

[Oil](#) | [Agriculture](#) | [Metals](#) | [Carbon & Power](#) | [Dry Freight](#)

Click on headers to go to that section

Top News - Oil

Growth in US crude production to slow sharply in 2024, EIA says

The U.S. Energy Information Administration (EIA) on Tuesday cut its forecast for domestic oil growth in 2024 by 120,000 barrels per day (bpd) to 170,000 bpd, sharply lower than last year's output increase of 1.02 million bpd. U.S. crude oil production will rise to 13.21 million barrels per day (bpd) this year, the EIA said in its Short-Term Energy Outlook (STEO). It had previously projected that crude production would rise this year by 290,000 bpd. In December, U.S. crude oil production was estimated to have reached a record high of 13.3 million bpd. Production notched an annual record of 13.21 million bpd in 2023.

U.S. crude oil production fell to 12.6 million bpd in January because of shut-ins related to cold weather, particularly in key oil producing states such as North Dakota, according to the EIA.

Production is expected to rise by 390,000 bpd to 13.49 bpd in 2025, which would be a record high.

The agency forecast that monthly production will return to almost 13.3 million bpd this month, but then decrease slightly through the middle of 2024 and will not exceed the record set last December until February 2025.

U.S. total petroleum consumption is expected to rise by 200,000 bpd to 20.4 million bpd in 2024, and then by another 100,000 bpd to 20.5 million bpd in 2025, the EIA said.

Attacks on shipping vessels by Iranian-backed Houthi rebels in the crucial Red Sea shipping lane beginning last year have disrupted traffic through the Suez Canal, the fastest sea route between Asia and Europe and one that sees nearly 12% of the global oil trade.

Global oil inventories are believed to have increased by 800,000 bpd on average from October 2023, the month before the Red Sea attacks began, through January 2024 and by an average of 700,000 bpd for all of 2023, the EIA said.

It expects the price of a barrel of crude oil will rise into the mid-\$80s area in the coming months but will experience downward price pressure in the second quarter of this year as global oil inventories increase.

US crude oil exports to Asia dip in January on high freight rates

U.S. crude oil exports to Asia tumbled to 1 million barrels per day in January, the lowest in over two years as high

freight rates and more competitively-priced Middle Eastern oils slashed shipments.

A surge in supertanker freight rates made it expensive to ship to Asia at the start of the month, particularly to China.

Exports to China, the world's largest crude importer, fell to 190,000 bpd, the lowest in 13 months. Volumes to South Korea held steady at 494,000 bpd, according to data from ship tracking service Kpler.

Overall, U.S. oil exports fell to 3.8 million barrels per day, the lowest in a year. January typically sees weaker exports as onshore inventories rebuild after a seasonal outflow in December.

Some of the oil traditionally flowing to Asia went to Europe, where its share of January exports rose to 55%, the highest on record. The Netherlands snapped up a record 614,000 bpd, followed by the United Kingdom and Spain.

Asia's share fell to 27% last month, the lowest since December 2016.

The Red Sea turmoil has not reduced U.S. imports of Middle East crude, the data showed, with much of those shipments landing on the U.S. West Coast via the Pacific Ocean.

Volumes from Saudi Arabia to the U.S. Gulf Coast and East Coast were steady as the oil moves on very large crude tankers that round Africa's Cape of Good Hope, rather than take the Red Sea route.

Re-rerouting has bolstered U.S. arrivals of Kazakhstan's CPC Blend crude, which gained 8,000 bpd in January compared to the three-month moving average.

Research firm Energy Aspects said it expects U.S. exports in February to increase to 4.4 million barrels per day as prices of U.S. light sweet crude were competitive versus North Sea and West African grades.

Exports to Asia, however, will likely remain tepid as the cost for U.S. West Texas Intermediate crude arriving in May remains more expensive than Abu Dhabi's flagship Murban crude, two traders said.

Top oil exporter Saudi Arabia unexpectedly kept the March price of its flagship Arab Light crude to Asia unchanged at a more than two-year low on Tuesday. Market participants expect other Middle East oil producers to follow suit, adding pressure on U.S. crude prices this month.

Top News - Agriculture

French durum output could drop to new low as sowing drags

French production of durum wheat could fall again this year to a new low this century as time runs out for planting held over from autumn and early field conditions are mixed, crop institute Arvalis said on Tuesday. France harvested its smallest crop since 1997 last year at 1.28 million metric tons as a sharp decline in planting continued. That contributed to a poor crop in Europe, in turn leading Italian buyers to turn to Turkish supplies. French farmers have cut back on durum, used to make pasta, because it is seen as more challenging to grow than common wheat and torrential rain western France since autumn may exacerbate that trend. The agriculture ministry in December estimated the durum area for the 2024 harvest at just 205,000 hectares, down 10.5% from the previous year. About half of the area earmarked for durum along the Atlantic coast, or about 25,000 hectares, was still to be sown by farmers and could potentially be drilled in February, Arvalis' Yannick Carel told an annual durum conference organised by the institute. If those plantings were fulfilled the national area could reach last year's 236,00 hectares, otherwise the area may be closer to December's official estimate, he said. "Everything will depend on the coming weeks up to the start of March," he said. The soggy conditions on the west coast, coupled with drought along the Mediterranean coast, meant that 2024 production would at best approach last year's level at just over 1.2 million tons, Carel said.

If weather conditions for the rest of the season were poor, production could slip below 1 million tons for the first time since the early 1990s to around 900,000 tons, he added. The demise in French durum production has led French pasta makers to propose to contribute to durum research programmes for the first time, Arvalis officials said at the conference.

The agriculture ministry, meanwhile, is considering specific support for durum production as part of measures to address farmer grievances voiced during recent protests, Jean-Francois Loiseau, head of grain industry group Intercereales, told the conference.

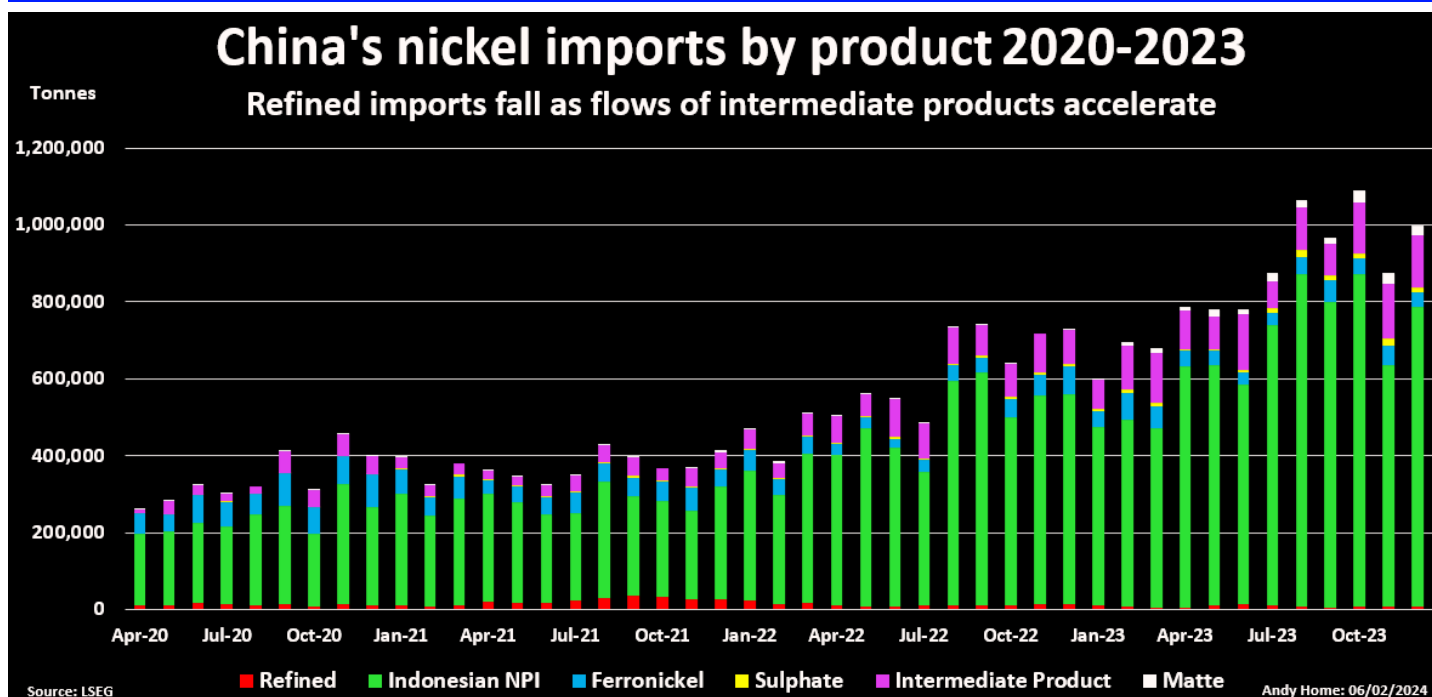
Cocoa prices seen slipping from recent peaks by end -2024

London cocoa prices are expected to slip back from record highs but still end the year with an annual gain of nearly 10% as the global market's supply deficit persists, a Reuters poll of nine traders and analysts showed on Tuesday.

Prices were seen ending 2024 at 3,700 pounds a metric ton, down 10.4% from Monday's close but 9.5% higher than levels seen at the end of 2023, according to the poll's median forecast.

London cocoa prices rose to a peak of 4,144 pounds on Monday, a record high for the second position, the benchmark typically followed in long term price charts. Cocoa prices have surged against the backdrop of major crop problems in Ivory Coast and Ghana this season. The poll projected there would be a global deficit of 375,000 tons in the current 2023/24 season which runs

Chart of the Day



from October to September, more than double the projected deficit of 173,000 tons in the previous Reuters poll issued in August 2023.

Production in Ivory Coast was seen at 1.80 million tons in the current season, sharply down from the International Cocoa Organization's current estimate for 2022/23 of 2.18 million.

Ghana's 2023/24 crop has a median forecast of 620,000 tons, down from the ICCO's estimate for 2022/23 of 680,000 tons.

Participants tentatively expected some recovery in both West African countries in 2024/25 although a fourth successive global deficit was forecast.

One participant said West African countries needed to work harder to get farmers better access to fertilisers and

combat swollen shoot disease, while another noted new deforestation laws in the European Union may make it more difficult to expand output sufficiently to meet demand.

"This season has been a real wake-up call for industry. We have all known that the concentration of cocoa production in a narrow geographical area posed a serious risk especially as cocoa is a fragile plant, prone to disease and pests," one participant said.

Ivory Coast production was seen at 2.00 million tons in 2024/25, and Ghana's crop at 700,000 tons while a global deficit of 135,000 tons was projected.

New York cocoa prices were seen ending the year at \$4,228 per ton, down 16.7% from Monday's close but still up 1.6% on the year.

Top News - Metals

Chile copper miner Codelco's 2023 production declines, but recovery seen this year

Production at mines owned by Chile's cash-strapped copper miner Codelco fell to 1.325 million metric tons in 2023, the company's chief executive told Reuters on Tuesday, promising a slight recovery in the coming year. Production at Codelco's mines is seen ticking up to 1.353 million tons in 2024, CEO Ruben Alvarado told Reuters during a visit to the underground Chuquicamata mine. Codelco's production has fallen to its lowest level in a quarter of a century due to operational problems and project hold-ups, but senior executives have given assurances of a coming rebound. Codelco is the world's top copper producer. Earlier on Tuesday, the Chuquicamata mine's head said the company expects the site to reach processing capacity of 140,000 metric tons a day by 2030 from its current capacity of 80,000 tons. The mine will also see a month-long stoppage next year to swap out the conveyor belt, said underground mine manager Nicolas Jamett during a visit to the project, although the pause is not expected to impact production. "We are looking at the best date," Jamett said, referring to the conveyor belt swap. He added the work could be completed in less than a month. The century-old mine - one of the world's largest - is crucial to Codelco's production plans as it looks to revamp its core projects to make up for declining ore quality.

Development plans have been plagued by delays, with Codelco warning in August that maximum capacity could be postponed by two or three years.

In January, Codelco submitted an environmental permit application to invest \$720 million more in transforming the site, also known as "Chuqui," to clear bottlenecks limiting production.

China raises first 2024 rare earths mining quota by 12.5% y/y

China has set its first rare earths mining quota for 2024 at 135,000 metric tons, the country's Ministry of Industry and

Information Technology said on Tuesday, 12.5% higher than a year earlier. However, the rise is smaller than the 19% year-on-year increase seen in the first quota released in 2023.

Rare earths are a group of 17 elements used in products from lasers and military equipment to magnets found in electric vehicles, wind turbines and consumer electronics. China, which accounts for 70% of rare earths mining and 90% of refined output, according to the United States Geological Survey, controls its supply through a closely watched quota system.

Allocations are typically issued twice a year, although there were three last year for the first time since the system was introduced in 2006.

China, also the largest consumer of rare earths, set the first quota for smelting and separation of the elements for the year at 127,000 tons, 10.4% higher than in the first 2023 quota, but down from a rise of 18.3% between early 2022 and 2023.

The first quota for mining output as well as smelting and separation was issued to China Rare Earth Group and China Northern Rare Earth Group High-Tech, the ministry said in a statement. Four Chinese analysts told Reuters that the release of the first quota came earlier than expected this year, especially in the week before the Chinese New Year holiday, starting from Feb. 10.

Beijing last year issued the first quota in late March. Rare earth prices have likely bottomed out and are poised to rise later this year on demand from electric vehicles (EVs) and wind power and as China is expected to pull back on expanding output quotas, analysts said.

The total mining output quota in 2023 hit a record high of 255,000 tons and the total smelting and separation quota was also a record at 243,850 tons, up 21.4% and 20.7% from a year earlier, respectively.

"If the annual growth rate for the quota is below 13%, the market will shift to a shortage from a glut," said one of the analysts, requesting anonymity as he is not authorised to speak to media.

Top News - Carbon & Power

Russia's Novatek sets up China office to market gas amid sanctions- sources

Russian natural gas producer Novatek is building a new China-based team to explore marketing the fuel, sources familiar with the plans said, as U.S. sanctions thwart plans for exports from its new multi-billion-dollar Arctic project.

The move illustrates Russian energy companies' continued pivot to Asia, especially China, after the Ukraine conflict cut off their access to markets in Europe. A China operation may help Novatek find customers for its newest liquefied natural gas (LNG) project, Arctic LNG 2, after U.S. sanctions were imposed.

Novatek, Russia's largest LNG producer, has been building a Beijing-based business development and marketing team in recent months, six sources with knowledge of the matter said. The sources declined to be named as they were not authorised to speak to the media.

The new team is led by Xu Jinhai, a former China executive with Russian energy-focused lender Gazprombank, and will come under Novatek (China) Holdings, according to two of the sources.

Xu told a Reuters journalist who visited Novatek's well-appointed office in a Beijing skyscraper on Tuesday that he was not able to comment without authorisation from Novatek's head office. Novatek did not immediately respond to a request for comment.

Arctic LNG 2, a part of Russia's ambition to become a top global LNG supplier, was hit with U.S. sanctions last November, before its planned start up this year. Novatek and partners, such as France's TotalEnergies, told planned buyers such as China's Shenergy Group and Zhejiang Energy, along with Spain's Repsol, that shipments would not be delivered.

Other Arctic LNG 2 investors, including China National Petroleum Corp (CNPC) and CNOOC Ltd, have sought U.S. sanction waivers.

"It's an effort to shift around portfolio to potentially market to Chinese customers who could cope with the sanction regime," said one of the sources, a Chinese gas trading executive.

The new Beijing operation has in recent months hired a team of about 10, said another of the six sources. At least two vacancies for Novatek's Beijing business appeared on a Russian recruiting web site.

The formation of the China unit follows the departures of most of Novatek's Singapore-based LNG marketing and trading team over the past several months amid concerns the business would be impacted by the sanctions, said a Chinese executive close to the company.

CHALLENGES

While China and Russia's leaders have said the countries share a friendship with no limits and China has criticised a

MARKET MONITOR as of 07:35 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	\$73.41 / bbl	0.14%	2.46%
NYMEX RBOB Gasoline	\$2.44 / gallon	-0.03%	16.06%
ICE Gas Oil	\$845.25 / tonne	0.48%	12.59%
NYMEX Natural Gas	\$2.01 / mmBtu	0.15%	-19.97%
Spot Gold	\$2,035.11 / ounce	-0.02%	-1.33%
TRPC coal API 2 / Dec, 24	\$96 / tonne	0.00%	-1.03%
Carbon ECX EUA	€63.32 / tonne	-0.41%	-21.21%
Dutch gas day-ahead (Pre. close)	€28.90 / Mwh	3.96%	-9.26%
CBOT Corn	\$4.48 / bushel	-0.67%	-7.54%
CBOT Wheat	\$6.00 / bushel	-0.50%	-6.22%
Malaysia Palm Oil (3M)	RM3,876 / tonne	0.86%	4.17%
Index	Close 06 Feb	Change	YTD
Thomson Reuters/Jefferies CRB	309.13	0.34%	2.56%
Rogers International	26.81	0.39%	1.84%
U.S. Stocks - Dow	38,521.36	0.37%	2.21%
U.S. Dollar Index	104.04	-0.17%	2.67%
U.S. Bond Index (DJ)	423.79	0.56%	-1.61%

number of U.S. sanctions programmes, it is also wary of running afoul of such sanctions.

China surpassed Japan last year as the world's top LNG buyer. However, Novatek's efforts to market fuel from Arctic LNG 2 face numerous difficulties stemming from the sanctions, said two of the sources, trading executives with Chinese importers.

Novatek owns 60% of Arctic LNG 2 but the ownership also includes a Japanese consortium that holds 10%, along with TotalEnergies, CNPC and CNOOC Ltd at 10% each.

Also, Novatek is hamstrung by a shortage of vessels, including ice-class tankers, to deliver LNG to long-term buyers, which have mostly secured their contracts on a delivered basis.

Novatek may start loading the first cargo from the Arctic LNG 2 plant in February, Russia's TASS news agency reported last month, citing Russian Deputy Prime Minister Alexander Novak.

Arctic LNG 2, estimated to cost \$21 billion, is designed to export 19.8 million metric tons of LNG a year.

QatarEnergy and India's Petronet sign biggest LNG deal to date

QatarEnergy and India's Petronet LNG signed their biggest single deal for supplies of liquefied natural gas (LNG) on Tuesday, as India ramps up use of the fuel in a bid to curb emissions.

The deal will see Qatar supply 7.5 million metric tons per year of LNG to Petronet LNG on a delivered ex-ship basis (DES) from 2028 to 2048, according to a Petronet LNG statement.

Qatar, the world's second largest LNG exporter, is pushing to play a larger role in Asia and Europe as competition from top supplier U.S. increases. It plans to expand its liquefaction capacity to 126 million tons per year by 2027 from 77 million.

Tuesday's agreement is a renewal of an existing deal expiring in 2028 in which Petronet LNG imports 7.5 million metric tons per year of LNG from Qatar on a free-on-board (FOB) basis, priced at a slope of 12.67% of the current Brent crude oil futures prices and a fixed charge of 52 cents per million British thermal units (mmBtu).

Petronet LNG's statement did not say if the pricing terms for the renewed deal are the same.

Offtakers of the LNG volumes are GAIL (India) Limited, Indian Oil Corporation Limited and Bharat Petroleum Corporation Limited, who will take supplies of the super-chilled fuel at a 60:30:10 ratio respectively after it is regasified at Petronet's Dahej import terminal, said Petronet LNG.

Petronet LNG, India's top gas importer, supplies gas that is mostly procured under long-term deals with Qatar and Australia to Indian energy companies for sale to end-users.

These companies also have booked capacity at Dahej to directly import gas.

Petronet LNG chief executive Akshay Kumar Singh said in the statement that its existing long-term agreement with QatarEnergy accounts for around 35% of India's LNG imports.

India imported 10.6 million tons of LNG from Qatar in 2023, about half of India's total LNG imports of 20.8 million tons last year, according to data from LSEG.

India wants to raise the share of natural gas in its energy mix to 15% by 2030, up from 6.2% currently, as part of an effort to cut planet-warming emissions.

"We are here to serve the market in India and we hope to be part of the expansion of the economy and requirements and the energy sector," said Qatar's energy minister Saad al-Kaabi, who is also QatarEnergy's CEO, on the sidelines of India Energy Week event in Goa on Tuesday.

He said Qatar was "talking to a lot of our colleagues in Indian companies about new deals."

Reuters earlier reported citing three sources that Petronet LNG would sign the deal with Qatar. One of the sources said that the fixed charge for Qatari LNG will not be in the renewed deal.

Petronet is also expected to sign a separate deal for LNG supplies on a delivered basis, all three of the sources said.

Qatar aims to expand its liquefaction capacity to 126 million tons per year by 2027 from 77 million tons per year and has signed long-term deals with European majors Shell, TotalEnergies and ENI.

Top News - Dry Freight

Jordan buys estimated 60,000 metric tons wheat in tender

Jordan's state grains buyer purchased about 60,000 metric tons of hard milling wheat to be sourced from optional origins in an international tender on Tuesday, European traders said.

It was believed to have been bought from trading house CHS all at an estimated \$262.95 a ton cost and freight (c&f) included for shipment in the second half of April, they said.

Traders reported these estimated offers in the tender from other trading houses in the tender all per ton c&f: Cargill

\$276.5, Viterra \$279.5, Nestwise \$268.8, Cerealcom Dolj \$292.5, Ameropa \$263.9, Grainflower \$277, Buildcom \$272 and MC Food \$274.

Traders said Jordan is expected to issue a new tender to buy 120,000 tons of wheat in coming days closing on Feb. 13 and seeking shipment in the full month of May and full month of June.

In its previous tender on Jan. 24, Jordan made no purchase after also seeking offers for 120,000 tons of wheat.

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



Tunisia tenders to buy 100,000 metric tons durum wheat -traders

Tunisia's state grains agency has issued an international tender to purchase about 100,000 metric tons of durum wheat, European traders said on Tuesday.

The origin was optional. The deadline for submission of price offers in the tender is Wednesday, Feb. 7.

The durum is sought in four 25,000-ton consignments for shipment between March 5 and April 15, depending on origin supplied.

Traders said the new durum tender on Tuesday made no mention of payment by any non-Tunisian agency.

Some recent tenders have involved finance provided by agencies assisting Tunisia in its difficult economic position, including the African Development Bank, which restricted the origins which could be offered.

In its last durum tender on Jan. 17, Tunisia bought 50,000 tons at \$444.89 and \$446.49 a ton c&f.

Picture of the Day



A girl looks, as divers perform a dragon dance ahead of the Lunar New Year celebration at the Sea Life Bangkok Ocean World aquarium in Bangkok, Thailand, February 6, 2024. REUTERS/Athit Perawongmetha

(Inside Commodities is compiled by Rohit James in Bengaluru)

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

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