DRY BULK WEEKLY BRIEF

WEEK 33 | Monday, 23 August 2021

LATEST COMMODITY NEWS

Iron Ore

IRON FUTURES DOWN FOR THE SECOND CONSECUTIVE WEEK AS CISA PLEDGES REDUCED STEEL OUTPUT

BHP REPORTS $17.08 BILLION PROFIT, HIGHEST IN TEN YEARS

Coal

COAL STOCKS RISE AT QINHUANGDAO AS UTILITIES GROW WEARY OF HIGH PRICES

Grains

UKRAINE WEEKLY WHEAT EXPORTS SURGE

BRAZIL SECOND -SEASON CORN FORCASTED RISE 35% Y-O-Y

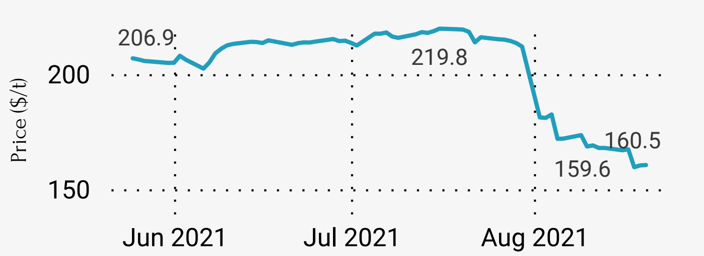
US SOYBEAN SALES BOOSTED BY STRONG CHINESE DEMAND

Week	S&P Transactions	Demolition Sales	Newbuilding Orders
33	16	1	4
32	9		6
31	8		4
Total	**33**	**1**	**12**

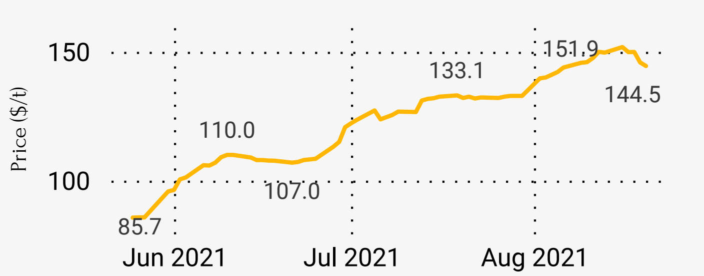
Latest Secondhand Transactions

Week	Vessel Name	DWT	Built	Reported Price
33	ADS GALTESUND	75,395	2007	£15.9M
33	ASHIYA STAR	52,200	2006	£13.8M
33	ASIA RUBY II	62,996	2014	£24.0M
33	ASIA RUBY III	63,023	2014	£22.0M
33	ASIA RUBY IV	62,982	2014	£23.8M
33	ATHOS	30,618	2007	£11.1M
33	ATLANTIC ENSENADA	55,814	2006	£15.8M
33	BELCARGO	58,700	2008	£16.5M
33	BOZOK	9,200	1997	£2.8M
33	FOUR DIAMOND	34,059	2011	£12.4M
33	FOUR EMERALD	33,992	2013	£15.1M
33	MELATI LAUT	56,643	2011	£15.3M
33	NORD PEAK	61,600	2011	£22.5M
33	PRISCILLA VENTURE	77,283	4016	£18.2M
33	SPAR DRACO	53,565	2006	£13.5M
33	WAN AN	42,717	1998	£7.0M

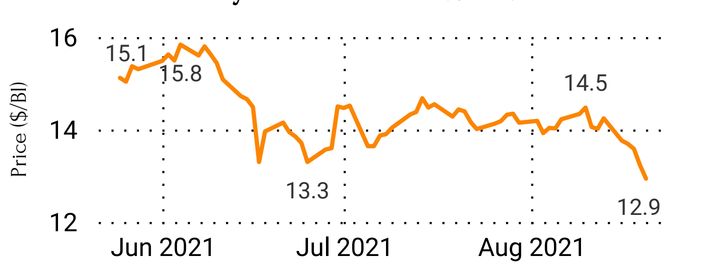
Iron Ore Price This Month ($/t)



Coal Price This Month ($/t)



Soybeans Price ($/bl)



Demolition Prices for Bulkcarriers- Week Average ($/LDT)

BREAKER COUNTRY	Week 31	Week 32	Week 33	WoW%
BANGLADESH	596	602	596	-0.9%
INDIA	571	585	579	-1.0%
PAKISTAN	584	586	586	-0.1%
TURKEY	276	275	275	0.0%

Average bunker Prices ($/t)

Week	VLSFO	MGO	IFO380
33	498	586	390
32	515	612	415
31	518	615	424

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IRON FUTURES DOWN FOR THE SECOND CONSECUTIVE WEEK AS CISA PLEDGES REDUCED STEEL OUTPUT

The Tubarao-Qingdao Capesize iron ore freight rate reached its highest yesterday since *Argus* began assessing the route, with charterers upping bids to secure ships from a diminishing pool available to load from Brazil in September. The rate rose to $35.15/t, exceeding the previous high of $32.25/t. *Argus* launched the assessment in May 2013. Dry bulk rates have been consistently high in 2021, with Chinese demand for iron ore, coal and grain supporting Capesize and Panamax markets, as well as rates for smaller vessel classes that have also been buoyed by a tight containership segment. But this week's rise on the Tubarao-Qingdao route reflects a sudden tightening of vessel availability in the south Atlantic, after a long period in which shipowners could find higher time charter-equivalent (TCE) earnings by keeping vessels in the Pacific. Since 20 July, TCE earnings on the west Australia-north China route have averaged over $10,000/d more than Tubarao-Qingdao values. The imbalance reflects subdued summer spot demand from Brazil, and high Pacific rates that have been buoyed in August by weather-related problems. The result was less incentive for vessels to set off in ballast towards Brazil to arrive during September.

Charterers from Brazil are now focusing on loadings in mid-to-late September and finding few ships available. And the market appears to have tightened further yesterday, after Brazilian iron ore producer Vale booked a number of ships in quick succession for September loadings. The iron ore giant has hiked output, with exports up by 10.7pc in January-July, including an extra 7mn t for Asia-Pacific. This increase has been
a major factor for Capesize rates this year, given the distance of a Brazil-to-China round trip. The jump in freight rates is at odds with a record single-day decline in the cfr Qingdao iron ore price, driven by July-December steel production curbs in China.

The ICX 65pc Fe iron ore cfr Qingdao index price fell by $24.05/t to $150.55/t today — the lowest in over eight-months. This means the weight of freight for Brazilian iron ore to China — the percentage of the import price that freight accounts for — has risen to over 23pc, the highest since October 2019. Signs of slacker Chinese iron ore demand will concern Capesize operators. Beijing has pushed steelmakers to reduce steel output so that 2021 figures are in line with 2020, but this will require aggressive cuts after output rose by 8pc on the year in January-July to 649mn t. To shore up supply, policymakers have raised taxes on steel exports and directed state-owned mills to keep exports in line with 2020 levels. But lower overall demand could be offset to some extent for Brazilian exporters by China's preference for high Fe content ores that require less coking coal and reduce the carbon intensiveness of steel production.

Source: Argus News

BHP REPORTS $17.08 BILLION PROFIT, HIGHEST IN TEN YEARS

Anglo-Australian mining giant BHP reported its best annual profit in nearly a decade on soaring iron ore prices. Iron ore prices buoyed by China’s infrastructure push and strong COVID-19 recovery hit record highs this year. However, the commodity has suffered since the second half
of the year with China putting pressure on steel makers to curb output amid environmental concerns with 2022 Beijing winter Olympics in view. A new wave of Covid-19 cases has added to the pressure on the economy with a mass testing programme been deployed in cities such as Wuhan.

Nonetheless, BHP's underlying profit for fiscal 2021 rose to $17.08 billion, but slightly missed a consensus of $17.46 billion compiled by Vuma according to a Reuters report. BHP announced it would pay $2 per share as a final dividend, totalling $10.1 billion, bringing the total payout for the year to $3.01 a share, or $15.2 billion. BHP's London-listed shares surged nearly 10% after its results. BHP has however announced unveiled plans to exit London's FTSE100 index by exiting its dual-listed share structure and making Sydney its main listing. The miner's Australia-listed shares have climbed more than a fifth this year as it posted record iron ore output and earned more than double per tonne for the steel-making ingredient.

Source: Reuters

COAL STOCKS RISE AT QINHUANGDAO AS UTILITIES GROW WEARY OF HIGH PRICES

Coal stocks at China's key transhipment port of Qinhuangdao rose sharply from last week, as more utilities became reluctant to restock amid higher coal prices. Utilities are also observing whether temperatures will begin to fall during the second half of this month as forecast by the China Meteorological Administration (CMA). Qinhuangdao port held coal stocks of 4.61mn t yesterday, up from 4.19mn t a week earlier, according to data from coal industry association the CCTD. Offtake levels for the week to yesterday were at 2.9mn t, down from 3.33mn t a week earlier. Inbound deliveries in the week to yesterday were at 3.31mn t, up from 3.1mn t in the previous week, CCTD figures show. The vessel queue averaged 40.71/d in the week to yesterday, down from 47.28/d a week earlier, according to *Argus'* calculations based on CCTD data. There are signs that summer temperatures are rebounding in many parts of south China with heavy rainfall moving northwards. Some parts of China's southern and eastern coastal regions may even experience warm temperatures in the coming days, according to the CMA. This has spurred power consumption and is renewing pressure on utilities to restock, as they are required by the central government to keep at least seven days of inventories. There is a growing view among Chinese market participants that domestic coal production may not rise quickly enough to meet mid-October winter restocking demand because of recent mining accidents that typically lead to safety inspections and consequently, curbs to production.

The local branch of the national mine safety administration in China's third-largest coal-producing province of Shaanxi said recently that it will conduct surprise raids on coal mines to address any breaches of safety protocols. Safety authorities in the largest producing province of Shanxi also issued fresh reminders to producers not to exceed output limits in the name of alleviating supply shortages. Sichuan authorities are urging utilities to start their winter restocking now, which is unusually early for a southern province, potentially underscoring a lack of confidence that China will have enough coal supplies to avoid a repeat of last winter's shortages. This comes despite repeated assurances by main economic planning agency the NDRC that more mines have been approved for operations and that supplies are rising significantly. At the other major coal transhipment port of Caofeidian, stockpiles were at 2.8mn t yesterday, down from 3.06mn t a week earlier, CCTD figures show. Offtake levels for the week to yesterday were at 1.41mn t, down from 1.71mn t in the previous week. Inbound deliveries for the week to yesterday were at 1.17mn t, down from 1.42mn t in the previous week. The vessel queue at Caofeidian port averaged 11.86/d in the week to yesterday, down from 14.29/d a week earlier, *Argus*' calculations based on CCTD data show.

Source: Argus Media

CHINA'S COVID-19 CURBS CREATE COAL VESSEL CONGESTION, INCREASED FREIGHT RATES

Chinese customs authorities have stepped up restrictions for imported coal cargoes to combat the spread of the Delta variant of Covid-19, which has slowed coal vessel discharge activity and raised coal freight rates. Chinese ports have adopted stricter quarantine measures since earlier this month. Customs authorities and shipowners are being more cautious after two mariners tested positive in the past two weeks and some other crew members started to develop fevers on their way back to Chinese ports. An employee at the Meishan terminal in east China's Ningbo-Zhoushan port tested positive for Covid-19 last week, possibly infected from being in contact with mariners and imported goods. Many Chinese coastal ports require a 14-day quarantine for imported cargoes after they depart from ports in other countries, including Indonesia, India and Laos, before they can berth. Some other Chinese ports, including Nanjing and Changshu along the Yangtze river, require a 21-day quarantine. The Liuheng terminal at east China's Zhoushan port requires a quarantine as long as 28 days. All crew members must take Covid-19 tests before vessels are allowed to discharge their cargoes.

The increasing caution by Chinese ports against overseas Covid-19 transmission has left hundreds of dry bulk vessels floating offshore waiting to berth. It is difficult to calculate how many of them are coal vessels, but the restrictions have slowed the turnover rate at ports and delayed deliveries of imported coal. A Supramax vessel carrying Indonesian coal was recently informed after it had arrived at Shanghai port to wait offshore until further notice, according to an east China-based trader. The congestion off China's coast has sharply increased freight rates for coal vessels. The freight rate for 50,000t vessels from Indonesia's Kalimantan to Shanghai rose to above $20/t yesterday. Rates for Panamax vessels sailing from Kalimantan to south China's Guangzhou port were around $16/t, almost a record high, a south China-based trader told Argus.

Even at this high freight rate it is difficult to book vessels for Indonesia, which is China's largest coal import source, as shipowners are reluctant to take the risk of being infected or being quarantined at sea. The slower discharge of imported cargoes and higher freight rates has curbed China's restocking of imported coal. Booking of Indonesian coal had been halted since last week partially because of Covid-19-related risks, the south China-based trader said. But the disruption to coal imports has not had much impact on Chinese power utilities because of rising domestic supplies and weakening coal consumption. Coal deliveries by rail to the nine main transhipment ports in north China reached 2.06mn t on 13 August, the highest since 25 May, according to data compiled by coal industry association the CCTD.

Source: Argus Media

UKRAINE WEEKLY WHEAT EXPORTS SURGE

Ukraine's wheat exports for the 2021-22 season surged in the week to 20 August, following exporters' fulfillment of their large export commitments for new-crop shipments. Ukrainian exporters shipped 1.11mn t of wheat during the week ending 20 August, almost double the 568,000t shipped the previous week, agriculture ministry data show. This brings overall exports since the start of the new marketing year in July to 2.93mn t, and narrows the gap between 2021-22 and 2020-21 exports to 476,000t from about 575,000t a week earlier.

Ukraine's wheat exports accelerated in the last reporting week, supported by large export commitments for August shipments, as well as harvest completion. Ukrainian farmers threshed 98pc of wheat acreage by 19 August, with 2021-22 output reaching a record-high 32mn t. Total grain exports from Ukraine stood at nearly 1.57mn t on 14-20 August, with overall shipments so far this season reaching 6.18mn t, around 10pc higher than at the same time last year.

Source: Argus Media

BRAZIL SECOND -SEASON CORN FORCASTED RISE 35% Y-O-Y

After a slow start, Brazil's second-season corn harvest is beginning to accelerate as farmers in the center-south region of the country have harvested 70% of the crop, *Reuters* reported on Aug. 16, citing an estimate by agribusiness consultancy AgRural. The harvesting of the second corn crop, which is planted after soybeans are harvested, still lags behind last year at this time when 77% had been harvested, according to AgRural.

The consultancy told *Reuters* that while farmers in Mato Grosso, Minas Gerais and São Paulo have made good progress recently, Parana is struggling due to high grain moisture. It also said quality was an issue in that region as frost is believed to have damaged up to 40% of the crop. In July, AgRural cut its second corn production estimate to 51.6 million tonnes in the center south region, which is 26 million tonnes lower than its initial estimate made last October. Still, Brazil is forecast to increase its corn production in 2021-22 to 118 million tonnes, up 35% from last year, according to the US Department of Agriculture (USDA). An even larger increase is expected in exports as the USDA projects Brazil to ship 43 million tonnes, up 86% from 23 million in 2020-21. If realized, Brazil would rank third in corn production in 2021-22 and second in exports behind only the United States.

Source: World Grain

US SOYBEAN SALES BOOSTED BY STRONG CHINESE DEMAND

US soybean sales for the 2021-22 marketing season gained pace in the week to 12 August, boosted by strong Chinese demand, data from the US Department of Agriculture (USDA) show. US net sales of new-crop soybeans increased to 2.14mn t during the seven days to 12 August, sharply up from 1.12mn t a week earlier, supported by China's bookings of 1.03mn t. This takes total soybean sales from the US for the 2021-22 marketing year (September-August) to 13.86mn t. But this still lags behind last year's pace because of high prices, with 20.54mn t having been sold over the same period of 2020. China remained the largest buyer, having secured a total of 5.74mn t of 2021-22 soybean crop from the US by 12 August.

Chinese purchases have also remained busy this week, with up to 12 cargoes bookings for October-November deliveries from the US Gulf coast and Pacific Northwest reported by market sources. Meanwhile, US net sales of old-crop soybeans dropped by 30pc from the previous week to 67,700t on 6-12 August. Purchases were made primarily by China, Japan and southeast Asian countries. Given the outstanding sales for the current marketing season, the US 2020-21 soybean exports could reach 62.1mnt, which exceeds the latest USDA estimate of 61.51mn t.

Source: Argus Media