Oil | Agriculture | Metals | Carbon & Power | Dry Freight

Click on headers to go to that section

Top News - Oil

Shell beats expectations with $7.7 bln first-quarter profit

Shell on Thursday reported first-quarter adjusted earnings of $7.7 billion, sharply beating expectations, on the back of strong oil trading and higher refining margins.
The oil major announced it will repurchase a further $3.5 billion of its shares over the next three months, at a similar rate to the previous quarter. Its dividend remained unchanged. Analysts had expected first-quarter adjusted earnings of $6.46 billion, against $9.65 billion a year earlier. It had posted $7.3 billion in the fourth quarter of 2023, boosted by strong LNG trading results.

US crude stocks post surprise build as refining slows – EIA

U.S. crude oil and gasoline inventories rose unexpectedly last week as refineries slowed down running rates, the Energy Information Administration said on Wednesday.
Crude inventories rose by 7.3 million barrels to 460.9 million barrels in the week ended April 26, the EIA said, compared with analysts' expectations in a Reuters poll for a 1.1 million-barrel draw. Crude stocks were at the highest point since June, driven by a large 6.8 million-barrel rise in Gulf Coast inventories, boosting them to their to highest since April 2023 at 261.6 million barrels, the EIA said.
Refinery crude runs fell by 230,000 barrels per day while refinery utilization rates decreased by 1 percentage point to 87.5% of total capacity.
"The crude build is a big one. At this time of year, we should be drawing down on crude oil as more barrels go through the refinery.
The refinery runs are a problem", said Bob Yawger, director of energy futures at Mizuho.
"Despite what you're hearing out of earnings, the refiners don't seem to have any intention of cranking up the run rates," he added.
Crude stocks at the Cushing, Oklahoma, delivery hub for U.S. futures rose by 1.1 million barrels in the week, the EIA said.
Brent and U.S. crude futures both extended losses after data showed the surprise build, with both benchmarks falling by more than 2% by 11:08 a.m. ET (1508 GMT).
"The 7 million-barrel build was a surprise to the market," said Andrew Lipow of Houston Oil Associates in Houston. "It is surprising that we have yet to see refinery utilization still below 90%, but we know there's been an assorted mix of unscheduled outages," he added.
Gasoline stocks rose by 300,000 barrels in the week to 227.1 million barrels, the EIA said, compared with forecasts for a 1.1 million-barrel draw.
Distillate stockpiles, which include diesel and heating oil, fell by 700,000 barrels in the week to 115.9 million barrels, versus expectations for a 200,000-barrel drop, the EIA data showed. Net U.S. crude imports rose by 1.54 million bpd, while exports fell 1.26 million bpd to 3.92 million bpd, the EIA said.

Top News - Agriculture

Indian sugar mills end season with higher than expected output

India's sugar production has been higher than expected this year after the completion of cane crushing at most of its mills, industry officials said on Wednesday, with a late pick-up in rains raising output.
With the majority of India's sugar mills having now completed crushing for the 2023/24 season, output so far stands at 31.59 million metric tons, according to the National Federation of Cooperative Sugar Factories Ltd (NFCSF). That is down 1.8% from the previous full year, but already above the around 29 million metric tons expected at the start of the current season due to drought in Karnataka and Maharashtra states.
A handful of mills are still left to report, with only around two dozen of the 532 mills operational this season still in action, the officials said, including two in top sugar-producing state Maharashtra and 13 in the northern state of Uttar Pradesh.
Mills in the southern state of Karnataka and the western state of Gujarat have altogether completed cane crushing. November rains helped the sugarcane crop, and yields improved, Ravi Gupta, executive director at Shree Renuka Sugars Ltd, a leading producer, told Reuters.
Output in Maharashtra has jumped to 11 million tonnes, up from 10.53 million tonnes produced a year ago, NFCSF said. However Uttar Pradesh was expected to be a laggard, with production so far around 10.4 million metric tons, according to a senior industry official who did not wish to be named, and output still to be reported likely to be marginal. It had been forecast to churn out more than 11.5 million tons of sugar this year.
Red rot disease hit the cane crop in Uttar Pradesh, while cane was diverted for the production of alternative sweeteners such as jaggery, said Avantika Saraogi, executive director at Balrampur Chini Mills, a leading producer.

Ivory Coast, Ghana unable to deliver up to 500,000 tons of pre-sold cocoa beans

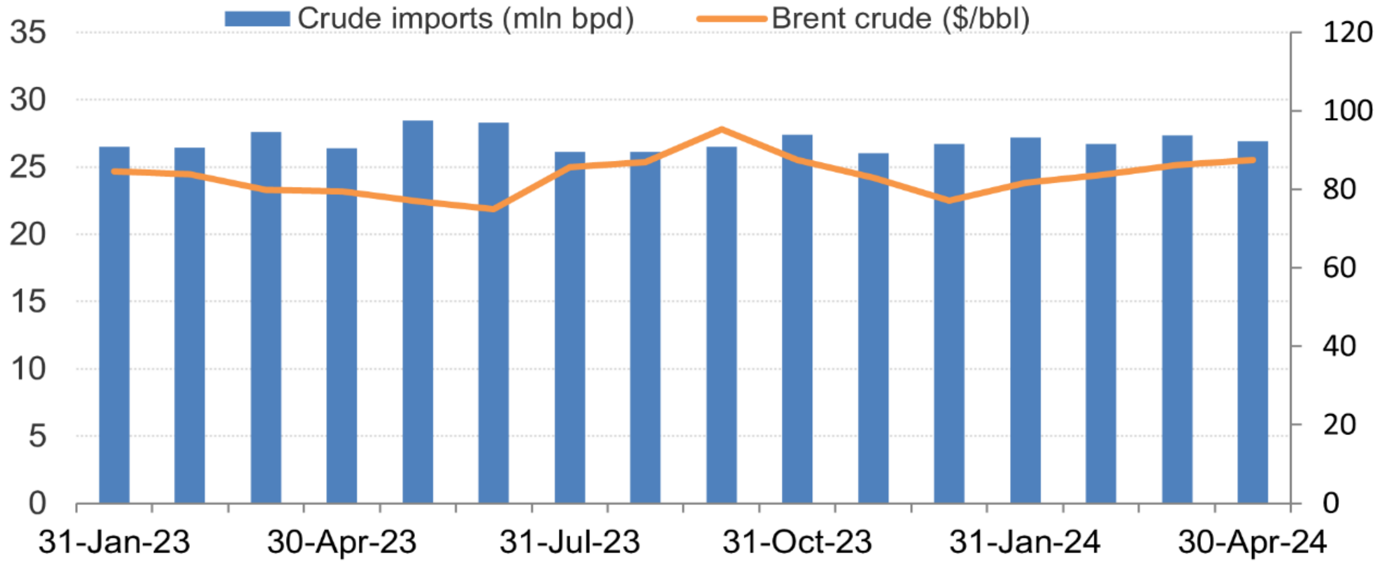
Top cocoa producers Ivory Coast and Ghana, in the midst of one of their worst harvests in decades, do not have

beans available to fulfil deliveries of up to half a million tons pre-sold at about a quarter of current world prices, two industry sources told Reuters.
The beans make up about 20% of the countries' joint output and the aim now is to deliver them next season to the buyers instead of during the current season, the sources said. The beans were pre-sold for around 2,000 pounds ($2,508.00) a metric ton while world cocoa prices are currently nearer 8,000 pounds a ton, meaning the West African producers will not benefit in full from surging prices. Poor crops in Ivory Coast and Ghana, which produce nearly 60% of the world's cocoa, have resulted in a large global deficit in the current 2023/24 season (October/September), leading global prices to more than double in value this year alone.
Ivory Coast and Ghana's cocoa authorities did not respond to requests for comment.
The two countries pre-sell most of their cocoa a year in advance. They then use the average of these forward sales to set a "farmgate" price for the following season.
The idea is to use the farmgate price to shield farmers from volatile world prices, and while they may lose out this season, farmers should in theory benefit in the upcoming 2024/25 season.
But on this occasion the rolled-forward contracts will weigh on the average sales price for next season's crops and so depress the price farmers receive.
Cocoa farmers in Ivory Coast currently earn 1,500 CFA francs ($2.46) per kilo for their beans, while in countries such as Cameroon where cocoa is freely traded, they are getting 5,500 CFA francs, industry sources said.
The price gap between Ghana and Cameroon is similar.
As a result, many Ivorian and Ghanaian farmers are smuggling their beans to countries where they fetch more money, a trend likely to continue next season, industry experts said, given that the price differential is likely to remain significant.
Farmers in the Ivory Coast and Ghana face a double whammy.
Not only are they getting relatively low prices for their beans but their crop has also been hit by adverse weather and disease, limiting what they have to sell, unlike rivals in the rest of Africa and beyond.
Traders, brokers and analysts said Ivorian and Ghanaian farmers are therefore unlikely to invest in their crop by pruning and applying fertiliser and pesticide - practices that could result in much higher yields as early as next season.
"The problem is farmers in Ivory Coast and Ghana are still not getting anywhere near enough money to prompt them to invest in their crop," said Tropical Research Services' Steve Wateridge, a world expert on cocoa. "The thing to do is to pass on the price signal sooner," he said, referring to world market prices.

Chart of the Day

ASIA'S CRUDE OIL IMPORTS STEADY

Asia crude oil imports vs. Brent futures price



Source: LSEG Reuters graphic/Clyde Russell 02/05/24

REUTERS

LSEG DATA & ANALYTICS

Top News - Metals

EXCLUSIVE-Near-record high LME prices a magnet for Chinese copper exports

China's copper producers are planning to export up to 100,000 metric tons of metal, the largest volume in 12 years, aiming to cool a rally that has propelled prices towards record highs and hit their order books, three industry sources said.

Chinese producers are selling into the rally, driven by a speculative frenzy that took copper prices on the London Metal Exchange (LME) to two-year peaks of $10,208 a metric ton this week, close to the record high of $10,845 hit in March 2022, the sources said.

The sources said about the 100,000 tons of copper was likely to leave China over the next few weeks.

The last time China exported this amount in one month was in May 2012, data from Trade Data Monitor (TDM) shows.

However, some say shipping 100,000 tons of copper out of China in a few weeks to LME registered warehouses would be logistically difficult, though not impossible.

Two of the industry sources said much of the copper shipped out of China was likely to come through bonded warehouses in Shanghai, where inventories at 77,800 tons compare with 6,600 tons at the start of 2024.

"China wants to push down the price, end-users are putting their orders on hold," a copper trader said. "But I would be surprised if it was that much."

It would also be a fraction of China's total consumption of about 13 million tons a year or around half of global mined supplies. China has copper resources, but not enough for its needs, it is typically an importer.

"LME prices don't translate into what we are seeing in the physical market in China. You can see there is excess metal in stock data and premiums," one of the industry sources said.

Earlier this week, the International Copper Study Group (ICSG) said the global copper market faces a surplus of 162,000 tons this year and a surplus of 94,000 tons in 2025.

Copper inventories in warehouses monitored by the Shanghai Futures Exchange (ShFE) above 287,000 tons from around 33,000 tons at the start of this year are close to four-year highs, a sign of sluggish demand.

The Yangshan premium dropping to a record low near zero signals waning appetite for Chinese copper imports.

"China fundamentals suggest lower prices, but prices are on a tear and smelters keep producing," the copper trader said.

Sources say the arbitrage between LME and ShFE prices is making it lucrative to export copper.

The arbitrage is the money that can be made on trading between the two exchanges, taking into account costs which can include freight and taxes and exchange rates.

A source in logistics said producers had been asking about costs of moving copper from China to LME warehouses.

A source at a Chinese copper smelter is expecting to potentially export 20,000 tons a month if LME prices stay near current levels.

LME plans for aluminium producers to submit carbon emission data by 2025

London Metals Exchange(LME) on Wednesday launched a consultation requiring producers of aluminium brands deliverable against its contracts to submit carbon emissions data by March 2025.

The proposal aims to align aluminium market with the requirement of Europe's Carbon-Border Adjustment Mechanism (CBAM) which applies a carbon-related cost to certain imported products.

LME-approved producers of primary aluminium, aluminium alloy, North American Special Aluminium Alloy Contract ("NASAAC")) will have to submit both Scope 1 and 2 emissions data to the exchange.

Direct emissions from production of aluminium, including fuels used in melting furnaces, are under Scope 1, whereas indirect emissions from generation of electricity used for making aluminium are under Scope 2.

Producers shall provide these emissions data "at the point at which it becomes LME-grade material," according to the proposal.

Aluminium producers will have to make the first entry of 2024 emissions data by March 15, 2025, and are required to update it annually.

Brands that did not submit emissions data could be delisted. Delivery of aluminium to LME-registered warehouses will also be accompanied by a "CBAM" emissions reporting form.

Retroactive reports are not required for information-deficient aluminium already in warehouses. "The LME has liaised with its own LME-listed primary aluminium brands to understand the extent of work already being done within the space, and 84% of LME Primary Aluminium brands already publish sustainability reports which include their emissions calculations." said the exchange.

The LME is also considering collaborating with its partner Metalshub to list an "LME globally deliverable low carbon aluminium (CBAM)" product to track liquidity of aluminium which fall below a specific carbon footprint.

The exchange insisted it did not need a separate platform to trade low carbon aluminium since 2021.

The lightweight metal widely used in transport, packaging and construction is the most energy-intensive metal to produce, requiring large amounts of electricity.

In 2022, aluminium sector released 1.11 billion metric tons of carbon dioxide, according to International Aluminium Institute.

Top News - Carbon & Power

US LNG exports fall in April for fourth straight month
U.S. exports of liquefied natural gas (LNG) fell for a fourth consecutive month to 6.19 million metric tons in April from 7.61 million in March on production outages, preliminary data from financial firm LSEG showed on Wednesday.
Recurring mechanical problems have hit Freeport LNG, the second largest U.S. plant by capacity. Last month, the Quintana, Texas, terminal exported five cargoes for a total of 330,000 tons, compared to 21 cargoes and 1.42 million tons in December.
Since mid-January, the plant has been operating without at least one of its three gas-processing trains. Freeport declined to comment on the latest production challenges.
It has begun to increase its feedgas consumption over the last three days, LSEG data showed, and a tanker moored at its dock last Friday.
"We still believe Freeport will not reach its typical summer utilization near 90% until June, at the earliest, given its previous struggles to complete maintenance in a timely manner," Energy Aspects analyst David Seduski said in a note to clients last week.
The largest U.S. exporter, Cheniere Energy, had reduced gas consumption for about 24 hours last month at each of its Corpus Christi, Texas, and Sabine Pass, Louisiana, plants.
It declined to comment on a reason for the declines. U.S. exports to Europe slipped to 3.25 million tons, or 52.5% of the total volume, from 4.31 million tons, or about 57%, of March's total, the data showed.
Asia held steady as a share of total volumes with the seven U.S. export plants sending 2.02 million tons of LNG to Asia, 32.6% of total exports, compared to 2.4 million tons, or 33% in March, the LSEG data showed.
One cargo went to Kuwait from Cameron LNG, the data showed.
Exports of LNG to Latin American as a share of total exports almost doubled in April compared to March, growing to 850,000 tons or 13.7% of the total, from 550,000 tons, or 7%, in March.
Sales of the superchilled gas increased to Latin America, with purchases by Jamaica and the Dominican Republic, Colombia, Brazil and Argentina, the data showed.

Ukraine hopes to boost winter gas storage for Europe by 60%
Ukraine hopes to store around 4 billion cubic metres (bcm) of gas for foreign companies and traders this winter, up 60% from last year, despite Russian airstrikes on the country's energy infrastructure, the head of Ukraine's state energy firm said. Storing gas helps

MARKET MONITOR as of 06:45 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$79.55 / bbl	-2.90%	11.03%
NYMEX RBOB Gasoline	$2.55 / gallon	-5.14%	21.20%
ICE Gas Oil	$753.50 / tonne	-2.65%	0.37%
NYMEX Natural Gas	$1.96 / mmBtu	-1.36%	-21.88%
Spot Gold	$2,314.11 / ounce	1.25%	12.19%
TRPC coal API 2 / Dec, 24	$110 / tonne	-0.23%	13.40%
Carbon ECX EUA	€67.82 / tonne	-1.02%	-15.62%
Dutch gas day-ahead (Pre. close)	€28.50 / Mwh	-0.70%	-10.52%
CBOT Corn	$4.53 / bushel	1.40%	-6.40%
CBOT Wheat	$6.06 / bushel	0.41%	-5.28%
Malaysia Palm Oil (3M)	RM3,828 / tonne	-2.22%	2.88%
Index	**Close 01 May**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	332.07	-2.05%	10.18%
Rogers International	29.01	-0.77%	10.18%
U.S. Stocks - Dow	37,903.29	0.23%	0.57%
U.S. Dollar Index	105.57	-0.18%	4.18%
U.S. Bond Index (DJ)	415.62	0.25%	-3.50%

Ukraine to collect revenues while providing Europe with additional supply flexibility after the continent cut Russian gas imports because of Moscow's invasion of Ukraine.
Oleksiy Chernyshov, chief executive of Naftogaz, told Reuters Russia had attacked the firm's infrastructure five times since March, in the first such attacks since the war began in February 2022.
He said the underground storage was not damaged but Naftogaz was working on strengthening defences as gas pumping facilities above ground are more vulnerable.
Underground facilities, mostly in western Ukraine, have a capacity of 31 bcm.
That is enough to cover Ukraine's annual needs and allow storage of surplus volumes from Europe to be released during peak demand in the northern hemisphere winter.
Chernyshov said foreign traders had resumed pumping gas into the storage in recent days. He said volumes were small so far, but he expected them to rise later this year when the heating season approaches.
He did not provide volumes of gas stored so far or the name of those that have stored gas.
Traditionally, Ukraine's storage was used by neighbours such as Poland, but Naftogaz has said it has spoken to firms as far away as France to boost the number of customers. "We are in a period of European shippers' meetings where we agree on the volumes of (gas) injection. They (the Russians) aim to discredit us as an energy hub with storage capacities," Chernyshov said.
Russian officials have said Moscow was attacking Ukraine's energy facilities in retaliation for Ukrainian drone attacks on Russian refineries. Chernyshov said the company had about 100 contracts with foreign traders to store gas. Russia continues to supply gas to Europe via Ukraine under a transit deal that is set to expire in December. Ukraine has said it does not plan to renew it.

Top News - Dry Freight

Large ICE raw sugar delivery not necessarily bearish, traders say

The large raw sugar delivery at the expiry of the May contract on ICE is not necessarily a bearish sign, traders said on Wednesday, as it could indicate strong demand in the physical market.
ICE said in a notice on Wednesday that the deliveries totaled 32,914 contracts, or around 1.67 million metric tons, the third largest for a May contract and the fourth largest for any contract month.
The notice confirmed preliminary information provided by traders on Thursday.
Large deliveries are usually considered bearish, since it can indicate sellers could not find better deals for that sugar in the physical market, opting instead to deliver at the exchange.
Some traders, however, saw it differently. The fact that large producers such as Brazil's Raizen as well as trader Alvean, which is controlled by another large Brazilian sugar maker Copersucar, are taking delivery of large amounts was noted.
"Either there is a concern for the Brazilian cane crop or they have both found demand," said a U.S.-based trader. Any of those options would be bullish for the market, he said. Raw sugar prices were trading around 1% lower on ICE on Wednesday. ICE said that nearly all the sugar will come from Brazil, with the Paranagua port loading the largest amount at around 915,000 tons.
Santos port is normally the top sugar exporting hub in Brazil, but traders said some shippers had problems with congestion there recently so they are probably looking to alternatives.

Ukraine's April grain exports rise to 6.3 mln tons, ministry says

Ukraine's grain exports rose to 6.3 million metric tons in April from 5.5 million in March, agriculture ministry data showed on Wednesday.
That included 4.1 million tons of corn, 1.9 million tons of wheat and 231,000 tons of barley, the data showed.
Ukraine's grain exports for the 2023/24 July-June marketing season stood at 41.4 million tons as of May 1 versus 41.6 million a year earlier.
Exports have included 15.8 million tons of wheat, 22.9 million tons of corn and 2.2 million tons of barley. An industry source had said last month that Ukraine's 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 drone view shows increase of water levels due to a healthy winter rainy season at the Chebayesh marsh in Dhi Qar province, Iraq, April 27. REUTERS/Mohammed Aty

(Inside Commodities is compiled by Dhanya Hegade in Bengaluru)

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

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

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