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Top News - Oil

EXCLUSIVE-Russia on track for 2023 oil output of 9.6 mbpd in line with cuts -source
Russia's oil output this year is on course to top 480 million tonnes, or about 9.6 million barrels per day (bpd), a Russian government source familiar with the data told Reuters.
The figure, which excludes gas condensate, is in line with Russia's pledge to cut production by 500,000 bpd to 9.5 million bpd from March until year-end, according to Reuters calculations and the source.
"If you extrapolate for the whole year, production will be 480 million tonnes," the source told Reuters on condition of anonymity due to the sensitivity of such data.
Russia's energy ministry did not reply to a request for comment.

OIL AND CONDENSATE
In 2022, Russia's combined oil and gas condensate production rose to 535 million tonnes (10.7 million bpd). Condensate is excluded from the production quotas used by the OPEC+ producers group for Russia.
Such production may reach around 520 million tonnes (10.4 million bpd) this year, according to the source, taking some 40 million tonnes of gas condensate into account. That is significantly higher than official forecasts which put Russia's expected 2023 oil and gas condensate production at between 490 million and 500 million tonnes (9.8 million to 10 million bpd).
"Russia's oil demand has largely stabilised after the initial shock at the start of the war," J.P. Morgan analysts said in a research note this month. "We believe demand is almost back to pre-war levels." They estimated Russia's aggregate production (crude and condensate) at 10.8 million bpd in March, down 250,000 bpd from February.

CUT TO SUPPORT PRICES
Russia's oil production fell in April 2022 after the West imposed sanctions over what the Kremlin calls its military operation in Ukraine. However, since then Russia has been successful at selling its oil to China and India.
Yet in order to prop up the price of oil, the lifeblood of the Russian economy, Moscow has decided to cut its crude oil output by 500,000 bpd until the end of the year.
The world's second largest oil exporter after Saudi Arabia, Russia has halted or delayed publishing some of its key energy data, including production and export information.
"The lack of transparent official data from one of the world's top oil producers makes it more and more challenging to monitor global supply and analyse markets," J.P. Morgan analysts said in the research note.

China ramps up buying of Russia's Urals oil loading in April to 11-month high
China's increased purchases of April-loading Urals oil and imports of the grade loading from Russia's Baltic and Black Sea ports this month may hit an 11-months high supporting its prices, traders said and Refinitiv Eikon data showed.
China has purchased some 265,000 barrels per day (bpd) of Urals oil loading from Primorsk, Ust-Luga and Novorossiisk in April so far, up from 195,000 bpd of the grade loading in March, the data showed.
Overall China's monthly Urals purchases are expected to exceed this number as more fixtures may be visible after the month's end. The data also excludes Urals shipments to China from ship-to-ship (STS) facilities. April-loading Urals cargoes should offload in Chinese ports in May and early June.
Seaborne imports of Urals come on top of pipeline and seaborne Russian ESPO Blend deliveries to China and sea supplies of Arctic grades. China's March oil imports from Russia hit a record amid active buying of both state oil companies and "teapot," or small independent, refineries.
Chinese refiners are increasing Russian oil imports amid growing confidence in Beijing's trade with Moscow and as new private players are joining Russian oil market attracted by low prices.
India remains a leading destination for Urals oil cargoes in April accounting for more than 70% of loadings, according to the data.
Some traders think, however, that India reached the peak of its buying last month and purchases may drop slightly offering Chinese buyers an opportunity to snap up more Russia barrels. At the same time prices for Urals oil cargoes at delivery ports in China and India improved in April amid the states' competition over the Russian oil and jumped above the "price cap" imposed by Western countries. Russia's Rosneft signed a term deal with Indian Oil Corp cementing the relationship between two large oil companies.

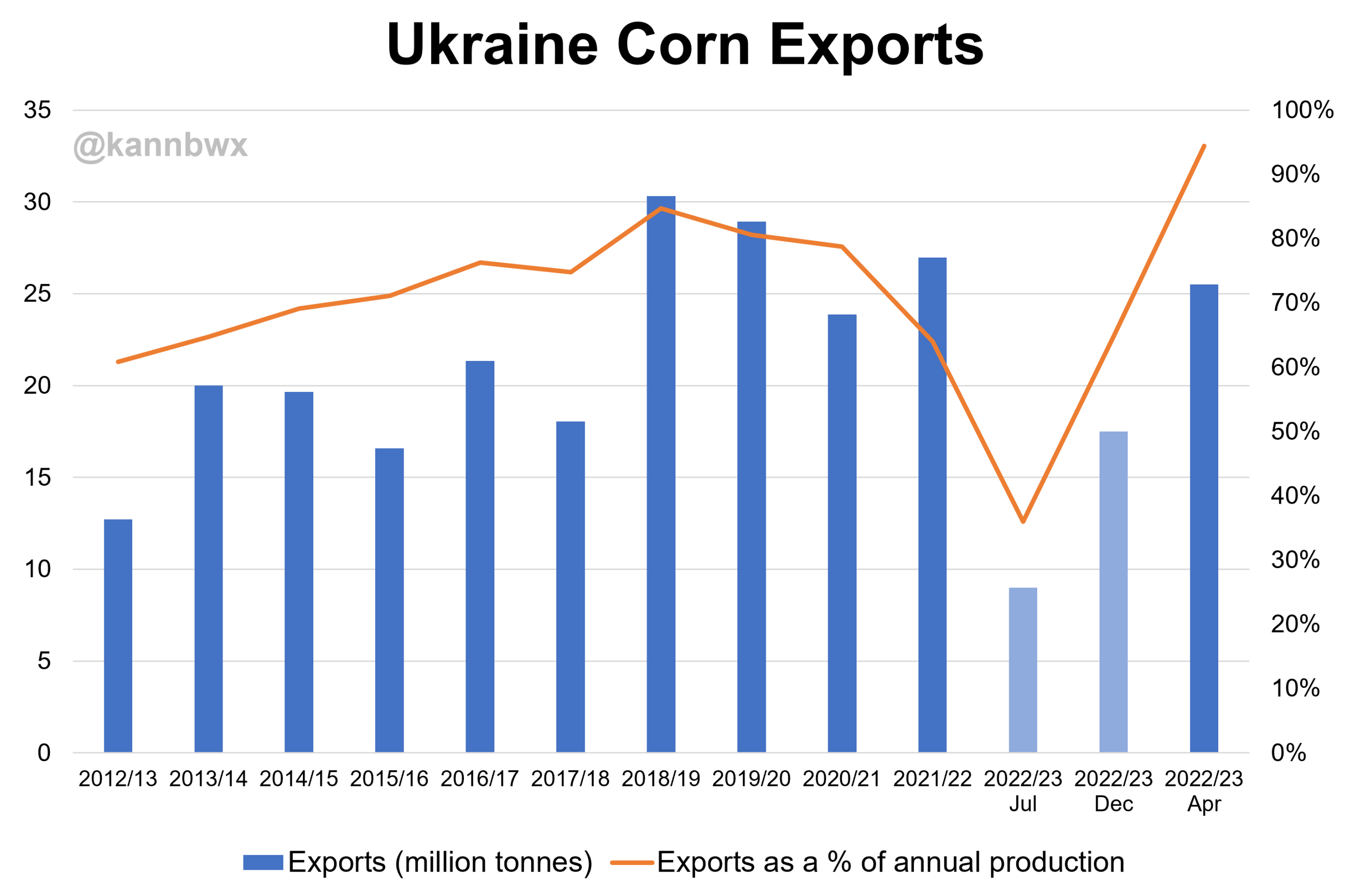
Top News - Agriculture

U.S. winter wheat ratings decline to worst since 1989
The U.S. Department of Agriculture on Monday rated 26% of U.S. winter wheat in good to excellent condition, the lowest for this time of year since 1989, due to prolonged drought.
The wheat ratings, which reflected dry and windy conditions in key portions of the Plains wheat belt, were down 1 percentage point from a week ago and matched the average expectation among 11 analysts polled by Reuters.
A poor crop from the world's No. 5 exporter of the food staple leaves the world more vulnerable to shortages, with the future of a UN-backed deal to allow Ukraine to export grain through the Black Sea in doubt.

In addition to drought, wheat in portions of central Kansas may have suffered damage from cold temperatures over the weekend, the Commodity Weather Group said.
Good-to-excellent ratings for winter wheat in the 16th week of the calendar year have been below 30% only three other times in USDA records dating to the late 1980s, including in 2022 at 27%, in 1996 at 28%, and 1989 at 26%. At the other end of the ratings scale, 41% of this year's crop was rated poor to very poor by Sunday, the USDA said, the most for week 16 since 1996, when 45% of the crop was poor to very poor.
For corn, the USDA said planting was 14% complete by Sunday, matching the average analyst estimate and ahead of the five-year average of 11%.
The U.S. soybean crop was 9% planted, just ahead of the average analyst expectation of 8% and the five-year average of 4%.
The U.S. spring wheat crop was 5% planted, the government said, lagging both the average analyst estimate of 7% and the five-year average of 12%.

Rain helps EU crops but Spain and north Italy stay dry -monitor
Rainfall in the past month has benefitted cropland in much of the European Union but Spain and northern Italy remain affected by drought that could lead farmers to rethink spring planting plans, the EU's crop monitoring service said on Monday.
Substantial precipitation since March has boosted soil moisture in much of the continent after a dry end to winter, though wet conditions coupled with cool temperatures have slowed spring sowing, the MARS service said in a monthly report.
Drought worsened across Spain and continued in northern Italy, however.
"This is leading to a substantial reduction in planted area and/or shifts from rice or maize to more drought-tolerant crops," MARS said, adding farmers might decide not to plant some non-irrigated fields at all.
Earlier-sown winter crops and spring barley were being negatively affected in Spain and Portugal, though they remained in fair condition in Italy, it said.
Parts of southern Europe have stayed dry since severe drought last summer, raising fears of a repeat of massive wildfires and depleted harvests seen in 2022.
In yield projections, MARS reduced slightly its forecast of this year's EU soft wheat yield to 5.96 tonnes per hectare (t/ha) from an initial projection of 5.99 t/ha last month. That would nonetheless be 3% above both 2022 and the average of the past five years.

Chart of the Day



Note: 2022/23 reflects USDA forecast as of different months

Data source: U.S. Department of Agriculture

The forecast EU rapeseed yield was increased to 3.31 t/ha from 3.29 t/ha last month, down 1% from 2022 but 7% above the five-year average. In a first projection of the EU's total barley yield, including both winter and spring crop, MARS forecast the yield at 4.92 t/ha, down 2% versus 2022 but 1% higher than the five-year average.

Top News - Metals

EXCLUSIVE - Chile to start lithium talks with SQM by mid-year to boost state control

Chile will start talks with SQM over its operations in the Atacama “this semester” to convince the world's No. 2 lithium mining company to sign onto a state-led public-private model, the economy minister said on Monday, while SQM said it would need to invest an additional $2 billion under the new strategy.

In his first interview with international media since the government last week announced plans for state control of the metal key for electric vehicle batteries, Economy Minister Nicolas Grau told Reuters state miner Codelco would start talks over public-private lithium production "as soon as possible."

While Codelco dominates copper output in Chile, the world's top copper producer, the state has yet to produce lithium.

"Codelco's conversations with the companies that operate in the Salar de Atacama, particularly with SQM, which ends its contract in 2030, is something that will begin immediately during this semester," Grau said.

In a statement later on Monday, SQM said they met with Chile's state development office Corfo to discuss the lithium strategy and said the company would need to invest $2 billion of additional capital to achieve the plan's sustainable goals.

Grau added that progress was also expected with U.S.-based Albemarle Corp, the world's top lithium producer, whose contract expires in 2043.

Albemarle and Santiago-based SQM are the only two lithium producers in Chile and operate in the Atacama salt flat, which has 90% of the Andean country's lithium reserves. Stocks for both companies plummeted on Friday following President Gabriel Boric's nationalization announcement. At closing on Monday, SQM's stock had recovered 6.1% while Albemarle had bounced back 5.9%.

When asked about the minister's statements, Albemarle said they had no new comments and referred to their previous statement that the plan would have "no material impact on our business."

"Regarding the conversations related to the Salar de Atacama, I want to be very clear on this, it is something that is going to be defined during this government," Grau said, adding that there are no concrete deadlines, but all actors are aware of the urgency involved. The next national election is scheduled for 2025.

The strategy includes a new national lithium company, which congress must approve, but Grau said the government believes Codelco has the "capacity to assume new challenges" as well as the "scale and know-how" to deal with lithium.

Grau added that Codelco can start moving forward with establishing public-private partnerships with companies that have advanced explorations in the Maricunga salt flat.

For other salt flats, Grau said the agreements will depend on the development timelines, productive and strategic value of each project.

"It is reasonable to leave some space so that the concrete public-private structuring of each salt flat depends on the interest of each one," Grau said, adding that Boric noted that the government "control will be reserved for salt flats considered to be strategic.

Chile, which holds the world's largest lithium reserves and is the second-largest producer globally after Australia, mainly produces the white metal from salt lakes, rather than from hard rock mines.

Grau added that the government will start hosting talks with local and Indigenous communities in the Atacama salt flat early on. Some communities have had strong opposition to lithium projects, but the government has said it would raise production while caring for ecosystems.

The minister said that most of the steps to implement the new lithium strategy will be implemented this year, but the creation of a new national lithium company can take longer.

FOCUS-Argentina's lithium pipeline promises 'white gold' boom as Chile tightens control

In Argentina's mountainous north, a strong pipeline of lithium projects close to coming online looks set to unlock a wave of production that could see its output of the key electric vehicle battery metal as much as triple within the next two years.

The world’s fourth largest producer of the silvery-white metal sits within the so-called "lithium triangle" and has been luring investment from Canadian to Chinese mining firms with a regional and market-led model, even as a wave of resource nationalism has spread in the region.

Neighboring Chile, the region's top lithium producer, last week unveiled plans for a state-led public-private model, spooking investors.

Bolivia has long maintained strict control over its huge though largely untapped resources, while Mexico nationalized its lithium deposits last year.

In Argentina, despite state energy firm YPF starting to explore for lithium last year, the sector has largely been driven by private enterprise and regular approvals of new projects as the government has looked to bring in more export dollars through mining, a rare bright spot amid economic turmoil.

"Argentina has granted concessions to projects for the last 10 years," said Franco Mignacco, president of Argentina's Chamber of Mining Business. "That's why today we have this level of lithium investment and development and the chance of growth."

Mignacco estimated that Argentina's current 40,000 tonnes of lithium carbonate production could triple by

2024-2025 to 120,000 tonnes, which could take it past China and closer to Chile which currently produces some 180,000 tonnes per year.
That would be driven by new projects coming online on top of the two currently in production. The country has six lithium projects under construction and 15 in the advanced exploration or feasibility stage, Mignacco said.
That contrasts with Chile, where the industry is dominated by established players SQM and Albemarle, with few new projects underway. In Bolivia the government only recently okayed a new project by a Chinese consortium.
Argentina's production boost would come from the expansion of the only two producing operations - U.S. firm Livent's Fénix project in Catamarca and Australian Allkem Ltd's Salar de Olaroz mine in Jujuy - both expected to double output to 42,500 tonnes in the years ahead.
These would be joined by the Cauchari-Olaroz project, owned by China's Ganfeng Lithium Co and Canada's Lithium Americas Corp, which in the second half of 2023 is set to begin production with capacity for 40,000 tonnes of lithium carbonate.

'PRO-MARKET STRATEGY'
Argentina, Bolivia and Chile together sit atop half of the world's resources of the mineral under otherworldly salt flats in the high-altitude Andean plains.
But strategies for developing it are diverging.
"Argentina's lithium sector has thrived through a decentralized, pro-market strategy," said Benjamin Gedan, director of the Latin America program at The Wilson Center, adding in contrast Bolivia's lithium sector had "repeatedly stalled as a result of excessive state control." Chile, he said, may have found a "savvy middle ground" with its public-private model, which would hand the state majority control over all new lithium projects in a nationalist shift, but would still give private enterprise a key role to play.
The wave of resource nationalism had prompted some talk amongst officials of a potential OPEC-style lithium cartel in the region, though analysts see it as unrealistic given the diverse industry models and levels of development. Argentina, meanwhile, faces challenges including economic turmoil with high inflation and capital controls which complicate business, while the country is headed for general elections in October creating political uncertainty.
Its lithium pipeline, though, may keep the sector bubbling and even gaining ground on rivals. Overtaking neighbor Chile would be highly unlikely but some analysts were aiming high. "Chile today produces and exports much more lithium than Argentina," said Natacha Izquierdo, analyst at consultancy ABCEB. "But if the projects we have here today come to fruition, Argentina could overtake it."

MARKET MONITOR as of 06:45 GMT			
Contract	**Last**	**Change**	**YTD**
NYMEX Light Crude	$77.06 / bbl	-2.16%	-1.83%
NYMEX RBOB Gasoline	$2.56 / gallon	-1.98%	5.37%
ICE Gas Oil	$718.50 / tonne	-2.04%	-20.01%
NYMEX Natural Gas	$2.21 / mmBtu	-2.68%	-49.99%
Spot Gold	$1,984.99 / ounce	-0.20%	9.30%
TRPC coal API 2 / Dec, 23	$125 / tonne	-	-27.47%
Carbon ECX EUA / Dec, 24	€96.48 / tonne	4.17%	5.45%
Dutch gas day-ahead (Pre. close)	€41.50 / Mwh	2.98%	-47.33%
CBOT Corn	$6.63 / bushel	1.77%	-4.02%
CBOT Wheat	$6.80 / bushel	3.54%	-17.75%
Malaysia Palm Oil (3M)	RM3,705 / tonne	-	-13.54%
Index (Total Return)	**Close 24 Apr**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	299.30	0.71%	-0.36%
Rogers International	26.85	0.22%	-6.23%
U.S. Stocks - Dow	33,786.62	-0.33%	2.20%
U.S. Dollar Index	101.35	-0.47%	-2.10%
U.S. Bond Index (DJ)	409.93	0.55%	4.25%

Top News - Carbon & Power

Biden would veto legislation to block solar tariff waivers

U.S. President Joe Biden will veto congressional efforts to overturn his solar tariff waiver for four Southeast Asian nations for two years, the White House said on Monday.
In June, Biden waived tariffs on solar panels from Cambodia, Malaysia, Thailand and Vietnam in an effort to create a "bridge" while U.S. manufacturing ramps up enough to supply the domestic projects needed to achieve climate change goals.
Today, those four countries make up about 80% of U.S. panel supplies.
Domestic manufacturers, however, say the tariffs are needed now to compete with cheap panels made overseas. The repeal effort aims to support those companies.
Last week a U.S. House of Representatives committee voted in favor of restoring the tariffs on the solar panels from the four countries, reversing Biden's suspension.
That legislation, which both Democrats and Republicans support, is expected to come up for a full vote in the House as soon as this week.
In a statement, the White House said it "strongly opposes" the resolution and would veto it if it passes. Reuters was first to report the president's pledge to veto the legislation earlier on Monday.
The White House argues that Biden's policy has worked and points to an increase in domestic solar manufacturing capacity since Biden came into office.
"This legislation would sabotage U.S. energy security," Ali Zaidi, Biden's national climate adviser, told Reuters.
"It's not about slowing things down. It's about fundamentally undermining our progress towards increased energy security and having the tools we need to attack the climate crisis," Zaidi added.
Representative Dan Kildee, a Democrat who co-sponsored the resolution, said in an emailed statement that he disagreed with Biden on this issue.
"China has been found to have violated our trade laws, yet the United States has failed to respond, including suspending tariffs and letting their unlawful behavior go unanswered," he said.
The U.S. is on track to increase domestic solar panel manufacturing capacity eightfold by the end of 2024, another White House official said.
Biden does not plan to extend the tariff waivers after the two-year period has concluded because domestic manufacturing has taken off.
"Given the strong trends in the domestic solar industry, the President does not intend to extend the tariff suspension at the conclusion of the 24-month period in June 2024," the White House said in its Statement of Administration Policy.

European countries aim to turn North Sea into green power engine

Leaders from European countries surrounding the North Sea pledged on Monday to rapidly scale up offshore wind power generation in the region to strengthen energy security, at a summit in Ostend, Belgium.
Leaders from seven European Union countries, including France, Germany and the Netherlands, alongside non-EU countries Norway and Britain pledged to speed up their buildout of wind farms, develop "energy islands" - or connected renewable generation sites at sea - and work on carbon capture and renewable hydrogen projects in the region.
The aim is to curb reliance on Russian gas, and reduce use of CO_2-emitting fossil fuels.
"Because of Russia's brutal war on Ukraine, it has made it absolutely clear that we need to produce more energy ourselves," said Danish Prime Minister Mette Frederiksen, who added that the massive expansion of renewable energy was crucial to fight climate change.
In a joint statement, the countries' leaders said they would aim for a combined 120 gigawatts (GW) of offshore wind capacity by 2030 in the North Sea and northern seas including the Irish sea, and 300GW by 2050.
That would more than quadruple the countries' 25GW of existing North Sea wind capacity. Belgium, Denmark and Ireland plus Luxembourg, which does not have a coast, also signed the pledge.
The United Kingdom signed the declaration but Prime Minister Rishi Sunak did not attend the summit.
The countries also pledged to work together to protect offshore energy infrastructure against security threats. Such concerns have heightened since unexplained blasts last September ripped holes in the Nord Stream pipelines linking Russia and Germany.
"This declaration is also a great chance to really get security into the design of all new wind farms and infrastructure," said Dutch energy minister Rob Jetten, who attended the summit alongside energy ministers from the other eight countries.
Some countries announced projects to spur the green energy push. The Netherlands and Britain said they plan to build Europe's biggest cross-border electricity link connected to an offshore wind farm.
European companies, however, including Orsted and Equinor, warned that their sector is currently too small to support the infrastructure expansion, and increased policy support and funding would be needed to deliver the targets.
French President Emmanuel Macron said the buildout of offshore wind must be driven by European manufacturers, to avoid the expansion of renewable energy creating new dependencies on foreign imports.

Top News - Dry Freight

Russian wheat export prices extended fall last week on low demand, analysts say

Export prices of Russian wheat continued to decline last week as low demand outweighed the impact on the market of uncertainty over whether the Black Sea grain deal will be extended, analysts said.

Prices for Russian wheat with 12.5% protein content, delivered free on board (FOB) from Black Sea ports, were $265 a tonne, down $6 from last week, the IKAR agriculture consultancy said.

Russia exported 1.11 million tonnes of grains during the week ended April 21, of which 1.0 million tonnes were wheat, SovEcon said. That was compared with 1.16 million tonnes of grain and 950,000 tonnes of wheat the previous week.

SovEcon downgraded wheat export estimates for April by 0.1 million tonnes to 4.2 million tonnes. Russia exported 2.4 million tonnes in April 2022, the average for the month being 2.7 million tonnes.

SovEcon noted growing problems with new export sales. Large traders’ outstanding wheat export sales fell again, to 1.6 million tonnes from 1.9 million tonnes a week ago and 2.3 million tonnes two weeks earlier. This is the lowest volume since November 2022.

Analysts attribute the drop to an unofficial price floor of $275 per tonne FOB, which affects the competitiveness of Russian wheat.

Last month, Reuters cited two sources as saying the government wanted exporters to ensure prices paid to farmers were enough to cover average production costs, which would mean keeping export prices for wheat at or above $275-$280.

The future of the Black Sea grain deal could be affected by Turkish elections on May 14 or by a potential Ukrainian counter-offensive, SovEcon said.

The deal allows Ukraine to export from its Black Sea ports, but Russia has said it will not extend it beyond May 18 unless barriers to its own food and fertiliser exports are addressed.

Overall weather conditions remain favourable for the new crop, SovEcon analysts noted. They have raised their 2023 wheat harvest forecast to 86.8 million tonnes from 85.3 million tonnes previously.

However, IKAR reduced its wheat forecast to 84 million tonnes from 86 million, and the grain harvest to 129.5 million tonnes from 131.5 million, mainly because of problems with the state of crops in the northeast of the European part of Russia's Black Earth region, as well as in the Volga region.

Last week, the Russian Ministry of Agriculture updated its 2023 harvest forecast to 123 million tonnes of grain, including 78 million tonnes of wheat.

India's coking coal imports from Russia to accelerate this year

India is set to step up its purchases of Russian coking coal this fiscal year to cash in on lower prices and diversify its imports, trade and industry officials said.

Executives at three steelmaking companies, who didn't wish to named, said Indian firms are keen to capitalise on lower Russian coking coal prices and faster deliveries.

Coking coal imports from Australia, New Delhi's biggest supplier of the key raw material for steelmaking, have traditionally constituted 75% to 80% of India's annual shipments.

But during the first 11 months of the previous fiscal year to March 2023, Australia's share dropped to 54% due to higher imports from the United States and Russia, government data showed.

Moscow emerged as the fourth-biggest coking coal supplier to India between April 2022 and February 2023, by exporting 3.9 million tonnes, more than double than a year earlier and may emerge as the second-biggest supplier this year, analysts said.

"Yes, that is likely considering India's strategic focus on increasing energy sourcing from Russia," said Snehdeep Bohra, a director at Fitch Ratings in India.

Analysts at London-based CRU, a commodity-focused research group, said recent Russian coking coal prices were 15% to 30% lower than Australian metallurgical coal supplies that averaged around $350 per tonne.

Russian supplies are likely to continue to be cheaper during the June quarter, the CRU analysts said.

Other than lucrative prices, relatively smooth trade flows between Moscow and New Delhi would also accelerate coking coal shipments to India given the presence of several Russian trading companies, said Rakesh Surana, partner at Deloitte India. "These companies play an important role in facilitating trade between the two countries, as they help in coordinating transportation, logistics, and financing for coking coal shipments," he said. India's coking coal demand is likely to jump 8% to 10% in 2023 thanks to rising steel demand from housing and infrastructure sectors, Fitch's Bohra said.

Picture of the Day

An aerial view shows power-generating windmill turbines, rapeseed and wheat fields in Saint-Vaast-en-Cambresis, France, April 24. REUTERS/Pascal Rossignol

(Inside Commodities is compiled by Vaishali Puthran in Bengaluru)

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