DRY BULK WEEKLY BRIEF

WEEK 7 | Monday, 21 February 2022

LATEST COMMODITY NEWS

Iron Ore

MINER BHP HITS NEAR RECORD IRON ORE PRODUCTION DESPITE 'COVID RELATED LABOUR CONSTRAINTS'

IRON ORE PRICES PLUNGE 13% AS BEIJING CRANKS UP OVERHEATING CONTROLS

Coal

INDONESIAN FIRMS SIGN COAL COOPERATION AGREEMENT

Grains

FRENCH SOFT WHEAT NON-EU EXPORT OUTLOOK CUT

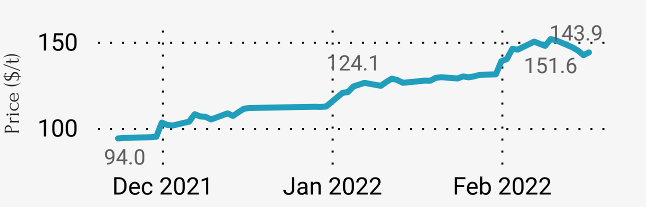
DRY WEATHER HAMPERING BRAZIL SOYBEAN OUTPUT EXPORTS

Week	S&P Transactions	Demolition Sales	Newbuilding Orders
7	10	1	
6	12	1	
5			
	22	**2**	

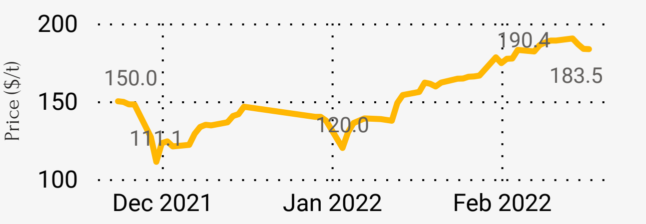
Latest Secondhand Transactions

Week	Vessel Name	DWT	Built	Reported Price
7	BAOSTEEL EXPEDITION	203,198	2007	$19.5M
7	BONANZA	73,613	2003	$11.0M
7	DORIC	58,514	2013	$21.0M
7	IONIC	58,468	2013	$21.0M
7	IVY UNICORN	55,874	2011	
7	MAJESTY	34,375	2011	$15.3M
7	SEA ANGEL	37,896	2016	$23.0M
7	SEA BREEZE	37,983	2016	$23.0M
7	TRAMONTANA	28,351	2010	$14.5M
7	ULTRA EXCELLENCE	61,214	2016	$30.0M

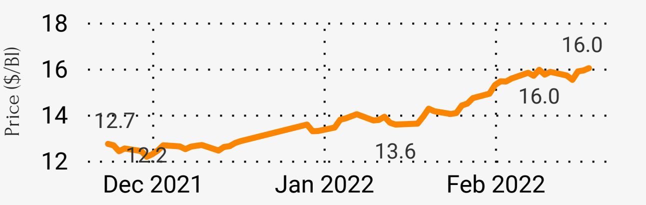
Iron Ore Price This Month ($/t)



Coal Price This Month ($/t)



Soybeans Price ($/bl)



Changes in Iron Ore Port Inventory Index

Port	W/W%
Dampier	↑ 18.95%
Qingdao-Dongjiakou	↑ 31.01%
Qingdao-Qianwan	↑ 14.72%
Saldanha	↑ 24.53%
Tubarao	↑ 49.77%

Source: Tathya.Earth

Demolition Prices for Bulkcarriers ($/LDT)

BREAKER COUNTRY	Week 7	WoW%
BANGLADESH	635	10.4%
INDIA	595	13.3%
PAKISTAN	610	7.0%
TURKEY	360	12.5%

Average bunker Prices ($/t)

WEEK	VLSFO	MGO	IFO380
7	742	870	567
6	731	858	563
5	721	849	563

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MINER BHP HITS NEAR RECORD IRON ORE PRODUCTION DESPITE 'COVID RELATED LABOUR CONSTRAINTS'

Mining giant BHP has achieved near record production in iron ore, despite being impacted by poor weather and labour restrictions on operations. In half-year results ended 31 December 2021, the metals and petroleum firm reported it remained "fatality free" at its operated assets for the third consecutive year. It has also reported rebounding profits from operations of $14.8bn, up 50 per cent while net operating cash flow has soared to $11.5bn.

High performance has been driven by disciplined capital allocation and a revised net debt target to between $5-15bn, allowing it to retain flexibility to allocate capital towards shareholder returns and future investment opportunities. Net debt for the year has been recorded at $6.1 billion. The Melbourne-based company said its production guidance for the 2022 financial year remains unchanged for iron ore, energy coal and nickel. However, it said its full year total copper production was trending towards the low end of the guidance range. This was down to lower production guidance for Pampa Norte. Metallurgical coal guidance was also lowered after "significant wet weather impacts and COVID-19 related labour constraints."

BHP chief executive officer, Mike Henry, said: "BHP was fatality free at our operated assets for the third consecutive year. Our continuing focus on people and on operational reliability enabled us to achieve near record production in iron ore and to reduce the impacts of adverse weather and Covid-19 related labour constraints in our operations."The results follow BHP's decision to drop its dual-listing and leave the FTSE 100 on the London Stock Exchange, and maintain its Australian listing.

Henry was particularly pleased that the miner had kept a tight ship over expenses, while boosting production levels. He explained: "Cost control remained strong across the business, in the face of a more inflationary environment. Unit cost guidance remains intact bar a change to metallurgical coal which is a function of the lowering of production guidance as a result of significant wet weather and in anticipation of Omicron headwinds in the early part of the second half of the financial year." Commenting on the results, Anthony de Ruijter, senior associate at Third Bridge, said that automation could result in unit cost benefits of 5-10 per cent longer term.

He also pointed to the possibility of improved shipment capacity at a key port as a way of boosting production levels further. He said: "Despite recent port approvals to increase BHP's capacity to 330 million metric tons per annum, our experts don't believe BHP will achieve a maximum capacity on a consistent basis in the near term. This is because BHP will likely face some challenges when maximising production output. These include difficulties around managing dust emissions at its Port Hedland operations and sequencing volume throughout its production lines."

Source: City AM

IRON ORE PRICES PLUNGE 13% AS BEIJING CRANKS UP OVERHEATING CONTROLS

As Beijing cranked up measures to tamper overheating prices, iron ore values in Singapore fell 13% in mid-February. BloombergQuint reported that on Feb. 15, by 4:16 p.m. local time, futures on the Singapore Exchange slumped 8.8% at $134.05 a ton. Likewise, China's Dalian Commodity Exchange prices dropped to their daily limit of 10%.The drop came after Chinese regulators ramped up actions the previous week when iron ore prices rose by more than 60%, surpassing $150 a ton since mid-November last year.

Beijing has issued port inspections, increased futures trading fees, and sent warnings about inaccurate data reports. Multiple iron ore companies were also warned against speculation and hoarding at a meeting with regulators in Beijing. Chinese authorities also promised scrutiny and discipline if companies violated their warnings.

However, experts are worried the regulatory clampdown would only bring about short-term effects. Atilla Widnell, managing director at Navigate Commodities, told BloombergQuint, "History has taught us that these sharp plunges after Chinese rhetoric on investigating and supervising iron ore prices are short and temporary." In addition, Widnell said a drop in supply from Australia and Brazil and growing steel output had caused a very tightly balanced market.

Wei Ying, an analyst with China Industrial Futures, said, "The government's rhetoric on cracking down on iron ore prices is expected to drive trading for the near term as the market awaits more specific measures." Mike Henry, Chief Executive Officer of BHP, the No.3 global iron ore supplier, viewed that eventually, pricing was down to supply and demand. "At the end of the day, the iron ore price will be determined by supply and demand. Given the strong outlook we see on the demand side, plus some of the supply-side constraints, we think that will provide a measure of support to pricing."

Source: TheBL

INDONESIAN FIRMS SIGN COAL COOPERATION AGREEMENT

Three Indonesian state-owned companies — coal producer Bukit Asam, utility PLN and rail operator Kereta Api Indonesia (KAI) — have signed an interim agreement aimed at strengthening cooperation on the country's coal supply chain. The firms will collaborate to create a comprehensive study relating to cooperation schemes, business models, technical and operational partnerships, and other factors. The result of the study will serve as a guideline for delineating each company's role in the partnership.

The interim deal is a follow-up to an initial agreement signed between the three companies in August last year. Bukit Asam will be responsible for supplying coal to PLN's power plants using KAI's railway system under the proposed partnership. The three companies are planning to have an operational system ready for deployment by 2025, with Bukit Asam supplying 20mn t/yr of coal to PLN under the terms of the proposal. Bukit Asam said that the tripartite agreement will be a long-term project aimed at strengthening the country's national energy security. Jakarta said last year that it will start phasing out coal-fired power plants from 2030 but the process is expected to be drawn out as renewable energy investments are below the level required to offset power supply losses when coal-fired power plants are decommissioned. Bukit Asam and PLN think that coal will continue to play a significant role in Indonesia's energy mix at least in the next two decades.

The additional supply from the proposal will also serve as a security net in the event of issues in the delivery of coal from private-sector producers to power plants. Indonesia narrowly avoided two power crises in a span of a year in the first quarters of 2021 and 2022 because of a lack of coal deliveries to power plants. This resulted in a month-long export ban in January this year and institutional changes in both coal supply contracting and monitoring of coal deliveries. Source: Argus Media

Source: Argus media

FRENCH SOFT WHEAT NON-EU EXPORT OUTLOOK CUT

A dim outlook for sales to Algeria, one of France's main export markets, has led FranceAgriMer to cut its forecast for French soft wheat exports outside the European Union for the fourth straight month, Reuters reported Feb. 16. In its monthly supply and demand outlook for major cereal crops, FranceAgriMer reduced its forecast for soft wheat exports outside the European Union in 2021-22 to 8.9 million tonnes from 9 million in January. Projected exports within the 27-member bloc, however, were increased to 7.8 million tonnes from 7.7 million tonnes last month.

French wheat has been overlooked in Algeria's tenders this year, according to traders. The trend previously has been linked to diplomatic tensions as well as the attractiveness of other origins such as Russian wheat. The North African country has changed quality specifications in its tenders, which favoured the supply of rival Black Sea origin wheat. Algeria's state grains agency is again tendering this week to buy milling wheat from optional origins. FranceAgriMer increased its forecast of wheat use in animal feed, reflecting improved competitiveness against maize. The office slightly cut projected wheat stocks at the end of June by 70,000 tonnes, to 3.6 million tonnes, as the increased feed demand and intra-EU exports offset the reduced non-EU exports.

Source: World Grain

DRY WEATHER HAMPERING BRAZIL SOYBEAN OUTPUT, EXPORTS

Brazil, the world's largest producer and exporter of soybeans, is forecast to see year-on-year reductions in both categories due to problematic weather conditions, according to a Global Agricultural Information Network report from the Foreign Agricultural Service of the US Department of Agriculture (USDA).

Primarily due to a drought in the country's southern region, the USDA lowered its soybean production forecast for the 2021-22 marketing year by 1.5 million tonnes, to 134.5 million. "The yield forecast of 3.379 tonnes per hectare for this season's crop is lower than the previous year due to yield declines across most of Brazil's major soybean growing regions," the USDA said. "If the troublesome weather conditions brought about by the La Niña phenomenon continue to worsen, it is possible that there could be more damage to crops, and soybean production could be lower than the current projection."

Exports have been strong as Brazil continues to ship last year's bumper crop, but that is expected to change before the end of the marketing year ends next December. The USDA said it anticipates that the decline in soybean production may negatively affect the forecast for export prospects later in the year.

Thus, it has decreased its projection for 2021-22 exports from 91.1 million tonnes, which would be a record, to 86.8 million tonnes. "With high prices motivating exports, Brazilian soy stocks will hover at less than 5% of the domestic supply," the report said.

Source: World Grain