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Top News - Oil

EXCLUSIVE-China agrees with U.S. to release oil reserves near Lunar New Year - sources

China will release crude oil from its national strategic stockpiles around the Lunar New Year holidays that start on Feb. 1 as part of a plan coordinated by the United States with other major consumers to reduce global prices, sources told Reuters.

The sources, who have knowledge of talks between the world's top two crude consumers, said China agreed in late 2021 to release an unspecified amount of oil depending on price levels.

"China agreed to release a relatively bigger amount if oil is above $85 a barrel, and a smaller volume if oil stays near the $75 level," said one source, without elaborating.

The release of crude stocks by China will occur around the Lunar New Year, the sources said. China will be closed for the biggest annual holiday from Jan. 31 to Feb. 6. China's National Food and Strategic Reserves Administration did not immediately respond to a request for comment.

The agreed release of reserves by China is the result of a series of discussions, reported by Reuters in November, that the Biden administration held with other major oil consumers after tight supplies drove global oil prices to multi-year highs.

Biden and top aides discussed the possibility of a coordinated release of crude stocks with close allies including Japan, South Korea and India, as well as with China.

The United States has conducted crude swaps and sales from its reserves over the past few weeks while Japan and South Korea have also announced plans for crude sales. China, which has long kept details on its state reserves a secret, conducted last September its first-ever public crude reserves auction of about 7.4 million barrels, about half a day's consumption in the country.

In November, the National Food and Strategic Reserves Administration said it was "working on" a release of crude reserves, but declined to comment on the U.S. request for the coordinated release among buyers.

Oil prices rebounded above $80 a barrel this week buoyed by supply disruptions in Libya and Kazakhstan, a fall in U.S. crude inventories to their lowest since 2018, and an improvement in the outlook for fuel demand in Europe as governments there ease COVID-19 restrictions.

Benchmark Brent crude futures was at $84.79 a barrel and U.S. West Texas Intermediate crude at $82.23 a barrel at 0730 GMT.

ANALYSIS-Physical crude oil market steams ahead after Omicron blip

Frantic oil buying driven by supply outages and signs the Omicron variant won't be as disruptive as feared has pushed some crude grades to multi-year highs, suggesting the rally in Brent futures could be sustained a while longer, traders said.

Prices for physical cargoes do not always trade in tandem with oil futures and when differentials widen rapidly and considerably, they can indicate speculators have oversold or overbought futures versus fundamentals.

Brent oil futures have jumped 10% since the start of the year but the physical market is still racing ahead, with differentials for some grades hitting multi-year highs, suggesting a tight market will push the futures rally on.

"These are crazy numbers. There clearly is physical tightness," a North Sea oil trader said.

Key benchmark grade Forties traded at a fresh two-year high on Thursday at Dated Brent plus $1.80 a barrel.

Other North Sea grades have also hit one or two year highs. Prices for key west African grades like Nigeria's Bonny Light have jumped too since the start of the year.

The tightness began in the Atlantic Basin and spread as Asian buyers were forced to look for cheaper cargoes elsewhere. Differentials for crude from Oman, the UAE and Russia's Far East have jumped as Brent crude's premium to Dubai swaps is at its widest in two months.

Several factors have fuelled prices. After the wildfire spread of Omicron in the fourth quarter, oil demand has not been badly hit in a surprise to refiners that had reduced purchases. Now, they suddenly have to make up for the gap.

Violent protests in Kazakhstan at the start of the year prompted fears of a prolonged oil outage, which did not materialise, that would have compounded outages elsewhere such as in Libya, Canada and Ecuador. The Libyan and Ecuadorian outages were largely resolved in the past week after taking out close to 1 million barrels per day.

At the same time, OPEC and its allies have stuck by their timeline to slowly increase output, despite repeated calls by the United States and elsewhere to go faster. Meanwhile, nuclear talks with Iran, that could also boost supply, appear stalled.

"Turns out Omicron wasn’t so bad and supply issues were worse than anticipated," a U.S. crude trader said.

"(Buyers) are snapping up everything no matter what grade."

Inventories have also shrunk in the United States and Canada. The U.S. Energy Information Administration said on Wednesday crude oil stockpiles fell more than expected to their lowest since October 2018. "With spring and summer on the horizon ... people are getting prepared to enjoy a strong market," a U.S. trader said. Some traders still believe the market could run out of steam due to new COVID variants, seasonal refinery maintenance in the second quarter, and a potential slowdown in China.

"I think it's more trying to get ahead of tightness they think is coming ... back to a 'herd of lemmings' market dynamic," another market player said of the recent rally.

Top News - Agriculture

China 2021 pork output leaps 29%, recoups most of production lost to swine fever

China's 2021 pork output jumped 29% from the previous year, official data showed on Monday, recouping most of the production lost during a devastating outbreak of African swine fever two years before.

Annual output reached 52.96 million tonnes last year, just below the 53.4 million tonnes produced in 2017, the year before the hog disease began killing pigs across the world's top pork producer. The disease had wiped out about half of breeding farms by 2019.

The recovery comes after Beijing called for an urgent resumption in pork production in mid-2019 and released subsidies to support breeders, triggering a wave of investment in new, large-scale farms. The rebound in output has come earlier than many had predicted.

The numbers from the National Bureau of Statistics were in line with expectations and point to a growing oversupply that has weighed on prices since mid-2021.

While pork production is back to "normal" levels, demand is still weak due to frequent COVID-19 outbreaks.

Pork prices are currently 60% lower than a year ago. They plunged this month even in the run-up to the Lunar New Year holiday on Feb.1 that normally spurs strong demand for meat.

"The market is not the market of several years ago. It needs to rebalance," said Pan Chenjun, senior analyst at Rabobank, adding that output could be even higher in 2022 based on the current breeding herd.

Pork production had plunged more than 20% in 2019, after the incurable African swine fever disease hit China in mid-2018 and wiped out farms in every province for many months afterwards.

Though still infecting pigs, producers have boosted hygiene measures and also become better at detecting it and slowing its spread once it arrives on a farm.

Pork output rose to 13.79 million tonnes in the October-December period from 13 million tonnes in the same quarter a year earlier, according to Reuters' calculations based on statistics bureau data.

It was the highest quarterly volume since the first quarter of 2019, when farmers were slaughtering entire herds to avoid the cost of tough measures imposed to control the spread of swine fever. China slaughtered 671.28 million hogs in 2021, up 27% from a year earlier, the data also showed.

The national pig herd reached 449.22 million heads by end December, up from 437.64 million heads at the end of September. Output of poultry also increased, rising 0.8% in 2021 to 23.8 million tonnes. Beef output was up 3.7% to 6.98 million tonnes.

Speculators trim bullish bet in raw sugar by 50,000 contracts

Speculators reduced their bullish bets in raw sugar futures on ICE U.S. by more than 50,000 contracts in the week to Jan. 11, while increasing their long position in arabica coffee, the Commodity Futures Trading Commission (CFTC) said on Friday.

Money managers and hedge funds cut their net long position in raw sugar futures to only 38,068, the smallest since August 2020. Sugar futures hit a 5-1/2-month low on Monday amid better production prospects in key countries.

"Nobody expected that," said a U.S. sugar broker about the reduction on sugar's net long position.

He said the market was expecting a reduction, considering the funds' rebalancing period and recent changes in fundamentals, but not a cut of that size.

ICE raw sugar futures hit the highest price in almost four and a half years at the end of November, when speculators' long position had reached nearly 200,000 contracts.

But the market lost steam in December and January, mainly as ample rains returned to Brazil, the world's largest producer, improving prospects for the 2022 crop, while India and Thailand, two other large producers, advanced well in their campaigns.

Funds, however, kept adding to their long position in arabica coffee, which touched the highest price in 10 years in December.

They raised their bullish bets in coffee by 4,612 contracts to 43,029 in the week to Jan. 11.

CFTC data also showed that speculators cut their net long position in cotton futures by 2,453 contracts to 74,780, and trimmed their net short position in cocoa by 6,191 contracts to 10,321.

Top News - Metals

EXCLUSIVE-U.S. bill would block defense contractors from using Chinese rare earths

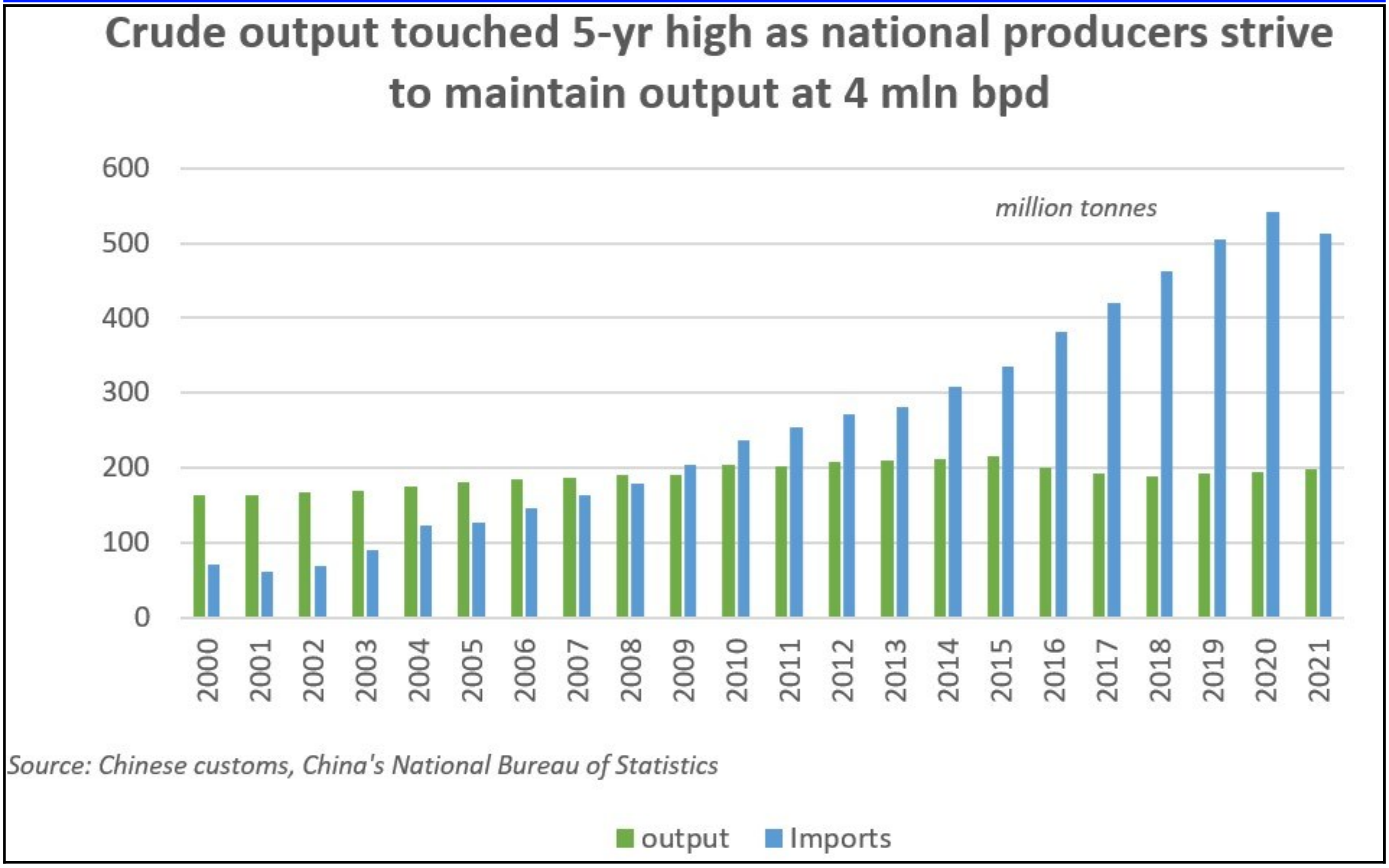
A bipartisan piece of legislation introduced in the U.S. Senate on Friday would force defense contractors to stop buying rare earths from China by 2026 and use the Pentagon to create a permanent stockpile of the strategic minerals.

The bill, sponsored by Senators Tom Cotton, an Arkansas Republican, and Mark Kelly, an Arizona Democrat, is the latest in a string of U.S. legislation seeking to thwart

China's near control over the sector. It essentially uses the Pentagon's purchase of billions of dollars worth of fighter jets, missiles and other weapons as leverage to require contractors to stop relying on China and, by extension, support the revival of U.S. rare earths production.
Rare earths are a group of 17 metals that, after processing, are used to make magnets found in electric vehicles, weaponry and electronics. While the United States created the industry in World War Two and U.S. military scientists developed the most widely-used type of rare earth magnet, China has slowly grown to control the entire sector the past 30 years.
The United States has only one rare earths mine and has no capability to process rare earth minerals.
"Ending American dependence on China for rare earths extraction and processing is critical to building up the U.S. defense and technology sectors," Cotton told Reuters.
The senator, who sits on the Senate's Armed Forces and Intelligence committees, described China's evolution into the global rare earths leader as "simply a policy choice that the United States made," adding that he hoped fresh policies would loosen Beijing's grip.
Known as the Restoring Essential Energy and Security Holdings Onshore for Rare Earths Act of 2022, the bill would codify and make permanent the Pentagon's ongoing stockpiling of the materials. China temporarily blocked rare earth exports to Japan in 2010 and has issued vague threats it could do the same to the United States.
To build that reserve, though, the Pentagon buys supply in part from China, a paradox that Senate staffers hope will abate in time.
The rare earths production process can be highly pollutive, part of the reason why it grew unpopular in the United States. Ongoing research is attempting to make the process cleaner.
Cotton said he has talked to various U.S. executive agencies about the bill, but declined to say if he had talked with President Joe Biden or the White House.
"This is an area in which Congress will lead, because many members have been concerned about this very topic, regardless of party," he said.

ENCOURAGE DOMESTIC OUTPUT
Most members of the nascent U.S. rare earths sector praised the bill, though some worried defense contractors could continue to ask for waivers to buy Chinese rare earths even after 2026.
The Aerospace Industries Association, a trade group for Northrop Grumman Corp, Lockheed Martin Corp and other U.S. aerospace and defense companies, declined to comment on the bill.
"Well placed policies such as this one get us closer to the target of onshoring this critical supply chain," said Marty Weems, North American president of Australia-based

Chart of the Day



American Rare Earths Ltd, which is developing three U.S. rare earth projects.
MP Materials Corp, which operates the only U.S. rare earths mine and relies on Chinese processors, said it appreciates "ongoing efforts by the Department of Defense and broader U.S. government to secure the domestic rare earth supply chain and promote free and fair competition."
The bill, which the sponsors expect could be folded into Pentagon funding legislation later this year, offers no direct support for U.S. rare earths miners or processors.
Instead, it requires Pentagon contractors to stop using Chinese rare earths within four years, allowing waivers only in rare situations. Defense contractors would be required to immediately say where they source the minerals.
Those requirements "should encourage more domestic (rare earths) development in our country," Cotton said.
The Pentagon has in the past two years given grants to companies trying to resume U.S. rare earth processing and magnet production, including MP Materials, Australia's Lynas Rare Earth Ltd, TDA Magnetics Inc and Urban Mining Co.
Kelly, a former astronaut and a member of the Senate's Armed Services and Energy committees, said the bill should "strengthen America's position as a global leader in technology by reducing our country's reliance on adversaries like China for rare earth elements."
The bill only applies to weapons, not other equipment the U.S. military purchases.
Additionally, the U.S. trade representative would be required to investigate whether China is distorting the rare earths market and recommend whether trade sanctions are needed.
When asked if such a step could be seen as antagonistic by Beijing, Cotton said: "I don't think the answer to Chinese aggression or Chinese threats is to continue to subject ourselves to Chinese threats."

BHP Group joins Australia's big miners in electric trains purchase to transport iron ore
BHP Group on Monday said it would buy four battery electric trains to deliver iron ore from its mines to ports in Western Australia, as miners in the country push to fall in line with their emission goals.
With the announcement, the world's biggest listed miner would join other major miners like Rio Tinto and Fortescue Metals, that have made similar purchases in the past weeks as part of the ongoing effort to move to a cleaner future.
The four locomotives, scheduled for delivery in late 2023, will be supplied by U.S.-based Progress Rail, a unit of Caterpillar and rail technology firm Wabtec Corp.
The deal will aid BHP, that aims for net zero emissions by 2050 for its customers, to reduce carbon emissions in delivering iron ore from its Pilbara mines to the Port Hedland export facility.
"Rail is the fundamental link in our pit-to-port value chain, and the power required to deliver fully-laden iron ore wagons from the Pilbara to Port Hedland is significant," BHP Asset President Western Australia Iron Ore, Brandon Craig said. A full transition to battery-electric locomotives would reduce BHP's WA iron ore diesel-related carbon emissions by nearly 30% annually, the company added.

Top News - Carbon & Power

EXCLUSIVE-U.S. talks to energy firms over EU gas supply in case of Russia-Ukraine conflict -sources
The U.S. government has held talks with several international energy companies on contingency plans for supplying natural gas to Europe if conflict between Russia and Ukraine disrupts Russian supplies, two U.S. officials and two industry sources told Reuters on Friday.
The United States is concerned Russia is preparing for the possibility of a new military assault on the country it invaded in 2014. Russia denies it plans to attack Ukraine.
The European Union depends on Russia for around a third of its gas supplies, and U.S. sanctions over any conflict could disrupt that supply.
Any interruptions to Russia's gas supply to Europe would exacerbate an energy crisis caused by a shortage of the fuel. Record power prices have driven up consumer energy bills as well as business costs and sparked protests in some countries.
State Department officials approached the companies to ask where additional supplies might come from if they were needed, two industry sources familiar with the discussions told Reuters, speaking on condition of anonymity due to the sensitivity of the matter. The companies told the U.S. government officials that global gas supplies are tight and that there is little gas available to substitute large volumes from Russia, the industry sources said.
The State Department's discussions with energy companies were led by senior advisor for energy security Amos Hochstein, a senior U.S. State Department official said, also speaking on condition of anonymity. The State Department did not ask the companies to increase output, the official added.
"We've discussed a range of contingencies and we've talked about all that we're doing with our nation state partners and allies," the source said.
"We've done this with the European Commission, but we've also done it with energy companies. It's accurate to say that we've spoken to them about our concerns and spoken to them about a range of contingencies, but there wasn't any sort of ask when it comes to production."
As well as asking companies what capacity they had to raise supplies, U.S. officials also asked whether companies had the capacity to increase exports and postpone field maintenance if necessary, the sources said.

It was unclear which companies U.S. officials contacted. Royal Dutch Shell, ConocoPhillips and Exxon declined to comment when asked if they had been contacted. Chevron Corp, Total, Equinor and Qatar Energy did not immediately respond to a request for comment.
A second industry source said his company was asked whether it had the ability to postpone maintenance at gas fields if necessary.
A spokesperson for the U.S. National Security Council would not comment on U.S. discussions with energy companies, but confirmed contingency planning was underway.
"Assessing potential spillovers and exploring ways to reduce those spillovers is good governance and standard practice," the spokesperson said.
"Any details in this regard that make their way to the public only demonstrate the extensive detail and seriousness with which we are discussing and are prepared to impose significant measures with our allies and partners."
Moscow has alarmed the West by massing troops near Ukraine in the past two months, following its seizure of Ukraine's Crimea peninsula in 2014 and its backing of separatists fighting Kyiv troops in eastern Ukraine.
Biden has previously told Russian President Vladimir Putin that a new Russian move on Ukraine would draw sanctions and an increased U.S. presence in Europe.
Russia denies planning to attack Ukraine and says it has the right to move its troops on its own soil as it likes.
"The United States promised to have Europe's back if there is an energy shortage due to conflict or sanctions," the second industry source said.
"Amos is going to big LNG producing companies and countries like Qatar to see if they can help the United States," he added, referring to Hochstein.
If pipeline supplies from Russia to Europe are reduced, European buyers would need to seek cargoes of super-chilled gas to compensate.
U.S. exports of liquefied natural gas (LNG) are set to soar this year to make it the world's top LNG supplier. Europe competes for LNG supplies from suppliers such as the United States and Qatar with top consumers China and Japan, which also face an energy crunch.

China coal output hits record in Dec and in 2021 - stats bureau

China's coal output hit record highs in December and in the full year of 2021, as the government continued to encourage miners to ramp up production to ensure sufficient energy supplies in the winter heating season.
China, the world's biggest coal miner and consumer, produced 384.67 million tonnes of the fossil fuel last month, up 7.2% year-on-year, data from the National Bureau of Statistics showed on Monday. This compared with a previous record of 370.84 million tonnes set in November.
For the full year of 2021, output touched a record 4.07 billion tonnes, up 4.7% on the previous year.

MARKET MONITOR as of 07:15 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$84.29	0.56%	11.45%
NYMEX RBOB Gasoline	$2.42	0.23%	8.55%
ICE Gas Oil	$757.00	1.03%	12.33%
NYMEX Natural Gas	$4.26	-0.02%	14.26%
Spot Gold	$1,819.20	0.11%	-0.61%
TRPC coal API 2	-	-	-
Carbon ECX EUA (Dec '22)	€ 82.46	0.10%	2.27%
CBOT Corn	$0.00	-100.00%	0.51%
CBOT Wheat	$7.42	0.00%	-3.80%
Malaysia Palm Oil (3M)	R5,016	1.21%	5.51%
Index (Total Return)	**Close 14 Jan**	**Change**	**YTD Change**
Rogers International	23.955	0.65%	-
U.S. Stocks	35911.81	-0.56%	-1.17%
U.S. Dollar Index	95.199	0.40%	-0.84%
U.S. Bond Index (DJ)	-	-0.80%	-2.42%

Since October, authorities have ordered coal miners to run at maximum capacity to tame red-hot coal prices and prevent a recurrence of September's nationwide power crunch that disrupted industrial operations and added to factory gate inflation.
The most-active thermal coal futures contract on the Zhengzhou Commodity Exchange, for May delivery, was up 2.82% at 708 yuan per tonne at 0239 GMT on Monday. Prices have more than halved since hitting record highs in October last year.
Coal traders in China shrugged off an Indonesian coal export ban as stockpiles at power plants were strong and power demand was set to weaken for the upcoming Lunar New Year holidays.
Coal inventory at Chinese utilities exceeded 162 million tonnes on Jan. 21, or 21 days usage, about 40 million tonnes higher than the same period last year, the state planner National Development and Reform Commission said on Friday.
Coal supply was guaranteed, the state planner has said, even as coal inventories were "slightly fluctuating" from a record high of 168 million tonnes struck on Dec. 22, it added. They remained above 160 million tonnes, exceeding levels in the prior year.
Meanwhile, China's 2021 power consumption rose 10.3% year-on-year to 8.31 trillion kilowatt hours (kWh), the National Energy Administration said in a separate statement on Monday.

Top News—Dry Freight

Algeria buys 600,000 T of wheat, France to miss out again

Algeria’s state grains agency OAIC purchased around 600,000 tonnes of milling wheat on Friday in an international tender in which French wheat was reportedly overlooked again, European traders said.
The volume was above a 500,000-570,000 tonne range cited by traders in earlier assessments. Purchase prices were still seen at about $348 to $350 a tonne, cost and freight (c&f) included.
The wheat was expected to be sourced mainly from South America, notably Argentina, and the Black Sea region, with Romania, Bulgaria and Ukraine likely origins, traders said, adding German wheat may also be used for some sales. The status of French wheat was the focus of market interest as very competitive prices fuelled speculation that OAIC may turn back to its traditional supply source after reportedly overlooking the origin in its two previous tenders.
The tender was initially held on Thursday before being postponed to Friday, according to traders, who said OAIC was reviewing whether to accept French wheat.
French wheat was then believed to have been ruled out when the tender resumed on Friday, traders said.
“I think it is pretty clear Algeria was seeking alternatives to French wheat but Russian is too expensive because of export taxes,” one trader said.
Diplomatic tensions between Paris and Algiers in recent months appeared to have reinforced a push by OAIC to diversify its wheat sources away from France, traditionally its leading supplier, according to traders.
Changes to OAIC's tender terms helped Russian wheat secure sales to Algeria last year. But rising grain export taxes have made Russian wheat less attractive while a slide in Paris futures to a three-month low this week made French wheat more competitive. OAIC does not publish details of its tenders and reported results are based on trade estimates. The latest tender sought wheat for shipment in two periods - March 1-15 and March 16-31 - from the main supply regions including Europe. If sourced from South America or Australia, shipment is one month earlier.

South Korea’s MFG buys some 198,000 tonnes corn in tender

South Korea's Major Feedmill Group (MFG) purchased about 198,000 tonnes of corn in an international tender which closed on Friday, European traders said.
The corn was bought in three consignments.
One consignment of 68,000 tonnes to be sourced from worldwide origins was said to have been sold by trading house Bunge at $328.20 a tonne c&f plus a $1.75 a tonne surcharge for additional port unloading. The corn is for arrival in South Korea around April 30.
A second consignment of 65,000 tonnes also to be sourced from worldwide origins was said to have been sold by trading house Pan Ocean at $328.00 a tonne c&f plus a $1.50 a tonne surcharge for additional port unloading. The corn is for arrival in South Korea around May 3.
A third consignment of 65,000 tonnes expected to be sourced from South America or South Africa was said to have been sold by trading house Cofco at $327.69 a tonne c&f plus a $1.50 a tonne surcharge for additional port unloading. The corn is for arrival in South Korea around May 8.
The tender continues brisk demand from Asian importers for corn in early January after prices fell from their recent peak in December, with Korean buyers NOFI and KFA together purchasing almost 260,000 tonnes on Tuesday.
Chicago corn futures fell again weaker on Thursday on expectations that rains will benefit crops in dry areas of South American crop regions.

REUTERS TECHNICAL ANALYSIS Q1 OUTLOOK 2022 - WANG TAO

Brent and WTI may be range-bound in Q1. Palm oil may experience a fifth wave extension if it could hover above 4,755 ringgit. Gold looks cautiously bullish. Copper and aluminium are making their final thrusts towards 2021 highs. Grains and softs are trending up. The dollar index targets its 2020 high. To read the full report **click here.**

Picture of the Day

A trader sorts oranges as he waits for customers at a wholesale fruit market in Sanaa, Yemen. REUTERS/Khaled Abdullah