

## Ocean Freight

When you're hot you're hot; and the ocean freight market is definitely hot.

As stated before, this market seems to know only one direction, up. Its strength in the market has surprised everyone. Vessel owners are delighted and placing orders to build more bulk carrier ships and receivers are suffering the affects of dramatically higher freight costs. With commodity prices up over 80% from last year and ocean freight up 103-108 % from April of 2006, World Grain Buyers are really feeling the price pinch.

The rationale for current freight values continues to be the same, robust demand in all sectors for vessels and very poor world wide logistics, especially from Australia's coal ports and India's Iron ore ports. You can now add in slow loading at Brazilian Grain ports and growing delays at the Panama Canal due to lock repairs that will run through the month of May.

Short period daily hire rates for Panamax vessels in the Pacific have reached an historic high at \$45,861/day (equal to about [\\$51.00](#) per tonne on the U.S. Gulf to Japan route).

At the beginning of the year these rates were \$35,000/day (\$39.50 per tonne); so we're up 29 % in the Pacific since the beginning of the year, up 103 % over the same period last year and now \$2.00/tonne or 4 % above the 2004 previous all time high for freight on this Asian route.

Short period daily hire rates in the Gulf/Atlantic rates are now \$51,660 per day (equal to about [\\$71.50](#) per tonne on the U.S. Gulf to Japan route). At the beginning of the year these rates were \$34,400/day (\$53.50 per tonne) and the all time high for this route was \$75.00/tonne back in March of 2001. So we are approaching historically high level in the Atlantic freight market as well.

This means that we are up \$18.00/tonne or 34 % in this range since the beginning of 2007 and up 108 % from April 200 (April 2007 = \$34.17 versus April 2007 at \$71.50).

It also means that we are within about \$4.00/tonne of historical high levels reached in 2004.

The freight market is inverted and everyone is wondering how sustainable these rates are. After reaching new highs in March of 2004, U.S. Gulf-Japan Panamax rates dropped \$38.50/tonne or 51 % (\$75.00 to \$36.55/tonne) in June. But they rallied back in December of 2004.

So, this will surely be an interesting market to follow over the next eight months; interesting but probably not fun or enjoyable for Traders and operators.

With current Panamax rates from the Gulf to Japan at about \$71.50 and PNW rates at near \$51.00; the Panamax freight spread to Japan close to [\\$20.50/mt](#) or [\\$.52/bushel for corn](#) and [.56/bushel for Wheat and Soybeans](#).

The cash Corn spread/premium at the PNW for May-June is [.44 cents/bushel](#) (+.76 N vs. +.32 N) and Soybeans are at a [.36 cents/bushel](#) cash spread (+48 N vs. +12 N).

This will make it economically attractive to stem Asian Corn and Soybean business from the PNW.

- Yellow Corn shipments: 1,025,075 tonnes (78.5 % Gulf, 7.5 % PNW, 2.5 % Lakes, 0.0 % Atlantic, 11.5 % Interior Rail).
- Sorghum Shipments: 93,553 tonnes (49 % Gulf, 0 % PNW and 51 % Interior rail to Mexico) (47,348 mt to Mexico, 46,002 mt to Sudan and 203 mt by container to Japan.)
- White Corn Shipments: 31,320 mt. (28,780 mt to Colombia and 2,540 mt rail to Mexico).
- Containerized Shipments: 13,200 tons (about 574 containers), excluding corrections from last weeks report (see below adjustments).
- Yellow Corn Shipments: 2,464 tonnes (2,210 tons to Taiwan, 203 mt to Hong Kong and 51 tonnes to South Korea).
- Sorghum Shipments: 203 mt to Taiwan
- Soybeans Shipments: 10,533 tonnes (4,300 tons to Taiwan, 3,375 mt to Trinidad, 2,586 mt to Indonesia, and 272 mt to Philippines.)
- *USDA Corrections to last two weeks reports: (Here is why you can not just look at any one weeks report and determine what has been exported. Each week USDA adds a long list of additions and subtractions to their previous weeks report). This weeks corrections/additions are listed below:*
  - Yellow Corn – (Add a total of 19,305 mt)*  
*17,121 mt to Taiwan, 991 mt to Indonesia, 787 mt to South korea and 406 mt to Hong Kong.*
  - Soybeans – (Add a total of 41,531 mt)*  
*29,502 mt to Taiwan, 9,743 mt to Indonesia, 1,551 mt to Malaysia, 626 mt to Philippines and 109 mt to Japan.*
  - SRW Wheat – (Add 1,143 mt) 1,143 mt to Taiwan by container.*

\*\*\* Note –

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

### Barge Freight

Illinois River freight for May is currently 225 % of tariff (\$11.51/mt, or .29 per bushel for Corn).

Mid-Mississippi River freight for May is 250 % of tariff (\$14.66/mt, or .37 per bushel for Corn).

Upper Mississippi River freight is trading at 300 % of tariff (\$20.47/mt or .52 per bushel for Corn).

### Secondary Rail Freight Markets

BNSF Pool cars (Less than shuttle train size) for LH. May are bid -75 /car and offered at -\$50/car.  
110 car Shuttle freight for FH. May placement is now bid -\$400/car against offers of -\$325/car.

UPRR Pool cars for FH. LH. May are bid -\$235/car against offers of -\$225/car.  
UPRR 100 car shuttle trains for FH. May are bid -\$425/car against offers of -\$300/car.

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.