Piracy

Somali attacks set to rise as monsoon weather ends

After two month decline, spate of vessel hijackings now expected within weeks

John Drake

THE end of August 2008 saw a spate of pirate attacks in Somali waters. This trend is likely to be repeated in 2009, probably by the middle of this month.

The recent high profile 'piracy' incident involving the *Arctic Sea*, allegedly boarded in July, and a lull in pirate attacks in the Gulf of Aden, would appear to have temporarily drawn attention away from Somali pirates.

However, vessel hijackings look likely to rise in the coming weeks as several operational factors come into play off the Somali coastline.

In the first half of this year, Somali pirates accounted for 63% of worldwide piracy attacks. The Gulf of Aden alone accounted for 42%.

However, between June and August, this percentage has fallen by 3.8%, with a notable drop in Somali pirate activity. The year-to-date proportion of pirate attacks taking place in the Gulf of Aden is now 37.9%, and while this is still several times higher than the Gulf of Guinea or South China Sea, it nonetheless denotes a significant decline in activity over the past two months.

The single most important variable affecting the frequency of pirate attacks in the region remains the weather. The lull in activity over recent weeks is very likely attributable to the onset of the Indian Ocean monsoon. Such conditions bring rougher seas and high wind speeds. This often impedes the manoeuvrability of the Somali's generally small craft, granting an advantage to the larger commercial vessels that are normally targeted.

It also becomes very difficult for the pirates to mount ladders against their victim's vessels, thus rendering a successful boarding almost impossible, or at least, very difficult. Current conditions are set to change in the coming weeks. Local authorities are anticipating a general end to monsoon weather by this week and it is likely that pirates will soon be ready to resume their attacks.

The Muslim holy month of Ramadan is also drawing to a close. Although more pious Muslims in Somalia have criticised the less-than-conservative lifestyles of their pirate compatriots, many continue to practise the more fundamental requirements of Islam.

Until the festival of Eid ul-Fitr, due to take place around 19 September, many pirates will be fasting during the daytime, a requirement which makes it very difficult to commit acts of piracy simply because of the energy and hydration requirements of launching an assault against a merchant vessel.

It is thus likely that activity — which normally takes place during the hours of daylight in the region — will not resume until the conclusion of the holy month.

Above: Turkish commandos captured five suspected pirates in the Gulf of Aden last month. Above right: a Somali girl reads the Koran in Mogadishu yesterday. Until the festival of Eid ul-Fitr ends later this month, many pirates will be fasting.

Pirate intent to conduct hijackings has also generally been much higher when there are fewer vessels being held in captivity. There are currently thought to be five major vessels being held (as well as a number of smaller fishing boats), which is comparatively lower than earlier in the year. Somali pirates are therefore expected to be particularly keen on acquiring new vessels once weather conditions improve and Ramadan has concluded. It would thus appear that weather and religion remain the most influential factors over trends of Somali piracy. Comparatively more recent factors such as political developments within Somalia and the arrival of an integrated international naval force off the coast appear to be having a much less significant impact.

Somali attacks on foreign warships and the shooting against a US helicopter on 26 August demonstrate that pirates are not intimidated by the foreign naval presence. The seemingly fearless attitude would appear to confirm the adage that 'a Somali is only afraid of other Somalis', something that it likely reinforced by the lack of criminal cases resulting in conviction and jail sentences of captured pirates.

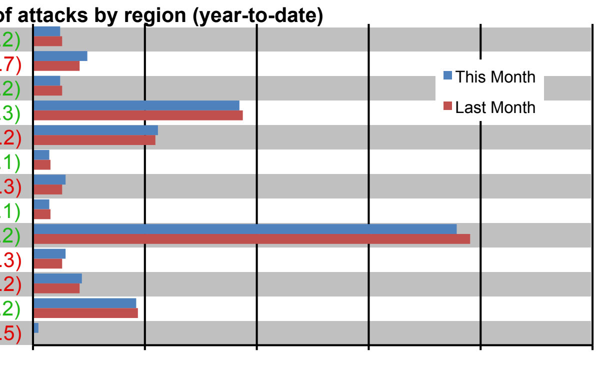
Unless there is a major shift in the strategy and legal strength of the naval response, it will have only a limited impact on piracy trends. Furthermore, if accurate, this adage would back up the analytical cliché that piracy will only cease once there is stability on the land, with the creation of a much-elusive functioning government and police force. Only then would there be meaningful and concerted efforts to tackle the issue, although the political conditions needed to unite Somalia's clans to create such a unified authority would appear years away.

• *John Drake is a risk consultant at AKE Intelligence*

MARINE PIRACY THREAT ASSESSMENT August 2009

Proportion of attacks by region (year-to-date)

ZONE		
Arabian Sea	2.4	(-0.2)
Bay of Bengal and Andaman Sea	4.9	(+0.7)
Caribbean Sea	2.4	(-0.2)
East African Sea Lanes	18.4	(-0.3)
Gulf of Guinea	11.2	(+0.2)
Indonesian Waters excl. Malacca Straits	1.5	(-0.1)
Malacca Straits	2.9	(+0.3)
Middle East Gulf and Gulf of Oman	1.5	(-0.1)
Red Sea and Gulf of Aden	37.9	(-1.2)
South American Atlantic Coast	2.9	(+0.3)
South American Pacific Coast	4.4	(+0.2)
South and East China Sea excl. Indonesian Waters	9.2	(-0.2)
West African Sea Lanes excl. Gulf of Guinea	0.5	(+0.5)



Brokers cautious on sector outlook as September charters pick up

Supramaxes

BROKERS are divided over prospects for the global fleet of 1800 supramax and handymax bulk carriers for the remainder of 2009, *writes Michelle Wiese Bockmann*.

After an extremely quiet August, renewed chartering activity this week has some brokers optimistic that spot markets will firm and the sector will have a strong fourth quarter.

But others caution that any new business is restricted mostly to charters that ship agricultural products such as grain, fertiliser and sugar.

Chinese demand is crucial, one European broker warned.

"We have a complete lack of visiblity and everything is really depending on whether the Chinese decide to buy commodities again," the broker said.

"When you come to industrial commodities such as iron ore, coal, bauxite or aluminia, there are still a few things moving but not to the same extent as last year, of course, and a bit more than earlier this year.

"But it is not enough to absorb the massive influx of tonnage we are expecting in the next few weeks."

The broker reported that this week as many as five new supramax vessels are being delivered from shipyards and are competing with existing ships for work.

"The pace of [new ship] deliveries will increase dramatically and I don't think the market will be able to sustain or absorb all these," he said.

But a contrary view was presented by another broker, also based in Europe.

He believed supramax spot rates would soon rise, as rates firmed in the larger panamax sector.

"It seems like the market is rebounding. We are pretty much optimistic about September at least," he said.

Rates to transport sugar and grain from Brazil and Argentina to the Far East were in the mid-to-high $20,000s per day range, he said — "not bad at all for supramaxes".

Charterers were paying up to $35,000 per day to ship bulk commodities and steel cargoes from the Black Sea to the Far East.

A shortage of tonnage meant some considered hiring ships located as far away as India for voyages originating from the Black Sea or Middle East Gulf.

This partially reflected the lack of owners prepared to sail through the pirate-infested Gulf of Aden.

Coal cargoes from Australia to India were forecast to rise from lows of $9,000-$10,000 per day to $12,000-$13,000 per day over the next week, the broker added.

Baltic Exchange indices on some routes reflect an arrest in rate declines as business slowed during August. The average time charter rate remains flat, at $18,021 per day.

The outlook is also uncertain for the market for longer-term charters for periods ranging from three to five months, as well as longer terms of up to 12 months and longer. There appeared to be a wide gulf between charterers' and owners' expectations.

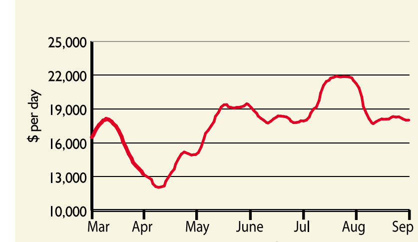
Owners were seeking rates of $16,000-$18,000 per day to hire their vessels for up to six months, brokers reported.

However, it cost as little as $11,000 per day, or even less, to operate a ship on the spot market in the Far East, which made charterers reluctant to pay a much higher asking price.

"There are definitely people ready to take ships in but not at the level asked by the owners," a broker said.

ICAP Shipping reported flat rates for supramax vessels trading in the Pacific region, as well as downward pressure on rates.

Supramax average time charter rate



Source: Baltic Exchange

ORE

Tubarao to Beilun — Buccleuch, 160,000t, $29.5 per tonne, fio scale/30,000sc, 20-30 Sep. (Oldendorff)

Guaiba to Qingdao — Heythrop, 160000t, $30.5 per tonne, fio scale/30,000sc, 20-29 Sep. (Shagang)

PDM to Qingdao — Cape Awoba, 160000t, $31 per tonne, fio scale/30,000sc, 21-30 Sep. (North China)

Sepetiba to Qingdao — Huaxi, 150,000t, $28 per tonne, FIO SCALE/30,000SC, 14-23 Oct. (CosBulk)

COAL

Richards Bay to Rotterdam — Frontier, 150,000t, $11.5 per tonne, FIO SCALE/30,000SC, 1-10 Sep. (Swiss Marine)

Dalrymple Bay to South Korea — MOSK Vesselto be nominated, 149,000t, $10.45 per tonne, FIO SCALE/45,000SC, 20 Sep-4 Oct. (Posco)

Bolivar to Porto Torres — Lowlands Nello, 70,000t, $19.6 per tonne, FIO 35000SC/15,000SC, 17-25 Sep. (Cetragpa)

TIMECHARTERS

Zosco Ningbo (127,000 dwt, 12.25/47L 13.5/47B, 1982-built) delivery Rizhao 7-10 Sep, redelivery China, 3 Sep, $10,100 daily plus ballast bonus.

Giuseppe Rizzo (77,000 dwt, 14.3/35L 15/35B, 2004-built) delivery Qingdao Spot, redelivery Singapore-Japan, 3 Sep, $16,500 daily plus ballast bonus.

Fair Lady (76,608 dwt, 14/35L, 2005-built) delivery Kawasaki 7-11 Sep, redelivery Japan, 3 Sep, $16,000 daily plus ballast bonus.

Ju Da (73,600 dwt, 14.34/35L 15.2/35B, 2005-built) delivery Goa 9-11 Sep, redelivery Aden/Pmo, 3 Sep, $20,500 daily plus ballast bonus.

Coronado (75,706 dwt, 13.5/35L 14.5/35B, 2000-built) delivery Tanjung Bin 7-11 Sep, redelivery Singapore-Japan, 3 Sep, $18,000 daily plus ballast bonus.

Grace Future (75,375 dwt, 13.8/36.8L 14.8/36.8B, 2006-built) delivery Antwerp 5-7 Sep, redelivery Continent , 3 Sep, $24,000 daily plus ballast bonus.

Nord Orion (75,250 dwt, 14L(A), 2006-built) delivery Pori 10-12 Sep, redelivery China, 3 Sep, $34,000 daily plus ballast bonus.

Angelina (74,540 dwt, 14/34.5L 14/28.5B, 2001-built) delivery San Nicholas 19-21 Sep, redelivery Amsterdam , 03-Sep-2009, $17,000 daily plus $350,000 ballast bonus. (03-Sep-2009)

Alabanda (74,044 dwt, 14.3/32.5L 14.3/27B, 1995-built) delivery Taiwan 5-10 Sep, redelivery Taiwan, 3 Sep, $14,250 daily plus ballast bonus.

Naias (73,546 dwt, 14/33L 14/28B, 2006-built) delivery Taiwan 6-8 Sep, redelivery Singapore-Japan, 3 Sep, $15,750 daily plus ballast bonus.

Fixtures from SSY Simpson, Spence & Young

Legiony Polskie (73,505 dwt, 13.5/32.5L 14.3/31B, 1991-built) delivery Ulsan 8-10 Sep, redelivery Brazil, 3 Sep, $6,350 daily plus ballast bonus.

Theotokos (71,242 dwt, 13.5/37.5L, 1984-built) delivery Port Said Spot, redelivery China, 3 Sep, $20,000 daily plus ballast bonus.

Annoula (69,406 dwt, 13/26L 13.5/26B, 1989-built) delivery Cape Passero 30 Aug, redelivery Point Comfort, 3 Sep, $17,000 daily plus ballast bonus.

Ioanna L (69,349 dwt, 13/26L 13.5/26B, 1989-built) delivery Dalian 31-Aug, redelivery China , 3 Sep, $13,750 daily plus ballast bonus.

Meteora (57,982 dwt, 15L(A), 2007-built) delivery Port Said Spot, redelivery Singapore-Japan, 3 Sep, $32,000 daily plus ballast bonus.

Bulk Neptune (55,657 dwt, 14.5L(A), 2009-built) delivery Gladstone 11-16 Sep, redelivery India, 3 Sep, $14,500 daily plus $300,000 ballast bonus.

Spar Gemini (53,459 dwt, 14/32.9L, 2006-built) delivery Ghent Spot, redelivery North Coast South America, 3 Sep, $15,000 daily plus ballast bonus.

Ocean Prelate (52,239 dwt, 15.4L(A), 2002-built) delivery Chennai 10-12 Sep, redelivery India, 3 Sep, $12,750 daily plus ballast bonus.

Western Santiago (46,634 dwt, 14.5L(A), 1997-built) delivery Kandla Spot, redelivery Bangladesh, 3 Sep, $15,500 daily plus ballast bonus.

Cielo Di Livorno (37,277 dwt, 13.5/27L(A) 14/27B, 2008-built) delivery South Africa 15-18 Sep, redelivery Continent-Mediterranean, 3 Sep, $12,000 daily plus ballast bonus.

Darya Taal (29,971 dwt, 14/23L(A), 1998-built) delivery Longkou 2-4 Sep, redelivery Philippines, 3 Sep, $9,750 daily plus ballast bonus.

Hanjin Bombay (27,327 dwt, 13/18.2L, 1995-built) delivery Lianyungang 4 Sep, redelivery East Coast India, 3 Sep, $10,000 daily plus ballast bonus.

Lake Maja (24,518 dwt, 14L(A), 1996-built) delivery Tuticorin Prompt, redelivery South East Asia , 3 Sep, $8,750 daily plus ballast bonus.

PERIOD

KM Imabari (76,500 dwt, 12-14 months, 2009-built) delivery Lanshan 14-16 Sep, redelivery Worldwide, 3 Sep, $20,000 daily plus ballast bonus.

Capitola (74,832 dwt, 14/34L 14.75/33B, 2001-built) delivery Jorf Lasfar 11-20 Sep, redelivery Worldwide, 3 Sep, $26,500 daily plus ballast bonus.

Washington Trader (74,228 dwt, 3-6 months, 14/32L 14.5/32B, 2000-built) delivery Shanghai 18-20 Sep, redelivery Worldwide, 3 Sep, $19,000 daily plus ballast bonus.

Golden Shadow (73,732 dwt, 11-13 months, 13.7/31.7L 14.5/31.7B, 1997-built) delivery China 21-30 Sep, redelivery Worldwide, 3 Sep, $18,600 daily plus ballast bonus.

AXSMARINE CAPESIZE COAL INDEX 03 Sep 2009

Atlantic/Pacific	$ Kwangyang	$ Kakogawa	$ Pohang	$ Kaohsiung
Hampton Roads	37.19	37.77	37.46	38.92
Richards Bay	22.49	25.13	22.65	28.74
Puerto Bolivar	32.67	35.16	33.04	39.53
Cienaga	32.62	36.67	33.1	41.08

Rate calculations based on a 172,000 dwt capesize built 1999/daily hire $56,598. Daily Hire provided by: Arrow Chartering, Barry Rogliano Salles, Fearnleys, Socomet Chartering and Sobelnord.

For more calculations or freight matrices, visit www.axsmarine.com

AXSMARINE CAPESIZE IRON ORE INDEX 03 Sep 2009

Transtlantic r/v	$ Beilun/Baoshan	$ Qingdao	$ Kwangyang	$ Kaohsiung	$ Pohang
Tubarao	28.38	28.95	27.43	33.5	28.07
Saldanha Bay	24.6	25.16	23.64	28.89	24.31
Sepetida Bay	29.66	30.23	28.71	34.68	29.05

Rate calculations based on a 172,000 dwt capesize built 1999/daily hire $56,598. Daily Hire provided by: Arrow Chartering, Barry Rogliano Salles, Fearnleys, Socomet Chartering and Sobelnord.

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BALTIC DRY BULK INDICES 03 Sep 2009

INDEX		
Baltic Dry Index	2414	+1
Baltic Capesize Index	3747	-73
Baltic Panamax Index	2385	+83
Baltic Supramax Index	1723	+0
Baltic Handysize Index	858	+10

For more information on routes or calculations please visit www.balticexchange.com

FIS DRY BULK FFA PRICES 03 Sep 2009

	Sep-09	Q4 09	Q1 10	Cal 10
Capesize Average 4 Timecharters 172,000 dwt	33250	31000	28000	25750
Panamax Average 4 Timecharters 74,000 dwt	18875	18750	15875	15150
Supramax Average 5 Timecharters 52,000 dwt	17500	16000	14250	13750

All prices are indications in US$/day of current market level, basis midpoint between bid/offer at 13:00 London time. Contract routes are as current Baltic Exchange definitions. For more information, visit www.freightinvestor.com