

## Ocean Freight

The most common excuse I hear in response to the question of why vessel freight markets continues to tick higher is; “We’re at the end of the Lunar New Year holiday and Asian buyers are returning to work.”

I’m not at all convinced that that is the whole answer but, for the moment, I don’t have a better one. There must be some substantial logistical delays occurring somewhere to support this trend ?

Ocean freight rates are higher and stronger than most expected and seem to be rising for reasons that are not fully understood.

Daily hire rates in the Pacific are up \$1,253/day in the last week and up about \$1,566 from one month ago.

Interestingly though, they are currently about \$2,030/day lower than at the beginning of the year. Current PNW Panamax rates to Asia are close to \$38.50/mt

Daily Time Charter rates on Panamax vessels in the Gulf/Atlantic have jumped \$2,800 in the last week and close to \$7,000/day over the last thirty days. At current daily hire rates of \$41642, this equates to about \$58.50/mt from the U.S. Gulf to Japan.

Back on 2 January 2007 Gulf to Japan Panamax rates were \$53.50 and rates from the PNW were \$39.50. So rates in the Pacific are within \$1.00/mt of their levels at the beginning of the year while Gulf/Atlantic rates are considerably higher. Gulf/Atlantic rates are now at almost three year high levels. Current vessel costs in the Atlantic now hearken back to the dreaded days of April 2004 (dreaded for Buyers, days of Heaven for vessel owners). It was back on 22 April 2004 that Gulf to Japan rates were \$58.94 and PNW rates were \$30.00. At \$28.94/mt or .735 per bushel, the freight spread was certainly different in 2004.

With current Panamax rates from the Gulf to Japan at about \$59.00 and PNW rates at near \$38.50; the Panamax freight spread to Japan at close to \$20.50/mt or \$.52/bushel for corn and .56bushel for Wheat and Soybeans.

Credible sources however state that Handymax vessels are available on the Gulf to Japan route at a \$2.50-\$3.00/mt discount to Panamax vessels. I’m told that a good portion of the Japanese market has now gone to using just Handymax vessels. Using the Gulf Handymax to Japan rates of about \$57.00; the real life freight spread to Japan/Asia ought to be \$18.50/mt or .47/bushel for corn and .505/bu for Soybeans.

**\*\* A Handymax vessel fixture was reported yesterday for 42-46,000 mt from the U.S. Gulf to Japan for shipment May-June dates at \$52.75.**

**This certainly indicated that the Panamax rates are currently out of line and that the freight market is inverted.**

**This would also indicate a much narrower freight spread than we have been considering lately.**

The cash grain spread/Premium at the PNW is .26 cents/bushel for Corn (+.69 H vs. +43H) and .30 cents/bushel (+44 K vs. +14 K) for Soybeans.

This will make it economically attractive to stem Asian Corn and Soybean cargoes out of the **PNW** verses the U.S. Gulf.

- **Weekly Export Inspection Highlights:**

The port range breakdown for last week's exports is as follows:

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**Yellow Corn:**

810,280 mt Total

U.S. Gulf = 77.5 %, PNW = 7.5 %, Lakes = 0 %, Atlantic Coast = 0.5 % and Interior shipments = 14.5 %.

**White Corn:**

23,495 mt. Total (All to Mexico (13,335 mt by vessel and 10,160 mt by rail))

**Sorghum:**

47,856 mt Total. Gulf = 100 %, PNW = 0 % and 0 % Interior rail to Mexico

**Containerized Shipments:**

Total FGIS inspected containers reported for the week = 13,973 mt. (About 607 containers).

**Yellow Corn:** 5,155 mt total (224 containers) 3,200 mt to Taiwan, 1,778 mt Indonesia, 101 mt to Vietnam and 76 mt to Hong Kong.

**White Corn** – 0 mt

**Soybeans:** 8,818 mt total. (383 containers) 6,804 mt to Taiwan, 1,170 mt to Vietnam, 735 mt to Indonesia and 109 mt to Malaysia.

**Wheat:** 0

**Barge Freight**

Ill. River freight for FH. March is currently 325 % (\$16.62/mt, or 42/bushel for Corn).

Lower Ohio River freight for FH. March is 270% (\$13.27/mt, or .337/bushel for Corn).

**Secondary Rail Freight Markets**

BNSF Pool cars (Less than shuttle train size) for FH. March are bid -\$25 /car and offered at zero \$/car. 110 car Shuttle freight for FH. March placement is now bid -\$200/car against offers of -\$125/car.

UPRR Pool cars for FH. March are bid -\$300/car against offers of -\$200/car.

UPRR 100 car shuttle trains for FH. March are bid -\$325/car against offers of -\$250/car.

\*\*\* Note –

Please know that, due to poor shipper reporting to FGIS, it is difficult to keep an accurate weekly total of containerized grain shipments.

Below is just this week's example of how many corrections USDA/FGIS gets every week, to their pervious weeks report.

FOR CERTDATE 02/12/07 ADD	184	Y.	CORN	FROM INTERIOR	TO CHINA Taiwan
FOR CERTDATE 02/12/07 ADD	8	Y.	CORN	FROM INTERIOR	TO HONG KONG
FOR CERTDATE 02/12/07 ADD	27	Y.	CORN	FROM INTERIOR	TO INDONESIA
FOR CERTDATE 02/12/07 ADD	32	Y.	CORN	FROM INTERIOR	TO MALAYSIA
FOR CERTDATE 02/12/07 ADD	34	Y.	SOYBEANS	FROM INTERIOR	TO CHINA Taiwan
FOR CERTDATE 02/12/07 ADD	19	Y.	SOYBEANS	FROM INTERIOR	TO INDONESIA
FOR CERTDATE 02/12/07 ADD	28	Y.	SOYBEANS	FROM INTERIOR	TO PHILIPPINES
FOR CERTDATE 02/12/07 ADD	966	Y.	SOYBEANS	FROM S. ATLANTIC	TO MOROCCO
FOR CERTDATE 02/13/07 ADD	440		SORGHUM	FROM INTERIOR	TO MEXICO
FOR CERTDATE 02/13/07 ADD	79	Y.	CORN	FROM INTERIOR	TO CHINA Taiwan
FOR CERTDATE 02/13/07 ADD	28	Y.	CORN	FROM INTERIOR	TO INDONESIA
FOR CERTDATE 02/13/07 ADD	1	Y.	CORN	FROM INTERIOR	TO MALAYSIA
FOR CERTDATE 02/13/07 ADD	144	Y.	SOYBEANS	FROM INTERIOR	TO CHINA Taiwan
FOR CERTDATE 02/14/07 ADD	20		SRW WHEAT	FROM INTERIOR	TO MEXICO
FOR CERTDATE 02/14/07 ADD	32	Y.	CORN	FROM INTERIOR	TO CHINA T
FOR CERTDATE 02/14/07 ADD	23	Y.	CORN	FROM INTERIOR	TO INDONESIA
FOR CERTDATE 02/14/07 ADD	12	Y.	CORN	FROM INTERIOR	TO MEXICO
FOR CERTDATE 02/14/07 ADD	44	Y.	SOYBEANS	FROM INTERIOR	TO CHINA T
FOR CERTDATE 02/14/07 ADD	64	Y.	SOYBEANS	FROM INTERIOR	TO INDONESIA
FOR CERTDATE 02/14/07 ADD	16	Y.	SOYBEANS	FROM INTERIOR	TO PHILIPPINES
FOR CERTDATE 02/14/07 ADD	35	Y.	SOYBEANS	FROM S. ATLANTIC	TO CHINA T
FOR CERTDATE 02/15/07 ADD	83	Y.	CORN	FROM INTERIOR	TO CHINA T
FOR CERTDATE 02/15/07 ADD	1	Y.	CORN	FROM INTERIOR	TO HONG KONG
FOR CERTDATE 02/15/07 ADD	416	Y.	CORN	FROM INTERIOR	TO MEXICO
FOR CERTDATE 02/15/07 ADD	2	Y.	CORN	FROM INTERIOR	TO VIETNAM
FOR CERTDATE 02/15/07 ADD	842	Y.	CORN	FROM S. ATLANTIC	TO DOMINICN REP
FOR CERTDATE 02/15/07 ADD	120	Y.	SOYBEANS	FROM INTERIOR	TO CHINA T
FOR CERTDATE 02/15/07 ADD	19	Y.	SOYBEANS	FROM INTERIOR	TO INDONESIA

Best Regards,

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The information in this market report is derived from sources believed to be reliable and accurate but can not be guaranteed. All market data is subject to change with market conditions and Traders opinions. Please obtain market updates and reconfirm all values before making any trading decisions based on this data.