

Ship recycling rates near record levels

Propped up by strong steel prices, ship recycling rates in the Indian subcontinent region are approaching a staggering \$600 per ldt

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Demolition prices have doubled in the past year and are up 25% as compared with April this year. The supply of tonnage is increasingly centered around offshore units and tankers, especially smaller bunkering tankers, medium range tankers and aframax



IT IS POSSIBLE THE SHIP RECYCLING MARKETS MAY HAVE PEAKED ALREADY *Source: Reuters / Alamy Stock*
AND ARE NOW ADJUSTING THEIR LEVELS IN ANTICIPATION OF SOME KIND *Photo*
OF AN ADJUSTMENT IN THE IMMEDIATE FUTURE.

RISING ship recycling rates are approaching a “mythical” record as breakers compete aggressively for what limited scrap tonnage is on offer.

Propped up by rising steel prices, Bangladesh cash buyers are already paying \$590 per ldt (light displacement tonnage) for containerships, while there are offers of \$580 per ldt for tankers and \$570 per ldt for bulkers, according to Dubai-based cash buyer GMS.

A Chittagong buyer set a new record recently by paying \$585.50 per ldt for the 9,615 ldt bulker *Karunia*.

“Not since the boom year of 2008 have we seen levels quite so high, and as the mythical \$600 per ldt draws ever closer, we will certainly see some fresh sales records being set from over the past decade,” GMS said in its weekly report.

Demolition prices have doubled in the past year and is up 25% as compared with April this year, said Hitesh Vyas, vice-president Middle East and green co-ordinator at Wirana Shipping.

But the current prices could expect some pushback as China is trying to crack down on speculative trades to control price increases recently, he said.

Mr Vyas sees the possibility of demolition rates rising up marginally in the coming months mainly due to the shortage of recycling candidates as freight rates in both the bulk and container markets remain strong.

However, GMS said the markets may have peaked already and are now adjusting their levels in anticipation of some kind of an adjustment in the immediate future.

At present, the supply of tonnage has been increasingly centered around offshore units and tankers especially smaller bunkering tankers, medium range tankers and aframax.

One Singapore-based broker said many owners are holding back on committing their vintage tonnage in the hope that even better returns might be around the corner.

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By Michelle Wiese Bockmann

05 Jul 2021

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