Oil | Agriculture | Metals | Carbon & Power | Dry Freight
Click on headers to go to that section

Top News - Oil

COLUMN-Rising flow of Russian oil products to China, India and the Middle East: Russell

Similar to what has already happened with Russian crude oil, there are signs that the country's refined fuels are finding new buyers outside Europe, with Asia and the Middle East the leading new customers.

The European Union imposed a ban on imports of Russian oil products from Feb. 5, to go along with its earlier sanctions on crude oil as part of efforts to punish Moscow for its invasion of Ukraine on Feb. 24 last year.

Russia has largely managed to work around the European ban on buying its crude oil, diverting flows mainly to India and China, albeit at prices well below the prevailing global crude benchmarks such as Brent, West Texas Intermediate and Oman/Dubai.

But it's likely to be a different story with re-routing product exports, given that China and India are significant exporters of fuels, and relatively minor importers.

However, there are opportunities for Russian products to flow into both China, the world's biggest crude importer, and India, the second-biggest oil importer in Asia.

Some Chinese refiners have the ability to process fuel oil into higher value products such as diesel and gasoline, and if Russian cargoes can be offered at a cheap enough price, there is scope to increase this trade.

China's imports of Russian fuel oil are expected to hit a record high in February, with commodity analysts Kpler tracking arrivals of 5.62 million barrels, up from 3.89 million in December, which was the previous all-time high.

India has also been lifting its imports of Russian fuel oil since the attack on Ukraine, with Kpler estimating 4.484 million barrels arrived in January, which was the second-highest on record behind the 4.88 million in October, and more than three times the 2021 average of 1.45 million barrels a month. India has also turned to Russian naphtha, with February arrivals of the chemical feedstock expected to reach 1.49 million barrels, a record high.

India only rarely bought Russian naphtha prior to the war in Ukraine, but has been buying more since September last year. Outside of the big heavyweights of Asia, Russia has some scope to boost oil product shipments, with product importing countries such as Indonesia, Pakistan and Bangladesh possible targets, even though so far there are no signs of any flows to these buyers.

SAUDI, EMIRATES

The other region that offers scope for Russian products is the Middle East, where the United Arab Emirates (UAE) and Saudi Arabia have been increasing imports.

The UAE is expected to import 3.0 million barrels of Russian fuel oil in February and 4.34 million in March, according to Kpler, up from 750,000 barrels in February last year.

Saudi Arabia's imports of Russian fuel oil are expected to reach 1.98 million barrels in February, up from 370,000 barrels in the same month last year.

Both Saudi Arabia and the UAE can utilise Russian fuel oil to displace crude in direct-burning for power generation.

This has the advantage of freeing up higher value domestic crude oil for export or for processing in refineries for export as fuels.

The UAE is expected to export 5.69 million barrels of diesel in February, a five-month high, with Europe the destination for 4.36 million barrels, with Asia taking 650,000 barrels and Africa 690,000 barrels.

In February 2022 the UAE exported 5.47 million barrels of diesel, but only 1.91 million barrels went to Europe, with Asian countries taking 900,000 barrels and African nations 1.82 million barrels.

It's likely that these sort of shifts in the flow of products around the globe will continue as traders, refiners and consumers adjust to the European ban on imports of Russian products.

Similar to crude it's also likely that volumes will hold up, although Russia may battle to offload all of its higher-value refined fuels, especially diesel.

The questions as to how big a financial blow will be dealt to Moscow from lower product export revenue remains to be answered, but it would appear that the biggest beneficiaries of the ban on products will be those refiners that can snap up cheap Russian fuel oil and naphtha and process them in higher value products.

India cuts windfall tax on crude, aviation turbine fuel and diesel

India has cut its windfall tax on crude oil and exports of aviation turbine fuel and diesel, according to a government notification dated Feb. 15.

Windfall tax on crude was cut to 4,350 rupees ($52.60) per tonne from 5,050 rupees per tonne, effective Thursday.

The government also cut export tax on aviation turbine fuel to 1.50 rupees per litre from 6 rupees per litre, and reduced export tax on diesel to 2.50 rupees per litre from 7.50 rupees per litre, the notification said.

India had in July imposed the windfall tax on crude oil producers and levies on exports of gasoline, diesel and

aviation fuel after private refiners wanted to make gains from robust refining margins in overseas markets, instead of selling it cheap at home
The cuts came as Indian refiners continued to stock up discounted Russian fuel amid a steady increase in domestic consumption.
The windfall taxes had been weighing on profits of Indian refiners and explorers, with companies like Reliance Industries, Vedanta Ltd, Oil India and Mangalore Refinery and Petrochemicals Ltd flagging the impact in their latest quarterly results.

Top News - Agriculture

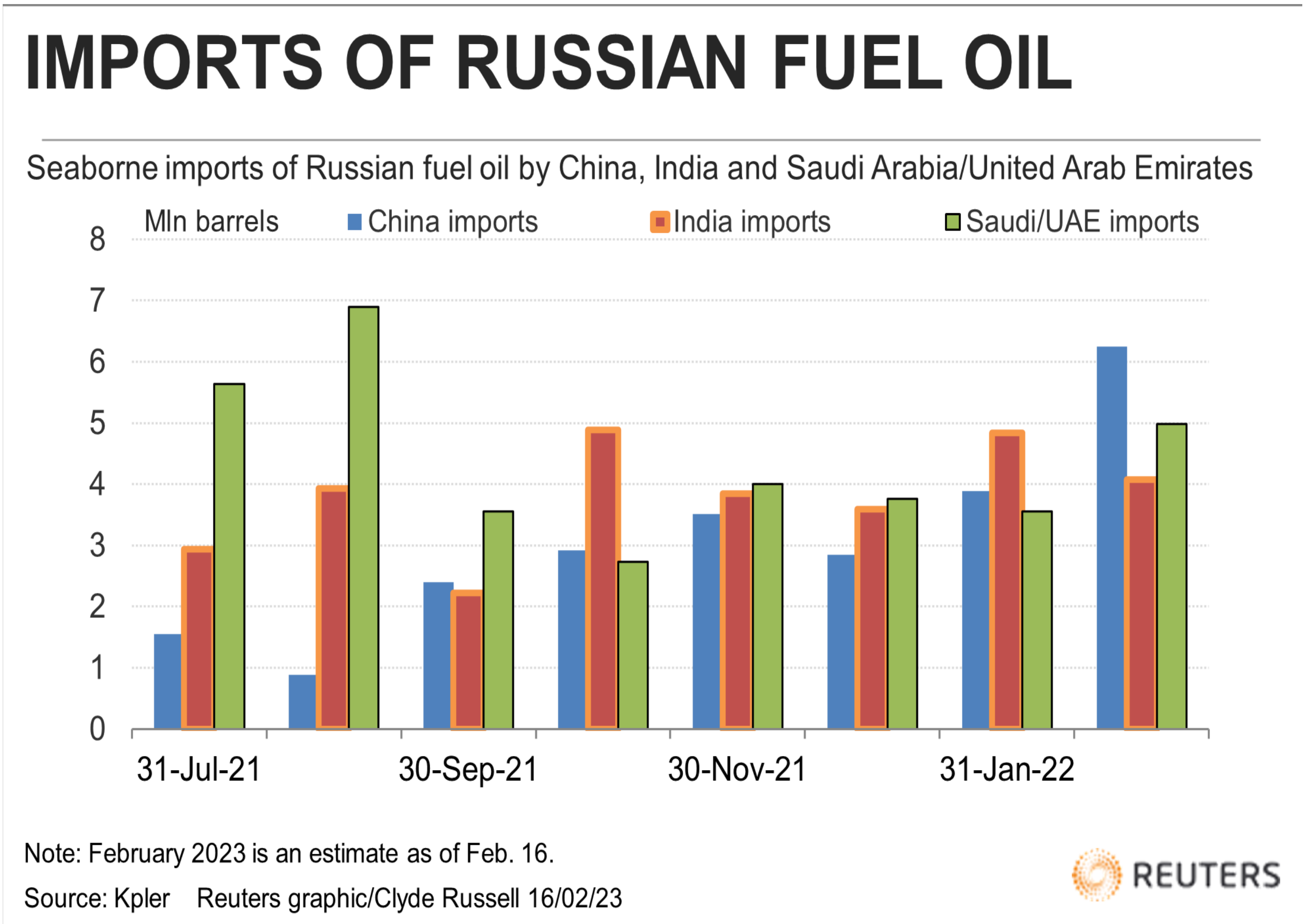
French wheat export outlook cut, barley projection raised
Farm office FranceAgriMer on Wednesday lowered its outlook for French soft wheat exports this season because of competition from Black Sea supplies but made a sharp upward revision to its barley export forecast after a wave of shipments to China.
In a supply and demand outlook for major cereal crops, FranceAgriMer cut its estimate of soft wheat exports outside the European Union to 10.45 million tonnes from the 10.60 million tonnes forecast in January.
The office had increased its non-EU export outlook in the two previous months, citing strong sales to North Africa. However, French prospects in North Africa have been curbed by competition from Black Sea origins, including Russian wheat in Algeria, while Chinese demand for French wheat appeared thin for the rest of the season, FranceAgriMer's Paul Le Bideau told reporters.
Traders last week said that Russian wheat was expected to supply a large part of an Algerian import purchase of some 400,000 tonnes.
FranceAgriMer's reduced projection for non-EU soft wheat exports this season was still 19% above the 2021/22 level.
The office also trimmed its forecast of 2022/23 French soft wheat exports within the EU, to 6.59 million tonnes from 6.64 million tonnes previously.
The reduced export outlook led it to increase the projection for French soft wheat stocks at the end of the season on June 30 to 2.46 million tonnes, down from the 2.33 million forecast last month, though that would be 11% below 2021/22 ending stocks.
In contrast, the office increased its outlook for French barley exports this season, including a 350,000 tonne upward revision for non-EU shipments now projected at 2.8 million tonnes.
After a slow start to the export campaign, traders have reported large sales of French barley to China, with several hundred tonnes loading in January and February.
The Chinese demand has created export optimism and some market operators surveyed by FranceAgriMer expect non-EU barley exports to reach 3 million tonnes, said Marc Zribi, head of FranceAgriMer's grain unit.
Forecast French barley stocks at the end of 2022/23 were cut to 1.56 million tonnes from 1.97 million tonnes last month.
For maize (corn), the office trimmed its stocks forecast to 2.23 million tonnes from 2.30 million tonnes, as an upward revision to intra-EU exports offset a reduced outlook for domestic feed demand.

Russia donates 25,000 tonnes of wheat to ally Cuba as ties deepen
Russia on Wednesday gave Cuba an "emergency" donation of 25,000 tons of wheat to combat shortages on the island, a sign of deepening ties between the two long-time allies.
The Russian ambassador in Havana, Andrei Guskov, said in a brief dockside ceremony in the Cuban capital that Moscow "accompanies Cuba's efforts in its development in areas such as industry, machinery, transportation and energy."
The substantial donation of wheat - used to make the bread that is a basic, government-subsidised staple in Cuba - marks the latest overture between the communist-run island and Russia.
Russia, hit by Western sanctions over the conflict in Ukraine, is looking to strengthen political and economic ties with other countries opposed to what it calls U.S. hegemony. Cuba has been under a U.S. economic embargo since 1962 after the Communist revolution led by Castro.
Ana Teresita González, Cuban deputy minister of foreign trade, told Reuters on the sidelines of the ceremony that the Russians had provided Cuba with food and medicine recently, part of an "enduring relationship" between the two countries.
"The Russian government and people have been by our side in difficult times since the pandemic," she said in a brief interview.
Russian President Vladimir Putin and his Cuban counterpart Miguel Diaz-Canel in November unveiled a monument in Moscow to Cuban revolutionary leader Fidel Castro, pledging to deepen their friendship in the face of U.S. sanctions against both countries.
Days before invading Ukraine, Russia had also agreed to postpone debt payments owed by Cuba until 2027.

Cuban state-run media said in December the grains deliveries were part of 800 million rubles ($10.8 mln) earmarked by Russia to purchase and deliver wheat to Cuba.

Russia in April shipped 20,000 tonnes of wheat to Cuba as prices globally spiked early in the Ukraine conflict, prompting bread shortages on the island.

Chart of the Day



Top News - Metals

Newcrest dismisses Newmont offer, opens books as profit beats expectations
Australia's Newcrest Mining Ltd on Thursday rebuffed Newmont Corp's $16.9 billion takeover bid, but left the door open for a better offer as it logged profit that surged past analyst expectations and paid out a special dividend.
Newcrest said its board had unanimously determined to reject the offer which it said did not offer sufficient value to shareholders, but said it would open its books on a limited, non-exclusive basis to Newmont, the world's largest gold miner.
"We haven't set any specific timeline around that," interim Chief Executive Sherry Duhe told a media earnings call.
Duhe said Newcrest would offer non-public information around its growth projects without going into detail.
Newmont did not immediately respond to an emailed request for comment but a source familiar with management's thinking previously told Reuters Newmont was open to sweetening its offer.
No. 2 gold producer Barrick Gold Corp Chief Executive Mark Bristow ruled out the possibility that Barrick would launch a counter bid for Newcrest in an interview with Reuters on Wednesday.
Simon Mawhinney, portfolio manager at Allan Gray, Newcrest’s largest shareholder, said the board had made a reasonable decision to engage, and that he was pleased with the company's decision to pay a special dividend.
"I have said that I thought the offer was a bit light. I guess it's not surprising that the board has taken a similar view," he said.
Analysts have said that the offer does not sufficiently value the long lives of Newcrest's assets and also its contingent of copper, highly prized as a key metal in the energy transition, and was instead capitalising on recent leadership changes at the Australian company.
Newcrest is looking for a new chief executive but Duhe declined to offer details on the search.
Analysts were looking for Newmont to offer around a 30% premium or around A$31 a share, more than bid which was at a 21% premium to Newcrest's preannouncement share price. Newcrest traded last at A$23.83, down 2% amid declines in gold stocks.
Newcrest declared a special dividend of 20 cents per share, after Canada's Lundin Gold Inc repaid early a credit facility related to its Fruta del Norte mine in Ecuador.
"They have returned the proceeds from the sale of the Lundin financing facilities to shareholders as a special dividend, which I think is good governance," Mawhinney added.
The miner had beat analyst expectations on higher revenue with the addition of its Canadian Brucejack operations and higher sales volume for gold and copper at its key Cadia mine
Newcrest said its underlying profit was $293 million for the half-year ended Dec. 31, beating estimates of $184 million, according to Refinitiv. That compared with an underlying profit of $298 million a year earlier.
Lower realized gold and copper prices brought home lesser profit while increased activities and inflation drove up costs.
The miner received $1,696 for every ounce of gold sold in the six months ended Dec. 31, compared with $1,733 per ounce logged last year.
The company also declared an interim dividend of 15 cents per share, compared with last year's 7.5 cents.

COLUMN-Zinc turbulent as low stocks clash with expected surplus: Andy Home
Zinc's early-year rally has quickly fizzled out as the market prices in a looming supply surge.
London Metal Exchange (LME) three-month metal rose 16% to a five-month peak of $3,512 in late January but has since tumbled all the way back to $3,040, just 1% higher than it was at the start of the year.
With Europe's winter energy crisis abating and power prices falling, there are growing expectations that idled zinc smelter capacity will restart.
Chinese smelters are also powering up capacity thanks to abundant supplies of raw materials and the resulting healthy processing fees.
The abrupt price turnaround this month is the market reassessing the potential for a significant supply recovery and a return to zinc surplus after two years of shortfall.
LME short position holders could really do with seeing some of that surplus now. Exchange inventory remains extremely low resulting in persistent time-spread turbulence.
The disconnect between cash-date reality and future expectations is likely to persist until there is a meaningful rebuild in exchange stocks.

TURBULENT TOM
The LME's arcane tom-next spread, which is what a short pays for rolling their position from tomorrow to the next day, is the epicentre of the current rolling squeeze.
"Tom" has turned unruly since the start of February, trading out to a backwardation of $16 per tonne last week, the tightest the spread's been since last October.
The premium might be wider still were it not for the controls imposed on all the LME's deliverable contracts in the wake of last year's nickel meltdown.
Tom-next is subject to a daily backwardation limit, set at 1% of the previous day's cash settlement price, which is helping keep the full cash-to-three-months backwardation contained at around $30 per tonne.

The LME's rolling cash date is currently a congested area. The exchange's latest positioning report shows four dominant long positions on cash zinc as of Monday. Combined they accounted for a minimum 200% of available stocks. One entity controlled 40-50% of actual on-warrant inventory.
All of which serves to underline just how depleted LME zinc stocks are.

STOCKED OUT
LME zinc stocks total just 25,075 tonnes, less than one day's worth of global consumption. On-warrant stocks, against which dominant positions are measured, stand at 18,250 tonnes. There has been a mini rebuild over the last few days with the cash squeeze drawing in 11,575 tonnes of metal at LME warehouses in Singapore.
There may be more lurking in the warehousing shadows. The exchange's monthly off-warrant stocks report showed 37,526 tonnes of shadow zinc inventory in Singapore at the end of December. This is metal that is being stored with the contractual option of LME warranting, meaning it is the most likely source of last week's inflows with more potentially available for delivery. However, total LME inventory - both registered and shadow - was still just 68,115 tonnes at the end of December, down by 154,673 tonnes on the year and a far cry from the early 2010s, when LME stocks were consistently over 800,000 tonnes.
Consecutive years of supply deficit have drained the zinc bank, particularly in Europe, which has seen multiple capacity curtailments by smelters struggling with high power prices. There is zero registered zinc at LME warehouses in Europe. Nor was there any off-warrant metal as of last December.

EUROPEAN SMELTER RESTARTS
Europe remains the point of maximum global supply-chain tightness.
Physical premiums have softened slightly due to weaker demand and better availability of non-European metal, according to Fastmarkets. But Northern European premiums are still hovering around $500 per tonne over LME cash and Italian consumers are paying a range of $550-600 for the delivery of duty-paid zinc.
High European power prices have caused the idling of three zinc smelters with combined capacity of around 465,000 tonnes and led to many others operating at reduced rates. However, the regional energy market appears to have weathered its winter crisis with baseload prices a long way off their August highs.
European smelter margins have turned positive again, according to Citi, which calculates a positive cash margin of around $250 per tonne for a typical operator, compared with a net loss of $840 at the power price peak in August. ("Metal Matters", Jan. 18, 2023) The bank now thinks the market is pricing in significant smelter restarts sooner rather than later and has just downgraded its short-term zinc price forecast to $2,900 from $3,500 per tonne. ("Metal Matters, Feb. 15, 2023)
Citi is forecasting a modest supply surplus of 70,000 tonnes this year, compared with a Reuters poll median forecast for a small 19,500-tonne supply deficit.
Everything hinges on how much European supply returns and when.
Any excess production, however, will take time to make its way to the market of last resort. LME zinc pricing is going to remain volatile for a while yet as shorts betting on a return to surplus have to navigate today's low-stock reality.

Top News - Carbon & Power

Whitehaven Coal posts 5-fold jump in H1 earnings but dividend disappoints
Australia's Whitehaven Coal Ltd posted a more than five-fold jump in first-half profit on Thursday, aided by soaring coal prices, but paid a lower than expected dividend, sending its shares down.
The company posted a net profit after tax attributable of A$1.78 billion ($1.23 billion) for the six months ended Dec. 31, compared with A$340.5 million a year earlier.
Cashed up coal miners found eager interest from investors when prices surged towards records last year after major coal exporter Russia's invasion of Ukraine upended supply chains and lead to a scramble for alternatives to Russian coal and gas.
Australia's biggest independent coal miner said it achieved average coal price of A$552 per tonne in the first half of 2023, compared with A$202 per tonne a year earlier.
But Whitehaven announced an interim dividend of only 32 Australian cents per share, about 30% lower than Citi estimates and about 16 cents below Goldman Sachs' forecast. The company declared an interim dividend of 8 Australian cents last year.
Whitehaven has retained around A$880 million in unallocated cash on hand which it was holding onto for growth and to make sure it could manage a higher final dividend given a drop coal prices this year, Chief Executive Paul Flynn said on an earnings call.
"It has traditionally skewed the dividend to the second half, and maybe that will also be true this time, given that they have A$800 million in net cash on the balance

sheet," analysts at Sydney-based investment bank Barrenjoey said in a research note.
Also pressuring shares was an announcement from Whitehaven clarifying their obligations under a directive from Australia's New South Wales state to set aside some output for local power plants to lower energy costs.
Whitehaven shares slid as much as 12.3% after news of the coal reservation scheme broke, before paring loses to A$7.88, down 3.8%.

GROWTH PROJECTS
Part of Whitehaven's growth plans include development of its planned Vickery coal mine in NSW.
"We are looking at the staged introduction of our Vickery project. Of course that's a large scale project that has a significant commitment of capital, although the board has yet to approve it," Whitehaven's Flynn said.
Vickery been protested on climate change grounds but is set to produce 10 million tonnes of thermal coal if it meets regulatory approvals for an investment decision in 2024.
"We do think the structural underpinnings of the market are very positive, but in the short term, coal prices have come off quite a bit," Flynn added.
Whitehaven, which has been at the mercy of heavy rains over the half from the La Niña weather phenomenon, said weather conditions were expected to improve this year, but added that labour constraints were still ongoing.
Subsequently, the company kept its run-of-mine coal production guidance of between 19.0 million and 20.4 million tonnes for the 2023 fiscal year unchanged.

China solar power capacity could post record growth in 2023

China is expected to add 95 to 120 gigawatts (GW) of solar power in 2023, or as much as 30%, a solar manufacturing association said on Thursday, in what would be a record annual rise in capacity.
The world's biggest solar products maker and solar power generator brought 87.41 GW of new solar power into operation in 2022, official data showed, driving the total installed capacity to 392.61 GW.
"The development of solar power stations in China continues to face several problems despite a slight decrease in investment costs," said Wang Bohua, honorary chairman of the China Photovoltaic Industry Association (CPIA) at a conference.
The obstacles include a mandatory requirement from some local governments to install energy storage alongside solar farms, and restrictions on land and water usage amid Beijing's growing effort to protect farmland.
While the country's solar capacity is growing rapidly, its solar products exporters are facing more trade disputes and tougher competition offshore in destinations such as the United States, the European Union and India.
"The trade barriers are bringing increasing difficulties for Chinese solar firms seeking to expand in overseas markets, and the rapid development of local manufacturers in those countries will hit China's solar manufacturing industry," Wang said.
The United States in December banned imports, including solar products, from China's Xinjiang region over concerns about forced labour.
Some 3 GW of solar modules exported from China have been seized by U.S. customs due to suspicion they could have come from slave labour camps.
China exported about 36.3 GW of solar wafers and 23.8 GW of solar cells in 2022, up 61% and 131% year-on-year, respectively, CPIA data showed.
However, exports of solar modules last year grew at a slower pace of 56% as more module plants have been built overseas.
"Chinese solar firms should pay greater attention to the competition, as the U.S., EU and other countries are putting in place policies and making actual moves to support their local industry," said Wang.

MARKET MONITOR as of 07:30 GMT			
Contract	**Last**	**Change**	**YTD**
NYMEX Light Crude	$79.25 / bbl	-0.76%	-1.26%
NYMEX RBOB Gasoline	$2.70 / gallon	0.29%	9.03%
ICE Gas Oil	$842.00 / tonne	-9.73%	-8.58%
NYMEX Natural Gas	$2.50 / mmBtu	1.21%	-44.11%
Spot Gold	$1,839.19 / ounce	0.16%	0.81%
TRPC coal API 2 / Dec, 23	$145 / tonne	2.29%	-21.52%
Carbon ECX EUA / Dec, 24	€98.72 / tonne	-0.03%	12.18%
Dutch gas day-ahead (Pre. close)	€54.55 / Mwh	2.81%	-27.82%
CBOT Corn	$6.75 / bushel	-0.15%	-0.48%
CBOT Wheat	$7.65 / bushel	-0.52%	-2.87%
Malaysia Palm Oil (3M)	RM4,043 / tonne	2.72%	-3.14%
Index (Total Return)	**Close 15 Feb**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	295.10	-1.15%	-2.07%
Rogers International	27.92	-0.66%	-2.60%
U.S. Stocks - Dow	34,128.05	0.11%	2.96%
U.S. Dollar Index	103.92	0.67%	0.39%
U.S. Bond Index (DJ)	401.73	-0.35%	2.72%

Top News - Dry Freight

Jordan issues new tender to buy up to 120,000 tonnes wheat

Jordan's state grain buyer has issued an international tender to buy up to 120,000 tonnes of milling wheat that can be sourced from optional origins, European traders said on Wednesday.

The deadline for submission of price offers in the tender is Feb. 21.

Shipment in the new tender is sought in a series of possible combinations of 50,000 to 60,000 tonne consignments.

Possible shipment combinations are between June 1-15, June 16-30, July 1-15 and July 16-31.

Jordan made no purchase in its previous tender for 120,000 tonnes of wheat on Feb. 7 despite unusually large participation by ten trading houses.

India's soymeal exports to soar as drought trims Argentine supply

Soymeal exports from India are increasing sharply as drought has hit output from top exporter Argentina, with 500,000 tonnes likely to be shipped from the South Asian country in February and March combined, three exporters said.

The drop in Argentina's output has driven up the South American producer's prices, making Indian soymeal more competitive.

India's exports in the first four months of the 2022/23 marketing year, which began on Oct. 1, surged 65% to 631,000 tonnes, nearly matching the 644,000 tonnes exported in the whole of the previous year, according to trade body the Soybean Processors Association of India (SOPA).

"Exports have gained momentum and would remain there until at least mid-April," Hemant Bansal, vice president, oilseed crushing and refining at Patanjali Foods Ltd, told Reuters.

The revival in exports of the animal feed has boosted soybean crushing in India and the availability of soyoil, which could reduce the need for imports of soyoil and palm oil by the world's biggest buyer in coming months, exporters said.

Bangladesh, Vietnam and Nepal are buying Indian soymeal as it is cheaper than supplies from South

America, and they are also saving on freight costs, Bansal said.
Indian soymeal is being offered for around $580 to $585 per tonne on a free-on-board (FOB) basis for March shipments, compared to $598 offered by Argentina, exporters said.
"If global prices sustain at the current level, then India could easily export more than 2 million tonnes in 2022/23," said an exporter based at Indore in the state of Madhya Pradesh.
That would be more than triple the volume exported in the 2021/22 marketing year.

Soymeal prices have risen as Argentina's soybean production was forecast to fall to 38 million tonnes in 2022/23 due to drought, from 48 million tonnes initially estimated.
Its crop numbers are continuously being revised downward, supporting soymeal prices, said the Indore-based exporter, who declined to be named as he is not authorised to speak to media.
Oil mills have increased soybean crushing to fulfil meal export orders, which should reduce import needs in coming months, said a Mumbai-based exporter, who also declined to be named.

Picture of the Day

A man walks on the deck of a ship unloading Russian wheat at the port of Havana, Cuba, February 15. REUTERS/Alexandre Meneghini

(Inside Commodities is compiled by Indrishka Bose in Bengaluru)

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

To subscribe to Inside Commodities newsletter, **click here**.