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Top News - Oil

US crude inventories rise unexpectedly to 22-mth high, fuel stocks fall -EIA

U.S. crude oil stockpiles rose unexpectedly last week to their highest in nearly two years, while gasoline and distillate inventories fell, the Energy Information Administration said on Wednesday. Crude inventories rose by 1.1 million barrels in the week to March 17 to 481.2 million barrels, their highest since May 2021. Analysts in a Reuters poll had expected a 1.6 million-barrel drop.

Oil inventories have mostly built since mid-December, the data showed.

The build "is obviously a concern for the bulls here," said Bob Yawger, director of energy futures at Mizuho. "We just have a lot of crude oil in storage and it's not going to go away anytime soon as it looks like we keep on posting builds."

Oil futures turned positive after the data and were last up about 0.8% with Brent crude futures at $75.93 a barrel and U.S. crude futures at $70.25.

Inventories on the East Coast, however, fell to 6.53 million barrels, the lowest on record, even as refinery utilization in the region fell to the lowest since February 2021, the data showed.

Crude stocks at the Cushing, Oklahoma, delivery hub fell by 1.1 million barrels last week, the EIA said.

Refinery crude runs fell by 22,000 barrels per day (bpd) and refinery utilization rates rose by 0.4 percentage point in the week.

Gasoline stocks fell by 6.4 million barrels to 229.6 million barrels, the EIA said, compared with analysts' expectations for a 1.7 million-barrel drop.

Distillate stockpiles, which include diesel and heating oil, fell by 3.3 million barrels in the week to 116.4 million barrels, versus expectations for a 1.5 million-barrel drop, the data showed.

Net U.S. crude imports rose last week by 51,000 bpd, the EIA said.

EIA'S ADJUSTMENT CONUNDRUM

The EIA said it would change calculations and surveys around its weekly oil inventory data to combat recently high adjustment figures.

The administration posted a nearly 2 million bpd crude oil adjustment in Wednesday's data. In late February, that figure had soared to 2.27 million bpd, the highest adjustment on record.

The EIA stated earlier this month that crude oil blending and under-reported oil output were key reasons for the high adjustment numbers.

The administration estimates the crude oil adjustments in 2022 could have been 500,000 bpd less than reported, it said on Wednesday.

To address overstated crude oil disposition, the EIA will introduce a new column into its supply and disposition tables called Transfers to Crude Oil Supply, it said, adding it hopes to make this change around August.

The administration will also make changes to its surveys to address understated crude oil supply. It is developing additional questions to add to its survey forms and plans to publish a new product code on a natural gas plant processing survey early in 2024.

Brent plunge fails to displace Russian crude for Asian buyers

A plunge in Brent crude prices has narrowed the spread between Atlantic Basin and Middle East benchmarks but has failed to spur interest from Asian refiners, which are instead buying up discounted Russian oil, leaving an overhang in African supply. Global oil benchmark Brent tumbled more than 10% over the past two weeks, touching a 15-month-low of $70.12 a barrel on Monday, as investors have fretted over banking sector turmoil in the U.S. and Europe and as strikes in France have dented oil demand.

Middle East crude prices in Asia appear to be resilient as the market bets on robust demand from China, which is rebounding from zero-COVID restrictions that formerly squeezed its economy.

The Brent-Dubai Exchange for Swaps (EFS), representing the premium of light sweet Brent over Middle East sour crude Dubai, shrank to $1.40 a barrel this week, its narrowest in more than two years.

A tighter EFS typically means Brent-linked crude produced in the Atlantic Basin, including from West African countries, becomes more economical for Asian buyers. But traders have not seen a significant uptick in Asian demand for West African crude, because the cargoes remain much more expensive than Russian oil, even though they have gained competitiveness over Middle Eastern crude.

With Russian crude so cheap, a move of a few dollars on Brent-Dubai EFS or even freight would not make a difference, other than providing Chinese buyers with a tool to drive prices lower, said a West African crude trader.

Russia's light sweet ESPO crude for May delivery is traded at a discount of about $6.80 a barrel against the ICE Brent on the deliver-ex-ship (DES) basis to northern China, trading sources said.

Meanwhile, Congo's Djeno, a medium sweet crude favoured by Chinese refiners, is assessed at a premium of $1.50 a barrel above ICE Brent for May delivery on DES basis.

The pattern is similar in India, where Russian crude is delivered at discounts to Dubai quotes while West African oil is loaded at parity or a slight discount to dated Brent, an Indian trader said.

Russia became the top crude supplier to China and India in recent months, eroding the market share of other suppliers such as West African countries.

Just over 30 million barrels of West African crude have been loaded for Asia in March, the smallest volume since 2014 or earlier, shipping data from Refinitiv and Kpler showed.

The slowing exports of West African crude are exacerbating a supply overhang in the West of Suez market and weighing down the Brent prices that the West African grades are pegged to.

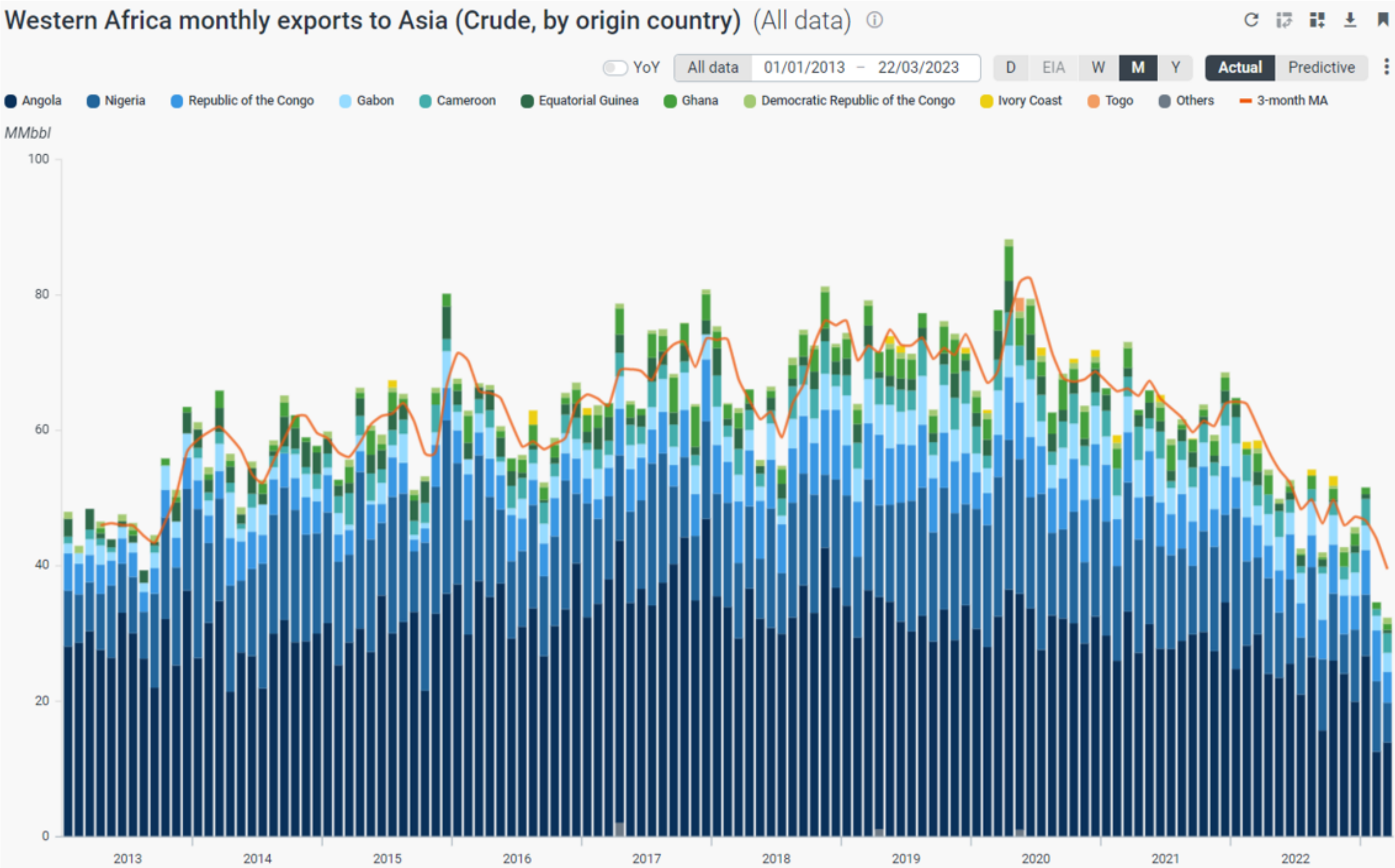
On Tuesday, about 20 million barrels of Nigerian crude for April loading were still unsold, just as the trade cycle for May cargoes was about to kick off.

About four April-loading Angolan crude cargoes were also awaiting buyers.

In the past three months, Nigeria has exported around 42 million barrels of crude on average each month while Angola's average monthly exports have been around 33 million barrels.

Chart of the Day

West Africa crude exports to Asia in March set to fall to lowest since at least 2013



Source: Kpler

Top News - Agriculture

Ukraine may revise 2023 corn crop forecast further - source

Ukraine, which expects a 15.2% decrease in the 2023 corn harvest, may lower its crop forecast further, a senior Ukrainian agriculture official said on Wednesday. Corn is a key Ukrainian export and has accounted for around 58% of its overall grain exports so far in the 2022/23 July-June season.

The agriculture ministry said this week the country's 2023 corn production could fall to 21.7 million tonnes from 25.6 million tonnes last year after an expected decrease in the sowing area to 3.6 million hectares from more than 4 million. "The decrease in the harvest could be even bigger," said the official, who declined to be named.

Agriculture Minister Mykola Solsky said late last year that a large area of non-harvested corn from 2022 would prevent farmers from sowing corn on these fields.

The minister said the fields could be sown with sunflower as a possible replacement crop and "millions more hectares of sunflower" could be added.

Brazil's Abiove raises 2023 soybean crop, export view

Brazil's soybean output and exports in 2023 will be higher than expected, Brazilian oilseed lobby Abiove said on Wednesday, as local farmers harvest a bumper crop, Chinese demand remains strong and Argentine growers grapple with weather issues.

Abiove now estimates Brazil's soy production at a record 153.6 million tonnes, 1 million more than the last projection in January.

The new forecast comes as farmers have reaped more than 50% of the country's fields, and shows an 18.2% increase if compared to the previous cycle, when the crop was hit by a drought in southern states.

"The projections for the current cycle remain optimistic, pointing to a record production of 153.6 million tonnes of soybeans, mainly due to the recovery of the historical trend in yields, in addition to the expansion of the cultivated area," Abiove said in a statement.

The forecast for Brazilian soybean exports in 2023 has also been increased by 300,000 tonnes to a record 92.3 million tonnes, Abiove said, 17.2% above the 78.7 million tonnes seen in 2022.

Abiove kept the projection for domestic soy processing at the unprecedented level of 52.5 million tonnes for 2023, 1.6 million-tonne more than in 2022.

It also raised the expectation for soyoil and soymeal exports as Argentina, the world's biggest supplier of both, faces a sharp drought-related soy supply reduction, paving the way for Brazil to sell more byproducts.

Abiove said soyoil exports may reach 2.15 million tonnes, up from 1.75 million tonnes in January's projection. For soymeal, Abiove raised the forecast for exports to 20.7 million tonnes, compared with 20 million tonnes.

Top News - Metals

Mercuria boosts exposure to transition metals in hybrid approach

Commodity trading house Mercuria is ramping up exposure to metals needed for the green transition such as copper, cobalt and lithium, both through buying company stakes and forging trading relationships, an executive said. In the past two years the Swiss trader has invested in several firms involved in critical minerals, even when there is no immediate prospect of getting offtake deals, Guillaume de Dardel, head of energy transition metals, told Reuters.

The companies are in different parts of the supply chain providing raw materials needed for electric vehicles, renewable energy and energy storage.

Mercuria has targeted 50% of investments by the firm would be in the energy transition sector by 2025, de Dardel added in an interview.

"We have investments where there's no immediate trade flow angle, we did it to build partnerships and equity exposure. It's a hybrid model," he said.

"Once we decided to have exposure, then we try to find synergies, overlap or touch points with more our more traditional business, but that's not the starting point."

Mercuria holds many of its investments through privately held TechMet, which has stakes in companies such as Brazilian Nickel plc, Cornish Lithium and U.S. Vanadium.

The U.S. International Development Finance Corp is TechMet's second biggest investor after Mercuria, and partnership with the U.S. government is one of the attractive factors of the investment, de Dardel said.

Both the EU and United States are seeking to curb their dependence on China, which supplies about 95% of the EU's rare earths, needed for EVs and wind turbines.

"TechMet is also addressing the geopolitical constraints around rebuilding supply chains for the West in a very strict ESG framework."

Mercuria also has holdings in Australia-listed Jervois Global Ltd, which owns the only cobalt mine in the United States, an operating cobalt refinery in Finland, and is restarting a nickel refinery in Brazil.

It also invested in Norway's REEtec to increase its exposure to the processing area of the supply chain, de Dardel said. The company uses environmentally friendly technology to separate rare earths in Europe, which still relies on Chinese refining capacity.

Albemarle to build $1.3 bln lithium plant in South Carolina

Albemarle Corp said on Wednesday it had chosen Chester County, South Carolina, as the location for a $1.3 billion lithium processing plant it hopes will cement its status as a cornerstone of the rapidly growing U.S. electric vehicle industry. The facility, which was first announced last year without a specific location, will double the company's lithium processing capacity and thus its ability to supply key customers - including Tesla Inc- who are hungry for more North American supplies of the battery metal. Already the world's largest lithium producer with major facilities in Chile, China and Australia, Albemarle has moved aggressively to expand in the United States, which it sees as its next major area of growth thanks to tax credits and other incentives offered by the U.S. Inflation Reduction Act .

The South Carolina plant will be able to process 50,000 tonnes of lithium each year from rock Albemarle plans to mine in North Carolina as well as from recycled batteries. That's roughly enough of the white metal to make 2.4 EVs annually. "This facility will help increase the production of U.S.-based lithium resources to fuel the clean energy revolution while bringing us closer to our customers as the supply chain is built out in North America," Albemarle Chief Executive Kent Masters said in a statement.

Construction of the 800-acre project is expected to begin late next year, though the company did not provide a timeline for when the site will open. The plant should employ 300 workers with an average annual pay of $93,000. The company received a lithium processing grant last year from the White House. Despite the recent softening in lithium prices, Albemarle has said it expects demand to continue to rise.

Shares of the Charlotte, North Carolina-based company fell 1.6% to $219.33 in afternoon trading.

MARKET MONITOR as of 07:45 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$70.27 / bbl	-0.89%	-12.45%
NYMEX RBOB Gasoline	$2.55 / gallon	-0.33%	2.96%
ICE Gas Oil	$780.75 / tonne	-0.48%	-15.23%
NYMEX Natural Gas	$2.22 / mmBtu	2.21%	-50.41%
Spot Gold	$1,977.60 / ounce	0.41%	8.40%
TRPC coal API 2 / Dec, 23	$128.25 / tonne	2.60%	-30.58%
Carbon ECX EUA / Dec, 24	€93.83 / tonne	-	6.63%
Dutch gas day-ahead (Pre. close)	€39.60 / Mwh	-2.94%	-47.60%
CBOT Corn	$6.36 / bushel	0.43%	-6.23%
CBOT Wheat	$6.80 / bushel	0.82%	-15.52%
Malaysia Palm Oil (3M)	RM3,598 / tonne	-1.80%	-13.80%
Index (Total Return)	**Close 22 Mar**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	283.60	0.39%	-5.88%
Rogers International	26.08	0.62%	-9.02%
U.S. Stocks - Dow	32,030.11	-1.63%	-3.37%
U.S. Dollar Index	102.35	-0.88%	-1.14%
U.S. Bond Index (DJ)	408.60	0.95%	3.13%

Top News - Carbon & Power

Shell recommends shareholders reject climate activist resolution

Shell recommended on Wednesday its shareholders vote against a climate activist resolution asking for more stringent emissions cuts by 2030 at its May 23 general meeting. Activist group Follow This said in December it had co-filed resolutions with six major institutional investors managing $1.3 trillion in assets ahead of the annual general meetings of BP, Chevron, Exxon Mobil and Shell. Follow This wants the companies to commit to absolute emissions cuts by 2030, rather than intensity-based targets, in line with the Paris climate deal, including emissions from the combustion of the fuels they sell, known as Scope 3 emissions.

Scientists say the world needs to cut greenhouse gas emissions by 43% by 2030, compared to 2019 levels, to have any hope of meeting Paris Agreement goal of keeping warming well below 2 degrees Celsius above pre -industrial levels. Shell has ruled out setting such absolute emissions cut targets. In an investor presentation, Shell called the Follow This resolution "not in the best interest of shareholders", "not supporting the climate" and said it was against good governance. This echoes BP's recommendation. At the 2022 shareholder meeting, Follow This received 20%support, down from 30% the previous year.

Record $63 billion raised from carbon allowance sales in 2022 – report

Governments globally raised a record $63 billion from the sale of carbon allowances in emission trading systems in 2022, as many countries increased ambitions to cut pollution despite record high energy prices following Russia’s invasion of Ukraine, a report said on Wednesday. Many countries and regions have launched emissions trading systems (ETS) to put a price on carbon dioxide (CO2) emissions and incentivise companies to invest in low carbon technology and help meet climate targets.

"Instead of weakening climate ambitions, the energy crisis pushed governments towards ending their fossil fuel dependency quicker, supported by policies like emissions trading," said Stefano De Clara, head of intergovernmental forum International Carbon Action Partnership (ICAP).

As of 2023 some 28 ETSs are in operation globally, covering around 17% of global emissions the report said. Under an ETS, governments set a gradually decreasing cap on the amount of emissions that a sector, or group of sectors, can produce.

They create carbon allowances for those emissions, which are auctioned, and companies must buy one for each tonne of CO2 they emit. The $63 billion raised from allowance auctions in 2023 was up from $59 billion in 2022, the report said. Prices in the EU ETS, the world’s most established scheme, rose to an average of $83 a tonne, up from $65 in 2021, the report showed. EU countries and lawmakers agreed reforms to the EU carbon market last year which will cut emissions faster and start to phase down free allowances given to industry. The allowance price in California and Quebec, which have linked schemes, grew to $28 in 2022 up from $22 in 2021. In China’s ETS the average allowance price was $8 in 2022 up from $7 in 2021, the report showed.

Top News - Dry Freight

Turkey tenders to buy estimated 695,000 T wheat - traders

Turkey's state grain board TMO has issued an international tender to purchase an estimated 695,000 tonnes of milling wheat, European traders said on Wednesday. The deadline for submission of price offers is March 28. Traders said Turkey still has additional wheat needs after the recent earthquake that killed tens of thousands of people and left millions homeless. Wheat shipment is sought in two periods: May 18 to June 16 and June 12 to July 10. Red milling wheat is sought in a series of consignments to different Turkish ports. Wheat already in warehouses in Turkey can also be offered in the tender. The TMO reserves the right to buy up to 5% more or less than the tender volume at its own discretion, the traders said.

Jordan buys 110,000 tonnes barley in tender, traders say

Jordan's state grain buyer has purchased about 110,000 tonnes of animal feed barley to be sourced from optional origins in an international tender which closed on Wednesday, European traders said. It purchased 50,000 tonnes from trading house Ameropa at $267 a tonne, including cost and freight (c&f), for shipment in the first half of August, and 60,000 tonnes from Viterra at $267 a tonne c&f for shipment in the second half of August, the traders said. Traders said that four other trading houses participated in the tender with their estimated offers per tonne c&f: Cargill at $279.50, LDC at $283, Olam at $289 and Grain Flower at $271.

Picture of the Day

Somali vendors arrange watermelons for sale at their open air grocery market as Muslims prepare for the fasting month of Ramadan, the holiest month in the Islamic calendar, in Warta Nabada District, a neighbourhood of Mogadishu, Somalia March 22, 2023. REUTERS/Feisal Omar

(Inside Commodities is compiled by Soumya Chatterjee in Bengaluru)

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