Oil | Agriculture | Metals | Carbon & Power | Dry Freight
Click on headers to go to that section

Top News - Oil

China 2022 crude oil imports fall for second year despite Q4 pickup
China's crude oil imports fell for the second year in a row in 2022 despite a burst of purchases in the fourth quarter, as the country's strict COVID-19 control measures hobbled the economy and fuel demand.
Imports for the full year by the world's top buyer totalled 508.28 million tonnes, equivalent to 10.17 million barrels per day, 0.9% lower than in 2021, according to data from the General Administration of Customs.
That followed a drop in 2021, which was China's first annual oil import decline in two decades. Imports in 2020 hit a record high of 10.8 million bpd.
Imports slowed for most of the year as refiners faced weakening margins and sluggish fuel demand, but started picking up in October as Beijing moved to support the industry by drastically boosting fuel exports.
Refiners took in 4% more crude oil from a year earlier at 48.07 million tonnes in December, about 11.3 million bpd, the third highest in 2022, as state refiners bought Saudi crude at lower official prices and independent refiners rushed to use quotas.
State refiners raised purchases of Saudi crude oil due to its lower pricing versus November, while independent refiners chased deeply discounted Iranian oil trying to use up their quotas before year-end, said traders and analysts.
With the government focused on reviving economic growth this year after dropping its tough COVID control measures, some analysts are expecting China's crude oil imports to rebound strongly in 2023.
"China's more front-loaded crude quota release schedule indicates Beijing expects non-state refineries to run harder in response to stronger demand after China's reopening," said Sun Jianan, China market analyst with Energy Aspects.
Friday's data also showed fuel exports - including gasoline, diesel, aviation fuel and marine fuel oil - reached 7.7 million tonnes in December, the highest since April 2020 and up from 6.14 million tonnes in November.
Annual fuel exports, however, remained 11% below 2021 at 53.69 million tonnes, due to steep reductions in overseas shipments earlier in 2022 as the government sought then to curb excessive domestic processing.
Natural gas imports last month via pipelines and as liquefied natural gas (LNG) reached 10.28 million tonnes, down 12% on the year. Annual imports fell 9.9% at 109.25 million tonnes, data showed.
The lower purchases were due to deep cuts in LNG purchases which are set to record their first major decline since 2006 as demand was crimped by surging global prices and the weak economy.

Russian budget revenues from oil taxes drop to lowest since March 2021 in December
Russian state budget revenue from oil taxes declined in December to 511.7 billion roubles, the lowest since March 2021, according to data from the Finance Ministry, following a slide in oil prices.
However, total oil and gas revenues, which account for almost a half of total state budget proceeds, rose by 6% last month in annualised terms to 931.5 billion roubles thanks to a hike in taxes on gas giant Gazprom, after a drop of 2.1% in November.
Russian oil production and exports have held up in early January despite sanctions from the West and price caps introduced last month over the conflict in Ukraine.
Russian oil producers have had no difficulties in securing export deals despite those moves, Deputy Prime Minister Alexander Novak said on Wednesday.
Oil tax revenues were down by a third from December 2021 as the price of Russia's flagship Urals oil blend fell to an average of $50.47 per barrel last month from $72.71 a year earlier, according to the Finance Ministry.
The ministry said proceeds from the oil mineral extraction tax (MET) - the single largest tax item for oil producers - fell in December by 29.5% year-on-year to 474.8 billion roubles.
Proceeds from oil export duty plummeted last month by 59.5% year-on-year to 36.9 billion roubles, as the government is phasing out export taxes in favour of the mineral extraction tax.

Top News - Agriculture

U.S. reduces corn, soybean harvest views
U.S. corn and soybean harvests in 2022 were smaller than previously estimated as crops struggled late in their development after a promising start to the growing season, the U.S. government said on Thursday.
Dry conditions also caused the U.S. Agriculture Department to cut its forecasts for corn and soybean production in key global supplier Argentina as the crops being grown there are wilting in a drought.
The reduction in the corn and soybean production estimates adds to worries about tightening global supplies

of grains and resulting high food prices. U.S. corn production was at a three-year low and the soy crop was the smallest in two years.
"USDA made drastic cuts to the size of last years corn and soybean crops," said Joe Vaclavik, president of Standard Grain. "That's the big surprise today."
USDA does not normally make such sizeable cuts to crops that were harvested months ago.
The government also reported that U.S. farmers planted the largest winter wheat acreage in eight years, but analysts said the dry soils the crop was seeded in could crimp harvest yields.
Chicago Board of Trade soybean and corn futures surged to session highs after the data was released. K.C. hard red winter wheat futures also rallied.
U.S. corn production totaled 13.730 billion bushels in the 2022/23 marketing year, the U.S. Agriculture Department said in its monthly World Agricultural Supply and Demand Estimates report. That was down 200 million bushels from a month earlier and below a range of market expectations.
The production shortfall stemmed from a reduction in harvested acres, which fell to 79.2 million from the December forecast of 80.8 million as farmers opted not to bother harvesting damaged crops after a hot, dry August.
The U.S. soybean harvest came in at 4.276 billion bushels, down from the December estimate of 4.346 billion, with average yield per harvested acre dropping to 49.5 bushels from 50.2. USDA also lowered its harvested soybean acreage figure by 300,000 to 86.3 million.
In Argentina, USDA forecast a soybean crop of 45.5 million tonnes, 8.1% lower than its December outlook, and a corn crop of 52.0 million tonnes, down 5.5% from the December estimate.
U.S. winter wheat plantings totaled 36.950 million acres, a jump of 11% from the previous year and well above trade forecasts that ranged from 33.38 million to 36.20 million.

COLUMN-Unusually large trade misses in U.S. grains data tempered by demand cuts -Braun

The U.S. Department of Agriculture's January data dump reverted to its often-unpredictable nature on Thursday as analysts missed the mark on several key numbers, unlike their unusually strong year-ago performance.
However, most of the surprising figures, many of which were smaller-than-expected and thus bullish, had some opposing factors that may ease the market's response.
Perhaps the biggest shock to the market came in 2022 U.S. corn production, which fell below the uncharacteristically narrow range of pre-report estimates.
Analysts were especially unprepared for the 1.6 million-acre cut in corn harvested area, an exceptionally large reduction.
To put that in context, analysts missed corn harvested area in the previous 10 Januarys by an average of 223,000 acres with a high near 500,000 acres, but they overestimated it by more than 1.5 million acres on Thursday.
Harvested corn acres were primarily lost in western states including Nebraska, Kansas and South Dakota, where drought hit hard this summer.
Corn yield came in 0.8 bushel above the average trade guess, which is analysts' worst performance in the 2022 season. However, for the January report, that miss ties for the third smallest of the latest 10 years.
The best analog for 2022 corn production may be 2002, which also featured a western drought. Harvested corn acres dropped 1.2 million from the previous estimate in January 2003, while the yield notably increased. Acres fell mildly following the 2012 drought that was focused in both the West and the East.
Traders should not forget about the 2022 U.S. corn harvest because its story may not be over. In recent years, Sept. 1 stocks were bearish in the years that featured the biggest bullish surprises in the previous Dec. 1 figures. One cause for that may be if USDA underestimated the corn crop.
But a larger production number may never be printed, even if it is the word on the street. USDA's statistics service will review the 2022 corn crop ahead of the Sept. 1 stocks release on Sept. 29.
Dec. 1 U.S. corn stocks were the third-most bullish relative to analyst guesses since at least 2005, coming in more than 3% below the trade at a nine-year low of 10.8 billion bushels.

WHEAT AND SOY MISSES

Dec. 1 U.S. soybean and wheat stocks were both the most bullish versus market predictions since at least 2005. Wheat stocks came in 5% below trade guesses and soybean stocks were 3.6% below.
The 2022 U.S. soybean yield fell outside the trade range of guesses for the first time in three years and below it for the first time in 16 years.
The soy yield of 49.5 bushels per acre was smaller than in November by 0.7 bpa (1.4%), the largest November-January decline by both bushels and percentage in 27 years. This was driven by light yield reductions across the board in almost all top states.
Analysts lowballed 2023 U.S. winter wheat seedings by the largest degree since at least 2000, coming in nearly 2.5 million acres too low. That marked their biggest miss in either direction in seven years.
USDA pegged 2023 U.S. winter wheat area at an eight-year high of 36.95 million acres, up 3.7 million on the year. Texas accounts for 38% of that annual increase, and Oklahoma and Illinois each account for 8%.

TEMPERAMENT

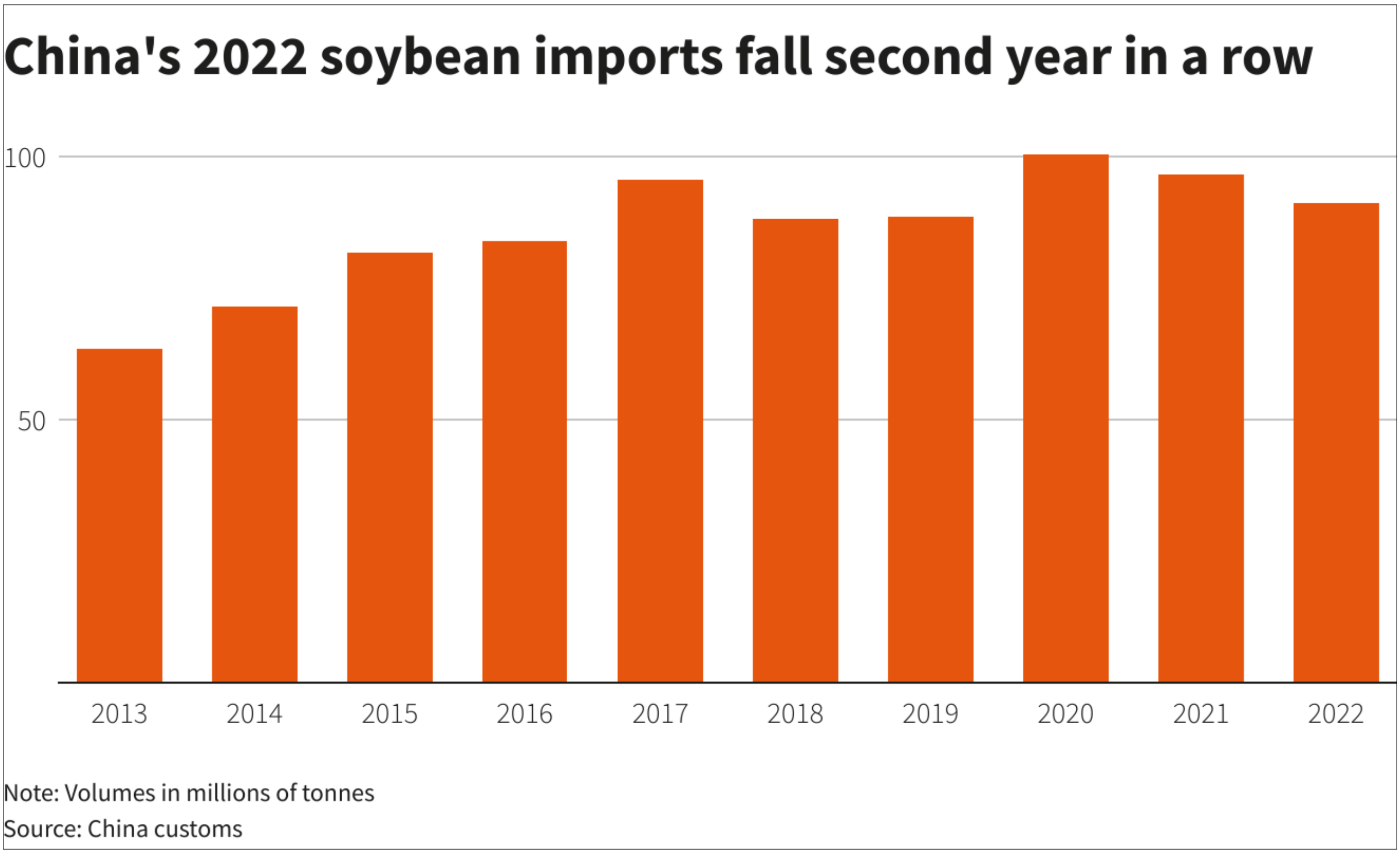
Cuts to the 2022 U.S. corn and soy crops were large enough to lower projected 2022-23 ending stocks from last month, against predictions for them to rise. But the export reductions to below 2 billion bushels on both balance sheets should not be overlooked.

Smaller exports were not necessarily surprising, especially for corn. Aside from weak U.S. export sales as of late, USDA on Thursday increased Ukraine's corn exports by 3 million tonnes from last month without raising the crop estimate.
For soybeans, Chinese imports were reduced to 96 million tonnes from 98 million last month, and Brazilian soy harvest targets are still huge, easing pressure on U.S. supplies.
World wheat stocks on Thursday drifted slightly higher than last month, though traders in Australia think the 2022-23 wheat crop may have reached 42 million tonnes. USDA left that estimate unchanged at 36.6 million tonnes, meaning global exportable wheat supplies, especially of feed quality, may be higher than the U.S. agency has stated.
The massive U.S. wheat area was the only number from Thursday not yet officially incorporated into USDA balance sheets as it falls in the 2023-24 marketing year. However, a larger crop would go a long way in pulling U.S. wheat ending stocks up from their projected 15-year low in 2022-23.

Top News - Metals

Glencore copper mine in Peru struck by vandals, cars torched
Vandals attacked Glencore's Antapaccay copper mine in Peru on Thursday, the country's top mining official said, amid a deepening political crisis marked by violent protests that have broken out near major mines in the southern Andes.
Peru is the world's second-biggest copper producer, and is currently in the throes of the worst civil unrest in years.
A major tin mine located in the southern Puno region, where some of the fiercest anti-government protests have played out, also announced it temporarily halted its mining operations.
Two Antapaccay company vehicles were burned in the midday attack and the area around the workers' housing was also hit, the mine said in a statement.
Energy and Mines Minister Oscar Vera told a news conference that 2,000 workers were being evacuated from the site.
The Antapaccay mine is one of the largest in Peru, and has tussled with the local community in the past.

Chart of the Day



The mine was hit by blockades in September by indigenous groups seeking a consultation process over a potential expansion.
Antapaccay is located in the Cusco region, a major tourist draw as well as another hot spot for protests against President Dina Boluarte, which have left 42 dead since last month.
Boluarte became president after her predecessor Pedro Castillo attempted to illegally dissolve Congress, was ousted and detained. Protesters have called for his release, her resignation and quick elections.
Antapaccay called on authorities to "focus on dialogue to find viable solutions to what the country is going through."
Later on Thursday, miner Minsur said it was temporarily suspending operations at its San Rafael mine, one of the largest tin mines in the world.
Minsur said the decision to close its Puno mine was made "in solidarity" with the victims of the protest clashes, with 17 civilians killed in the same region earlier this week.

Sweden's LKAB finds Europe's biggest deposit of rare earth metals

Swedish state-owned mining company LKAB on Thursday said it had identified more than 1 million tonnes of rare earth oxides in the Kiruna area in the far north of the country, the largest known such deposit in Europe.
Rare earth minerals are essential to many high-tech manufacturing processes and are used in electric vehicles, wind turbines, portable electronics, microphones and speakers.
"This is good news, not only for LKAB, the region and the Swedish people, but also for Europe and the climate," LKAB CEO Jan Mostrom said in a statement.
"It could become a significant building block for producing the critical raw materials that are absolutely crucial to enable the green transition," he said.
Rare earth elements are currently not mined in Europe, leaving the region depending on imports from elsewhere, while demand is expected to rise in coming years due to a ramp-up in electric vehicles and renewable energy.
"Electrification, the EU's self-sufficiency and independence from Russia and China will begin in the mine," Minister for Energy, Business and Industry Ebba Busch said in the statement.
Sweden currently holds the rotating presidency of the European Union and is a country seen as a key part of the EU's strategy for self-sufficiency in key minerals.
The European Commission considers rare earths to be among the most critical resources for the region. The vast majority of rare earths are currently mined in China.
Still, the road to mining the deposit in Sweden is a long one.
LKAB said it planned to submit an application for an exploitation concession in 2023 but added that it would be at least 10-15 years before it could potentially begin mining the deposit and shipping to market.
The process toward approval of new mines is lengthy and demanding in the Nordic country as operations often raise the risk impacting water resources and biodiversity in the areas where they are located.
Additionally, Erik Jonsson, senior geologist at the Department of Mineral Resources at the Geological Survey of Sweden, said Europe currently lacks full-scale capacity to process rare earth metals and to make intermediary products.
"So we also need to focus on the entire value chain on these metals, products like high efficiency magnets that we want to use for wind turbines or traction engines in EVs and so on," Jonsson said.

Top News - Carbon & Power

China Dec coal imports slip as COVID spike dampens industrial activity

China's coal imports slipped in December from a month earlier as industrial activity slowed following a surge in COVID-19 cases after Beijing's sudden removal of stringent pandemic controls.
The world's top coal consumer brought in 30.91 million tonnes of the fossil fuel last month, versus 32.31 million in November, data from the General Administration of Customs showed on Friday. That was largely flat compared with 30.95 million tonnes imported in December 2021.
Millions of people have fallen ill since China abandoned its zero-COVID strategy in early December, forcing factories to lower operations due to labour shortages and hitting coal demand for industrial use and power generation.
For 2022, coal shipments to China reached 293.2 million tonnes, down 9.2% from a year earlier, as the country boosted domestic coal production and urged utilities to sign term-deals with domestic miners to bolster its energy security.
China introduced a price cap on domestic thermal coal early last year aimed at lowering power generation costs at utilities and avoiding nationwide power shortages like those recorded in 2021.
The policy led to China's domestic coal prices being much lower than supplies from abroad for many months as global coal prices soared over supply concerns after the Russia-Ukraine war.
Chinese coal imports are expected to pick up after the Lunar New Year in late January and early February as factories reopen and economic recovery prospects brighten the outlook for demand.

The resumption of Australian coal shipments should also lead to higher imports, analysts at ANZ bank said in a note.
China's state planner has allowed three utilities and its top steelmaker to resume coal imports from Australia this month, after an unofficial ban on coal trade with Canberra in place since 2020.
But a central government directive for miners to crank up production and utilities to expand their term contracts with domestic miners - to 2.6 billion tonnes in 2023 from around 2 billion tonnes in 2022 - could keep a lid on coal imports.
China Coal Transportation and Distribution Association (CCTD) expects the country to bring in nearly 300 million tonnes of overseas coal in 2023, around the same level as 2022.

COLUMN-U.S. gas prices slump on production surplus: Kemp
U.S. gas inventories finished 2022 well below the seasonal average after an unusually sharp drop in the final two weeks of the year as a result of the extreme cold associated with winter storm Elliott on Dec. 24.
Working gas stocks in underground storage were 293 billion cubic feet (-9%) below the pre-pandemic five-year seasonal average on Dec. 30 compared with a deficit of 71 billion cubic feet (-2%) on Dec. 16.
But the sharp depletion at the end of the year, driven by record cold across much of the country on Christmas Eve, has masked a broader shift towards inventory accumulation since the start of September.
Production has been rising faster than consumption and exports for most of the last four months, causing stocks to accumulate and front-month futures prices to slump by $6 per million British thermal units (-62%) since late August.
Before the pre-Christmas cold spell, inventories had recovered to just -0.30 standard deviations below the prior ten-year seasonal average on Dec. 16, up from a deficit of -1.52 standard deviations on Sept. 9.
As the inventory deficit has eased, front-month futures prices have fallen to less than $3.70 (31st percentile for all months since 1990) on Jan. 11, down from more than $9.60 (89th percentile) in late August.
With the end of winter in March, the production surplus is set to re-emerge and the threat is continuing to put downward pressure on futures prices.
Traders no longer fear inventories will run critically low this winter; they are instead preparing to deal with a large surplus that will need to be stored in the summer of 2023.
The six-month summer-winter calendar spread between futures prices for July 2023 and January 2024 has slumped into a contango of almost $1.10, signalling stocks are expected to be plentiful.
Lower spot prices will encourage gas-fired generators to run for more hours over the next few months, at the expense of coal-fired power producers, limiting the build up of inventories.
Lower prices will also translate into slower production growth over the course of 2023; the number of rigs drilling for gas has been flat or falling for the last four months after rising consistently in the first eight months of 2022.

MARKET TRANSFORMATION
The U.S. gas market was transformed over the course of 2022, mostly as a result of higher prices, though the explosion and closure of Freeport LNG's export facility and a relatively mild autumn also contributed.
The market moved from a record inventory depletion (-995 billion cubic feet) in January 2022 to a record seasonal accumulation (+442 billion cubic feet) in October 2022.
Gas consumption in the first ten months of 2022 was 1,037 billion cubic feet (+4%) higher than in the same period in 2019, before the pandemic.
But production also increased by 1,729 billion cubic feet (+6%), according to data from the U.S. Energy Information Administration.
Exports increased by 2,001 billion cubic feet (+54%), mostly in the form of increased LNG exports of 1,418 billion cubic feet (+79%).
As a result, exports have risen to around 19% of domestic production, up from around 13% before the onset of the pandemic, absorbing extra domestic output.
Exports accelerated to a record high in the first five months of 2022, intensifying downward pressure on U.S. inventories and upward pressure on prices.
U.S. exporters sent huge volumes of LNG to Europe in response to low inventories, high prices, and disruption of Russian gas flows in the region.
But the pace of exports has slowed since Freeport LNG was shuttered at the start of June 2022, easing some of the pressure on U.S. stocks and prices.
After Freeport's closure, a mid-summer heatwave drove gas consumption by power producers to a record high, keeping the gas market tight in July and August.
Since then, however, temperatures have generally been mild, keeping cooling and heating demand in line with long-term seasonal averages.
More normal temperatures coupled with export stabilisation has ensured production growth overwhelmed consumption.
By October, the production-consumption balance was in a record surplus for the time of year and one of the largest monthly surpluses ever.
Until Freeport re-opens and LNG exports start rising again significantly, the domestic market is likely to remain in structural surplus.
With too much production, lower prices and a contango structure will be necessary to dampen inventory accumulation through a slowdown in drilling and more gas use by power producers and industrial users.

Top News - Dry Freight

China's December soybean imports jump, annual volumes fall for 2nd year

China's soybean imports jumped 19% in December compared with a year ago, customs data showed on Friday, as buyers stocked up on beans to ease tight supplies in the world's top oilseed importer.

China imported 10.56 million tonnes of soybeans in December, the highest for a month since June 2021, after several months of lower-than-expected arrivals that had pushed domestic soymeal prices to record levels.

China buys soybeans to crush into soymeal for animal feed and oil for cooking.

Overall imports for 2022, however, fell 5.6% from 2021 to 91.08 million tonnes, marking the second full-year decline, data from the General Administration of Customs showed.

Last year was a turbulent year for the trade with surging global prices and logistics issues curbing China's imports. Weaker animal feed consumption has also affected soymeal demand. Rabobank expects animal feed consumption in 2022 to have contracted 1% compared with the year before because of declines in pig and poultry numbers.

"The fourth quarter saw importers playing catch-up to get supplies back to normal. But it's been a difficult year due to the volatility in hog prices," said Darin Friedrichs, co-founder of Shanghai-based Sitonia Consulting.

The year began with very low hog prices, which then rallied before dropping by half in just three months, he added.

"It's very difficult to estimate soymeal demand with that level of volatility, and that has meant importers were hesitant about making large purchases until the supply and demand situation got relatively tight," said Friedrichs.

Historically, low soymeal stocks would be expected to support stronger soybean demand in 2023, traders and analysts said, with China's reopening after three years of a strict zero-COVID policy seen boosting demand for meat.

But China may not see much more growth in soybean imports after that. Slower livestock production growth, improved farming practices and wide adoption of low soymeal levels in feed formulas could reduce imports to 87 million tonnes by 2025, said Rabobank in a report this week, and 84 million tonnes in 2030.

Egypt relied on competitive Russian wheat as imports dipped in 2022 -data

Egypt relied more heavily on Russian wheat imports last year despite a sharp drop in its imports of the grain and moves to diversify the sources of its wheat purchases, data seen by Reuters shows.

Though Egypt's wheat imports from Russia fell by 6.7% in 2022, Russia's share, including purchases by Egypt's state grains authority and the private sector, rose to 57% from 50% in 2021.

That partly made up for a fall in shipments from Ukraine, which accounted for 8.9% of Egypt's wheat imports, down from 28% in 2021.

The war in Ukraine disrupted wheat purchases by Egypt, one of the world's top buyers, and the government held talks with countries including India as it tried to diversify away from Black Sea supplies.

Economic fallout from the war also triggered a foreign currency crunch in Egypt, leading to a slowdown in overall imports, a backlog of goods in ports, and a $3 billion financial support package from the IMF.

Egypt maintains close political ties with Russia, but officials and traders say the preference for Russian wheat has been driven by cost, paid for in dollars.

"It's about the prices of course. We tender, and we check free-on-board and freight costs and then we buy no matter the origin," Supply Minister Ali Moselhy told Reuters last week.

While traders have said there were some payment complications due to sanctions against Russia, with banks requesting more documents, Russian wheat currently remains the most competitive, with the state buyer purchasing more than two million tonnes in recent months.

"Russian wheat is dominating despite all the problems with higher ship insurance costs and winter weather in the Black Sea," said one European trader.

Egypt's total wheat imports fell 18.7% to around 9.5 million tonnes in 2022 amid climbing prices and the foreign exchange crisis that left private mills and importers unable to pay for wheat stuck at ports, said Mohammed El Gammal, a Cairo-based grains consultant for the U.N. Food and Agriculture Organisation, adding imports were the lowest since 2013.

In addition to Russia, shipments from Romania were down 35% to 1.3 million tonnes and Ukraine 74% to around 845,587 tonnes.

The private sector was able to diversify some of its purchases, with rare shipments from the United States, India, and Brazil making their way to ports.

There was also an uptick in shipments from France, which quadrupled to 1.26 million tonnes.

MARKET MONITOR as of 07:15 GMT			
Contract	**Last**	**Change**	**YTD**
NYMEX Light Crude	$78.23 / bbl	-0.20%	-2.53%
NYMEX RBOB Gasoline	$2.46 / gallon	-0.78%	-0.64%
ICE Gas Oil	$916.75 / tonne	1.24%	-0.46%
NYMEX Natural Gas	$3.66 / mmBtu	-1.03%	-18.28%
Spot Gold	$1,896.08 / ounce	-0.04%	3.93%
TRPC coal API 2 / Dec, 23	$165 / tonne	-3.51%	-10.69%
Carbon ECX EUA / Dec, 24	€83.88 / tonne	-0.31%	-4.68%
Dutch gas day-ahead (Pre. close)	€64.50 / Mwh	2.87%	-14.65%
CBOT Corn	$6.73 / bushel	0.34%	-0.77%
CBOT Wheat	$7.46 / bushel	0.40%	-6.22%
Malaysia Palm Oil (3M)	RM3,864 / tonne	-1.20%	-7.43%
Index (Total Return)	**Close 12 Jan**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	297.49	0.93%	-1.27%
Rogers International	28.21	0.95%	-1.60%
U.S. Stocks - Dow	34,189.97	0.64%	3.15%
U.S. Dollar Index	102.25	-0.91%	-1.23%
U.S. Bond Index (DJ)	409.80	0.98%	3.41%

Picture of the Day

A general view of a palm oil plantation in Pelalawan regency, Riau province, Indonesia. REUTERS/ Willy Kurniawan

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(Inside Commodities is compiled by Shoubhik Ghosh in Bengaluru)

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