

July/August 2008 - No. 158

FR*ui*TROP

English version

**CLOSE-UP:
FRENCH BEANS**

**Fruit trade: who should
control the supply chain?**

**Citrus & exotics
Monthly review**

<http://passionfruit.cirad.fr>



Indicators

| The main fruits | In shares by total volume and expenditure on fruits for the month in France | | |
|-----------------|---|---------|-------------|
| | % | Volumes | Expenditure |
| | Apple | 26 | 19 |
| | Banana | 16 | 10 |
| | Strawberry | 11 | 24 |

Pages

The trends for the main produce of the month significantly influence the overall situation of the fruit market. A column entitled 'Indicators' discussing these fruits precedes the pages devoted to a selection of exotic and citrus fruits.

| | |
|------------------|----|
| Banana..... | 29 |
| Avocado..... | 31 |
| Orange..... | 32 |
| Grapefruit..... | 33 |
| Litchi..... | 34 |
| Mango..... | 35 |
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| Sea freight..... | 37 |

MAY 2008

Apple

Supply was moderate since produce from the southern hemisphere displayed a deficit and quality was sometimes uneven. In this context, the last bicolour apples from Europe—even 'Braeburn'—moved more briskly. Prices increased markedly and were higher than average, even though the range was fairly broad for southern hemisphere fruits.

May 2008 / May 2007

| | | | |
|-------|---|------|---|
| Price | ↗ | Vol. | ↘ |
|-------|---|------|---|

Banana

The market continued to worsen even though demand held at a good level. Poor weather limited supplies of the season's fruits and favoured banana consumption. However, supply was fairly large. Arrivals from both the dollar zones and the French West Indies were fairly substantial. Prices were disappointing, especially on the French market.

May 2008 / May 2007

| | | | |
|-------|---|------|---|
| Price | ↘ | Vol. | ↗ |
|-------|---|------|---|

Strawberry

The market was fairly satisfactory. First, supply was distinctly smaller than usual as French yields were limited by poor weather conditions. Second, demand was good as supplies of competing fruits (Spanish stone fruits and French cherries) displayed a deficit. The average monthly price was higher than the average.

May 2008 / May 2007

| | | | |
|-------|---|------|---|
| Price | ↗ | Vol. | ↘ |
|-------|---|------|---|

Sea freight

The TCE average figure of 101c/cbft for the month of May means that year-to-date average remains over 100c/cbft – with June continuing where May finished the likelihood is that the figure for the first six months will also top three figures, the first time this has ever happened. Much will depend on the cost of bunkers – if the price of oil continues its upward march then TCE yields will inevitably fall.

May 2008 / May 2007

| | | | |
|---------------|---|---------------|---|
| large reefers | = | small reefers | ↗ |
|---------------|---|---------------|---|

Notes concerning market appraisal methodology

The statistics on the following pages are estimates of quantities put on the market in France. They are only calculated for the main supplier countries and are drawn up using information on weekly arrivals or market release statements by representative operators. The figures in the 'Main fruits' section above are provided by the CTIFL, with SECODIP being the source. The data published in the French market pages are provided solely as a guide and CIRAD accepts no responsibility for their accuracy.



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Banana

MAY 2008

The market continued to worsen, especially during the first part of the month. However, demand was fairly good. Lousy spring weather limited the crops of competing fruits (strawberries and the first stone fruits from Spain), reducing their consumption. Banana was therefore very strongly present on retail shelves with numerous special offers in France and Germany. However, supply was substantial in spite of a significant and increasing deficit in shipments from Africa. On the one hand, deliveries from the French West Indies were distinctly larger than average as replantings after hurricane Dean resulted in a shift in peak production. On the other, dollar banana supplies continued to be substantial, in particular during the first part of the month, even though shipments from Costa Rica displayed a distinct deficit. However, deliveries from Colombia continued to be much larger than average. Likewise, although exports from Ecuador were fairly small overall, preference went to shipments to the EU at the expense of the USA. Spot volumes appeared in southern Europe.

In this context, prices fell markedly on all the European markets, with even some stocks forming in the first part of the month. Nevertheless, the average monthly price was higher than average in Germany. The situation was much more difficult in the countries operating reshipments and in those whose supplies consist mainly of reshipped fruits. The average price for the month was thus lower than the average in France, Italy and the United Kingdom and probably in most Eastern European countries.

Monthly and annual comparisons

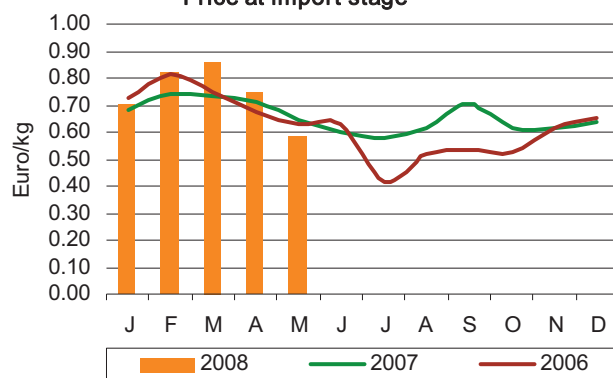
| Volumes* | EU reference price** |
|-----------------------|----------------------|
| May 2008 / April 2008 | |
| ↗ + 6% | ↘ - 22% |
| May 2008 / May 2007 | |
| ↗ + 4% | ↘ - 9% |

* Arrivals from Africa/West Indies

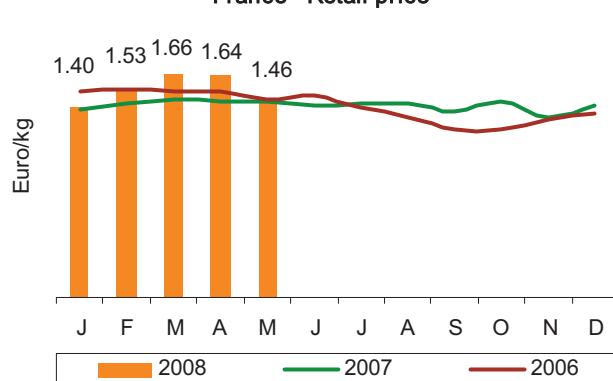
** Green price in Germany (GlobalGap)

French banana market — Indicators

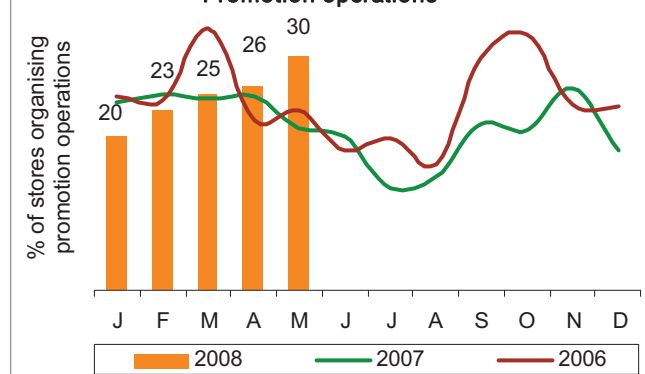
Price at import stage*



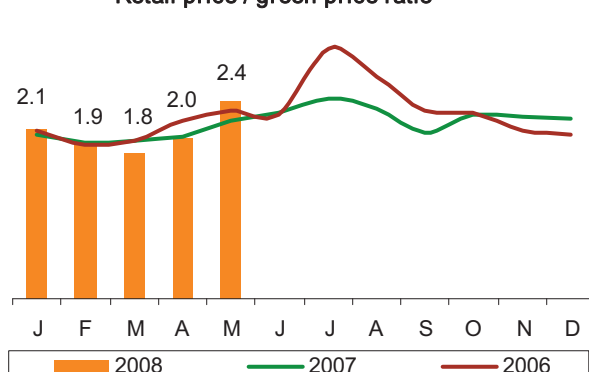
France - Retail price



Promotion operations



Retail price / green price ratio*



* African origin

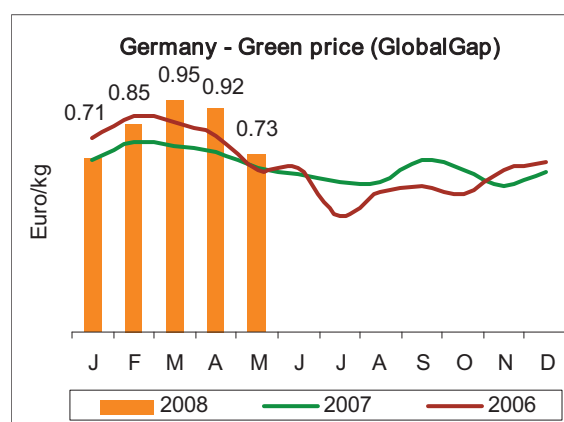
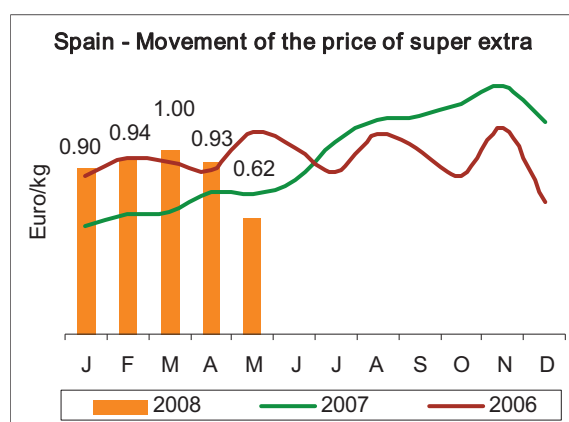
European banana market — Indicators

Main origins in Europe

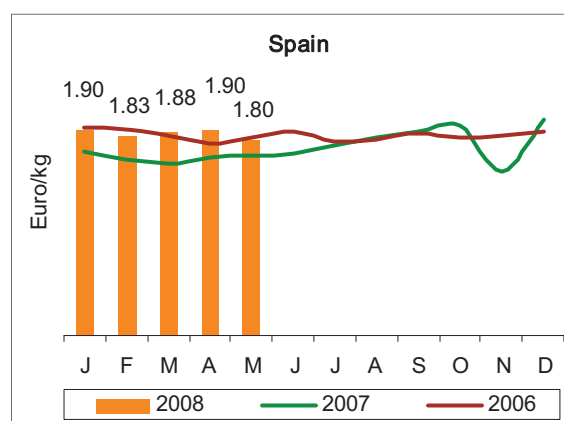
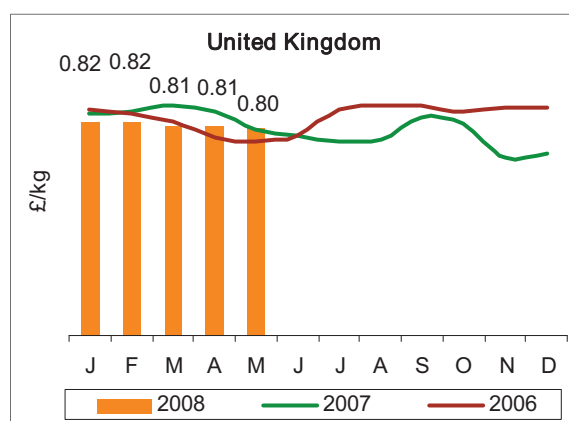
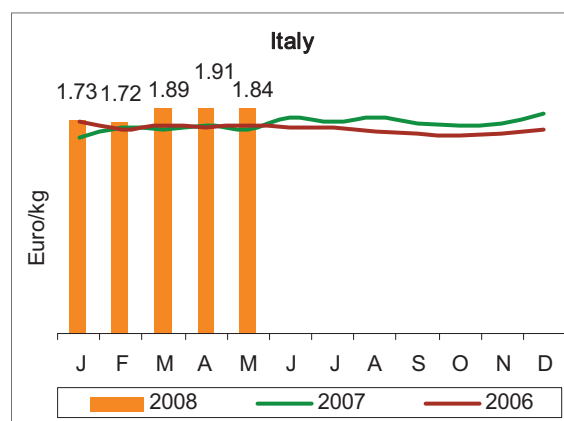
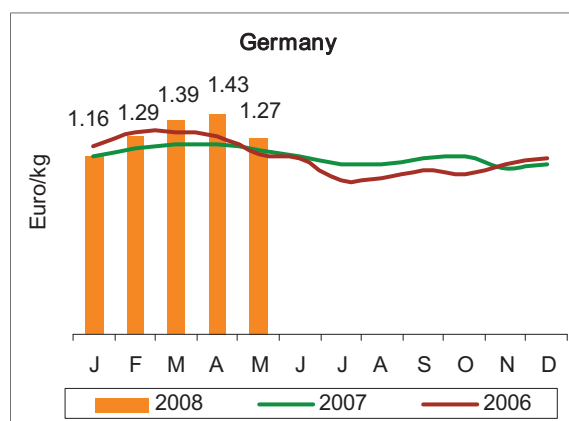
| Tonnes | May 2008 | Comparisons (%) | | Total season 2008 | Season comparisons (%) | |
|----------------|----------|-----------------|-----------|-------------------|------------------------|-----------|
| | | 2008/2007 | 2008/2006 | | 2008/2007 | 2008/2006 |
| Martinique | 25 952 | + 30 | + 45 | 50 872 | - 41 | - 34 |
| Guadeloupe | 3 986 | - 3 | + 8 | 14 271 | - 28 | - 17 |
| Canaries | 33 530 | + 15 | + 12 | 168 136 | + 11 | + 12 |
| Côte d'Ivoire* | 10 399 | - 33 | - 50 | 51 339 | - 30 | - 45 |
| Cameroon | 18 389 | - 1 | - 30 | 105 104 | + 7 | + 4 |
| Ghana | 4 220 | + 75 | + 74 | 18 723 | + 59 | + 404 |

* Except for container movements

Green price in Europe



Retail price in Europe



Sources : CIRAD, SNM, TW Marketing Consulting



Avocado

MAY 2008

The major supply deficit observed during the first part of the month, especially for 'Hass', was corrected gradually. The northern hemisphere seasons dwindled or ended early. Spain was the only one of these source countries to continue to supply significant quantities to the market, although deliveries were noticeably smaller than average. Hardly any goods arrived from Mexico as the fruits were fragile and could no longer be shipped to the EU. Similarly, Israel was totally absent from the market in contrast with May 2007 when it was still very present. However, arrivals from the main southern hemisphere sources increased sharply and volumes were well above average. Deliveries of 'Hass' and green varieties from Peru and South Africa were extremely substantial from mid-month onwards. Complementary supply of the green variety market with avocado from Kenya was also smaller than average.

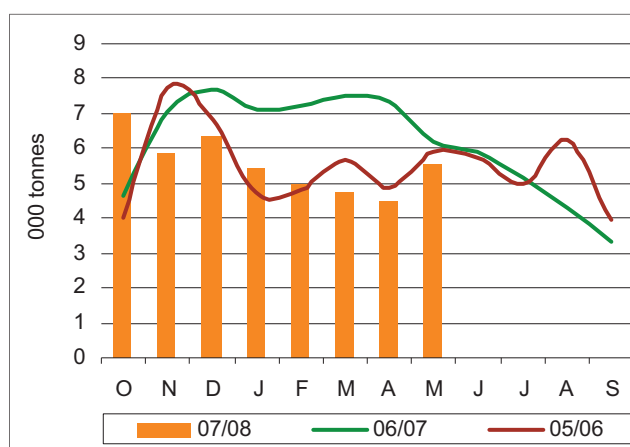
In this context, prices—especially for 'Hass'—held at an excellent level during the first third of the month and then gradually fell. However, the average monthly price was excellent.

Monthly and annual comparisons

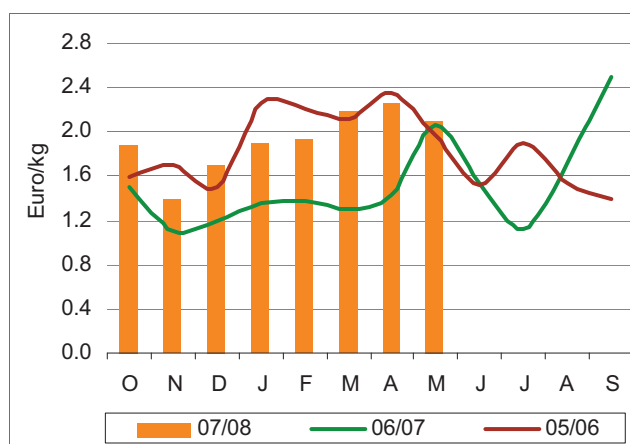
| Volumes | Price |
|-----------------------|--------|
| May 2008 / April 2008 | |
| ↗ + 25% | ↘ - 8% |
| May 2008 / May 2007 | |
| ↘ - 10% | ↗ + 2% |

Estimated market releases in France

Volumes

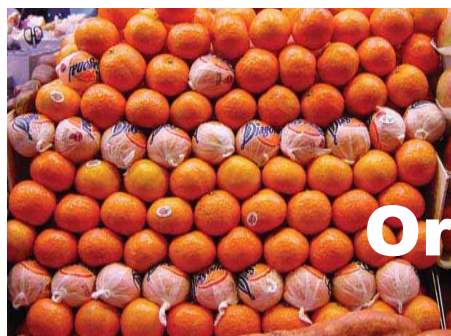


Price at import stage



Estimated market releases in France by origin

| Tonnes | May 2008 | Comparisons (%) | | Total season 2007/2008 | Season comparisons (%) | |
|--------------|--------------|-----------------|------------|------------------------|------------------------|-------------|
| | | 2008/2007 | 2008/2006 | | 07-08/06-07 | 07-08/05-06 |
| Mexico | 95 | - 16 | - 57 | 8 057 | - 3 | - 41 |
| Peru | 1 747 | + 131 | - 12 | 2 905 | + 253 | + 27 |
| Israel | - | - 100 | - | 9 444 | - 56 | 0 |
| Spain | 1 276 | - 58 | - 19 | 13 714 | - 11 | + 1 |
| Kenya | 699 | + 53 | - 29 | 2 106 | - 18 | - 28 |
| South Africa | 1 760 | + 119 | + 50 | 2 595 | + 329 | + 126 |
| Total | 5 577 | - 10 | - 6 | 38 821 | - 30 | - 16 |



Orange

MAY 2008

The supply deficit was very significant once again after a month of April marked by the return to average volumes thanks to increased momentum of the 'Valencia' seasons. Volumes of Spanish 'Navelate' were very small and some large operators even ended their season in the first half of the month. Furthermore, the Spanish 'Valencia' season soon ran out of steam after a practically normal start. Deliveries stabilised at a level much lower than usual for lack of fruits at production. Indeed, producer prices reached very high levels.

Deliveries of Maroc Late remained very large but did not make up for the Spanish deficit. The first marginal volumes of 'Navel' from South Africa were delivered right at the end of the month.

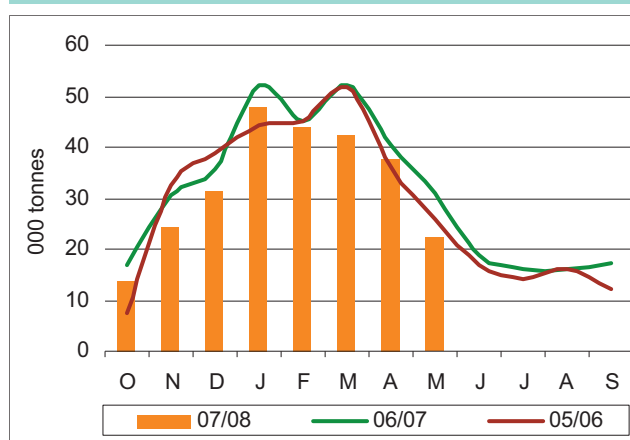
As a result, prices at the import stage remained very strong and distinctly higher than the average. Some flexibility was allowed for certain batches of fragile quality from Morocco.

Monthly and annual comparisons

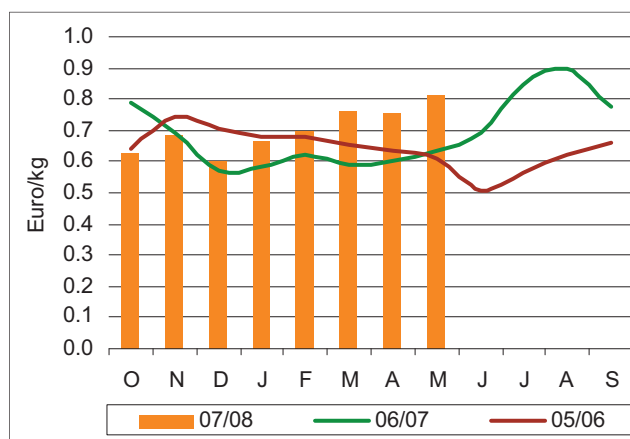
| Volumes | Price |
|-----------------------|---------|
| May 2008 / April 2008 | |
| ↘ - 40% | ↗ + 7% |
| May 2008 / May 2007 | |
| ↘ - 28% | ↗ + 29% |

Estimated market releases in France

Volumes

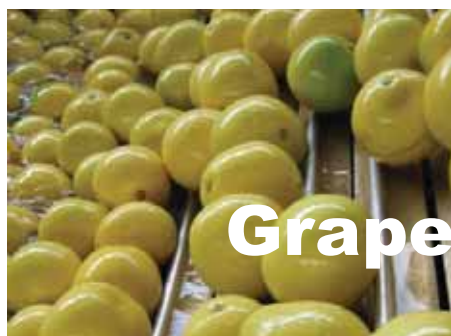


Price at import stage



Estimated market releases in France by origin

| Tonnes | May 2008 | Comparisons (%) | | Total season 2007/2008 | Season comparisons (%) | |
|--------------|---------------|-----------------|-------------|------------------------|------------------------|-------------|
| | | 2008/2007 | 2008/2006 | | 07-08/06-07 | 07-08/05-06 |
| Spain | 17 365 | - 40 | - 27 | 214 133 | - 21 | - 13 |
| Morocco | 4 946 | + 146 | + 195 | 13 185 | + 128 | + 23 |
| South Africa | 186 | - | - | 186 | - | - |
| Total | 22 497 | - 28 | - 13 | 227 504 | - 18 | - 12 |



Grapefruit

© Eric Imbert

MAY 2008

Supply was very small even though the Florida season was extended. Late fruit growth resulted in an increase in the volumes available at the end of the season and probably a transfer to the EU of a proportion of the volumes destined for the Japanese market. Supplies from the other northern hemisphere sources displayed a marked deficit. Turkish shipments were marginal and volumes from Israel well below average as a result of early sales at the beginning of the season. In addition, the start of the season for fruits from southern hemisphere sources was very gradual. Deliveries from South Africa were larger than in 2007 but still distinctly smaller than average as a result of a production shortfall and preference for the Russian and Japanese markets in May. Likewise, the Argentinian season started somewhat late and the volumes delivered were smaller than usual.

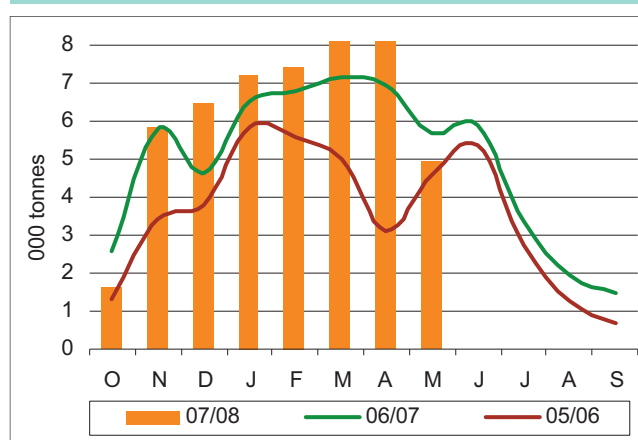
The season's demand resulted in fluid sales of Florida fruits, that held on to most of the retail referencing during the first two thirds of the month, thanks to stable prices that were slightly lower than those of 2007. In this context, sales of produce from other sources were somewhat slow during the period but matched the quantities available. Sales of southern hemisphere fruits speeded up noticeably at the end of the month as the last Florida batches found takes. The average price for the month was distinctly higher than the average.

Monthly and annual comparisons

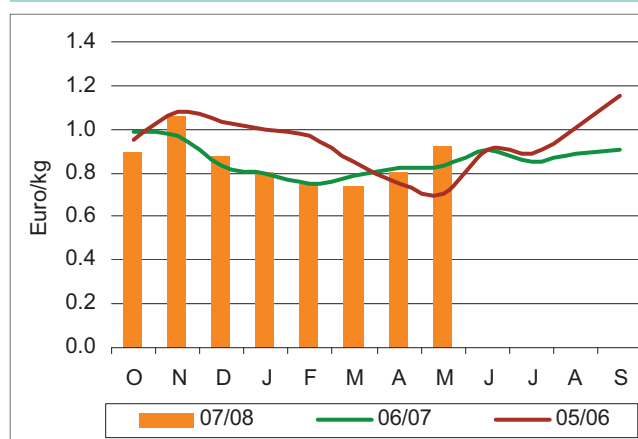
| Volumes | Price |
|-----------------------|---------|
| May 2008 / April 2008 | |
| ↘ - 40% | ↗ + 15% |
| May 2008 / May 2007 | |
| ↘ - 13% | ↗ + 11% |

Estimated market releases in France

Volumes



Price at import stage



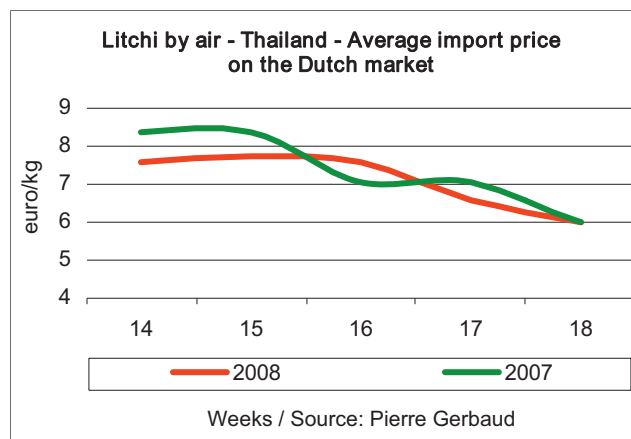
Estimated market releases in France by origin

| Tonnes | May 2008 | Comparisons (%) | | Total season 2007/2008 | Season comparisons (%) | |
|--------------|--------------|-----------------|------------|------------------------|------------------------|-------------|
| | | 2008/2007 | 2008/2006 | | 07-08/06-07 | 07-08/05-06 |
| Florida | 1 697 | + 28 | + 580 | 37 095 | + 19 | + 145 |
| Israel | 580 | - 22 | - 10 | 6 947 | - 14 | + 13 |
| Turkey | 21 | + 63 | - 82 | 3 230 | - 16 | - 62 |
| Argentina | 773 | - 45 | - 10 | 773 | - 47 | - 13 |
| South Africa | 1 858 | + 40 | - 7 | 1 858 | - 34 | - 7 |
| Total | 4 929 | - 13 | + 8 | 49 902 | + 16 | + 67 |



Litchi

MAY 2008



Sales of Indian Ocean litchis came to an end in March with the last South African fruits. Although a few batches from Madagascar still remained here and there, they were no longer the most representative on the market. March, like October, featured practically nonexistent litchi supply, especially as there were no fruits from Australia this year. Supply of the European market resumed in April and May with the arrival of fruits from Thailand.

Sales of Indian Ocean litchi came to an end in the first fortnight of March with the 'Red MacLean' variety from South Africa and a few remaining batches from Madagascar. Litchis were totally absent from the market in the second half of the month, this being the second break in supplies to the European market, like that of October. The phenomenon was all the more noticeable as Australia, that generally occupies this niche, did not make any shipments, apparently for reasons of fruits quality.

Supply of the European market resumed at the beginning of April with the first shipments from Thailand, most of which went to the Netherlands. Small quantities of litchi shipped by air were sold on the Dutch market throughout the month. The other European countries do not seem to have received any goods or only occasionally in very small quantities. A few batches were sold in Ger-

many in the second half of April but the high prices asked considerably limited sales. Fruit quality remained satisfactory throughout the month although some batches consisted of small, pale fruits of uneven flavour.

The freight method for Thai fruits changed in the last week of April with a switch from air to sea freight. When the first container ships arrived, the price of air litchis lost considerable ground before these fruits disappeared from the market at the beginning of May.

The increase in supplies arriving by sea affected the selling price, which, fell gradually and then more markedly in the second half of the month. This is the time when supply for the European market becomes broader, with the appearance of Thai fruits in France in particular. They sold steadily at around EUR4.00 per kg in the third and fourth weeks of May. How-

ever, the volumes sold were small, given the slow demand for litchi at this time of year when most transactions concern the season's fruits. The French market also received a few shipments by air from Mexico at the end of May. This year Thailand shipped sulphur-treated fruits for the first time, having previously supplied untreated produce. They sold with difficulty at around EUR5.00 to 6.00 per kg.

A few sales of Thai litchis were also concluded in mid-month in Germany at EUR4.00 per kg. This limited trade niche closed rapidly after the detection of treatment residues at higher levels than permitted.

It would seem that litchi sales outside the Christmas/New Year period is limited for the second year running. The tonnages available seem smaller as demand is weaker.

| Litchi — Import price on the Dutch market — Euro/kg | | | | | | | |
|---|-----------|-----------|-----------|-----------|-----------|--------------------|--------------------|
| Weeks 2008 | 14 | 15 | 16 | 17 | 18 | April 2008 average | April 2007 average |
| By air | | | | | | | |
| Thailand | 7.25-8.00 | 7.50-8.00 | 7.25-8.00 | 6.00-7.25 | 6.00 | 6.80-7.45 | 6.75-7.50 |
| By sea | | | | | | | |
| Thailand | - | - | - | - | 4.75-5.75 | 4.75-5.75 | nc |

| Litchi — Import price on the Dutch market — Euro/kg | | | | | | |
|---|-----------|-----------|-----------|-----------|------------------|------------------|
| Weeks 2008 | 19 | 20 | 21 | 22 | May 2008 average | May 2007 average |
| By air | | | | | | |
| Thailand | 5.00 | 5.00 | - | - | 5.00 | 6.60-7.50 |
| By sea | | | | | | |
| Thailand | 4.75-5.00 | 4.00-4.50 | 3.00-4.25 | 3.00-4.50 | 3.70-4.60 | 4.25-4.50 |



Mango

MAY 2008

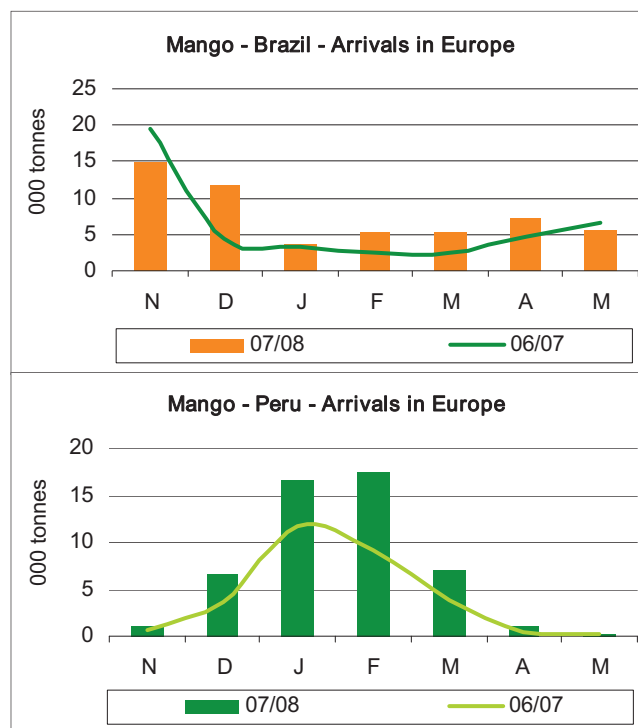
In May, the market gradually regained balance between supply and demand. The string of public holidays in the first part of the month also disturbed sales while supplies from West Africa increased, being added to the substantial shipments from Brazil. The concentration of supply in a very short period resulted in worsening prices during the second half of the month.

The European market regained balance at the beginning of the month with a concentrated increase in shipments from Côte d'Ivoire. This increase in volumes combined with large deliveries from Brazil, complementary supplies from Guatemala and Costa Rica and the last arrivals from Peru sent prices downward. The Peruvian season soon ended with fruits selling at good prices. Brazilian fruits, that had hitherto made up for the deficit in quantity throughout Europe, went back to the traditional northern European market while fruits from Côte d'Ivoire were sold mainly in France. The 'Amélie' season in Côte d'Ivoire ended at the beginning of the month, making way for 'Kent'. The first shipments of 'Kent' and 'Keitt' from Mali and Burkina Faso left simultaneously. The peak in West African supplies had a negative effect on prices. Price ranges first broadened

with uneven supply pressure as regards fruit size. Prices then weakened steadily with a more marked fall at the end of the month as substantial arrivals had accumulated since the middle of the month. The fall in prices in the second half of the month is explained not only by the increase in the volumes released on the market but also by a distinct decrease in demand. The succession of public holidays encouraged consumers to spend on non-food items (travel, leisure, clothes, etc.), especially as the weather was particularly fine. The very varied weather in the second half of the month tended to discourage the consumption of tropical fruits. Supply of the season's fruits also increased strongly then, stimulating competition.

The air mango market was soon saturated as deliveries were substantial from Côte d'Ivoire and Mali and to a

| Mango — Weekly arrivals — Estimates in tonnes | | | | |
|---|-------|-------|-------|-------|
| weeks 2008 | 19 | 20 | 21 | 22 |
| By air | | | | |
| Mali | 100 | 100 | 80 | 80 |
| Burkina Faso | 40 | 20 | 20 | 20 |
| Côte d'Ivoire | 100 | 100 | 50 | 20 |
| By sea | | | | |
| Peru | 110 | 40 | | |
| Brazil | 1 400 | 1 580 | 1 300 | 1 200 |
| Mali | 220 | 220 | 220 | 220 |
| Côte d'Ivoire | 1 760 | 1 760 | 2 400 | 2 400 |
| Guinea | 180 | 220 | 220 | 220 |
| Burkina Faso | 110 | 150 | 130 | 220 |



lesser extent from Burkina Faso. The accumulation of arriving produce in a context of poor sales resulted in the forming of large stocks. Quality was fairly mediocre in May; fruits lacked colour and were very ripe. The quality of the goods from Côte d'Ivoire improved during the second part of the month but remained mixed for those from the other sources. As soon as

Kent formed the larger part of supplies, sales of the other varieties, and especially those from Mali, became difficult. It would seem that 'Valencia' is comparatively little sought-after this year after gaining a trade foothold in recent years. Deliveries of 'Amélie' are becoming increasingly marginal, interesting a clientele of connoisseurs.

| Mango — Import prices on the French market — Euros | | | | | | | |
|--|--------------|-----------|-----------|-----------|-----------|------------------|------------------|
| Weeks 2008 | | 19 | 20 | 21 | 22 | May 2008 average | May 2007 average |
| By air (kg) | | | | | | | |
| Mali | Amélie | 2.30-2.50 | 2.30-2.40 | 2.30-2.50 | - | 2.30-2.45 | 2.40-2.55 |
| Mali | Valencia | 2.50-3.00 | 2.00-2.80 | 2.00-2.50 | 2.00-2.50 | 2.10-2.70 | 2.40-2.70 |
| Mali | Kent | 2.50-3.00 | 2.00-3.00 | 2.00-3.00 | 2.00-3.00 | 2.10-3.00 | 2.35-3.00 |
| Burkina Faso | Amélie | 2.20-2.40 | 2.20 | 2.00-2.60 | 2.00-2.50 | 2.05-2.40 | nc |
| Burkina Faso | Kent | 2.50-3.50 | 2.60-3.20 | 2.00-3.00 | 2.00-3.00 | 2.30-3.20 | 2.35-2.80 |
| Côte d'Ivoire | Kent | 3.00-4.00 | 3.00-3.50 | 3.00-3.50 | 2.80-3.50 | 2.95-3.60 | 3.30-3.80 |
| By sea (box) | | | | | | | |
| Brazil | Tommy Atkins | 4.50-5.00 | 4.00-4.50 | - | - | 4.25-4.75 | 3.00-4.00 |
| Peru | Kent | 6.00-6.50 | 5.00 | - | - | 5.50-5.75 | - |
| Côte d'Ivoire | Amélie | 4.50-5.00 | - | - | - | 4.50-5.00 | - |
| Côte d'Ivoire | Kent | 5.00-6.50 | 4.00-6.00 | 4.00-5.00 | 3.50-4.50 | 4.10-5.50 | 3.10-4.60 |
| Mali | Kent/Keitt | - | 5.00-5.50 | 4.00-5.00 | 4.00-4.50 | 4.30-5.00 | 2.90-4.00 |



Pineapple

| Pineapple — Import price | | |
|--------------------------|------|------|
| Euros | Min | Max |
| By air (kg) | | |
| Smooth Cayenne | 1.60 | 1.90 |
| Victoria | 2.80 | 3.80 |
| By sea (box) | | |
| Smooth Cayenne | 5.00 | 8.00 |
| Sweet | 5.00 | 8.50 |

MAY 2008

As supply had been increasing and demand falling at the end of April, operators expected difficulties on the pineapple market at the beginning of May. However, problems of logistics (ships late) resulted in an unintentional postponing of market degradation until the end of the month. The supply of air pineapple was fairly small overall and, together with good fruit quality, this kept prices at a good level. In contrast, the 'Victoria' market was much more tense, mainly as a result of the arrival of the season's fruits—this always hits sales of small exotics.

A rumour that shipments of 'Sweet' from Latin America would be large began to spread from the beginning of May onwards. These goods in fact arrived in small batches. Late ships in the first two weeks of the month and the setting up of several promotion operations in the second week made sales fluid and kept prices at good levels. But the balance was only just holding and demand and prices plummeted at the beginning of the last week of the month, with prices sliding by more than EUR2 per box! In hardly a week, demand switched to the season's fruits that were available in large quantities and at low prices.

Sales of 'Smooth Cayenne' were merely satisfactory in the first two weeks as consumer interest in the variety dwindled. Fairly limited volumes were released, limiting price problems. The availability of 'Sweet' at low prices at the end of the month increased the pressure on 'Smooth Cayenne' which sold with increasing difficulty.

Supply of air pineapple was fairly small throughout the month. Although demand was not exceptionally strong, sales were fluid and prices firm. The choice made by some operators to develop certain brands seems to be paying off. Thus, although these sup-

plies are limited for the moment, they made it possible in some cases to make good sales of sources such as Guinea and Cameroon. More regular batches of 'sugarloaf' pineapples from Benin held at good price ranges, selling at between EUR1.90 and 2.00 per kg.

In spite of dwindling supply, sales of 'Victoria' pineapple decreased throughout May. It is true that the arrival on the European markets of the season's fruits at low prices generally results in decreased demand for small exotics and these become increasingly marginal

Pineapple — Import prices on the French market — Main origins — Euros

| Weeks 2008 | | 19 | 20 | 21 | 22 |
|----------------|---------------|-----------|-----------|-----------|-----------|
| By air (kg) | | | | | |
| Smooth Cayenne | Benin | 1.80-1.85 | 1.80-1.85 | - | 1.80-1.85 |
| | Cameroon | 1.70-1.90 | 1.75-1.90 | 1.80-1.90 | 1.80-1.90 |
| | Côte d'Ivoire | 1.80-1.85 | 1.80 | 1.80 | 1.80 |
| | Ghana | 1.60-1.70 | 1.60-1.70 | 1.65 | 1.65-1.75 |
| | Guinea | 1.80-1.90 | 1.80-1.90 | 1.80-1.90 | 1.80-1.90 |
| Victoria | Côte d'Ivoire | - | - | 2.80 | - |
| | Réunion | 3.60-3.80 | 3.50 | 3.50-3.60 | 3.40-3.60 |
| | South Africa | - | - | 3.20 | - |
| By sea (box) | | | | | |
| Smooth Cayenne | Côte d'Ivoire | 5.00-8.00 | 6.00-8.00 | 6.00-8.00 | 5.00-7.00 |
| Sweet | Côte d'Ivoire | 6.00-8.50 | 7.00-8.50 | 7.00-8.50 | 6.00-7.00 |
| | Cameroon | 6.00-8.50 | 7.00-8.50 | 7.00-8.50 | 6.00-7.00 |
| | Ghana | 6.00-8.50 | 7.00-8.50 | 7.00-8.50 | 6.00-7.00 |
| | Costa Rica | 6.50-8.50 | 7.00-8.50 | 7.50-8.00 | 5.00-7.00 |



Sea freight

MAY 2008

The TCE average figure of 101c/cbft for the month of May means that year-to-date average remains over 100c/cbft – with June continuing where May finished the likelihood is that the figure for the first six months will also top three figures, the first time this has ever happened. Much will depend on the cost of bunkers – if the price of oil continues its upward march then TCE yields will inevitably fall.

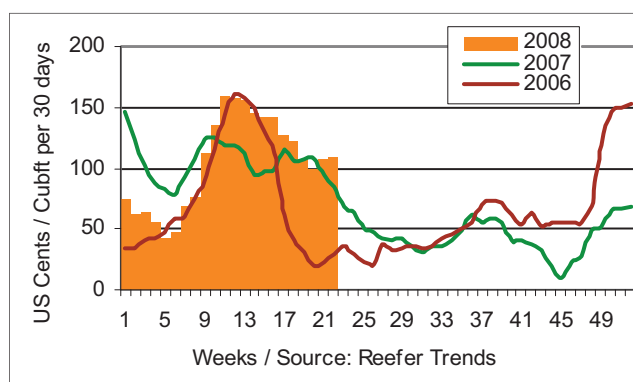
By the end of May 17 reefers and/or freezers (6m cbft) had either been demolished or converted with a further 12 candidates (5m cbft) reported to be heading for the breakers in the Indian sub-continent. Unsurprisingly a large percentage of this total is currently trading in and out of the Baltic – it will be interesting indeed to see how the major players in the region cover their positions in 2009 and onwards. With newbuilding finance hard to justify and the third party container alternative not yet a fully-functioning option for the Russian market, some fairly sensational long-term TC deals are expected to be announced over the next several months. If there is to be a reefer capacity crunch, who is to blame? It surely can't be the container lines because they are the only stakeholders who actually are investing both in newbuilds, slots and equipment. How then about the shippers? They surely can't be held directly responsible – with retailers unwilling to absorb ever-increasing supply chain costs cargo interests are under ever-increasing pressure to keep costs low, and will go for the lowest-cost option. Invariably this means the container and there are theoretically plenty of them around. It must therefore be the specialised reefer sector: an ageing fleet and an industry

that is shrinking and consolidating. New investment is scarce, confined to two owner operators and two yards. Reefer industry pioneer Lauritzen has left the building and there is plenty of well-informed speculation that NYK will soon follow. Certainly the consequences of the crunch will be felt more by those shippers who historically prefer the specialised reefer and whose business is less substitutable by containers: the fruit multinationals, independent Ecuadorian banana exporters, the Chilean grape exporters, the South African citrus exporters, the Argentinean deciduous and citrus exporters, poultry shippers, Zespri, most deepsea reefer product into Russia and sterilised product into the US and Japan, and finally the high-seas fish trade. But is it fair to level the blame at the specialised reefers? Operators would defend themselves by stating quite rightly that there is not sufficient financial incentive to invest. The competitive environment is hostile and, for the majority of cargo interests, cost still takes precedence over value. The lines continue to under-price their capacity, creating false expectations in the eyes of the charterers as they cannot deliver the capacity, or in many cases, the service. As a result in the seasonal markets they used to

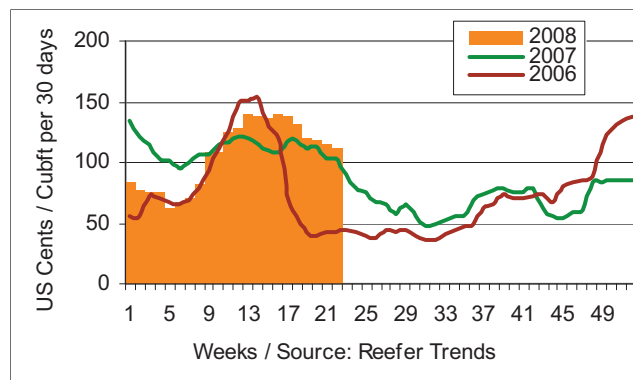
| Monthly spot average | | |
|---------------------------------|---------------|---------------|
| US\$/cents/cubic foot x 30 days | Large reefers | Small reefers |
| May 2008 | 101 | 117 |
| May 2007 | 101 | 110 |
| May 2006 | 28 | 45 |

Weekly market movement

Large reefers (450 000 cuft)



Small reefers (330 000 cuft)



dominate reefer operators have become the price takers and not price makers. This is all about to change – there are signs at last that the tipping point has been reached. And that's not good news for charterers. If the above analysis is correct, then the resulting forecast is a little frightening: within 12 months there will simply not be enough reefer

capacity to meet existing global demand. If charterers do not book early there is a very good possibility that they will literally miss the boat. It will be a major surprise if there is not a rash of long-term Period deals fixed this autumn fixed in the 110-120c/cbft range.

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