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Top News - Oil

More oil tankers shun southern Red Sea after US-led strikes in Yemen

At least six more oil tankers were steering clear of the southern Red Sea on Monday, as disruptions increase on the vital route for energy shipping in the wake of U.S.-led strikes against Houthi targets in Yemen.

Following the U.S. and British strikes, the U.S.-led Combined Maritime Forces (CMF) based in Bahrain on Friday warned all ships to avoid the Bab al-Mandab Strait at the south end of the Red Sea for several days, tanker body INTERTANKO said.

Prior to the strikes it had been mostly container ships which were avoiding the Red Sea, with oil tanker traffic largely unchanged in December.

But since the CMF's warning, a growing number of oil tankers are avoiding the region, increasing the potential for disruptions to oil supply via the Suez Canal in both directions.

Reuters on Monday counted six tankers that had altered their course, making a total of at least fifteen vessels to do so since the start of the strikes, ship tracking data from LSEG and Kpler showed.

The tankers Torm Innovation, Proteus Harvonne, and Alfios I appeared to have turned away from the Suez Canal in favour of the longer route around Africa's Cape of Good Hope for voyages to Europe and the U.S..

The Pacific Julia and STI Topaz are also heading straight for the Cape route.

The Octa Lune performed a U-turn in the northern part of the Red Sea on Jan. 12 and has returned to the Mediterranean with a Taiwan-bound cargo of naphtha.

Tankers tracked by Reuters on Friday that had diverted or paused have either taken the longer Cape route or paused in the Gulf of Aden or northern Red Sea.

Tanker owners including Torm, Hafnia and Stena Bulk said they would avoid Bab al-Mandab from Friday, while Euronav reaffirmed its temporary suspension of transits through the Red Sea.

WATERBORNE OIL GLUT

The disruption is indirectly tightening the market by forcing up oil stocks on water by 35 million barrels, Citi analysts noted.

Oil prices gained 2% last week in response to the rising tide of conflict in the region, but the lack of direct impact on oil production could be limiting gains, according to analysts, as prices ticked lower on Monday.

The strikes last week across Yemen against Houthi forces came in retaliation for months of attacks on Red Sea shipping.

The Houthis said on Monday that their attacks would continue despite the U.S. strikes, and struck a U.S.-owned dry bulk vessel carrying steel products with an anti-ship ballistic missile in the Gulf of Aden on Monday.

Houthi militants have been targeting commercial vessels since late last year in attacks which the group says are in support for Palestinian group Hamas in its war with Israel in the Gaza Strip.

Those incidents have been concentrated on the Bab al-Mandab Strait, southwest of the Arabian Peninsula.

Regional shipping tensions also spread to the other side of the peninsula last week when Iran seized a tanker south of the Strait of Hormuz, another key shipping corridor.

Russia's NORSI refinery may halve high-octane gasoline output after outages – sources

Lukoil's NORSI oil refinery in Nizhny Novgorod may halve high-octane gasoline output after an emergency stoppage at one of two plant's catalytic cracking unit, industry sources said on Monday.

Russian news agencies later issued contradictory reports on Russian authorities' response to the incident at Lukoil's plant. Interfax said that Moscow was considering a ban on gasoline exports, but TASS agency denied such plans were being discussed.

Russia's energy ministry said it was working with oil producers to ensure an uninterrupted supply of fuel to the domestic market while maintenance was taking place at the plant. Later the ministry declined to comment beyond what it had already said about the incident.

The NORSI oil refinery, one of the largest in Russia, halted a unit after an unspecified incident, Lukoil said on Friday.

Interfax quoted unnamed sources familiar with the situation as saying a gasoline export ban was an option that could be introduced if necessary.

Another source told the agency that tools to prevent shortages on the domestic market were still being discussed.

Interfax said Lukoil had halted its own gasoline exports and asked other oil companies to help with supplies of up to 200,000 tones of AI-95-grade gasoline in January and February.

State-run TASS agency later cited a government source saying the ban "is not being discussed and is not being considered".

Last September, Russia introduced a ban on fuel exports - except to Belarus, Kazakhstan, Armenia and Kyrgyzstan - in order to tackle high domestic prices and shortages.

Almost all the restrictions were subsequently removed by November.

Industry sources told Reuters on Monday there had been two incidents earlier this month at gasoline-producing units at the NORSI plant, which can process around 17 million metric tons of oil per year (340,000 barrels per day).

They said a catalytic cracking unit with a capacity of 6,300 tons per day was halted on Jan. 4, and there was also an outage at a reformer with a daily capacity of 3,000 tons per day on Jan. 7.

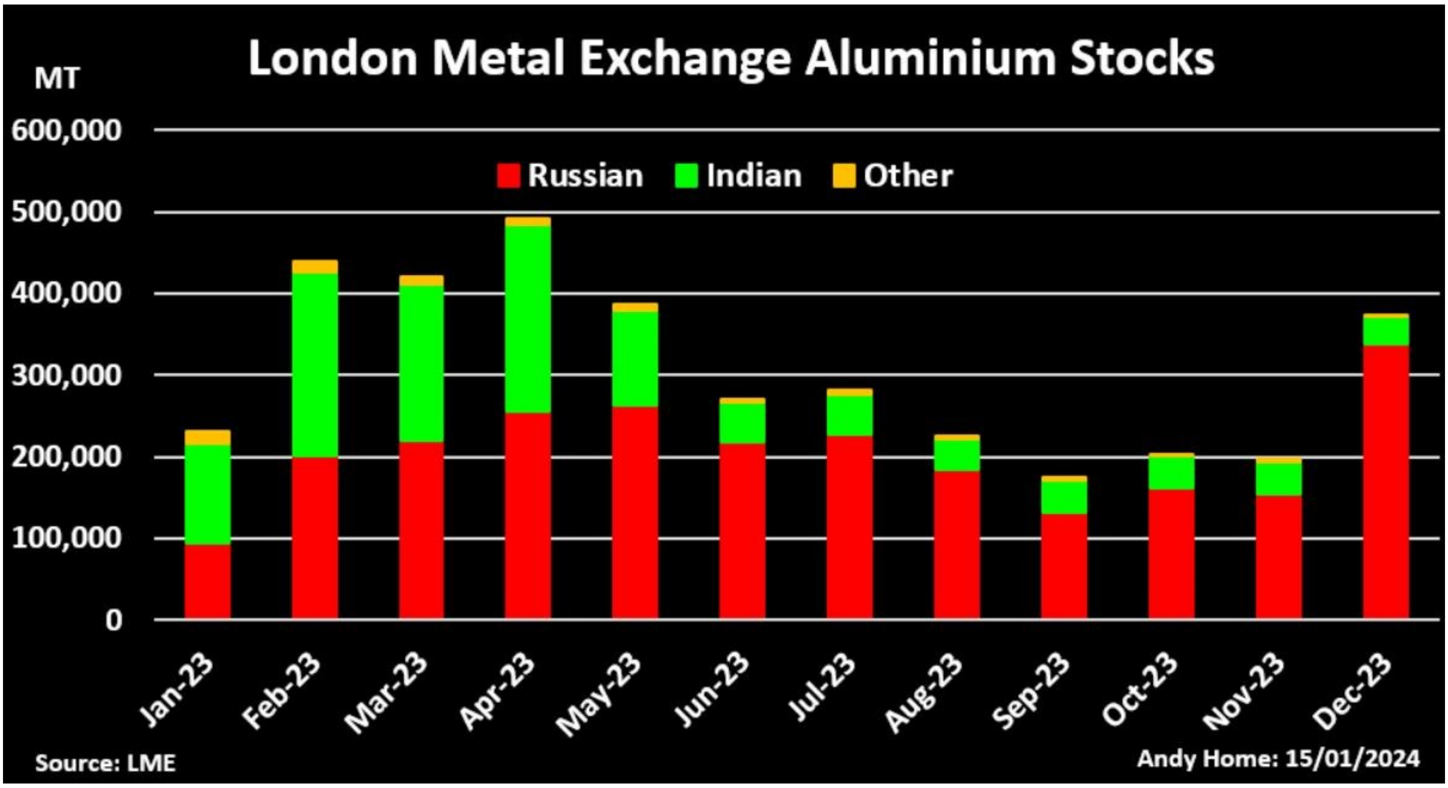
Two sources said the plant will halve production of high-octane gasoline. One of the sources said Lukoil will be forced to buy gasoline on the market for its own petrol stations.
"The breakdown is serious... There will be a reduction in production of AI-95, AI-98 (gasoline grades) this month," another source said. NORSI produced 4.51 million tons of gasoline in January - November 2023. According to industry data, Russia has stockpiles of 1.982 million tons of gasoline to help prevent fuel shortages on the domestic market.

Top News - Agriculture

Brazil's AgRural lowers soybean crop forecast as harvest advances
Brazil's 2023/24 soybean crop is expected to reach 150.1 million metric tons, agribusiness consultancy AgRural said on Monday, lowering a December forecast of 159.1 million tons as the harvest advances in the world's top supplier of the oilseed.
The consultancy cited adverse weather conditions for the downgraded forecast.
However, 2.3% of the soybean crop had been harvested as of last Thursday, beating the 0.6% reaped at the same stage of the previous season, AgRural said.
Safras, another agribusiness consultancy, on Monday estimated that 2.1% of the national soy area had been harvested as hot and dry weather accelerated the crop cycle and hurt yields.
In addition to a reduced output projection in top grower Mato Grosso state, AgRural also trimmed expectations for production in several other states.
These were primarily Parana, Mato Grosso do Sul, Goias, Sao Paulo and Minas Gerais, where high temperatures and irregular rain has caused crop losses.
As the soy is removed from the fields, Brazilian farmers also began to plant their 2023/24 second-corn crop, which represents about 75% of national production each year.
The crop is cultivated in the same fields as soybeans.
About 0.4% of Brazil's second-corn has been planted so far, AgRural said.
At the same time, harvesting of the 2023/24 first-corn reached 5.1% of the cultivated area in Brazil's Center-South region, compared with 3.3% the previous week and 4.5% a year earlier, AgRural said.

India to allow edible oil imports at lower duty until March 2025
India will extend edible oil imports at a lower duty by another year until March 2025, the government said in a notification issued late on Monday, as the world's biggest vegetable oil importer moves to contain local prices.
The lower import duty structure on crude palm oil, crude sunflower oil and crude soyoil was set to expire in March 2024.
"The decision was expected as the government is keen to keep prices in check ahead of elections," said Sandeep Bajoria, CEO of Sunvin Group, a vegetable oil brokerage.
India's annual retail inflation rose at the fastest pace in

Chart of the Day



four months in December, driven by a rise in prices of some food items.
To bring down prices, the government banned wheat exports in 2022 and prohibited overseas shipments of non-basmati white rice last year. New Delhi has also halted mills from exporting sugar this year.
India would continue with its export curbs on wheat, rice and sugar for now, trade minister Piyush Goyal said on Saturday.
"The notification is not changing the current duty structure. So, there won't be any impact on local prices or import patterns," Bajoria said.
India buys palm oil mainly from Indonesia, Malaysia and Thailand, while it imports soyoil and sunflower oil from Argentina, Brazil, Russia and Ukraine.
India's palm oil imports rose to their highest in four months in December as purchases of refined palmolein surged because of competitive prices.
While the government aims to maintain price stability, the long-term policy has adverse effects on local oilseed growers, said B.V. Mehta, executive director of the Solvent Extractors' Association of India.
"The pressure on oilseed prices from cheaper imports effectively discourages them from planting more," Mehta said.
India, which meets more than two-thirds of its edible oil requirements through imports, has been struggling to increase oilseed production as farmers find other crops more lucrative.

Top News - Metals

LME to suspend 10% of listed metals brands until they submit responsible sourcing audit

The London Metal Exchange (LME) plans to suspend or delist 10% of its listed metals brands in coming months until their producers provide it with their responsible sourcing reports, the exchange said on Monday.
The move is a step in the campaign, which the world's largest and oldest metals trading venue, owned by Hong Kong Exchanges and Clearing, launched in 2019 seeking to clean up global trade chains from metal tainted by child labour, corruption or conflict financing.
The LME "fully expects that a proportion of these brands will be able to re-list in due course, once they have completed the work to address the requirements of the Policy," it said in a statement.
The LME added that it was working through the information submitted by the remaining 90% of the brands. While a large majority of them are fully compliant, the review could still result in a small additional number of brands being suspended until the queries are resolved.
The LME's 2019 responsible sourcing campaign is underpinned by guidelines set by Organisation for Economic Co-operation and Development (OECD).
Producers of over 50% of LME-listed brands were required by end-2023 to submit their reports, demonstrating implementation of the guidelines set by OECD for responsible supply chains for minerals from conflict-affected and high-risk zones.

Rio Tinto sees China's economy slowly recovering this year

Rio Tinto on Tuesday said that it expects stimulus measures in China to drive a slow recovery in the world's biggest steel user as it reported its second highest-ever iron ore shipments in 2023.
China's stimulus measures have already lent support to commodity prices, Rio Tinto said, and it also expects to see an economic recovery in the euro zone gather steam later this year given that interest rates have likely peaked.
"Stimulus measures are expected to drive a gradual recovery in 2024, albeit weighted towards the second half, with (China's) real estate sector remaining weak," it said.
Rio Tinto reported a 3% rise in full-year shipments to a five-year high as it leans on greater efficiencies and higher production from its Gudai-Darri mine in Western Australia.
The company shipped out 331.8 million metric tons of the steel-making ingredient last year, meeting its guidance for between 320 million and 335 million metric tons for the calendar year. That was in line with analyst expectations of 332 million tonnes.
The world's largest iron ore miner has been producing more of its SP10 product while it prepares to bring on five new mines that will help boost its production to records of 345 million to 360 million metric tons in the medium term.
The SP10 product is lower-quality iron ore than its flagship Pilbara blend.
Rio Tinto's report comes as prices of iron ore, which accounts for around 90% of its underlying earnings, rose 17% over the quarter to average at $129 per dry metric tonne (dmt) as China demand revived. It received an average of $109.2 per dmt for the half.
It reaffirmed its fiscal 2024 iron ore shipments forecast between 323 million metric tons (Mt) and 338 Mt.
For the fourth quarter ended Dec. 31, 2023, the miner shipped 86.3 Mt of iron ore from its Pilbara operations, down 1% from a year ago. SP10 accounted for 20% of shipments.
Rio Tinto will report its full-year earnings on Feb 21.

Top News - Carbon & Power

Tankers carrying Qatari LNG resume course amid Red Sea tension -data

Four tankers used for shipments of Qatari liquefied natural gas (LNG) have resumed course after pausing for several days amid maritime attacks by Yemen's Iran-aligned Houthis in the Red Sea, LSEG shiptracking data showed on Tuesday.
The Houthi attacks, in what they call a bid to support Palestinians in the war with Israel, have disrupted trade on the main East-West route that makes up about 12% of global shipping traffic.

On Monday, the Houthi movement vowed to widen its targets in the Red Sea region to U.S. ships, following U.S. and British strikes on its sites in Yemen.
LNG tanker Al Rekayyat has resumed sailing through the Red Sea and is heading to Qatar, the data showed, after having been stopped since Jan. 13 along its Red Sea route.
The vessels Al Ghariya, Al Huwaila and Al Nuaman, loaded with Qatari LNG, were also on the move, but had changed course to head south even though they are still signalling the Suez Canal as their destinations, the data showed.
Qatari LNG cargoes transiting Suez are typically headed for Europe.
The three tankers had stopped off the coast of Oman since Jan. 14.
The estimated time of arrival for the Al Nuaman has also been delayed for more than two weeks to Feb. 4 from Jan. 19, the data showed.
QatarEnergy did not immediately respond to requests for comment outside official business hours.
Shipowners and managers of the four vessels, including Teekay Shipping Glasgow, Pronav Ship Management and Nakilat Shipping Qatar Ltd did not immediately respond to requests for comment.
Shell, which owns shipping and chartering arm STASCO, manager of the Al Nuaman, declined to comment.
Vessels have been pausing or diverting from the Red Sea that leads to the Suez Canal, the fastest route for freight from Asia to Europe.
LNG vessels are among the many ships forced to take the longer route around Africa via the Cape of Good Hope instead.
Analysts estimate Cape of Good Hope route could add about nine days to the 18-day voyage from Qatar. A longer route would result in delivery delays, but gas storage levels in Europe are healthy.
S&P estimates Qatari LNG cargoes through the canal at 14.8 million metric tons (MMt) a year, U.S. cargoes at 8.8 MMt and Russian ones at 3.7 MMt.
Front-month European benchmark gas prices on the Dutch TTF hub eased on Monday, as milder weather forecasts and well-filled storage helped offset shipping concerns.
QatarEnergy, the world's second largest LNG exporter, has stopped sending tankers via the Red Sea although production continues, a senior source with direct knowledge of the matter told Reuters on Monday.
In 2023, Qatar exported more than 75 MMt of LNG, according to LSEG data, including 14 MMt to buyers in Europe and 56.4 MMt to Asia.

Group of 27 Shell investors co-file new climate resolution

A group of 27 investors that own around 5% of Shell's shares has co-filed an independent resolution urging the energy company to set tighter climate targets, the biggest such drive to date. The resolution, led by activist shareholder Follow This, will be brought to a vote at Shell's annual general meeting later this year.

MARKET MONITOR as of 07:45 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$72.31 / bbl	-0.51%	0.92%
NYMEX RBOB Gasoline	$2.17 / gallon	1.11%	2.91%
ICE Gas Oil	$786.25 / tonne	0.90%	4.73%
NYMEX Natural Gas	$3.02 / mmBtu	-8.78%	20.21%
Spot Gold	$2,048.60 / ounce	-0.29%	-0.68%
TRPC coal API 2 / Dec, 24	$104 / tonne	3.48%	7.22%
Carbon ECX EUA	€66.82 / tonne	-0.64%	-16.86%
Dutch gas day-ahead (Pre. close)	€30.50 / Mwh	-3.94%	-4.24%
CBOT Corn	$4.60 / bushel	0.11%	-5.06%
CBOT Wheat	$6.11 / bushel	0.20%	-4.42%
Malaysia Palm Oil (3M)	RM3,875 / tonne	1.49%	4.14%
Index	**Close 15 Jan**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	302.66	0.12%	0.42%
Rogers International	26.34	-0.38%	0.06%
U.S. Stocks - Dow	37,592.98	-0.31%	-0.26%
U.S. Dollar Index	102.94	0.52%	1.58%
U.S. Bond Index (DJ)	428.51	0.21%	-0.51%

The effort to ratchet up pressure on Shell's climate strategy comes as CEO Wael Sawan seeks to boost the company's profits, partly by slowing down investments in renewables and growing fossil fuel production.
The group of investors, which collectively hold around $4 trillion under management, include Amundi, Scottish Widows, Rathbones Group and Edmond de Rothschild Asset Management, Follow This said in a statement.
The resolution, which is similar to previous resolutions by Follow This, urges Shell to align its medium-term carbon emissions reduction targets with the Paris Climate Agreement, including emissions from fuels burnt by consumers, known as Scope 3 emissions. Shell currently aims to halve emissions from its operations by 2030 and reduce the intensity of its overall emissions, including Scope 3. Last year, the Follow This resolution won the backing of 20% of shareholders at the end of a raucous AGM where protesters tried to storm the stage.
"We urge Shell to set a credible Scope 3 absolute emissions target. This would demonstrate leadership, show Shell is serious about transitioning its business, and play a role in generating real world change," Diandra Soobiah, head of responsible investment at British pension scheme NEST, said. Shell said in response that its climate targets are aligned with the 2015 Paris agreement to limit global warming to "well below" 2 degrees Celsius above pre-industrial levels by 2100.
"Shell's Board has previously advised shareholders that the Follow This resolution was unrealistic and simplistic, that it would have no impact on mitigating climate change, have negative consequences for our customers, and was against the interests of the company and our shareholders," Shell said in a statement. Sawan, who took the helm in January 2023, said last year that Shell is changing its "pathway" towards meeting its ambition to become a net zero carbon emitting company by 2050.
Shell will publish its first energy transition strategy update in early 2024, which will be brought to an advisory vote at the AGM, it said.

Top News - Dry Freight

EU's eastern members demand import duties on Ukraine grains

The European Union's eastern states are demanding the EU impose import duties on Ukraine grains, citing unfair competition, Hungary's agricultural ministry said on Monday. The ministry said the farm ministers from Bulgaria, Poland, Hungary, Romania and Slovakia had sent a letter to the European Commission requesting the measures, saying cheaper agricultural products from Ukraine are eating into their export markets. The five signatories are among six EU member states that produce significantly more wheat and maize than they need, which is key for European food safety and the EU's strategic sovereignty, the ministers said.
"This is why Brussels needs to introduce measures that protect the markets of member states bordering Ukraine while helping them make use of their full export potential," the letter signed by the ministers including Hungary's Farm Minister Istvan Nagy, said.
"One of these [measures] could be introducing import duties on the most sensitive agricultural products."
Ukraine's larger farm sizes make the country's grain exports cheaper and that is pushing EU farmers out of their traditional export markets, the ministers said.
Farmers in Bulgaria, Poland, Hungary, Romania and Slovakia "have suffered significant damages" since the EU suspended import quotas and customs on grain from Ukraine last year, they said. The ministers are also calling on the European Commission, the bloc's executive, to examine in a report whether Ukraine's production guidelines are in line with EU standards. The complaints were addressed to EU Trade Commissioner Valdis Dombrovskis and Farm Commissioner Janusz Wojciechowski. Grain exports have been a rare source of tension between Kyiv and its EU neighbours as Bulgaria, Hungary, Poland, Romania and Slovakia became alternative transit routes for Ukrainian grain to help offset slower exports via Ukraine's Black Sea ports after the Russian invasion in 2022. Farmers in those countries protested these shipments, claiming that they were distorting local markets. Poland, Slovakia and Hungary announced restrictions on Ukrainian grain imports last September after the European Commission decided not to extend a ban on imports into Ukraine's five EU neighbours. All three bans only apply to domestic imports and do not affect transit to onward markets. Ukraine responded by complaining to the World Trade Organization against the three countries, while other EU members condemned the unilateral moves.

Brazil's coffee exports nearly flat in 2023 -industry group

Brazil's green coffee exports ended 2023 nearly flat from the previous year, as vigorous growth in shipments of the robusta variety and China's increasing appetite for the beverage partially offset logistical hurdles, exporters association Cecafe said on Monday.
Farmers exported a total of 35.53 million 60-kg bags of green coffee last year, 0.3% below the figure from 2022, Cecafe said. Despite the slight drop, the performance of shipments in 2023 was still positive, Cecafe head Marcio Ferreira said in a statement, given that the year was marked by difficulties in logistics such as changes in ship schedules in Brazil's main ports.
"Without these logistical issues, we probably would have exported up to 2 million more bags," Ferreira said.
The year also saw exports of the robusta variety more than triple from 2022 to 4.71 million bags. China's purchases of Brazilian coffee more than tripled as well in 2023 to 1.48 million bags, making the Asian giant Brazil's No. 6 coffee buyer, compared to 20th place the previous year. Chinese coffee consumption has been growing rapidly, with the number of branded shops recently surpassing the number of coffee stores in the United States. Demand from China could improve even further, according to Cecafe.
Along with the Brazilian embassy in Beijing, the group is studying ways to supply coffee beans to China's Luckin

Coffee. Cecafe is designing ways to make it possible to have permanent product lines of Brazilian coffee in all of Luckin's coffee shops in China, Cecafe general director Marcos Matos said at a press conference.
The United States remained the largest buyer of Brazil's coffee, even as shipments to the country fell 24.2% in 2023 to 6.07 million bags. Brazilian farmers shipped 3.78 million bags of green coffee in December, up 30.6% compared to a year earlier. Shipments of the arabica variety grew 14.8% to 3.26 million bags in the month, while exports of robusta coffee landed at 526,974 bags, a jump of 750.1% from a year earlier.

Picture of the Day

A view of the facilities at Cobre Panama mine of Canadian First Quantum Minerals, one of the world's largest open-pit copper mines, which was forced to shut down after Panama's top court ruled that its contract was unconstitutional following nationwide protests opposed to its continued operation, during a media tour, in Donoso, Panama, January 11. REUTERS/Tarina Rodriguez

(Inside Commodities is compiled by Sreshtha Uniyal in Bengaluru)

For questions or comments about this report, contact: **commodity.briefs@thomsonreuters.com**

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