

OCEAN FREIGHT



 **BUNGE**

Antalya, October 2009

Dramatic increase in volatility

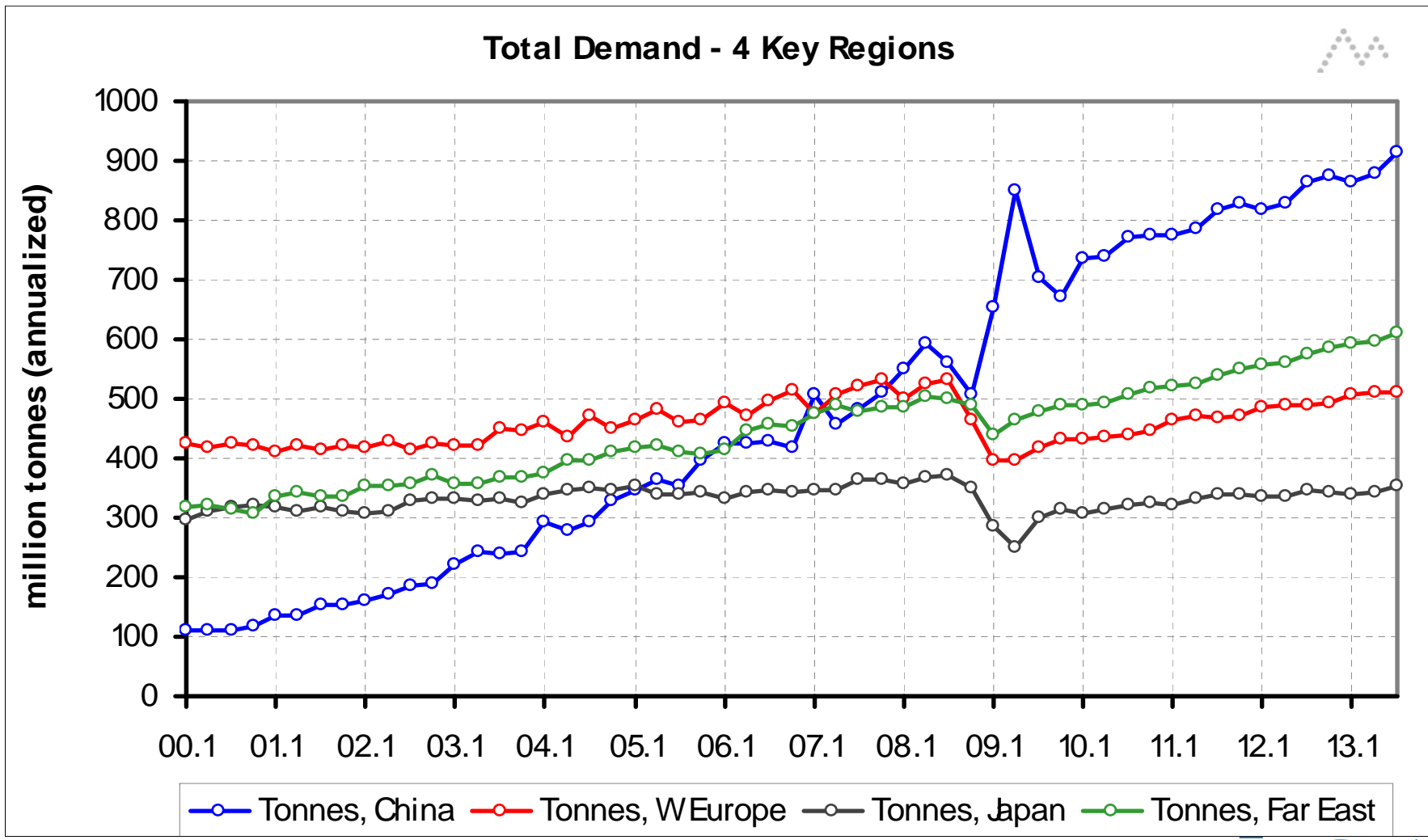


Capacity Utilization.

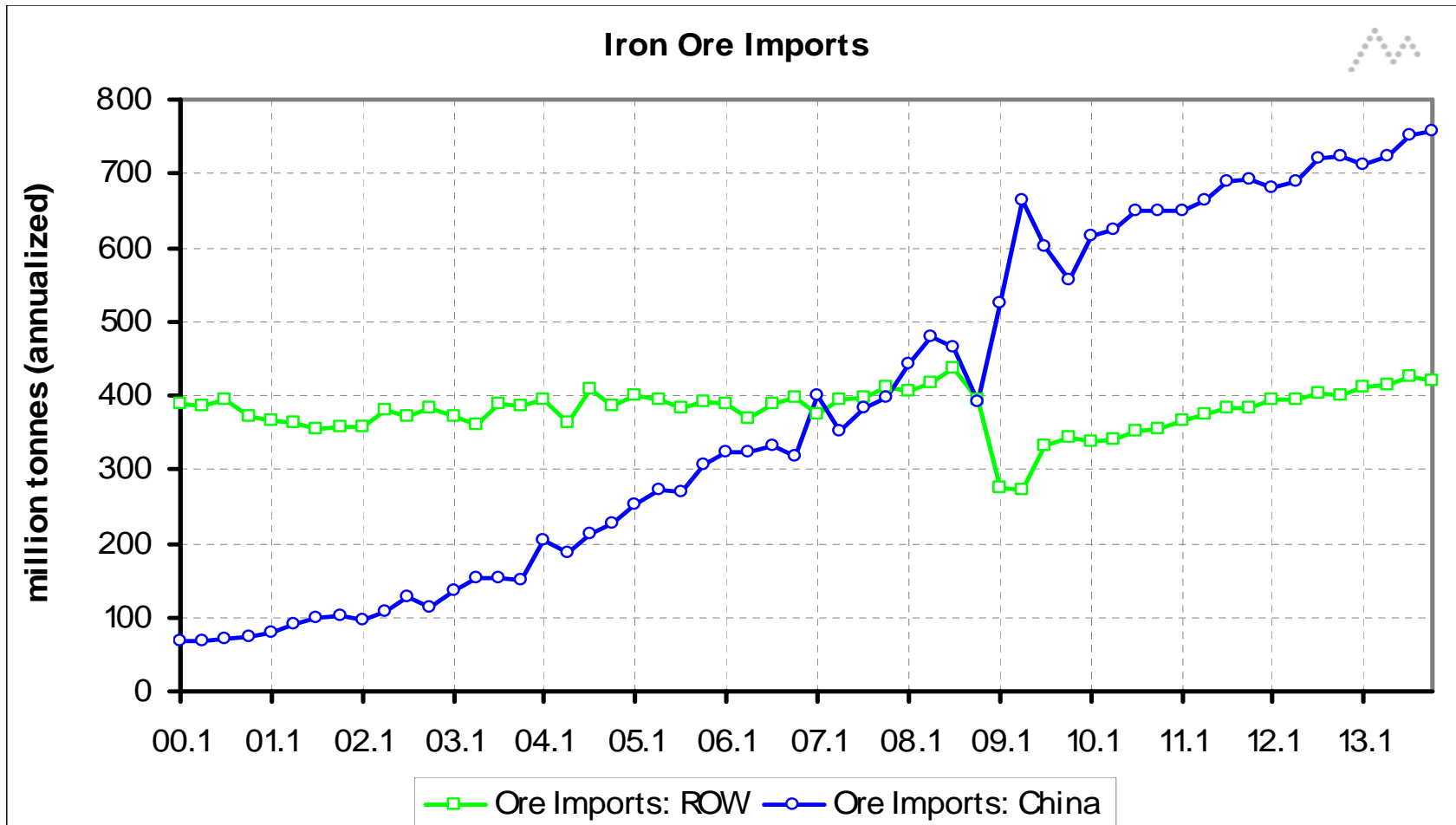
	General Summary in mmt of DWT															YoY		
	May/09	Jun/09	Jul/09	Aug/09	Sep/09	Oct/09	Nov/09	Dec/09	Q110	Q210	Q310	Q410	2010	2011	2009	2010	2011	
Demand	332	340	335	331	340	338	342	339	355	363	360	367	362	382	0%	9%	6%	
Iron ore	95	100	98	98	100	100	99	100	108	109	105	108	107	112	8%	12%	4%	
Coal	95	100	101	101	104	102	104	102	109	108	107	107	108	112	-4%	10%	4%	
Agri	40	38	33	31	31	32	32	32	29	36	36	40	35	41	1%	5%	16%	
Minor Bulks	80	81	81	80	81	82	84	83	88	88	88	89	88	93	-9%	7%	5%	
Back Haul Ballast	23	20	22	21	23	22	22	22	21	23	24	22	23	24	28%	3%	7%	
Supply	381	376	381	386	395	407	410	417	426	431	444	470	443	494		14%	12%	
Active Vessels	442	445	449	453	460	463	467	473	482	496	512	528	504	561	5%	12%	11%	
Maintenance	39	39	39	40	40	41	41	41	42	43	45	46	44	49		12%	11%	
Congestion	22	30	29	27	25	16	15	15	14	22	23	13	18	19		-15%	7%	
Average Capacity Utilization	89%	92%	90%	88%	88%	85%	85%	83%	85%	86%	84%	81%	84%	80%		-3%	-4%	
Capes	86%	94%	91%	89%	87%	82%	81%	80%	80%	80%	76%	70%	76%	69%		-8%	-7%	
Panamax	88%	88%	88%	84%	84%	81%	81%	78%	82%	89%	85%	80%	85%	81%		1%	-4%	
Handies	88%	87%	86%	84%	86%	85%	87%	85%	87%	87%	86%	88%	88%	88%		-1%	0%	

- Transition from balanced 3rd quarter 2009 to an oversupplied market in 2010.
- Differentials between Handysize and Panamax likely to widen
- Actual Trade flow estimates and deliveries mean market is in a oversupplied mode into 2011. For Capes we can even argue into 2012.
- It's an oversupplied market, but beware of seasonality spikes and government support for economies

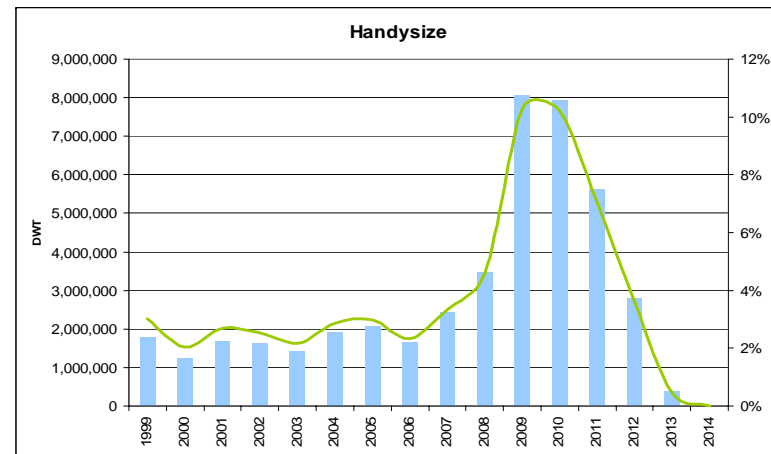
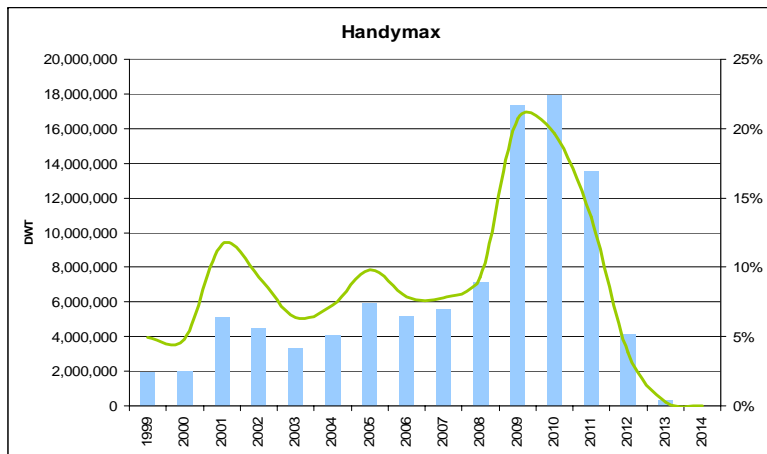
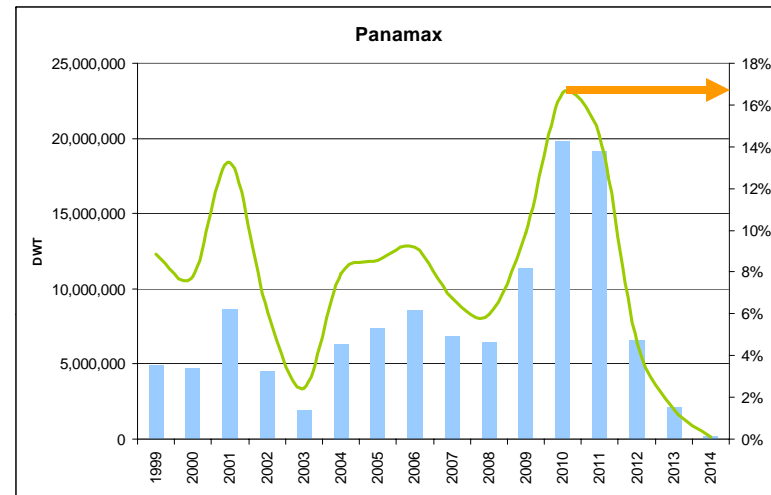
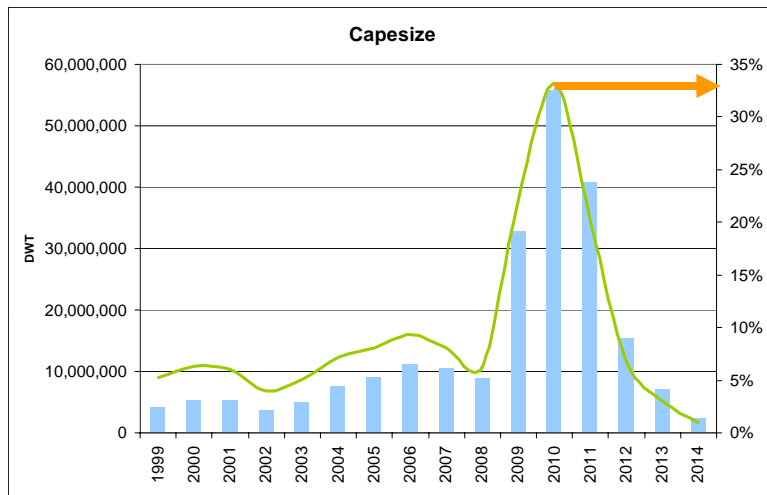
Demand 1 -Seaborne Trade



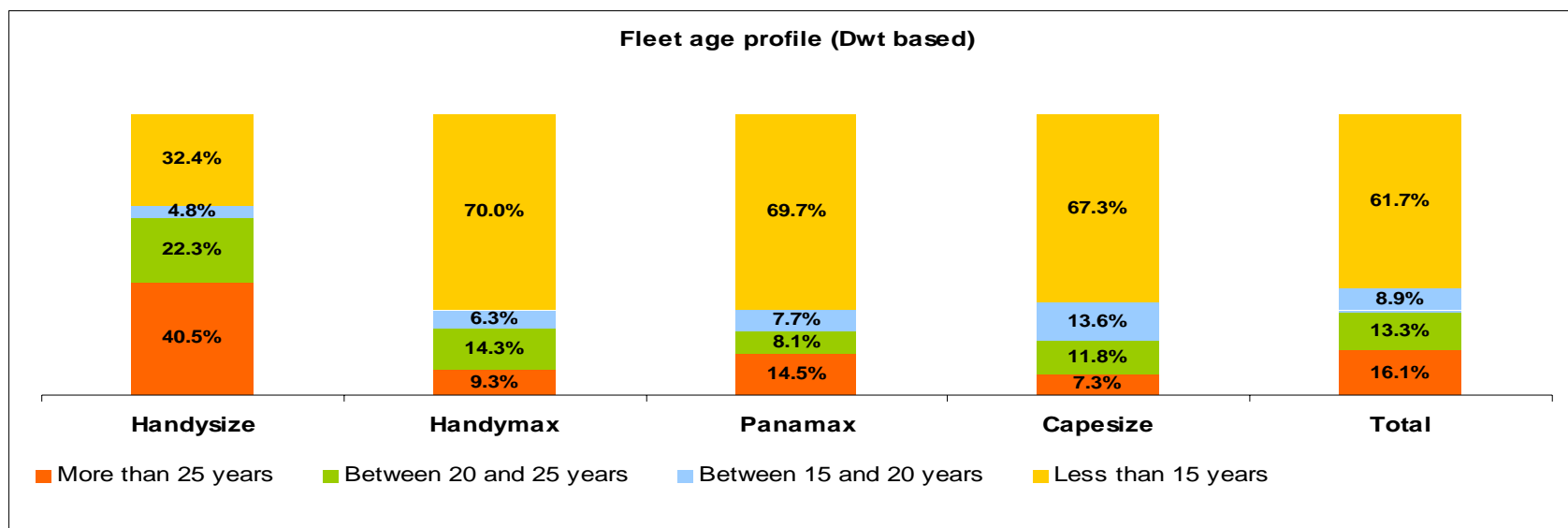
Demand 2 - Iron Ore China vs. Rest of the world.



SUPPLY 1-Capes are the largest % of 2010 order book

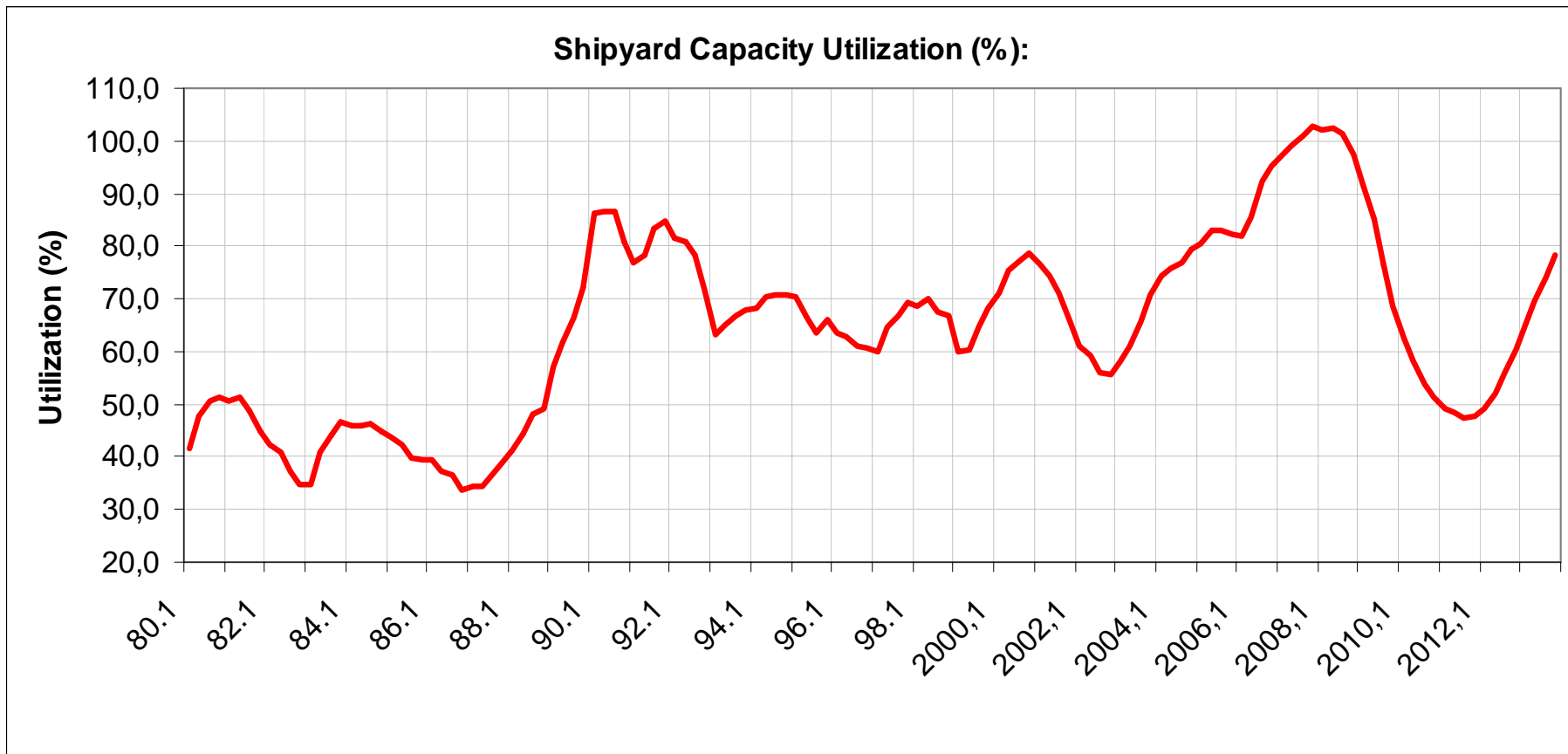


SUPPLY 2-Age profile Dry Bulk Fleet.



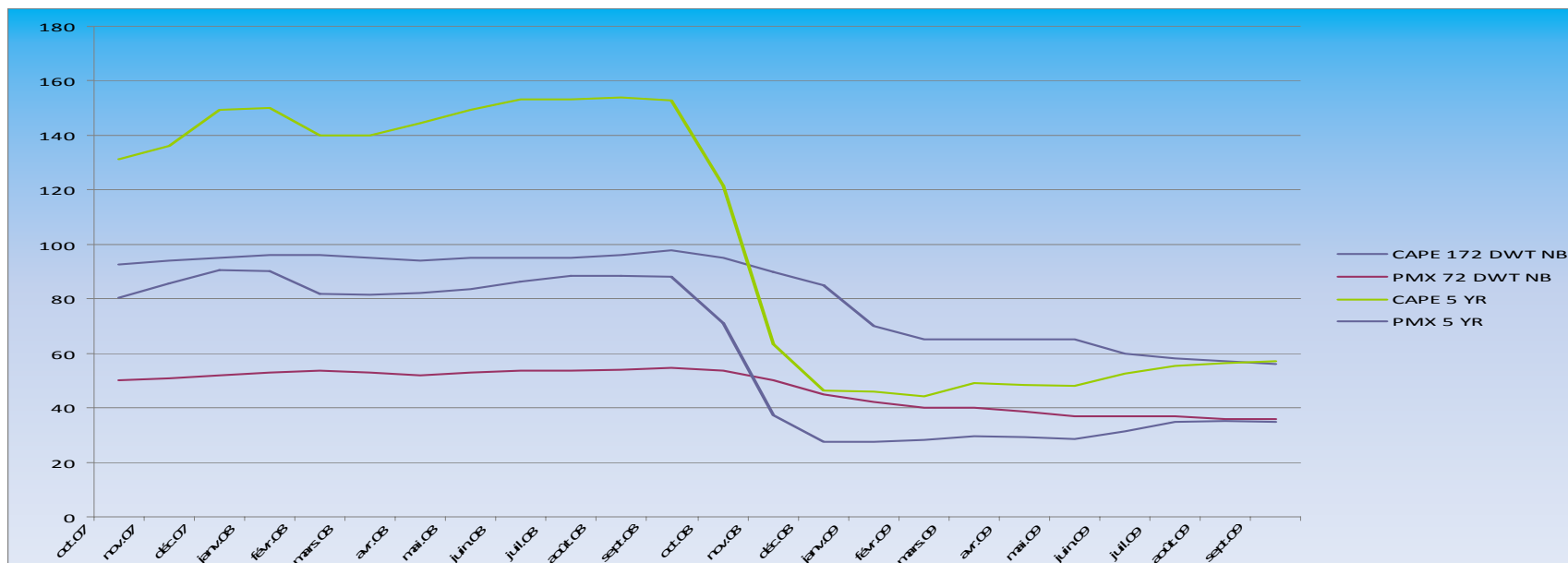
- Cape are facing a very challenging downcycle-90% on order and 7% fleet above 25 years or scrap age.
- Handies/Supramax will be the first to be balanced post downcycle. 40% fleet above 25 years old and small % on order.
- Dry Bulk SND per vessel class is a replica of tanker market. VLCC market oversupplied.

SUPPLY 3-Shipyard Overcapacity until 2012



Ultimately, shipyard capacity is the regulator of long term prices or trend/duration of cycle.

Dry Bulk Sale and Purchase Market



- Current Prices still trading high vs. Shipyard costs.
- Second Hand market should be at least 30% discount to New Building.
- Dry Bulk asset values overpriced under current market conditions.

Market outlook

- **S&D very bearish for next 2 years, driven by supply growth.**
- Rapid Q2 recovery was spurred by stimulus programs, exit strategies unclear.

However:

- Short-term active USG grain export season should support Panamax and Handies.
- Demand growth impressive, driven again by China.
- Macro outlook improving (?) as Rest of the World seems to pull out of recession.
- Freight USD denominated commodity. Cheap forward prices might entice financial investors to buy. No costs of carry for FFA's.

Conclusions:

- Market should trade overall a lower flat price average than during the boom.
- However as long as China keeps growing at current pace or above any repeat of Q4 collapse after the credit shock seems unlikely.
- More likely scenario will be high volatility on the spot at relatively low levels while forward curve stays flat at depressed levels until oversupply is being solved.
- Smaller sizes should perform better than Capes.