by elevated freight rates and conflict-related security concerns. Nonetheless, official and private shipping data confirmed brisk grains and oilseeds seaborne dispatches from other key origins in recent months, aided by northern hemisphere harvests. The strong trade progress came in spite of challenging logistics at some main points of origin, including low water levels on key inland waterways at the US Gulf (Mississippi River), in Brazil (Tapajos River), Germany (Rhine River) and Ukraine (Danube River).

Global freight rates also drew support from drought-induced draft limitations and increased waiting times at the Panama Canal. With around one-quarter of US soybeans and one-fifth of maize moved via the Canal during 2022, shipments from the US Gulf have been hampered by the aforementioned vessel traffic restrictions as uncertainty about associated additional costs forced vessel owners to switch to alternative, often longer routes. Furthermore, recent developments in the Middle East have raised concerns about potential disruptions at major commercial chokepoints, namely the Suez Canal and the Strait of Hormuz.

Voyage costs on major grains and oilseeds routes (including bunker costs) recorded a modest net increase over the past six months, as demonstrated by the IGC Grains and Oilseeds Freight Index (GOFI), which gauges nominal freight rates across seven key origins. Led by gains in Black Sea values amid bumper wheat deliveries from the

BDI and IGC GOFI
20 October 2022– 20 October 2023



Note: IGC Grains and Oilseeds Freight Index, constructed based on nominal freight rates on major grains/oilseeds routes using trade-weighted approach.
Source: Baltic Exchange, IGC

Summary of dry bulk freight markets

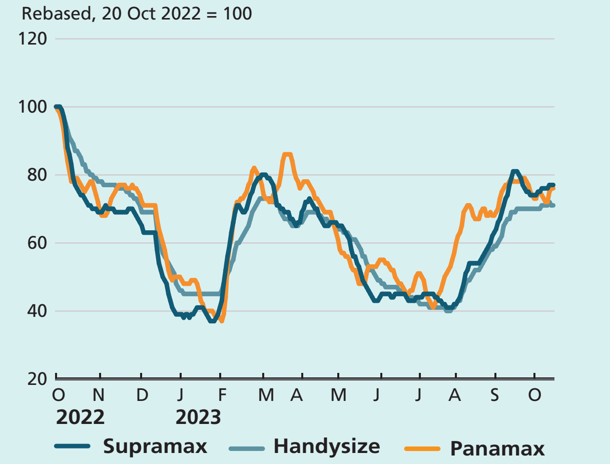
	20 Oct 2023	Changes	
		6 months	y/y
		%	
Baltic Dry Index (BDI)*	**2046**	+ 43	- 59
Sub-indices:			
Capesize	**3556**	**+ 100**	+ 68
Panamax	**1638**	- 2	- 24
Supramax	**1287**	**+ 9**	- 23
*Baltic Handysize Index (BHSI)***	**686**	**+ 6**	- 29
IGC Grains and Oilseeds Freight Index (GOFI)***	***156***	**+ 4**	***- 11***

Source: Baltic Exchange, IGC. * 4 January 1985 = 1000. ** 23 May 2006 = 1000. *** 1 January 2013 = 100.

Baltic Capesize Index
20 October 2022– 20 October 2023

Source: Baltic Exchange

Grains and oilseeds carrying sectors: Panamax and Supramax sub-Indices and Handysize Index
20 October 2022 – 20 October 2023



Source: Baltic Exchange

Russian Federation, the indicator was up by a net 4 percent compared to late April.

Although the outlook for the dry bulk freight market is clouded by lingering fears of global economic recession and ongoing hostilities in parts of the world, some shipping industry analysts express cautious optimism about near-term prospects for the sector. Aside from hopes for continued economic growth in China and India – the world's major importers of dry bulk commodities – positive outlooks also cite supportive supply-side fundamentals. According to private forecasts, the demand for dry bulk carriers is set to outpace the expansion in available tonnage in the year ahead, with the emissions-related requirements of the International Maritime Organization (IMO) seen as capping investment in new vessels, while also leading to slower bulker speeds and additional compliance costs.

Although movements in time charter rates were two-sided, the Capesize segment posted a sharp rise starting in late April, as the corresponding Baltic sub-Index doubled over the period, with especially strong advances witnessed in the past several weeks. Reflecting the recent upswing, sub-Index values were quoted as 68 percent higher year-on-year as of late October.

Despite brisk mineral flows from Australia, average sector earnings initially plunged amid economic worries, particularly linked to China, but the market rebounded thereafter on better-than-expected May trade statistics. Fresh coal-related business from Australia and South America, as well as increasing journey times for bauxite shipments – as activity shifted from Indonesia to Guinea following an export ban in the former – provided support in the following months. Further underpinning came from persistent tonnage shortages in the northern Atlantic amid strong interest in transatlantic and front haul deliveries, notably to China. China's iron ore imports during the first nine months of 2023 have been strong, reported to be 6 percent higher year-on-year. Still, iron ore inventories at ports had receded to a three-year low by October amid robust steel exports and buoyant demand from domestic infrastructure and manufacturing sectors.

Panamax rates averaged fractionally lower in late October compared to six months earlier. Despite strong activity out of Brazil, which mainly relies on Panamax bulkers for its maize and soybean exports, freight rates in that segment receded to a multi-month low in July, as traders cited slow European demand for coal deliveries. This prompted some Atlantic exporters to redirect their shipments to Asia and fuelled competition for business in the Pacific Basin.

The market staged a rebound in mid-summer against the backdrop of sustained solid shipments from Brazil, where newly harvested bumper safrinha (second crop) maize supplies took seasonal precedence over soybean volumes amid tight port logistics and drought-related bottlenecks on some river routes. Notably, sentiment at that origin was boosted by optimism about larger maize deliveries to China since the country has emerged as the key buyer of Brazilian supplies in recent months. An uptick in enquiries from the northern Pacific to Asia was also supportive of Panamax rates amid seasonally rising maize and soybean availabilities in the United States of America. However, slow barge movement along the Mississippi River, due to historically low water levels, weighed on rates out of the US Gulf, with deliveries from that area to Asia also hindered by slower than normal vessel traffic at the Panama Canal.

Summary of freight rates on selected routes

USD/t	Cargo / Discharge	20 Oct 2023	Changes 6 months	y/y %
United States of America (Gulf) to:				
China (Dalian)	**66 000 / 8 000**	**54**	0	-9
European Union (Rotterdam)	**66 000 / 10 000**	**31**	15	-6
Japan (Yokohama)	**66 000 / 8 000**	**52**	0	-9
Canada (St. Lawrence) to:				
China (Dalian)	**66 000 / 8 000**	**52**	0	-10
European Union (Rotterdam)	**66 000 / 10 000**	**22**	16	-6
Japan (Yokohama)	**66 000 / 8 000**	**50**	0	-10
Argentina (Up river) to:				
Algeria (Belaja)	**25 500 / 2 500**	**42**	2	-24
Egypt (Alexandria)	**49 000 / 6 000**	**38**	4	-22
European Union (Rotterdam)	**66 000 / 10 000**	**38**	15	-6
Brazil (Santos) to:				
China (Dalian)	**66 000 / 8 000**	**49**	0	-11
European Union (Rotterdam)	**66 000 / 10 000**	**31**	16	-6
Republic of Korea (Inchon)	**66 000 / 7 250**	**49**	0	-11
EU (France, Rouen) to:				
Algeria (Belaja)	**25 500 / 2 500**	**23**	6	-11
Egypt (Alexandria)	**49 000 / 6 000**	**23**	8	-9
Morocco (Casablanca)	**25 500 / 3 000**	**20**	6	-10
Russian Federation (Novorossiysk) to:				
Egypt (Alexandria)	**49 000 / 6 000**	**21**	12	-11
Morocco (Casablanca)	**25 500 / 3 000**	**25**	8	-12
Tunisia (Bizerte)	**25 500 / 2 500**	**22**	9	-13
Australia (Kwinana) to:				
China (Dalian)	**66 000 / 8 000**	**22**	1	-20
Indonesia (Jakarta)	**49 000 / 8 000**	**18**	5	-17
Republic of Korea (Inchon)	**66 000 / 7 250**	**21**	1	-21

Note: Nominal ocean freight rates for HSS (heavy grains, soybeans, sorghum) cargoes. Values do not represent market fixtures.
Source: IGC

Rates in the Supramax and Handysize segments firmed modestly during the past six months. Similar to the Panamax sector, a subdued tone prevailed during the summer period, largely tied to sluggish demand in the Atlantic, however, markets reversed course in August due to spillover demand from larger carriers in the Atlantic, coupled with limited tonnage availability in the eastern Mediterranean, rising enquiry levels at the US Gulf and in Europe, as well as new coal business from Indonesia to India.