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Top News - Oil

Hurricane Francine disrupts Louisiana energy hubs, crop exports

Energy production and agricultural exports out of the U.S. Gulf of Mexico were partially disrupted on Wednesday, and some oil refineries in Louisiana slowed operations ahead of Hurricane Francine's landfall later in the day, according to official and operator reports.

Port Fourchon, Louisiana, home to marine and equipment suppliers to offshore oil producers, was closed to vessel traffic as was the Louisiana Offshore Oil Port (LOOP), the only U.S. deepwater port that can handle very large crude carriers (VLCCs) for oil imports and exports. New Orleans, Plaquemines, Cameron, Lake Charles and Houma ports remained closed on Wednesday, the U.S. Coast Guard said, tying up fuel, soybean and grains headed for export. Francine's rains could threaten the region's cotton crop, agriculture officials said.

Six eastern Louisiana refineries, most around New Orleans, were operating with minimal staff to ride out the storm in the plants. Exxon Mobil's Baton Rouge refinery cut output to as low as 20% of its 522,500-barrel-per-day (bpd) capacity in preparation for Francine's landfall later on Wednesday. U.S. crude oil CLc1jumped more than 2% on Wednesday, driven by fears of lengthy production shutdowns in the offshore oil patch as Francine barreled through. Nearly 39% of oil and almost half of natural gas production in the U.S. Gulf of Mexico was offline on Wednesday. A total of 171 production platforms and three rigs had been evacuated.

The shut-ins cut nearly 675,000 barrels per day of oil, and 907 million cubic feet per day of natural gas from offshore production, according to the offshore regulator. The Gulf is home to about 15% of U.S. oil and 2% of natural gas output.

Oil and gas production could be affected for about two weeks depending on the severity of the hurricane on landfall, said Alex Gafford, an analyst at East Daley Analytics. Strengthening into a Category 2 hurricane, Francine's eyewall was nearing southern Louisiana on Wednesday afternoon, bringing maximum sustained winds of up to 100 mph (155 kph), the U.S. National Hurricane Center said. Its center is expected to move across Mississippi on Thursday.

The storm is expected to bring heavy rainfall and the risk of considerable flooding across southeastern Louisiana, Mississippi, far southern Alabama and northern Florida.

Louisiana Governor Jeff Landry and U.S. President Joe Biden declared a state of emergency for Louisiana.

The hurricane is expected to spare liquefied natural gas plants recently built or expanded near the U.S. Gulf of Mexico. The storm track was farther east than many of the coastal plants.

TEXAS RELIEVED

As the hurricane moved towards Louisiana, some Texas ports that had closed earlier this week including Brownsville and Orange began post-storm assessments in preparation for reopening, while others including Houston, Freeport, Beaumont, Port Arthur and Sabine lifted navigation restrictions, the Coast Guard said.

Francine has disrupted crop shipments to the Mississippi Gulf region, responsible for about 55% of U.S. soy exports, said Mike Steenhoek, executive director of the Soy Transportation Coalition, an industry group.

"The barge companies are not directing their barge flotillas to go down into that area until the storm exits the region," Steenhoek said.

Francine's ultimate impact will depend on how severe the storm is, Steenhoek said. While hoping for minimal disruptions and damage, traders also are watching to see whether Francine brings needed precipitation to the Mississippi River at a time when low water levels have slowed grain transportation.

Farmers in the central Gulf Coast region and the Mississippi Delta were preparing for the storm's arrival by harvesting crops, including rice and soybeans, where possible, the U.S. Department of Agriculture said in a weather report. Much of the region's cotton crop is vulnerable to damage from rain and winds as their bolls are opening, USDA said.

COLUMN-China's crude oil imports rebound, but it's prices, not consumption: Russell

China's crude oil imports staged a rebound in August, rising to the highest in a year, but the increase is largely due to earlier lower prices rather than any recovery in consumption.

The world's biggest crude importer saw arrivals of 49.1 million metric tons in August, equivalent to 11.56 million barrels per day (bpd), according to customs data released on Sept. 10.

This was the highest monthly total since August last year, and also a strong gain on the 9.97 million bpd seen in July, which was the weakest monthly total for almost two years.

While the August imports look strong, it's worth noting that they are still down 7% from the same month in 2023, and imports for the first eight months of this year are 3.1% below those for the same period last year.

The question for the market is whether August's rebound in imports is the start of a recovery in China's crude demand, or is it more likely a reflection of the lower oil prices that prevailed when August-arriving cargoes would have been arranged.

The buying pattern of China's refiners is that they tend to increase imports when they deem prices to be at a competitive level, and conversely they pull back when they believe prices have risen too high, or too quickly.

Cargoes that arrived in August were most likely arranged in May and June, a time when global crude prices were trending lower.

Global benchmark Brent futures reached their highest level so far this year of $92.18 a barrel on April 12, before starting a downtrend to a low of $75.05 on Aug. 5.

This means that China's refiners would likely have been encouraged to buy more crude during this window, meaning August and September imports may be fairly strong relatively to the earlier months this year.

However, Brent crude staged a small rally after the Aug. 5 low, reaching a high of $82.40 a barrel on Aug. 12, and then staying in a fairly narrow range either side of $80 until the end of the month.

Since then, global demand concerns, especially in China, have seen Brent fall sharply to $68.68 a barrel during trade on Sept. 10, the lowest level since Dec. 21.

IMPORT BOOST COMING?

The current weakness in global crude prices suggest that China's refiners may boost imports, and if they are buying cargoes now, this increase will show up in arrivals in November, December and even into January.

It's also the case that China's refiners are happy to build inventories when prices are low, and even dip into these stockpiles when prices rise.

China doesn't disclose the volumes of crude flowing into or out of strategic and commercial stockpiles, but an estimate can be made by deducting the amount of crude processed from the total of crude available from imports and domestic output.

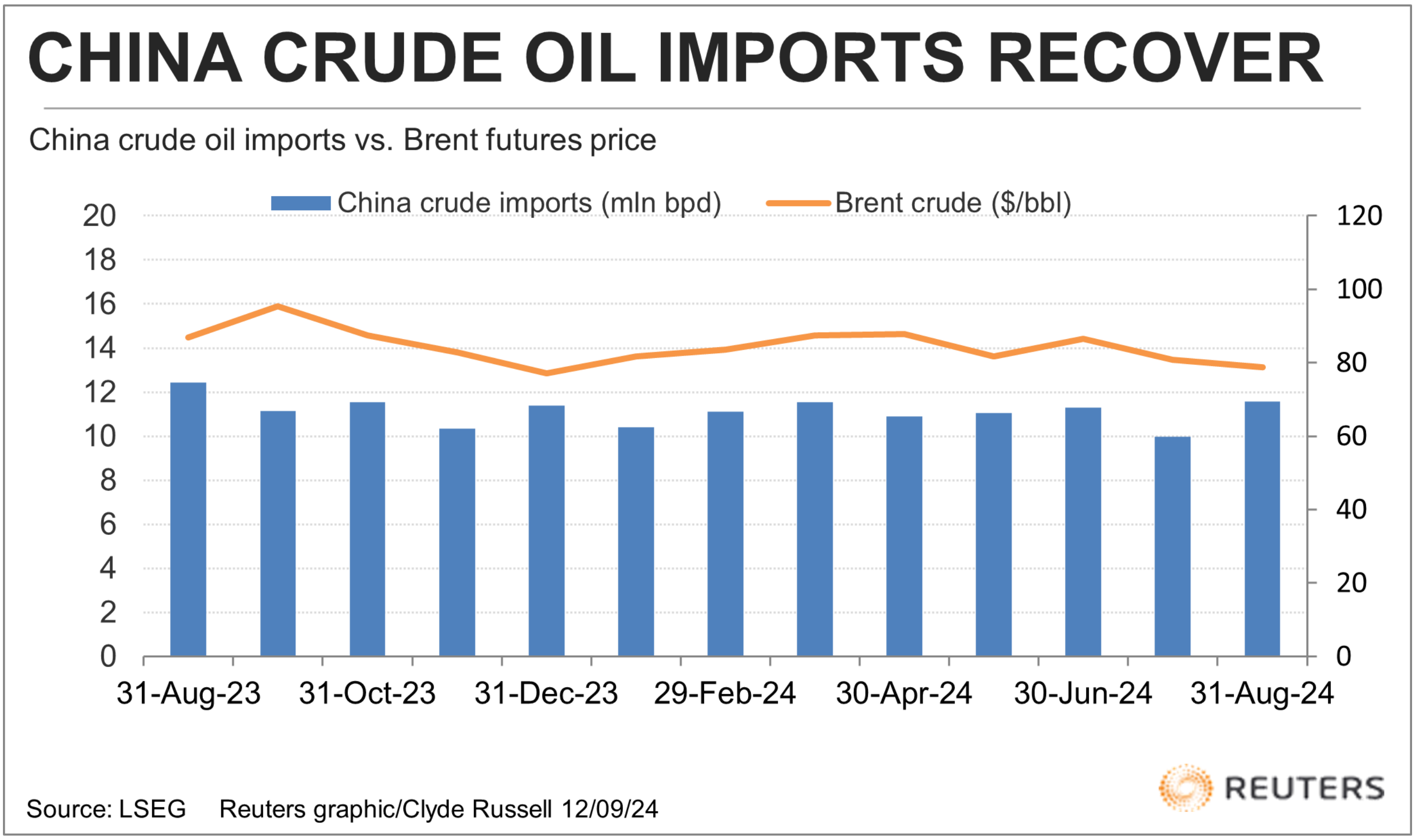
Using this methodology, China added about 800,000 bpd to inventories in the first seven months of the year, and it won't be a surprise if this pace accelerated in August, given the strong imports and the likely ongoing softness in refinery processing rates.

There is perhaps a slight irony in the possibility that China buys more oil because the price has dropped, just as the Organization of the Petroleum Exporting Countries (OPEC) trims its demand forecast for the world's second-biggest economy.

OPEC's latest report, released on Sept. 10, cut its forecast for China's demand growth for a second straight month, to 650,000 bpd for 2024 from 700,000 bpd the previous month, and 760,000 bpd the month before that.

Even the revised forecast is likely still too optimistic, given

Chart of the Day



China's crude oil imports for the first eight months of 2024 are 10.98 million bpd, some 390,000 bpd below the 11.37 million bpd from the same period in 2023. For OPEC's forecast to be realised China's crude imports would have to surge in the fourth quarter, and while the current weak prices may well see them increase, it would be a major surprise if they surged by the volumes needed to meet the OPEC estimate.

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

Top News - Agriculture

Argentina soy planting seen climbing as corn crop faces dry weather, plague

Argentine farmers are seen opting for more soy this season as corn planting has been hit by dry weather and fears of disease carried by the leafhopper insect, the Rosario grains exchange said on Wednesday. The 2024/25 soy planting area is seen at 17.7 million hectares, up 7.5% from the previous season, according to the exchange. That would put the soy harvest between 52 million and 53 million metric tons, the report estimated. Meanwhile, the 2024/25 season's corn planting area is seen taking a hit as farmers need to plant early to avoid the spiroplasma bacteria carried by pesky leafhoppers, which stunts the crop.

However, "September rains are not coming," the exchange said, and some farmers are "forcing" the planting, with the central growing region's soil at sub-optimal moisture conditions. "Because of that, there will be more reliance on the rains from here on out."

The corn area in the 2024/25 season could be 21% lower than the previous season at 8 million hectares, according to the exchange, bringing the harvest between 51 million and 52 million tons.

India to buy soybeans to help farmers reeling from losses

India will buy soybeans from farmers of the central state of Madhya Pradesh at state-set support prices to help growers reeling from a crash in domestic rates for the oilseed, a government statement said on Wednesday.

India uses soybeans to manufacture soyoil, which helps the country cut its hefty edible oil imports, while the by-product soymeal is used for animal feed and exported mainly to Southeast Asia and the Middle East.

Farmers plant soybeans during the monsoon season in June and July and harvest the main summer oilseed crop from October. Agriculture and Farmers' Welfare Minister Shivraj Singh Chouhan accepted a request from Madhya Pradesh to buy soybeans at the government-mandated support price, the statement said.

Prices of soybeans have dropped well below the government-set support price of 4,892 rupees ($58.27) per 100 kg, angering farmers. Earlier, the government agreed to buy soybeans from growers of the western state of Maharashtra. Maharashtra and Madhya Pradesh together account for nearly 70% of India's total soybean output.

The government would also buy soybeans in the southern state of Karnataka.

Millions of farmers are seen as an influential voting bloc in India, the world's leading producer of an array of crops such as rice, wheat, cane and cotton. A spate of export curbs imposed by Prime Minister Narendra Modi's government has already fuelled anger among farmers.

After Modi's Bharatiya Janata Party suffered losses in rural constituencies in this year's general election, the government is keen to placate farmers ahead of state assembly elections in states such as Haryana and Maharashtra, political commentators say.

Top News - Metals

Putin says Russia should consider restricting uranium, titanium and nickel exports

Russian President Vladimir Putin said on Wednesday that Moscow should consider limiting exports of uranium, titanium and nickel in retaliation for Western sanctions.

Putin's remarks to government ministers prompted a rise in nickel prices and drove shares in uranium mining firms higher. In televised comments, he said such restrictions could also be introduced for other commodities, and noted that Russia was a major producer of natural gas, diamonds and gold.

But he said that measures did not need to be taken "tomorrow", and must not cause damage to Russia itself.

"Russia is the leader in reserves of a number of strategic raw materials: for natural gas, this is almost 22% of world reserves, for gold - almost 23%, for diamonds - almost 55%," Putin said.

"Please take a look at some of the types of goods that we supply to the world market ... Maybe we should think about certain restrictions - uranium, titanium, nickel," he told Prime Minister Mikhail Mishustin.

"We just mustn't do anything to harm ourselves," he added.

Western countries have sharply cut purchases of Russian

oil and gas since the start of the war in Ukraine but Russia remains a major supplier of metals to world markets, so a cut or halt to its exports could cause disruption, analysts said.
Three-month nickel on the London Metal Exchange (LME) surged 2.6% to $16,145 per metric ton shortly after Putin's remarks. Russia is home to Nornickel, the world's biggest refined nickel producer. It is a major nickel supplier to China and Europe. The company did not immediately respond to a request for comment.
More than a fifth of the nickel in LME-registered warehouses is of Russian origin, data showed on Tuesday. The metal is used in batteries and in alloys with a wide range of applications including armour plating and turbine blades.

CANADIAN URANIUM MINERS' SHARES JUMP
Shares in uranium miners jumped following the news, with Canadian miners NexGen Energy, Cameco and Denison Mines up between 5.2% and 5.4% Russia is the world's fourth largest uranium producer and has about 44% of global uranium enrichment capacity. In 2023 the U.S. and China topped the list of Russian uranium importers, followed by South Korea, France, Kazakhstan and Germany.
In May, U.S. President Joe Biden signed into law a ban on enriched uranium imports from Russia, a trade worth around $1 billion annually. However, it contained waivers in case of supply concerns that would allow the Department of Energy to maintain normal levels of Russian uranium imports through 2027.
Russia accounted for 27% of the enriched uranium supplied to U.S. commercial nuclear reactors last year.
"It will be really hard to replace, especially in the short term, the next 2-3 years," said Citi analyst Arkady Gevorkyan.
"Western enrichers are only making plans to build additional enrichment capacity, which would require at least three years to be completed. We anticipate that utilities in the U.S. might be able to partially replace it by importing low enriched uranium from China."
Russia is also the world's third largest producer of titanium sponge, which is turned into metal for industrial applications in the aerospace, marine and auto industries, but has low titanium mineral reserves of its own.
Russia's largest titanium sponge maker VSMPO-Avisma, partly owned by sanctioned defence conglomerate Rostec, supplied titanium to both Boeing and Airbus before the Ukraine war.

MARKET MONITOR as of 06:45 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$68.20 / bbl	1.32%	-4.82%
NYMEX RBOB Gasoline	$1.90 / gallon	1.13%	-9.96%
ICE Gas Oil	$644.75 / tonne	2.79%	-14.12%
NYMEX Natural Gas	$2.28 / mmBtu	0.57%	-9.19%
Spot Gold	$2,518.50 / ounce	0.28%	22.10%
TRPC coal API 2 / Dec, 24	$118.25 / tonne	0.00%	21.91%
Carbon ECX EUA	€65.85 / tonne	-0.83%	-18.07%
Dutch gas day-ahead (Pre. close)	€36.15 / Mwh	3.58%	13.50%
CBOT Corn	$4.06 / bushel	0.25%	-16.17%
CBOT Wheat	$5.82 / bushel	0.52%	-8.95%
Malaysia Palm Oil (3M)	RM3,869 / tonne	-0.82%	3.98%
Index	**Close 11 Sep**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	319.45	1.47%	5.99%
Rogers International	25.97	0.89%	-1.37%
U.S. Stocks - Dow	40,861.71	0.31%	8.42%
U.S. Dollar Index	101.72	0.03%	0.38%
U.S. Bond Index (DJ)	452.31	-0.09%	5.01%

Canada has placed VSMPO-Avisma under sanctions but has granted Airbus a waiver to allow it to use Russian titanium in its manufacturing.
Boeing stopped buying titanium from Russia less than two weeks after the start of the war with Ukraine in 2022.
Russian customs data shows that United States still buys Russian titanium, but the biggest purchasers are France, China and Germany.

Peru copper output this year forecast below expectations, deputy minister says
Copper production in Peru, the world's No. 3 producer of the key industrial metal, will likely fall short of a government goal of 3 million metric tons this year, a top mining official said on Wednesday. Output is currently on track to reach about 2.8 million tons this year, said deputy mining minister Henry Luna.
However, he noted that some miners may increase their production estimates under a new government norm allowing copper processing plants to increase their capacity by 10%. "At the end of the year (production) goes up, but what's projected for the year is 2.8 million tons in Peru," Luna told reporters at a mining industry conference. According to official data, copper production this year through July fell 2.3% compared to the same period a year before.
Output in the period was 1.51 million metric tons, due to declines of 5.7% at Cerro Verde, 11.3% at Las Bambas and 17.1% at Toromocho, according to a government report. In July alone, Peru produced 222,389 tons of copper, a 3.2% drop from the year before. During the month, production dropped nearly 25% at Quellaveco, owned by Anglo American.
After years as the world's second-largest copper miner after Chile, Peru last year lost its position to the Democratic Republic of the Congo.
The government's production goal for this year was initially 3 million tons, which would mark a 9% increase over last year. The SNMPE mining, oil and energy association last month said it expected copper miners to fall short of that target.

Top News - Carbon & Power

Japan's JERA considering Vietnam gas-fired power plant investment
Japan's top utility and largest power generator JERA plans to invest in a natural gas-fired power plant in Vietnam, a senior executive told Reuters on Wednesday, as it bets on a transition from coal to cleaner fuels in Asia.
Power plants using domestic gas and imported liquefied natural gas (LNG) are set to become a crucial source of power in Vietnam by 2030, jumping to 37.33 GW, or 24.8% of its total installed capacity, with LNG accounting for the lion's share. "We are now trying to collaborate with a local partner and also try to discuss with the Vietnam government," said Izumi Kai, JERA Asia's chief executive, adding that it was also open to investing in existing projects.
Southeast Asian countries have laid out plans in recent years to expand LNG infrastructure to address growing demand, but coal still remains the main source of power and its share in power generation has been growing.
Kai said Vietnam was trying to start operating multiple LNG projects in a very challenging time frame, adding that JERA was focusing on the best designs to work around potential delays.
"The government of Vietnam really wants to expand LNG infrastructure instead of coal ... But it is not so easy".
JERA Asia's investments in LNG or gas power projects in Asia hinge on energy transition policies and dwindling domestic natural gas reserves, said Kai, adding: "The shift towards LNG for power, this trend will continue".
JERA Asia, which has investments and assets in Bangladesh, is also closely monitoring political developments in the South Asian nation, where a new interim government has assumed power after its former Prime Minister fled following jobs protests. Kai expects commercial operation of JERA's delayed Meghnaghat power plant to take a "few more months", as the country of over 170 million people faces a natural gas shortage.

This comes amid weather damage at one of Bangladesh's floating storage regasification unit (FSRU), which acts as an LNG import terminal, owned by its local partner Summit Power.
Also facing uncertainty is JERA's $1 billion Matarbari onshore LNG project, which it planned to develop with Summit.
"The government has been reconsidering the exact location of the Matarbari onshore terminal, partially because of the FSRU that got damaged," Kai said.

ANALYSIS-Brazil's hydropower faces risk from drying river basins
Soil moisture in Brazil's main river basins used for hydropower generation has fallen to nearly two-decade lows, data collected by the London Stock Exchange Group shows, threatening a prolonged impact from a serious drought even after rains return. Tropical rains feeding Brazil's vast network of rivers typically allow hydropower plants to generate around two thirds of Brazil's electricity but years of weak rainfall have hurt the sector, pushing up energy costs and stoking inflation that has led economists to forecast a fresh round of interest rate hikes.
Analysts warn that even if seasonal rains arrive next month as expected, hydroelectric reservoirs may be slow

to fill because so much moisture will be absorbed by the soil. The Paranaiba, Grande and Tocantins hydroelectric basins, stretching across southeast, center-west and north Brazil, make up a large part of the sector's capacity. LSEG data shows they hit the lowest level of soil moisture for September since 2005.

Claudio Vallejos, an LSEG analyst, said the parched soil is a troubling result of a decade with just one year bringing rainfall above the long-term average. "The soil ends up acting as a kind of memory of the rains, with the moisture levels reflecting the entire bad history," he said.

The worst effects of the current drought have hit run-of-the-river generators, including the partial shutdown of the Santo Antonio plant in northern Brazil, one of the largest in the country, which relies on the Madeira River.

Brazilian grid operator ONS has struggled to operate the system at peak load times, leading to the activation of expensive thermoelectric plants in recent months.

Growing wind and solar capacity in the north and northeast has offered uneven relief, as transmission bottlenecks led ONS to cap how much power it takes from those generators.

Those energy sources have allowed Brazil to somewhat reduce its reliance on hydropower, drawing reservoirs down more slowly than in previous droughts. Reservoirs at Brazil's major hydropower dams are at 53% capacity - well above the depths of the 2021 water crisis when they hit 16%.

But Vallejos said the soil moisture data reflects Brazil's precarious situation, especially if next year is another dry one. "The reservoirs themselves store energy, but what really collects the rain to bring it to the reservoir is the soil in the basins," he said.

Alexandre Nascimento, managing partner at weather forecaster Nottus Meteorologia, said seasonal rains are expected to arrive at the end of this month, but they may be spotty until the second half of October.

"Before it gets better it's going to get a lot worse," he said. "We continue to have extremely high temperatures and very low relative humidity, which ends up speeding up the depletion process of the reservoirs even more."

Sergio Romani, chief executive officer at Genial Energy, a power trader and generator, said electricity prices will remain high until abundant rains arrive.

"The baseline scenario is for prices to be a little more stressed for the last quarter," he said.

"We have fat to burn in the reservoirs," Romani said, while noting that metrics for the potential energy of September's rains hit an all-time low. "It's frightening. I've never seen that happen to Brazil's electricity system."

Genial Energy forecasts that Brazilians will keep paying the top 'red flag' power rates through the end of the year in its baseline scenario.

Warren Rena, a local broker, forecasts that the high power rates will remain only until October, followed by cheaper 'yellow flag' rates for the rest of the year. If the year ends with the 'red flag' rates, Warren Rena calculates that it could add an additional 14 to 32 basis points to its 2024 inflation forecast.

Banco Daycoval has also forecast 12-month inflation could end the year around 30 basis points higher if power rates remain at 'red flag' levels instead of falling to the cheapest 'green flag' tariffs by December.

Top News - Dry Freight

Japan's No.1 freight train company halts all cargo, NHK reports

Japan Freight Railway (JR Freight) suspended all cargo train operations on Wednesday after the company found evidence of misconduct in safety tests, public broadcaster NHK reported. The suspension by the biggest cargo train company in Japan led to at least a day-long delay in parcel delivery services, according to courier operators, while the full extent of the impact on the country's logistics remains unclear. JR Freight, the only Japanese firm operating cargo trains at a nationwide level, said on Tuesday it had found inappropriate procedures at three of its rail yards, where employees fabricated data or ignored suboptimal safety test data during wheel assembly procedures for cargo cars.

Japan's transport ministry asked the company to conduct emergency checks on all cargo cars to ensure the safety of wheels. JR Freight decided on Wednesday to keep all of its cars out of action until their safety is confirmed, according to NHK.

JR Freight did not immediately respond to a request for comment. The company aims to resume operations by the end of Wednesday and minimise the logistical impact by increasing the payload of each cargo car, Kyodo news agency later reported. Delivery service company Yamato 9064.T said some of its longer-distance domestic parcels would face delays of more than one day. SG Holdings' Sagawa, Fukuyama Transporting, and Seino also apologised to customers for delivery delays due to JR Freight's cargo suspension.

JR Freight was founded in 1987 to succeed the privatised cargo business of the state-owned Japanese National Railways and operates more than 7,000 cargo cars, according to its website.

FOCUS-Russia's breadbasket region says bad weather, trader's exit will hit 2024 exports

Russia's Rostov region will export less grain this year due to extreme weather and the sudden market exit of a major grain trader that previously exported nearly half of the region's grain, a regional governor said on

Wednesday. The Rostov region, which accounted for over 11% of Russia's total grain harvest last year, was hit by early spring frosts and then by drought. This year's harvest is expected to be 30% lower than in 2023.

"We will see a decrease in export volumes this year. Of course, the consequences of weather extremities are playing a role," Governor Vasily Golubev said, addressing senior agricultural ministry officials in Moscow. Grain represents about 70% of the region's total agricultural exports. Golubev confirmed an earlier estimate of about 30% grain harvest losses due to bad weather but did not provide an estimate for exports. Golubev said the region's agricultural products would be exported to some new markets this year, including Indonesia, Angola, and Mexico.

Russia reiterated its grain harvest forecast of 132 million metric tons for this year but has not yet unveiled the export forecast, stressing that meeting the needs of the domestic market and avoiding price increases is a priority. The governor blamed weather forecasters for not informing authorities about the upcoming drought and estimated damages for affected farms at 4 billion roubles ($44 million). He said that an area of over 1 million hectares has been affected and asked the government to extend loan holidays for the region's farmers into 2025.

Golubev said the exit of grain trader Rodnie Polya, formerly known as TD RIF, from the market this year following months of problems with authorities, was also impacting exports.

Rodnie Polya had its export quota reduced in May of this year and reported problems obtaining phytosanitary certificates. The company's exports plummeted as a result, with its market share taken over by other traders.

"Also, there are nuances such as the exit of the largest grain trader, TD RIF, from the market," Golubev said, explaining the region's export shortfall this year. He said that the region takes a "reserved" approach towards the central government's actions on the trader, which played a major role in the regional economy. The government will announce the new export quotas once this year's crops are harvested.

Picture of the Day

A farmer picks ears of rice left over by a paddy harvester in a field in Kalampura village in the northern state of Haryana, India, September 9. REUTERS/Bhawika Chhabra

(Inside Commodities is compiled by Arya Sinha in Bengaluru)

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