

The week that was....

With southern hemisphere citrus and kiwifruit finished and no imminent danger of any spot banana business out of Central or South America, the next few weeks will see operators of large units position tonnage for the start of the Chilean deciduous fruit season. Here, at least there is some good news for the specialized mode: despite the efforts of the carriers in general and MSC in particular, the reefer appears to have retained its share of exports. The rates for 2017/18 are reported to be similar to last season. Early indications are that the Chilean table grape crop will be big and of good quality, while the US market is expected to be strong.

It was a quiet week also for the small segment, but despite the lack of chartering activity rates on the vessels that fixed were in line with previous done. Operators anticipate the next wave of fish fixtures to load in week 45, at the same time that the first contract potato positions will be loaded in Harlingen and Brest. The combination of a heavier programme than last year and a window as tight means that there might be congestion at the loading ports as well as Mostaganem!

Fixtures:

The Water Phoenix loaded fish from Angola to Matadi; the Atlantic Lady fixed fish from Dakhlar to West Africa and the Lagoon Phoenix fixed poultry from the US Gulf also to West Africa.

Bananas:

The United Nations Food and Agriculture Organization (FAO) says it is seeking US\$98m to combat Panama Disease aka Tropical Race 4, whose spread the FAO estimates, if unchecked, could affect 1.4m hectares of banana plantations by 2040. The FAO and its partners Bioversity International, the International Institute of Tropical Agriculture and the World Banana Forum have launched a global programme to contain and manage the new strain, an insidious disease that can last for years in soils and can hitchhike to new fields and destinations through a number of means such as infected planting materials, water, shoes, farm tools and vehicles.

"We need to move quickly to prevent its further spread from where it is right now and to support already affected countries in their efforts to cope with the disease," said Hans Dreyer, Director of FAO's Plant Production and Protection Division. He stressed that the resilience of banana production systems can only be improved through continuous monitoring, robust containment measures, strengthening local capacities and enhancing global collaboration.

It would be interesting to know why the FAO has chosen to intervene right now - it has been several years since fears of the impact of TR4 were first published. It would also be interesting to know more about the proposal: how did the FAO arrive at the €98m figure? How will the funds be raised? To whom will the money be distributed and for specifically what purpose? The

announcement was a little short on detail...

In the course of its investigations it would be foolish of the FAO to ignore the transportation link to the spread of plant diseases. Although there is no direct evidence yet of a correlation between the spread of Black Sigatoka, Psa-V and Citrus Greening with the growth in containerization, there is plenty of circumstantial evidence to suggest a connection. When trucked inland to collect cargo from packing stations, the reusable reefer container is the dirty needle through which fatal plant disease can be spread. It is surely not a coincidence that the increase in the global occurrence of such diseases ties in with the growth in containerization of reefer product.

At the recent Corbana banana conference in Miami, CEO of APM Terminals Costa Rica Kenneth Waugh acknowledged the importance of the issue. To the point, indeed, that APMT is considering the creation of a separate area at the new, US\$1bn TCM for containers to be deep cleaned.

And if Corbana feels it should move its annual event away from Costa Rica to better prevent the arrival of TR4, why should the Costa Rican Government, for example, not be able to prevent containers that may well have carried bananas or other TR4 disease vectors from other sources from travelling inland? Surely the danger of contagion from this vector is exponentially greater than that of human contact?

Until TR4 is eradicable, the cost of containment will far outweigh the cost and benefits of prevention. So, until a cure can be found or until an acceptable alternative (GM?) TR4 resistant variety to the Cavendish is bred, the widest range of realistic quarantine measures should be considered. And then adopted...

The spin-off benefit of stuffing containers at the port instead of inland at the packhouse on the plantation is that it will seriously reduce the possibility of concealing or co-loading cocaine with the banana consignment.

Packaging:

For several actually quite good reasons, the global banana industry has successfully managed to resist the advance of modern packaging methods. The vast majority of bananas are still packed in vacuum-sealed plastic bags inside cardboard boxes. Unlike a rigid plastic alternative, cardboard is preferred because once packed, there is enough of a cushion so as not to cause the bananas to bruise. The weakness of the logistics infrastructure between plantation and port in many of the world's banana exporting nations means that the fruit needs as comfortable a ride as is possible between packing station and vessel.

For the Seatrade service and some of the banana multinationals with their own vessels, there is also a cost element advantage involved: the vessels that carry dollar bananas northbound into the US, return with liner board, the base material from which the banana boxes are manufactured. This way, backhaul load factors can be optimized and a contribution made to voyage costs.

However, all this may be about to change. In the

SHIPPING

SPECIALISED SHIPPING

270,000 cbft
'17 TREND '16
 102c flat 65c

450,000 cbft
'17 TREND '16
 25c flat 32c

BUNKER PRICES (380 cSt)

	'17	'16
Gibraltar	343	283
Rotterdam	321	268
St Petersburg	298	212
Panama Canal	325	268
Fujairah	347	290
Busan	365	305

EX RATES

	'17	'16
US\$ / SAR	14.24	13.89
UK£ / SAR	18.73	16.99
€ / SAR	16.60	15.16

US\$ / €	0.85	0.92
UK£ / €	1.13	1.12

US\$ / ¥	114	104
US\$ / RUR	57.9	62.8

US\$ / NZ\$	1.46	1.40
UK£ / NZ\$	1.92	1.71
€ / NZ\$	1.71	1.53

US\$ / CLP	635	653
UK£ / CLP	835	799
€ / CLP	740	713

US\$ / ARS	17.65	16.22
UK£ / ARS	23.22	18.62
€ / ARS	20.58	16.61

exhibition alongside the recent Corbana Congress in Miami, packaging company Eco Pack Systems caught the eye. Founded in 2008, Eco Pack has developed a unique, easy to use, fully customizable packaging system for 'difficult' fruit, such as pineapples and bananas. The website blurb claims that the System is "designed to revolutionize the way that retailers, distributors, farmers and agricultural exporters package and recycle." The claim is plausible: the System could even be a game-changer.

The Eco Pack patented System is made up of an easy-to-assemble (and disassemble) plastic frame and two lightweight plastic sleeves that together create an economical, multipurpose, recyclable box. But while the company makes several other environmentally credible claims on <http://www.ecopack-greenbox.com>, the three key feature advantages that stand out with regards to bananas are not highlighted!

The first of these is in the design: unlike the cardboard carton or previous plastic alternative incarnations, the Eco Pack System hangs the bananas in a plastic hammock, which minimizes



contact with any surface other than another banana. No cushion needed. The second is that the frame weighs a fraction of the carton alternative. This is particularly significant for bananas, which with heavier cardboard cartons 'gross out' in high cube reefer containers while occupying less than 80% of the total available capacity. The potential cost saving on the maritime transportation leg of the supply chain by being able to load more fruit per pallet is a real consideration – independent even of the other advantages.

The third, and largely accidental benefit is that because the frame/plastic combination is transparent, it makes management of the ripening process that much easier. The transformation of the banana as it changes from green to yellow is visible from a remote location, obviating the need to delve into the pallet and de-lid to check.

As soon as one major retailer has the foresight to take the plunge, the floodgates will surely open!

Bunker Review:

The Bunker Review is contributed by Marine Bunker Exchange www.mabux.com

World fuel indexes have stayed steady with no significant fluctuations during the week. The oil and fuel markets are tightening gradually. OPEC is expected to roll over output restrictions for another nine months. Geopolitics are still one of the main drivers on the market: the 'Fragile Five' petrostates - Iran, Iraq, Libya, Nigeria and Venezuela - continue to see supply disruption potential, with northern Iraq crude ex-ports at risk due to an escalation of tensions between the Kurdistan Regional Government, Baghdad and Turkey, while the United States has decertified the 2015 Iran nuclear deal.

The Energy Information Administration reported unplanned disruptions in global oil supply dropped to 1.6m bpd in September 2017, which was the lowest level of crude offline due to unforeseen events since January 2012. The main reasons were reduced

outages in Libya, Nigeria, and Iraq. As of September 2017, civil conflict in Libya and militant activity in Nigeria saw a decrease in recent months. As a result, global un-planned oil supply disruptions have dropped by more than 1m bpd over the past six months.

OPEC reported record compliance to its 10-month old output reduction agreement: a 120% compliance rate in September. The cartel considers the oil market is balancing at an accelerated pace, and demand will continue to rapidly grow in coming decades, and the original deal, struck nearly a year ago between OPEC and 10 other non-OPEC countries led by Russia, was to cut production by 1.8m bpd for six months. The agreement was extended in May of this year for a period of nine months until March 2018.

Outages in Iraq dropped to 50,000 bpd in September. However, political tensions in the Kurdistan region continued to disrupt crude supplies with oil exports from Iraqi Kurdistan towards the Turkish port of Ceyhan reportedly flowing at average rates of between 200,000-300,000 bpd versus the usual flows of 600,000 bpd. The supply disruption in Iraq comes amid ongoing political uncertainty in the region following conflict between Iraqi and Kurdish forces. Iraqi troops marched toward Northern Iraq earlier in week and regained control of two major oilfields from Kurdish forces.

It's still unclear if the U.S. will re-impose sanctions against Iran and the possible impact of this action will be uncertain. Most likely, they'll be less effective than the sanctions coordinated by the international community prior to 2016. Shortly after President Trump announced that he was decertifying the nuclear deal, the leaders of France, Germany and the UK issued a joint statement supporting the continuation of the agreement. Iran also said that it will continue to abide by the agreement.

Venezuela is increasingly shipping poor quality oil to refiners in the U.S., India and China, causing complaints and demands for discounts. The problems are the direct result of equipment and chemical shortages, and the weakness of Venezuela's oil industry. Besides, Venezuela has missed seven interest payments this month totaling over \$590m, raising fears of an imminent default. Among the immediate effects of it would be a shutdown of the crude and refined product imports on which Venezuela increasingly depends. Exports and oil tankers would be at risk of seizure.

One of the market rebalancing signs is that U.S. commercial stocks of crude oil have dropped 15% from their March record (despite a reported build of 900,000 barrels last week) to 457.3m barrels, still below levels seen last year. Part of this drawdown has been due to rising exports as a result of the steep discount of U.S. crude to Brent, which makes it attractive for American producers to export their oil. Shipping data shows that overseas U.S. crude oil shipments have increased from zero point in late 2015 (when the U.S. government loosened export restrictions) to around 2.6m bpd in October. There has also been a string of lower rig counts that has served to reinforce bullish sentiment as it suggests the growth in shale oil production is slowing down, spelling a potentially tighter global market.

In the main growth areas of Asia, consumption remains strong especially in China and India, the world's number one and three importers respectively. China's oil de-mand remains on a high level, hitting a January to September average of 8.5m bpd. The main drivers are: declining domestic production, increased access to imports and exports for independent refiners, and building up the strategic petroleum reserve. India's fuel demand is also increasing: India imported a record 4.83m bpd of oil in September (4.2% above this time last year and about 19% more than in August) as several refiners resumed operations after extensive maintenance to meet rising local fuel demand.

All in all, further steps by OPEC, rising global oil demand and the reduction in U.S. drilling and its crude oil stocks are some of the factors that could lead fuel prices higher in the short term. We expect bunker prices have a potential to resume upward movement next week.