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Top News - Oil

Russia cuts oil price forecast to \$65 per barrel in 2024 -27

The Russian economy ministry has downgraded its forecasts for the country's crude oil export prices for the next three years to \$65 per barrel, according to an updated outlook seen by Reuters on Tuesday.

The forecasts, used to compile the federal budget, were cut from previous estimates of \$71.3 per barrel for 2024, \$70.1 for 2025 and \$70 for 2026.

Russia has faced myriad sanctions from the West over the conflict in Ukraine, including restrictions on Russian oil purchases as well as a price cap of \$60 per barrel.

The downward revision is likely to put more pressure on Russia's budget, which saw a shortfall of \$6.56 billion, or 0.3% of gross domestic product, in the first quarter.

Still, oil and gas revenue was 79.1% higher in the first three months of 2024 than a year earlier, supported by high commodity prices.

Earlier on Tuesday, the economy ministry upgraded its expectations for 2024 gross domestic product (GDP) growth to 2.8% from 2.3%, while envisaging a weaker rouble and shrinking current account surplus in the years to come.

Prices of natural gas for exports to the European Union and Turkey are now seen at \$297.3 per 1,000 cubic metres this year, \$285.8 in 2025 and \$276.1 in 2026, down from previously expected \$321.7, \$308.3 and \$296 correspondingly, according to the updated outlook.

The price of natural gas for China has also been revised downwards.

Oil exports from Russia are seen slightly rising this year to 240 million tons (4.8 million barrels per day) from 238 million tons in 2023, according to the forecast of Russia's socio-economic development until 2027.

US oil and gas M&A hits quarterly record after blockbuster 2023

U.S. oil and gas deals hit a record \$51 billion in the first quarter, a continuation of last year's fierce merger pace

centered in the top U.S. shale field, data provider Enverus said on Tuesday.

Energy companies have rushed to expand oil and gas drilling inventories, especially in the Permian Basin of West Texas and New Mexico, where producer break-even costs are about \$64 a barrel. Oil prices averaged about \$77 a barrel last quarter and this week traded near \$83 per barrel.

Most of the high-quality U.S. drilling prospects are in the Permian "so it is unsurprising the prolific basin was yet again the primary driver for M&A within oil and gas," said Andrew Dittmar, Enverus Intelligence Research's principal analyst.

The biggest proposed acquisition last quarter was Diamondback Energy's \$26 billion bid for closely held Endeavor Energy Partners, a merger that brings together two Permian-centric drillers.

Apache Corp parent APA's \$4.5 billion deal for Permian oil rival Callon Petroleum, and natural gas Chesapeake Energy's April \$7.4 billion deal for Southwestern Energy rounded out the period's most valuable deals.

The Chesapeake acquisition and last year's blockbuster deals by Exxon Mobil and Chevron remain stalled by antitrust reviews in part because they concentrate holdings in the Permian or Haynesville shale fields, said Dittmar.

"The most likely outcome is all these deals get approved, but federal regulatory oversight may pose a headwind to additional consolidation within a single play," he added. The number of deals rose to 27 last quarter, compared with 20 in the same period a year ago, and 60% of first quarter transactions by value were in the Permian, Enverus calculates.

That high pace is unlikely to persist, Dittmar said, with strong oil prices allowing more companies to justify holding onto non-core drilling assets rather than discard them as they once did.

"Inventory scarcity is the top theme among E&Ps (exploration and production companies)," he said.

Top News - Agriculture

India's sugar demand surges in heat wave and election season

India's sugar consumption this year is poised to hit a record high as demand during the peak summer season gets a boost from heat waves and the mobilisation of millions for elections in the scorching temperatures.

Higher consumption would lift local prices and boost margins of sugar producers such as Balrampur Chini,

Shree Renuka Sugars, Bajaj Hindusthan, and Dwarikesh Sugar and help them in making cane payments on time to farmers.

Consumption of cold drinks and ice cream, and as a result demand for sugar, rises in India during the summer months roughly from mid-March to mid-June.

But this year demand is above average as heat waves and election rallies boost consumption of ice-cream and



soft drinks, said Avantika Saraogi, executive director at Balrampur Chini Mills. Maximum temperatures in many parts of India have risen above 40 degrees Celsius, and the weather department has forecasted that the country is likely to experience more heat-wave days than normal between April and June. During the harsh summer, India is hosting the world's largest election, in which nearly a billion people will be eligible to vote. Political parties hold huge rallies, some attended by as many as 200,000 people, undeterred by the sweltering heat, which only intensifies as the campaign picks up pace. Earlier this week, following an energetic election rally at Pune in the scorching afternoon sun, dedicated workers of a political party flocked to a nearby restaurant to quench their thirst with refreshing soft drinks. "It's sweltering out there. We need something icy to keep us going in this heat," said Mahesh Pawar, one of the workers. "We're grateful to our leader for providing us with these refreshing beverages to keep our spirits high."

SWEET SUMMER

India's sugar consumption in during April-June could rise to 7.5 million tons, up 5% from a year ago, said a Mumbai-based dealer with a global trade house.

This year's unusual rise in consumption is temporary, with demand growth returning to a normal pace next year, said Prakash Naiknavare, managing director of the National Federation of Cooperative Sugar Factories Ltd. "But right now the industry is experiencing an unusual boost in demand. This is expected to lift total consumption this year to a record 29 million metric tons," Naiknavare said. India's sugar consumption in the 2022/23 marketing year, which ended on Sept. 30, stood at 27.85 million tons. Higher demand has already begun lifting sugar prices, which have risen nearly 3% in a fortnight. The government has allocated a higher quota for April compared to last year, but prices are still rising due to robust demand from bulk consumers, said Ashok Jain, president of the Bombay Sugar Merchants Association.

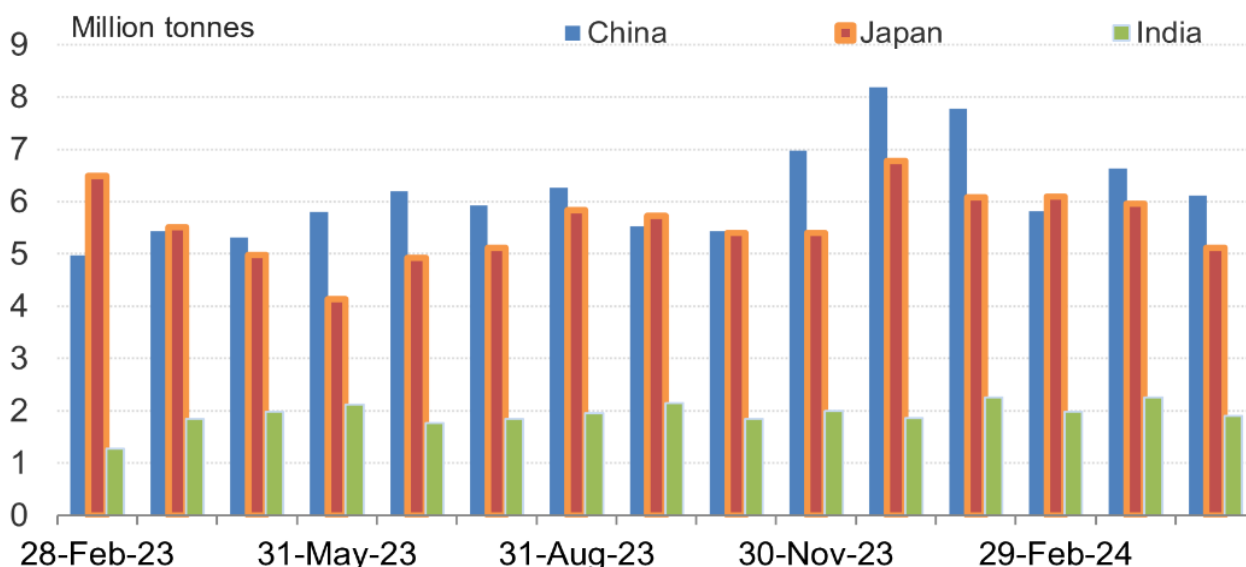
Brazil's robusta coffee yields lower than expected at start of harvest

Agricultural yields at the start of the harvest for Brazil's 2024 robusta coffee crop are reportedly lower than expected, a result of extremely high temperatures during the last summer in the country, according to farmers and coffee experts. "What we are hearing from the farmers is that the beans are smaller than last year, they did not develop as they should," said Luiz Carlos Bastianello, president of Cooabriel, Brazil's largest robusta coffee co-op.

Chart of the Day

CHINA, JAPAN, INDIA LNG IMPORTS

LNG imports by China, Japan and India



Note: April 2024 is an estimate as of April 24.
 Source: Kpler Reuters graphic/Clyde Russell 24/04/24



"Robusta trees were impacted by the heat, it seems that the crop could come in a bit lower than most traders estimated," said Jonas Ferraresso, a coffee agronomist who advises Brazilian farmers.

Both said, however, that those are only early indications for the crop, showing the status at the start of the harvest when farmers normally pick beans in early maturing fields that are not the most productive.

"Some robusta coffee in Brazil is being processed now, after the harvest. Farmers are slicing up the cherries and are seeing smaller beans," said Judith Ganes, a soft commodities analyst, adding that it means growers will need more beans to fill a 60-kg bag.

She estimates that the crop will be between 5% and 10% below expected.

Most independent analysts expected robusta production in Brazil of around 21 million to 23 million bags. The country's robusta crop this year is critical for global supplies, since Vietnam, the top robusta grower, had a smaller crop.

Robusta coffee prices hit a record high last week due to the supply tightness.

The situation for arabica coffee production in Brazil, which makes up around two-thirds of the total crop, seems to be better, Ferraresso and Ganes.

Arabica is cultivated in areas in Brazil that are not as hot, more to the Southeast region, while a large part of the robusta plantations are in the North and Northeast regions that were more impacted by the El Nino weather pattern.

Top News - Metals

LME moves to stop gaming of Russian aluminium sanctions-based rule

The London Metal Exchange (LME) moved on Tuesday to stop traders from taking Russian aluminium from its approved warehouses and returning it at a later date to profit from rule changes to comply with new sanctions. The U.S. and Britain earlier this month banned the LME from accepting new Russian production of aluminium, copper and nickel to restrict Russian revenues from the export of these metals.

The London exchange has banned from its system Russian aluminium, copper and nickel produced from April 13 to comply with the sanctions imposed over Russia's invasion of Ukraine.

For metal produced before April 13, LME rules differentiate between Type 1 and Type 2 Russian warrants which created an opportunity to tie up metal in lucrative "rent deals". Warrants are title documents conferring ownership.

Type 1 contracts allow UK LME members and their clients to freely trade Russian metal warrants in existence before April 13. Type 2 covers Russian metal produced before April 13 but not yet on LME warrant, and which UK companies can only trade or take physical delivery of for non-UK clients.

"When a Type 1 Russian Warrant is re-issued, the owner has the option to convert it to a Type 2 Russian Warrant," the LME said in a release to its members.

"However, this does not change the fact that ... the warrant may still be cancelled (metal earmarked to leave LME warehouses) and loaded-out by UK Persons because it was on warrant as at the end of 12 April 2024." Metal industry sources said clarification of the rules was to stop rent deals or agreements that allow LME warehouses to share their fees or rental income with companies that deliver metal to them.

Under rent deals, the company that delivers metal to a warehouse does not have to retain ownership, but can get a share of the rent, paid by the new owners, for as long as the metal stays in that warehouse.

"The LME has made some refinements to its approach, with the aim of ensuring fairness, reducing administrative burden and facilitating the circulation of globally usable metal without compromising the protection of its market from potential breaches of UK sanctions," the exchange said in response to a request for comment.

Brazil sets quotas, tax for steel products to fight 'flood' of imports

Brazil's government on Tuesday decided to establish import quotas for 11 steel products and to impose higher taxes on them when those volumes are exceeded, after steelmakers complained about cheap foreign steel "flooding" the local market.

The move to hike import tariffs to 25% will be applied for 12 months on products such as types of rolled steel and pipes, which currently have import fees of 9% to 12.6%, according to the decision from state foreign trade body Gececx/Camex.

Vice President Geraldo Alckmin told reporters the 25% tax will be imposed when imports of each of these 11 steel products exceed their average imports from 2020 to 2022 by more than 30%.

Steelmakers in Latin America's largest economy had been long asking the government to impose higher taxation on imports, claiming that cheaper steel from Russia and China had been "flooding" the market and making Brazilian firms idle plants.

Brazil's steel imports rose 25% in the first quarter from a year earlier, according to data from industry lobby group Aco Brasil, which did not immediately respond to requests for comment about the latest government measures.

The government added it was also considering implementing quotas for four other steel products.

"Our analysis shows that imports will remain mostly within the quota," Alckmin told reporters, dubbing the government's decision "extremely careful" as steelmakers had asked import taxes on a total of 35 products to be hiked.

"But it's an important move, because the steel industry is really operating with huge idle rates."

Gerdau, Usiminas, CSN and the local units of ArcelorMittal and Ternium are some of largest steelmakers operating in Brazil.

Gecex/Camex said in a statement that market conditions will be monitored during these 12 months.

The new trade rules, which still need a greenlight from South American trade block Mercosur, could come into force within a month, it added.

Top News - Carbon & Power

Europe's ability to survive a cold winter hasn't been tested, energy execs say

Europe has successfully survived the worst energy crisis in decades thanks to demand reduction and a couple of mild winters, but the continent's ability to survive a cold winter hasn't been tested yet, senior energy executives said on Tuesday.

Executives from top energy firms including France's TotalEnergies and Germany's RWE said during talks at the Europe Flame Gas and LNG Conference in Amsterdam that in addition to the temperature, major risks next winter would include a pick-up in Chinese demand and supply outages.

WHY IT'S IMPORTANT

EU nations have raced to replace Russian fuel following Moscow's invasion of Ukraine in 2022, and LNG imports have been instrumental in replacing a substantial share of Russian gas pipeline supplies.

In 2023, Europe became the world's biggest importer of LNG, surpassing China, importing 134 billion cubic metres (bcm) of LNG.

KEY QUOTES

CARA MACDONALD, HEAD OF LNG & CLEAN FUELS SUPPLY AT GERMANY'S RWE SUPPLY AND TRADING

"Had we had a cold winter, or if we have a cold winter, this year (or) next year, the amount of flexibility on the demand side will diminish more significantly."

"We (in Europe) have managed it through demand (reduction), but can we keep on doing that?... There's limited ability to increase flexibility on the supply side."

PATRICK DUGAS, HEAD OF LNG TRADING AT TOTALENERGIES

"Europe is still a premium market (like) Asia, so we may see in the coming months or years competition between the two basins in Europe and Asia in terms of attractiveness of the LNG cargoes in terms of economics." "It is important to highlight the key component of supply/demand worldwide, which is China. The recovery of China will be a feature of the (LNG) landscape of the next few years."

MARKET MONITOR as of 06:45 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	\$83.62 / bbl	0.93%	16.71%
NYMEX RBOB Gasoline	\$2.71 / gallon	1.83%	28.75%
ICE Gas Oil	\$789.50 / tonne	1.38%	5.16%
NYMEX Natural Gas	\$1.81 / mmBtu	1.17%	-27.92%
Spot Gold	\$2,325.94 / ounce	-0.01%	12.77%
TRPC coal API 2 / Dec, 24	\$119 / tonne	-1.65%	22.68%
Carbon ECX EUA	€65.67 / tonne	-1.00%	-18.29%
Dutch gas day-ahead (Pre. close)	€29.23 / Mwh	-1.58%	-8.23%
CBOT Corn	\$4.52 / bushel	0.50%	-6.61%
CBOT Wheat	\$5.98 / bushel	1.79%	-6.49%
Malaysia Palm Oil (3M)	RM3,984 / tonne	1.01%	7.07%
Index	Close 23 Apr	Change	YTD
Thomson Reuters/Jefferies CRB	345.74	-0.18%	14.71%
Rogers International	29.10	-0.56%	10.52%
U.S. Stocks - Dow	38,503.69	0.69%	2.16%
U.S. Dollar Index	105.73	0.05%	4.34%
U.S. Bond Index (DJ)	415.92	0.20%	-3.44%

MARCO SAALFRANK, HEAD OF CONTINENTAL EUROPE MERCHANT TRADING AT AXPO SOLUTIONS "In reality, Europe didn't test a very difficult situation, because it only had mild winters. If the next winter will be very cold, and there will be a situation (like) a hurricane in the United States or something, then it'll be different." "You see that Europe is doing well. We have good storage levels and everything is fine, but again, this can change and very rapidly."

COLUMN-Rising spot LNG prices starting to bite some Asian buyers: Russell

There are early signs that the rise in the spot price for liquefied natural gas (LNG) for delivery to Asia to a three-month high is starting to crimp demand from price-sensitive buyers such as India.

The spot LNG price rose to \$10.50 per million British thermal units (mmBtu) in the week ended April 19, the most since Jan. 19, and up 26.5% from the low so far in 2024 of \$8.30, reached in early March. The recent increase in the price has been driven more by supply concerns, with the ongoing conflict in the Middle East fuelling concerns that shipments from Qatar, the world's third-largest LNG exporter, may be disrupted. So far these fears have yet to be realised, but there have been increased costs for LNG shipments as vessels bound for Europe avoid the Red Sea, where Yemen's Iran-aligned Houthi group has launched missile strikes against several vessels, although none of these were LNG carriers. With the spot price once again above \$10 per mmBtu, it has reached levels that have in the past resulted in buyers such as India, and even China, the world's top LNG importer, pulling back on purchases. This is because at these price levels imported LNG finds it hard to compete with other fuels in domestic markets. India's LNG imports for April are estimated at 1.90 million metric tons by commodity analysts Kpler, which is down from 2.26 million in March and also below the 1.98 million from April last year. LSEG data pegs India's April LNG arrivals at 1.79 million tons, a four-month low and down from 2.27 million in March and 1.88 million in April 2023. China's imports of the super-chilled fuel are estimated at 6.14 million tons in April by Kpler, down from 6.64 million in March, but above the 5.31 million in April last year.

China's LNG imports in the first quarter of 2024 were strong, most likely as a result of the cheaper spot prices that prevailed for much of the buying period, but also because of the recovery of parts of the economy, especially manufacturing.

The official Purchasing Managers' Index rose to a 13-month high of 51.6 in March, and has now spent the last five months in positive territory above the 50-level that separates expansion from contraction.

The improving economic backdrop in China may serve to bolster demand for LNG, but the stronger price is also likely an obstacle.

Much will depend on the availability of alternatives, and it's interesting to note that China's domestic output of natural gas has also been rising strongly, with production in the first quarter rising to 63.19 billion cubic metres, up 5.2% from the same period in 2023.

JAPAN STEADY

Developed economies in Asia that import LNG tend to be less sensitive to rising prices as the bulk of imports are secured under long-term contracts, and LNG imports are largely stable.

Japan, the world's second-biggest LNG buyer, is estimated by Kpler to have imported of 5.12 million tons in April, down from 5.96 million in March, but above the 4.98 million in April last year.

Japan's LNG imports usually follow a seasonal pattern of rising during the peak winter and summer demand periods, but tailing off during the shoulder seasons. South Korea, the world's third-biggest LNG importer, is expected to have arrivals of 4.12 million tons in April, up from 3.93 million in March and 3.23 million in April last year.

Similar to Japan, South Korea's imports may decline next month due to seasonal buying patterns.

The overall picture is that Asia's LNG import volumes are likely to decline in coming months, as a result of both the usual seasonal decline in demand from developed economies, and also the higher spot prices deterring purchases from some developing nations.

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

Top News - Dry Freight

Indonesia bought about 300,000 T rice in tender, traders say

Indonesian state purchasing agency Bulog is believed to have purchased about 300,000 metric tons of rice an international tender late last week, European traders said on Monday.

Traders said the rice will be sourced from Vietnam, Thailand, Pakistan and Myanmar.

The lowest price was estimated at \$585 a ton cost and freight (c&f) included for rice from Vietnam sold by trading house Vinafood.

Traders said the purchase involved a total 109,000 tons of Vietnamese rice with other sales made at \$588 to \$590 a ton c&f. Some 110,000 tons from Thailand was bought at the lowest price of \$608 a ton c&f, with the lowest price said to have been sold by Thai Capital Crops.

Some 56,000 tons from Myanmar was bought all at \$610 a ton c&f and 25,000 tons from Pakistan all at \$617 a ton c&f, traders added. Reports reflect assessments from traders and further estimates of prices and volumes are possible later. Bulog sought arrival in Indonesia by May 31. The tender continues a series of measures by the Indonesian government to increase rice imports to cool local prices. Prices for rice, the staple food for most of Indonesia's 270 million people, have risen about 20% since last year as the El Nino weather phenomenon cut rainfall across large parts of Asia in 2023, reducing output and sparking food inflation. Indonesia has already secured around 1 million tons of rice imports for 2024. The rice purchased should be packed in bags with shipment by break bulk ships only. In its last reported international rice tender on March 27, Bulog is believed to have purchased about 300,000 tons also for arrival by May 31.

Algeria tenders for 70,000 T soymeal and 120,000 T corn

Algerian state agency ONAB has issued international tenders to purchase up to 120,000 metric tons of animal feed corn and 70,000 tons of soymeal, European traders said on Tuesday.

The deadline for submissions of price offers in the tenders is Wednesday, April 24, they said.

The corn is sought sourced from any optional origins to be selected by the seller in three consignments each of 30,000 to 40,000 tons.

The soymeal can also be sourced from any optional origins and is sought in two consignments of between 30,000 to 35,000 tons.

Both the corn and soymeal were sought for shipment by May 20.

Picture of the Day

People walk on a tulip field in Lisse, Netherlands, April 23, 2024. REUTERS/Piroschka van de Wouw

(Inside Commodities is compiled by Dhanya Hegade in Bengaluru)

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

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LSEG
10 Paternoster Square, London, EC4M 7LS, United Kingdom

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