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Top News - Oil

OPEC+ panel keeps policy unchanged against backdrop of stronger oil market

An OPEC+ ministerial panel which met on Friday made no changes to the group's current oil output policy after a Saudi decision to extend its voluntary production cut into September helped oil prices rally further.

The panel, called the Joint Ministerial Monitoring Committee, can call for a full meeting of the Organization of the Petroleum Exporting Countries (OPEC) and allies led by Russia, known as OPEC+, if warranted.

Oil prices rose more than 14% in July compared with June, the biggest monthly percentage increase since January last year, as tighter supply and rising demand outweighed concern that interest rate hikes and stubborn inflation could hit economic growth.

"The committee will continue to closely assess market conditions," an OPEC statement issued after the online meeting said, adding that the panel urged members to achieve full compliance with output cut pledges.

On Thursday, OPEC leader Saudi Arabia said it will extend a voluntary oil output cut of one million barrels per day (bpd) for another month to include September, adding it could be extended beyond that or deepened. Oil prices on Friday traded at nearly \$86 a barrel, close to their highest since mid-April.

Russia will also cut oil exports by 300,000 bpd in September, Deputy Prime Minister Alexander Novak said shortly after the Saudi announcement.

OPEC member Algeria, which announced an additional voluntary cut of 20,000 bpd for August, is yet to decide whether to extend the cut into September, a source with knowledge of the matter told Reuters.

OPEC+ agreed on a broad deal to limit supply into 2024 at its last policy meeting in June, and Saudi Arabia pledged a voluntary production cut for July that it extended to include August.

The group's output cuts, excluding the additional voluntary reductions from the three producers, amount to 3.66 million bpd, roughly 3.6% of global demand.

The JMMC will hold its next meeting on Oct. 4.

ANALYSIS-Surging U.S. crude oil exports disrupt European, Asian prices

Surging U.S. crude exports in 2023 are pushing down oil prices in Europe and Asia, proving a key source of supply as producers cut output and sanctions on Russian crude disrupt trade flows.

The introduction in June of U.S. crude grade WTI Midland to set the price of the dated Brent benchmark assessed by S&P Global Commodity Insights has not only spurred the rising exports but also helped to cap Brent and the

European, African, Brazilian and Asian oil that are priced off the benchmark, traders and analysts said. U.S. crude exports are also easing the loss of supply after Saudi Arabia deepened output cuts from July, above what major producers agreed to in June.

The widening exports illustrate the increasing influence of crude from the U.S., the world's biggest oil producer, in the global market. It further cements the role of U.S. supplies in balancing the market, especially as outlets for sanctioned Russian crude are limited.

U.S. crude exports have averaged 4.08 million barrels per day so far in 2023, up from an average of 3.53 million bpd in 2022, according to the Energy Information Administration.

Out of the 61 dated Brent assessments to July 27 that have included WTI Midland, the U.S. grade has been among the most competitive in all but one, while it's been the single most competitive alone on half of those days, said Joel Hanley, global director, crude and fuel oil markets at S&P Global. This means WTI Midland is effectively setting the price for the benchmark.

Other physical crude grades are feeling the pressure as a result of the U.S. supplies. The price difference for Forties crude cargoes loading in the North Sea to dated Brent averaged a discount of 2.9 cents a barrel in July, down from a premium of 12.4 cents in June and 24.5 cents in May, according to data on Refinitiv Eikon.

"As Midland becomes more and more important in the dated Brent assessment, it has a knock on effect on other grades having to price themselves lower to compete with WTI Midland," said Rohit Rathod, market analyst at energy researcher Vortexa.

PRESSURE EXTENDS

The pressure exerted from the WTI Midland exports is even extending to Asian markets for Middle Eastern crude.

Murban crude from the United Arab Emirates is close in density to WTI Midland, but with more sulphur, and is used by traders to compare the economics of shipping WTI to the east.

The premium of Murban futures to Dubai quotes averaged \$1.90 a barrel, steady from the previous month, while that for cash Dubai gained 43 cents to \$1.57 a barrel during the month, according to Reuters calculations using market trade data.

A near-record volume of WTI Midland is set to be shipped east in August. "There is more and more WTI production flooding the global markets," said Adi Imsirovic, director at Surrey Clean Energy, who formerly headed global oil trading at Gazprom Marketing and Trading.

Unlike crude from producers in the Organization of the Petroleum Exporting Countries (OPEC), who are currently reducing output to support prices, "WTI is freely traded, without destination and output restrictions, and WTI value has become a key to the global pricing," he said. The increased WTI flow to Europe has weakened Brent futures relative to Dubai, though Dubai has also strengthened after Saudi Arabia announced in June additional output cuts beyond what OPEC and its allies agreed to, which has reduced the amount of high-sulphur Middle Eastern crude, particularly medium and heavy grades, available to Asian refiners. Brent's premium to Dubai, or the Exchange of Futures for Swaps (EFS), averaged 78 cents a barrel in July, the narrowest in more than two years.

The effect has been to make low-sulphur Atlantic Basin crude such as those from Europe, Africa and Brazil more affordable for Asian buyers and boosted demand for WTI Midland in the region, with a Singapore-based oil trader saying the grade kept Murban prices in check in July. Even as crude demand to Asia should be falling as some refiners carry out maintenance ahead of the Northern Hemisphere winter there is great interest in bringing WTI to Asia, said John Evans of brokerage PVM Oil. He notes that the grade's discount to Dubai, expensive Saudi Arabian crude and low freight rates are making WTI attractive. The flow of WTI into Asia in August is high but not quite at the previous record, and that is "impressive enough to keep the bulls interested," he said.

Top News - Agriculture

India might cut or abolish wheat import tax to boost supply, check prices

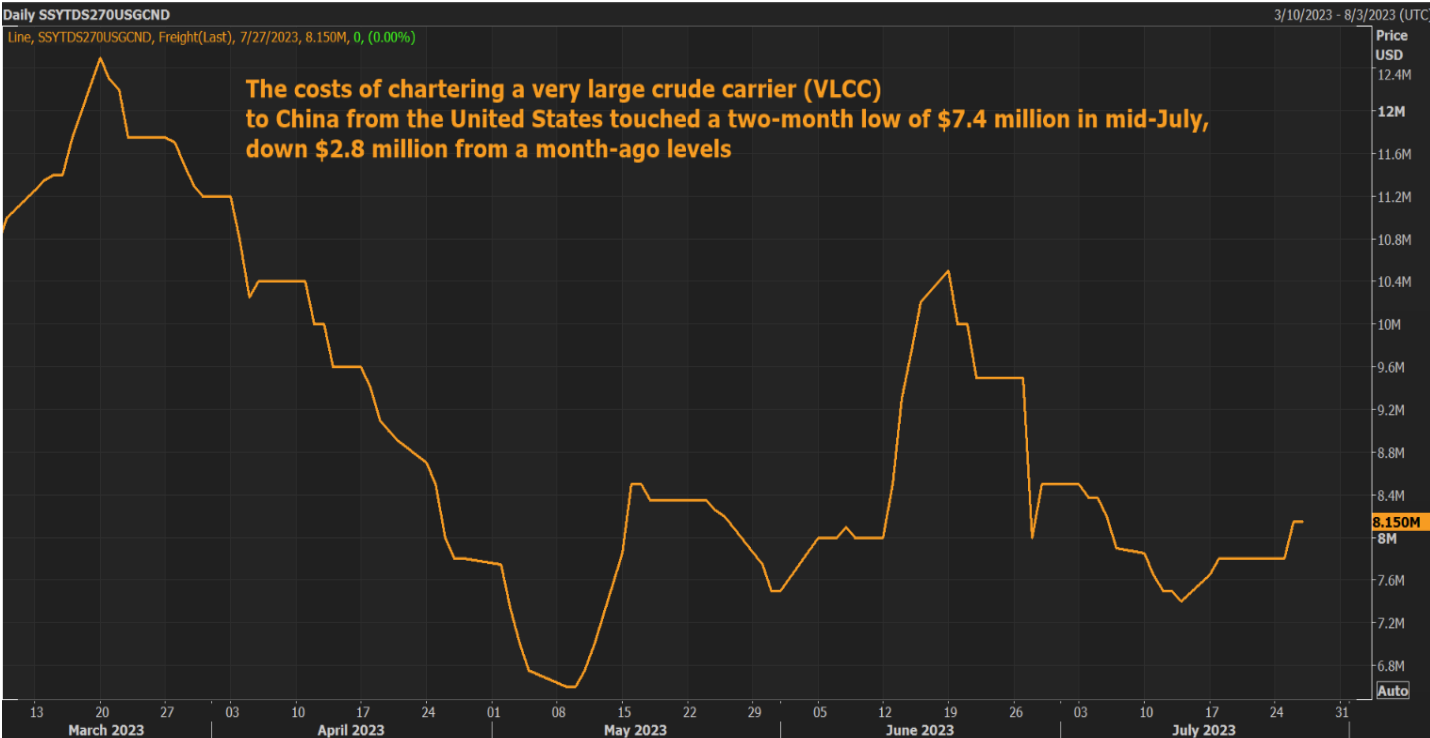
India is considering cutting or even abolishing a 40% import tax on wheat and lowering a limit on the amount of wheat stocks millers and traders can hold, a government official said on Friday, as part of efforts to boost supplies. "We have options like lowering or abolishing the wheat import duty and tweaking the stock holding limits to control prices," Sanjeev Chopra, the most senior civil servant at the federal food ministry, told reporters. "The options are under consideration. The government is committed to controlling prices," Chopra said. India in June imposed a limit on the amount of wheat

stocks traders can hold in an effort to bring down prices. The government is also offering wheat to bulk buyers such as biscuit makers to augment supplies in the local market.

Wheat prices in New Delhi have jumped 12% in the past four months to 25,174 rupees a metric ton, the highest in nearly six months, as trade and industry officials say production was hit by erratic weather.

There was no proposal to import wheat from Russia in a government-to-government deal, Chopra said. Wheat output rose to a record 112.74 million metric tons in 2023, up from 107.7 million metric tons a year earlier, according to the Ministry of Agriculture & Farmers Welfare. India

Chart of the Day



consumes around 108 million metric tons of wheat annually. But a leading trade body told Reuters in June that India's wheat harvest in 2023 was at least 10% lower than the farm ministry's estimate.

Still, wheat stocks at government warehouses were at 28.3 million tonnes against a target of 24.5 million tonnes. The decisions to lower or axe the wheat import tax and tighten local stock holding limits would help boost supplies "during the festival season", said Rajesh Paharia Jain, a New Delhi-based trader.

Festival demand for foodstuff peaks around October. India banned exports in May 2022 after a sudden rise in temperatures clipped output, even as exports picked up to meet the global shortfall triggered by Russia's invasion of Ukraine. On Friday, Chicago wheat futures snapped a seven-session slide on rising tensions in the Black Sea grain export region after a Ukrainian drone attack near the Russian export hub of Novorossiysk rekindled global supply fears.

After last year's wheat export ban, India, which accounts for 40% of world rice exports, last month ordered a halt to its largest rice export category to calm domestic prices. Separately, the food ministry on Friday said the country has more than "sufficient stock" of sugar. Sugar stocks totalled 10.8 million tonnes, sufficient for this season's demand and next season's optimum carryover stocks of about 6.2 million tonnes.

Philippines may extend reduced import tariffs on rice, other commodities

The Philippines may extend reduced import tariffs on rice and other commodities beyond 2023 to ease pressure on inflation, which remained above target last month, officials said.

The lowered tariffs, also applying to corn and pork imports, are due to expire by the end of the year. But supply side challenges, including a potential limit on rice shipments from Vietnam - the country's biggest supplier - and the impact of El Niño dry weather on the local harvest, may warrant keeping tariffs where they are. "We're reviewing the possible extension," Finance Secretary Benjamin Diokno told reporters on Friday in comments embargoed for publication until Sunday night. Under a modified scheme introduced in 2021, tariffs on rice imported from outside Southeast Asia fell to 35% - in line with the rate for suppliers from inside the region, including Vietnam - from a previous range of 40%-50%. The "comprehensive" review of tariffs also covers other commodities that could potentially fuel inflation, said Zeno Abenoja, undersecretary and chief economic counselor at the Department of Finance.

Annual headline inflation eased for a sixth straight month in July to 4.7%, still above the official 2%-4% target range, while food inflation fell to 6.3%.

The Philippines, one of the world's top rice buyers, is encouraging private traders to ramp up imports, though it is worried about supply from Vietnam as other buyers crowd in.

Diokno said the government will expedite measures to mitigate the impact of El Niño on agricultural production and food security.

Such measures could help lessen pressure on the central bank to resume hiking interest rates, said Bangko Sentral ng Pilipinas Governor Eli Remolona, who joined Diokno's briefing. The BSP, which next meets on Aug. 17 to review monetary policy, on Friday said it was ready to resume tightening as necessary to tackle price pressures.

Top News - Metals

INSIGHT-Amazon rainforest gold mining is poisoning scores of threatened species

In a camping tent in the Peruvian jungle, four scientists crowded around a tiny patient: An Amazonian rodent that could fit in the palm of a human hand.

The researchers placed the small-eared pygmy rice rat into a plastic chamber and piped in anesthetic gas until it rolled over, asleep. Removing the creature from the chamber, they fitted it with a miniature anesthetic mask and measured its body parts with a ruler before gently pulling hairs from its back with tweezers.

The hairs, bundled into a tiny plastic bag, would be carried to a nearby lab at the Los Amigos Biological Station for testing to determine whether the rat is yet another victim of mercury contamination.

Los Amigos lies in the rainforest of southeastern Peru's Madre de Dios region where some 46,000 miners are searching for gold along river banks in the country's epicenter of small-scale mining.

Tests like this are providing the first extensive indications that mercury from illegal and poorly regulated mining is

affecting terrestrial mammals in the Amazon rainforest, according to preliminary findings from a world-first study shared with Reuters.

Absorbing or ingesting mercury-contaminated water or food has been found to cause neurological illness, immune diseases and reproductive failure in humans and some birds.

But scientists don't yet know its full effects on other forest animals in the Amazon, where more than 10,000 species of plants and animals are at a high risk of extinction due to destruction of the rainforest.

Reuters accompanied the researchers in Madre de Dios over three days in late May and reviewed their previously unreported findings. Their data showed mercury contamination from informal gold mining making its way into the biodiversity hotspot's mammals — from rodents to ocelots to titi monkeys.

Leaders from the eight countries around the Amazon meeting in Brazil next week will discuss how to end illegal gold mining.

The rapid expansion of mining in the rainforest over the

past 15 years is seen by regional governments as an environmental and health threat. Colombia has proposed a regional pact to end illegal mining, although has not suggested a deadline to reach that goal, a government spokesperson told Reuters.

A research team from the San Diego Zoo Wildlife Alliance, the California nonprofit Field Projects International and Peruvian partner Conservación Amazónica have collected fur and feather samples from more than 2,600 animals representing at least 260 species, including emperor tamarins and brown capuchins, in the 4.5 square kilometer (1.7 square mile) area around the Los Amigos station.

While the scientists began testing for mercury at Los Amigos in 2021, some of the samples were gathered as early as 2018.

Of the 330 primate samples tested so far, virtually all showed mercury contamination -- and in some cases the levels were "astounding," said biologist Mrinalini Erkenwick Watsa of the San Diego Zoo Wildlife Alliance. Erkenwick Watsa said they could not share specific readings before their findings are published in peer-reviewed journals.

But a study last year led by biogeochemist Jacqueline Gerson of the University of Colorado Boulder, drawing on the same data generated at Los Amigos, found that songbirds living around the station had mercury levels as

much as 12 times higher than those in a forest farther away from gold mining.

During Reuters' visit to Los Amigos, scientists caught rodents in metal traps baited with peanut butter and snagged birds and a bat in mist nets floating through the forest.

A MINING BOOM

The vast majority of small-scale or artisanal miners in the Amazon are mining illegally in protected areas, or working informally - outside reserves but without explicit permission from the government.

Informal miners even in government-designated mining corridors, which includes much of the Madre de Dios region, operate with little regulatory oversight.

Some researchers say this means that many small-scale mining operations disregard environmental laws restricting deforestation and the use of toxic liquid mercury to separate precious metal from sediment. Some of that mercury is then absorbed into the environment and, in some cases, into endangered species.

"When someone buys their gold engagement ring, they could be causing the Amazon to get a little bit sicker," said Erkenwick Watsa.

Peruvians have mined gold for centuries. Artisanal mining boomed in the Madre de Dios region during the 2008

MARKET MONITOR as of 06:32 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	\$82.68 / bbl	-0.17%	3.02%
NYMEX RBOB Gasoline	\$2.55 / gallon	0.31%	3.05%
ICE Gas Oil	\$906.00 / tonne	0.28%	-1.63%
NYMEX Natural Gas	\$2.59 / mmBtu	0.50%	-42.12%
Spot Gold	\$1,936.36 / ounce	-0.27%	6.14%
TRPC coal API 2 / Dec, 23	\$120 / tonne	4.35%	-35.05%
Carbon ECX EUA / Dec, 23	€84.03 / tonne	-0.87%	0.07%
Dutch gas day-ahead (Pre. close)	€28.45 / Mwh	-5.17%	-62.35%
CBOT Corn	\$4.97 / bushel	-0.15%	-26.77%
CBOT Wheat	\$6.75 / bushel	2.16%	-17.34%
Malaysia Palm Oil (3M)	RM3,840 / tonne	-0.49%	-8.00%
Index (Total Return)	Close 04 Aug	Change	YTD Change
Thomson Reuters/Jefferies CRB	312.38	0.37%	3.67%
Rogers International	27.54	-0.07%	-3.92%
U.S. Stocks - Dow	35,065.62	-0.43%	5.79%
U.S. Dollar Index	102.02	-0.51%	-1.45%
U.S. Bond Index (DJ)	404.91	0.98%	2.17%

Great Recession as gold prices spiked, driven up by investors fleeing financial markets and national currencies for a safe place to put their money.

Tracking artisanal miners is notoriously difficult. It is thought to make up about a fifth of worldwide gold production and is valued between \$30 billion and \$40 billion, according to nonprofit Artisanal Gold Council (AGC) which promotes the sustainable development of the sector.

That's around 500 metric tons annually as of 2023, up from about 330 metric tons in 2011, AGC data shows. Peru, the largest gold producer in Latin America, churns out around 150 metric tons of artisanal gold every year, according to the AGC.

In Madre de Dios, about 6,000 miners work with formal permission while roughly 40,000 operate informally or illegally, according to a 2022 USAID report.

The Peruvian government declared a state of emergency in Madre de Dios in 2019 and deployed 1,500 police and soldiers to the region to crack down on illegal mining.

The operation pushed many miners out of protected areas and into a government-designated mining corridor, according to satellite monitoring project MAAP.

Peru's environment ministry did not respond to questions about mercury contamination.

In 2021, mining arrived on Los Amigos' doorstep. The station sits on the edge of the mining corridor and overlooks a barren curve across the river where miners have stripped away the forest and replaced it with mining pits.

"This is a region in Peru where there's been an economic boom, and it's been associated with gold mining," said Gideon Erkenwick, a researcher and Mrinalini's husband, who has come to Los Amigos since 2009 to study wildlife diseases and primates. "This place is being transformed by it."

The Peruvian government estimates that illegal miners dump about 180 metric tons of mercury in Madre de Dios annually.

The miners mix mercury with fine river silt in oil drums. The mercury binds to the gold fragments, resulting in lumps known as amalgams. Burning the amalgams turns the mercury to vapor which floats into the atmosphere, leaving only gold behind.

This gaseous mercury has been found to infiltrate the forest through pores in plant leaves, according to research published in *Nature Communications* last year. Mercury vapor sticks to dust and aerosol particles, floating down through the canopy and landing on leaves. When it rains, that mercury is washed to the forest floor.

MERCURY MENAGERIE

Shortly after dawn, biologist Jorge Luis Mendoza Silva gently untangled a brilliant red, yellow and orange band-tailed manakin bird from a fine-mesh net.

Back in the sampling tent, the scientists tweezed clumps of the manakin's breast feathers to be sent for analysis, before the bird is returned unharmed to the wild.

The machine incinerates the feathers at extremely high temperatures, measuring the emitted mercury.

Animals ingest mercury through their diet — plants, insects, or other animals. Those higher up the food chain generally have higher levels as they accumulate the mercury contained in their prey.

But scientists at the Los Amigos station are unsure where the mercury contamination in monkeys comes from, given fish or other foods traditionally high in the heavy metal aren't typically on the menu.

Animals could be accumulating mercury from the water they drink, or the air they breathe, said Caroline Moore, a veterinary toxicologist with the San Diego Zoo Wildlife Alliance studying mercury at Los Amigos.

How this will affect their health is not clear. The effects of mercury could show up in population size, she said. If mercury levels are high enough, it could prevent animals from reproducing.

"Are we noticing any changes in the number of babies that, for example, the tamarins are having?" Moore asked.

Those kinds of questions cannot be answered without more data, she said. In the years to come, scientists hope to create a long-term dataset in Peru and other mining hotspots to understand how mercury could be affecting imperiled mammals globally.

"It is widespread throughout the Amazon Basin, it's widespread throughout the Congo Basin and Indonesia — this is a global tropics issue," said ecotoxicologist Chris Sayers at the University of California Los Angeles, who has studied the impact of mercury on birds in Madre de Dios.

EXCLUSIVE-Botswana plans extra diamond sales route after De Beers deal

Botswana's state diamond company is planning to diversify how it sells precious stones to the market as it gears up to receive far more supply under a multi-year deal the country struck with producer De Beers in July. The Okavango Diamond Company (ODC) currently sells 25% of the gems produced by the Botswanan government's Debswana joint venture with Anglo American unit De Beers via an auction process. ODC's share of rough stones from Debswana will rise to 50% over the next decade due to Botswana's new deal with De Beers, but selling large volumes will be hard due to an uncertain economic outlook, and in the face of competition from laboratory-grown gems.

Botswana, the world's No. 1 diamond producer by value, generates about 30% of its revenue and 70% of its foreign exchange earnings from diamonds, making its economy heavily exposed to prices of the precious stones, which have fallen around 12% in the last six months.

"ODC auctions are too big and need to be optimized," ODC Managing Director Mmetla Masire told Reuters via email. "We also need to de-risk the business and support other customers that want alternative selling channels."

While ODC is not moving away from the open tender model, the new channel should complement and work in parallel with auctions, Masire added.

"We are not shifting away from the auction channel, we are looking at running the auction and adding another channel to complement and work in parallel with auctions," he said.

With auctions, "apart from the logistical challenges of tendering such huge volumes of diamonds, technically what happens when the market is bad like today, you tender a large amount of diamonds you can't sell", said James Campbell, managing director of mining group Botswana Diamonds.

De Beers uses an alternative selling channel that involves

offering boxes of unpolished gems to customers such as manufacturers and diamond magnates at sales known as "sights" held about ten times a year. This helps when the market is weak.

"ODC will have the freedom to sell to customers directly in a way that they haven't had before," De Beers CEO Al Cook told Reuters in an interview.

"In practical terms, that does provide a structure for insuring that we get rid of the peaks and troughs that characterize selling by tender or auction," he added, referring to De Beers' selling channel.

Debswana's rough diamond sales dropped 17% in the first six months of the year, data released by the central bank showed, as prices for the stones dropped sharply.

Top News - Carbon & Power

GLOBAL LNG-Asia spot prices ease slightly as demand remains tepid

Asian spot liquefied natural gas (LNG) prices fell slightly this week, as demand in the region remained weak.

The average LNG price for September delivery into northeast Asia was \$10.90 per million British thermal units (mmBtu), industry sources estimated, edging down from \$11/mmBtu the previous week.

"Asian demand is currently tepid at best, fundamentally most of the bigger players are well covered, perhaps we might see one or two utilities who run short with the ongoing heatwave that could lead to short term tightening," said Toby Copson, global head of trading at Trident LNG.

"For now we're range bound in the \$10s for September offerings but are starting to see decent premiums October onwards," he added, as LNG buyers typically start to prepare for winter from October.

Parts of North Asia have been grappling with heatwaves in recent weeks, with South Korea raising the hot weather warning to its highest level for the first time in four years as parts of the country see temperatures of over 38 degrees Celsius.

In Europe, S&P Global Commodity Insights assessed its daily northwest Europe LNG Marker (NWM) price benchmark for cargoes delivered in September on an ex-ship (DES) basis at \$9.816/mmBtu on Aug. 3, a \$0.15/mmBtu discount to the September gas price at the Dutch TTF hub, said Allen Reed, managing editor of Atlantic LNG, adding the Atlantic market had been lifted by supply disruptions.

"Supply side pressure has come from an unplanned reduction from Norway's Troll gas field and another production issue at the UK's Bacton SEAL gas terminal."

Argus assessed the northwest Europe DES price at \$9.85/mmBtu, while Spark Commodities estimated the price at \$9.749/mmBtu.

"The focus remains on early winter demand, particularly as sellers look to floating storage and slow sailing to take advantage of the contango in DES prices, while buyers

and importers in Europe look to late month deliveries that can be held in tank and then regasified and sold at downstream hubs later in winter," said Samuel Good, head of LNG pricing at commodity pricing agency Argus. Contango is a situation where the futures price of a commodity is higher than the spot price.

Meanwhile, spot LNG freight rates rose this week, with Atlantic rates estimated \$4,250 higher at \$75,500/day on Friday, and Pacific rates \$3,000 higher at \$73,500/day, said Henry Bennett, head of pricing at Spark Commodities.

"(Spark's) Atlantic forward curve is in steep contango, suggesting a significant tightening over the coming months as we approach winter, with the September forward rate at \$151,000/day and October at \$202,250/day," he said.

Japan to start Fukushima water release as early as late Aug -media

Japan plans to start releasing treated radioactive water from the tsunami-wrecked Fukushima nuclear power plant into the ocean as early as late August, Japan's Asahi Shimbun daily reported on Monday, citing unidentified government sources.

The release will most likely come shortly after Prime Minister Fumio Kishida meets with U.S. President Joe Biden and South Korean President Yoon Suk Yeol in the United States next week and explains to them how the water release will be safe, it said.

No specific date to discharge the water has been decided, top government spokesperson Hirokazu Matsuno told reporters during a briefing. Japan's nuclear regulator last month granted approval for plant operator Tokyo Electric Power to start releasing the water, which Japan and the International Atomic Energy Agency say is safe but nearby countries fear it may contaminate food. Bottom-trawling fishing is scheduled to start off Fukushima, northeast of Tokyo, in September, and the government aims to start the water discharge before the fishing season gets under way, the newspaper said.

Top News - Dry Freight

COLUMN-Live and don't learn. The lesson of China's failed Australia trade bans: Russell

One of the main tools of statecraft in recent years has been trade sanctions or tariffs, but with China taking another step to normalising its trade relationship with Australia, the main lesson is these actions seldom work. In fact, they are more likely to backfire on the nation imposing the trade action, especially if it is unilateral and not supported by significant players in the rest of the international community.

China's Ministry of Commerce said on Aug. 4 that anti-dumping and anti-subsidy tariffs on Australian barley would end, with the move coming about three years after the 80.5% duties first cut off what was once as much as a A\$1.5 billion annual trade in the grain widely used for brewing.

The action against imports of Australian barley was followed by an unofficial ban on Australian coal in mid-2020, which effectively cut off imports from what had been China's second biggest supplier of the fuel used to generate power and make steel.

There were also tariffs and other measures imposed on Australian forestry products, wine and lobsters as Beijing expressed its displeasure with a series of issues with Australia, including Canberra's call for an international investigation into the origins of the COVID-19 pandemic. On the surface the catalyst for the ending of trade actions on barley and coal is the warming of relations since Australia elected the centre-left Labor Party last year, ending nine years of rule by the right-wing Liberal-National coalition.

The new government allowed for a reset of relations without either party being seen to lose political face. It also allowed for Beijing to retreat from a policy that clearly hadn't worked, insofar as Canberra didn't bend to its diplomatic will and Australian farmers and miners were able, after an initial period of adjustment, to find new markets for their products, often at higher prices.

For the new Labor government, Beijing's pragmatism allowed for a more cooperative approach to its largest trading partner, while at the same time stressing that China and Australia will continue to have differences when it comes to issues such as human rights and their general views of world affairs. But it's worth noting that China's two main imports from Australia, iron ore and liquefied natural gas (LNG), were left untouched throughout the dispute.

That alone is a sign that Beijing thought it could punish Canberra by hitting what it thought were less important, or more easily substituted commodities, while leaving alone the two that were most important. China gets about 70% of its iron ore from Australia and about one-third of its LNG, some of it under a low, fixed-price contract signed two decades ago.

POOR CALCULATIONS

The calculation seemingly made by Beijing was that it could pressure Australia by ending the trade in coal and barley, as well as some more minor products, because these were commodities that could be secured easily from alternate suppliers.

That calculation was only partially correct insofar as China was able to buy more coal from Indonesia, Russia and the United States. But the disruption to Asia's seaborne coal flows resulted in prices being shifted higher, especially for Indonesian and Russian cargoes.

This in turn boosted the price of Australian grades as well, meaning that as Australia's exports to China plummeted to effectively zero, shipments to countries like India and Vietnam increased, resulting in no loss of export volumes.

When Beijing ended its unofficial ban on Australian coal earlier this year, it took a little while for the trade to resume, but it has since recovered to levels close to prior to the ban being imposed.

China imported 6.4 million metric tons of Australian coal in July, according to data compiled by commodity analysts Kpler, which is 27% below the 8.72 million in July 2020, the last full month of imports before the ban took place.

It may take a little while longer for the barley trade to reach prior levels given that Australian farmers and Chinese buyers are likely to have entered into medium-term deals with new partners.

But overall it would seem that the ending of Beijing's trade actions against Australia will be net positive for both countries.

The surprising thing is that China thought it was a good idea to impose them in the first place.

This suggests Beijing didn't learn the lessons from the trade tariffs imposed on it by the U.S. administration of former president Donald Trump.

Those tariffs failed as they didn't lower the U.S. trade deficit with China and they didn't result in a major increase in Chinese purchases of U.S. goods.

There was some uptick in China's imports of U.S. crude oil and LNG, although this was largely driven by price advantage rather than policy.

Rather, the Trump tariffs raised political tensions, which remain to this day, and imposed higher costs on the U.S. economy. While internationally coordinated and supported trade actions may deliver some results, such as lowering Russia's earnings from its energy exports in the wake of Moscow's invasion of Ukraine, the takeaway from the disputes involving China and Australia and China and the United States is that unilateral bans and tariffs fail.

The opinions expressed here are those of the author, a columnist for Reuters.

Kremlin says it needs actions, not words from U.S. regarding Black Sea grain deal

Russia said on Friday it needed actions, not promises, from the United States to meet the conditions it has set for a return to the Black Sea grain deal.

Russia last month declined to renew the deal that had allowed Ukraine to ship grain from its Black Sea ports despite the war, saying not enough had been done to remove obstacles to its own exports of food and fertiliser. It said it was ready to return to the agreement as soon as those issues were addressed.

"If they want to contribute to fulfilling the part of the grain deal that is due to Russia, the Americans must fulfil it, not promise that they will think about it," Kremlin spokesman Dmitry Peskov told reporters. "As soon as this is done, this deal will immediately be renewed."

He was speaking after U.S. Secretary of State Antony Blinken told reporters on Thursday: "In the event of return to the agreement, of course, we'll continue to do whatever is necessary to make sure that everyone can export their food and food products freely and safely to include Russia."

Western countries have accused Russia of using food as a weapon of war by quitting the Black Sea deal, which had helped to bring down global food prices, and carrying out repeated air strikes in recent weeks on Ukrainian ports and grain stores. Russia says the deal was not working properly as not enough grain was getting to the poorest countries. It says its own food exports, while not targeted directly, are hampered by Western sanctions affecting port access, insurance and banking.

Picture of the Day

Johannesburg Metropolitan Police Department officers walk inside an abandoned mine, following a gun battle between the illegal miners, locally known as "zama-zamas" and the police in the Stormhill area, west of Johannesburg, South Africa, August 5, 2023. REUTERS/Shirraaz Mohamed

(Inside Commodities is compiled by Dhanya Hegade in Bengaluru)

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

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