DRY BULK WEEKLY BRIEF

WEEK 35 | Monday, 06 September 2021

LATEST COMMODITY NEWS

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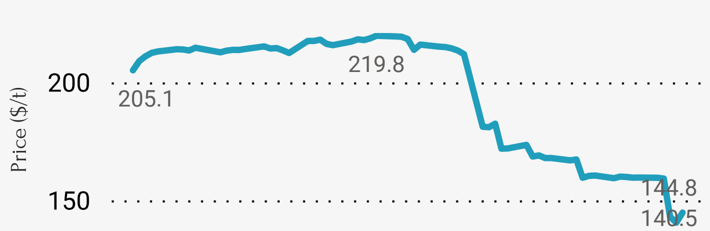
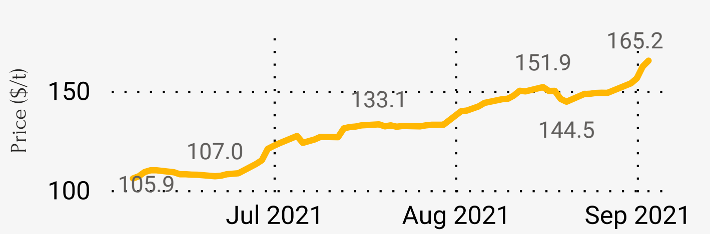
U.S. PEGS FARM INCOME AT EIGHT-YEAR HIGH AMID STRONG CORN, SOY PRICES

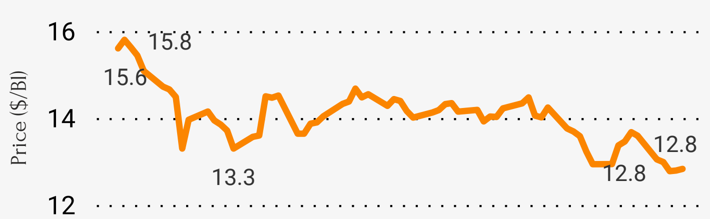
Iron Ore Price This Month ($/t)



Coal Price This Month ($/t)



Soybeans Price ($/bl)



Week	S&P Transactions	Demolition Sales	Newbuilding Orders
35	12	1	15
34	13	4	8
33	25	1	4
Total	**50**	**6**	**27**

Latest Secondhand Transactions

Week	Vessel Name	DWT	Built	Reported Price
35	ALAM MADU	58,045	2014	£27.0M
35	ALAM MOLEK	58,074	2014	£27.0M
35	CENTENARIO FORZA	56,129	2012	£20.0M
35	HUA RONG 1	56,381	2012	£19.2M
35	IVS PHOENIX	60,477	2019	£23.5M
35	PHOEBE STAR	32,597	2010	£14.0M
35	SDTR IRENE	84,972	2022	£36.0M
35	SIBULK TRADITION	53,206	2008	£16.1M
35	SKYLIGHT	56,847	2009	£16.4M
35	STELLA HOPE	180,000	2016	£44.0M
35	STELLA NAOMI	181,031	2016	£44.0M
35	STELLA NORA	180,000	2016	£44.0M

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

BREAKER COUNTRY	Week 33	Week 34	Week 35	WoW%
BANGLADESH	593	590	580	-1.6%
INDIA	572	572	570	-0.3%
PAKISTAN	583	582	570	-2.0%
TURKEY	273	270	260	-3.7%

Average bunker Prices ($/t)

Week	VLSFO	MGO	IFO380
34	514	613	418
33	498	585	391
32	515	612	415

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BHP PORT ISSUES WEIGH ON WESTERN AUSTRALIA IRON ORE SHIPMENTS

Shipments from the four largest iron ore producers in the Pilbara region of Western Australia (WA) slipped below average in the week to 28 August, as port maintenance weighed on BHP's exports offsetting a rebound in output from Roy Hill following a planned closure. The four largest WA producers — Rio Tinto, BHP, Fortescue and Roy Hill — loaded vessels with a combined 16.47mn dead weight tonnes (dwt) of capacity in the latest week, down from 16.7mn dwt in the week to 21 August and 3pc below 12-month average levels. Prices rebound slightly during last week but continued to fall early this week on Chinese steel production controls. Maintenance on Nelson Point No.1 car dumper at its port facilities at Port Hedland weighed on BHP's shipments and will continue beyond September.

BHP loaded ships with 5.05mn dwt capacity in the week to 28 August, down from 5.97mn dwt the week before and 12pc below its annual rolling average of 5.71mn dwt/week. Its August shipments slipped from July, which was down around 5pc on June, according to initial shipping data collected by Argus. But the firm's Finucane Island terminal shipped around 60pc of BHP's exports in August compared to around 50pc in June, as it took on more of the load while the maintenance continued at the Nelson Point terminal. BHP operates just these two terminals at Port Hedland and the extra burden on Finucane Island during the Nelson Point maintenance means it has less redundancy to use should any unforeseen event occur. Roy Hill loaded ships with 1.16mn dwt capacity in the week to 28 August, up from 773,000t dwt the previous week and close to its average of 1.15mn t/week for the past year, after it completed its quarterly maintenance closure. Fortescue's shipments rose to 3.72mn dwt from 3.33mn dwt the previous week and were back above its average of 3.56mn dwt for the first time in three weeks.

Rio Tinto loaded ships with 6.54mn dwt capacity in the latest week, down from 6.63mn dwt in the week to 21 August and close to its rolling average of 6.56mn dwt/week. The firm will need to further increase tonnage over the next four months, if it is to achieve an average around 6.9mn dwt/week to meet the bottom of its 2021 target of 325mn-340mn t on a 100pc basis. China was listed as the destination for 81pc of shipments in the latest week, up from 73pc a week earlier. After including shipments with unconfirmed destinations — most of which are probably headed to China — the percentage was 83pc, up from 80pc a week earlier and close to the recent average of around 82pc.

Argus assessed the ICX iron ore price at $153.05/dmt cfr Qingdao on a 62pc Fe basis yesterday, up from $131.80/dmt on 19 August but down from a high of $235.55/dmt on 12 May. Yesterday's assessment compares with $167.45/t on 1 April and $159.90/t on 31 December. Argus last assessed 58pc Fe at $121.55/dmt cfr Qingdao, up from $102.80 on 19 August, but down from a high of $207.10/dmt on 12 May and from $162.35 six months earlier.

Source: S&P Global

CHINA IMPOSES PRICE CAP ON LOCAL COKING COAL

China's National Development and Reform Commission has imposed price controls on domestic coking coal following the recent rally in the market, several sources close to the matter told S&P Global Platts Sept. 2. A metallurgical coal producer in China said it was told by the NDRC to reduce prices of all grades of coking below Yuan 3,500/mt ($542/mt), on a free-on-rail basis. The notice was issued to the miner on Sept. 1, a source familiar with the case said. The price cap would represent a cut of about Yuan 235/mt for Shanxi premium low-vol hard coking coal but would not affect other grades of coking coal as their prices were below that level, according to domestic prices assessed by S&P Global Platts Sept. 1. As of Sept. 2, few market participants seemed aware of the move, with just two steelmakers saying they knew about them. "This piece of information is reliable, and I think miners would not take the risk to increase prices anymore at this moment," one of the end-users said. It was not clear if the Yuan 3,500/mt price cap would apply to private miners in China, sources said.

S&P Global reports indicate local prices have reached record highs in recent weeks, as local steelmakers turned to Chinese supply in the absence of some of their traditional import sources. Australian coal has been unavailable to Chinese steelmakers since an unofficial ban in Q4 2020, while Mongolia --historically the second-largest source of imports -- has seen its trade-flow stifled by COVID-19-related border closures. Compounding that, domestic supply has been tightened in recent months, with China's raw coal production down by 3.3% in July, according to National Bureau of Statics data. The move to cap prices came a few weeks after Chinese government measures to stabilize domestic thermal coal prices. Similar price control mechanisms were imposed in the thermal coal market, including starting 15 suspended coal mines in Inner Mongolia and Shanxi,Shaanxi, Ningxia and Xinjiang provinces, boosting national coal reserves to around 600 million mt, and released 5 million mt of state reserves to support power generation companies in Southern China in July.

The move could have an impact on seaborne non-Australian coking coal prices, which have been soaring in recent weeks, with Platts PLV CFR China hitting a fresh all-time high Sept. 2 at $440/mt CFR China. The rally has been driven by the attractive import arbitrage opportunity created by rising Chinese prices. Platts Sept. 1 Shanxi Premium Low Vol assessment at Yuan 3,735/mt on a free-on-rail basis equated to an import parity value of $496.54/mt CFR, $56.54/mt above the latest value for imports of the same quality. Meanwhile, domestic coking coal and coke futures on the Dalian Commodities Exchange traced a bullish trend Sept. 2 and hit an upper limit for the day. In a seemingly parallel cooling measure, the DCE has increased margin requirements on its coking coal and coke contracts. Effective Sept. 6, the margin level for speculative trading of coking coal and coke futures contracts will be raised to 15% from 11%, while the upper/lower trading limit will be unchanged at 8%, DCE told clients in a document seen by Platts.

Source: S&P Global

INDIA URGES UTILITES TO IMPORT MORE COAL FOR POWER GENERATION

India has urged utilities to import coal as coal-fired electricity generation surged in Asia's third largest economy after an easing of coronavirus-related curbs, with several power plants on the verge of running out of fuel. India is the second largest importer of coal despite having the world's fourth largest reserves, and coal powers over 70% of the country's electricity demand. Electricity generation makes up three-fourths of India's coal consumption. "Thermal power plants, which may import coal for blending, may explore (ways) to enhance imports of coal to tide over the current crisis," the federal power ministry said in an Aug. 30 notice seen by Reuters. Overall electricity generation rose 16.1% in August, while coal-fired power output rose 23.7% from a year earlier, a Reuters analysis of daily load despatch data by federal grid regulator POSOCO showed.

Data from the Central Electricity Authority showed over half of the 135 coal-fired power plants had less than a week's supply of coal left, of which 50 plants had fewer than three days of coal left. Six plants had run out of coal. read more India mainly imports from Indonesia, Australia and South Africa. The government has been seeking to cut imports. India has also asked Coal India (COAL.NS) to prioritize supplies to thermal power plants with low stock and dispatch fuel from mines with abundant inventory to address the shortage. Coal supply by the state-run miner, which accounts for over 80% of India's coal output, rose 9.5% in August compared with last year, but was down 3.8% compared with July.

Source: Reuters

POOR GLOBAL WHEAT HARVEST LEADS TO SHORTAGES IN ASIA

Intense heat withered crops in recent months across the world's most important export hubs of the Black Sea, Canada and Europe, catching trading firms by surprise and leaving buyers facing shortages and potential output cuts at flour mills. Large wheat growers such as China have also stepped-up imports of the grain this year, ensuring that competition for wheat across Asia will persist. "Prices have gone up more that what we expected," said the owner of a leading wheat miller and noodle maker in number two wheat importer Indonesia, who declined to be identified due to the sensitivity around food supplies. "We expect a decline of around 10% in wheat processing" in 2021 from 2020, he said. Asian take up around a third of global wheat shipments, and often react sooner to high wheat prices due to relatively low per capita incomes and long distances from major markets which add to delivery costs.

In response to widespread crop deterioration, the U.S. Department of Agriculture slashed 20 million tonnes off the combined output of top exporters Russia and Canada in its most recent forecast for the current crop year, igniting fresh bouts of bullishness in global wheat markets. Export prices from Ukraine and France are up nearly20% in the past month, leaving buyers reluctant to chase prices higher. Further supporting prices are expectations that Russia's export season will be prolonged following a hike in export taxes that has slowed sales, traders and analysts said.

Locally held Asian stockpiles won't offer much of a buffer, as they are already lower than normal among Indonesian millers at around two to three months versus the usual four, said a Singapore-based trader. High prices earlier this year along with COVID-19 outbreaks slowed replenishment rates, said the source, who supplies U.S. and Black Sea wheat to Asian buyers. In addition, Japan, South Korea, Vietnam, Thailand and the Philippines are all net wheat importers. Australia is a rare bright spot for wheat production potential this year, but slow farmer sales are again hindering grain flows. "In a normal year Australian growers would have sold close to 30% of their new crop which will be harvested at the end of the year," said Ole Houe, director of advisory services at brokerage IKON Commodities in Sydney. As of now, he said just 10% to 15% of the crop has been sold as they hold out for higher prices. With wheat supplies in Asia set to remain tight for the near term, a source at a milling company with facilities across the region said milling activity will decline. "We expect people to switch from wheat flour-based products to rice and other foods," he said.

Source: Reuters

U.S. PEGS FARM INCOME AT EIGHT-YEAR HIGH AMID STRONG CORN, SOY PRICES

U.S. farmers' net income is projected to jump 19.5% this year to an eight-year high of $113 billion, the U.S. Department of Agriculture said on Thursday in a sharp reversal from a February forecast for a decline in profits. A surge to eight-year highs in U.S. corn and soybean prices this spring has brightened the financial outlook for farmers even as aid payments from the federal government are declining. Crop prices have pulled back from peaks reached in May but remain historically high due to tight global supplies and robust imports from China. Rising profits have increased farmers' demand for land, tractors, and tools, providing an economic boost to rural towns.

Farmers in recent years relied on aid payments from the federal government to offset financial losses linked to the U.S.-China trade war and COVID-19 pandemic. However, direct government payments are forecast to fall by 38.6% to $28 billion in 2021 due to reduced COVID-19 relief, after increasing by 103.5% in 2020 compared to 2019, according to the USDA.

Source: Reuters