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Top News - Oil

OPEC+ sticks to oil output policy after brief meeting
An OPEC+ panel endorsed the oil producer group's current output policy at a meeting on Wednesday, leaving production cuts agreed last year in place amid hopes of higher Chinese demand and uncertain prospects for Russian supply.
Ministers from OPEC+ countries - members of the Organization of the Petroleum Exporting Countries (OPEC) and others including Russia - met in a virtual gathering that OPEC+ sources said lasted less than 30 minutes.
The ministers on the panel, called the Joint Ministerial Monitoring Committee (JMMC), reviewed production figures and "reaffirmed their commitment" to the OPEC+ accord that runs to the end of 2023, OPEC said in a statement after the meeting.
The message was OPEC+ is staying the course until the end of the agreement and the group was on "mute mode," a source said.
The ministers did not discuss the prospects for Chinese demand and supply from Russia, other OPEC+ sources said. Oil product exports from Russia will as of Feb. 5 be subject to a European Union ban and G7 price cap.
OPEC+ agreed to cut its production target by 2 million barrels per day (bpd), about 2% of world demand, from November last year until the end of 2023 to support the market.
Oil fell at the start of the year but has rallied, supported by hopes that Chinese demand will rebound, although fears of global recession remain a drag on prices.
Brent crude was little changed around $85 a barrel after the JMMC meeting.
The U.S. Federal Reserve's interest rate decision later on Wednesday is also in focus for the oil market. Investors are hoping the U.S. central bank will signal an end to its rate-hiking cycle.
The Federal Reserve is expected to deliver its decision at 1900 GMT.

EU struggles to agree Russian oil product price cap, seeks Friday deal
EU countries will seek a deal on Friday on a European Commission proposal to set price caps on Russian oil products, after postponing a decision on Wednesday amid divisions between member states, diplomats said.
The European Commission proposed last week that from Feb. 5 the EU apply a price cap of $100 per barrel on premium Russian oil products such as diesel and a $45 cap per barrel on discounted products such as fuel oil.
The price cap numbers have to be approved by all 27 European Union member states. Their ambassadors will meet on Friday to attempt to reach a deal, three EU diplomats told Reuters.
International Energy Agency (IEA) chief Fatih Birol, speaking with reporters in Ottawa on Wednesday, reiterated his support for the price caps, saying he did not expect the proposal to cause major problems or disruption.
"There might be some transition difficulties, but we know that the second half of this year, a significant amount of new refinery capacity will come on line and we will see a lot of rerouting of the product around the world," said Birol , whose agency makes policy recommendations on global energy.
Poland and the three Baltic states are still pushing for the caps to be set at lower levels to curb the revenues Moscow receives from selling fuel as much as possible following its invasion of Ukraine, the diplomats said.
One noted, however, that the EU has limited ability to change the price cap since it is a broader agreement among the Group of Seven (G7) countries.
The Feb 5. price caps and EU ban on Russian oil product imports follow a $60 per barrel cap imposed on Russian crude on Dec. 5 as G7 countries and the EU seek to limit Moscow's ability to fund its war in Ukraine.
Both caps work by prohibiting Western insurance and shipping companies from insuring or carrying cargoes of Russian crude and oil products unless they were bought at or below the set price cap.
EU country ambassadors will also resume talks on Friday on extending sanctions to Belarus, to crack down on the circumvention of sanctions on Russia by companies routing banned products through its neighbour, the three diplomats said.

Top News - Agriculture

Argentina's grain export revenue plunges in January, chamber says

Argentina's revenue from exports of grain, oilseeds and their derivatives plummeted 61% in January from a year ago, exporters and crushers chamber CIARA-CEC said on Wednesday, in a setback as the country tries to refill foreign currency reserves.

Exports totaled $928.37 million in the first month of the year, also falling 75% over the previous month, as the world's largest exporter of soybean oil and meal grapples with a severe drought that has delayed fieldwork and affected grain output.

Lack of rainfall in Argentina, also a major supplier of corn and wheat, has delayed planting of the local soybean and corn crops, while cutting wheat output by nearly half. The government has pledged to support some 54,100 farmers affected by drought with tax and credit benefits.

CIARA-CEC added in a statement that the export drop also came after a preferential exchange rate for soy exports expired at the end of December, as the South American nation tried to boost shipments of the grain.

Revenue from agricultural exports represents a much-needed dollar inflow for economically battered Argentina, which faces a crisis marked by sky-high inflation and a weakening local currency.

In 2022, according to CIARA-CEC data, soymeal shipments accounted for 14.2% of Argentina's total exports, although roughly 50% of its soybean processing capacity is currently idled.

The chamber also noted that corn exports represented 11% of total exports last year, while soybean oil shipments reached a 6.9% share.

COLUMN-U.S. acreage season kicks off as CBOT corn, soy battle year-ago levels -Braun

The 2023 U.S. crop acreage conversation started many months ago, but Chicago futures prices during February will offer a solid piece of that puzzle, and corn may be making a better argument than soybeans right now.

New-crop CBOT corn and soybean futures are both starting February near the date's highest-ever levels, theoretically beneficial for U.S. farmers as their 2023 insurance guarantees will be determined by this month's average prices.

But futures, especially soybeans, could soon slip well behind the year-ago pace due to the unusually strong rally last February tied to crop losses in South America and escalating tensions in Ukraine. This year, a record Brazilian soybean harvest will keep the pressure on.

On Wednesday, December corn finished at $5.96-1/4 per bushel and November soybeans at $13.60-1/4, up 0.5% and down 1%, respectively, from their January averages. That compares with $5.78 and $13.82 on the same date last year.

There is not a solid seasonal tendency for new-crop prices during February, but last year's gains were the month's strongest in over a decade at 5% for corn and 9% for beans. The 2022 corn guarantee of $5.90 per bushel was the highest since 2011 and $14.33 on soybeans was an all-time high.

February 2021 gains were also multi-year highs at the time, but average February prices have usually fallen within 3% of the January ones in most recent years. The steepest losses by both percentage and absolute terms came in February 2009 as corn fell 32 cents (7%) and soybeans 91 cents (9%).

SMALLER POOL?

In the last two years, stronger insurance guarantees had many market participants overestimating the total area U.S. farmers would plant, potentially by up to 10 million acres.

However, many analysts seem to have accepted that the U.S. acreage pool may be shrinking or at least staying the same rather than expanding back to last decade's highs in response to price. Combined corn and soy acreage estimates are now closer to 178 million to 180 million rather than 183 million-plus two years ago, keeping primary crop acreage somewhat competitive.

But despite a tighter pool of acres and continued high prices, the phrase "acreage battle," popular in the last two years, has been absent this year as rising production costs and market uncertainty has heightened caution among U.S. producers.

Some U.S. farmers especially in rotational areas purchased 2023 seed last fall, and purely from a futures standpoint, corn looked a bit better then versus now. In mid-October, November 2023 soybeans averaged $13.53 per bushel versus December corn at $6.24, putting the bean-corn ratio at 2.17, a 10-year low for the date.

That ratio is now 2.28, a seven-year low for this week and equal to the 2016 levels. Values of 2.5 or greater distinctly favor soybeans, while those near or below 2.3 favor corn.

Fertilizer prices remain high but have eased since last fall, favorable for corn profitability prospects so long as corn prices do not significantly decline.

NORTH DAKOTA

Excessive spring rains caused record planting delays last year for North Dakota, where corn, soy, wheat and other crop acreage shifts more than in any other state.

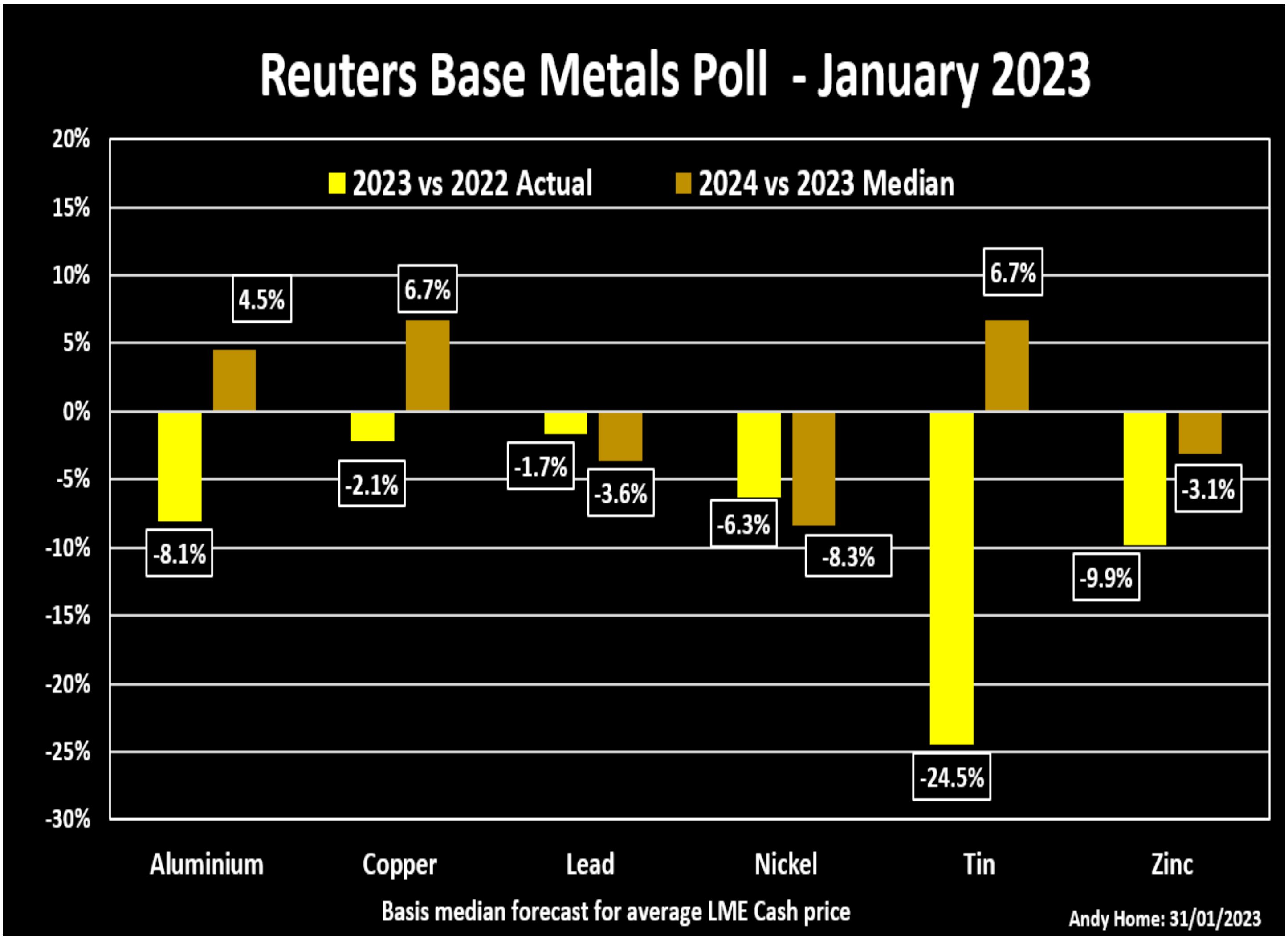
Insurance price for spring wheat is also set during February, and half of the U.S. spring wheat crop is planted in North Dakota.

Some analysts thought last year's planting delays would squeeze out wheat acres in North Dakota in favor of corn and soybeans, but the opposite happened. The state's

spring wheat plantings ended higher than original intentions while corn and soy acres ended lower.
That was motivated by the surge in new-crop Minneapolis wheat futures well above $13 per bushel during planting in May. Still, U.S. spring wheat acreage in 2022 was down from both intentions and the previous year.
Last year, new-crop spring wheat futures averaged $9.19 per bushel in February, the highest since $9.89 in 2011.

September futures ended at $8.95 per bushel on Wednesday versus around $8.80 on the same date in 2022.
The North Dakota Crop Watch producer says that at current price levels, spring wheat is the least enticing profit-wise for 2023 due to high fertilizer costs. Corn and some specialty crops are the most attractive though soybeans may be money-losers.

Chart of the Day



Top News - Metals

Freeport Indonesia's $3 bln copper smelter to be completed by end of 2023 -official

The construction of U.S. mining giant Freeport McMoRan's Indonesian copper smelter, one of the biggest in the world, will be completed by the end of this year, an official at its Indonesian unit said on Thursday.
The $3 billion facility in Gresik, East Java, will have capacity of 1.7 million tonnes of copper concentrate and is expected to start operations gradually in 2024.
Agung Laksamana, Freeport Indonesia's executive vice president of external affairs, said that "substantial" construction of the smelter would reach 100% completion by the end of 2023.
He said the current completion rate was 51.7%.
Freeport's statement comes as President Joko Widodo reiterated this week that the country would stick to its plan to ban exports of copper ore to spur domestic processing of the material in June.
Asked about whether Freeport would be allowed to export beyond June if its smelters were not ready, the president told Reuters on Wednesday that while he has not decided on any leniency, he would try to find a solution without reversing the ban. Widodo blamed Freeport's smelter delay on the pandemic.
Freeport Indonesia said last week its copper output in 2023 is seen at about 1.6 billion pounds (725,748 tonnes).

COLUMN-Analysts wary of base metals after China recovery rally: Andy Home

Base metals have enjoyed a strong start to the year, the London Metal Exchange (LME) index rising by 9.4% over the course of January on high hopes for China's post-COVID reopening.
However, analysts are cautious that China's recovery may not live up to bullish expectations and that prices have got ahead of themselves, judging by the latest Reuters base metals poll.
Median 2023 price forecasts for all the core LME base metals are lower than both last year's price and current trading levels.
Depleted exchange inventories are seen limiting the immediate price downside but analysts are also expecting supply to recover from the combination of pandemic disruption and high power prices.
Supply will be a key differentiator next year, with copper, aluminium and tin outperforming nickel, lead and zinc.
DOCTOR COPPER BETS ON CHINA
Copper is back in favour with investors, who have been building long positions in the metal as one component of the broader China recovery trade.
The LME copper cash settlement price was $9,075 per tonne on Tuesday, up 10% on the start of January.
Many think it's already over-priced. The median forecast of 31 analysts is for cash copper to fall back to an average of $8,250 per tonne in the second quarter before recovering to $8,750 in the fourth quarter.
A median forecast of $8,625 for the full year is 2.1% lower than last year's average of $8,814 per tonne.
While everyone agrees that China's reopening is "unequivocally positive for copper", to quote Capital Economics, many appear to share the research house's caution around the likely strength of the demand rebound.
The world's biggest metals consumer still faces problems reinvigorating a moribund property sector and the impact on exports of slower growth in the rest of the world.
"We believe that the early January direction is correct but that the timing is slightly off," said Saxo Bank, which is expecting improving Chinese demand to kick in only from the second quarter.
China's recovery momentum and growing "green" demand from solar panels, wind farms and electric vehicles are seen helping copper rise further to $9,200 per tonne in 2024.
Mitigating against higher prices is an expected lift in mine production which will keep the global market in a 379,000 -tonne supply surplus over 2023 and 2024.

SUPPLY RECOVERY
Indeed, recovering supply is likely to be just as significant to metals pricing as recovering Chinese demand this year.
Only zinc is expected to be in supply deficit this year and that to the modest tune of 19,500 tonnes, according to the median forecast of 12 analysts.
Analysts are expecting the market to swing back to a 123,000-tonne supply surplus in 2024, with the LME average cash price expected to decline to $3,042 per tonne from $3,484 in 2022.
Lead is similarly out of favour with analysts, the average LME cash price forecast to slide from $2,153 per tonne in 2022 to $2,040 in 2024 under the weight of a cumulative 183,000-tonne surplus this year and next.
Nickel is expected to see an even bigger cumulative surplus of 216,000 tonnes over the same period, reflecting the massive build-out of production capacity in Indonesia.
It's therefore no surprise that analysts are looking for significantly lower nickel prices, with a median forecast of $24,000 per tonne this year and $22,000 in 2024, compared with Tuesday's cash settlement of $29,400.

Aluminium is viewed as more finely balanced, with a median forecast supply surplus of 80,535 tonnes this year and 92,100 tonnes in 2024. These are small numbers in a 60-million-tonne global market-place, and seem to reflect wariness about the continued impact on smelter production of high power pricing in Europe and sporadic rounds of power rationing in Chinese provinces such as Yunnan. Although the median forecast is for aluminium to fall to an average $2,488 per tonne this year, continued production-side constraints will underpin a recovery to $2,600 next year.

PERILS OF FORECASTING
Tin is a good reminder of the challenges of commodities forecasting, the LME tin price having registered both an all-time high of $51,000 per tonne and a two-year low of $17,350 over the course of 2022. The median forecast is for tin to average $23,670 per tonne in 2023, a sharp fall from last year's average price of $31,362 per tonne. But expectations among the 17 analysts contributing a tin forecast span a wide price spectrum between a high of $30,959 and a low of $19,014.

That said, last January's median forecast proved surprisingly close to the mark at $34,880 in what was a year of extraordinary volatility. Also close were the median calls on copper ($9,370 per tonne versus an actual $8,814) and zinc ($3,225 vs $3,484). A median lead forecast of $2,155.50 per tonne was almost spot on relative to last year's actual average of $2,153.00. The biggest collective miss last year was nickel, where a median price forecast of $19,921 per tonne fell far short of last year's average price of $25,627. But few could foresee the scale of market disruption that broke out in March, when a melt-up in the nickel price forced the LME to suspend trading for six days. This time last year analysts were also in a wary mood after a blistering run-up in price over the back end of 2021. Their collective caution proved well founded as the base metals unwound most of those gains over the second half of 2022. There's a sense of deja vu about this year's early price strength and the equal sense of caution in the latest analysts' poll. Whether they will be right for the second year running remains to be seen. The opinions expressed here are those of the author, a columnist for Reuters.

Top News - Carbon & Power

Lower gas prices help bailed-out Uniper halve net loss to $21 billion
Uniper, Germany's biggest gas trader which was rescued by the government last year, expects a much smaller annual net loss than it feared in November after lower gas prices reduced the cost of replacing Russian supplies.
The company, which nearly collapsed after Moscow cut and then stopped gas supplies to Germany, now sees a net loss of 19.1 billion euros ($21 billion) for 2022, it said on Wednesday.
Uniper reported in November a net loss of 40 billion euros for the first nine months of 2022, saying at the time a chunk of that was based on forward price projections of purchases of gas it no longer gets from Russia's Gazprom.
It said on Wednesday that losses caused by costs to replace Russian gas volumes reached 13.2 billion euros in 2022.
"The development of the gas price has a major impact on Uniper's losses for realized and future gas replacement procurement. As is well known, Uniper has to procure the missing supply volumes from Russia elsewhere," Chief Financial Officer Tiina Tuomela said.
She said the significant decrease in gas prices at the end of 2022 meant expected losses for future gas replacement costs were reduced to 5.9 billion euros from 30 billion euros.
Shares in Uniper, which is scheduled to report full-year results on Feb. 17, rose more than 5% after its statement.
Uniper has to price forward costs for gas procurement at the end of each quarter for its earnings reports, which is partly reflected in its derivative positions that are tied to the market price of energy.
As gas prices more than halved between the end of September and the end of December, the value of derivatives tied to forward gas purchases has also come down. In turn, rising prices could cause them to rise again.
"The actual losses and anticipation of losses from gas replacement cost in the future will continue to significantly fluctuate with changing gas prices," Uniper said.

Indonesia 2023 gasoline demand, imports likely to exceed 2022 records
Gasoline consumption and imports in Indonesia, Asia's largest importer of the motor fuel, could hit records this year as the nation recovers from COVID-related travel curbs, although growth is expected to slow slightly along with its economy.
A spike in Indonesian imports would tighten the regional gasoline market and likely boost Asian refinery margins for the fuel. It could also accelerate plans for adding methanol and ethanol to gasoline to reduced its reliance on overseas supplies, a biofuel initiative that would add to the country's already extensive adoption of biodiesel.
Indonesia's gasoline consumption is headed for an all-time high of 670,000 barrels per day (bpd) in 2023, up from a record 635,000 bpd in 2022, consultancy Rystad Energy said.

"Post-COVID recovery is the main driver behind the growth of gasoline demand," said Sofia Guidi Di Sante, a senior oil markets analyst at Rystad Energy.
"We have factored in a milder growth rate due to the plausible repercussions of a potential global recession."
Consultancy Wood Mackenzie said Indonesia's gasoline imports surpassed pre-pandemic levels last year at 380,000 bpd, a historic high based on data that goes back to 2010. This could rise to 390,000 to 400,000 bpd this year, WoodMac said.
Refinitiv Oil Research estimated imports at about 15 million tonnes (345,000 bpd) for 2022, up from around 11.5 million tonnes in 2021.
"Demand is still expected to be robust with (Indonesia's) strong economic growth and mobility," said Ranice Tan, a research analyst at WoodMac.
"However, growth is expected to slow down due to several fuel price increases last year (to contain ballooning subsidies) and potential recessionary effects."
Indonesia raised subsidised fuel prices by about 30% in early September as the government moved to rein in increasing costs to its budget.
Still, government subsidies, which make up about half the retail price of gasoline, have softened the blow of skyrocketing energy prices for consumers, Tan said.
And this year the government has increased the volume of subsidised gasoline for distribution.
Sales of subsidised gasoline stood at 29.81 million kl (513,700 bpd) in 2022, according to estimates by Indonesia's downstream oil and gas regulator BPH Migas, said Saleh Abdurrahman, a committee member at the regulator.
This year, BPH Migas has allocated 32.56 million kl of subsidised gasoline for distribution, it said in a statement.

MARKET MONITOR as of 07:20 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$76.93 / bbl	0.68%	-4.15%
NYMEX RBOB Gasoline	$2.64 / gallon	0.19%	6.39%
ICE Gas Oil	$871.75 / tonne	-1.13%	-5.35%
NYMEX Natural Gas	$2.52 / mmBtu	2.19%	-43.64%
Spot Gold	$1,958.09 / ounce	0.39%	7.33%
TRPC coal API 2 / Dec, 23	$156.5 / tonne	11.79%	-15.29%
Carbon ECX EUA / Dec, 24	€99.99 / tonne	0.29%	13.63%
Dutch gas day-ahead (Pre. close)	€60.00 / Mwh	4.08%	-20.60%
CBOT Corn	$6.83 / bushel	0.22%	0.59%
CBOT Wheat	$7.64 / bushel	0.49%	-4.07%
Malaysia Palm Oil (3M)	RM3,781 / tonne	-0.89%	-9.42%
Index (Total Return)	**Close 01 Feb**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	296.11	-2.25%	-1.73%
Rogers International	27.98	-1.32%	-2.39%
U.S. Stocks - Dow	34,092.96	0.02%	2.85%
U.S. Dollar Index	101.22	-0.86%	-2.23%
U.S. Bond Index (DJ)	414.28	0.75%	4.78%

Top News - Dry Freight

South Korea tenders to buy estimated 79,439 tonnes rice – traders

South Korea’s state-backed Agro-Fisheries & Food Trade Corp. has issued an international tender to purchase an estimated 79,439 tonnes of rice, European traders said on Wednesday.

The tender seeks non-glutinous brown medium grain rice and non-glutinous milled medium grain rice in a series of consignments for arrival in South Korea in 2023 between May 1 and Dec. 31, they said.

The deadline for submissions of price offers in the tender is Feb. 8. Some 44,000 tonnes is sought from China and the rest from the United States, Australia and Thailand.

Traders said no purchase had yet been reported in a previous tender from the corporation for an estimated 113,460 tonnes of rice to be sourced from the United States which closed in December.

Jordan buys about 50,000 tonnes feed barley in tender -traders

Jordan's state grain buyer has purchased about 50,000 tonnes of animal feed barley to be sourced from optional origins in an international tender which closed on Wednesday, traders said.

Traders had initially estimated the purchase at up to 60,000 tonnes.

It was bought at an estimated $302.30 a tonne c&f for shipment in the second half of June. The seller was believed to be trading house Ameropa.

Traders said these other trading houses participated in the tender (with their offers per tonne c&f): CHS $315, Cargill $325, Viterra $319, Bunge $325, Olam $317.50, Australian Grain Export $322, Grainflour $312, Cofco $320.90 and Dreyfus $311.50.

A new barley tender was not immediately expected to be issued, they said.

Picture of the Day

An aerial view of the machinery at the coal terminal of Huanghua port, in Hebei province, China February 1. China Daily/Handout via REUTERS

(Inside Commodities is compiled by Indrishka Bose in Bengaluru)

For questions or comments about this report, contact: **commodity.briefs@thomsonreuters.com**

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