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Top News - Oil

EIA cuts 2024 world oil demand growth estimate, hikes output forecast

World oil demand this year is expected to grow less than earlier forecast and output should expand faster than previous estimates, resulting in a more balanced market, the U.S. Energy Information Administration (EIA) said on Tuesday.

The agency hiked its production forecasts from regions outside the Organization of the Petroleum Exporting Countries, while also lowering its expectations of demand from developed economies, according to a monthly update of EIA's Short-Term Energy Outlook (STEO).

The EIA now expects global oil and liquid fuels consumption to grow by 920,000 barrels per day (bpd) this year to 102.84 million bpd, slightly smaller than the 950,000 bpd growth forecast in its April STEO.

Total world crude oil and liquid fuels production was forecast to rise by 970,000 bpd to 102.76 million bpd this year, compared with its previous estimate of an 850,000-bpd increase.

The improving market balance also led to a reduction in EIA's oil prices forecasts for the rest of the year.

It now expects spot Brent crude prices to average $90 a barrel in the third quarter and decline to $88.67 in the final quarter of the year.

Its previous forecast saw Brent prices of over $91 in the third quarter and over $89 in the fourth.

For the U.S., the world's top oil producer, the EIA lowered its production forecast for this year to 13.20 million bpd, still a record high but slightly below its previous forecast of 13.21 million bpd. Next year, however, the agency expects a slightly bigger record high of 13.73 million bpd, up from the prior forecast of 13.72 million bpd.

The EIA expects some producers in OPEC+, which includes OPEC and its allies, to limit their production after current voluntary output cuts expire at the end of June.

Three OPEC+ sources said last week that the group is yet to begin formal talks on extending cuts, but it could extend them if demand fails to pick up. The group's next meeting is on June 1.

BP softens tone on 2030 oil output cut to reassure investors

BP softened the language on its pledge to cut its 2030 oil and gas output in an effort to reassure investors over its energy transition strategy and narrow a gaping value gap with rivals. CEO Murray Auchincloss has in recent months pivoted the London-based firm's strategy to focus heavily on returns. He has been less emphatic than his predecessor Bernard Looney on BP's shift towards renewables and low-carbon energy.

BP's shares today lag rivals Shell, TotalEnergies, Exxon Mobil and Chevron, based on a number of key metrics, reflecting concerns BP is not investing in the most profitable segments of its business, primarily oil and gas.

Auchincloss has not reversed a flagship target Looney announced in 2020, before watering it down in 2023, for BP to reduce oil and gas output by around 25% between 2019 and 2030 to 2 million boed.

BP is the only major oil company to have reduction targets, and the pledge has concerned some investors.

Speaking to Reuters on Tuesday after BP announced $2.7 billion in first quarter profits, Auchincloss said BP may overshoot or undershoot the 2030 target.

"Two million (boed) is a decent number to stick by right now. Could it be higher? Yes. Could it be lower? Yes."

PRAGMATIC APPROACH

Auchincloss, who took office in January following Looney's shock resignation last September, has said he would take a pragmatic approach.

BP has over 30 projects across its businesses that it would need to decide whether to proceed with in coming years, Auchincloss said.

"And as we make those decisions on a returns-based approach, that will help inform what we think our production will be in 2030, but I am focused on returns and cash flow, not volume," Auchincloss said.

In February, he said he expected BP's output to grow by 2% to 3% through 2027.

Earlier this year, Shell CEO Wael Sawan also watered down the company's emission reduction targets, citing expectations for strong gas demand and uncertainty about the energy transition as he also seeks to boost Shell's shares.

Biraj Borkhataria, head of European research at RBC Capital Markets, said he expected BP to increase its spending on oil and gas production, known as upstream.

"BP highlighted they were focusing on returns, and therefore I would expect the next iteration of the capital allocation strategy to incorporate higher upstream capex (capital expenditure), and a lower allocation to certain aspects of its transition growth engines."

"All in all, this should translate to higher upstream volumes than the 2 million boed target in 2030," Borkhataria said.

Top News - Agriculture

Dreyfus projects small global sugar supply, sees Brazil crop uncertain

The global sugar market will have a small surplus in 2024/25 at 800,000 metric tons versus a surplus of 2.5 million tons in 2023/24, commodities trader Louis Dreyfus said on Tuesday, adding the outlook for Brazil was still uncertain.

Higher production in Thailand and Europe due to increased planting of cane and beet will be partly offset in 2024/25 (October-September) by falling output in India if the Indian government keeps its ethanol program as planned, said Dreyfus' head of sugar Enrico Biancheri in a presentation during New York Sugar Week.

Dreyfus estimates Thailand will produce 1.6 million tons more in 2024/25 for a total 10.5 million tons, while Europe plus the United Kingdom will boost production by 800,000 tons to 17 million tons.

"There was an increase in planting in several parts of the world, which will add 2.5 million tons to global sugar production," said Biancheri, adding that in some places such as Brazil sugar cane took area from grains or ranching, while in Thailand it expanded over former cassava fields. He said most of the acreage gains happened when sugar prices were higher last year and that the incentive to switch crops was smaller currently.

The executive said the Brazilian Center-South crop outlook is uncertain at the moment due to drier-than-normal weather. He projects the crop at a similar size as last year's record around 42.5 million tons, but added that cane agricultural yields from May or June onward will give a better estimate.

Broker StoneX on Tuesday projected Brazil's sugar output at 42.3 million tons.

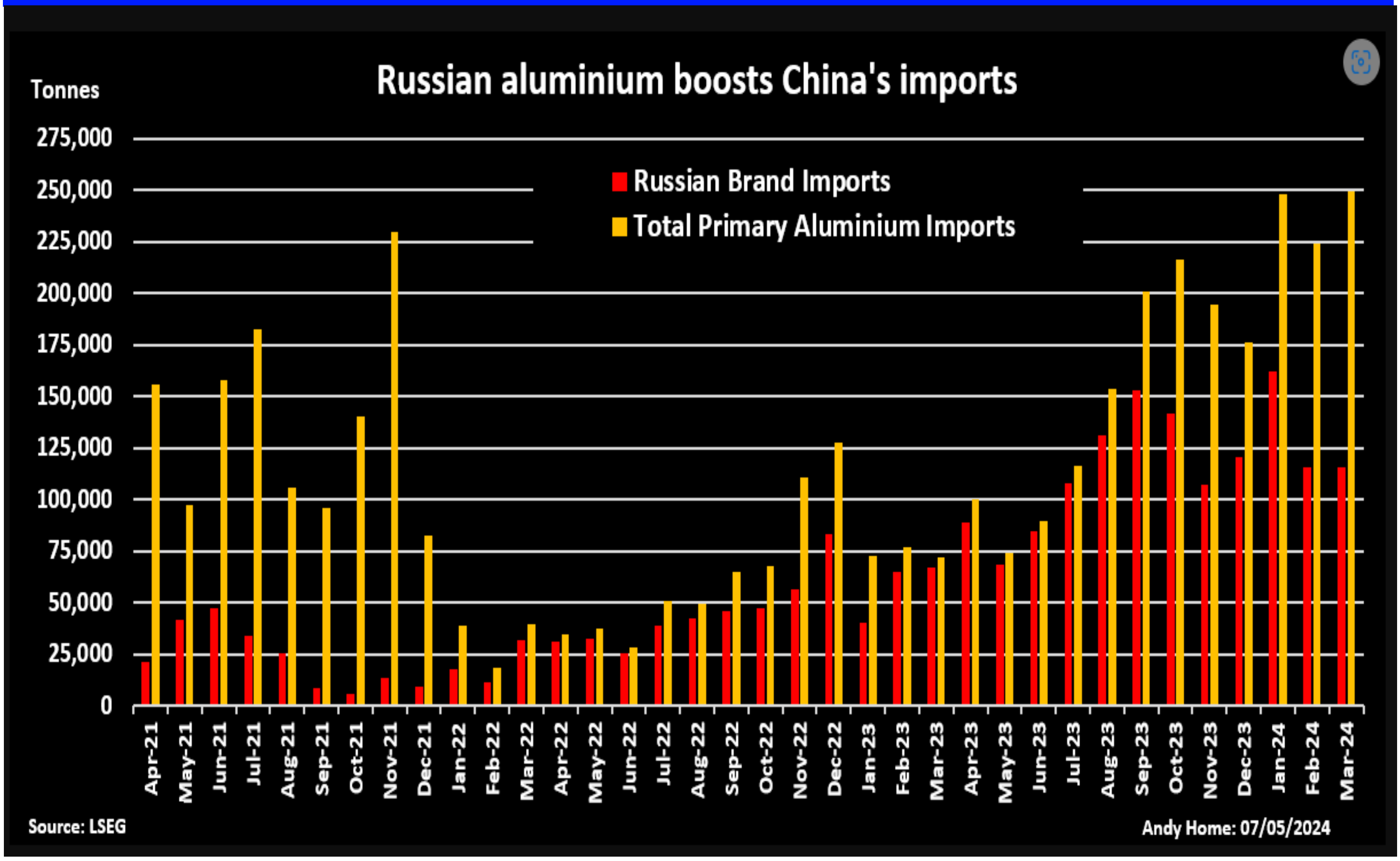
Biancheri is positive on prices. He said the current level around 19.25 cents/lb is good given the fact funds are carrying a net short position of around 50,000 contracts. He added the market is not pricing any potential problems with production or shipments from Brazil, which is expected to account for around 80% of global raw sugar exports in 2024/25.

As climate shifts, a leafhopper bug plagues Argentina's corn fields

Global warming has brought Argentina's corn farmers a dangerous new enemy: a yellow insect just four millimeters (0.16 inch) long that thrives in hotter temperatures and is threatening harvests of the crop. Meet the leafhopper.

The world's No. 3 corn exporting country has slashed millions of tons from its harvest projections for the current

Chart of the Day



crop due to a rare plague of the insect that can carry a stunt disease that damages the cobs and kernels of the plant.
Farmers fear such infestations could become more regular, with fewer frosts in recent years to check the insect's spread, and forecasts for a warm winter ahead, farmers, weather experts and data analyzed by Reuters showed.
Some farmers already have said they will sow less corn for next season in favor of other crops such as soy, the South American country's main cash crop, which is not affected by the bugs.
"Many are going to reduce their hectares of corn to zero," said Anibal Cordoba, a producer in northern Chaco province, adding a hard freeze this winter is neededor leafhopper numbers will explode again next season.
"You normally found leafhoppers in the bud of the plants if you looked. But this year you go to the field and you find clouds of leafhopper. It's just crazy."
Agriculture and climate experts linked the unusual outbreak to rising global and local temperatures. "The number of days with frost is becoming less frequent due to global temperatures rising," said climate change specialist Matilde Rusticucci at the University of Buenos Aires, adding minimum temperatures in the country had "increased steadily".
"The year 2023 was declared the warmest year in history," Rusticucci said. This helped leafhoppers spread far beyond the warmer northern regions where they usually thrive and where farmers have adapted.
Some 10 million tons of Argentine corn production has been lost already, and analysts say it could fall further.
"We should be talking about an Argentine production of more than 60 million tons of corn and because of this insect we are talking about 50.5 (million tons)," said Cristian Russo, head of agricultural estimates at the Rosario grains exchange (BCR).
"We all suspect that it still could get much worse than what we're seeing," he added. "It's a big blow to corn."
According to Russo, leafhopper numbers in northern Argentina are 10 times the normal level, while the insect has been found nearly 1,500 kilometers (932 miles) south of traditional areas, where previously it had been too cold.
Argentina's government, which did not respond to a request for comment on this story, has looked to speed authorization for pesticides to fight leafhoppers and recently met with farm associations to coordinate how to mitigate leafhopper damage.

'THIS IS A REAL, REAL PROBLEM'
In parts of Argentina, frosts have actually increased in recent winters, but some key farming areas have had a substantial decline. Nationally, minimum temperatures have been rising and cold nights decreasing over decades.
A study by scientists at Argentine universities and state institutes showed that from 1963 to 2013 the average number of cold nights decreased from 15 days per year to around eight.
Fewer frosty nights help leafhoppers, which cannot tolerate temperatures below 4 degrees Celsius, said Fernando Flores, entomologist at the National Institute of Agricultural Technology (INTA).
"One of the most important causes of the big increase in (insect) numbers was the decrease in the number of frosts in the country the previous winter," Flores said. In western central Cordoba province, the main corn region of Argentina, the provincial grain exchange has estimated leafhopper-related corn losses of $1.13 billion.
Data from the Cordoba observatory show frosts down steadily over decades. "What was planted late towards the end of December, beginning of January, was where the greatest damage was seen," said Ramón Garcia, a farmer from the Cordoba farm town of Marcos Juarez. "There was a significant drop in yield."
The outlook ahead is tough. Rusticucci said January, February and March 2024 already set records for global maximum temperatures.
Michael Cordonnier, Illinois-based agronomist at consultancy Soybean and Corn Advisor Inc, said what had happened with corn in Argentina was "very unusual" and it would take time for farmers there to adapt, as farmers in warmer corn-growing areas like Brazil have adapted over years.
"This is a real, real problem. Going forward, they will be able to solve this a few years down the road by getting hybrids that are more tolerant to corn stunt disease and registering more insecticides for this specific problem," he said.
"But for the time being it's just terrible."

Top News - Metals

BHP insists Anglo American's South African assets must go in any takeover, sources say
BHP's plan to divest the South African assets of its target Anglo American are key to the strategy behind the proposed takeover and is expected to be a part of any revised offer, investors briefed on the miner's thinking said. The "Big Australian" was rebuffed by its smaller rival on April 26 after submitting a $39 billion takeover proposal, in a plan seen as complex because it required Anglo to offload its shares in Kumba Iron Ore and Anglo American Platinum (Amplats) to Anglo American's shareholders before any deal took place.
Anglo American owns 78.6% of Amplats and 69.7% of Kumba. South Africa's government is scrutinising the proposed deal. In comments to the Financial Times, the country's mining minister Gwede Mantashe said he was wary of BHP's proposal as the country's previous experience with BHP was "not positive".

But BHP sees advantages for South Africa in a distribution of the Kumba and Amplats shares, as it would boost the free float in those two companies, fulfilling a goal of the country's regulator, one fund manager that holds BHP shares said.

It would also trigger index-linked buying and put the assets in the hands of natural holders in South Africa, a second fund manager said.

"BHP have spent a lot of time looking at all the flow back implications and I'm confident they are all over it," one of the fund managers said. BHP declined to comment, but referred Reuters to its May 2 statement that said the structure of its takeover proposal, including the proposed distribution of Anglo's shares in Amplats and Kumba to its shareholders, reflects the priorities for BHP's portfolio and opportunity for synergies.

FRESH PROPOSAL

The Melbourne-based mining company and its advisors have met with BHP investors over the past few days seeking feedback on the future of any deal, five sources with direct knowledge of the matter said. The sources could not be named because of the confidential nature of the discussions.

BHP's investors have been supportive of the takeover but warned the company not to pay above the odds to secure control of Anglo, two of the sources said. Analysts, too, support a sweetened bid, based on long term prices of copper.

Macquarie analysts on Tuesday said BHP may be able to justify a 30-45% control premium partly due to cost efficiencies and higher copper prices, which would imply an Anglo share price of 27-30 pounds per share.

The rejected BHP bid valued Anglo at 25.08 pounds per share.

Anglo American declined to comment, referring Reuters to its April 26 statement rejecting BHP's proposal.

BHP has been encouraged by at least one shareholder to consider keeping Anglo's stakes in Amplats and Kumba instead of exiting the South African assets.

A fully combined BHP and Anglo could look to sell those assets once the deal is completed, which would reduce the complexity and execution risk of the transaction, the person said.

Selling them at a later stage was unlikely to be taken up by BHP, said the first investor.

"And so the premium has to be more." "Anglo is probably pushing for a cash component, but we would probably prefer scrip," one fund manager said, adding that his fund's feedback to BHP has been minimal, "other than clearly the price has to change."

Under the initial plan, BHP stumped up an all-stock proposal that was considered a 31% premium to Anglo's closing price on April 23.

MARKET MONITOR as of 06:45 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$77.86 / bbl	-0.79%	8.67%
NYMEX RBOB Gasoline	$2.50 / gallon	-2.39%	18.46%
ICE Gas Oil	$746.75 / tonne	-0.50%	-0.53%
NYMEX Natural Gas	$2.20 / mmBtu	0.41%	-12.33%
Spot Gold	$2,316.08 / ounce	-0.32%	12.29%
TRPC coal API 2 / Dec, 24	$113.5 / tonne	0.00%	17.01%
Carbon ECX EUA	€70.98 / tonne	-3.03%	-11.68%
Dutch gas day-ahead (Pre. close)	€31.40 / Mwh	-3.98%	-1.41%
CBOT Corn	$4.66 / bushel	-0.59%	-3.67%
CBOT Wheat	$6.47 / bushel	-0.23%	1.21%
Malaysia Palm Oil (3M)	RM3,897 / tonne	0.91%	4.73%
Index	**Close 07 May**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	337.17	0.70%	11.87%
Rogers International	28.83	0.51%	9.50%
U.S. Stocks - Dow	38,884.26	0.08%	3.17%
U.S. Dollar Index	105.50	0.08%	4.11%
U.S. Bond Index (DJ)	422.74	0.25%	-1.85%

BHP has until May 22 to lodge a formal bid for Anglo. Reuters reported last month the Australian mining giant is considering making an improved offer.

China's 2024 iron ore imports seen 1.17-1.18 bln metric tons- Vale

Imports of iron ore by China, the world's biggest buyer, in 2024 are expected to be around 1.170 to 1.180 billion metric tons, similar to last year's 1.18 billion tons, a senior official of miner Vale said on Wednesday.

"In the near term, we are still seeing strong resilience in the Chinese economy, although the property market is slowing down in the next few years," Eduardo Mello Franco, marketing manager for pricing at Brazilian mining company Vale told an industry conference in Singapore.

"We see infrastructure for instance is still growing strongly in China," he said, adding that manufacturing is also "performing pretty well in China". China's iron ore imports in the first quarter of 2024 totalled 310.13 million tons, up 5.5% from a year earlier, customs data showed.

However, China produced 256.55 million tons of crude steel in the first quarter of 2024, down 1.9% year on year. China's economy grew faster than expected in the first quarter, data showed on Tuesday, offering some relief to officials as they try to shore up growth in the face of protracted weakness in the property sector and mounting local government debt.

On the global front, Franco said world steel production is likely to climb to 2.070 billion metric tons by 2030, from expected 1.9 billion tons.

"I also like to highlight the growth in some emerging regions, like Middle East, India and Southeast Asia. We think these regions will be a big source of growth for the years to come."

Energy transition was also driving growth in steel demand.

"We also have new drivers to push growth of steel production. For new drivers we have to mention energy transition, (which) will require materials and steel will be a very important material in this transition."

Top News - Carbon & Power

Renewables provided record 30% of global electricity in 2023, Ember says

Growth in solar and wind power pushed renewable generation to a record 30% of global electricity production in 2023, putting a global target to triple renewable capacity by 2030 within sight, a report by think tank Ember said. Cutting fossil fuel use and emissions in the power sector is seen as vital to meeting global climate targets.

More than 100 countries at the COP28 climate summit in Dubai last year agreed to triple renewable energy capacity by 2030. Ember’s Global Electricity Review showed renewable sources provided 30.3% of global electricity last year, up from 29.4% in 2022 as growth in projects, particularly solar, increased capacity.

“The rise in solar capacity that happened during 2023 really unlocks the possibility that we are able to reach that level of renewables by 2030, and the tripling of capacity that was promised at COP28,” Dave Jones, Ember’s director of global insights said in an interview.

More than half of the global additions in solar and wind capacity came in China last year, the report said, with total global solar generation up 23.2% and wind power up 9.8%.

Industry experts have said issues around grid connections and permits for new projects need to be solved for the target to be met.

The report predicted continued renewable growth would see fossil fuel power production fall by 2% in 2024 and push overall fossil fuel power production to less than 60% of global electricity production for the first time since at least 2000, when Ember’s data begins.

“A permanent decline in fossil fuel use in the power sector at a global level is now inevitable, leading to falling sector emissions,” the report said.

US power use forecast to reach record highs in 2024 and 2025

U.S. power consumption will rise to record highs in 2024 and 2025, the U.S. Energy Information Administration (EIA) said in its Short Term Energy Outlook (STEO) on Tuesday.

EIA projected power demand will rise to 4,103 billion kilowatt-hours (kWh) in 2024 and 4,159 billion kWh in 2025.

That compares with 4,000 billion kWh in 2023 and a record 4,067 billion kWh in 2022.With growing demand from data centers and as homes and businesses use more electricity instead of fossil fuels for heat and transportation, EIA forecast 2024 power sales would rise to 1,510 billion kWh for residential consumers, 1,396 billion kWh for commercial customers and 1,048 billion kWh for industrial customers.

That compares with all-time highs of 1,509 billion kWh for residential consumers in 2022, 1,391 billion kWh in 2022 for commercial customers and 1,064 billion kWh in 2000 for industrial customers. EIA said natural gas' share of power generation would hold at 42% in 2024, the same as 2023, before easing to 41% in 2025. Coal's share will drop from 17% in 2023 to 16% in 2024 and 14% in 2025 as renewable output rises.

The percentage of renewable generation will rise from 21% in 2023 to 23% in 2024 and 25% in 2025, while nuclear power's share will hold at 19% in 2023, 2024 and 2025. The use of coal to generate power has been falling versus gas in part because gas produces less carbon dioxide and other emissions and its comparative cost to coal has dropped. EIA projects gas will be cheaper per million British thermal units (mmBtu) than coal in 2024 for the first time ever, according to federal energy data going back to 2001.

In 2024, spot gas prices at the U.S. Henry Hub benchmark in Louisiana will average just $2.18 per mmBtu versus $2.47 for coal, EIA said.
That compares with 2023's averages of $2.54 for gas and $2.52 for coal.
Over the prior five years (2018-2022), gas was much more expensive, averaging $3.62 per mmBtu versus just $2.07 for coal.
EIA projected 2024 gas sales would rise to 12.39 bcfd for residential consumers, 9.30 bcfd for commercial customers and 35.72 bcfd for power generation, but slide to 23.01 bcfd for industrial customers.
That compares with all-time highs of 14.32 bcfd in 1996 for residential consumers, 9.63 bcfd in 2018 for commercial customers, 23.80 bcfd in 1973 for industrial customers and 35.43 bcfd in 2023 for power generation.

Top News - Dry Freight

Brazil floods hit food silos, disrupt routes to major grains port
Heavy flooding in southern Brazil has hit food storage facilities in lower areas while hampering the shipping of grains to port, jeopardizing the nation's exports and wreaking havoc to the economy of Rio Grande do Sul state, a large soy, rice, wheat and meat producer.
Anec, an association representing global grain exporters, said on Tuesday access to the port of Rio Grande had been disrupted as a local rail line stopped operating.
The group, which represents firms like Cargill and Bunge, also cited road blockades forcing grain trucks to travel an extra 400 kilometers (248.55 miles) through alternative routes to reach the port, increasing freight costs.
The unprecedented climate event, which left entire towns under water and destroyed critical infrastructure in the capital and rural areas, also killed livestock and caught farmers in the final stages of the corn and soy harvests, clouding the outlook for national grain production in 2023/2024.
The escalating crisis also led competing meatpackers to join forces to circumvent logistical hurdles brought about by the heavy downpours, which disrupted water and electricity services to 1.4 million people, the state's Civil Defense agency said. According to a local meat lobby, the meat companies began sharing resources to speed up delivery of feed and water supplies to chicken and hog farms, where an unspecified number of animals have perished due to the devastating floods. Paulo Pires, president of Rio Grande do Sul farm lobby Fecoagro, said it was too early to know how much grain production had been lost due to the flooding that hit silos around river areas.
"They are large silos, so it is significant, but it is really difficult to quantify this," Pires said by telephone.
Gedeao Pereira, president of agriculture lobby Farsul, confirmed isolated cases of food silos being hit but floods, but said they could dry in time and hence losses would be minimized.
Pereira said he is more concerned with crops like soy which farmers have yet to harvest in Rio Grande do Sul, especially in center and southern areas. Earlier on Tuesday, the state's port authority said Rio Grande was "operating normally" as its terminals had not been affected by the rise in the level of the Laguna dos Patos lagoon.
At around 8 a.m. the current was ebbing in the access channel Rio Grande port, allowing water to flow at a speed of about three knots, the equivalent of 5.55 kilometers per hour, the authority noted. The tide table indicated a level of 90 cm above normal. Cargonave, a shipping agency, confirmed slower grain arrivals at Rio Grande port, which last year had exported 10.4 million tons of soybeans and 3.6 million tons of soymeal.

South Korean firm buys estimated 68,000 T corn in tender, traders say
A South Korean animal feed producer has purchased an estimated 68,000 metric tons of animal feed corn to be sourced from South America in an international tender on Tuesday, European traders said.
One consignment was bought at an estimated $250.88 a ton cost and freight (c&f) included plus $1.50 a ton surcharge for additional port unloading.
Seller was said to be trading house Cofco. Paraguay was said to be excluded as an origin.
The tender sought corn from South America only for arrival in South Korea in one consignment around August 30 with shipment from South Korea between June 7 and July 16. The announcement was unusual as most South Korean feed makers issue tenders in consortia or trade associations, traders said.
Reports reflect assessments from traders and further estimates of prices and volumes are still possible later.

Picture of the Day

A drone shows rescue workers driving a boat at a flooded street in Porto Alegre, Rio Grande do Sul, Brazil, May 7. REUTERS/Diego Vara

(Inside Commodities is compiled by Nandu Krishnan in Bengaluru)

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

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