Oil | Agriculture | Metals | Carbon & Power |Dry Freight
Click on headers to go to that section

Top News - Oil

U.S. crude to dominate Brent oil benchmark under index change
Texas crude is set to assume a key role in the world's most important benchmark - Brent - as oil-index publisher S&P Global Platts adds U.S. WTI Midland crude to its dated Brent oil price assessment for June deliveries.
Dated Brent is a part of the wider Brent complex including physical cargoes, swaps and the Intercontinental Exchange (ICE) futures contract. Brent is used to price over three-quarters of the world's traded oil.
WTI Midland is the first crude from outside of the region to be added to the basket. Until now, Brent had been based on five British and Norwegian North Sea crudes, whose supplies are in long-term decline.
"Bottom line for Brent is that it will be much more influenced by U.S. fundamentals such as Strategic Petroleum Reserve releases and Permian production," said Rebecca Babin, a senior energy trader at CIBC Private Wealth US.
The volume of WTI Midland crude arriving in Europe from the top U.S. shale basin has climbed in the past year, replacing Russian crude barred by Western sanctions.
The flow "only strengthens the importance of WTI Midland crude in the European refinery diets and therefore in the Brent benchmark," trading veterans Adi Imsirovic and Kurt Chapman wrote last month.
Dated Brent's value is set by the cheapest of the crudes in the basket. If WTI Midland had been a part of the Brent benchmark in 2021, it would have set the price about 68% of the time, said James Gooder, a vice president at commodity market data provider Argus, which competes with S&P Global.
"What we're seeing is a kind of merging of the two key benchmarks in crude," he said.

MORE BRENT VOLATILITY?
WTI Midland exports to Europe hit 1.25 million barrels per day in March, according to data provider Kpler, greater than the other five dated Brent grades combined.
Price volatility in Brent contracts could be higher than previously because there can be large month-to-month differences in how much WTI is delivered to Europe, said Christopher Haines, an oil analyst at research consultancy Energy Aspects.
"We need to see a couple of months of trade in order to actually see how that plays out," he said.
WTI's inclusion in dated Brent will affect the arbitrage, or the price of crude at different locations that determines the economics of buying and moving particular crudes, because Brent is widely used to price other grades, such as Dubai, analysts said.
"The WTI/Brent spreads have been tightening as the date of inclusion approaches and I expect that trend to continue," CIBC's Babin said.
Only cargoes of WTI Midland delivered on Aframax ships, which typically move about 700,000 barrels of oil, will be included in dated Brent.
The arbitrage "is all going to be about the Aframax freight rates" for U.S. exports to Europe, said Energy Aspects' Haines.

HEDGING GAINS
WTI Midland's inclusion in dated Brent has prompted more hedging activity, with traders uncertain about how demand and prices will change for dated Brent and WTI Midland.
Contracts for WTI at Houston and at Midland on the CME Group exchange have traded as far ahead as December 2026, CME said.
Open interest across the Midland and Houston contracts reached a record 432,193 last Friday, with combined average daily open interest up 56% from last year.
Oil majors have been buying the spread between WTI and Brent ahead of the change to manage any risk after Midland's inclusion comes into effect, a broker said.
Thomson Reuters competes with S&P Global Platts in providing news and data about the oil market.

Global refinery margins lose steam as Russian oil finds new outlets
Global diesel margins have slumped by about half since February, dragging on refiners' profits, as Russian exports continue despite sanctions, helping output from China and India reach all-time highs in March.
Western sanctions and price caps on Russian crude and oil products introduced in December and February had been expected to tighten oil supplies globally.
However, Russia continues to ship out low-cost oil, enabling its biggest clients - India and China - to boost their refining output and exports. Russian oil products, meanwhile, are being sent in high volumes to oil hubs to be stored and re-exported worldwide.
In addition, several new refining complexes are coming online this year in the Middle East and China, churning out more oil products for export and further depressing refining margins.
India's Reliance Industries, operator of the world's largest refining complex, said in its earnings call on Friday gasoil margins dropped as Russian diesel supplies have remained firm, while an unusually mild winter in Europe led to a build-up in inventories.
Demand for gasoil to replace natural gas in power generation has also fallen after spot liquefied natural gas (LNG) prices eased from all-time highs, the company said.
Benchmark European diesel barge refining margins drifted to their lowest since February 2022 last week to about $13.70 a barrel, according to Reuters

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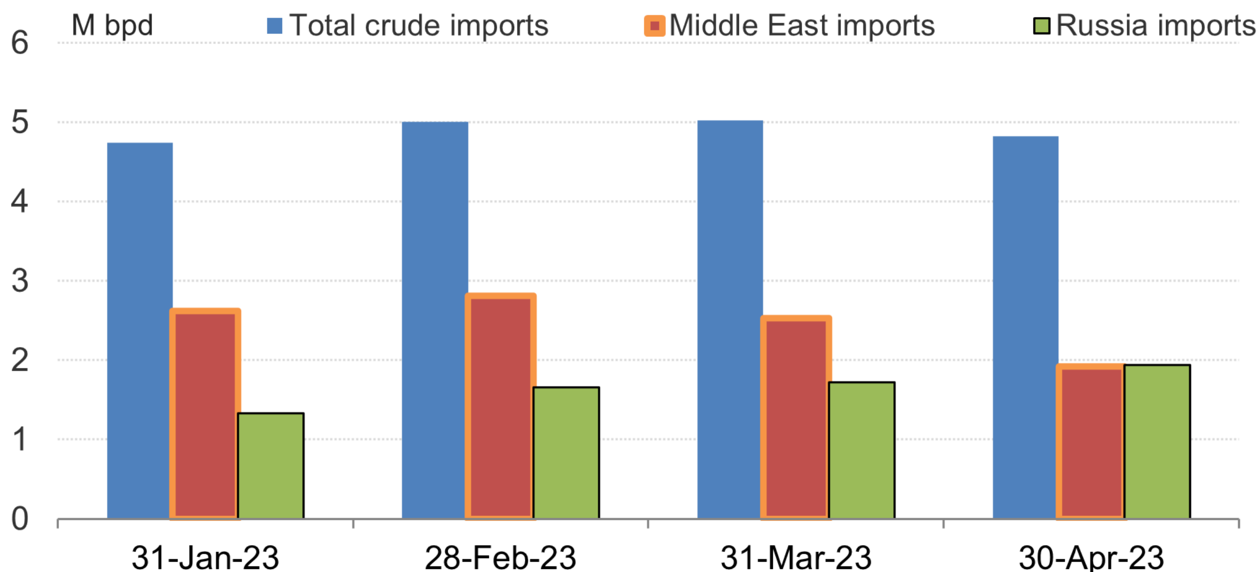
assessments, pressured by high import volumes and the restart of French refineries after labour-related strikes. Similarly, Asian gasoil margins have fallen by 31% in April to the lowest since January 2022 at about $14 a barrel last week because of high inventories and as the arbitrage window to Europe has been shut for months.
Profit on processing a barrel of Brent crude at a typical European refinery has plunged by about 71% to the lowest since January last year to $3.56 a barrel in April, while refining profit margins in Asia are down by around 57% to $2.54 a barrel in the month.

U.S. GASOLINE MARGINS FIRM
In the U.S., distillate demand is quite weak and that is corroborated by a lot of macroeconomic indicators including industrial production that are softening, said Mathew Blair, refining analyst at energy research firm Tudor, Pickering, Holt & Co. However, U.S. gasoline margins are firm ahead of summer driving season and low inventories, supporting overall refining margins against West Texas Intermediate crude at around $21 a barrel, Refinitiv data showed. Gasoline stocks rose unexpectedly last week for the first time in eight weeks, but are still 9.9 million barrels below the 2015-2019 average and 8.8 million barrels below last year's levels, energy consultancy FGE said. In Asia, refiners were raising gasoline production and trimming diesel to improve their margins. Higher gasoline output and increased exports from China could narrow the region's deficit for the motor fuel month-on-month in May, FGE added in a note dated April 21. Likewise, benchmark European gasoline margins are under pressure from a sharp fall in demand for cargoes from key markets in West Africa, even as exports on the transatlantic route recover from last month.
Northwest European shipments so far in April on the two routes stand at 1.27 million tonnes, down from the 1.79 million tonnes exported last month and well under the 1.84 million exported the same time last year, Refinitiv data showed. Russia stepped up shipments of the motor fuel to African countries after the European Union banned Russian products on Feb. 5. Also, exports from the Netherlands to low income countries including in Africa fell after new Dutch regulations on standards for fuel blends started on April 1.

Chart of the Day



Top News - Agriculture

ADM profit tops forecasts, shares drop as outlook disappoints

Archer-Daniels-Midland beat Wall Street expectations on Tuesday with a record first-quarter profit but its shares fell as it forecast full-year earnings below some analyst estimates and investors focused on thinner oilseed crush margins.

A record-large Brazilian soybean crop and strong exports lifted earnings in the grain merchant's Ag Services and Oilseeds segment, its largest by revenue and volumes, more than offsetting weaker results in its ethanol and nutrition businesses.

ADM forecast 2023 earnings at between $6 and $7 per share, down from a record $7.85 in 2022 and below some analyst estimates. Its shares were down 5.5% at $76.37 at midday.

ADM and its agribusiness peers have drawn support from strong demand for food, feed and biofuel, while global food supply chain disruptions, such as lower grain shipments from war-torn Ukraine, have boosted prices.

But weaker-than-expected oilseed processing margins in major markets worried some investors as ADM estimated U.S. margins at $55 to $65 per tonne in the first quarter, down from $90 to $100 in the prior quarter.

The second quarter "is expected to be weaker, primarily due to lower profits in the crushing sub-segment, as global soybean crush margins have compressed since the end of 2022," CFRA analyst Arun Sundaram said.

"Consensus estimates for both 2023 and 2024 will likely need to come down," he said.

Supply chain middlemen such as ADM make money by processing, trading and shipping crops, often thriving when crises such as droughts or war trigger shortages.

"Supply and transportation constraints in the Black Sea region, severe drought in Argentina, the record Brazilian crop and a resurgence of demand in China post lockdown allowed our team to take full advantage of our global footprint," CEO Juan Luciano said.

Demand for vegetable oils has also soared as biofuel makers have expanded capacity to produce renewable diesel.

ADM's adjusted net earnings stood at $2.09 per share for the three months ended March 31, topping the $1.78 expected by analysts, Refinitiv Eikon data showed.

Russia's Lavrov blames West for deadlock over future of Black Sea grain deal

Moscow has seen "practically no results" from a pact with the United Nations that aimed to help Russia's grain and fertilizer exports and blamed Western countries for creating a deadlock, Foreign Minister Sergei Lavrov said on Tuesday.

Russia has signaled that unless a list of demands is met to remove obstacles to those exports, it will not agree to extend a related deal beyond May 18 that allows the safe wartime export of grain from Ukraine's Black Sea ports.

Lavrov, at a news conference at the United Nations in New York, praised the work of U.N. Secretary-General Antonio Guterres and U.N. aid chief Martin Griffiths in their bid "to reach agreement with countries that have announced illegitimate and lateral sanctions against the Russian Federation."

"But there has been practically no result," Lavrov said.

Russia signed a three-year deal last July in which the United Nations agreed to help try and remove any obstacles to its grain and fertilizer exports. While those exports are not subject to Western sanctions imposed following the February 2022 invasion of Ukraine, Moscow says restrictions on payments, logistics and insurance are a barrier to shipments.

U.S. BANK TRANSACTION

One of Russia's demands is for the Russian Agricultural Bank (Rosselkhozbank) to return to the SWIFT banking system. Lavrov said that there were no plans for that to happen and as an alternative Guterres had proposed that U.S. banks could help the Russian Agricultural Bank with transactions.

Lavrov said one bank "kindly consented to finance one operation," but that this was not a long-term solution.

"If you want every time for us and the U.N. Secretary-General to run back and forth and to plead with any given U.S. financial structure for them to be so magnanimous, then you understand that cannot work and it will not work," he said.

A source familiar with the transaction said the U.S. State Department and U.S. Treasury had asked JPMorgan Chase & Co to carry out the "very limited and highly monitored" transaction in relation to the export of agricultural materials, which occurred this month. The source said there could be further transactions.

A JPMorgan Chase & Co spokesperson declined comment. U.S. Treasury did not immediately respond to a request for comment.

'NOT THE DEAL WE REACHED'

The pact with the United Nations helped convince Russia to allow Ukrainian Black Sea grain exports under a deal - also brokered by the United Nations and Turkey in July last year - intended to tackle a global food crisis that U.N. officials said was worsened by the invasion.

Guterres met with Lavrov on Monday and gave him a letter to deliver to Russian President Vladimir Putin that outlines a way forward aimed at the improvement, extension and expansion of the Ukraine Black Sea grain deal, a U.N. spokesperson said.

"The reaction to this correspondence will arise after the recipient reads it," Lavrov said at Tuesday's news conference. In return for extending that agreement beyond May 18, Russia has also demanded that the supply of agricultural machinery to Russia be allowed, restrictions on insurance be lifted and for Russian ships and cargo to be allowed port access.

It also wants a pipeline that delivers Russian ammonia to a Ukrainian Black Sea port to be restarted, and financial activities of Russian fertilizer companies to be unblocked.

Unless Russia could export grain and fertilizer globally without hindrance, Moscow could not accept the

alternative of having to "each time manually take the effort and plead" with American and European ports, banks and insurance companies for help, Lavrov said. "That's not the deal we reached on 22 July last year," he said. He said Russia has not discussed the Ukraine grain Black Sea export deal with Moscow's strategic partner China, which is the biggest recipient of grain under the agreement.

Nearly 29 million tonnes of grain has been exported under the Black Sea grain deal with 6.7 million tonnes going to China, according to data from the Joint Coordination Centre, which is made up of officials from Ukraine, Russia, Turkey and the U.N. and oversees implementation of the agreement.

Top News - Metals

Chile, US miner Albemarle hold talks on lithium nationalization plan

Chile's state development office Corfo said on Tuesday it met with U.S.-based miner Albemarle to discuss the South American country's plan to nationalize the lithium industry.

Chile's leftist President Gabriel Boric last week announced that control of the country's vast lithium operations would over time be transferred from Albemarle and SQM to a separate state-owned company.

The move shocked investors and foreign companies and raised concerns about the production and supply of lithium, a metal essential in electric vehicle batteries. Chile has the world's largest lithium reserves.

Albemarle's Chile manager, Ignacio Mehech, and Corfo Vice President Jose Miguel Benavente discussed the government's plan, which focuses primarily on the Atacama salt flat where Albemarle has a contract to operate until 2043, Corfo said in a statement.

Corfo will continue owning mining properties, while mining would be carried out by lease contracts that "gradually incorporate the state" through public-private alliances with a state majority, the statement said.

Benavente said the "public-private association and a possible extension beyond 2043" would be defined at a later date, but added that the agreement should benefit both parties.

In a separate statement released after the meeting, Mehech said Boric's statement about respecting contracts is an "unequivocal sign to the market that lets us maximize our commitment in Chile." He added that Albemarle, the world's largest producer of lithium, wants to grow in Chile and in the Atacama salt flat with new technologies. "The new era of lithium is in total sync with the lithium strategy the government has outlined," Mehech said, adding that the company is looking to advance its direct lithium extraction technology, which is a key element of the government's plan.

MARKET MONITOR as of 06:45 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$77.06 / bbl	-0.01%	-3.08%
NYMEX RBOB Gasoline	$2.56 / gallon	-	4.37%
ICE Gas Oil	$718.50 / tonne	0.31%	-21.69%
NYMEX Natural Gas	$2.21 / mmBtu	-4.12%	-49.25%
Spot Gold	$1,984.99 / ounce	-0.64%	9.55%
TRPC coal API 2 / Dec, 23	$125 / tonne	-	-27.47%
Carbon ECX EUA / Dec, 24	€96.48 / tonne	5.94%	3.69%
Dutch gas day-ahead (Pre. close)	€41.50 / Mwh	4.27%	-47.07%
CBOT Corn	$6.63 / bushel	2.51%	-4.02%
CBOT Wheat	$6.80 / bushel	4.17%	-18.25%
Malaysia Palm Oil (3M)	RM3,705 / tonne	1.93%	-13.63%
Index (Total Return)	**Close 25 Apr**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	299.30	-1.39%	-1.74%
Rogers International	26.85	-1.54%	-7.67%
U.S. Stocks - Dow	33,786.62	-0.33%	1.16%
U.S. Dollar Index	101.86	0.51%	-1.60%
U.S. Bond Index (DJ)	409.93	0.63%	4.82%

Economy Minister Nicolas Grau told Reuters on Monday that the government will start official talks with both lithium operators through state-miner Codelco by the middle of this year and hopes to have an agreement before the end of Boric's term in 2026.
On Monday, SQM CEO Ricardo Ramos also met with Corfo and said the Chilean lithium company, the world's second-largest producer of the metal, would require $2 billion to enact the government's plans. SQM's contract expires in 2023.

China steel association urges steelmakers to cut output after price drops
The government-backed China Iron and Steel Association (CISA) has urged domestic steelmakers to cut production following rapid price drops to help ensure a stable cash flow.
Domestic steel prices have sunk, posing severe challenges to steel mills, it said at a meeting with several steelmakers on Monday. Rebar on the Shanghai Futures Exchange has dropped from late March by nearly 11% to 3,685 yuan ($532.32) a tonne on Tuesday.
Representatives from 16 steelmakers and the CISA attended the meeting, the CISA said in a statement on its WeChat account on Tuesday. Meanwhile, some steelmakers in Northwest and North China have begun maintenance work on blast furnaces after suffering losses, consultancy Mysteel and Shanghai Metals Market (SMM) said in reports.
"Mills in these regions have faced great financial pressure due to high steel inventories," said Connie Zhang, steel analyst at consultancy SMM.
More than 30 steel mills have issued plans for maintenance as of Tuesday, according to Mysteel.
Another 15 blast furnaces across China went into maintenance as of Monday, reducing hot metal output in April by 615,900 tonnes, SMM said in its latest report.
It's worth observing whether other steelmakers in North, East and South China will follow suit later, Xu Xiangchun, director of content at Mysteel said.
"We learned that a few mills suffering losses indeed have the intention to start maintenance, but we do not think the scope of production cuts will continue to enlarge in the long run and it won't last long either," SMM's Zhang added. Electric-arc-furnace (EAF)-based steelmakers in South China's Guangdong, East China's Zhejiang and Southwest China's Sichuan scaled back production last week after suffering severe losses, Mysteel said.
Analysts, however, played down the impact of production cuts by these EAF-based steelmakers as such output only accounts for around 10% of the country's total production.

Top News - Carbon & Power

EU gives green light to revamp of Europe's main climate policy
EU countries on Tuesday gave the final approval to the biggest revamp to date of Europe's carbon market, which is set to make it more costly to pollute and sharpen the 27-member bloc's main tool for cutting carbon dioxide emissions.
The world's first major carbon trading system has since 2005 forced power plants and factories to buy permits when they emit CO2, and has cut emissions from those sectors by 43%.
European Union members approved a deal agreed last year by negotiators from EU countries and Parliament, to reform the carbon market to cut emissions by 62% from 2005 levels by 2030, which is designed to deliver the EU's emissions-cutting targets.
After nearly two years of EU negotiations, the member states' approval means the policy will now pass into law.
The EU Parliament approved the deal last week.
Of the 27 EU countries, 24 voted for the reform. Poland and Hungary opposed it, while Belgium and Bulgaria abstained.
Poland, which has previously called for the carbon market to be suspended or its price capped to ease the burden on industry, said EU climate policies set unrealistic goals.
The reform is set to hike the cost of polluting for sectors including cement manufacturing, aviation and shipping, while also raising billions of euros through CO2 permit sales, for national governments to invest in green measures.
Heavy industries will lose the free CO2 permits they currently receive by 2034, while airlines will lose theirs from 2026, exposing them to higher CO2 costs.
Emissions from ships will be added to the scheme from 2024.
Countries also approved the EU's world-first policy to phase in a levy on imports of high-carbon goods from 2026, targeting steel, cement, aluminium, fertilisers, electricity and hydrogen.
The carbon border levy aims to put EU industries and foreign competitors on a level footing, to avoid EU producers relocating to regions with less stringent environmental rules.
The price of EU carbon permits has soared in recent years, boosted by anticipation of the reforms. EU carbon permits were trading at around 88 euros per tonne on Tuesday, having more than tripled in value since the start of 2020.
EU countries also backed plans to launch a new EU carbon market covering emissions from fuels used in cars and buildings in 2027, plus a 86.7 billion euro EU fund to support consumers affected by the costs.

EU opens joint gas buying with eye to winter energy security
The European Union launched a scheme on Tuesday for European companies to place orders to jointly buy gas, with the aim of ensuring Europe has enough fuel and avoiding a repeat of last year's record-high energy prices.
Companies have until May 2 to register how much gas they want to buy through the EU scheme, which will exclude Russian gas.
The platform will then collect offers from global suppliers to match the companies' demand.

Matched suppliers and buyers will negotiate gas contracts. The EU will not be involved in these commercial talks.
The EU conceived the joint buying scheme after Russia's invasion of Ukraine and subsequent reduction in Russian gas shipments to Europe that drove European energy prices to record levels.
Countries including Spain have suggested joint buying could secure better terms in global gas markets. The scheme will cover only around 13.5 billion cubic metres (bcm), out of total EU gas demand of around 360 bcm, but it should help countries to get started on filling their gas storage ahead of peak winter demand. James Watson, head of industry group Eurogas, said the scheme was a welcome attempt to prepare for industry's and consumers' energy needs.
EU countries are required to fill gas storage to 90% by November. EU storage is already more than half full - an unusually high level for the time of year, after soaring prices helped to make countries cut their winter energy use. Relatively mild weather also curbed demand.
Brussels wants the first gas deals to be signed over the coming weeks, and said it will repeat the tendering process every two months for the next 12 months.
Companies can seek pipeline or liquefied natural gas (LNG) deliveries through the scheme, in relatively small volumes - down to a third of an LNG cargo - to help smaller firms participate.

Top News - Dry Freight

Turkey imposes 130% import tariff on some grain imports

Turkey imposed a 130% import tariff of some grain imports including wheat and corn, according to a presidential decision published on Tuesday in the Official Gazette.
The import duty comes after some European Union countries announced bans on grain imports from Ukraine last week. But some traders said Turkey's move is largely to protect its local agricultural sectors ahead of landmark May 14 elections.
According to a previous regulation, there was no import tax on wheat, barley, rye, oat, corn and sorghum until April 30. With Tuesday's decision, which will take effect from May 1, a 130% import tariff will be imposed for grain imports.
Turkey's wheat and barley harvest starts in May.
Turkey had reduced import duties on grains and other agricultural goods after the pandemic in late 2020 and stopped them about a year ago.
The government recently announced large energy and infrastructure projects in the run up to the election, which opinion polls show President Tayyip Erdogan could lose after two decades in power.

Ukraine 2023/24 wheat exports seen falling 37% to 8.8 mln T - APK-Inform

Ukraine's wheat exports are likely to fall 37% to 8.8 million tonnes in the 2023/24 July-June season due to an expected drop in the harvest and ending stocks, APK-Inform consultancy said on Tuesday.
In its first forecast for the 2023/24 season, the consultancy said Ukraine's overall grain harvest could fall by 13% to 45.6 million tonnes from the previous season, including 16.2 million tonnes of wheat, 5.2 million tonnes of barley and 22.9 million tonnes of corn.
Ukraine harvested a record 86 million tonnes of grain in 2021, including 32 million tonnes of wheat, before Russia's invasion of the country.
The agriculture ministry said this month the 2023 grain harvest could drop to 44.3 million tonnes from 53.1 million tonnes as large swathes of Ukrainian territory are occupied and mined.
The country's grain sowing area could shrink by 1.4 million hectares to 10.2 million hectares this year, it added.
APK-Inform said Ukraine's grain exportable surplus in the 2023/24 season can total 29.3 million tonnes, also including 2 million tonnes of barley and 18.2 million tonnes of corn.
The consultancy said local consumption could amount to 17.8 million tonnes in 2023/24, or 7% less than the previous season.
APK-Inform also said Ukraine's 2023 sunflower seed harvest could increase by 15% to 12.8 million tonnes thanks to a larger sowing area.
The larger harvest could allow Ukraine, a leading global sunflower oil producer and exporter, to increase sunoil output by 5% to 4.9 million tonnes in 2023/24 and export 4.5 million tonnes.
The consultancy said farmers could also harvest 4.2 million tonnes of soybeans and 3.5 million tonnes of rape seed.

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Picture of the Day

Workers walk at Anita Garibaldi Floating Production, Storage and Offloading vessel (FPSO), chartered by Brazil's state-run oil company Petrobras to be operated in Campos Basin, at a shipyard in Aracruz, Espirito Santo state, Brazil, April, 24. REUTERS/ Ricardo Moraes

(Inside Commodities is compiled by Vaishali Puthran in Bengaluru)

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

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