

The Commodities Feed: Aluminium production cuts

Power shortages in China's Yunnan province have forced some aluminium smelters in the region to reduce operations, which has provided some support to aluminium prices



Indian sugar output has risen this year

Metals – Yunnan cuts more aluminium production amid power shortages

LME aluminium prices rose yesterday amid reports of capacity cuts in China's Yunnan province due to power shortages. The local power grid in China has ordered an additional 415kt of annualised capacity cuts in Yunnan from 18 February, extending the cuts from last year. The affected smelters are not likely to resume production in the first half of the year amid power supply constraints. The new cuts will impact around 740kt of capacity in Yunnan, adding to about 1.1mt of curtailments since September last year, according to estimates from Mysteel. Yunnan's operational aluminium capacity accounted for about 5.18mt in September before the capacity cuts were announced.

The latest numbers from International Aluminium Association (IAI) show that the global primary

aluminium daily output stood at 188.3kt in January, compared to 189.4kt a month earlier. The total monthly output for the metal remained almost flat month-on-month while rising by 3.3% year-on-year to 5.84mt in January. Similarly, Chinese output rose 5.8% YoY to 3.44mt last month. However, production was down 1.1% monthly. Meanwhile, aluminium production in Western and Central Europe fell 12.2% YoY to 230kt in January as domestic smelting activities remained impacted. Aluminium production in Asia (ex-China) remained almost flat on a monthly as well as an annual basis and stood at 390kt in January.

LME on-warrant copper stocks have fallen the most since 8 December, according to data from the exchange. On-warrant stockpiles fell by 7.5% to 51,800 tonnes, with declines coming from warehouses in Germany and the Netherlands.

First Quantum will suspend copper ore processing at its Panama mine on 23 February, according to a report from Bloomberg, due to limited storage capacity at the site. The Maritime Authority of Panama banned loading copper at Cobre Panama's port over a certification issue. The mine accounts for 1.5% of global copper production.

Nyrstar said its Aubry zinc smelter in France will resume production "on a variable basis". The smelter initially closed for maintenance in October and remained shut after it was completed amid challenging market conditions. The smelter has a production capacity of 172kt/year.

Agriculture – Indian sugar output rises

The latest data from the Indian Sugar Mills Association (ISMA) shows that sugar production in the nation rose 2.8% YoY to 22.84mt until 15 February in the 2022/23 season, higher than the 22.22mt produced during the same period last year. The group further said that 505 mills were crushing cane by mid-February compared to 504 mills at the same time last year. However, there are still concerns over where the crop will end the season which is the reason the government appears reluctant to allow further exports.

In its monthly crop monitoring MARS report, the European Commission said that the winter cereal and oilseed crops remained in fair condition in most growing regions of Europe. The report further highlights that the return of normal winter conditions after an extremely warm period helped plants gain tolerance against frost damage. However, dry weather conditions in parts of southern Europe are causing concern for grain crops ahead of the spring growing season.

The latest data from Ukraine's Agriculture Ministry shows that Ukraine exported around 30.3mt of grains as of 20 February so far in the 2022/23 season, a decline of 29% compared to the same period last year. Total corn shipments stood at 17.4mt (-7% YoY), while wheat exports fell 39% YoY to 10.8mt.

Authors

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.