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Top News - Oil

Mexico to cut at least 330,000 bpd of crude exports in May, sources say

Mexico's state energy company, Pemex, is planning to cut at least 330,000 barrels per day (bpd) of crude exports in May, leaving customers in the United States, Europe and Asia with a third less supply, two sources said.
The plan follows the withdrawal of 436,000 bpd of Maya, Isthmus and Olmeca crudes this month, ordered by Pemex to its trading arm PMI Comercio Internacional because it needs to supply more to its domestic refineries as it targets energy self-sufficiency.
Pemex has no option other than applying monthly cuts to exports after its crude production in February fell to the lowest level in 45 years and the country's refineries, including a new facility in the port of Dos Bocas, began taking in more crude oil.
Dos Bocas alone is expected to need an average of some 179,000 bpd of crude this year, according to official figures.
Neither Pemex nor its trading arm immediately responded to a request for comment.
Over the weekend, a deadly fire at a key offshore platform in the Gulf of Mexico also meant Pemex had to halt production at several wells, one of the sources said. It is not clear how many barrels would be cut as a result.
Pemex exported 1.03 million bpd of crude last year, and 945,000 bpd in January-February.
Mexico's energy ministry expects domestic processing to increase to an average of 1.04 million bpd this year from 713,300 bpd in 2023, leaving fewer barrels available for exports in the remainder of the year.
"May cuts are expected to be between 10 million and 14 million barrels (in total)," another source said.
Even though the cuts are significant and expected to be applied on a monthly basis from April onward, Pemex's trading arm has not declared force majeure over supply contracts, the sources, who are traders, said.
Most of the contracts include provisions to allocate monthly volumes of specific crudes depending on availability, the sources added. The volumes are agreed mid-month.
Pemex and the government of President Andres Manuel Lopez Obrador said earlier this year that the Dos Bocas refinery, in Mexico's Tabasco state, would start producing gasoline and diesel in the first quarter.
While the refinery has begun processing crude in recent months, it has yet to contribute to the domestic market with finished motor fuels.
Apart from the increased local demand, dwindling reserves - especially at old Gulf of Mexico fields - is another challenge, a separate source, at the energy ministry, said.
There have been "discrepancies" in Mexico's data on reserves, the source said, adding that these currently overestimate both the amount of crude oil Pemex can technically recover at a cost that is financially feasible, and the quality of the crude oil itself.
"The prognosis for the future is not encouraging," the source said. "The (production) decline is unavoidable."

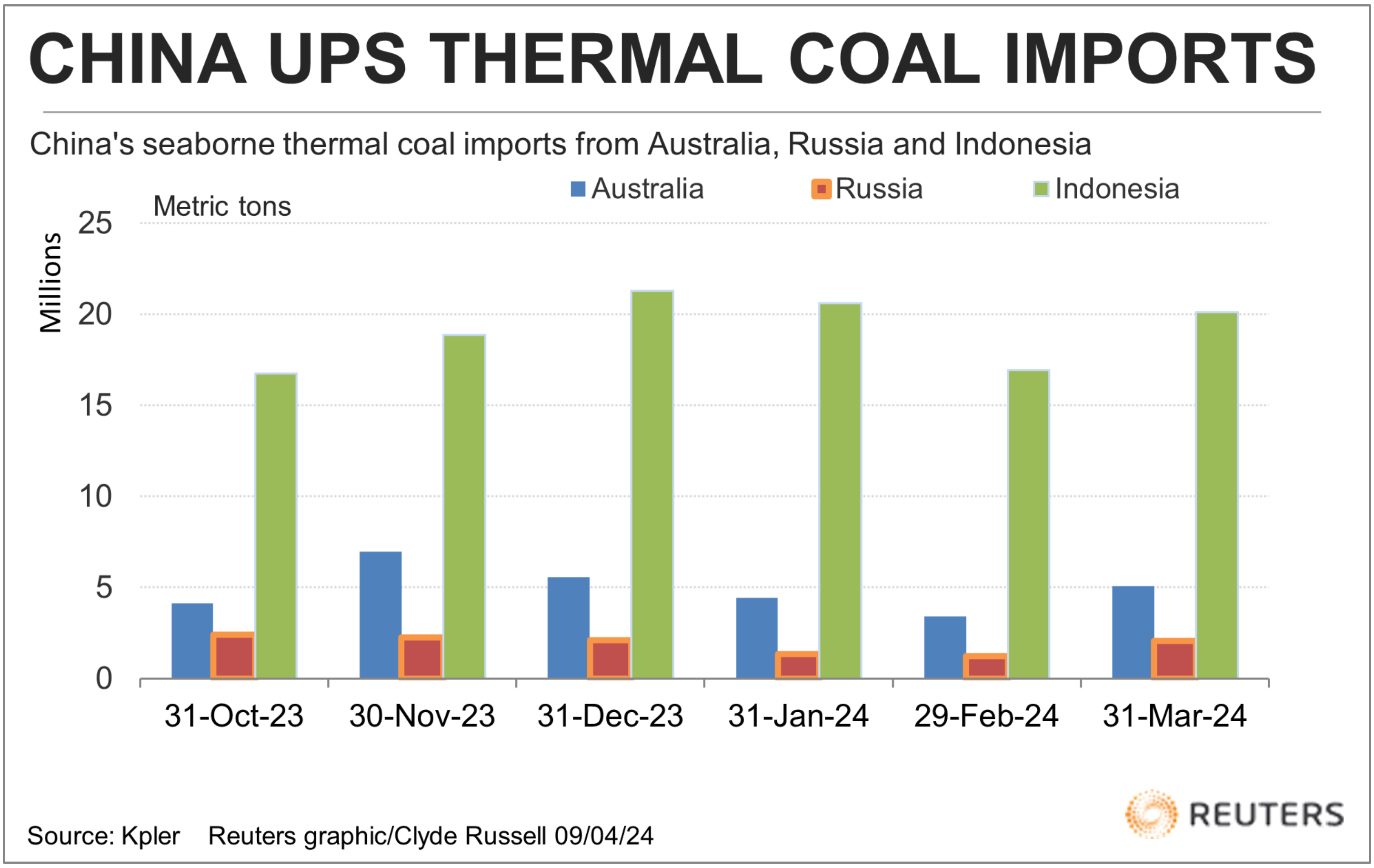
Despite $90 crude, US oil output capped by weak natgas prices

U.S. crude oil prices last week climbed to their highest this year, but a weak natural gas market, steeper costs and a focus on shareholder returns over new production are keeping shale drillers from big output increases in the world's top oil and gas producer.
The global Brent oil benchmark last week was trading above $91 a barrel, while in the U.S., West Texas Intermediate (WTI) futures were over $86 a barrel, their highest since October.
The price gains reflect supply risks from attacks on Russian oil infrastructure and global shipping, as well as ongoing output cuts by the Organization of the Petroleum Exporting Countries and allies (OPEC+).
Bank of America in early April increased its 2024 Brent and WTI price outlook to $86 and $81 per barrel, respectively, and said both were likely to peak around $95 a barrel this summer.
Those higher prices so far have not been enough to entice U.S. drillers to boost production, operators and service firm executives said, as many are grappling with a steep decline in the value of gas produced alongside their oil.
In Texas, Louisiana and New Mexico, producers were already cutting output in the first quarter as costs climbed. The breakeven price to drill a new well in the Permian, the top U.S. shale field, rose $4 per barrel in the last year, according to a survey by Federal Reserve Bank of Dallas.
Now, low gas prices are creating new challenges.
Henry Hub futures, the benchmark for U.S. gas, are trading below $1.80 per million British thermal unit (mmBtu), and earlier this year dropped to a 3-1/2-year low on warm weather and oversupply.
"We need gas prices to get to $2.50 for an overall increase in activity. The Permian customers that have associated gas are seeing awful differentials," said Mark Marmo, CEO of oilfield firm Deep Well Services.
In West Texas producers are paying to have shippers to take their gas. Prices at the region's Waha hub have been below zero in several trade sessions since March, a sign that supply is sharply outpacing demand and pipeline capacity.
Producers can respond by reducing their output or pay to keep pulling gas out of the ground.
"Constrained gas pipeline and gas processing plant capacity has acted as a choke point on oil production in

parts the Permian Basin," said Tim Roberson, president of Permian producer Texas Standard Oil.
"If oil prices are high enough, the gas price becomes less of a consideration in the overall drilling economics," he added.

RIGS PLATEAU
U.S. oil production is expected to grow by 260,000 barrels per day (bpd) this year, to a record 13.19 million bpd, but far behind the over 1 million bpd of growth it saw between 2022 and 2023, according to the U.S. Energy Information Administration.
U.S. shale production has persistently exceeded recent estimates, but market analysts have not been tempted to raise their growth forecasts in response to higher prices.
Energy tech firm Enverus, this week said it sees U.S. production rising 255,000 bpd this year.
"Rig activity levels continue to plateau suggesting that these price levels have not generated an activity response," said Alex Ljubojevic, an analyst with Enverus.
The U.S. oil drilling rig count last week was at 508, down 82 from year-ago levels, while the number of active gas rigs was at 110, its lowest since January 2022, according to data from Baker Hughes.
Less access to financing and investor pressures to deliver higher returns also are restraining oil production expansions, said Brad James, CEO of contract driller Enterprise Offshore Drilling.
Potential fees on producers for methane releases above certain thresholds are being watched closely by producers as another cost. The fees would start this year at $900 per metric ton and rise to $1,500 per ton in 2026.
"The methane detection enforcement procedures for small producers is a looming crisis," one energy executive told a Dallas Fed survey last month.
In all, 80% of the 129 executives surveyed by the Dallas Fed said the methane fee was slightly or significantly negative to their business.
"Access to capital is limited because of ESG (environmental, social and governance), politics, energy transition, bias against fossil fuels," James added. "The result of diminished access to capital is that our clients exhibit much more capital discipline than they did in years past."

Chart of the Day



Top News - Agriculture

India's 2024 wheat output seen at 105 mln tons, 6.25% below govt estimates

- India is expected to produce 105 million metric tons of wheat this year, a flour millers' body said on Monday, 6.25% lower than a government estimate.

India, the world's biggest wheat consumer and grower after China, banned exports in 2022 and is relying on bumper harvests to bolster stocks and tame local prices that surged after dry weather shrivelled the crop in 2022 and 2023. "After assessing the crop across the country, we believe that wheat production will be 105 million metric tons this year," said Navneet Chitlangia, senior vice president of the Roller Flour Millers Federation of India.

According to a government estimate, India is likely to produce 112 million metric tons of wheat in 2024.

In 2023, India produced a record 112.74 million metric tons of wheat, according to the farm ministry, but trade and industry officials said last year's wheat production was at least 10% less than the government's estimate.

Lower wheat output forced the government to sell a record 10 million metric tons of wheat from its reserves to bulk buyers such as flour millers and biscuit makers, leading to a drawdown in reserves essential for the world's biggest food welfare programme.

Wheat inventories in government warehouses fell to 9.7 million metric tons at the start of March, the lowest since 2017. The government is confident of replenishing its depleting reserves. The state-run Food Corporation of India (FCI) is expected to buy 31 million-32 million metric tons of wheat from domestic farmers this year against 26.2 million metric tons in 2023, said Ashok K K Meena, chairman and managing director of the FCI.

The FCI has already started buying new-season wheat, Meena said, purchasing a million metric tons from domestic farmers since the start of the current harvest season in early April, against 700,000 metric tons in the same period a year before.

India has asked global and domestic trade houses to avoid buying new-season wheat from local farmers to help the FCI procure large quantities to shore up its depleting reserves.

Brazil's 2023/24 soybean harvest hits 78%, says AgRural

Brazil's soybean harvest for the 2023/24 cycle had reached 78% of the planted area as of last Thursday, agribusiness consultancy AgRural said on Monday, up 4 percentage points from the previous week.

The figure was below the 82% seen at the same time a year earlier. AgRural analysts said in a statement that harvesting is now more concentrated in states where farmers planted their fields later in the season, such as Brazil's southernmost state of Rio Grande do Sul.

The weather there allowed field work to advance "well" last week, according to the consultancy firm, while in the country's north and northeast regions rains above historical levels have been an issue in some areas.

AgRural also said Brazil's second corn crop, which represents about 75% of the national production each year, had seen another week of "contrasting conditions" in Brazil's so-called center-south region.

Fields in top grain producing state Mato Grosso and neighboring Goias state have been developing well, but some areas of Mato Grosso do Sul and Sao Paulo states have struggled with the effects of heavy rains and high temperatures, it said.

"The most affected region so far is western Parana state, which is expected to see a drop in yields," AgRural added.

Brazil's second corn crop is planted after soybeans are harvested from the same fields. Planting was finalized last month.

Top News - Metals

US must boost Africa ties to secure key minerals, report says

The U.S. must boost commercial ties with African countries to curb reliance on China for supplies of critical minerals, a Washington-based think tank said on Tuesday.

"U.S. economic and national security depend on securing a reliable supply of critical minerals, including from Africa," the United States Institute of Peace said in a report.

The U.S. is almost 100% reliant on "foreign entities of concern," mainly China, for key critical minerals, it said, and must come up with own sources of supply to avoid being shorthanded and vulnerable to China's export curbs.

Western mining companies are lagging Chinese rivals in the race to tap Africa's abundant mineral resources, key to sectors from electric vehicle manufacturing to defence industries.

To counter China's head start in Africa, Washington must roll out "more vigorous commercial diplomacy with a keen eye toward building critical minerals partnership in Africa," the 76-page report said.

One option for the U.S. would be to increase commercial diplomacy in countries such as Democratic Republic of Congo, the world's No. 1 cobalt supplier, and Zambia, Africa's second-largest copper producer, it said.
The competition for securing minerals in Africa is heating up as cash-rich Middle East firms join the race.
While Western mining companies still see hurdles in investing in countries such as Congo, which lacks vital infrastructure such as roads and adequate electricity, Chinese miners have strengthened their grip in the country and are broadening investment throughout Africa.
The International Development Finance Corporation said in February it could scale up project financing in Africa to help reduce the risk of investing in countries including Congo that some investors still perceive as high risk.
Unlocking U.S. investment in Congo could be helped by reopening its consulate in Lubumbashi that closed in the 1990s after the end of the Cold War, Tuesday's USIP report said.
The government also needs to prioritize full development of a memorandum of understanding with Congo and Zambia which could help guide U.S. private investors across the battery metals supply chain, it said.
The U.S. has stepped in to back the Lobito Corridor, a rail link from the central African copper belt that's key to export of metals through Angola's Lobito port.
The U.S. is "simply not on, or even near, par in competing with China" for critical minerals investment and diplomacy in Africa, and needs to take a vigorous approach, USIP said.
Jose Fernandez, the U.S. State Department's under secretary for economic growth, energy, and the environment said last month the U.S. holds regular talks with Congo state miner Gecamines.
Still, the U.S. government is unlikely to match the resource levels and the mining ecosystem that China wields in winning mining contracts, USIP said, though "concerted U.S. efforts to land U.S. mining investment in Africa can succeed."

Vietnam to invest $7.3 bln to boost alumina, aluminium production
Vietnam's top miner Vinacomin plans to invest 182 trillion dong ($7.3 billion) to ramp up its alumina-aluminium production to meet the country's rising demand for the metal, the government said on Tuesday.
The investment by the state-run firm will go to two bauxite exploration projects and five refining projects in the Central Highlands province of Dak Nong, the government said in a statement. It did not give a time frame for completion.
The Southeast Asian country, a regional manufacturing hub, started its alumina production more than a decade

MARKET MONITOR as of 06:35 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$86.58 / bbl	-0.38%	20.84%
NYMEX RBOB Gasoline	$2.73 / gallon	-1.36%	29.53%
ICE Gas Oil	$853.50 / tonne	-1.95%	13.69%
NYMEX Natural Gas	$1.86 / mmBtu	4.20%	-26.01%
Spot Gold	$2,345.69 / ounce	0.69%	13.73%
TRPC coal API 2 / Dec, 24	$117.5 / tonne	0.86%	21.13%
Carbon ECX EUA	€63.51 / tonne	4.84%	-20.98%
Dutch gas day-ahead (Pre. close)	€27.60 / Mwh	4.94%	-13.34%
CBOT Corn	$4.47 / bushel	0.00%	-7.70%
CBOT Wheat	$5.76 / bushel	-0.99%	-9.93%
Malaysia Palm Oil (3M)	RM4,311 / tonne	-0.74%	15.86%
Index	**Close 08 Apr**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	344.91	0.01%	14.43%
Rogers International	28.85	-0.21%	9.57%
U.S. Stocks - Dow	38,892.80	-0.03%	3.19%
U.S. Dollar Index	104.15	0.01%	2.78%
U.S. Bond Index (DJ)	421.89	0.06%	-2.05%

ago, but there have been concerns about pollution and high electricity consumption. According to the government, Vinacomin will raise the alumina capacity of its Nhan Co Alumina complex to 2 million tons a year from 650,000 tons. It will also triple the capacity of the bauxite-alimuna-aluminium Dak Nong complex nearby to 2 million tons of alumina and 0.5-1 million tons of aluminium a year, the government said
Dak Nong province has a reserve of 5.4 billion tons of bauxite, the most common raw material used for alumina and aluminium production, according to state media.

Top News - Carbon & Power

Guyana gas-to-power project to shave weeks off oil output, hit revenue
Guyana’s efforts to use its natural gas resources to fuel a power plant that would slash the South American nation's energy costs have snagged on construction delays and threaten to curtail the rising oil hotspot's revenue this year by about $1 billion.
The $1.9 billion gas-to-power project, Guyana's biggest effort to capitalize on its energy bounty, is embroiled in legal fights and risks cost overruns. The first phase of a 300-megawatt (MW) power plant is running six months behind schedule and full operation is not expected until the fourth quarter of 2025, officials have said.
Exxon Mobil, which operates all the oil and gas production in Guyana, is building a 140-mile (225-km) gas pipeline from its offshore Stabroek block to supply the government's project onshore: a power plant, a related natural gas processing facility and transmission lines.
The U.S. oil major's part of the project, the about $1 billion pipeline, will be ready by year-end as promised to Guyana, said Exxon Guyana country manager Alistair Routledge. That is despite having nothing to connect it to onshore because of delays on the works managed by the government.
The Stabroek block, site of the country's first commercial oil and gas discovery in 2015, currently produces crude - about 645,000 barrels per day (bpd). The new power plant will be the first to use the associated gas produced from the oil field that to date has been re-injected underground.
The gas pipeline completion will require Exxon to pause production in the third quarter at two oil production vessels to connect them to the undersea pipeline, Routledge said.
If the tie-in lasts four weeks, Exxon and its consortium partners Hess and China's CNOOC would have to halt up to 12 million barrels of oil output from two platforms that produce 400,000 bpd at peak levels.
Based on Guyana's recent sale at $85 per barrel, that could mean over $1 billion in deferred oil revenue.
An Exxon spokesperson last week declined to specify how long the production halt will last. Routledge had said the pipeline connection and maintenance works would take "weeks, not months."
The executive said Exxon is not worried about having to shut production this year for a project that will not be ready to accept the gas at least until sometime in 2025.
When the gas-fired power plant is ready is "a question of timing," said Routledge.
"It's hard to have all the facilities ready at the same time."
As soon as the onshore facilities are ready, "the whole thing will start up and all those benefits will flow to the country," he said.
Guyana will miss the chance to slash its power costs this year because of the project delay. It imports expensive fuel oil for an aged and often faulty power facility. When fully running on natural gas, the new plant will reduce the nation's power costs by 50%, officials have said.
"Of course we are doing the best we can, but we have to be realistic," Winston Brassington, who coordinates the power project as a consultant for Guyana's Ministry of Natural Resources, said in an interview in February.
While it is not uncommon for major projects to run behind schedule, Guyana's government faces a presidential and parliamentary election next year and is keen to deliver tangible benefits to the nation's 750,000 residents.
"There is more pavement in the city," says fruit vendor Michael Bharrat, 23, when asked about the most visible signs of development brought by the nation's oil boom.
"The government could be doing more to help poor people," he said.
Government officials are anxious to fulfill a 2020 election promise to cut residents' energy costs and want to use the gas for industries that can create jobs or for exports as liquefied natural gas.
The government has been pressing Exxon and its partners, which prior to this project have focused on oil, to develop the country's gas resources.
"There is a window of opportunity between now and the end of the decade to monetize and maximize the value of Guyana's natural gas resources," President Mohamed Irfaan Ali told oil executives during a conference in Georgetown in February. "We need to develop our gas now."

UNANSWERED QUESTIONS
Critics of the project say there are a lot of decisions yet to be made and little clarity over the next steps, including who will operate the power plant and market the gas-

liquids such as propane produced by the related gas-processing facility.

Meanwhile, two contractors hired by the government for the project have filed for arbitration over costs overruns of $90 million and residents have filed lawsuits claiming unfair compensation for land taken to build the project.

“What rate will Guyana be paying for the unusable or unused gas? Is the gas sales agreement completed?" asked Elizabeth Hughes, a land owner whose family land was expropriated for the project. "There are so many questions unanswered, there is no transparency at all.”

Bharrat Jagdeo, Guyana's vice president, told Reuters in February the project is following its new schedule and will stay within its original budget.

"We believe this is nothing to worry about," Jagdeo said. "It is a two-year project, will take a few more months, but not a year" to complete.

Wally David, 66, a retired trolling boat mechanic, smiles when asked if the government he voted for in 2020 will deliver on its promise to build the gas-to-power project as promised.

"I think it will get done someday," he says from his home in Georgetown, where he complains a road construction project outside his house run by the government is behind schedule.

"Maybe in three, four years, just not now."

COLUMN-China's first quarter coal imports surge, defying gloomy forecasts: Russell

China's coal industry says it doesn't expect imports to increase this year, but the evidence from the first quarter is that the appetite of the world's biggest buyer remains ravenous.

China's imports of all grades of coal from the seaborne market were 97.43 million metric tons in the first quarter of 2024, up 16.9% from 83.36 million tons in the same period in 2023, according to data compiled by commodity analysts Kpler.

The robust growth in imports contrasts with the downbeat assessment of China's coal sector at an industry conference in Xiamen last month, where the consensus of views was that imports will remain flat, or even decline in 2024.

China imported a record 474.42 million tons of coal in 2023 and the consensus of forecasts is for arrivals this year to be in a range between 450 and 500 million tons.

Official customs data for the first two months of 2024 showed total coal imports of 74.52 million tons, up 23% from the corresponding period a year earlier.

The customs numbers include coal that comes overland from neighbouring countries, mainly Mongolia, which supplies mostly metallurgical coal used to make steel.

While China does import some metallurgical coal from the seaborne market, the overwhelming majority is thermal coal, used mainly to generate electricity and also in some industrial processes.

The steady expectations for coal imports contrast with expectations that China's power generation in 2024 will increase 5.3% from 2023, when it gained 6.9%, exceeding economic growth of 5.2%.

Electricity output is rising faster than gross domestic product as more industrial processes are electrified, electric vehicle sales increase and consumers spend more on appliances such as air conditioners.

While there are other factors that go into China's power generation, such as how much hydropower generation may rise, it's still likely that coal will be called on to meet much of the increased demand.

The main unknown factors for thermal coal imports are whether China's domestic output will rise enough to cover demand growth, and if import prices will remain competitive with domestic supplies.

PRICES DIP

China's thermal coal prices have been sliding in recent weeks, with consultants SteelHome assessing coal at the northern port of Qinhuangdao at 810 yuan ($112.03) a ton on Monday.

This is down from a recent high of 940 yuan a ton on Feb. 28 and also below the 1,040 yuan that prevailed this time last year.

However, the main grades of thermal coal that China imports from the seaborne market have also been weakening, meaning that they remain competitive even once freight and import duties are factored in.

Indonesia is China's biggest supplier of thermal coal and the price of cargoes with an energy content of 4,200 kilocalories per kg (kcal/kg), as assessed by commodity price reporting agency Argus, dropped to $54.83 a ton in the week ended April 1.

The price has slipped almost 40% since the recent high of $90.45 a ton at the beginning of December.

Australian thermal coal with an energy content of 5,500 kcal/kg, a grade popular with Chinese buyers, ended at $85.69 a ton in the week to April 5, a seven-month low and down from the recent high of $96.60 at the start of March.

With seaborne thermal coal prices competitive against domestic supplies, and strong growth in China's electricity generation, it's hard to make a case for imports to moderate.

This is especially the case given that the mining industry isn't forecasting strong growth in domestic coal output in 2024, with the China Coal Transportation and Distribution Association estimating that production will rise by only 0.8%, or 36 million tons, to about 4.7 billion tons in 2024.

Top News - Dry Freight

Russian wheat export prices rose further last week

Russian wheat export prices rose again last week, with analysts again slightly downgrading their estimates of exports in March.

The price of 12.5% protein Russian wheat scheduled for free-on-board (FOB) delivery in May was $210.0 a metric ton, up $2.0 from the previous week, the IKAR agriculture consultancy said.

The Sovecon agriculture consultancy pegged the same class of wheat at $210 to $212 a ton FOB, compared with $205 to $208 a week earlier.

Russia, the world's largest wheat exporter, saw its overseas supplies growing to 1.03 million tons of grain last week, up from 1.02 million tons the previous week.

The exports included 0.82 million tons of wheat, down from 0.84 million tons a week earlier, Sovecon wrote, citing port data.

The consultancy again lowered its estimate for wheat exports in March by 0.1 million tons, to 4.8 million tons, the same as it was in March 2023.

Some delays in wheat export shipments of wheat by one of the largest Russian exporters, TD RIF, have underpinned global markets.

"At this stage, we doubt that problems with the certificates will lead to substantial issues with exports in the current season. We have seen many similar stories in the past", Sovecon noted.

As of March 29, farmers seeded 1.0 million hectares of grains compared to 0.7 million hectares in the same period in 2023, including 17,000 hectares of spring wheat (8,000 hectares last year), Sovecon wrote in the weekly report.

The weather set-up improved for the new crop after rains in the south of Russia, the agency's analysts noted.

Iran's SLAL believed to have bought about 100,000 T soymeal in tender

Iranian state-owned animal feed importer SLAL is believed to have purchased about 100,000 metric tons of soymeal expected to be sourced from Argentina or Brazil in an international tender last week, European traders said on Monday.

It was estimated to have been bought at in two consignments of round 50,000 tons each at about 500 euros ($541.30) a ton cost and freight (c&f) included with trading house Viterra believed to be the seller.

The tender which closed on Wednesday sought up to 120,000 tons of soymeal for June/July shipment.

No purchase was initially reported of 120,000 tons of animal feed corn and 120,000 tons of feed barley also sought in the tender.

Reports reflect assessments from traders and further estimates of prices and volumes are still possible later.

Picture of the Day

A vegetable vendor works in the rain amidst gale-force winds and heavy rain from a cut-off low-pressure system moving into the country, in Cape Town, South Africa April 8. REUTERS/Nic Bothma

(Inside Commodities is compiled by Indrishka Bose in Bengaluru)

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