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Top News - Oil

US refiners trim Q3 output amid weaker margins, plant overhauls

U.S. crude oil refiners are trimming third-quarter production plans, company executives said in recent earnings calls, as summer fuel demand ebbs and profit margins remain weak.

Operators say they are budgeting more maintenance downtime into forecasts after running at an industry average 95% of capacity earlier this year. Those high oil processing levels led to plentiful gasoline stocks, which benefited motorists but hurt profits.

Matthew Blair, top refining analyst at energy firm Tudor, Pickering, Holt & Co, said refiners are reflecting a weakened margin environment in the third quarter with softer demand. "The hope is if you lower supply you may get higher margins," Blair said, noting the projected percentages of capacity cited by Marathon Petroleum, Valero Energy and Phillips 66.

Top U.S. refiner Marathon Petroleum said it would operate its 13 refineries at 90% of their combined crude intake capacity of 3 million barrels per day (bpd), down from 97% of capacity last quarter. Valero Energy, the second-largest U.S. refiner, plans to reduce its processing rate due to plant maintenance and soft margins. The midpoint of its processing target is about 2.86 million bpd, down from 3 million bpd last quarter.

Phillips 66, which ran at a five-year high of 98% of capacity in the second quarter, is planning to run its plants in the low-90% of capacity range, executives said, citing a softening in the fuels market.

"Utilization is coming down sort of across the sector," said PBF Energy CEO Matthew Lucey, whose company did not project its third-quarter run rate. "In the summertime, again, we'll lose some utilization," he said.

"We're optimizing our refineries in light of these market conditions," said Greg Bram, vice president of refining services at Valero, referring to the company's plan to reduce operating rates.

HF Sinclair expects planned plant overhauls will reduce its combined run rate by about 7.8% at the midpoint of a range of between 570,000 bpd and 600,000 bpd. Its network ran at a rate of 635,000 bpd last quarter.

The U.S. government's sale of 1 million barrels of gasoline last quarter from its Northeast supply reserve benefited consumers but hurt refiners. Operators hope supply cuts from maintenance will gradually improve margins this quarter.

ANALYSIS-Survival of the fittest: Petrochemical makers battle global glut

Petrochemical producers in Europe and Asia are in survival mode as years of capacity build-up in top market China and high energy costs in Europe have depressed margins for two consecutive years, forcing firms to consolidate.

The sector's weakness is troubling for a global oil industry looking at petrochemicals to keep profits rolling in as transportation fuel demand falls in coming years with the energy transition.

Major producers in Asia and Europe are selling assets, shutting older plants, and retrofitting facilities to use cheaper raw materials such as ethane instead of naphtha to cut costs, industry executives and analysts say.

Producers will need to further consolidate ethylene and propylene capacity as oversupply is expected to persist for years with new plants still coming online in the Middle East and China, even as the Chinese economy sputters.

Ethylene and propylene, produced from petroleum products, are basic raw materials for making plastics, industrial chemicals and pharmaceuticals widely used in everyday life.

Consultancy Wood Mackenzie estimates about 24% of global petrochemical capacity is at risk of permanent closure by 2028 amid weak margins. "We expect rationalisation in Europe and Asia to continue in this cycle," Eren Cetinkaya, a partner at McKinsey & Company said. He anticipates the current downturn will last longer than the typical five to seven years because of a prolonged capacity build-up, especially in China.

Asia's producers face the toughest outlook, with oversupply likely to persist as some companies are unlikely to curb output at new units and plants that are integrated with wider operations.

"Since 2022, however, a range of factors have made the business environment more difficult – including falling domestic demand, as well as a drastic oversupply on account of new production facilities launched in China and other parts of Asia," Mitsui Chemicals said in a statement in April.

Asian propylene production margins are expected to slide into the red this year, with losses expected to average around $20 per metric ton, consultancy Wood Mackenzie said.

In Europe, profit margins are forecast to edge up from last year to close to $300 a ton in 2024, but that is 30%

lower than two years ago.

In contrast, U.S. propylene margins are expected to rise 25% to about $450 per ton in 2024. U.S. producers are insulated from the margin crunch by an abundant supply of domestic feedstocks derived from cheaper natural gas liquids, like ethane, WoodMac analyst Kai Sen Chong said.

ASIA PRODUCERS CHASE NEW MARKETS

In Asia, Taiwan's Formosa Petrochemical has shut two of its three naphtha crackers for a year, while Malaysia's PRefChem, a tie-up between Petronas and Saudi Aramco, has kept its cracker shut since earlier this year.

However, producers in South Korea and Malaysia are keeping run rates high despite losses, as their plants are integrated with oil refineries. That makes them unable to shut or sell loss-making petchem units without affecting the output of other products, industry sources said.

"Most companies' portfolios are integrated and balanced. If you want to consolidate them, you have to either kill the strengths of one company or get rid of the strengths of the other company," an official at a large South Korean state-run integrated refiner said.

"But I don't think it will be easy for Korean firms to do it without clear gains," said the official, who spoke on condition of anonymity.

As production and exports from the Middle East, China, and the U.S. grow, companies are exploring growth markets such as India, Indonesia and Vietnam to sell their surplus supply.

Fewer capacity additions and growing appetite for polymers and chemicals would make India one of the most attractive markets globally, Navanit Narayan, chief executive officer of India's Haldia Petrochemicals, told Reuters.

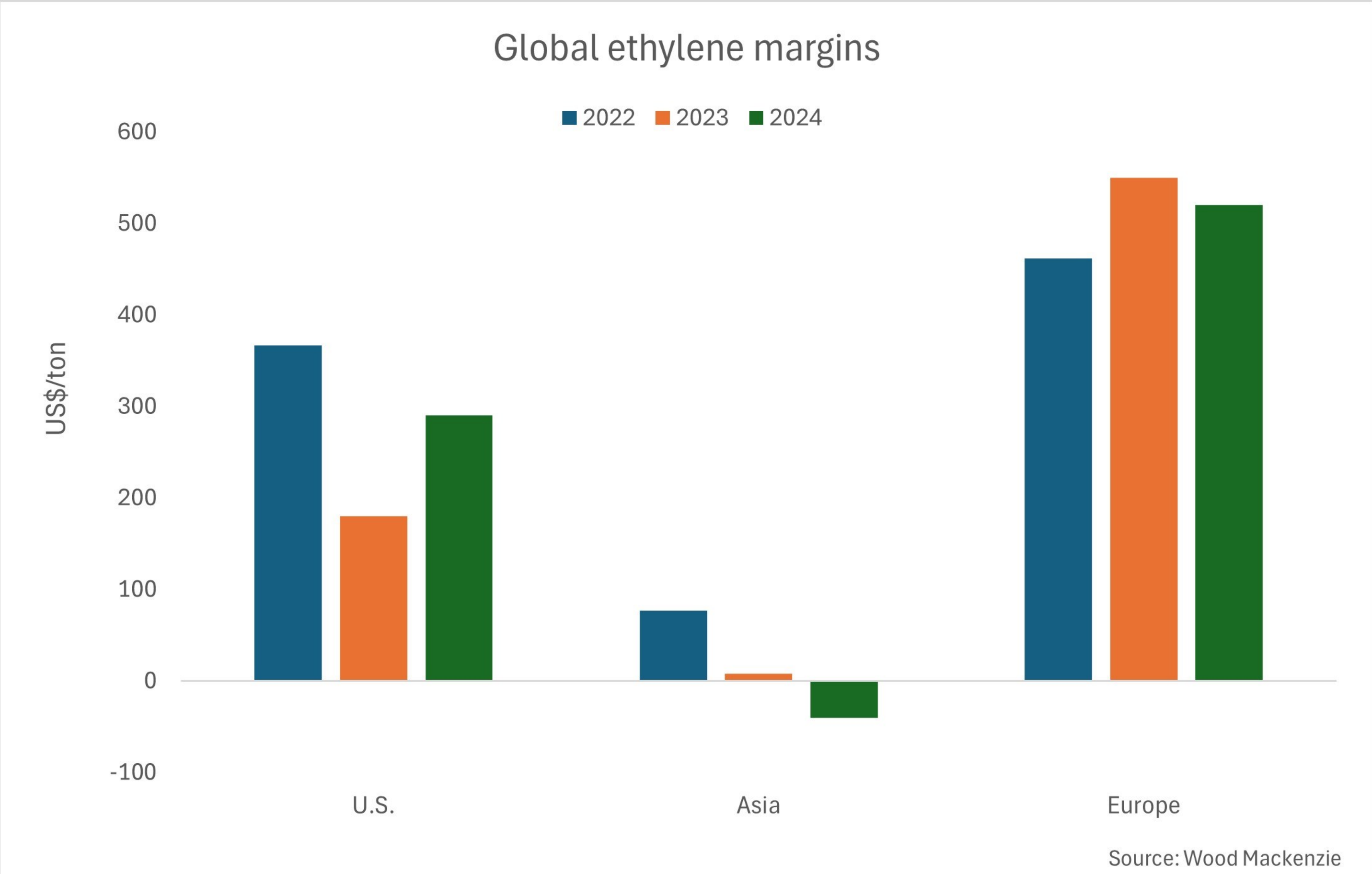
Besides finding new outlets, Japanese and South Korean petrochemical makers are exploring niche projects to boost margins by producing low-carbon and recyclable plastics that could fetch higher prices as demand for greener products grows.

Mitsubishi Corp is working with Finland's Neste to develop renewable chemicals and plastics. Sumitomo Chemical wants to make products using polymethyl methacrylate recycling technology to make plastics that have less carbon than traditional products.

EUROPE CONSOLIDATION PICKS UP

Consolidation is underway in Europe, where Saudi Arabian Basic Industries Corp (SABIC) and Exxon Mobil Corp announced plans to permanently shut some plants due to high costs.

Chart of the Day



SABIC is also retrofitting facilities in Europe and the UK to process more ethane, which is cheaper than naphtha, Olivier Gerard Thorel, SABIC's executive vice president, chemicals, told Reuters in May.

Ethane, which is priced relative to natural gas, is typically cheaper than naphtha produced from oil. SABIC owns flexible-feed crackers that can use naphtha, ethane, and liquefied petroleum gas (LPG) as feedstocks.

WoodMac's Chong said the shift is mainly driven by high energy and production costs and poor demand in the region amid weak economic growth over the past few years.

Houston-headquartered giant LyondellBasell, which sold its U.S. petrochemical assets in May, said it was exploring all options in Europe, when Reuters asked whether it plans to exit the petrochemicals business in the near term.

"Market conditions in Europe are anticipated to be challenging for the long term," a company spokesperson said.

Top News - Agriculture

Strategie Grains reduces EU wheat forecasts on poor yields

Strategie Grains has sharply lowered its monthly forecast for European Union soft wheat output and exports to its lowest in six years, citing worse than expected yields in rain-hit France and Germany.

The consultancy's projection for the EU's main cereal crop was reduced to 116.5 million metric tons, down from the 122.3 million tons forecast in July and now 8.4% below last season's crop.

Months of heavy rain in France has worsened prospects for the EU's biggest wheat grower and exporter, with wheat output now expected at 25.6 million tons, down 27% from last year and the lowest since 1986. The forecast is slightly above that of Argus Media's French business, formely Agritel, on Tuesday.

"A major development for this report is the large downwards revision of soft wheat production at a time when the harvests are still taking place in northern EU countries," Strategie Grains said.

"In addition, many EU countries are reporting issues around grain quality, notably specific weights and protein levels. Romania and Bulgaria are the sole countries to produce good quality grains this year." it added.

The lower output, sluggish demand and a lack of competitiveness compared with other origins is expected to bring a sharp drop in EU exports this season, now expected at 26.9 million tons, down 20% on the 33.6 million estimated for 2023/24.

For barley, Strategie Grains reduced its EU production outlook to 50.6 million tons from 51.3 million tons in July, though that would be up 6% from last year's drought-hit crop.

For maize, the harvest forecast was cut to 60.0 million tons from 62.0 million tons in July after very hot and dry growing conditions in Romania and Bulgaria. Output is now expected to be 4.5% below last year's level.

Cocoa swollen shoot disease worsening in Ghana, poses long-term threat

Ghana's cocoa sector faces a long-term threat from worsening swollen shoot disease as recent data indicates the world's second largest grower of the bean is not managing to contain the outbreak, traders and experts said.

Spread by small insects called mealybugs that eat leaves, buds and flowers, swollen shoot initially allows trees to produce, but at a reduced rate. After five to 10 years however, it kills them.

The cocoa crop in Ghana has fallen for three straight seasons to a 20 year low, and while output next season is expected to improve thanks to benign weather, the sector's long term decline remains intact.

A Reuters poll issued on Wednesday projected next season's crop at 640,000 tons, sharply up from the prior season's 450,000 but still far below the record of more than one million tons in the 2020/21 season.

"Swollen shoot is getting worse in Ghana, it's not going away," said Steve Wateridge, a veteran world expert on cocoa and head of research at Tropical Research Services by Expana.

Another cocoa consultant told Reuters that even if Ghana's crop recovers next season as expected, the recovery will not be sustained if the country is unable to tackle the disease.

The viral disease is endemic to Ghana but its spread has accelerated over the past few years as the country lacks the resources to tackle it amid its economic crisis. To combat swollen shoot, trees must be ripped out and burnt before cocoa can be replanted.

Ghana's last nationwide survey in 2023 showed 31% of total cocoa growing land was infected with swollen shoot versus 17% in 2017, according to cocoa trade publications citing data from industry regulator Cocobod.

Moreover, a Cocobod survey conducted this year in Western North, the third largest of the country's seven cocoa regions, showed an infection rate of 81%. This compares with a 42% infection rate in 2020, Ghana-based Commodity Monitor Ltd's Moses Atta said, citing Cocobod data.

Atta said Western North's rising infection rate is deeply concerning because it shows the disease is likely worsening nationwide, even if the outbreak is less severe in other regions.

Cocobod said it has made huge strides tackling the disease, with a "significant percentage" of farms treated and replanted nationwide. The treated farms have not yet been captured by the data, according to a Cocobod source. A chief farmer in Western North confirmed the government has been treating farms in the region, and said he is cautiously optimistic about next season's output as a result.

Cocobod told Reuters in February it has treated 67,000 hectares for swollen shoot since 2017, leaving another 590,000 still to be treated out of a total 1.9 million hectare production area.

Swollen shoot decimated Ghana's crop in the 1960s and 1970s, reducing production by 50 per cent at a time when the country was the world's largest grower of the chocolate ingredient.

Top News - Metals

Serbian villagers spark protest movement against planned lithium mine

Zlatko Kokanovic, a 48-year-old Serbian farmer, and fellow villagers have sparked nationwide protests to stop the building of Rio Tinto's first European lithium mine, warning it would pollute their land and endanger public health.

Last month, Serbia reinstated Rio Tinto's license to develop what would be Europe's biggest lithium mine in the Jadar region of western Serbia, two years after it was annulled due to protests by environmental groups.

Warnings about the damaging effect of mining by Kokanovic and his neighbours in the village of Gornje Nedeljice motivated thousands of people to protest against the Rio Tinto project in dozens of cities around Serbia over the past month.

The protesters gave the government until Aug. 10 to pass legislation banning lithium exploration. The government regards the project as a key way to bolster Serbia's troubled economy and has not so far considered that demand.

Kokanovic, a father of five who farms 30 hectares of land and produces up to 100,000 litres of milk a year, warns that substances including arsenic and sulphuric acid used in processing lithium, as well as dust, will cause grave pollution.

"(The mine) would be the destruction of Serbia at the expense of our health to free the European Union from reliance on China (for lithium), so (the EU) can have healthy lives and their children can breathe healthy air," Kokanovic said.

"Now I can say: There will be no mine here."

Serbia is not a member of the EU, where environmental regulations are stricter.

Kokanovic said the protests would escalate if the government did not back down, with further moves to be

MARKET MONITOR as of 06:50 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$76.24 / bbl	0.07%	6.41%
NYMEX RBOB Gasoline	$2.21 / gallon	0.05%	4.70%
ICE Gas Oil	$725.00 / tonne	0.45%	-3.43%
NYMEX Natural Gas	$2.16 / mmBtu	1.36%	-14.24%
Spot Gold	$2,421.30 / ounce	-0.22%	17.39%
TRPC coal API 2 / Dec, 24	$126.5 / tonne	0.60%	30.41%
Carbon ECX EUA	€70.86 / tonne	-0.28%	-11.83%
Dutch gas day-ahead (Pre. close)	€39.15 / Mwh	4.46%	22.92%
CBOT Corn	$3.96 / bushel	-0.19%	-18.13%
CBOT Wheat	$5.65 / bushel	0.62%	-11.65%
Malaysia Palm Oil (3M)	RM3,742 / tonne	1.03%	0.56%
Index	**Close 08 Aug**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	323.40	0.12%	7.30%
Rogers International	26.80	0.85%	1.79%
U.S. Stocks - Dow	39,446.49	1.76%	4.66%
U.S. Dollar Index	103.13	-0.07%	1.78%
U.S. Bond Index (DJ)	437.26	-0.22%	1.52%

announced at a rally scheduled in the capital Belgrade for Saturday.

If implemented, the $2.4 billion Jadar lithium project in western Serbia could cover 90% of Europe's current lithium needs and make Rio Tinto one of the world's leading lithium producers.

Lithium is a key component in batteries for electric vehicles and mobile devices.

Kokanovic's neighbour, Marijana Petkovic, said her community is so alarmed by the Rio Tinto project that it is prepared to physically stop machinery from constructing the mine.

"We will defend our homes, our land, our church and our cemetery. Further radicalisation will be the next step (if necessary)," she said.

In June, Rio Tinto said newly published environmental studies showed the project would be safe for local communities. In an effort to allay fears of deadly pollution, the Serbian health ministry on Tuesday formed a commission tasked with studying the impact of lithium mining on human health. "There will no digging for two years, so...stirring up panic makes no sense," President Aleksandar Vucic told reporters on Wednesday evening.

On July 19, Vucic, German Chancellor Olaf Scholz and EU energy Commissioner Maros Sefcovic signed a deal that would grant producers from EU member state access to raw materials mined in Serbia, which would include lithium.

The deal is meant to reduce the EU's dependency on imports from America and Asia. In the central Serbian town of Kragujevac, protesters signalled they would not relent in the dispute over the lithium mine as they packed its main square on Wednesday evening.

"We do not want lithium in Serbia. If the damage to the environment is higher than the economic benefit, then it is clear (why the project is not good)," demonstrator Aleksandar Jankovic said.

Ghana opens first gold refinery after centuries of mining

Ghana opened its first commercial gold refinery in Accra, the capital, on Thursday as part of an effort by Africa's leading gold producer to add value and earn more from the precious metal, which has been mined for centuries.

The Royal Ghana Gold Refinery, with capacity to process 400 kilogrammes (kg) of gold per day, will source gold dore from small-scale and artisanal miners before acquiring licences to process gold from large-scale miners. The refinery is a partnership between Rosy Royal Minerals of India and Ghana's central bank, with a 20% stake.

Speaking at the opening, Vice President Mahamudu Bawumia said the launch of Royal Gold Refinery marked "a new era" that would help contain gold smuggling and raise national earnings from the precious metal.

"With the ability to refine our gold, we will be able to sell it at the appropriate price, enabling us to retain its economic value within our borders while creating numerous jobs for the youth," he said.

Ghana's gold from licensed producers is exported in raw form while a sizeable amount of output from unregulated artisanal miners, locally called galamsey, is smuggled outside the country. The refinery will employ 80-120 people directly and create 500 indirect jobs, said Bawumia, who is running for president in the December polls.

Ghana retained its spot as Africa's biggest gold producer last year, as increased production from small-scale and artisanal miners pushed output to 4.03 million ounces.

The West African nation, which is also the world's number two cocoa producer, is on track to beat its 2024 gold output target, with production seen between 4.3 million and 4.5 million ounces.

The Bank of Ghana launched a gold purchase programme in 2021 to build reserves through domestic purchases and cushion the cedi currency.

Bank of Ghana Governor Ernest Addison said purchases totalled 65.4 tones, equivalent to $5 billion and the bank was keen on the refinery acquiring the London Bullion Market Association (LMA) certification quickly.

Addison said LBMA accreditation for the refinery would help the bank "diversify and organically grow its foreign exchange reserves and accumulate more gold reserves to reduce dependence on external borrowing."

The general secretary of the small-scale gold miners association, Godwin Armah, said the refinery has to be "transparent" with pricing and gold quantities received from members to help earn their trust and support.

Top News - Carbon & Power

US offshore wind opponents seek to form national group to fight projects

U.S. activists opposed to offshore wind development are forming a national coalition aimed at fighting projects from California to New England, according to the effort's founder and two other organizations.

The National Offshore-wind Opposition Alliance, or NOOA, aims to bring a national profile to what is currently a fractured movement of dozens of local groups, according to its president, Mandy Davis.

Offshore wind is a nascent industry in the United States and a key pillar of U.S. President Joe Biden's plan to combat climate change. His administration's push to install turbines along every U.S. coastline has attracted pushback, including multiple lawsuits, from residents concerned about the industry's impact on tourism, property values, fishing and marine habitats.

"Sometimes the little guy just doesn't get noticed," said Davis, who is also the founder of a Morro Bay, California-based offshore wind opposition group called REACT Alliance. Davis said representatives from about 20 local groups from both U.S. coasts attended NOOA's first official meeting, held virtually this week. She did not say how many groups had yet formally signed on to the coalition, saying the list should become clear in the coming days and weeks.

Green Oceans, a group that has sued to stop projects being built off the coast of Rhode Island, is among those that has already signed on, according to Green Oceans co-founder Bill Thompson. He said he hoped the coalition would lead to better information and strategy sharing.

She said NOOA will maintain political neutrality and will not accept donations from fossil fuel interests. The group's acronym, NOOA, is intentionally a riff on that of the National Oceanic and Atmospheric Administration (NOAA), the U.S. agency that oversees federal ocean conservation policies and assists in permitting offshore wind facilities. "It's a little bit of a dig," Davis said.

Osaka Gas aims to keep annual LNG handling volume at 11.5 mln

Japanese city gas provider Osaka Gas aims to maintain annual handling volume of liquefied natural gas at 11.5 million metric tons in the fiscal 2030 year, an executive said on Thursday.

One of Japan's biggest LNG buyers, Osaka Gas said on Tuesday it had signed an initial long-term agreement with UAE's ADNOC for the delivery of up to 800,000 metric tons per annum of the super-chilled fuel.

Its LNG handling volume, including imports for its own demand, wholesale and trading, stood at 11.5 million tons in fiscal 2023 that ended on March 31 this year versus 3.5 million tons in 1990.

"We aim to maintain the current handling volume through 2030 even though domestic demand may decline," Takenori Fujita, Osaka Gas' executive officer, told reporters.

Tokyo Gas plans to start LNG bunkering in fiscal 2026, he said.

The 2023 volume included 6 million tons of imports for domestic demand, 3.5 million tons for wholesale and 2 million tons for trading.

The utility initially procured the fuel only for its own needs, but expanded its handling volume by owning vessels and starting wholesale operations, Fujita said.

The volume increased further with the start of commercial operations at U.S. Freeport LNG, in which Osaka Gas has an equity stake, and through expanded trading activities, he said.

Freeport is the second-largest U.S. LNG exporter.

Japan, the world's second-largest LNG importer, stepped up imports of the fuel after the Fukushima nuclear disaster of 2011 led to closure of its nuclear power reactors. Tokyo has also increased participation in LNG projects globally to secure supply.

But the comeback of nuclear power and the roll-out of renewable energy have led resource-scarce Japan to cut LNG imports for its own needs.

Top News - Dry Freight

Argentine oilseed workers strike extended as delays hit dozens of ships

A pair of Argentine oilseed industry unions announced a one-day extension to an ongoing strike that has halted operations at the country's major agricultural hubs.

The strike was launched early on Tuesday by the SOEA and the Federation of Oilseed Industry Workers, which are demanding companies approve worker wage hikes above the country's inflation rate.

The unions extended the strike "in view of the indifference of the companies," they said in a press release.

The number of ships facing grains loading delays due to the strike had risen to 36, the CAPYM ports chamber told Reuters earlier on Thursday.

Argentina is a major exporter of processed soybeans, with proceeds from sales providing much-needed hard currency for central bank coffers. While the country's inflation rate has slowed since President Javier Milei took office in December, the accumulated rate of rising consumer prices during the first half of this year nevertheless stood at 79%, according to official data.

Algeria buys 600,000 to 700,000 T wheat in tender, traders say

Algeria’s state grains agency OAIC has purchased around 600,000 to 700,000 metric tons of milling wheat in an international tender which closed on Thursday, European traders said.

Purchases were reported at around $250.50 to $252 a ton cost and freight (c&f) included, they said. Earlier trader estimates of purchases up to $253 a ton c&f were regarded as too high by traders in late evening assessments.

Traders had earlier suspected a substantial purchase but were unsure of the volume. Late evening consensus of the volume bought was between 600,000 to 700,000 metric tons.

Algeria’s purchases in tenders are optional origin but traders initially suspected low prices mean Russian wheat would be largely sourced to supply the purchase, possibly along with other Black Sea origins. Reports reflect assessments from traders as Algeria does not announce the results of its purchase tenders and further estimates of prices and volumes are still possible later.

The wheat is sought for shipment in 2024 in two periods from the main supply regions including Europe: Oct. 1-15 and Oct. 16-31. If sourced from South America or Australia, shipment is one month earlier.

Algeria is a vital customer for wheat from the European Union, especially France, but Russian and other Black Sea region exporters have been expanding strongly in the Algerian market.

In its last reported wheat tender on July 18, Algeria purchased about 700,000 to 750,000 tons at between $241 to $244 a ton c&f included. Traders expected the July purchase to be sourced from the Black Sea region, including Russia, Ukraine and Bulgaria.

Picture of the Day

Employees stand at a compound of the Khmelnytskyi Nuclear Power Plant, amid Russia's attack on Ukraine, near the town of Netishyn, in Khmelnytskyi region, Ukraine August 7. REUTERS/Viacheslav Ratynskyi

(Inside Commodities is compiled by Haritha K P in Bengaluru)

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