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Top News - Oil

Saudi crude oil exports to China set to slip in September, sources say

Saudi crude oil exports to China are set to fall in September to about 43 million barrels, several trade sources said on Monday, citing monthly allocations for term buyers.

September exports from the world's top exporter to China are estimated to slip by about 3 million barrels from a revised volume of about 46 million barrels in August, the sources said.

Saudi Arabia is the second-largest crude supplier to China, world's top oil importer and the biggest contributor to global demand growth. Slowing oil demand growth in China is one of the key factors that have been capping global oil prices.

The allocations come after Saudi Aramco raised official selling prices for light crude grades it sells to Asia while maintaining those for medium and heavy grades.

While the price hikes were smaller than expected, some buyers said Saudi's term supplies were still more expensive than other Middle Eastern grades sold in the spot market.

Another two North Asian refiners will be receiving steady crude supplies from Saudi Arabia, the sources said.

ANALYSIS-Global oil demand needs to rise faster to absorb OPEC+ hike

Global oil demand growth needs to accelerate in coming months or the market will struggle to absorb an increase in oil supply that OPEC+ is planning to make from October, according to data, analysts and industry sources.

Oil demand growth in the first seven months of the year from top consumers the United States and China had failed to meet some expectations even before renewed fears of a U.S. recession triggered a global stock and bond sell-off this week.

If the economy slows further, oil demand growth will likely slow with it. That will mean OPEC+ would either have to delay plans to pump more oil or accept lower prices for higher supply, analysts said.

"In current circumstances of significant risk of recession, it is unlikely OPEC+ would move forward with the planned October increases," said Gary Ross, CEO of Black Gold Investors and a veteran OPEC-watcher.

The price of oil has fallen below \$80 per barrel in August – less than most members of OPEC+, or the Organization of the Petroleum Exporting Countries and allies such as Russia, need to balance their budgets.

"Oil demand definitely has a downside risk," said Neil Atkinson, an independent analyst who previously worked at the International Energy Agency, citing concern about Chinese and U.S. economies. "It's very difficult to see how prices can rise significantly if demand is slower than we thought" he said, adding that he expected OPEC+ to hit pause on its output increase.

For the first seven months of 2024, China's crude imports totalled 10.89 million barrels per day, down 2.4% on the year, official data showed on Wednesday.

China's slumping consumption of diesel, as use of LNG-powered trucks grows, is weighing on domestic fuel demand, as is a sluggish economy hobbled by a prolonged crisis in the property sector.

In the United States, oil consumption through July has risen by 220,000 bpd on the year to average 20.25 million bpd, according to Reuters calculations based on government estimates. Demand will need to accelerate to reach the government's 2024 forecast of 20.5 million bpd. Whether or not global demand hits the heights needed to absorb additional supplies this year is difficult to gauge because of a record variation in where the world's most respected oil demand analysts at OPEC and the IEA measure demand to date. There is a time lag on oil consumption data, and preliminary figures are often revised. That leaves forecasters including best estimates in some of their demand figures.

OPEC pegs global demand growth at 2.15 million bpd in the first half of 2024, while the IEA estimates it was 735,000 bpd. The IEA advises industrialised countries on energy policy.

OPEC's estimate of first-half demand growth is little changed from what it was at the start of the year. The IEA

has cut its estimate of first-half demand growth from 1.19 million bpd forecast in January.

The IEA estimated China's consumption contracted in the second quarter, while OPEC estimates it rose by over 800,000 bpd. China is one of the main reasons for the difference in outlooks for the full year, as well as for the first half.

Global growth would need to accelerate a little in the second half if OPEC estimates on first-half demand were correct. But if the IEA is right, demand would need to accelerate rapidly.

The second half is typically the period of highest consumption as the simple fact of global economic growth increases oil demand and because it includes the peak driving season, Northern Hemisphere harvest and purchases to prepare for winter.

For demand growth to hit OPEC's full-year prediction, it would need to accelerate to an average of 2.30 million bpd in the second half, according to Reuters calculations. Demand needs to grow by 1.22 million bpd in the second half to reach the IEA's full-year prediction.

OPEC and the IEA are scheduled to update their demand forecasts next week.

OPEC+ SUPPLY INCREASE

OPEC+ last week confirmed its plan to start raising production from October with the caveat that it could be paused or reversed if needed.

The increase is predicated on demand hitting OPEC's forecast, which would increase the need for oil from the producer group and its allies. OPEC+ pumps more than 40% of the world's crude.

Should OPEC's demand prediction be realised, the demand for crude from OPEC+ countries is forecast to reach 43.9 million bpd in the fourth quarter, up from production of 40.8 million bpd in June, in theory allowing room for extra output. OPEC+ still has a month to decide whether to start releasing the oil from October, and the group will study oil market data in the coming weeks, a source close to the group said.

Saudi Aramco CEO Amin Nasser said on Tuesday he expected growth of between 1.6 million and 2 million bpd in the second half of the year.

Two OPEC sources said it was unclear if demand was rising as rapidly as needed to meet OPEC's third-quarter forecast. OPEC did not respond to a request for comment.

Chart of the Day



U.S. DEMAND NOT CLEAR

The IEA says that slower economic growth and a shift towards electric vehicles in China has changed the paradigm for the world's second-largest economy, which for years has driven global rises in oil consumption. OPEC sees strong growth persisting.

Early indications of China's August crude imports, such as from data intelligence firm Kpler, point to a small rebound from July. Two traders dealing in China's purchases of West African crude said demand for August-loading oil had been soft.

Global jet demand is expected this year to surpass 2019 levels, according to the International Air Transport Association, although IATA said in June that international travel in Asia remained subdued especially in China.

"The big levers everyone pointed to for demand growth were jet demand and China," said a source with an oil trading company. "Chinese demand hasn't been great and jet demand is decent in Europe but has not fully recovered (from the pandemic)."

In top oil consumer the United States, gasoline demand has proven hard to gauge: revisions to official data last week showed May demand at the highest level since August 2019. Earlier estimates and independent trackers pegged demand below last year.

Dour economic data from the United States could also spell trouble for oil markets, especially for diesel. U.S. diesel demand was about 4% lower in the first five months of this year than in 2023, according to EIA data.

Top News - Agriculture

Light frosts reported in some Brazil coffee areas

Farmers and local media reported the occurrence of light frosts in coffee producing areas in Brazil in the early hours of Sunday as an unusually strong cold mass for this time of the year advances from the South to central areas in the country.

Farmers posted videos on social media of light frosts in the Cerrado Mineiro region, the second most important producing region of top Brazilian coffee grower Minas Gerais. There were no reports of frosts in the main coffee area of South Minas.

According to a report by agricultural news outlet Noticias Agricolas, farmers in municipalities such as Patrocínio and Tapira in the Cerrado Mineiro region said part of their crops were hit by light frosts. They said in the report, however, that it was much less intense than in the last major frost that hit the area in 2021.

Frosts can reduce agricultural yields in coffee crops as they cause leaves to fall, reducing trees' vitality.

They are more frequent in July in Brazil. The last major frost to hit coffee areas in Brazil in mid August happened in 1978, according to data from local forecasters.

Brazil's official forecaster CPTEC said last week that there was possibility of frosts in some states during the weekend. It also sees potential for more frosts in the early hours of Aug. 13, but mostly in the three Southern states, plus Sao Paulo and Mato Grosso do Sul.

Frosts can also have a negative impact in sugarcane fields if they are strong. Sao Paulo is Brazil's largest sugarcane producing state.

High hopes in Israel for 'super hero' cocoa that survived frontline conditions

Farming can develop in mysterious ways. Israeli researchers learned about that when the war in Gaza seemed to have all but wrecked their work on a more resilient strain of the cocoa plant that could help alleviate a global shortage of the beans.

Just days after Israel's agriculture research centre, the Volcani Institute, sent 140 seedlings to a facility in southern Israel to study how this tropical plant could be grown in dry conditions, the area came under attack by the Palestinian Islamist group Hamas.

The Oct. 7 assault that sparked the war in Gaza, paralysed southern Israel and left the facility shut down for months without electricity or irrigation.

"When we came back in January we saw everything around us, all the experiments that died," said Talli Ilani, a researcher at the R&D Darom site.

Everything except for 18 cocoa seedlings.

While the team had not planned on testing the selected cocoa strains specifically for drought resistance, they may have found just that.

"It's a very unusual result, to find a strain that can withstand 3-1/2 months of drought as new fresh seedlings and also severe cold front," said Ellen Graber, a senior principal scientist at the Volcani Institute.

"It means that we may be able to develop strains that can expand the growing regions for cocoa."

Bad weather and disease have hurt cocoa production and sent global cocoa prices soaring.

Graber now plans to clone the surviving plants - which she refers to as "super heroes" - and test them for other qualities such as resistance to pests, and identify the genes responsible for their resilience.

The Volcani Institute has developed resilient plant strains in the past, including drought-resistant wheat that ripens earlier and with a higher nutrient content, as well as a chill-resistant basil that yields all year round.

Top News - Metals

BHP, Rio Tinto, Qantas to invest \$53 mln in Australian carbon credit fund

BHP, Rio Tinto and Qantas will invest a total of A\$80 million (\$52.7 million) as early-stage investors in an Australian carbon credits fund that aims to invest in land reforestation projects, according to statements from the fund and the companies on Monday.

The fund, managed by Silva Capital - a joint venture between Roc Partners and C6 Investment Management, aims to raise A\$250 million to generate and manage Australian Carbon Credit Units (ACCU) from reforestation initiatives.

ACCU are issued by the Australian government's \$3 billion Emissions Reduction Fund (ERF) to help the country slash its carbon emissions by 43% from 2005 levels by 2030.

The ERF issues credits mostly to projects that avoid deforestation, regenerate native forests or collect

methane from landfills. Those projects can sell credits to the government or to companies looking to meet their emissions-cutting targets.

Companies operating in high-emitting industries like mining and aviation are increasingly looking to buy carbon credits as they seek to buy offsets for their emissions.

"This fund represents not only an investment in carbon abatement but a significant milestone in Australia's carbon market, that will, importantly, support the long-term success of our farming communities and nature repair," Raphael Wood, Silva Capital Co-Managing Director, said in a statement.

Silva Capital has plans to invest in farmlands to develop large carbon sequestration projects that promote sustainable agricultural and land management practices, Wood added.

MARKET MONITOR as of 06:45 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	\$77.25 / bbl	0.53%	7.82%
NYMEX RBOB Gasoline	\$2.21 / gallon	0.42%	5.00%
ICE Gas Oil	\$719.00 / tonne	-0.17%	-4.23%
NYMEX Natural Gas	\$2.22 / mmBtu	3.64%	-11.65%
Spot Gold	\$2,435.49 / ounce	0.19%	18.08%
TRPC coal API 2 / Dec, 24	\$126.5 / tonne	0.60%	30.41%
Carbon ECX EUA	€70.25 / tonne	0.16%	-12.59%
Dutch gas day-ahead (Pre. close)	€39.68 / Mwh	1.35%	24.58%
CBOT Corn	\$3.94 / bushel	-0.32%	-18.65%
CBOT Wheat	\$5.59 / bushel	-1.19%	-12.59%
Malaysia Palm Oil (3M)	RM3,740 / tonne	-0.19%	0.51%
Index	Close 09 Aug	Change	YTD
Thomson Reuters/Jefferies CRB	325.77	0.73%	8.08%
Rogers International	26.85	0.19%	1.98%
U.S. Stocks - Dow	39,497.54	0.13%	4.80%
U.S. Dollar Index	103.18	0.04%	1.82%
U.S. Bond Index (DJ)	436.30	0.50%	1.30%

COLUMN-Iron ore outlook dims as China inventories, steel output fade: Russell

The price of iron ore has dropped for a sixth consecutive week as China's steel sector continues to struggle and port inventories of the raw material stop rising.

Singapore Exchange futures ended at \$101.49 a metric ton on Aug. 9, up a touch from the four-month closing low of \$100.14 the previous day.

The benchmark contract has declined every week since July 5 and is down 29% from its peak so far in 2024 of \$143.60 a ton, reached in the first week of the year.

While the declining price is not quite a capitulation, it does show market sentiment has shifted away from optimism that Beijing's efforts to boost the beleaguered construction sector would boost steel demand, to the reality that steel mills are struggling for profits and sales.

Recent price moves and data on China's steel sector, which accounts for just over half of global output, have been bearish.

Benchmark Shanghai steel rebar contracts ended last week at 3,286 yuan (\$458.55) a ton, the lowest close since October 2020, and they are now down 20% since the start of the year.

The China Iron and Steel Association said crude steel output at its members' mills was 1.9735 million tons per day in the period from July 21 to 31, down 8.1% from the prior 10-day period, with the industry association blaming soft prices.

Official steel production data for July is expected this week, but is unlikely to alter the declining trend seen so far in 2024, with National Bureau of Statistics data showing crude steel output of 530.7 million tons in the first half of this year was down 1.1% from the corresponding 2023 period.

China's steel purchasing managers' index fell by 5.3 points to a one-year low of 42.5 points in July, substantially below the 50 level that demarcates

expansion from contraction, data from the China Steel Logistics Professional Committee showed.

IRON ORE IMPORTS

While steel's woes have weighed on iron ore prices, so far this year import volumes have held up fairly well.

This has largely been driven by restocking with port inventories monitored by consultants SteelHome rising from a seven-year low of 104.9 million tons in October to a 27-month high of 151.8 million in the week to July 26. In the two weeks since, stockpiles have eased slightly to 150.4 million tons in the seven days to Aug. 9, suggesting that inventory restocking may be largely complete.

It is also worth noting that China's iron ore imports rose 6.7% to 713.77 million tons in the first seven months of the year compared to the same period in 2023.

This was an increase of 44.31 million tons, a figure close to the increase of 46.9 million in port inventories since the October low.

It appears that steel mills and traders have taken advantage of the declining trend in iron ore prices to restore inventories, but now that they are at relatively high levels, the question is whether there is any appetite to continue adding to them.

It seems that August's iron ore imports will remain healthy, with commodity analysts Kpler tracking 97 million tons so far, a figure likely to rise before the end of the month as more cargoes are assessed.

July's official imports were 102.81 million tons, and the trend so far this year has seen imports anchored in a narrow range either side of 100 million.

But with steel output declining and the full year unlikely to match last year's 1.02 billion tons, it is hard to be bullish on iron ore import volumes and prices.

Top News - Carbon & Power

Shell, PetroChina to expand Surat coal seam gas project in Australia

Shell and PetroChina have decided to expand the Surat coal seam gas project (SGP) in Queensland, the British oil and gas giant said on Monday, amid calls for more investment to boost local energy supply.

The decision comes at a time when industry executives

have been pushing for government measures to bring back investments put off by a slew of state interventions to curb energy prices and boost domestic supply.

Australia's energy market operator and competition watchdog have also asked oil and gas companies to invest more to increase supply in an increasingly

stretched market.

The second phase development of the project will bring more than 130 terajoules of additional gas per day, operator Arrow Energy, a joint venture between Shell and PetroChina, said in a separate statement.

The first phase of the project began in 2020 and is now in production.

Shell did not give any cost estimate for the second phase of development, but said it was expected to contribute around 22,400 barrels of oil equivalent per day at peak production and first gas was expected in 2026.

"At a time when more gas is needed for homes, businesses and industries, the SGP North development will solidify Arrow's position as a major producer of natural gas on the east coast," said Arrow CEO Zhengxin Peng.

Arrow holds large reserves of undeveloped gas on the east coast, which is facing a supply crunch and higher prices.

GLOBAL LNG-Asia spot LNG prices remain at 7-month high amid Russian supply concerns

Asian spot liquefied natural gas (LNG) prices remained at their highest level in over seven months, tracking European gains amid concerns over supply disruption.

The average LNG price for September delivery into north-east Asia was at \$12.90 per million British thermal units (mmBtu), industry sources estimated. This is the highest level since mid-December and up from \$12.80/mmBtu last week.

"Asian prices rise this week has largely been underpinned by the European gains, with north-east Asian LNG demand remaining tepid despite hot weather in much of the region, particularly South Korea which is also facing a few unplanned nuclear outages," said Samuel Good, head of LNG pricing at commodity pricing agency Argus.

Above-average temperatures are forecast in South Korea, Japan, as well as China's Beijing and Shanghai in

the coming week, which could support strong cooling demand. However, south-east China - where much of gas-fired generation capacity is situated - could return to normal temperatures in the coming weeks, leaving little scope for a late summer jump in power demand, Good Said.

Gas demand remains high enough in Asia to attract cargoes, said Klaas Dozeman, market analyst at Brainchild Commodity Intelligence, adding that current price levels might withhold price sensitive buyers from the spot market.

Dozeman said that the latest La Nina weather pattern forecast has weakened, which might help to decrease next winter's gas demand in Asia and North America compared to earlier forecasts.

In Europe, gas prices have risen this week on heightened geopolitical risk in the Middle East and after Ukraine mounted a surprise incursion into Russia's Kursk region, where Russian natural gas flows into Ukraine.

The benchmark front-month contract at the Dutch TTF hub traded at 40.25 euros earlier on Friday, its highest level since Dec. 8.

"While deliveries through the point have been little changed, traders remain concerned that the near -40 million cubic metres per day of gas that passes through Sudzha could be affected, leaving an incentive for some to adjust their trading positions in a bid to avoid being short of gas were prices to spike," Argus' Good said.

S&P Global Commodity Insights assessed its daily North West Europe LNG Marker (NWM) price benchmark for cargoes delivered in September on an ex-ship (DES) basis at \$12.676/mmBtu on Aug. 8, a \$0.15/mmBtu discount to the September gas price at the Dutch TTF hub.

Spark Commodities assessed the price at \$12.717/mmBtu, while Argus assessed it at \$12.700/mmBtu.

Atlantic LNG freight rates rose for the first time in a month to \$75,250/day on Friday, while the Pacific rates rose for the seventh week running to \$86,750/day, said Spark Commodities analyst Qasim Afghan.

Top News - Dry Freight

Argentina oilseed workers' strike nears one-week mark

An oilseed workers' strike in Argentina is set to carry on into its seventh day on Monday as wage negotiations with firms remained stalled, affecting shipments from one of

the world's major grain exporters.

"We will continue with the strike," Martin Morales, union secretary for the San Lorenzo Department Oilseed Workers and Employees Union (SOEA) told Reuters on Sunday. "Tomorrow we will evaluate again (whether or

not to continue)." Two industrial unions kicked off the strike News Story as workers demanded that salaries stay ahead of high inflation.

Morales said that the companies affected had yet to reach out to the unions to negotiate.

The strike has mainly affected terminals located north of Rosario along the Parana River, where more than 80% of Argentina's agricultural and agro-industrial exports are shipped.

At least three dozen ships were still delayed on Sunday near Rosario, one of the most important agro-export hubs in the world.

In June, the federal government had forced SOEA to suspend a strike by calling it to mandatory reconciliation talks, forcing the union and firms back to the negotiating table.

Argentina is a major grains producer and is a top exporter of soybean oil and soybean meal.

The country's economy heavily relies on the foreign-exchange funds brought in by grains exports, as the government works to shore up scarce central bank reserves.

Ukraine boosts grain exports despite intensified Russian attacks

Ukraine is scrambling to ship as much grain as it can this summer, taking advantage of military gains it has made in the Black Sea area to boost exports even as Russia has attacked its ports.

Ukraine is a major global wheat and corn grower and before Russia's invasion in 2022 the country exported about 6 million tons of grain alone per month via the Black Sea. Grain sales are a crucial revenue source and while global prices are weak, Ukraine's cash-strapped farmers have little choice but to push ahead with exports because they need to fund the next winter sowing season.

Ukraine doubled food exports in July to over 4.2 million metric tons from the same month last year, according to data from Ukraine's UGA traders' union, despite intensified Russian attacks on Odesa, a key Black Sea export hub, and Izmail, a major port along the Danube River taking grain into Europe.

Ukraine has not yet reported the destinations of its exports in July, but last season it exported most of its wheat to Spain, Egypt and Indonesia, with its corn mostly heading for Spain and China.

The surge comes despite this season's drop in output caused by war-related disruptions, and there is no guarantee that Kyiv can sustain the trend into the full 2024/25 season.

"We are doing everything to make business feel comfortable even in wartime conditions," Dmytro Barinov, deputy head of Ukraine's Seaport Authority, told Reuters. The exports are a combination of new season wheat plus corn from stocks following last year's bumper harvest. So far, Ukraine has exported 3.7 million tons of agricultural goods in July through Odesa and 569,000 tons via the Danube, export data showed. That compared with 291,000 tons via Odesa and 2.07 million tons through the Danube in July 2023.

There were six shipments of corn from Ukraine's other two operational Black Sea ports of Chornomorsk and Pivdennyi in June and July to Rotterdam, Europe's busiest port, and Spain's Cartegna, separate LSEG shipping data showed. Since July, Ukraine has also shipped cargoes to China, Egypt and Turkey, separate data from Kpler showed.

Despite last month's stronger sales, overall exports for the 2024/25 season are expected to fall because of unfavourable weather and the war's impact, the ASAP agricultural consultancy said.

"We expect that grain exports from Ukraine could plunge by 14.5 million tons per year and touch almost a decade low of 35 million tons," ASAP said.

PORTS TARGETED

Ukraine has managed to create a shipping corridor after a U.N.-backed Black Sea grain export initiative collapsed last year. Russia's Black Sea Fleet has been forced to move nearly all its combat-ready warships from occupied Crimea to other locations.

While the improved security situation has lowered insurance and freight rates, making exports more competitive, Kyiv's challenge is to ensure its ports that are accessible can ship out cargoes.

Ukraine has sustained multiple missile and drone attacks in recent weeks, some of which have targeted Odesa and Izmail.

Even as ships have so far avoided any major damage, Ukrainian officials say port infrastructure is being targeted.

"The Russians are well aware of that and they're hitting the weak spots," said Barinov with Ukraine's Seaport Authority.

"They're hitting with precision missiles, they're deliberately destroying our ability to export, to process."

Barinov and other shipping officials said Russia was avoiding strikes at the international sea lanes outside of Ukrainian port limits, keeping escalation contained.

Ukraine's military assists ships entering and exiting ports, with captains operating under specific safety instructions, the country's navy chief Vice-Admiral Oleksiy Neizhpapa told Reuters.

"Ukrainian air defence forces cover these corridors and ports. All assets, from air defence groups to missile systems along the coast, contribute to this effort," Neizhpapa said.

Nonetheless, Ukraine has to cope with a multitude of other difficulties, including energy blackouts that disrupt port operations and exports.

Munro Anderson, head of operations at marine war risk and insurance specialist Vessel Protect, part of Pen Underwriting, said Russian strikes at targets inside Ukraine while less frequent than earlier in the war, continued to pressure Kyiv.

"Such attacks persist in applying pressure on the commercial maritime environment in Ukraine and thus achieve the Russian intent of eroding Ukrainian ability to fully capitalise on the potential output from these ports."

Additional war risk premiums for ships entering Ukrainian ports have been quoted in recent months at up to 1.2% of the value of the ship with discounts that could mean a lower rate, insurance sources said. Those premiums spiked to as much as 3% in November after a missile strike damaged a ship in Pivdennyi.

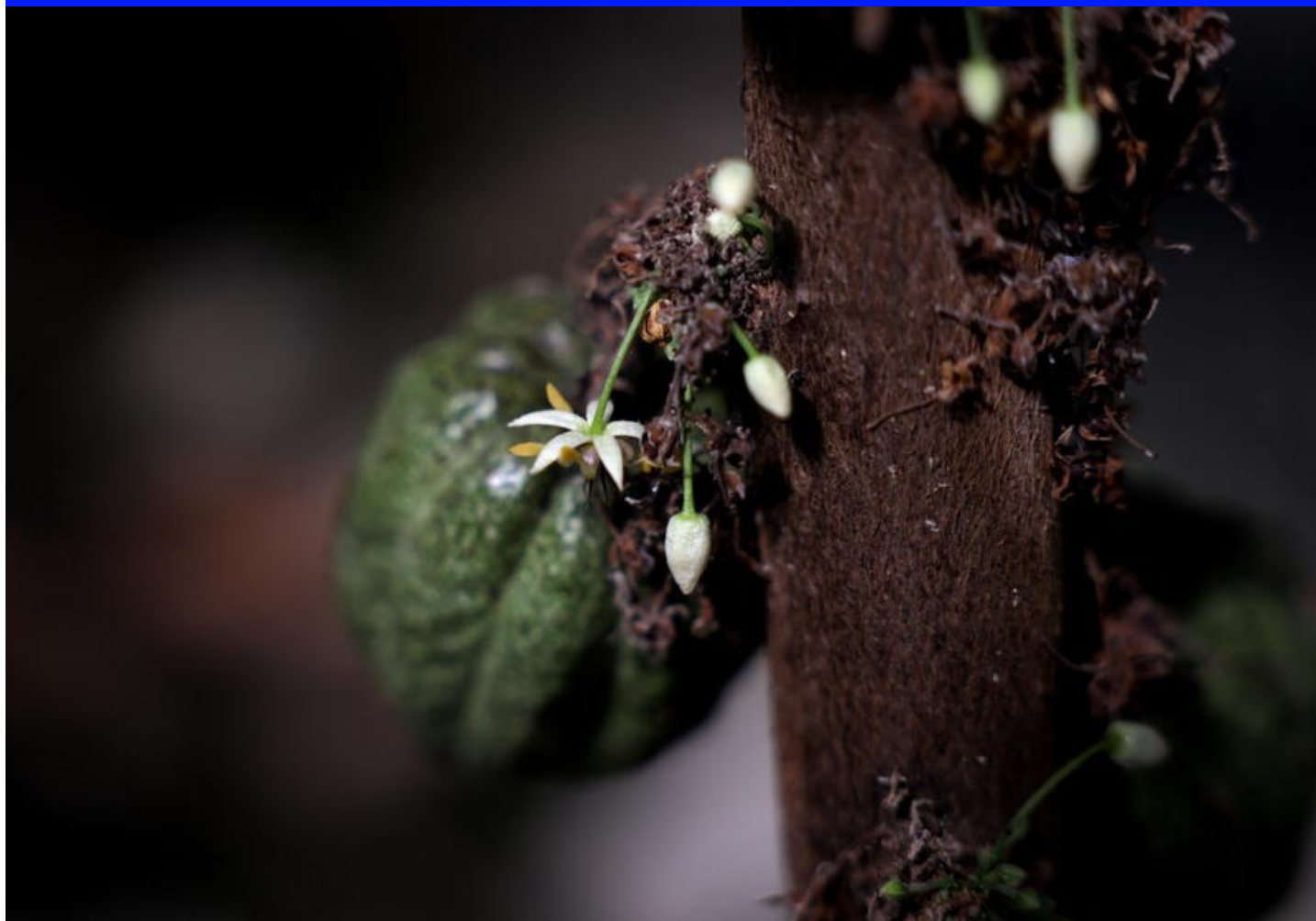
This still works out at hundreds of thousands of dollars in additional estimated costs for a seven-day voyage and those costs could increase if security conditions deteriorated.

Industry sources said war underwriters were keeping the situation under review in the light of the recent attacks.

"Increased shelling of ships in corridor ports may prompt reinsurers to revise their war risks insurance rates," said Maksym Dubovyi, managing partner with insurance broker Atria.

During its year of operation, Ukraine's sea corridor has enabled 2,059 ships to deliver 57.7 million tons of cargoes to 46 countries, including 39 million tons of agricultural products, said Neil Roberts, head of marine and aviation at the Lloyd's Market Association, which represents the interests of all underwriting businesses in the Lloyd's of London insurance market.

"Individual underwriters will decide the rate as appropriate in the light of events and take their own view on the risk."

Picture of the Day

A bean and flowers grow on a cacao tree in a greenhouse in Rishon Lezion, Israel, July 22. REUTERS/Ricardo Moraes

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

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

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

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