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Top News - Oil

Sunoco to buy NuStar Energy in $7.3 billion deal
Sunoco said on Monday it would acquire fuels storage and pipeline operator NuStar Energy NS.N in a deal valued at about $7.3 billion including debt, as it tries to diversify its core business beyond distribution of motor fuels. The equity portion of the deal comes up to $2.99 billion, and NuStar's shareholders stand to receive 0.400 of a Sunoco share for each NuStar unit they hold, valuing Sunoco's shares at $23.78. That represents a premium of 31.9% to NuStar's last closing price.
"Having the fuel distribution business helps keep your midstream assets full, and often these assets provide a foundation for additional growth and supply synergies," Sunoco executives said in a call.
The deal, which has been approved by both the boards, will give Sunoco access to NuStar's transportation and storage facilities, including a portfolio of about 9,500 miles of pipeline and 63 terminals.
NuStar would provide exposure to crude terminals and pipelines, refined products terminals and pipelines, a large ammonia pipeline, and exposure to the West Coast and Midwest, Fitch analyst Michael Ruggirello said.
Dallas-based Sunoco is an affiliate of U.S. pipeline operator Energy Transfer, which is controlled by billionaire Kelcy Warren. Shares of Sunoco were down 5.1%, while shares of NuStar were up nearly 17%.
The companies have flagged cost savings of $150 million by the third year following closing of the deal, expected in the second quarter of 2024.
"(Sunoco's) transaction does represent a transformative shift in strategy, in our view, to a more diversified and vertically integrated midstream company," J.P. Morgan analysts said, highlighting crude pipeline and storage assets that the company would get from NuStar.
"We would not be surprised to see Energy Transfer remain quiet on M&A until this deal reaches completion."

Saudi Arabia's November crude exports hit 5-month high
Saudi Arabia's crude oil exports in November climbed to their highest level in five months and marked a third straight rise, data from the Joint Organizations Data Initiative (JODI) showed on Monday.
Crude exports from the world's largest oil exporter rose 0.6% to 6.336 million barrels per day (bpd) from 6.297 million bpd in October. Production fell 1.4% to 8.818 million bpd.
In November, OPEC+ oil producers agreed to voluntary output cuts totaling about 2.2 million barrels per day (bpd) for early 2024 led by Saudi rolling over its voluntary cut.
November data showed domestic refineries' crude throughput fell by 0.027 million bpd to 2.089 million bpd and direct crude burning fell by 30,000 bpd to 501,000 bpd.
Monthly export figures are provided by Riyadh and other members of the Organization of the Petroleum Exporting Countries (OPEC) to the Joint Organizations Data Initiative (JODI), which published them on its website. Earlier this month, Saudi cut the February price of its flagship Arab Light crude to Asian customers to its lowest level in 27 months amid competition from rival suppliers and concerns about supply overhang.
OPEC on Wednesday stuck to its forecast for relatively strong growth in global oil demand in 2024 and in a surprise early prediction said 2025 will see a robust increase in oil use led by China and the Middle East.

Top News - Agriculture

Output from Brazil's second corn crop expected to decline
Forecasters expect lower production from Brazil's second corn crop because of smaller planted area, lower investment by farmers and the intense El Niño weather pattern, which brought drought to central Brazil and excess rains to the south.
According to a report by agribusiness consultancy Cogo on Monday, Brazil will reap 118.5 million metric tons of corn in the 2023/2024 crop year, down from an initial expectation of 129.6 million tons.
The projection reflects an 11% reduction in the estimated area for first corn, planted in the Brazilian spring. For second corn, which represents 75% of annual production and is ideally sowed by mid-February, farmers are expected to cut the planted area by 5%, Cogo said.
Brazilian crop agency Conab forecast corn output would fall by almost 11% to 117.6 million tons.
Analysts and the government have thought a drop in planted area and production for corn were possible because delays with soy pushed back second corn cultivation. Brazilian farmers are accelerating the harvest of soybeans, which is planted before second corn in the same areas.
Lower production could knock Brazil from its position as the global top corn exporter. Brazilian exports in 2023/2024 may drop to 35 million tons from 56 million tons the prior year, according to Conab.
Because Brazilian soybean growers were forced to replant an unprecedentedly large areawith the oilseed, farmers still face the risk of missing the ideal second corn planting window, boosting climate risks for that crop too.
As of last Thursday, 4.9% of the expected second-corn area had been planted in Brazil's center-south, up from 0.4% in the previous week.
Noting potential weather impact, Cogo said the average yield of Brazil's second corn fell to 63.7 bags per hectare in the Central-West region in 2015/2016, when the El Niño was intense, compared to the normal average of 110 bags per hectare.

Australia set to harvest bigger crops after rains defy El Nino

Australia is poised to produce much more wheat and other crops this year than previously thought after rainfall confounded expectations that an El Nino weather pattern would maintain dry and hot conditions, analysts and industry associations said.

Australia is one of the world's biggest agricultural exporters, shipping goods from wheat and barley to cotton and beef.

The scale of the weather turnaround has been striking, with the driest three-month period on record between August and October giving way to what some landowners say is their greenest summer in memory.

While rain has caused some flooding and crop destruction, higher overall production should lift the value of Australian farm output.

At current prices, the extra wheat, barley, canola, sorghum and cotton that analysts think is likely to be harvested thanks to the rain is worth roughly $2.5 billion, Reuters calculations show.

A larger wheat harvest would add to a global surplus.

Some in the farm sector, especially in livestock, are angry at the country's weather bureau, saying they made decisions based on predictions for a dry El Nino period that turned out to be wrong.

"They really cocked it up," said livestock agent Mat Larkings, adding that he had sold cattle in a collapsing market for a farmer who worried his animals would not have enough grass, only to see rain turn pastures green and prices rebound.

"A lot of people rely on what they are reading from these weather forecasts," he said.

The Australian Bureau of Meteorology said its forecasts include many factors and carry an inherent uncertainty, and there was no evidence that they had had a significant effect on livestock prices.

MORE GROWTH

The rain, which mainly fell across eastern and southern regions, has transformed the outlook for many Australian crops.

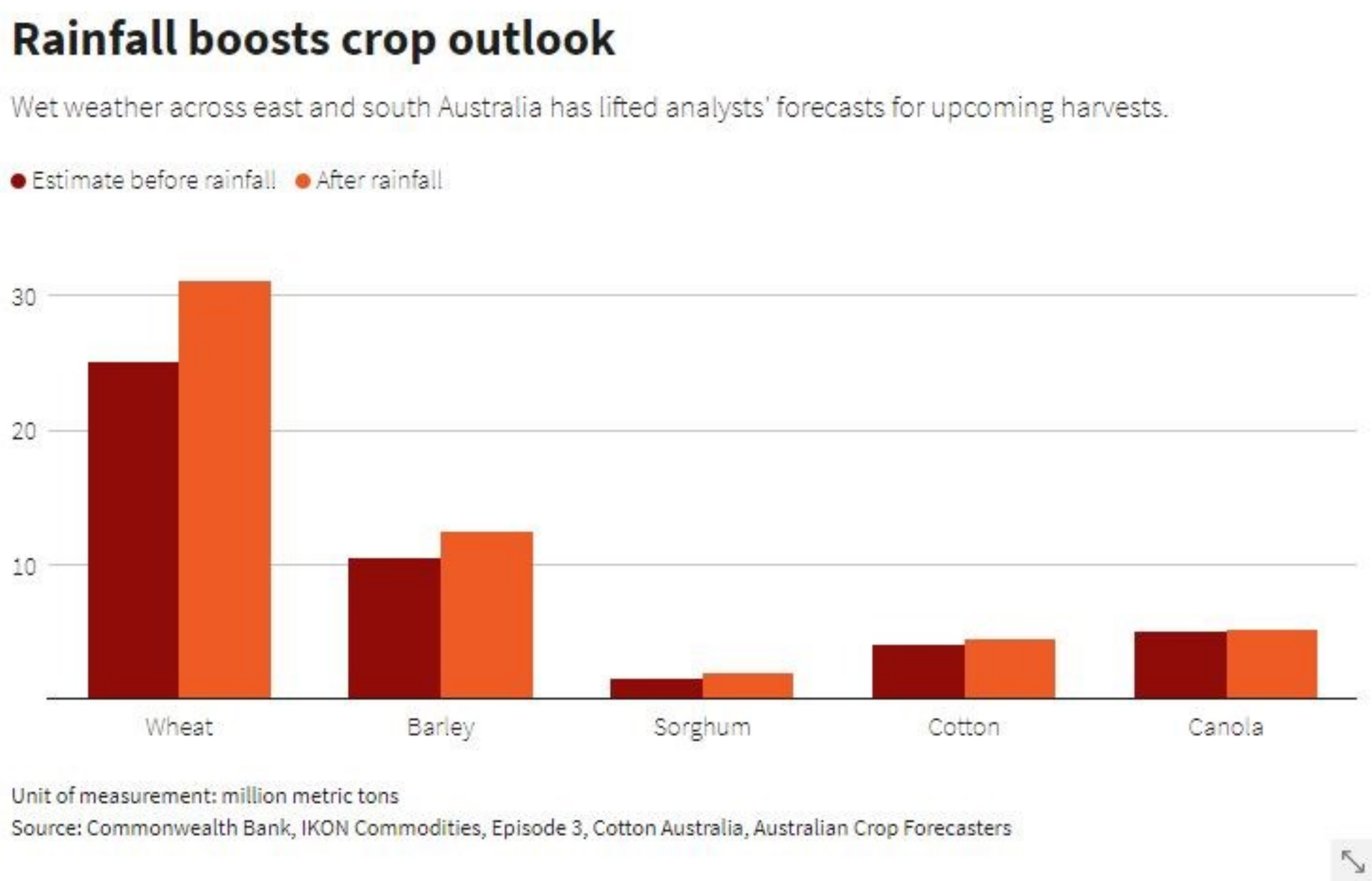
"Everything is heading for amazing," said Ole Houe at IKON Commodities in Sydney.

He expected a roughly 30 million metric ton wheat harvest instead of around 24-25 million tons if the weather had remained dry.

The upcoming barley crop could be 2 million tons larger than if the rain had not fallen and around 200,000 more tons of canola could be brought in, according to consultants Episode 3.

Commonwealth Bank forecast the next wheat harvest at 31.4 million tons, barley at 12.7 million tons and canola at 5.8 million tons.

Chart of the Day



With those crops not yet planted and the harvest not due until around November, these numbers could change, said the bank's analyst, Dennis Voznesenski.
Sorghum and cotton are already in the ground and heading for harvest around April. Rod Baker at Australian Crop Forecasters said he had lifted his sorghum estimate to 1.7 million tons and some analysts predict up to 2.5 million tons, far above a government forecast of 1.5 million tons made in December. Cotton Australia, an industry association, has raised its production estimate to 4.4-4.5 million bales from around 4 million a few months ago. Rains have also boosted sugar yields, but this has been offset by damage to some northern cropping areas from flooding in the aftermath of Cyclone Jasper last month. Richer pastures could slightly reduce meat exports as more animals are kept on farm, while reducing the amount of grain needed for animal feed, freeing it up for sale overseas, analysts said. Cattle and sheep prices have shot up, though they remain below the highs of 2021 and 2022.

CAUTION
Some caution remains among farmers, however.
The weather bureau predicts median or above-median rainfall for much of eastern and southern Australia in the coming weeks, but it is unclear whether the El Nino phenomenon, which typically brings drier conditions, will end. Australia is prone to swings between lengthy wet and dry periods and after three rainy years in 2020-22 and a rainy last few months, a reversal will eventually come, said Matt Dalgleish at Episode 3.
"A dry spell will come and hit us at some stage," he said.

Top News - Metals

GRAPHIC-Demand blues dominate zinc market mood
Until zinc demand picks up significantly and the market stops focusing on projected surpluses of the metal used to galvanise steel, price rallies triggered by production cuts are unlikely to be sustained.
On January 15, Nyrstar announced it would suspend its Budel smelting operations in the Netherlands due to high energy costs. Zinc prices on the London Metal Exchange (LME) on that day hit $2,615 a metric ton, the highest in more than a week.
But since then prices have dropped 6% to around $2,450.
"The only way to get higher zinc prices is higher demand; you can't cut your way to higher prices. The solution to weak demand isn't higher prices," said Jay Tatum Portfolio manager at Valent Asset Management.
An important gauge of demand for zinc and other base metals are surveys of purchasing managers in manufacturing around the world, which for much of last year showed shrinking activity.
This has meant demand growing at a slower pace than supply, particularly in top producer and consumer China, where consumption failed to pick up as expected after the country abandoned its zero COVID policy.
"We expect European zinc demand to decline 4.0% in 2023 due to weakness in the manufacturing sector and construction sector," HSBC analysts said in a note, adding that they expect demand to grow marginally in North America.
"The weak property sector in China has resulted in lower demand for zinc, largely offset by robust demand from non-property sectors."
HSBC estimates Chinese zinc demand rose 2.3% in 2023 and will grow by 2.9% in 2024. It forecasts the surplus last year at 111,000 tons and 89,000 for this year.
Global zinc supplies this year are estimated at around 14 million tons.
On the LME market, a lack of concern about zinc supplies can be seen in the discount for the cash over the three-month zinc CMZN0-3 contracts for most of the last nine months. The discount spiked above $30 a ton last September to its highest since December 2020.
Surpluses are also seen in deliveries of zinc to warehouses registered by the LME, a market of last resort, which at 199,125 tons are up nearly 200% since November.

Sweden's H2 Green Steel raises $5.2 bln in new funding
H2 Green Steel has raised 4.75 billion euros ($5.17 billion) in new funding for its planned flagship plant in the northern Swedish town of Boden, which will be the world's first large-scale green steel project.
The company, founded in 2020, has signed debt financing of 4.2 billion euros, added equity of close to 300 million euros from investors and been awarded a 250 million euro grant from the EU Innovation Fund, it said in a statement on Monday. Total funding for the plant amounts to 6.5 billion euros, said the company, which last year raised equity funding of about 1.5 billion euros.
"No one has scrutinised our project more thoroughly than those who back our financing," H2 Green Steel CEO Henrik Henriksson said in the statement.
"This massive commitment from our lenders, investors and the Innovation Fund is true recognition of the quality of our company," he added.
New shareholders include the Microsoft Climate Innovation Fund and Siemens Financial Service. H2 Green Steel's existing owners include Altor, GIC, Just Climate, Andra AP Fonden, Hy24 and Temasek.
The Boden plant will use hydrogen produced from renewable electricity - rather than coal - to deliver steel in a process emitting as much as 95% less CO_2 than steel produced with traditional blast furnace technology, the company has said. Half of the initial yearly volumes of 2.5 million tonnes of steel have been sold in binding five- to seven-year customer agreements, the group said on Monday. Legal and financial advisers for the latest funding round include Milbank, Mannheimer Swartling, Societe Generale and KfW IPEX-Bank, while Morgan Stanley acted as equity adviser.

Top News - Carbon & Power

Trinidad in talks with Europe to supply Venezuelan gas

Trinidad and Tobago has begun talks with some European countries on the supply of liquefied natural gas (LNG) produced from Venezuelan gas, Prime Minister Keith Rowley said on Monday.

Venezuela's government in December granted a 30-year license to Shell SHEL.L and Trinidad's National Gas Company (NGC) for joint development of a promising offshore gas field near the maritime border between the two countries. First output could begin by the end of next year.

"There is serious European interest in what is happening in Trinidad and Tobago as they attempt to bring to market resources from South America," Rowley said during an energy conference in Port of Spain.

The Dragon project could mark Venezuela's first exports of its vast offshore gas reserves, with an initial output of 185 million cubic feet per day. The parties have begun preparing a development plan, Trinidad's energy minister Stuart Young said at the same conference.

Venezuela is trying to monetize its gas reserves to complement revenue from oil and fuel exports, which constitutes the country's largest source of income in hard currency.

On its side, Trinidad wants to gain access to its neighbors gas deposits as output from its own fields is set to continue dwindling through 2028, said the head of the state-run National Gas Company, Mark Loquan.

Trinidad needs extra gas supplies to boost production and exports of LNG, ammonia and methanol as global demand rises, Loquan added.

Trinidad is interested in using its spare LNG capacity to process gas from Guyana and Suriname, which aim to expand their oil and gas output in the coming years, Rowley added.

GAS TO COME

Trinidad has in recent years increased pressure over producers, especially offshore, to bring gas output online as soon as possible so it can put an idled LNG train back in service and ramp up exports.

The nation also hopes to catch new investment through a bidding round for deepwater blocks planned for this year.

Among the projects expected to contribute with new supplies is the $850 million Cypre Gas, off Trinidad's southeast coast, operated by BP. Cypre's field development plan was recently approved by the government, Young said, putting it on track to have first gas in 2025.

The minister said BP and partner EOG Resources are expected to inaugurate output at the Mento gas field next year, following completion of the production facilities design. The project includes 12 development wells,

MARKET MONITOR as of 07:45 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$74.98 / bbl	-0.28%	4.65%
NYMEX RBOB Gasoline	$2.27 / gallon	0.27%	7.62%
ICE Gas Oil	$808.25 / tonne	1.13%	7.66%
NYMEX Natural Gas	$2.40 / mmBtu	-0.66%	-4.42%
Spot Gold	$2,030.09 / ounce	0.45%	-1.58%
TRPC coal API 2 / Dec, 24	$94.15 / tonne	-3.68%	-2.94%
Carbon ECX EUA	€61.95 / tonne	-0.15%	-22.92%
Dutch gas day-ahead (Pre. close)	€27.00 / Mwh	-2.88%	-15.23%
CBOT Corn	$4.56 / bushel	0.00%	-5.73%
CBOT Wheat	$6.07 / bushel	0.08%	-5.08%
Malaysia Palm Oil (3M)	RM3,938 / tonne	0.87%	5.83%
Index	**Close 22 Jan**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	306.05	0.64%	1.54%
Rogers International	26.47	0.06%	0.55%
U.S. Stocks - Dow	38,001.81	0.36%	0.83%
U.S. Dollar Index	103.08	-0.24%	1.72%
U.S. Bond Index (DJ)	424.23	0.30%	-1.51%

according to information previously disclosed by BP. The shared gas fields Loran-Manatee and Cocuina-Manakin between Venezuela and Trinidad, and a project to recover Venezuela's flared gas might also contribute to Trinidad's expected gas supplies from 2028 on, according to Loquan.

Germany set for gas power plant expansion deal this week

German stakeholders are set to agree a deal on a much-anticipated roadmap for the construction of several new gas-fired power plants this week, three government and industry sources told Reuters on Monday.

The plan, with an estimated cost of 40 billion euros ($44 billion), is part of Germany's attempts to prevent the phase-out of coal leading to power shortages caused by the intermittency of renewable generation.

A top-level meeting between the Economy and Finance ministries as well as the Chancellor's Office is scheduled for late on Tuesday to reach an agreement, the people said. They spoke on condition of anonymity because they were not authorised to speak publicly on the issue.

A spokesperson for the Economy Ministry, which is leading the effort, said intensive talks on the matter were taking place, but did not give further detail.

Germany wants to use some 24 gigawatts (GW) of hydrogen and gas-fired power plants to cover gaps in wind and solar supply, but has been at odds with Brussels on allocating public funding for them.

The strategy has also drawn criticism from environmental campaigners, who want the use of fossil fuel to end as soon as possible and are unconvinced by arguments from energy producers that natural gas is a necessary transition fuel as burning it produces less carbon dioxide than coal. The country's top utility firms - RWE, Uniper and EnBW - have called for specific regulation to build these new gas stations that they say would not be economic without state support.

The power plant strategy was meant to be completed last year, but was delayed after a constitutional court ruled out some 60 billion euros earmarked for climate projects and forced the government to revise its budget.

Berlin needs agreement on the planned plants to convince coal-producing parts of Germany to phase out coal-fired stations earlier than the official date of 2038 and help Germany reach its green house emissions targets faster.

Top News - Dry Freight

Russian wheat export prices and shipments continued decline last week

Russian wheat export prices continued to decline last week following a drop in global markets, while shipments also fell amidst challenging weather conditions, analysts said.

The informal restriction of the export price by the Russian Ministry of Agriculture also remains one of the influencing factors, they said.

The price of 12.5% protein Russian wheat scheduled for free-on-board (FOB) delivery in the second half of February to the first half of March was $238 per metric ton, down $4 from the previous week, the IKAR agriculture consultancy reported.

According to IKAR, last week's drop in prices on world markets overlaid the price dynamics, while weather conditions continue to restrain shipments.

The situation in the Red Sea has not yet had a significant impact on Russian grain exports, said IKAR head Dmitry Rylko.

The Sovecon agriculture consultancy pegged the same class of wheat at $240-243 a ton FOB compared to last $243-246 a week ago.

The global wheat market dropped sharply at the beginning of the week and has been gradually recovering since, the agency noted.

Last week, Egypt’s state grains buyer GASC bought 300,000 metric tons of Russian wheat again, as in two previous tenders, at $265 FOB (270-day payment delay).

Russia exported 0.65 million tons of grain last week, down from 0.75 million tons the previous week. The exports included 0.58 million tons of wheat (0.64 million tons a week ago), Sovecon wrote, citing port data.

Sovecon lowered its January wheat export forecast by 0.2 million tons to 3.6 million tons versus 3.9 million tons a year ago, Sovecon wrote. "Russian outstanding wheat export (contractual volumes registered by exporters at National Mercantile Exchange (NAMEX) tumbled this week to 1.9 million tons (the lowest since early November) from 3.2 million tons a week ago," Sovecon noted.

"This could support the popular 'no demand' bearish narrative but we think it’s a neutral/bullish story. Russia’s sales are modest not because there is zero global demand but because AgMin is trying to limit sales at current prices," it added.

"The problem is current slow sales are unlikely to be fully offset later because of infrastructure bottlenecks implying that the market could be estimating total 2023/24 exports too optimistically."

China 2023 soybean imports from Brazil rise 29%, US share shrinks

China's soybean imports from Brazil in 2023 jumped 29% from the prior year, customs data showed on Saturday, expanding the South American grower's dominance in the world's largest soybean market and eating into the U.S. market share.

Total shipments from Brazil to China were 69.95 million metric tons last year, data from China's General Administration of Customs showed.

Imports from the U.S. fell 13% to 24.17 million tons.

China's total soybean imports jumped to 99.41 million tons, after Chinese buyers took advantage of cheaper supplies from Brazil's bumper crop to feed its large pig herds.

Brazil's market share grew to 70%, while the U.S. share shrank to 24%, according to Reuters calculations based on the data.

In December, soybean arrivals from Brazil were 94%

higher than a year earlier at 4.98 million tons while arrivals from the United States were 31% lower at 3.85 million tons. China's soybean imports in the first quarter are forecast to slow by about 20% from a year earlier to 18.5 millions tons, according to a Reuters survey, after a record slaughter shrank pig herds. Exports from Argentina, the third-largest grower, are expected to surge in 2024 amid forecasts for a rebound in its soybean crop from drought, which could bring further competition to U.S. soybeans.

Picture of the Day

German Chancellor Olaf Scholz and German Food and Agriculture Minister Cem Oezdemir visit Ecological Landbau booth at the International Green Week agriculture fair in Berlin, Germany, January 22. REUTERS/Nadja Wohlleben

(Inside Commodities is compiled by Jerin Tom Joshy in Bengaluru)

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