



Palm oil trade is 'one to watch'

PRODUCT and chemical tankers can look forward to more employment opportunities on the palm oil trade from Southeast Asia to Europe in the coming quarters, thanks to fewer newbuildings snatching cargoes, writes Hal Brown.

The news is a welcome development for vessels looking to take advantage of the rising palm oil trade.

They have been hampered by newbuilding product and chemical tankers picking up cargoes for their maiden voyage.

Newbuildings are delivered in Asia, so there have always been new ships on hand to take the business. They can carry a product that finds its way into the food chain, such as palm oil, on their maiden voyages because there is no risk of contamination from other substances such as chemicals or gasoline in the tanks.

This cuts out the need to pay for the tanks to be cleaned if another substance was carried before the palm oil.

Now, however, fewer newbuildings are being delivered in Asia because owners have exercised restraint in ordering over the last couple of years. This is one reason why experts say product and chemical tanker markets are likely to start recovering faster than other shipping sectors.

Fewer newbuildings delivered in Asia means more cargoes for other ships on the route, resulting in more earnings opportunities.



Palm oil exports from Asia represent 65% of global trade in vegetable oils.

"The palm oil trade from Southeast Asia to Europe is one to watch," D'Amico International Shipping chief executive Marco Fiori told Lloyd's List.

As Mr Fiori outlined the development of fewer newbuildings taking cargoes, the trend of declining deliveries is clear to see.

In product tanker size range 30,000 dwt-59,999 dwt, there have been 31 deliveries so far this year, compared with 55 in 2011, according to Clarksons.

In 2010, there were 88 deliveries of ships in that size range and 2009 saw deliveries edge towards 140.

The palm oil trade will increase, offering more cargoes for vessels.

Vegetable oil exports from Asia, primarily palm oil, stood at 44.3m tonnes in 2010 — representing 65% of global trade in vegetable oils, according to Europe's DVB Bank.

Analysts at DVB expect Asian exports to increase to 48m tonnes by the end of 2013.

Alongside this rising trade, tankers will have new opportunities to triangulate, say analysts.

An example of triangulation on a global scale is a medium range product tanker shipping gasoil from Europe to Argentina, then loading a soyabean or sunflower seed oil cargo bound for India or China.

The final leg is a palm oil cargo picked up from Indonesia or Malaysia and shipped to Europe, leaving the vessel positioned back in the Atlantic where it started.

The advantage of triangulation is that the amount of empty sailing carried out by a vessel is greatly reduced, so less cash is spent burning fuel on return ballast journeys necessary on traditional round trips. ■

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