

DRY BULK WEEKLY BRIEF

WEEK 9 | Monday, 07 March 2022



LATEST COMMODITY NEWS

Iron Ore

CHINA AIMS TO "FUNDAMENTALLY SOLVE IRON ORE SHORTAGES WITH "CORNERSTONE PLAN"

Coal

COAL PRICES SPIKE AS RUSSIA-UKRAINE CRISIS ESCALATES

Grains

AUSTRALIA RECORD GRAIN CROP REVISED EVEN HIGHER

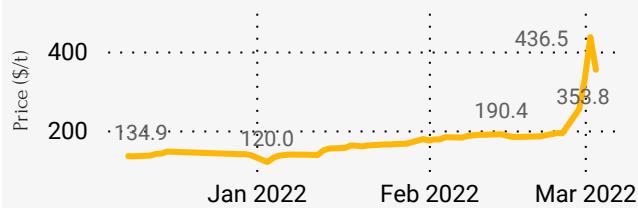
WHEAT FUTURES SOAR TO 14-YEAR HIGHS

ARGENTINA SOYBEAN OUTPUT REVISED DOWNWARD

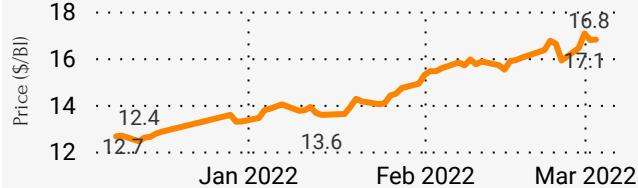
Iron Ore Price This Month (\$/t)



Coal Price This Month (\$/t)



Soybeans Price (\$/bl)



Week	S&P Transactions	Demolition Sales	Newbuilding Orders
9	9	1	
8	31	1	5
7	10		
	50	2	5

Latest Secondhand Transactions

Week	Vessel Name	DWT	Built	Reported Price
9	JIN JIA	93,077	2012	\$14.5M
9	GALAXY	81,666	2012	\$19.0M
9	DARYA KIRTHI	80,545	2012	\$25.0M
9	CORAL RUBY	76,596	2008	\$18.0M
9	SITC TAISHAN	58,107	2010	\$18.5M
9	JIN YUN	56,810	2012	\$17.4M
9	ORCHID	55,598	2012	\$22.6M
9	ES MERCURY	32,248	2008	\$15.0M
9	ANEMOS	28,399	2006	\$11.1M

Changes in Iron Ore Port Inventory Index

Port	W/W%
Dampier	↑ 15.42%
Qingdao-Dongjiakou	↓ -2.43%
Qingdao-Qianwan	↑ 17.12%
Saldanha	↓ -9.37%
Tubarao	↑ 19.32%

Source: Tathyra.Earth

Demolition Prices for Bulkcarriers (\$/LDT)

BREAKER COUNTRY	Week 9	WoW%
BANGLADESH	675	17.4%
INDIA	635	21.0%
PAKISTAN	650	14.0%

Average bunker Prices (\$/t)

WEEK	VLSFO	MGO	IFO380
9	829	979	623
8	761	892	588
7	739	865	565

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CHINA AIMS TO 'FUNDAMENTALLY' SOLVE IRON ORE SHORTAGES WITH 'CORNERSTONE PLAN'

China plans to raise its equity output of iron ore in overseas mines to 220 million tonnes by 2025, as well as increase domestic raw material supplies, state-backed China Metallurgical News said on Tuesday. China aims to "fundamentally" solve the shortage issue in steelmaking ingredients in 10-15 years, Luo Tiejun, the vice-chairman of the China Iron and Steel Association, was quoted as saying, citing what he called a "cornerstone plan". The plan, which the steel body said in January it had submitted to the state planner, industry ministry, natural resources ministry and environmental regulator, was designed to secure steel resources in the medium- to long-term. It proposes raising China's share of overseas iron ore production from 120 million tonnes in 2020 to 220 million tonnes by 2025, according to Luo.

It aims to boost domestic iron ore output by 100 million tonnes to 370 million tonnes and steel scrap consumption by 70 million tonnes to 300 million tonnes over the same period. "The exploration of domestic iron ore raised in the cornerstone plan not only involves resources but also competitiveness," said Luo, adding that some iron ore concentrate costs in China had been kept under US\$60 per tonne. "The key is to relax approval and obtain policy supports." Spot prices of iron ore with 62 per cent iron content for delivery to China was at US\$139.5 per tonne on Monday, according to SteelHome consultancy.

The steel association has suggested the plan to be implemented by steel giants such as Baowu Steel Group, Ansteel Group, Shougang Group, as well as internationalised metals group such as China Minmetals, said the China Metallurgical News. China, the world's top steel producer, consumes over a billion tonnes of iron ore a year, with more than 80 per cent coming from imports.

Source: South China Morning Post



COAL PRICES SPIKE AS RUSSIA-UKRAINE CRISIS ESCALATES

The Russia-Ukraine crisis has shocked the coal and the broader energy markets, with spikes in Newcastle prices observed in recent days, says Wood Mackenzie, a Verisk business (Nasdaq:VRSK). Buyers in markets including Europe, Japan, South Korea, and China are scrambling to address their exposure to Russian supply. Although sanctions announced to date have specifically excluded energy exports, coal buyers are reacting to two main areas of concern. One is performance – will Russian coal actually be delivered? Russian metallurgical coal producer, KRU, had already declared force majeure on cargoes to Western Russian ports prior to the escalation of Russia-Ukraine crisis due to a deterioration in rail transport availability. Some other major Russian coal producers are also rumoured to have declared force majeure on shipments due to rail delivery delays. The second concern relates to counter-party risk. Financial restrictions on Russian banks and other entities may prevent some buyers (and their banks) from trading with Russian suppliers. Add to this the concern that sanctions could be expanded in the future and the impact on coal markets is hardly surprising.

Wood Mackenzie principal analyst Rory Simington said: "European thermal coal prices have surged to record highs with futures prices above US\$400/t until Q4 2022. Some buyers in Japan and Europe have already indicated they are looking to replace Russian supply, and non-Russian thermal coal in Europe is attracting a significant premium over Russian material. "Prices in the Asian market have also responded with Newcastle physical prices reaching US\$400/t. Metallurgical coal, used in coke production and injected into blast furnaces, spiked with PCI prices – a key Russian export – leaping to an unprecedented level and nearing towards US\$400/t."

However, relatively normal import activities remain the most likely outcome. Heavy reliance on Russian coal imports in the current tight market means a prolonged cut-off would bring damage to both Russia and importing countries and is unlikely in Wood Mackenzie's view. Russian coal accounts for roughly 30% of European metallurgical coal imports and almost 70% of European thermal coal imports. North Asian buyers South Korea and Japan also have significant exposure to Russian coal with Russian thermal coal representing 20% of South Korea's imports and over 10% of Japan's, while Russian metallurgical coal represent over 15% and 5% of the North Asian markets' imports, respectively.

Together, Europe, Japan and South Korea imported around 90 Mt of Russian thermal coal and 25 Mt of Russian metallurgical coal in 2021. These coals are predominantly high energy thermal coal and PCI and cannot conceivably be replaced in the currently tight global supply market.

Power plants currently using this type of coal are specifically designed to run a high energy coal and are unable to switch coal types. Steel mill operators would be challenged to replace Russian PCI and met coals given the current global spot supply shortages especially out of Australia. Russia would not be able to quickly make up for a loss of European demand by pivoting to Asia (China) due to limited eastbound rail capacity.

Source: Wood Mackenzie



AUSTRALIA RECORD GRAIN CROP REVISED EVEN HIGHER

The good news regarding Australian grain production continues as ABARES on March 1 revised the 2021-22 winter crop to an even higher record and projected the summer harvest to be the fourth largest. "Winter crop harvests have smashed our expectations back in December," said Jared Greenville, executive director of ABARES. With the winter harvest complete, ABARES estimates it at a record 61.9 million tonnes. That included record wheat output at 36.3 million tonnes, record barley production at 13.7 million tonnes and record canola output at 6.4 million tonnes.

The record wheat crop comes at an opportune time as importers look for alternative suppliers as a war between two of the largest wheat exporters, Russia, and Ukraine, has shut down shipments from the Black Sea. The summer sorghum crop is projected by ABARES to reach 2.6 million tonnes, which would rank third largest on record. Summer crop production, which also includes sorghum, is forecast to rise 64% compared to the previous year to reach 5.3 million tonnes. "While there were flooding conditions in November that damaged early plantings of summer crops, the conditions, overall, have been very favourable," Greenville said. He said area for sown summer crops has risen by 48% to 1.5 million hectares, which is about 35% above the 10-year average. "For the year ahead, there is a lot to be optimistic about," Greenville said. "According to the latest three-month rainfall outlook (March to May) issued by the Bureau of Meteorology in February, rainfall during autumn is more likely to be above average in most cropping regions. "While we know that La Niña can't last, we can still expect good autumn rains to finish off the summer crops and support winter crop plantings in 2022-23."

Source: *World Grain*

WHEAT FUTURES SOAR TO 14-YEAR HIGHS

Most winter wheat futures settled sharply higher March 2, but later months were mixed. The war in Ukraine and its effect on wheat exports sent wheat futures soaring to 14-year highs. Beneficial rains in South America pulled corn and soybeans lower. March corn dipped $\frac{3}{4}\text{¢}$ to close at \$7.39 a bushel. Chicago May wheat leapt up the expanded 75¢ daily limit to close at \$10.59 bushel. Kansas City May wheat surged $7\frac{1}{4}\text{¢}$ to close at \$10.75 $\frac{1}{4}$ a bushel. Minneapolis May wheat added $4\frac{1}{2}\text{¢}$ to close at \$10.58 $\frac{1}{4}$ a bushel. March soybeans dropped 28¢, closing at \$16.77 $\frac{1}{2}$ a bushel. March soybean meal declined \$6 to close at \$457.70 per ton. March soybean oil advanced 2.74¢ to settle at 79.54¢ a pound.

US equity markets ended higher on March 2. News from the Federal Reserve superseded surging oil prices and concerns about the ongoing war between Russia and Ukraine. Investors, anxiously awaiting reports of interest rate hikes, relaxed a little after Fed Chairman Jerome Powell proposed a manageable quarter-percentage-point interest rate increase later this month. Analysts, however, were concerned about the markets' whipsawing pattern in recent days suggesting this likely signals a fragile market. The Dow Jones Industrial Average surged 596.40 points, or 1.79%, to close at 33,891.35. The Standard & Poor's 500 Index jumped 80.28 points, or 1.86%, to close at 4,386.54. The Nasdaq Composite advanced 219.56 points, or 1.62%, to close at 13,752.02.

Source: *World Grain*

ARGENTINA SOYBEAN OUTPUT REVISED DOWNWARD

Argentina's projected soybean production in the 2021-22 marketing year has been revised downward to 41 million tonnes as the result of dry weather, according to a Global Agricultural Information Network report from the US Department of Agriculture's Foreign Agricultural Service (FAS). The FAS previously forecast this year's crop at 45 million tonnes. If realized, it would be the country's smallest soybean crop since 2017-18 when 37.8 million tonnes were harvested.

"Despite rains in January which forestalled greater losses, high temperatures and dryness in December and early January caused considerable damage in key growing areas and depleted soil moisture reserves," the FAS said. It noted that a severe drought affecting the soybean crop in neighboring Paraguay is expected to limit Argentine imports to 2.2 million tonnes in 2021-22, less than half of last year's total.

Thus, with supply declining, Argentina is projected to export only 3 million tonnes of soybeans in 2021-22, down from the previous estimate of 3.7 million tonnes, and well below the 10-year trendline. If FAS' forecast is correct, Argentina would still rank as the world's third largest soybean producer and fifth in exports.

Source: *World Grain*