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Top News - Oil

US greenlights Exxon-Pioneer deal, alleges shale founder colluded with OPEC

U.S. regulators gave the go-ahead on Thursday to Exxon Mobil's $60 billion purchase of Pioneer Natural Resources, but barred Pioneer's former CEO from Exxon's board on allegations he attempted to collude with OPEC to raise oil prices.

Former Pioneer CEO Scott Sheffield coordinated efforts with U.S. shale oil producers to constrain their output and raise energy prices, the Federal Trade Commission said.

Widely considered the dean of U.S. shale because of his long tenure and blunt comments on industry output and spending, Sheffield used his influence "to align oil production across the Permian Basin in West Texas and New Mexico with OPEC+," the FTC claimed.

“Mr. Sheffield’s past conduct makes it crystal clear that he should be nowhere near Exxon’s boardroom," said Kyle Mach, deputy director of the FTC’s Bureau of Competition.

When asked if the FTC would refer the collusion allegations to the U.S. Department of Justice for further investigation, a FTC spokesperson said: “The FTC has a responsibility to refer potentially criminal behavior and takes that obligation very seriously.”

The DOJ did not reply to a request for comment.

Pioneer said Sheffield had "neither the intent nor an effect of his communications to circumvent the laws and principles protecting market competition."

The FTC's consent for the deal will come as a relief to other energy companies with mergers under antitrust reviews. But it drew criticism from lawmakers over the industry's concentration. Multibillion-dollar deals involving Chevron, Diamondback Energy, Occidental Petroleum, and Chesapeake Energy are before the FTC.

"The American Big Oil oligopoly has for decades followed the lead of a foreign oil cartel to set high prices for consumers and reap mega-profits while destroying the planet," said Sen. Sheldon Whitehouse.

"It is disappointing that FTC is making the same mistake they made 25 years ago when I warned about the Exxon and Mobil merger in 1999," added U.S. Senate Majority Leader Chuck Schumer.

DEAL TO CLOSE FRIDAY

Exxon plans to close the Pioneer purchase on Friday. The deal will make it the largest oil producer in the Permian Basin with more than 1.3 million barrels of oil equivalent per day (boepd).

The oil giant said it will not add Sheffield to its board. It learned of the collusion allegations during the antitrust review, but the FTC investigation "raised no concerns with our business practices," a spokesperson said.

Its shares rose a fraction to $116.24.

The agreement frees Exxon to focus on a dispute with rival Chevron over its proposed acquisition of Hess Corp, which owns a 30% stake in a prized Exxon joint venture in Guyana.

Sheffield retired as Pioneer's CEO on Dec. 31, but continued to serve on its board and had been due to take a seat on Exxon's board when the acquisition deal closed.

Pioneer said it was "surprised" by the FTC’s complaint but wanted the deal to close. Its former CEO's comments on the industry were "matters of public interest" and should not disqualify him from a board seat, a spokesperson said.

Sheffield was a regular speaker at energy investor and industry conferences. His pronouncements on OPEC production cuts and oil price trends were widely quoted.

The FTC complaint pointed to some of his remarks on the dangers of higher shale output as part of a "coordinated output reduction scheme" that threatened companies which did not restrain their production gains.

The agency described the executive's 2020 call for the Texas Railroad Commission, the state's energy regulator, to consider mandating production cuts as uncompetitive behavior. Sheffield's urging of state cuts was consistent with then President Donald Trump's urging OPEC to pare output to save U.S. oil jobs.

SHALE - OPEC TALKS

The FTC says collaboration between OPEC and American oil firms would lead to production growth rates below what would typically be observed in a competitive market, sending energy prices up.

Sheffield was among the executives who attended near-annual dinners with OPEC members at a Houston energy conference. The private get-togethers began late last decade with invitations to Sheffield and others by OPEC's late Secretary General Mohammed Barkindo.

OPEC had failed to halt U.S. shale's rapid gains in market share, and its members were surprised at how quickly U.S. companies were able to recover after a punishing oil-price war that spanned 2014 through 2016. The war ended when OPEC curbed its production and prices rebounded.

Attendees at the CERAWeek energy conference dinner included shale executives John Hess, Vicki Hollub, Rick Muncrief, and Domenic Dell'Osso. They would generally discuss the oil market, spare capacity, oil demand and shareholders' expectation for returns, some attendees have said.

Sheffield told Reuters in a March 2023 interview on Saudi Aramco's interest in developing its shale reserves that his company had twice hosted officials and explained the company's operations and business practices. Aramco is the national oil company of OPEC kingpin Saudi Arabia.

OPEC+ could extend oil cuts, formal talks yet to start, sources say

OPEC and its allies have yet to begin formal talks on extending voluntary oil output cuts of 2.2 million barrels per day beyond June, but three sources from OPEC+ producers said they could keep their cuts if demand fails to pick up.

OPEC+ has implemented a series of output cuts since late 2022 amid rising output from the United States and other non-member producers, and worries over demand as major economies grapple with high interest rates.

OPEC+, which includes the Organization of the Petroleum Exporting Countries, Russia and other non-OPEC producers, next meets on June 1 in Vienna to set output policy. OPEC did not respond to a request for comment. The OPEC+ group is currently cutting output by 5.86 million bpd, equal to about 5.7% of global demand. The cuts include 3.66 million bpd by OPEC+ members valid through to the end of 2024, and 2.2 million bpd of voluntary cuts by some members expiring at the end of June. Oil prices have found support this year from the conflict in the Middle East, although concern about economic growth and high interest rates has weighed. Brent crude hit a seven-week low on Wednesday and settled at $83.44 a barrel.

The three sources from countries which have made voluntary supply cuts said an extension was likely.

The cuts could be extended until year-end, said one source, while another said it would take a surprise jump in demand for OPEC+ to make any changes.

Two other OPEC+ sources said formal talks had yet to take place, and one of those said OPEC+ was not yet leaning one way or the other on extending cuts.

The countries which have made voluntary cuts that are deeper than those agreed with the wider group are Algeria, Iraq, Kazakhstan, Kuwait, Oman, Russia, Saudi Arabia and the United Arab Emirates.

"We think there's a good chance that OPEC+ will extend beyond June - but we aren't yet putting a firm view because we don't think they've actually got into the real period of discussion and decision-making," said Richard Bronze of Energy Aspects.

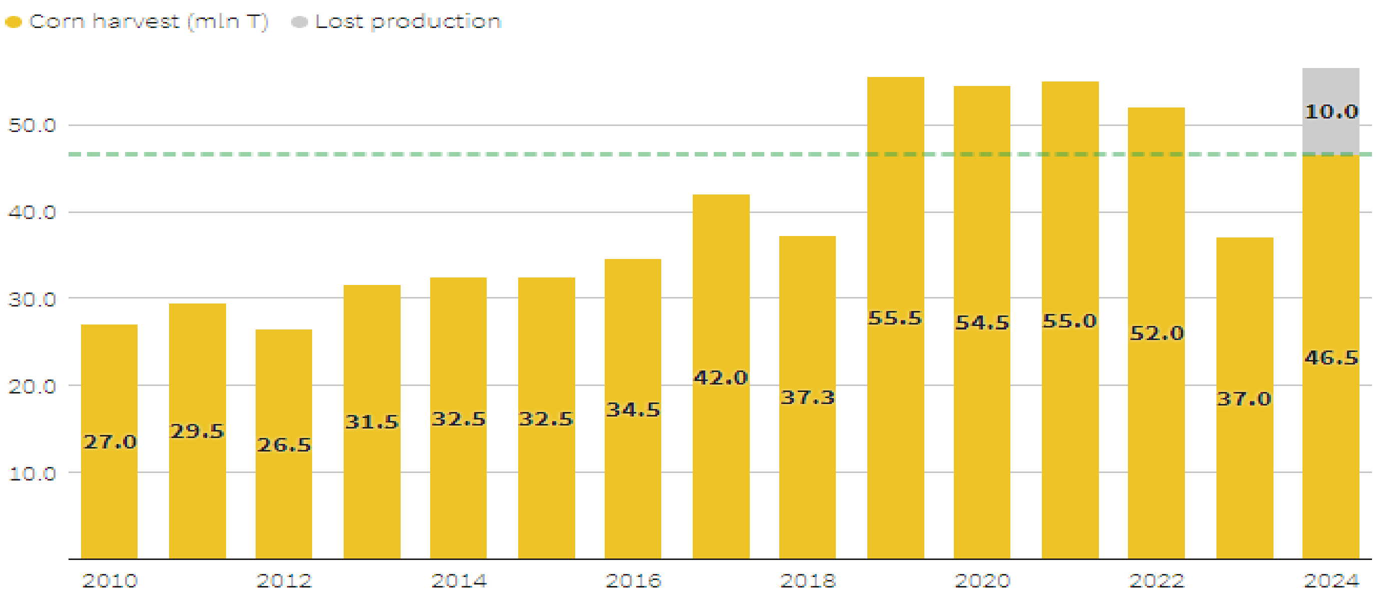
Another option would be for some or all of the 2.2 million bpd of cuts to be unwound after June, analysts say.

OPEC has said it expects another year of relatively strong oil demand growth of 2.25 million bpd, while the International Energy Agency expects much slower growth of 1.2 million bpd.

Chart of the Day

Argentina: corn boom to bust

Argentina's corn crop, once predicted at a record 56.5 million metric tons, has been battered by a rare leafhopper insect plague spreading a stunt disease in the crop. That has knocked off some 10 million tons.



Note: Figures are from the Buenos Aires grains exchange. The 2023/24 figure is the latest estimate from May. 2, 2024.
Source: Buenos Aires grains exchange

Top News - Agriculture

Heavy rains in big Brazil farm state disrupt soy, corn harvests in final stages

Torrential rainfall in Brazil's second-largest soybean and sixth-largest corn state is disrupting the final stages of the harvest, according to a meteorologist's bulletin on Thursday, a grains broker and an analyst.

Historically, soy farmers in Rio Grande do Sul would have harvested 83% of the area at this time, but the heavy downpours have disrupted the work, according to state crop agency Emater.

Still, the soybean harvest in the state had reached 76% of the planted area by Thursday, an increase of 10 percentage points compared with the previous week, Emater said in its weekly crop report.

As heavy flooding hit Southern Brazil, Chicago soybeans jumped to their highest point in more than three weeks.

"Torrential rains in Rio Grande do Sul have already caused numerous disruptions and losses," said Marco dos Santos, a Rural Clima meteorologist. Santos cited losses in soybean, corn and rice areas.

The heavy rains, which will likely continue through the weekend, with a respite between Sunday and Monday, have brought flooding to rural and urban areas, blocking roads and destroying infrastructure.

A new cold front should bring more rainfall to Rio Grande do Sul starting on May 9, Santos said. He noted that lower amounts of rain are expected when that system forms, but added that any rain on extremely wet soil "is chaos."

In the south of Rio Grande do Sul, an estimated 40% of the soybean crop remains to be harvested, the broker said. In the north, around 80% to 90% has been harvested, he added.

Santos said it will continue to rain in much of the northern section of Rio Grande do Sul, as well as the in south of neighboring Santa Catarina.

"These very voluminous rains, with no sunny breaks to harvest (grains), always end up causing quality losses," said Adriano Gomes, a grains analyst at consultancy AgRural.

Rio Grande do Sul was expected to produce 68% more soybeans this season than last, according to estimates from national crop agency Conab for Brazil's No. 2 producer after Mato Grosso state. Emater projects a record crop of 22.25 million metric tons, up 71.5% from a year ago.

The rains have killed at least 13 people, while 21 are missing, according to local authorities.

On Wednesday, a national holiday in Brazil, the state government warned the situation was critical and could deteriorate further.

Some 83% of the corn area has been reaped in Rio Grande do Sul as of Thursday, a 1 percent rise from the same time last week, according to Emater data.

Argentina exchange slashes corn forecast again as bugs, weather bite

Argentina's Buenos Aires grains exchange slashed its estimate for the 2023/24 corn harvest on Thursday by 3 millions metric tons to 46.5 tons, citing the effects of a damaging leafhopper insect plague and the impact of weather.

The blow to the crop likely means that the harvest in the world's no. 3 corn exporter, once expected to be a record, will end as one of the lowest in the past seven years, only above drought-hit harvests in the 2017/18 and 2022/23 seasons.

The exchange cut its forecast for the corn crop from the 49.5 million tons previously estimated, which was already well down sharply from initial estimate as high as 56.5 million tons. Most of the losses are due to the leafhopper outbreak.

The pest carries a harmful bacteria causing stunt disease, which hinders growth and can result in ears of corn with loose or missing kernels. It has already knocked an estimated $1.3 billion off the crop, according to a separate exchange.

In March, hot, dry weather also stressed the crop and impacted output, the exchange said.

Some 17% of the area affected by leafhoppers and the adverse weather is now unharvestable, it added. So far, farmers have collected around 22% of the corn crop.

The March weather could also affect the 2023/24 soybean crop, the exchange said. It maintained its estimate at 51 million tons on Thursday, but cautioned a cut was possible with soy harvesting only 36% complete.

Argentina is the world's third-largest exporter of corn and is a top supplier of soybean oil and meal.

Top News - Metals

EXCLUSIVE-Glencore studying an approach for Anglo American, sources say

Commodities group Glencore is studying an approach for Anglo American, two sources said, a development that could spark a bidding war for the 107-year old mining company.

Glencore has not yet approached Anglo, one of the sources said. The discussions are internal and preliminary at this stage and may not result in an approach, the source added.

"We do not comment on market rumour or speculation," a Glencore spokesperson said.

Anglo on Friday rejected a $39 billion all-stock proposal from the world's No. 1 miner BHP Group.

BHP's proposed premium was 31% above Anglo's closing price on April 23.

A source familiar with the matter previously told Reuters that the Australian mining giant is considering making an improved offer. It has until May 22 to make a formal bid. U.S. shares of Anglo American rose after the news, closing up 6.5% on the session. Glencore's U.S. shares fell 1%.
Anglo is attractive to its competitors for its prized copper assets in Chile and Peru, a metal used in everything from electric vehicles and power grids to construction, whose demand is expected to rise as the world moves to cleaner energy and wider use of AI.
Anglo American and Glencore each own 44% of the Collahuasi mine in Chile, estimated to have some of the world's largest reserves of copper.
At the same time, Anglo's sprawling portfolio also includes platinum, iron ore, steelmaking coal, diamonds and a fertiliser project.
Anglo's share price has jumped since the offer was made public.
Before that, the miner had underperformed its peers following production downgrades and writedowns that led to a strategic review of its assets in February.
Glencore is still in the middle of a $6.9 billion acquisition of 77% of Canadian miner Teck's coal unit, which it expects to close by the third quarter this year.
A precondition of BHP's proposal was that Anglo sell its shares in Anglo Platinum (Amplats) and Kumba Iron Ore in South Africa, a country the world's largest listed company exited in 2015.
In a statement on May 2, BHP said that the proposal "reflects the priorities for its portfolio and opportunity for synergies."
Glencore owns coal and chrome assets in South Africa.
"Unlike BHP, Glencore could benefit from keeping Kumba and marketing iron ore, and Glencore may face less political pushback in South Africa, especially if it were to propose a straightforward all-share deal that does not include Kumba and Amplats demergers," Jefferies analyst Christopher LaFemina said in a research note on April 29, where he assessed different takeover scenarios for Anglo American.

DoJ seeks more details from US Steel, Nippon Steel on proposed merger

The U.S. Department of Justice is seeking more details and documentary materials as part of an antitrust review of Nippon Steel's proposed $15 billion takeover of U.S. Steel, the American firm said on Thursday.
Commonly known as a "second request", it signifies additional scrutiny from antitrust regulators who ask for additional information and documentary material as part of their review process for mergers.
The DoJ's request comes after the Japanese firm's proposed bid drew sharp criticism in the U.S., including

MARKET MONITOR as of 06:45 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$79.11 / bbl	0.14%	10.41%
NYMEX RBOB Gasoline	$2.57 / gallon	1.01%	22.05%
ICE Gas Oil	$746.75 / tonne	-0.83%	-0.53%
NYMEX Natural Gas	$2.02 / mmBtu	4.40%	-19.77%
Spot Gold	$2,301.55 / ounce	-0.71%	11.59%
TRPC coal API 2 / Dec, 24	$112.25 / tonne	2.05%	15.72%
Carbon ECX EUA	€72.51 / tonne	6.92%	-9.78%
Dutch gas day-ahead (Pre. close)	€30.70 / Mwh	7.72%	-3.61%
CBOT Corn	$4.63 / bushel	2.77%	-4.29%
CBOT Wheat	$6.13 / bushel	2.34%	-4.10%
Malaysia Palm Oil (3M)	RM3,825 / tonne	0.18%	2.79%
Index	**Close 02 May**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	331.31	-0.23%	9.92%
Rogers International	28.46	-1.88%	8.11%
U.S. Stocks - Dow	38,225.66	0.85%	1.42%
U.S. Dollar Index	105.28	-0.02%	3.89%
U.S. Bond Index (DJ)	416.66	0.43%	-3.26%

from President Joe Biden, who said the asset should be domestically owned. However, an overwhelming majority of U.S. Steel shareholders voted in favor of the deal in April.
Despite fears of layoffs, Japan's largest steelmaker has pledged no job cuts as a result of the merger and has said it will move its own U.S. headquarters to Pittsburgh where U.S. Steel is based. The acquisition of U.S. Steel will help Nippon, the world's fourth-largest steel maker, move toward 100 million metric tons of global crude steel capacity.
U.S. Steel now expects that the merger will be completed in the second half of 2024, it said on Thursday, as its prior deadline of second to third quarter of 2024 nears.

Top News - Carbon & Power

EXCLUSIVE-Uniper's dormant Russian gas contracts may pose hurdle to listing

Uniper, the biggest corporate victim of Europe's energy crisis, is looking to the courts to solve the issue of its dormant Russian gas supply contracts that could deter investors once it fully returns to the stock market, three people familiar with the matter said.
In 2022, the German government rescued Uniper, once Gazprom's biggest European customer, after Uniper was forced to pay high prices to purchase supplies to make up for lost Russian gas when Gazprom halted deliveries.
The German group has since replaced Russian gas volumes entirely via other suppliers. Gazprom contracts, however, are still legally in place. They run until 2035 and cover 250 terawatt hours (TWh) of gas, equivalent to a quarter of Germany's gas demand.
"This problem must be solved because it could create risks for a possible IPO," said one of the people, who declined to be named due to the sensitivity of the issue, adding it could deter potential investors.
Early preparations to return the 99.12% stake Germany owns in Uniper to the stock market are taking place, and sources told Reuters in February Berlin may seek to sell 20%-30% in a first step next year.
The company's dormant Gazprom contracts have been suspended but not cancelled since Russia halted gas supplies to Germany in 2022, as a consequence of the conflict in Ukraine, ending decades of reliable supply.
As the European Union has yet to place sanctions on Russian gas, there is no legal framework for Uniper to dissolve the contracts, the sources said.
Christian von Hammerstein, partner at law firm Raue, said the contracts remain in place as long as there is no legal basis for them to be dissolved.
"If Russian gas were sanctioned, then that would be force majeure and then they could also invoke it against Gazprom without being in breach of contract," he said.

LEGAL DISPUTE

If Gazprom at some point decides to restart deliveries, which analysts say is unlikely but not impossible, Uniper could be obliged to pay for the gas even if it had no need of it, as decreed by the take-or-pay contracts that are a mainstay of the gas industry.
Several other European energy firms still have such contracts with Gazprom, either live or dormant, with some also seeking damages.
In its annual report, Uniper referred to the potential impact of "Gazprom's future behaviour" on Uniper's financials, without providing more details.
Uniper is seeking damages of more than 14 billion euros ($15 billion) from Gazprom, the people said, and is expecting a verdict from the Stockholm arbitration tribunal, where it has lodged the claims, during the coming months.
The sources said it was possible the Swedish tribunal in its ruling could create the conditions to declare the existing contracts with Gazprom void, which would enable Uniper to cancel them legally.
Alternatively, should Gazprom decide to resume supplies, Uniper could choose to take the gas until supplies have hit the value of its damage claims, the sources said.
Uniper, which has fully written down all its Russian activities, confirmed that it expects a tribunal verdict in the coming months. It previously said that 250 TWh of contracts with Gazprom still exist.
Gazprom Export, the exporting arm of the Russian company, successfully challenged the case in a St Petersburg court that ruled in March that Uniper and a subsidiary would be fined 14.3 billion euros should they proceed with the arbitration.
"Gazprom has not honoured its delivery obligations since summer 2022, which has led to Uniper incurring billions in gas replacement costs," Uniper said, declining to quantify the claims.
Germany's Finance Ministry, which oversees the government's stake in Uniper, declined to comment.
Gazprom did not respond to a request for comment.

ExxonMobil pushing forward with Mozambique LNG project, official says

ExxonMobil is "optimistic and pushing forward" with its delayed Rovuma liquefied natural gas (LNG) project in Mozambique and expects a final investment decision at the end of next year, a company official said on Thursday.
ExxonMobil and its partner Eni are developing the Rovuma LNG project in offshore Area 4 in northern Mozambique, with Exxon leading the construction and operation of the onshore liquefaction and related facilities, while Eni concentrates on the Coral floating LNG and upstream operations.
When TotalEnergies declared force majeure in 2021 due to an offensive by Islamic State-linked insurgents that threatened its Area 1 Mozambique LNG plant,

ExxonMobil was also affected due to the development of shared and common facilities, such as an LNG jetty and offloading facility.
"We recognise there are challenges and there are. We recognise that those challenges can be overcome if we work together," Arne Gibbs, general manager at ExxonMobil Mozambique, told an energy conference in Maputo.
"My message is quite simple … We are optimistic, we are pushing forward," he said of a project expected to enter a front-end engineering and design (FEED) phase in a few months.
The project, initially slated for 15 million metric tons per annum (mtpa), has been redesigned to a new modular, electric LNG 18 mtpa plant that offers more flexibility and produces less harmful emissions, Gibbs said.
"It was important to change our design to a project that is ready-made, that is fit for purpose for the current business environment, including the attention to CO2 emissions and GHG (greenhouse gases)," he added.
In March, Credit Agricole said it would not provide financing to two major LNG projects, including Rovuma, citing commitments to refrain from new fossil fuel developments.
Gibbs said the company recognised that the security situation had improved significantly, due to the intervention of a regional military force as well as military support from Rwanda to Mozambique.
Exxon said in February that it was monitoring security developments in the Cabo Delgado province, where Islamic State-linked militants launched a new wave of attacks this year.

Top News - Dry Freight

EXCLUSIVE-Ukraine wheat, corn exports set to fall nearly a quarter in 2024/25, official says

Ukrainian exports of agricultural commodities wheat and corn are likely to fall by nearly a quarter in the upcoming 2024/25 July-June season following a smaller harvest as a result of war, the first deputy agriculture minister told Reuters on Thursday.
Disclosing for the first time, the official forecast for 2024/25, Taras Vysotskiy said the export of wheat could fall to 14 million metric tons from 18 million tons in 2023/24.
Corn exports could fall to 20-21 million tons from 27 million, although barley shipments are expected to be steady at 3 million tons, he said.
Apart from the impact of war on available farmland, the grain harvest can suffer from frosts in May or drought in May-June.
Vysotskiy said that so far crops are in good condition and the ministry "has yet to see any negative factors that would affect the harvest".
The prediction of lower exports follows forecasts of lower production from the ministry last month. It said Ukraine's grain harvest was likely to fall to about 52 million metric tons this year from 58 million tons in 2023, mostly because of a reduced sowing area. The area for corn was likely to drop 4.5% to 3.863 million hectares this year from 4.043 million in 2023. Farmers may also reduce the area sown for spring wheat and sunflowers, but are expected to try to compensate by increasing it for spring barley and soybeans. The agriculture ministry's crop forecast showed Ukraine could harvest 27 million tons of corn, 19 million tons of wheat and 5 million tons of barley this year.
Ukraine's 2023 grain crop totalled around 60 million tons, including 22.2 million tons of wheat and 30.5 million tons of corn and 5.7 million tons of barley.
Ukrainian grain traders' union UGA said in March the combined grain and oilseeds harvest for 2024 was likely to shrink to 76.1 million tons from 82.6 million last year - far below the 107 million tons harvested before the Russian invasion.
The UGA said the harvest could include 26.3 million tons of corn, 20 million tons of wheat and 13.7 million tons of sunflower seeds.
The official forecast of exports revealed by Vysotskiy is close to expectations from traders who said last month Ukraine was likely to export 13 million tons of wheat, 20.5 million tons of corn and 2 million tons of barley in 2024/25.

Costa Rica coffee exports rise 18% in April

Costa Rican coffee exports rose 18% in April from a year earlier, data released from national coffee institute ICAFE showed on Thursday, despite weak international demand and logistical disruptions in the first quarter.
April shipments totaled 138,323 60-kg bags, according to ICAFE, 21,121 more than in the same month in 2023.
The figures are a positive sign for the current cycle's outlook, after exports were impacted in the first quarter by lower international demand, as well as logistical hiccups that included shortages of shipping containers, said Alcides Quiros, head of ICAFE's settlements unit.
In the first seven months of the 2023/2024, harvest exports are down 6.6% compared to the previous season, reaching 452,328 bags.
Known for its high-quality arabica beans, Costa Rica exports more than 85% of its coffee harvest, which is expected to be about 16% smaller than the 2023/2023 season.
The coffee season in Central America and Mexico runs from October to September.

Picture of the Day

Thermal power plant employees appear on site at the building damaged by recent Russian missile strikes, amid Russia's attack on Ukraine, at an undisclosed location in the west of Ukraine, May 2. REUTERS/Roman Baluk

(Inside Commodities is compiled by Dhanya Hegade in Bengaluru)

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