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Top News - Oil

Tight supplies lift Mideast, Russian crude grades to multi-year highs
Middle East benchmark Dubai crude soared to a record this week while spot premiums for April-loading Russian oil jumped to their highest in more than two years in Asia, trade sources said on Wednesday as prices returned to pre-pandemic levels.
The global supply-demand balance has tightened as the Organization of the Petroleum Exporting Countries and its allies are lagging behind commitments to increase output by 400,000 barrels per day each month.
Demand, meantime, is robust as refiners globally are cranking up operations to reap higher margins on gasoline and diesel.
The Russia-Ukraine crisis has also boosted Brent prices, pushing the benchmark's premium to Dubai to its highest since 2013 this week.
There was no immediate sign of the price spread weakening after Russia pulled back some of its forces from the border on Tuesday.
The wide spread between the benchmarks is boosting Asia's demand for Middle East and Russian grades priced off Dubai, leading spot premiums to hit multi-year highs this month.
Cash Dubai hit a record high at Tuesday's market close, breaching $4 a barrel premium over futures for the first time, oil pricing agency S&P Global Platts reported.
The April cash Dubai versus same-month Dubai futures was assessed at a premium of $4.08 a barrel, Platts data showed.
For Russian grades, spot premiums for ESPO Blend crude exported from the Far East port of Kozmino soared to their highest in more than two years after producer Surgutneftegaz sold three cargoes via a tender, trade sources said.
The cargoes for late March to early April loading were sold at premiums of $7-$7.10 a barrel above Dubai quotes, they said, about $2 higher than last month.
ESPO crude premiums were last seen at these levels in December 2019, Refinitiv data showed.
Trading houses Mitsui and Petraco bought the cargoes, the sources said.
Similarly, spot premiums for Russian Sokol crude loading in April jumped to their highest since January 2020 after India's ONGC Videsh sold a cargo via a tender, they added.
The cargo for April 19-25 loading was sold to Glencore at a premium of $7.80-$7.90 a barrel to Dubai quotes, the sources said.

EXCLUSIVE-Glencore sells stake in Russia's Russneft to cap 20-year partnership
Glencore has sold out of Russneft, capping two decades of investments which saw the Swiss commodities firm trading millions of barrels of the Russian group's oil even as it witnessed some of Russia's top corporate and political battles.
The sale, which has been years in the works since Glencore saw a top management reshuffle, was executed in December 2021 and will close in the first half of 2022 pending regulatory approvals, Glencore said.
Glencore sold its stake in Russneft, because it was no longer material to its business, CEO Gary Nagle said while commenting on the trading firm's annual results.
Glencore did not disclose the buyer or the value of the transaction. Russneft declined to comment.
The sale, however, coincides with some of the worst tensions between Moscow and the West since the end of the Cold War and as some Western firms seek to reduce exposure to Russian assets.
Glencore does not have major concerns about its Russian investments as they are "immaterial", said Nagle, when asked about rising tensions between Russia and Ukraine, but added: "If there is some sort of activity in the Ukraine and Russia, it will cause severe disruptions in various commodity markets".
Russneft, which produces some 130,000 barrels per day, has faced tough times since its former owner Mikhail Gutseriyev was sanctioned by the European Union last year for close links with Belarussian President Alexander Lukashenko.
Sanctions created difficulties for Russneft's export oil sales, with Glencore skipping purchases for several months.
"Glencore's exit from Russneft is a sign of worsening investment climate, but it doesn't necessarily set a precedent for other foreign investors to sell their stakes in Russian companies", Dmitry Marinchenko, senior director at Fitch Ratings told Reuters. Fitch currently does not rate Russneft.
Glencore had helped Gutseriyev build Russneft from scratch since the early 2000s into a top-10 Russian oil firm by funding the firm's expansion in return for oil export rights.
The deal allowed Glencore, one of the top three global oil traders, to market large volumes of Russian oil.
Glencore remained a shareholder in Russneft during decades of turbulence surrounding the firm, including Gutseriyev losing control, fleeing Russia to London in

2007, and returning home later to become a loyal Kremlin partner again.
Other challenges included Russneft's billions of dollars of debt to Russian state banks, as well as bankruptcies at other financial institutions founded by Gutseriyev.
"Glencore chooses the right time to exit Russneft as oil prices are good, while the asset is quite risky", a source with a trading firm involved in the Russian oil market said.
Glencore's exposure to Russia is getting smaller as the new guard of Chief Executive Gary Nagle and head of oil Alex Sanna are reshaping the company after decades of leadership by Ivan Glasenberg and Alex Beard, who had closer ties with Moscow.
Glencore's five-year supply deal with Russia's top oil firm Rosneft expired last year, although the Swiss firm is still loading Russian fuel as the winner of Rosneft's regular crude and products tenders.

Top News - Agriculture

Dry weather outlook fans drought fears in Argentina's farmlands

Argentina's farm belt is set for days of hot and dry weather ahead, weather experts said on Tuesday, stoking fears among grains farmers whose corn and soy crops are in sore need of rainfall after spells of drought.
The South American country is the world's top exporter of soybean oil and meal, and the No. 2 global exporter of corn. Both crops suffered important losses between December and the first half of January due to a drought and heat waves.
Rains in mid-January brought hope of a change in the dry climate pattern, but arid weather returned this month. Hopes are fading for abundant rains while rising temperatures have again hit the Pampas grasslands.
"The situation in very complicated and the truth is that this 10-day period without rain that they're talking about is going to be critical," Cristian Russo, head agronomist at the Rosario grains exchange (BCR), told Reuters. "There's a lot of anxiety, a lot of worrying."
Last month the Rosario exchange slashed its estimates for 2021/22 soy and corn production by 5 million and 8 million tonnes respectively due to the drought. The rival Buenos Aires exchange followed with its own cuts, though not quite as deep.
The BCR predicts a 40.5 million tonnes soy harvest and corn at 48 million tonnes, but has warned the season could still see a repeat of the dramatic losses in 2017/18, when drought brought the soybean harvest down to 35 million tonnes.
"We're seeing a persistence of the La Nina phenomenon and a (Southern Hemisphere) summer that is still complicated", said independent meteorologist Leonardo De Benedictis. La Nina is a weather event that lowers rainfall in central Argentina.
De Benedicts predicts highs of up to 37 degree Celsius for Tuesday and Wednesday in the central farm belt, where the eastern section has seen little to no rain for a month. A souther front would later lower temperatures, but clouds will bring "more the illusion of water, than water itself". Precipitation, where it falls, will be below 10 millimeters. "We've got two key weeks now for early and late planted soy," Russo said, adding the period was also crucial for late planted corn yields in Cordoba, Argentina's main corn province.
Like other experts, De Benedictis said it now appeared that the La Nina phenomenon would keep limiting rains in Argentina's most important farming regions until the beginning of the Southern Hemisphere autumn, at the end of March.
"There are forecasts of a general rain front for the end of February, but we'll see a structural change in the atmosphere probably only at the end of March or beginning of April," he said.

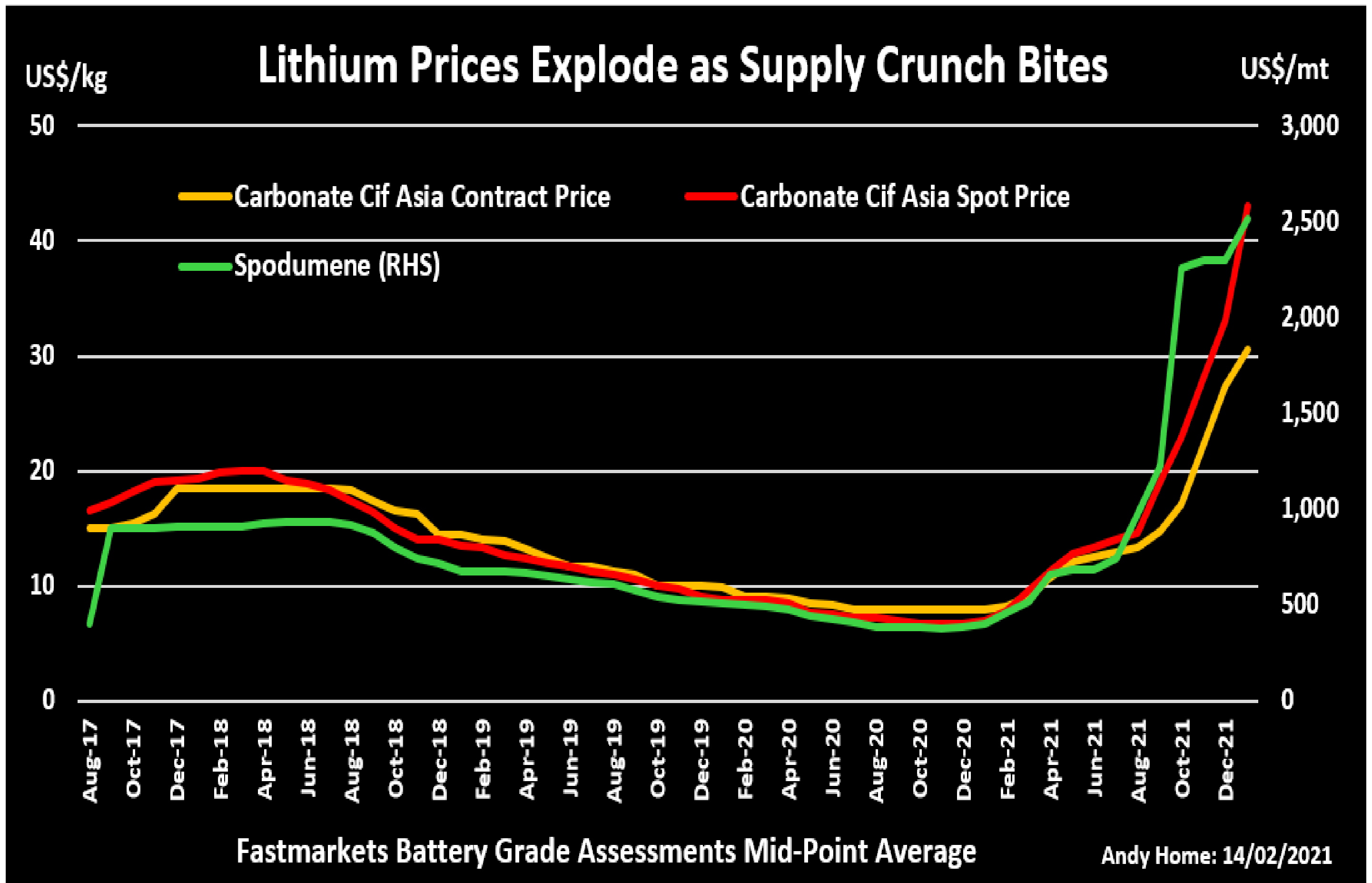
EXCLUSIVE-Brazil's Amaggi in talks with Bharti on Brazil Potash partnership

The owner of Brazil's biggest homegrown grains trader told Reuters he is in talks with Canadian investor Stan Bharti to help develop the largest potash mine in Latin America, in a push to wean Brazilian farmers off costly fertilizer imports.
Blairo Maggi, head of grains-growing and trading firm Amaggi and nicknamed Brazil's "Soy King," said the group is keen to partner with Bharti's Brazil Potash Corp, offering to ship potash by river from a planned mine in the Amazon rainforest.
As potash prices tripled last year and geopolitical risks threaten supplies from Russia and Eastern Europe, interest has grown in Brazil Potash's Autazes project, which could produce 2.4 million tonnes of the fertilizer ingredient annually.
Western sanctions against Belaruskali, the world's No. 2 potash producer, high energy costs and export restrictions by China contributed to the record surge in global prices.
"I have followed the Autazes project closely because it would be a revolution for the region, create local development, save Brazil money and give us food security," said Maggi, who served as the Brazilian agriculture minister from 2016 to 2019.
A well-connected local partner could also help cut red tape that has held up plans for a $2.5 billion mine since Bharti's Toronto-based bank, Forbes & Manhattan, acquired the project in 2008. A court suspended licensing for the mine granted by the Amazon environmental agency IPAAM in 2017 due to lack of consultation with a local indigenous tribe. "We're in discussions with many parties but we are declining further comment," Bharti told Reuters, speaking from Toronto.

Maggi said his company is interested in the project because its river shipping arm, Hermasa Navegação, is well-placed to carry fertilizer to farm states on soy barges that return empty from the Amazon River.
Brazil depends on imports for 95% of its potash and is a major buyer from top suppliers Canada, Russia and Belarus. Last year, Brazil imported some 10 million tonnes.
The global market is short of potash due to geopolitical issues, especially sanctions on Belarus. If tensions ease in Eastern Europe and Russia can avoid sanctions related to Ukraine, analysts say, there could be plenty of potash to meet global demand.
Brazilian President Jair Bolsonaro arrives in Moscow on Tuesday for a visit that has potash supplies on the agenda, Brazilian officials said.

LICENSING TROUBLE
Autazes, located 75 miles (120 km) southeast of Manaus, the Amazon's biggest city, is expected to produce up to 2.4 million tonnes a year once built. It would take at least three years for production to reach that level after permits are obtained, said Brazil Potash President Adriano Espeschit.
The company is also looking to develop a mine downriver in Itapiranga, which would add another 2 million tonnes a year of potash capacity, he said.
Before consulting the indigenous Mura people, as ordered by a federal court, Forbes & Manhattan went ahead in 2020 and signed a framework agreement with CITIC Construction, a Chinese company based in Belo Horizonte, to build the mine at a price of $1.9 billion, according to a filing with the U.S. Securities and Exchange Commission.
The company says the mine would have minor environmental impact due to a lack of significant residues. Salt separated from the potash at a surface processing plant would be returned underground, according to plans.
Yet the mine has met with resistance from Mura indigenous people who worry it will pollute the rivers and scare away game and fish on which they depend.
Bolsonaro, who has weakened environmental enforcement and gutted indigenous affairs agency Funai since he took office in 2019, has pointed to the Autazes mine as example of how indigenous rights can hold up the country's development.
Prosecutors recommended in 2016 that the mine's license be canceled because explorations for potash had been going on for years without the tribe's consent, in violation of Brazil's constitution.

Chart of the Day



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Brazil Potash's president, Espeschit, said the Mura have begun discussing the project. However, Carla Cetina, a lawyer working with the Mura for the Catholic Church's Indigenous Missionary Council (Cimi), said consultations were still at a preliminary stage and could take years.
"The Mura are under pressure from all sides to accept the mine," she said. "But if they are given real information on the risk of pollution, prostitution and drug addiction that it could bring, I think they will not agree."
Local authorities are largely in favor of the project because it will bring investment and jobs to the region. But the Mura see things differently.
"For us the land is sacred, the forests and rivers too. We don't want to run the risk of anything happening," said Mura chief Fabio Gama in a video on social media. "This is not a good business for our people."

Top News - Metals

Fortescue Metals first-half profit drops 32% as costs weigh
Australia's Fortescue Metals, the world's fourth-largest iron ore miner, on Wednesday said first-half profit tumbled a third on higher material and labour costs and lowered its interim dividend, sending its shares more than 4% lower.
Fortescue said costs for the half jumped by a fifth.
Australian miners have been burdened by a shortage of workers in resource-rich Western Australia state due to lockdowns and border closures to control a recent wave of Omicron COVID-19 infections.
The miner posted an underlying net profit of $2.78 billion, compared with $4.08 billion a year earlier, but reiterated its full-year forecast of shipments, costs and capital expenditure. Analysts expected a profit of $2.70 billion, according to Vuma Financial.
"We remain focused on managing industry cost pressures and challenges posed by Western Australia's ongoing border restrictions," Chief Executive Elizabeth Gaines said.
"We are working closely with the Western Australian government and relevant authorities to ensure we have access to the specialist skills required."
Fortescue declared an interim dividend of 86 Australian cents per share, compared with A$1.47 per share a year earlier.
Its shares fell as much as 4.5% to A$20.61, trailing the broader market which gained 0.4%.
China's push to curb emissions and easing construction activity in its debt-laden property sector has led to prices of the steel-making commodity halving from record levels last year.
Analysts expect iron ore prices to stabilise this year, but remain some way away from last year's peak. BHP Group said on Tuesday commodity price volatility will continue for some time, though outlook for demand and pricing remains strong.
Fortescue also said its Iron Bridge magnetite project was progressing well, with first production scheduled in December.

COLUMN-Lithium supply crunch Part II - this time it's for real: Andy Home
The lithium supply crunch has arrived in full force. The price boom of 2016-2017, it's now clear, was just the dry run. This is the real deal.
Back in November 2017 the spot price for battery-grade lithium carbonate in China peaked at 175,000 yuan per tonne. Fastmarkets currently assesses it at 400,000-430,000 yuan, up 47% on the start of the year and eight times higher than it was at the start of 2021.
China's spot market, where small tonnages can have big price impacts, may be accentuating the scale of the run-up, but it's no false flag. From mined spodumene to high-purity hydroxide, every component of the lithium processing chain is on a wild price surge.
There is simply not enough of the stuff around to meet demand at the moment.
Scarcity of what is a critical input for electric vehicle (EV) batteries could potentially act as a powerful brake on e-mobility, with profound implications for global efforts to decarbonise.
BOOM BUST BOOM
The seeds of today's lithium boom were sown five years ago, when prices rose to what were then record highs as producers failed to anticipate the demand wave emanating from China's subsidy-driven roll-out of EVs.
The collective supply response, particularly from hard-rock spodumene producers in Australia, then proved far too strong, leading to the price bust of 2018-2020.
New mines were mothballed, expansion projects were deferred and explorers left to seek their mineral fortunes elsewhere, hollowing out the new project pipeline.
In classic commodity cycle style, this has left producers ill-prepared to meet the current even stronger demand surge. The resulting shortfall of units is fuelling lithium's white-hot rally.

DEMAND EXPLOSION
A record 25,921 tonnes of lithium carbonate equivalent (LCE) were deployed onto roads in new passenger vehicles globally in December 2021, according to Adamas Intelligence. That was up 68% on December 2020 and a 31% month-on-month jump.
Lithium's exponential usage curve simply mirrors the equally fast rise in global sales of vehicles using lithium-ion batteries.
Chinese sales of new energy vehicles (NEV) rose by 157.5% to 3.52 million units in 2021, a shining stand-out within a moribund domestic automotive sector.
The launch of cheaper vehicles using a form of battery that doesn't include nickel or cobalt - lithium iron

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phosphate (LFP) - is accentuating tightness in the market for carbonate feedstock, manifest in a rare price premium for carbonate over lithium hydroxide.
The EV revolution is now spreading to Europe, where NEV sales grew strongly last year even while petrol and diesel sales contracted.
New registrations of plug-in hybrid vehicles jumped by 71% and pure battery vehicles by 63% in 2021 relative to 2020, according to the European Automobile Manufacturers' Association (ACEA).
The pace of growth is still accelerating as the European Union channels recovery funds down green transition channels.
Alternatively-powered vehicles accounted for almost half (47.8%) of the EU car market from October to December 2021, with over a million units registered in total, ACEA said.
As Chinese battery-makers are discovering to their cost this year, you can play around with the metallic cathode mix as much as you want, but you'll still need lithium.
And the current demand call is greater even than that implied by explosive EV sales.
A new industrial sector is taking shape to make the batteries to go in the vehicles. The number of gigafactories - huge assembly plants with output measured in giga, or billions, of watt-hours - is proliferating.
Each needs to build up working stock before the first power is switched on, translating into a huge but largely hidden call on lithium.
DEFICIT TODAY, DEFICIT TOMORROW?
The price explosion tells you that supply is simply not there to feed this demand surge.
Fastmarkets analyst Will Adams pegs the likely shortfall this year at around 60,000 tonnes of lithium carbonate equivalent (LCE), stressing that's based on apparent demand, which allows for stock building.
Specialist consultancy Benchmark Mineral Intelligence (BMI) thinks it will be smaller at 26,000 tonnes, while Citi is somewhere in the middle with a forecast 36,000-tonne gap ("Lithium outlook," Feb. 9, 2022).
New mines and restarts of idled capacity will generate a supply response as the year progresses, with Fastmarkets anticipating robust production growth of 28% this year and another 27% in 2023.
The timeline however is far from certain, given the potential for mine ramp-up teething issues and lingering COVID-19 effects, particularly in Australia.
And will it be enough anyway?
BMI isn't convinced, pencilling in consecutive years of shortfall, with the cumulative deficit mushrooming to 300,000 tonnes LCE by 2030. ("Where will new lithium supply come from in 2022?" Feb. 4, 2022)

MARKET MONITOR as of 07:20 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$92.69	0.67%	22.42%
NYMEX RBOB Gasoline	$2.69	0.63%	19.77%
ICE Gas Oil	$829.25	1.34%	22.68%
NYMEX Natural Gas	$4.54	5.34%	15.44%
Spot Gold	$1,854.41	0.07%	1.35%
TRPC coal API 2	-	-	-
Carbon ECX EUA (Dec '22)	€ 90.68	0.40%	12.13%
CBOT Corn	$6.42	0.59%	7.54%
CBOT Wheat	$7.86	0.77%	1.17%
Malaysia Palm Oil (3M)	R5,546	1.32%	16.54%
Index (Total Return)	**Close 15 Feb**	**Change**	**YTD Change**
Rogers International	25.83	-1.05%	-
U.S. Stocks	34988.84	1.22%	-3.71%
U.S. Dollar Index	95.908	-0.40%	0.02%
U.S. Bond Index (DJ)	442.5963	-0.45%	-6.23%

E-MOBILITY BRAKE
The way this commodity story normally plays out is for the price to rise to a sufficiently high level to destroy short -term demand and incentivise medium-term supply.
Such scarcity pricing is already evident in other parts of the metals world, with tin punching out fresh historic price highs against a backdrop of strong demand, persistent supply shortfall and low stocks.
Could lithium be heading the same way?
The pricing pressures are already building on the EV sector, with the recent slide in battery pack prices coming to a halt as raw material costs trump years of technical improvements.
China's largest electric car-maker BYD said last month it was raising the cost of some brands by 1,000-7,000 yuan ($158-1,104) due to rising metal input costs.
The problem for battery-makers is that it's not just lithium prices that have been rallying hard. So have those of cobalt and nickel, two other key metallic ingredients in the battery mix.
Metals risk becoming a significant drag on car-makers' collective capacity to ramp up EV production to meet carbon emissions targets.
"The industrialization of mines and refinery capacities may not progress as quickly as demand increases," conceded Mercedes-Benz Chief Executive Ola Kaellenius in an interview with Germany newspaper Die Zeit.
That wouldn't stop the e-mobility transition, but it could potentially delay it, Kaellenius said.
In other words, if the world's lithium producers can't catch up with rampant battery demand, then the green revolution is going to have to slow down.

Top News - Carbon & Power

EXCLUSIVE-Shell moves to sell British North Sea southern gas fields -sources
Shell is preparing to launch the sale of its stakes in two clusters of gas fields in the southern British North Sea, part of an ongoing retreat of long-time producers from the ageing basin, industry sources told Reuters.
Shell is planning to offer its 50% stake in a cluster of fields in the Clipper hub, as well as the Leman Alpha complex, the three sources said, adding that the assets could fetch up to $1 billion in total.
A Shell spokesperson declined to comment on its plans for the fields, which both supply natural gas via a pipeline to the onshore Bacton gas processing plant in eastern England.
Shell has in recent years sold a number of stakes in ageing fields in the North Sea, including a $3.8 billion package of assets to Harbour Energy in 2017.
North Sea production has been in decline since the late 1990s, leading oil majors to reduce their role there to focus on more prolific and profitable business elsewhere.
The global transition to low-carbon and renewable energy sources has increased the focus of top international oil companies on projects that can produce the most oil and gas with the lowest emissions intensity, such as large offshore fields.
Shell is developing new projects in the North Sea, including the Penguins project north of the Shetland Islands as well as plans to build offshore wind farms.
Its also plans to develop a new gas field, Jackdaw, in the Shearwater hub were dealt a blow last year when the British regulator rejected development plans on environmental grounds.
Shell and the regulator have since revived talks on the gas field as Britain grapples with soaring power prices.

HARVEST TIME
Chief Executive Ben van Beurden said earlier this month that Shell wants to sell an average of $4 billion-worth of assets per year.
With oil price near a 7-year high above $90 a barrel, van Beurden told analysts that it made sense to "think harder if this is the moment to harvest the late-life assets that are probably better off in the hands of others".
Shell owns a 50% stake in the Clipper and Leman Alpha fields which were part of a large joint venture with Exxon Mobil dating back to the 1960s. Exxon sold its British North Sea assets last year to private equity-backed Neo.
The Clipper hub is located approximately 41 miles (66 kilometres) from the Norfolk coast and can transport up to 400 million standard cubic feet of gas a day, Shell says.
The Leman Alpha complex includes 5 platforms located around 43 miles (69 kilometres) off the coast.

Brazil audit court backs Eletrobras post-privatization concession payments
Brazil's TCU audit court on Tuesday approved concession fees state-run power company Eletrobras will have to pay the federal government to continue operating some hydroelectric dams after its privatization.
The decision removes a barrier to the market capitalization that is a key part of handing control of the utility to private investors.
The court decision set a so-called concession bonus that Eletrobras must pay the government at 25.3 billion reais ($4.9 billion), while the total amount of the privatization was pegged at 67 billion reais.
A 6-1 majority favored Judge-Rapporteur Aroldo Cedraz's opinion.
The concession bonus must be paid by Centrais Eletricas Brasileiras SA, as the company is formally known, once it

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is privatized, renewing its current license to operate the hydroelectric power plants for another 30 years.
The approval of the concession fees was the first phase of TCU's analysis regarding the privatization process. Now, the audit court is required to approve the model for the privatization to be conducted.
Brazil's government expects it to happen through a share offering by mid-2022. The shares would be sold on Brazil's Bovespa stock market and in the United States as American Depositary Receipts.
Preferred shares in Eletrobras closed up 6.5% at 35.00 reais on Tuesday, while the Bovespa stock index rose 0.8%. U.S.-traded ADRs added as much as 1.1% in additional gains after the decision.

Top News - Dry Freight

Algeria tenders to buy nominal 50,000 T milling wheat, traders say
Algeria's state grains agency OAIC has issued an international tender to buy milling wheat to be sourced from optional origins, European traders said on Monday.
The tender sought a nominal 50,000 tonnes, but Algeria often buys considerably more in its tenders than the nominal volume sought.
The deadline for submission of price offers is Feb. 16, with offers having to remain valid until Feb. 17.
The wheat is sought for shipment in two periods from the main supply regions including Europe: April 1-15 and April 16-30.
If sourced from South America or Australia, shipment is one month earlier.
Algeria is a vital customer for wheat from the European Union, especially France, but it has been turning its back on French wheat recently as it seeks to diversify to other suppliers.
In its last wheat tender on Jan. 26, the OAIC made a relatively small purchase of 60,000 to 80,000 tonnes expected to be sourced from the Black Sea region after seeking shipment to two ports only.

EU 2021/22 soft wheat exports 17.27 mln T by Feb. 13
Soft wheat exports from the European Union in the 2021/22 season that started in July had reached 17.27 million tonnes by Feb. 13, according to data published on Tuesday by the European Commission.
That compared with 16.87 million tonnes by the same week in 2020/21, the data showed.
EU 2021/22 barley exports had reached 5.15 million tonnes, against 4.85 million a year ago, while EU maize imports were at 10.12 million tonnes, against 10.46 million.

Picture of the Day

Labourers unload sacks of rice from a handcart at a wholesale market in Kolkata, India. REUTERS/Rupak De Chowdhuri

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(Inside Commodities is compiled by Jesse Vinay in Bengaluru)

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

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