The Commodities Feed: EU plans to ban Russian aluminium imports

The EU plans to ban Russian aluminium imports as part of a sanctions package ahead of the third anniversary of Russia's invasion of Ukraine

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Metals – EU plans to ban Russian aluminium imports

The European Union is reportedly proposing a phased ban on imports of Russian aluminium to the bloc. The proposal calls for an import quota for a year before the complete ban comes into effect. Although the EU continues to import Russian aluminium, volumes have fallen over the past two years, with European buyers self-sanctioning since the invasion of Ukraine.

The EU imported more than 320kt of unwrought aluminium from Russia in the first 11 months of 2024, accounting for around 6% of total imports, according to Un Comtrade data, a relatively small fraction of the global aluminium market. Meanwhile, Russia has steadily increased sales to Asian consumers over the last three years, particularly China. If enacted, EU sanctions are likely to spur LME prices. It is not a given that the EU will agree to the package. The proposal will require backing from all member states and may still change before being formally proposed to members, according to reports.

Meanwhile, tariff threats keep the metals markets on edge. Copper dropped below $8,000/t in yesterday's trading session after US President Donald Trump's latest in a series of tariff threats. Trump said on Monday that he plans to impose tariffs on copper, aluminium and steel, as well as computer chips and pharmaceuticals, to boost domestic production. Trump also said on Monday evening that he wants to impose across-the-board tariffs that are "much bigger" than 2.5%. When asked about a report that incoming Treasury Secretary Scott Bessent favoured starting with a global rate of 2.5%, Trump said he didn't think Bessent supported that and wouldn't favour it himself. He added he wanted a rate "much bigger" than 2.5%.

Metals markets are turning increasingly nervous about the prospect of tariffs. According to the US Geological Survey (USGS), the US has a net import reliance of 13%, 44% and 46% for iron & steel, aluminium and copper, respectively. A prolonged trade conflict would slow global growth and hurt demand. Tariffs are a major headwind to metals, whether in force yet or not.

The latest LME COTR report shows that speculators increased their net long position in aluminium by 5,269 lots for a second consecutive week to 117,876 lots for the week ending 24 January, the highest since the week ending on 15 November 2024. Similarly, net bullish bets for copper rose by 3,507 lots for a fourth consecutive week to 67,624 lots (the highest since the week ending 8 November 2024) at the end of last week. In contrast, money managers decreased net bullish bets for zinc by 651 lots to 28,853 lots as of last Friday.

Energy – Crude oil steady

Crude oil prices steadied yesterday after a sharp fall over the past few sessions as the US prepares to impose tariffs on imports from Canada, Mexico and China from Saturday. NYMEX WTI currently trades at US$73.6/bbl while ICE Brent trades at US$77.3/bbl. WTI's discount to Brent has narrowed to an average of US$3.6/bbl this year so far compared to an average of US$4.4/bbl for the full year 2024 as higher tariffs could make the oil supplies relatively tight in the US market.

The weekly inventory report from the American Petroleum Institute was a mixed bag. The API reported that the US crude oil inventory increased by 2.86m barrels over the last week although crude oil stocks at Cushing, Oklahoma fell by 144k barrels. For products, gasoline inventory was reported to have increased by 1.89m barrels while distillate inventory dropped by 3.75m barrels.

Despite the recent weakness in the oil market, demand for Middle East crude appears to remain strong with the market expecting Saudi Arabia to raise official selling price by around US$2/bbl for Asian buyers for March deliveries. Saudi Arabia has raised the OSP by around US$0.6/bbl for Feb deliveries for Asian buyers.

Agriculture – Brazil forecasts lower coffee output

Brazil's agriculture agency, CONAB, in its first estimates for the 2025 season expects Brazil's coffee production to fall 4.4% YoY to 51.8m bags. The agency said that the low biennial cycle, water restrictions, and high temperatures during the flowering phase, would decline coffee yield by 3% YoY to 28 bags/hectare. The agency estimates that the Arabica production could drop by 12.4% YoY to 34.7m bags (the lowest level since 2022), while the Robusta production could increase to 17.1m bags (+17.2% YoY) for the season.

The latest fortnightly report from UNICA shows sugar cane crushing in Central-South Brazil at 0.4mt over the first half of January, down 64% from a year ago. Sugar production dropped to just 9kt, down 78.2% YoY, with around 21% cane allocated to sugar production. The latest numbers leave the cumulative cane crush at 614mt, down 4.9% YoY, while cumulative sugar production fell 5.5% YoY to 39.8mt for the 2024/25 season.

Recent data from the European Commission shows that EU soft-wheat exports for the 2024/25 season dropped to 12.2mt as of 26 January, down 37% compared to 19.4mt of exports a year ago. The fall in exports could be primarily attributed to the declining domestic production for the ongoing season. Nigeria, Morocco, and the UK were the top destinations for these shipments. Meanwhile, EU corn imports increased 4% YoY to 11.4mt for the abovementioned period.

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