

Indian Sugar Summit

Freight a key component of the sugar price

1 September 2010

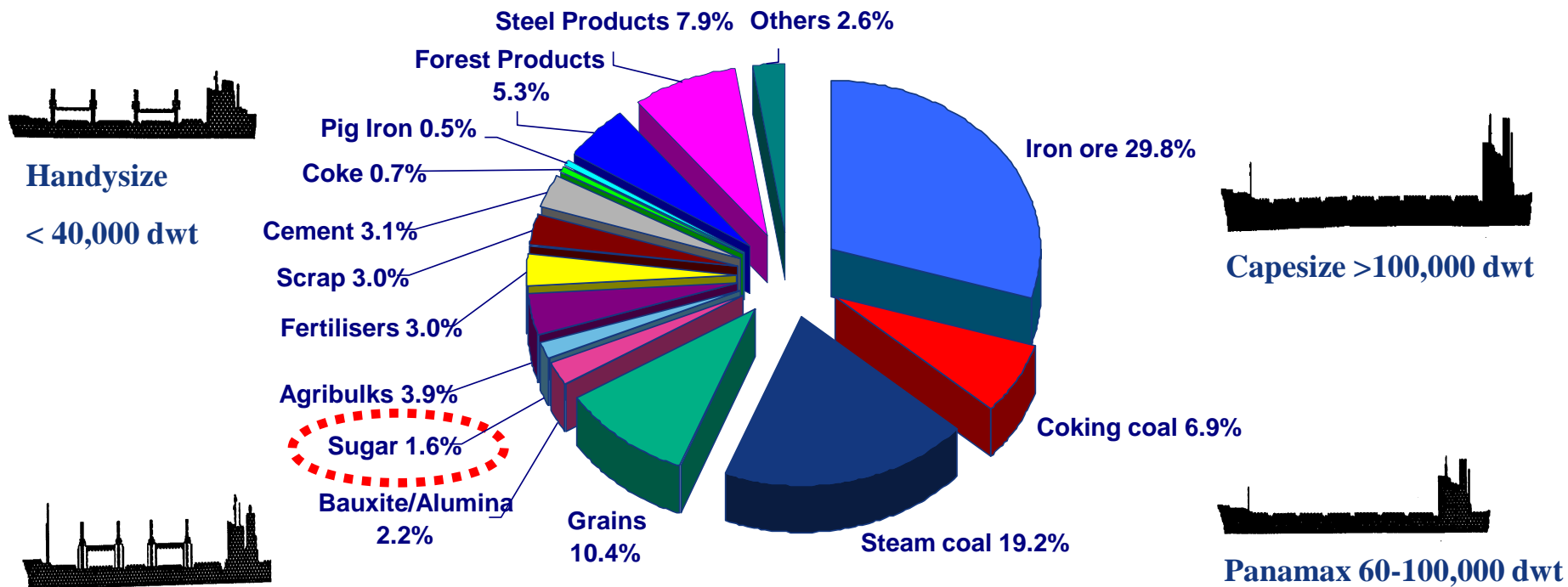
Presentation by:

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Clarksons

Sugar constitute only 1.6% of drybulk seaborne trade

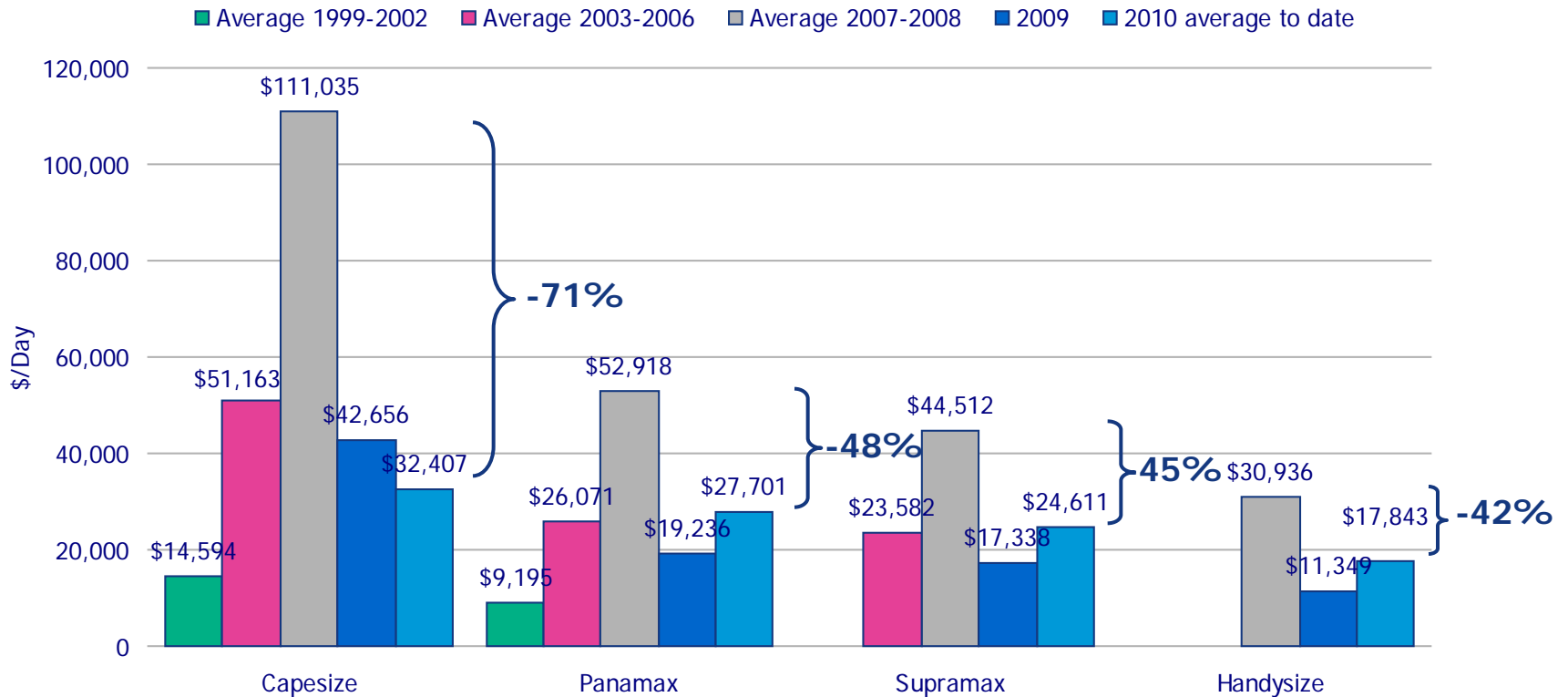
Drybulk seaborne trade in 2009



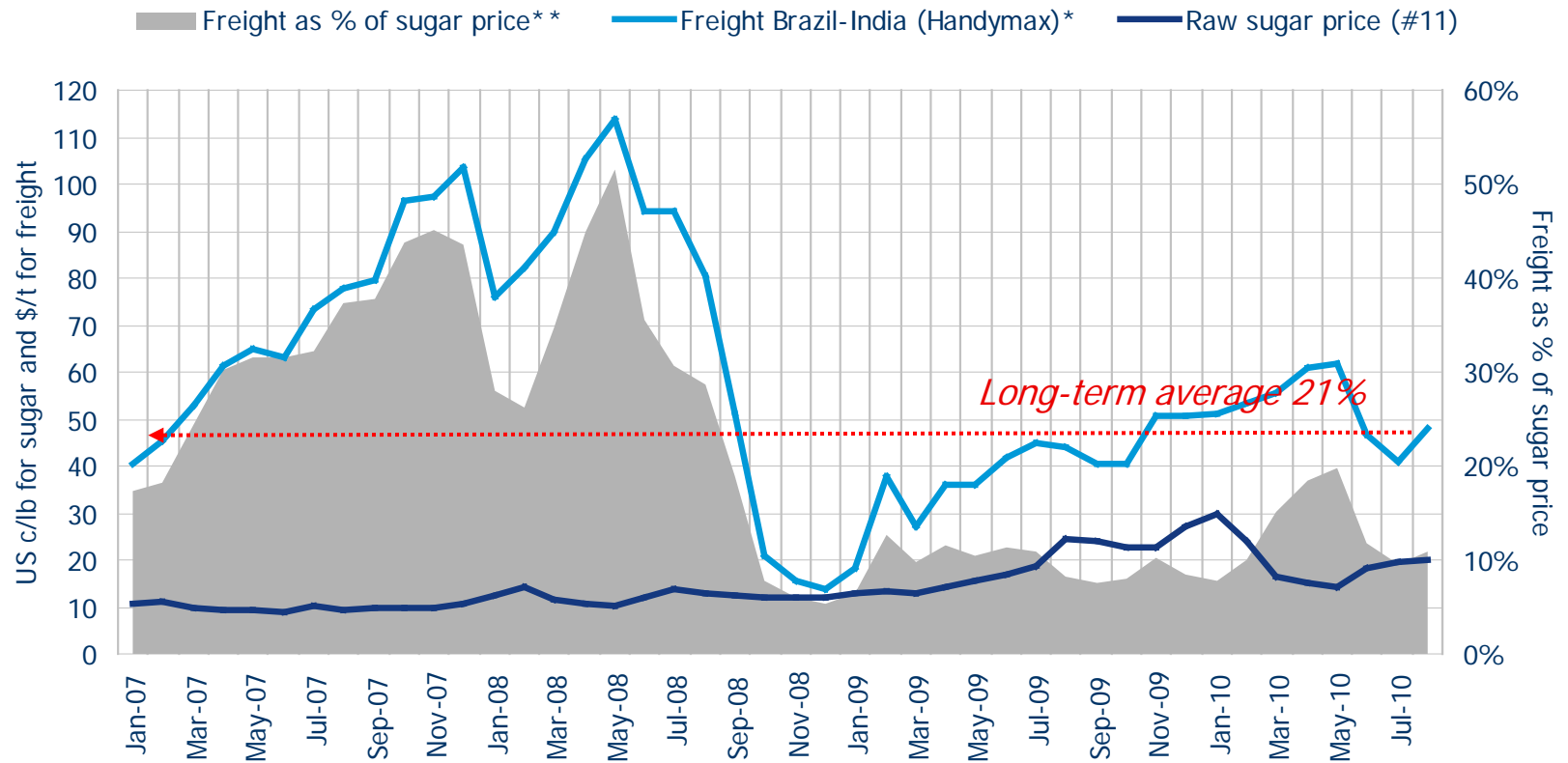
And is shipped in Handysize and Handymax/Supramax vessels



Freight rates declined since the freight boom



But freight is still a key component of sugar price

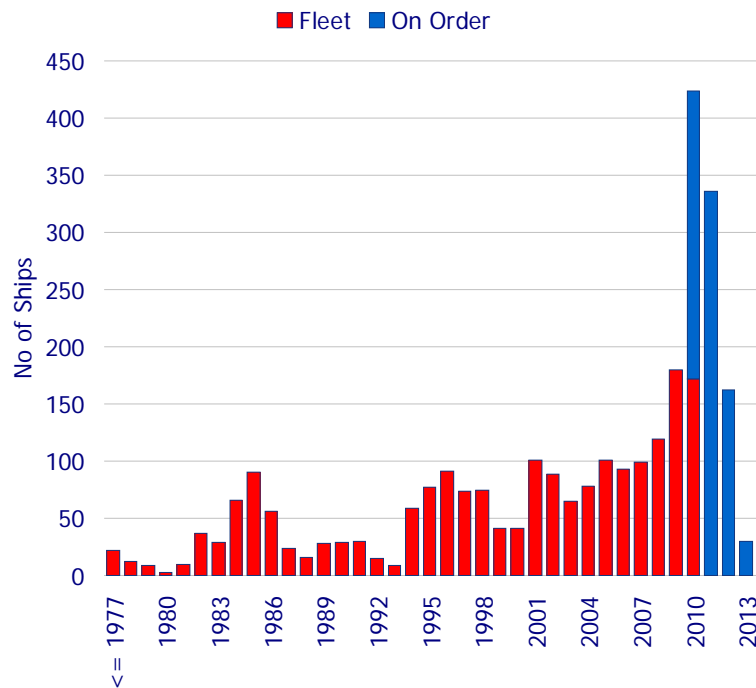


*Freight excludes congestion

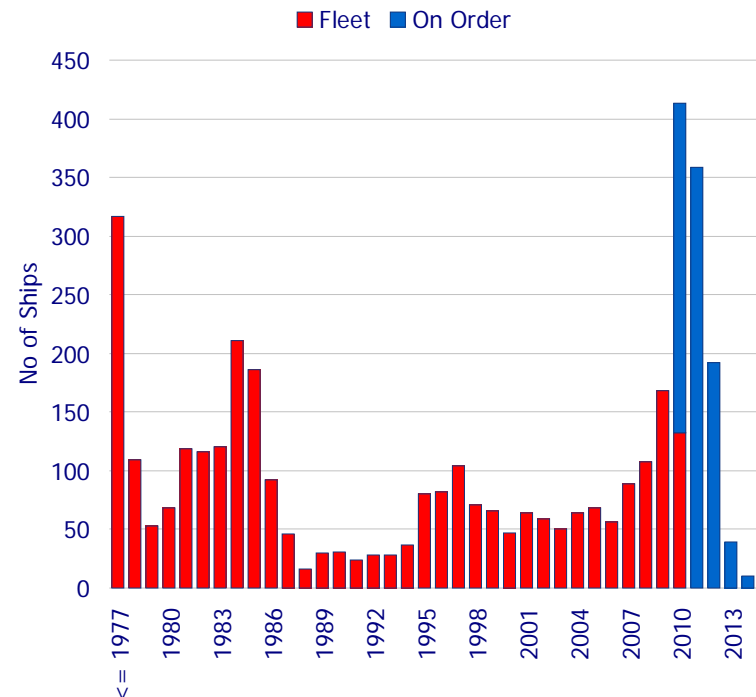
**Raw sugar price is converted to \$/metric tonnes

The recent freight boom lead to a huge orderbook

Handy/Supramax Fleet Profile



Handysize Fleet Profile

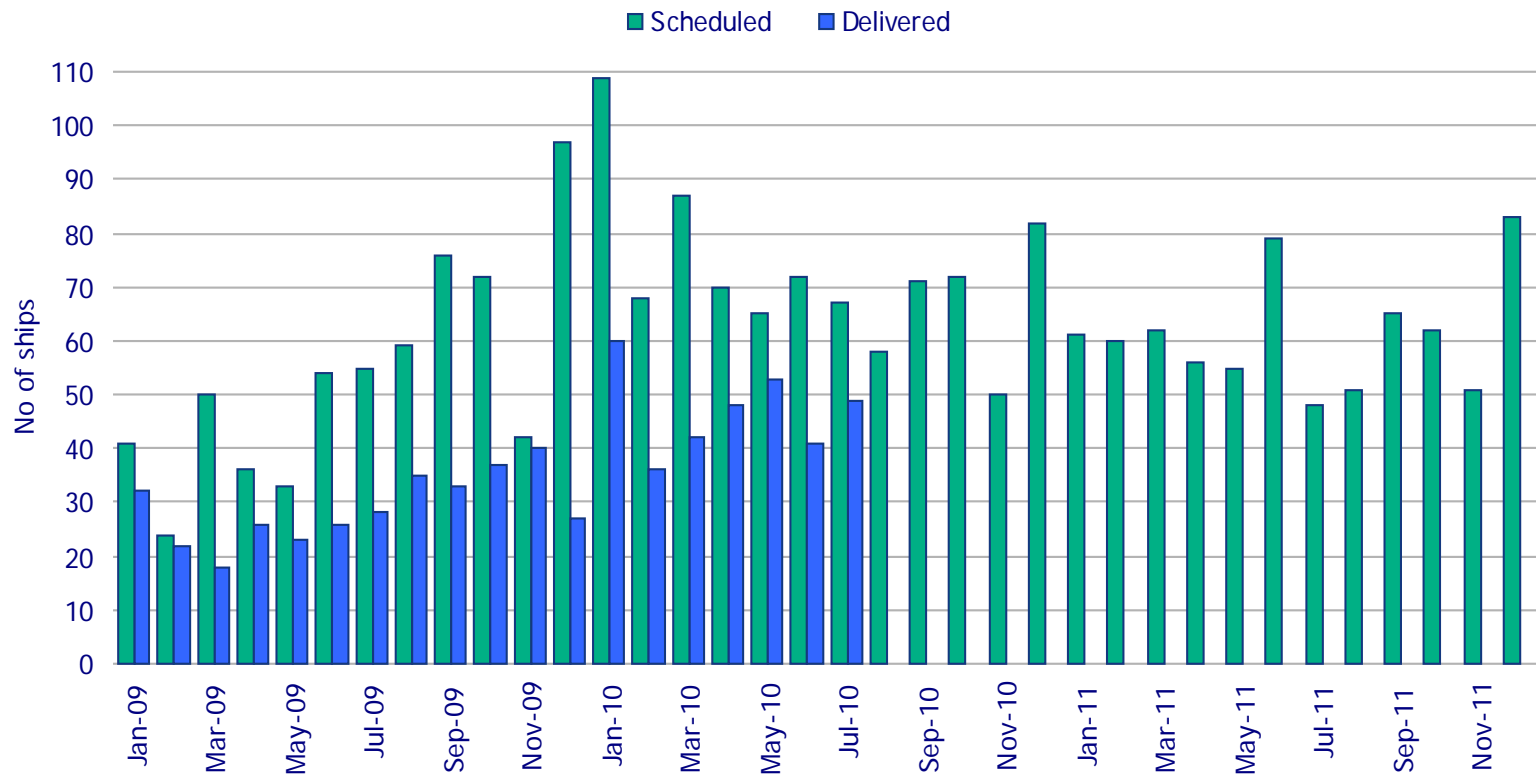


Handy/Supramax Fleet: 44% of existing fleet on order (in dwt)

Handysize Fleet: 34% of existing fleet on order (in dwt)

Of which 61% have actually been delivered*

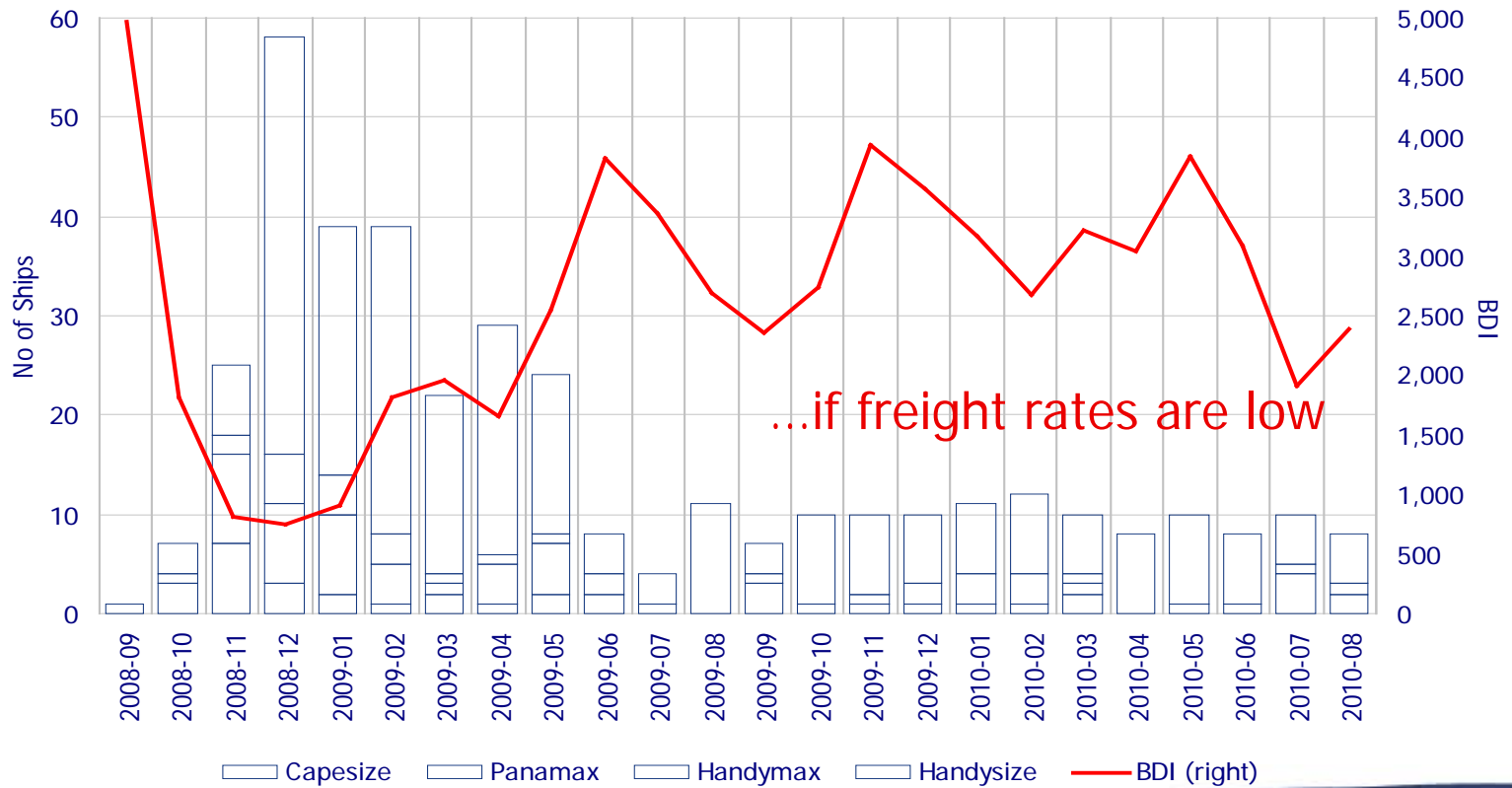
Scheduled versus actual Deliveries of Handysize/max vessels



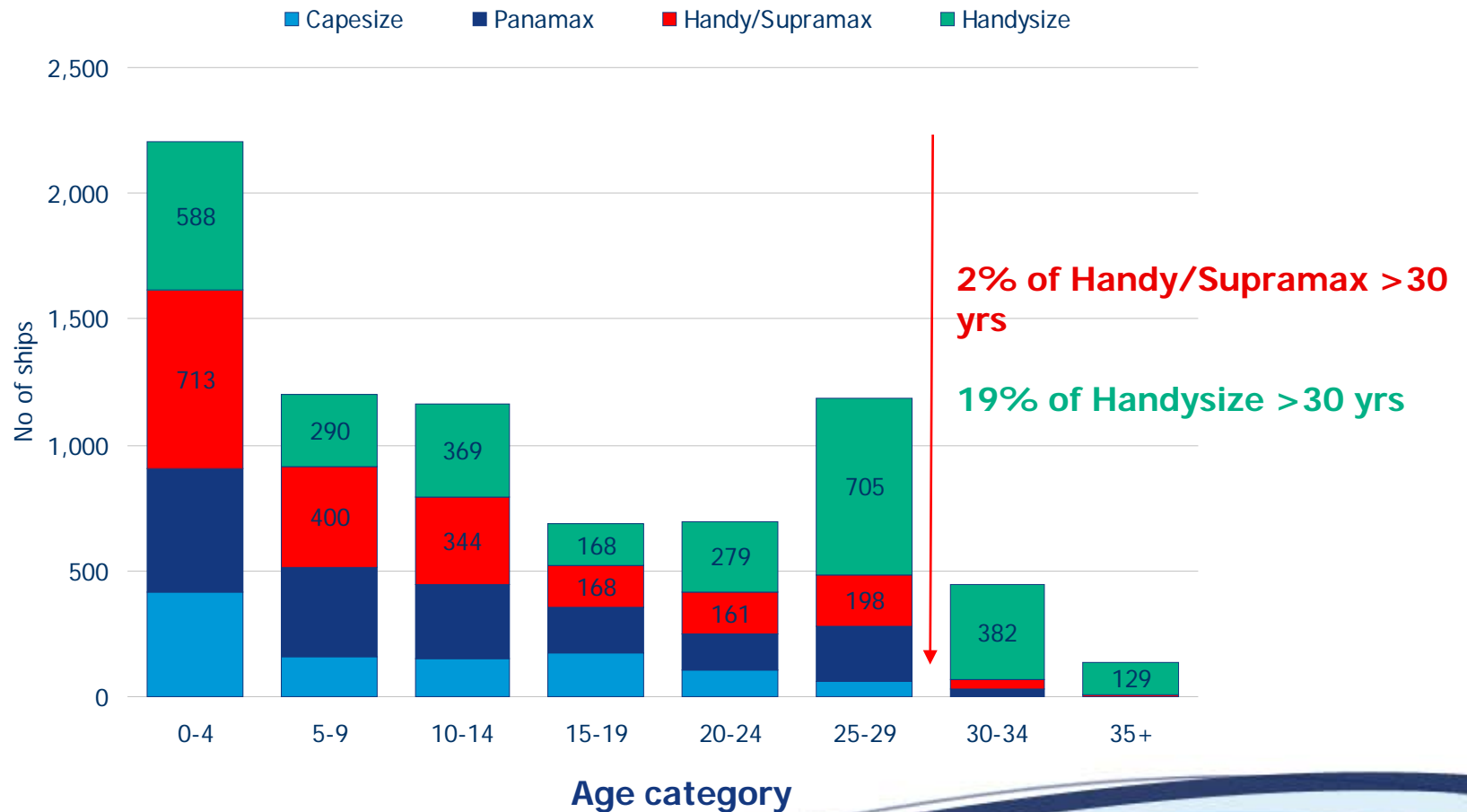
*Refer to 2010 in number of vessels

Demolitions may limit fleet growth

Drybulk monthly demolitions

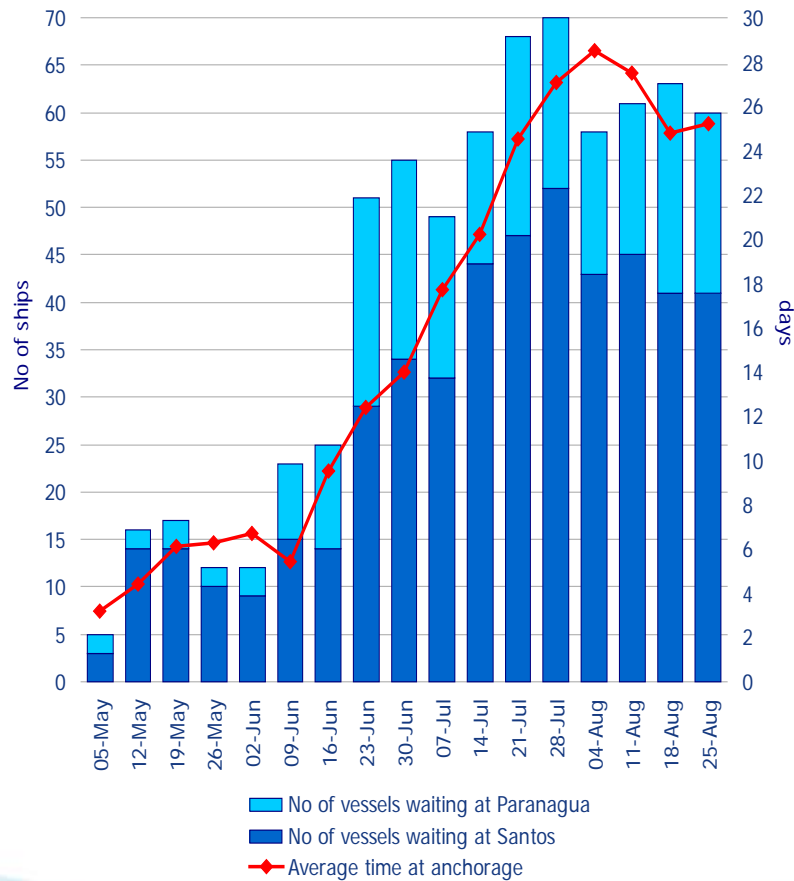


Since many smaller ships are old

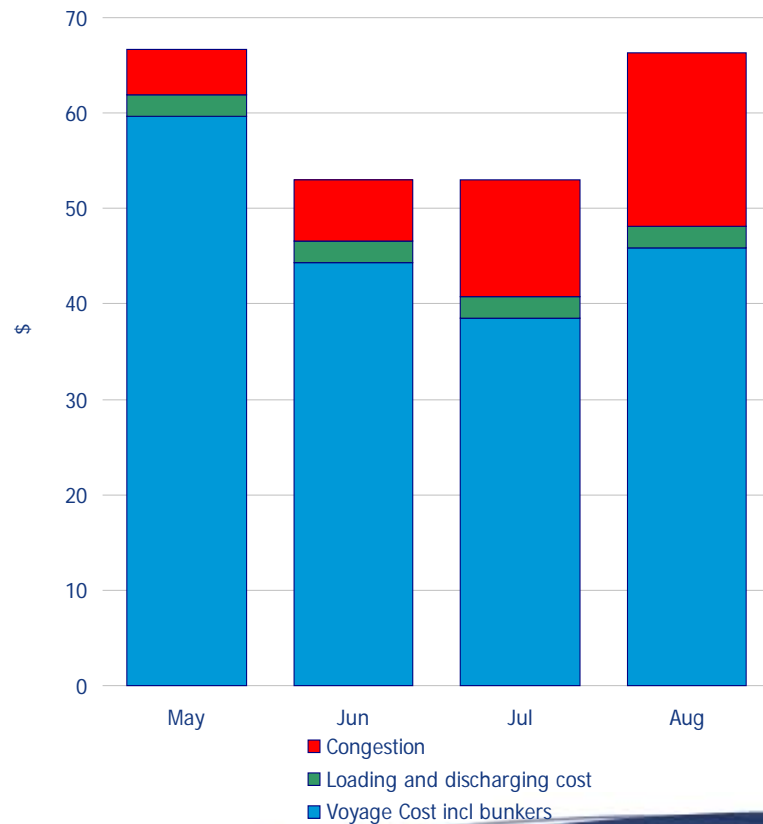


High port congestion at sugar ports add to cost

Congestion at Brazilian sugar ports



Voyage cost from Brazil to India



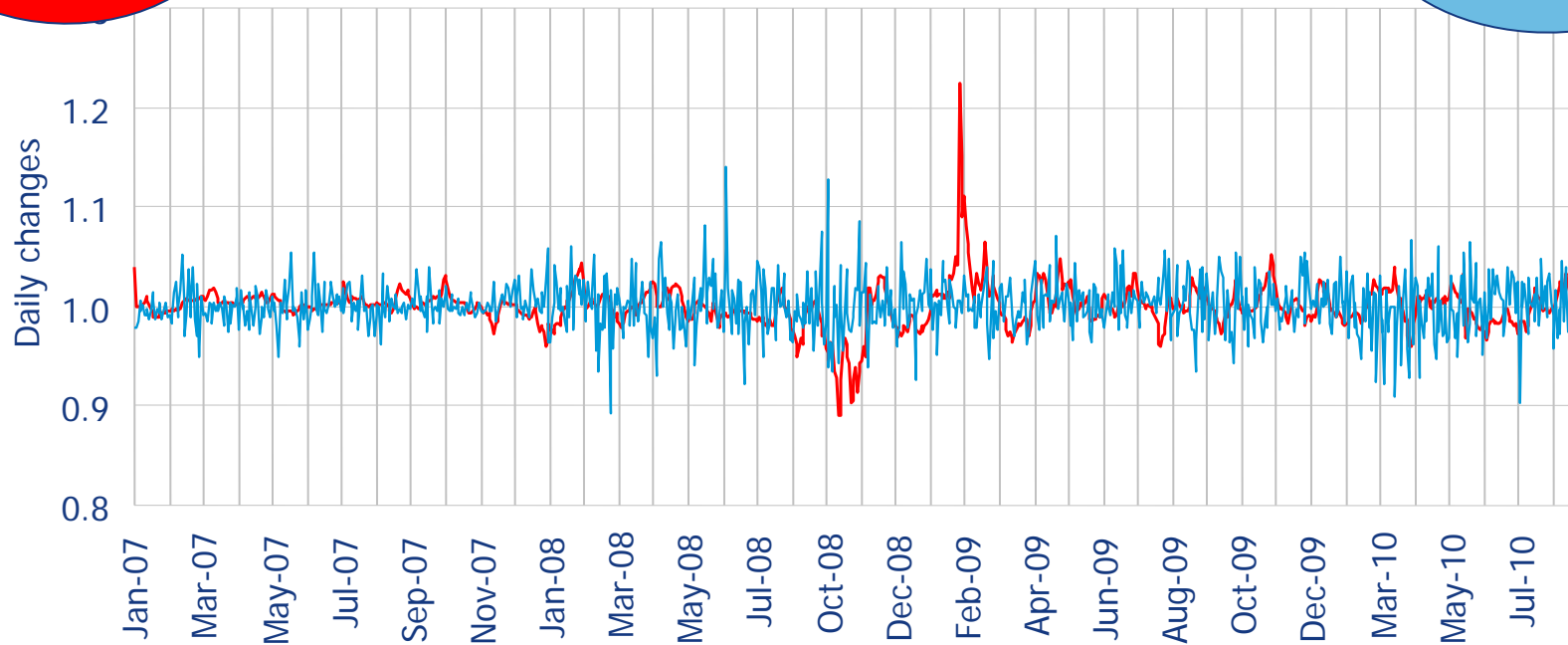
Sugar + freight make a volatile couple

But so is freight!

— Freight Volatility (Supramax)

— Sugar price volatility

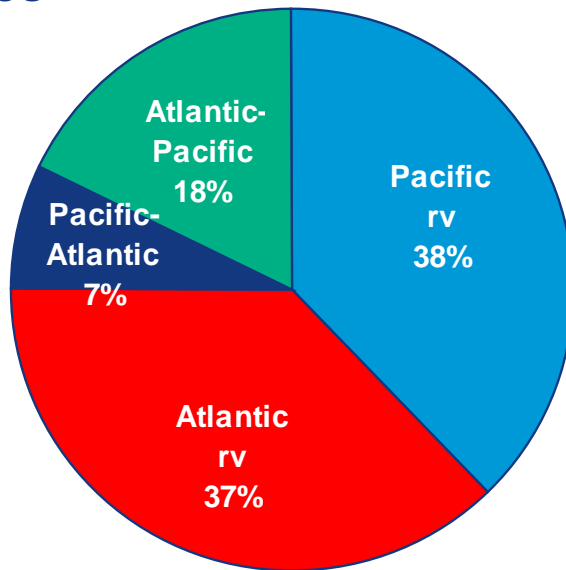
As you all know, sugar prices are highly volatile!



Imbalances in trade growth leads to more ships opening in the Pacific

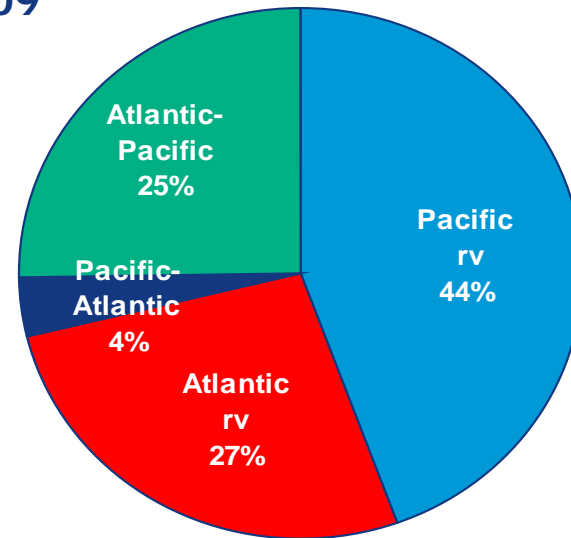
Total drybulk fleet

2003



Pacific: 56%

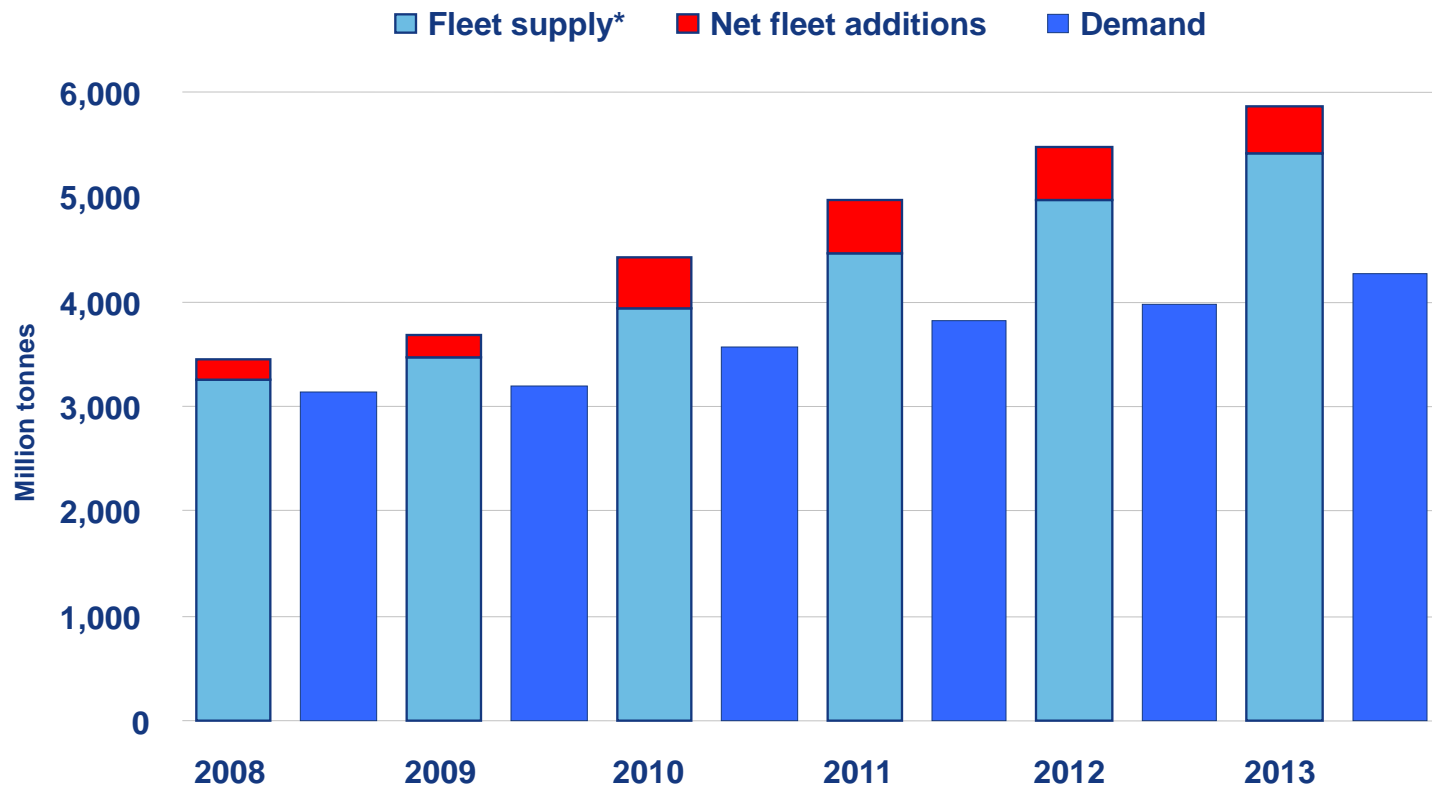
2009



Pacific: 69%

Fleet supply growth is exceeding seaborne demand growth

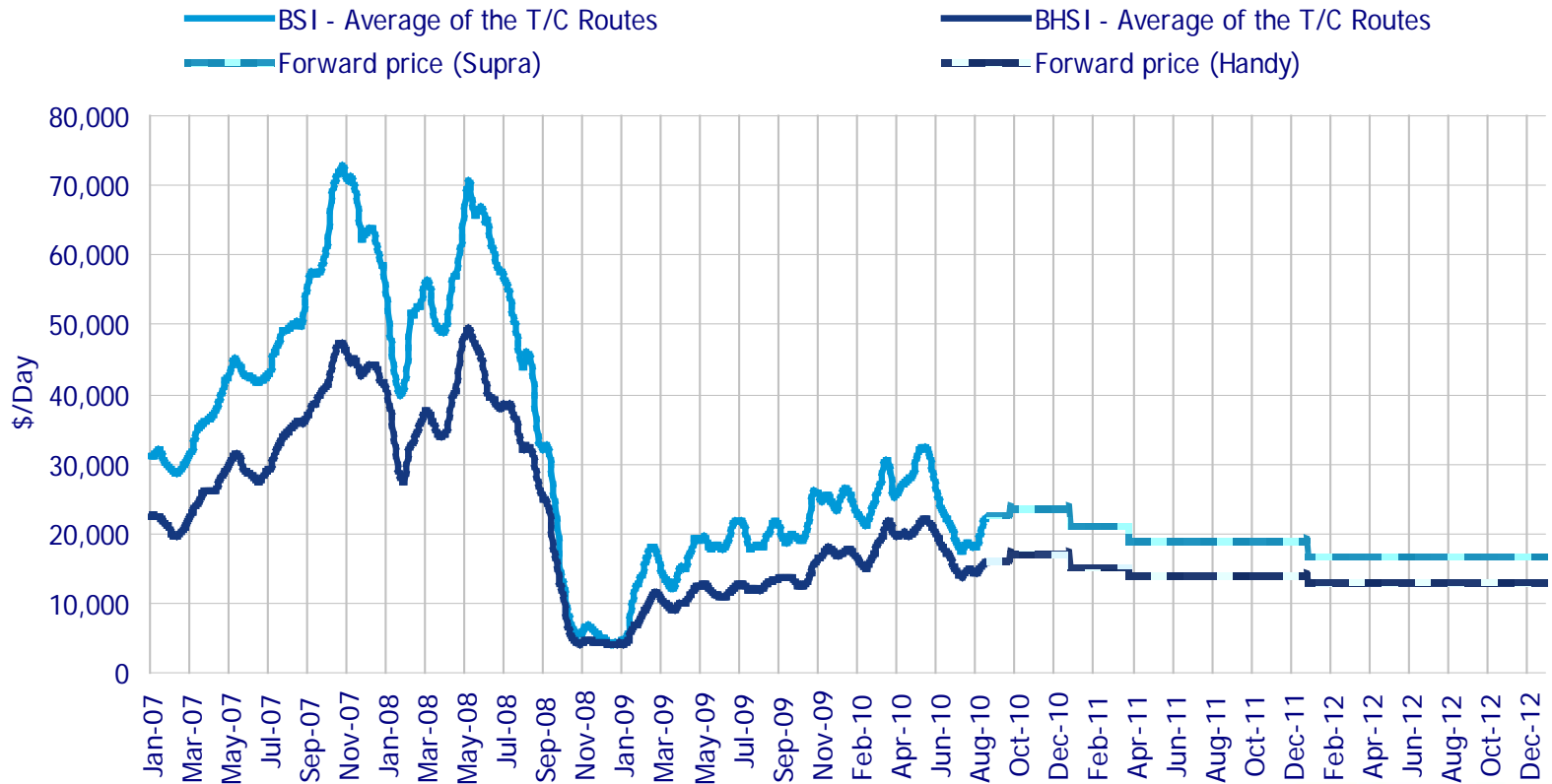
Total drybulk fleet and supply



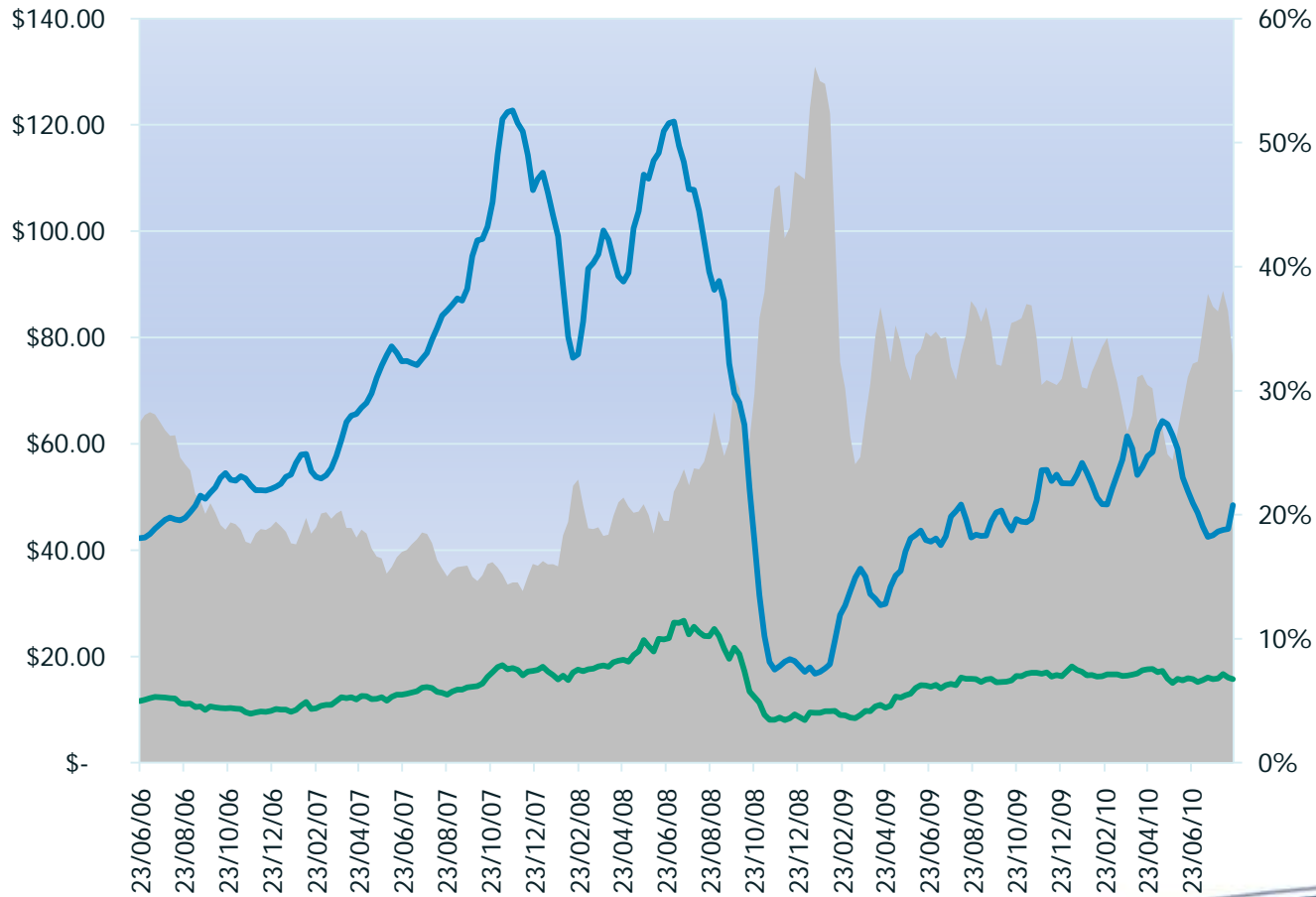
* Fleet supply in million tonnes carrying capacity

The freight forward curve is in backwardation

Freight rates and FFA curves



Bunkers as a percentage of freight



Conclusion

- Freight rates have declined substantially since the freight boom but is still a key component of the sugar price.
- The drybulk orderbook is large - although slippage will cause a more even spread of deliveries over the next few years, the net balance is still in excess of seaborne demand growth.
- High port congestion at Brazilian sugar ports adds to cost.
- Severe downward pressure will be on drybulk freight rates, but short term volatility will remain due to the nature of shipping.



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THANK YOU