

KYMENLAAKSON AMMATTIKORKEAKOULU

University of Applied Sciences

Industrial Management and Logistics/Double Degree

Daria Utkina

Benefits for a Large Grain Company of Investing in Purchase of Own Vessels

Bachelor's Thesis

2014

ABSTRACT

KYMENLAAKSON AMMATTIKORKEAKOULU

University of Applied Sciences

Business Logistics

Daria Utkina Benefits for a Large Grain Company of Investing in
Purchase of Own Vessels

Bachelor's Thesis 35 pages + 9 pages of appendices

Supervisor Suvi Johansson, MBA

Commissioned by

December 2014

Keywords vessel, transportation, investment, freight market

The purpose of this thesis was to determine whether the world's largest grain export company should have its own fleet. Nowadays optimizing transportation costs is becoming more urgent with each passing day. This problem has arisen due to the fact that the shipping company's current fleet is aging and grain is a specific cargo which has various restrictions and requirements for transportation. In this thesis two alternatives were considered namely chartering and using an own vessel. The advantages and disadvantages of the two options for the development of the company were reviewed.

As a result it is more profitable for the company to purchase its own vessels.

TABLE OF CONTENTS

LIST OF ABBREVIATIONS

1	INTRODUCTION	6
2	INVESTING.....	6
2.1	Development strategy	8
2.2	Independence strategy	9
2.3	Return of Investment	10
2.3.1	Payback Period.....	10
2.3.2	Discounted Payback Period	11
3	SEA TRANSPORT AND THE ORGANIZATION OF THE SHIPPING MARKET.....	11
3.1	Modern legal regulation.....	13
3.2	Sea transport	15
3.2.1	Different types of vessels	15
3.2.2	Difference between liner and tramp ships	17
3.2.3	Tramp Shipping	17
3.3	Different type of charter contract	17
3.4	Freight rates	18
3.5	Time Charter Equivalent	19
3.6	Chartering of vessels	19
3.6.1	The Baltic and International Maritime Council.	20
3.6.2	Charter Party	20
4	INVESTING IN OWN VESSELS	21
4.1	Grain cargo.	21
4.1.1	Rules of carried	22
4.2	General purpose vessels.....	25
4.3	Freight traffic	26
4.4	Example of company	27

4.4.1	Consider areas with and freight rates	28
4.5	Accounting.....	29
4.5.1	Cost for freight.....	29
4.5.2	Cost of vessel	30
5	CONCLUSION	34
	REFERENCES.....	35
	APPENDIX	37
	Appendix 1.....	37
	Appendix 2.....	42
	Appendix 3.....	44
	Appendix 4.....	46

LIST OF ABBREVIATIONS

OECD - Organization for Economic Co-operation and Development

(more information about <http://www.oecd.org/about/membersandpartners/list-oecd-member-countries.htm>)

TCE – Time Charter Equivalent

T/C – Time Charter

ROI – Return of Investments

DPB – Discounted Pay Back

IMO – International Maritime Organization

1 INTRODUCTION

Russia is one of the largest grain exporters to Egypt, Iran, Israel, Saudi Arabia, South Korea and Turkey. The market is growing and there is lack of new vessels and consequently a need to think about the benefits of acquiring own vessels. Therefore, the main question is whether it makes sense to invest capital in purchasing own vessels.

The purpose of this thesis was to consider the benefits of acquisition of own ships and the structure of the freight market; how to calculate freight rates and what is time charter equivalent. It is necessary to understand the difference between chartering and maintenance of own fleet.

To answer the main question of the thesis considering an investment and distribution, the benefits of investment are not only the increased the speed and quality of transportation, but development of growth strategies and an independence strategy of the company.

Various options for the company have been examined for answering the question. One option was the continued use of the freight market. The other option was an investment in own vessels. The question was to determine the need and the benefits of buying own vessels.

2 INVESTING.

“For the ordinary investor, the tramp company remains a form of investment to be avoided. It is a very special business and at its best financed and managed by those who are versed in its difficulties” (A.W.Kirkaldie British Shipping 1913)

Definition of 'investment'

An asset or item that is purchased with the hope that it will generate income or appreciate in the future. In an economic sense, an investment is the purchase of goods that are not consumed today but are used in the future to create wealth. In finance, an investment is a monetary asset purchased with the idea that the asset will provide income in the future or appreciate and be sold at a higher price. (1)

A profit plays the most important role in the fund of investment.

It acts as the main form of net income of the enterprise which expresses the value of the surplus product. Having paid taxes and other obligatory payments to the net profit, part of this can be sent on investment. As a rule, part of the profit is target for investment purposes and stored in the accumulation fund or other funds of similar purpose created by the company.(2)

The state or situation in the company as a rule is described by investment climate which is usually within a territory. Investment climate is a comprehensive assessment with indicators such as political stability, economy, administrative regulation for private property.

Factors affecting the investment climate:

- Regulatory and legal standards, directly or indirectly regulating relations in the sphere of investment.
- The legal situation, which is characterized by the implementation of laws in the first place.
- Attitude of the authorities and their influence to the business.
- Taxes and fees, their types, rates, availability of benefits and privileges to investors.
- Guarantees for the protection of private property.
- Financial environment, which is determined by the availability and quality of banking services, the activities of insurance companies and others.
- The labour market depends on qualified workforce, the value of its services and the possibility of training. (2)

For increasing capital of company the best way is investment.

There are different types of payback period of investment: short term and long-term.

Short term.

Under short term investment payback period less than one year. (3)

The long-term.

Payback of this investments term is more than one year and it is not target for sold. A common form of this type of investing occurs when company A invests largely in company B and gains significant influence over company B without having a majority of the voting shares. In this case, the purchase price would be shown as a long-term investment. (1)

2.1 Development strategy

A comprehensive management plan is the company's strategy and position in the market which coordinating efforts, involvement and customer satisfaction, successful competition and global goals. The process of developing a strategy based on a thorough study of all the possible directions of development and activities and selects general direction, develops markets, services the needs, methods of competition, involved resources and business models.

In other words the strategy of choice the path of development depend on markets, competition and methods of doing business. (4)

Different theories of development of the company and the existing development strategy were considered.

Strategic planning is required for building a successful company. Effective business development strategy is capable of providing long-term development of the company.

Three basic strategies are:

- Incremental: Slow but steady approach (without attempting a leap) in which an already conceived end result is aimed for.
 - Evolutionary: Slow but steady approach (without attempting a leap) in which there is no pre-conceived end result but each successive design or product is a refinement of the previous one.
 - Grand design: Total transformation through a right-the-first-time approach.
- (5)

2.2 Independence strategy

Firstly it must be considered, why independent strategy is discussed in this thesis and how company can depend on another company.

Outsourcing is the act of one company using another company for implementation the particular activity, to focus more effectively on its own competence.

Another definition is “The decision and subsequent transfer process by which activities that constitute a function, that earlier have been carried out within the company, are instead purchased from an external supplier”. (6)

Characteristics of outsourcing are:

- Activities that initially were performed in-house are transferred to an external party
- Assets, knowledge and, in some cases, people go over to that external party
- There will be an extended relationship between the parties involved over a long period of time
- In transferring the activity to the external party the buyer is exposed to both a cost and risk profile, both of which are new to the companies involved (6)

As for outsourcing the dependence on other companies which have their own requirements and standards should be considered.

The question is how outsourcing affects the investment policy.

The data is based on the author's working experience as ship operator in the broker's company.

The interest of this thesis is not only to prove a profit of purchasing of the company's vessels but to show the further development of the company.

The analysis of the above issue allows to feel assurance at the market.

The strategy of independence in this thesis implies a certain independence of the company from others. Company itself sets the standards and requirements. After having its own ships company can not only receive monetary benefits, but the company is being more stable and independent company from others. For example, CO Glencore subsidiary, which is LLC "International Grain Company" (ООО «Международная зерновая компания»). The company bought its own terminal in Rostov, which is making no profit. But its benefit is that first and foremost the company maintains its own goods. Company which already has a huge capital, is

not only interested in greater profits, but interested in independence from other companies, there is a monopolization of the market. It makes the company more competitive.

2.3 Return of Investment

For reaching the break-even point and profit it is necessary to calculate a payback period. While calculating it is necessary to consider the following factors: a payback period, the time value for money, the cost price, the amount of investment, a discount payback period. (7)

Indicator of profitability of investment is used for determining the profit center by dividing net income by the amount of investment.

Norma ROI is calculated by discounting rate i.e. coefficient for the allocation of future income in the present value. This figure should ideally exceed the risk-free rate of return of investment, which is calculated before tax.

In assessing the profitability of investments, it is necessary to take in to account that investments are the main driving forces of the business which should provide a continuous activity of the company, production and services, as well as to ensure the development of the company in the future. (8)

2.3.1 Payback Period

“Payback period is the time in which the initial cash outflow of an investment is expected to be recovered from the cash inflows generated by the investment. It is one of the simplest investment appraisal techniques.”(9)

This is the formula which calculates payback period:

Payback Period = Initial Investment / Cash Inflow per Period.

For example, a \$1000 investment which returned \$500 per year would have a two-year payback period. (9)

2.3.2 Discounted Payback Period

The time value of money can be ignored. Discounted Payback Period is procedure accounts for time value of money.

Formula.

Discounted payback period have to be calculated the present value of each cash inflow taking the start of the first period as zero point. For this purpose the management has to set a suitable discount rate. The discounted cash inflow for each period is to be calculated using the formula:

Discounted Cash Inflow = Actual Cash Inflow / $(1 + i)^n$, where

i - the discount rate;

n - the period to which the cash inflow relates.

3 SEA TRANSPORT AND THE ORGANIZATION OF THE SHIPPING MARKET

The improvement of the transport process is aimed at improving the efficiency and quality of products. The efficiency is the reduction of social labor expenses for transportation of the cargo unit, and qualitative indicators of transport are the rhythm and regularity of traffic safety and reduce the time of cargo delivery. In terms of maritime transport these primary goals are closely related to the safety of navigation and environmental protection.

Transportation of cargoes by sea is the most simple and cheap form of transportation.

Shipping plays a key role in the life of the world economy, occupying a central place in the emerging unified global transportation. A characteristic feature of the modern development of international maritime transport is the fact that the share of developing countries is increasing at the moment exceeding 15% of the world's complete tonnage. The mechanism of the effects of shipping on the global economic environment has been studied in some detail: factors such as the level of

freight rates, technical-economic indicators and the nature of the services navigation directly affect economic growth and the stability of the global economy in general and can have a serious impact on the conditions of development of individual countries and entire regions. In addition, the level of development of shipping directly linked to economic growth in many countries and for some countries it is an important source of national income.

Benefits of sea shipping:

- Maritime transport has no alternative in transcontinental transportation. Ships provide 98% of foreign transportation of Japan and the UK, more than 90% of U.S
- Modern sea transport can carry almost any type of cargoes - liquid, solid, granular, brittle, and others Created a special vessel for the carriage of certain types of goods - tankers, lighters, reefers, RO-RO, LO-RO, OBO, VLCC, ULCC, and many others
- Lower cost compared to other modes of transport. The construction of large vessels, the use of the latest technological advances, including the loading and unloading operations in ports, in recent years has reduced the share of transport in final price of goods from 11% to 2%.
- Uniform standards. Modern ships are built according to uniform standards, which significantly speed up the processes of loading and unloading.
- Using the containers for carriage. It not only just protects the cargo from malicious attacks and accidental damage, but also from the adverse effects of nature. (10)

Currently, there are three forms of navigation: tramp, commercial shipping and liner shipping.

Before considering transportation by sea it is necessary to understand which organization is responsible for it.

International Maritime Organization – IMO

IMO is a specialised agency of the United Nations with 171 member states and three associate members.

Special function:

- Acts as a specialized Agency of the United Nations;
- A consultative and Advisory organization;
- Responsible for the organization of security at sea and protection of the environment, as well as dealing with legal issues related to international shipping;
- Facilitates interaction between governments on technical matters to meet the highest standards for safety at sea and pollution prevention;
- Adopts and improves binding and non-binding international conventions, codes, resolutions, minutes, circulars and guidelines.

The organization has made more than 40 conventions and agreements, thousand codes and recommendations that are being implemented on a global scale. (11)(12)

3.1 Modern legal regulation

The basis of the modern international legal regulation of maritime transportation of goods consists of three conventions:

1. International Convention for the Unification of Certain Rules relating to bills of lading, adopted in Brussels on 25 August 1924 (the Hague Rules)
2. Protocol amendments to the International Convention for the Unification of Certain Rules relating to bills of lading, adopted in Brussels on 23 February 1968 (Visby Rules)
3. United Nations Convention on the carriage of goods, adopted in Hamburg March 30, 1978 (Hamburg Rules) Thus, carriers today have to deal with three groups of cargo carrying out maritime transport on the basis of a legal regime. (13)

For example consider The Hague Rules:

United Nations Convention on Contracts for the International Carriage of Goods Wholly or Partly by Sea (New York, 2008) (the “Rotterdam Rules”)

The Hague rules were developed by the International bar Association International chamber of Commerce proposed in September 1921 at the conference in the Hague. With the development of merchant shipping it has been necessary to reduce the size of the exceptions to the liability of the carrier, to increase their liability. These ideas were embodied in a series of amendments and modifications of the Hague rules, issued by the Brussels Protocol 1968. Revised at the conference in Brussels rules known as the rules of the Hague-Visby. (14)

The following are critical provisions and law changes found in the Rotterdam Rules.

- It extends the period of time that carriers are responsible for goods to cover the time between the points where the goods are received to the point where the goods are delivered. (Note: This applies only if there is a sea leg involved in the transport. Thus, the Rotterdam Rules are not completely multimodal since all multimodal carriage excluding a sea leg is outside of the scope of application.)
- It allows for more e-commerce and approves more forms of electronic documentation.
- It obligates carriers to have ships that are seaworthy and properly crewed throughout the voyage. The level of care is set to due diligence, which is the same as in the Hague Rules.
- It increases the limit liability of carriers to 875 units of account per shipping unit or three units of account per kilogram of gross weight.
- It eliminates the "nautical fault defense" which had prevented carriers and crewmen from being held liable for negligent ship management and navigation.
- It extends the time that legal claims can be filed to two years following the day the goods were delivered or should have been delivered.
- It allows parties to certain "volume" contracts to opt-out of some liability rules set in the convention. (14) (15)

3.2 Sea transport

3.2.1 Different types of vessels

Dry cargo vessels are designed to carry general cargo as well as oversized cargoes. They are equipped with cranes and booms for loading and unloading. Goods can be packaged in many different ways i.e. in boxes, in bales, in barrels. Dry cargo vessels have two decks and bulk cargo holds, which occupy the main body portion. As the loading equipment used cranes of up to 200 tons. As a rule, modern ships of this type have a refrigerated hold, intended for the carriage of goods with a certain temperature.

Specialized cargo ships transporting goods are called according to the type of cargo i.e. timber, container, reefer, ro-ro vessels or bulkers.

Bulk carrier is the type of vessel for the carriage bulk cargoes in bulk, used for the transport of coal, building materials, grain, sand, gravel and ore.

Bulk carriers are single-decked ships i.e. ships with no tweendecks in their holds but fitted out with various types of special cargo handling equipment. The cargo is often short straight into the hold and discharged by grabs, pneumatic suction plants and other bulk handling methods. The mordent ocean-going bulk carrier dates from the mid-fifties. There are bulk carries of over 150 000dwt today, but the largest of those in normal use are between 60 000 and 70 000 dwt, known as Panamax size. Some bulk carriers equipped with conveyor belts, which are unloaded from the cargo hold, the so-called self-unloading vessels.

Timbercarrier vessels are used for shipping timber and lumber as a rule they are single deck. Marine timber reinforced ice reinforcements that allow entering the ports of the Arctic basin.

Container ship have a single deck vessel with large holds, the dimensions of which are selected multiples of the dimensions of the containers. There are several generations of ocean container ships with a capacity of 1200 containers up to 13,000 containers. Container capacity holds increases due to the freeboard.

Operation expensive ocean container is economically feasible only between the base ports Intercontinental lines with great traffic. Shipping containers in small batches between the ports of a given region provide feeder container ships. The operation of the feeder container ships with a capacity of up to 600 containers - greater frequency of visits to ports, as well as the servicing of small ports, without the use of specialized handling equipment.

A variety of containers are lighter carrier are ships to transport the floating barges. These barges carrying capacity of 370-2000 tons, with a lighter carrier is discharged into the water, and then towed to the required berth. Lighter carrier is used in places where the big ships do not go for any reason.

The tanker is the most common form of transport vessels used to transport oil and other liquid cargoes. Tanker, this single-deck vessel, its carrying capacity is up to 400 thousand tons. The upper deck of the vessel is equipped with a plurality of tubes through which the loading and unloading of cargo. Truck part of such vessels is divided by transverse and longitudinal bulkheads on cargo tanks (compartments) that are filled with liquid cargo. The tanker has a pump-room, through which the filler is unloaded cargo. Such vessels are equipped with double bottom and double sides - to prevent the cargo in the environment. Some ships of this type can simultaneously carry up to 5 types of bulk cargoes. Unloading tankers occurs near the speakers far berths on which are pipelines to shore. Mammoth tankers of 70,000 to 150,000 dwt, with very large crude carriers of 150,000 to 300,000 dwt, and ultra large crude carriers of 300,000 to 800,000 dwt. Even mega tankers of 1,000,000 dwt and larger. VLCCs and ULCCs require 65 to 90 ft channel depth and sufficient space in which to turn. They are 300-400 meters long. The deepest ports have depths of 45 to 60 ft in dredged channels.

LNG carry different gases (propane, methane, ammonia), which are transported in liquefied form. Offshore LNG independent tanks are cylindrical, rectangular and spherical shape. For example, gas for delivery to methane, which is transported at a temperature of -160°C to have a rectangular shape of the tank. Marine gas carriers equipped with pumps, piping systems, compressors - to perform unloading.

(16)(30)

3.2.2 Difference between liner and tramp ships

Liner ships make regular voyages, following pre-established schedules and determined ports of call (may include only two or more ports commonly).

Tramp ships operate wherever the market dictates.

Tramp shipping is occasional transport of goods for payment, with no fixed schedule. Tramp vessels as a rule are chartered by the Charter Party. Freight is calculated by multiplying the freight rates established in the charter, on the quantity of goods (sent or delivered).(22)

3.2.3 Tramp Shipping

In tramp shipping vessels are operated on an irregular basis. They are fixed to certain areas, and move freely from one section of the freight market to another depending on demand for tonnage and supply of goods. Freight cost and other commercial terms are installed on each flight or several flights on the basis of the contract of carriage by sea, which has the form of a charter. In most cases, the contract is with the broker or freight broker. The charter contains a number of mandatory conditions relating to the vessel, cargo, freight, payment procedure stevedoring operations, dispatch and demurrage. (17)

3.2.4 Liner Shipping

Liner shipping is a specific form of sea transport services, in which the carrier arranges between established ports of the regular delivery of cargoes on a pre-announced schedule. All senders use the standard contract - the bill of lading and stable prices. The bill of lading is a document issued by the shipowner to the shipper. (22)

3.3 Different type of charter contract

Voyage charter is the hiring of a vessel and crew for a voyage between a load port and a discharge port. The ship owner is paid on per ton or lumpsum basis by the charterer. The port costs, fuel costs and crew costs are paid by the owner.

Freight is the payment for the rent of the vessel.

Under the contract of a voyage, the charters' dates for loading and discharging are strictly agreed and known as laytime. In case of infringement, charterers pay demurrage or the ship owner can consulate the voyage.

Contract of Affreightment (COA) is the same voyage charter, but for period of time on a specified route. Agreed frequency of cargoes may require more than one ship. That means charterers make the agreement with ship owners for carrying definite on amount of cargo.

Time charter is the hiring of a vessel for a specific period of time. The vessels are in full possession of the owner but the charterers choose the ports and direct. All fuel the vessel consumes, port charges, commissions and a daily hire to the owner of the vessel are paid by the charterers. It is used for a specified route only.

Bare boat charter is an arrangement for the hiring of a vessel without crew. . The charterer obtains possession and full control of the vessel along with the legal and financial responsibility for it. All costs for vessels the same with time charter but it is charterers' responsibility. Bare boat charter includes all operating expenses, crew, P&I and H&M insurance. If the fact during this contract the ship owners are owners just on the paper and they receive freight from charterers. (18)(19)

3.4 Freight rates

Freight rate is a price at which a certain cargo is delivered from one point to another. Charterer pays a ship owner for the use of a ship in a voyage charter. The cost which a ship owner or charterers is pay for the transportation of cargoes is established by a number of factors.

The main factors in determining the freight rate are:

- Mode of transportation
- Weight
- Size
- Distance
- Points of pickup

- Delivery and the actual goods being shipped

All of these factors play their own independent role in establishing the rate or price for the freight will be transported. (17)(20)

There are several websites which can help calculate the freight rate, for example: <http://www.uship.com/freight/> and <http://worldfreightrates.com/freight>. Also, charters can use the freight report and ask freight brokers about freight rates.

3.5 Time Charter Equivalent

”A shipping industry standard used to calculate the average daily revenue performance of a vessel. Time charter equivalent is calculated by taking voyage revenues, subtracting voyage expense and then dividing the entire total by the round-trip voyage duration in days. It gives shipping companies a tool to measure period-to-period changes”. (1)

During the calculation of TCE, voyages costs are used i.e. fuel, ports charges, canal dues, cleaning cost, fumigation, customs fees and as a result receive data in the cost in USD per one day. It is profit of vessel for one day.

TCE does not include payment for capital costs and operating costs i.e. supplying crew and vessel parts and equipment. (21)

3.6 Chartering of vessels

Chartering of vessels is hiring the ship under the specified contract payment of which is freight rate. (chapter 3.3)

A charterer can be a party without a cargo. The vessel is taken on charter for agreed period from the owner for hire rate and makes a profit in a rising market by rendering the vessel to other charterers.

Standard contract depends on the type of vessel and the type of charter and description terms and details of agreement in a charter party. (22)

3.6.1 The Baltic and International Maritime Council.

The Baltic and International Maritime Council - BIMCO.

International shipping associations control 65 per cent of the world's tonnage, shipowners, operators, managers, brokers and agents are members of this organization. The aim of this association is to protect global friendship, to provide information, advice and education of commercial shipping business practices.

This organization has about 2 300 members in around 130 countries. (23)(24)

3.6.2 Charter Party

The main contract of carriage in tramp shipping is a charter.

Charter detailing the parties has agreed the shipping condition, and the conditions provided for obligations of the parties prior to the carriage of:

- Characteristics of the vessel
- The time
- Place of delivery of the vessel

Charter terms become binding upon its signing and not from the date of actual delivery of the vessel for loading vessel. Charterer, shipowner is provided by charter responsibility for failure of the vessel or tardiness.

There are pro forma charter for the transport of coal, coke, grain, oil, oil, fruit, and fertilizers. Some goods are designed by several charters depending on the direction of freight flows. Transportation of goods, for which there are no special formalities are usually carried out on the basis of the charter "GENCON."

Advantage preforms charter is that they take into account the interests of shipowners and charterers. Most of these charters are a compromise worked out after lengthy negotiations.

The Parties shall agree with charter standard preform and your changes. Your changes charter takes precedence. Often all the changes and additions are reduced in the attached pro forma charter called addendum (from the English. Addendum - the application, appendix).

Basic pro forma charter: Gencon; Synacomex; Vegoil etc. (22)(25)(26)

For grain cargo the most popular pro form is “Gencon” (appendices 1)

4 INVESTING IN OWN VESSELS

4.1 Grain cargo

Grain has been transported by ship for more than one thousand years. This issue has attracted attention and it is one of the important maritime markets in view. During carriage of grain in its natural form, by bulk, the ship and ship crew have a potential danger to be poured in the cargo area when the vessel is experiencing rocking. Therefore, the problems arising in connection with such kind of transportation are often the subject of national regulations and international agreements.

Biological properties such as grain breathing, ripening, germination and self-warming should be taken into consideration. The carrier is obliged to take into account all the characteristics of the cargo and, firstly, to ensure rational loading and safe navigation and, secondly, safety of cargo.

All grain goods are divided into three groups: cereals, legumes and oilseeds. Physical properties include fluidity, shrinkage, thermal conductivity and sorption properties. In general, wheat is used for human consumption, while coarse grains are used as feed for livestock. Oil seeds are used to manufacture vegetable oil for human consumption or for industrial use, while their protein-rich residue is used as a raw material in animal feed.

Canada and Australia are in the first place for total grain production. Second place is taken by Argentina and United States followed by Latin America, Africa The Middle East, Asia and Pacific region, excluding Japan.

The principal vessel classes used in the grain trade are Panamax and Handymax.

But in this paper Russian export which widely uses sea-river fleet is being considered. The most profitable to be used is a general purpose vessel.(32)

Grain export from Russia for 2013:

Table 1. grain export from Russia for 2013. (27)

BARLEY	11.21 %
CHICK PEAS	0.55 %
CORN	10.66 %
FEED STAFF	3.97 %
FLAX SEEDS	0.21 %
LENTIL	0.00 %
MILLET SEEDS	0.13 %
OIL SEEDS	0.39 %
PEAS	0.59 %
RAPE SEEDS	0.17 %
RICE	0.20 %
RYE	0.09 %
SORGHUM	0.19 %
WHEAT FEED	1.62 %
WHEAT MILLING	70.02 %

4.1.1 Rules of Transportation.

There are rules for maritime transport of grain in International Code for the Safe Carriage of Grain in Bulk.

Before leaving the port of loading, the vessel must obtain a document which affirms compliance with all the rules of carriage under this Convention.

It must be known as proof that the vessel is able to meet the requirements of these rules.

Such document and stability data when loading grain and related plans can be drawn up in the official language or languages of the country where the document is issued. A copy of this document to the stability of grain loading and related plans should be on the board of the vessel, so that if it is necessary the captain could present them to check the contracting government of the country in the port of loading.

All the timber used in dunnage for grain transportation must be of good quality and of such types and varieties that are well established for this purpose. Actual final dimensions of the timber must comply with the dimensions shown below. Plywood type used for outdoor sized with waterproof glue and installed so that the direction of the fibers in the outer layers perpendicular supporting posts or links, may be used provided that its strength is equivalent to the strength of solid wood of appropriate dimensions.

In addition to all the documents physical and biological properties of the grain must be taken into account.

The biological properties include respiration, ripening, germination, self-heating, and contamination of storage pests. The density of the grains ranges from 0.3-0.45 ton / m³ for sunflower seed to 0.85 – 0.9 m / m³ for rice.

Humidity is one of the main physical and mechanical properties of grain cargoes. The determining safety will by dry state of grain. Increased humidity leads to a certain amount of free water, which can take an active part in the proceeding in the grain physical and chemical processes.

Standards provide four states grain humidity in per cent: dry - 13-14 medium dryness – 14.1 – 15.5 wet – 15.6 - 17 and raw - over 17. Grain moisture depends on the ambient humidity, as grain cargoes have increased hygroscopicity. If the humidity is greater than 18%, then begin germination and accompanied by an increase in temperature of the grain mass. At a temperature of 50-55 ° C appears mustiness and putrid and smell and grain decomposes rapidly. High humidity causes the active development of microorganisms and pests of grain.

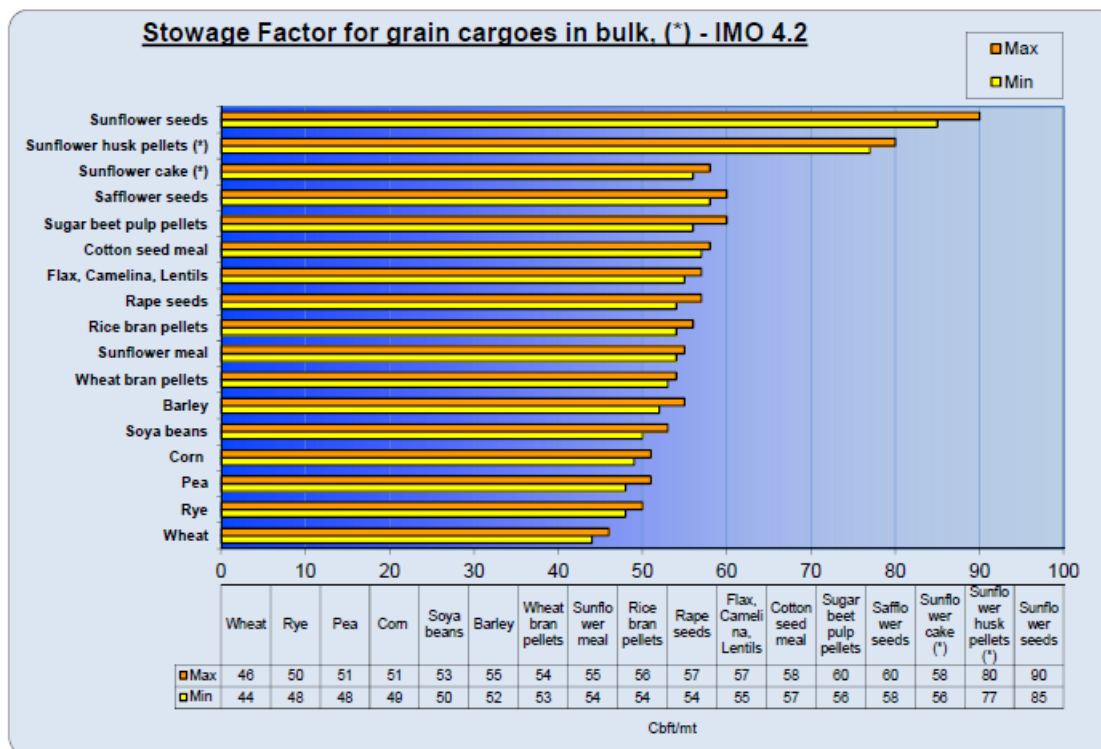
Humidity grain mass has great influence on such properties as that is adhesion grains sticking to the walls of the transport containers, which complicates and increases the discharge losses and on autohesion (interaction homogeneous particles grains with each other), thereby, a rapid rash of bins. If autohesion dominates the adhesion, the unloading of the goods takes place completely.

Fluidity of the particles of grain cargo at rest and motion is characterized by the angle of repose in which the movement is smaller than the rest.

Low thermal conductivity of grain leads to the accumulation of heat in the mass of the load and promotes a progressive self-heating. When heated to a temperature of 50-55 ° C grain appears putrid, malty flavor, mustiness, and its mass decreases drastically. Changes in chemical composition and subsequent damage to grains also occur under the influence of light.

When taken to the carriage grain must be monitored and comply with established standards of humidity 16%, inclusions, pest infestation. (33)

Depends freight rates of stowage factor:



4.2 General purpose vessels

This thesis will consider only this type of vessel, because the topic is investments in own vessels. In the grain export and import company which implements carriage in Black Sea area.

This reduces the turnaround time of vehicles and increases their productivity. This is a reason to decide the type of vessel between:

- Omskiy
single-deck twin-screw dry cargo ship carrying capacity 3000 tons, with forecastle, with double sides and double bottom, with four covered holds amidships, with the engine room and accommodation superstructure aft.
- Sormovskiy
big dry cargo “river – sea”, with four covered holds, with forecastle and poop, with double sides and double bottom, with the engine room and superstructure aft. Vessels are designed for bulk cargo, general cargo and timber. Cargo capacity – 3353tonns
- Volgo-Balt
river-deck twin-screw dry cargo ship with one open cargo hold and four open cargo holds, with double sides, double bottom, forecastle, aft engine room and accommodation superstructure.
Cargo capacity of 5000-5300 tons.

Transportation in the courts of mixed navigation started relatively recently in the 1960's, but due to the high economic efficiency, quickly developed. Geography of transportation and include rivers and canals European part of Russia, as well as the ports of the Amur River basin, the sea: White, Baltic, North, Dzovskoe, Black, Caspian and Japan. In recent years the river shipping activities are being increasingly developed international cargo vessels able.

Three international regular shipping lines are organized: Caspian Volgo-Baltic Line, Mediterranean Volga-Don line that runs year-round, and Forestry Freight Line Cherepovets – Rostov to) – Ports of Bulgaria Varna and Burgas.

The experience of these three lines showed high economic efficiency of the linear-navigation vessels “river – sea” compared with the typical river shipping tramp sous-pudding. Linear navigation improves performance and increases the monetary and financial performance of shipping companies. Message “river – sea” is a promising form of organization of transport, especially foreign trade goods. This finding confirms the dynamics of traffic courts nth “river – sea”. (30)(31)

4.3 Freight traffic

Annually, more than 17 million tons of grain from Russia are exported. Therefore it is important to understand, in what direction it is exported, and which countries are the largest beneficiaries of this type of cargo. For proof it to be considered grain report which provided by Nitro Shipping LTD. The company provides brokerage shipping and works with such goods as bulk, grain, bulk, general, and oversized containers.

The largest producers of wheat are the United States, India, Canada, France. Also, Italy, Australia, Turkey and other countries cultivate it on a large scale.

The main consumers of grain:

North Africa and the Middle East:

- Egypt (the largest importer of heat - 7.3 to 8.2 million, the share of maize imports - an average of 4.1 to 5.3 million tonnes).
- Tunisia (wheat imports is 1.1 to 1.4 million tonnes, barley - 0.5 0.9 million tons);
- Saudi Arabia (the largest importer of barley in the world - about 7.3 million tons),

Countries in Asia and the Pacific:

- China (imported up to 6.7 million tonnes of wheat);
- Japan (annual import volume of cereals is about 25 million tons, including corn accounts for 66% wheat 21% barley, 6%, rice (brown), 3%, 1% rye, oats, 0.5%), and others.

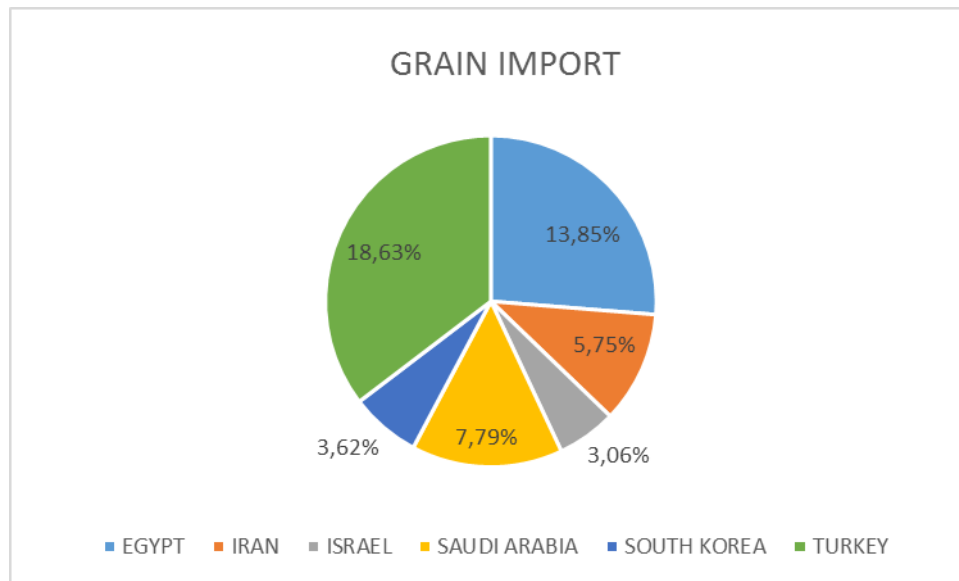


Figure 1 Grain Import (27)

Recently there has been an increase in imports of Black Sea grain countries such as Egypt, Iran, Pakistan. This thesis will consider this sector of market.

4.4 Example of company

An example of the company was taken company Glencore International AG. **Global Energy Commodities and Resources.**

Glencore is the largest trader in the world and has a number of production facilities all around the world. Supplied metals, minerals, crude oil, oil products, coal, natural gas and agricultural products to international customers in the automotive, power generation, steel production and food processing industries.

The company have subsidiary in Russia. It is International Grain Company.

International Grain Company (GCI) was established by the Swiss trader Glencore International AG in April 2004 and is Russia's largest grain exporter. In July 2006-March 2007, the MKS has exported 1.78 million tons of grain, which was 16.1% of total Russian exports. The company delivers grain to Greece, Algeria, Iran, Egypt, Saudi Arabia, Japan, India and other countries. GCI has nine elevators in

Kabardino-Balkaria, Krasnodar and Stavropol, Rostov, Volgograd and Kursk regions. The total storage capacity of cargo for carriage is 700 thousand tonnes of grain. Revenues in 2006 it is 11.99 billion rubles and net profit is 42,310,000 rubles.(34)(35)

4.4.1 Consider areas freight rates

This thesis covers the areas on which the company works: Turkish Black Sea (TBS) and Georgia, Marmara Sea, Nemrut Bay (Izmir), Mersin and Iskenderun, Egypt in Mediterranean Sea, Albania and Adriatic Italy (northern part).

In the most profitable months the company carried approximately 40-50 thousand tons a month to the TBS and about 15 thousand tons in other directions. The biggest profitable months are June, July, August. In other months the company has less than 50% capacity of cargo. Anyway, the company has approximately 30% of market place. That means that the company has always cargo to carry.

For example freights for 3-3,500mts export Azov / Rostov to 1sp Egypt in Mediterranean in 2008-2014.

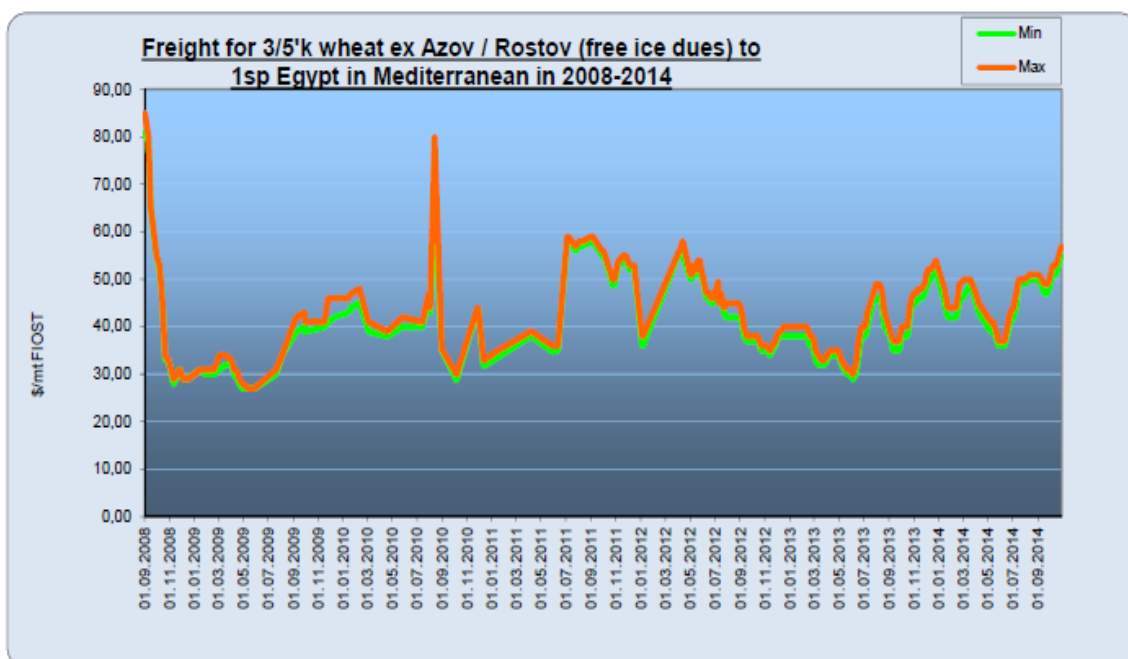


Figure 2. Freight analyse from Azov / Rostov to Mediterranean (3)

4.5 Accounting

The calculations are very important for future investment.

This part addresses issues such as the calculation of return of investment, the payback period, cost of the ship and consider full voyage with all costs.

Calculation of freight rates is necessary to compare and identify the best ways of cargo transportation. Benefit from the acquisition of own vessel also depends on the freight market and the rates.

To answer the main question, it was necessary to calculate a brief description, examples and the results are shown below.

4.5.1 Cost for freight

To calculate the freight cost of the vessel was considered voyage from Rostov to Egypt in the Mediterranean Sea.

Below is map of voyage where could find more detailed information. The program NETPAS is special program for shipowers which given all details for planning and current voyage.

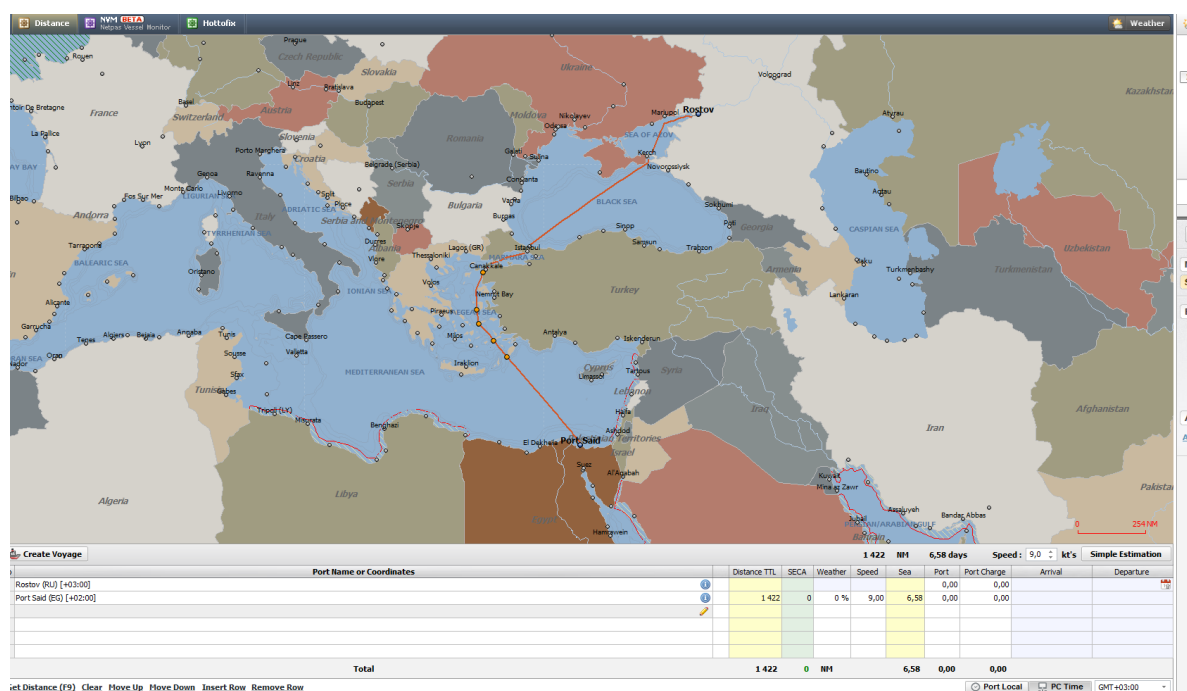


Figure 3 Voyage from Rostov to Port Said. NETPAS.

Take the average market for June-July-August 2014 (29)

Table 2 . Nitro Shipping Freight report for grains

Freight rates in USD/mt FIOST for 3'000 mt of GRAIN PRODUCTS with SF upto 50 cbft/mt from 1 gcbp Redlov AB (free ice dues; (*) - sub actual ice situation) TO 1 gcbp of discharge asst (sub other terms):		31.07.14	13.08.14	21.08.14	28.08.14	03.09.14	17.09.14	25.09.14	02.10.14	08.10.14
01. STS Kerch - free d/a bends	1'000 mt/wed shinc	mid 10's	mid 10's	mid 10's	mid 10's	mid 10's	mid 10's			
02. TBS and Georgia	1'000 mt/wed ssex (Fri 17:00 - Mon 08:00) elu	29+	30-31	30-31	30-31	29-30	28-29	abt 30	abt 30	abt 30
03. Marmara Sea	1'000 mt/wed ssex (Fri 17:00 - Mon 08:00) elu	32+	32-33	32-33	32-33	31-32	30-31	low 30's	33	33-34
04. Nemrut Bay (izmir)	1'000 mt/wed ssex (Fri 17:00 - Mon 08:00) elu	35+	35-36	35-36	35-36	34-35	34	35-36	36-37	36-37
05. EC Greece	1'000 mt/wed ssex (Fri 17:00 - Mon 08:00) elu	37+	37-38	37-38	37-38	36-37	36	37-38	38-39	38-39
06. Crete	1'000 mt/wed ssex (Fri 17:00 - Mon 08:00) elu	39+	39-40	39-40	39-40	38-39	38	38	39-40	39-40
07. WC Greece (incl. Corinrh)	1'000 mt/wed ssex (Fri 17:00 - Mon 08:00) elu	45+	45-46	45-46	45-46	44-45	44	44	45+	45+
08. Antalya, Greek part of Cyprus	1'000 mt/wed ssex (Fri 17:00 - Mon 08:00) elu	45+	45-46	45-46	45-46	44-45	44	44	45+	45+
09. Mersin and Iskenderun	1'000 mt/wed ssex (Fri 17:00 - Mon 08:00) elu	48+	49+	49-50	49-50	abt 49	high 40's	high 40's	high 40's	high 40's
10. Israel in Mediterranean Sea	1'000 mt/wed ssex (Fri 17:00 - Mon 08:00) elu	49+	50+	50+	50+	50+	high 40's	high 40's	low 50's	low 50's
11. Syria	1'000 mt/wed thex (Thu 17:00 - Sat 08:00) elu	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
12. Lebanon	1'000 mt/wed ssex (Fri 17:00 - Mon 08:00) elu	49+	50+	50+	50+	50+	high 40's	high 40's	low 50's	low 50's
13. Egypt in Mediterranean Sea	1'000 mt/wed thex (Thu 17:00 - Sat 08:00) elu	49+	50+	50+	50+	50+	high 40's	high 40's	low 50's	low 50's
14. Albania	1'000 mt/wed ssex (Fri 17:00 - Mon 08:00) elu	48+	50+	50	50	abt 49	high 40's	high 40's	low 50's	low 50's
15. Adriatic Italy (northern part)	1'000 mt/wed ssex (Fri 17:00 - Mon 08:00) elu	50+	50+	50+	50+	50+	high 40's (50)	low 50's	mid-low 50's	mid-low 50's
16. WC Italy	1'000 mt/wed ssex (Fri 17:00 - Mon 08:00) elu	55+	55+	55+	55+	55+	mid-low 50's	high-mid 50's	high 50's	high 50's
17. East part of Libya	1'000 mt/wed thex (Thu 17:00 - Sun 08:00) elu	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
18. West part of Libya	1'000 mt/wed thex (Thu 17:00 - Sun 08:00) elu	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
19. Tunisia	1'000 mt/wed ssex (Fri 17:00 - Mon 08:00) elu	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
20. Algeria	1'000 mt/wed thex (Thu 17:00 - Sat 08:00) elu	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
21. Morocco in Mediterranean	1'000 mt/wed thex (Thu 17:00 - Sat 08:00) elu	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
22. Morocco in Atlantic (up to Agadir)	1'000 mt/wed thex (Thu 17:00 - Sat 08:00) elu	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Freight rate - 49 for 3000mts (data were taken for 31.07.2014)

The cargo capacity 3000mts, the price for chartering will be 147,000\$

If traffic volumes 40 000t per month – it means that the cost is about 1,960,000\$ per month and if multiply it for 3 season month, it will be 5,880,000\$. (28)

4.5.2 Cost of vessel

Average price for this type of vessels depends on year of issue.

Table 3 Different type and price for vessels

Type of vessel	Cargo Capacity	Year of construction	Price
Omskiy	3 000mts	abt 1985	1 700 000 – 1 800 000 \$
Omskiy	3 000mts	abt 1990-1992	abt 2 000 000\$
Volzhskiy	5 000mts	adt 1995	abt 5 500 000\$

T

he Omskiy type of vessel which has DWCC abt 3000mts / 153.000cbft.

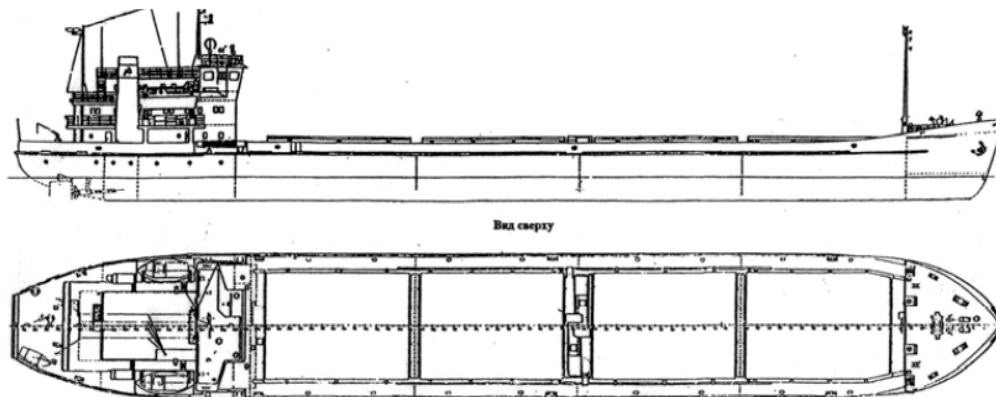


Figure 4 Type of ship “Omskiy”

Vessel with single-deck twin-screw dry cargo ship carrying and cargo capacity 3000 tons, with forecastle, with double sides and double bottom, with four covered holds amidships, with the engine room and accommodation superstructure aft
Purpose of vessel is carrying the cargo like timber, grain, general and container.
Container capacity is 100 TEU (36 on deck and 64 on hold). (28)(31)

TCE for this voyage

All calculations are performed on the basis of data provided by ООО «Черноморо-Балтийская Судоходная Компания».

Further the decides the Omskiy type which take 3000mts. In calculations take 3000mts for cargo.

To start the calculations should have been taken average freight rate for one year. It is approximately 45 USD/mts.

The full voyage is taken 25 days, it is include 18 days for carry and 8 days for loading/ discharging and acrossing the Bosphorus canal.

Next costs is disbursements in Egypt, Rostov and channel.

In Egypt it is 6000 USD, Rostov – about 9000 USD and Channel in both side – 1500 USD.

For calculating fuel cost needed consumptions during idle and during voyage.

During idle it is 0,3t per day and during the voyage 3t per day.

The price for fuel is about 800 USD per ton.

The full cost for fuel on this voyage is about 44 880 USD.

Table 4 Summary table for price.

Cost for voyage	Quantity
Days	25days
Disbursement	16 500 USD
Fuel	44 880 USD
Freight rate	45 USD/mts
Cargo capacity	3 000 mts

$$\text{TCE} = (135\,000 - (44\,880 + 16\,500)) / 25 = 2\,831,5 \text{ USD/days}$$

TCE does not include other cost for vessel such as operating costs, which include supplying crew and vessel parts and equipment and capital costs.

Operating cost for this vessel is approximately 1800 per day. This is the vessel profit for one day.

In the result is the net profit vessel for one day, which can receive by using this formula.

Net profit vessel for one day = TCE – Operating cost.

During the accounting it is $2\,831.5 - 1800 = 1031.5$ USD

Short explanation of accounting:

NET PROFIT: $2\,831.5 - 1800 = 1031,5$ USD

365 days *net profit = **376 497.5 USD** per year.

To continue the calculation of the cost of vessel a payback period must be considered according to the formula:

Payback Period = Initial Investment / Cash Inflow per Period.

In the result $2\,000\,000 / 376\,495,5 = 5,3$ year. It is without very important discount coefficient. With it the payback period will be **7 years**. More details in table with full accounting which can be checked in Appendix 4.

Final comparison between chartering and cost own vessel.

The comparison is very important to answer the main question of this work.

Summarize the results of our calculations. Given the calculations were based on voyage between Rostov-on-Don, Russia and The Port Said, Egypt.

First for freight vessel:

The cost for full voyage for company is 135,000USD, if taken the average freight rate is 45 USD per ton and cargo capacity is 3000mts

The cost for own vessel for one voyage 131 055USD, calculation include the TCE.

The more detailed information about calculation in appendix 4.

More profitable for company to purchase own vessels and the company start have some assets.

5 CONCLUSION

After considering the freight market and comparing the cost of servicing an own vessel for voyage and the calculations of return on investment, it is clear that for a large company it would be a good prospect to buy its own fleet.

This is due to the fact that Glencor CO is interested in not only large profits but a stable place in the market and more competitive opportunities.

During the study a reply was received to the main question of thesis. It was whether it makes sense to invest capital of the company in purchasing its own vessels. When company is buying its own vessels it has these advantages:

- Definition of independence from other shipping companies.
- Full control of cargo to the recipient.
- The company acquired assets. And, therefore, if not a stable market and if the company shall cease to benefit from vessels, it will be able to sell it.
- Monitoring the market.

This all allows the company to grow and gain more customers and capture a larger part of the market.


REFERENCES

1. (I) INVESTOPEDIA. Dictionary. [Online]. Available from: <http://www.investopedia.com/terms/i/investment.asp> [Accessed: 21 October 2014].
2. Monox. Investments. [Online]. Available from: <http://www.monox.ru/investments/> [Accessed: 22 October 2014].
3. Buy Shares. Chapter 06: Short or Long Term. [Online]. Available from: <http://buyshares.org/short-term-vs-long-term/> [Accessed: 22 October 2014].
4. STPLAT.RU Стратегическое управление и планирование. Examples business strategies biggest companies of the world. [Online]. Available from: <http://www.stplan.ru/articles/theory/bizstrat.htm> [Accessed: 22 October 2014].’
5. Business Dictionary. Development strategy. [Online]. Available from: <http://www.businessdictionary.com/definition/development-strategy.html#ixzz3Gslg3dlZ> [Accessed: 22 October 2014].
6. Van Weele A.J. *Purchasing and Supply Chain Management*. Cengage Learning EMEA. United Kingdom. 2010. 162, 32,190 pages.
7. Unitad. How to account ROI? And examples for accounting. [Online]. Available from: <http://unitad.ru/analiz-dannih/rascheta-po-formule-roi-koeffitsient/> [Accessed: 23 October 2014].
8. КакБог.ru. Return of Investments. [Online]. Available from: <http://kak-bog.ru/rentabelnost-investitsiy> [Accessed: 21 October 2014].
9. Accounting Explained. Capital Budgeting. [Online]. Available from: <http://accountingexplained.com/managerial/capital-budgeting/> [Accessed: 3 November 2014].
10. Stopford, M. *Maritime Economics*. Taylor & Francis 2003. 2-3; 194-195; 456 pages.
11. Wikipedia. International Maritime Organization. [Online]. Available from: https://en.wikipedia.org/wiki/International_Maritime_Organization [Accessed: 3 November 2014].
12. IMO. About IMO. [Online]. Available from: <http://www.imo.org/Pages/home.aspx> [Accessed: 3 November 2014].
13. Моряк. Международно-правовое регулирование морской перевозки грузов. [Online]. Available from: <http://seaspirit.ru/morskie-konvencii/morskoe-pravo/mezhdunarodno-pravovoe-regulirovanie-morskoj-perevozki-gruzov.html> [Accessed: 25 October 2014].
14. UNCITRAL. United Nations Commission on International Trade Law. [Online]. Available from: http://www.uncitral.org/pdf/english/texts/transport/rotterdam_rules/Rotterdam-Rules-E.pdf [Accessed: 25 October 2014].
15. Wikipedia. Rotterdam Rules. [Online]. Available from: http://en.wikipedia.org/wiki/Rotterdam_Rules [Accessed: 26 October 2014].
16. Vital Special Service. Типы морских судов для перевозок грузов. [Online]. Available from: http://www.pereezd.net.ua/morskie_suda.html [Accessed: 3 November 2014].
17. Pierre D. & Steward R. *International Logistics*. Cengage Learning. USA. 2008. 247-249 pages

18. Maritimeknowhow. [Online]. Available from: https://2414f8b3-a-b885f84d-sites.googlegroups.com/a/maritimeknowhow.com/web/Presentatie1%20site.pdf?attachauth=ANoY7cpsmAerU1qymarzrcST8YPS5usujdGIKjSyOiqCKFg9lAV8dA94Rx4xyMeozM4HHmulfaJStfLucib46q-lGk5dRrNBzRa1f89wEbB3tYphZQLOeb9R_CDGmFv8RmKq-odxFJgVJgEQMGD8opBUgkt0gdhg93_b7vsPlhY5uEGu92OEN0jKyioxzG_tnpgcstv0hcqOriYFscKtb1OwdPcpNn9Yvg%3D%3D&attredirects=0 [Accessed: 26 October 2014].
19. Шутенко В.В. *Коммерческая работа на морском транспорте*. ГМА им. С.О. Макарова. 2011. 27-29 pages
20. Wikipedia. Freight rate. [Online]. Available from: http://en.wikipedia.org/wiki/Freight_rate [Accessed: 29 October 2014].
21. The Trade, Shipping and Finance Wizard. TCE. [Online]. Available from: <http://jacquessimon506.wordpress.com/2013/11/09/the-baltic-dry-index-bdiy-charts-and-time-charter-equivalent-tce-explained/> [Accessed: 21 November 2014].
22. Лимонов Э.Л. *Внешнеторговые операции морского Транспорта и мультимодальные перевозки*. ООО «Модуль». Санкт-Петербург. 2006.
23. EduMaritime.com. BIMCO. [Online]. Available from: <http://www.edumaritime.com/denmark/bimco-education-baltic-and-international-maritime-council-hq-at-bagsv%C3%A6rd-denmark> [Accessed: 4 November 2014].
24. BIMCO. About BIMCO. [Online]. Available from: https://www.bimco.org/About/About_BIMCO.aspx [Accessed: 4 November 2014].
25. The free dictionary by Farlex. Charter party. [Online]. Available from: <http://legal-dictionary.thefreedictionary.com/Charter-party> [Accessed: 6 November 2014].
26. BIMCO. Documentation guides. [Online]. Available from: https://www.bimco.org/Products/Documentary_Guides.aspx [Accessed: 4 November 2014].
27. Summary report / grain export 2013-2014. TBI LLS, Novorossiysk
28. Nitro Shipping Freight report for grains, 29th October 2014. Nitro Shipping Ltd, Saint-Petersburg.
29. NETPAS, Smart Maritime Business. [Online]. Available from: <https://www.netpas.net/index.php>. [Accessed: 21 November 2014].
30. International Chamber of Shipping. Different Types of Ship in the World Merchant Fleet. [Online]. Available from: <http://www.ics-shipping.org/shipping-facts/shipping-and-world-trade/different-types-of-ship-in-the-world-merchant-fleet>. [Accessed: 16 November 2014].
31. FLAGMAN. Types of ships “river-sea”. [Online]. Available from: <http://flagmanshipping.com/content/suda-tipa-reka-more> [Accessed: 18 November 2014].
32. MOLTRANS Transport & Logistics. Grain Transportation. [Online]. Available from: <http://moltrans.com/perevozka-zerna/> [Accessed: 29 November 2014].
33. Bulk carrier guide.com. Bulk carrier guide for international grain code requirements. [Online]. Available from: <http://www.bulkcarrierguide.com/international-grain-code-regulation.html> [Accessed: 29 November 2014].
34. Wikipedia. Glencore. [Online]. Available from: <http://en.wikipedia.org/wiki/Glencore> [Accessed: 1 December 2014].
35. Forbes. Glencore International. Профессия: посредник [Online]. Available from: <http://m.forbes.ru/article.php?id=12368> [Accessed: 1 December 2014].

APPENDIX

Appendix 1

1. Shipbroker	 <p>RECOMMENDED THE BALTIC AND INTERNATIONAL MARITIME COUNCIL UNIFORM GENERAL CHARTER (AS REVISED 1922, 1976 and 1994) (To be used for trades for which no specially approved form is in force) CODE NAME: "GENCON"</p> <p style="text-align: right;">Part I</p>
3. Owners/Place of business (Cl. 1)	2. Place and date
5. Vessel's name (Cl. 1)	4. Charterers/Place of business (Cl. 1)
7. DWT all told on summer load line in metric tons (abt.) (Cl. 1)	6. GT/NT (Cl. 1)
9. Expected ready to load (abt.) (Cl. 1)	8. Present position (Cl. 1)
10. Loading port or place (Cl. 1)	11. Discharging port or place (Cl. 1)
12. Cargo (also state quantity and margin in Owners' option, if agreed; if full and complete cargo not agreed state "part cargo") (Cl. 1)	
13. Freight rate (also state whether freight prepaid or payable on delivery) (Cl. 4)	14. Freight payment (state currency and method of payment; also beneficiary and bank account) (Cl. 4)
15. State if vessel's cargo handling gear shall not be used (Cl. 5)	16. Laytime (if separate laytime for load. and disch. is agreed, fill in a) and b). If total laytime for load. and disch., fill in c) only) (Cl. 6)
17. Shippers/Place of business (Cl. 6)	a) Laytime for loading
18. Agents (loading) (Cl. 6)	b) Laytime for discharging
19. Agents (discharging) (Cl. 6)	c) Total laytime for loading and discharging
20. Demurrage rate and manner payable (loading and discharging) (Cl. 7)	21. Cancelling date (Cl. 9)
23. Freight Tax (state if for the Owners' account) (Cl. 13 (c))	22. General Average to be adjusted at (Cl. 12)
25. Law and Arbitration (state 19 (a), 19 (b) or 19 (c) of Cl. 19; if 19 (c) agreed also state Place of Arbitration) (if not filled in 19 (a) shall apply) (Cl. 19)	24. Brokerage commission and to whom payable (Cl. 15)
(a) State maximum amount for small claims/shortened arbitration (Cl. 19)	26. Additional clauses covering special provisions, if agreed

Copyright, published by The Baltic and International Maritime Council (BIMCO), Copenhagen

It is mutually agreed that this Contract shall be performed subject to the conditions contained in this Charter Party which shall include Part I as well as Part II. In the event of a conflict of conditions, the provisions of Part I shall prevail over those of Part II to the extent of such conflict.

Signature (Owners)	Signature (Charterers)
--------------------	------------------------

PART II

"Gencon" Charter (As Revised 1922, 1976 and 1994)

1. It is agreed between the party mentioned in Box 3 as the Owners of the Vessel named in Box 5, of the GT/NT indicated in Box 6 and carrying about the number of metric tons of deadweight capacity all told on summer loadline stated in Box 7, now in position as stated in Box 8 and expected ready to load under this Charter Party about the date indicated in Box 9, and the party mentioned as the Charterers in Box 4 that:	1	always work under the supervision of the Master.	75
The said Vessel shall, as soon as her prior commitments have been completed, proceed to the loading port(s) or place(s) stated in Box 10 or so near thereto as she may safely get and lie always afloat, and there load a full and complete cargo (if shipment of deck cargo agreed same to be at the Charterers' risk and responsibility) as stated in Box 12, which the Charterers bind themselves to ship, and being so loaded the Vessel shall proceed to the discharging port(s) or place(s) stated in Box 11 as ordered on signing Bills of Lading, or so near thereto as she may safely get and lie always afloat, and there deliver the cargo.	2	(c) <i>Stevedore Damage</i>	76
	3	The Charterers shall be responsible for damage (beyond ordinary wear and tear) to any part of the Vessel caused by Stevedores. Such damage shall be notified as soon as reasonably possible by the Master to the Charterers or their agents and to their Stevedores, failing which the Charterers shall not be held responsible. The Master shall endeavour to obtain the Stevedores' written acknowledgement of liability.	77
	4	The Charterers are obliged to repair any stevedore damage prior to completion of the voyage, but must repair stevedore damage affecting the Vessel's seaworthiness or class before the Vessel sails from the port where such damage was caused or found. All additional expenses incurred shall be for the account of the Charterers and any time lost shall be for the account of and shall be paid to the Owners by the Charterers at the demurrage rate.	78
	5		79
	6		80
	7		81
	8		82
	9		83
	10		84
	11		85
	12		86
	13		87
	14		88
2. Owners' Responsibility Clause	15	6. Laytime	89
The Owners are to be responsible for loss of or damage to the goods or for delay in delivery of the goods only in case the loss, damage or delay has been caused by personal want of due diligence on the part of the Owners or their Manager to make the Vessel in all respects seaworthy and to secure that she is properly manned, equipped and supplied, or by the personal act or default of the Owners or their Manager.	16	(a) <i>Separate laytime for loading and discharging</i>	90
And the Owners are not responsible for loss, damage or delay arising from any other cause whatsoever, even from the neglect or default of the Master or crew or some other person employed by the Owners on board or ashore for whose acts they would, but for this Clause, be responsible, or from unseaworthiness of the Vessel on loading or commencement of the voyage or at any time whatsoever.	17	The cargo shall be loaded within the number of running days/hours as indicated in Box 16, weather permitting, Sundays and holidays excepted, unless used, in which event time used shall count.	91
	18	The cargo shall be discharged within the number of running days/hours as indicated in Box 16, weather permitting, Sundays and holidays excepted, unless used, in which event time used shall count.	92
	19	(b) <i>Total laytime for loading and discharging</i>	93
	20	The cargo shall be loaded and discharged within the number of total running days/hours as indicated in Box 16, weather permitting, Sundays and holidays excepted, unless used, in which event time used shall count.	94
	21	(c) <i>Commencement of laytime (loading and discharging)</i>	95
	22	Laytime for loading and discharging shall commence at 13.00 hours, if notice of readiness is given up to and including 12.00 hours, and at 06.00 hours next working day if notice given during office hours after 12.00 hours. Notice of readiness at loading port to be given to the Shippers named in Box 17 or if not named, to the Charterers or their agents named in Box 18. Notice of readiness at the discharging port to be given to the Receivers or, if not known, to the Charterers or their agents named in Box 19.	96
	23	If the loading/discharging berth is not available on the Vessel's arrival at or off the port of loading/discharging, the Vessel shall be entitled to give notice of readiness within ordinary office hours on arrival there, whether in free pratique or not, whether customs cleared or not. Laytime or time on demurrage shall then count as if she were in berth and in all respects ready for loading/discharging provided that the Master warrants that she is in fact ready in all respects. Time used in moving from the place of waiting to the loading/discharging berth shall not count as laytime.	97
	24	If, after inspection, the Vessel is found not to be ready in all respects to load/dischARGE time lost after the discovery thereof until the Vessel is again ready to load/dischARGE shall not count as laytime.	98
	25	Time used before commencement of laytime shall count.	99
	26	(c) <i>Indicate alternative (a) or (b) as agreed, in Box 16.</i>	100
	27		101
3. Deviation Clause	28		102
The Vessel has liberty to call at any port or ports in any order, for any purpose, to sail without pilots, to tow and/or assist Vessels in all situations, and also to deviate for the purpose of saving life and/or property.	29		103
	30		104
	31		105
4. Payment of Freight	32		106
(a) The freight at the rate stated in Box 13 shall be paid in cash calculated on the intaken quantity of cargo.	33		107
(b) <i>Prepaid</i> . If according to Box 13 freight is to be paid on shipment, it shall be deemed earned and non-returnable, Vessel and/or cargo lost or not lost. Neither the Owners nor their agents shall be required to sign or endorse bills of lading showing freight prepaid unless the freight due to the Owners has actually been paid.	34		108
(c) <i>On delivery</i> . If according to Box 13 freight, or part thereof, is payable at destination it shall not be deemed earned until the cargo is thus delivered. Notwithstanding the provisions under (a), if freight or part thereof is payable on delivery of the cargo the Charterers shall have the option of paying the freight on delivered weight/quantity provided such option is declared before breaking bulk and the weight/quantity can be ascertained by official weighing machine, joint draft survey or tally.	35		109
Cash for Vessel's ordinary disbursements at the port of loading to be advanced by the Charterers, if required, at highest current rate of exchange, subject to two (2) per cent to cover insurance and other expenses.	36		110
	37		111
	38		112
	39		113
	40		114
	41		115
	42		116
	43		117
	44		118
	45		119
	46		120
	47		121
	48		122
	49		123
5. Loading/Discharging	50		124
(a) <i>Costs/Risks</i>	51		125
The cargo shall be brought into the holds, loaded, stowed and/or trimmed, tallied, lashed and/or secured and taken from the holds and discharged by the Charterers, free of any risk, liability and expense whatsoever to the Owners. The Charterers shall provide and lay all dunnage material as required for the proper stowage and protection of the cargo on board, the Owners allowing the use of all dunnage available on board. The Charterers shall be responsible for and pay the cost of removing their dunnage after discharge of the cargo under this Charter Party and time to count until dunnage has been removed.	52		126
(b) <i>Cargo Handling Gear</i>	53		127
Unless the Vessel is gearless or unless it has been agreed between the parties that the Vessel's gear shall not be used and stated as such in Box 15, the Owners shall throughout the duration of loading/discharging give free use of the Vessel's cargo handling gear and of sufficient motive power to operate all such cargo handling gear. All such equipment to be in good working order. Unless caused by negligence of the stevedores, time lost by breakdown of the Vessel's cargo handling gear or motive power - pro rata the total number of cranes/winchmen required at that time for the loading/discharging of cargo under this Charter Party - shall not count as laytime or time on demurrage. On request the Owners shall provide free of charge cranesmen/winchmen from the crew to operate the Vessel's cargo handling gear, unless local regulations prohibit this, in which latter event shore labourers shall be for the account of the Charterers. Cranesmen/winchmen shall be under the Charterers' risk and responsibility and as stevedores to be deemed as their servants but shall	54		128
	55		129
	56		130
	57		131
	58		132
	59		133
	60		134
	61		135
	62		136
	63		137
	64		138
	65		139
	66		140
	67		141
	68		142
	69		143
	70		144
	71		145
	72		146
	73		147
	74		148
		7. Demurrage	122
		Demurrage at the loading and discharging port is payable by the Charterers at the rate stated in Box 20 in the manner stated in Box 20 per day or pro rata for any part of a day. Demurrage shall fall due day by day and shall be payable upon receipt of the Owners' invoice.	123
		In the event the demurrage is not paid in accordance with the above, the Owners shall give the Charterers 96 running hours written notice to rectify the failure. If the demurrage is not paid at the expiration of this time limit and if the vessel is in or at the loading port, the Owners are entitled at any time to terminate the Charter Party and claim damages for any losses caused thereby.	124
			125
			126
			127
			128
			129
			130
			131
		8. Lien Clause	132
		The Owners shall have a lien on the cargo and on all sub-freights payable in respect of the cargo, for freight, deadfreight, demurrage, claims for damages and for all other amounts due under this Charter Party including costs of recovering same.	133
			134
			135
			136
			137
			138
			139
			140
			141
			142
			143
			144
			145
			146
			147
			148

PART II

"Gencon" Charter (As Revised 1922, 1976 and 1994)

the seventh day after the new readiness date stated in the Owners' notification	149	at any time during the voyage to the port or ports of loading or after her arrival	220
to the Charterers shall be the new cancelling date.	150	there, the Master or the Owners may ask the Charterers to declare, that they	221
The provisions of sub-clause (b) of this Clause shall operate only once, and in	151	agree to reckon the laydays as if there were no strike or lock-out. Unless the	222
case of the Vessel's further delay, the Charterers shall have the option of	152	Charterers have given such declaration in writing (by telegram, if necessary)	223
cancelling the Charter Party as per sub-clause (a) of this Clause.	153	within 24 hours, the Owners shall have the option of cancelling this Charter	224
		Party. If part cargo has already been loaded, the Owners must proceed with	225
		same, (freight payable on loaded quantity only) having liberty to complete with	226
		other cargo on the way for their own account.	227
10. Bills of Lading	154	(b) If there is a strike or lock-out affecting or preventing the actual discharging	228
Bills of Lading shall be presented and signed by the Master as per the	155	of the cargo on or after the Vessel's arrival at or off port of discharge and same	229
"Congenbill" Bill of Lading form, Edition 1994, without prejudice to this Charter	156	has not been settled within 48 hours, the Charterers shall have the option of	230
Party, or by the Owners' agents provided written authority has been given by	157	keeping the Vessel waiting until such strike or lock-out is at an end against	231
Owners to the agents, a copy of which is to be furnished to the Charterers. The	158	paying half demurrage after expiration of the time provided for discharging	232
Charterers shall indemnify the Owners against all consequences or liabilities	159	until the strike or lock-out terminates and thereafter full demurrage shall be	233
that may arise from the signing of bills of lading as presented to the extent that	160	payable until the completion of discharging, or of ordering the Vessel to a safe	234
the terms or contents of such bills of lading impose or result in the imposition of	161	port where she can safely discharge without risk of being detained by strike or	235
more onerous liabilities upon the Owners than those assumed by the Owners	162	lock-out. Such orders to be given within 48 hours after the Master or the	236
under this Charter Party.	163	Owners have given notice to the Charterers of the strike or lock-out affecting	237
		the discharge. On delivery of the cargo at such port, all conditions of this	238
		Charter Party and of the Bill of Lading shall apply and the Vessel shall receive	239
		the same freight as if she had discharged at the original port of destination,	240
		except that if the distance to the substituted port exceeds 100 nautical miles,	241
		the freight on the cargo delivered at the substituted port to be increased in	242
		proportion.	243
		(c) Except for the obligations described above, neither the Charterers nor the	244
		Owners shall be responsible for the consequences of any strikes or lock-outs	245
		preventing or affecting the actual loading or discharging of the cargo.	246
11. Both-to-Blame Collision Clause	164		
If the Vessel comes into collision with another vessel as a result of the	165		
negligence of the other vessel and any act, neglect or default of the Master,	166		
Mariner, Pilot or the servants of the Owners in the navigation or in the	167		
management of the Vessel, the owners of the cargo carried hereunder will	168		
indemnify the Owners against all loss or liability to the other or non-carrying	169		
vessel or her owners in so far as such loss or liability represents loss of, or	170		
damage to, or any claim whatsoever of the owners of said cargo, paid or	171		
payable by the other or non-carrying vessel or her owners to the owners of said	172		
cargo and set-off, recouped or recovered by the other or non-carrying vessel	173		
or her owners as part of their claim against the carrying Vessel or the Owners.	174		
The foregoing provisions shall also apply where the owners, operators or those	175		
in charge of any vessel or vessels or objects other than, or in addition to, the	176		
colliding vessels or objects are at fault in respect of a collision or contact.	177		
12. General Average and New Jason Clause	178		
General Average shall be adjusted in London unless otherwise agreed in Box	179		
22 according to York-Antwerp Rules 1994 and any subsequent modification	180		
thereof. Proprietors of cargo to pay the cargo's share in the general expenses	181		
even if same have been necessitated through neglect or default of the Owners'	182		
servants (see Clause 2).	183		
If General Average is to be adjusted in accordance with the law and practice of	184		
the United States of America, the following Clause shall apply: "In the event of	185		
accident, danger, damage or disaster before or after the commencement of the	186		
voyage, resulting from any cause whatsoever, whether due to negligence or	187		
not, for which, or for the consequence of which, the Owners are not	188		
responsible, by statute, contract or otherwise, the cargo shippers, consignees	189		
or the owners of the cargo shall contribute with the Owners in General Average	190		
to the payment of any sacrifices, losses or expenses of a General Average	191		
nature that may be made or incurred and shall pay salvage and special charges	192		
incurred in respect of the cargo. If a salving vessel is owned or operated by the	193		
Owners, salvage shall be paid for as fully as if the said salving vessel or vessels	194		
belonged to strangers. Such deposit as the Owners, or their agents, may deem	195		
sufficient to cover the estimated contribution of the goods and any salvage and	196		
special charges thereon shall, if required, be made by the cargo, shippers,	197		
consignees or owners of the goods to the Owners before delivery."	198		
13. Taxes and Dues Clause	199		
(a) <u>On Vessel</u> -The Owners shall pay all dues, charges and taxes customarily	200		
levied on the Vessel, howsoever the amount thereof may be assessed.	201		
(b) <u>On cargo</u> -The Charterers shall pay all dues, charges, duties and taxes	202		
customarily levied on the cargo, howsoever the amount thereof may be	203		
assessed.	204		
(c) <u>On freight</u> -Unless otherwise agreed in Box 23, taxes levied on the freight	205		
shall be for the Charterers' account.	206		
14. Agency	207		
In every case the Owners shall appoint their own Agent both at the port of	208		
loading and the port of discharge.	209		
15. Brokerage	210		
A brokerage commission at the rate stated in Box 24 on the freight, dead-freight	211		
and demurrage earned is due to the party mentioned in Box 24.	212		
In case of non-execution 1/3 of the brokerage on the estimated amount of	213		
freight to be paid by the party responsible for such non-execution to the	214		
Brokers as indemnity for the latter's expenses and work. In case of more	215		
voyages the amount of indemnity to be agreed.	216		
16. General Strike Clause	217		
(a) If there is a strike or lock-out affecting or preventing the actual loading of the	218		
cargo, or any part of it, when the Vessel is ready to proceed from her last port or	219		
		at any time during the voyage to the port or ports of loading or after her arrival	220
		there, the Master or the Owners may ask the Charterers to declare, that they	221
		agree to reckon the laydays as if there were no strike or lock-out. Unless the	222
		Charterers have given such declaration in writing (by telegram, if necessary)	223
		within 24 hours, the Owners shall have the option of cancelling this Charter	224
		Party. If part cargo has already been loaded, the Owners must proceed with	225
		same, (freight payable on loaded quantity only) having liberty to complete with	226
		other cargo on the way for their own account.	227
		(b) If there is a strike or lock-out affecting or preventing the actual discharging	228
		of the cargo on or after the Vessel's arrival at or off port of discharge and same	229
		has not been settled within 48 hours, the Charterers shall have the option of	230
		keeping the Vessel waiting until such strike or lock-out is at an end against	231
		paying half demurrage after expiration of the time provided for discharging	232
		until the strike or lock-out terminates and thereafter full demurrage shall be	233
		payable until the completion of discharging, or of ordering the Vessel to a safe	234
		port where she can safely discharge without risk of being detained by strike or	235
		lock-out. Such orders to be given within 48 hours after the Master or the	236
		Owners have given notice to the Charterers of the strike or lock-out affecting	237
		the discharge. On delivery of the cargo at such port, all conditions of this	238
		Charter Party and of the Bill of Lading shall apply and the Vessel shall receive	239
		the same freight as if she had discharged at the original port of destination,	240
		except that if the distance to the substituted port exceeds 100 nautical miles,	241
		the freight on the cargo delivered at the substituted port to be increased in	242
		proportion.	243
		(c) Except for the obligations described above, neither the Charterers nor the	244
		Owners shall be responsible for the consequences of any strikes or lock-outs	245
		preventing or affecting the actual loading or discharging of the cargo.	246
17. War Risks ("Voywar 1993")	247		
(1) For the purpose of this Clause, the words:	248		
(a) The "Owners" shall include the shipowners, bareboat charterers, 249			
disponent owners, managers or other operators who are charged with the	250		
management of the Vessel, and the Master; and	251		
(b) "War Risks" shall include any war (whether actual or threatened), act of	252		
war, civil war, hostilities, revolution, rebellion, civil commotion, warlike	253		
operations, the laying of mines (whether actual or reported), acts of piracy,	254		
acts of terrorists, acts of hostility or malicious damage, blockades	255		
(whether imposed against all Vessels or imposed selectively against	256		
Vessels of certain flags or ownership, or against certain cargoes or crews	257		
or otherwise howsoever), by any person, body, terrorist or political group,	258		
or the Government of any state whatsoever, which, in the reasonable	259		
judgement of the Master and/or the Owners, may be dangerous or are	260		
likely to be or to become dangerous to the Vessel, her cargo, crew or other	261		
persons on board the Vessel.	262		
(2) If at any time before the Vessel commences loading, it appears that, in the	263		
reasonable judgement of the Master and/or the Owners, performance of	264		
the Contract of Carriage, or any part of it, may expose, or is likely to expose,	265		
the Vessel, her cargo, crew or other persons on board the Vessel to War	266		
Risks, the Owners may give notice to the Charterers cancelling this	267		
Contract of Carriage, or may refuse to perform such part of it as may	268		
expose, or may be likely to expose, the Vessel, her cargo, crew or other	269		
persons on board the Vessel to War Risks; provided always that if this	270		
Contract of Carriage provides that loading or discharging is to take place	271		
within a range of ports, and at the port or ports nominated by the Charterers	272		
the Vessel, her cargo, crew, or other persons onboard the Vessel may be	273		
exposed, or may be likely to be exposed, to War Risks, the Owners shall	274		
first require the Charterers to nominate any other safe port which lies	275		
within the range for loading or discharging, and may only cancel this	276		
Contract of Carriage if the Charterers shall not have nominated such safe	277		
port or ports within 48 hours of receipt of notice of such requirement.	278		
(3) The Owners shall not be required to continue to load cargo for any voyage,	279		
or to sign Bills of Lading for any port or place, or to proceed or continue on	280		
any voyage, or on any part thereof, or to proceed through any canal or	281		
waterway, or to proceed to or remain at any port or place whatsoever,	282		
where it appears, either after the loading of the cargo commences, or at	283		
any stage of the voyage thereafter before the discharge of the cargo is	284		
completed, that, in the reasonable judgement of the Master and/or the	285		
Owners, the Vessel, her cargo (or any part thereof), crew or other persons	286		
on board the Vessel (or any one or more of them) may be, or are likely to be,	287		
exposed to War Risks. If it should so appear, the Owners may by notice	288		
request the Charterers to nominate a safe port for the discharge of the	289		
cargo or any part thereof, and if within 48 hours of the receipt of such	290		
notice, the Charterers shall not have nominated such a port, the Owners	291		
may discharge the cargo at any safe port of their choice (including the port	292		
of loading) in complete fulfillment of the Contract of Carriage. The Owners	293		
shall be entitled to recover from the Charterers the extra expenses of such	294		
discharge and, if the discharge takes place at any port other than the	295		
loading port, to receive the full freight as though the cargo had been	296		

PART II

"Gencon" Charter (As Revised 1922, 1976 and 1994)

- carried to the discharging port and if the extra distance exceeds 100 miles, 297
to additional freight which shall be the same percentage of the freight 298
contracted for as the percentage which the extra distance represents to 299
the distance of the normal and customary route, the Owners having a lien 300
on the cargo for such expenses and freight. 301
- (4) If at any stage of the voyage after the loading of the cargo commences, it 302
appears that, in the reasonable judgement of the Master and/or the 303
Owners, the Vessel, her cargo, crew or other persons on board the Vessel 304
may be, or are likely to be, exposed to War Risks on any part of the route 305
(including any canal or waterway) which is normally and customarily used 306
in a voyage of the nature contracted for, and there is another longer route 307
to the discharging port, the Owners shall give notice to the Charterers that 308
this route will be taken. In this event the Owners shall be entitled, if the total 309
extra distance exceeds 100 miles, to additional freight which shall be the 310
same percentage of the freight contracted for as the percentage which the 311
extra distance represents to the distance of the normal and customary 312
route. 313
- (5) The Vessel shall have liberty:- 314
- (a) to comply with all orders, directions, recommendations or advice as to 315
departure, arrival, routes, sailing in convoy, ports of call, stoppages, 316
destinations, discharge of cargo, delivery or in any way whatsoever which 317
are given by the Government of the Nation under whose flag the Vessel 318
sails, or other Government to whose laws the Owners are subject, or any 319
other Government which so requires, or any body or group acting with the 320
power to compel compliance with their orders or directions; 321
- (b) to comply with the orders, directions or recommendations of any war 322
risks underwriters who have the authority to give the same under the terms 323
of the war risks insurance; 324
- (c) to comply with the terms of any resolution of the Security Council of the 325
United Nations, any directives of the European Community, the effective 326
orders of any other Supranational body which has the right to issue and 327
give the same, and with national laws aimed at enforcing the same to which 328
the Owners are subject, and to obey the orders and directions of those who 329
are charged with their enforcement; 330
- (d) to discharge at any other port any cargo or part thereof which may 331
render the Vessel liable to confiscation as a contraband carrier; 332
- (e) to call at any other port to change the crew or any part thereof or other 333
persons on board the Vessel when there is reason to believe that they may 334
be subject to internment, imprisonment or other sanctions; 335
- (f) where cargo has not been loaded or has been discharged by the 336
Owners under any provisions of this Clause, to load other cargo for the 337
Owners' own benefit and carry it to any other port or ports whatsoever, 338
whether backwards or forwards or in a contrary direction to the ordinary or 339
customary route. 340
- (6) If in compliance with any of the provisions of sub-clauses (2) to (5) of this 341
Clause anything is done or not done, such shall not be deemed to be a 342
deviation, but shall be considered as due fulfilment of the Contract of 343
Carriage. 344
- 18. General Ice Clause** 345
- Port of loading* 346
- (a) In the event of the loading port being inaccessible by reason of ice when the 347
Vessel is ready to proceed from her last port or at any time during the voyage or 348
on the Vessel's arrival or in case frost sets in after the Vessel's arrival, the 349
Master for fear of being frozen in is at liberty to leave without cargo, and this 350
Charter Party shall be null and void. 351
- (b) If during loading the Master, for fear of the Vessel being frozen in, deems it 352
advisable to leave, he has liberty to do so with what cargo he has on board and 353
to proceed to any other port or ports with option of completing cargo for the 354
Owners' benefit for any port or ports including port of discharge. Any part 355
cargo thus loaded under this Charter Party to be forwarded to destination at the 356
Vessel's expense but against payment of freight, provided that no extra 357
expenses be thereby caused to the Charterers, freight being paid on quantity 358
delivered (in proportion if lumpsum), all other conditions as per this Charter 359
Party. 360
- (c) In case of more than one loading port, and if one or more of the ports are 361
closed by ice, the Master or the Owners to be at liberty either to load the part 362
cargo at the open port and fill up elsewhere for their own account as under 363
section (b) or to declare the Charter Party null and void unless the Charterers 364
agree to load full cargo at the open port. 365
- Port of discharge* 366
- (a) Should ice prevent the Vessel from reaching port of discharge the 367
Charterers shall have the option of keeping the Vessel waiting until the re- 368
opening of navigation and paying demurrage or of ordering the Vessel to a safe 369
and immediately accessible port where she can safely discharge without risk of 370
detention by ice. Such orders to be given within 48 hours after the Master or the 371
Owners have given notice to the Charterers of the impossibility of reaching port 372
- of destination. 373
- (b) If during discharging the Master for fear of the Vessel being frozen in deems 374
it advisable to leave, he has liberty to do so with what cargo he has on board and 375
to proceed to the nearest accessible port where she can safely discharge. 376
- (c) On delivery of the cargo at such port, all conditions of the Bill of Lading shall 377
apply and the Vessel shall receive the same freight as if she had discharged at 378
the original port of destination, except that if the distance of the substituted port 379
exceeds 100 nautical miles, the freight on the cargo delivered at the substituted 380
port to be increased in proportion. 381
- 19. Law and Arbitration** 382
- * (a) This Charter Party shall be governed by and construed in accordance with 383
English law and any dispute arising out of this Charter Party shall be referred to 384
arbitration in London in accordance with the Arbitration Acts 1950 and 1979 or 385
any statutory modification or re-enactment thereof for the time being in force. 386
Unless the parties agree upon a sole arbitrator, one arbitrator shall be 387
appointed by each party and the arbitrators so appointed shall appoint a third 388
arbitrator, the decision of the three-man tribunal thus constituted or any two of 389
them, shall be final. On the receipt by one party of the nomination in writing of 390
the other party's arbitrator, that party shall appoint their arbitrator within 391
fourteen days, failing which the decision of the single arbitrator appointed shall 392
be final. 393
- For disputes where the total amount claimed by either party does not exceed 394
the amount stated in Box 25** the arbitration shall be conducted in accordance 395
with the Small Claims Procedure of the London Maritime Arbitrators 396
Association. 397
- * (b) This Charter Party shall be governed by and construed in accordance with 398
Title 9 of the United States Code and the Maritime Law of the United States and 399
should any dispute arise out of this Charter Party, the matter in dispute shall be 400
referred to three persons at New York, one to be appointed by each of the 401
parties hereto, and the third by the two so chosen; their decision or that of any 402
two of them shall be final, and for purpose of enforcing any award, this 403
agreement may be made a rule of the Court. The proceedings shall be 404
conducted in accordance with the rules of the Society of Maritime Arbitrators, 405
Inc.. 406
- For disputes where the total amount claimed by either party does not exceed 407
the amount stated in Box 25** the arbitration shall be conducted in accordance 408
with the Shortened Arbitration Procedure of the Society of Maritime Arbitrators, 409
Inc.. 410
- * (c) Any dispute arising out of this Charter Party shall be referred to arbitration at 411
the place indicated in Box 25, subject to the procedures applicable there. The 412
laws of the place indicated in Box 25 shall govern this Charter Party. 413
- (d) If Box 25 in Part 1 is not filled in, sub-clause (a) of this Clause shall apply. 414
- * (a), (b) and (c) are alternatives; indicate alternative agreed in Box 25. 415
- ** Where no figure is supplied in Box 25 in Part 1, this provision only shall be void but 416
the other provisions of this Clause shall have full force and remain in effect. 417

Appendix 2



TBI LLC

13, Karl Marks str, Novorossiysk, Russian Federation, 353899

tel : + 7 8617 300 794, fax : + 7 8617 300 799, e-mail : novorossiysk@tbi-novo.ru

SUMMARY REPORT / GRAIN EXPORT 2013-2014**CARGO EXPORT**

	CARGO	2013						2014		TOTAL	
		JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY		
1	BARLEY	449 874,000	402 783,000	366 232,000	382 778,000	160 432,000	177 254,187	21 473,516	0,000	1 960 826,703	11,21 %
2	CHICK PEAS			15 912,000	28 139,000	28 885,000	20 157,991	3 057,873	0,000	96 151,864	0,55 %
3	CORN	33 595,000	14 864,000	97 449,000	218 435,000	557 728,000	601 737,511	340 039,617	0,000	1 863 848,128	10,66 %
4	FEED STAFF	37 952,000	120 239,000	117 684,000	143 411,000	155 437,000	118 982,000	0,000	0,000	693 705,000	3,97 %
5	FLAX SEEDS		5 641,000	18 675,000	3 267,000	5 987,000	2 781,000	0,000	0,000	36 351,000	0,21 %
6	LENTIL					380,000	213,000	43,500	0,000	636,500	0,00 %
7	MILLET SEEDS	712,000	1 120,000	4 675,000	1 972,000	2 348,000	11 542,790	646,211	0,000	23 016,001	0,13 %
8	OIL SEEDS	10 110,000	14 544,000	11 297,000		23 245,000	8 790,000	0,000	0,000	67 986,000	0,39 %
9	PEAS	7 542,000	19 581,000	30 178,000	12 431,000	12 977,000	13 030,216	7 744,505	0,000	103 483,721	0,59 %
10	RAPE SEEDS	5 176,000	14 155,000	9 153,000	1 000,000			0,000	0,000	29 484,000	0,17 %
11	RICE	500,000	225,000		300,000	9 214,000	22 000,010	2 848,960	0,000	35 087,970	0,20 %
12	RYE	2 720,000	3 033,000	6 321,000		3 006,000		0,000	0,000	15 080,000	0,09 %
13	SORGHUM					12 741,000	15 251,366	5 098,000	0,000	33 090,366	0,19 %
14	WHEAT FEED	38 550,000	29 060,000	74 288,000	34 146,000	52 081,000	39 030,330	16 388,729	0,000	283 544,059	1,62 %
15	WHEAT MILLING	1 888 779,000	2 953 178,000	2 066 427,000	1 708 894,000	1 585 426,000	1 482 199,225	557 466,304	0,000	12 242 369,529	70,02 %
		2 475 510,000	3 578 423,000	2 818 291,000	2 534 773,000	2 609 887,000	2 512 969,626	954 807,215	0,000	17 484 660,841	100,00 %

NITRO SHIPPING FREIGHT REPORT FOR GRAINS
29 OCTOBER 2014



NITRO SHIPPING ST. PETERSBURG

Artilleriyskaya ul., 1, off. 437, 191014, St. Petersburg, Russia
Tel/fax: +7 812 3852006
e-mails: coaster@nitroshipping.com; deepsea@nitroshipping.com

Kirill Prozorov // Coaster	Andrey Ushkalov // Coaster	Andrey Nikitin // Handy and Panamax
Mobile : +7 911 9124340	Mobile : +7 921 9318370	Mobile : +7 919 1092355
Skype : kirill_prozorov	Skype : andrey.ushkalov	Skype : andrey.nikitin
Yahoo : kirillprozorov	Yahoo : andy.ushkalov	Yahoo : nikitin_andy

NITRO SHIPPING ATHENS

62 Gounari str., Glyfada-Athens 165 61
Tel: +30 210 9635711 / 210 9637380
e-mail: chartering@nitroshipping.gr

Nikos Polychronakis // Handy and Panamax
Mobile: +30 6946002394
Skype: nikos.polychronakis1

Manolis Mathioudakis // Handy and Coaster
Mobile: +30 6944346815
Skype: manmath28

MARKET INFORMATION

There is bad weather in Azov Sea, which has led to low water in Yeisk, Azov, Rostov-on-Don and in other ports. A lot of grain orders are long open from these ports in spot/prompt. Some owners are asking abt usd 40 pmt flos for 5'k grain products (45-58") ex Yeisk to Marmara Sea in the beg of November. Lack of 3'k grain orders from Volga River to Marmara Sea in November has dropped freight rates to mid-high 60's usd pmt flos, but lack of grain tonnage to Iran in October still keeps freight rates on mid 80's usd pmt flos bss 3'k wheat ex Saratov and abt usd 50 pmt flos bss 3/5'k wheat ex Astrakhan. River locks will be closing on 22 November – 1 December, subject to weather in mid of November. Freight rates on 3/5'k grain products (45-56") ex Baltic Sea to Continent are firm and are on the same level ex Black Sea to Med destinations.

WE WILL BE GLAD TO SEE YOU ON GLOBAL GRAIN GENEVA 2014 DURING 11-13 NOVEMBER!

GRAIN PRICES & TRENDS

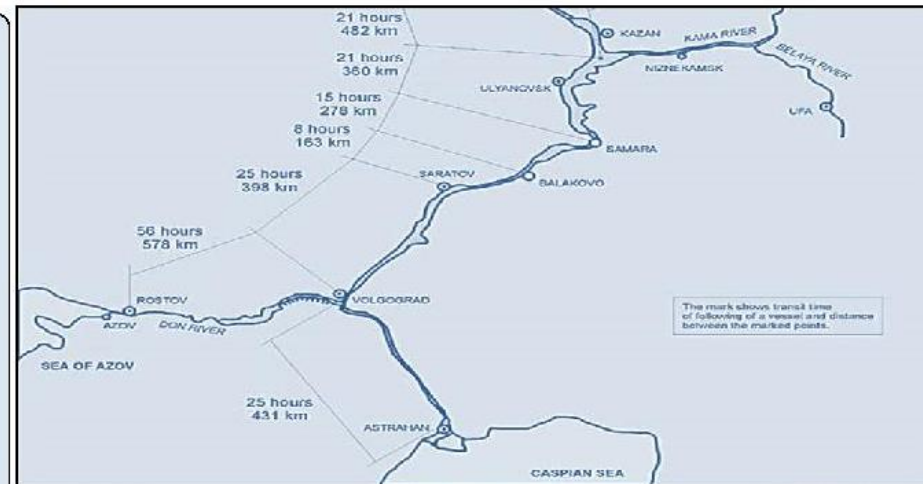
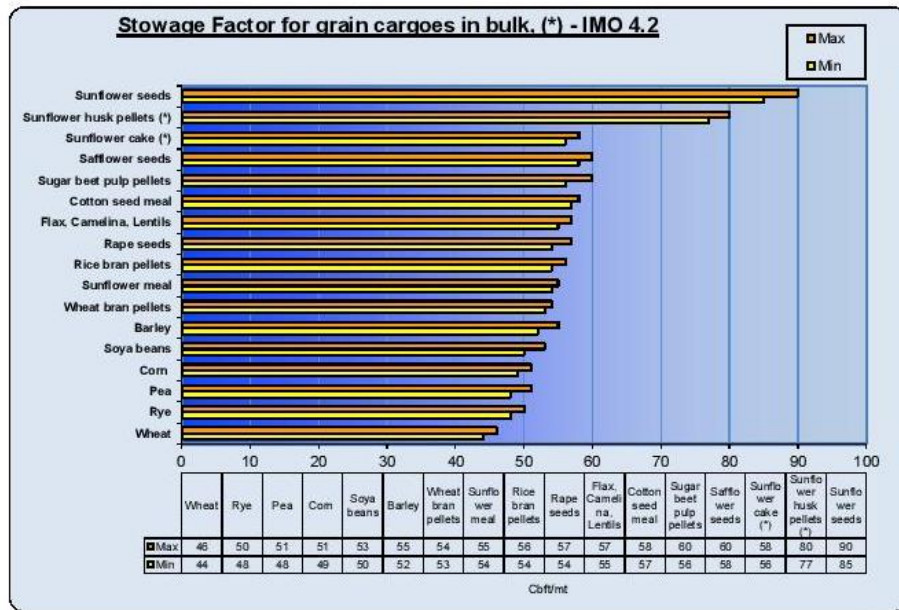
Milling Wheat (11.5) bss FOB Azov	\$ 205
Milling Wheat (12.5) bss FOB Azov	\$ 210
Milling Wheat (13.5) bss FOB Azov	\$ 220
Milling Wheat (14.5) bss FOB Azov	\$ 235
Feed Barley bss FOB Azov/Astrakhan/Aktau; CIF Iran	\$ 170/210/245; 260
Yellow Pea bss FOB Azov (B/S)	\$ 275/290
Yellow Corn bss FOB Azov	\$ 160
Milling Wheat (12.5) bss FOB Novo on 25' (S)	\$ 246
SFS Oil bss FOB Ukraine bss SPOT/Jan-March	\$ 810-830/800-805

FUEL PRICES & TRENDS

IFO 180 at Rotterdam	\$ 485/mt	Up
MGO at Rotterdam	\$ 728/mt	Up
IFO 180 at Istanbul	\$ 523/mt	Flat
MGO at Istanbul	\$ 787/mt	Flat
MGO at Rostov (0.1)	\$ 715/mt	
MGO at Astrakhan (0.2)	\$ 690/mt	
IFO 180 at Singapore	\$ 492/mt	Up
MGO at Singapore	\$ 733/mt	Up

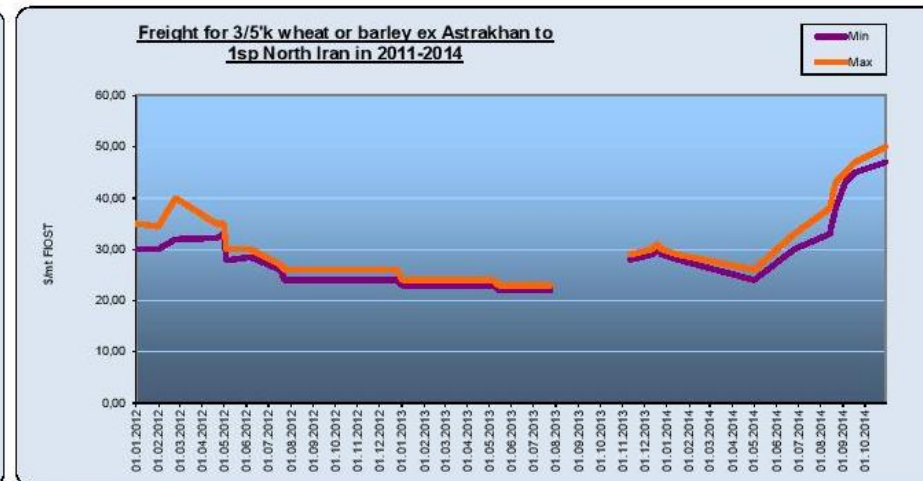
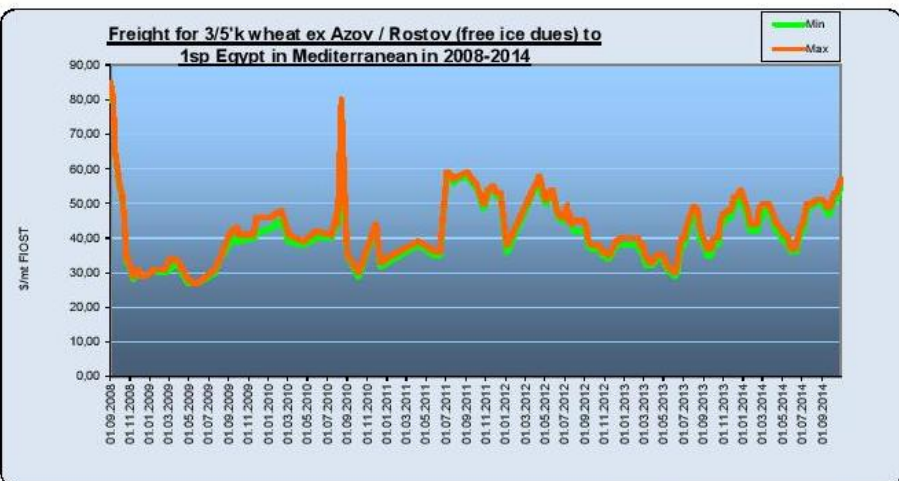
[illegible]

USEFUL INFORMATION:



PORT/LOCK:	DRAFT (FW), SM	PORT/LOCK:	DRAFT (FW), SM
AZOV-DON CANAL ("0" = 370 SM)	330 can be till beg of Nov	AKHTUBA	350
PORT OF AZOV ("0" = 370 SM)	330	CHAIKOVSKIY LOCK-KAMBAK/	310 till 04.11
PORT OF ROSTOV-ON-DON ("0" = 395 SM)	330	GRODETSKIY LOCK-BALAHNA	205
KOCHETOVSKIY LOCK	350-360		

SOME STATISTICS:



THIS REPORT IS GIVEN AS A GUIDE ONLY. WE HOPE IT IS WIDELY CIRCULATED.

Appendix 4

Accounting for Omskiy type

	Индекс	1	1	1,03	1,03	1,03	1,06	1,06	1,06		
Calculation cash flow											
Caption	1	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Vessel-days under repair	1	305	365	365	366	365	365	365	366		
Vessel-days under repair	0	10	15	20	30	10	15	20	30		
Operating vessel-days	1	295	350	345	336	355	350	345	336		
Operating activities											
Income	2 900	855 500	1 015 000	1 030 515	1 003 632	1 060 385	1 075 900	1 060 530	1 032 864	0	0
Freight, time-charter rate, usd per day	2 900	855 500	1 015 000	1 030 515	1 003 632	1 060 385	1 075 900	1 060 530	1 032 864	0	0
Demurrage		0	0	0	0	0	0	0	0	0	0
Other operating income		0	0	0	0	0	0	0	0	0	0
Running expenses	1 900	579 500	693 500	714 305	716 262	714 305	735 110	735 110	737 124	0	0
Crewing	700	213 500	255 500	263 165	263 886	263 165	270 830	270 830	271 572	0	0
Provisions	100	30 500	36 500	37 595	37 698	37 595	38 690	38 690	38 796	0	0
Equipment/Lub oils/Repairs&spairs	300	91 500	109 500	112 785	113 094	112 785	116 070	116 070	116 388	0	0
		0	0	0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0	0	0
Dry docking (deposit)	400	122 000	146 000	150 380	150 792	150 380	154 760	154 760	155 184	0	0
Insurance	200	61 000	73 000	75 190	75 396	75 190	77 380	77 380	77 592	0	0
Miscellaneous	100	30 500	36 500	37 595	37 698	37 595	38 690	38 690	38 796	0	0
Management fee	100	30 500	36 500	37 595	37 698	37 595	38 690	38 690	38 796	0	0
Net cash used in operating activities	1 000	276 000	321 500	316 210	287 370	346 080	340 790	325 420	295 740	0	0

[illegible]