# DRY BULK WEEKLY BRIEF

WEEK 5 | Monday, 07 February 2022

## LATEST COMMODITY NEWS

**Iron Ore**

CHINA'S STEEL, IRON ORE FUTURES JUMP ON DEMAND HOPES

CHINA PLANS TO INCREASE IRON ORE OUTPUT, BOOST USE OF STEEL SCRAP

**Coal**

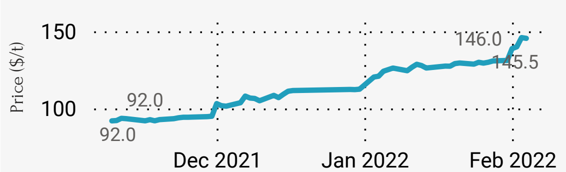
AUSTRALIA'S GLADSTONE FAILS TO CLEAR COAL SHIP QUEUE

**Grains**

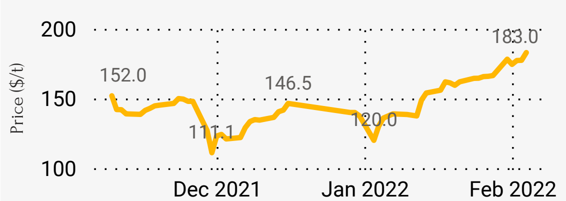
SEVERE DROUGHT LOWERS TURKEY'S WHEAT HARVEST

CHINA LIFTS IMPORT RESTRICTIONS ON RUSSIAN WHEAT

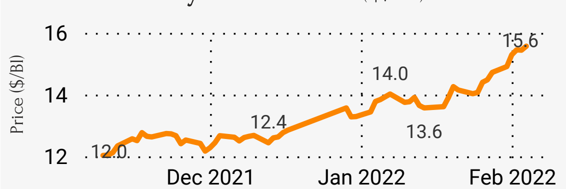
### Iron Ore Price This Month ($/t)




### Coal Price This Month ($/t)




### Soybeans Price ($/bl)




| Week | S&P Transactions | Demolition Sales | Newbuilding Orders |
|---|---|---|---|
| 5 | 12 | | |
| 4 | 21 | | 6 |
| 3 | 6 | | 4 |
| | **39** | | **10** |

### Latest Secondhand Transactions

| Week | Vessel Name | DWT | Built | Reported Price |
|---|---|---|---|---|
| 5 | BAOSTEEL ELEVATION | 206,312 | 2007 | $18.0M |
| 5 | BOTTIGLIERI FRANCO VELA | 93,274 | 2010 | $17.0M |
| 5 | BOTTIGLIERI GIULIO BORRIELLO | 93,258 | 2011 | $18.5M |
| 5 | CIELO DI VIRGIN GORDA | 39,202 | 2015 | $22.7M |
| 5 | DAIDO AMBITION | 37,800 | 2021 | $33.0M |
| 5 | G TAISHAN | 58,780 | 2008 | $17.4M |
| 5 | KOUJU LILY | 58,872 | 2011 | $24.5M |
| 5 | MAGDA | 58,018 | 2010 | $16.9M |
| 5 | MARINE PRINCESS | 35,501 | 2012 | $16.4M |
| 5 | NORD FORTUNE | 76,596 | 2008 | $16.0M |
| 5 | SKAWA | 17,073 | 2012 | $10.0M |
| 5 | WOORI STAR | 28,678 | 1999 | $7.0M |

### Changes in Iron Ore Port Inventory Index

| Port | W/W% |
|---|---|
| Dampier | 30.81% |
| Qingdao-Dongjiakou | 27.27% |
| Qingdao-Qianwan | 4.65% |
| Saldanha | 14.49% |
| Tubarao | 44.26% |

Source: Tathya.Earth

### Demolition Prices for Bulkcarriers ($/LDT)

| BREAKER COUNTRY | Week 5 | WoW% |
|---|---|---|
| BANGLADESH | 620 | 7.8% |
| INDIA | 585 | 11.4% |
| PAKISTAN | 603 | 5.7% |
| TURKEY | 325 | 1.6% |

### Average bunker Prices ($/t)

| WEEK | VLSFO | MGO | IFO380 |
|---|---|---|---|
| 5 | 714 | 847 | 561 |
| 4 | 691 | 820 | 543 |
| 3 | 692 | 814 | 534 |

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## CHINA'S STEEL, IRON ORE FUTURES JUMP ON DEMAND HOPES

Chinese steel and iron ore futures jumped on Monday after a week-long Lunar New Year break, as market sentiment shored up by hopes of economic stimulus after the state planner called for faster infrastructure constructions.

The National Development and Reform Commission said over the weekend that authorities should be preemptive due to relatively big uncertainties in the first quarter, and to appropriately bring forward infrastructure investment, according to the state-run Xinhua news agency. The most-active construction-used steel rebar contract on the Shanghai Futures Exchange, for May delivery, jumped 2.2% to 4,868 yuan ($765.43) per tonne as of 0330 GMT, its highest level since Oct. 21.

Hot rolled coils, used in the manufacturing sector, also gained 2.2% to 4,989 yuan a tonne. Stainless steel futures on the Shanghai bourse, for March delivery, leaped 3.5% to 18,000 yuan per tonne. Benchmark iron ore futures on the Dalian Commodity Exchange, boosted by steel prices, surged 3.5% to an over five-month high of 823 yuan a tonne.

However, industry is watching out for government moves on the sector as the state planner warned ahead of holidays that there was speculation in iron ore trading and it would take measures to stabilize prices. Other steelmaking raw materials on the Dalian exchange were mixed, with coking coal rising 1.7% to 2,306 yuan per tonne while coke futures down 0.4% to 3,000 yuan a tonne.

*Source: Reuters*

## CHINA PLANS TO INCREASE IRON ORE OUTPUT, BOOST USE OF STEEL SCRAP

China, the world's top steel producer, said on Monday (Feb 7) that it aims to "significantly increase" mines' iron ore production and boost utilisation of steel scrap, as part of a plan to develop a higher quality, greener ferrous industry.

Making a joint statement with the state planner and environmental regulator, the Ministry of Industry and Information Technology (MIIT) reiterated a desire for consolidation and restructuring in the steel sector. But no specific goals were given, unlike a draft plan released at the end of 2020 that had aimed for China's top five steelmakers to account for 40 per cent of total steel output by 2025.

The statement said more than 80 per cent of steel capacity should complete ultra-low emissions reform by 2025, and the industry's carbon emissions should peak before 2030. By 2025, China aims to be gathering over 300 million tonnes of steel scrap annually to supply its ferrous industry. A government-backed consultancy had estimated steel scrap supplies stood at around 260 million tonnes in 2020.

The latest plan also aimed to increase output from electric arc furnaces (EAF) to account for over 15 per cent of China's total crude steel production by 2025. EAF output had accounted for around 10 per cent of total production in 2020, according to the consultancy. The targets were less ambitious than those contained in a draft plan released by MIIT at the end of 2020. The draft had pencilled in plans for EAF output to account for a minimum 15 per cent of total crude steel production, or a maximum 20 per cent by 2025.

China's mammoth industrial sector had suffered a power crunch in the second half of 2021 due to coal shortages, forcing the steel sector to be more cautious about shifting to EAFs. "The changes in the plan compared with draft is probably because authorities want to be more prudent," said Zhuo Guiqiu, analyst with Jinrui Capital.

*Source: Reuters*

AUSTRALIA’S GLADSTONE FAILS TO CLEAR COAL SHIP QUEUE

The ship queue outside Australia's 102mn t/yr Gladstone port in Queensland remains stubbornly high, as shipments remained depressed in January and the port increases its reliance on Japanese, Indian and South Korean buyers.

Gladstone shipped 5.43mn t of coal in January, down from 5.91mn t in December, from 5.87mn t in January 2021 and a high of 6.68mn t in June 2021, according to data from Gladstone Ports (GPCL). This was the fifth month in a row that Gladstone shipped less than 6mn t/month, and was the weakest January since 2018.

January is usually a strong shipping month, as producers send shipments that missed the end of the calendar year. Heavy rainfall associated with the La Nina weather pattern has disrupted some mining operations and logistics, as has increased workforce absenteeism associated with the first major wave of Covid-19 infections in Queensland. While the rate of infection is easing in the neighbouring state of New South Wales, it has not yet peaked in Queensland.

The ship queue waiting outside Gladstone stood at 36 today, which is in line with a month ago, but is still almost double the average of around 20 coal vessels. Nine ships anchored off the port have a longer than two-week wait for sailing, while others are being turned around in a couple of days, which implies that some vessels are waiting for cargoes that have not yet been assembled at the port because of problems at the mine sites.

January shipments to Japan and India increased during the month compared with December, but this was offset by lower volumes to South Korea. These three nations took 79pc of the exports from Gladstone in 2021, up from 65pc in 2020 and 69pc in 2019, after Beijing imposed its informal ban on Australian coal imports. There were no shipments to China for a 15th consecutive month. There were exports to Brazil, Chile, Indonesia, the Philippines, the Netherlands, Hong Kong and Malaysia, as producers look to diversify sales geographically.

The port shipped to 13 destinations in January, up from 10 in December, according to the GPCL port data. Premium hard coking coal prices more than trebled from early May 2021 to exceed $400/t fob Australia in mid-September before easing until late November and then rising again to set new record highs in January. Argus last assessed the premium hard low-volatile coking coal price at $446.45/t fob Australia on 4 February, up from $381.65/t 12 January.

Thermal coal prices eased from record highs in mid-October but have risen again in the past month to hit new highs in late January. Argus last assessed the high-grade 6,000 kcal/kg NAR thermal coal price at $246.45/t fob Newcastle on 4 February, up from $192.60/t on 7 January, but down from $260.82/t on 28 January. Hard coking coal typically accounts for around a third of Gladstone's total exports, with lower-grade coking coal and thermal coal each accounting for a third.

*Source: Argus media*

## SEVERE DROUGHT LOWERS TURKEY'S WHEAT HARVEST

Due to severe drought, Turkey's 2021-22 wheat production is down 2 million tonnes, to 16.25 million tonnes, according to a report from the Foreign Agricultural Service of the US Department of Agriculture (USDA). Looking ahead to next year, rainfall levels from October to December were better compared to the same period a year ago. However, the rising cost of agricultural inputs and the government's continued market interventions may dampen spring planting decisions, the USDA said.

Wheat import estimates for 2021-22 are revised slightly downward to 10.8 million tonnes but remain 2.7 million tonnes higher than the previous year because of the increased need for imports resulting from the drought losses. According to the Turkish Statistic Institute (TUIK), Turkey's wheat imports during the first six months of 2021-22 increased by 20% year-over-year, reaching 5.3 million tonnes. Russia and Ukraine were the main suppliers.

Turkey's wheat exports, including wheat products, are forecast slightly higher at 6.55 million tonnes, which is close to the previous year's export level. This estimate assumes better flour exports than last year, and stable exports of pasta and transhipped wheat to neighbouring countries. Turkey's wheat flour exports during the first six months of 2021-22 were just above last year's exports of the same period, reaching 1.67 million tonnes. Turkey continues to struggle with food inflation, which stems from major grain production losses, depreciation of the Turkish lira, rising international commodity prices and higher input costs.

The Turkish government has undertaken various measures to minimize rising inflation. On Dec. 31, 2021, the government extended its zero-import duty for corn, wheat, barley, rye, and oats throughout calendar year 2022. In addition to tariff cuts, in the summer of 2021, President Erdogan instructed the Turkish Grain Board (TMO) to initiate a "Flour and Feed Regulation Action," which is a long-term strategy for regulating flour and feed prices. As part of this action, TMO announced it would purchase and sell imported grains to industry end-users at a discount until the next harvest to stabilize prices in the country, the USDA said.

*Source: World Grain*

## CHINA LIFTS IMPORT RESTRICTIONS ON RUSSIAN WHEAT

China has lifted trade restrictions with Russia that will allow imports of wheat and barley from all regions of the world's largest wheat exporter, Reuters reported on Feb. 4. China, which imported a record volume of wheat last year, will no longer restrict wheat and barley trade to only certain parts of Russia, the report said. The restriction had been due to phytosanitary concerns. The announcement comes as Russian President Vladimir Putin visits Beijing during the start of the 2022 Winter Olympics to sign a series of economic agreements between the two countries.

Countries that had been leading wheat exporters to China, such as France, Canada and Australia, likely will see their share of the China market reduced. Russia also has expanded in several other markets in recent months, gaining a bigger share in Saudi Arabia and Algeria. China has had to seek alternate sources of barley in recent months after slapping a high tariff on barley from Australia, which had been the dominant supplier of the grain.

*Source: World Grain*