

The Commodities Feed: El Nino weighs on agriculture supplies

Australia could see agriculture production and exports fall significantly in 2023/24 due to dry weather as a result of El Nino. China's soybean imports have increased to fresh highs reflecting healthy demand for the oilseed, but the country's crude oil and unwrought copper imports were softer



Energy: China's crude oil imports slow

Crude oil traded relatively flat with a positive bias yesterday as supply concerns and a weaker US dollar provided support to an otherwise dull market. The broader commodity complex is also tracking Federal Reserve Chair Jerome Powell's testimony this week which could provide further clues for the broader economy and USD. China's latest oil trade data hints at softer domestic demand which could weigh on sentiment in the short-to-medium term if imports do not recover.

The latest trade data from China shows that crude oil imports in the nation remained weak at the start of the year as refiners eased purchases ahead of the Lunar New Year holiday. Oil imports fell 1.3% year-on-year to 84.1mt (10.44MMbbls/d) over January and February. For refined products, fuel exports from the country increased 74% YoY to 12.7mt over the first two months of the year whilst imports were up only around 14% YoY to 5.3mt. Supply constraints on Russian refined

products appear to have supported demand for Chinese fuel products. Looking ahead, China's crude oil imports could recover over the next quarter as industrial activity picks up and refiners rebuild their stocks.

The port of Corpus Christi in the US is finishing up a capacity expansion project at some of the ship channels that will allow ships to load more cargo. The work is likely to be completed by end-April and will benefit terminals at the Ingleside division. Once finished, crude oil loading capacity could increase by up to 25% (a supertanker can load 1.6MMbbls compared to the current 1.2MMbbls) at the shipping channel. The company plans to deepen other ship channels by 2024 to increase overall crude oil loading capacity from the port.

Metals: Mixed trade data from China

China released its preliminary trade data for metals this morning which shows total monthly imports for unwrought copper fell 9.3% YoY to 879kt over the first two months of the year largely on account of the resurgence of Covid cases in early December which disrupted industrial activity. Meanwhile, higher global prices and China's Lunar New Year holidays also impacted overall demand for copper in the country. Imports of copper concentrate rose 11.7% YoY to 4.64mt over the same period. In ferrous metals, Iron ore imports rose 7.3% YoY to 194mt during Jan'23-Feb'23.

On the exports side, China's unwrought aluminium and aluminium products shipments fell 14.8% YoY to 880kt over the first two months of the year. Exports of steel products jumped 49% YoY to 12.19mt from Jan'23-Feb'23.

In mine supply, MMG's Las Bambas mine in Peru could restart copper shipments this week as protests ease. Peru's energy and mines ministry reported that the government has been taking steps to improve communication between mining companies, the labour force and local communities to ease tensions and take appropriate measures to resolve all concerns. Peru is one of the major producers of copper and zinc and local protests have been a major supply risk for these metals.

As per the latest reports, Yunnan's government has prioritised aluminium smelting projects in its list to develop the energy-intensive industry this year, despite the ongoing power shortages resulting in production cuts. As per the government's latest statement, two aluminium projects with a combined annual capacity of about 4mt were on the list, along with more than 140 other projects from other sectors. According to Shanghai Metals Market (SMM), one of the projects with an annualised capacity of 2.03mt is nearly done and about half of the capacity is already operational.

Agriculture: Tight supplies from Australia

In its first estimates for 2023/24, ABARES estimates Australia's agriculture supply to drop significantly next year due to dry weather as a result of El Nino. Among major crops, the department expects total wheat output to drop from 39.2mt in 2022/23 to just 28.2mt in 2023/24 whilst exports will also decline from 28mt to 22.5mt. Among other crops, sugar exports could fall 6% YoY to 3.5mt whilst canola exports could fall from 6.9mt in 2022/23 to 4.9mt in 2023/24.

The latest trade numbers from Chinese Customs show that cumulative imports of soybean in China rose 16.1% YoY to 16.17mt over the first two months of the year, a record high for this time of the season. Healthy demand for soybean and concerns over a delayed harvest in Brazil pushed

up imports of soybeans in the country.

Meanwhile, the latest data from Ukraine's Agriculture Ministry shows that the nation exported around 33mt of grains as of 6 March so far in the 2022/23 season, a decline of 27% compared to the 44.8mt of grain exported during the same period last year. Total corn shipments stood at 19.1mt (-6% YoY), while wheat exports fell 38% YoY to 11.4mt as of Monday.

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