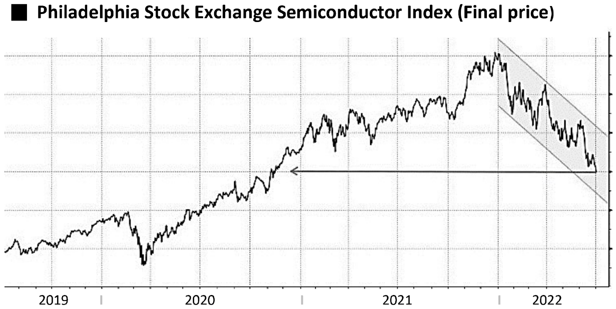
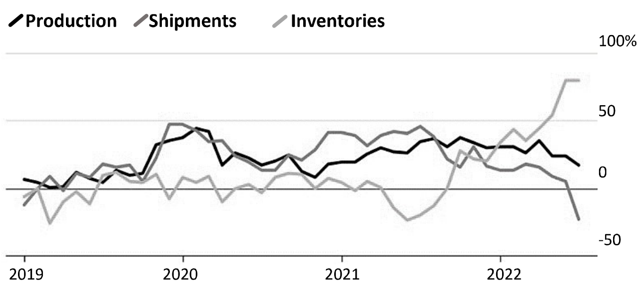
Semiconductors

Semiconductors were among the first products to suffer general shortages during the epileptic resumption of production in mid-2021 (see "The Internationalist Proletarian" No. 7, page 10). A year later, even before all the promised and planned investments have been made and the new factories have been built and put into operation, prices in the chip market are starting to fall and inventories are overflowing.



Source: Bloomberg

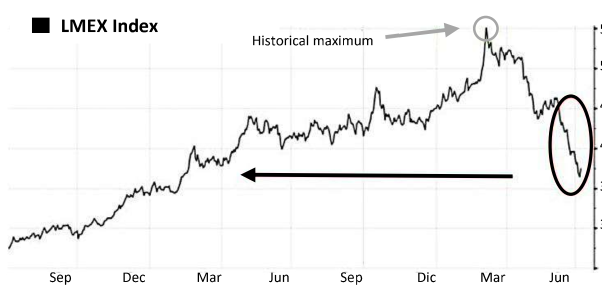
South Korean chipmakers have encountered a 22.7% drop in sales and an 80% higher amount of chips in stock than last year. This is the prelude to a situation of overproduction.



Source: Statistics Korea
*Year-on-year growth. Preliminary for June and July

Metals

Metals (iron, copper, aluminum, etc.) that had soared in price due to the scarcity of existing reserves are now the protagonists of a fall in their prices. *"Copper is already at 20-month lows, having recently pierced the $7,000 per tonne mark. An industrial metal par excellence, copper is already down 32% from the highs set not long ago: just over three months. (…) Iron ore, which is used to make steel, is in a similar situation. It has lost all its gains so far this year, a rise that reached 45%, and is now trading below 100 dollars per ton."* (Expansión, 18-07-2022). *"The price of reinforcing iron bars, widely used in construction, has dropped 20% since the beginning of May."* (Expansión, 22-06-2022). The evolution of the London Metal Exchange (LME) has illustrated the fall, demonstrating that much of the price previously achieved was purely speculative.



Source: London Metal Exchange, Bloomberg

Cereals

Cereals have been the subject of particular speculation, as Ukraine and Russia are countries that together *"supply 29% of the world's wheat, 24% of the world's barley and 15% of the world's corn. They also supply 69% of sunflower oil and 18% of potassium."* (La Vanguardia, 27-05-2022). However, also grains and other food commodities such as soybeans have started to fall in price, erasing all the price increase they had as an immediate effect of the start of the war in Ukraine. This is despite the war-related surcharge on grain shipping rates, which have reached almost 60%.

"Crop futures sank in the US, with wheat closing the week at levels not seen since before Russia's invasion of Ukraine (…) Two key reports from the US Department of Agriculture on Thursday indicated bigger-than-expected grain supplies. (…) Even soybeans plummeted, despite the USDA estimating smaller acreage than initially expected. (…) Both corn and soybeans ended the trading day at their lowest levels since late January, as did the soybean oil". (Bloomberg, 01-07-2022).

Although there have been some reports of field burnings in Ukraine, these have been rather rare. The problem therefore arises for Ukrainian agricultural enterprises in terms of the replacement of constant capital. That is, not so much in the loss of the product but, in the need to make the sale in order to obtain liquidity to invest in the constant capital for the new cycle. *"Ukraine's government expects grain production to fall about 40% versus 2021 (…) Even so, it's carrying a backlog of 20 million tons into the season that starts next month."* (Bloomberg, 19-06-2022).

The possible theft of part of the harvest by Russian imperialism and its commercialization through Turkey and Syria has actually put at least this part of the harvest into circulation, which, added to the grain that has been mobilized from other parts of the world (Australia, for example), and to the increase in Russian exports (which this year will have a record harvest) has helped to mitigate the price increase.

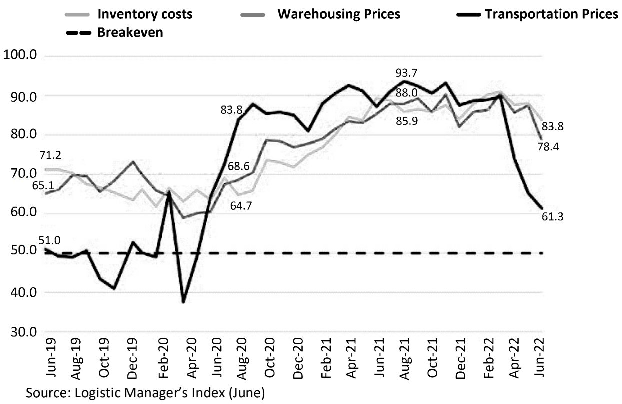
Through Turkey's mediation and following the African Union's request to Russia, an agreement was reached to allow grain ships to leave Ukraine. The agreement took time to be implemented, but finally the first ship sailed on August 1st with 26,000 tons of wheat, followed by three others with a total cargo of 58,000 tons. As of August 19th, would have sailed *"21 ships with Ukrainian grain"* (El País, 19-08-2022). In view of the fact that 38% of the ships are going to the EU and not to Africa, Russia has threatened to break the agreement.

It should be noticed that prices had already fallen at the beginning of July (see above), a month before the first ship could leave Odessa. In fact, if all of Ukraine's accumulated wheat stocks (more than 20 million metric tons) were immediately released into circulation, there would be a drastic excess of supply over demand that would plunge wheat prices.

From the point of view of Russian imperialism, the high grain prices for a few months have turned out to be a great business since its main competitor in the market has been left out of the game: *"Russia has continued to ship its wheat at the now-higher price, finding willing buyers and raking in more revenues per ton. It is also expecting a bumper wheat crop in the next season, (…). Global wheat prices have risen by more than 50% this year, and the Kremlin has collected $1.9 billion"* (Bloomberg, 24-05-2022).

Inventories

All the over-ordering that has been done in the face of the shortage situation has generated stocks that are starting to become even too full.



Source: Logistic Manager's Index (June)

Note how the transportation line has returned below the one of warehousing and inventory, as before the resumption following the first closures and confinements, although not at the contraction level (below 50).

"Inventories continue to be one of the trickier hurdles to navigate in the current economy. Inventory Levels continue to grow, albeit at a slightly reduced rate (-1.3) of 67.6. This is down significantly from the all-time high rate of growth of 80.2 observed in February, but still well above the all-time average of 62.9 for this metric. The last six months have seen a concerted effort by firms to run down the high levels of goods that were on hand this Spring. Many retailers have worked hard, and in some cases ***taken significant financial losses, to decrease inventory levels****. Target reported a 90% drop in net earnings year over year for Q2, largely because of their concentrated efforts to reduce inventories. This included cancelling $1.5 billion in discretionary orders, as well as* ***slashing prices on the goods already clogging their stores and distribution chains****."* (Logistic Manager's Index report, August 2022).

Maritime transport

Container shipping prices have continued their gradual decline as the differential between prices from Asia to the US or Europe (and vice versa), as well as from the EU to the US (and vice versa), continues. In addition to the prices in the table below, the price of a container to Asia is $960 from the US and $498 from Northern Europe.

Lane	Asia – West US	Asia – East US	Asia – N. Europe	N. Europe –Este EEUU
19-25/09/22	3.241$	7.326$	7.251$	7.146$
Last week	-17%	-14%	-8%	5%
Last year *	-80%	-61%	-51%	2%
** Compared with the corresponding week in 2021*				

The differential between the price from Asia to the US East Coast and from the same origin to the US West Coast indicates that there has been a redirection of part of the flow of goods that used to arrive to the West Coast and now arrives on the East Coast, in order to avoid bottlenecks and congestion. Queues at the port of Los Angeles are being gradually reduced as demand is decreasing and arrivals have been distributed to other ports on both coasts.

Rail, inland waterway and road transport

The cost of inland waterway and road transport in Europe has skyrocketed. The first is due to the drastic drop in river flows due to the drought, which have become unpassable in some stretches. The second is due to the rising cost of diesel and the shortage of truck drivers.

Inland transport between China and Europe reached 1,517 trains in July and cargo delivered reached 149,000 TEUs in the same period, up 11% and 12% year-on-year, respectively. *"China-Europe freight trains have reached 200 cities in 24 European countries (…) So far, the network has maintained the level of operating "1,000 trains per month" for 27 consecutive months."* (China Daily, 08-08-2022).

ENERGY SOURCES AND CAPITALISM

Evolution of oil prices

In the following graph we observe the evolution of the oil price, with its peaks in 2008, from 2011 to 2014 and in 2022.

Source: https://tradingeconomics.com/commodity/brent-crude-oil (01-09-2020)

It has currently fallen back to the price prior to the start of the war in Ukraine. This price is still a high price that forces to transfer a large part of the profit to ground-rent. The ultimate cause of the high oil price is the fact that OPEC+ has kept production below demand and its own production capacity.

High profit and low investment

The price of oil is doomed to fall in the long term due to its displacement by other types of energy. This leads to an immediate increase in the price of oil for several reasons: 1) the producing countries keep supply below demand to ensure that they make a profit before it has been replaced or displaced, 2) the lack of investment makes extraction more expensive, 3) the lack of sufficient energy sources and infrastructures to replace fossil fuels immediately leads to insufficient supply.

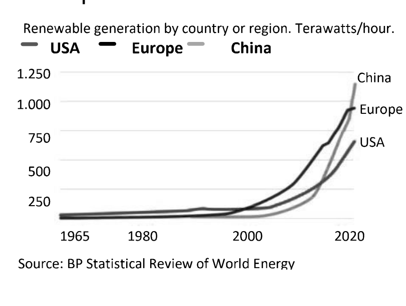
This is the reason why U.S. oil companies, despite high profits, have decided to focus on dividends and continue not to make new investments.

Renewable energies

The madness of the anarchy of mercantile production produces the opposite phenomenon in certain nodes of the world energy flow, particularly in the USA. Solar and wind power are sold at negative prices. Wholesale prices in the seven US networks started to be punctually negative in 2012, gradually increasing in frequency to around 200 million times in 2021.

Why? Because **in capitalism (and in any mercantile society) supply precedes demand**: first a huge amount of energy is produced and then the issue is how to sell it.

China is the leading investor in increasing renewable energy production and has surpassed both the US and the EU as a net producer.



Source: BP Statistical Review of World Energy