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Top News - Oil

China October refinery output edges up; 2nd straight month of growth on year

China's crude oil throughput rose 0.8% in October from a year earlier for a second straight month in year-on-year growth, data showed on Tuesday, as refiners ramped up processing to export more refined fuel and a greenfield refinery began test runs.

October refinery output stood at 58.62 million tonnes, according to the National Bureau of Statistics (NBS), equivalent to 13.8 million barrels per day (bpd), just below 13.82 million bpd in September.

Throughput in the first 10 months of 2022 was 555.88 million tonnes, equal to about 13.35 million bpd, a level that remained 4.5% below the level a year-ago owing to eight months of year-on-year production drops between January and August.

Refiners raised October refined fuel exports by 13% on the year to about 4.46 million tonnes, the third-highest monthly rate this year, spurred by the government's additional release of a large set of export quotas.

PetroChina Guangdong Petrochemical in late October started test production at one of its 200,000 bpd crude units.

Meanwhile the growth in fuel exports, poised to rise further in November, also motivated the country's independent refineries to at least maintain their processing rates at a range of 65% to 70%, according to estimates by Chinese consultancy JLC.

NBS data also showed natural gas production rose 12.3% last month from October 2021 to 18.5 billon cubic metres, the highest monthly rate since March, as national producers ramped up drilling with the winter heating season kicking off in northern China.

January-October output was up 6% over the corresponding period of 2021.

To secure winter supplies amid the red-hot global spot gas market, China is set to set to ramp up domestic production, fill up gas storage facilities and increase imports of cheaper pipeline gas from Russia and Central Asia.

Meantime, crude oil production remained firmly above the 4 million bpd mark, a level regarded by the state-dominated sector as strategic to ensure domestic supply security as companies stepped up developing more challenging reservoirs.

October output rose 2.5% from the same month a year earlier to 17.22 million tonnes, or 4.06 million bpd. Year-to-date production gained 3% from a year earlier to 170.98 million tonnes, or 4.1 million bpd.

U.S. Permian oil output to hit record in December, but gains are slow

Oil output in the Permian Basin is set to hit another record of 5.499 million barrels per day in December, but production is rising very slowly in the biggest U.S. shale oil basin even though U.S. prices have surged in 2022.

Overall U.S. crude oil output in shale regions is due to rise by a mere 91,000 bpd to 9.191 million bpd in December, the highest since March 2020, the U.S. Energy Information Administration (EIA) said in its monthly productivity report on Monday.

Natural gas production is also expected to reach a record. Shale executives have been more bullish on gas output than crude because of the growing global need for U.S. gas and oil producers' desire to maintain capital discipline.

In addition, aging shale regions are showing weaker per-well output. Productivity in the biggest oil and gas basins has declined every month since hitting records of new oil well production per rig of 1,545 bpd in December 2020 in the Permian and new gas well production per rig of 33.3 million cubic feet per day (mmcfd) in March 2021 in Appalachia.

The EIA expects new oil well production per rig will drop to 1,049 bpd in the Permian and new gas well production per rig will drop to 26.1 mmcfd in Appalachia, both of which are the lowest since July 2020.

In the Bakken in North Dakota and Montana, the EIA forecast oil output will rise 19,000 bpd to 1.201 million bpd in December, the most since November 2020.

In the Eagle Ford in South Texas, output will rise 14,000 bpd to 1.237 million bpd in December, its highest since April 2020.

Total natural gas output in the big shale basins will increase 0.6 billion cubic feet per day (bcfd) to a record 95.7 bcfd in December, the EIA forecast.

In the biggest shale gas basin, Appalachia in Pennsylvania, Ohio and West Virginia, output will rise to 35.6 bcfd in December, the highest since hitting a record 36.0 bcfd in December 2021.

Gas output in the Permian and the Haynesville in Texas, Louisiana and Arkansas will rise to record highs of 21.3 bcfd and 16.3 bcfd in December, respectively.

EIA said producers drilled 984 wells in October, the most since March 2020. Total drilled-but-uncompleted (DUC) wells rose by eight to 4,408 in October, the first monthly increase since June 2020.

Top News - Agriculture

China pork imports set to rise amid questions around hog herd size

China is set to increase pork imports in the coming months, industry participants said, after losses for farmers last year in the world's top pork producer caused a reduction in hog output that appears larger than official data suggests.

Pork is by far China's favourite meat and surging prices have driven up inflation in the world's second-largest economy at a time of slowing growth. The country produces about half of the world's output and fluctuations there influence hog and meat prices globally.

Chinese pork prices surged in October by 51.8% from a year earlier, the National Bureau of Statistics said, even as third-quarter output rose by 0.7% from a year earlier.

Pork prices will stay high in 2023 because of the lower supply, according to 10 industry analysts, farmers, and feed and genetics suppliers, though they cautioned demand may be impacted by China's COVID measures.

"We all need to watch China; we expect increased sales due to their pork shortfall," said Jim Long, chief executive at Canada's Genesus Inc, a supplier of breeding pigs to China, in a note last week.

Live hog prices rallied about 78% from June to 28.50 yuan ($3.98) per kg on Oct. 19, the most since March 2021, according to data from Shanghai JC Intelligence Co Ltd, and while dropping since then they remain above historical averages.

The government has blamed farmers holding pigs back from slaughter to fatten them up more for the higher prices, but analysts and experts say there has been a substantial supply reduction since last winter.

However, the Ministry of Agriculture and Rural Affairs has repeatedly said breeding capacity is sufficient.

"The elimination of sow production capacity may be larger than the current market imagined," said Guan Yilin, analyst at Cofco Futures, in a note last month.

Plunging pork demand and high feed costs from June 2021 until July this year caused farmers to incur losses of as much as 600 yuan per hog. Farmers sold off herds, culled more sows than normal or slowed production by not mating females to curb their losses.

Genesus believes the sow liquidation is greater than reported, estimating the sow herd shrank by between 6 million and 8 million heads.

With fewer pigs born at the end of 2021 and the first quarter of 2022, the number of slaughter-ready hogs dropped by this summer, said an executive at one of China's top producers.

The agriculture ministry says China had 44.6 million sows in September 2021, declining to 41.85 million by March 2022 before rising to more than 43 million by September.

"The reported total number of sows is inflated," said Zou Zhihong, China manager of U.S. farm equipment supplier Hog Slat Inc.

"A lot of barns are still empty," he said.

Neither the agriculture ministry nor the statistics bureau responded to requests for comment on their data. The agriculture ministry has said that information on key indicators such as breeding sows should be released more often to better guide production.

China has 20 million small farmers that frequently enter and exit the pig-raising business, depending on market conditions, making it challenging to compile accurate data.

Farms also do not report deaths from diseases like African swine fever.

Still, analysts said only a supply shortfall could trigger such high prices.

"If there were so many pigs, the price couldn't reach this year's dramatic level," said Xiao Lin, analyst at Huachuang Securities.

Feed suppliers also noted the production drop. Pig feed output fell 8% in the first eight months of 2022 compared with a year ago, according to the China Feed Industry Association.

"We see there are not enough fatteners [hogs]," said a manager at a feed producer that supplies more than 100 mid-sized pig producers across China.

"I think there's 25%-30% less fatteners than a year ago."

The U.S. Department of Agriculture reported 39,500 tonnes of pork exported to China in the week ending Nov. 3, up from an average 24,120 so far this year.

"I expect more shipments to arrive in Q4," said Pan Chenjun, senior analyst at Rabobank, adding that 2023 imports will be higher than 2022.

India's state wheat stock halves from a year ago

Indian wheat stocks held in government warehouses were half the level of a year ago on Nov. 1, government data showed on Monday, but inventories were marginally higher than the official target.

Wheat reserves in state stores totalled 21 million tonnes at the start of this month, down from 42 million tonnes on Nov. 1, 2021, but still slightly higher than the official target of 20.5 million tonnes for the quarter ending Dec. 31.

Wheat inventories at government-run granaries stood at 22.7 million tonnes on Oct. 1.

Lower state reserves could hobble the government's efforts to release stocks to cool wheat prices, something it does regularly for bulk buyers such as flour and biscuit makers.

Wheat prices have surged in India despite the world's second biggest producer of the grain implementing a ban on exports in May as it was stung by a sudden drop in crop yields.

Market arrivals from the previous harvest, meanwhile, have slowed to a trickle as farmers run down their stores.
Indian wheat prices are expected to remain elevated until the new-season crop arrives on the market early next year, growers and traders say.
If weather conditions remain favourable and temperatures do not rise abnormally during March and April's harvest, India's wheat output could bounce back to 2021's level of 109.59 million tonnes given the good start to the planting season.
Indian farmers have planted wheat on 4.5 million hectares since Oct. 1, when the current sowing season began, up 9.7% from a year ago.
Local wheat prices jumped to a record 26,500 rupees ($324) a tonne on Thursday, up nearly 27% since the May ban on exports.
India is also weighing dropping a 40% tax on imports.

Top News - Metals

No surge of Russian metal into LME warehouses-exchange

London Metal Exchange approved warehouses have not seen a surge of Russian metal after unfounded worries that the bulk of consumers would shun the metal, the LME said.
The exchange released new data showing there was no major change in the amounts of Russian metal in LME warehouses last month, supporting its decision announced late on Friday not to ban Russian metal from its system.
Some producers and other market participants had been vocal in calling for bans of Russian metal, saying because many consumers were refusing to buy the material, it would flood into LME storage facilities.
The 145-year-old LME launched a discussion paper on the subject last month, asking for feedback from the market.
From the feedback, it concluded that "for the most part, a material portion of the market is still accepting – even relying on – Russian metal", the LME said in a notice explaining its decision not to ban Russian metal.
The LME, the world's oldest and largest market for industrial metals, also said in January it would start publishing a monthly report on Russian metal in its warehouses.
In Friday's notice, it said the amount of Russian metal in LME warehouses was largely stable from when it launched the discussion paper on Oct. 6 until the feedback period closed on Oct. 28.
A graphic in the notice showed the amount of Russian copper in LME warehouses fell to 58.1% from 63% while the proportion of Russian aluminium rose to 17.7% from 14.9%.

China October steel output drops 8.3% on previous month

China's October steel output fell 8.3% from the previous month, official data showed on Tuesday, as ongoing COVID curbs and a deepening crisis in the country's property sector hit demand, leading some mills to start maintenance outages early.
The world's top steelmaking country produced 79.76 million tonnes of the metal last month, according to data from the National Bureau of Statistics, down from 86.95 million tonnes in September.
Production was, however, up 11% compared with the same month a year ago, when power rationing and strict curbs on output levels drove daily steel production to a multi-year low.
October's average daily steel output in China was 2.57 million tonnes, according to Reuters calculations, the lowest since November 2021 when it averaged 2.3 million tonnes.
Daily output in September was an average of 2.9 million tonnes.
Imported iron ore stocks at Chinese ports have been growing since mid-October, reaching 136 million tonnes on Nov. 11, SteelHome consultancy data showed.
Meanwhile weak demand has weighed on steel prices, just as production costs are rising due to higher electricity rates in the winter, compounding losses for steelmakers.
Many have cut utilisation rates or started maintenance ahead of schedule, according to analysts and mills.
"In conjunction with heavily compressed margins, previously optimistic Chinese steel producers have made their peace with zero-COVID remaining in place for the rest of the year and destroying any hope of a demand recovery," said Atilla Widnell, managing director at Singapore-based Navigate Commodities.
"As such, they're now exerting better production discipline to align output with terrible consumption," he added.
Total production from January to October came to 860.57 million tonnes, down 2.2% on the same period last year, and compared with a 3.4% year-on-year contraction in January-September.
Widnell expects output to drop further in coming months, as construction activity slows and demand worsens.
Utilisation rates are currently around 84%, he said, compared with 88% in mid October.
The Brussels-based World Steel Association expects Chinese steel demand to fall 4% for the whole year, driving a projected 2.3% drop in global demand amid surging inflation and rising interest rates.

Top News - Carbon & Power

Billionaire climate activist wins board fight at Australia's AGL Energy

Shareholders in AGL Energy, Australia's largest power producer, on Tuesday defied their board and approved all four directors proposed by the company's top shareholder, tech billionaire Mike Cannon-Brookes.

At the same time, in a surprise outcome, more than 25% of shareholders rejected the executive pay plan, final votes showed. Under Australian corporate rules, the entire board could face re-election if that is rejected again next year.

Climate activist Cannon-Brookes, with an 11% stake in AGL, succeeded earlier this year in forcing the company to scrap a demerger and instead announce plans to speed up the closing of its coal-fired power plants by a decade and spend up to A$20 billion on renewable energy by 2036.

Looking to boost his influence, Cannon-Brookes' investment vehicle, Grok Ventures, proposed four candidates for AGL's board: ex-Tesla executive Mark Twidell, former Energy Security Board chair Kerry Schott, John Pollaers and Christine Holman.

All four were approved by AGL's shareholders, Chair Patricia McKenzie told shareholders at the group's annual meeting, citing proxy votes, although the board had only endorsed Twidell.

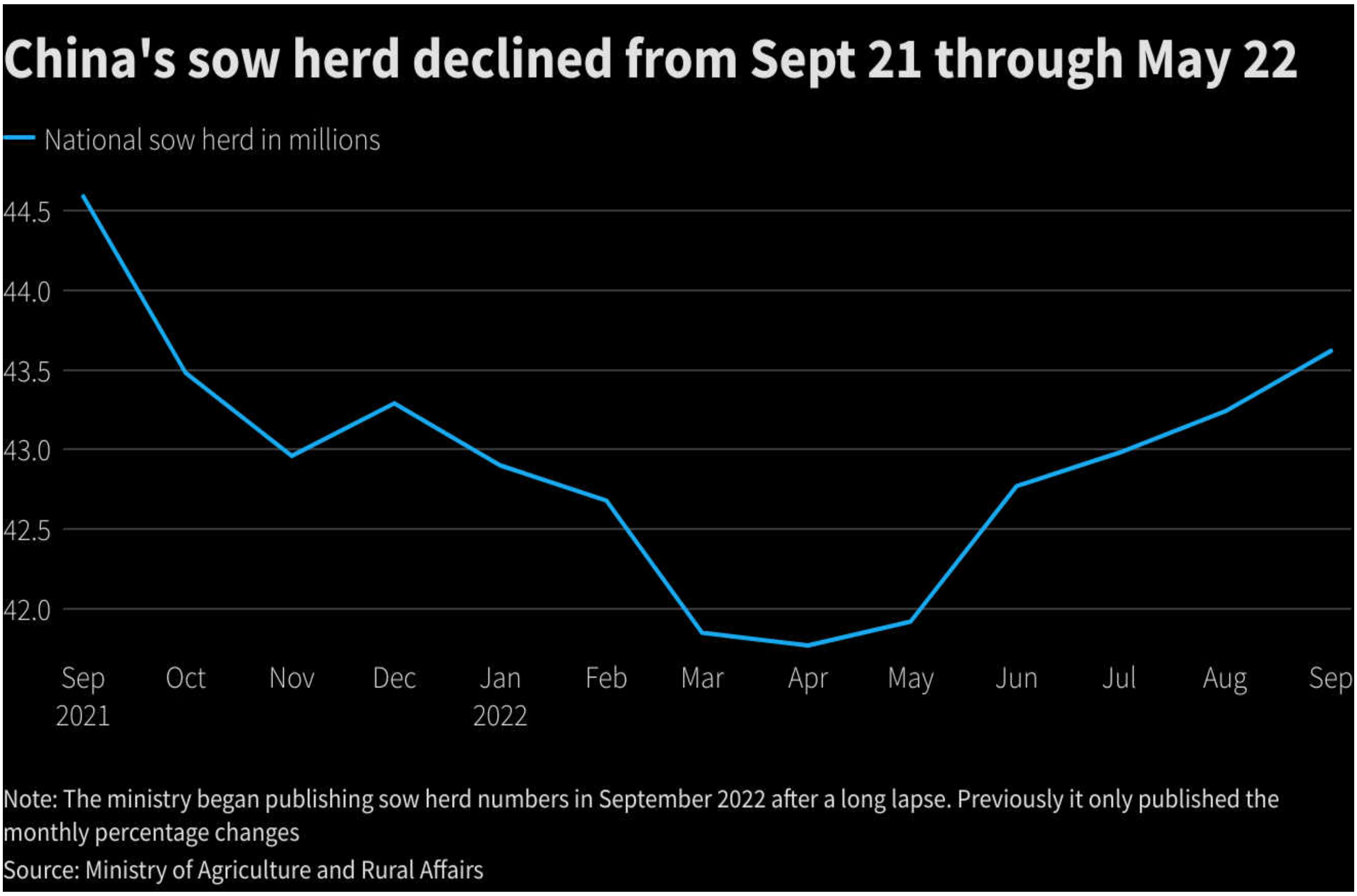
"A great day in the future of Australia's decarbonisation," Cannon-Brookes said in a message on his Twitter feed, thanking his four board nominees for "stepping up to help guide" AGL and shareholders for supporting them.

AGL Chair McKenzie said the board would work constructively with the new directors.

The expanded board's first job will be to find a new chief executive to lead the company's transition to green energy, after Cannon-Brookes' battle to overhaul the company led former CEO Graeme Hunt to quit.

"This represents another majority vote by AGL shareholders pointing to their desire for change, fresh

Chart of the Day



thinking and more execution capacity to realise the potential of this great company," a Grok spokesperson said in an emailed statement after the annual meeting.
All four of Grok's picks said in recorded comments at the annual meeting they were independent of the tech billionaire and would work in all shareholders' interests.
While McKenzie won overwhelming support for her re-election to the board, more than 25% of votes cast went against the company's executive pay plan, which she said was mainly due to opposition from two major shareholders. "This is a disappointing result given that all major proxy advisors recommended that shareholders vote in favour of the report and no material concerns were identified," McKenzie said at the annual meeting.
Under Australia's corporate rules, shareholders may vote to remove a company's board if at least 25% of voting shareholders object to the pay plan in two consecutive years.
Adding to its challenges, AGL now faces a potentially beefed-up arch rival after last week's surprise announcement that its spurned suitor, Canada's Brookfield, has led an A$18 billion bid for Origin Energy, Australia's No. 2 power producer.

Rich nations stick to coal phase-out plans as China builds new projects

Rich nations have stuck to pledges to phase-out coal power despite the war in Ukraine to help reach their climate targets but expansion of China’s coal fleet risks counteracting the impact of the closures, a report said on Tuesday.
Countries within the Organization for Economic Cooperation and Development (OECD) policy forum and the European Union are on track to close more than 75% of their coal power capacity from 2010 to 2030, the report by the Powering Past Coal Alliance (PPCA) said.
Greenhouse gas emissions from burning coal are the single biggest contributor to climate change and weaning the world off coal is considered vital to achieving global climate targets.
While some countries such as Britain and Germany have delayed the closure of coal plants this winter due to the war in Ukraine and concerns over Russian energy supply, overall phase-out dates remained intact, according to the report released to coincide with the COP27 climate summit of world leaders in Egypt.
“Instead, governments are increasing their efforts to invest in renewables and increase energy efficiency, in order to accelerate the transition away from power generation fuelled by both coal and gas,” said the PPCA, an international campaign aimed at phasing out the fuel.
China has pledged to bring the country's carbon emissions to a peak by 2030 and achieve carbon neutrality by 2060. On Monday, China said it did not oppose mentioning 1.5 degrees Celsius as a goal for limiting global warming.
China’s climate envoy, Xei Zhenhua said last week at the COP27 climate talks in Egypt the country would need to retain some coal plants to help maintain the stability of its power grid.
There are still plans for almost 300 gigawatts (GW) of new coal power capacity globally with around two-thirds of this, or 197 GW slated to be built in China, the report showed.
“Accelerated retirements within the OECD and the collapse in the scale of new project proposals in the rest of the world have been counteracted by the ongoing expansion of the coal fleet in China,” the report said.
The PPCA said many of these proposed projects may eventually be cancelled.

Top News - Dry Freight

Brazilian port operator CLI concludes acquisition of Santos terminal from Rumo

Brazilian port operator CLI concluded the payment of 1.4 billion reais ($263.43 million) on Monday to railway company Rumo SA for control of a grain terminal in Santos port, the company said.
The deal is being funded by the acquisition of a 50% stake in CLI, formally Corredor Logistica e Infraestrutura, by Australia's Macquarie infrastructure Partners from Brazilian private equity firm IG4.
In an interview with Reuters, CLI's Chief Executive Officer Helcio Tokeshi said the Australian group will have two board members in the company, IG4 will also have two members and a fifth will be independent.
The acquisition of the grain terminal in Santos, Latin America's largest port, will more than double CLI's net revenue, to around 470 million reais pro forma this year, Tokeshi added. Earnings before taxes, depreciation and amortization, a gauge of operational profit known as EBITDA, will reach around 390 million reais annually, Tokeshi added.
The port operator is also looking into other acquisition targets among grain and fertilizer port terminals, Tokeshi said, without elaborating.
The deal to sell a 50% stake in CLI to Macquarie and the subsequent acquisition of Rumo's port terminal was first announced in July.

Ukraine grain exports down 30.6% to 15.1 mln T so far 2022/23 -ministry

Ukraine has exported almost 15.1 million tonnes of grain so far in the 2022/23 season, down 30.6% from the 21.8 million tonnes exported by the same stage of the previous season, agriculture ministry data showed on

Monday. Grain exports have slumped since Russia invaded Ukraine in February and closed off its neighbour's Black Sea ports, driving up global food prices and prompting fears of shortages in Africa and the Middle East. Three Black Sea ports were unblocked at the end of July under a deal between Moscow and Kyiv that was brokered by the United Nations and Turkey.

Ministry data showed that exports so far in the July 2022 to June 2023 season included 5.7 million tonnes of wheat, 8.1 million tonnes of corn and 1.2 million tonnes of barley. The government has said Ukraine could harvest between 50 million and 52 million tonnes of grain this year, down from a record 86 million tonnes in 2021 because of the loss of land to Russian forces and lower yields.

MARKET MONITOR as of 07:27 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$85.67 / bbl	-0.23%	13.91%
NYMEX RBOB Gasoline	$2.54 / gallon	0.45%	13.97%
ICE Gas Oil	$977.00 / tonne	-1.49%	46.48%
NYMEX Natural Gas	$6.12 / mmBtu	3.08%	63.97%
Spot Gold	$1,776.29 / ounce	0.25%	-2.85%
TRPC coal API 2 / Dec, 22	$180 / tonne	-22.41%	46.34%
Carbon ECX EUA / Dec, 22	€75.03 / tonne	-0.27%	-6.97%
Dutch gas day-ahead (Pre. close)	€110.00 / Mwh	60.00%	65.41%
CBOT Corn	$6.56 / bushel	-0.19%	10.58%
CBOT Wheat	$8.19 / bushel	0.58%	6.20%
Malaysia Palm Oil (3M)	RM4,126 / tonne	0.34%	-12.16%
Index (Total Return)	**Close 14 Nov**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	304.45	-1.24%	23.25%
Rogers International	30.77	-0.19%	32.01%
U.S. Stocks - Dow	33,536.70	-0.63%	-7.71%
U.S. Dollar Index	106.67	0.00%	11.15%
U.S. Bond Index (DJ)	384.25	0.45%	-18.96%

Picture of the Day

A steel worker of ThyssenKrupp stands amid sparks of raw iron coming from a blast furnace at a ThyssenKrupp steel factory in Duisburg, western Germany. REUTERS/Wolfgang Rattay

The Financial and Risk business of Thomson Reuters is now Refinitiv.

(Inside Commodities is compiled by Jesse Vinay in Bengaluru)

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