

[Oil](#) | [Agriculture](#) | [Metals](#) | [Carbon & Power](#) | [Dry Freight](#)*Click on headers to go to that section***Top News - Oil****Iran seizes oil tanker involved in U.S.-Iran dispute in Gulf of Oman**

Iran seized a tanker with Iraqi crude destined for Turkey on Thursday in retaliation for the confiscation last year of the same vessel and its oil by the U.S., Iranian state media reported, a move likely to stoke regional tensions. The seizure of the Marshall Islands-flagged St Nikolas coincides with weeks of attacks by Yemen's Iran-backed Houthi militias targeting Red Sea shipping routes. "After the theft of Iranian oil by the United States last year, St Nikolas tanker was seized by Iran's Navy this morning with a judicial order ... it is en route to Iranian ports," the semi-official Fars news agency reported, citing a statement by the Navy.

In Washington, the Pentagon said Iranian forces unlawfully boarded the St Nikolas in the Gulf of Oman and forced it to change course toward Iranian territorial waters. The White House condemned the seizure.

"No justification whatsoever to seize it, none whatsoever. They need to let it go," White House national security spokesperson John Kirby said.

The U.S. seized the St Nikolas last year in a sanctions enforcement operation when it sailed under a different name, Suez Rajan. Iran warned the U.S. the move would "not go unanswered".

Armed intruders boarded the St Nikolas as it sailed close to the Omani city of Sohar, according to British maritime security firm Ambrey, and its AIS tracking system was turned off as it headed in the direction of the Iranian port of Bandar-e-Jask.

"Communication with the oil tanker, St Nikolas, under Marshall Islands flag and owned by the Greek shipowner Empire Navigation has been cut off around 06:30 on Jan. 11 in the waters of Oman," Turkish oil refiner Tupras told Reuters in an emailed statement, confirming it had bought the cargo from Iraqi state marketer SOMO.

"The incident has no impact on our refinery operations," the Turkish firm - which operates the 241,500 barrel per day (bpd) capacity Izmir refinery in Aliaga - added.

The ship loaded around 145,000 metric tonnes of oil in the Iraqi port of Basra and was heading to Aliaga in western Turkey via the Suez Canal, Empire Navigation told Reuters. It said it had lost contact with the vessel, manned by a crew of 19 including 18 Filipino nationals and one Greek national.

Since October, Yemen's Houthis have attacked commercial vessels in the Red Sea to show support for Palestinian militant group Hamas in its fight against Israel. Those incidents have been concentrated on the Bab al-Mandab Strait, to the southwest of the Arabian Peninsula. Thursday's incident is located closer to the Strait of Hormuz, between Oman and Iran. The United Kingdom Maritime Trade Operations (UKMTO) authority said earlier on Thursday it had received a report that a vessel around 50 nautical miles east of Oman's coast was boarded by four to five armed persons.

The intruders reportedly were wearing military-style black uniforms and black masks.

The UK authority, which provides maritime security information, said it was unable to make further contact with the vessel and authorities were still investigating. "Iran's actions are contrary to international law and threaten maritime security and stability," U.S. Navy's Fifth Fleet Commander Vice Admiral Brad Cooper said in a statement.

The Suez Rajan was carrying more than 980,000 barrels of Iranian crude oil last year when it was seized and the oil confiscated in the U.S. sanctions enforcement operation.

The U.S. said at the time that Iran's Islamic Revolutionary Guard Corps (IRGC) had been trying to send contraband Iranian oil to China, in violation of U.S. sanctions.

The vessel was unable to unload the Iranian crude for nearly 2-1/2 months over fears of secondary sanctions on vessels used to unload it. It was renamed the St Nikolas after unloading the cargoes.

**China's 2023 crude oil imports hit record as fuel demand recovers**

China's annual crude oil imports hit an all-time high in 2023, customs data showed, as fuel demand recovered from a pandemic-induced slump despite economic headwinds.

China imported 11% more crude oil last year versus 2022 at 563.99 million metric tons, equivalent to 11.28 million barrels per day (bpd), up from a previous record of 10.81 million bpd in 2020, data from the General Administration of Customs showed.

Imports in December totalled 48.36 million tons, or 11.39 million bpd, up from November's 10.33 million bpd.

Domestic passenger transport levels increased steadily through 2023 following the country's abrupt exit from pandemic restrictions in November 2022.

China's highway traffic for 2023 jumped 43.6% from the previous year in passenger kilometres for the January to November period, according to Ministry of Transport data. Domestic air traffic also recovered rapidly, rising 27% on the previous year to reach a new record in December, according to data from aviation analytics firm OAG.

International travel saw a more muted recovery, with December flight volumes still down 39% on the same month in 2019, shortly before borders were closed.

Domestic diesel demand was weaker amid an ongoing slowdown in the construction sector and an uncertain outlook for the manufacturing sector.

China's oil demand growth has been forecast by analysts to slow to around 4% in the first half of 2024 due to the country's property market woes, although moderating growth in domestic output will continue to support import levels. The primary drivers for oil imports in 2024 are expected to be aviation demand for kerosene and demand in the petrochemical sector for high-end



chemical products used in the manufacture of key goods such as solar panels and electric vehicles. China's demand for naphtha, a key feedstock for petrochemicals, is forecast by the International Energy Agency to grow 13.3% through this year. Friday's data also showed China's natural gas imports, comprising both liquefied natural gas (LNG) and piped gas, rose 9.9% to reach 119.97 million tons in 2023. That's the second highest on record after 2021, when China imported 121.4 million tons. Imports in December

at 12.65 million tons hit a record monthly high, up from November's 10.95 million tons, to meet strong heating demand amid colder-than-usual weather. Growing pipeline gas supplies from Russia also helped bolster the imports. China last year exported a total of 62.69 million metric tons of refined fuel products, which include diesel, aviation fuel, gasoline and marine fuel, up 16.7% on the previous year, the data also showed. December exports at 4.64 million tons were the lowest since last June as companies ran short of export quotas.

## Top News - Agriculture

### Brazil 2023/2024 soybean crop view slashed by 7.5 mln T -Patria

Brazil's 2023/2024 soybean crop will total 143.18 million metric tons, 7.5 million tons below a previous forecast of 150.7 million tons of production, according to a new report by Patria Agronegocios on Thursday. Brazil's total corn crop will reach 110.29 million tons, down from the 112.51 million tons in a previous forecast, Patria said, citing climate risk. Private consultancies have said that Brazil's soy crop outlook had worsened, but none has been as pessimistic as Patria. At least two forecasters this month lowered

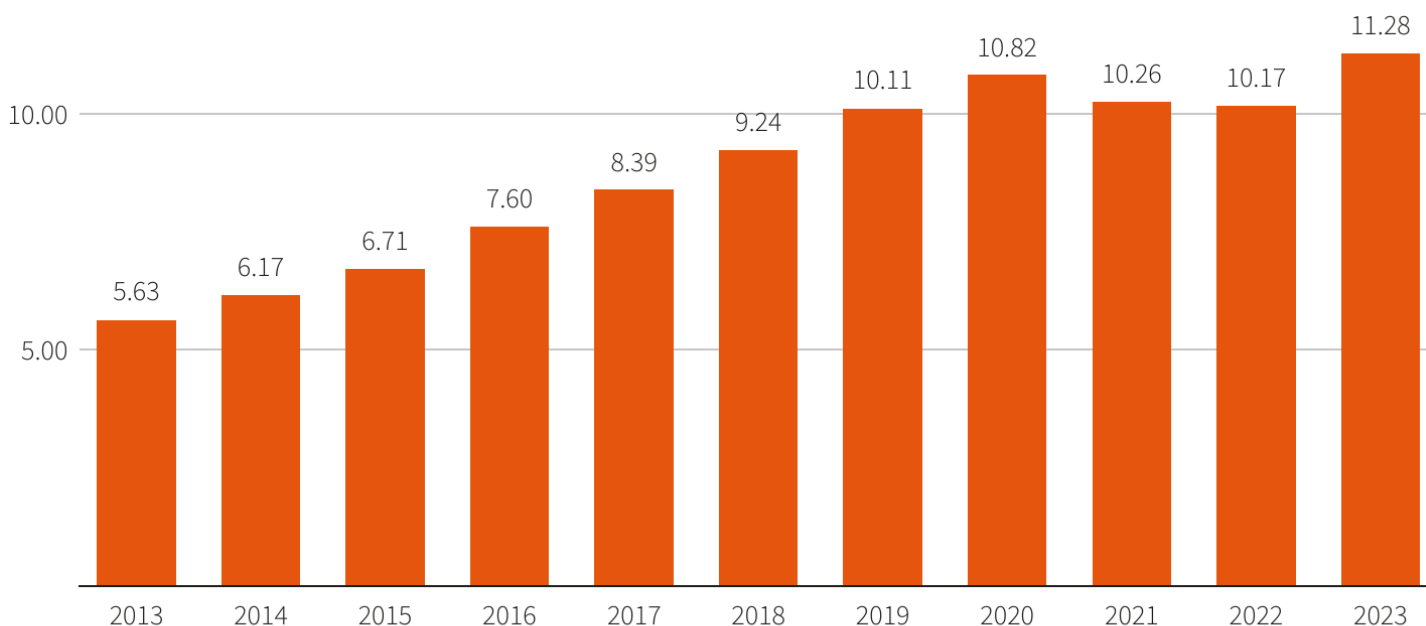
output expectations for Brazil's soy crop, to between 151 million and 153 million tons. Patria has defended its methodology, saying that the resumption of rains was not widespread and the showers that did occur could not save the plants. "Today, more than half of Brazilian soybeans are already in a reproductive stage," said Matheus Pereira, Patria's founder. "The entire vegetative phase that faced drought and heat has already limited yield potential." The Brazilian government this week said that the country, the world's biggest supplier of the oilseed, will produce around 155 million tons of soy. This is lower than initially

## Chart of the Day

### China's crude oil imports rose to a new record last year

Increasing domestic travel since the removal of pandemic-era travel restrictions supported imports despite an uncertain macroeconomic backdrop

● Crude oil imports (million bpd)



Source: China General Administration of Customs

projected by crop agency Conab but still slightly higher than last season, in spite of extreme weather harming crops in key regions.

For second corn, which is planted after soybeans are harvested and represent about 75% of corn production in a given year, Patria said the planting window "remains the main concern."

If the El Niño pattern persists for another 2 to 3 months, "further cuts in yield and area will be likely," Patria said, referring to overall corn production.

### **COLUMN-Trade's lack of direction on US corn, soy crops could set up surprise -Braun**

The market could be setting itself up for a surprise on Friday amid the U.S. Department of Agriculture's data onslaught since analysts are expecting virtually no changes to last year's U.S. corn and soybean crop estimates, which are typically the day's most sought-after numbers. The trade pegs 2023 U.S. corn production at a record 15.226 billion bushels and soybean output at a four-year low of 4.127 billion bushels. Both are down negligibly from prior projections, but that is not how it tends to shake out on report day.

The U.S. corn crop in January has been smaller than the November projection in seven of the last 10 years, with an average reduction of 1.1%. The soy crop was smaller in six of the last 10 years on an average decline of 1.2%.

The traditional idea that small crops get smaller does not necessarily apply here because the decade's largest and smallest corn and soy crops alike were subject to January cuts. Average crop increases from November have been relatively smaller with adjustments of less than 0.5%.

U.S. corn and soybean yields rose in November after a rare three-month streak of reductions, but there is no correlation between November increases and the outcome in January. Also included in Friday's data dump is quarterly U.S. grain stocks as of Dec. 1. Analysts see Dec. 1 corn stocks at a five-year high for the date, soybeans at a three-year low and wheat a three-year high. For corn and wheat, four of the past five years have produced bullish Dec. 1 stock numbers while four of the past five have been bearish for soybeans. The bearish

corn and wheat instances were in 2021 (for Dec. 1, 2020 stocks) and 2018, respectively, and soybeans' bullish outcome came last year. The trade will also be watching for potential demand updates on Friday. As of Jan. 4, U.S. corn export sales for 2023-24 accounted for 57% of USDA's full-year estimate, near to slightly above average for the date. Soybean sales covered 77% of USDA's target, a hair behind the typical pace. USDA has increased 2023-24 U.S. corn exports in the last two updates but has not touched soybean exports since October.

### **WINTER WHEAT**

The trade sees U.S. winter wheat plantings for the 2024 harvest down nearly 3% from last year at 35.8 million acres, which would easily be the second-largest area in eight years after last year. However, there could be an argument for an even larger drop given that U.S. wheat prices by planting last fall were about 25% lower than at the beginning of 2023. That decline is near historical maximums, and most years with steep price declines also preceded some of the larger acreage pullbacks.

Analysts are on a four-year streak of under-guessing winter wheat seedings each January, but they almost exclusively over-estimated acres in the prior two decades. Wheat acres came in a shocking 7% higher than expected last year in the most bearish outcome of this millennium.

Both Chicago and Kansas City wheat futures actually finished higher on January report day last year, aided by a surprisingly small quarterly stocks print. But significant weather concerns were brewing a year ago under ongoing drought, terrible crop conditions and a dry weather-inducing La Nina.

Winter wheat is doing much better this year. For example, the crop in top producer Kansas was rated 43% good-to-excellent at the end of December, up from 32% in late November. That compares with just 19% good-to-excellent in Kansas at the end of 2022. The current El Niño weather pattern has been welcoming lately for crops in the Southern Plains. As of this week, some 23% of Kansas is drought-free, the largest portion in 18 months.

## **Top News - Metals**

### **China's 2023 iron ore imports hit a record high on rising demand**

China's iron ore imports in 2023 hit a record high, up 6.6% from a year before, customs data showed, thanks to stronger demand amid a lack of government-mandated steel output caps and higher-than-expected steel exports. The world's largest iron ore consumer brought in a total of about 1.18 billion metric tons in the past year, data from the country's General Administration of Customs showed. The 2023 total also marked the first rise since 2020 as Beijing introduced a cap on its annual steel output in 2021 and 2022 to help curb carbon emissions, reducing demand for the key steelmaking ingredient in those years. China's iron ore imports in 2021 and 2022 fell 3.9% and 1.5% year-on-year, respectively. There were no caps on steel output in 2023, however, with the world's second-largest economy struggling to recover from the COVID-era in part because of lingering property woes.

Crude steel output in the first 11 months of 2023 rose 1.5% year on year to 952.14 million tons, official data showed, stoking higher demand for feedstocks.

One factor possibly underpinning higher ore demand is that mills preferred to use cheaper, lower grade cargoes while struggling to generate profits last year, said analysts, traders and mills.

It takes more lower grade iron ore to produce one ton of steel than with higher grade ore. It's likely that ore imports in 2024 will continue rising albeit at a slower pace with a forecast of mild growth in steel consumption, said Zhuo Guiqiu, a Shenzhen-based analyst at Jinrui Futures.

In December, China imported 100.86 million tons of iron ore, down 1.83% from 102.74 million tons in November, as more mills started maintenance on blast furnaces as steel margins contracted.

The December volume compares to 90.86 million tons in the same month in 2022.

## STEEL TRADE

China's exports of steel products in December 2023 rose 43.2% on the year to 7.73 million tons, bringing the annual total shipments to a seven-year high of 90.26 million tons, a rise of 36.2%, customs data showed, beating market expectations. "The surge in exports is because domestic demand weakened. The main increase was driven by long products, which have been hard hit by the struggling Chinese real estate sector," said Tomas Gutierrez, head of data at UK-based consultancy Kallanish Commodities. "China's net steel exports will decline in 2024 but are likely to remain above the five-year average," Gutierrez added. The world's largest steel producer also imported 665,000 tons of steel products last month, bringing the 2023 total to 7.65 million tons, a decline of 27.6% from 2022.

### China copper smelter margins squeezed by tight supply of raw material

Competition for mined copper supplies is expected to intensify, further eroding margins for Chinese firms that produce half the world's refined copper, but significant output cuts that tighten the metal market are unlikely. Chinese copper producers, mostly state-owned, are under pressure to maintain or raise production targets to shore up sluggish growth in the world's second-biggest economy. Tighter concentrate supplies are due to disruptions such as the closure of First Quantum's Cobre mine in Panama and Anglo American cutting production guidance. The scramble to secure supply has meant

Chinese smelters have had to accept a cut in treatment charges (TCs), a fee for converting concentrate into refined copper, by nearly a third over the past month, according to data from pricing agency Fastmarkets. Chinese smelters told Reuters they are considering curbing refined copper production in the second quarter but did not give any detail about the quantities involved. The squeeze on margins will likely force smaller, higher-cost smelters reliant on spot purchases of concentrate to cut or stop production in the coming months, said analyst Craig Lang at consultancy CRU Group. TCs "might bottom in the \$40s this time... before triggering smelter capacity cuts which will help ease the tightness," Lang said. Spot TCs in China tumbled to \$48.2 a metric ton on Jan. 5, the lowest since July 2021 and 40% below the annual benchmark of \$80 a ton, which dropped for the first time in three years. TCs are the main source of income for smelters, falling when there is less available copper concentrate or demand is lacklustre and rising when supplies are high. "Smelters big and small are coming to us for spot cargos for delivery in first and second quarter," said an official at a major copper mining company. Another factor behind the drop in TCs is expansion in smelting capacity, implying a bigger appetite for concentrates. China's refined copper output surged 13% year-on-year in the first 11 months of 2023 to 11.8 million tons, official data showed. "Primary smelting capacity is expected to increase by almost 5% this year with key projects in China, Indonesia and India," said analyst Emily Brugge at consultancy Wood Mackenzie.

## MARKET MONITOR as of 07:45 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	\$73.63 / bbl	2.24%	2.76%
NYMEX RBOB Gasoline	\$2.18 / gallon	2.22%	3.68%
ICE Gas Oil	\$795.75 / tonne	2.61%	5.99%
NYMEX Natural Gas	\$3.13 / mmBtu	1.07%	24.50%
Spot Gold	\$2,036.29 / ounce	0.40%	-1.28%
TRPC coal API 2 / Dec, 24	\$100.5 / tonne	-2.43%	3.61%
Carbon ECX EUA	€68.16 / tonne	0.35%	-15.19%
Dutch gas day-ahead (Pre. close)	€30.83 / Mwh	-0.55%	-3.20%
CBOT Corn	\$4.70 / bushel	0.00%	-2.94%
CBOT Wheat	\$6.18 / bushel	0.20%	-3.36%
Malaysia Palm Oil (3M)	RM3,841 / tonne	1.24%	3.22%
Index	Close 11 Jan	Change	YTD
Thomson Reuters/Jefferies CRB	302.29	0.69%	0.29%
Rogers International	26.54	0.89%	0.80%
U.S. Stocks - Dow	37,711.02	0.04%	0.06%
U.S. Dollar Index	102.36	0.06%	1.01%
U.S. Bond Index (DJ)	425.84	0.42%	-1.13%

## Top News - Carbon & Power

### Chesapeake seeks US natgas crown with \$7.4 bln deal for rival

Chesapeake Energy agreed to buy smaller rival Southwestern Energy in an all-stock transaction valued at \$7.4 billion, a deal that will make it the largest independent U.S. natural gas producer.

The deal disclosed on Thursday is a bet natural gas prices will stay off the multi-year lows they touched last year as demand from proposed new U.S. liquefied natural gas (LNG) export terminals jumps in 2025. "By combining our companies, we are LNG-ready," said Chesapeake Chief Executive Domenic Dell'Osso, who will hold the top job at the yet-to-be-named combined company. The purchase is expected to close next quarter. Expectations for rising gas demand from LNG exporters "created some impetus to move," Dell'Osso said on a call to discuss the deal. The new company expects up to 20% of its future production will be tied to international pricing, he said. Chesapeake's offer of \$6.69 per Southwestern share represented a discount of about 3% to the stock's last close, according to Reuters calculation. Shares have gained about 2% since Reuters reported in mid-October on the deal talks. Shares of Chesapeake were up 6.2% in morning trading on Thursday.

#### 'IMPROVED POSITION'

The larger output from the combined company "will improve the company's position ... as it relates to unlocking and securing additional LNG opportunities," wrote Matt Portillo, an equity analyst at financial firm Tudor Pickering & Holt. U.S. gas production in recent years has jumped well above domestic demand, pushing inventories up and reducing profits at gas producers. U.S. gas on Thursday traded around \$3 per million British thermal units. Average price last year fell 62% compared to 2022. The Southwestern bid is the biggest move to date in Chesapeake's efforts to regain its former stature as the largest U.S. gas producer since emerging from bankruptcy restructuring in 2021. Last year, it beefed up its position in the gas-rich shale plays of the U.S. northeast with a \$2.5 billion buyout of Chief E&D. Investment firm Kimberidge Energy Management, which pushed Chesapeake to move away from oil drilling, is "highly supportive of the merger," it said. The firm has a little over 2% stake in each company. Most of Southwestern's production is in Appalachia's shale formations in the U.S. East and in the Haynesville shale basin close to U.S. LNG export plants. The combined company will have production of about 7.9 billion cubic feet equivalent per day (Bcfepd), and leapfrog EQT Corp as the largest independent natural gas exploration and production company in the U.S. by market value and output.

#### NEW COMPANY NAME

The deal is expected to close in the second quarter and bear a new name, ending the Chesapeake brand almost 35 years after its founding by wildcatters Aubrey McClendon and Tom Ward. Chesapeake shareholders will own about 60% of the combined company and Southwestern investors the rest.

The deal is the latest in a spate of multi-billion consolidation in the U.S. energy sector as companies seek to secure future production. Among the recent combinations: Exxon Mobil's \$60-billion pending offer for shale firm Pioneer Natural Resources and Chevron's \$53-billion agreement to buy Hess last week, APA Corp agreed to buy Callon Petroleum for \$4.5 billion.

### US power prices soar ahead of extreme cold and record natgas demand

Frigid weather moving into the central U.S. will boost natural gas demand to record highs early next week, according to analysts forecasts, putting power and gas prices on track to hit their highest levels since December 2022.

In December 2022, a massive winter storm, known as Elliott, boosted gas use to an all-time high and nearly caused the collapse of some electric and gas systems in the eastern half of the country after dozens of power plants shut due in part to a lack of fuel.

The extreme weather expected next week could also test power grids, as electricity demand soars and some gas supply is cut due to freezing temperatures.

PJM Interconnection, the largest U.S. power grid operator covering parts of 13 states from Illinois to New Jersey, and the Electric Reliability Council of Texas (ERCOT), the Texas grid operator, have both issued weather watches for the period ranging from Jan. 14-17.

ERCOT anticipates normal grid conditions, but warned of higher electricity demand and the chance of lower reserves. A catastrophic freeze in Texas and other U.S. Central states in 2021 knocked out power to millions for days and left over 200 people dead. Meanwhile, several power generators agreed to pay PJM \$1.2 billion because they were unable to operate when called upon during Winter Storm Elliott in December 2022.

Those events were caused in part by a drop in gas supplies from freezing oil and gas wells, pipes and other equipment that forced some power grid operators and utilities to impose rotating outages due to a lack of enough electricity supply.

Extreme cold this week has already caused gas supplies to decline due to so-called "freeze-offs" at production sites in Colorado, Wyoming and North Dakota.

U.S. gas output was on track to drop by 3.7 billion cubic feet per day (bcfd) over the past four days to a preliminary 10-week low of 104.5 bcfd on Thursday, according to financial firm LSEG.

That decline so far was small compared with total gas supply losses of around 19.6 bcfd during Winter Storm Elliott and 20.4 bcfd during the February freeze of 2021, according to LSEG data.

U.S. gas demand, including exports, will hit 171.4 bcfd on Jan. 15 and 174.5 bcfd on Jan. 16, according to LSEG.

That would top the current all-time high of 162.5 bcfd set on Dec. 23, 2022, according to federal energy data from S&P Global Commodities Insights. One billion cubic feet of gas can fuel about 5 million U.S. homes for a day.

Power prices at the PJM West Hub, which covers an area from northwestern Pennsylvania to Washington, D.C., were on track to jump from around \$35 per megawatt

hour (MWh) for Thursday to about \$158 next week, according to LSEG the Intercontinental Exchange (ICE). That would be the highest next-day price for PJM West power since December 2022 when it topped out at \$179 per MWh. It averaged \$37 in 2023 and \$42 from 2018 to 2022.

Spot gas prices at the U.S. Henry Hub benchmark in

Louisiana, meanwhile, were on track to jump from around \$3.25 per million British thermal units (mmBtu) for Thursday to about \$4.20 next week, according LSEG and ICE data. That would be the highest next-day price for Henry Hub gas since December 2022 when it hit \$7.20 per mmBtu. It averaged \$2.54 in 2023 and \$3.61 from 2018 to 2022.

## Top News - Dry Freight

### Romania to remain biggest alternative export route for Ukraine's grain -US official

Romania will remain Ukraine's largest alternative export route for grains and other goods in addition to Kyiv's own Black Sea corridor, a senior U.S. State Department official said on Thursday.

Ukraine is one of the world's biggest grain exporters. It began using Romania's Black Sea port of Constanta after Russia's full-scale invasion in February 2022 halted shipments from its own Black Sea ports.

It exported 14 million metric tons of grain through Constanta in 2023, roughly 40% of the port's entire grain shipments for the year, up from 8.6 million tons in 2022. However, transit volumes fell in the second part of the year after Russia repeatedly struck Ukraine's river ports across the Danube from European Union and NATO member Romania.

Ukraine also created a shipping corridor from its own ports in August, which hugs the western Black Sea coast near Romania and Bulgaria, shortly after Russia withdrew from the U.N.-brokered Black Sea grain export deal and threatened to treat all vessels as potential military targets. In a briefing on Thursday the U.S. State Department's Assistant Secretary for European and Eurasian Affairs Jim O'Brien said Ukraine exported about 7.5 million tons of grain in December, mostly through its own corridor but also through Constanta. "I see going forward some kind of a balance like that," O'Brien told reporters.

"To recover, Ukraine needs to export. I think, just holding the levels of export we have now, about seven million tons of grain, and another million or so tons of other items a month, would mean more than \$25 billion a year in GDP for the Ukrainian economy. That's five to six billion dollars in tax revenue."

O'Brien and the European Commission's director general for mobility and transport have been holding regular meetings with Romanian, Moldovan and Ukrainian officials to find ways to boost grain transit capacity.

### China's imports of Mongolian coal set to rise as transport improves

China's imports of Mongolian coking coal may rise to a record in 2024, after more than doubling in 2023, on improving transport links and its lower price versus domestic and international supplies, traders and miners said. China is the world's biggest steel producer and coal importer and a shift to abundant Mongolian supplies could come at the expense of Australian imports of the steelmaking ingredient. Australia, the world's second-biggest coking coal miner, was China's largest supplier until a 2020 diplomatic dispute.

This year's coking coal imports from landlocked Mongolia may rise more than 10% as newly expanded road links

enable more truck traffic, a Beijing-based coal trading executive estimated. China imports Mongolian coal mostly by truck through seven ports along a border that stretches more than 4,600 km (2,858 miles).

Beijing and Ulaanbaatar have simplified customs clearances to bolster coal imports, which have been hindered by transport bottlenecks, said several Chinese coal traders. More truck lanes have been added at land ports and customs staff have been asked to expedite document checks, while automated vehicles are being deployed to move coal across the border to warehouses on the Chinese side, said the Beijing-based executive. "The expanding trade is very much driven by the two governments," said a Singapore-based senior Chinese coal dealer.

"During the Australian coal ban, the Chinese government looked to Mongolia as a prospective replacement and has since worked on improving the transport links," said the trader. Australian coking coal imports plunged when Beijing slapped an unofficial ban on several commodities after Canberra called for an investigation into the origins of the COVID-19 pandemic, although trade resumed last year as relations warmed.

To bolster Mongolian imports, authorities in the Chinese border town of Ganqimaodu, the entry point for nearly 60% of China's Mongolian coking coal, invested 40 million yuan (\$5.58 million) in 2023 to improve infrastructure, according to Chinese state media.

As a result, in the first week of December, an average of 1,136 trucks crossed each day at Ganqimaodu, data from Haitong Securities showed, up 39% from a year earlier.

### CHEAPER MONGOLIAN COAL

Thinning margins at Chinese steelmakers caused by the downturn in China's property sector have boosted the demand for cheaper Mongolian coal, analysts said.

"Both Chinese domestic and other major international coking coals are unaffordable to Chinese steel mills, who have been struggling to make ends meet," said Simon Wu, a consultant at Wood Mackenzie.

Mongolian coking coal was imported at an average of 974 yuan (\$135.98) per ton last year, some 20% below Russian coal and half the cost of Australian coal, a Reuters analysis of Chinese customs data shows.

China's imports last year of Mongolian coking coal likely topped 50 million metric tons, traders estimated, doubling 2022 levels and dwarfing the 2.3 million tons imported from Australia recorded by Chinese customs in the first 11 months of the year. The import boom has boosted shares of top Mongolian producer Tavan Tolgoi JSC by more than double since the start of 2023, and shares of Hong Kong-listed Mongolian Mining Corp (MMC) have more than tripled over the same period. MMC, with two

mines in the southern Gobi, expects to operate near full capacity this year, matching the 1.6 million to 1.7 million tons of coking coal it shipped to China each quarter in 2023, CEO Battengel Gotov told Reuters. In 2022, Mongolia completed a 30 million to 50 million ton per year rail line from Tavan Tolgoi to the town of Gashuun Sukhait, across the border from Ganqimaodu, but it has

not been linked to China's rail network. "The next important task will be to complete the cross-border railway interconnections," said MMC's Gotov. New railway lines are expected to increase Mongolia's railway export cargo volume of all types of goods from 8.2 million tons in 2023 to 80 million tons by 2030, according to data cited by China's People's Daily in December.

## Picture of the Day



A vegetable vendor collects money from a customer at an outdoor market in Beijing, China, January 12. REUTERS/Florence Lo

(Inside Commodities is compiled by Lactus Fernandes in Bengaluru)

For questions or comments about this report, contact: [commodity.briefs@thomsonreuters.com](mailto:commodity.briefs@thomsonreuters.com)

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LSEG  
10 Paternoster Square, London, EC4M 7LS, United Kingdom

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