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Top News - Oil

OPEC oil output falls in April, led by Iran and Iraq, survey finds

OPEC oil output has fallen in April, a Reuters survey found on Tuesday, reflecting lower exports from Iran, Iraq and Nigeria against a backdrop of ongoing voluntary supply cuts by some members agreed with the wider OPEC+ alliance.
The Organization of the Petroleum Exporting Countries pumped 26.49 million barrels per day (bpd) this month, down 100,000 bpd from March's revised total, the survey, based on shipping data and information from industry sources, found.
Several members of OPEC+, which includes OPEC, Russia and other allies, made new cuts in January to counter economic weakness and increased supply outside the group.
Producers agreed in March to keep the cuts in place until the end of June.
OPEC+ is scheduled to meet on June 1 to decide its next output policy steps.
The biggest output reductions in April came from Iran, Nigeria and Iraq, the survey found.
Output in Iran, exempt from quotas, slipped from an upwardly revised March figure that equalled a five-year high reached in November, the survey found.
Iran posted one of OPEC's biggest output increases in 2023 despite U.S. sanctions still in place.
Iraq in March promised to lower exports to make up for pumping above its OPEC target, but data on Monday showed it missed the pledge last month.
April output is down slightly from March, according to the survey.
Nigerian production declined, with exports falling more sharply according to some ship trackers as the Dangote refinery took in more cargoes.
An outage briefly affected the Bonny production stream, a source said.
OPEC fell about 140,000 bpd short of its targeted cuts in April, largely because of Iraq and Gabon pumping more than they had aimed for, the survey found. Nigeria is pumping below its target, unlike earlier in the year.
Saudi production edged up and there were small increases from Congo, Equatorial Guinea and Gabon, the survey found.
The Reuters survey aims to track supply to the market and is based on shipping data provided by external sources, LSEG flows data, information from companies that track flows - such as Petro-Logistics and Kpler - and information provided by sources at oil companies, OPEC and consultants.

US oil output, demand rose more than forecast in Feb, EIA data shows

U.S. oil supply recovered faster than forecast in February from extreme cold-related issues the prior month, while demand rose even more quickly, data from the U.S. Energy Information Administration showed on Tuesday.
Total U.S. field production of crude oil rose by 578,000 barrels per day (bpd) in February to 13.15 million bpd, the biggest monthly increase since October 2021, EIA's monthly 914 production data showed.
EIA had forecast output of 13.08 million bpd in February, as per its Short-Term Energy Outlook (STEO).
Extreme cold had wreaked havoc on U.S. energy infrastructure in January, knocking offline large swathes of production and refining capacity. Total U.S. output declined by the most in January since Winter Storm Uri in Feb 2021.
Crude oil production in North Dakota, worst hit by the deep freeze, recovered 15.6% to 1.29 million bpd in February. Output in Texas, the largest oil producing state in the country, rose 3.2% to 5.55 million bpd, while New Mexico grew 6.4% to a record 1.98 million bpd, EIA data showed.
"U.S. producers still climbing back from winter storm disruptions, but doing so slightly faster than the EIA appreciated last month," Rory Johnston, analyst at Commodity Context posted on the social network X.
Demand growth was even faster: U.S. product supplied of crude oil and petroleum products, EIA's measure of consumption, rose 1.9% to 19.95 million bpd in Feb.
The agency's forecast was for 19.67 million bpd of total consumption.
"Demand and supply both revised higher versus STEO report, a tad more for demand, which means that oil (supply balance) is marginally tighter than so far expected," UBS analyst Giovanni Staunovo said.
Gross natural gas production in the U.S. Lower 48 states rose to 117.5 billion cubic feet per day in February, up from 114.3 bcfd in January, according to EIA's monthly 914 production report.
That compares with a monthly record of 118.2 bcfd in December 2023.
In top gas-producing states, monthly output in February rose 3.1% in Texas to 34.6 bcfd, and fell 0.8% in Pennsylvania to 21.1 bcfd.

Top News - Agriculture

Argentina grains strike lifted as lawmakers push forward divisive reforms

Argentina's oilseed sector workers lifted their two-day strike late on Tuesday after the lower house of Congress approved contentious reforms backed by President Javier Milei but opposed by some unions.

Business at the South American country's top grains ports had been paralyzed by striking union workers, holding up shipments of soy, corn and wheat from one of the world's top farm exporters.

Activity at the shipping hubs in Rosario, the key agricultural export area, was beginning to normalize by Tuesday evening. "We're lifting the action now," Daniel Succi, secretary general of the SOEA oilseed worker union, told Reuters.

Next week a union meeting will be held "to see how we proceed," he added.

On Monday, oilseed and maritime worker unions kicked off a strike to protest labor reforms backed by Milei, which lower house lawmakers approved alongside a package of fiscal measures on Tuesday.

The two groups later lifted the strikes, though oilseed union workers hinted that another work stoppage could come when the Senate takes up the contentious reforms.

Gustavo Idigoras, head of the grains exporters and processors chamber, confirmed that earlier on Tuesday all port operations had ground to a halt. Argentina is a major world supplier of processed soybeans.

Revenue from grains shipments are a major source of foreign currency needed to pay down debt and finance imports for the cash-strapped government during a prolonged economic slide.

The union federation comprising other maritime and river workers that also protested the reforms lifted its strike midday on Tuesday, said Leonel Cardozo, the Timbues regional delegate of the SOMU Maritime Workers Union.

Milei took power four months ago pledging to slash public spending and stave off hyperinflation, but his reform push has faced stiff resistance from center-left opponents.

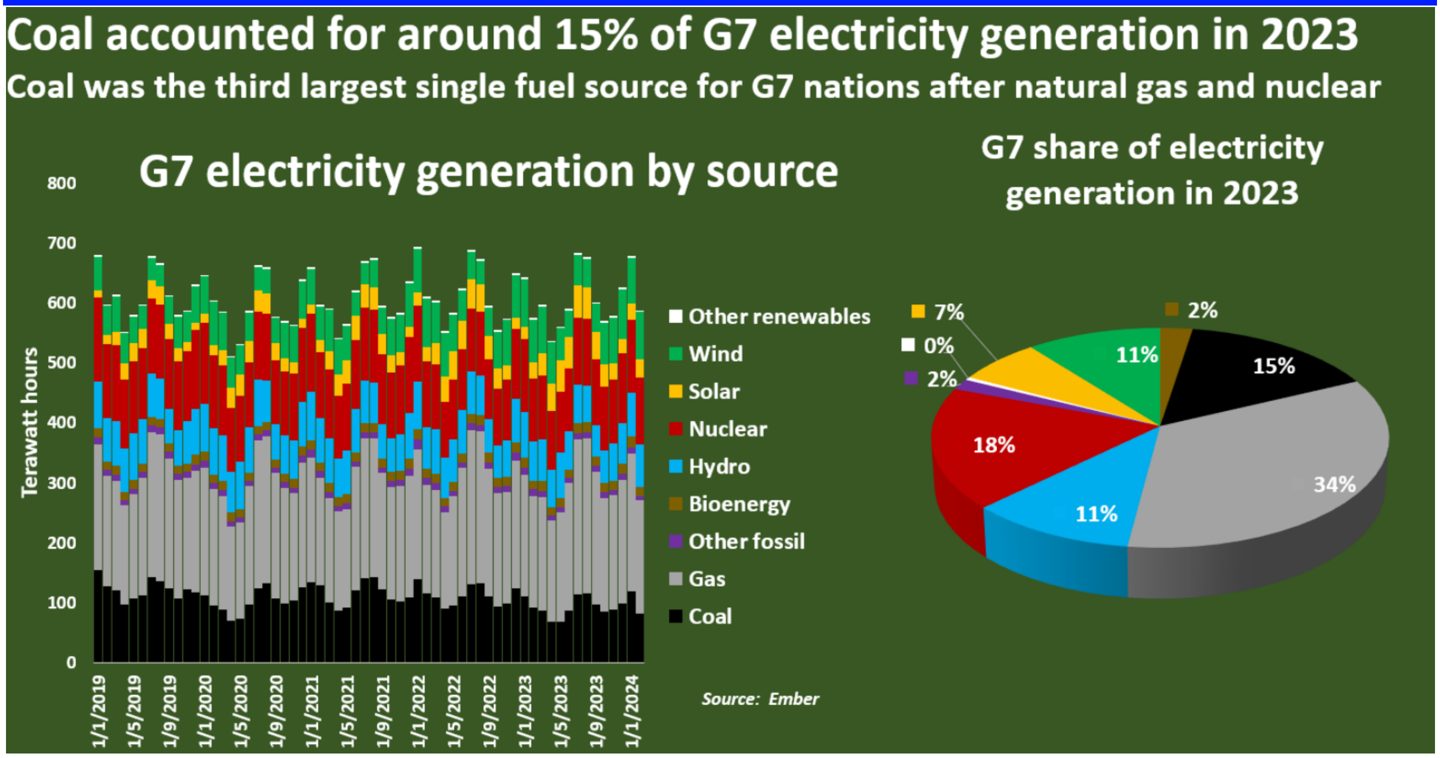
The bills on the table include provisions to lower the threshold for salaries subject to income tax, part of a slimmed-down version of an earlier Milei-backed package.

ICE May raw sugar delivery hits 1.67 mln tns, 4th largest on record

Deliveries of raw sugar on the expiry of the May contract on ICE exchange were seen at 32,914 lots, or around 1.67 million metric tons, the fourth largest on record, according to preliminary information from three sugar traders on Tuesday.

Singapore-based commodities trader Wilmar International was said to be the largest deliverer of the sugar with 29,727 lots, or around 1.51 million tons. Commodities trader Louis Dreyfus was said to be the main receiver with 19,127 lots, or around 971,000 tons, the traders said.

Chart of the Day



ICE will release official data on the delivery on Wednesday.
A large delivery is usually seen in the market as bearish for sugar prices, since it might indicate there are no better deals for that sugar in the physical market.
One of the traders, however, noted the fact that two big sugar producers appeared to be among the receivers.
Brazil's Raizen, the world's largest cane sugar producer, was said to be the second largest receiver after Louis Dreyfus with 10,979 lots, or around 557,000 tons.
Alvean, the world's largest sugar trader, controlled by Brazilian sugar producer Copersucar, was also seen receiving sugar. "Raizen and Alvean make the market look undersupplied. Two producers buying sugar at the start of the crop (in Brazil)," said the U.S.-based trader.
A second trader said it was difficult to read Wilmar's move: a large sugar trader delivering a very large amount to the exchange.
"You never know what they did in the physical markets," he said, suggesting that the company might have sourced that sugar at prices that give it a profit even when delivering.
The delivery will surely be a talking point next week when sugar traders around the world come to New York for a week of conferences and meetings that culminate in the annual Sugar Dinner.

Top News - Metals

COLUMN-ICSG forecasts copper supply pressures but cautious on demand: Andy Home

The International Copper Study Group (ICSG) has cut its forecast supply surplus for this year due to much lower-than-expected mine production.
Copper bulls might take issue with the group's view the refined copper market will still be in oversupply this year and the next to the tune of 162,000 and 94,000 metric tons respectively.
But when it last met in October, the ICSG's statistical committee was expecting a 467,000-ton glut of metal this year. The new forecasts suggest a much closer alignment of production and demand in what is a 27-million-ton global market.
The revisions largely confirm the current bull narrative of a squeeze on raw materials that will brake refined metal output growth.
A cautionary caveat comes in the form of a downwards revision to global usage this year and a subdued demand outlook in China, the world's largest copper consumer.

CONCENTRATES SQUEEZE

Back in October, the ICSG expected mine supply to surge by 3.7% this year due to a combination of new mines, expansions and a broader recovery from the operational constraints of 2023.
That surge has become a trickle with the ISCG expecting growth of just 0.5% due to delays at new projects, revised company guidance and the unexpected closure of the Cobre Panama mine since December.
Cobre Panama, now on care and maintenance, has left a 380,000-ton hole in the global raw materials supply chain.
Smelters have been forced to turn to the spot copper concentrates market and spot treatment charges have collapsed to distress levels as buyers prioritise tonnage over profitability.
Chinese smelters' agreement in March to curtail production was the trigger for a rally that has taken London Metal Exchange three-month copper above the $10,000-per ton level for the first time since April 2022.

DRAG ON REFINED METAL OUTPUT

The flow-through effect of the concentrates squeeze on smelter production has caused the ICSG to cut its refined metal supply forecasts as well.
The October forecast for 4.6% refined metal production growth this year has been reduced to 2.8%.
The growth rate will slow to just 0.7% next year in the ICSG's view.
"Although production will benefit from the continued expansion of Chinese electrolytic capacity and the ramp-up of new smelters/refineries in Indonesia and India, primary electrolytic refined production growth is expected to be limited by the constrained availability of concentrates," it said.
Some offset will come from higher solvent-extraction metal production and improved scrap recycling rates but refined copper supply growth is expected at a modest 2.2% in 2025.

DEMAND CAUTION

The ICSG's latest forecasts, however, carry a note of caution about the state of copper demand.
Refined metal usage is expected to grow by 2.0% this year over 2023, a downgrade from the 2.7% growth expected at the group's October meeting. The pace of growth is forecast to pick slightly to 2.5% in 2025.
Behind the headline figure lies a divergence in performance between China and the rest of the world.
Usage growth in China is expected to slow from 2.0% to 1.6% in 2025, while that in the world outside China is forecast to accelerate from 2.4% to 3.8% due to the launch of new semi-manufactured product capacity, particularly in India. The ICSG underlines copper's positive longer-term demand boost from the energy transition but that is hard to discern in its modest demand growth forecasts for this year and next.

SPLIT MARKET

The ICSG's latest forecasts capture the current split in market dynamics.

The investment community has stampeded into copper on the long side, drawn in by a narrative of structural supply problems and a turn in the global manufacturing sector.
Investment funds have expanded long positions on the LME contract from under 40,000 contracts in the middle of January to 96,627 contracts at the end of last week. That's equivalent to almost two and a half million tonnes of copper and the largest accumulation of bets on higher prices since 2018, when the LME first started publishing its Commitments of Traders Report.
Physical buyers, not least those in China, have largely been left on the sidelines as investors have pushed the price higher. The Yangshan copper premium, a closely-watched indicator of Chinese buying appetite, has slumped from $60 per ton in early March to near zero, according to local data provider Shanghai Metal Market.
While investors will take heart from the ICSG's forecast of a yawning mine supply gap, consumers are more likely to endorse its subdued demand outlook.
The opinions expressed here are those of the author, a columnist for Reuters.

Copper smelters in leading buyer China wary of BHP-Anglo American tie-up
Chinese smelters, the world's biggest buyers of mined copper, are concerned they will lose power to negotiate prices if BHP Group, known locally as "the big miner", succeeds in its bid for rival Anglo American.
BHP, the world's largest listed mining group, is fine-tuning an offer that could make it the biggest producer of copper, a metal in high demand as the world seeks to shift towards electric vehicles and a lower carbon economy.
The proposed takeover would give BHP control of roughly 10% of global mined supplies, surpassing Chile's Codelco and Freeport-McMoRan.
"This is not good news for China given the heavy reliance on external supply, and Chinese companies hold limited resources," Zhang Weixin, a metal analyst at China Futures, said of the potential tie-up.
The China Smelters Purchase Team (CSPT), a group of top smelters that negotiates with miners on yearly prices to treat and refine copper, has no current plans to urge Beijing to investigate the deal, three sources familiar with the matter said.
CSPT's head could not be reached for comment and BHP declined to comment.
China's State Administration for Market Regulation also did not immediately respond to a request for comment.
There is a precedent of Chinese regulators getting involved in deals that impact copper supply.
In 2011, Glencore agreed to China's demand that it sell its interest in Xstrata's Las Bambas copper project in Peru to clinch their multi-billion dollar deal.

MARKET MONITOR as of 06:45 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$81.05 / bbl	-1.91%	13.12%
NYMEX RBOB Gasoline	$2.62 / gallon	-4.06%	24.38%
ICE Gas Oil	$768.25 / tonne	-1.66%	2.33%
NYMEX Natural Gas	$1.93 / mmBtu	-4.73%	-23.07%
Spot Gold	$2,287.99 / ounce	-1.99%	10.93%
TRPC coal API 2 / Dec, 24	$110.25 / tonne	1.89%	13.66%
Carbon ECX EUA	€68.52 / tonne	4.63%	-14.74%
Dutch gas day-ahead (Pre. close)	€28.70 / Mwh	3.42%	-9.89%
CBOT Corn	$4.46 / bushel	-0.83%	-7.95%
CBOT Wheat	$6.03 / bushel	-0.94%	-5.75%
Malaysia Palm Oil (3M)	RM3,814 / tonne	-2.58%	2.50%
Index	**Close 30 Apr**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	339.03	-1.28%	12.48%
Rogers International	29.01	-0.77%	10.18%
U.S. Stocks - Dow	37,815.92	-1.49%	0.34%
U.S. Dollar Index	106.42	0.19%	5.02%
U.S. Bond Index (DJ)	417.34	-0.41%	-3.11%

The world's leading consumer of the metal, China imported 27.54 million metric tons of copper ore and concentrate in 2023, worth $60.1 billion, customs data showed, more than half of global supplies.

TIGHT MARKET

In China, BHP is most active in the spot market, where it sells to domestic smelters using tenders, according to smelters and analysts, signing contracts for fixed volumes to be priced via an index provided by third parties.

By comparison, rival miners Freeport and Antofagasta agree an annual fixed sale price with China's smelters that is widely used as an industry benchmark.

Chinese copper smelters said the prospect of more supply being sold under index pricing could increase uncertainty for costs and planning.

None of the smelter officials wished to be identified given the sensitivity of the matter.

One of them said index pricing meant smelters would be unable to estimate production costs and to draw up a full-year production plan. Smelters are still recovering from supply shortages driven by the December closure of the First Quantum's Cobre Panama mine, which drove down treatment charges (TCs) - their main source of income.

Treatment charges are fees paid by miners for converting raw materials into metal.

They fall when mine output decreases as smelters have to compete for concentrate.

Adding to their difficulties, the concentrate market is expected to be in deficit for the next three years.

Last week, spot treatment charges (TCs) in China turned negative for the first time since pricing agency Fastmarkets started the index in 2013.

That compares with 2024 benchmark TCs settled between Chinese smelters and Freeport and Antofagasta at $80 per ton.

Much as consolidation raises concerns, however, William Adams, head of base metals research at Fastmarkets in London, said it could calm the market longer term by tackling the high cost and risk of developing mines.

"Look at the current tightness in spot treatment and refining charges, which is because there is insufficient mine supply to meeting smelter's demand, highlights the need to invest more upstream," he said.

Top News - Carbon & Power

US reforms green law to speed clean energy, infrastructure permits

The White House on Tuesday reformed the U.S. environmental review process for major projects that officials said would speed up approval of anything from power transmission from wind and solar farms to semiconductor manufacturing.

The reforms are the second and final phase of adjustments to the National Environmental Policy Act, or NEPA, by the administration of President Joe Biden, a Democrat.

It was in response to an overhaul of the bedrock environmental law by former President Donald Trump, a Republican, in 2021.

NEPA, a 1969 law that requires environmental reviews for major projects, is a frequent focus of litigation that can delay construction for years.

The White House's Council for Environmental Quality said the reforms bring efficiencies to reviews including clear one- and two-year deadlines for federal agencies, page limits, and tasking lead agencies with coordinating the process.

It also creates ways for agencies to establish the fastest and most common form of environmental review, known as categorical exclusions, such as for transmission lines in areas where the land has already been disturbed and does not require more clearing of trees and habitats.

"We are making reforms in this rule that will help speed infrastructure and permitting, but without losing sight of the environmental and health benefits we need to protect," Brenda Mallory, the chair of the CEQ, told reporters.

The reforms build on initial work to reform the NEPA process finalized in 2022, when the White House began to reverse Trump's overhaul.

Those changes required federal agencies to consider the direct, indirect, and cumulative impacts of proposed projects or actions, including a full evaluation of climate impacts.

Republican lawmakers criticized the reforms, saying they favor projects the Biden administration believes will help its climate policy.

"The White House continues to say it is in favor of making it easier to build things in America while at the same time imposing more and more regulations that will do the opposite," said Senator Shelley Moore Capito of West Virginia, which is rich in coal and natural gas.

In response to the complaints, an administration official told reporters the White House is meeting with federal agencies starting this week "about what the new material encompasses and how we're going to make sure that it does not undermine our overall goal to have the projects occur more quickly."

Environmental campaigner Christy Goldfuss, executive director at the Natural Resources Defense Council praised the changes, saying Trump had weakened NEPA. "It is a relief to finally see it revitalized," she said.

Analysts cut EU carbon price forecasts on 2023 emission slump

Analysts have cut price forecasts for European Union carbon permits for 2024 to 2026 following record low figures last year for emissions covered by Europe's carbon market.

EU Allowances (EUAs) are forecast on average at 63.96 euros a metric ton this year and 74.00 euros in 2025, a Reuters survey of eight analysts showed, down 13.7% and 11.2% respectively from forecasts made in January. The average forecast for the second quarter of this year was 62.30 euros a ton, down 18.8% from the January forecast of 76.76 euros a ton. The EU's Emissions Trading System (ETS) forces manufacturers, power companies and airlines to pay for each ton of carbon dioxide they emit by surrendering carbon allowances as part of Europe's efforts to meet its climate targets.

Data published by the European Commission earlier this month showed 2023 emissions covered by the ETS fell a record 15.5% as renewable power output soared.

"EUA fundamentals continue to look bearish for the remainder of the year, with power emissions likely to post another significant year-on-year drop in 2024," said Trevor Sikorski, head of natural gas and carbon at Energy Aspects.

The benchmark EU carbon contract currently trades around 66 euros a ton and has fallen almost 20% since the start of the year.

Paula VanLaningham, director of carbon research at LSEG, said signs of improved industrial activity in some sectors and demand for permits from the shipping sector could help lift prices from current levels by the end of the year and into 2025.

"That said, we don’t expect these more bullish factors to have a significant impact on prices much ahead of 2025, barring a massive change in the geopolitical picture," she said.

The shipping industry was included in the ETS from January this year with shipping firms needing to surrender permits to cover 40% of intra-EU voyages for 2024, rising to 70% in 2025 and 100% in 2026.

The average price forecast for 2026 was 92.48 euros a ton, down 7.6% from the January forecast of 100.13 euros a ton.

Top News - Dry Freight

Two more wheat ships headed for Egypt are facing delays in Russia

Two vessels carrying wheat purchased by Egypt's state grain buyer are facing delays in Russia, two sources with knowledge of the matter told Reuters, amid a dispute that caused other delays in the past month.

Wadi Tiba and Edfu, both loaded with around 60,000 metric tons of wheat purchased by the General Authority for Supply Commodities (GASC), have been stuck for weeks in Russian ports, the sources said.

One source told Reuters that the ships have been facing delays despite being inspected and approved for shipment by Egypt's agricultural quarantine.

The source added that both Egypt's supply and foreign ministries have sent complaints about the delays.

A dispute between Russian trader RIF, which supplied the wheat to GASC through agent Grainflower, and federal authorities has caused delays in the shipment of hundreds of thousands of grain to importers, the owner of TD RIF Petr Khodykin told Reuters last month. Two other vessels destined for GASC had also faced delays in March and April but were subsequently shipped and had received phyto-sanitary certificates from Russian authorities.

Egypt is one of the world's biggest wheat importers and uses the purchases to make heavily subsidised bread, a politically sensitive benefit available to tens of millions of Egyptians.

Egypt's supply ministry did not immediately respond to a request for comment.

Ukraine barley exports seen high in May, producers say

Ukraine has exported around 200,000 metric tons of barley in April and already contracted 180,000 tons for exports in May, agricultural producers' union said on Tuesday.

"We are actively selling old crop," the Agrarian Council, Ukraine's largest agribusiness group, said in a statement.

"We have already contracted 180,000 tons for May, of which at least one ship will be sent to China," it said.

Ukraine is a traditional barley grower and has exported about 2.2 million tons of the commodity so far in the 2023/24 July-June season.

The council said high export demand may push notional prices up by $2-$3 per ton in the near future and the prices may reach $157-158 CPT (carriage paid to) in a week.

Picture of the Day

A drone view of damaged rice fields with dry and cracked soil amid extreme heat in Candaba, Pampanga, Philippines, April 30. REUTERS/Eloisa Lopez

(Inside Commodities is compiled by Dhanya Hegade in Bengaluru)

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