

Newsletter Article – Summer 2020: Towing / Pushing Markets Update

Of the 13,562 vessels and 3,677 barges that Marcon tracked as of end May 2020, 5,184 are tugs with 617 officially on the market for sale worldwide, up 83 or 15.54% from one year ago, May 2019, but down 5 or 0.80% from May 2015. 39.47% of foreign and 93.75% of U.S. tugboats for sale are direct from Owners. 167 or 27.07% of the tugs worldwide, primarily foreign flagged, were built within the last 10 years, are newbuilding re-sales or currently under construction – compared to 30.71% one year ago and 34.81% five years ago. 84 (13.61%) are over 50 years of age. Nine have no age listed. The oldest tug Marcon currently has listed was built in 1912 (rebuilt 1999) and was originally built to dory-fish halibut in the Pacific Northwest. This “*old lady*” is balanced by ten newbuildings between 800BHP and 6,770BHP scheduled for delivery in 2020. Two newbuildings are azimuthing and ten traditional twin screw tugs.

Five years ago, 34.81% of tugs for sale worldwide, primarily foreign flag, were built within the previous 10 years compared to 27.07% today. Five years ago, 10.44% of the tugs on the market were 50+ years old compared to 13.61% today. At that time, Marcon had zero tugs older than 75 years available whereas today there are six. The average age of all tugs that Marcon has for sale worldwide remains in the 25 – 26 year old range (1994 build date now vs 1990 in 2014). Southeast Asia had the largest selection of tugs listed in 2015 with 127 available (20.1%) which were tracked by Marcon. This was followed by 118 in the United States (18.7%), Far East 92 (14.6%), 64 in Europe (10.1%), Mediterranean 54 (8.5%), 51 in the Mid East (8.1%), South Pacific 31 (4.9%), 27 Latin America (4.3%), 19 Africa (3.0%), 15 (2.4%) each in the Caribbean or where location is unknown, 14 Canada (2.2%) and 5 in Southwest Asia (0.8%).

Looking at tugs for sale worldwide, conventional twin screw tugs still prevail with 379 (61.4%) actively available for sale through Marcon. These are followed by 140 azimuthing (22.7%), 68 single-screw (11.0%), 19 Voith Schneider tractors (3.1%) and 11 triple screw (1.8%). As a comparison and demonstrating the trend in propulsion, five years ago 22.3% of the 632 tugs for sale were single screw, 54.4% twin screw, 20.3% azimuthing and 2.5% VS tractor tugs. The increase in ASD tugs and the decrease in single screw tugs will continue as ASDs continue to become a standard in the industry, while single screw tugs have been mostly relegated to nearly zero commercial work, except in certain specific cases. It is always difficult to get a precise figure related to the scrapping rates of tugs, but it’s not an outrageous prediction to assume that these will be mostly older single and twin screw units. It is noted that Sea-Web reports 1,544 tugs worldwide scuttled, broken up or to be broken up world-wide. This is up 2.25% from May 2019’s 1,510, despite scrap prices falling dramatically during that period. Marcon’s database shows only five fewer tugs which are officially for sale than five years ago in May 2015, however, there were shifts when looking at horsepower and age breakdown. There are 55 fewer tugs are today listed in the 2-3,000HP range with average age decreasing from 38 to 35 years. The 3-4,000HP range gained 34 tugs while their average age decreased from 23 to 22 years. Under 1,000HP tugs decreased by 24 with a three year decrease in age to 35 years. 7-8,000HP tugs for sale increased by 14 boats from five years ago, while their average age increased from 26 to 37 years. Twelve more tugs are showing as available in the 6-7,000HP range (with the same 17 years average age), nine more 4-5,000BHP range (average age 22 vs 23 years), and eight more 5-6,000HP (average age 17 vs 22 years). In the over 9,000BHP range there are four more candidates to offer, versus none listed five years ago (average age running at 16 years), while just shy of this level there are four fewer 8-9,000HP range (average age 24 vs 11 years).

Marcon ended second quarter 2020 with 16 sales completed, which involved many deals which were well in the works before the Covid-19 situation developed. Since that time, the market has been extremely slow, which we see reflected across the board both domestically and world-wide. In 2019, Marcon completed 27 sales, tows and charters. 2018 shows how the market reflected our overall activity has declined with 41 sales, tows and charters recorded at that time. Marcon recorded the sale of four U.S.-flagged tugs so far this year with an average age of 44 years. Tug condition and specific circumstances of the sale / purchase were driving factors behind each of these sales, and sale price numbers reflected this (older vessels being on the low end in general). In 2019, we sold a total of eight tugs with average age of 37 years. This was comprised of all U.S.-flagged tugs.

As of the end of May 2020, Marcon was tracking 779 inland river pushboats with 73 officially on the market for sale (57 U.S. flag and 16 foreign flag). Seven of the boats with age listed were built within the last ten years, while 38 boats are forty-five years of age or older. The oldest listed was built in 1944, a 76’, 1,110BHP vessel in the U.S. Northwest. This is counterbalanced by a 2019-built 56’, 1,500BHP U.S. flag inland river push boat located in the U.S. Southeast. Marcon also has 10 inland river pushboats listed for charter – six U.S. and four foreign.

The number of inland river push boats officially on the market for sale in total is 73, down 25, or 25.77%, from our last report published in August 2019. This is 22 units, or 23.16%, less than one year ago in May 2019 and six or 8.96% more than in May 2015. Composition of horsepower range in the last year has changed with the biggest shifts being seven fewer under 1,000HP with an average age of 1980 (compared to 1970 one year ago), five fewer 2,000-3,000HP (average age now 1977 vs. 1973 one year ago) and three fewer 1,000-2,000HP (1975 vs. 1972) push boats offered through Marcon. Today, we do not have any push boats offered greater than 5,000HP, which reflects the position of the inland market, which has been running pretty good despite current events, seasonal flooding of record proportions, and overall commercial marine market slowdown. This was mostly reflected in

demand within the inland the tank barge market, versus the bulk cargo market which has had a very difficult time. As brokers, we understand that a 4,200BHP US Flagged unit in the 140' LOA, and 1970s built sold recently at a very good price in the US \$2 million range. Not bad for an old lady. Only 9.59% of the push boats that Marcon has available for sale are less than 10 years old, up from the 7.37% reported one year ago. In looking at overall fleet age and then by U.S.-flagged versus foreign flagged, over the past five years we can see a decrease in overall age and of U.S.-flagged push boats on the market, while average age of foreign-flagged push boats increased. Five years ago, the average age of all on the market through Marcon was 43 years, compared to 46 years one year ago and 43 years as of this report. That is driven mostly by older U.S.-flagged vessels going on the market, aging from 46 years in 2015 to 49 years in 2019 then down to 44 years now. Foreign flagged push boats went from 34 years old last year and five years ago and then up to 40 years as of this report.

During the first quarter of 2020, we saw in the inland river systems of the United States an expected drop in freight activity due to the effects of the Covid-19 shutdowns, decreasing consumer demand domestically and decreased manufacturing output. All of these had a major impact on the entire dry market segment. The record setting flooding during 2019 (292 days lasting from Spring through mid-August was unprecedented), and this 2020 season has started out similar to 2019 causing fears of a repeat of last year's difficulties in the inland dry cargo market. High water levels and spring flooding will always have an impact on the market, which also delays plantings, causing reduced demand for fertilizer heading north in the early part of the year. This current season's sustained high-water conditions made it difficult to move cargo and there were additional delays caused by unplanned closures. Delays to infrastructure projects have also helped to trigger overcapacity, which can be an impetus for consolidation and buyouts. All of this continued downward trending activity will only lead to more idling of equipment and a corresponding fallout of demand.

It is generally considered at this time that the dry cargo market is about 20% over supplied with barges and an expected weakened demand can continue to be foreseen related to trade disputes and other factors moving forward during 2020. China's total imports of soy beans have dropped upwards of 12% (April 2020 report), and this was attributed to bad weather and delaying of cargoes (which are now majority supplied by Brazil). However, this all comes on the heels of a total collapse in the market in 2018 due mainly to a trade war with China. This literally killed overall demand in the Far East exports, and leveled a 75% drop in demand from that reliable Buyer of the product during that year. The drop in overall coal demand, agriculture related planting delays and the drop in demand for cargoes like sand (fracking industry shut down due to collapse of oil prices in the quarter), are contributing to the collapse in demand for tonnage creating an 'over tonnage' situation for the inland market. Overall export levels to the Far East market remain stagnant, and a continued re-brewing of a new trade war with China (attributed to fallout over the Covid-19 response, as well as actions taken by the nation in Hong Kong), will likely continue to hamper exports in the bulk grain markets for an unknown, but extended, period of time.

Full market reports here: [Push Boat – May 2020](#) and [Tug Boat – May 2020](#)

By Marcon Staff