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Top News - Oil

Deep freeze hits US oil industry from North Dakota to Texas

A severe winter storm shut a U.S. Gulf Coast refinery in Texas on Tuesday, triggered malfunctions at others and halved North Dakota oil production as it dumped snow and rain across a broad swath of the nation. TotalEnergies' 238,000 barrel-per-day (bpd) refinery in Port Arthur, Texas, was examining units after a plantwide power outage on Tuesday morning as a winter storm brought frigid temperatures to the U.S. Gulf Coast, sources familiar with the company's operations said. North Dakota's oil production fell by half on Tuesday due to extreme cold weather and operational challenges, the state's pipeline authority said. Oil production was estimated to have fallen between 600,000 and 650,000 barrels per day, according to the North Dakota Pipeline Authority. Exxon Mobil Corp returned a gasoline-producing fluidic catalytic cracker and a coker at its 564,440-bpd refinery in the Houston suburb of Baytown, Texas, to normal operation after a malfunction triggered when severe cold crossed the area on Monday night. Flint Hills Resources said its 343,000-bpd refinery in Corpus Christi, Texas, was significantly impacted by unseasonably cold weather, especially at its West Plant where instrumentation to operate equipment was affected by freezing rain overnight. Oil prices fell on Tuesday as U.S. West Texas Intermediate (WTI) crude futures settled at \$72.40 a barrel, down 28 cents, or 0.4%. Global benchmark Brent crude futures rose 14 cents, or 0.2%, to finish at \$78.29 a barrel. RBOB gasoline fell 24 cents to settle at \$2.1195 a gallon. Markets are seen as well-supplied with refiners have large stockpiles of the motor fuel.

MAINTENANCE

Valero Energy Corp began a planned overhaul on the large crude distillation unit (CDU) at its 335,000-bpd refinery in Port Arthur on Monday, people familiar with plant operations said on Tuesday. In addition to shutting the 210,000-bpd AVU-146 CDU, Valero brought down a coker and a vacuum distillation unit (VDU) associated with AVU-146, the sources said. The work is planned to take 45 days to complete. Units across half of Valero's Port Arthur refinery will be affected by the shutdown of AVU-146, which is the larger of two CDUs that begin the refining process by breaking down crude oil into

feedstocks for all other units at the refinery. Three refineries in Port Arthur, including Motiva Enterprises' 626,000-bpd plant, the nation's largest refinery, have major units shut. The Motiva refinery began a crude unit-coker overhaul on Jan. 8. In a regulatory filing, Marathon Petroleum Corp reported an upset on Monday on the 64,000-bpd residual hydrotreater at its 593,000-bpd Galveston Bay Refinery in Texas City, Texas. The unit returned to normal operation later on Monday. Delek reported a malfunction due to cold temperatures on Sunday at its 73,000-bpd refinery in Big Spring, Texas. Valero notified regulators on Sunday after upsets at its 195,000-bpd McKee refinery in Sunray, Texas, which is north of Amarillo, Texas. Valero told residents near its 210,000 bpd Houston refinery on Tuesday it may have to use the plant's safety flare system to manage excess material. Refineries use safety flares when they cannot process hydrocarbons normally.

BP names Auchincloss permanent CEO

BP on Wednesday named Murray Auchincloss permanent CEO, four months after he was given the interim job following the sudden resignation of Bernard Looney over undisclosed relationships with employees. Auchincloss, who headed BP's finances under Looney, indicated he will continue a strategy aimed at slashing carbon emissions, building up its renewables and clean fuel capacity and cutting oil and gas output by 2030. "Our strategy – from international oil company to integrated energy company, or IOC to IEC – does not change. I'm convinced about the significant value we can create," Auchincloss said in a statement. "Now, more than ever, our focus must remain on delivery – operating safely and efficiently, executing with discipline, and always focusing on returns." Auchincloss, 53, became interim CEO after Looney resigned on Sept. 12 for failing to disclose relationships with employees, throwing the energy giant into turmoil. Auchincloss is himself married to a BP employee, a relationship he disclosed prior to becoming CFO in 2020. He was seen as the most likely candidate for the permanent job after Chairman Helge Lund and BP's board had short-listed two other internal candidates - BP head of trading and shipping Carol Howle and Emma Delaney, head of customers and products, sources told Reuters in December.

Top News - Agriculture

NOPA December US soy crush jumps to record 195.328 million bushels

U.S. soybean processors crushed more soybeans in December than any previous month on record, closing out a banner year for the industry with their three largest crush months ever, according to National Oilseed

Processors Association (NOPA) data released on Tuesday. NOPA members, which account for around 95% of soybeans crushed in the United States, processed 195.328 million bushels of soybeans last month, compared with 189.038 million bushels processed

in November and up 10% from the December 2022 crush of 177.505 million bushels.

The average daily crush rate of 6.301 million bushels in December matched November's record-high daily crushing pace, NOPA data showed.

U.S. crush capacity has swelled as rising demand for vegetable oils to produce renewable fuels encouraged processors to build new plants or expand existing ones.

The soybean processing industry has been among the few bright spots for U.S. agriculture as crop exports are slumping and as prices for grain and oilseeds hover near multi-year lows.

NOPA's December crush topped the average trade estimate of 193.120 million bushels in a Reuters survey of 10 analysts. Estimates ranged from 189.000 million to 197.380 million bushels, with a median of 193.200 million bushels.

Soyoil stocks among NOPA members as of Dec. 31 rose for a second straight month to 1.360 billion lbs, above all trade estimates and the largest end-of-month oil supply since September.

NOPA members' oil supplies were up 12.1% from the 1.214 billion lbs on hand at the end of November but

down 24.0% from stocks totaling 1.791 billion lbs at the end of December last year.

Analysts, on average, had expected stocks to rise to 1.291 billion lbs, according to estimates gathered from seven analysts.

Soyoil stocks estimates ranged from 1.190 billion to 1.350 billion lbs, with a median of 1.289 billion lbs.

Argentina set for soy, corn 'super harvest' as estimates keep rising

Argentina is set for a corn and soy "super harvest" with production forecasts likely to keep climbing, a senior analyst at the Rosario grains exchange told Reuters on Tuesday, a major boost to the embattled grains-producing South America country.

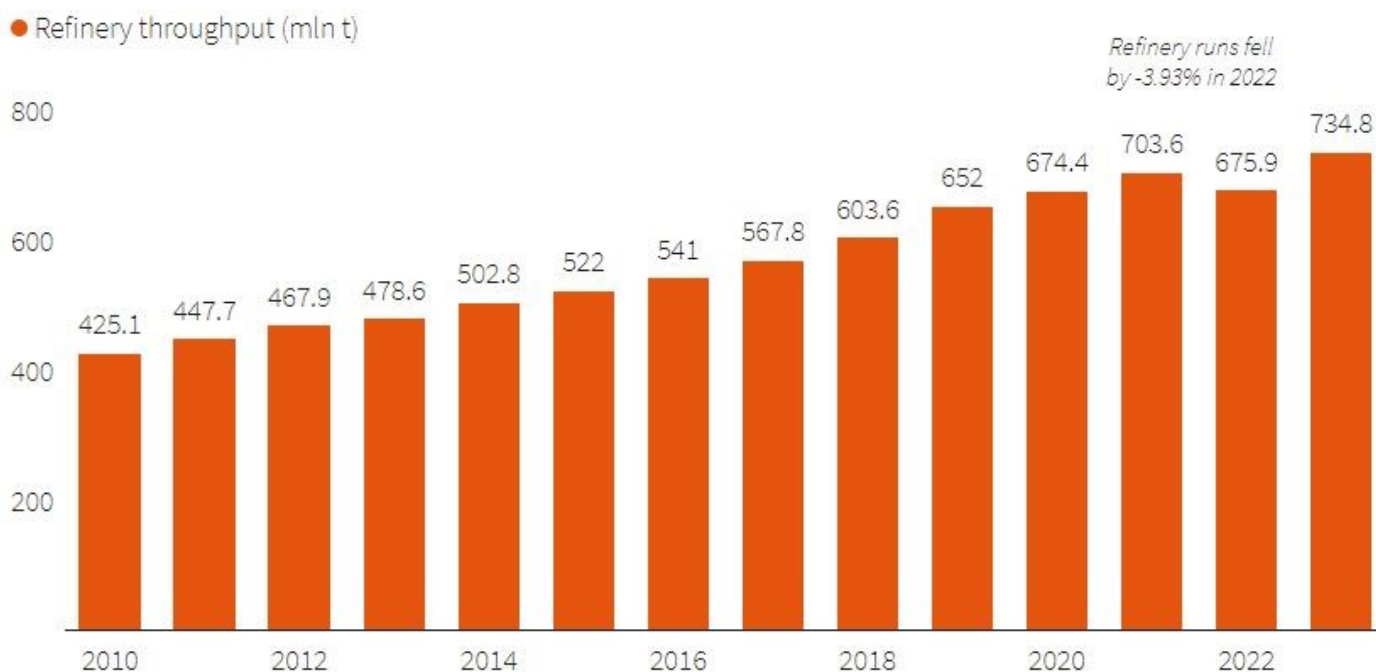
Cristian Russo, head of agricultural estimates at the Rosario grains exchange, said that both corn and soy had "very good chances" of topping the body's current harvest forecasts of 59 million metric tons and 52 million tons respectively.

"Argentina is on course for a 'super harvest' of both corn and soybeans," said Russo, citing good rains that the country's farming regions have been receiving for

Chart of the Day

China refinery throughput rises 9.3% to a record in 2023, reversing a rare decline in 2022

Run rates recovered as China opened new plants and domestic fuel demand rebounded following the lifting of pandemic-era travel restrictions



Source: China National Bureau of Statistics

months, a relief after the previous season was hammered by drought.

"Week after week we keep getting water," he added, saying that corn had a very good chance of posting a record harvest that could even top 60 million tons. The bumper crop is positive news for the country that is battling its worst economic crisis in decades, with the government trying to rebuild depleted state coffers after the previous harvest was hit by a historic drought. Argentina is usually the world's top exporter of processed soy oil and meal - its main cash crop - and is the No. 3 for corn. However, it lost its soy crown last year to neighboring producer Brazil after its crop was cut in half by drought.

With the far better weather this year boosted by strong rainfall due to the El Niño climate trend, the Rosario exchange last week hiked its 2023/24 soy estimate by 2 million tons.

Argentina's corn and soybeans sowing is finishing, and most plants are going through important growth phases with good levels of humidity in the soil and without extreme heat.

According to the latest weather report from the Rosario exchange, published on Tuesday, storms over the core farming zone have dropped significant rains, with between 20-50 millimeters over the last 24 hours and more expected.

Top News - Metals

Barrick Gold reports lower preliminary gold output for 2023

Canadian miner Barrick Gold Corp said on Tuesday its full-year preliminary production of gold fell from a year earlier, even as output rose sequentially in the fourth quarter.

The world's second-largest gold miner said in November its 2023 gold production was forecast to be lower than expected due to equipment issues at its Dominican Republic mine and lower output at two sites in the Nevada Gold Fields project.

Barrick reported a 2.17% fall in 2023 gold output at 4.05 million ounces from a year earlier, which came below its forecast, and analysts' average estimate of 4.16 million ounces, according to LSEG data.

Copper production also fell 4.76% to 420 million pounds. Analysts had estimated 433 million pounds of output.

Shares of the Toronto-based company fell nearly 4.1% to C\$22.67, while U.S.-listed shares were down 4.7% at \$16.82. Gold was down 0.8% at around 10:00 a.m. ET.

Barrick's fourth-quarter output, however, rose to 1.05 million ounces of gold and 113 million pounds of copper, from 1.04 million ounces of gold and 112 million pounds of copper in the previous quarter.

The company said it expects all-in sustaining costs (AISC) per ounce of gold, an industry metric that reflects total expenses, to rise about 8% to 10% and copper's AISC to be 2% to 4% lower from the previous quarter.

Barrick is scheduled to release its fourth-quarter results on Feb. 14.

ANALYSIS- BHP faces nickel choice this year as high-cost Australian miners suffer

Australian nickel producers, hit by a sharp jump in supply from rival Indonesia, are starting to buckle under low prices that analysts expect will force a rethink by top global miner BHP Group on its nickel strategy this year.

The metal has long been feted as a key battery material for electric vehicles because it improves energy density so cars can run further on a single charge.

BHP has promoted nickel as core to its green strategy. It signed a deal to supply Australian nickel to Tesla in 2021, touting the country's rich geology and strong financial and environmental regulations.

But Australia's producers have been squeezed by Indonesia's emergence as a supply powerhouse and on the demand side by innovations away from using nickel in batteries, which have led to a 40% price slump over the past year to around \$16,000 a ton.

"The challenges facing many nickel producers are unlikely to ease near term. We are bearish on the commodity and quite cautious on assets and producers," said UBS analyst Lachlan Shaw.

Lithium iron phosphate (LFP), which does not use nickel, has been gaining ground as the EV battery chemistry of choice, especially in China, because LFP batteries can be produced more cheaply, making EVs more affordable.

However, BHP has placed a big bet that nickel sulphide deposits in low-risk jurisdictions will attract a premium because they use less energy to extract nickel than laterite deposits found in Indonesia.

It is not alone.

Wyloo Metals, which last year bought nickel miner Mincor for \$504 million, still believes in the long-term fundamentals for Australian nickel, said CEO Luca Giacomazzi.

"The industry needs a more appropriate and transparent pricing mechanism, that distinguishes between clean and dirty nickel, so consumers can be confident their EV really is a better choice for the environment," Wyloo's Giacomazzi told Reuters.

But for now, weak prices have forced Australia's high cost producers to announce a swathe of writedowns and restructures, with Canada's First Quantum the latest to cut production.

SHELVING PROJECTS?

Earnings tanked at BHP's nickel business in the 2023 financial year, sliding 61% from a year earlier to just \$164 million. The division accounts for less than 1% of its earnings.

"We are working hard to remain globally competitive in a very tough operating environment. Costs have risen sharply and continue to go up while prices have fallen as new supply comes into the market," said BHP Nickel West Asset President Jessica Farrell.

She said the company is working to "take action to address these challenges", without elaborating.

At its Western Australian nickel operations, BHP is assessing options for a major smelter renewal and a mine expansion while it sets out to build the West Musgrave mine that it acquired with its \$6.4 billion takeover of Oz Minerals.

One option for BHP could be for it to delay West Musgrave until the market recovers, said Barrenjoey analyst Glyn Lawcock.

"Clearly right now nickel is challenged," he said. "(But) I think to write nickel off today for forever is a big call." Even with the growing use of LFP batteries, they won't capture 100% of the market. As consumers go for cheaper cars, governments could mandate greener sourcing policies, he noted.

"It's going to be a big decision point for BHP this year," Lawcock said.

Top News - Carbon & Power

China's 2023 coal output hits record high

China's coal output reached a record high in 2023, data from the statistics bureau showed on Wednesday, amid an ongoing focus on energy security and a rise in demand after pandemic-related restrictions eased. The world's biggest coal producer mined 4.66 billion metric tons of the fuel last year, up 2.9% from a year earlier, according to the National Bureau of Statistics. For December, output reached 414.31 million tons, nearly flat with November's 414 million tons and up 1.9% from the year-earlier level.

Daily output over the month was 13.36 million tons, slipping from November's record high daily average of 13.8 million tons.

The country's overall power generation, which is dominated by coal-fired plants, rose 8% year-on-year in December.

Analysts are predicting another modest coal production increase in 2024. The rate of growth has slowed over the

past year, following an energy security push that drove a ramp-up of output beginning in 2021.

In 2023, domestic production growth was "roughly flat, largely due to safety-related mining suspensions", analysts at Macquarie wrote in a note, resulting in demand growth outpacing supply growth. That pushed China's coal imports higher, to a record high of 474.42 million tons in 2023, the customs administration said last week, as users turned to imports due to rising prices and diminished quality of domestic coal.

Wind, solar to lead US power generation growth over next 2 years, EIA says

Wind and solar are set to lead U.S. power generation growth for the next two years following new renewable energy installations, Energy Information Administration (EIA) said on Tuesday.

U.S. solar power generation is expected to grow 75% to 286 billion kilowatt hours (kWh) in 2025 from 163 billion

MARKET MONITOR as of 07:45 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	\$71.63 / bbl	-1.06%	-0.03%
NYMEX RBOB Gasoline	\$2.13 / gallon	-0.65%	1.32%
ICE Gas Oil	\$778.00 / tonne	-2.05%	3.63%
NYMEX Natural Gas	\$2.82 / mmBtu	-2.90%	12.01%
Spot Gold	\$2,024.19 / ounce	-0.17%	-1.86%
TRPC coal API 2 / Dec, 24	\$102.5 / tonne	-1.44%	5.67%
Carbon ECX EUA	€65.44 / tonne	-0.23%	-18.58%
Dutch gas day-ahead (Pre. close)	€30.15 / Mwh	-1.15%	-5.34%
CBOT Corn	\$4.54 / bushel	-0.27%	-6.20%
CBOT Wheat	\$5.97 / bushel	0.13%	-6.68%
Malaysia Palm Oil (3M)	RM3,818 / tonne	-1.14%	2.61%
Index	Close 16 Jan	Change	YTD
Thomson Reuters/Jefferies CRB	302.74	0.03%	0.44%
Rogers International	26.41	0.27%	0.32%
U.S. Stocks - Dow	37,361.12	-0.62%	-0.87%
U.S. Dollar Index	103.47	0.11%	2.11%
U.S. Bond Index (DJ)	428.51	-0.73%	-0.51%

kWh in 2023 as more generation capacity comes online and amid favorable tax credit policies, the EIA said. The electric power sector is expected to grow solar capacity by nearly 38% this year. Wind power generation will grow moderately to 476 billion kWh in 2025, representing 11% increase, the EIA said, adding that wind capacity will stay relatively flat this year.

Coal power generation, meanwhile, will likely fall 18% to 548 billion kWh in 2025 from 665 billion kWh in 2023. Generation from natural gas, the largest source of U.S. electricity, will stay relatively flat at 1.7 trillion kWh in 2024 and 2025. Last year, the U.S. power sector produced around 4 trillion kWh of power. Renewable sources, including wind and solar, accounted for 22% of generation.

Top News - Dry Freight

Algeria buys about 600,000 T milling wheat in tender

Algeria's state grains agency OAIC has bought about 600,000 metric tons of milling wheat in an international tender that closed on Tuesday, European traders said in initial assessments.

This was around the high end of first estimates of between 500,000 and 650,000 tons. More estimates of tonnage bought are still possible.

Traders believed the main volume was bought at about \$265.50 a ton, cost and freight (c&f) included.

Initial estimates of the price were about \$265 to \$266 a ton but traders said there were indications the purchase was made at a single price.

Traders said they did not believe Russian wheat had been bought heavily in the tender and that France and EU Black Sea countries such as Romania and Bulgaria could be a major source for supply. Technically, Algeria's purchases are always optional origin.

The wheat was sought for shipment in 2024 in two periods -- April 1-15 and April 16-30 -- from the main supply regions including Europe.

If sourced from South America, India or Australia, shipment is one month earlier.

Algeria is a vital customer for wheat from the European Union, especially France, but Russian exporters have been expanding strongly in the Algerian market.

Reports reflect assessments from traders and further estimates of prices and volumes are possible later.

Houthi attack on dry bulk ship to boost grain diversions

An attack on a dry bulk carrier this week in the Red Sea region is set to lead to more diversions of grain cargoes around the Cape of Good Hope but most are still willing to risk using the Suez Canal for now, shipping sources said on Tuesday.

Houthi forces in Yemen struck the U.S.-owned and operated dry bulk ship Gibraltar Eagle with an anti-ship ballistic missile, U.S. Central Command said on Monday,

although there were no reports of injuries or significant damage.

Dry bulk carriers are often used to transport grains although in this case the Gibraltar Eagle was carrying a cargo of steel products.

"This week's attack is certainly viewed as an escalation by bulk carriers and owners. There is a great deal more concern, and I'm fairly sure it will divert much greater volumes, including grains, to other routes," the head of the bulk shipping department at a German trade house said.

He was speaking before reports emerged of an empty Malta-flagged, Greek-owned bulk carrier also being hit by a missile on Tuesday while northbound in the Red Sea.

There were no injuries.

Ishan Bhanu, Lead Agricultural Commodities Analyst at Kpler, said about seven million tons of grains moves through the Suez Canal in an average month but now about 20% of the cargoes were being diverted around the Cape of Good Hope.

"This number was closer to 10% ten days ago, but we have seen more diversion decisions being made in the last few days. Soybeans from the U.S., wheat from Europe and rapeseed from Australia are mainly affected," he said.

A senior grain trader at a German trade house dealing with Asia said they were still shipping through the Red Sea but were watching the situation closely.

"There has been no impact for us yet. But I say yet."

Rerouting appeared to be affecting a large programme of French wheat exports to China that started in December.

Among 12 wheat cargoes to have left France for China since last month, five had travelled through the Suez Canal and Red Sea while seven were taking the longer route around Africa, including two that had turned back in the Mediterranean, LSEG shipping data showed.

France is the European Union's largest wheat exporter and China has become a major destination in recent seasons, particularly as France has lost market share in Algeria.

Picture of the Day

Smoke billows from a chimney at a combined-cycle gas turbine power plant in Drogenbos, Belgium, January 16. REUTERS/Yves Herman

(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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