Oil | Agriculture | Metals | Carbon & Power | Dry Freight

Click on headers to go to that section

Top News - Oil

S&P Global expects OPEC+ to increase oil output next year

The Organization of the Petroleum Exporting Countries and its allies, the group known as OPEC+, is expected to increase production for the first time in a couple of years in 2025, an S&P Global executive told a conference.
Last week, OPEC+ agreed to delay a planned oil output increase for October and November after crude prices hit their lowest in nine months, adding that it could further pause or reverse the hikes if needed.
"We think in 2025 for the first time in a couple of years, first time since 2022, OPEC+ will increase production," Jim Burkhard, vice president of research at S&P Global Commodity Insights, told the Asia Pacific Petroleum Conference (APPEC). "There's a lot of pressure in some of these countries to increase production, and again, some are already producing above."
Oil futures jumped by a dollar in early Monday trade as a potential hurricane system approached the U.S. Gulf Coast, and as markets recovered from a sell-off following the weaker-than-expected U.S. jobs data on Friday.
Overall, oil prices have been under pressure due to concerns about waning demand in key economies China and the U.S. - despite earlier expectations of summer demand being supportive, dipping from more than $90 a barrel earlier this year.
Soft demand in China, the world's second-biggest economy, is worrying markets, Ben Luckock, global head of oil at trader Trafigura, told the conference, adding that some market players believe Beijing may have more economic stimulus in reserve depending on the outcome of the U.S. presidential elections in November.

OVERSUPPLY

There is more oil currently produced globally than consumed and the balance is set only to worsen over the next couple of years, Torbjorn Tornqvist, co-founder and chairman with global energy trader Gunvor, told the same conference.
"The problem is not in OPEC, because they've done a great job to manage this," Tornqvist said. "But the problem is that they don't control where the growth is right now outside OPEC, and that's substantial."
The International Energy Agency (IEA) expects oil supply growth this year to reach 770,000 barrels per day (bpd), boosting total supply to a record 103 million bpd.
That growth is set to more than double next year to reach 1.8 million bpd, with the United States, Canada, Guyana and Brazil leading gains.
Trafigura's Luckock said oil prices may fall to $60 a barrel relatively soon and Gunvor's Tornqvist said that oil's fair value was at $70 per barrel.
West Texas Intermediate crude futures rose nearly $1 to $68.60 a barrel by 0420 GMT. Brent crude futures were also up around $1 at $71.98 a barrel.
S&P Global's Burkhard said that there is a lot of spare oil producing capacity globally currently, including more than 5 million bpd of unused capacity in the Middle East.
"Even if OPEC+ does not increase (production)... the capacity is still going to be higher, which means there's going to be unused capacity sitting there on the sidelines, and that is going to...(put) downward pressure on prices," he said.

Asia refining margins at lowest seasonal levels since 2020 as supplies grow

Asian refiners' margins slumped to their lowest seasonal levels since 2020 this week as supplies of diesel and gasoline rose after peak summer travel demand ended, industry officials and analysts said on Friday.
Persistent weak margins could prompt refiners to trim their output again, adding to a round of cuts that took place earlier in the year when margins were also low and curbing crude demand in Asia, the region that contributes most to global oil demand growth.
"Asia has been cutting runs since May, 400,000-500,000 barrels per day, including China," said Amrita Sen, founder and director of Research at consultancy Energy Aspects.
"We've already included 300,000 bpd of run cuts for Q4 potentially another 100,000 based on where the margins are today."
Complex refining margins in Singapore, the regional bellwether, slumped to $1.62 a barrel this week, LSEG data showed, with the average in the first week of September down 68% from the same period last month.
Margins are at the lowest seasonal level since 2020, slipping into a trough earlier than usual, as U.S. summer gasoline consumption disappointed while China's economic slowdown dampened demand.
Asia's diesel margins are hovering near 18-month lows while the cash discounts for 10ppm sulphur gasoil have hit a near four-year low amid a widening in contango in its market structure. Prompt prices are lower than those in future months in a contango market, signalling ample supply. "Diesel demand in Europe is quite poor for now," Formosa Petrochemical's spokesman KY Lin told Reuters.

Northeast Asian refineries are pressured by high inventories as their oil has nowhere else to go, except regional destinations such as Singapore and Australia, he added.

Since June, traders have been moving record volume of diesel on very-large crude carriers from Asia to the west, adding to rising inventories in Europe.

In China, apparent diesel demand is down 3% in the first seven months this year, said Victor Yang, senior analyst at Chinese consultancy JLC. This comes after top refiners Sinopec and PetroChina reported sharp year-on-year drops in first-half sales, he added.

Sales in September and October, which are typically peak diesel consumption months in China, may also disappoint, he said.

China's July oil refinery output sank to the lowest since October 2022, while Sinopec, Asia's largest refiner, has said it plans to keep crude processing rates stable in the second half versus the first half.

For gasoline, prices in Asia slipped to their lowest in three years this week with cracks hovering at their lowest since October, LSEG data showed.

Gasoline prices came under pressure from a switch to winter grade in the United States, and as Nigeria's new Dangote refinery has started producing the motor fuel, Lin said.

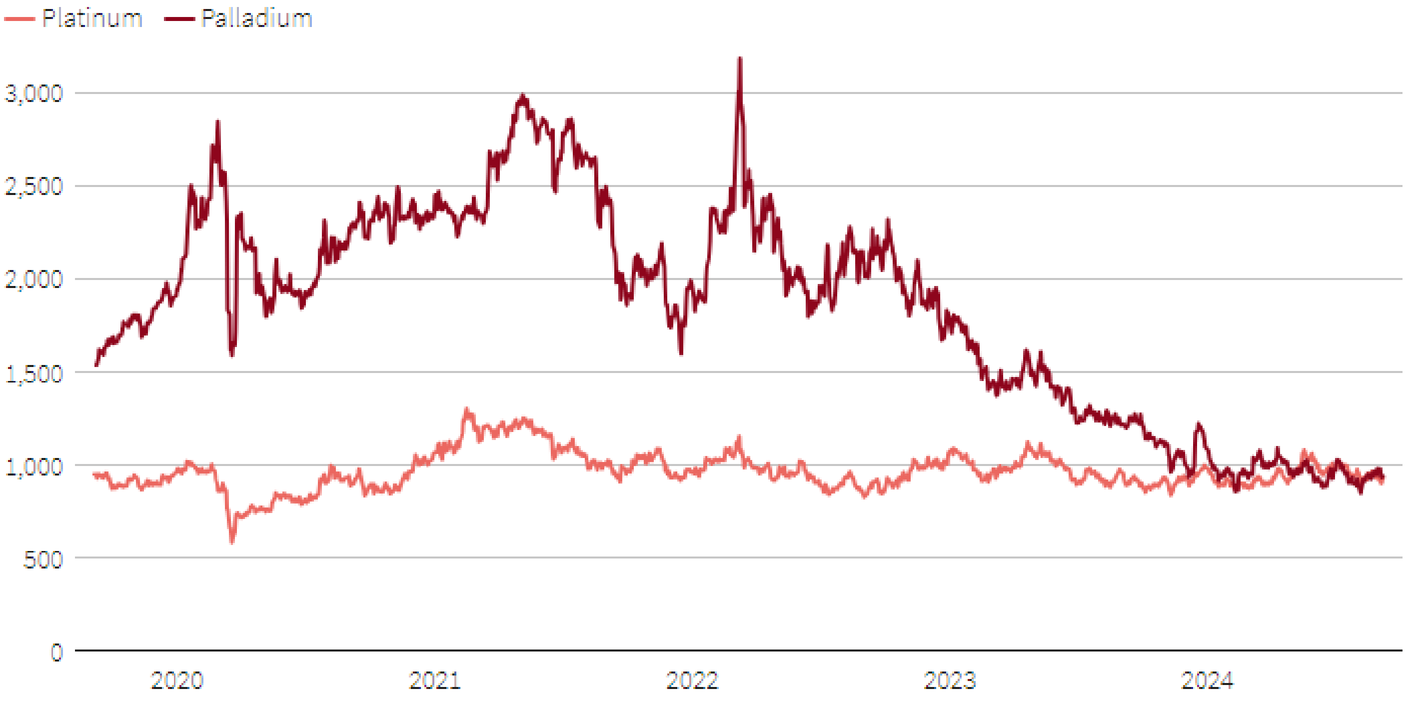
An improvement in naphtha margins and robust demand for Very Low Sulphur Fuel Oil (VLSFO) are providing some support for refiners' margins, he added.

Formosa is gradually reducing operating rates at its refinery ahead of a scheduled maintenance in mid-September, Lin said. Its refinery is processing 420,000-430,000 barrels per day of crude this week, compared with 440,000-450,000 bpd in August, he added.

An official at a South Korean refiner it is putting in place a flexible production plan with the aim of providing stable supply to meet increased heating oil and jet fuel demand in fourth quarter.

Chart of the Day

Spot platinum and palladium prices



Note: USD per troy ounce
Source: LSEG

Top News - Agriculture

At least 230,000 hectares of sugarcane affected by fires in Sao Paulo state, Brazil's UNICA says

At least 230,000 hectares of sugarcane were affected by August fires in Brazil's Sao Paulo state, industry group UNICA said on Friday in a statement.

According to UNICA, the numbers are still partial and companies surveyed represent more than 75% of Sao Paulo's sugarcane production.

It said that around 132,000 hectares of the total affected covered areas are still to be harvested, while the remainder were places where sugar cane had already been harvested or where sugarcane had been planted for the next cycle.

Some people were arrested last month on suspicion of setting the fires, some of whom told police they are linked to an organized crime gang.

Flames spread quickly amid extremely dry conditions in Sao Paulo, the largest sugar-producing state in the world's top producer and exporter of the sweetener.

As a result of the fires, consultancy Datagro has revised down its estimates for the 2024/25 center-south sugar production in Brazil.

In Brazil's citrus belt, more than 44% of oranges have greening disease

In the citrus belt of the central Brazilian states Sao Paulo and Minas Gerais, the incidence of citrus greening increased for the seventh consecutive year to 44.35% of orchards, a survey by foundation Fundecitrus showed Friday.

In 2023, 38.06% of orchards were affected by the disease, which has no proven cure and yields stunted fruit.

The disease, as well as the dry climate, have been the two main factors that resulted in lower harvests in Brazil, the world's largest producer and exporter of orange juice, which have driven up juice prices this year.

In May, the foundation estimated the new orange harvest in Sao Paulo and Minas Gerais would yield 232.38 million boxes of 40.8 kg, a drop of 24.36% compared with the previous cycle.

Top News - Metals

Trafigura's top China iron ore traders leave group

Two head traders at Trafigura's iron ore team in China recently left the commodity group, seven sources with knowledge of the matter said.

It was not immediately clear whether the people leaving would be replaced, but the departures came after global prices of the key steel-making ingredient tumbled almost 40% due to faltering demand in top consumer China.

The two departures were Julian Ho, head of iron ore trading for Trafigura in China and Yang Naizhang, a senior trader who was also previously co-head of Trafigura's iron ore team in China, three of the sources with knowledge of the matter said.

Trafigura declined to comment.

Yang declined to comment. Ho did not respond to a request for comment on LinkedIn.

Sources said the two were involved in handling the physical iron ore book for Trafigura in China, the world's biggest buyer of seaborne iron ore. China buys about 75% of the global iron ore output.

Benchmark iron ore hit a 22-month low on Friday at $91.50 a metric ton, its lowest since November 2022. Stockpiles also grew to a two-year high of 150.5 million metric tons in China to signal a weaker demand.

Chinese steelmakers scaled down production in July and August, due to property market troubles and a dearth of new infrastructure projects.

Trafigura's bulk mineral trade volumes rose 25% year-on-year to 54.7 million tons for the six months ended March 31, according to its half-year report.

The growth was driven by an increase in iron ore trading volumes, due to more trades from Australia and India, as well as higher throughput at the Porto Sudeste port in Brazil, it said in June.

Trafigura is looking to sell the Porto Sudeste port, which it co-own with Mubadala Capital, Reuters reported in late July.

China Minmetals to jointly set up $1.4 billion lithium miner in Qinghai

State-owned China Minmetals plans to establish a $1.41 billion miner with local companies in the lithium-rich province of Qinghai in northwestern China, a statement and exchange filing showed.

Minmetals said in a statement that the jointly owned company, tentatively called China Salt Lake Industry Group, will build a "world-class" production hub and enhance national security of potassium and lithium resources.

Major uses of lithium include electric vehicle batteries and solar-power panels. Potassium is also used in batteries.

The new company will buy 12.54% of Qinghai Salt Lake Industry and become a controlling shareholder, the latter said in a filing to the Shenzhen Stock Exchange.

Qinghai Salt Lake Industry, currently owned by local authorities, controls the most potassium and lithium resources in China.

Minmetals plans to invest 5.3 billion yuan in China Salt Lake Industry whose main operations will include mining, exploration and the production of lithium chemicals and other battery materials, the stock exchange filing showed. It will invest alongside Qinghai state-owned Assets Investment Management and Qinghai Assets Supervision and Administration Commission, the filing showed.

Top News - Carbon & Power

Indonesia says seeking global help to accelerate coal power plant retirement

Indonesia's senior minister overseeing mining, Luhut Pandjaitan, said the government is asking for help from global leaders to negotiate with lenders to accelerate coal power plant retirement and for access to energy transition financing.

Indonesia requires $94.6 billion by 2030 to develop clean power transmission and generation infrastructure to phase down coal power, he told participants of industry conference Coaltrans Asia in Bali.

The minister said the government had asked for lower rates from financiers for the early shutdown schemes.

"The interest on the finance needs to be attractive you know, if they give a commercial interest, what's the point?," he said.

Indonesia has secured a $20 billion funding pledge under the Just Energy Transition Partnership scheme led by the Group of Seven countries, although disbursement is so far only minimal.

Indonesia is currently negotiating an early shutdown for 660 MW Cirebon-1 power plant in West Java, with lenders led by Asian Development Bank.

The government is also looking into shutting down part of the capacity at Suralaya power plant, owned by state utility Perusahaan Listrik Negara, to reduce air pollution affecting Jakarta, but details of the plan are still being discussed.

US regulators okay first step to start Plaquemines LNG plant in Louisiana

Federal regulators on Friday gave Venture Global LNG permission to begin preparations for the start-up of liquefied natural gas equipment at its Plaquemines export plant in Louisiana, taking a step closer to first LNG production for the facility, about 20 miles south of New Orleans.

A tanker containing LNG has been docked at Plaquemines with a cargo of chilled gas since late August, according to Venture Global LNG and data from financial firm LSEG. The cargo is expected to be used to cool equipment for initial operations. Venture Global LNG

MARKET MONITOR as of 06:45 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$68.37 / bbl	1.03%	-4.58%
NYMEX RBOB Gasoline	$1.91 / gallon	1.86%	-9.26%
ICE Gas Oil	$657.50 / tonne	1.08%	-12.42%
NYMEX Natural Gas	$2.20 / mmBtu	-3.38%	-12.57%
Spot Gold	$2,491.97 / ounce	-0.20%	20.82%
TRPC coal API 2 / Dec, 24	$120.75 / tonne	2.77%	24.48%
Carbon ECX EUA	€66.68 / tonne	0.27%	-17.03%
Dutch gas day-ahead (Pre. close)	€36.20 / Mwh	1.54%	13.66%
CBOT Corn	$4.06 / bushel	-0.12%	-16.17%
CBOT Wheat	$5.65 / bushel	-0.40%	-11.69%
Malaysia Palm Oil (3M)	RM3,879 / tonne	-0.49%	4.25%
Index	**Close 06 Sep**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	316.27	-1.61%	4.93%
Rogers International	25.88	-1.37%	-1.69%
U.S. Stocks - Dow	40,345.41	-1.01%	7.05%
U.S. Dollar Index	101.39	0.21%	0.06%
U.S. Bond Index (DJ)	449.33	0.18%	4.32%

has said it expects the first phase of the Plaquemines plant to begin LNG exports later this year. When in full operation, the up to 20 million tons per annum facility will become the second-largest single LNG facility in the U.S.
Energy analysts and traders said last week that Venture Global would use that LNG as part of the plant's testing and commissioning process.
LNG plants under construction, like Plaquemines, use super-cooled fuel to test and cool equipment in preparation for startup.
In addition to the tanker holding LNG for the startup, another LNG vessel, the Venture Gator, according to data from LSEG, was anchored in the Mississippi River near Plaquemines. Analysts said it was likely that vessel, which was listed as available for orders, would go to Plaquemines.

Top News - Dry Freight

Russia's coal exports to China down 8% y/y in H1, TASS reports
Russia's coal exports to China fell 8% in the first half of the year from a year earlier to 45.5 million metric tons, Russia's Energy Minister Sergei Tsivilev told TASS state news agency. "We are currently at a plateau, and no sharp growth is expected," TASS cited Tsivilev as saying. "From 2025, we expect supplies to China to grow, most likely to a level of at least 100 million tons per year."

Indonesia buys 26,000 T rice from Vietnam in tender, traders say
Indonesian state purchasing agency Bulog on Friday bought an additional 26,000 metric tons of rice believed to be sourced from Vietnam in an international tender for up to 350,000 tons of rice, European traders said.
This was in addition to 165,900 tons of rice bought on Thursday expected to be sourced from Vietnam, Myanmar and Pakistan.
As the purchased volume of 191,900 tons is so much smaller than the 350,000 tons sought, a new tender is expected to be issued in the near future, traders said. The tender sought arrival in Indonesia in September to October and continues efforts by Indonesia's government to boost rice imports to cool prices after a poor domestic harvest. The 26,000 tons from Vietnam purchased on Friday were estimated to have been bought at $562.50 a ton cost and freight (c&f) included with trading house Phat Tai said to be the seller.
Reports reflect assessments from traders and further estimates of prices and volumes are still possible later.
Traders said Bulog indicated the maximum acceptable price offer for rice from Thailand/Cambodia in Friday’s price negotiations would be $575 a ton c&f and for Vietnamese $563 a ton c&f.
Offers from Thailand and Cambodia on Friday were said to be well over the requested level and no purchases were reported, traders said. A new purchase is expected because of Indonesia’s continuing import requirement, traders added.
Indonesia is to import another 900,000 metric tons of rice up to the end of this year amid expectations of lower output and delayed planting season, Bulog said.
Prices for rice, the staple for most of Indonesia's 270 million people, have risen sharply since last year as the El Nino weather phenomenon cut rainfall across large parts of Asia in 2023, reducing output and sparking food inflation pressure.

Picture of the Day

Oil pumpjacks and a grain storage elevator are pictured in a farmer's field near Kindersley, Saskatchewan, Canada, September 5. REUTERS/Todd Korol

(Inside Commodities is compiled by Archak Sengupta in Bengaluru)

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

To subscribe to Inside Commodities newsletter, **click here**.

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

Please visit: **LSEG** for more information

Privacy statement