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Top News - Oil

Russia says Ukraine's idea of $30 oil price cap "beyond all bounds"

Russia said on Thursday that the United States was unlikely to agree to a Ukrainian proposal to lower the price cap on Russian oil to $30 a barrel because it would roil global energy markets and damage the U.S. economy.
After Russia sent troops into Ukraine in 2022, the West sought to sink the Russian economy by imposing a myriad of sanctions and in 2022 slapped a $60 a barrel price cap on Russian oil, which is currently traded at around $68 per barrel.
Before the cap was set, Ukrainian President Volodymyr Zelenskiy in November 2022 urged a limit between $30 and $40 per barrel.
The $60 cap has so far been maintained despite fluctuations in the oil price and calls by some countries for a lower cap to further restrict Moscow's revenues.
The United States has imposed sanctions on dozens of tankers suspected of carrying oil above the price cap agreed by G7, the EU and Australia.
President Vladimir Putin says Russia's wartime economy -- which grew 3.6% last year -- has thrived despite the sanctions, and that Russia, the world's second largest oil exporter, has plenty of buyers for its oil.
"The other day I read that Ukraine was trying to convince the United States to lower the cap price on Russian oil to $30 a barrel," Russian Foreign Minister Sergei Lavrov said in an interview published on the Foreign Ministry website.
"This goes beyond all bounds."
"It is significant that the United States is unlikely to go along with Ukraine," Lavrov said. He argued that such a lowering of the cap would have a serious impact on both the global oil market and on the U.S. economy.
Russia has more than 5% of the world's proven oil reserves and about of quarter of the world's proven natural gas reserves while OPEC, led by Saudi Arabia, controls about 80% of the world's oil reserves, according to OPEC figures.

SAUDI ARABIA

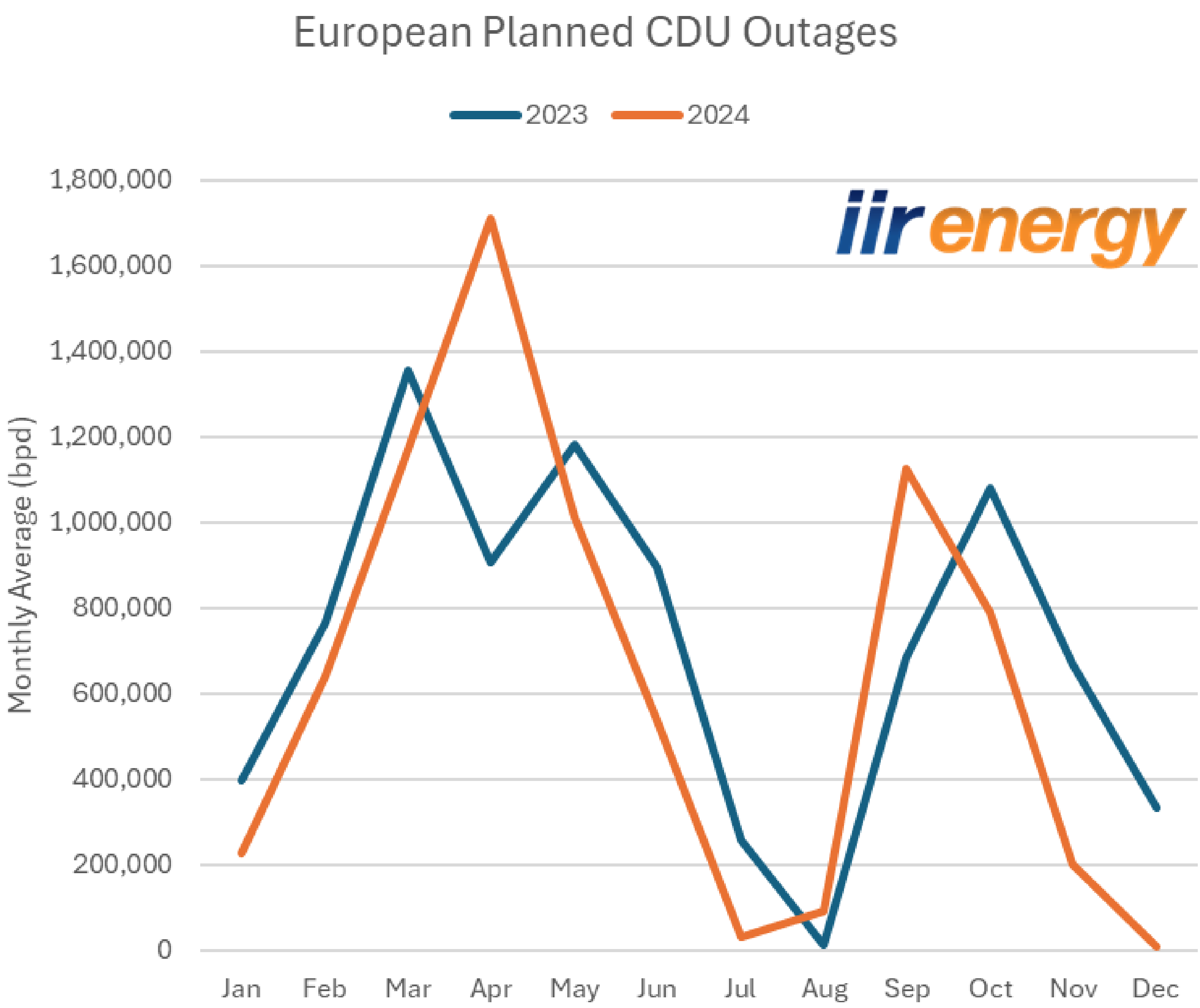
Lavrov, Putin's foreign minister since 2004, said that the United States put immense pressure on the House of Saud in the 1980s to collapse the price of oil to weaken the Soviet Union.
Asked about relations with Saudi Arabia, whose crown prince, Mohammed bin Salman, congratulated Putin on his election on and who has cooperated closely with Moscow as part of the OPEC+ group, Lavrov said Saudi had pursued its own policy.
"I would not say that they have set a course away from the United States," Lavrov said.
"They simply decided to pursue their national policy so that no one (from the left or the right, or from above or from below) should interfere with them, including, most of all, the United States."
While Russia says it will never give in to the United States, which Putin casts as a declining empire fighting a proxy war with Russia in Ukraine, Russia's energy sector has faced serious challenges from the fallout of the war in Ukraine.
Russia's Gazprom has lost most of the European market - which Moscow spent about half a century slowly building after the Soviets forged gas pipelines westwards from Siberia in the early 1970s.
Putin's bid to reorient Russia's vast energy exports eastwards faces massive hurdles - both the vast distances to Asian markets and the difficult negotiations with China about the price.
"There will be no shortage of consumers. Take Africa - we have doubled the export of petroleum products there over the past year and a half," Lavrov said.
He said China and India would be able to absorb oil supply from the OPEC+ group of leading oil producers.

Europe, Africa oil markets weaken on refining maintenance, extra supply

Crude oil physical markets in Europe and Africa have weakened in response to peak refinery maintenance and extra supply from the United States and Saudi Arabia, dampening the impact of Red Sea shipping delays, according to traders, flows data and analysts.
These factors, to some extent, mitigate the effect that rising crude prices will have on energy costs.
A jump in energy costs could threaten to unwind some of the recent falls in global inflation just as central banks are expected to begin cutting interest rates.
The outright Brent futures price, having stayed in a narrow range for much of 2024, has gained in the last week partly due to Ukrainian attacks on Russian refineries. Brent traded at around $85 a barrel on Thursday, up 10% this year.
Still, this year there is an unusually high level of planned work at European refineries, reducing crude demand,

analysts and traders say.
European oil refiners usually carry out maintenance in the spring, ahead of peak summer driving demand.
"April will see refinery maintenance peak across Europe," said Viktor Katona, lead crude analyst at Kpler.
"Even though April-refined barrels have been trading for quite some time, it is only now that the pricing impact is finally kicking in."
U.S. WTI Midland crude, the largest crude underpinning the Brent oil physical benchmark, has weakened in Europe to trade at a discount to benchmark dated Brent, down almost $2 a barrel from the start of March, according to Reuters calculations.
In West Africa, crude differentials are also easing, traders said.
Nigerian grade Qua Iboe has eased to dated Brent plus $3.10 from a 2024 high of plus $4.00 reached earlier in March, according to LSEG data.
In the Mediterranean, Azeri Light crude's premium has dropped to dated plus $2.50 from near plus $4 last week.
The amount of European crude refining capacity offline due to maintenance is expected to peak in April at about 1.7 million barrels per day, data from IIR Energy show, significantly higher than the same time last year.
More tankers are avoiding the Red Sea since Yemen's Houthis began drone and missile attacks against shipping in mid-November, keeping millions of barrels of crude at sea for longer.
But at the same time, the European market is seeing extra crude supply from other places, notably from the United States. Europe will import 2.15 million bpd of U.S. crude in March, according to Kpler, the second-highest ever.
More supply is also coming from the Middle East. Oil

Chart of the Day



flows to Egypt's Sidi Kerir port, which brings Middle East crude to Europe, in February averaged 993,000 bpd, up from 585,000 bpd in January and the highest since April 2020, Kpler data show, the bulk of which is Saudi crude.
"April maintenance," a trader said of the weakening in crude differentials, also citing the extra Saudi crude from Sidi Kerir.

STRUCTURE EASES
Other parts of the crude market have weakened slightly, although supply is still relatively tight. Earlier this month, OPEC+ members led by Saudi Arabia and Russia agreed to extend oil output cuts of 2.2 million bpd into the second quarter, giving extra support to the market amid concerns over global growth and rising output outside the group.
The benchmark Brent crude futures market structure has edged back from its most bullish since October. The premium of the first-month contract to the six-month contract stood at $3.79 a barrel on Thursday.
It reached $4.76 at the end of February, the highest since October.
This structure, called backwardation, indicates a perception of tight prompt supply.
"The Brent structure is weakening - physical Brent for next week is now priced under the June forward contract. U.S. exports and refinery maintenance are certainly factors in this weakness," said Tamas Varga of oil broker PVM on Thursday.
While the outright Brent price has gained, a potential rise in Russian crude exports following the refinery attacks could weigh on Brent relative to the U.S. WTI benchmark.
"It seems that Russia will be forced to send increasing volume of crude oil abroad," Varga said.
"Therefore, considerable strength in the European benchmark relative to WTI or products, does not look imminent."

Top News - Agriculture

Argentina grains exchange trims corn forecast citing heat wave, disease
Argentina's Buenos Aires Grains Exchange on Thursday cut its forecasts for the 2023/24 season's corn harvest to 54 million metric tons, citing a February heat wave and damage from the spiroplasma bacteria.
The exchange previously predicted a corn harvest of 56.5 million tons, which would have been a record high, but the new estimate would bring output below the 55.5 million tons produced in 2018/19.
Corn farmers this season have suffered from more maize leafhoppers, insects that carry the harmful spiroplasma disease and whose population tends to spread in hot and dry conditions.
The grains exchange maintained its soybean production forecast at 52.5 million tons for the country, which is the world's third largest corn supplier and one of the top two exporters of soybean oil and meal.
Weather specialists on Wednesday said the country had seen significant rainfall this month, initially improving dry fields but that the soil was becoming saturated, which could damage existing crops.

Global sugar supply surplus rises on India, Thailand, says broker
The global sugar market is projected to have a larger than expected supply surplus in the 2023/24 October to September season due to production recoveries in India and Thailand in the later stages of their crops, broker StoneX said on Thursday.
It projected that global sugar production exceed total demand by 3.88 million metric tons, up from 3.4 million tons seen in February.
StoneX revised up its projection for India's production by 1.7 million tons to 32.8 million tons, and added 500,000 tons to its estimate for Thailand to 9.1 million tons.
Both countries are having a better crop tail, with higher yields in the final stage.
Better than expected production in Asia offset cuts in Mexico and Brazil, the broker said.
StoneX also released a new estimate for the upcoming Brazil's Centre-South (CS) crop that starts in April.
It sharply reduced its view for total sugarcane crush from 622 million tons in January to 602 million tons, saying agricultural yields will fall around 9% due to drier than normal weather.
The broker no longer sees a record sugar production in Brazil's CS in 2024/25 (April-March) - despite the higher focus on sugar production by the mills - as smaller volumes of cane will prevent the region from exceeding the previous crop's production.
It sees Brazil's CS sugar output at 42.3 million tons, down from 43.1 million tons projected in January. Other analysts expect an even lower production in Brazil at around 40 million tons.

Top News - Metals

FOCUS-More investors push Glencore to keep coal post-Teck deal

A growing group of Glencore investors are keen for it to keep mining coal instead of spinning out the soon-to-be enlarged unit, with one eye on its financial outlook and another on the environmental benefits of keeping the fuel in-house.

Echoing a demand last week by activist Tribeca Investment Partners, investors said the polluting fossil fuel would be a lucrative option - for a decade or two at least - even as it is phased out in favour of renewable energy.

The Swiss-based miner and trader is set to see its coal unit grow sharply after it completes a $6.9 billion deal to buy the majority of Canadian miner Teck's one, but said it plans to list the combined assets separately in New York.

Glencore is already a top producer of thermal coal with output of around 110 million tonnes a year, and also has coking coal assets.

By buying Teck's business, in a deal set to close by the third quarter this year, it will add 20 million tons of annual steelmaking coal capacity and create a powerhouse that analysts say should generate $5-$6 billion a year in free cash flow.

A greater focus on climate risk in recent years has seen a number of pension and investment funds, financiers and insurers cut support for coal companies, leading some including Rio Tinto and Anglo American to sell or spin theirs out.

While doing so can lead to a share price bump, critics say the assets are often shifted into the private markets and run for longer with no investor oversight, potentially leading to a worse climate outcome.

For a long time, Glencore had adopted the same line, and said ditching coal would do little to cut its emissions, only to change its mind after the Teck deal was agreed, with Chief Executive Gary Nagle saying it would consult shareholders for their views on spinning off once the acquisition is concluded.

Ahead of any vote on the plan, though, three top-15 investors spoken to by Reuters said they would oppose the attempt to spin off its coal assets.

One top-10 shareholder said they 'strongly disagree' with the idea and had already told the company. The shareholder declined to be named as they are not authorised to speak publicly.

Andrew Mason, head of active ownership at Abrdn, which holds shares in Glencore, said: "In most circumstances,

MARKET MONITOR as of 07:33 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$80.51 / bbl	-1.43%	12.37%
NYMEX RBOB Gasoline	$2.70 / gallon	-0.78%	28.09%
ICE Gas Oil	$822.75 / tonne	-0.60%	9.59%
NYMEX Natural Gas	$1.68 / mmBtu	-1.29%	-33.29%
Spot Gold	$2,168.58 / ounce	-0.80%	5.14%
TRPC coal API 2 / Dec, 24	$109.5 / tonne	0.23%	12.89%
Carbon ECX EUA	€59.07 / tonne	-2.56%	-26.50%
Dutch gas day-ahead (Pre. close)	€26.30 / Mwh	-3.49%	-17.43%
CBOT Corn	$4.51 / bushel	-0.22%	-6.77%
CBOT Wheat	$5.57 / bushel	-0.54%	-12.86%
Malaysia Palm Oil (3M)	RM4,227 / tonne	-1.05%	13.60%
Index	**Close 21 Mar**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	331.38	0.38%	9.95%
Rogers International	27.79	0.09%	5.55%
U.S. Stocks - Dow	39,781.37	0.68%	5.55%
U.S. Dollar Index	104.29	0.85%	2.92%
U.S. Bond Index (DJ)	423.92	0.23%	-1.58%

we do not believe that simply divesting as quickly as possible will achieve the best outcome."

"Companies need to have credible strategies that support real-world decarbonisation," he said, adding that a timed phase-out would facilitate a "just transition" to a greener future that minimised the impact on workers and communities.

A responsible wind down of coal is better than a divestment, given the "rapidly diminishing" global carbon budget, the emissions allowed before the world breaches its goal of capping global warming at 1.5 degrees Celsius, said Naomi Hogan at non-profit climate group Australasian Centre for Corporate Responsibility (ACCR).

"Fundamentally, good corporate governance requires Glencore to take responsibility for the emissions from its coal portfolio," Hogan added.

Glencore's carbon emissions rose 8.8% in 2023 from the previous year partly due to higher coal production, but were still down 21.8% from a 2019 baseline, according to its annual report.

"This is an extremely concerning step backwards for Glencore," Hogan said in a note.

According to the Climate Action 100+ investor group, Glencore's efforts to-date are mixed, as it failed to meet or partially meet their climate expectations on issues including capital expenditure and decarbonisation strategy.

Data from LSEG, however, places it among the best-performing of its peer group on a range of environmental, social and governance-related metrics, ranking it 4th out of 455 companies.

As well as the environmental argument, Tribeca said the coal assets would continue to be profitable as long as they were active and could benefit the rest of the portfolio - something the top-10 investor echoed, citing a likely surge in demand for cheap electricity from data centres in the years ahead.

Ian Woodley, portfolio manager at Old Mutual, agreed: "The likelihood is in 10 to 12 years, we'll have another big upcycle, maybe once, maybe twice. And you see just how much cash the assets generate."

After hitting an all time high above $400 a ton in 2022 when countries sought alternatives to Russian gas after the start of the war in Ukraine, thermal coal prices now trade around $130, while coking coal rose to above $300 a ton last year.

"In a private company, that would be paid out as dividends, but Glencore can take that cash and invest it in the rest of their portfolio," Woodley added.

UAE conglomerate seeks to gatecrash China's JHCX Zambian copper deal

A unit of International Holding Company, Abu Dhabi's most valuable company, is interested in acquiring Zambia's Lubambe Copper Mine, an asset that China's JHCX Mining has already agreed to buy, three sources familiar with the details told Reuters.

International Resources Holding recently told EMR Capital that it is interested in bidding for the private equity manager's 80% stake in the Lubambe copper project, which is up for sale, a development that may complicate a sale process that's already underway, two of the sources said.

The IHC unit's interest in Lubambe, with potential to be among Zambia's largest copper mines, comes after Shanghai-listed JCHX, a mine servicing and contracting firm, entered into a deal to buy EMR's 80% stake in Lubambe in January.

The sale process requires approval from the Zambian government, which is pending and unclear at the moment, one of the sources said.

The Zambian government owns a 20% stake in Lubambe through state-firm ZCCM-IH.

The IHC unit's interest is spurred by an aggressive push by cash-rich oil majors United Arab Emirates and Saudi Arabia to secure critical metal supply in Africa, as they bid to diversify their economies and engage with energy transition.

Middle East investors are pitted against Chinese companies in Africa, including state backed firms, also aggressively pursuing deals in Africa to strengthen China's grip on minerals required to power a rapidly expanding domestic electric vehicle manufacturing sector.

EMR Capital's binding deal agreed directly with JHCX technically precludes it from entertaining any new offers, one of the sources said. Still, EMR is aware that IRH is interested in buying the assets and that the UAE firm has officially informed the Zambian government and ZCCM-IH of its interest, two sources said.

While its interest is now widely known within the Zambian government circles, the UAE firm hasn't presented a formal offer to EMR on the Lubambe stake, one source said.

EMR declined to comment. IRH and IHC didn't immediately respond to emailed questions.

IRH has gatecrashed once before. It staged a last minute buyout of a 51% stake in Zambia's Mopani Copper Mines last month, its first mining deal in Africa's second-largest producer of the metal that is key to products from power lines and industrial machinery to electric vehicles.

The Abu Dhabi firm became the Zambian government's preferred investor for Mopani mines ahead of Sibanye Stillwater and China's Zijin Mining Group, which had been short listed for the assets after a protracted selection process.

CASHING OUT

EMR, which has owned the Lubambe mine since 2017, wants to exit the project as its funds mature, after COVID delayed its development, the sources said. It also sold a

51% stake in adjacent Mingomba copper project for a sizeable amount to California-based start up KoBold Metals. EMR still holds a 28% stake Mingomba, alongside Zambia's ZCCM.
Lubambe, previously owned by African Rainbow Minerals and Vale S.A., produced about 15,000 tons of copper last year but needs to raise output to about 2,500 tons a month to become sustainable, it says on its website.
JHCX in January said it proposed to pay $1 for EMR's 80% stake, and another $1 to take over the project's $857 million debt.
JHCX did not respond to emailed questions. Zambia's ministry of mines did not immediately respond to emailed questions.

Top News - Carbon & Power

CERAWEEK-Exxon ahead of schedule on doubling LNG portfolio, exec says

Exxon Mobil is ahead of schedule with its plan to double the size of its liquefied natural gas (LNG) portfolio to 40 million tons per annum (mtpa) by 2030 and will focus on selling its own gas rather than trading that of third parties, the company's LNG chief said on Thursday.
Exxon is revamping its LNG trading strategy amid growing production of the fuel and as part of a wider corporate reorganization that began in 2022.
The oil major is relatively small in LNG trading compared to TotalEnergies and Shell PLC. Shell is one of the industry leaders and made $2.4 billion from trading LNG in the fourth quarter 2023.
Unlike Shell and Total, Exxon plans to mainly trade its own gas, said Peter Clarke, Exxon senior vice president for global LNG.
"Our portfolio is never going to look like Shell's, it's not going to look like Total's, we are targeting different aspects of the value chain," he told Reuters in an interview.
Exxon said in 2020 it planned to double its LNG portfolio to 40 mtpa by decade-year, from 20 mtpa. It is now producing just short of 30 mtpa, he said.
"We are well on track to achieve the objective we set ourselves back in 2020," Clarke said. "And we are slightly ahead of that."
While Exxon could widen its trading portfolio by purchasing and marketing LNG from third parties, Clarke said, it considers margins in that business are small compared to the profits it can make on its own natural gas.
For Exxon, there is more value in producing, liquefying and selling gas, he said. Long-term contracts still account for about 80% of the global LNG trade, he said.
"The big component in LNG is obviously the commercialization of the LNG itself," Clarke said. "We want to have the leading LNG portfolio in the world in terms of its financial robustness and financial returns. I would say we're well on the way to doing it."
Exxon's volumes will increase through the Golden Pass LNG project, where it has a 30% stake with QatarEnergies as a partner. That project has an estimated export capacity of around 18 mtpa and will produce its first LNG in 2025.
The company said in a December presentation it expected to make a final investment decision for its PNG Papua LNG project in Papua New Guinea this year and begin engineering and design for a Mozambique project by year end.
Clarke said the projects would help Exxon supply clients in Asia, where the company sees the most potential growth.
"The market is expanding. And by 2050, 75% of global energy demand will be in Asia Pacific, so we are really focused in that area."

ANALYSIS-Biden's softer climate regulation shows big US bet on subsidies to decarbonize

The Biden administration says its recent decision to scale back new climate regulations meant to force emissions cuts from cars and power plants will have a negligible impact on its overarching goal to halve greenhouse gas pollution this decade.
But whether that is true hinges on whether the U.S. succeeds in its parallel strategy - to use lucrative taxpayer subsidies to fuel a massive deployment of solar, wind and other renewable energy installations that Biden hopes will ultimately power America’s fleet of electric vehicles, along with its homes and businesses, according to researchers.
"I think it will require an extraordinary, coordinated effort to meet the clean energy share that is necessary to hit the (U.S. target)," said Mike O'Boyle, senior director for electricity at research firm Energy Innovation.
The United States is the world’s biggest historical emitter of carbon dioxide and President Joe Biden has promised the international community that it will push hard to decarbonize as part of global efforts to fight climate change, using a combination of regulation and subsidies.
But the recent decisions by his administration to ease auto emissions standards and to remove existing natural gas-fired power plants from CO2 curbs show how Biden’s administration is under industry pressure over the plans ahead of the November election. The transport and power sectors together account for half of the country’s greenhouse gas emissions, but the perception of heavy-handed regulation of those industries risks hurting Biden's reelection bid against rival and former President Donald

Trump.
Climate researchers told Reuters they agree with official projections from the Environmental Protection Agency (EPA) that the changes to the rules may not have much impact on the U.S. goal to halve national emissions by 2030 from 2005 levels.
Amanda Levin, director of policy analysis at the Natural Resources Defense Council, said the weakening of the EPA vehicle rule, for example, would still achieve at least 90% of the emissions reductions of the more stringent initial proposal, while the removal of existing gas plants from the EPA power plant rule would deliver 80% of the initial proposal.
More important to the US decarbonization target, however, is how fast developers can build zero-emissions power generation and hook it up to the grid - efforts crucial to supporting the EV fleet and which would render the power plant regulation moot. Biden is attempting to spur those industries along by using lucrative subsidies for wind, solar and electric vehicles embedded in the roughly $400 billion Inflation Reduction Act.
"The EPA rules serve more as the as a backstop (to the IRA)," said O'Boyle.
Before the IRA passed in 2022, the U.S. was only on track to reduce its emissions 25%-28% by 2030, according to NRDC's Levin.
Both NRDC and energy consultancy the Rhodium Group found in separate analyses that the U.S. is now on track to reduce its greenhouse gas emissions by 42% by 2030. Still, filling the remaining gap could be tricky.
Both the U.S. solar and offshore wind manufacturing industries are pushing the Biden administration for more support, in addition to what is included in the IRA, to ensure they have the financing and economics needed to follow through with their investment plants.
O'Boyle and others said additional challenges include permitting and constructing transmission lines required to connect new power generation to consumers.
Around 2,000 GW of mainly renewable generation and energy storage are in regional grid interconnection queues across the United States, with recent announced projects - many incentivized by the IRA's tax credits - taking upwards of five years to connect.
The Federal Energy Regulatory Commission and the Energy Department are working on reforms aimed at speeding up the interconnection backlog and expanding transmission.
Levin of the NRDC said states can also help fill the gap with strengthened renewable energy targets and EV policies, especially as IRA-driven investments hit the ground from California to Texas to Pennsylvania.
"That is a huge piece of the puzzle," she said.

Top News - Dry Freight

INSIGHT-Somali pirates' return adds to crisis for global shipping companies

As a speed boat carrying more than a dozen Somali pirates bore down on their position in the western Indian Ocean, the crew of a Bangladeshi-owned bulk carrier sent out a distress signal and called an emergency hotline.
No one reached them in time. The pirates clambered aboard the Abdullah, firing warning shots and taking the captain and second officer hostage, Chief Officer Atiq Ullah Khan said in an audio message to the ship's owners.
"By the grace of Allah no one has been harmed so far," Khan said in the message, recorded before the pirates took the crew's phones. The company shared the recording with Reuters.
A week later, the Abdullah is anchored off the coast of Somalia, the latest victim of a resurgence of piracy that international navies thought they had brought under control. The raids are piling risks and costs onto shipping companies also contending with repeated drone and missile strikes by Yemen's Houthi militia in the Red Sea and other nearby waters. More than 20 attempted hijackings since November have driven up prices for armed security guards and insurance coverage and raised the spectre of possible ransom payments, according to five industry representatives.
Two Somali gang members told Reuters they were taking advantage of the distraction provided by Houthi strikes several hundred nautical miles to the north to get back into piracy after lying dormant for nearly a decade.
"They took this chance because the international naval forces that operate off the coast of Somalia reduced their operations," said a pirate financier who goes by the alias Ismail Isse and said he helped fund the hijacking of another bulk carrier in December. He spoke to Reuters by phone from Hul Anod, a coastal area in Somalia's semi-autonomous northeastern region of Puntland where the ship, the Ruen, was held for weeks.
While the threat is not as serious as it was in 2008-2014, regional officials and industry sources are concerned the problem could escalate. "If we do not stop it while it's still in its infancy, it can become the same as it was," Somali President Hassan Sheikh Mohamud told Reuters last month at his highly-fortified art deco palace, Villa Somalia.
Over the weekend, the Indian Navy intercepted and freed the Ruen, which was sailing under Malta's flag, after it ventured back out to sea. The European Union's anti-piracy mission, EUNAVFOR Atalanta, said the pirates may have used the ship as a launchpad to attack the Abdullah.

The Indian Navy said all 35 pirates aboard surrendered, and the 17 hostages were rescued without injuries. Cyrus Mody, deputy director of the International Chamber of Commerce's anti-crime arm, said the intervention of the Indian Navy, which has deployed at least a dozen warships east of the Red Sea, could have an important deterrent effect. "This intervention does show that the risk/reward is very much against the pirates, and hopefully that will make them think a few times over," he said. A Bangladeshi foreign ministry official, however, told Reuters the government was "not in favour of any kind of military action" to free the Abdullah. The official, who asked not to be named to discuss a sensitive matter, cited the pirates' advantages when operating close to the Somali coast.

RISING COSTS

The waterways off Somalia include some of the world's busiest shipping lanes. Each year, an estimated 20,000 vessels, carrying everything from furniture and apparel to grains and fuel, pass through the Gulf of Aden on their way to and from the Red Sea and Suez Canal, the shortest maritime route between Europe and Asia. At their peak in 2011, Somali pirates launched 237 attacks and held hundreds of hostages, the International Maritime Bureau reported. That year, the Oceans Beyond Piracy monitoring group estimated their activities cost the global economy about $7 billion, including hundreds of millions of dollars in ransoms. The current rate of attacks is significantly less, with the pirates primarily targeting smaller vessels in less patrolled waters, maritime risk managers and insurers said. Since November, they have successfully seized at least two cargo ships and 12 fishing vessels, according to EUNAVFOR data. But the mission - which as of February had identified up to five so-called pirate action groups active in the eastern Gulf of Aden and Somali Basin - has warned that the end of the monsoon season this month could see them push further south and east. Their raids have extended the area in which insurers impose additional war risk premiums on ships. Those premiums are getting more expensive for voyages through the Gulf of Aden and Red Sea, adding hundreds of thousands of dollars to the price tag for a typical seven-day voyage, insurance industry officials said. Growing demand for private armed guards is also driving up prices. The cost to hire a team for three days jumped around 50% in February month-on-month, to between $4,000 and $15,000, maritime security sources said. While of limited use against Houthi missiles and armed drones, the guards have proven an effective deterrent against pirate hijackings. No ransom payments have been reported, but the pirate financier, Isse, and another source familiar with the matter said negotiations had taken place about a payoff in the millions of dollars to release the Ruen. A spokesperson for NAVIBULGAR, the Bulgarian company that manages the ship, said it could not comment on ransom negotiations but was grateful to the Indian Navy for freeing its seamen. A spokesperson for the Abdullah's owner, SR Shipping, said the pirates had made contact through a third party, but the company had not received a ransom request.

FLAGGING RESOURCES

Security experts say there is no evidence of direct ties between the Houthis and Somali pirates, though Isse said the pirates had been inspired by the militia's attacks. In response to the raids over a decade ago, shipping companies beefed up security measures on board, and international navies joined operations led by NATO, the European Union and the United States. As many as 20 warships from 14 different countries would patrol the Gulf of Aden and Indian Ocean shipping lanes - an expanse the size of the Mediterranean and Red Seas combined - at any given time.

The measures practically eliminated pirate attacks. But as the threat receded, participating countries cut back the number of warships, said John Steed, former head of the counter-piracy unit at the U.N. Political Office for Somalia. "Countries' ships dip in and out of the various missions and back to national command," he said.

EUNAVFOR, the U.S. State Department and the British navy said they were committed to helping Somalia tackle piracy. They did not respond to questions about whether patrols were stretched too thin or whether they would commit additional resources. Steed said another issue was the lapse in 2022 of a U.N. resolution that authorised foreign vessels to patrol in Somali waters. President Mohamud said the key to containing the threat was bolstering Somalia's law enforcement capacity at sea and on land, "not sending a lot of international ships".

According to Somali government data, the coast guard has 720 trained members, but only one of its four boats is functional. The capital, Mogadishu, Puntland and the breakaway Somaliland region also have maritime police forces with limited resources.

China 2024 grain imports seen near record high despite cancellations

Cereal and oilseed imports to China, the world's biggest buyer of farm goods, will remain near record highs this year despite a recent spate of cancellations as lower global prices and a domestic output shortfall prompt purchases.

China's wheat imports from Australia in January and February this year have nearly quadrupled from the same time last year, the latest customs data show. That trend should continue even after Beijing cancelled or postponed 1 million metric tons of Australian wheat last week.

The cancellations, along with those for about 500,000 tons of U.S. wheat, had raised concerns of flagging

Chinese demand, which because of its outsized role in global agriculture markets could have led to lower prices. But traders and analysts say the cancellations will not impact overall demand as lower wheat prices will spur buying, along with more government funds allocated to boost grain and oil seed stockpiles.

"China's imports of wheat and barley from Australia are running at break-neck speed," said Ole Houe, director of advisory services at brokerage IKON Commodities in Sydney.

"And they are buying large volumes of soybeans, corn and wheat from other origins as well, such as the United States, France and Ukraine. The reality is that grain imports are going to be similar to last year's record pace."

China spent $234 billion on agriculture imports last year and is the world's biggest soybean buyer, taking more than 60% of the oilseed shipped worldwide, mostly from Brazil and the United States.

It has also become the top wheat buyer in recent years, particularly for higher quality grain, mostly from Australia, Canada and the U.S. China was the second-largest corn importer last year, mainly for animal feed, with buying driven by higher local prices.

Crush margins turning positive this month have driven soybean imports, with processors in the hub of Rizhao making 114.29 yuan per ton after incurring losses since October.

"Crush margins in China have improved as Brazilian prices have declined due to a big crop entering the market," said an international grain trader in Singapore.

"We expect buying to pick up from April and overall China's imports this year will be similar to last year."

China bought 99.4 million tons of soybeans in 2023, up 10.3 million tons from a year earlier.

The U.S. Department of Agriculture forecasts China's soybean imports at 103 million tons in the marketing year ending Aug. 31, 2025.

"Increased soybean meal inclusion rates due to competitive prices, stable demand in the poultry sector, and growing demand in aquaculture is expected to offset weaker demand in the swine sector," it said in Wednesday's report.

China has been stockpiling more food in the aftermath of supply chain disruptions from the coronavirus pandemic and the Ukraine war.

A slowing economy has moderated import growth, traders and analysts said, but demand continues to rise with a growing middle class in the nation of 1.4 billion people.

OPPORTUNISTIC BUYER

For wheat, traders said the size and quality of the June harvest will determine China's imports, although Beijing is expected to continue buying higher quality grains for bread and pasta.

"The issue is that China will always need to buy good milling wheat from the U.S, Canada and Australia," said Stefan Meyer, a grains broker at StoneX in Sydney.

"China needs wheat to blend with its domestic wheat quality, which is not very good."

Crop quality declined because of adverse weather ahead of last year's harvest, prompting record imports, with some of the damaged wheat believed to replace corn in animal feed.

However, China's corn imports have been rising as feed makers take advantage of lower international prices.

China imported 6.19 million tons of corn in the first two months of this year, up 16% from a year ago. Full year imports are likely to remain steady, a Shanghai-based analyst said.

China also snapped up Australian barley for malting and animal feed after lifting punitive duties on the grain in August. In the first two months of the year, China's barley imports nearly tripled from a year earlier to 2.71 million tons, mostly from Australia.

Picture of the Day

An experimental offshore wind turbine manufactured by Spanish company Saitec operates near the coastal town of Armintza, Spain, March 21. REUTERS/Vincent West

(Inside Commodities is compiled by Nachiket Tekawade in Bengaluru)

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