

[Oil](#) | [Agriculture](#) | [Metals](#) | [Carbon & Power](#) | [Dry Freight](#)

Click on headers to go to that section

Top News - Oil

Saudi Arabia may raise prices for most oil grades to Asia for June

Top oil exporter Saudi Arabia may raise prices for most of the crude grades it sells to Asia in June to their highest levels in five months after Middle East benchmarks strengthened this month, trade sources said on Monday. The June official selling price (OSP) of flagship Arab Light crude may rise by 70 to 90 cents to close to a \$3 per barrel premium to the average of Dubai and Oman quotes, seven refining sources said in a Reuters survey, which would be the highest level since January. The price hikes would track a wider backwardation for the first and third month for Platts Dubai and DME Oman at 83 cents and 96 cents, respectively, so far this month versus last month's average, Reuters data showed. Prompt prices are higher than those in future months, indicating tight supply.

Most respondents expect June OSPs for Arab Medium and Arab Heavy to rise on par with Arab Light, supported by tight supply amid OPEC+ cuts and robust fuel oil margins.

Abu Dhabi National Oil Co (ADNOC) has started processing Upper Zakum crude at its revamped Ruwais refinery, reducing exports of the medium sour grade. However, Mexico's Pemex is reversing crude export cuts of at least 330,000 barrels per day (bpd) planned for May amid lower-than-expected oil demand from its domestic refineries, which has partially eased tight supply.

The change in ADNOC's refinery feedstock has led to record Murban crude exports in April of 1.65 million barrels per day, Kpler data showed, which has depressed light sour crude prices.

Strong light crude supply and weak naphtha margins are expected to limit price rises for Arab Extra Light to 30-50 cents in June, lagging gains by other Saudi grades, respondents to the Reuters survey said.

Saudi crude OSPs are usually released around the fifth of each month, setting the trend for Iranian, Kuwaiti and Iraqi prices and affecting about 9 million barrels per day (bpd) of crude bound for Asia.

State producer Saudi Aramco sets its crude prices based on recommendations from customers and after calculating the change in the value of its oil over the preceding month, based on yields and product prices. Saudi Aramco officials as a matter of policy do not comment on the kingdom's monthly OSPs.

Reliance buys its first Canadian crude from Trans Mountain pipeline, sources say

Reliance Industries has bought 2 million barrels of Canadian crude from Shell for July delivery, marking the Indian refiner's first oil purchase from Canada's new Trans Mountain pipeline, trade sources said.

Reliance joins a growing group of Asian refiners in buying Canadian crude to be exported from the new pipeline which is scheduled to start transporting oil in May. The Canadian government-owned pipeline expansion will nearly triple the flow of crude from Alberta to Canada's Pacific Coast and open up access to Asia and the U.S. West Coast.

Shell will perform ship-to-ship transfers to move about four 500,000-barrel cargoes of Access Western Blend (AWB) onto a Very Large Crude Carrier and ship the oil to the Sikka port, the sources said, where Reliance operates the world's biggest refining complex.

One of the sources said the deal was done at \$6 a barrel discount to September ICE Brent on delivered basis. AWB is a type of heavy and highly acidic diluted bitumen produced by Canadian Natural Resources and MEG Energy.

Sellers of Canadian oil are exploring ways to increase exports to Asia where demand is growing and as Asian refiners typically pay higher premiums.

Chinese firms Sinochem, Unipet, the trading arm of Asia's largest refiner Sinopec, and PetroChina have already bought several cargoes of AWB and Cold Lake crude from the pipeline to be delivered to China in June, trade sources said.

Reliance did not respond to a Reuters email seeking comments.

Top News - Agriculture

US share in China's soybean market to dwindle as Argentina boosts supply

U.S. soybean exports to China, which have been declining for several years as Brazil builds its dominance in the world's biggest oilseed market, face a further threat in 2024 as bumper supply from Argentina heightens competition.

The U.S. made up under a quarter of China's soybean imports last year versus 51% in 2009, according to the

United Nations Commodity Trade Statistics Database, as rising Chinese demand has been met with surging production from Brazil and Argentina.

"This year we have large soybean supply coming from Argentina which is going to heat up competition," said one trader in Singapore at an international company that owns oilseed processing factories in China.

"U.S. share is already shrinking. They are going to lose more to Argentina this year."

The drop in U.S. soybeans to China could add more pressure on Chicago Board of Trade soybean futures, which have dropped almost 10% in 2024 after losing some 15% last year.

China is by far the biggest importer of soybeans, which are crushed to make protein-rich meal for fattening animals and oil used in cooking and a range of products. China's soybean imports have nearly doubled in 15 years to 99.41 million metric tons in 2023, worth \$60 billion. "This year, Brazilian soybean output has declined slightly but Argentina's production has increased," said an oilseed trader at a state-owned trading firm in Beijing. "Argentine beans are likely to replace some U.S. beans during the fourth quarter."

BIG CROPS, COMPETITIVE PRICES

Argentina, the No.3 soybean grower after Brazil and the United States, is forecast to produce around 50 million metric tons in 2024, more than double the previous year's output of 21 million tons, when a historic drought decimated the crop.

Even though Brazil's output is expected to decline this year, the agricultural powerhouse will have ample supplies to meet demand from its top customer, traders said.

Brazilian crop agency Conab reduced the country's soybean production to 146.522 million metric tons in the 2023/24 cycle, 5.2% below last year.

Competitive prices offered by Latin American suppliers are driving their rising share of China's soybean market, traders said, although rivalry between Beijing and Washington is also a factor.

Brazilian soybeans were quoted at \$1.30 per bushel premium to November Chicago Board of Trade contract, compared with \$2.30 being priced for U.S. beans. Argentina's June shipment is being offered at \$1.45 premium to July.

In March, China's soybean imports from the United States fell by half from a year earlier.

"We have cut down our soybean imports from the U.S. this year," said a second trader in Singapore at a privately-owned trading company, citing cheaper Brazilian beans. "In fact, it has been pretty drastic, we have hardly been buying U.S. beans."

The upcoming U.S. presidential election is also prompting some Chinese buyers to take more cargoes from Brazil and Argentina to lower risks of supply disruptions.

"U.S. market share will continue to decline because you have the political backdrop of elections," said a Shanghai-based trader with an international trading firm.

"If Trump wins, it will be bad for the U.S.-China relationship.

A lot of crushers have concerns about possible restrictions on importing U.S. beans."

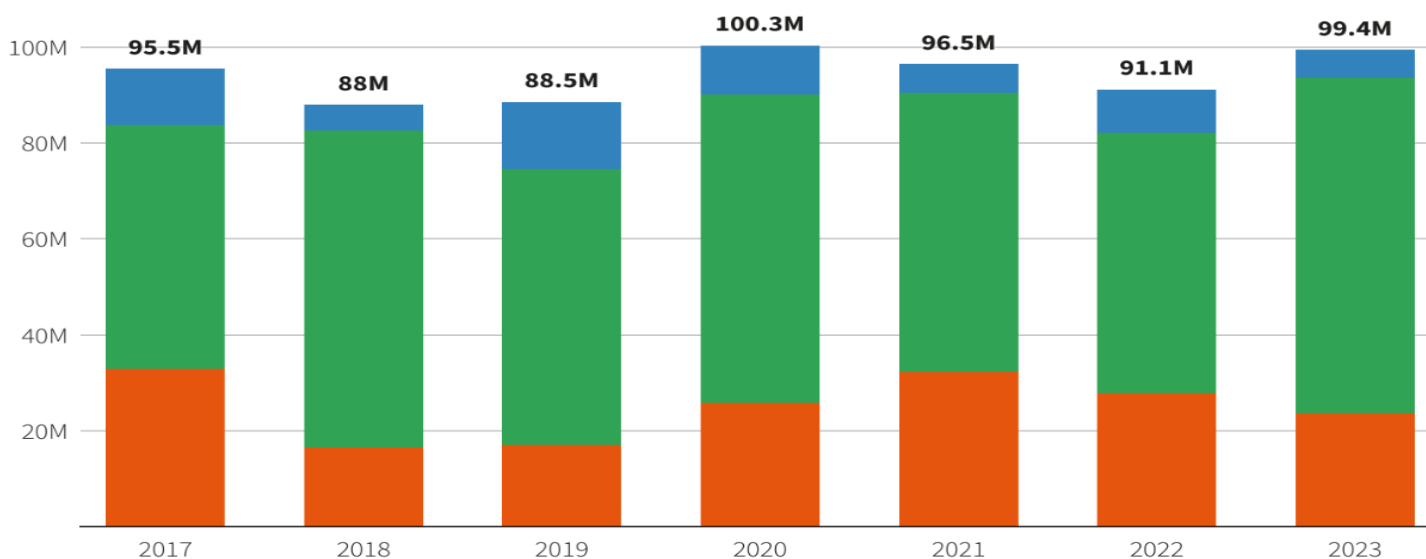
During the trade war under Donald Trump's presidency, China diversified its soybean imports, increasing

Chart of the Day

China's soybean imports

U.S' market share in 2023 shrank to 24% from 33% in 2021, while Brazil's market share grew to 70% from 60% during the same period.

● US ● Brazil ● Others



Note: Estimated figures based on historical and updated official data
 Source: China's General Administration of Customs, Reuters' records

purchases from Brazil and Argentina to reduce reliance on U.S. soybeans and mitigate the impact of higher tariffs. China, which buys more than 60% of soybeans traded worldwide, is likely to purchase 100 million tons of the oilseed in 2024, similar to last year, as it capitalises on cheaper prices and adds to stockpiles despite declining demand from the animal feed sector, traders said. U.S. growers are steeling themselves for the bumper harvests from Latin America.

The U.S. industry is developing newer markets such as Southeast Asia and banking on higher domestic demand for making renewable fuels, said Jeff O'Connor, a soybean farmer in Illinois, the top producing state.

"What we are losing internationally to China we cannot make up for domestically in one year's time. We cannot replace that overnight," he said.

US wheat ratings dipped; corn seen as 27% seeded, soy 18%

The U.S. Department of Agriculture (USDA) weekly crop progress report showed 49% of the U.S. winter wheat crop rated in good-to-excellent condition, down a percentage point from last week but still the highest for

this time of year since 2020. The ratings were in line with analyst expectation according to a Reuters poll. Drought has been expanding in the U.S. winter wheat belt, raising concern about crop stress and yield prospects. Nonetheless, the relatively strong wheat conditions align with forecasts for a shift in global grain supplies to surplus, compared to the shortages of the past several years.

As of April 23, some 30% of U.S. winter wheat was located in an area experiencing drought, the USDA said last week, up from 24% the previous week and up from 18% two weeks prior. In Kansas, the top winter wheat producer, 65% of the state was experiencing moderate drought, up from 53% the previous week, the weekly U.S. Drought Monitor showed.

The winter wheat harvest typically starts in late June. Meanwhile, farmers continue to plant spring crops.

The USDA reported that U.S. corn was 27% planted, up from 12% the previous week and in line with average analyst estimates. Soybeans are 18% planted, slightly above the average analyst estimates of 17%.

Spring wheat is 34% planted, above average analyst expectations of 27%.

Top News - Metals

Anglo under pressure to reveal plans to fend off BHP as Elliott hikes stake

Anglo American faced calls from shareholders on Monday to detail plans for improving its value in order to fend off bidder BHP, as activist investor Elliott further raised the stakes by increasing its holding in the takeover target. BHP, the world's biggest listed mining group, is privately talking to investors about a potential revised takeover bid as it weighs up next moves after an initial \$39 billion gambit for its smaller competitor was rejected by Anglo last week.

Elliott Investment Management meanwhile said in a stock exchange filing on Monday it had raised its position in London-listed Anglo to 2.6% from about 2.5% it disclosed on Friday.

That added to the market heat, with the target company's share price rising 4.05% to 27.50 pounds - well above BHP's opening bid of 25.08 per share.

BHP shares had closed 0.42% lower at A\$42.97 (\$28.17) in Australia.

"Anglo need to come out and explain to us how they're going to make this business more valuable," said George Cheveley, portfolio manager at Ninety-One.

"You've got the largest mining company (making an) approach, it's a credible approach. You might argue the structure is wrong, and they might be able to change that," he added. Anglo, which rejected BHP's bid on Friday as opportunistic and significantly undervaluing the miner and its future prospects, will hold its AGM from 1000 GMT on Tuesday in London.

But while shareholders would be keen to hear details of its response, restrictions in the UK Takeover Code mean executives are unlikely to be able to discuss plans beyond a repeat of the rejection, a source familiar with the matter said.

In February, Anglo began a strategic review of its assets in response to a 94% fall in annual profit and a series of writedowns caused by lower commodity demand.

Much of the focus of BHP's bid has been on copper and two of its investors said they saw value in a deal given Anglo's quality assets and long-term price prospects for the metal, which is central to the world's clean energy shift.

The investors, who declined to be named as the talks were private, said they would be open to BHP raising its offer.

"We are receptive to the deal. We potentially would be supportive if BHP raised their offer," said the first investor. BHP adviser UBS has, in a parallel process, begun scheduling meetings with fund managers for this week, three sources with direct knowledge of the matter said. These talks highlight the effort that BHP is making to fine-tune a revised proposal for Anglo.

The meetings being sought by UBS will focus on gaining granular details of how BHP shareholders think a second bid should be structured, one of the sources said.

That feedback would then be channelled back to BHP, the source added.

BHP and Anglo declined to comment. UBS did not immediately respond to a request for comment.

POLL-Copper to wilt as sluggish demand undermines fund rally

Copper prices are poised to sag in the coming months as physical demand has not kept up with the wave of hot money flowing into the market, a Reuters poll showed. Benchmark copper prices were propelled by speculator and fund buying to above \$10,000 a metric ton last week, hitting their highest in two years.

The metal used in power and construction has gained 17% so far this year despite signs of weak underlying demand in top metals consumer China and elsewhere. "While we see more upside for copper in the long term, we believe that prices may have moved a bit too far, too fast," said Carsten Menke, an analyst at Julius Baer in Zurich. "The recent rally was triggered by signs of improving manufacturing activity in the Western world, which still needs to be manifested by increasing copper demand." The cash copper contract on the London Metal Exchange (LME) is expected to average \$9,155 per metric ton in the second quarter of 2024, a median forecast of 22 analysts showed. The forecast is 7.1% lower than the closing price on Friday of \$9,853 a ton, though it was above the second-quarter forecast of \$8,625 from the previous poll in January. Analysts also adjusted forecasts to show still tighter supply after disruptions and lower production at major mines.

They now are forecasting a copper deficit of 125,000 tons this year, more than triple the deficit of 35,000 tons expected in the January poll and compared to a surplus of 302,500 tons expected late last year.

ALUMINIUM SURPLUS HALVED

Prices of aluminium have surged following new U.S. and UK sanctions earlier this month that banned exchanges from accepting new Russian production.

There have also been concerns about the pace of smelters in drought-hit Yunnan province restoring 500,000 metric tons of annual production.

"We expect some froth to come out of aluminium prices in the short term depending on the CTA flows," said Srivathsan Manoharan at RBC Capital Markets in London.

Commodity Trade Advisor (CTA) investment funds are largely driven by computer programs.

"However, we expect prices to be supported in the second half, driven by rate cuts leading to a demand recovery and the potential end of a destocking cycle," he added.

LME cash aluminium is expected to average \$2,300 a ton in the second quarter, down 9.5% from the current price for the metal used in packaging, transport and construction.

MARKET MONITOR as of 06:45 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	\$82.39 / bbl	-1.74%	14.99%
NYMEX RBOB Gasoline	\$2.73 / gallon	-0.47%	29.66%
ICE Gas Oil	\$778.00 / tonne	-1.24%	3.63%
NYMEX Natural Gas	\$2.06 / mmBtu	27.51%	-18.14%
Spot Gold	\$2,321.40 / ounce	-0.70%	12.55%
TRPC coal API 2 / Dec, 24	\$108.2 / tonne	-7.32%	11.55%
Carbon ECX EUA	€65.49 / tonne	-2.14%	-18.51%
Dutch gas day-ahead (Pre. close)	€27.75 / Mwh	-4.31%	-12.87%
CBOT Corn	\$4.48 / bushel	-0.50%	-7.49%
CBOT Wheat	\$6.03 / bushel	-3.13%	-5.75%
Malaysia Palm Oil (3M)	RM3,844 / tonne	-1.33%	3.31%
Index	Close 29 Apr	Change	YTD
Thomson Reuters/Jefferies CRB	343.43	-0.47%	13.94%
Rogers International	29.23	-0.39%	11.04%
U.S. Stocks - Dow	38,386.09	0.38%	1.85%
U.S. Dollar Index	105.94	0.34%	4.55%
U.S. Bond Index (DJ)	413.78	0.45%	-3.93%

Analysts have more than halved their consensus 2024 market surplus forecast to 135,000 tons from 300,000 tons in the previous poll.

NICKEL BOUNCES

Nickel was the worst-performing LME metal last year, sliding 45% largely due to sharp increases in production in Indonesia, but prices have rebounded to hit seven-month highs.

The gains were partly due to views that supply from Indonesia would be weaker than expected, and market talk of Chinese plans to buy the metal for state stockpiles.

The main use for nickel is in stainless steel, but its biggest growth area is for electric vehicle (EV) batteries. "There is a high risk that, despite trending lower in 2024, prices will increase temporarily owing to supply-chain disruptions," said Matthew Sherwood at the Economist Intelligence Unit.

Analysts expect LME cash nickel to average \$17,293 a ton in the second quarter, down 8.7% from the current price.

They expect the global nickel market to show a surplus of 151,500 tons in 2024, down from oversupply of 240,500 tons that analysts forecast in January.

Top News - Carbon & Power

G7 reaches deal to exit from coal by 2035

Energy ministers from the Group of Seven (G7) major democracies reached a deal to shut down their coal-fired power plants in the first half of the 2030s, in a significant step towards the transition away from fossil fuels.

"There is a technical agreement, we will seal the final political deal on Tuesday," said Italian energy minister Gilberto Pichetto Fratin, who is chairing the G7 ministerial meeting in Turin.

On Tuesday the ministers will issue a final communique detailing the G7 commitments to decarbonise their economies.

Pichetto said the ministers were also pondering potential restrictions to Russian imports of liquefied natural gas to Europe which the European Commission is due to propose in the short-term.

"The issue is on the technical and political agenda (of the G7). We are working on it, I cannot go any further... if there is a final decision I will communicate it," the minister said in a briefing with journalists.

COAL AND NUCLEAR

The agreement on coal marks a significant step in the direction indicated last year by the COP28 United Nations climate summit to phase out fossil fuels, of which coal is the most polluting.

Italy last year produced 4.7% of its total electricity through a handful of coal-fired stations. Rome currently plans to turn off its plants by 2025, except on the island of Sardinia where the deadline is 2028.

In Germany and Japan coal has a bigger role, with the share of electricity produced by the fuel higher than 25% of total last year.

Last year under Japan's presidency, the G7 pledged to prioritise concrete steps towards phasing out coal power generation, falling short of indicating a specific deadline. Nuclear energy and biofuels are two other issues at the top of Italy's agenda for the meeting, and Pichetto said both would be mentioned in the final communique among options G7 nations can pick to decarbonise power generation and transports.

On Tuesday the G7 bloc could also indicate the need for a six-fold increase in battery capacity - critical to store renewable energy, which is intermittent - by 2030 from 2022 levels, one source said.

COLUMN-China overtakes Japan in April as Australia's top coal market: Russell

Australia shipped more coal to China than Japan in April, the first time this has happened in any month in more than four years, underscoring shifting market dynamics and an improved political relationship with Beijing.

Australia's exports of all grades of coal to China were 6.87 million metric tons in April, up from 6.83 million in March and the highest since November, according to data compiled by commodity analysts Kpler.

Shipments of coal to Japan from Australia were 6.10 million tons in April, down from 7.93 million in March and the lowest since the 5.97 million recorded in April 2017.

Australia's coal exports to China have been recovering since February last year when the world's biggest buyer of the polluting fuel ended an informal ban on imports. Australia is the world's biggest shipper of metallurgical coal used to make steel, and the second-biggest exporter of thermal coal, used mainly to generate electricity. The curb on imports was put in place in mid-2020 amid tensions between Beijing and Canberra over the latter's call for an international investigation into the origins of the COVID-19 pandemic, which started in the Chinese city of Wuhan.

The ban was never official, unlike some of China's other actions against Australia, such as punitive tariffs on barley, wine and lobsters, but it still resulted in shipments effectively dropping to zero.

The election of the centre-left Labor Party in May 2022, which ended nine years of rule by the right-wing Liberal-National coalition, led to improving relations between China and Australia. It's worth noting that Australia's top exports to China, namely iron ore and liquefied natural gas, were unaffected by the tensions.

It could also be argued the ban on coal was a failure from a Chinese perspective, as it led to higher prices for all

grades of thermal coal in Asia, while Australia was able to find other buyers, mainly India, for its exports.

A further point is that while Australia's exports to China have been averaging above 6 million tons a month for the past year, they are still below the levels that prevailed prior to the unofficial ban in 2020. In 2019, Australia's exports to China averaged 7.84 million tons a month, and in 2018 it was 7.37 million, according to Kpler data.

Exports to China hit a record high of 12.03 million tons in June 2020, just before the ban was imposed.

While Australia's exports to China have recovered somewhat, the trend for shipments to Japan show a gentle decline due to nuclear reactor restarts and lower LNG prices after the spike caused by Russia's invasion of Ukraine ended. For the first four months of the year, Australia's exports of all grades of coal to Japan have averaged 8.07 million tons, down from an average of 8.79 million in 2023, and 10.54 million in 2022.

INDIA DROPS

It's also the case that as exports to China have resumed, shipments to India have declined.

Australia sent 2.63 million tons of all grades of coal to India in April, down from 3.49 million in March and the lowest since May 2020.

The bulk of Australia's exports to India are metallurgical coal, which accounted for 1.52 million tons in April, or about 58% of the total.

Australian thermal coal struggles to be competitive in India as it has to compete against grades from Indonesia, the world's biggest exporter of this type of coal, as well as from South Africa and more recently Russia, which has been selling fuel at discounted levels after Western countries imposed sanctions in the wake of Moscow's invasion of Ukraine.

While Australia's exports to India and Japan have eased, the country's overall shipments have been largely stable, with increases to China and other Asian countries such as Vietnam offsetting any losses.

Australia's total coal exports were 28.22 million tons in April, down from 29.58 million in March, but slightly higher than the 28.08 million from April last year.

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

Top News - Dry Freight

Cargill expects busy Brazil grain exports in second half of year

Brazil's grain exports will pick up in the second half as soy and corn supplies increase despite a drought in the center-west earlier, Cargill's Brazil President Paulo Sousa said.

Citing a positive outlook for soy in the Matopiba region and in Rio Grande do Sul, Brazil's southernmost state, Sousa said in an interview that soy output projections may be revised upwards.

"Our view is that the soybean harvest is not that much worse than last year," Sousa said as Cargill released results for its Brazilian operation.

Brazil's soy production in 2023/24 is estimated at 146.52 million metric tons, a decrease of 5.2% compared to the previous cycle's record, according to crop agency Conab. The fall is driven by a drop in production in Mato Grosso, Brazil's top-producing area.

Expectations are also favorable for Brazil's second corn, which accounts for around 75% of the national production and is being grown now.

"The second-corn crop is not going to be a record like last year, but it is looking very good," Sousa said.

Last year, Brazil exported more than 100 million tons of soybeans for the first time, while corn exports exceeded 50 million tons.

Cargill's Brazilian unit said its total volume of products originated, processed and sold in Brazil grew by 10

million tons from 2022 to 2023, totaling around 51 million tons, mainly soybeans and corn. Sousa declined to predict grain export volumes for 2024. Cargill recorded record net profit of 2.5 billion real (\$488.65 million) in 2023 in Brazil, an increase of 101% compared to 2022.

Ukraine 2023/24 grain exports at 40.7 mln T so far

Ukraine's grain exports in the 2023/24 July-June marketing season had reached 40.7 million metric tons as of April 29 compared with 41.4 million a year earlier, agriculture ministry data showed on Monday.

That included 5.7 million tons exported so far in April, the data showed.

Exports this season have included 15.6 million tons of wheat, 22.5 million tons of corn and 2.2 million tons of barley.

An industry source said earlier this month that Ukrainian grain exports could total 6-7 million tons in April despite Russian attacks on Ukrainian port infrastructure on the Black Sea.

Ukraine typically sends about 95% of its grain exports via its Black Sea ports.

The Ukrainian government expects a harvest of 81.3 million tons of grain and oilseeds in 2023, with a 2023/24 exportable surplus of about 50 million tons.

The ministry has said the 2024 combined grain and oilseed crop could fall to 74 million tons including 52.4 million tons of grain.

Picture of the Day

A woman hangs fish to dry on a hot day in Mumbai, India, April 29. REUTERS/Francis Mascarenhas

(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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