DRY BULK WEEKLY BRIEF

WEEK 12 | Monday, 28 March 2022

LATEST COMMODITY NEWS

Iron Ore

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Grains

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IMPORTING COUNTRIES SEEK ALTERNATE GRAIN SUPPLIERS

Week	S&P Transactions	Demolition Sales	Newbuilding Orders
12	11	1	
11	11	1	4
10	8		
	29	**2**	**4**

Latest Secondhand Transactions

Week	Vessel Name	DWT	Built	Reported Price
12	OCEAN GARLIC	82,305	2012	$21.0M
12	ATLANTIC TULUM	58,802	2008	$17.5M
12	DAYANG CENTURY	56,780	2012	$17.9M
12	SEACON SINGAPORE	56,540	2013	$19.6M
12	SHANGRILA	52,342	2001	$11.9M
12	LUCKY SEA	52,200	2005	$12.0M
12	CIELO DI MONACO	39,202	2014	$24.2M
12	VENTURE TEAM	38,904	2015	$25.0M
12	OCEAN IBIS	38,486	2013	$24.0M
12	CORSAIR	35,062	2001	$11.5M
12	GLOBAL ECHO	28,207	2012	$15.2M

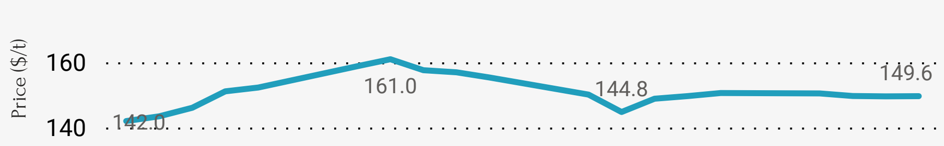
Demolition Prices for Bulkcarriers ($/LDT)

BREAKER COUNTRY	Week 12	WoW%
PAKISTAN	663	16.2%
INDIA	630	20.0%
BANGLADESH	673	17.0%

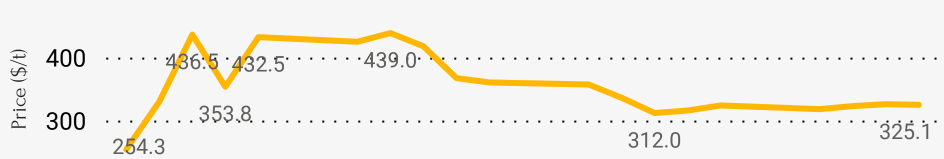
Average bunker Prices ($/t)

WEEK	VLSFO	MGO	IFO380
12	938	1,123	710
11	906	1,070	680
10	1,006	1,214	714

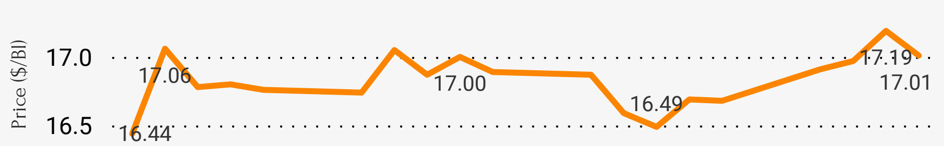
Iron Ore Price Last 30 days ($/t)



Coal Price This Month ($/t)



Soybeans Price ($/bl)



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CHINESE IRON ORE FUTURES RISE ON WEAK SUPPLY, DEMAND RECOVERY

Chinese iron ore futures jumped 3% on Friday, rising for the second straight session and tracking fourth weekly gains from supply shortage at mills because of COVID-related disruptions. Producers in the top steelmaking city of Tangshan are set to cut or suspend output as their raw material stocks can only feed production for several days while transportation remained constraint due to a temporary lockdown. Average daily output of around 36,100 tonnes molten iron had been affected in Tangshan as of March 24, data compiled by Mysteel consultancy showed, amid blast furnaces maintenance because of supply crunch. Coking coal and coke inventories at mills and coking plants surveyed by the consultancy fell 1.6% and 4.9%, respectively, this week from a week earlier.

The most-traded iron ore futures on the Dalian Commodity Exchange, for May delivery, gained as much as 3% to 851 yuan ($133.78) a tonne. They were up 2.4% at 846 yuan per tonne as of 0330 GMT. Spot prices of iron ore with 62% iron content for delivery to China was unchanged for the second consecutive day and stood at $147 per tonne on Thursday, according to SteelHome consultancy. Dalian coking coal futures DJMcv1 rose 2.1% to 3,064 yuan a tonne and coke futures DCJcv1 increased 2.8% to 3,701 yuan per tonne. Steel futures on the Shanghai Futures Exchange remained range-bound as downstream demand was dented by the fresh outbreak. Construction material steel rebar SRBcv1 was almost flat at 4,977 yuan a tonne from night session. Hot rolled coils added 1% to 5,243 yuan a tonne. Stainless steel futures on the Shanghai bourse SHSScv1, for April delivery, fell 1.8% to 21,295 yuan per tonne.

Source: Reuters

GUINEA REACHES DEAL WITH MINERS TO RESUME SIMANDOU IRON ORE DEVELOPMENT

After settling infrastructure disputes, Guinea's ruling junta has secured an agreement with Rio Tinto and a Chinese-backed consortium to resume operations at the massive Simandou iron ore deposit, according to the Mines minister. According to Guinea's government, Simandou has more than 4 billion tonnes of ore, making it the world's largest known deposit of its sort. However, despite the high-grade ore, Simandou remains untapped decades after its discovery, owing to legal challenges and political instability.

Guinea's transitional authorities announced earlier this month that construction on the site would be paused while they sought clarification on how Guinea's interests would be protected. The move was seen as a method for the government to put pressure on Rio and the Simandou to work together on the costly infrastructure required to transport ore from Simandou to the port.

Late Saturday, Mines Minister Moussa Magassouba announced on state television that a framework agreement had been reached between the government and the project's three companies: Rio Tinto, Chinalco, and the Chinese-backed SMB-Winning consortium. He said the companies had "put aside many egos, many other interests to return to what is a win-win partnership for all parties."

Infrastructure projects must be completed by December 2024, and commercial production must begin by March 31, 2025, according to Magassouba, an ambitious timeframe given the size of infrastructure that needs to be erected, according to analysts. The arrangement focused on building a 670-kilometre railway from the Simandou site to a new deep-water port, which Magassouba estimated would cost $15 billion.

He stated the government had negotiated and gained 15% stakes in the rail, port, and mines, and that once completed, the new infrastructure would become Guinean national property. "This framework agreement will allow the joint development of this gigantic project … and allow the acceleration of the process and a resumption of work," Fadi Wazni, chairman of SMB-Winning consortium board, said.

Since 1997, Rio Tinto has owned the rights to Simandou. It holds 45.05 percent of the deposit's southern half, Blocks 3 and 4, while Chinalco owns 39.95 percent and Guinea's government owns the remaining 15%. In November 2019, SMB-Winning won a government tender for Blocks 1 and 2. Simandou is expected to generate 100 million tonnes of iron ore per year once fully operational, with blocks 1 and 2 generating 60 million tonnes and Rio's blocks producing 40 million, according to JP Morgan analysts earlier this month.

Source: Mining

FATAL ACCIDENT CLOSES AUSTRALIAN COAL MINE

UK-South African mining firm Anglo American has closed its 6.5mn t/yr Moranbah North hard coking coal mine in Queensland, Australia, after a contractor died in a workplace accident on 26 March, further delaying the slow ramp-up of the mine. The Moranbah mine was restarted in June after being closed for four months because of elevated gas levels, but difficult geological conditions led to below-expected production levels in July-December. Anglo American maintained its 20mn-22mn t guidance for 2022 in February but warned that it could be at the bottom-end of this range.

The fatality has raised new concerns about safety in the Queensland underground coal mining industry. Anglo American has faced significant scrutiny since a gas ignition at its 5mn t/yr Grosvenor metallurgical coal mine in Queensland injured five workers in May 2020, which led to the mine being closed until February 2022. Prior to the Grosvenor ignition, the firm had to close its Moranbah mine from late January 2020 to early June 2020 after a roof collapse during a long wall change. The firm's safety record has led unions to question its license to operate underground coal mines in Queensland. It is unclear how long it will take for the mine to reopen and if the most recent accident will have any effect on the ramp-up at Grosvenor, with Anglo American pledging to undertake a full investigation into the incident with the relevant authorities. The ramp-up of Grosvenor and Moranbah had been expected to ease coking coal supply tightness out of Queensland, with a prolonged closure at Moranbah likely to delay the expected increase in shipments through the Dalrymple Bay Coal Terminal at Mackay.

Premium hard coking coal peaked above $660/t fob Australia in mid-March, as the Russia-Ukraine conflict increased demand for non-Russian metallurgical coal, before easing over the past week, albeit still being significantly above long-term averages. Argus last assessed the premium hard low-volatile coking coal price at $559/t fob Australia on 25 March, down from a peak of $664/t on 15 March, but up from $112/t a year ago.

Source: Argus media

COLOMBIAN COAL RIDES CHINA'S ECONOMIC REBOUND

"China is importing a huge amount of coal this year [this interview was conducted in 2021], and it is abnormal. Not to say that Colombia can't [continue to] export to China, but it won't export significantly. It won't grow like it did," Biggs predicted. According to Biggs, Colombia was a stable supplier of good quality, low-cost coal to international markets, but with Atlantic markets such as Europe in decline, Colombia must look to the Pacific for growth. But it faces a major obstacle in its distance – being the furthest away among China's foreign coal suppliers. If it lost its competitive edge because of transport costs, Colombia could go from being the world's fifth largest coal exporter to a marginal country in the international market, Biggs added. According to Juan Miguel Durán, president of the National Mining Agency, the Colombian government has offered a three-pronged response to the troubled coal sector.

The first strand is the promotion of coal in Asian markets during business conferences. This solution faces a difficulty. Although conferences might help producers to network and make business contacts, it will not change the problem of the distance and its costs, which lies at the heart of the Colombia–China coal trade. The second is the "Coal Agenda", which seeks to improve competitiveness and best practices, and strengthen institutions, according to Tatiana Lorena Aguilar, director of the Directorate of Corporate Mining at the Colombian Ministry of Mines and Energy. The third is diversifying overall mining activity to compensate for lost revenues from coal. "The National Mining Agency has discussed exploring other types of minerals, such as copper, in which we can diversify the mining export matrix," said Rincón.

Finally, Biggs said that while China will not finance new coal plants in Colombia, Chinese companies have expressed interest in acquiring coal mines in the country. Colombian media reported mining and energy minister Diego Mesa as having said that Chinese companies might be interested in the Prodeco mine in César department, formerly owned by Canada's Glencore, or El Cerrejón in La Guajira department. Negotiations between Chinese companies and the latter's major shareholders BHP Billiton and Anglo American are believed to be ongoing. Despite China's potential direct participation in Colombian coal production partially mitigating its decline in European markets, none of the analysts contacted for this article believe it will be a significant factor in turning around negative forecasts for the South American country's struggling industry.

Source: Dialogo Chino

BRAZIL WHEAT EXPORTS HIT NEW HIGH

Brazil's wheat exports this month have already risen to a new high for March, while cumulative shipments since the start of the marketing year surpassed initial projections, as global buyers continue to seek replacement for Black Sea crop.

Wheat shipments from Brazilian ports have totalled 481,000t so far this month, line-up data show. Another two cargoes of a combined 41,000t are scheduled to be shipped on 29 March, bringing the total to 535,000t. This takes Brazil's wheat exports this month to a record for the period, with the country's March shipments previously hitting a high of 492,500t, customs data show.

Saudi Arabia is the largest importer of Brazilian wheat in March, with trading firm Viterra shipping two cargoes of a combined 143,000t to the destination at the start of the month. Other destinations include Vietnam, South Africa, Indonesia and Sudan, with one of the scheduled cargoes for later this month heading to Angola. Cumulative shipments from Brazil between the start of the country's marketing year in October and February totalled 2.03mn t, already exceeding the 1.7mn t target projected by the US Department of Agriculture (USDA) for the whole season.

The pace of shipments quickened from December to a new monthly high in February at 837,000t. Pakistan was the largest receiver of Brazilian wheat last month, with exports from the destination totalling 138,500t. This was followed by exports to Turkey at 126,000t, marking Brazil's first shipments to the destination in at least 10 years. And cumulative shipments including preliminary March line-up data would hit 2.57mn t, which exceeds all annual volumes seen to date, with Brazil's wheat exports previously hitting a high of 2.54mn in 2010-11.

Source: Argus media

IMPORTING COUNTRIES SEEK ALTERNATE GRAIN SUPPLIERS

With Ukrainian farmers — at least those who haven't fled the country or joined the army to fight the invading Russian military — expected to plant about half as much wheat and corn this spring compared to a year ago, countries that traditionally have depended on Ukrainian wheat are seeking alternate suppliers. Emerging as an unlikely candidate to help fill the supply gap is India, which is about to harvest what is expected to be its sixth straight bumper wheat crop, giving it an unprecedented surplus of the world's second most consumed food grain.

"By the end of March, India will have more than 24 million tonnes (of wheat) in reserves," said Alexander Karavaytsev, a senior economist with the International Grains Council (IGC) and one of several IGC analysts who spoke about the Russia-Ukraine conflict's impact on global grain markets during an online press conference on March 24. "That's more than 17 million tonnes higher than the country's reserve requirement for April 1. It doesn't mean that all the excess volume will be shipped, it just means that for next season it may impact what the government decides to do."

Among the countries that may seek to replace Ukrainian wheat with shipments from India are nearby Bangladesh and Indonesia, Karavaytsev said, noting that freight rates would be cheaper from India to any of the Asian destinations that typically import wheat from Ukraine.

Source: World Grain