

# DRY BULK WEEKLY BRIEF

WEEK 34 | Monday, 30 August 2021



## LATEST COMMODITY NEWS

### Iron Ore

FORTESCUE METAL REPORTS HIGHEST EVER ANNUAL PROFITS TARGETS PRODUCTION OF GREEN IRON ORE BY 2030

GLOBAL IRON ORE PRODUCTION FORECASTED TO PEAK IN 2025

### Coal

QINHUANGDAO COAL STOCKS DOWN AS TEMPERATURES RISE

COLOMBIAN THERMAL COAL EXPORTS RISE BY 39% IN JULY, AS BAD WEATHER AND COVID 19 DISRUPTS AUSTRALIAN COAL EXPORTS

### Grains

IGC CUTS 2021/2022 WHEAT PRODUCTION FORECAST

USDA FORECAST 4% INCREASE US CORN CROP YIELDS

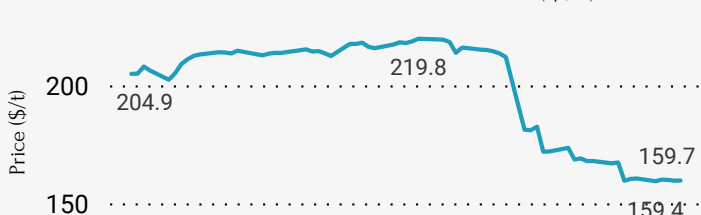
USDA SOYBEAN PRODUCTION FORECAST UP 5%

Week	S&P Transactions	Demolition Sales	Newbuilding Orders
34	8	2	8
33	16	1	4
32	9		6
<b>Total</b>	<b>33</b>	<b>3</b>	<b>18</b>

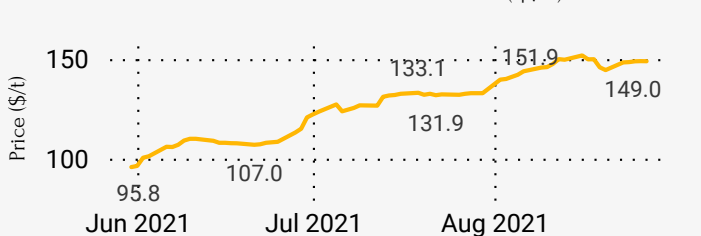
## Latest Secondhand Transactions

Week	Vessel Name	DWT	Built	Reported Price
34	ANTIGONI	32,663	2011	£11.0M
34	BULK PHOENIX	56,088	2013	£19.0M
34	FRONTIER PHOENIX	181,356	2011	£34.0M
34	ISHIZUCHI	77,247	2006	£18.0M
34	NEW POWER	32,070	2012	£15.0M
34	OCEAN EMERALD	92,950	2012	£17.3M
34	PRABHU GOPAL	56,000	2003	£13.3M
34	ROYAL STAR	27,000	2001	£4.5M

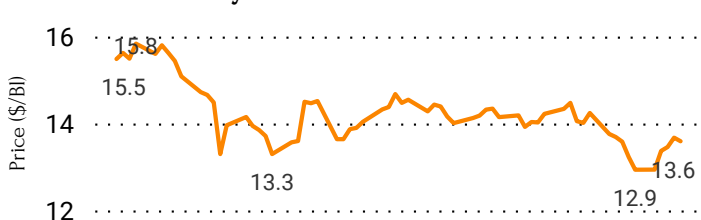
Iron Ore Price This Month (\$/t)



Coal Price This Month (\$/t)



Soybeans Price (\$/bl)



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

BREAKER COUNTRY	Week 32	Week 33	Week 34	WoW%
BANGLADESH	602	596	598	0.3%
INDIA	585	579	587	1.5%
PAKISTAN	586	586	591	0.9%
TURKEY	275	275	270	-1.8%

## Average bunker Prices (\$/t)

Week	VLSFO	MGO	IFO380
34	516	616	419
33	498	586	390
32	515	612	415

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## FORTESCUE METAL REPORTS HIGHEST EVER ANNUAL PROFITS TARGETS PRODUCTION OF GREEN IRON ORE BY 2030

Fortescue Metals Group Ltd reported its highest ever annual profit and dividend on Monday due to sky-high iron ore prices but senior management received a surprise cut to bonus payments. Top executives will receive just 28% of what they could have gained in a long-term incentive plan, the world's fourth-largest iron ore miner said. It cited community expectations around executive pay and noted its results were in part due to robust market pricing that was outside the control of management. The much lower-than-expected bonus payments, which analysts described as unusual, will affect some 30 people. For some executives, it comes on top of cuts to a separate bonus scheme after a cost blowout and delays at Fortescue's Iron Bridge magnetite project. Fortescue posted an underlying net profit of \$10.35 billion, up from \$4.75 billion a year ago, and not far off a forecast compiled by Vuma of \$10.41 billion. Its shares finished 6.6% higher. It also declared it would become the first major supplier of green iron ore would unveil new targets for reducing emissions from its customers next month.

Rivals BHP Group have also reported record profits and paid bumper dividends on the back of resilient demand from China, the world's top consumer, and supply issues in Brazil. But after peaking above \$230 a tonne in May, iron ore prices have dropped to \$140 a tonne this month on a recovery in output from Brazil and a tougher stand on emissions in China. "We fear the peak has passed, the iron ore price cycle and by extension the earnings and share price cycles are also ... lower over time," said analyst Peter O'Connor of Shaw and Partners. The miner shipped 182.2 million tonnes (Mt) of iron ore in fiscal 2021 and expects as much as 185 Mt to go out in the current fiscal year. As part of its plans to become the world's first major supplier of green iron ore and green hydrogen, it expects to spend up to \$600 million this fiscal year on Fortescue Future Industries.

Source: Yahoo/Reuters

## GLOBAL IRON ORE PRODUCTION FORECASTED TO PEAK IN 2025

Global iron ore production growth will accelerate in the coming years, according to market analyst Fitch Solutions latest industry report. Fitch forecasts global iron ore mine output growth will average 3.6% over the 2021 to 2025 period, compared with -2.3% over the previous five years. According to the research firm, this will lift yearly production by 571 million tonnes by 2025, compared with 2020 levels, with supply growth primarily driven by Brazil and Australia. "Brazilian miner Vale has aggressive expansion plans, while miners in Australia, including BHP, Rio Tinto and Fortescue, will re-invest currently buoyant profits into additional production," says Fitch. Fitch forecasts iron ore production in Australia to grow at an annual average of 1.8% over 2021-2025 "We forecast production to reach a peak of 1.07 billion tonnes in 2025, before declining once again."

The company expects China's iron ore production to also rise in the next 3-4 years as the country works to increase its self-sufficiency and reduce Australian imports. Fitch says Brazil's iron ore production will increase at an annual average rate of 10.6% over 2021, to increase from 397 million tonnes in 2020 to 542 million tonnes in 2025. "Production growth will slow over the longer term and we forecast average annual growth of 1.8% over 2026-2030, which would take annual output to 592 million tonnes by 2030," said Fitch. The iron ore price rose again on Friday, buoyed by hopes of a pick-up in steel demand in China. According to Fastmarkets MB, benchmark 62% Fe fines imported into Northern China were changing hands for \$157.55 a tonne, up 1.3% from Thursday's closing.

Source: Mining



## QINHUANGDAO COAL STOCKS DOWN AS TEMPERATURES RISE

Stocks at the key Chinese coal transshipment port of Qinhuangdao fell against the previous week, as coastal utilities stepped up purchases with warmer than expected weather that boosted cooling demand. But firmer spot prices deterred any significant restocking, with most utilities buying just enough to meet the government requirement to keep inventories sufficient for at least seven days. Qinhuangdao held 4.45mn t of coal as of yesterday, down from 4.61mn t a week earlier, according to data from coal industry association the CCTD. The fall in inventories was largely attributed to a strong rebound in offtake levels after a sharp fall last week. Offtake for the week to yesterday was 3.27mn t, up from 2.9mn t for the previous week. Inbound deliveries were 3.11mn t for the week to yesterday, down from 3.33mn t for the previous week.

The fall in inbound deliveries was partly because of a reluctance by some wholesalers to deliver more coal to the ports for resale following higher mine mouth prices that increased their costs. Inbound deliveries were 345,000t and 376,000t on 23 August and 24 August respectively, nearly 40pc lower than the typical daily average. But inbound deliveries rebounded to nearly 500,000t yesterday, after higher port prices helped some wholesalers recover costs. Some Chinese domestic NAR 5,500 kcal/kg coal sold at around 1,080-1,090 yuan/t (\$166.78-168.32/t) fob north China ports yesterday, higher than the latest Argus assessments at Yn1,035/t fob Qinhuangdao on 20 August.

Temperatures in many parts of south China, especially the coastal regions, have risen sharply despite an earlier forecast by the China Meteorological Administration that temperatures will start falling after mid-August. Daily coal consumption in the eight key coastal provinces hit 2.15mn t on 24 August, up from around 1.96mn t a month earlier, according to data from Chinese market participants. But stocks at these coastal provinces were 22.34mn t on 24 August, down from 24.35mn t a month earlier and compared with 27.15mn t on the same day last year, suggesting a tightly supplied market.

Source: Argus Media

## COLOMBIAN THERMAL COAL EXPORTS RISE BY 39% IN JULY, AS BAD WEATHER AND COVID 19 DISRUPTS AUSTRALIAN COAL EXPORTS

Rising shipments to South Korea, China and India pushed Colombia's combined thermal coal exports up by 39pc on the year in July. A total of 4.68mn t of thermal coal left Colombian shores last month, up by 1.30mn t from 3.37mn t in July 2020, data from shipping agency Naves show. In the first seven months of this year, Colombia shipped 29.7mn t, down by 4.6mn t on the year, driven predominantly by the suspension of Prodeco, as owner Glencore seeks to return its titles to the assets. The rise in July was driven by Colombia's biggest coal mining firms, Drummond and Cerrejon. The sharp increase in coal exports was supported by firmer demand from northeast Asia, including China and South Korea. Colombia shipped 436,000t to China in July, up by 141,000t from 295,000 in July last year, according to Naves. South Korea took 561,000t and India 169,000t, both up from zero in the same period last year. Taiwan and Japan purchased 89,000t and 83,000t in July, respectively, up from zero in the same period last year, Naves data show.

Drummond and Cerrejon both reported stronger exports year on year in July, but Prodeco was also active despite being on care and maintenance since March last year. Prodeco shipped 162,000t of thermal coal in July, down from 216,000t in the same period last year, according to Naves data. Prodeco shipped 69,000t to the US in July, up from zero in the same period last year, and 34,000t to Mexico. Commodity trading firm Trafigura shipped 54,000t of Colombian steam coal in July, which was up by 74pc on the year. Trafigura exported 334,000t in January-July, down by 140,000t from 474,000t in the same period last year, Naves figures show. UK firm Lissan Coal (LCC) exported 60,000t of small volumes of Colombian steam coal in January-July, down from 73,000t in the same period last year. LCC exports to northwest Europe through the Santa Marta terminal, Carbosan, according to an executive at the firm. Norte de Santander coal producer Carbomax is emerging as another market participant. It shipped 37,000t of steam coal in January-July, up by 35,000t on the year.

Meanwhile, Bad weather and a spreading Covid-19 outbreak are disrupting activity at coal ports in the Australian state of New South Wales. Ships have been ordered away from anchorages outside the NSW ports of Newcastle and Port Kembla because of storms, just as delayed Covid testing is straining supply chains, leaving shipping queues outside Newcastle stubbornly above 40 vessels. The storms that have hit the NSW coast are expected to ease tomorrow, allowing ships to return to anchorage. But the Covid-19 outbreak in Newcastle and other parts of NSW is likely to continue to hit supply chains. Regional NSW has been largely untouched by the pandemic, but the outbreak of the Delta strain of Covid-19 that has forced state capital Sydney into lockdown for two months has now spread.

Source: Argus Media



## IGC CUTS 2021/2022 WHEAT PRODUCTION FORECAST

The International Grains Council projected global wheat production in 2021-22 has been cut by 782 million tonnes, down 6 million tonnes from the group's July 29 forecast but still up 1.2% from 773 million tonnes in 2020-21. The Council attributed the cut from last month to smaller projections for wheat production in Canada, Russia, and the United States. At 782 million tonnes, the global wheat crop still would be the largest ever.

The 2022 wheat carryover forecast also was lowered from July but not by as large a margin as wheat production. Ending stocks next year were forecast at 278 million tonnes, down 2 million from the July projection and down 1 million tonnes from this year's forecast of 279 million tonnes. Global consumption of wheat in 2021-22 was trimmed 4 million tonnes from July to 783 million tonnes, up 1.7% from 770 million in 2020-21. The Council said the cut reflected a prospective reduction in wheat feeding in the new crop year.

Source: World Grain

## USDA FORECAST 4% INCREASE US CORN CROP YIELDS

The USDA forecast US 2021 corn production at 14.75 billion bushels, up 4% from 14.182 billion bushels in 2020 and the second highest on record after the 2016 crop of 15.148 billion bushels, but 1.7% below trade expectations that averaged 15 billion bushels. Average corn yield was forecast at 174.6 bushels per acre based on Aug. 1 conditions, up 2.6 bushels from 172 bushels per acre in 2020 and the third highest on record but 1.7% below the average trade expectation of 177.6 bushels per acre. The USDA forecast was based on harvested area of 84.495 million acres, unchanged from the USDA June Acreage report but up 2% from 2020. Brian Harris, executive director and owner, Global Risk Management, noted the corn yield forecast was "a bit" lower than expected but could be raised by up to 1 to 1.5 bushels an acre in September amid favourable weather.

The USDA forecast for Brazil's corn crop is positive, with the agency expecting a recovery in 2021-22 with production forecast at 118 million tonnes and exports at 43 million tonnes, both unchanged from July. The USDA forecast China's corn imports at 26 million tonnes for both 2020-21 and 2021-22, unchanged from the July forecasts and compared with just 7.6 million tonnes in 2019-20. China "needs to buy quite a bit more corn" to reach those forecasts, said Paul Meyers, vice president, commodity analysis, Foresight Commodity Services, Inc. China continues to play an important role as a major export destination for corn. Forecast for Brazil's 2020-21 corn production is at 87 million tonnes, down 6 million tonnes from July, and exports at 23 million tonnes, down 5 million tonnes.

Source: World Grain

## USDA SOYBEAN PRODUCTION FORECAST UP 5%

The USDA forecast 2021 US soybean production at 4.339 billion bushels, up 5% from 4.135 billion bushels in 2020 and the third highest on record if realized but modestly below the trade average estimate of 4.375 billion bushels. US average soybean yield was forecast at 50 bushels per acre, down slightly from 50.2 bushels per acre in 2020 and below the trade average of 50.4 bushels an acre. Harvested area was forecast at 86.72 million acres, unchanged from June but up 5% from 2020.

Meanwhile Conab, the Brazilian government's food supply and statistics agency, is estimating a record soybean crop for the nation for the 2021-22 season. Soybean production is estimated at 141.3 million tonnes, an increase of 5.3 million tonnes from last season, which was a record. Brazil is working to meet demand expectations, particularly from China.

Source: World Grain