Bulk trade boom sparks CTM growth

New chief executive of bulk carrier owner aims to expand fleet by 15% within a year

Janet Porter and **Michelle Wiese Bockmann**

THE swift rebound in demand for seaborne commodities has seen Monaco-based bulk carrier shipowner CTM embark on an expansion programme after appointing a new chief executive this week.

John Michael Radziwill is taking over from Gary Weston, who has been promoted to chief executive of DryLog, the parent company of CTM.

Mr Radziwill told Lloyd's List he aimed to expand the CTM fleet from the current level of around 85 supramax, panamax and capesize vessels to about 100 within a year.

However, there were more opportunities on the buying side in the wet sector right now, although "we will buy dry at some stage in the future", he said.

Bulk commodities trade was growing "faster than we expected" after the economic collapse of 18 months ago, which meant the company was more optimistic and had the confidence to push a little harder for opportunities, Mr Weston said.

Ilias Iliopoulos, newly-appointed chief executive of Ceres Shipping, the holding company for DryLog as well as related companies BoxLog, GasLog and TankLog, said it was clear the group's focus was now in the dry and liquefied natural gas sectors.

"There has been a repositioning of wealth from chemical transportation into other parts of the business," Mr Iliopoulos said.

The chemical tanker arm, ChemLog, sold its shareholding in Norway's Odfjell in March this year, with plans to reinvest and strengthen market share in sectors "that will have a speedier recovery than chemical transportation", Mr Iliopoulos said.

CTM was a well known and established entity, he said, while on the LNG side, GasLog will be managing 14 LNG carriers for BG by the end of the year, and was recently linked to an order for a further four in South Korea.

BoxLog, a joint venture with the Saverys family, has six 2,500 teu containership on long term charter to Maersk Line, managed by Delphis. However, there no plans to expand involvement in this sector.

"We will stay at what we have," said Mr Iliopoulos, who moves up from DryLog chief executive to take charge of the parent company.

Active in both the paper and physical market, CTM has emerged from the market downturn with all its bulk carrier fleet covered for 2010, and some ships fixed up to 2025, yielding varying margins to provide a stable income "that was more like traditional shipping", Mr Weston said.

The freight trading subsidiary had no business with prominent defaulters in the shipping market collapse of 2008, but Mr Weston recalled "my heart stopped" each time news emerged of bankruptcies "just in case my clients had business with them".

CTM had already taken a decision early in 2007 to cease trading over-the-counter freight derivative positions by the end of that year. "We were scared by the numbers; they were getting too big," Mr Weston said.

Counterparties on the physical side were also scaled back at the same time, contracting from about 35 to 15.

Mr Radziwill, who recently turned 30, is a member of the Livanos family, which owns Ceres Shipping. Ceres boss Peter Livanos is his cousin.

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Left to right: DryLog chief executive Gary Weston; John Michael Radziwill, the new chief executive of CTM; and Ilias Iliopoulos, chief executive of Ceres Shipping.

Norden upbeat over dry bulk market as earnings soar

Craig Eason

NORDEN chief executive Carsten Mortensen is both pleased and positively surprised with recent developments in the dry bulk market.

The Copenhagen-listed company has reported a leap in first-quarter earnings before deductions to $79m compared to $15m a year ago. A cold winter in the northern hemisphere and good crops in South America created better opportunities for the dry bulk sector, and the company's tanker division also performed better than expected in its weak market.

"We have a strong balance sheet, we have $700m cash in our accounts, we have paid all our ships in cash, have increased coverage up to 81% for the rest of the year in dry cargo and are up 425% over the first quarter of 2009," Mr Mortensen told Lloyd's List. "I realise we have had a couple of [cancelled contract] settlements, but even without these it is a 180% improvement, so yes I am pleased."

He warned that the good fortunes with the dry bulk sectors were the exception rather than the rule, additionally buoyed by China taking 40% of the market and having one of the coldest winters in 50 years. The increased shift in trade has also heightened the trend for oversupply of tonnage to the east, which in turn has led to to an increase in inefficient unprofitable ballast voyages, particularly from Asia to the Atlantic.

Norden's panamax division has seen over 20 ballasted voyages from Asia to the Atlantic region already this year.

"We need to ask if this is a permanent shift," Mr Mortensen said.

This voyage inefficiency is going some way to offset the oversupply in the dry bulk sector, but Mr Mortensen remains concerned over the number of newbuildings coming into the market this year, despite the cancellations that the market has seen.

"I think last year we were lucky in foreseeing 44,000 dwt delivered against an orderbook of 72,000 dwt, so we had the number of cancellations we expected," he said, adding that this year would see even more vessels marked for delivery, both from Norden and in the world fleet.

There is a projected 14% fleet growth, the majority of which will be in the larger segments, which Mr Mortensen thinks will add to discrepancies in freight rates.

"In the first quarter you saw a certain disconnection on rates. The panamax and handysize rates were on a par with capesize rates, where you normally have a ratio of 1:2," he said.

"We will see this disconnect as half the orderbook is capesize right now and you will not see minor commodities in capesize ships; these ships do two commodities, either iron ore or coal."

While expecting to see a decent, although volatile, market in general for the dry bulk sector for the rest of the year, he does think that the larger segments will come under pressure due to over supply. He is worried about the kamsarmax orders that he fears will add to the oversupply.

Norden has its own share of the dry bulk orderbook, with 55 newbuildings, either owned or chartered with purchase options, set to come into its fleet in the next three years, with about half by the end of the year. But for 2010 Mr Mortensen is reassured that the company's dry bulk sector has achieved 81% coverage for the remainder of the year.

While earnings before interest, taxation, depreciation and amortisation improved during the quarter, year-on-year quarterly profit for the group sank from $72m to nearly $63m. This was mostly due to positive results of hedging a year ago adding to the company's operating profit.

Norden has raised full-year ebitda expectations in both its dry cargo and tanker divisions. Dry bulk has been raised from a range of $170m-$220 to a potential of $200m-$230m. The tanker division has been adjusted to suggest a potential breakeven, going from a loss of $5m-$25m to between zero and a $20m loss. Full year ebitda now stands at $155m-$205m.

Euroseas plans boxship buys despite ships in lay-up

Nigel Lowry
Athens

ATHENS-based dry bulk and container vessel owner Euroseas is eyeing boxships even though it still has two of its containerships laid up.

According to Aristides Pittas, chairman and chief executive of the Nasdaq-listed company, it is "probable" the two vessels will be reactivated before the end of 2010.

The 1990-built handysize pair *Despina P* and *Jonathan P*, which have been laid-up since the second quarter of 2009, could be taken out of lay-up even without firm charter coverage if the company starts to see "levels close to the levels we want", said Mr Pittas. This would enable the vessels to be put through a regular survey without eating into potential charter time.

"Rates for the bigger sizes are going up very dramatically," he added. "On the smaller sizes we have not seen that happening yet, so we will wait a little bit."

Mr Pittas said that traditionally smaller vessels would follow rate trends on larger vessels with "very little" time lag.

"But this is not a typical downturn and there is a large number of ships in lay-up, which has never happened before in the container industry," said Mr Pittas. A majority of the laid up units were smaller vessels. "We need to see them absorbed before we see the pick-up in rates," he said.

Mr Pittas said the company's container vessels, which range in capacity from 1,169 teu to 2,556 teu, were continuing to face "significant challenges in securing profitable employment contracts".

However, Nasdaq-listed Euroseas was looking at acquisitions in the sector. "The focus is in the container sector," Mr Pittas said, confirming that any new acquisition will be first offered to the company's newly formed joint venture fund, Euromar, with two private equity partners.

By contrast, Mr Pittas played down prospects of further dry bulk carrier acquisitions in the immediate future. "We will only look at deals with time charters attached at this moment," he said.

"Prices have increased and they have now passed historical levels and this makes us a bit sceptical," he added. "But we view each project on its own merits."

Mr Pittas was speaking after Euroseas posted a $3m loss for the first quarter of this year compared with a $3.9m net profit for the equivalent three months last year.

Excluding unrealised losses on derivatives, trading securities and amortisation of the fair value of charters acquired, the company would have posted earnings of $0.4m.

Euroseas also acknowledged Somali pirates last week hijacked the panamax *Eleni P*, one of its five bulkers. The company had a pre-existing support system for addressing the incident. "We believe this will not have a material financial effect on the company," said Mr Pittas. "Our thoughts are with our crew members who are our prime concern."

Green Reefers and Silver Sea form joint venture

NORWEGIAN reefer specialists Green Reefers and Silver Sea have signed a letter of intent to form a joint venture company serving north Europe and operating a 14-strong fleet of "smaller sized" reefer vessels, *writes Gavin van Marle*.

In statement, Green Reefers said: "The parties believe a combined operation will provide a better service for customers and create large synergies in the form of a more efficient operation, saved bunkers expenses and port calls. The transaction will be notified to the competition authorities. The parties intend to start the operation on July 1."

The agreement comes a day after Green Reefers announced a first quarter pre-tax loss of $4.2m, down from the $500,000 pre-tax profit made in the same period in 2009.

The company, which operates a fleet of 45 vessels and six terminals, said a number of factors conspired to adversely affect its performance, which resulted in falling spot rates and the absence of a peak season.

It said the recent cold winter not only led to reduced European demand for Latin American fruit and bananas but led to a reduced harvest, which meant volumes of fruit and vegetables from the Mediterranean to northern Europe were subsequently down. The decline in volumes was compounded by container carriers' increasing penetration of the reefer business which, it said, "contributed to the further transfer of fruit volumes away from conventional reefer vessels".

However, it claimed that the market outlook for 2010 represented a considerable improvement on last year.

"The prospects for market growth in reefer products are positive; transport capacity, conventional as well as containerised, is considerably reduced through scrapping and equipment shortage; and initiatives are proposed for rationalisation within the Green Reefers vessel segment as well as the reefer market as a whole," it said.

"For the first time in recent years, 2009 showed a reduction in traded volume of reefer products. Market participants, however, expect a return to growth this year."

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