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Top News - Oil

US crude stockpiles rise, products draw on low refining rates – EIA

U.S. crude oil stockpiles rose last week, while gasoline and distillate inventories fell as refinery maintenance and outages kept activity low, the Energy Information Administration said on Thursday.
Crude inventories rose by 3.5 million barrels to 442.9 million barrels in the week ending Feb. 16, the EIA said, compared with analysts' expectations in a Reuters poll for a 3.9 million-barrel rise.
Crude stocks at the Cushing, Oklahoma, delivery hub rose by 741,000 barrels last week to 29.5 million, the EIA said.
Meanwhile, refinery crude runs inched up by 31,000 barrels per day, and refinery utilization rates were unchanged at 80.6% of total capacity in the week.
Crude and distillate prices edged up in reaction to the EIA data, while gasoline futures were flat.
"As we continue to work our way through refinery maintenance here, you're likely to continue seeing crude builds and product draws," said Matt Smith, lead oil analyst at Kpler.
Unplanned refinery outages following a winter storm in January, along with planned plant turnarounds, has kept refining near its lowest levels since late 2022. An outage starting at the beginning of February at the 435,000-bpd Whiting facility in Indiana, the Midwest's largest refinery, has contributed to the product draws and crude builds.
"With the Whiting refinery still down, we saw another week with large product draws," said Giovanni Staunovo, analyst at UBS.
Gasoline stocks fell by 294,000 barrels in the week to 247 million barrels, the EIA said, compared with analysts' forecasts for a 2.1 million-barrel draw.
While the EIA reported gasoline drawdowns in the Gulf Coast, Midwest and West Coast, stocks along the East Coast rose by 1.4 million barrels to 64.37 million barrels, their highest since January 2022, data showed.
Distillate stockpiles, which include diesel and heating oil, were down by 4 million barrels in the week to 121.7 million barrels, versus expectations for a 1.7 million-barrel drop, the EIA data showed.

US approves E15 gasoline sales expansion in Midwest starting 2025

The U.S. government said on Thursday it approved a request from Midwestern governors allowing expanded sales of gasoline with higher blends of ethanol in their states, starting in 2025. Reuters had exclusively reported the impending announcement earlier this week.
The government currently restricts sales of E15 gasoline, or gasoline with 15% ethanol, in summer months due to environmental concerns over smog, though the biofuel industry says those concerns are unfounded.
The corn-based ethanol industry has been fighting for years for year-round sales of E15 but was frustrated by the 2025 start date, one year later than proposed.
In 2022, the governors of Illinois, Iowa, Minnesota, Missouri, Nebraska, Ohio, South Dakota, and Wisconsin made the request for year-round E15 sales, saying the move could help lower pump prices by boosting fuel volumes.
Some oil refiners have argued that allowing E15 in select states as opposed to nationwide could prompt localized fuel price spikes and supply issues.
The delay enables President Joe Biden's administration to put off potential price spikes stemming from the decision until after the 2024 U.S. presidential election in November. Two states the decision affects, Wisconsin and Minnesota, are battleground states in this year's contest. Inflation and the economy are key vulnerabilities for Biden's re-election campaign.
The Environmental Protection Agency had sent a final rule on the proposal to the White House in December with an effective date of April 28, 2024. The new timeline would push the effective date to April 28, 2025.
"By extending the implementation date, this final action reduces the risk of gasoline supply issues this summer and the price impacts that could have come with 2024 implementation," an EPA official said on Thursday.
The EPA did not comment on whether it would issue a temporary waiver enabling E15 sales this summer.
"We cannot speculate about the 2024 summer driving season. We will continue to monitor the situation, consult closely with the Department of Energy, and be prepared to act should conditions warrant," the agency said.
After the news, the Renewable Fuels Association, a biofuels trade group, called on the administration to take action to ensure consumers have access to E15 this summer, and said it was disappointed over the new rule's 2025 start date.
The American Petroleum Institute, an oil industry group, meanwhile, said it supported a legislative solution that would allow year-round sales of E15 nationwide.

Top News - Agriculture

INSIGHT: US farmers face harsh economics with record corn supplies in silos

Illinois farmer Dan Henebry regrets not selling more of his corn crop last summer, when the Midwest needed rain and prices were high. He is not alone.

Farmers across the United States are kicking themselves for putting off corn sales after fields dried up in May and June, fueling expectations for higher prices and smaller harvests. Instead, prices tanked as rains saved the crop.

The size and speed of the price collapse stung farmers and left their storage bins stuffed with record amounts of corn.

The steepest market downturn in a decade in 2023 has extended into 2024, hurting the U.S. rural economy. Two years of high prices and tight crop supplies spurred by unfavorable global weather and disruption from the Ukraine war have been quickly reversed.

Record-large harvests in the United States and Brazil, increased competition for U.S. grain exports, and limited domestic demand led to hefty amounts of corn locked away in storage, pushing U.S. corn prices to their lowest level since November 2020 on Wednesday.

Corn is the world's most traded commodity crop and often sets the tone for other crops. Soybeans, too, plummeted to their lowest prices in more than three years in February.

Ten farmers, economists and market analysts said U.S. growers miscalculated when they held on to corn rather than booking sales. The "store and ignore" strategy of waiting for higher prices has not paid off, leaving some farmers cutting back purchases of pricey equipment and planting less corn. The interviews also demonstrate the tricky decisions farmers face when determining when to sell in the face of potential crop losses.

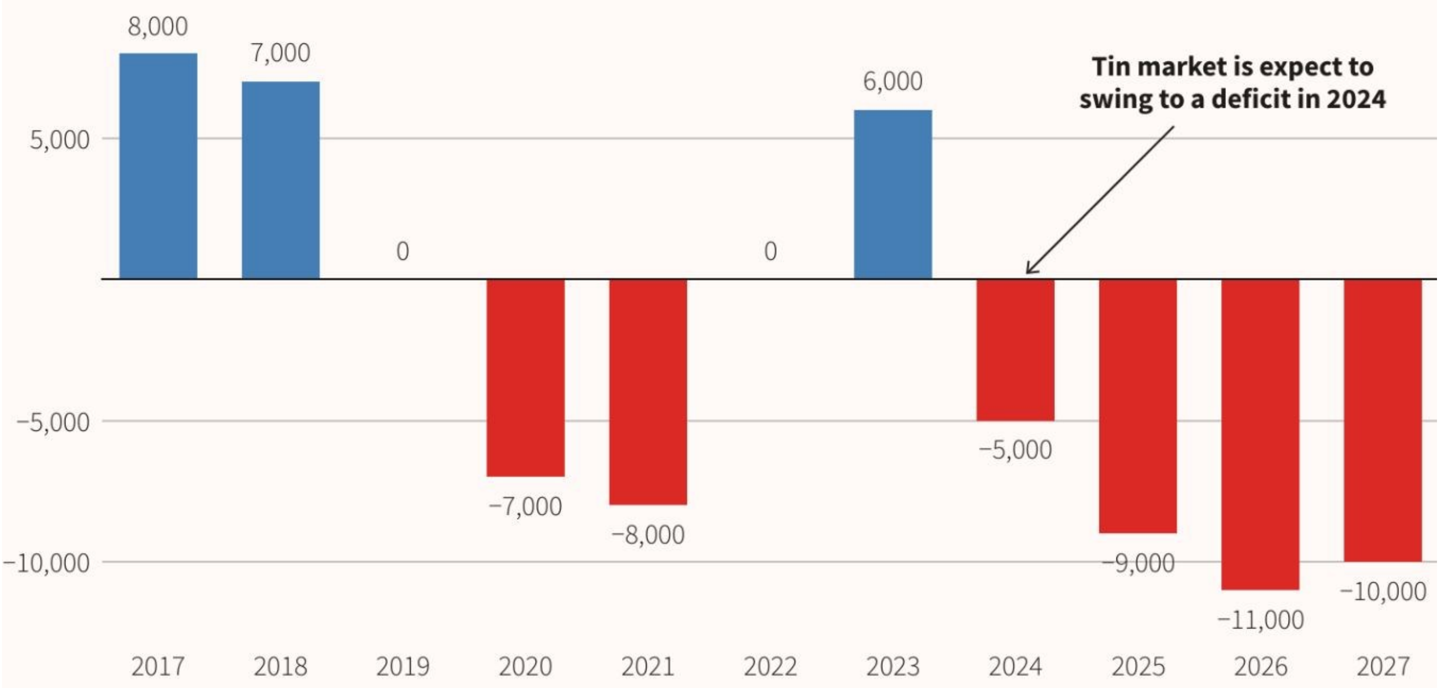
Corn futures prices that approached $6.30 a bushel in June have since tumbled to $4.10, after U.S. farmers ultimately produced record crop yields.

"I wish I sold a lot more," Henebry said.

Chart of the Day

Global tin market expected to see shortfalls in coming years

Growing demand for tin -- mainly used for solder in electronics -- for the energy transition is expected to result in increasing market deficits, according to Macquarie Bank analysts



Note: Metric tons of refined tin

Source: Macquarie Bank research | Reuters, February 2024 | By Eric Onstad

U.S. growers held a whopping 7.83 billion bushels of corn in storage bins on their farms as of Dec. 1, the most ever for that date and up 16% from a nine-year low in December 2022, U.S. government data show. Globally, leftover inventories are projected to reach a five-year high by September after accounting for all the corn used to feed livestock, make biofuels and other purposes.

Henebry said he still has about 40% of his 2023 harvest in storage, including 30,000 bushels on his farm in central Illinois. He is paying 3 to 4 cents per bushel a month to keep another 30,000 bushels at a local grain elevator. In a normal year, he would not have any still stored there, he said.

Before prices plunged last summer, Henebry said he sold some corn for $5.50 to $5.70 per bushel and then for as much as $6.21 per bushel delivered to the grain elevator. He held off on further sales because he was counting on poor weather to reduce production and boost prices.

Prices tumbled, though, and Henebry said he sold corn in December for $4.60 per bushel. He wishes he would have unloaded even more at that price.

Prices will come under renewed pressure as farmers do sell the grain they have in storage, analysts said.

"Any sort of little rally, there's going to be a lot of corn sold," said Henebry.

'I'LL JUST GIVE UP'

Fred Huddlestun, a farmer in Yale, Illinois, said he still had his entire 2023 corn harvest in storage last month: about 39,000 bushels at an elevator and 25,000 bushels at home. Prices never reached targets he set to make sales last year, even as he lowered them.

Huddlestun could have earned roughly $360,000 if he had struck deals to sell 64,000 bushels just after Easter; $382,000 around Father's Day in June; and $307,000 on Halloween, based on Chicago Board of Trade corn futures that represented last autumn's crop. At current prices, his grain is worth about $263,000. Futures and cash prices often differ by a few cents.

"I kept thinking the market would go up," Huddlestun said. "I'll just give up eventually and start selling if nothing happens."

Huddlestun said he should have sold around $5.50 a bushel. Though all operations are different, breakeven prices for corn growers in central Illinois were about $5.27 a bushel in 2023, including costs for land and other expenses, according to University of Illinois estimates.

Farmers have the space to squirrel away crops after increasing their storage capacity by 24% over the last two decades to 13.6 billion bushels. Storing grain gives farmers more control over when and how they sell, to avoid prices that are typically low at harvest time and to best take advantage of spikes in futures. At grain elevators and other commercial handlers, off-farm storage capacity has increased by 40% to 11.9 billion bushels over the past 20 years, according to U.S. government data. High interest rates make storage more costly because farmers' crops are tied up in bins rather than sold to reduce debt, economists said.

In southern Illinois, the second biggest corn-producing state, farmers could actually lose up to $160 an acre growing corn this year, based on corn prices and the cost of production, University of Illinois economists said in a January report. Two years ago, profits reached about $340 an acre.

Such expected losses are rippling through rural America. Net farm income in 2024 is projected to suffer the largest year-to-year dollar decrease in history, the American Farm Bureau Federation, an industry group, said in a report this month.

Deere & Co, the world's largest farm equipment maker, expects sales of large agricultural equipment to decline 20% this year, due to lower commodity prices and high interest rates.

'PLENTY OF CORN'

In Wamego, Kansas, Glenn Brunkow, a fifth-generation crop and livestock farmer, plans to delay upgrades to machinery and may try to repair equipment himself, rather than paying a dealership.

"We're tightening expenses as much as we can," he said. "We're trying to limp through putting off some expansion with the livestock, just trying to limp by."

Early forecasts show U.S. farmers are likely to cut back on corn planting and favor soybeans in 2024. They may struggle to turn a profit with either crop.

Brunkow said he plans to forgo corn planting entirely and grow some sorghum, which requires less fertilizer and has less expensive seeds than corn. Sorghum can be used to make ethanol, feed livestock or be exported to China to make baiju liquor.

Years ago, Brunkow gave up on growing sorghum because it produces lower yields and is difficult to dry at harvest time.

Now, "the economics just are better," he said. "You're going to lose less money."

Analysts do not expect a major bump in demand to draw down corn stockpiles. U.S. exports of agricultural and related products fell 10% by value in 2023 to a three-year low, as plentiful supplies from Brazil and elsewhere challenged U.S. export sales.

Demand from the U.S. meat industry, which feeds corn to livestock, is limited as pig farmers face lackluster pork demand while cattle ranchers slashed their herds due to drought in the Great Plains.

Biofuel demand, which typically accounts for about one-third of U.S. corn production, also worries Rod Weinzierl, executive director of the Illinois Corn Growers Association, as Americans buy more electric vehicles.

"This year every fork in the road has been bearish," said

Matt Wiegand, commodity broker for risk management firm FuturesOne in Nebraska.

Ghana's 2023/24 cocoa output seen almost 40% below target, sources say

Ghana's cocoa output for the 2023/24 season is expected to be almost 40% below a target of 820,000 metric tons, two sources from the country's sector regulator COCOBOD told Reuters.

Strong seasonal winds and a lack of rain are among the main factors behind the shortfall, along with smuggling, damage caused by illegal gold mining, and swollen shoot disease.

"Unfortunately, the cause of the decline is not one that could be remedied immediately through human intervention," the first source told Reuters, adding output for the season was now seen at around 500,000 tons.

In the 2022/23 season, COCOBOD said about 150,000 tons of cocoa was lost to smuggling and illegal gold mining known locally as galamsey. The regulator also said earlier this month that cocoa swollen shoot virus, which causes yields to drop and kills cocoa trees, had wiped off about 500,000 hectares of farmlands.

"Efforts are underway to address the problem. The rehabilitated farms will soon start fruiting, the rains have started and we are seriously collaborating with the security agencies to arrest the smugglers," the first source said.

The second source added that Ghana still had a chance to recover from low production volumes.

COCOBOD was not available for comment.

RECORD-HIGH PRICES

Ghana's production shortfall and similar deficits in Ivory Coast have been fueling historic surges in global cocoa prices, as traders scramble for supplies, predicting ever wider deficits this season and with concerns growing for the next.

On Thursday, London cocoa futures on ICE surged past the psychological 5,000 pound barrier while New York cocoa breached the $6,000 mark. The surge in prices is filtering through to retail shelves, with chocolate makers like Hershey expecting to see a further slowdown in demand for their products from cash conscious customers.

The president of Ghana's cocoa buyers group, Samuel Adimado, said the current output expectation was "shattering" and member firms were rationalising their operations to remain in business. "We've not seen this kind of reduction in recent times. We've seen reduction in activity and downsizing where some staff have been reassigned and contract personnel sent home," Adimado said.

The first source said rising global cocoa prices incentivised smuggling, losses from which could be higher this season.

MARKET MONITOR as of 07:31 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$78.14 / bbl	-0.60%	9.06%
NYMEX RBOB Gasoline	$2.54 / gallon	-0.93%	20.77%
ICE Gas Oil	$841.75 / tonne	0.63%	12.12%
NYMEX Natural Gas	$1.67 / mmBtu	-3.35%	-33.41%
Spot Gold	$2,021.09 / ounce	-0.15%	-2.01%
TRPC coal API 2 / Dec, 24	$91.48 / tonne	2.38%	-5.69%
Carbon ECX EUA	€52.56 / tonne	-0.45%	-34.60%
Dutch gas day-ahead (Pre. close)	€23.38 / Mwh	-1.97%	-26.59%
CBOT Corn	$4.21 / bushel	0.60%	-13.02%
CBOT Wheat	$5.84 / bushel	0.73%	-8.76%
Malaysia Palm Oil (3M)	RM3,832 / tonne	-0.18%	2.98%
Index	**Close 22 Feb**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	315.68	0.05%	4.74%
Rogers International	26.98	0.24%	2.47%
U.S. Stocks - Dow	39,069.11	1.18%	3.66%
U.S. Dollar Index	103.90	-0.06%	2.53%
U.S. Bond Index (DJ)	420.29	0.29%	-2.42%

Top News - Metals

GRAPHIC-Tin's prospects strong as buoyant tech demand meets knotty supply chain

Booming semiconductor and technology sales are set to underpin tin prices in coming months, with export kinks in Indonesia and mine stoppages in Myanmar clouding the outlook for supply.

Benchmark tin on the London Metal Exchange is the second best performing base metal on the exchange so far this year, gaining 2.7% and touching a six-month high of $27,665 a metric ton on Feb. 13.

In contrast, the index of six LME metals has shed 1.9% as investors worried about demand in top metals consumer China, whose economy has been hit by a troubled property sector.

"Tin is in a unique position among the base metals of having limited direct exposure to the property market in China, but high exposure to fast-growing technology-related sectors," said Dan Smith, head of research at Amalgamated Metal Trading.

About half of tin is consumed in the form of solder, with electronics a major consumer, and solar panels and electric vehicles also growth areas.

Global semiconductor sales recovered during the second half of 2023, and surging use in artificial intelligence (AI) and a steady rise in automotive chip demand will help propel a further rebound this year, the Semiconductor Industry Association said. The market is also still facing considerable uncertainty around the outlook for Indonesian supply, Macquarie said in a note.

Tin shipments from the world's largest exporter slumped 99% in January as miners faced delays in getting permits.

Supply from major producer Myanmar is also unclear after authorities in the self-administered Wa region suspended all work at mines in areas it controls in August last year.

They authorised a partial resumption of mining in early January, but "significant obstacles remain", according to the International Tin Association. If those supply issues are resolved, it could remove some support from the market. If they persist, however, it will remain tight.

The global tin market is due to swing to a deficit of 5,000 tons in 2024 from a surplus of 6,000 tons last year, while LME prices are due to average $28,500 in 2024, Macquarie forecasts.

Tin inventories have climbed from low levels on the Shanghai Futures Exchange in 2022 and on the LME in 2023, with the combined levels largely steady in recent months as gains in one offset losses in the other.

Anglo American to review assets after writedowns and profit plunge

Anglo American will review its assets after a 94% plunge in annual profit and writedowns at its diamond and nickel operations, the company said on Thursday.

The miner announced a $1.6 billion impairment charge on its De Beers diamond business owing to faltering demand and a $500 million impairment on its Barro Alto nickel mine as prices are hit by slowing demand from the electric vehicle sector.

"We are now in a process of systematically going through all of our assets in a review just to assess their role in the portfolio, their success in the portfolio, and absolutely nothing is off the table," CEO Duncan Wanblad told reporters.

The review is expected to take about a year, he said.

Anglo's shares were up 3.3% by 1530 GMT.

The London-listed miner's 2023 profit attributable to shareholders fell to $283 million from $4.5 billion a year earlier. The company declared a full-year dividend of $0.96 per share, down from $1.98.

Net debt swelled to $10.6 billion from $6.9 billion, slightly below the $10.93 billion expected by analysts.

Anglo, which also produces copper, platinum group metals (PGMs), iron ore and steelmaking coal, is not new to asset overhauls when commodity markets hit rock bottom.

A decade ago, when its shares dived 75% on investor concerns over spiralling debt, the miner was poised to sell assets and cut jobs until the plans were abandoned thanks to a recovery in metal prices.

Both its South African unit Kumba Iron Ore and Anglo American Platinum this week announced plans to cut more than 4,000 jobs and review agreements with 780 contractors.

PORTFOLIO BURDENS

Wanblad said "the two assets that are dragging the portfolio today are the PGMs and diamonds businesses," adding that more action will be taken if platinum prices continue to decline.

Sales of rough diamonds at the company's De Beers unit fell in 2023 as an economic slowdown curbed appetite for luxury items in major consumers China and the United States.

"Diamond inventories stand at around $2 billion, which is high by the standards of the past decade...It is higher than we want it to be," De Beers CEO Al Cook told Reuters.

"What we'll be doing over the course of the next year is... reducing purchases and production," he said, adding that he expects a gradual pick-up in demand later in the year.

De Beers aims to reduce sustainable overheads by $100 million via job cuts and the sale of non-core parts of the business to improve cashflow.

It has already suspended the Chidliak project and Gahcho Kue underground project in Canada.
"We continue to think that the asset (De Beers) should be disposed - a sale to a luxury business could be sensible, but we remain sceptical as to whether this would be at the $7.6 billion carrying value that Anglo includes in its valuation," Berenberg analysts said.
Anglo had already announced $1.8 billion of spending cuts by 2026 after logging a $1.7 billion writedown on its project to produce fertiliser nutrients in Britain. The company is in talks with potential partners over options including the sale of a stake in the project.

Top News - Carbon & Power

Shell's LNG trading makes $2.4 bln in final 2023 quarter, sources say
Nearly a third of Shell's profit in the fourth quarter of 2023 came from the $2.4 billion it made in trading liquefied natural gas (LNG) as it captured strong demand ahead of winter, three sources close to the company told Reuters.
Shell did not disclose how much it made on LNG trading when it reported fourth quarter net earnings of $7.2 billion on Feb. 1.
The British company rarely gives details of the performance of trading beyond general descriptions. The profit turned on LNG underscores the importance of gas in its portfolio.
Two of the sources said the quarterly profit from LNG trading was among the highest in Shell's history.
A Shell spokesperson declined to comment on the profit figure.
Shell, the world's largest oil and gas trader, has LNG operations worldwide that allow it to benefit from regional shifts in demand and pricing. The strong performance was a result of the opening of trading opportunities, known as arbitrages, between eastern and western markets as the northern hemisphere's winter set in, CEO Wael Sawan said on Feb. 1.
Arbitrage opportunities have narrowed since the start of the year due to a drop in natural gas prices as a result of ample supplies and mild winter conditions, he added.
Shell accounted for nearly 17% of global LNG trading volumes of 404 million metric tons in 2023, according to company data.
Shell's gas trading hasn't always paid off.
Reuters reported in November 2022 that Shell's trading division recorded a loss of nearly $1 billion in the third quarter of the year after traders were caught out by a sharp rally in European gas prices when Russia halted supplies.
Shell has previously said that trading operations are expected to provide a 2% to 4% lift to the company's return on average capital employed, which reached 18.8% in 2023.

DOMINANCE
Shell expects oil, gas and power trading to play a key role as it negotiates the energy transition. Trading can help boost returns from oil and gas and shield the company from fluctuations in commodity prices. Shell's dominant position in the LNG market will be particularly important in the long term,
"Shell has built scale to be able to dominate LNG trading through gas volumes and a large fleet of tankers," said Christyan Malek, global head of energy strategy at J.P. Morgan.
"This scale will also allow Shell to dominate trading in LNG even through a downturn in gas prices."
Malek said Shell would likely continue to hold a dominant position in the LNG market, allowing it to benefit from market dislocations for decades.

Equinor gets key US approval for New York offshore wind farm
U.S. officials on Thursday gave Norway's Equinor approval to start building a massive offshore wind farm off the coast of New York, a positive milestone for a project that has faced soaring costs and does not have a power supply contract.
The plan approved by the U.S. Bureau of Ocean Energy Management includes construction and operation of both the Empire Wind 1 and Empire Wind 2 facilities, which could power more than 700,000 homes annually once built.
"We are ready to get to work," Molly Morris, president of Equinor Renewables Americas, said in a statement.
The offshore wind industry is expected to play a key role in helping the U.S. and states including New York meet their goals to decarbonize the power grid and combat climate change.
Equinor said construction of Empire Wind is on track to start later this year, and the project could start delivering power to New York by 2026.
But first, it must secure a contract. Empire Wind 1 last month submitted a revised bid to supply power to New York state as part of a solicitation that allowed companies to exit old contracts and re-offer at higher prices.
New York is expected to announce contract awards in the coming weeks.
Equinor and others in the industry had sought new contract terms because of rocketing construction costs, higher interest rates and supply chain snags.
Empire Wind 2 is expected to be submitted in a future solicitation, Equinor has said.

Top News - Dry Freight

US reports rare daily export sale of sorghum to China

Chinese importers bought 126,000 metric tons of U.S. sorghum in the first purchase of this size in more than three years, the U.S. Department of Agriculture said in a daily sales announcement on Thursday.

China is the top export market for U.S. sorghum, which can be used to feed livestock, produce ethanol or make baiju liquor. The USDA last confirmed an export sale for the crop in its daily reporting system in November 2020, but has more recently shown sales in weekly reports.

The daily system requires exporters to promptly report sales of 100,000 metric tons or more that are made in one day to a single destination.

Chinese demand for sorghum, also called milo, has been solid lately, said Arlan Suderman, chief commodities economist for brokerage StoneX. Prices are connected to corn, which has dropped to its lowest level in more than three years, he said.

"The price works well into the Chinese market, and it's fitting a niche right now into both feed grain as well as industrial use in China," Suderman said.

The USDA this month raised its estimate for 2023/24 U.S. sorghum exports to 240 million bushels, up 4% from its January forecast and 120% higher than the previous year.

Japan buys 115,921 metric tons of food wheat via tender

Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF) bought a total of 115,921 metric tons of food-quality wheat from the U.S., Canada and Australia in a regular tender that closed on Thursday.

Japan, the world's sixth-biggest wheat importer, keeps a tight grip on imports of its second-most important staple after rice, buying a majority of the grain for milling via tenders typically issued three times a month.

Picture of the Day

Farmer Dan Henebry stands in front of a grain elevator that holds an estimated 4 million bushels in Buffalo, Illinois, U.S., February 18, 2024. REUTERS/Lawrence Bryant

(Inside Commodities is compiled by Rohit James in Bengaluru)

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

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