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

Top News - Oil

China 2023 oil refinery output forecast to rise 8% on demand recovery

China's oil refinery throughput this year is forecast to rise 7.8%, according to a think tank of state energy group CNPC, reversing last year's decline as the the world's second-largest oil consumer is set for a recovery in fuel demand.

Refinery throughput is estimated to reach 733 million tonnes, or 14.66 million barrels per day (bpd), for 2023, China National Petroleum Corporation's (CNPC) Economics and Technology Research Institute (ETRI) said in its annual industry outlook released on Monday.

With Beijing determined to revive its sagging economy after lifting COVID-19 controls last December, Chinese refined fuel consumption is expected to rebound with top refiner Sinopec earlier on Monday separately predicting a 3.3% increase in its annual throughput this year.

"(We are) expecting refined fuel consumption to rebound progressively in 2023...with gasoline set for strong recovery, diesel fuel to hold steady and improving further while jet kerosene is bottoming out," ETRI said.

That will likely lead to 6.2% growth in this year's crude oil imports to 540 million tonnes, or 10.8 million bpd, the research unit said.

The growth is in line with forecasts by independent analysts predicting China's oil imports will rise to new highs this year as a result of the COVID policy change and new refineries coming on stream.

The CNPC think tank also predicted that the country's refineries will operate at an average of 79.4% of their capacity in 2023, up from 73.6% last year.

China has become the world's largest refiner following a recent petrochemicals-led expansion. Natural gas consumption is seen rising 5.2% this year to 386.5 billion cubic meters, the outlook said.

China's state economic planner reported that gas consumption fell by 1.7% last year in its first decline in two decades as pandemic measures and high global prices suppressed economic activities.

The CNPC think tank predicted that China's gasoline output will increase by 7.6% this year to 156.4 million tonnes, diesel output will rise by 6.1% to 202.9 million tonnes and jet fuel production will surge by 18.4% to 34.9 million tonnes.

Iraqi Kurdistan region's oil output at risk after Turkey halts pipeline exports

Oil production in Iraq's semi-autonomous Kurdistan region (KRI) is at risk after a halt in northern exports has forced firms operating there to divert crude to storage, where capacity is limited.

Iraq was forced to halt around 450,000 barrels per day (bpd) of crude exports from the KRI on Saturday through an export pipeline that runs from its northern Kirkuk oil fields to the Turkish port of Ceyhan.

Turkey halted the pumping of Iraqi crude from the pipeline after Iraq won an arbitration case in which it said Turkey had violated a joint agreement by allowing the Kurdistan Regional Government (KRG) to export oil to Ceyhan without Baghdad's consent.

Oil firms operating in the region have been left in limbo as they await the outcome of ongoing discussions between Ankara, Baghdad and the KRG to find a way to resume exports.

Gulf Keystone Petroleum, which operates the 55,000 bpd Shaikan field in the KRI, said in a statement on Monday that its "facilities have storage capacity that allow continued production at a curtailed rate over the coming days, after which the company will suspend production".

DNO and Genel Energy, which also operate in the region, said they are currently storing oil in tanks, which can accommodate several days of production.

The two firms hold stakes in the Tawke and Peshkabir fields, which produced 107,000 bpd of oil last year. Genel also holds stakes in the Taq Taq and Sarta fields, which produced a respective 4,500 bpd and 4,710 bpd last year, according to the company's annual results.

Production at the Khurmala oil field run by Kurdish group Kar is currently unaffected at around 135,000 bpd and heading into tank, a source familiar with the field operations told Reuters.

Shamaran Petroleum, another operator, said in a statement: "The company will remain in close contact with the other oil producers in the Kurdistan Region and with relevant government officials, and will continue to monitor this situation closely."

Top News - Agriculture

Russian wheat export prices continue to fall amid growing supply

Export prices for Russian wheat fell again last week after a deal allowing the safe Black Sea export of Ukrainian grain was renewed, which supported the downward trend in world markets, alongside increased export volumes, analysts said. Prices for Russian wheat with 12.5% protein content, delivered free on board (FOB) from Black Sea ports, fell $5 to $272 a tonne last week, the IKAR agriculture consultancy said.

"We are neutral/bearish on wheat short-term. The biggest bullish news that Russia could halt shipment is not likely to materialise. Russian FOB could go lower but the downside looks limited," the SovEcon agricultural consultancy wrote in its weekly note.

The Vedomosti business daily reported on Friday, citing two unidentified sources, that Russia could recommend a temporary halt in wheat and sunflower exports after a sharp drop in global prices in recent weeks.

"This story looks like an attempt to support the market which worked well in the short-term but doesn't look like a game-changer for the wheat market as the probability of any export disruptions remains low (not 0 of course)," - SovEcon said.

Russia exported 1.16 million tonnes of grain during the week to March 24 - 970,000 tonnes of which was wheat, SovEcon said. That was up from 870,000 tonnes of grain and 750,000 tonnes of wheat a week earlier.

SovEcon estimates Russia's wheat exports in March could reach 4.3 million tonnes, up from 2.1 million tonnes a year earlier and the highest level for March since 2018.

The current weather prognosis is friendly for winter crops, SovEcon noted.

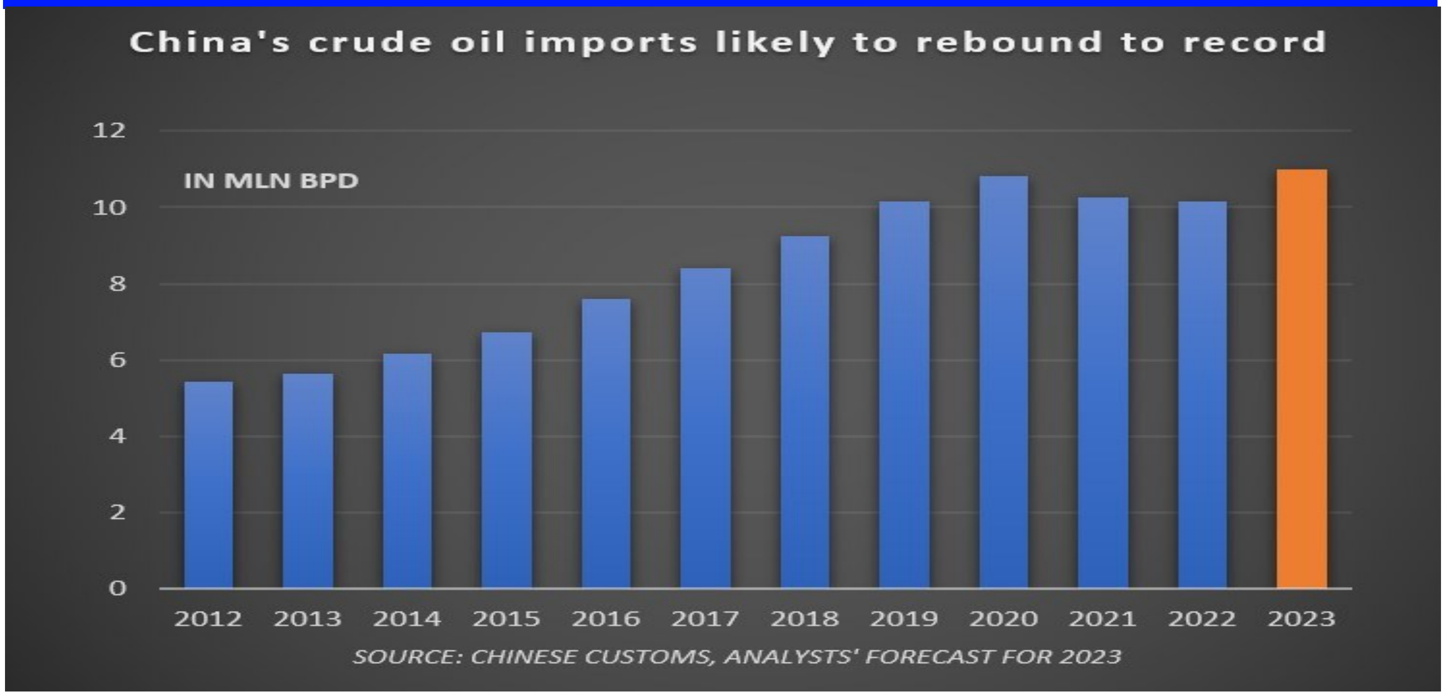
Russia's agriculture minister said last week that 93% of Russia's winter crops were in a good or satisfactory condition, down from 95% reported in February.

India's Maharashtra state to produce less sugar as mills close early

India's top sugar-producing state, Maharashtra, could churn out nearly 16% less sugar than the previously estimated as mills are closing early due to limited availability of sugar cane, a senior state government official told Reuters on Monday. Lower sugar output could prevent the world's second-biggest exporter from allowing additional exports, potentially supporting global prices and allowing rivals Brazil and Thailand to increase exports.

The western state of Maharashtra, which accounts for more than a third of India's sugar output, could produce 10.7 to 10.8 million tonnes in the 2022/23 marketing year that began on Oct. 1, down from an earlier forecast of

Chart of the Day



12.8 million tonnes, Maharashtra's sugar commissioner Shekhar Gaikwad said.
"Mills are closing at a rapid pace. Almost all mills will close by this month end. Only a handful will be operational in the first week of April," Gaikwad said.
Sugar mills in Maharashtra were operational until mid-June in 2021/22 as they harvested a record crop.
Maharashtra, which often surprises the global sugar market with wide swings in production, has produced 10.38 million tonnes of sugar as of March 26, lower than the last year's 11.6 million tonnes during the period.
Out of 210 sugar mills that started operations this year, 155 mills had stopped crushing as of March 26.
In 2021/22 Maharashtra produced a record 13.7 million tonnes, higher than an initial estimate of 11.2 million and allowing New Delhi to export a record 11.2 million tonnes.
India allowed mills to export only 6.1 million tonnes in the current season in the first tranche.
The industry was expecting the government to allow additional exports of around 2 million tonnes in a second tranche.
"The sharp drop in Maharashtra's production means there won't be additional exports," said a government official, who declined to be named.
India mainly exports sugar to Indonesia, Bangladesh, Malaysia, Sudan, Somalia and the United Arab Emirates.

Top News - Metals

China's February gold imports via HK triple on price dip
China's February net gold imports via Hong Kong nearly tripled from the previous month to their highest since August, on the back of a rebound in demand post Lunar New Year celebrations and a drop in bullion prices. Net imports into the world's top gold consumer stood at 64.878 tonnes in February, compared with 22.24 tonnes in January and 68.227 tonnes in August 2022.
Total gold imports via Hong Kong surged to 65.552 tonnes from January's 22.992 tonnes, Hong Kong Census and Statistics Department data showed on Monday.
Given that gold prices rose above $1,950 at the start of February and were below $1,850 for the second half of the month, this increase is not surprising, StoneX analyst Rhona O'Connell said.
Also, Swiss exports into China were high in February, reflecting solid demand and also a pick-up in China after the Lunar New Year, which would have slowed things down a bit in January, O'Connell added.
Data last week showed the world's biggest bullion refining and transit hub Switzerland's exports of gold to China rebounded in February. It exported 58 tonnes of gold to mainland China, the most since December. The Hong Kong data does not provide a complete picture of Chinese purchases because gold is also imported via Shanghai and Beijing.
Gold prices posted their biggest monthly decline since June 2021 in February, declining more than 5% after three consecutive monthly rises. Prices have rallied sharply this month, on the back of a global banking crisis fuelling demand for safe-haven assets, including gold.
Premiums on physical gold in China swung between $10 and $40 an ounce over global benchmark prices last month, helped by strong demand amid a dip in international rates.
"I suspect that the net imports into HK in February will be reflected in the March numbers with another pick-up – at least until the sharp rally of ten days ago," said O'Connell.

U.S. Supreme Court turns away challenge to Trump's tariffs on steel imports
The U.S. Supreme Court on Monday declined to hear a challenge to U.S. steel import tariffs imposed in 2018 under former President Donald Trump - a policy he touted as defending American national security - and largely maintained by President Joe Biden. The justices turned away an appeal by a group of U.S.-based steel importers of a lower court's ruling rejecting their challenge to the Trump administration's imposition of tariffs under a Cold War-era trade law.
At issue in the case was whether the findings in a 2018 report to Trump that recommended he impose steel tariffs were subject to second-guessing by courts under federal administrative law.
The report by then-Commerce Secretary Wilbur Ross determined that excessive steel imports were threatening U.S. national security, with the imports causing domestic steel plants to close and undermining the U.S. "ability to meet national security production requirements in a national emergency." In March 2018, Trump ordered a 25% tariff on steel imports from most nations. He also ordered a 10% tariff on aluminum imports.
Several companies that import steel products, including subsidiaries of Colmar, Pennsylvania-based Dorman Products Inc and Turkish steel producer Borusan Mannesmann, sued in the U.S. Court of International Trade. They argued that the Ross report was "arbitrary and capricious" under a federal law called the Administrative Procedure Act.
The trade court in 2021 ruled against the steel importers, finding that the Ross report could not be challenged in court because it was not a "final agency action."
On appeal, the U.S. Court of Appeals for the Federal Circuit broke with the trade court, ruling that the Ross findings did constitute a final agency action. However, the Federal Circuit found that the report's findings were not subject to court review under administrative law and that the policy otherwise complied with federal law.

The Biden administration, which has largely maintained Trump's tariff policy, urged the justices not to take up the appeal. Trump is a Republican and Biden a Democrat.
In imposing the tariffs, Trump invoked Section 232 of the Trade Act of 1962, which allows a U.S. president to restrict imports of goods critical to national security. Exemptions were granted to some countries, but the tariffs became an irritant in foreign relations including with European allies.
Trump at the time said the tariffs were necessary for national security to maintain healthy domestic production, and said the United States was committed to building its ships, planes and other military equipment with American steel.
During his presidency, Trump rattled the world trade order by imposing unilateral tariffs to combat what he called unfair trade practices by China, the European Union and other major trading partners of the United States. China and some other countries retaliated by imposing tariffs on U.S. goods.
The Supreme Court last year refused to hear a separate challenge by steel companies to Trump's 2018 decision to double tariffs on steel imports from Turkey, also on national security grounds.

Top News - Carbon & Power

EXCLUSIVE-US plans ultimatum in Mexico energy dispute, raising threat of tariffs
The Biden administration plans to send Mexico an "act now or else" message in coming weeks in an attempt to break a stalemate in an energy trade dispute as bipartisan calls grow for the U.S. to get tougher with its southern neighbor, according to people familiar with the discussions. The move would represent a significant escalation in already-strained tensions between U.S. President Joe Biden and his Mexican counterpart, Andres Manuel Lopez Obrador.
Obrador's decision to roll back reforms aimed at opening Mexico's power and oil markets to outside competitors sparked the trade dispute. The Office of the United States Trade Representative (USTR) is expected to make what was described as a "final offer" to Mexico negotiators to open its markets and agree to some increased oversight, three people familiar with the talks told Reuters.

MARKET MONITOR as of 06:44 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$72.92 / bbl	0.15%	-9.15%
NYMEX RBOB Gasoline	$2.65 / gallon	-0.14%	6.99%
ICE Gas Oil	$786.25 / tonne	2.31%	-14.63%
NYMEX Natural Gas	$2.10 / mmBtu	0.57%	-53.07%
Spot Gold	$1,954.10 / ounce	-0.13%	7.11%
TRPC coal API 2 / Dec, 23	$128.25 / tonne	2.60%	-30.58%
Carbon ECX EUA / Dec, 24	€91.41 / tonne	1.66%	3.88%
Dutch gas day-ahead (Pre. close)	€43.25 / Mwh	1.76%	-42.77%
CBOT Corn	$6.47 / bushel	-0.27%	-4.72%
CBOT Wheat	$7.09 / bushel	-0.07%	-11.17%
Malaysia Palm Oil (3M)	RM3,662 / tonne	2.40%	-12.27%
Index (Total Return)	**Close 27 Mar**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	287.82	1.52%	-4.48%
Rogers International	26.39	0.61%	-7.94%
U.S. Stocks - Dow	32,432.08	0.60%	-2.16%
U.S. Dollar Index	102.86	-0.25%	-0.64%
U.S. Bond Index (DJ)	406.05	-0.69%	4.18%

If not, the U.S. will request an independent dispute settlement panel under the Unites States Mexico Canada Agreement, or USMCA, they said. The United States and Canada demanded dispute settlement talks with Mexico in July, 250 days ago. Under USMCA rules, after 75 days without a resolution they were free to request a dispute settlement panel, a third party that rules on the case. At an event on Monday, Mexico's Economy Minister Raquel Buenrostro said the United States has been entitled to call for a panel since Oct. 3. If the panel rules against Mexico and it fails to take corrective action, Washington and Ottawa could ultimately impose billions of dollars in retaliatory tariffs on Mexican goods. The White House has hoped to avoid escalating trade tensions with Mexico as it sought help on immigration and drug trafficking. But months of talks have yielded little progress and the administration has run out of less-combative options, the sources told Reuters. Raising the stakes in the dispute carries significant risk for Biden, who is expected to launch a re-election bid in coming weeks and will face Republican criticism over his handling of immigration and drug trafficking. Biden needs Mexican help to control the border after COVID-era restrictions are lifted on May 11.
A U.S. official acknowledged growing frustration with the lack of progress in the discussions. "We want to see clear progress on this issue and address the concerns that have been raised by our negotiating teams," said the official, who declined to be named because the discussions were private. A USTR spokesperson declined comment on the energy consultations with Mexico, but Trade Representative Katherine Tai hinted at possible escalation during a Senate Finance Committee hearing on Thursday when questioned about the talks.
"We are engaging with Mexico on specific and concrete steps that Mexico must take to address the concerns set out in our consultations request. This is still very much a live issue," Tai said. She later added: "We know that all the tools in the USMCA are there for a reason."
U.S. oil companies, such as Chevron and Marathon Petroleum, along with solar and wind power companies, have struggled to get permits to operate in Mexico in recent years. Mexico's Buenrostro said the challenges of transitioning to renewable energy and getting those projects connected to the power grid were at the bottom of the issue. "It is not that they are being given discriminatory treatment, it is that we have difficulties of a technical nature," Buenrostro said, adding investments in power distribution were being made to address the issues. The potential move by the Biden administration comes just weeks after USTR escalated another trade dispute with Mexico over its plans to ban genetically modified corn for human consumption, requesting formal consultations. The energy dispute is a step ahead under the USMCA's enforcement mechanism. The Biden administration alleges Obrador is favoring state oil company Petroleos Mexicanos (Pemex) and national power utility Comision Federal de Electricidad (CFE), and discriminating against U.S. companies.
"I think you're going to increasingly see folks looking for ... the next step of establishing a panel relatively soon," a congressional aide said, noting patience on Capitol Hill over the talks was wearing thin. Ron Wyden, a Democrat senator from Oregon and chair of the Senate Finance Committee, told Tai on Thursday that Mexico was "flouting" its USMCA obligations by shutting out U.S. renewable energy firms. "Eight months have passed. American clean energy producers are still waiting for access. In my view, it’s long past time to say enough is enough and escalate this into a real dispute settlement case," Wyden said. U.S. imports from Mexico totaled $455 billion in 2022 against exports of over $324 billion, for a record U.S. trade deficit of $130.5 billion, according to government data.

EnBW speeds up coal exit as grid, renewables profits to soar

German utility EnBW expects its core profit to rise by as much as 58% in 2023 on the back of its energy networks, renewables and trading divisions, reason enough for the group to accelerate its coal power phase-out by seven years. EnBW, one of Germany's largest utilities, operates 4.3 gigawatts (GW) of lignite- and hard coal-fired power plants, accounting for a third of its total installed capacity. This compares with 5.4 GW of renewable capacity.
EnBW came under pressure last year when its VNG trading division had to cope with Russia's move to curtail and then halt gas supply via the Nord Stream pipeline, which led to a funding agreement but no state bailout.
On Monday, EnBW moved forward its planned phase-out of coal-fired power generation to 2028 from 2035, a target already ahead of the 2038 deadline set by the government. "This will accelerate our path towards climate neutrality," Chief Executive Andreas Schell said during the group's annual news conference. "However, one thing is also clear: achieving our goals requires the increased expansion of renewable energies and grids in Germany, as envisaged by the German government."
EnBW, which proposed an unchanged dividend of 1.10 euros per share for 2022, plans gross investments of 14 billion euros ($15 billion) by 2025, three-quarters of which are allocated to the expansion of grids and renewables.
A process to sell a 49.9% stake in its power grids division TransnetBW is also well underway, EnBW said.
For 2023, the company expects an adjusted core profit (EBITDA) of 4.7 billion to 5.2 billion euros, after an 11% increase last year to 3.3 billion. Profits in 2022 were impacted by charges related to the halt of Russian gas supplies. "We owe this result to prudent planning and our integrated lineup across the entire value chain," Schell said.

Top News - Dry Freight

COLUMN-China's Q1 coal imports jump to new highs as factories throttle up: Maguire

China's imports of thermal coal in the opening quarter of 2023 have soared to new highs as utilities and businesses restocked in anticipation of greater energy use following the easing of strict zero-COVID policies that curbed coal demand in 2022. Total thermal coal imports through March soared 81% from the same period a year ago to 65.7 million tonnes, according to ship-tracking data from Kpler.

Coal ports along China's south and east coasts accounted for more than 45 million tonnes of the total imports, revealing sharp rises in demand along the country's main manufacturing corridors.

With China having been largely sidelined from coal markets in 2022 by repeated battles with COVID-19, the country's aggressive return to coal import markets so far in 2023 raises the prospect of a surge in coal-fired emissions from the world's largest goods manufacturer and exporter.

SOUTHERN SURGE

Ports feeding China's south coast saw the largest year-over-year increase in thermal coal imports.

Four key southern ports - Guangzhou, Qinzhou, Huizhou and Fangcheng - totalled more than 13.2 million tonnes of imports between them through March, up more than 90% from the same period in 2022. The southern region as a whole saw imports jump to 19.5 million tonnes in the first quarter, up by more than 10 million tonnes from the same period a year ago and the highest since at least 2017, according to Kpler.

While China as a whole uses domestic coal production for over 90% of its coal needs, most of Southern China's coal-fired power plants rely overwhelmingly on imports.

Large distances from China's main coal mines in the north make seaborne imports from exporters like Indonesia more economical than domestic rail and truck freight for most southern power producers and coal-burning plants and factories.

The port of Guangzhou, which feeds power plants and factories throughout China's famed Pearl River Delta, saw coal imports fall by 34% in 2022 from 2021 as COVID-related movement restrictions snuffed out power consumption.

Imports into Guangzhou have climbed by 9.2% for the first quarter of 2023 from 2022's levels, indicating scope for further rises in coal imports into the hub should factory output continue to gather momentum.

The port of Qinzhou, in the Guangxi region, has seen thermal coal imports jump nearly threefold to 4.3 million tonnes in the first quarter of 2023 from the same period in 2022.

That makes puts the port - which handles materials into and out of the region's producers of textiles, fertilizer and engines - on track to be one of the largest coal entry points into China in 2023.

EASTERN PROMISE

The largest coal ports along China's east coast - spanning Fujian to Shandong provinces as well as the Shanghai municipal region - drew in a total of 25.8 million tonnes of coal in the first three months of 2023, compared to 15.4 million in the first quarter of 2022.

The region imported over 106 million tonnes in 2021, indicating a quarterly pace in excess of 25 million tonnes can be maintained if power needs dictate.

However, the eastern region is also home to some of China's largest liquefied natural gas (LNG) import terminals, so many power producers and large plants in the area have the means to use both coal and natural gas in their energy generation mix.

That said, much of the industries based along the east coast are oriented towards the production of low-value commodities such as metals, chemicals, plastics and textiles, which tend to be highly cost sensitive. If global demand for those materials climbs over the course of 2023, then the producers of them may benefit from rising end-product prices that may give them scope to absorb rising energy prices tied to the use of natural gas. But if global goods demand stalls, then many east coast industries may be forced to keep costs in check and may resort to favouring cheaper coal power over cleaner gas.

NORTHERN REBOUND

Of all regions, ports across northern China saw the steepest annual decline in coal imports in 2022 from 2021, mainly due to the ability of power producers in that area to access cheaper local coal in place of pricier imports. However, coal imports into key northern ports so far in 2023 have climbed by 83% from the first quarter of 2022, to over 10 million tonnes and the highest for that time slot since at least 2017.

This suggests that utilities and heavy industry have opted to restock coal reserves from the international market in recent months in anticipation of a sustained recovery in demand from the area's producers of cars, pharmaceuticals and chemicals. In combination, all of China's main economic hubs are on track to steer the country's thermal coal imports to new heights in 2023, reversing the slump seen in China's coal use in 2022.

The collective climb in coal use throughout China's main industrial hubs will also elevate coal-related emissions, which already scaled record highs in 2022 despite China's reduced involvement in coal markets last year.

Ivory Coast 2022/23 cocoa arrivals seen at 1.753 Mln T by March 26

Cocoa arrivals at ports in the world's top grower Ivory Coast reached 1.753 mln tonnes by March 26 since the start of the season on Oct. 1, down 5.2% from the same period last season, exporters estimated on Monday.

About 12,000 tonnes of beans were delivered to Abidjan port and 14,000 tonnes to San Pedro between March 20 and March 26 for a total of 26,000 tonnes, up from 25,000 tonnes to the same week the previous season.

Picture of the Day

Guillaume Carnir, who works for France's National Forest Agency (ONF), looks at plumes of smoke coming out of the soil, caused by brown coal combustion following last summer's wildfires, at Bousquet lake area in Hostens as forests of the Gironde region were sorely impacted by last summer's fires, France, March 21, 2023. REUTERS/Stephane Mahe

(Inside Commodities is compiled by Soumya Chatterjee in Bengaluru)

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

To subscribe to Inside Commodities newsletter, **click here**.

Refinitiv
28 Liberty Street, New York, NY 10005

Please visit: **Refinitiv** for more information.

Privacy statement

REFINITIV

An LSEG Business