Dynamar
Reefer Analysis
Market Structure
Conventional Containers
2016 edition

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Dynamar (2016) Reefer Analysis
Market Structure, Conventional, Containers

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1 Introduction

Whilst the conventional reefer sector went through some difficult years, it now seems to have arrived into calmer waters. Now, the crisis appears to have shifted to the container-shipping sector. Merger was the buzzword there, triggered by ongoing low charter rates for the non-operating owners and disastrous financial results of the liner operators. At the end of 2015, China Shipping and Coscon, upon instruction of the Chinese government, decided to come together. They started their integration in March and rounded out this process in the middle of the year, a period of just four/five months.

Around that same period, CMA CGM, barely recovered from the difficult times it went through itself, made a cash offer for ailing APL. APL, which was acquired by the Temasek (Singapore State)-controlled company NOL back in 1997, had been struggling for a long time. Barely making profits in the good years, but making big losses in the bad years, most profitable activities had been sold off, so that only the liner division remained. APL became a division of CMA CGM in June 2016.

This approximately coincided with the news from Hapag-Lloyd and UASC that they planned to combine their forces. Hapag-Lloyd, which just rounded to the integration of CSAV, had to conclude that it was not strong enough to survive alone. Besides, it lacked the big 18,000+ TEU ships nowadays so fashionable in the Europe-Far East trade. The same applied to UASC, which had lost loads of money, but thanks to the deep pockets of its main owners, the states of Qatar and Saudi Arabia, was able to invest in the biggest ships. The collapse of the oil price, substantially reducing the national incomes of the aforementioned countries, however, made having their own (heavily-loss making) national carrier a luxury they could no longer afford.

In September of this year, a big shock went through the container-shipping sector with the first major bankruptcy in decades. Until then, most had believed that every shipping company in trouble would be rescued, either by its creditors, a takeover or by state funds. Not this time. While Hanjin considered itself strong enough to reject a merger with equally troubled Hyundai, the unexpected happened. Not Hyundai, which everybody considered being in the worse position, but Hanjin failed to reach an agreement with its debt holders on its massive debts. Whereas Hyundai managed to agree with shipowners on the reduction of charter rates in return for equity and mitigation and rescheduling of debt, Hanjin failed to do the same. Unexpectedly, the South Korean government pulled its hands off and Hanjin was forced to file for receivership. As much as 500,000 TEU was stranded on board, without a ready-made answer on how to get them to their destinations. By the end of the year, not much of the company remained, while bits and pieces are picked up by other carriers.

All of a sudden, shippers and carriers realised this could happen again and that only critical mass could save them. This induced Japan’s three major liner operators, “K” Line, MOL and NYK, to finally join forces, a logical move considering there is no logic in three competing national carriers, all three too small to compete successfully against the majors in the market and financially to weak to continue sustaining heavy losses. The process to knead the three operators into a single company is expected to take until April 2018.

With such massive competitors in the making, the position of the remaining mid-sized ventures, like Hamburg Süd, OOCL, Yang Ming and maybe even Evergreen, became increasingly worse. Not to mention Hyundai and ZIM, which neither have the mass, nor the funds, to compete on their own in the worldwide market. This induced the Oetker family, besides famous from its puddings also the owners of North-South specialist Hamburg Süd, to look for a new home for their shipping division, which was found in Maersk Line. Disagreement between the eight Oetker heirs on the future of the
Hamburg Süd and the reluctance to make the huge investments needed to compete on a global scale made the decision to sell of the company a logical step. End-2017 is foreseen as the date it will join the Maersk Line umbrella, altogether a most significant event for reefer shipping, accounting, as the two do, for no less than 680,000 refrigerated TEU and 3.8 million onboard plugs!

Does this mark the end of the merger wave? Likely not, but the alternatives are stretching thin. Evergreen and Yang Ming are not too enthusiastic about the idea of merging with anyone. Most likely neither is OOCL, which, as a financially sound and well-managed enterprise, is likely not to be too eager to partner up with one of the financial bunglers. Should their owners decide to sell, Hong Kong will certainly not come cheap. It seems 2017 will become a very interesting year.

What will happen? Time will tell...

Dynamar is proud to present its seventh consecutive, annual, extensive specialist report

*Dynamar (2016) REEFER Analysis - Market Structure, Conventional, Containers*

This publication builds upon the analysis of the previous years. Again, the study comprises three parts: two separate sections on the different conventional and container reefer trades, based on an extensive write up and one section analysing the structure of the market.

**Part 1 - Reefer market structure(s)**
After a historical overview on the background and development of reefer shipping, this chapter provides extensive summaries, statistics and concise descriptions of:

- The world perishable trades: volumes by main produce and export regions;
- Transport modes and characteristics: transport conditions - modern techniques;
- The world’s main import regions: United States, European Union, Russia, China and Japan;
- Trading patterns: conventional ships versus container vessels - main export areas - exports by product and individual country;
- Major reefer ports: perishable exports by country - description of relevant reefer handling facilities by mode of transportation - port throughput statistics.

**Part 2 - Conventional reefer shipping**
This section opens with a review of recent developments in the conventional reefer sector (including those affecting reefer container transports), covering three years (2014-2016), including statistics and graphs of relevant time charter equivalents, as well as:

- Extensive conventional reefer ship overviews and statistics (existing IMO-registered fleet, orderbook, age profile, demolition, future development);
- Structured profiles of the world’s 15 largest conventional reefer ship operators, including markets/trade lanes served and their operated fleet (whether owned or chartered).

**Part 3 - Container reefer shipping**
This section provides insight into the main containerised reefer routes and services, invariably part of the South-North trade structure. Compared to previous versions of this publication, coverage has been expanded by even more trading areas. Furthermore, this section comprises:

- Extensive overviews and statistics on the composition and development of the container vessel fleet and orderbook, reefer TEU capacity, plugs/capacity ratios by size category;
- Refrigerated container box fleet, size categories, production data, capacity by carrier;
- Structured profiles of the world’s 15 largest reefer container carriers.
This publication uses the most recent (up to 2014) trade statistics on reefer commodities by country and area, supplemented with up-to-date port, vessel, box and carrier fleet statistics and gives a profound insight into the background, characteristics, goings and present status of the worldwide shipping market of perishables and the relevant players.

All information for the report has been collected, researched and processed in the third quarter of 2016. As sources often differ on the same topics, we have endeavoured to provide the reader with the most accurate estimates. Analyses are based on the best available professional databases and media, complete with data originating from carriers, operators, port authorities and a great many of other industry players.

This has all been complemented with data from Dynamar’s own resources. This includes an unrivalled databank containing corporate, operational and financial information on some 16,000 different companies in the marine industry and DynaLiners, our daily, weekly and monthly digest, analysis and commentary on the industry’s comings and goings, and of course the knowledge, experience and reports of our R&A, Constant Monitoring, Consultancy, Marine Intelligence and Shipping Publications teams.

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