

DRY BULK WEEKLY BRIEF

WEEK 40 | Monday, 11 October 2021



LATEST COMMODITY NEWS

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COAL PRICES ARE ROARING BACK AMID A GLOBAL ENERGY CRUNCH

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EU SOFT WHEAT EXPORTS RISING SHARPLY

CONAB FORECASTS CROP PRODUCTION REBOUND IN BRAZIL

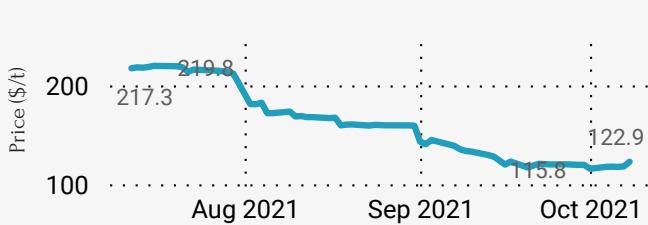
BRAZIL SOYMEAL EXPORTS SOAR AS DROUGHT DISRUPTS ARGENTINA EXPORT ROUT

Week	S&P Transactions	Demolition Sales	Newbuilding Orders
40	15	1	
39	25		17
38	18		12
Total	58	1	27

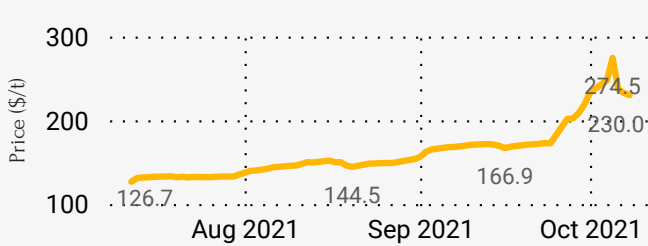
Latest Secondhand Transactions

Week	Vessel Name	DWT	Built	Reported Price
40	AMIRA ILHAM	28,400	2009	£13.5M
40	ASL MARS	175,085	2004	£16.2M
40	MEL PRIDE	32,260	1999	£8.0M
40	NEW DAYS	38,230	2017	£26.0M
40	NEW FACE	38,342	2017	£26.0M
40	NEW LIFE	28,227	2013	
40	OCEAN GINGER	75,000	2002	£11.5M
40	SHUANG XI	93,237	2010	£20.2M
40	STELLA BELLA	250,400	2016	£60.0M
40	STELLA IVY	250,300	2015	£58.0M
40	TESORO	53,350	2007	£15.8M
40	TRUE ENDURANCE	179,147	2012	£32.5M
40	VORANA MANX	82,000	2021	£40.0M
40	XIN HUA	82,269	2012	£22.0M
40	ZEPHYRUS	81,981	2019	£36.5M

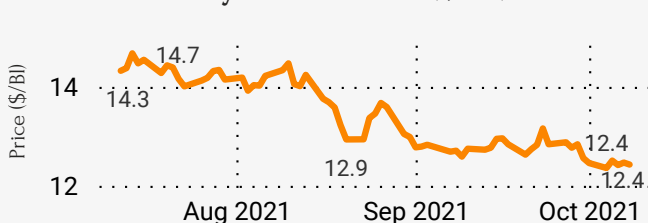
Iron Ore Price This Month (\$/t)



Coal Price This Month (\$/t)



Soybeans Price (\$/bl)



Changes in Iron Ore Port Inventory Index

Port	W/W%
Dampier	→ 0.00%
Qingdao-Dongjiakou	→ 0.97%
Qingdao-Qianwan	→ 0.52%
Saldanha	↓ -17.86%
Tubarao	↗ 1.51%

Source: Tathya.Earth

Demolition Prices for Bulkcarriers (\$/LDT)

BREAKER COUNTRY	Week 40	WoW%
BANGLADESH	578	-1.1%
INDIA	560	0.6%
PAKISTAN	578	-0.2%
TURKEY	275	-0.9%

Average bunker Prices (\$/t)

WEEK	VLSFO	MGO	IFO380
40	601	721	513
39	583	692	482

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



MORE AUSTRALIAN IRON ORE MINERS HALT OPERATIONS

Australia's biggest new iron ore mine in more than 50 years has officially opened and while it would appear the timing could be better, the behemoth operating it is unfazed. BHP began production at its \$US3.6bn (\$A4.98bn) South Flank mine, 56km northwest of Newman in Western Australia's Pilbara region, in late May - shortly after the iron ore price hit a record \$US233 per tonne. The price has recently rebounded modestly, currently sitting around US\$116/t, which is still a decent amount given the miner in August flagged its 2021-22 costs of production would be just \$US17.50 to \$US18.50 per tonne. But some analysts are tipping a bigger fall in coming months and years as China curbs steel production in a bid to reduce its carbon emissions, in particular, seeking blue skies for the Winter Olympics in Beijing in February. UBS last month forecast a price for Australia's most important export below \$US100/t by the end of this calendar year and an average \$US89/t in 2022, given supply is set to lift, with Guinea poised to add 100-200 million tonnes (Mt) from 2025/26, and as steel scrap in China increasingly displaces iron ore demand. But BHP iron ore asset president Brandon Craig isn't worried to be now ramping up production at South Flank, an 80Mt per annum (Mtpa) operation. South Flank is 9km to the south of BHP's existing Mining Area C and combined, the two operations are set form the world's largest operating iron ore hub, producing a whopping 145Mtpa. "For the cost performance of this mine, it is very competitive even at iron ore prices that we've seen today," Mr Craig told reporters on Thursday. "It's a healthy margin." Asked if China pulling back its demand was being felt, Mr Craig said: "We can feel it to some extent in the prices but as a business, we're not having any difficulty moving quality product." It's that quality aspect BHP is stressing, saying South Flank has bumped up the average grade for its WA iron ore assets from 61 to 62 per cent, while the overall proportion of the sought-after lump form of the commodity is lifting from 25 to 30-33 per cent.

Steel makers seeking to lower their greenhouse gas emissions are shying away from lower grade ores that are more carbon-intensive to use. BHP is in the midst of a massive effort to improve its green credentials, getting out of thermal coal used in electricity production but hanging on to its metallurgical coal assets, again emphasising that its focus on high quality will help steel makers clean up their act, and that steel is of course essential. The company is also offloading its petroleum business to Woodside. BHP last month released its 2021 climate action plan, setting a goal to achieve net zero greenhouse gas emissions from its operations by 2050. As for its 'Scope 3' targets downstream, the company reiterated its previously announced goals to help develop ways to cut emissions in integrated steelmaking by 30 per cent and "support" slashing 40 per cent emissions intensity of BHP-chartered shipping by 2030.

Source: The Australian

IRON ORE PRICE RISES AS CHINA MARKETS REOPEN AFTER HOLIDAY

The iron ore price rose on Friday after a week-long holiday in China, with market participants upbeat about demand prospects for the raw material in the world's top steel producer. China's electricity shortage has raised concerns energy-intensive electric arc furnaces that utilize iron scraps to produce steel could be hit, which means more steel output required from blast furnaces using iron ore.

The most-traded January iron ore on China's Dalian Commodity Exchange was 4.9% higher at 762.50 yuan (\$118.24) a tonne Friday morning, just below a session-high 769 yuan, its strongest since September 6. "With property developers struggling due to high debt levels, the spectre of strong demand for steel and iron ore remains low," said ANZ senior commodity strategist Daniel Hynes. But China's steel output cuts spurred by the country's decarbonisation policy remain the bigger worry. "We see China's steel output remaining under pressure until the end of Q1 2022, as authorities are keen to show a 'green' Winter Olympics in February," Commonwealth Bank of Australia analyst Vivek Dhar said. Sentiment among Chinese investors "has recently recovered to a neutral level, but the trend is decidedly downward and the upside is capped by recent domestic default stories," said Olivier d'Assier, head of APAC applied research at Qontigo. "The main issues affecting sentiment have been purely domestic so far, but on the geopolitical front, the US-China trade talks have yet to take place and this issue remains unresolved." Relations with the US are under the microscope after news that President Joe Biden plans to meet Xi Jinping virtually by year-end.

Source: Mining



COAL PRICES ARE ROARING BACK AMID A GLOBAL ENERGY CRUNCH

Soaring coal prices have placed Australia's mining and energy exports on track to reach a record \$349 billion this year even as the value of the nation's biggest export, iron ore, appears to have peaked. Markets for thermal coal, used for power generation, are booming around the world as a global recovery from the economic impacts of the COVID-19 pandemic drives up demand for energy. Metallurgical coal used in steel-making has also touched new highs as supply shortages combine with rebounding industrial activity. Federal government trade data to be released on Thursday reveals an expected 10 per cent rise in resources and energy earnings to hit an all-time high of \$349 billion in 2021-22, before falling back to \$299 billion in 2022-23. "The sector has gone from strength to strength and is performing better than it was pre-pandemic," Federal Resources Minister Keith Pitt said. Coal producers were hit hard in 2020 as the shock of the pandemic pummeled prices and a diplomatic feud led to China banning Australian coal shipments. The sector has also been under mounting pressure as global warming concerns cause investors to flee, while the United Nations, ahead of an upcoming climate summit in Glasgow, is calling on all countries to commit to phasing out thermal coal between 2030-40.

Although this year's price rally signifies coal's enduring near-term demand as an abundant source of energy, the federal Industry Department notes the commodity faces "significant competing forces". "Recent revenue surges are likely to run up against longer-term structural issues in the coal market," it said. "Investor and policy pressure has grown in recent years, and the global coal-fired power plant construction pipeline has contracted since 2015." Still, the share prices of ASX-listed coal miners have been rallying in the past month. Investment bank Morgan Stanley described Whitehaven Coal, whose value has jumped almost 50 per cent since August, as a "cash machine" amid expectations of higher coal prices lasting well into 2022.

Prices for the key steel-making ingredient iron ore, however, have been falling rapidly. China, by far the world's biggest consumer of the commodity, has been seeking to cut steel mills' output and tackle carbon emissions for the third straight month. After hitting a record \$US230 a tonne in May, iron ore has had its value slashed in half and is now trading below \$US110 a tonne, hammering the share prices of the mining giants BHP, Rio Tinto and Fortescue. UBS analyst Myles Allsop said Chinese steel production had weakened since July as Beijing put pressure on provinces to materially cut energy consumption and intensity to meet targeted emissions cuts of 3 per cent year-on-year. Problems plaguing top Chinese property developer Evergrande had also triggered a slowdown in construction reducing steel demand, he said. Australia's iron ore exports reached a record \$153 billion in 2021 on the back of an aggressive infrastructure building blitz in China and weaker iron ore output from mines in Brazil, but is forecast to fall by as much as 35 per cent by 2022-23.

Source: The Sydney Morning Herald



EU SOFT WHEAT EXPORTS RISING SHARPLY

Due to dry weather, Russia may plant less winter wheat this fall than expected, Reuters reported, citing analysts. The dry weather also reduced its 2021 wheat crop. Winter wheat sowings have fallen further behind the average pace in recent days, following initial delays when planting started. The total winter wheat sowing area could drop by 700,000 to 1.2 million hectares from a year ago, according to Sovecon consultancy. Another consultancy predicts sowing will be down 500,000 to 1 million hectares.

Both had previously expected reductions of between 500,000 and 1 million hectares. Winter wheat usually accounts for 70% of Russia's crop and brings a higher yield than the spring planted crop. Farmers had sown winter grains on 10.8 million hectares as of Sept 30, down from 12.3 million hectares at the same date a year ago, according to the agriculture ministry. Preliminary data from Russian regions show that farmers would be able to sow about 19 million hectares of winter grains, the ministry told Reuters. The area totalled 19.3 million hectares last year.

Source: World Grain

CONAB FORECASTS CROP PRODUCTION REBOUND IN BRAZIL

Brazil is anticipating record total grains production this year with output forecast to increase by 14% to 288.61 million tonnes, according to estimates released on Oct. 7 by the National Supply Company (Conab). In its first survey of the 2021-22 grain crop, Conab said planted area for all grains is forecast to increase 3.5% to 71.5 million hectares. "This growth is mainly driven by soybean and second harvest corn crops," Conab said. Conab said soybean acreage and production are expected to rise with a 2.5% jump in planted area to 39.91 million hectares and output reaching 140.75 million tonnes, "which keeps the country as the world's largest producer." Conab noted that soybean planting already has started in the key producing regions and is ahead of last year's pace.

Corn production is also forecast to increase, with planted area up 1.6% to 4.41 million hectares for the first crop and output pegged at 28.3 million tonnes. Conab expects total corn production after the three harvests in 2021-22 to reach 116.3 million tonnes. As for wheat, Conab expects an increase in production combined with an increase in domestic consumption of 3.8% for this new crop. "The scenario is favourable, as carryover stocks will be at more comfortable levels, and the forecast is that they will end the year at 1.09 million tonnes, showing a clear tendency to recover after two harvests of reduced volumes," Conab said.

Source: World Grain

BRAZIL SOYMEAL EXPORTS SOAR AS DROUGHT DISRUPTS ARGENTINA EXPORT ROUT

Soymeal shipments from Brazil's Paranagua port jumped in September driven by strong demand and a drought that has disrupted a traditional logistics route via Argentina. In a statement sent to Reuters on Friday, Brazil's Paranagua port authority said exporters shipped 419,314 tonnes of soymeal last month, a 35% rise from August and almost 33% up from the same month a year ago. International prices and demand favoured an increase in soymeal exports from Brazil, according to the Paranagua Export Corridor Terminals Association, cited in the statement. In addition, shipment in Brazil of soymeal brought in from Paraguay has been a factor. "The neighbouring country, which used to transport its soymeal by barge to Argentine ports had to look for alternatives," the Paranagua port authority's statement said. Due to the drought and low water level on the Rio de la Plata basin, those barges cannot sail so the product is being sent by road and shipped from Brazil, the statement added. Large Brazilian farm cooperatives like Coamo and multinationals including Cargill and Louis Dreyfus shipped soymeal from Paranagua in September, according to the statement.

A forecast 150,000 tonnes of soymeal should arrive from Paraguay to be exported from Paranagua, located in Southern Brazil, by the end of this year, the authority said. As the drought persists, some 400,000 tonnes of Paraguayan soymeal are expected to arrive and be shipped from Paranagua in 2022, the statement added. Brazil's main competitor on international soymeal markets is Argentina. "The drought on the Rio de la Plata also affected the price of the Argentine product, making it less competitive and opening the market for Brazil," the statement said.

Source: Reuters