SSY Dry Market Briefing

Ultramax Premium

In the year so far, the Supramax (63k dwt) TC average has been above the Panamax (82.5k dwt) equivalent 74% of the time. This discrepancy is amplified when we look at Atlantic earnings: The implied Supramax Atlantic round voyage (i.e. an average of S4A and S4B routes) has averaged $16,397/day in the year-to-date, a premium of $2,959 to the Panamax Atlantic round voyage, with the premium widening to $4,808/day in November.

The Baltic-type vessel represents a modern and efficient Ultramax design, which has dominated deliveries since 2013. In fact, the average age of the current 60k-69,999 fleet is 10 years old, compared to 18 for 45k-59,999 dwt vessels. The younger age profile makes the Ultramax vessels more attractive for US trading, where a 15-year soft age limit is often observed. However, the bigger story on the Ultramax demand side has been the shifts in US grain trade, in part driven by the higher pre-booking cost and remaining draught restrictions in the Panama Canal. Principally, due to their size and ability to transit the old Panama Canal locks fully laden, Ultramax vessels have become the more competitive option for the remaining US Gulf grain exports through the Panama Canal, notably corn into Latin America and Asia (see top graph).

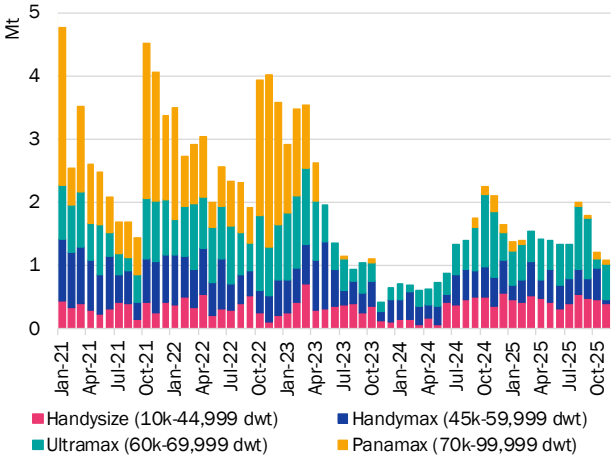
On the supply side, the number of smaller Supramax (45k-59,999 dwt) vessels in the North Atlantic has been dropping since March (see middle graph). Initially, this appears to have been prompted by uncertainty surrounding US port fees on Chinese-affiliated tonnage. The initial announcement in February proposed very high fees for all Chinese-built vessels, leading to a rush of US port calls before owners of such tonnage started to reposition some vessels away from the North Atlantic accordingly (see bottom graph). Although several exemptions were published in mid-April (notably excluding those under 80k dwt and vessels ballasting to US ports), the situation did not reverse. On the whole, this repositioning has contributed to keeping North Atlantic Supramax vessel supply tight.

With the “special port fees” suspended for one year from 10 November and recent data showing a slight return of smaller vessels, the question becomes whether this situation will still persist going forward.

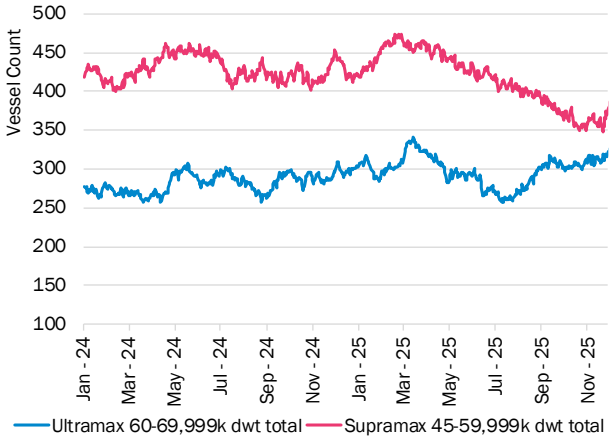
Certainly, geopolitical risk remains. US and China have put a band aid on their relationship for now, yet the bigger issue of bifurcation of global trade and, with it, global shipping, remains. Also, the issue of fleet age will also only worsen in the coming years as more of the smaller Supramaxes join the over 15 year old age bracket. Of the current 45k-59,999 dwt fleet, 10.5 Mdwt was built in 2009, 17 Mdwt in 2010 and 19 Mt in 2011. This portion of the fleet post-2009 is also 63% Chinese-built, contributing to this appearance of a shift away from Chinese-built vessels from the North Atlantic.

The potential for a return to Suez Canal transits may present the biggest risk to the North Atlantic Supramax market, as Panamaxes would once again benefit from their economies of scale and chip away at demand on the grain trades to Asia without being limited by the ongoing Panama Canal draft restrictions.

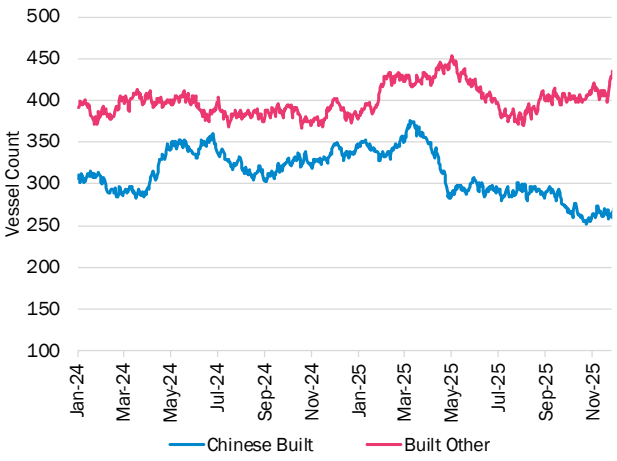
US Grain Exports via Panama Canal



Supramax (45k-69,999 dwt) North Atlantic Vessel Count by Size



Supramax (45k-69,999 dwt) North Atlantic Vessel Count by Build



Source: Signal Ocean, IHS, SSY