Oil | Agriculture | Metals | Carbon & Power | Dry Freight
Click on headers to go to that section

Top News - Oil

Saudi Aramco reports 15% drop in Q3 profit but maintains dividend

Saudi oil giant Aramco reported a 15.4% drop in third-quarter profit due to lower crude prices and weaker refining margins, but maintained its generous dividend at $31.1 billion for the quarter.

Aramco posted net income of $27.6 billion in the three months to Sept. 30, which still beat a company-provided median estimate of $26.9 billion.

Citi had forecast net income of $26.3 billion in a research note in October.

The dividend includes $10.8 billion in performance-linked payouts. Aramco introduced performance-linked dividends last year after bumper profits in 2022 when oil prices soared, on top of a base dividend that is paid regardless of results - uncommon among listed companies.

Aramco has said it expects to declare total dividends of $124.3 billion in 2024, of which $43.1 billion would be performance-linked dividends.

The Saudi government, which directly holds nearly 81.5% of Aramco, relies heavily on the company's payouts, which also include royalties and taxes. Its sovereign Public Investment Fund (PIF) holds another 16% of Aramco and also benefits from its dividends.

The PIF, which manages roughly $925 billion in assets, is steering a sprawling economic agenda known as Vision 2030 to reduce the kingdom's reliance on oil. The plan has ploughed vast sums into everything from sports and electric cars to planned futuristic desert cities.

Reuters has reported the PIF is weighing a reorganisation that includes reprioritising projects and reviewing some expenses, after Finance Minister Mohammed Al Jadaan said earlier this year that Vision 2030 will be "adjusted as needed," with some projects scaled back or extended and others accelerated. Saudi Arabia, de facto leader of the Organization of the Petroleum Exporting Countries, is pumping roughly 9 million barrels per day, about three-quarters of its capacity after agreeing cuts with OPEC members and allies including Russia.

OPEC oil output rises in October as Libyan supply rebounds, survey finds

OPEC oil output rebounded in October from its lowest this year the previous month as Libya resolved a political crisis, a Reuters survey found, although a further Iraqi effort to meet its cuts pledged to the wider OPEC+ alliance limited the gain.

The Organization of the Petroleum Exporting Countries pumped 26.33 million barrels per day last month, up 195,000 bpd from September's total, the survey on Monday found, with Libya posting the largest gain.

Libyan output recovered after the resolution of a dispute over control of the central bank, allowing full production to resume at oilfields. The extra supply put downward pressure on oil prices already weighed by global demand concerns. Venezuela also increased output, the survey found, with crude production reaching 860,000 bpd, the highest since at least 2020 based on Reuters surveys. Both Libya and Venezuela are exempt from agreements to limit production by OPEC and its allies, together known as OPEC+. Among countries posting lower output, Iraq and Iran posted the biggest declines. Iraq cut output to 3.98 million bpd, below its OPEC+ quota, due to lower exports and domestic consumption, and a drop in production in northern Iraq, the survey found. Iran has been boosting exports in the last few years to their highest levels since 2018, despite U.S. sanctions remaining in place. In October, though, there was a sizeable drop in exports, the survey found. OPEC pumped about 46,000 bpd more than the implied target for the nine members covered by supply cut agreements, the survey found, with Gabon exceeding its target by the largest amount.

The Reuters survey aims to track supply to the market and is based on shipping data provided by external sources, financial group LSEG flows data, information from companies that track flows such as Kpler and Petro-Logistics, and information provided by sources at oil companies, OPEC and consultants.

Top News - Agriculture

USDA raises winter wheat ratings, still 2nd worst on record

The U.S. winter wheat crop was off to its second worst start on record dating back to 1986 after a weekly U.S. Department of Agriculture's report showed just 41% of the recently seeded crop in good-to-excellent condition as of Sunday.

The low rating, up slightly from a week earlier and matching expectations from a Reuters poll of 10 analysts, comes as crops in other major exporting countries including Argentina, Australia and Russia have been hit by dry conditions.

Meanwhile, the pace of the U.S. corn and soy harvests was roughly in line with analyst expectations, the USDA said in its weekly crop progress and condition report.

Weeks of warm and dry weather across the U.S. Midwest and Plains this autumn sped up corn and soy harvesting but delayed winter wheat planting and stressed crops that farmers were able to seed.

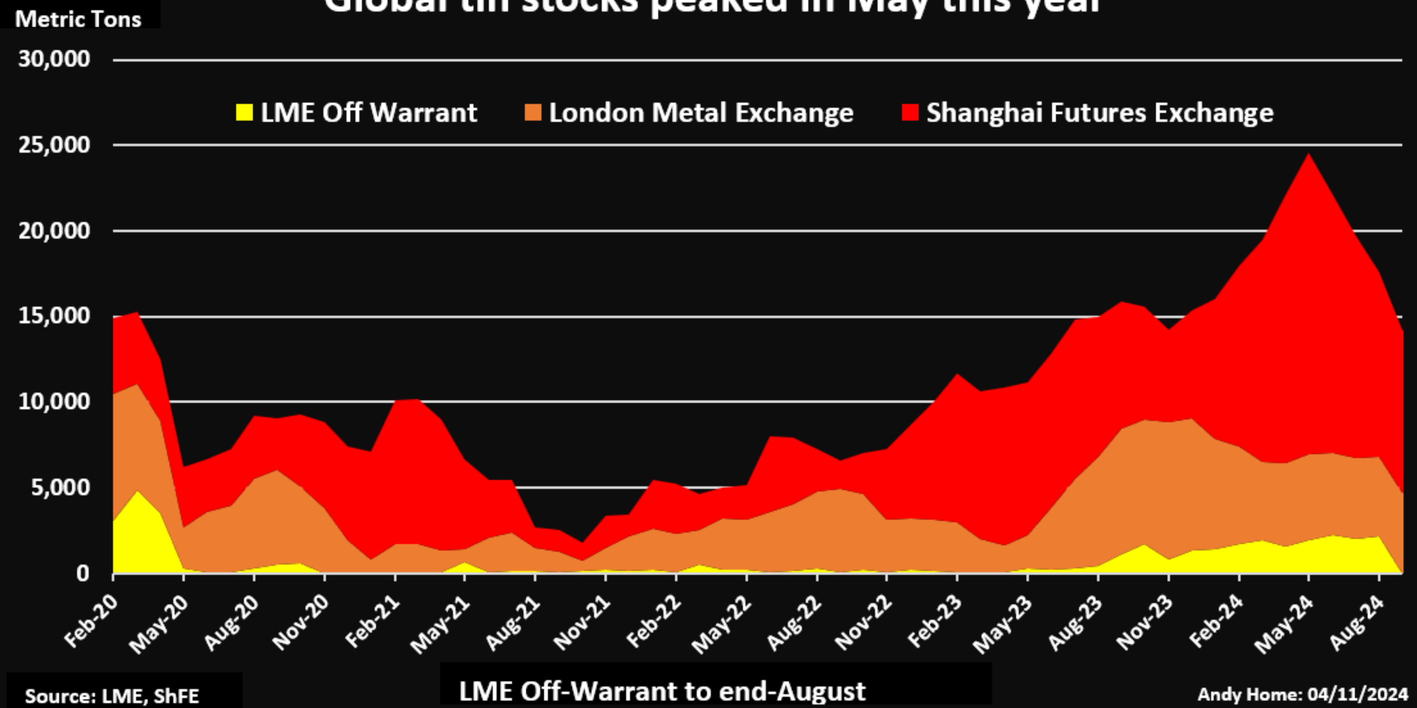
However, rains over Plains states the past week cut dryness for the drought-stricken wheat crop and more showers are expected in the next two weeks, according to the Commodity Weather Group. The U.S. winter wheat crop rating marked a slight improvement from the 38% good-to-excellent rating a week earlier, USDA data showed. The U.S. winter wheat crop was 87% planted as of Sunday, which is roughly on par with previous years and slightly higher than analyst estimates, according to USDA data. The U.S. soybean harvest was 94% complete as of Sunday, the fastest pace since 2022 but below expectations of 95%, and the corn harvest was 91% complete, above expectations of 90% and the fastest since 2012.

Brazil millers say current sugar prices limit production growth

Current reference prices for raw sugar are not high enough to justify investment in new plants, and marginal gains in production from adjustments to existing plants are close to the limit, said Brazilian millers on Monday. Sugar demand continues to grow around 2% per year, while production has suffered due to factors such as climate change and biofuel blending policies such as in India. That situation has kept the market in a tight supply and demand balance. "When you run an analysis of a potential investment in a new sugar plant, with a sugar mix of 50%, the internal rate of return is 9%, so there is no incentive," said Rodrigo Penna de Siqueira, chief financial officer at Jalles Machado mill, one of the largest sugar groups in Brazil. Siqueira said prices need to rise and stay high for longer to allow for fresh investments. His comments were made during a conference organized by investment bank BTG Pactual in Sao Paulo. Other executives had similar views.

"Brazil's capacity to put more sugar in the market is nearing the limit," said Renato Junqueira, vice president at Adecoagro, which operates three mills in Brazil. Brazilian mills have made investments in the last two years to increase the sugar mix, or the capacity to divert more sugarcane to produce sugar, and consequently making less cane-based ethanol. Consultancy FG/A estimates changes to sugar mix resulted in additional

Chart of the Day



sugar production capacity of 2.6 million tons in Brazil. The executives said there is a limit to what can be done in existing plants. Any additional sugar production capacity will likely still come from sugarcane, not sugar beet, said Pierre Santoul, head of Tereos Brasil. He believes India, the world's second largest sugarcane producer, will not ramp up sugar production due to cane juice diversion for ethanol to meet its blending program, which will keep the global sugar market tight. "We have a constructive view for prices (going forward)," he said.

Top News - Metals

COLUMN-Demand weakness helps cushion tin from supply problems: Andy Home

Tin demand last year was weaker than expected and is on course for only a modest recovery in 2024, according to the International Tin Association (ITA).

The soldering metal has been the consistent out-performer on the London Metal Exchange (LME) this year. The three-month price traded at $32,250 on Monday, up 27% on the start of January.

But the ITA's annual survey of tin users shows this year's price strength has been more about tin's stressed supply dynamics than the state of demand.

A YEAR OF DECLINE

Refined tin usage contracted by 3.9% year-on-year to 357,100 metric tons in 2023, according to a survey of 80 companies accounting for some 42% of global demand.

This was a much weaker outcome than anticipated this time last year, when surveyed companies expected a relatively mild 1.6% year-on-year dip.

Total tin usage, comprising both refined and unrefined forms of the metal, dropped by an even sharper 4.9% year-on-year to 433,000 metric tons in 2023, the ITA's provisional estimates showed.

This year will see what the Association termed "a moderate recovery cycle driven by China" with survey participants expecting 3.0% demand growth.

Tin demand from the soldering sector, which represents just over half of total global usage, was 1% lower last year with a cost of living crisis in many Western countries suppressing demand for electronic goods.

This year, tin use in the sector is forecast to rise by 2.5%, helped both by broader economic recovery and the gradual phase-out of lead in circuit-board soldering.

Other major demand drivers fared worse last year with tin usage in chemicals falling by 3.1%, tinplate by 7.6% and copper alloys by 16.9%. Most are expected to bounce back in 2024 except for the tin-copper segment due to its exposure to China's struggling construction sector.

STOCKS SURGE

Global demand weakness helps explain why exchange inventory mushroomed over the course of 2023 and the early part of 2024.

Registered stocks held by the LME and the Shanghai Futures Exchange (ShFE) grew from 10,000 tons at the start of last year to almost 25,000 tons in May this year.

Exchange stocks continued to build even as Indonesian exports were suspended over the first two months of 2024 due to permitting delays.

China accounted for most of the stocks increase, ShFE inventory hitting an all-time high of 17,818 tons in May.

Consumers were also holding stocks equivalent to around 3.8 weeks' worth of global supply at the end of 2023, a ratio that was largely static over the course of the year, the ITA said.

Surveyed companies expect their stocks cover to decrease to 3.4 weeks by the end of this year, reflecting the anticipated bounce in demand.

It is noticeable that since peaking in May Shanghai stocks have fallen back to 8,522 tons, suggesting a tightening of the mainland market.

RAW MATERIALS TIGHTNESS

If, as the ITA survey suggests, China is leading the demand recovery, the impact is being magnified by production problems as Chinese smelters run short of raw materials.

There has still been no update on the status of the Man Maw mine in the semi-autonomous part of Myanmar controlled by the Wa State.

The mine, which accounts for around 7% of global tin output and supplies many Chinese smelters, has been suspended since August of last year, ostensibly for an extensive audit by Wa authorities.

Chinese imports of tin concentrates from Myanmar slowed to a trickle of just 1,400 tons in September. Year-to-date imports from Myanmar have collapsed by 52% to 66,000 tons. The squeeze is starting to affect China's tin smelters, particularly in the provinces of Yunnan and Geiju, according to local data provider Shanghai Metal Market, which expects national output to drop in the months ahead. Chinese buyers are turning to the overseas market for their refined metal. The country imported almost 2,000 tons of refined tin in September, the highest monthly tally since January and enough to turn the country into a net importer for the second consecutive month.

VOLATILITY DAMPENER

The fate of Man Maw is the big known unknown in the tin supply picture right now. It is the reason tin is commanding a scarcity premium over the rest of the base metals complex. Yet, it is clear that the global demand downturn of 2023 was sufficiently sharp to generate a sizeable stocks build that has helped dampen market volatility. Until now at least. Even allowing for a moderate demand recovery this year, the extra pull on units will inevitably add to tin's supply-chain stress. China has not managed fully to offset the loss of Myanmar raw materials feed. Total imports of mined concentrates from all sources fell by almost a third in the first nine months of this year. As Chinese smelters struggle to lift output and the inventory cushion deflates, tin may be in for some turbulence ahead.

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

Major Salzgitter shareholder mulls takeover bid
Salzgitter said on Monday its second-biggest shareholder GP Günter Papenburg was considering a potential takeover of the German steelmaker jointly with a partner.
The potential offer will go through if the two-party consortium, consisting of TSR Recycling, reaches a shareholding of at least 45% plus one share in Salzgitter.
Salzgitter did not disclose the potential price of the offer in its statement. Frankfurt-listed shares in the company were up nearly 26% at 1854 GMT on the news.
GP Günter Papenburg already holds 25.1% in Salzgitter, slightly less than the 26.5% owned by the German state of Lower Saxony, where Salzgitter is based.
Salzgitter in August started to implement cost cutting measures across its businesses, after the tough steel market in Germany led to a net loss in the second quarter.
In July, Thyssenkrupp, Salzgitter and France's Vallourec were reviewing a sale of their steel joint venture HKM after they were approached by a potential buyer.
Thyssenkrupp is focused on a 50:50 steel joint venture with Czech billionaire Daniel Kretinsky, Reuters reported in October. A sweeping restructuring of Thyssenkrupp Steel Europe could include a sale or closure of HKM.
In October, Salzgitter cut its full-year forecast and reported a drop in its earnings during the first nine months of 2024, against the backdrop of a sustained weak economic environment.

Top News - Carbon & Power

Canada proposes sharp cut in oil and gas sector emissions by 2030
The Canadian government released draft regulations on Monday that would cap emissions of greenhouse gases from the oil and gas sector at 35% below 2019 levels by 2030, drawing condemnation from the industry that said it will force a production cut.
Oil and gas is Canada's highest-polluting industry and its emissions continue to rise, undercutting progress in many other parts of the economy. Ottawa will likely fall short of its commitment to reduce emissions by 40-45% from 2005 levels by 2030 unless the oil and gas sector intensifies efforts to decarbonize.
Federal Environment Minister Steven Guilbeault said the sector's profits hit C$66.6 billion ($47.95 billion) in 2022 and the government wants to motivate producers to invest those profits in decarbonization.
"This goes after pollution, not production," Guilbeault told a news conference. "We've worked carefully to develop what is technically feasible for the sector, to keep industry accountable to their own promise to be carbon neutral by 2050."
Canada is the world's fourth-largest oil producer and sixth-largest natural gas producer.
Ottawa said oil and gas production is still expected to grow 16% from 2019 levels by 2030-2032 even with the emissions cap in place, and there would only be a 0.1% reduction in Canadian GDP as a result.

MARKET MONITOR as of 07:35 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$71.54 / bbl	0.10%	-0.15%
NYMEX RBOB Gasoline	$2.00 / gallon	0.20%	-4.88%
ICE Gas Oil	$686.25 / tonne	0.40%	-8.59%
NYMEX Natural Gas	$2.79 / mmBtu	0.18%	10.82%
Spot Gold	$2,737.77 / ounce	0.05%	32.73%
TRPC coal API 2 / Dec, 24	$122.63 / tonne	3.49%	26.42%
Carbon ECX EUA	€65.10 / tonne	-0.18%	-19.00%
Dutch gas day-ahead (Pre. close)	€40.30 / Mwh	5.36%	26.53%
CBOT Corn	$4.29 / bushel	-0.23%	-11.36%
CBOT Wheat	$5.86 / bushel	-0.21%	-8.33%
Malaysia Palm Oil (3M)	RM4,821 / tonne	-1.43%	29.56%
Index	**Close 04 Nov**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	337.66	1.22%	12.03%
Rogers International	27.77	1.11%	5.49%
U.S. Stocks - Dow	41,794.60	-0.61%	10.89%
U.S. Dollar Index	103.83	-0.06%	2.46%
U.S. Bond Index (DJ)	437.90	0.66%	1.67%

The regulations will create a cap-and-trade system designed to recognize better-performing companies and incentivize higher-polluting firms to make their production processes cleaner.
Producers will be required to start reporting their emissions from 2026, and the first three-year compliance period will run from 2030 to 2032. The government said it will develop penalties for producers that do not comply.
Most of the emissions reductions are expected to come from cutting methane pollution and a proposed oil sands carbon capture project, federal Natural Resources Minister Jonathan Wilkinson said.
Prime Minister Justin Trudeau's Liberal government previously said it wanted the oil and gas industry to cut emissions by up to 38% from 2019 levels by 2030. Wilkinson said Ottawa settled on a 35% reduction after lengthy consultations to determine what was technically achievable for producers.
"If you start to go beyond what is achievable, you are moving this from an emissions cap to a production cap," he told Reuters in an interview.
Canada faces a federal election within the next year, which polls suggest Trudeau's Liberals will lose to the opposition Conservatives, led by Pierre Poilievre.
The Conservatives called the emissions cap an attack on the energy sector at a time of weak economic growth in Canada and said they would scrap the proposed policy if elected.
"Trudeau plans to crush the energy sector, putting hundreds of thousands of jobs at risk at the worst possible time," the Conservatives said in a statement.

INDUSTRY OPPOSITION
Oil and gas industry associations also pushed back against the cap, arguing it will kill jobs and cut tax revenue.
The Canadian Association of Petroleum Producers said it would likely deter investment in Canadian oil and natural gas projects, while the government of Alberta, Canada's main fossil fuel-producing province, said the cap would require a production cut of one million barrels per day by 2030. "An emissions cap, which will act as a cap on domestic production of natural gas, will harm Canadian families and businesses by raising prices on energy," Francois Poirier, CEO of pipeline company TC Energy, said in a statement. Climate advocates welcomed the draft regulations, although some urged the government to close what they described as a loophole allowing producers to pay into a decarbonization program or buy greenhouse gas offset credits to cover up to 20% of their emissions. "The rules must take effect sooner than the proposed 2030 timeline, and align with Canada's climate goal of a 40-45% emissions reduction by 2030," Environmental Defence said in a statement.
Formal consultations on the regulations will run from Nov. 9 until Jan. 8 of next year. The final version will be published in 2025.

COLUMN-Europe to crank up gas-fired output and emissions as winter sets in: Maguire
Europe's natural gas-fired electricity generation and associated emissions fell to multi-year lows over the first three quarters of 2024, but are set to rebound sharply towards year-end as solar output drops just as demand for heating climbs.
From January through September, Europe's total electricity production from coal and natural gas was 1,236 terawatt hours (TWh), according to energy think tank Ember. That total was 7.5% down from the same months in 2023, and triggered a 7% drop in power emissions to 928 million metric tons of carbon dioxide (CO_2), the lowest in at least a decade.
However, Europe's peak heating period lies towards year-end when solar output is at its lowest, and means power producers must replace the lost emissions-free solar output and lift overall generation with more gas-fired supplies.
Some parts of Europe will also crank coal-fired generation to help meet system demand needs, which will result in an even steeper climber in power sector emissions.
But natural gas is Europe's largest single power fuel, and will be the primary source of generation - and emissions - growth heading into the coldest period of the year.

SOLAR SLUMP
Europe's solar electricity generation falls by at least 50% over the winter from the peak summer months, Ember data shows.
In 2024, that means that the average solar generation levels of June through August of around 44 TWh a month may drop to less than 20 TWh a month in November, December and January.
Solar's share of the overall generation mix is also usually at least cut in half during the height of winter, from around 11% to less than 5%.
For power suppliers, that drop in solar generation is exacerbated by a rise in overall power demand during the peak winter period.
In 2023, overall electricity consumption during the final quarter of the year was 14% more than during June, July and August, and so placed extra strain on power suppliers to boost output just as solar production dropped to its annual lows.
In 2024, a similar-sized rise in overall electricity demand will mean power firms must deploy alternate power sources to plug the supply gap, with natural gas the most widely-used replacement for lost supplies and to raise overall output.

COLD COMFORT
Just how much electricity demand will rise by will depend on a number of factors, including the levels of economic activity heading into 2025 and how cold temperatures get during winter.
Gauges on Europe's economic health remain broadly weak, but recent gross domestic product (GDP) data pointed to a modest expansion during the latest quarter.
The threat of hefty new tariffs from a potential new Trump presidency in the United States, as well as enduring trade tensions with China, continue to stifle consumer sentiment and will likely curb economic growth heading into 2025.
Over the nearer term, the weather may play a larger role in driving shifts in energy use.
From 2020 through 2023, the average temperatures in Germany were 63% lower during the final quarter of the

year compared to the third quarter, according to LSEG.
Actual temperature readings have historically averaged 5.6 degrees Celsius (42 degrees Fahrenheit) over the final three months of the year compared to 17 Celsius (63 Fahrenheit) during the previous quarter.
That drop in temperatures typically triggers a steep rise in heating demand in houses, factories and offices, which drives electricity and power use sharply higher.
To feed that higher demand, natural gas consumption for power generation in Germany is expected to climb by around 25% from current levels to around 3,500 Gigawatt hours per day in December, according to LSEG.
If that degree of gas-use increase is seen throughout Europe, that would equate to roughly 100 TWh of gas-fired power during the last month of the year, and the highest gas generation tally since January.
That generation level would yield roughly 55 million tons of CO_2 in gas-fired emissions, which again would be the highest since the start of the year.
Those increases in both gas use and power pollution would mark a reversal in the generation and emissions trends seen so far in 2024.
But with output from solar panels throughout the region set to fall off sharply, power suppliers will have little choice but to crank up the gas over the final months of the year.
(The opinions expressed here are those of the author, a columnist for Reuters.)

Top News - Dry Freight

Egypt's GASC buys 290,000 tonnes of wheat in tender, traders say
Egypt's state grains buyer, the General Authority for Supply Commodities (GASC), is believed to have bought 290,000 metric tons of wheat in an international tender, traders said.
The purchase comprised 120,000 tons of Ukrainian wheat, 120,000 tons of Romanian wheat, and 50,000 tons of Bulgarian wheat, they added. Traders said there were indications Russian exporters had received permission from authorities to reduce their offers to $262 a ton free-on-board from $265, a level reflecting the unofficial Russian minimum export price plus extra costs for the delayed payment GASC was offering, but GASC still made no purchases from Russia.
GASC was seeking an unspecified amount of wheat in an international purchasing tender. The deadline for offers was Nov. 4. Offers were submitted on a FOB basis, for payment using 270-day letters of credit, it said. Shipping will be from Nov. 25 to Dec. 5 and/or Dec. 6 to 15.

Ghana’s cocoa purchases smooth under new funding model, Cocobod CEO says
Cocoa purchases in the world's number two producer Ghana have been smooth and orderly in the 2024/25 crop season under a new funding model that requires global traders to pay upfront for part of bean shipments, the head of the sector regulator Cocobod said on Monday.
Starting in September, Cocobod replaced a previous three-decade-old system where the regulator financed bean purchases from farmers with an annual syndicated loan from international banks.
The old system meant that any delays in loan disbursements would ripple through the entire sector, leaving growers starved of funds and encouraging bean smuggling.
Cocobod CEO Joseph Aidoo told media that beyond savings in interest, the new model had eliminated delayed payments to licensed cocoa buyers (LBCs), ended the borrowing of beans from farmers and improved buyers' turnaround time and profits.
Under the syndication, Ghana was using between 50-80% of a season’s output as collateral for the loans and disbursement delays were creating a debt cycle in the cocoa sector, Aidoo said.
He said the current model was more flexible, requiring licensed buyers to use their own funds or money sourced from their partner traders to purchase cocoa from farms for Cocobod to deliver to global buyers.
"When the LBC delivers the cocoa to us, we alert the trader and start shipment processes. Once we prepare the bill of lading, the trader pays for the consignment, and we disburse that money to the LBC to start purchasing again. It’s good for everyone," Aidoo said.
While the departure from the old, familiar system raised concerns it could cause initial disruptions, Aidoo said there have been no complaints from farmers about delays in payments for their cocoa.
Poor harvests and increased smuggling in 2023/24 caused Ghana to miss on delivery of beans, giving trading houses losses of at least $1 billion on cocoa derivatives.
This season, Ghana sees output recovering to 650,000 metric tons. Rebuilding of disease-infested farms, increased pruning and hand pollination should help sustain its cocoa sector, Aidoo said.

Picture of the Day

The Port of Vancouver is seen, amid a labour dispute, in Vancouver, British Columbia, Canada, November 4. REUTERS/Jennifer Gauthier

(Inside Commodities is compiled by Nachiket Tekawade in Bengaluru)

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

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

© 2024 London Stock Exchange Group plc. All rights reserved.

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

Please visit: **LSEG** for more information

Privacy statement