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Top News - Oil

IEA raises oil demand outlook again but still lags OPEC

The International Energy Agency on Thursday raised its view on 2024 oil demand growth for a fourth time since November as Houthi attacks disrupt Red Sea shipping, though it remains far less bullish than producer group OPEC.
The Organization of the Petroleum-Exporting Countries (OPEC) and the IEA, which represents industrialised countries, have clashed in recent years over issues such as the long-term oil demand outlook and the need for investment in new supply.
World oil demand will rise by 1.3 million bpd in 2024, the IEA said in its latest report, up 110,000 bpd from last month. It forecast a slight supply deficit this year after OPEC+ members extended cuts, from a surplus previously.
Brent crude oil rose as much as 80 cents a barrel towards $85 after the IEA report was released, touching its highest since November.
"Quite a bullish report, with upward revisions on demand growth, and lower supply growth estimates," said UBS analyst Giovanni Staunovo.
The IEA had initially forecast 2024 demand growth of 860,000 bpd in June 2023. Demand rose by 2.3 million bpd last year.
"The slowdown in growth, already apparent in recent data, means that oil consumption reverts towards its historical trend after several years of volatility from the post-pandemic rebound," the IEA said.
OPEC on Tuesday kept its demand growth forecast unchanged at 2.25 million bpd, meaning the views of OPEC and IEA remain nearly 1 million bpd apart, representing almost 1% of daily world demand.
Dovish signals from central banks indicated a path out of economic doldrums, the IEA said, but subdued economic data in China remains a concern.
Disruptions to shipping in the Red Sea region have forced more trade on to the longer route around the Cape of Good Hope, pushing up the number of barrels at sea to nearly 1.9 billion as of the end of February, the IEA said.
Longer routes boosted fuel demand and the loading of ships with fuel, or bunkering, in Singapore reached all-time highs.

ECONOMIC HEADWINDS
The IEA still thinks the cloudy economic outlook will weigh on demand, the agency noted, even as the challenges to shipping provide a short-term boost.
Growth will continue to be heavily skewed towards non-OECD countries, even as China's dominance gradually fades, the IEA said. It expects China's demand growth to slow to 620,000 bpd from 1.7 million bpd in 2023.
On the supply side, the IEA said growth from non-OPEC+ countries would continue to significantly eclipse oil demand expansion in 2024, although extended cuts by some OPEC+ members had tightened the balance.
Some OPEC+ members earlier this month extended voluntary cuts made in the first quarter until the end of June. The IEA said it was treating those cuts as being in place for the whole year, unwinding them only once OPEC+ confirms the move.
"On that basis, our balance for the year shifts from a surplus to a slight deficit, but oil tanks may get some relief as the massive volumes of oil on water reach their final destination," the agency said.

Non-OPEC+ to lead 2024 oil production growth, offsetting output cuts - EIA

Near-term global oil and liquids production growth will be driven primarily by the U.S., Guyana, Canada, and Brazil, offsetting voluntary production cuts by OPEC+, the U.S. Energy Information Agency (EIA) forecast on Thursday.
The boost to supply comes as the Organization of the Petroleum Exporting Countries and allies, known as OPEC+, this month agreed to extend voluntary output cuts of 2.2 million barrels per day in a bid to boost prices.

WHY IT'S IMPORTANT
Growth from non-OPEC+ producers could undermine efforts by OPEC+ to support the market amid concerns about global demand growth and increased supplies. The U.S. , Canada, Brazil and Guyana account for more than 80% of global supply growth in the EIA's current forecast.

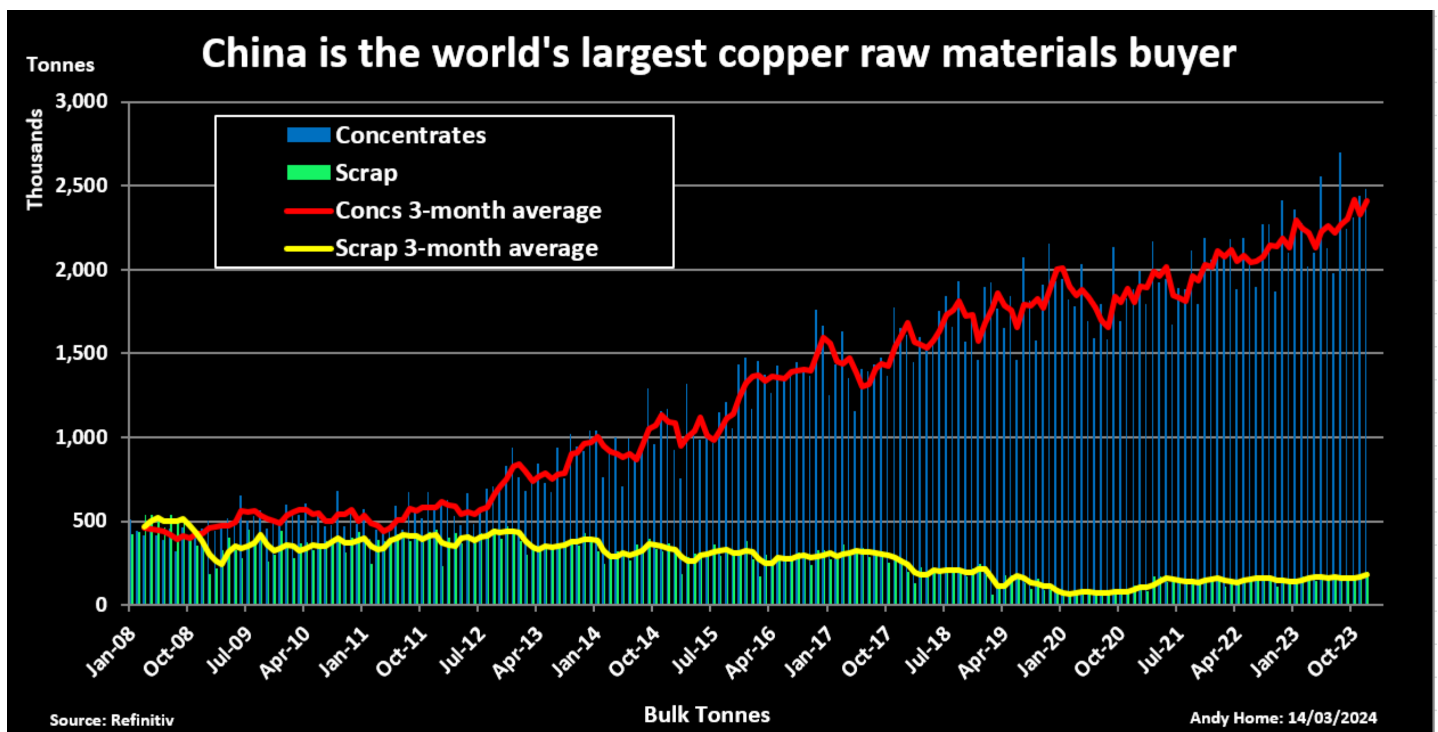
BY THE NUMBERS
OPEC+ petroleum liquids production will fall by 1 million barrels per day (bpd) in 2024, while non-members' supply will grow 1.4 million bpd, led by the U.S., the EIA said.
In 2025, OPEC+ petroleum liquids production will climb by 900,000 bpd as production cuts expire, while non-OPEC+ output will grow by a further 1.1 million bpd, according to the EIA.
Global petroleum and liquids supply was 101.8 million bpd in 2023, and is expected to increase by 400,000 bpd in 2024 and 2 million bpd in 2025, the EIA said.
U.S. oil production hit 13.3 million barrels per day in 2023, and is expected to grow by 400,000 bpd in 2024 and 800,000 bpd in 2025.

Top News - Agriculture

IGC sees record global grains crop in 2024/25
The International Grains Council (IGC) on Thursday forecast a record global grain crop in the 2024/25 season, reinforcing concerns about a global glut.
The inter-governmental body, issuing its first full set of supply and demand projections for the 2024/25 season, saw global grains production rising to a record 2.332 billion metric tons from the prior season's 2.304 billion.
Global grains consumption was seen rising to 2.331 billion from the prior season's 2.306 billion, while stocks at the end of the season were seen at 601 million tons, up from 599 million a year earlier.
"Led by gains in feed uptake, consumption is assumed higher, also at a fresh peak. Although the outlook is finely balanced, ending stocks are tentatively seen edging upwards," the IGC said in a monthly report.
The IGC saw global corn (maize) production rising to 1.233 billion metric tons in 2024/25, up from the prior season's 1.227 billion, with larger crops in Brazil (121.5 million vs 115.4 million) and China (291 million vs 288.8 million) partially offset by a decline in the U.S. (382 million vs 389.7 million).
Global wheat production in 2024/25 was forecast to rise to 799 million tons from 789 million in 2023/24, with larger crops seen in Australia (30.1 million vs 26 million) and Argentina (18 million vs 15.9 million).
Prices of grains such as wheat and corn have been falling during the last few months with supplies becoming increasingly abundant, helping to drive down global food prices.
The drop in prices has helped trigger a wave of farmer protests, particularly in Europe.
The IGC also forecast that global soybean production would rise in 2024/25 to 413 million tons, up from 390 million in the prior season.
"Tentative (soybean) projections for 2024/25 point to a larger global harvest, with record utilisation and further inventory accumulation anticipated," the IGC said.

Soil moisture for Argentina's soybean crop improves after rains
The percentage of Argentine soybean plantings with optimal-to-excellent soil moisture grew to 77% in the last week, boosted by recent rains, the Buenos Aires Grains Exchange said on Thursday.
Argentina is one of the world's top exporters of processed soybeans, and the exchange estimates the 2023/24 harvest at 52.5 million metric tons.
In the nation's main growing region, "nine out of every 10 hectares are in normal-to-excellent crop condition," according to the exchange. It added that 69% of the late-planted soy crop had adequate moisture conditions while it was in a key development stage.
However, a specialist noted earlier this week that if the intense rains keep up, the soy harvest could be delayed with some output lost.

Chart of the Day



The grains exchange also said that the 2023/24 corn crop was seeing an increase in the presence of maize leafhoppers, an insect which carries the harmful spiroplasma disease.
"An increase in the presence of leafhoppers in plots with late-planted corn is reported, with significant damage in the center of Santa Fe (province), the northern part of the northern growing region and west of Entre Rios (province), areas that in previous years had not been affected," the exchange said. The exchange held its estimate for the corn harvest at 56.5 million tons, but said it was evaluating damages caused by the pest.

Top News - Metals

EXCLUSIVE-Indian banks halt silver imports as duty differential spurs private trade
India's banks have stopped silver imports after private traders bought large volumes of the precious metal from the United Arab Emirates to benefit from a lower duty, a total of five dealers and industry officials said.
India, the world's biggest silver consumer, imposes a 15% import duty on the metal.
But the Comprehensive Economic Partnership Agreement, signed between India and the United Arab Emirates (UAE) in 2022, allows private traders to import silver through the India International Bullion Exchange (IIBX) at a 9% duty, and an extra 3% tax for value addition.
IIBX, India's first international bullion exchange was set up in 2022, and by mid-December, the government had issued clearance that allowed dealers to trade silver.
Volumes have steadily grown and traders have imported 827 metric tons of silver via the IIBX platform so far this year, said a senior IIBX official.
Like the other sources, he declined to be named as he is not authorised to talk to the media.
IIBX did not respond to a Reuters email seeking comment.
In 2023, India imported 3,625 tons of silver.
The lower import tax has enabled traders to offer silver imported via IIBX at a discount of around 2%, a Mumbai-based bullion dealer with a private bank said.
Silver imported via the IIBX platform has traded at discounts to the domestic benchmark price of around 1,700 Indian rupees per kilogram in recent weeks, another bullion dealer said.
On the international market, silver is trading close to $25 per ounce, around its highest this year, largely tracking gold and influenced by movements in the dollar.
Banks are unable to offer discounts because they need to pay a 15% import tax on silver.
Banks' inability to offer discounts has led to a sharp drop in demand, prompting them to stop importing silver, both dealers said.
Most banks have turned their focus to gold rather than silver, they said.
None of the main banks approached by Reuters had any public comment.
The government provided concessions on imports to make the newly launched IIBX viable.
But, this practice has raised concerns about potential trade distortions and a loss of import duty revenue for the government, said a senior industry official.
In the last two months, the UAE has become the primary source of silver imports, he said.
India also imports silver from Britain, China, Russia and Switzerland.

COLUMN-Raw materials squeeze jolts copper out of its torpor: Andy Home
The copper market has awoken from its year-long slumber. London Metal Exchange (LME) copper surged by 3.1% on Wednesday, breaking out of its long-standing range.
The move extended on Thursday morning to an eleven-month high of $8,976.50 per metric ton.
The trigger for the price break-out is news that China's copper smelters have agreed to curb output in response to a much tighter-than-expected raw materials market.
Spot treatment charges, which are the fees smelters earn for converting mined concentrates into metal, have collapsed in recent weeks as too many buyers chase too little material.
As the world's largest buyer of concentrates, China is particularly exposed to the resulting squeeze on smelter margins.
China's collective reaction has turned the market's attention from weak global demand to copper's stressed supply dynamics.
But to what extent it translates into less refined metal supply remains to be seen.

CONCENTRATES SQUEEZE
Smelter treatment charges say a lot about what's happening in the upstream segment of copper's supply chain and right now they're flashing red warning lights.
Spot charges in China tumbled to $11.20 per ton last week, a near 76% drop in just two months and the lowest level since 2013, according to price reporting agency Fastmarkets.
The implosion in processing fees speaks to an acute shortfall of concentrates in the spot market.
The unexpected closure of First Quantum's Cobre Panama mine at the end of last year has blown a 350,000-ton hole in China's copper supply chain.

Some Chinese producers are insulated by annual supply deals, which were priced at a benchmark treatment charge of $80 per ton for this year's shipments.
Others, particularly newer operators, are more dependent on spot supply and have evidently been scrambling to buy replacement tonnage, chasing treatment charges down to unprofitable levels.
In January China's Nonferrous Metals Industry Association (CNIA) advised the country's copper smelters they needed "to bring maintenance ahead of schedule or extend the maintenance time, to cut production and to postpone the commencement of new projects."
Which is what they agreed to do this week at a well-flagged meeting to discuss the unfolding crisis.
The collective commitment to curb output is intended to safeguard the "healthy development of (the) global copper smelting industry", according to state research company Antaike.

TOO MANY SMELTERS

There are no quotas for production cuts among the 19 Chinese operators at this week's rare meeting. Rather, each producer will make their own assessment of what needs to be done.
In some cases the action has already likely been taken with maintenance downtime brought forward and unprofitable lines shuttered.
An average 11.5% of global smelting capacity was off-line in the first two months of this year, according to Earth-i, which uses satellite imagery to monitor plant activity rates.
This is up from 8.6% last year and 8.0% in January-February 2022.
Tellingly, inactive capacity in top producer China averaged 8.3% this year, up from 4.8% last year, a much sharper jump than in the rest of the world.
Some Chinese producers, it seems, either voluntarily heeded the CNIA's January call for sector restraint or were forced to by market reality.
Moreover, any promised curbs to output must be seen in the context of China's rapid build-out of copper smelting capacity.
Treatment charges reflect not just the state of mine supply but also the volume of smelter demand.
China started up 780,000 tons of annual smelter capacity last year with another net 150,000 tons due this year, according to analysts at Macquarie Bank. ("Commodities Comment," Jan. 16, 2024)
Macquarie estimates another two million tonnes of new or expanded capacity is also due to ramp up outside of China this year, increasing the pressure on concentrates availability.
Freeport McMoRan's new Indonesian smelter, for example, will at full capacity soak up 1.7 million tons of concentrates, material that until now has been available for export. The dramatic collapse in processing fees is as

MARKET MONITOR as of 07:33 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$80.93 / bbl	-0.41%	12.95%
NYMEX RBOB Gasoline	$2.68 / gallon	-0.46%	27.25%
ICE Gas Oil	$829.25 / tonne	-0.18%	10.46%
NYMEX Natural Gas	$1.75 / mmBtu	0.75%	-30.23%
Spot Gold	$2,167.40 / ounce	0.30%	5.08%
TRPC coal API 2 / Dec, 24	$108 / tonne	2.13%	11.34%
Carbon ECX EUA	€58.96 / tonne	0.87%	-26.64%
Dutch gas day-ahead (Pre. close)	€25.40 / Mwh	2.50%	-20.25%
CBOT Corn	$4.48 / bushel	3.34%	-7.39%
CBOT Wheat	$5.49 / bushel	3.15%	-14.15%
Malaysia Palm Oil (3M)	RM4,278 / tonne	-0.40%	14.97%
Index	**Close 14 Mar**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	326.86	0.68%	8.45%
Rogers International	27.58	0.82%	4.77%
U.S. Stocks - Dow	38,905.66	-0.35%	3.23%
U.S. Dollar Index	103.40	0.04%	2.04%
U.S. Bond Index (DJ)	426.37	-0.71%	-1.01%

much a function of this new call on raw materials as it is of mine supply problems.

SENTIMENT SHIFTS

China's production restraint may slow but is unlikely to reverse the country's recent rapid output growth.

The country's production of refined copper jumped by an eye-watering 13.5% year-on-year to 12.99 million tons in 2023, according to the National Bureau of Statistics.

And while analysts have adjusted their market balance estimates to factor in recent mine losses, most still think the refined market will be in supply surplus this year, albeit to a smaller extent than previously thought.

But market sentiment has palpably shifted.

The weak state of global manufacturing activity, not least in China, has kept copper locked in a sideways trading range for much of the last year. Macro drivers, particularly interest rate expectations, have dominated the choppy price action. The concentrates squeeze has refocused attention on copper's micro dynamics of stretched supply and chronic under-investment in new mines. Copper's bull narrative has just been reactivated, even if China's collective commitment to curb output may promise more than it delivers.

The opinions expressed here are those of the author, a columnist for Reuters.

Top News - Carbon & Power

Shell weakens climate targets with growing bet on gas

Shell weakened a 2030 carbon reduction target and scrapped a "perilous" 2035 objective, citing expectations for strong gas demand and uncertainty in the energy transition even as it affirmed a plan to cut emissions to net zero by 2050.

Shell's retreat follows a similar move by rival BP last year as many governments around the world slowed down the roll out of climate policies and delayed targets amid soaring energy costs and supply concerns.

Oil majors have also come under increased investor pressure to focus on the most profitable businesses after reporting bumper profits in recent years while returns from renewables slumped.

The changes to Shell's targets are a central pillar in CEO Wael Sawan's strategy revamp to focus on higher-margin projects, steady oil output and growth in production of natural gas in order to boost returns.

In an annual update on its energy transition strategy on Thursday, Shell said it will target a 15-20% reduction in net carbon intensity of its energy products by 2030 compared with 2016 intensity levels. It had previously aimed for a 20% cut.

Measuring emissions from burning fossil fuels by intensity rather than in absolute terms means a company can technically increase its fossil fuel output and overall emissions while using offsets or adding renewable energy or biofuels to its product mix.

Shell, the world's largest liquefied natural gas (LNG) trader, said that it believed gas and LNG will play a critical role in the energy transition by replacing more polluting carbon in power plants.

At the same time, it expects its power sales, which include renewable power, to be lower than previously forecast.

The company retired a previous target to reduce its carbon intensity by 45% by 2035.

Sawan told Reuters that it was "perilous" for Shell to set 2035 emission reduction targets because "there is too much uncertainty at the moment in the energy transition trajector".

"We are trying to focus our company, our organization, and our shareholders on a waypoint that's much clearer... which is 2030," Sawan said.

Shell also introduced a new "ambition" to cut overall emissions from oil products such as gasoline and jet fuel sold to customers by 15-20% by 2030 compared with 2021.

End-user emissions, referred to as Scope 3, account for about 95% of the company's greenhouse gas pollution.

Shell also maintained its target to halve emissions from its own operations, known as Scope 1 and 2 emissions, by 2030, saying it had already achieved more than 60% of that target.

'BACKTRACK'

Mark van Baal, founder of activist shareholder group Follow This which co-filed a climate resolution at Shell's upcoming annual general meeting, said that "with this backtrack, Shell bets on the failure of the Paris Climate Agreement which requires almost halving emissions this decade".

Shell also faces legal challenges over its climate strategy and is appealing against a landmark Dutch court ruling that ordered it to cut its emissions faster.

As part of the strategy, Shell has started company-wide staff reductions, including in its low-carbon solutions division, in a drive to save up to $3 billion.

It has also sold its European power trading business, exited offshore wind and low-carbon projects, put U.S. solar assets on sale and placed its giant refining and petrochemical complex in Singapore under review.

It has also announced plans to shut down a refinery in Germany and to exit Nigeria's troubled onshore oil operations. The company reported a net profit of $28 billion in 2023 on the back of strong liquefied natural gas

and oil sales, which were still down 30% from the previous year's record earnings.

COLUMN-Brazil diversifies clean power sources away from hydro: Maguire

Brazil's electricity producers have reduced their reliance on the country's mammoth system of hydro dams by sharply increasing output from solar and wind farms since 2018, data from energy think tank Ember shows.

The share of electricity generated by hydro sources has dropped from 74% in 2018 to 67% in 2023, while solar and wind sites have increased their combined share of Brazil's electricity generation pie from 9% to 22% over the same period.

Power firms have also sharply cut use of coal and natural gas-fired power plants for electricity since 2018, driving the share of fossil fuels in Brazil's electricity generation mix to a record low 7.6% last year.

As output from both hydro and renewables facilities hit new highs in 2023, Brazil's power producers were also able to expand total clean electricity generation a record last year - cementing the country's status as a global clean power leader.

HYDRO FOUNDATION

Despite the steady decline in overall power share, hydro dams remain the pillar of Brazil's electricity system.

For the opening two months of 2024, hydro dams accounted for roughly 71% of total electricity output.

That share is down from 74% at the start of 2023, but hydro is clearly the main engine of the country's power sector.

However, power producers have aggressively expanded the footprint of other clean generation sources, with combined generation capacity from solar and wind farms expanding by 180% from 2018 to 2022.

That renewables expansion compared with 5.1% growth in hydro capacity over the same period, and revealed a clear push by Brazilian power firms to diversify the country's power source base.

Utilities also expanded generation capacity from coal and natural gas plants from 2018 to 2022 (by 12.4% and 36.5% respectively).

But with total fossil fuel generation capacity under 15% of the total, it is clear that Brazilian power firms remain overwhelmingly focused on using clean sources of power to provide the majority of the country's electricity.

GROWTH PATH

Brazilian utilities have plans for the further expansion of clean generation sources, with 10.8 gigawatts (GW) of solar capacity, 4.9 GW of wind capacity, 1.15 GW of biomass capacity and 1.5 GW of hydro capacity slotted for addition in 2024, according to Brazil's power regulator Aneel.

Some of those project plans have encountered delays so far this year due to a mix of construction, legal and permitting issues, as well as wrangling over power purchase agreements, Aneel has reported.

But given the strong backing by the central government for further expansions to clean power, and the heavy investment from private and public firms in accelerating the build out of Brazil's power grids, it is likely that total growth in Brazilian clean power output will continue in 2024 and beyond. And with renewable capacity growth set to sharply exceed that of all other forms of electricity generation, the country's power system looks set to become both cleaner and more resilient as that capacity comes online - ensuring Brazil will remain a stand out clean energy powerhouse.

The opinions expressed here are those of the author, a columnist for Reuters.

Top News - Dry Freight

Brazil eyes exports via China-controlled Chancay port, Peruvian minister says

Brazil is interested in exporting soy, corn and other products through Peru's China-controlled Chancay port, Peruvian Economy Minister Jose Arista said on Thursday, according to state news agency Andina.

Brazilian Planning Minister Simone Tebet visited the port, still under construction, earlier this week and spoke with Arista about the possibility of using it as an export route, Andina reported.

It would offer Brazilian exporters the opportunity to send goods by truck to the Peruvian port for shipping to Asia via the Pacific Ocean, cutting the transit time by about two weeks.

Shipping from the port provides an alternative to the Panama Canal, where ships have encountered delays and logjams due to the impact of dry weather conditions on the canal's water levels.

The Peruvian terminal, the first under Beijing's control in South America, will also serve as a crucial gateway for China to the region.

Arista said Tebet plans to speak with Brazilian President Luiz Inacio Lula da Silva about the port's potential for Brazil and hopes to arrange a visit by Lula to meet with Peruvian President Dina Boluarte about enabling integration between the two countries through the port.

Brazil's agriculture and planning ministries did not immediately respond to requests for comment.

Brazil's planning ministry said on Monday in a statement before Tebet's visit that the Chancay port is part of a program its government has been developing to improve logistics integration with countries from South America.

The port terminal, costing an initial $1.3 billion, is 70% completed, Andina reported. Majority owner Cosco Shipping Ports has said the port is set to open at the end of this year.
The port will open with four docks but could expand to up to 15, Andina said.
Arista on Thursday confirmed the government in Lima is looking to create a special economic zone in the north of the capital to develop Chancay, in addition to creating a customs headquarters at the port.

Japan buys 114,305 metric tons of food-quality wheat via tender

Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF) bought a total of 114,305 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

A girl feeds an elephant during Thailand's National Elephant Day celebration in the ancient city of Ayutthaya, Thailand, March 13. REUTERS/Chalinee Thirasupa

(Inside Commodities is compiled by Nachiket Tekawade in Bengaluru)

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

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