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

Top News - Oil

China refinery throughput in rare decline as EVs contribute to weakening demand

China's oil refinery throughput in 2024 fell for the first time in more than two decades barring the pandemic-hit year of 2022, government data showed on Friday, as plants tempered operations in response to stagnant fuel demand and depressed margins.

The world's second-largest refining industry after that of the U.S. processed 1.6% less crude oil last year at 708.43 million metric tons, the National Bureau of Statistics said. The figure amounts to about 14.13 million barrels per day, Reuters calculations showed, slipping from the record 14.7 million bpd set in 2023.

Refiners came under pressure last year to cap or cut processing rates as the proliferation of electric vehicles eroded gasoline demand while a prolonged property crisis and tepid merchandise exports dampened use of diesel fuel. "Transport fuels demand barely grew and lower margins have seen gasoline and diesel exports losing steam in 2024, which has affected refinery runs," said analyst Mia Geng at consultancy FGE.

Throughput has seen year-on-year declines from April through October, with independent plants in the eastern refining hub of Shandong run at 54% of processing capacity last year, showed estimates from a Chinese consultancy.

That rate is among the lowest since 2016 when such plants became importers of crude oil for the first time. Many of these plants operated in the red last year and some had to shut down for months to stem loss, even though they processed primarily discounted oil from Iran and Russia, analysts and refinery managers said.

Permanent plant closure at PetroChina Dalian and indefinite shutdowns at three refineries run by state group Sinochem also contributed to the lower throughput.

That more than offset throughput from Shandong Yulong Petrochemical which started operations with a 200,000-bpd crude unit in late September.

Though Friday's data showed an annual throughput decline of 1.6% in 2024 from 2023, Reuters calculations based on official 2023 figures showed a decline of 3.6%, indicating the statistics agency has revised the year-earlier amount.

For December alone, the data showed throughput edged up 0.6% from the same month a year earlier to 59.35 million tons, or 13.98 million bpd.

China pumped 1.8% more crude oil domestically in 2024 versus a year prior at 212.82 million tons, or 4.24 million bpd. That was just short of an all-time high of 4.3 million bpd in 2015. The December amount was 17.9 million tons, up 1.4% from a year earlier.

The data also showed natural gas production expanded 6.2% last year to a record 246.4 billion cubic metres, as state oil firms boosted output at top onshore basin Sichuan and offshore reservoirs in the South China Sea.

Global diesel prices spike as US hits Russia with new sanctions

Global diesel prices and refining margins spiked following the latest round of U.S. sanctions on Russia's oil trade on expectations the measures would tighten supplies, according to analysts and LSEG data.

The United States imposed its toughest sanctions on Russian producers and tankers yet on Jan. 10 to curb the world's No. 2 oil exporter's revenue for its war in Ukraine. Many of the newly-targeted vessels, part of what is called a shadow fleet that seeks to circumvent Western restrictions, have been used to ship oil to India and China. Refiners in those countries have benefited from cheap Russian imports that were banned in Europe following Moscow's invasion of Ukraine.

"Diesel [profit margins] are up following news on the sanctions, and we expect meaningful disruptions to Russian diesel exports," said Energy Aspects analyst Natalia Losada. She added that at least 150,000 barrels per day (bpd) of Russian diesel exports from Gazprom Neft and Surgutneftegas refineries are at risk.

The premium of the first-month European diesel benchmark contract to that six months later spiked to $50.25 a metric ton on Thursday, a 10-month high, LSEG data shows.

The diesel market was already in backwardation, the term used for a market structure whereby nearby contracts trade at a premium to later delivery contracts. This usually denotes tight prompt supply.

Diesel refining margins stood at a five-and-a-half month high of $20 a barrel on Thursday.

Cold weather in the northern hemisphere was already supporting diesel markets.

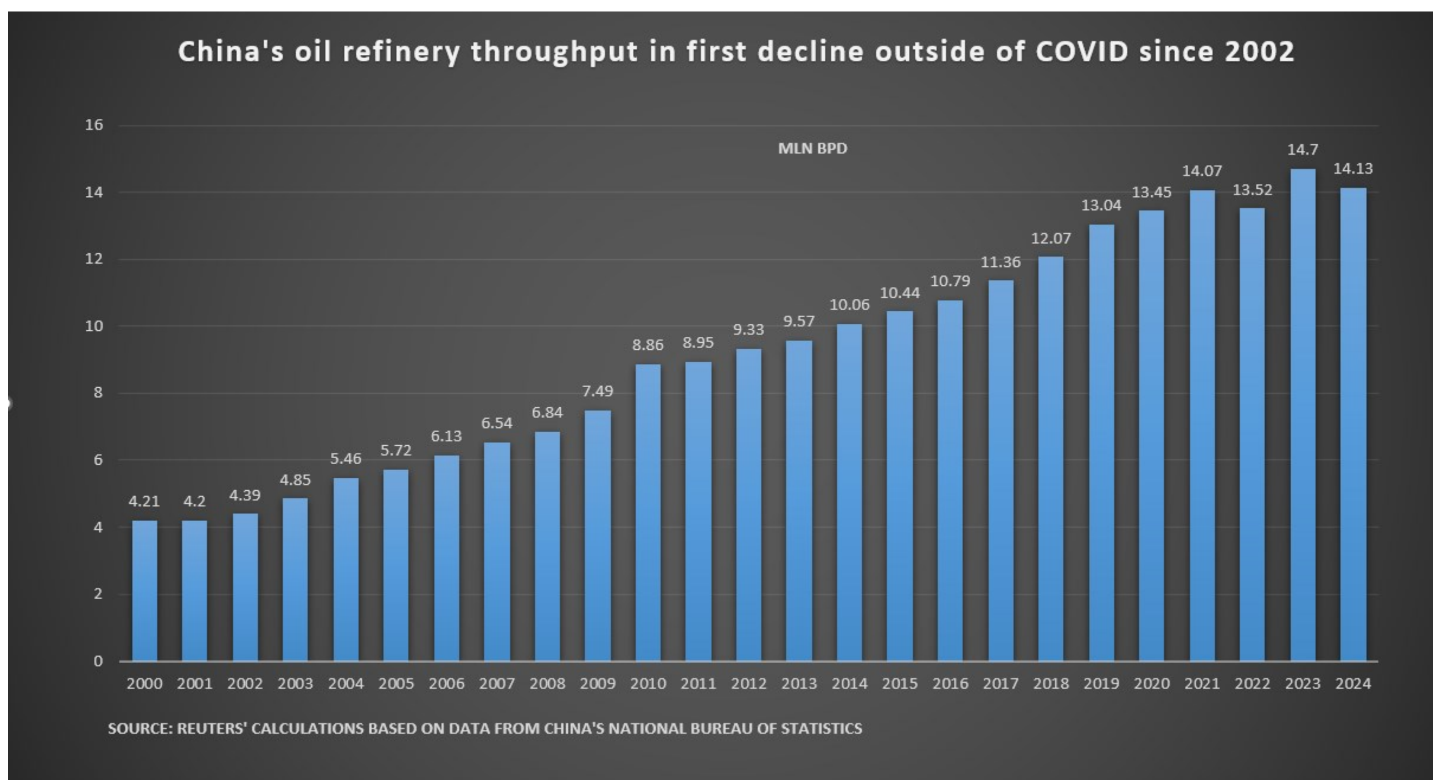
Asian diesel refining margins jumped 8% on Monday to above $17 a barrel, the largest gain since September, before easing to about $16.50 a barrel on Thursday.

U.S. diesel futures surged more than 5% on Jan. 10, their biggest daily gains since October, and hit a six-month high of $111 per barrel on Thursday. Front month diesel is commanding an over $10 premium over the sixth-month contract, the largest premium in almost a year.

Traders and refiners are factoring the higher crude costs into fuel prices and refining runs, two Singapore-based trade sources said, adding that lower Russian diesel flows are unlikely to have a big impact on Asian markets directly.

Even with higher diesel margins, Asia's complex refining margins have weakened as crude prices have gained at a much faster pace than refined product prices, a third source said.
Dubai cash prices rose by 8.5% from last Friday, while Singapore February gasoil swaps only climbed 5.5% in the same time period.
Singapore's complex refining margins, Asia's bellwether, hovered at five-month lows of 17 cents per barrel on Thursday, LSEG pricing data showed.
Europe, which before the 2022 Western sanctions, was the top buyer of Russian diesel, switched to supplies from India, the Middle East and the United States to cover the shortfall. While most of the 183 sanctioned vessels have been used to move crude and fuel oil rather than diesel, there are concerns the sanctions could impact refinery runs in India and China, cutting their diesel production and exports to Europe, Sparta Commodities analyst James Noel-Beswick said.
Russia's biggest diesel buyers, Turkey and Brazil, would need to find alternative sellers like the United States and Middle Eastern countries in case Russian supplies are significantly disrupted, he added, increasing competition for European buyers.
Other analysts say the market would eventually adapt to the new sanctions.
"We don't actually expect to see any major changes in Russian product flows, as the same volumes can travel to the same destinations, just using non-sanctioned tankers," FGE Energy analyst Eugene Lindell said.

Chart of the Day



Top News - Agriculture

IGC trims global corn crop forecast, US estimate cut
The International Grains Council (IGC) on Thursday cut its forecast for 2024/25 global corn production, largely reflecting a downward revision for the United States.
The inter-governmental body, in a monthly update, trimmed its global corn crop forecast by 6 million metric tons to 1.219 billion tons.
The U.S. corn crop was revised down to 377.6 million tons from 384.6 million seen previously, bringing it into line with the current U.S. government estimate.
The U.S. Department of Agriculture on Friday cut its forecast for the 2024 U.S. corn harvest to 377.6 million tons following a dry end to the nation's growing season.
The IGC kept its 2024/25 world wheat crop outlook at 796 million tons, with a downward revision for Russia (81.3 million from 81.8 million) offset by an upward adjustment for Australia (31.9 million from 31.3 million).
Wheat production in the 2025/26 season was seen tentatively rising to a record 805 million tons, up 1% year-on-year, based on information on sown areas and weather. "With supply seen expanding only fractionally, projected gains in consumption could result in a further

drawdown in end-season stocks," the IGC said.

Brazil 2024/25 soy output seen as record ahead of crop tour, Agroconsult says

A Brazilian agribusiness consultancy on Thursday slightly raised its soybean output forecast for the 2024/25 crop year ahead of a countrywide expedition to survey fields.
Agroconsult told a press conference local farmers will reap a record 172.4 million metric tons, compared with the 172.2 million tons forecast before. It kept plantings on 47.5 million hectares (117.375 million acres), the largest ever soybean area for the world's biggest producer and exporter.
Factors contributing to expectations of unprecedented high supplies include good climate in most regions and satisfactory planting conditions in key areas, which will support yields in large producing states including Mato Grosso.Risks to the crop, which farmers are now beginning to reap from fields, include excessive rains in central Brazil, which is already hampering harvesting work, according to Agroconsult.
"Everyone knows that crops can lose weight if not reaped when ready," Andre Pessoa, Agroconsult partner, told the press conference, referring to farms which have lately received too much rain.Dry weather in southern Brazil, in addition, will reduce yields in large producing states like Rio Grande do Sul to levels lower than last year, Agroconsult predicted.

Top News - Metals

China's 2024 crude steel output slips to five-year low on feeble property demand

China's crude steel output in 2024 fell 1.7% from the prior year to a five-year low, official data showed on Friday, hit by a long-running property market crisis that has depressed demand. The world's largest steel producer manufactured 1.005 billion metric tons of crude steel last year, data from the National Bureau of Statistics showed.
Last year's output would likely mark the final year for crude steel output above 1 billion tons in the world's second-largest economy, analysts said, expecting output to fall below that level in 2025.
China's steel output has been on a downtrend after peaking at 1.065 billion tons in 2020. Demand has shrunk due to a protracted downturn in the steel-intensive property sector and as Beijing mandated zero annual growth in output from 2021 to limit carbon emissions.
Steel consumption continued to slide last year with an annual fall of 4.4%, according to state-backed research house China Metallurgical Industry Planning and Research Institute.
Rising demand from the manufacturing sector, fuelled by aggressive stimulus, and robust steel exports failed to fully offset the drag from the property sector.
China's steel exports in 2024 hit the highest level since 2015, at 110.72 million tons, inflaming global trade tensions as producers in Japan, India and elsewhere argued that a flood of cheap Chinese steel products was hurting local manufacturers.
But steel exports are expected to stay elevated this year, as an oversupply plaguing the industry is set to persist.
For December alone, output climbed 11.8% from a year earlier to 75.97 million tons.
"Steel consumption has entered the downside cycle, but we expect the falling pace to slow down this year as the government may unveil more stimulus measures," said Zhuo Guiqiu, an analyst at broker Jinrui Futures. Zhuo expected steel consumption to drop by between 0.7% and 3.7% in 2025 after sliding 4.6% year-on-year in 2024.

Rio Tinto and Glencore discussed merger but talks no longer active, source says

Glencore approached Rio Tinto late last year about combining the two big copper producers but the discussions are no longer active, a person familiar with the matter said.
The talks between Rio, the world's No. 2 miner, and Glencore, one of the world's biggest producers of coal and base metals, were brief and did not go anywhere, the person added.
Bloomberg News reported on Thursday that the two were in early-stage merger talks.
A merger between the firms has the potential to be the largest ever in the mining industry. They have a combined market value of around $158 billion, surpassing BHP's $126 billion.
Rio and Glencore declined to comment.
Global miners have been sizing each other up as they look at ways to bolster their position in metals such as copper that are set to be in high demand as industries shift to cleaner forms of energy.
That was the rationale behind BHP's $49 billion bid for smaller peer Anglo American last year but which failed due to issues with the deal's structure.
Portfolio manager Ben Cleary at Tribeca Investment Partners, which has its largest position in Glencore, said that if Rio was interested, it would have to pay a significant premium.
Glencore, which was last trading at roughly 3.5 pounds per share, is expected to reward shareholders with capital returns this year following a $34 billion merger of its Viterra unit with Bunge.
"Anything under 5 pounds wouldn't make sense for Glencore given ... material capital returns this year," he said adding that Glencore's commodity mix was perfectly leveraged to Chinese stimulus. He also noted a "definite culture clash" between the more conservative Rio Tinto and the more aggressive Glencore.
Rio's U.S.-listed shares fell 0.5% in extended trading after

the Bloomberg report, while Glencore's American Depository Receipts closed up 2.4% after jumping nearly 9% at one point.
Rio and Glencore have discussed combining their operations in the past. In 2014, Rio rejected a merger offer from Glencore, saying that it was not in the best interests of shareholders.
RBC analyst Kaan Peker said in a note to clients that a deal for Glencore would provide a clean exit for large investors including its largest shareholder and former CEO Ivan Glasenberg who owns a 9.93% stake.
He added that combining their marketing and sales operations could potentially result in $1 billion in savings.
Peker said Rio would likely be attracted to Glencore's tier-one copper assets starting with Collahuasi in Chile and Antamina in Peru but may be less keen on its copper assets in the Democratic Republic of Congo or its coal business, a sector Rio exited last decade.
The talks extend a years-long streak of merger and acquisition activity among mining companies as they rework their portfolios amid the transition to cleaner energy forms.
Rio last year agreed to buy U.S.-listed lithium producer Arcadium for $6.7 billion with the world's top producer of iron ore seeking to transform itself into a processor of high-end, low-carbon raw materials.
Glencore bought Teck Resources' steelmaking coal unit last year for $6.9 billion.

MARKET MONITOR as of 07:35 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$79.09 / bbl	0.52%	10.28%
NYMEX RBOB Gasoline	$2.15 / gallon	0.05%	7.18%
ICE Gas Oil	$761.00 / tonne	0.86%	9.46%
NYMEX Natural Gas	$4.17 / mmBtu	-2.18%	14.64%
Spot Gold	$2,712.82 / ounce	-0.04%	3.39%
TRPC coal API 2 / Dec, 25	$112.25 / tonne	2.39%	0.81%
Carbon ECX EUA	€78.03 / tonne	-0.38%	6.89%
Dutch gas day-ahead (Pre. close)	€46.70 / Mwh	-1.23%	-3.81%
CBOT Corn	$4.86 / bushel	0.52%	4.24%
CBOT Wheat	$5.51 / bushel	0.18%	-2.13%
Malaysia Palm Oil (3M)	RM4,178 / tonne	-0.19%	-6.07%
Index	**Close 16 Jan**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	375.10	-0.25%	5.13%
Rogers International	30.99	-0.71%	6.08%
U.S. Stocks - Dow	43,153.13	-0.16%	1.43%
U.S. Dollar Index	109.20	0.22%	0.66%
U.S. Bond Index (DJ)	434.39	0.29%	-0.38%

Top News - Carbon & Power

China's carbon power rises in 2024, defying expectations of coal peaking
China's mostly coal-powered thermal generation ticked up 1.5% in 2024, official data showed on Friday, defying expectations that coal generation was peaking, although growth slowed to the lowest in nine years excluding the years of the COVID-19 pandemic.
The data highlighted the challenges in phasing out coal-fired power while meeting China's burgeoning need for power to fuel energy-hungry industries and the electrification of its economy.
Power sector emissions in particular are considered key to China's decarbonisation because of the wide-scale electrification of China's economy, typified by its shift to electric vehicles.
Thermal power generation, which comes mostly from coal while natural gas-fired power plants contribute a small portion, was 6.34 trillion kilowatt-hours (kWh) last year, up 1.5% on the previous year, according to the National Bureau of Statistics. Peng Chengyao, director for China power and renewables at S&P Global Commodity Insights, said thermal generation came in higher than the consultancy's outlook at the beginning of the year because of higher-than-expected growth in power demand.

For December alone, however, thermal power output fell 2.6% on the year to 827 billion kWh.
Analysts also pinned full-year thermal power growth on weaker-than-expected hydropower output and a scorching summer that pushed up power demand.
Hydropower, China's second-largest power source, recorded its highest output growth in a decade, but that came off a low base as the sector recovered from a punishing drought in 2023.
"Around September, hydropower had a really sharp drop off ... It was just a little better than the severe droughtconditions of the year before," said David Fishman, senior manager at consultancy the Lantau Group.
"That, combined with an extended late summer heat wave, meant that renewables were not enough to meet that incremental demand."
Last year was the warmest ever for China since record-keeping began six decades ago, meteorological data showed. Hydropower output in 2024 rose 10.7% year-on-year to 1.27 trillion kWh, the data showed.
Overall power demand grew 4.6%, according to the statistics bureau's data.
That data covers power generation from industrial enterprises with annual revenue of at least 20 million yuan ($2.8 million), leaving out some small-scale wind and solar sources. Estimates of power generation based on data from China's National Energy Administration, due to be released later this month, are expected to show higher power demand growth than in the statistics bureau's data.
For 2025, Greenpeace analysts said renewable power could meet all of China's new power demand growth.
That would "pave the way for China's power sector to achieve peak emissions by 2025", according to Greenpeace East Asia Beijing-based project leader Gao Yuhe.

China's 2024 coal output rises to record high but growth rate slows

China's coal output reached a record high in 2024 albeit at a slower growth pace than previous years, official data showed on Friday, as coal consumption enters a plateau period in line with market projections.
China mined 4.76 billion metric tons of coal, showed data from the National Bureau of Statistics, up 1.3% versus a year prior. That growth rate compared with 2.9% and 9% in the previous two years.
For December alone, output rose 4.2% from the same month a year earlier to 439 million tons.
The National Energy Administration targets 4.8 billion tons next year, a 0.8% increase on the 2024 level, the state-run People's Daily reported.
Coal consumption is entering a plateau period with the amount set to hold above 4.8 billion tons a year until 2029, state energy giant Sinopec said in its annual outlook last month.

Top News - Dry Freight

Chinese buyers switch to cheaper Brazilian soybeans ahead of Trump return

Chinese soybean processors have turned to competitively priced Brazilian cargoes instead of U.S. oilseeds, amid fears Washington will impose import tariffs after President-elect Donald Trump takes office on Jan. 20.
Worries about revived trade tensions during Trump's second administration have already disrupted trade flows to China, the world's biggest agricultural goods importer, prompting buyers to stockpile inventories and seek alternative suppliers.
Chinese processors have secured nearly all of their cargoes from Brazil for first quarter shipment, according to three trade sources.
Last year, Brazil accounted for 54% of Chinese first quarter soybean imports, while the U.S. supplied 38%. China takes more than 60% of the soybeans shipped worldwide.
"Chinese crushers are now booking Brazilian cargoes for February and March shipment," said a trader in Singapore. "Both state-owned and private crushers, all of them are taking Brazilian beans. It is a 100% shift to Brazil."
Trump has threatened tariffs of 10% to 60% on goods from China, which would probably prompt retaliatory Chinese duties on U.S. farm products.
In 2018, during Trump's first term, the U.S. and China engaged in tit-for-tat tariffs that led Beijing to take permanent steps to reduce its reliance on American farm goods.
The share of China's soybean imports from the United States dropped to 18% in the first 11 months of 2024, from 40% in the whole of 2016, while Brazil's share grew to 74% from 46%, according to Chinese customs data.
South American soybeans, which are harvested early in the year, dominate the global trade until U.S. supplies enter the market from August.
But this year Chinese oilseed importers have turned to Brazilian beans more quickly and en masse, hitting U.S. suppliers towards the end of their peak marketing season in January.
This is likely to leave the U.S., the No.2 soybean exporter after Brazil, with 10.34 million metric tons of beans by the end of the 2024/25 marketing year in August, the highest in five years, according to U.S. Department of Agriculture estimates.

CHEAPER BEANS

The competitive price of Brazilian soybeans is a key draw for Chinese importers, traders said.
"Concerns over potential trade tensions, especially after Trump's re-election, led to increased soybean purchases in Q4 2024, with shipments arriving in late 2024 and Q1 2025," said Lin Guofa, a senior analyst at Bric Agriculture Group, a consultancy. "Favourable weather in Brazil and the depreciation of the real have lowered production costs, encouraging further soybean imports," Lin added.

The spread between U.S. and Brazilian soybeans has widened amid expectations of a record crop in the South American country.
Soybeans from Brazil are being priced at $420 per ton, including cost and freight, to China for February, while U.S Pacific Northwest cargoes are at around $451 per ton.
However, ample domestic supplies are likely to cap soybean demand, traders said.
China's first quarter soybean imports are expected to fall to 17.3-18.0 million metric tons, from 18.58 million tons a year ago, according to the average of estimates from four analysts.
"The main reason was due to an oversupply of imported soybeans in 2024, and everyone is now waiting for the new Brazilian crops to arrive," said a Shanghai-based analyst, declining to be named as they were not authorised to speak to the media.
China imported a record 105.03 million metric tons of soybeans in 2024.
While private buyers turn to Brazilian supplies, traders said state stockpiler Sinograin is still in the market for U.S. soybeans, which are preferred for stockpiling due to their higher oil content.

Surging corn prices trigger spate of sales from US farmers

Iowa farmer Caleb Hamer grabbed his phone and dialed a local corn buyer this week, eager to sell his grain as prices climbed to their highest level in more than a year.
Farmers across the Midwest have boosted crop sales as corn and soybean futures spiked after the U.S. Department of Agriculture slashed its 2024 harvest estimates on Friday, grain dealers in Iowa, Illinois, Indiana and Nebraska said. Corn prices are now up about 10% over the past month.
The surge came after prices hit 2020 lows last year due to oversupply, which eroded farmers' incomes and hit the rural economy hard.
The rally still hasn't made U.S. crop production particularly profitable, though, as prices remain relatively low and the year ahead looks tough. Growers face rising bills for seeds, chemicals and land rents ahead of the spring planting season, and some economists say the farm sector has entered a recession.
"You've got to lock in some sales to guarantee revenue," Hamer said.
Some growers are also concerned about economic pain if President-elect Donald Trump follows through on plans to slap tariffs on goods from China and Mexico, raising risks for retaliation which could hit U.S. agricultural exports.
Another U.S.-China trade war would come at a difficult time for farmers, who have seen net income drop nearly 23% since 2022.
In Illinois, the biggest soybean-producing state and second-largest corn producer, economics for growing both crops remain poor for the third consecutive year, University of Illinois economists said on Tuesday.
"While the rally has improved sales opportunities, it won't erase this year's steep losses and does not fundamentally change the bleak profitability picture in row crops," said Betty Resnick, American Farm Bureau Federation economist.
Ben Scholl, president of specialty grain buyer Lewis B. Osterbur & Associates, said he handled about 20% of his normal annual corn sales in the past four weeks.
At a Green Plains ethanol plant in northern Iowa, trucks hauling farmers' corn idled along the frozen roads, waiting to unload.
Iowa-based Landus, one of the largest U.S. grain cooperatives, on Monday will urge farmer customers to sell, CEO Matt Carstens said.
"We're looking at tariffs and the loss of the China market," Carstens said. "Right now, you just don't know what the demand side is going to look like this year."
In Ohio, farmer Chris Gibbs gasped when Cargill staff texted him an offer on Tuesday: $5 per bushel cash for corn for delivery immediately or after April 15.
Local buyers last fall were offering about $4.30, well below his cost of production, Gibbs said. After selling some corn this week, he will have an extra $7,000 in his pocket, enough to cover half his springtime fertilizer bill.
"I have enough cash to feel a little bit of relief," Gibbs said.

Picture of the Day

Flames and smoke rise from a wildfire in Epuyen, in the Patagonian region of Chubut, Argentina, January 16. REUTERS/Matias Garay

(Inside Commodities is compiled by Anjana J Nair in Bengaluru)

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

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