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

Top News - Oil

China refinery output slips 1.8% y/y on maintenance, falling profit margins
China's oil refinery output slipped 1.8% from year-ago levels in May, statistics bureau data showed, as refiners undertook planned maintenance overhauls and processing margins were pressured by rising crude costs. Refiners processed 60.52 million metric tons of crude oil in May, according to data from the National Bureau of Statistics (NBS), equivalent to 14.25 million barrels per day (bpd). This was down from 14.3 million bpd in April and 14.6 million bpd in May 2023.
Large state-run refineries such as Sinopec's Zhenhai and Zhanjiang, PetroChina's Dushanzi and Dalian plants, as well as big private refiner Hengli Petrochemical, were undertaking regular maintenance in May, according to Chinese commodities consultancy Oilchem. Operational levels at smaller independent processors edged up last month to 55.53% of their capacity, estimated by Oilchem, up 0.75 percentage points from April as some plants were encouraged by slight margin improvements.
But it was still sharply lower than 62.2% a year earlier, reflecting higher crude costs and lagging domestic fuel prices, despite a brief spike in fuel demand during the first week of May for holiday travel as car and rail trips surged. The number of domestic flights fell 1.79% year-on-year last month to 778,210 but were up 8.26% from pre-pandemic levels in 2019, according to civil aviation data provider Variflight. International flights roughly doubled from May 2023 to 58,878, although they remained 28.74% lower than in May 2019, the data showed.
Refinery throughput for January to May was up just 0.3% from a year earlier at 301.77 million metric tons, or 14.49 million bpd, the data showed.
NBS data showed China's crude oil production in May rose 0.6% from a year earlier to 18.15 million tons, or about 4.27 million bpd. From January to May, output grew 1.8% on the year at 89.1 million tons, or 4.28 million bpd. Natural gas production rose 6.3% last month on the year to 20.3 billion cubic metres (bcm), and output between January and May gained 5.2% to 103.3 bcm.

US oil refining capacity rises for second year in a row
U.S. crude oil refining capacity rose 1.5% to 18.38 million barrels per day (bpd) this year, a government report showed on Friday as a major new expansion in Texas boosted capacity. The Energy Information Administration (EIA) said the figures indicate capacity online as of Jan. 1, which reflected for the first time the startup last year of an about 250,000 bpd expansion to Exxon Mobil's Beaumont, Texas, refinery.
The gain was a second year in a row of increases due to expansions at existing operations. Still, processing capacity at the start of 2024 remained more than 500,000 bpd below the 2019 peak of 18.98 million bpd, which came before a wave of plant closures and conversions during the COVID-19 pandemic. Refiners process crude oil into gasoline, diesel, jet fuel and other products.
Marathon Petroleum Corp remained the largest refiner in the United States, able to process up to 2.95 million bpd, or 16% of the country's total, at its 13 U.S. plants, the EIA report showed.
Valero Energy Corp was the second-largest U.S. refiner by volume with its 2.21 million bpd capacity equal to about 12% of the total. Exxon was third largest with nearly 1.95 million bpd after a $2 billion expansion to its Beaumont refinery came online in spring, 2023, raising that facility's processing capacity to 609,000 bpd. The fourth largest refiner, Phillips 66, can process 1.39 million bpd while the fifth and sixth largest - PBF Energy and Chevron Corp - can each process more than 1 million bpd.
The sixth-largest refiner, Citgo Petroleum, is facing a court-ordered auction of shares in its parent that could lead to a change in ownership before the summer ends. Court officials are reviewing multi-billion-dollar bids for the shares and have scheduled a hearing on the offer in July.

Top News - Agriculture

Ukraine grain production to remain unprofitable in 2024, ministry says
Grain cultivation in Ukraine will remain unprofitable in 2024 owing to the Russian invasion, though losses will be less significant than in 2023, the Ukraine agriculture ministry said on Friday. Ukraine is a major global grain and oilseed grower and exporter, but its harvests and exports have declined since Russia invaded the country in February 2022."The improvement in profitability compared to the previous period is due to the restoration of export sea routes," a ministry statement said. The sea routes had reduced the cost of logistics and boosted returns on the domestic market despite the decline in global prices for all types of grains and oilseeds."Grain production, unfortunately, will remain unprofitable," the ministry said. The ministry did not specify how unprofitable grain cultivation would be but said that the profitability of oilseed crops will increase significantly. Sunflower profitability is expected to reach $45 a metric ton in 2024, compared with a loss of $4 a tonne in 2023, it said.

Soybean profitability will increase to $83 a ton from $69, while rapeseed profitability could jump to $78 a ton from $5 in 2023. Ukraine plans to harvest 56 million tons of grain in 2024, including 21 million tons of wheat, 28.5 million tons of corn and 5 million tons of barley. The 2024 crop could also include 13 million tons of sunflower seeds, 4 million tons of rapeseed and a record 5 million tons of soybeans.

French wheat conditions stabilise but harvest fears persist

Crop conditions for soft wheat in France were steady last week, data from farm office FranceAgriMer showed on Friday, but harvest prospects in the European Union's biggest producer remained poor after a damp growing season. Some 62% of soft wheat was estimated to be in good or excellent condition by June 10, unchanged from a week earlier but down from 85% a year earlier, FranceAgriMer said in a cereal report.

The score remained the lowest for the time of year since 2020, when French wheat crops were also affected by heavy rain, the report showed.

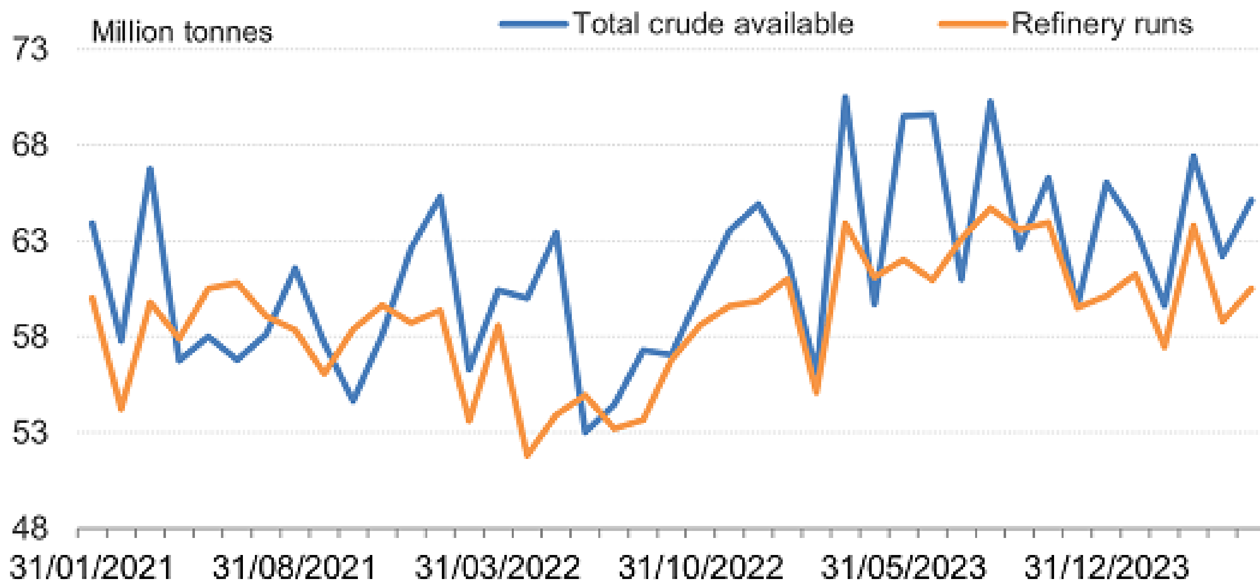
France had warm, sunny weather last week but rain has returned this week and observers say the cumulative effects of months of wet weather will likely lead to a double-digit percentage drop in soft wheat production this year. The agriculture ministry estimates that rain already cut soft wheat sowing by more than 7%.

FranceAgriMer does not comment on crop conditions in its weekly reports but Benoit Pietrement, a farmer who heads its grain committee, told reporters this week that weeds were a major issue because growers have struggled to work in waterlogged fields.

The increase presence of weeds and crop disease this year has added to harvest worries, though yields were not expected to be as bad as in 2016 when France harvested its worst wheat crop in three decades following an wet, overcast spring, Francois Laurent of crop institute Arvalis said. "It's going to be a disappointing year but not a disastrous one," he said, adding it was hard to predict yields after planting drawn out by rain made crops conditions very varied.

For winter barley, the first major cereal to be harvested in summer, the good/excellent rating gained two points last week to 65%, but remained well below a year-earlier score of 85%. In its first production forecast for this year's harvest, France's farm ministry projected the winter barley crop would be nearly 11% below last year's volume. For maize, 97% of the expected area had been planted, progressing from 90% a week earlier, FranceAgriMer said. The state of emerged maize crops was stable, with 80% rated good/excellent.

Chart of the Day



Top News - Metals

China May crude steel output jumps on improved demand, strong exports
China's crude steel output in May climbed 8.1% from the previous month and was up 2.7% from the year before, statistics bureau data showed, thanks to improved domestic demand and robust exports. The world's largest steel producer manufactured 92.86 million metric tons of crude steel last month, the highest for a single month since March 2023, data from the National Bureau of Statistics (NBS) showed, versus 85.94 million tons made in April.
That represents average daily output of around 3 million tons, compared with 2.86 million tons in April and 2.91 million tons in May 2023. The number beat expectations of between 87 million and 90 million tons forecast by analysts. "The main reason for the monthly increase is decent domestic demand and strong exports," said Chu Xinli, an analyst at China Futures. Steel exports jumped by 4.45% from the prior month to 9.63 million tons in May, customs data showed earlier this month.
"Some electric-arc-furnace-based steelmakers resumed production and steel produced from the blast furnace process also picked up last month, partly driven by rising steel prices," said Jiang Zhenzhen, an analyst at consultancy CRU Group. An average of 53% of steel mills operated at a profit in May, compared to 45% in April, data from consultancy Mysteel showed. China produced a total of 438.61 million tons of crude steel from January to May, down 1.4% year on year. Output in June is likely to fall as demand was curbed by high temperatures in summer, heavy rains in southern regions and as steel margins thinned, analysts said. Analysts at state-backed investment bank CICC forecast China's crude steel output in 2024 to fall 1.1% from the previous year and real steel consumption to slide by 1.2% on the year.

Serbia to give green light for Rio Tinto lithium mine, FT reports
Serbian President Aleksandar Vucic is preparing to give Rio Tinto the green light to develop Europe's largest lithium mine two years after Belgrade called off the project, the Financial Times said on Sunday.
Vucic told the newspaper that "new guarantees" from the global mining giant and the European Union looked set to address Serbia’s concerns over whether necessary environmental standards would be met at the Jadar site in the west of the country.
Rio Tinto said in a statement emailed to Reuters: "We believe the Jadar Project has the potential to be a world-class asset that could act as a catalyst for developing an EV (electric vehicle) value chain in Serbia".
Regarded as a critical material by the EU and the United States, lithium is used in batteries for EVs and mobile devices. "If we deliver on everything, (the mine) might be open in 2028" Vucic told the FT, adding that the mine was projected to produce 58,000 tons of lithium per year which would be "enough for 17% of EV production in Europe — approximately 1.1 million cars."
In 2022, Belgrade revoked licences for Rio's $2.4 billion Jadar project after massive environmental protests. If completed, the project could supply 90% of Europe's current lithium needs and help to make the company a leading lithium producer. In 2021 and 2022 Serbian environmentalists collected 30,000 signatures in a petition demanding that parliament enact legislation to halt lithium exploration in the country.

Top News - Carbon & Power

US as many as 15 years behind China on nuclear power, report says
The U.S. is as many as 15 years behind China on developing high-tech nuclear power as Beijing's state-backed technology approach and extensive financing give it the edge, a report said. China has 27 nuclear reactors under construction with average construction timelines of about seven years, far faster than other countries, said the study by Information Technology & Innovation Foundation, a Washington-based nonpartisan research institute. "China’s rapid deployment of ever-more modern nuclear power plants over time produces significant scale economies and learning-by-doing effects, and this suggests that Chinese enterprises will gain an advantage at incremental innovation in this sector going forward," the report said.
The U.S. has the world's largest fleet of nuclear power plants and President Joe Biden's administration considers the virtually emissions-free electricity source to be critical in curbing climate change. But after two large plants in Georgia came online in 2023 and 2024 billions of dollars over budget and delayed by years, no U.S. nuclear reactors are being built. A high-tech plant that had been planned to be built at a U.S. lab was canceled last year. China's state-owned banks can offer loans as low as 1.4%, far lower than available in Western economies. Its nuclear power industry has benefited from sustained state support and localization strategies that has allowed China to dominate sectors like renewable power and EVs.
The world's first so-called fourth-generation high-temperature gas cooled reactor at Shidao Bay came online last December. The China Nuclear Energy Association claims that the project involved the development of more than 2,200 sets of "world-first equipment" with a total localization rate of domestically produced materials of 93.4%. Backers of high-tech reactors say they are safer and more efficient than current plants. Critics say some new reactors introduce

proliferation and material risks. It has not all been smooth sailing for China. The China Nuclear Energy Association has warned that there was a severe glut in nuclear component production, and "excessive competition" was driving down prices and causing losses.
Stephen Ezell, the report's author, said if the U.S. is serious about nuclear it should develop a robust national strategy involving more investment in research and development, identifying and accelerating promising technologies, and supporting development of a skilled workforce. "While America is behind, it can certainly catch up technologically," said Ezell. The U.S. Department of Energy did not comment on the report.

ANALYSIS-Industry fears EU carbon border tax will penalise British green energy
British wind and solar farms exporting power to continental Europe could face CO2 fees from 2026 - even though they don't produce any emissions - unless the UK and European Union can agree changes around the EU's carbon border tax.The charges, set out in a little-noticed clause of the CO2 levy law, could hit revenues of renewable energy projects in the UK, add to already-high EU power prices and even lead to higher emissions, industry sources and analysts told Reuters. "It's a problem on both sides," said Adam Berman, deputy director of industry group Energy UK. "(It) disincentivises clean power in the UK at the moment in which we're trying to ramp up provision of clean power, and it's going to increase (power) prices in northern Europe."
The Carbon Border Adjustment Mechanism (CBAM) will impose a CO2 emissions fee on imports to the EU of steel, cement, aluminium, fertilisers, electricity and hydrogen, unless the exporting nation has equal CO2 pricing policies. Under its current design, the CO2 fee for power would be calculated using a default value based on average and historic power generation emissions. The British energy industry says that will unfairly penalise renewables. "It is an issue that we are conscious of and one that we have raised, that the UK has raised, with the EU," Catherine Stewart, the UK Treasury's deputy director for trade policy, told an event in Brussels last month.
A European Commission spokesperson said it would continue talks with all countries, including the UK, on the design of the carbon levy before finalising its application from 2026. The extra cost of the charge could make it uneconomic to export excess clean power from Britain to Europe at certain times when demand is weaker, renewables generation is high, and power prices are low, analysts said. Analysis from Aurora Energy Research, shared with Reuters, showed as much as 3 gigawatt hours (GWh) of renewable power generation, enough to power up to 2,000 homes a year, could be curtailed by 2030 if the fee proves a disincentive to exporters. "You are adding a tax on exporting, so this essentially reduces the profit margin every time you want to export," said Pranav Menon, GB Power & Renewables Lead at Aurora.
In 2030, the carbon border fee could knock 5% off the price British renewable projects can earn for their power, Aurora said.
Reduced access to cheap British electricity could increase wholesale power prices by up to 4% in markets like Ireland and Northern Ireland's Integrated Electricity

MARKET MONITOR as of 06:50 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$78.01 / bbl	-0.78%	8.88%
NYMEX RBOB Gasoline	$2.37 / gallon	-1.25%	12.61%
ICE Gas Oil	$758.00 / tonne	-0.72%	0.97%
NYMEX Natural Gas	$2.82 / mmBtu	-4.87%	11.97%
Spot Gold	$2,317.36 / ounce	0.62%	12.35%
TRPC coal API 2 / Dec, 24	$121.25 / tonne	-1.02%	25.00%
Carbon ECX EUA	€68.28 / tonne	-3.44%	-15.04%
Dutch gas day-ahead (Pre. close)	€35.03 / Mwh	-1.10%	9.98%
CBOT Corn	$4.53 / bushel	-2.21%	-6.35%
CBOT Wheat	$6.17 / bushel	-3.29%	-3.56%
Index	**Close 14 Jun**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	344.28	-0.53%	14.23%
Rogers International	29.10	0.19%	10.54%
U.S. Stocks - Dow	38,589.16	-0.15%	2.39%
U.S. Dollar Index	105.59	0.03%	4.20%
U.S. Bond Index (DJ)	431.46	0.55%	0.17%

Market which import a lot of power from the UK, the Aurora analysis showed. If European countries boost coal and gas power generation to make up the shortfall, CO_2 emissions could even rise - by as much as 13 million tonnes a year, equivalent to emissions of 8 million cars, an earlier analysis by AFRY suggested. A European Commission spokesperson said renewable power exports will be able to avoid the CO_2 fee if they can comply with certain criteria and prove their origin. But industry figures say that could be tough. "Most of the electricity (across interconnectors) is traded anonymously ... so it's almost impossible to demonstrate what that carbon content is," said Pieter-Jan Marsboom, products and services manager at UK-Belgian power interconnector Nemo Link.

UK ELECTION

British and EU diplomats have quietly begun discussing the issue, but the highly political nature of any post-Brexit deals between the two means no progress is expected before the UK general election on July 4. Some industry groups are already in talks with the Labour Party, which polls suggest is on course to comfortably win the election, in the hope that it would push in government for a deal with Brussels on the CO_2 levy. The Labour Party did not respond to requests for comment. One option would be to link the EU and UK carbon markets, exempting UK power producers from the tax. "The best way to deal with the (CBAM), and to stop the UK exporters paying a tax to the EU that could otherwise go into the UK budget, would be by having (carbon market) linking," said UK power generator SSE'S Group Head of Policy and Advocacy Alistair McGirr. So far, neither Brussels nor London has jumped at that idea. Former UK climate change minister Graham Stuart told Reuters in March that the two sides could examine the possibility of linking under their post-Brexit Trade and Cooperation Agreement. The European Commission spokesperson said the bloc is open to linking its carbon market with others, but this "must stem from a mutual wish from both parties". "This remains to be explored," the spokesperson said.

Top News - Dry Freight

Ukraine 2023/24 grain exports reach 48.7 mln T

Ukraine's grain exports in the 2023/24 July-June marketing season had risen to 48.7 million metric tons by June 14, against 47.1 million tons a year earlier, agriculture ministry data showed on Friday. The total volume included 1.74 million tons sent abroad since the start of June, slightly down from 1.79 million tons in the same period in 2023. Overall exports included 17.9 million tons of wheat, 27.8 million tons of corn and about 2.5 million tons of barley. The government said the country had harvested about 81 million tons of grain and oilseeds in 2023, with a 2023/24 exportable surplus of about 50 million tons.The ministry has said that the 2024 combined grain and oilseed crop could fall to 74 million tons, including 52.4 million tons of grain.

Uganda May coffee exports up 22% - UCDA

Uganda's coffee exports in May surged 22% from the same month last year, boosted by a bumper harvest from one of the major producing regions, according to the state -run sector regulator. Uganda is Africa's biggest exporter of the crop and earnings from the beans are a major source of foreign exchange.

The country shipped a total of 553,529 60-kilogram bags in May, the Uganda Coffee Development Authority (UCDA) said in a report seen by Reuters on Saturday. The surge in shipments was partly due to a bountiful harvest in the Masaka area in central Uganda, the UCDA said. Uganda earned slightly over a billion dollars from coffee shipments in the 12 months to May, it added, compared to $839 million in the year to May 2023.

Picture of the Day

A goat for sale is kept at a livestock market which has emerged on the sidewalk of a road ahead of Eid al-Adha celebrations, in Jakarta, Indonesia, June 15. REUTERS/Willy Kurniawan

(Inside Commodities is compiled by Lactus Fernandes in Bengaluru)

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

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

© 2024 London Stock Exchange Group plc. All rights reserved.

LSEG
10 Paternoster Square, London, EC4M 7LS, United Kingdom

Please visit: **LSEG** for more information

Privacy statement

LSEG DATA & ANALYTICS