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Top News - Oil

US seeks to claw back Russian oil trade under the G7 price cap

The United States will push shippers to disclose more information about their Russian oil dealings in a bid to enforce sanctions, U.S. officials said on Monday, while acknowledging that a big chunk of the trade has already escaped Western oversight after Russia built a parallel fleet.
The Group of Seven countries (G7) agreed a price for Russian crude in December last year, which bans Western companies from providing maritime services including financing, insurance and shipping for oil sold above $60 per barrel.
"A significant amount of (Russian) oil can in fact flow outside the G7," one of the officials said.
"For most of last summer and through the fall, Russia was really selling oil above the caps through two distinct channels. One was the non-compliant trade use coalition (G7) services ... And second via this alternative fleet, which used to be a small part but grew significantly."
The G7 scheme, rather than a blanket ban on Russian oil, aims to keep a lid on global oil prices and reduce the cash available for Moscow's invasion of Ukraine.
The officials said that on top of targeted sanctions, they are pushing for an "itemisation of costs" when a Russian oil buyer presents documentation to Western insurance providers and shippers to prove the trade took place under the cap.
Crucially, there is a push to have documentation "per voyage" if a buyer uses the same Western services on a regular basis.
The U.S. began imposing sanctions on specific tanker owners in relation to breaking price cap rules for the first time in October.
Western powers have said that while Russian oil revenue was for many months significantly cut thanks to the cap, the system was being rigged and the Kremlin's alternative shadow fleet has increasingly taken over.
The official added that the rapid build-up of a parallel fleet had already come at a "great cost" to the Kremlin.
Washington wants to increase that cost and expose a system whereby Russian oil buyers are forced to use certain Kremlin-backed brokers, who prop up the price, the officials said, without elaborating on how this would be done.
"(Russia) is trying to collect more of the rents associated with moving its oil outside of the cap," one of the officials said.
"There's instances we've been watching where Russia will seek to broker sales and then insist that certain consumers will purchase only from those providers. They won't let them purchase directly from Russian sellers."
Russia's energy ministry did not immediately respond to a request for comment.
Russia is one of the world's biggest oil exporters at around 7 million barrels per day (bpd) of crude and refined products.
The U.S. officials did not have an overall figure on how much oil was being traded under the crude and refined products caps versus the alternate fleet.

China Sinochem buys rare Venezuelan oil cargo after U.S. suspends sanctions -sources

China's Sinochem Corp has bought a million barrels of Venezuelan crude oil for arrival in December, a rare purchase as the state oil and chemicals group capitalises on Washington's suspension of sanctions on the South American producer.
In mid-October, Washington suspended sanctions on Venezuela's oil and gas exports for six months, prompting a flurry of spot trades of crude and fuel through Western traders such as Trafigura and Vitol as well as middlemen.
Sinochem has agreed to buy the cargo of heavy Venezuelan Merey crude at a discount of $11 a barrel to dated Brent crude on a delivered ex-ship (DES) basis, three traders with knowledge of the purchase told Reuters.
The cargo is for delivery to Sinochem's Changyi refinery in the eastern province of Shandong, one of several it runs in the refining hub after a state-mandated merger with ChemChina.
"(Sinochem) barely touched Venezuelan oil before, although several of its subsidiary plants are configured to process heavy type of crude oil," said a trader familiar with its Changyi plant, speaking on condition of anonymity.
In a statement, Sinochem's press office said the company "consistently conducts its operations in strict adherence to legal and regulatory requirements" and does not comment on market speculation.
Before the sanctions easing, Chinese independent refiners were the main customers for Merey crude, taking advantage of steep discounts after previous top buyer PetroChina halted buying from Caracas since late 2019, as the state giant shielded itself from the prospect of secondary sanctions.

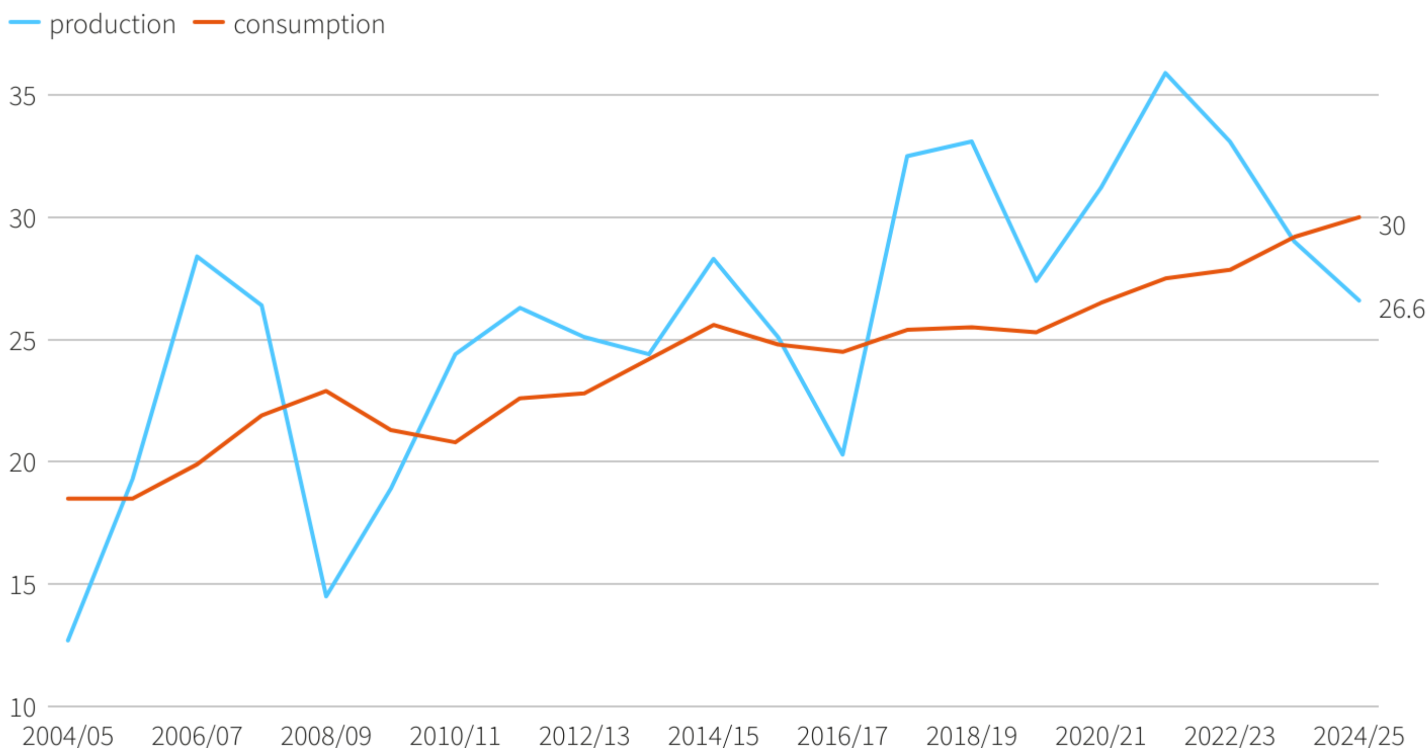
Sinochem has long stayed clear of dealing in sanctioned oil, fearful of any adverse impact on its broader business, said senior trading sources familiar with the group's thinking. The $11 discount for Sinochem compares with discounts of $20 for sanctions-era Merey trades into China, reflecting tightening supplies due to stagnant domestic production in Venezuela and growing demand from India and the United States.
Under sanctions, Venezuelan crude cargoes to China were typically labelled as being from Malaysia.

Asia-bound shipments of Venezuelan crude and fuel dwindled to about 10 million barrels in November from 16.5 million barrels the previous month amid the relaxation of sanctions, which allows Venezuela to export to any market, according to PDVSA documents and LSEG tanker tracking data.
"With the higher prices, margins are thinning for Chinese independent refiners processing Merey," said a Shandong-based refinery source.

Chart of the Day

India's sugar output set to fall below consumption

Sugar production and consumption in million metric tons during Oct-Sep marketing year



Source: Indian Sugar Mills Association, traders' estimate I By Rajendra Jadhav

Top News - Agriculture

Deadly Argentina storm a blessing and curse for beleaguered grains sector

A deadly summer storm over the weekend in Argentina has helped quench crops still reeling from a historic drought, a meteorologist said on Monday, although the storm paused operations at a key grains port.

The intense storm, which began on Saturday in the south of Buenos Aires province, left at least 13 people dead in the port town of Bahia Blanca before moving north and bringing much-needed rains to the country's core agriculture zone in northern Buenos Aires and in the south and center of Santa Fe province.

Argentina's farming core has received 60-90 millimeters (2.4-3.5 inches) of rain since the weekend began, according to the Rosario Grains Exchange, which forecast more rains over the next two days.

Recent months in Argentina, a top global exporter of soybean oil and meal and a major corn and wheat exporter, have been wetter than normal, after a drought last year pummeled crop outputs.

The soil in key farming areas "needed a lot of water, and it now has it," German Heinzenknecht, a meteorologist at Applied Climatology Consulting (CCA), told Reuters.

"Looking forward you have soil that's saturated," he said.

Ongoing soy and corn planting will face some delays because of the storm, said Heinzenknecht, who added that strong wind gusts could cause losses to some crops in southern Buenos Aires province that are ready for harvest, particularly wheat.

Operations at the Bahia Blanca port were "practically stopped" on Monday due to the storm, which packed 150-kilometer-per-hour (93-mile-per-hour) winds, said Carolina Volonte, a representative for Bahia Blanca's grains exchange.

"Damages are being evaluated and we will have to see how it can get up and running in the coming days," Volonte said.

Reuters did not receive comment from the Bahia Blanca port about the port's operations.

INSIGHT-Coffee firms turning away from Africa as EU deforestation law looms

Importers of coffee to the European Union are starting to scale back purchases from small farmers in Africa and beyond as they prepare for a landmark EU law that will ban the sale of goods linked to the destruction of forests, a cause of climate change.

Industry sources said the cost and difficulty of complying with the EU Deforestation Regulation (EUDR), which comes into

force late in 2024, meant it was already having unintended impacts that could in time reshape global commodities markets.

Four cited a drying-up of orders in recent months for coffee from Ethiopia, where some 5 million farming families rely on the crop. They warned that sourcing strategies being adopted by companies in advance of the law risk increasing small scale farmer poverty and raising prices for EU consumers, while also undermining the EUDR's impact on forest conservation.

"I see no way of buying significant quantities of Ethiopian coffee going forward," said Johannes Dengler, an executive at German roaster Dallmayr, which buys about 1% of the world's exported coffee.

Because beans he orders now could find their way into coffee products sold in the bloc in 2025, they must be EUDR-compliant, he said - even though implementing acts for the law have yet to be finalised.

Under EUDR, importers of commodities like coffee, cocoa, soy, palm, cattle, timber and rubber - and products that use them - must be able to prove their goods did not originate from deforested land, or face hefty fines.

Coffee major JDE Peets said it might be forced to exclude some smaller producing countries from its supply chain as early as March if it hasn't "found and implemented a solution with them" by that date.

Deforestation is the second leading cause of climate change after burning of fossil fuels.

The European Commission said it has several initiatives to help producing countries and smallholders comply with the EUDR, including one launched at COP28 where the EU and member states pledged 70 million euros ($76 million) to that end.

It added that some smallholders see the EUDR as an opportunity, especially if accompanied by EU support measures, as it will help them meet growing global demand for sustainably sourced products.

TRACKING AND TRACING

The EUDR requires companies to digitally map their supply chains down to the plot where the raw materials were grown, which could potentially involve tracing millions of small farms in remote regions.

Moreover, because companies often don't deal directly with farmers, they could be relying in part on data provided by multiple local middlemen, some of whom they also might not deal with directly or trust.

In some developing countries, patchy internet coverage makes mapping difficult, while traders and industry experts say land rights disputes, weak law enforcement and clan conflict can make it dangerous to even seek data on farm ownership,

"Nowadays from Europe no one is interested in our coffee," a representative from Ethiopia's Oromia Coffee Farmers' Cooperatives Union, told a recent World Coffee Alliance webinar.

He said most Ethiopian coffee farmers have never heard of the EUDR and that even educated villagers would struggle to collect the required data in time.

Coffee generates 30-35% of Ethiopia's total export earnings, with almost a quarter sold to the EU.
"Roasters are moving to big rich Brazilian farmers. It's really shocking," said a trader at one coffee trade major. "In risky countries, there's smallholders and middlemen who are illiterate - and we're coming to them with a law that even Europeans don't understand."

SEGREGATED SUPPLY CHAINS

But cutting out small-scale farmers or whole countries will not be feasible if they are major commodity producers.
Ivory Coast and Ghana, for example, produce nearly 70% of the world's cocoa, while 60% of coffee comes from Brazil and Vietnam. Indonesia and Malaysia grow almost 90% of the world's palm oil, a commodity used in everything from pizza and lipstick to biofuels.
As such, some major companies say they will redirect raw materials they cannot reliably trace in those countries to non-EU markets, while sending compliant goods to the EU.
Golden Agri Resources, one of the world's largest palm oil companies, told Reuters "segregated supply chains will be required" to implement the EUDR. A source at palm oil major Musim Mas concurred.
To the extent this strategy comes to dominate, it would lessen the EUDR's impact on forest conservation because raw materials would still be grown on deforested land, just not for EU consumption.

Compliance costs throughout the supply chain are meanwhile expected to raise food prices in the 27-country EU. Two of the world's largest coffee traders, Sucafina and Louis Dreyfus Company (LDC) have already locked in future sales contracts that include an EUDR premium, according to a source at a commodities trade major.
LDC and Sucafina declined to comment.
The European Commission said the EUDR is not expected to drive food inflation. It noted, for example, that while traceability has a cost, this will likely be offset as the law should reduce the number of intermediaries in the market.

SAVING FORESTS?

EUDR is a particular challenge in major cocoa-producing countries.
Half of Ivory Coast's crop, for example, is sold by local intermediaries and thus difficult to trace. Grown mostly for EU consumption, it cannot be completely redirected to Asia as chocolate is less popular there.
But slashing purchases from intermediaries is also tricky, traders say, not least because Ivorian authorities force them to buy 20% of their beans from this local supply chain. "That's where the authorities come in. They have to guarantee that supply, but they're not," said the global head of cocoa at a top global agri-commodities trade house.
The problem for Ivory Coast is that 20-30% of its cocoa is

MARKET MONITOR as of 07:45 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$72.26 / bbl	-0.29%	-9.97%
NYMEX RBOB Gasoline	$2.18 / gallon	0.53%	-12.08%
ICE Gas Oil	$779.00 / tonne	-0.80%	-15.42%
NYMEX Natural Gas	$2.47 / mmBtu	-1.48%	-44.89%
Spot Gold	$2,024.89 / ounce	-0.10%	10.99%
TRPC coal API 2 / Dec, 23	$99.5 / tonne	0.00%	-46.14%
Carbon ECX EUA	€71.10 / tonne	2.92%	-15.33%
Dutch gas day-ahead (Pre. close)	€34.45 / Mwh	9.02%	-54.41%
CBOT Corn	$4.90 / bushel	0.00%	-27.80%
CBOT Wheat	$6.28 / bushel	0.00%	-21.38%
Malaysia Palm Oil (3M)	RM3,786 / tonne	1.09%	-9.30%
Index	**Close 18 Dec**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	303.29	0.36%	0.65%
Rogers International	26.66	0.95%	-6.99%
U.S. Stocks - Dow	37,306.02	0.00%	12.55%
U.S. Dollar Index	102.49	-0.07%	-1.00%
U.S. Bond Index (DJ)	429.61	-0.38%	9.47%

grown in protected forests by nearly one million people. Denying them their livelihood could cause social unrest, while relocating them is unfeasible without major funding and support.
Abidjan is as a result considering reclassifying its protected forests, sources said, prompting the EU to publicly call on the country to desist.
"Where do you relocate the community, with what resources?" said Renske Aarnoudse, senior programme manager for cocoa and forests at the non-profit IDH.
She said the EU should accept an Ivorian plan to reclassify as agricultural land some areas where forests are already heavily degraded.
"These areas are virtually zero forest by now, and would probably benefit most from conversion to smallholder-owned agroforestry holdings," Aarnoudse said.

Top News - Metals

Nippon Steel confident hefty premium for U.S. Steel makes sense

Nippon Steel said on Tuesday its $14.1 billion deal to buy U.S. Steel would help it tap into a new growth market, as concerns over the huge premium the world's fourth largest steelmaker was paying sent its shares down as much as 6%.
Nippon Steel has been looking to expand overseas in recent years, as a shrinking population in Japan, where it generates nearly three-fifths of its revenue, is dimming the demand outlook for high-end steel used for autos and electronic goods.
The acquisition will add 20 million metric tons of crude steel capacity to its 66 million tons and make it a bigger supplier to the U.S. auto industry, which is ramping up output following major carmakers' recent deals with labour unions.
"Nippon Steel aims to complete a global network ... by establishing a base in the United States... where steel demand is expected to grow," its president, Eiji Hashimoto, told a news conference.
"U.S. Steel is not a competitor to us in the U.S. market or elsewhere, so we can objectively say that it is a best match," he said.
North America contributed just 12% to Nippon Steel's total revenue in its latest fiscal year ended in March. The deal marks the firm's accelerating overseas push to reduce its reliance on Japan.
U.S. Steel's net sales at home last year were $16.8 billion, well over double the revenue of about 957 billion yen ($6.7 billion) that Nippon Steel generated in North America last fiscal year.
Last year, Nippon Steel bought majority stakes in two electric arc furnace steelmakers in Thailand, and in 2019, together with ArcelorMittal, the Japanese firm bought India's Essar Steel.
The latest acquisition also comes just a month after Nippon Steel, which counts Toyota Motor as a major client, announced a $1.3 billion deal to take a 20% stake in Canadian miner Teck Resources' steelmaking coal unit.
HUGE PREMIUM
"This deal will propel Nippon Steel into the top 3 global makers of steel," Japan analyst Mark Chadwick wrote on the Smartkarma research platform.
"In many ways, Nippon Steel is paying a huge premium. In simple terms, the offer values U.S. Steel at an EV (enterprise value) of $750/ton, far higher than Nippon Steel’s own EV of $560/ton."
Nippon Steel's shares fell 5.5% in early trade in Tokyo to the lowest level since July, but pared losses to trade down 2.6%.
The Japanese steel giant clinched the deal with an offer of $55 a share in cash, which was a whopping 142% premium to U.S. Steel's share price on Aug. 11, the last trading day before Cleveland-Cliffs unveiled a $35-per-share, cash-and-stock bid.
It is paying the equivalent of 7.3 times U.S. Steel's 12-month earnings before interest, taxes, depreciation and amortisation (EBITDA), according to LSEG data.
When asked how Nippon Steel could justify paying such a high premium, Hashimoto said there was a "sufficient economic rationale", without elaborating.
The company has not given any projection on the value of the synergies that will arise from the deal.
"The two combined will have a sizeable chunk of the global auto market and look well placed to benefit from the shift to EV motors known as e-steel," Chadwick said. "Even so, it is hard ... to get excited given the looming costs to decarbonize the industry."
The automotive and transportation sector represented almost a quarter of steel shipments out of U.S. Steel's North American facilities in 2022, according to the company's annual report.
U.S. Steel also provides steel for renewable energy infrastructure such as wind turbines and so stands to benefit from the U.S. Inflation Reduction Act (IRA), which provides tax credits and other incentives for such projects.
U.S. Steel shares ended trading up 26% at $49.59 on Monday following the deal announcement.

LME plans new metals contracts using ShFE prices - sources

The London Metal Exchange (LME) is planning to launch new metals contracts using prices from the Shanghai Futures Exchange (ShFE), three industry sources familiar with the matter said, further increasing China's influence on global metals markets.
Collaboration between the 146-year-old LME and ShFE was mentioned briefly by LME's Chief Executive Matthew

Chamberlain in October at the annual LME Week dinner, without any detail.

Two years ago the idea of China allowing an overseas exchange to use domestic prices would have been met with reluctance, but since then there has been a sea-change in strategic direction at Chinese exchanges, the sources said.

The change has come due to pressure on Chinese exchanges from the government to innovate and expand their influence to the rest of the world and China's aim of domestic players having more control over commodity prices.

Known as cross-listing, the process would involve new LME metal contracts settling against ShFE prices, the sources said. The sources did not have a timeline for launch. The LME, the world's oldest and largest forum for metals trading, would pay ShFE a license fee and the new contracts would be cleared at the LME's clearing house, the sources said.

"During LME Week this year we announced that we intend to further deepen our collaboration with SHFE in 2024, by working together in product innovation to better serve international participants in risk management and price discovery," the LME said in response to a request for comment.

Britain's Financial Conduct Authority which regulates the LME declined to comment and ShFE did not respond to requests for comment via email.

It is not known which metals are involved in this initiative, but copper and aluminium are both high volume contracts on both ShFE and the LME, owned by owned Hong Kong Exchanges and Clearing.

"If you want to trade a contract on the Shanghai Futures Exchange today, it's a long, costly and complicated process." one industry source said, adding that other Chinese exchanges were already cross-listing.

China's Dalian Commodity Exchange (DCE) in early November signed a licensing agreement for a soybean oil futures settlement price with a Malaysian bourse.

Options for foreign firms wanting to trade contracts listed at Chinese exchanges involve setting up operations in China or trading via a broker on the Shanghai Futures Exchange.

"With cross-listing, the LME would have a contract that settles against the ShFE price for its members. LME will be able to grow its volumes and income," a second industry source said.

"There are downsides. The LME would not have control, Chinese regulators have a lot of oversight over prices and they do intervene frequently ... What if ShFE decides to suddenly withdraw the license or refuses to renew it?"

However, even if LME members welcome the initiative, new contracts based on ShFE prices will need volume and liquidity to gain traction.

Most of the contracts launched by the LME in recent years have failed to gain traction.

Top News - Carbon & Power

QatarEnergy CEO says new LNG supply deals 'imminent'

QatarEnergy expects to agree new long-term liquefied natural gas supply deals in Asia and Europe, with several "imminent", its chief executive told Reuters.

Qatar is among the world's top exporters of LNG, competition for which has ramped up since the beginning of the war in Ukraine in February 2022.

Europe, in particular, needs vast amounts of the fuel to help replace the Russian pipeline gas that made up almost 40% of the continent's imports.

"In Europe, we have live discussions that are ongoing that are quite serious. More serious in some places than others," Saad al-Kaabi, who is also state minister for energy, said in an interview at QatarEnergy's headquarters.

"Everybody in Asia that's buying LNG is talking to us. And we have some deals that are very close to the finish line," he added.

State-owned QatarEnergy has signed a string of supply deals with European and Asian partners in its massive North Field expansion project, which is expected to produce 126 million metric tons of LNG per annum (mtpa) by 2027, from 77 mtpa now.

It is currently drilling wells to assess expansion opportunities beyond the existing North Field East and North Field South phases, al-Kaabi said.

"If we think there is more capacity, we'll probably do more," he said.

NEW PARTNERS AND TRADING

Al-Kaabi said the company was in "serious, positive discussions" with potential "value-added" partners, referring to deals like those with China's Sinopec and CNPC, each of which took a stake in a joint venture equivalent to 5% of one 8 mtpa capacity LNG train with an agreement to offtake half that volume for 27 years.

"Is it one, two, three? Let us see what happens. But we will definitely announce something next year," he said, adding that the talks are with Asian buyers because they are "ready to commit long term".

In contrast to Asian countries such as China, Korea and India where the main LNG buyers tend to be government-owned or controlled, in Europe most deals are signed with private entities.

Al-Kaabi pointed to Britain as one country that had recognised that gas would be required for a longer time during the energy transition.

Production at the North Field expansion will begin in 2026 with new trains coming online "every few months", al-

Kaabi said, but with more long-term deals expected to have been signed by then he added that volumes left over for the spot market "will not be big".
QatarEnergy Trading, a subsidiary set up in 2020, will handle any volumes not sold on long-term contracts.
It already trades third-party LNG and will eventually have more than 150 ships, with Qatar aiming for it to be "among the top three LNG traders in the world by 2030," al-Kaabi said.
"I believe we are well on our way to achieving that target."
The LNG market continues to be "quite tight and volatile" and will remain so until fresh North Field volumes begin production, he said.
The CEO is bullish on the outlook for LNG, expecting demand to outstrip supply, even with new projects expected to come online.
"We're not going to be able to build enough LNG projects for the requirements of the future," al-Kaabi said.

Seven European countries pledge CO2-free power systems by 2035
Seven countries including Germany, the Netherlands and France pledged on Monday to eliminate CO2-emitting power plants from their electricity systems by 2035.
Taken together, the countries account for nearly half of EU power production - largely thanks to the contributions from Germany and France, Europe's two biggest power producers.
The aim was set by EU members Austria, Belgium, France, Germany, Luxembourg and the Netherlands and non-EU Switzerland, which aligns itself with some EU climate policies.
In a joint statement, the countries said existing EU climate measures are likely to steer Europe towards a nearly CO2-free power sector by 2040.
Agreeing to move faster together, the countries said, would help them jointly plan infrastructure to make sure they build enough grids and energy storage to integrate large amounts of low-carbon power into the network and keep it flowing across country borders.
"The countries have a strongly interconnected electricity system, and can benefit from offshore potential in some areas and storage in other areas," the Netherlands' caretaker energy minister Rob Jetten said.
Overall, the EU got 41% of its electricity from renewable sources in 2022, European Environment Agency data show. But the CO2 intensity of power generation varies significantly between countries.
For example, Austria already gets more than three quarters of its electricity from renewables, while France relies on CO2 emissions-free nuclear power for around 70% of its power, and Poland has the most CO2-intensive power production of any EU country owing to its high share of coal.
Modelling by think-tank Ember has said it would be possible for all of Europe to nearly decarbonise its power sector by 2035, with wind and solar producing up to 80% of electricity by that date, and coal and gas power largely eliminated.
Doing this would require upfront investments of up to 750 billion euros in renewable sources and grids - but, by 2035, countries would have overall saved money compared with current plans, thanks to a much-reduced bill for fossil fuels, Ember said.

Top News - Dry Freight

London marine insurers widen high risk zone in Red Sea as attacks surge
London's marine insurance market has widened the area in the Red Sea it deems as high risk after a surge in attacks on commercial ships, according to a statement issued on Monday.
Guidance from the Joint War Committee (JWC), which comprises syndicate members from the Lloyd's Market Association (LMA) and representatives from the London insurance company market, is watched closely and influences underwriters' considerations over insurance premiums.
The JWC widened the high risk zone in the Red Sea to 18 degrees north from 15 degrees north previously, the statement said.
"In many ways it's to reflect the missile range more than anything," said Neil Roberts, head of marine and aviation at the LMA, which represents the interests of all underwriting businesses in Lloyd's.
"But it's an alert for insurers rather than owners who are very aware of the risks as demonstrated by the re-routing of ships in numbers," Roberts told Reuters.
Iran-backed Houthi militants in Yemen have stepped up attacks on vessels in the Red Sea to show support for Palestinian Islamist group Hamas following the start of Israel's military campaign in Gaza.
Apart from trying to seize vessels, the Houthis have fired missiles at ships sailing past the Yemen coast towards the critical Bab al-Mandab gateway' prompting some shipping companies to re-route vessels via the Cape of Good Hope.
Ships must notify their insurers when sailing through such areas and pay an additional premium, typically for a seven-day cover period.

RISING COSTS
The cost of shipping goods through the Red Sea has risen in recent days.
War risk premiums have risen to around 0.5%-0.7% of the value of a ship from 0.07% in early December, according to market estimates on Monday.
While various discounts would be applied, this still translates into tens of thousands of dollars of additional costs for a seven-day voyage.

The extension of waters deemed high risk was a "welcome addition", said Munro Anderson, head of operations at marine war risk & insurance specialist Vessel Protect, part of Pen Underwriting. "Commercial operators are now afforded a degree of comfort in knowing that there is a consistency of cover throughout the risk area."

The JWC also slightly amended the high risk zone near Eritrea to 18 degrees north from 15 degrees north, the statement showed.

"They might face contingent problems from missiles. It’s a fluid situation and unpredictable and it’s best if we keep it in people’s minds," the LMA's Roberts said, referring to waters near Eritrea.

There were also fears Somali gangs might be trying to disrupt shipping after European naval officials said a commercial ship, the Ruen, may have been hijacked last week. "Before the MV Ruen, insurers were minded to tighten up the Indian Ocean area nearer to the Somali coast," Roberts said. "Events show insurers still need to be aware and the assureds need clarity. So, the area was left unchanged to the south and east."

The JWC usually meets quarterly to review areas it considers high risk for merchant vessels and prone to war, strikes, terrorism and related perils.

Brazil's yearly soybean exports top 100 million tons for the first time

Brazil, the world's largest soybean exporter, has for the first time ever exported over 100 million metric tons of the oilseed within a year, boosted by a record harvest and lower international prices, which buyers used to build up stocks.

So far in December, Brazil has exported about 1.99 million metric tons of soy, according to weekly data released by the foreign trade secretariat on Monday, bringing the total for 2023 to around 100.02 million metric tons.

The figure had already topped Brazil's previous record for most soybeans exported in one year of 86.1 million metric tons, which it reached in 2021.

The new record was driven by an unprecedented harvest of around 155 million metric tons and importers such as China taking advantage of lower prices to build stocks.

"A historic level," AgRural analyst Daniele Siqueira said. "But it's also worth remembering that this record was set at the expense of much lower prices received by Brazilian farmers."

Siqueira said the larger-than-expected 2022/23 harvest, sluggish forward sales and a national storage deficit had allowed importers to push export premiums to "very low levels" in the first half of 2023.

This resulted in less income for farmers, she added.

"With prices much lower than last year's, importers took advantage of the moment more to replenish stocks than to make a big leap in consumption, which is slowing down," Siqueira said.

Brazilian shipments also benefited from a devastating drought in neighboring Argentina, which slashed harvests, she added, pushing Argentina to sharply increase its own imports from Brazil.

Picture of the Day

A volcano spews lava and smoke as it erupts in Grindavik, Iceland, December 18. Civil Protection of Iceland/Handout via REUTERS

(Inside Commodities is compiled by Archak Sengupta in Bengaluru)

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

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