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

Top News - Oil

US drillers add most oil rigs in a week since November

U.S. energy firms this week added the most oil rigs since November, and the most in a month since October 2022, energy services firm Baker Hughes said in its closely followed report on Friday.
The combined oil and gas rig count, an early indicator of future output, rose by five to 626 in the week to Feb. 23, its highest since August 2023.
Despite this week's rig increase, Baker Hughes said the total count was still down 127, or 17% below this time last year.
Baker Hughes said U.S. oil rigs rose six to 503 this week, while gas rigs fell one to 120, their lowest since Feb. 2.
For the month, the total rig count rose by five, the biggest increase since November 2022, while separately, the oil rig count was up by four and the gas rig count rose one.
The U.S. oil and gas rig count dropped about 20% in 2023 after rising by 33% in 2022 and 67% in 2021, due to a decline in oil and gas prices, higher labor and equipment costs from soaring inflation and as companies focused more on paying down debt and boosting shareholder returns instead of raising output.
U.S. oil futures were up about 7% so far in 2024 after dropping by 11% in 2023. U.S. gas futures, meanwhile, were down more than 35% so far in 2024 after plunging by 44% in 2023.
Some gas producers said they would slash spending and reduce drilling activity following a sharp drop in prices to a 3-1/2-year low in recent weeks. Analysts, however, noted those rig reductions may not show up in the data for a few months.
Despite lower prices, spending and rig counts, U.S. oil and gas output was still on track to hit record highs in 2024 and 2025 due to efficiency gains and as firms complete work on already drilled wells.
The total number of drilled but uncompleted (DUC) wells remaining dropped to a record low of 4,386 in January, according to federal energy data going back to December 2013.

US imposes sanctions on Russia's leading tanker group Sovcomflot

The U.S. has imposed sanctions on Russia's leading tanker group Sovcomflot as Washington seeks to reduce Russia's revenues from oil sales it can use to support the invasion of Ukraine, the Treasury Department said on Friday.
Russia is one of he world's top oil exporters and the sanctions were the latest in an effort by Western countries to add costs on the shipping of its crude oil and oil products while keeping the petroleum flowing to global markets.
The Treasury's Office of Foreign Asset Control also designated 14 crude oil tankers vessels as property in which Sovcomflot has an interest.
OFAC issued general licenses allowing the offloading of crude oil, or other cargoes, from the 14 vessels for 45 days, and allowing transactions with all other Sovcomflot tankers.
"Sovcomflot as a whole, as a parent company, has been implicated in price cap violations in addition to deceptive activity," a senior Treasury official told reporters in a call.
The sanctions freeze any U.S. assets of those targeted and generally bars Americans from dealing with them.
The G7, the EU and Australia imposed a $60 per barrel price cap on Russian oil in late 2022.
It bans the use of Western maritime services such as transport, insurance and financing for shipments of oil priced at or above the cap. "The designations today are basically intended to take some of their vehicles for doing that off the table, which is going to force them to invest more in spending, in creating new avenues for getting that oil out," the Treasury official said.
The Western sanctions and the cap have forced some of Russian oil sales to rely on a so-called shadow fleet of aging tankers that ship consumers like India and China, much further than its traditional consumers in Europe.
Treasury officials say those expenses reduce Moscow's revenues that it can use for war.
The U.S. would not disclose what the specific violations Sovcomflot was accused of, the senior official said.
The official, however, added that the authority used for these sanctions relates to operating in the Russian maritime sector, reflecting the company's work outside the price cap coalition.
Earlier on Friday, Washington imposed wide-ranging sanctions against Russia, targeting more than 500 people and entities to mark the second anniversary of Moscow's invasion of Ukraine and retaliate for the death of Alexei Navalny, the Russian opposition leader.
The Treasury began enforcing the price cap in October, and before Friday had sanctioned 27 tankers for violating the price cap. Many of those tankers have been anchored off ports since being sanctioned, shipping data has shown.
Treasury said that the increased sanctions enforcement in recent months is forcing Russia to sell oil at a steeper discount to the international benchmark Brent crude, limiting Russia's revenue. The discount has widened to about $19 per barrel over the past month compared with $12 to $13 a barrel in October, it said.

Top News - Agriculture

COLUMN: Funds post all-time CBOT corn short and extend record soy selling streak -Braun

U.S. grain and oilseed markets have posted historic declines so far this year with the recovery of global supplies, and prices continued to fall last week even after speculators established their most bearish ever bets in Chicago corn.

In the week ended Feb. 20, money managers increased their net short position in CBOT corn futures and options to a record 340,732 contracts from 314,341 a week earlier. That surpassed the prior all-time net short of 322,215 contracts set in April 2019.

On the flip side, producers', merchants' and other end users' net long in CBOT corn futures and options reached a record 58,342 contracts as of Feb. 20. This group of market participants rarely holds a net long and only do so when speculators are extremely bearish.

The last time money managers held a net long in CBOT corn was in early August, and most-active corn futures have plunged close to 20% since then. The March and May corn contracts had shed between 2% and 3% in the week ended Feb. 20.

Open interest in CBOT corn futures and options as of Feb. 20 was about normal for the date, but the percentage occupied by managed money gross shorts was nearly 25%, tying the April 2019 high.

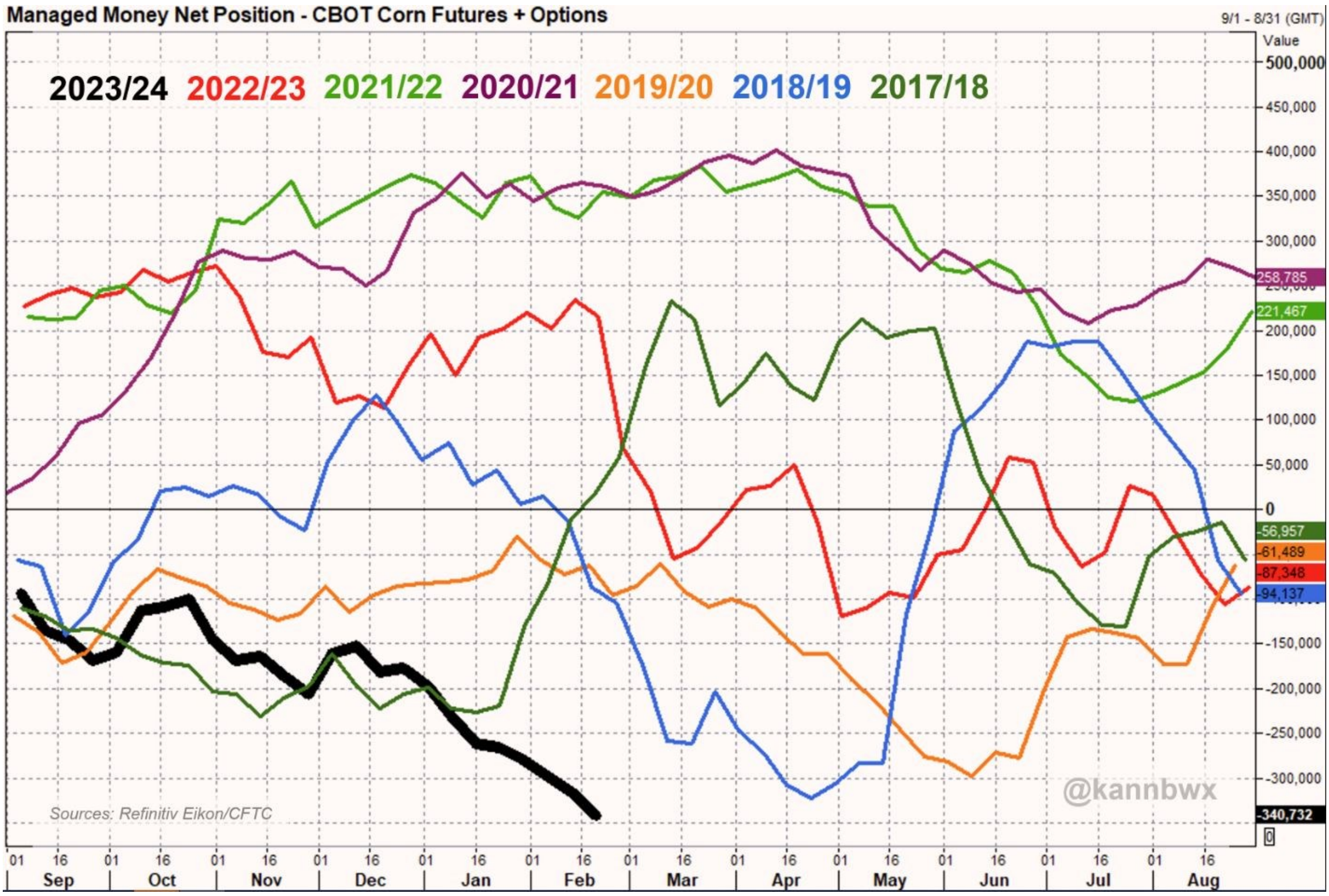
Money managers in the week ended Feb. 20 extended their net short in CBOT soybean futures and options to 136,677 contracts from 134,500 a week earlier, marking their 14th consecutive week as net soybean sellers. Before this, the longest selling streak was 10 weeks.

The new managed money net short in soybeans is the most bearish since May 2019, which is also when the record net short of 168,835 contracts occurred. Funds last held a net long stance in soybeans at the turn of this year, and most-active CBOT futures are down about 13% since.

Before 2019, the record managed money net short in soybeans was 118,863 futures and options contracts set in June 2017, and the biggest net short in corn was 230,556 contracts from November 2017.

Between Wednesday and Friday, March and May corn futures fell another 4.5% and the same months for soybeans eased between 3.5% and 4%. Most-active corn

Chart of the Day



and soybean futures on Friday both hit their lowest levels since late 2020, and front-month corn dropped below $4 per bushel for the first time since November 2020. Lackluster export demand for U.S. soybeans and big corn and soybean crops in South America have been weighing on the market for several weeks now, though the U.S. government's recent projections for substantial domestic supply growth into 2025 offered another blow to prices.

WHEAT AND SOY PRODUCTS
Nearby CBOT corn, soybean, soybean meal and soybean oil futures all hit contract lows on Friday, though wheat's latest lifetime lows were notched last Tuesday. Money managers were net sellers of CBOT wheat futures and options in the week ended Feb. 20, though their resulting net short of 68,524 contracts is well off recent maximums.
In the same week, money managers were substantial sellers of CBOT soybean oil futures and options, expanding their net short to 52,841 contracts from 35,440 a week earlier. That is their most bearish oil stance for the date.
They also continued selling CBOT soybean meal futures and options, raising their net short to 30,684 contracts from 27,592 a week earlier. Funds have been net meal sellers in 12 of the last 13 weeks, and their stance as of Feb. 20 is the date's fourth most bearish after 2020, 2019 and 2016.

Argentina's hoped-for record corn harvest threatened by sliding prices -exchange
A highly anticipated record corn harvest in Argentina could see its benefits curbed by a global decline in prices, the country's Rosario grains exchange said on Friday, in a possible blow to a new government battling the economy's worst crisis in decades.
Corn exports from Argentina, the world's third biggest supplier, are expected to rise 53% compared to last season thanks to ample rainfall favoring the harvest estimated at a record 57 million metric tons.
The South American country exports its corn mostly to buyers in Vietnam, Algeria and South Korea.
Local farmers have benefited from frequent rainfall linked to the weather phenomenon known as El Nino, providing a much-needed respite after the previous season was crippled by a historic drought that saw the country produce just 36 million tons of corn.
External sales value, however, should increase just 20% from last season to some $7.66 billion, the exchange warned.
"This is considerably lower than the volume increase," it said, stressing that the rise is dependent on current prices holding steady.
Falling corn prices could be a blow to the government of libertarian President Javier Milei, who took office in December and is facing an economy with net negative foreign reserves, annual inflation above 200% and a surging poverty rate. The government currently levies a 12% export tax on corn.
According to the exchange, Argentina's main agricultural heartlands received between 20 and 50 millimeters of rain over the last 24 hours, helping sustain the country's corn and soybean crops through their key development stages.
A state weather agency predicted on Wednesday that parts of northeastern Argentina would also see fresh rains from Sunday through early next week. Farmers are set to begin harvesting their corn and soy crops next month.

Top News - Metals

Alcoa aims to take out Australian partner Alumina in $2.2 bln deal
U.S. aluminium producer Alcoa on Monday made a $2.2 billion all-stock buyout proposal for its Australian joint venture partner Alumina, in a deal that would give it greater upstream exposure and simplify its operations.
Alumina's only asset is a 40% stake in the Alcoa World Alumina and Chemicals (AWAC) joint venture, which is controlled by Alcoa and has interests in bauxite mining, alumina refining and aluminium smelting across Australia, Brazil, Spain, Saudi Arabia and Guinea.
Alcoa CEO William Oplinger told analysts the deal would eliminate Alumina's A$12 million ($7.87 million) a year of overhead costs and allow the combined company to tap tax advantages related to holding debt.
The broader global footprint will also allow Alcoa more options for growth, he added.
Under the proposed deal, Alumina shareholders would receive 0.02854 shares of Alcoa common stock for each share held, giving them a 31% stake in the combined company. This would imply a value of A$1.15 per Alumina share, based on Alcoa's closing price as of Friday.
Alumina shares closed 7 Australian cents higher at A$1.09 on Monday. The Melbourne-based company said its board backed the deal in the absence of a superior offer, though it also noted there was no certainty the proposal would be made binding.
Alumina's largest shareholder, investment manager Allan Gray Australia, holds just under a 20% stake in the company, which it said it had agreed to sell to Alcoa.
"To a very large degree it simplifies the corporate structure," portfolio manager Simon Mahwhinny of Allan Gray said of the deal.
Alumina was created from a 2002 de-merger of WMC Ltd's alumina assets and an Alcoa buyout has been viewed as logical by analysts for more than two decades.
AWAC also has a 55% interest in the Portland aluminum smelter in Australia with China's CITIC Resources and Japan's Marubeni.

CITIC Resources and other subsidiaries of its parent CITIC Ltd hold a combined 19% stake in Alumina, according to CITIC Resources' 2023 interim report, making the Chinese group the second-largest shareholder. CITIC did not respond immediately for a request for comment on whether it backed the Alcoa offer.
"We believe this transaction makes strategic sense, but the economic upside to Alcoa is offset by the premium paid," Jefferies analysts in a note on Alcoa.
"We would expect shareholders of both companies to vote for this transaction, although this is not certain as AWC shareholders may be disappointed by the relatively small premium in an all-share deal."
The deal offered a 13% premium to Alumina's last closing price, below more typical takeover premiums of about 30%.
The Alcoa proposal comes at a tough time in the alumina industry due to low prices.
Alcoa said in January it planned to stop production this year at AWAC's loss-making Kwinana alumina refinery in Western Australia due to challenging market conditions and the facility's age.

Zimbabwe wants lithium miners to plan new capacity despite price dive

Zimbabwe wants miners to come forward by the end of March with plans to produce battery-grade lithium, despite a sharp fall in global prices for the mineral, a senior government official said on Friday.
Africa's top lithium producer Zimbabwe in November gave miners the March deadline to submit plans for the local production of battery-grade lithium, used in electric vehicles and clean energy storage, as it hopes to benefit from a global shift from polluting fuels.
The Chinese miners that dominate Zimbabwe's lithium sector produce concentrates that are shipped to China for further processing.
With global supply of the metal outpacing demand from the battery market over the last year, prices have fallen by more than 80%.
In response, many firms have started to cut jobs and curtail output.
In January, the world's top lithium miner Albemarle announced plans to lay off workers and halt expansion. Another U.S. miner, Piedmont Lithium on Feb. 6 said it had laid off 27% of its workforce.
Although some lithium producers in Zimbabwe are reportedly to be struggling for viability at the current price levels, Deputy Mines Minister Polite Kambamura told Reuters the government still wanted miners to put forward firm plans for building processing capacity.
"As government, we are not going backwards on beneficiation. We would like to urge all lithium players to come forward to the ministry with their beneficiation plans," Kambamura said.

MARKET MONITOR as of 07:31 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$76.29 / bbl	-0.26%	6.48%
NYMEX RBOB Gasoline	$2.50 / gallon	-0.34%	18.72%
ICE Gas Oil	$828.25 / tonne	-0.60%	10.32%
NYMEX Natural Gas	$1.67 / mmBtu	4.37%	-33.45%
Spot Gold	$2,034.10 / ounce	-0.08%	-1.38%
TRPC coal API 2 / Dec, 24	$91.48 / tonne	2.38%	-5.69%
Carbon ECX EUA	€52.19 / tonne	-0.06%	-35.06%
Dutch gas day-ahead (Pre. close)	€23.35 / Mwh	-0.13%	-26.69%
CBOT Corn	$4.15 / bushel	0.36%	-14.26%
CBOT Wheat	$5.73 / bushel	0.66%	-10.44%
Malaysia Palm Oil (3M)	RM3,837 / tonne	-0.42%	3.12%
Index	**Close 23 Feb**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	311.94	-1.18%	3.50%
Rogers International	26.74	-0.87%	1.58%
U.S. Stocks - Dow	39,131.53	0.16%	3.83%
U.S. Dollar Index	103.90	-0.04%	2.53%
U.S. Bond Index (DJ)	421.49	0.29%	-2.14%

"We did not say by March they should have set up these plants, we said they should come up with plans," he added.
One of the miners, Zhejiang Huayou Cobalt, has said it would explore local production battery-grade lithium "only when the construction and economic conditions are right".
Huayou says Zimbabwe lacks resources needed to produce battery-grade lithium, including reliable renewable energy, natural gas and sulphuric acid.
Zimbabwe's hard-rock lithium reserves, some of the world's biggest, have attracted over $1 billion of investment from Chinese miners, including Zhejiang Huayou Cobalt, Sinomine Resource Group, Chengxin Lithium Group, Yahua Group and Canmax Technologies.

Top News - Carbon & Power

Qatar plans new gas output boost amid global price collapse

Qatar will raise natural gas production despite a recent steep drop in global prices, in a long-term bet on rising demand for the less polluting fuel in Europe and Asia.
QatarEnergy chief Saad al-Kaabi said on Sunday a new expansion of its liquefied natural gas (LNG) production will add 16 million metric tons per year to its expansion plans, bringing total capacity to 142 million tons per year (tpy).
The Qatari announcement comes as Asian LNG prices have recently collapsed to a nearly three-year low as higher-than-usual temperatures during the Northern Hemisphere winter have slashed demand. LNG is gas that is super-cooled to a liquid, which reduces its volume to allow for transport by ship.
Asian and European gas prices surged to a record in 2022 following Russia's invasion of Ukraine and the subsequent cutoff of Russian gas supplies to Europe.
Amid the price surge, U.S. gas suppliers filled the supply vacuum, establishing themselves as the world's biggest LNG exporter in 2023, surpassing Qatar, though Qatari supplies also helped to replace the volumes.
The Qatari announcement also follows a decision from U.S. President Joe Biden to pause approvals for applications for new LNG export terminals for environmental reviews, prompting warnings from gas importers that the move would compromise future energy security worldwide.
In the announcement, Kaabi said Asian gas markets would continue to grow and Europe would still need more gas for the foreseeable future.
"We still think there's a big future for gas for at least 50 years forward and whenever we can technically do more, we'll do more," he said at a news conference in Doha.
"We see that Europe is going to need gas for a very, very long time. But the growth in Asia is definitely going to be bigger than the growth in Europe, basically driven by population growth."
With this added boost, output from Qatar's North Field will rise from 77 million tpy of LNG currently to 142 million tpy by 2030, an 85% increase in production.
Even as prices have dropped, major gas producers such as the U.S., Australia and Russia are seeking to increase output, betting on further demand growth and to profit from their gas supplies amid worries that it might not be needed decades from now if the energy transition makes green energy cheaper.
This latest expansion may not be the last for Qatar as Kaabi said appraisals of its gas reservoirs would continue and production would be further expanded if there is a market need.

BEARISH CYCLE

Analysts at Goldman Sachs said in a note on Sunday the Qatari expansion will extend the "bearish cycle" they see for LNG markets for the second half of this decade. New global capacity expected to come by the end of the decade is equal to half of the global LNG supply in 2023, they said.
The "oversupply will in our view lead to increasing risks, especially from 2026, when we expect the Qatari expansion to start to come online, that global gas prices decline to supply cash costs, potentially leading to the cancellation of U.S. LNG exports, much like in 2020," they said.
But, they said, Qatar benefits from the expansion announcement since it is a low-cost LNG supplier and it adds to the image of Qatar as a dependable supplier, especially after the U.S. pause was announced.
State-owned QatarEnergy has already signed some supply deals with European and Asian partners for the North Field expansion project, which was expected - prior to Sunday's announcement - to begin producing 126 million tpy of LNG per annum by 2027, from the current 77 million tpy.
Exploration activities in the west of the North Field prompted the company's decision to expand further.
Kaabi did not give a cost for the project but said it would be in the billions of dollars.
"We will start preliminary engineering studies for the project and then at the right time we will announce how much is the cost when the project is settled." In December, Kaabi told Reuters that QatarEnergy had been drilling wells to assess expansion opportunities beyond the North Field East and North Field South phases.
This latest expansion will require the construction of two LNG trains, in addition to six already underway for the earlier expansions. On partnerships for the new trains, Kaabi said QatarEnergy will go ahead and begin the engineering phase of this project on its own without

seeking partners and then take a decision on partnerships later.
The North Field is part of the world's largest gas field which Qatar shares with Iran, which calls its share South Pars.

At Saudi Aramco's Jafurah field, another 15 trln standard cubic feet of gas reserves proven
An additional 15 trillion standard cubic feet of gas have been proven at Saudi state oil company Aramco's Jafurah field, Energy Minister Prince Abdulaziz bin Salman said on Sunday.
Reserves at Jafurah have reached 229 trillion cubic feet of gas and 75 billion barrels of condensates, Prince Abdulaziz said in a statement on state news agency SPA.Saudi Arabia is working on developing its unconventional gas reserves, which require advanced extraction methods such as those used in the shale gas industry.
Jafurah is the kingdom's largest unconventional non-oil associated gas field and it is potentially the biggest shale gas development outside of the United States.
In 2020, the Jafurah field was estimated to require investments of $110 billion.
Saudi Aramco expects output to reach 420 million cubic feet per day of ethane by 2030, it said on its website.
The Jafurah field would produce some 630,000 barrels per day of gas liquids and condensates by 2030, it said.

Top News - Dry Freight

Brazil to export soybeans to the US, shipping data shows
At least three U.S.-bound cargo ships are preparing to load with soybeans at two ports in Northern Brazil in the first such bulk shipments since last summer, according to shipping lineup data seen by Reuters.
The unusual shipments from Brazil, the top global soy supplier, to the United States, the No. 2 exporter, are expected to arrive by early spring, several weeks earlier than past Brazil-to-U.S. shipments as current prices for importing beans from the South American nation are considerably lower, analysts said.
Although U.S. farmers harvested a sizable crop last autumn, Brazilian farmers gathered a record crop last year and are currently harvesting what is projected to be their second-largest crop on record.
"As Brazil has very low prices, we have a difference of around $50 per ton between FOB (free on board) port prices here and there in the USA. This more than covers the logistical cost of getting Brazilian soy into the U.S.," said Daniele Siqueira, analyst with AgRural.
Brazilian soy exports to the United States soared to around 420,000 tons in 2023, up from only about 4,000 tons the previous year, according to Brazil's Agriculture Ministry.
Shipments scheduled for 2024 already total more than 100,000 tons, according to maritime agencies.
The vessel Yasa Mimosa is at anchor near Santarem port and the vessel UBC Tilbury is anchored near Itacoatiara port, each waiting to load with around 35,000 metric tons of soybeans bound for the United States, according to data from shipping agency Cargonave. A third vessel, the Kian, is scheduled to arrive at Itacoatiara next week for loading with around 34,000 tons of soybeans, shipping lineup showed.
The charterer of all three vessels was livestock and poultry producer Perdue Farms, which operates a port terminal and crushing facilities on the U.S. East Coast. A Perdue Farms spokesman declined to comment on the shipments.
Benchmark Chicago Board of Trade soybean futures posted their 10th straight weekly decline and fell on Friday to the lowest point in more than three years on the news.

Brazil's Paranagua port resumes operations after berths shut by fire
An important export terminal for agricultural commodities at the Paranagua port in southern Brazil resumed operations on Saturday after three of its berths were temporarily halted due to a fire earlier this week.
The local port authority said in a statement that operations at Paranagua's Export Corridor were resumed at 1600 GMT, with berths 212 and 213 performing export operations and berth 214 an import operation.
Maintenance was being carried out on the affected equipment, which are expected to also fully resume operations in the coming days, the port authority said. "All berths are operational," it added. "The causes of the fire will be investigated by authorities."

Picture of the Day

People standing next to cows, as farmers protest inside the Porte de Versailles exhibition centre, on the day of French President Emmanuel Macron's visit to the International Agriculture Fair (Salon International de l'Agriculture) during its inauguration, in Paris, France, February 24, 2024. REUTERS/Stephanie Lecocq

(Inside Commodities is compiled by Rohit James in Bengaluru)

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