DRY BULK WEEKLY BRIEF

WEEK 38 | Monday, 27 September 2021

LATEST COMMODITY NEWS

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COKING COAL SURPASSES IRON ORE AS MOST EXPENSIVE STEEL MAKING MATERIAL

Grains

USDA REVISE MEXICO'S WHEAT OUTPUT UPWARD

IGC RAISES FORECAST FOR 2021/2022 GLOBAL CORN CROP

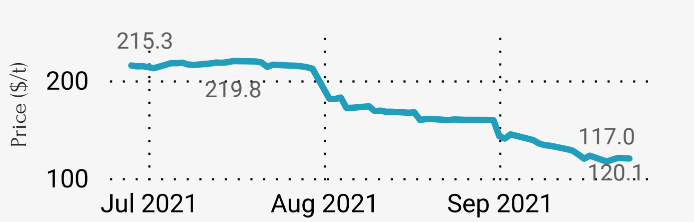
ARGENTINA AGREES DEALS TO DREDGE THE PARANA RIVER

Week	S&P Transactions	Demolition Sales	Newbuilding Orders
38	18		12
37	18		3
36	19		14
Total	**55**		**25**

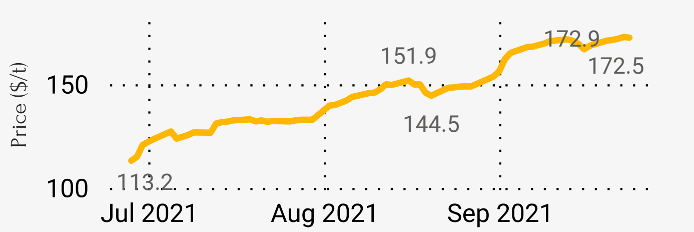
Latest Secondhand Transactions

Week	Vessel Name	DWT	Built	Reported Price
38	AQUABELLA	177,216	2005	£19.0M
38	BELLAMYS	76,286	2005	£17.0M
38	CACTUS K	33,000	2011	£16.8M
38	CIELO DI GASPESIE	36,700	2012	£19.1M
38	ELINDA MARE	79,648	2010	£20.0M
38	GOLDEN DAISY	28,368	2014	£16.5M
38	GUTIAN LOYAL	52,686	2004	£13.8M
38	MERMAID STAR	14,026	1999	£4.2M
38	NAREW	16,753	20112	£9.3M
38	OCEAN OPAL	37,187	2012	£18.0M
38	OCEAN RIDER	34,250	2009	£14.0M
38	PALAIS	75,434	2014	£23.3M
38	PEDHOULAS FIGHTER	81,500	4024	£24.0M
38	SAILING SKY	61,346	2014	£27.0M
38	SEA VISION	77,154	2015	£29.0M
38	SERENITY C	31,754	2011	£13.5M
38	VANTAGE KEY	29,870	2004	£9.0M

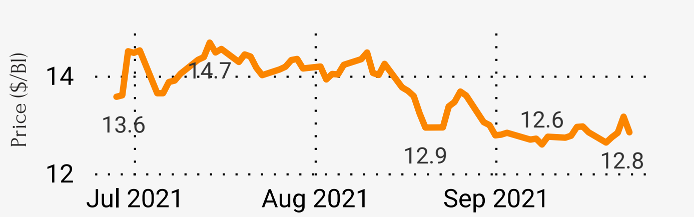
Iron Ore Price This Month ($/t)



Coal Price This Month ($/t)



Soybeans Price ($/bl)



Changes in Iron Ore Port Inventory Index

Port	W/W%
Dampier	-26.77%
Qingdao-Dongjiakou	14.56%
Qingdao-Qianwan	-1.17%
Saldanha	9.31%
Tubarao	-15.61%

Source: Tathya.Earth

Demolition Prices for Bulkcarriers ($/LDT)

BREAKER COUNTRY	Week 35	WoW%
BANGLADESH	578	-1.3%
INDIA	553	-1.1%
PAKISTAN	580	-0.2%
TURKEY	275	1.4%

Average bunker Prices ($/t)

WEEK	VLSFO	MGO	IFO380
34	534	623	435
35	543	638	442
36	547	649	451

Follow us for more analysis and updates of the dry bulk shipping market

AUSTRALIAN IRON ORE MINERS HALT OPERATIONS AS PRICE DIPS

Australian iron ore junior GWR has halted mining at its 1mn t/yr C4 deposit in Western Australia (WA), as a drop in iron ore prices by more than half forces more marginal production out of the seaborne market. GWR stopped all mining at C4 for 30 days on 19 September while it monitors iron ore prices and considers its position on reopening operations. It has 172,500t of ore on stockpiles at its mine site and another 143,000t of 61.8pc Fe which has been blasted in the pit and is ready to be dug. The extent of these stockpiles reflects the speed at which prices have become uneconomic for GWR to sell iron ore.

The firm joins Tasmanian producer Venture Minerals in closing iron ore operations because of low prices, with others likely to follow suit unless there is a significant rebound in prices. GWR continues to talk to other mining firms about mine-gate sales of the stockpiled material to be used in blending with lower-grade ores. GWR has an agreement with Macarthur Minerals for mine-gate sales and may be able to sell ore to larger iron ore producers in the Mid West region of WA such as MinRes and Mount Gibson, which have larger cash reserves to help them through this weak price environment. GWR operated at an unaudited cash cost of A$120.30/wet metric tonne (wmt) ($88.20/wmt) fob Geraldton, WA in April-June. The firm was highly profitable in April-June at an average realised price of $185.50/dry metric tonne (dmt) fob, but profit is marginal at half that price, particularly when accounting for development costs and royalty payments.

Argus last assessed ICX iron ore at $100.45/dry metric tonne (dmt) cfr Qingdao on a 62pc Fe basis on 21 September, down from $161.55/dmt on 11 August and a high of $235.55/dmt on 12 May. Argus assessed 58pc Fe at $73.60/dmt cfr Qingdao on 21 September, down from $133.50/dmt on 11 August and a high of $207.10/dmt on 12 May.

Source: Argus Media

EVERGRANDE DEBT CRISIS WEIGH ON IRON ORE MINERS SHARE PRICE

The dramatic decline in seaborne iron ore prices has grabbed headlines in recent weeks but tectonic shifts may be underway in China, paving the way for a new normal for the raw material. The elephant in the room is the property sector, one of the pillars of steel demand. Talks are rife that China is earnest in its desire to tame the debt levels of property developers. This is to align with the goals of cooling off property sector prices and the government's "housing is for living" rather than speculation approach. This goal is not new. China has talked about the need to cool its property market for years. Imminent among the concerns is the fate of Chinese developer Evergrande and whether the government will provide a path to bail it out. Many participants attributed a 20 September sell-off in financial markets to Evergrande's debt concerns. Shares of Rio Tinto, the top iron ore producer, are trading around 28pc below this year's peak. Markets have recovered since Monday, with Singapore Exchange iron ore futures regaining most of the losses on 20 September.

Iron ore prices have been on the decline for the past weeks because of steelmaking cuts in the country as China looks to control output. The Evergrande crisis and its looming payment test are not why iron ore prices have shed their gains, with the month-to-date average down by 0.1pc versus September 2020 average. A boom in the Chinese property sector over the years has worked to the advantage of iron ore and steel demand, with developers able to borrow even ahead of finishing projects and amassing massive debt that leaves the wider financial system, including investors and banks exposed. The government wants to change this. A reined-in property sector will have a bearing on demand for steel products, especially rebar.

Source: Argus Media

US COAL MINNING COMPANIES NOT INCREASING CAPACITY DESPITE FIRM DEMAND

Coal demand and prices are booming as natural gas prices soar, but U.S. mining companies have not ramped up production to meet the new market conditions. Since climbing from a sharp drop in the early weeks of the COVID-19 pandemic, the overall U.S. coal supply response has been conservative. There are numerous reasons mines in the long-struggling sector have not ramped up production, including limited access to capital, uncertain demand outlook, labour shortages and the time it takes to increase supply. The U.S. Energy Information Administration recently said it expects coal demand from the U.S. electric power sector to increase by 100 million tons in 2021 and export demand to rise by 21 million tons compared to 2020. However, the agency also warned that constraints in capacity and transportation will limit the ability of producers to meet that demand. S&P Global Platts assessed Powder River Basin 8,800 Btu/lb coal at $16.90/ton, the highest price for that grade of coal in over 15 years. Central Appalachia Basin and Illinois Basin coal prices have also been on the rise.

While high gas prices are boosting the economic case for burning coal, "it turns out that the coal producers are very much limited in what they can do," said Matt Preston, research director for North American coal markets at Wood Mackenzie. "There is no extra coal out there to get," Preston said of the current market. "There's literally no more coal to squeeze out of the system." Whether for making steel or generating power, "coal demand is incredible right now," both domestically and abroad, Alan Shaw, executive vice president and chief marketing officer at railroad company Norfolk Southern Corp., said during a Sept. 10 transportation conference. "However, the mines aren't bringing on a lot of additional production because they're not sure how long this lasts," Shaw said. Long-term contracts with power generators remain elusive in the sector, leaving many miners reluctant to invest in coal that may not have a buyer in the future. While the forward prices for natural gas remain high for the winter, buyers do not want to get caught with too much coal if gas prices decline, Preston said in an interview.

Source: S&P Global

COKING COAL SURPASSES IRON ORE AS MOST EXPENSIVE STEEL MAKING

Coking coal has surpassed iron ore to become the most expensive raw material input for steel makers, an analysis by S&P Global Platts showed. Global steel mills from East Asia to India, Europe and Brazil have been scrambling to procure metallurgical coal amid a historic rally caused by tight global supplies and disruption in trade flows due to the COVID-19 pandemic. The rally in coking coal was partly enabled by the recent collapse in iron ore prices, several market sources said. The iron ore benchmark IODEX 62% Fe fell by $128/mt to $94/mt CFR China Sept. 20, down 58% since mid-July. Coking coal was now more expensive than iron ore from a budget perspective, with the overall input cost for the raw material rising to between 50% and 60% as of Sept. 20 since end-July, considering the sinter and pellet consumption rates, a European steel mill source told Platts.

Tightening global supply for seaborne coking coal in the second half of 2021 has resulted in lower spot transaction volumes, pushing the coking coal market higher, sources said. Ex-China spot demand for seaborne coking coal increased by about 280% on the year in first half of 2021, Platts data showed. Despite the short supply, coking coal spot cargoes have seen higher buying interest from the traditional international markets, including, Japan, India, Europe and South America, over the past few months, sources said. In China, the surge in coking coal costs appeared to worsen, with the raw material making up between 50%-70% of the input costs to produce hot metal, according to a recent market survey by Platts. A source at a steel mill in Shandong told Platts that. "Rising domestic prices since May have made the seaborne materials more attractive for east coastal mills like us, as imports were relatively cheaper and this could help save transportation costs by Yuan 200-300/mt, compared with sourcing from the Shanxi Province," An end-user in India said that coking coal now accounted for over 60% of the total input cost required in producing hot metal for west Indian mills. The divergence between seaborne met coal and iron ore prices has accelerated since late July, with premium hard coking coal gaining $189.5/mt, while medium-grade 62% Fe iron ore fines declining $91/mt basis CFR China, as of Sept. 14, according to Platts data. Platts assessed Premium Low Vol HCC at a 10-year high of $354.00/mt FOB Australia on Sept. 16.

Source: Source: S&P Global

USDA REVISE MEXICO'S WHEAT OUTPUT UPWARD

Mexico's wheat production in marketing year 2021-22 has been revised upward, according to a Global Agricultural Information Network report from the Foreign Agricultural Service of the US Department of Agriculture (USDA). The USDA's updated projection has Mexico's wheat output at 3.2 million tonnes, up 100,000 tonnes from the previous estimate and 235,000 tonnes higher than the 2020-21 crop. The USDA said the year-on-year increase was due to "higher planted area and favourable weather conditions." With wheat consumption expected to increase by 200,000 tonnes in 2021-22, the USDA is projecting imports to increase by nearly 400,000 tonnes compared to the previous year. The USDA's projection for Mexico's corn output is unchanged from the most recent forecast at 28 million tonnes but is up 800,000 tonnes compared to the previous year. Mexico, which ranked second in the world in corn imports last year, is forecast to take in 17 million tonnes in 2021-22, a 500,000-tonne increase.

Source: World Grain

IGC RAISES FORECAST FOR 2021/22 GLOBAL CORN CROP

The International Grains Council (IGC) on Thursday raised its forecast for the 2021/22 global corn crop, predominately reflecting improved outlooks for the United States and Ukraine. In its monthly update, the inter-governmental body increased its 2021/22 world corn (maize) crop outlook by 7 million tonnes to a record 1.209 billion tonnes. The crop in the United States, the world's top corn producer, was seen at 380.3 million tonnes, up from a previous projection of 374.7 million but marginally below the U.S. Department of Agriculture's forecast of 380.9 million issued earlier this month. Ukraine's corn crop was forecast to total 38.5 million tonnes, up from a previous projection of 37.3 million. The IGC also trimmed its forecast for global wheat production in the 2021/22 season by one million tonnes to 781 million, with downward revisions for the European Union and Canada partially offset by improved outlooks for Australia and Ukraine.

Source: Reuters

ARGENTINA ARGEES DEALS TO DREDGE THE PARANA RIVER

Argentina's government has formally agreed a 90-day deal with Belgian firm Jan de Nul to keep dredging the Parana River, a key grains thoroughfare, according to a resolution published on Tuesday in the Official Gazette. The resolution also included the launch of a tender for the longer-term maintenance of the inland waterway, along which some 80% of the South American country's farm exports including soy, corn and wheat are transported. Argentina is the world's top exporter of processed soy, the second largest producer of corn and a major exporter of wheat and barley.

At the start of the year, Jan de Nul's long-term concession to dredge the Parana expired. The new deal means the firm's local subsidiary will carry out the work until a 180-day tender is completed. A longer tender will later be offered. According to the resolution, the work is urgent to "ensure the continuity of the operating conditions" of the waterway, especially given the extremely low level of the Parana River due to a historical drought upriver in southern Brazil. The Parana is at its lowest level in Argentina in almost 77 years, which has generated logistical difficulties for the country's huge agro-export trade and hurt communities living along the banks of the river.

Source: Reuters