

[Oil](#) | [Agriculture](#) | [Metals](#) | [Carbon & Power](#) | [Dry Freight](#)*Click on headers to go to that section***Top News - Oil****Trafigura charters supertanker to load gasoil from Mideast**

Global commodities trader Trafigura loaded diesel onto a supertanker in the Middle East this week, taking advantage of lower freight rates for crude tankers to send more fuel to the West, according to shipping data and several trade sources.

The shipment marks the first VLCC to move diesel in bulk from the Middle East to the West in nearly a year, Kpler data showed, and comes after costs of shipping fuel from Asia to the West jumped.

Attacks by Yemeni Houthis on ships in the Red Sea forced vessels to take a longer route via the Cape of Good Hope, tightening the supply of vessels used to ship clean products such as gasoline and diesel.

The Very Large Crude Carrier Plata Glory loaded mainly gasoil from Abu Dhabi National Oil Co's (ADNOC) Ruwais refinery and in a ship-to-ship transfer off Fujairah port this week, according to data estimates from Vortexa and two shipping sources.

It has the option to load more fuel before setting off for Africa, possibly Europe after, the sources added.

Trafigura and ADNOC declined to comment.

Traders have cleaned up Suezmaxes and VLCCs to load gasoil and jet fuel mainly from the Middle East and India's west coast, Vortexa's freight analyst Ioannis Papadimitrou said in a note.

It costs about \$70 per ton to ship gasoil from the Middle East or India to Europe on a long-range 2 (LR2) vessel that carries 65,000 tons of oil versus \$15 per ton on a VLCC that can load 270,000 tons, according to pricing data from SSY Tanker and two shipping sources.

The option for sellers to discharge some gasoil at some African destinations such as Togo and Tanzania on the way to Europe is an added benefit, a Singapore-based trade source said.

Trade sources say such a move could alleviate Asia's supply glut and support refiners' margins and prices.

However, it may also cap recent diesel price gains in northwest Europe, they added.

Some traders expect more crude tankers to be converted to carry clean products in the next two months as VLCC rates are expected to stay low amid lacklustre crude demand in Asia. At least two more VLCCs are in the process of cleaned up to load refined fuels the next few weeks, they added.

However, Vortexa's Papadimitrou said the trend is likely to moderate in August if clean tanker rates show signs of cooling.

"The clean-up of these few VLCC and Suezmaxes are already adding quite a fair bit of clean tonnage supply to the market which could cap clean tanker rates," he said. to produce 1.5 million tons of condensate per year.

COLUMN-U.S. manufacturing output has flat-lined, dampening diesel use: Kemp

U.S. manufacturing production has barely increased since before the pandemic, which explains why diesel consumption remains anaemic and has not rebounded in line with expectations at the start of the year.

Production increased by a faster-than-expected 0.9% in May after seasonal adjustments, but that followed back-to-back declines of 0.4% in April and 0.1% in March, according to estimates compiled by the Federal Reserve. Output was essentially unchanged compared with a year ago and there had been no significant net growth since 2018.

U.S. manufacturing has rebounded from the trade war with China in 2018 and the pandemic in 2020 but output is no higher than before those disruptions.

The Federal Reserve measures production in volume terms but the same limited growth is also apparent in value-added measures prepared by the U.S. Bureau of Economic Analysis.

Inflation-adjusted manufacturing value-added was worth \$2.29 trillion in 2023 up from \$2.21 trillion in 2018, an increase of just \$77 billion over five years.

Real manufacturing value-added has increased at a compound annual rate of only 0.7% since 2018, well below whole-economy growth of 2.1% and private sector growth of 2.3%.

For all the talk about a manufacturing renaissance, the sector's share of whole-economy value-added fell to 10.2% in 2023 from 11.0% in 2018.

More than three-quarters of all diesel and other distillate fuel oils are consumed by road and rail freight hauliers as well as industrial users.

Given flat-lining manufacturing activity, it is no surprise the volume of distillate fuel oil supplied to the domestic market has shown almost no growth since 2018.

The total volume of distillates from both petroleum and renewable sources supplied to U.S. customers was up by just 42,000 barrels per day (b/d) or 1% in 2023 compared with 2018.

Distillates supplied from petroleum sources actually fell by 213,000 b/d (5%) as more fuel was supplied by biodiesel and renewable diesel fuel.

Distillate consumption is also being hit by gradual conversion of residential and commercial heating systems from heating oil to natural gas.

On top of that, the exceptionally mild winter in 2023/24 took a further bite out of distillate consumption over the last 12 months.

Since the start of 2024, the manufacturing sector finally appears to have been pulling out of a long but shallow downturn in 2022 and 2023, but the recovery has been too weak to give much of a boost to diesel use.

U.S. manufacturing production is not growing fast enough

to offset the loss of petroleum demand to biofuels and efficiency improvements.

The U.S. Energy Information Administration is not forecasting any significant net growth in distillate consumption in 2024 or 2025

The U.S. manufacturing sector's torpor is one of the factors that have caused global petroleum consumption to undershoot predictions at the start of the year and led to the pull back in oil prices.

John Kemp is a Reuters market analyst. The views expressed are his own.

Top News - Agriculture

Severe drought forces corn farmers in China's east to delay planting

After weeks of scorching heat and little rain, farmer Zhang Yunjing had no choice but to collect water from a wastewater pipe to irrigate her parched corn field in China's eastern Shandong province.

Zhang would normally use water from a nearby river for the half hectare (1.24 acre) field, but it dried up a month ago.

Record high temperatures have swept across northwest and east China, a key grain producing region, during the crucial corn sowing season, threatening to curb production in the world's second-largest producer and consumer of the grain.

"There is no water," Zhang said. "Look, people are going to other villages to collect water. Seeds are not sprouting without water."

China, also the world's No. 1 corn importer, produced a record 288.8 million metric tons last year and aims to grow more to achieve food security, but climate shocks are posing big challenges.

The agriculture ministry warned this week that the drought is impacting the sowing and growth of new crops. Beijing has allocated 443 million yuan (\$61.1 million) for drought prevention work such as watering, replanting and adding fertiliser in seven provinces.

Lower grain output in the world's top cereal importer will encourage higher purchases from exporters such as Brazil, the United States and Argentina, underpinning global prices and food inflation.

The seven, drought-hit provinces account for roughly 35% of China's corn production, although some areas are likely to escape severe damage because they have irrigation capacity.

The heat hit Shandong, a major agricultural province, just as farmers were wrapping up their wheat harvest, damaging some of the ripened grain. Shandong has planted over 3.32 million hectares of corn so far this season, as well as 78,000 hectares of corn and soybean

intercrop planting. That compares with 3.29 million hectares of corn and 79,933 hectares of intercrop planted by the same time last year.

Near the capital Jinan, farmers are finding ways to mitigate the drought as they start to sow corn.

Some growers told Reuters that they are delaying planting to avoid the gruelling heat but still expect a poor harvest this year.

Despite pushing back his corn sowing from June 5 to June 20, Chen Fuling said his seeds will struggle to sprout due to the dry soil.

"We will not have a good harvest this year," he said.

Some seedlings that have sprouted are showing signs of heat stress.

"There was no water in the river. I can only mix pesticide with tap water," another farmer Wang Cuiping said.

China's emergency management ministry has asked people in the drought-hit regions, including northwestern Shaanxi, northern Hebei and Shanxi, eastern Anhui and Shandong as well as central Henan, to protect water and food production.

Analysts said the drought, if prolonged, will impact freshly emerged seedlings, but a bigger concern is the upcoming La Nina weather pattern which typically brings heavy rain to the region and may damage crops.

La Nina is expected to emerge in late summer, usually the end of September, according to China's meteorological department.

The summer corn crop is typically harvested around October.

"The drought did have some impact on corn planting but it is not a big problem now because the irrigation system is very effective in most areas of North China," said Rosa Wang, analyst at Shanghai-based agro-consultancy JCI. Near Zhang's farm, where many small plotters still rely on manual watering, a group of sweat-drenched farmers braved the heat to repair a well that had been unused for over 30 years. They attempted to add a high-pressure water pump to draw water from underground.

"Every year after the wheat harvest is done, it usually rains within 10 days. It has been 20 days and the rain has not fallen," Jiang Xueyuan said.

"We have planted the corn too late, even after the autumn, it will not mature in time. The money for seeds and pesticides will be wasted."

Some Vietnam coffee farms thrive despite drought, but may not stop espresso price hikes

Vietnamese coffee growers have been hit hard this year by the worst drought in nearly a decade, raising concerns of pricier espressos across the world, even as some farmers keep yields healthy with clever countermeasures. Domestic forecasts for next season's harvest in Vietnam, the world's second biggest coffee producer, remain grim. The Mercantile Exchange of Vietnam (MVX) expects a 10-16% fall in output because of the extreme heat that hit the Central Highlands coffee region between March and early May, according to deputy head Nguyen Ngoc Quynh.

However, a return of rains in recent weeks has improved the outlook, boosting confidence among farmers and officials. But it remains unclear whether the improved weather will help boost output and drive down prices of robusta beans, the variety most commonly found in espressos and instant coffees, of which Vietnam is the world's top producer.

"I expect the country's output to fall by 10-15%, but my farm will increase production", said Nguyen Huu Long, who grows coffee in a 50-hectare plantation in Gia Lai, one of the top coffee-producing provinces in Vietnam. To protect his trees during the heatwave, he kept the soil around the plants moist by covering it with leaves. Contrary to the local practice of cutting trees after a few years to boost soil quality, he keeps his growing for decades. As a result, plants have deeper roots and broader access to underground water reserves. Farmers in his plantation also soften the soil around plants to improve absorption of rainwater and fertilisers, said Doan Van Thang, 39.

Tran Thi Huong, a tenant farmer who works in another plantation 20 km from Pleiku, Gia Lai's capital, resorted to using more water than usual. Thanks to abundant

reserves from canals built by local authorities, she could keep her plants sufficiently irrigated during the heatwave. Coffee cherries are smaller than in previous years, but she expects the overall output to be unaffected. It also helped that she timely intervened with biopesticides against bugs that were more numerous than usual because of the extreme weather.

That is in line with the forecast from the United States Department of Agriculture (USDA) which estimates Vietnam's next harvest would be roughly steady versus the current season's output - far less pessimistic than domestic projections.

BITTER PRICE EFFECT?

Whatever the impact on the harvest will be, coffee prices for drinkers around the world are likely to rise.

Wholesale prices in Vietnam and London-traded robusta futures have risen to record highs earlier this year mostly after an underwhelming harvest in Vietnam and because of fears over the country's next harvest after the drought, according to multiple traders and analysts.

Record wholesale prices have so far had a limited impact on consumer prices, with coffee inflation up by only 1.6% in the 27-country European Union in April, according to the latest Eurostat data, and 2.5% in robusta-loving Italy. While well below price rises from a year earlier, it was higher than 1% in the March EU reading, a sign roasters may have started to pass their higher costs on consumers.

Besides, worries about Vietnam are far from over, as insufficient rains after the drought or excessive downpours before the upcoming October harvest season could further reduce output, warned a Vietnam-based trader.

The high wholesale prices may also be there to stay, as robusta demand is growing globally and farmers have boosted their leverage in the current circumstances, with many having also replaced coffee plants with pungent smelling durian, a tropical fruit experiencing huge demand in China.

"They have the financial ability to hoard and hold on goods, so they will not be in a hurry to sell," said Le Thanh Son, of Simexco, one of Vietnam's biggest coffee exporters.

Top News - Metals

Short covering, tight nearby supply briefly drive palladium above \$1,000/oz

Spot palladium prices in London hit a one-month high and briefly broke above the key level of \$1,000 per troy ounce in volatile trade on Friday as some investors covered their short positions and the market was tight for nearby physical supply.

Spot palladium was up 2.6% at \$947 per troy ounce by 1655 GMT after hitting \$1,027, its highest since May 22. Prices had touched their lowest in four months of \$867.51 on Tuesday.

The indicators of the short-term liquidity tightness were visible in thin market, known as an exchange of futures for physicals (EFP), where parties exchange a futures contract for the physical product.

"With the combination of money managers holding record short position in palladium futures, severe backwardation in the EFP market over the last days and sizable ETF allocation over the last month that results in withdrawal of the metal from the market, we are setting up for the possibility of an old fashioned short squeeze," Jeff Klein, a trader at Heraeus, told Reuters.

The availability of palladium bars was especially tight in London, two industry sources said.

South Africa, Russia and North America are the top producers of palladium, however the Russian bars made after early 2022 are off the London market after they lost their "good delivery" status with the start of Moscow's full-scale invasion of Ukraine.

Palladium, mainly used in the autocatalysts curbing harmful emissions, saw a 39% slump in 2023 due to bets that rising market share of palladium-free electric vehicles (EVs) would reduce demand in future.

The metals is, however, supported by this year's brighter sales estimates for hybrid cars, which need palladium, and continuing structural deficit in the market itself.

"Given the significant deficit, above-ground stocks have declined to their lowest levels in our records (dating back to 1980) this year, with further deficits expected in 2024

and 2025" said Wilma Swarts, head of platinum group metals research at consultancy Metals Focus.

"This will further tighten liquidity and is likely to lift or support prices this year," she added.

SQM shareholder Tianqi weighs legal actions after Chile regulator clears SQM-Codelco deal

China's Tianqi Lithium said on Friday it was evaluating possible legal action against a Chilean regulator's ruling allowing a tie-up between No. 2 lithium producer SQM, which it owns around a fifth of, and Chile's state-run copper giant Codelco.

Chile's financial regulator this week said a planned lithium joint venture between SQM and Codelco can proceed without a vote by SQM shareholders, which would have included Tianqi.

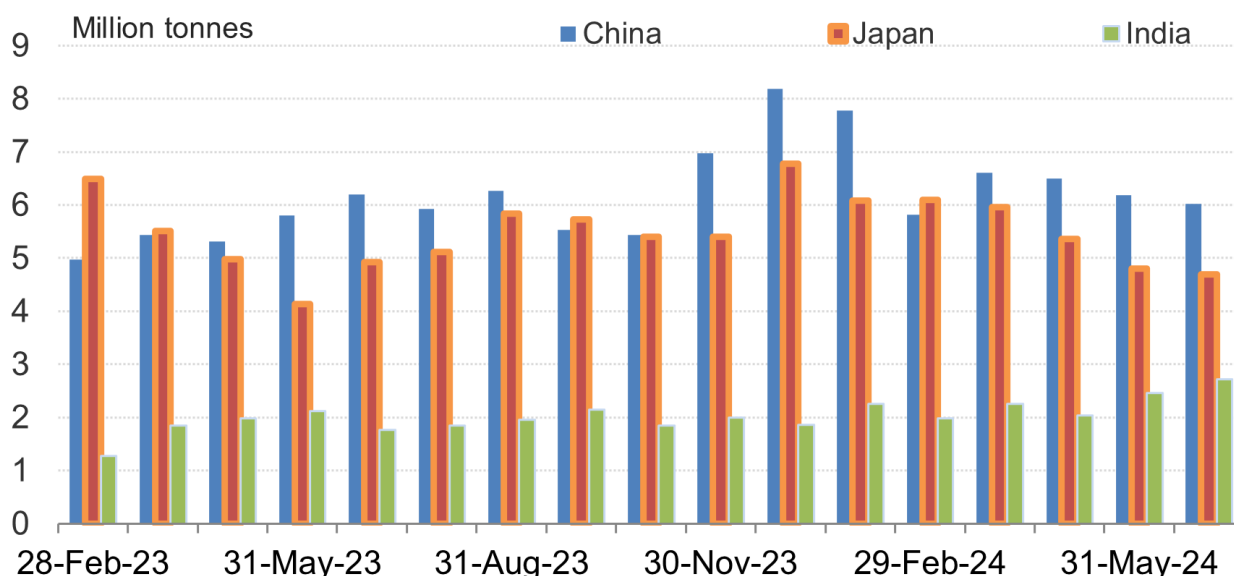
Tianqi has repeatedly pressed for the matter to be put to a shareholders' vote. It can appeal the regulator's decision to the courts.

"Our company, in compliance with its fiduciary duty and responsibility to its investors, is evaluating all possible legal actions and will take all pertinent measures in accordance with the law to enforce its rights and interests as a shareholder of SQM and an international investor," Tianqi said in a statement.

Chart of the Day

CHINA, JAPAN, INDIA LNG IMPORTS

LNG imports by China, Japan and India



Note: June 2024 is an estimate as of June 24.

Source: Kpler Reuters graphic/Clyde Russell 24/06/24



The Codelco-SQM agreement is a major plank of the Chilean government's aim to take a stronger role in lithium production, in a country that has only two

producers, SQM and U.S.-based Albemarle. Chile is the world's second-largest producer of the metal used in batteries for electric vehicles.

Top News - Carbon & Power

Equinor's Hammerfest LNG plant shut by power outage

Equinor's Hammerfest LNG plant in Arctic northern Norway has suffered an unexpected outage due to a sudden loss of power, halting all output, the company said on Sunday.

Production at Europe's largest liquefied natural gas export facility was halted late on Saturday and is expected to remain offline until 1900 GMT on Monday, according to a regulatory disclosure.

The plant's own power generators had been undergoing maintenance when its backup supply from an external grid failed, resulting in the outage, a company spokesperson said.

"We plan to restart on Monday," the spokesperson added. Hammerfest LNG, also known as Melkøya, has the capacity to deliver about 6.5 billion cubic metres of gas per year, enough to supply about 6.5 million European homes, and accounts for roughly 5% of all Norwegian gas exports.

Norway is Europe's largest supplier of natural gas after a sharp reduction in Russian deliveries since the start of the war in Ukraine in 2022.

The Melkøya plant receives its gas via a pipeline from the Snoehvit offshore gas field. Its owners are Equinor, Petoro, TotalEnergies, Vaar Energi and Wintershall Dea.

Rare LNG vessel sails through Red Sea amid Houthi attacks, data shows

The first liquefied natural gas (LNG) tanker since January is sailing through the Red Sea, just days after Yemen-based Houthi militants sank their second vessel in attacks begun last November.

The vessel, Asya Energy, passed Yemen, travelling through the Bab al-Mandab Strait on Tuesday, shiptracking data from LSEG and Kpler showed, the same week that the second ship believed to have been hit by the militants sank.

"Asya Energy is the first LNG tanker to sail through the

Strait since January, when LNG voyages through the Red Sea were suspended amid repeated rocket attacks," said LSEG analyst Olumide Ajayi.

Data showed the ship was carrying cargo, he added. Most LNG tankers have avoided the route after the Houthis' repeated drone and missile strikes in the Red Sea region. They call the attacks, since expanded to other busy waterways, acts of solidarity with Palestinians in Israel's war in Gaza.

The Suez Canal links the Red Sea to the Mediterranean, creating the shortest shipping route between Europe and Asia, and is connected to the Gulf of Aden by the Bab al-Mandab Strait between Yemen and Djibouti.

Palau-flagged Asya Energy is heading for Gibraltar, Kpler data shows. It previously called at the Sohar port in Oman, LSEG data showed.

It was not immediately clear who had chartered the ship. Nur Global Shipping manages the ship, which is owned by Lule One Services, Equasis data showed, with both companies based in Dubai in the United Arab Emirates. Nur Global Shipping did not immediately respond to a request for comment when contacted on LinkedIn.

Reuters could not find contact information for Lule One Services.

The Asya Energy may soon become the first vessel to take the Red Sea passage since Jan. 12 after waiting around the coast of Oman since mid-January, said Ana Subasic, natural gas and LNG analyst at data and analytics firm Kpler.

"At present, automatic identification system (AIS) signal feed to our platform shows the ballast vessel has set a course towards the Gibraltar checkpoint, although ... it is too early to be making an accurate prediction," she said.

"We are keeping a very close eye on it and waiting for more ad-hoc raw signals or market sources to feed in." Leading industry groups have called for urgent action in the Red Sea to stop attacks on merchant shipping by the Houthis, whose first ship sunk was the British-owned Rubymar, on March 2, about two weeks after being struck by missiles.

Top News - Dry Freight

South Korea's MFG bought about 132,000 T corn in private deal, traders say

South Korea's Major Feedmill Group (MFG) purchased an estimated 132,000 metric tons of animal feed corn in a private deal on Friday without issuing an international tender, European traders said.

It was all expected to be sourced from South America.

One 66,000 ton consignment was bought at an estimated \$242.89 a ton c&f plus an additional \$1.25 a ton

surcharge for additional port unloading for shipment from South America between Aug. 1-Aug. 31 for arrival in South Korea around Oct. 15.

Another 66,000 ton consignment was bought at an estimated \$242.79 a ton c&f plus an additional \$1.25 a ton surcharge for additional port unloading for shipment from South America between Aug. 15-Sept. 15 and arrival in South Korea around Oct. 31.

Seller was said to be trading house ADM. Reports reflect assessments from traders and further estimates of prices and volumes are still possible later.

The deal followed a separate purchase earlier on Friday by South Korea's Feed Leaders Committee (FLC) from ADM of about 66,000 tons of corn expected to be sourced from South America or South Africa.

Taiwan buys estimated 104,150 T wheat of U.S. origin

The Taiwan Flour Millers' Association purchased an estimated 104,150 metric tons of milling wheat to be sourced from the United States in a tender on Friday, European traders said.

The purchase involved various wheat types for shipment from the U.S. Pacific Northwest coast in two consignments.

The first consignment of 54,225 tons was for shipment between Aug. 25 and Sept. 8 and involved 34,750 tons of U.S. dark northern spring wheat of minimum 14.5% protein content. It was bought at an estimated \$277.72 a ton free on board (fob) and \$316.60 cost and freight (c&f) including ocean shipping costs to Taiwan, they said.

It also included 13,225 tons of hard red winter wheat of minimum 12.5% protein content, bought at \$268.10 a ton fob and \$306.98 a ton c&f, plus 6,250 tons of soft white wheat of minimum 8.5% and maximum 10% protein, bought at \$243.10 a ton fob and \$281.98 c&f.

The dark northern spring wheat in the first consignment was sold by trading house Columbia Grain International and the hard red and soft white was sold by Bunge, traders said.

The second consignment was 49,925 tons for Sept. 12-26 shipment involved 31,425 tons of U.S. dark northern spring wheat of minimum 14.5% protein content at an estimated \$283.29 a ton fob and \$323.17 a ton c&f.

It also included 11,850 tons of hard red winter wheat of minimum 12.5% protein content bought at \$261.07 a ton fob and \$300.95 c&f, plus 6,650 tons of soft white wheat of minimum 8.5% and maximum 10% protein, bought at \$248.13 a ton fob and \$288.01 c&f.

CHS sold the dark northern spring wheat in the second consignment and Columbia Grain sold the hard red and soft white wheat.

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

MARKET MONITOR as of 06:42 GMT

| Contract | Last | Change | YTD |
|----------------------------------|--------------------|--------|---------|
| NYMEX Light Crude | \$80.71 / bbl | -0.02% | 12.64% |
| NYMEX RBOB Gasoline | \$2.49 / gallon | -0.20% | 18.29% |
| ICE Gas Oil | \$777.25 / tonne | -0.77% | 3.53% |
| NYMEX Natural Gas | \$2.67 / mmBtu | -1.40% | 6.09% |
| Spot Gold | \$2,323.86 / ounce | 0.15% | 12.67% |
| TRPC coal API 2 / Dec, 24 | \$121 / tonne | -2.42% | 24.74% |
| Carbon ECX EUA | €67.84 / tonne | -0.43% | -15.59% |
| Dutch gas day-ahead (Pre. close) | €33.70 / Mwh | -1.46% | 5.81% |
| CBOT Corn | \$4.40 / bushel | -0.06% | -9.04% |
| CBOT Wheat | \$5.74 / bushel | -0.35% | -10.28% |
| Malaysia Palm Oil (3M) | RM3,912 / tonne | 0.31% | 5.13% |
| Index | Close 21 Jun | Change | YTD |
| Thomson Reuters/Jefferies CRB | 343.68 | -0.72% | 14.03% |
| Rogers International | 29.22 | -0.10% | 10.98% |
| U.S. Stocks - Dow | 39,150.33 | 0.04% | 3.88% |
| U.S. Dollar Index | 105.74 | -0.05% | 4.35% |
| U.S. Bond Index (DJ) | 429.90 | -0.31% | -0.19% |

Picture of the Day

A pumpjack operates at the Vermilion Energy site in Triguères, France, June 14. REUTERS/Benoit Tessier

(Inside Commodities is compiled by Shoubhik Ghosh 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](#)