Oil | Agriculture | Metals | Carbon & Power | Dry Freight

Click on headers to go to that section

Top News - Oil

OPEC oil output rises despite production target cuts

OPEC oil output rose in December, a Reuters survey found on Wednesday, despite an agreement by the wider OPEC+ alliance to cut production targets to support the market.

The Organization of the Petroleum Exporting Countries (OPEC) pumped 29.0 million barrels per day (bpd) last month, the survey found, up 120,000 bpd from November. In September, OPEC output had been its highest since 2020.

December's rise was led by recovering output in Nigeria, which has been battling for months with crude theft and insecurity in its oil-producing region.

Many Nigerian crude streams produced more in December, sources in the survey said, with some companies citing improving security.

OPEC+ had been boosting output for most of 2022 as demand recovered. For November, with oil prices weakening, the group made its largest cut to production targets since the early days of the COVID-19 pandemic in 2020.

Its decision from November called for a 2 million bpd cut to the OPEC+ output target, of which about 1.27 million bpd was meant to come from the 10 participating OPEC countries. The same target applied in December.

With the rebound in Nigerian output in December, compliance with the agreement weakened slightly to 161% of pledged cuts, according to the survey, down from 163% in November.

Output is still undershooting targeted amounts because many producers - notably Nigeria and Angola - lack the capacity to pump at the agreed levels.

The 10 OPEC members required to cut production pumped 780,000 bpd below the group's December target, the survey found. The shortfall in November was 800,000 bpd.

NIGERIAN REBOUND

Africa's top exporter pumped 1.35 million bpd in December, up from 1.18 million bpd the previous month, the survey found. Shipments increased from oil streams including Forcados and Brass River, sources in the survey said.

Nigeria is aiming to lift output to 1.6 million bpd this quarter, the country's finance minister said last month, in what would be a remarkable recovery if achieved.

OPEC's Gulf producers complied relatively closely with their output targets under the OPEC+ agreement, the survey found. Saudi Arabia curbed output slightly, as did Iraq, and there was little or no change from Kuwait and the United Arab Emirates.

Among Libya, Iran and Venezuela, the three producers exempt from OPEC cuts, only Venezuela's output showed any notable change, with some tanker trackers seeing lower exports.

The Reuters survey aims to track supply to the market. It is based on shipping data provided by external sources, Refinitiv Eikon flows data, information from tanker trackers such as Petro-Logistics and information provided by sources at oil companies, OPEC and consultants.

Venezuela's lack of dredging causes trouble for Chevron's heavy oil exports

A shipping channel snafu is slowing Chevron Corp's efforts to load tankers at one of its four Venezuelan joint ventures and bring heavy crude to the United States, three people familiar with the matter said on Wednesday.

Washington in November authorized the last major U.S. firm still operating in Venezuela to restore lost output and begin exporting oil as a way to encourage talks between Nicolas Maduro's government and the country's political opposition.

But a plan to move heavy oil quickly from inventories at the Petroboscan joint venture with state-run company PDVSA is facing delays because of lack of dredging at Maracaibo Lake's navigation channel, the people said.

A dredge is often needed to clean out the bed of water areas by scooping out mud, weeds and rubbish so vessels can transit.

Shallow waters in the channel caused a non-Chevron-related vessel carrying scrap metal go aground in December. Petroboscan has instructed vessels since to limit their draft after loading at the Bajo Grande oil terminal.

Maracaibo Lake's channel in the northwest of the country is suitable for loading tankers with a draft of only up to 9.8 meters, one of the people said. That means about 250,000 barrels of Boscan heavy crude can move at a time through the channel linking Bajo Grande to the Caribbean Sea.

In a sign that Chevron expects to expand operations quickly, the oil producer has begun advertising for Venezuelan contract administrators and cargo schedulers. It is recruiting to restaff long-idled operations, particularly for its marketing and trading divisions, which will handle oil exports for its own U.S. refineries and others.

Chevron started preparing to reanimate operations at its joint ventures in Venezuela last year while submitting a license request to the U.S. Treasury Department, following an agreement with PDVSA. The company wants to assemble a trading team to market oil from Venezuela and expand its role in the four projects.
PDVSA and Chevron did not reply to requests for comment.

LITTLE BY LITTLE
Small tankers coming from Bajo Grande are moving Venezuela's western crudes to a ship-to-ship transfer area along the country's coast, where they fill larger vessels. The first Chevron-chartered cargo loaded this way has not yet departed for the United States, according to the people and Refinitiv Eikon tracking data.
Chevron has chartered three vessels for Venezuela: the UACC Eagle, which will discharge a U.S. cargo of heavy naphtha at PDVSA's Jose port later this week; the Caribbean Voyager, which is loading 500,000 barrels of Hamaca crude for Chevron's refinery in Pasacagoula, Mississippi; and the Kerala, which arrived on Tuesday in Maracaibo Lake's channel to load Boscan crude, according to shipping documents and Eikon data.
Italian oil firm Eni also is planning to obtain a cargo of Venezuelan crude this month under an arrangement that began last year to receive Venezuelan oil in exchange for repayment of pending debt, according to a separate person familiar with the matter.

Top News - Agriculture

Argentine government says 80.1% of 2021/22 soybean crop sold so far
Argentine farmers have so far sold 80.1% of the 2021/22 soybean harvest, the country's agriculture ministry said on Wednesday, slightly behind the 80.5% sold during the same period in the previous cycle.
Producers in Argentina, the world's top exporter of processed soy, sold 551,000 tonnes of the season's soybean in the week of Dec. 22-28, marking one of the highest weekly figures seen in recent months. The total 2021/22 soybean harvest reached 44 million tonnes.
Soybean sales boomed after a temporary preferential exchange rate was established for producers by the government. This ended in late December.
Regarding 2021/22 corn harvest, the government said producers have sold 75.7% of the 59 million tonnes produced, down from the 77.9% seen in the 2020/21 cycle.
Corn planting for the 2022/23 cycle began in September, but progress was hampered by prolonged drought conditions as the country suffered the driest austral spring registered in the last 35 years, according to the Rosario grains exchange.
Argentina's producers have sold 49% of the 6.6 million tonnes of 2022/23 wheat production.
The government expects the 2022/23 wheat crop to produce some 13.4 million tonnes, as the National Meteorological Service (SMN) forecasts the drought will likely continue to affect the country's farming regions for a few more months.

Ukraine sees speeding up inspections as key to Black Sea grain deal
Ukraine's efforts to increase exports under the Black Sea grain deal with Russia are currently focused on securing faster inspections of ships rather than including more ports in the initiative, a senior Ukrainian official said on Wednesday.
Ukraine is a major global grain producer and exporter, but production and exports have fallen since Russia invaded the country last February and started blockading its seaports.
Three leading Ukrainian Black Sea ports in the Odesa region were unblocked in July under an initiative between Moscow and Kyiv brokered by the United Nations and Turkey. Under the deal, all ships are inspected by joint teams in the Bosphorus.
Kyiv accuses Russia of carrying out the inspections too slowly, causing weeks of delays for ships and reducing the supply of Ukrainian grain to foreign markets. Russia has denied slowing down the process.
"Ukraine focuses on normalising inspections rather than opening new ports," the senior Ukrainian official said.
Referring to a port that is not part of the deal, the official said: "Why open the port of Mykolaiv if at the current rate of exports we can close half of the ports of Odesa, which are already open?"
Ukraine exported around 7 million tonnes of agricultural products in September and October and 6 million in November, but shipments fell sharply to less than 4 million in December. Kyiv attributes the drop to a slowdown of inspections.
Ukraine's infrastructure ministry said on Tuesday that no new vessels were currently expected to arrive in Ukraine for loading.
It said 94 vessels were waiting for inspection in the Bosphorus, including 69 empty vessels for loading and 25 which had already been loaded with agricultural products. Vessels are waiting for an average of more than a month, the ministry said.

Top News - Metals

Global Commodities Holdings to launch nickel trade platform in February

UK-based Global Commodities Holdings (GCH) said its planned physical nickel trading platform will launch in late February, and expects it to eventually offer an alternative to the London Metal Exchange's (LME) nickel futures contract.

Many investors, traders, consumers and producers abandoned LME nickel after chaotic trading last March saw prices double to a record above $100,000 tonnes in a disorderly market, prompting the exchange to suspend nickel trading for more than a week.

GCH lists major mining groups Glencore, Anglo American, BHP Group and Rio Tinto, as shareholders, and is headed by former LME CEO Martin Abbott.

The company, which already offers a physical coal trading platform, said in December its nickel project with buyers and sellers trading directly with each other would go live in the first quarter of this year.

"We'll get this done some time in late February," Abbott told Reuters. "The opportunity arose with nickel... a number of the world's largest nickel producers are already shareholders and members of the business."

Abbott said nickel prices on the GCH platform will be used to create an index which eventually could be used to create futures that could compete with the LME contract.

GCH already has a relationship with Intercontinental Exchange (ICE). Its subsidiary globalCOAL owns and operates the gC NEWC thermal coal index used as the settlement price for the gC NEWC Futures contract traded and cleared by ICE Europe.

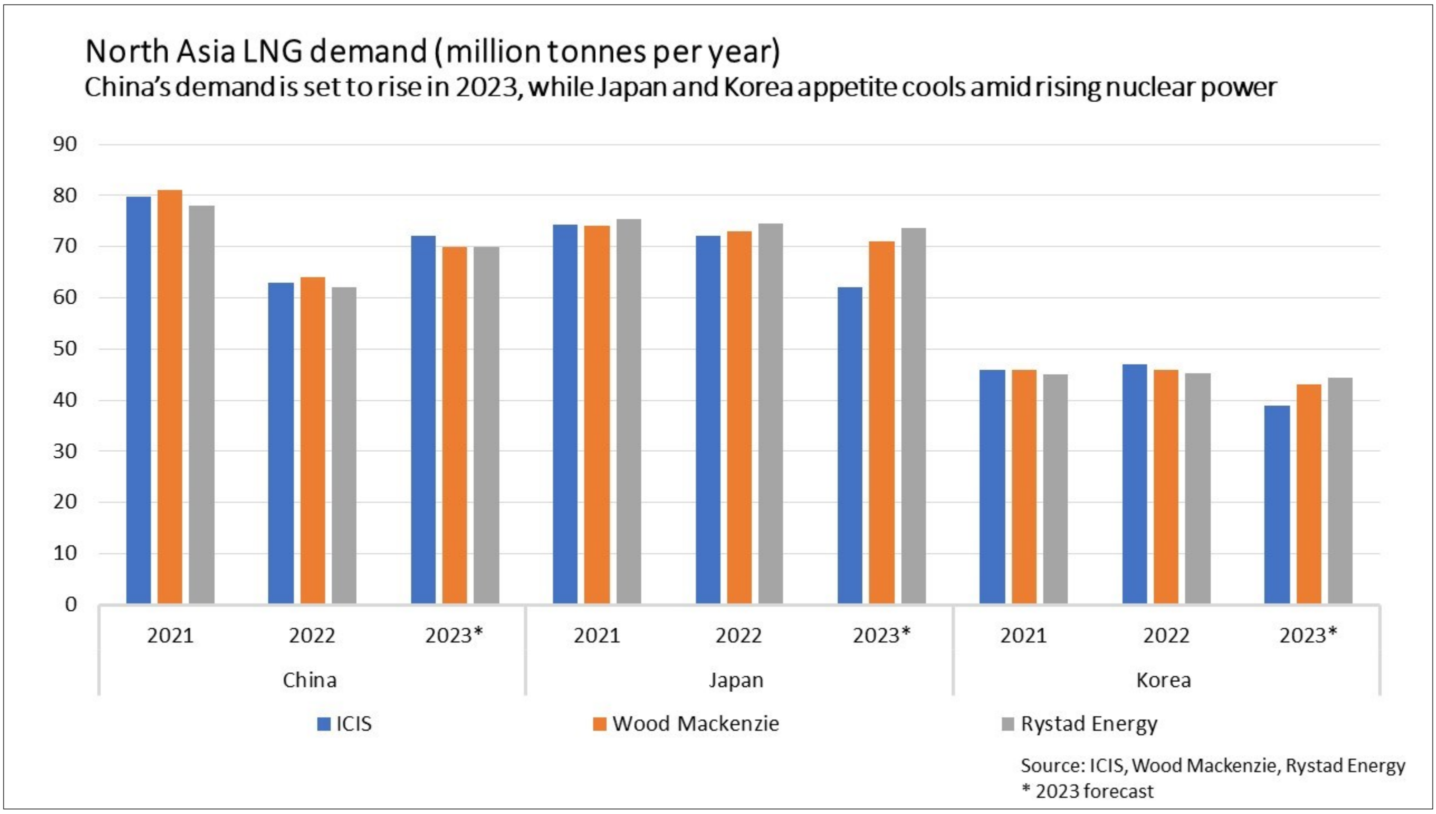
"It's not unusual for exchanges to take third party indices and use them as a settlement basis. We would anticipate there will be demand from exchanges to list the nickel index," Abbott said.

The platform will be open to consumers, producers and merchants that are directly involved in the physical market, but not to funds that are not involved in the physical market or algorithmic traders.

It will also be open to Russian metal, which has not been targeted by sanctions imposed after Moscow invaded Ukraine. However, the decision on accepting Russian nickel will be made by the individual companies on the platform, Abbott said.

Nickel is mainly used to make stainless steel, but its role in electric vehicle batteries is growing.

Chart of the Day



Chile mining royalty bill progresses after committee approves

A Chilean congressional committee approved on Wednesday a controversial mining royalty bill, putting it a step closer to final approval as part of the government's sweeping tax reform.

The proposal, strongly criticized by the industry, was presented in the middle of 2022 by the government to increase royalties on copper sales in Chile, the world's largest producer of the metal.

Following approval Wednesday by the mining and energy commission, the bill passes to a Treasury commission, where it will again be reviewed and need approval before it goes to a final vote.

Nonetheless, there continues to be disagreement over some aspects of the bill.

"The tax rate is a formula that has not convinced all of us," said Senator Loreto Carvajal, president of the mining commission, during the session. "The issue of our future competitiveness in relation to nearby countries and others is still pending," she added.

The government modified the bill in October, proposing a fixed sales royalty of 1% for large miners and removing provisions that linked payments to copper prices. The mining industry welcomed the change, but said the tax burden remained too high.

Top News - Carbon & Power

U.S. poised to regain crown as world's top LNG exporter

The United States is on track to become the world's biggest exporter of liquefied natural gas (LNG) this year - ahead of current market leader Australia - once a fire-idled Texas plant is restarted, according to Reuters data.

A June fire sidelined Freeport LNG, the second biggest U.S. export facility, and cut U.S. exports of the fuel by about 2 billion cubic feet per day (bcfd). That outage dropped the United States behind top exporter Australia as global demand for the fuel boomed.

In 2022, U.S. exports of natural gas as LNG rose 8% to 10.6 bcfd, just shy of Australia's 10.7 bcfd. The United States remained ahead of Qatar, which in third place shipped 10.5 bcfd, according to data provider Refinitiv.

Those exports were key to helping Europe rebuild its gas stockpiles after Russia's February invasion of Ukraine disrupted supplies. U.S. supplies will be more important this year with Russian deliveries to Europe largely cut.

In 2021, the United States was third in exports behind Australia and Qatar, which sold about 10.5 bcfd and 10.1 bcfd of gas as LNG, respectively, but was poised for the top spot in 2022 with the start of Venture Global LNG's Calcasieu Pass plant in Louisiana early in the year.

CROWN WITHIN SIGHT

However, the loss of Freeport LNG's supply at mid-year took away the U.S. chance to take the crown as top exporter in 2022. Freeport LNG said it expects to resume processing in the second half of January, pending regulatory approvals, which would tip the production balance back toward the United States.

With no new LNG plants expected to enter service in Australia until around 2026 and in Qatar until around 2025, analysts have said they expect their production to remain about the same amount in 2023 as in 2022.

The next major U.S. LNG export plants expected to begin operations are QatarEnergy/Exxon Mobil Corp's 2.4-bcfd Golden Pass plant in Texas and Venture Global's 1.8-bcfd Plaquemines plant in Louisiana, with first shipments from both expected in 2024.

An offshore Louisiana plant first proposed for 2023 by New Fortress Energy Inc has slipped its initial startup target. Regulators have twice halted their evaluation while awaiting further details.

“As Europe and Asia demand more LNG, U.S. operators are poised to build increasing amounts of infrastructure to meet those demands," James West, senior managing director at energy research firm Evercore ISI, told Reuters.

In 2022, roughly 69%, or 7.2 bcfd, of U.S. LNG exports went to Europe as shippers diverted cargoes from Asia to get higher prices. In 2021, when prices in Asia were higher, just 35%, or about 3.3 bcfd, of U.S. LNG exports went to Europe.

In 2022, gas averaged $41 per million British thermal units (mmBtu) at the Dutch Title Transfer Facility (TTF) in Europe and $34 at the Japan Korea Marker (JKM) in Asia, but just $7 at the U.S. Henry Hub benchmark in Louisiana.

Gas recently has traded higher in Asia at around $29 per mmBtu versus $22 in Europe and just $4 in the United States. Analysts expect those higher prices will drive more U.S. LNG will go to Asia this year.

COLUMN-Europe's gas prices slump to moderate storage build: Kemp

Europe’s gas prices are slumping as the combination of mild weather and reduced industrial consumption has produced an unusual seasonal increase in inventories which threatens to overwhelm the storage system.

Inventories in the European Union and the United Kingdom (EU28) are at the second-highest for the time of year in the last decade and on course to end the northern hemisphere winter at an exceptionally high level.

Plentiful inventories at the end of winter 2022/23 will reduce the amount of gas that needs to be put into storage this summer in preparation for winter 2023/24.
There will not be enough storage demand to absorb all the excess production over the summer months if prices remain at high levels.
Left unchecked, prices would fall sharply over summer to encourage more consumption, discourage production and slow imports.
But the futures market is forward-looking and prices are already falling to reduce the pace of inventory accumulation and preserve space for stocks to be added this summer.

SEASONAL NOT STRATEGIC STORAGE

Some policymakers have continued to call for intense gas and electricity conservation to secure supplies for winter 2023/24.
But Europe's storage is designed to cope with seasonal swings in consumption; it is not a strategic stockpile to cope with embargoes or blockades.
EU28 gas storage is very different from the U.S. Strategic Petroleum Reserve and emergency petroleum stockpiles maintained in other countries.
Given finite capacity in the gas storage system, there is a limit to how much conservation in winter 2022/23 can improve supply security in winter 2023/24.
Slumping gas prices imply the limit is close to being reached.
EU28 inventories rose by 9 terawatt-hours (TWh) between Dec. 23 and Jan. 2 compared with an average seasonal depletion of 26 TWh in the same period over the previous 10 years.
Stocks are now 218 TWh (+30% or +1.98 standard deviations) above the prior 10-year seasonal average up from a surplus of 92 TWh (+10% or +0.86 standard deviations) when the winter season started on October 1.
Inventories are on course to fall to around 562 TWh before the end of winter, with a likely range of 435 TWh to 743 TWh, based on seasonal movements over the past 10 years.
This would still be the second-highest winter-end stock in the past 10 years (stocks ended winter 2019/20 at 609 TWh) and far above the average of 345 TWh.
Moreover, the storage surplus has been increasing, not reducing, this winter, as high prices, industrial shutdowns and warmer than average temperatures have curbed consumption and attracted record LNG inflows.
Total storage capacity is only 1,129 TWh so the system is on track to end winter 50% full (with a probable range of 39% to 66%).
This would not leave much volume for additional gas to be added during the low-consumption refill season from April to September.

INVENTORY AND PRICE CORRECTION

The current inventory trajectory is unsustainable.
Traders no longer anticipate inventories might fall critically low before winter ends. Instead, prices are falling to encourage more consumption and redirect LNG to more price-sensitive buyers in South and East Asia.
Futures prices for gas delivered at the end of winter in March 2023 have slumped to 68 euros per megawatt-hour (MWh) from 135 euros on Dec. 15 and 194 euros at the start of winter on October 1.
The end-of-winter calendar spread between March and April 2023 has fallen into a contango of more than one euro from a backwardation of one euro on Dec. 15 and almost 10 euros at the start of the winter season.
Policymakers have criticised very high prices for gas that prevailed for much of 2022 following Russia's invasion of Ukraine.
But high prices forced reductions in consumption and maximised LNG imports, removing the threat gas supplies would run out in winter 2022/23.
Europe's gas market worked.
Now the focus has turned to ensuring a smooth transition of prices and stocks ahead of winter 2023/24.

Top News - Dry Freight

China allows four firms to resume Aussie coal imports – sources

China's state planner has allowed three central government-backed utilities and its top steelmaker to resume coal imports from Australia, the first such move since Beijing imposed an unofficial ban on coal trade with Canberra in 2020.
The partial easing of the coal import ban comes after the Australian and Chinese foreign ministers met last month seeking to reset the frosty diplomatic relations between the two nations.
The National Development and Reform Commission (NDRC) summoned China Datang Corp, China Huaneng Group, China Energy Investment Corporation and China Baowu Steel Group on Tuesday to discuss the resumption of coal imports from Australia, two people familiar with the matter said.
The firms will be granted permission to purchase Australian coal only for their own use, the people said.
The NDRC did not respond to a request for comment.
The four companies named did not immediately respond to a request for comment outside office hours.
China imposed restrictions on Australian commodities including coal and wine just over two years ago after relations between Beijing and Canberra turned sour over several political and public health matters.

Australia used to be the second largest coal supplier to China before the ban, accounting for nearly 30% of China's coal imports or more than 70 million tonnes of supply. Chinese buyers favour high-quality thermal coal and coking coal.
"Some (Chinese) traders have started to ask for prices of the February cargoes after the NDRC meeting," one of the people said, adding that the current Australian coal prices are still attractive to Chinese buyers.
Australian thermal coal with heating value of 5,500 kilocalories was traded at about $135 a tonne on a free-on-board basis as of Jan. 3, and is assessed to be traded at around 1,150 yuan ($167.18) a tonne when reaching China.
That would be slightly cheaper than China's domestic coal prices of about 1,200 yuan, traders said.
China's most-active coking coal futures delivery closed down 2.32% earlier on Wednesday in anticipation of increasing supply from Australia.
Baoshan Iron & Steel, a listed subsidiary of Baowu Group, last month told a Shanghai Stock Exchange investor platform that "importing Australian coal will have a positive effect on the company's coal procurement and structure adjustment, and will lower the logistic costs at our Zhanjiang base".

Russia's January wheat exports seen at at least 3.6 mln T – analysts

Russia's January wheat exports will remain high for this time of the July-June marketing season - at at least 3.6 million tonnes - after a huge 2022 grain crop, analysts said.
Russia, the world's largest wheat exporter, harvested a record grain crop of 151.0 million tonnes after drying and cleaning, including 102.7 million tonnes of wheat, according to preliminary official 2022 data.
Russia will export 3.6 million to 3.8 million tonnes of wheat in January, the IKAR agriculture consultancy said in a note. Sovecon, another consultancy, saw January wheat exports at 3.6 million-4.0 million tonnes, while analysts at Russian rail operator Rusagrotrans saw the supply at 3.6 million tonnes.
Estimates by the three analysts of December wheat exports vary from 4.1 million tonnes to 4.5 million tonnes.
Russia suspended publication of import and export data to avoid "speculation" after it launched what it calls its special military operation in Ukraine on Feb. 24.
The Black Sea is the main grain export route for Russia and Ukraine.
Global insurers face a testing 2023 as reinsurers increase rates on key business lines by as much as 200% from Jan. 1 and pull back from underwriting risk in Russia, Ukraine and Belarus, reinsurance brokers' reports showed on Tuesday.
"There is a lot of chatter about the insurance of vessels in the Black Sea in 2023 as reinsurance is likely to be challenging. Looking at the impressive line-up of vessels from Russia we believe that it is not a big deal," Sovecon said.
Prices for Russian wheat with 12.5% protein content and for immediate supply from Black Sea ports were unchanged at $307-$311 per tonne at the end of last week, it added.
The recent weakening of the rouble against the dollar could help wheat exports in the short term. However, its support in the medium-term will be limited because the export tax, which Russia sets each week, rises along with the weaker rouble.
Domestic trading activity is low this week due to Russia's New Year holidays which end on Jan. 9.
The weather remains favourable for the winter grain sowings after recent rains in Russia's south, Sovecon said.

MARKET MONITOR as of 07:19 GMT			
Contract	**Last**	**Change**	**YTD**
NYMEX Light Crude	$73.61 / bbl	1.06%	-8.29%
NYMEX RBOB Gasoline	$2.30 / gallon	1.44%	-7.34%
ICE Gas Oil	$861.25 / tonne	2.20%	-6.49%
NYMEX Natural Gas	$4.07 / mmBtu	-2.42%	-9.03%
Spot Gold	$1,853.23 / ounce	-0.05%	1.58%
TRPC coal API 2 / Dec, 23	-	-	-
Carbon ECX EUA / Dec, 24	€81.78 / tonne	0.18%	-7.07%
Dutch gas day-ahead (Pre. close)	€62.85 / Mwh	-12.48%	-16.83%
CBOT Corn	$6.57 / bushel	0.42%	-3.24%
CBOT Wheat	$7.48 / bushel	0.27%	-5.87%
Malaysia Palm Oil (3M)	RM4,095 / tonne	-1.78%	-1.89%
Index (Total Return)	**Close 04 Jan**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	286.78	-2.21%	-4.83%
Rogers International	27.87	-2.89%	-2.77%
U.S. Stocks - Dow	33,269.77	0.40%	0.37%
U.S. Dollar Index	104.25	-0.26%	0.70%
U.S. Bond Index (DJ)	396.67	0.57%	0.50%

Picture of the Day

A worker walks past the storage of aluminium plates at the aluminum smelter Aluminium Dunkerque in Loon-Plage near Dunkirk, France. REUTERS/Pascal Rossignol