

[Oil](#) | [Agriculture](#) | [Metals](#) | [Carbon & Power](#) | [Dry Freight](#)*Click on headers to go to that section***Top News - Oil****China's July oil refinery output sinks to the lowest since Oct 2022**

China's oil refinery output in July fell 6.1% from a year earlier, official data showed, down for a fourth month as thin processing margins and tepid fuel demand discouraged production.

Refiners processed 59.06 million metric tons of crude oil in July, data from the National Bureau of Statistics (NBS) showed, equivalent to 13.91 million barrels per day (bpd), the lowest since October 2022.

The July rate fell from 14.19 million bpd in June and 14.87 million bpd in July 2023.

Output for the first seven months of the year was 419.15 million tons, or 14.37 million bpd, down 1.2% from the corresponding period last year, the data showed.

This is the second consecutive month the data has showed the year-to-date volumes have been down from the year-ago period since the end of 2022, according to Reuters' records.

Gasoline demand remained subdued despite a pickup in travel during the summer school holidays that span July and August as consumers chose to travel abroad or opted for high-speed rail for long-distance trips instead of driving.

Chinese consultancy JLC estimated July's apparent consumption of the motor fuel rose 3.3% versus June, a growth rate significantly slower than a year earlier.

A greater penetration of electric vehicles in the world's largest auto market also continued to reduce gasoline use. Half of all vehicles sold in China in July were either new pure electric vehicles (EV) or plug-in hybrids.

Planned overhauls at PetroChina's WEPEC and Ningxia refineries and Sinopec's Qilu and Maoming plants capped runs at state majors, while thin refining margins weighed on independent refiners' processing rates.

Consultancy Oilchem estimated independent refineries, mostly situated in the eastern refining hub of Shandong province, operated at 56.11% of capacity last month, down 7.3 percentage points on the year.

NBS data also showed China's crude oil production in July rose 3.4% from a year earlier to 17.9 million tons, or about 4.22 million bpd.

Year-to-date crude oil output was up 2.1% on the year to

124.96 million tons, or 4.28 million bpd.

National oil companies have in recent years ramped up production from offshore fields and deeper onshore reservoirs to compensate for declining reserves at mature fields such as Daqing and Shengli to boost supply security.

Natural gas production maintained robust growth, rising last month by 7.9% from a year earlier to 20 billion cubic metres (bcm), and output between January and July grew 6.2% to 143.6 bcm.

**US crude inventories rise after six weeks of drawdowns, EIA says**

U.S. crude oil stockpiles rose unexpectedly last week, building for the first time since late June, while gasoline and distillate inventories fell more than forecast, the Energy Information Administration (EIA) said on Wednesday.

Crude inventories rose by 1.36 million barrels to 430.7 million barrels in the week ended Aug. 9, the EIA said, compared with analysts' expectations in a Reuters poll for a 2.2 million-barrel draw.

Crude stocks at the Cushing, Oklahoma, delivery hub fell by 1.7 million barrels, the EIA said.

Crude futures extended losses following the surprise build. Brent futures were trading at \$80.41 a barrel, down about 30 cents, by 12:16 p.m. ET (1616 GMT), while U.S. crude fell 70 cents to \$77.66 a barrel.

"The six-week draw was pretty impressive but that's in the rearview mirror. The fact that we snapped the streak should weigh on prices a little bit," said Bob Yawger, director of energy futures at Mizuho in New York.

Net U.S. crude imports edged down by 57,000 barrels per day to 2.53 million bpd, while exports rose 118,000 bpd to 3.76 million bpd, the EIA said. Production was down 100,000 bpd to 13.3 million bpd.

The EIA's adjustment figure, which serves as a balancing item for when supply and demand do not align, was 420,000 bpd, a 948,000 bpd-increase from the prior week when that figure was negative 528,000 bpd.

Refinery crude runs rose by 65,000 bpd, and refinery utilization rates rose by 1 percentage point in the week to 91.5%.



Gasoline stocks fell by 2.9 million barrels in the week to 222.2 million barrels, the EIA said, more than double expectations for a 1.3 million-barrel draw. Gasoline inventories are now at their lowest since November.

Distillate stockpiles, which include diesel and heating oil, fell by 1.7 million barrels in the week to 126.1 million barrels, versus expectations for a 520,000-barrel draw,

the data showed.

Jet fuel consumption fell by 346,000 bpd to 1.6 million bpd. Consumption of the aviation fuel has been dragging after a strong start to the year as economic concerns weigh on demand.

The four-week average for product demand was at 20.56 million bpd, down 1.7% from the same period a year ago.

## Top News - Agriculture

### US farmers grow record soy crop, ditch pricier corn

The lower cost of growing soy versus corn, floods in some areas and a quick winter-wheat harvest drove the U.S. government to raise its soybean-production forecast to a record high this week, farmers and analysts said.

A record harvest from the world's second-biggest soybean producer would contribute to larger supplies of the oilseed, used to make biofuels and livestock feed. Global grains markets are in oversupply after several years of disruption and tight supplies due to the pandemic and then the war in Ukraine.

Large corn and soy crops globally, as well as feeble demand from exporters and domestic processors, have driven prices to near four-year lows and led to a rapid

decline in U.S. farm income forecasts this year.

On Monday, the U.S. Department of Agriculture raised its estimate for the 2024/25 soybean crop to a record 4.589 billion bushels from 4.469 previously. Even after the revisions, the USDA still forecast a bumper corn crop - the third-highest on record.

The USDA increased its estimate of how much soy will be left over in the U.S. by autumn 2025, after export and domestic needs are covered, by a whopping 29% from last month to 560 million bushels.

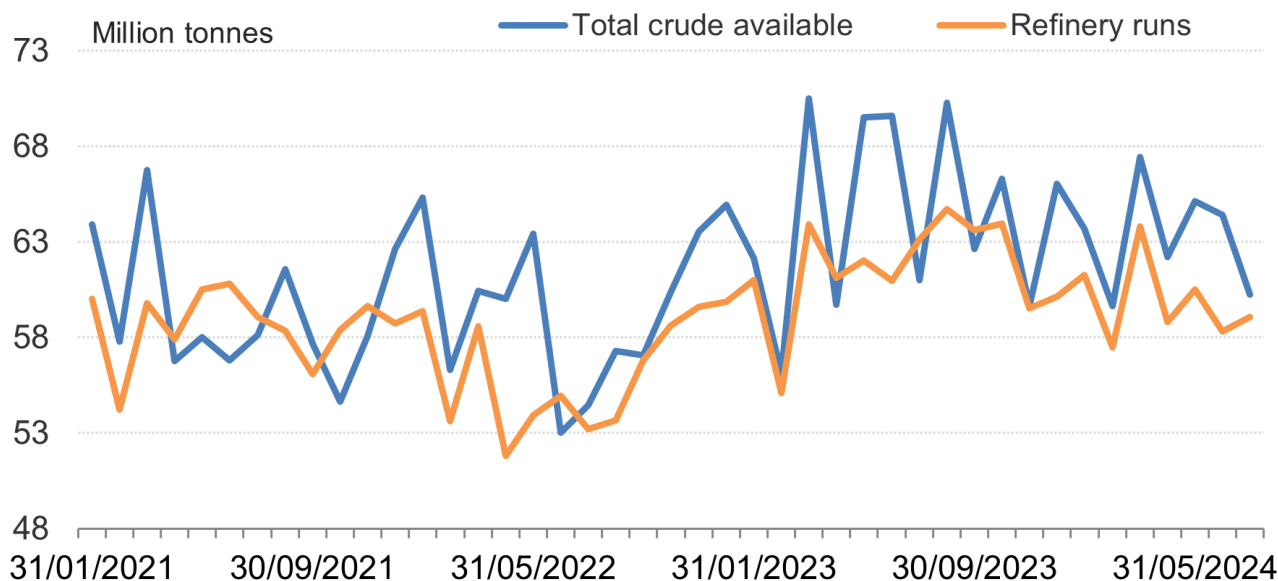
Planting corn requires farmers to apply nitrogen and other costly fertilizers, which farmers said would not allow them to make a profit given low corn prices.

'You're thinking, 'what am I going to lose less money on,'

## Chart of the Day

# CHINA CRUDE VS. REFINERY RUNS

Total crude oil available from imports and domestic output vs. refinery throughput



Note: January-February data has been calculated proportionally on a daily basis.

Source: LSEG Reuters graphic/Clyde Russell 15/08/24



and soybeans were that option," Cordt Holub, a corn and soy farmer in east-central Iowa, said. "When you're planting corn, it's a lot higher management and more steps that have to take place. With soy, you can basically just go and slap some soybeans into the ground and watch them grow."

In parts of the Midwest, widespread flooding delayed spring planting long enough that some farmers opted to plant soy, which can be planted later than corn.

The USDA raised its estimate for acres planted with soybeans and cut its corn-planting estimate, though in some states with extreme flooding, such as South Dakota, soybean acreage expanded by much more than it did nationally.

Chris Gibbs, a corn and soy farmer in western Ohio, decreased his corn acreage by 20% from what he initially planned and planted more soybeans instead due to the lower fertilizer costs and greater chance of profitability.

"I calculated that I had a better chance of making money by growing soy rather than corn," Gibbs said. "There's been little opportunity to make a profit this year."

In some Midwest and Plains states, a speedy winter-wheat harvest allowed some farmers time to plant soybeans for a second crop.

"When times are tough, you see if you can grow two crops in one year," said Arlan Suderman, chief commodities economist at StoneX.

### **COLUMN-Chicago soybeans may have found fair market value if demand can be trusted -Braun**

Soybean prices were already on their way to a historical downward correction before suspicions of a record U.S. crop were confirmed this week, and the latest price levels could be satisfactory if demand is cooperative.

But that is a big "if."

CBOT November soybean futures notched an all-time low on Wednesday of \$9.55-1/4 per bushel, the most-active contract's lowest level since Sept. 2, 2020.

That follows the U.S. Department of Agriculture's forecast on Monday that showed 2024-25 U.S. soy ending stocks rising 62% on the year to 560 million bushels, the third-highest ever and far above trade expectations at 465 million.

The huge stocks number resulted from a bigger soybean crop than anyone predicted, primarily due to an unusually large surge in planted acres.

Soybean futures have averaged \$9.72 per bushel since Monday, the week's lowest average price since \$8.99 in 2020, which was the third consecutive year of sub-\$9 prices in mid-August.

But when adjusting past prices for inflation, the \$9.72

becomes the week's lowest average price since 2006, in the very early stages of China's soybean import boom.

The substantial weakening of prices over the last few months suggests the market was already bracing for a situation as bearish as what USDA revealed this week. November soybeans have tumbled as much as 23% since the start of the year and they are trading about 26% lower than in mid-August of 2023. Both of those departures are the largest in at least three decades, though the new price levels seem to fit the fundamental setup.

### **NEW SCENARIO, NEW PRICE**

The swelling U.S. soy supplies are less burdensome in context with demand. USDA's latest estimates imply 2024-25 U.S. stocks-to-use at 12.8%, a five-year high and well above the prior year's 8.4%.

That is only the fifth-highest ratio of the last two decades and it does not break the top 20 when considering the full 61-year dataset. Stocks-to-use during the U.S.-China trade war in 2018-19 had surged to a three-decade high of 23.4%.

Analyzing historical August stocks-to-use forecasts against the corresponding price levels suggests November beans somewhere between \$9.25 and \$10 per bushel given the current 12.8% outlook for 2024-25.

That means soybeans may already be hovering near fair market value, but the trade's mistrust of demand could spoil that conclusion.

USDA's projection of 2024-25 U.S. soy exports is very conservative relative to the crop size, but many industry members are skeptical whether U.S. exporters can capture enough business from top buyer China as recent sales have been slow.

Chinese soymeal futures this week fell to more than one-year lows amid high inventory levels, and yet more soybeans are poised to arrive from leading supplier Brazil. China's feed demand has struggled in recent years while Brazil's crop potential keeps expanding, both threatening the U.S. market.

### **CORRECTING IN 2025**

Barring any unexpected stimulation in demand, U.S. farmers may have to slash soy acres in 2025 to prevent a further ballooning of domestic stocks, especially if the renewable fuel push that was supposed to lift soybean use continues to prove disappointing.

Farmers in 2024 increased soy area by 4% on the year while cutting corn by a similar degree due to better profitability potential for the oilseed. Despite the rise, this year's soy plantings of 87.1 million acres are more than 3

million below 2017's high. Overplanting in 2017 and again in 2018, combined with the 2018 trade war that choked U.S. soy exports, led to all-time-high ending stocks of 925 million bushels in 2018-19.

The inadvertent correction of this situation started with severe flooding during planting in 2019, and farmers in 2020 eased up on plans amid the pandemic-driven price

collapse. Combined, this wiped away more than 10 million soybean acres from original ideas.

It took a while for futures to respond meaningfully, as they stayed below the \$10 mark from June 2018 to September 2020, though it was the resurgence of Chinese buying in mid-2020 that was the initial catalyst for bean prices to start their journey higher.

## Top News - Metals

### China crude steel output falls for 2nd month in July on negative margins

China's crude steel output fell in July for a second month, declining by 9.5% from June, official data showed, as many steelmakers carried out maintenance work amid a widening of already negative margins.

The world's largest steel producer made 82.94 million metric tons of crude steel last month, data from the National Bureau of Statistics (NBS) showed, down from 91.61 million tons in June.

July output, the lowest for a single month since December 2023, was down 9% from a year earlier, the data showed, surprising analysts who forecast a modest annual fall.

China's steel producers cut output in late July and early August because margins were negative, said Atilla Widnell, managing director at Navigate Commodities, before the data was released.

"Chinese steel mills have responded to severely negative margins and the mass liquidation of old-specification

nationwide rebar inventories, driven by upcoming new national quality standards by significantly reducing output over the past four weeks," Widnell said.

On June 25, China announced mandatory rebar standards to replace voluntary guidelines that were set to go into effect from Sept. 25, prompting some panic selling of old inventories that pressured steel prices and further squeezed steel margins.

That, coupled with signs of weakening steel exports, was another blow to steelmakers already hit hard by dwindling demand amid a persistent property market downturn.

Steel prices fell 6.5% in July. Only about 15% of steelmakers surveyed by consultancy Mysteel were operating at a profit by late July, compared to around 43% in late June.

Also, more steel mills cut production after hopes of further government stimulus from two important meetings in July evaporated.

In July, daily output averaged about 2.68 million tons,

### MARKET MONITOR as of 06:45 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	\$77.15 / bbl	0.22%	7.68%
NYMEX RBOB Gasoline	\$2.15 / gallon	-0.04%	2.30%
ICE Gas Oil	\$728.75 / tonne	-0.10%	-2.93%
NYMEX Natural Gas	\$2.22 / mmBtu	0.14%	-11.61%
Spot Gold	\$2,455.54 / ounce	0.32%	19.05%
TRPC coal API 2 / Dec, 24	\$129.5 / tonne	0.58%	33.51%
Carbon ECX EUA	€71.10 / tonne	-1.07%	-11.53%
Dutch gas day-ahead (Pre. close)	€38.25 / Mwh	-0.98%	20.09%
CBOT Corn	\$4.03 / bushel	0.50%	-16.79%
CBOT Wheat	\$5.65 / bushel	1.48%	-11.73%
Malaysia Palm Oil (3M)	RM3,738 / tonne	0.40%	0.46%
Index	Close 14 Aug	Change	YTD
Thomson Reuters/Jefferies CRB	325.43	-0.29%	7.97%
Rogers International	26.74	-0.63%	1.58%
U.S. Stocks - Dow	40,008.39	0.61%	6.15%
U.S. Dollar Index	102.58	0.01%	1.23%
U.S. Bond Index (DJ)	441.56	0.49%	2.52%

compared with 3.05 million tons in June and 2.93 million tons in July 2023, according to Reuters calculations based on the NBS data.

Output over the first seven months of 2024 fell 2.2% from a year earlier, widening from a drop of 1.1% over January to June, to 613.72 million tons, according to the NBS.

Output in August is expected to fall from July levels as an increasing number of steelmakers are undertaking equipment maintenance after persistently falling steel prices have enlarged their losses, according to analysts. But they said the pace of the decline was likely to slow due to the low base in July.

Only around 5% of steelmakers were making a profit as of Aug. 9, Mysteel data showed.

### **China July aluminium output rises to highest monthly total in over 20 years**

China's July aluminium output rose the most in a single month in more than two decades, with producers ramping up operations to benefit from a business that remains profitable even though prices of the metal declined recently.

The world's biggest aluminium producer churned out 3.68 million metric tons of primary aluminium, 6% higher year-on-year, data from the National Bureau of Statistics (NBS) showed.

That marks the highest monthly output since at least 2002.

Daily output in July averaged at 118,710 tons, lower from 122,333 tons in June.

For the first seven months of the year, China produced 25.19 million tons of aluminium, up 6.7% from a year earlier, the data showed.

The yearly increases were attributed to new projects coming online in the northern region of Inner Mongolia in late second quarter, while smelters in other main producing regions maintained strong production thanks to a profitable market.

A rally in aluminium prices drove a surge in smelters' profits in the first half of this year.

Average profit in the industry hit about 4,000 yuan (\$558.78) per ton in June, the highest since the beginning of 2022, data by Beijing-based aluminium consultancy ALD showed.

"The better-than-expected profits prompted smelters to produce," said Su Yanbo, an aluminium analyst at ALD. The price rally was mainly driven by frenzied speculation, but the market then fell on profit taking and persistently weak demand in China.

Profit for the metal used in construction and the transportation industries dropped back to above 2,000 yuan in July.

Su expects industry profit to remain at a similar level and output to rise further over the coming months.

Production of 10 nonferrous metals, including copper, aluminium, lead, zinc and nickel, rose 8.2% to 6.56 million tonnes in July from a year earlier. Year-to-date output was up 7.3% at 45.55 million tonnes.

The other non-ferrous metals are tin, antimony, mercury, magnesium and titanium.

## **Top News - Carbon & Power**

### **China's thermal power generation falls for third month in July despite record heat**

China's thermal power generation in July fell from a year earlier for a third month even though the country recorded its hottest month in recent history, sending power use rising, statistics bureau data showed.

China's thermal power generation last month fell 4.9% from a year ago to 574.9 billion kilowatt-hours (kWh), despite total power generation rising 2.5% to 883.1 billion kWh, the National Bureau of Statistics reported (NBS).

The NBS data reflects power generation from industrial enterprises that have annual revenue of at least 20 million yuan (\$2.79 million).

Thermal power generation comes mostly from coal in China with a small portion from natural gas-fired power plants.

As thermal power fell, hydropower captured much of the

increase in demand last month, rising 36.2% from a year ago to 166.4 billion kWh.

Higher temperatures during the summer usually increases electricity consumption as residents run their air conditioning.

Analysts had previously warned that a serious heatwave could potentially derail China's progress on reducing coal-fired power generation.

For the January to July period, thermal power output rose by just 0.5% from a year earlier to 3.58 trillion kWh, putting it on track to decline for the full year if the monthly trend continues.

Total power generation during the first seven months of 2024 was 5.32 trillion kWh, up 4.8% from the previous year.

Lauri Myllyvirta, senior fellow at Asia Society Policy Institute, said China's power demand could ease during

the rest of the year in "a return towards normal after a period of anomalously high demand growth".

"Energy demand growing at the same rate as GDP and electricity demand growing significantly faster reflected a shift in the economic structure towards energy intensive industry that cannot continue for very long as markets are saturated."

### **China's coal output up 2.8% in July despite surging hydropower generation**

China's coal output rose 2.8% in July from a year earlier as mines ramped up production to ensure steady supply amid record-breaking heat, statistics bureau data showed, even though thermal power output fell while hydropower generation surged.

The world's largest coal producer mined 390.37 million metric tons of the fuel last month, according to the National Bureau of Statistics data, down from June's 405.38 million tons, which was the highest level since December 2023.

China's national energy regulator said late in July it was coordinating power plant coal inventories to keep them at a minimum of 200 million tons because of continuing hot weather. Average daily coal output in July stood at 12.59 million tons, according to Reuters calculations, down from 13.5 million tons a day in June but up from 12.18 million daily tons a year earlier.

Thermal power output disappointed the coal industry in

July, however, falling for a third straight month as more electricity was generated by hydropower because of heavy rains in July.

China's thermal power generation fell 4.9% to 574.9 billion kilowatt-hours (kWh) even as total power generation rose 2.5% to 883.1 billion kWh, the statistics showed. Meanwhile, hydropower generation for the month rose 36.2% on the year to 166.4 billion kWh.

China's growing coal-to-chemicals industry is offsetting some of the slowing demand for coal-fired power, with coal consumption in the chemicals industry growing 21% in the first half of the year, wrote Lauri Myllyvirta, senior fellow at the Asia Society Policy Institute.

"China's energy security drive and falling coal prices relative to oil prices have driven a boom in this industry," Myllyvirta said.

Analysts have said they expect China's coal output to keep increasing through the third quarter on the hotter weather and as production recovers from a slump earlier in the year due to safety inspections.

Production was lower particularly in China's coking coal hub of Shanxi province, which produced 29% of China's coal last year.

Output was limited there after the local government told miners to curb excess production and announced stepped-up safety checks over the March-May period.

Output for January-July fell 0.8% from the year earlier to 2.66 billion tons, the statistics bureau data showed.

## **Top News - Dry Freight**

### **Industry and shippers brace for Canada rail stoppage, fear 'catastrophe'**

North American industry groups and shippers are bracing for an unprecedented simultaneous stoppage at both of Canada's main railway companies that could inflict billions of dollars' worth of economic damage.

Canada is the world's second-largest country by area and relies heavily on trains to transport grain, beans, automobiles, potash, coal and other goods.

"It's a catastrophe. Literally nothing would move," said Greg Northey, vice president of public affairs at Pulse Canada.

Talks between Canadian National Railway and Canadian Pacific Kansas City on one hand and the Teamsters union on the other have deadlocked, with each side accusing the other of bad faith.

The rail companies say they will start locking out workers on Aug. 22 if they cannot reach a labor deal, while the union says it is ready to call a strike for that date.

Industry groups want the Liberal government of Prime

Minister Justin Trudeau to prevent a stoppage, noting Canada's railways transport around C\$380 billion (\$277 billion) worth of goods annually.

"Factoring in the millions of Canadian jobs that would be impacted, the magnitude of the disruption is daunting," the Business Council of Canada lobby organization said in an open letter to Trudeau and Labour Minister Steven MacKinnon.

### **U.S. FREIGHT TRAFFIC IMPACTED**

A stoppage would also hit the United States, given the degree of integration between the two economies. Canada sends around 75% of all goods exports south of the border.

The networks of the two Canadian rail operators, CN and CPKC, connect with several key U.S. rail and shipping hubs such as Chicago, New Orleans, Minneapolis and Memphis. CPKC's network also extends further south connecting with ports on both the east and west coast of Mexico.

CN said on Tuesday it was putting in place an embargo on any new reservations for movement of hazardous materials, security-sensitive cargoes or refrigerated containers originating in Canada, starting on Thursday. It also announced it was embargoing all intermodal traffic originating from over half a dozen U.S. hubs with which its network connects, starting on Friday.

Separately, U.S. rail operator Norfolk Southern on Tuesday advised customers that it was embargoing all hazardous and security-sensitive cargoes to or from CN and CPKC's networks effective immediately.

It said additional embargoes may come in case of any work stoppages at the Canadian rail operators.

Some U.S. companies find it more efficient to use Montreal or Vancouver for imports and exports.

U.S. logistics firm C.H. Robinson, which manages more than 650,000 loads across the border a year, said it was lining up extra trucking capacity on both sides of the border.

"When all trains serving the entire country could literally be stopped on their tracks, that's another whole level of disruption," said Scott Shannon, a senior executive at C.H. Robinson.

#### PRESSURE MOUNTS

Industry groups say MacKinnon has the power to refer the dispute to the country's labor relations board and thereby head off a stoppage.

MacKinnon has so far said he wants the two sides to strike a deal at the negotiating table.

Pressure on Ottawa looks set to mount in the coming days as industry groups hammer home the potential costs of a stoppage.

Earlier this week, Morgan Stanley in a note to clients said that each week of shipment disruptions could dent the earnings before taxes of mining giant Glencore by an estimated \$100 million, or more, as a rail shutdown would disrupt coal shipments from its majority-owned unit, Elk Valley Resources.

The Chemistry Industry Association of Canada said chlorine shipments would soon become unavailable, hitting the quality of drinking water within two weeks.

"There are very large municipalities that - if the strike goes on - are going to be under boil water advisories," CEO Bob Masterson said by phone, noting that the industry moved more than 500 rail cars a day.

"There is no plan B ... to transport this kind of volume you will need 2,000 trucks, roughly. There aren't 2,000 trucks, and there aren't 2,000 drivers," he said.

#### Ukraine grain exports jump to 5.3 million T so far in 2024/25, ministry says

Ukraine's grain exports in the 2024/25 July-June season as of Aug. 14 stood at around 5.26 million metric tons, up from 3.12 million on the same date a season earlier, agriculture ministry data showed on Wednesday.

The volume included 2.4 million tons of wheat, 2 million tons of corn and 795,000 tons of barley.

The ministry said traders had exported 1.56 million tons of grain so far in August versus 848,000 tons in the same period of August 2023.

The ministry has said that the 2024 combined grain and oilseed crop could fall to 77 million tons, including 56 million tons of grain. Ukraine's grain exports in the 2023/24 marketing season rose to about 51 million tons from 49.2 million a year earlier.

**Picture of the Day**

*A yacht sails in front of an offshore wind farm, seen from Walton-on-the-Naze, southern Britain, August 13. REUTERS/Toby Melville*

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

For questions or comments about this report, contact: [commodity.briefs@thomsonreuters.com](mailto:commodity.briefs@thomsonreuters.com)

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