Oil | Agriculture | Metals | Carbon & Power | Dry Freight
Click on headers to go to that section

Top News - Oil

US oil output in top shale regions to hit six-month high in June, EIA says

U.S. oil output from top shale-producing regions will rise in June to its highest in six months, the U.S. Energy Information Administration (EIA) said in its monthly Drilling Productivity Report on Monday. Production in the top basins will reach 9.85 million barrels per day (bpd), its highest since December, the EIA said.

Shale production, which represents about three-quarters of total U.S. oil output, is rising due to improved well productivity, with production per new rig in the Permian basin expected to reach 1,400 bpd next month, up from 1,386 in May. That would mark the highest monthly output per rig since November 2021.

Output in the largest U.S. oilfield, the Permian that straddles West Texas and New Mexico, is due to rise by 17,970 bpd to 6.19 million bpd, the EIA said.

Production in the Eagle Ford in southeastern Texas was forecast to climb to 1.11 million bpd, its highest since December, the EIA said. In the Bakken, output was set to increase marginally by 52 bpd to 1.31 million bpd, also the strongest since December. Total natural gas output in the big shale basins will slide to a five-month low of 99.2 billion cubic feet per day (bcfd) in June from 99.5 bcfd in May, EIA projected.

That compares with a monthly record gas output high of 101.9 bcfd in the big shale basins in November 2023. U.S. gas production is expected to decline in 2024 as producers reduce drilling activities after prices fell to 3-1/2 -year lows in February and March.

In Appalachia, the biggest U.S. shale gas basin spanning Pennsylvania, Ohio and West Virginia, output is set to slide to a 13-month low of 35.8 bcfd in June from 36.0 bcfd in May. Appalachia output hit a record 37.2 bcfd in December 2023.However, the EIA expects new Appalachia gas well production per rig to rise to a 29-month high of 28.6 million cubic feet per day (mmcfd) in June. If correct, that would be a 22nd straight monthly increase in new well production per rig, which peaked at 34.4 mmcfd in Appalachia in December 2020.

The EIA said producers drilled 864 oil and gas wells in April and completed 858. Total drilled but uncompleted (DUC) oil and gas wells rose by six to 4,510 in April, the most since January, EIA said.

ANALYSIS-Renewable diesel glut hits US refiner profits, threatens nascent industry

A rush by U.S. fuel makers to recalibrate their plants to produce renewable diesel has created a supply glut for low-emissions biofuels, hammering profit margins for refiners and threatening to impede a young industry.

Turmoil in the biomass-based diesel sector, an umbrella term for renewable diesel and biodiesel, could become a roadblock to future investments in biofuels, the U.S. Energy Information Administration (EIA) said this year. That could potentially stall the transition away from traditional fossil fuels.

Some producers of these biofuels have already shuttered plants this year, and industry participants say more are set to go out of business before the year's end.

U.S. renewable diesel production capacity nearly quadrupled following the coronavirus pandemic from just 791 million gallons a year in 2021 to 3 billion gallons by 2023, as refiners sought ways to survive the transition away from their petroleum-based products.

Combined with biodiesel, total U.S. output capacity for biomass-based diesel surpassed 5 billion gallons by 2023.

Renewable diesel is a complete substitute for diesel, whereas biodiesel can only be used as a blend, making the former more attractive for producers.

Both compete for the same feedstock - biomass, such as used cooking oil and vegetable oils - and are more expensive to produce than petroleum-based diesel, so their demand relies almost entirely on governmental blending mandates and tax credits.

But blending targets for biomass-based diesel, set under the U.S. Environmental Protection Agency's Renewable Fuel Standards (RFS) program, generate combined demand of just up to 4.5 billion gallons a year through 2025, according to Scott Irwin, a professor at the University of Illinois.

That is already below existing domestic production, before factoring in imports. By 2025, Irwin estimates U.S. renewable diesel and biodiesel output capacity will top 7 billion gallons.

"The crux of the matter is that market participants convinced themselves that 'if we build it, the EPA will mandate it'. That didn't happen," Irwin said. The oversupply has cut prices of Renewable Identification Numbers (RINs) - the credits refiners earn under RFS for producing or importing biofuels - to the lowest in five years. D4 RINs tied to biodiesel and renewable diesel fell below 40 cents a gallon in February for the first time since 2019. They were trading around 44.50 cents a gallon last week, down from an average of $1.50 from 2021 to 2023.

INDUSTRY RESPONSE

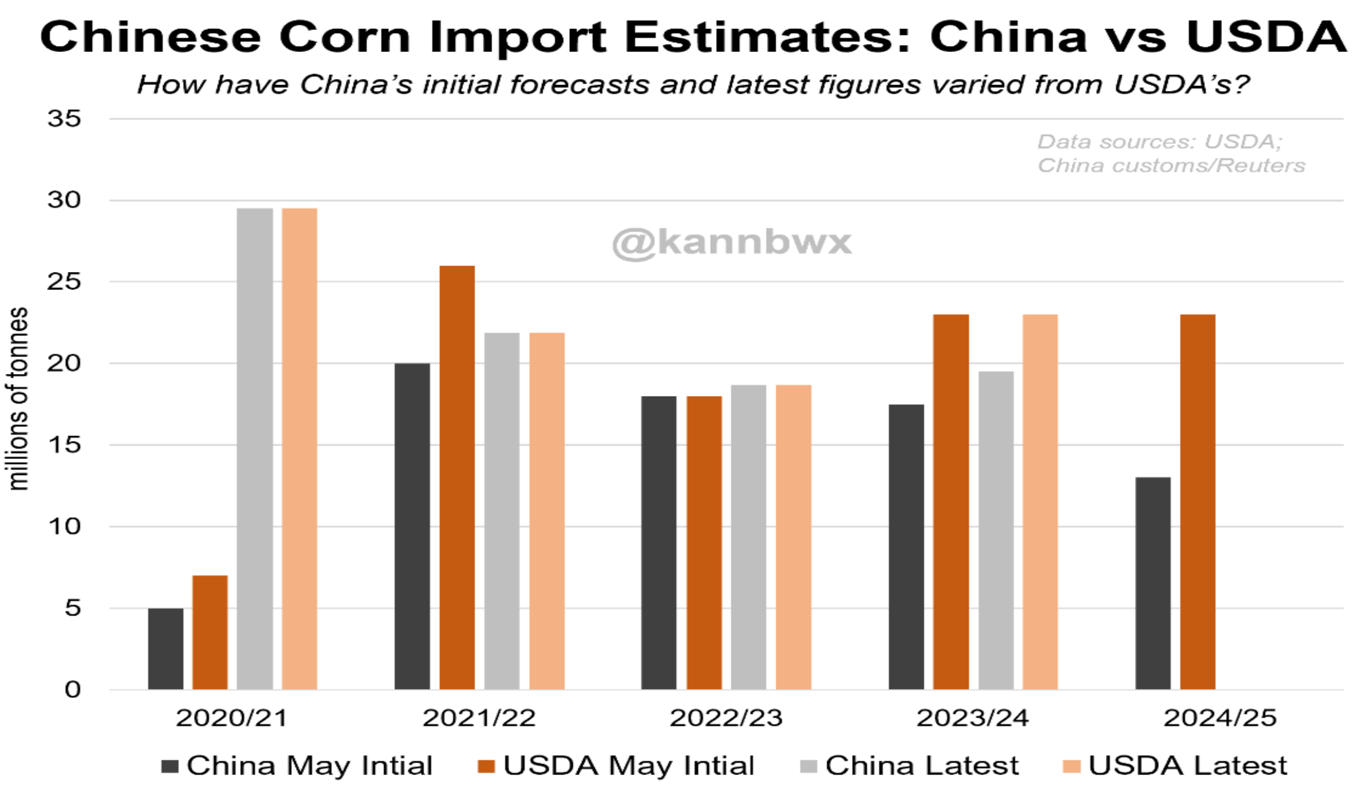
Refiners are feeling the pinch across multiple segments of their renewable fuels businesses.

Independent refiner Valero's renewable diesel margins in the first quarter fell 21.5% year-on-year to $1.02 a gallon.

Rival HF Sinclair said lower credit prices swung its renewables segment to an adjusted loss of $18.6 million before interest, tax, depreciation and amortization in the first quarter, from a $3 million profit in the prior year.
Vertex Energy plans to convert its 8,000-barrel-per-day (bpd) renewable diesel facility in Alabama back to fossil fuels production, citing macroeconomic headwinds for the biofuel which are likely to persist through next year.
It had begun selling renewable diesel from this plant less than a year ago.Other new plants are running around 50% capacity, said Zander Capozzola, vice president of renewable fuels at consultancy AEGIS Hedging.
U.S. oil major Chevron in March said it had mothballed two biodiesel plants, citing unfavorable market conditions.
Biodiesel not only competes with renewable diesel for feedstock, its production generates fewer RINs, putting it at an even bigger disadvantage to the boom in renewable diesel.
Meanwhile, large renewable diesel producers are standing firm despite the oversupply, betting that they can withstand lower margins until smaller companies are pushed out of the industry, Capozzola said.

ROAD AHEAD
U.S. refiners are widely expected to turn to other markets in Canada and Europe for their excess renewable diesel, market participants said. However, they will face stiff competition from local producers. Canada's Imperial Oil is proceeding with plans to build a 20,000-bpd renewable diesel plant near Edmonton which will be able to produce the fuel cheaper than it would have cost them to import from the U.S., the company told Reuters.
Braya Renewable Fuels, which began making renewable diesel in February at the Come-by-Chance refinery in Newfoundland and Labrador, believes operational issues will likely slow down new supply additions.
Braya is producing up to 18,000 bpd of renewable diesel from its plant and sells it through a marketing partner.
However, the biggest boost for the U.S. renewable diesel market will likely come once the Biomass-based Diesel Blender's Tax Credit (BTC) is replaced by the Clean Fuel Production Tax Credit (PTC) next year.
BTC allows importers to claim the same tax credits that domestic producers get, worsening the domestic oversupply, Irwin said.
Once PTC comes into effect next year, it will disincetivize imports and at the least, slightly improve the supply side of the equation.
The U.S. imported roughly 900 million gallons of biodiesel and renewable diesel last year, according to EIA data.
Imports in the first two months this year were around 200 million gallons, and Irwin said they are likely to rise through the rest of the year as importers squeeze out the last few tax credits they can get.
"Things don't look as desperate next year, but before it gets better, it will certainly get much worse," Irwin said.

Chart of the Day



Top News - Agriculture

Indian wheat stocks at 16-year low after record state sale

Wheat stocks in India's government warehouses on May 1 were down 10.3% year on year to their lowest since 2008 after two years of low crops prompted the sale of record volumes to boost domestic supplies and lower local prices.
At the start of the month wheat reserves in state stores totalled 26 million metric tons, down from 29 million metric tons in May 2023, according to the state-run Food Corporation of India. May wheat inventories are higher than April stocks of 7.5 million metric tons after new season purchases by the Food Corporation of India bumped up reserves.
Higher temperatures clipped output in 2022 and 2023. Despite the tight supply, New Delhi has resisted calls to encourage imports by cutting or removing the current 40% tax on imports or by buying directly from leading suppliers such as Russia. Instead, it has dipped into state reserves to sell to bulk consumers, such as flour millers and biscuit makers, to try to curb domestic prices that have been above the state-fixed minimum buying price since the past crop was harvested.
The Food Corporation of India began selling wheat to private players in June 2023 and has so far sold a little more than 10 million tons, a record from state reserves.
India grows only one wheat crop a year, with planting in October and November and harvesting from March.
The new season purchases start in April, augmenting state stocks from May.
Although this year's May stocks are lower than last year, inventories are higher than the government buffer and strategic reserve target that requires wheat stocks to be held at or above 7.46 million tons for the quarter beginning April 1. India failed to achieve its wheat purchase target in 2022 and 2023, followed by a slow start to this year's purchases. New Delhi banned wheat exports in 2022 despite a rise in export demand as the Russia-Ukraine conflict led to a global shortfall.

US wheat ratings stay at four-year high, corn plantings behind average

The U.S. Department of Agriculture on Monday said half of the nation's winter wheat crop was in good-to-excellent condition, the highest for this time of year since 2020, while corn planting progress was behind average.
Traders were monitoring crop conditions in the world's No. 5 wheat exporter as Chicago Board of Trade wheat futures reached a 10-month high on concerns over frost and drought damage to farms in top exporter Russia.
The U.S. Department of Agriculture kept its good-excellent rating for U.S. winter wheat steady from last week at 50%, up from 29% a year earlier when drought slashed harvests.
Analysts expected an increase to 51%.
This week, scouts on an annual crop tour in Kansas will assess hundreds of wheat fields.
As of May 7, some 28% of U.S. winter wheat was in an area experiencing drought, down from 48% a year earlier, according to government data.
The USDA said U.S. corn plantings were 49% complete as of Sunday, below the five-year average of 54%. That was in line with analysts' expectations.
The crop was 23% emerged, above the average of 21%, the USDA said.
The USDA projects farmers will harvest the fourth-largest corn crop and second-biggest soybean crop this year, with record yields expected for both.
Extensive delays from poor weather could prevent planting or prompt farmers to switch from one crop to another.
"Planters continue to be parked across much of the state," said Mike Naig, Iowa's agriculture secretary. "It's certainly weighing on the minds of farmers."
U.S. soybeans were 35% planted, compared to the five-year average of 34% and analysts' estimates for 39%.
For the U.S. spring wheat crop, planting was 61% complete, ahead of the 48% average, the USDA said. Analysts expected 63%.

Top News - Metals

Investors expect BHP to lift Anglo American offer again

BHP Group is likely to sweeten its $43 billion takeover offer for Anglo American for a second time and possibly add cash, investors in both companies said on Tuesday, after the London-headquartered target rejected a higher bid.
Anglo said the improved all-share offer, up 10% from BHP's initial proposal, continued to significantly undervalue the company.
Shares in BHP were trading 0.5% lower at A$43.03 on Tuesday. BHP has until May 22 to return with a binding offer or walk away under UK takeover rules. The revised bid again required Anglo to sell its shares in iron ore and platinum assets in South Africa, a structure Anglo says is unattractive.
"The language in the release suggests it's not the best and final offer, said Todd Warren, a portfolio manager at Tribeca Investment Partners, which holds Anglo shares.
Anglo said on Monday it had accelerated plans to deliver its standalone strategy and would update investors on Tuesday.
"The market is waiting with baited breath for the details of Anglo's strategy day. There's not a lot Anglo can do to

realise the immediate value that would be daylighted by accepting a BHP bid," Warren said.
BHP CEO Mike Henry is due to present at Bank of America's global mining conference in Miami later on Tuesday.
Several Australian fund managers holding BHP shares spoke to Reuters ahead of his presentation on condition of anonymity because of the sensitivity of the matter.
One BHP investor said it would be reasonable for the miner to add a cash component to get the deal done, though the overall deal structure was complex, which raised risks around Anglo achieving acceptable prices for unwanted assets.
A second BHP investor said he would be surprised if BHP did not come back with another offer, adding that it still had scope to add a cash component.
"The copper is what we like," the investor said.
"I think there is investor support broadly for another bid."
Copper prices have climbed 12% in the past six weeks to hit two-year highs on Tuesday above $10,200 a metric ton.
Anglo is attractive to its competitors for its prized copper assets in Chile and Peru, with demand expected to rise as the world moves to cleaner energy and wider use of artificial intelligence will drive power use. Copper is highly efficient at transporting power because of its conductive properties.
Anglo's rejection was disappointing but BHP was in a difficult position given the need to balance a strong run in copper prices and the need to stay financially disciplined, said a third BHP investor.
BHP's latest offer of 27.53 pounds per share, up from an initial 25.08 pounds, would lift Anglo shareholders' aggregate ownership in the combined group to 16.6% from 14.8%.
Anglo shares closed 2.4% lower at 27.07 pounds on Monday.
Jefferies analysts said it might need to raise its offer above 30 pounds per share to gain approval from Anglo's board.
"We are just not sure that BHP is prepared to go that high.
This latest offer could be final," Jefferies said.

Peru copper output flat in March, but up 3.5% in first three months of 2024

Peru's copper production came in essentially flat for March at about 219,000 metric tons, government data showed on Monday, with output of the key industrial metal from January totaling some 641,000 metric tons.
Copper output during the first three months of this year is up 3.5% compared to the same period last year, according to the data from Peru's energy and mining ministry.

MARKET MONITOR as of 06:45 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$79.17 / bbl	1.16%	10.50%
NYMEX RBOB Gasoline	$2.50 / gallon	0.64%	18.73%
ICE Gas Oil	$750.75 / tonne	-1.28%	0.00%
NYMEX Natural Gas	$2.35 / mmBtu	4.40%	-6.48%
Spot Gold	$2,338.23 / ounce	-0.93%	13.36%
TRPC coal API 2 / Dec, 24	$110.75 / tonne	-1.77%	14.18%
Carbon ECX EUA	€69.81 / tonne	-2.92%	-13.14%
Dutch gas day-ahead (Pre. close)	€28.80 / Mwh	-1.97%	-9.58%
CBOT Corn	$4.75 / bushel	1.06%	-1.91%
CBOT Wheat	$6.95 / bushel	4.75%	8.68%
Malaysia Palm Oil (3M)	RM3,885 / tonne	2.00%	4.41%
Index	**Close 13 May**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	335.28	-0.57%	11.24%
Rogers International	28.89	0.10%	9.72%
U.S. Stocks - Dow	39,431.51	-0.21%	4.62%
U.S. Dollar Index	105.28	0.06%	3.90%
U.S. Bond Index (DJ)	421.71	0.10%	-2.09%

March production edged down 0.1% compared to the same month in 2023, the ministry's data showed.
Peru is one of the world top copper miners, with revenue from sales of the red metal prized for its ability to conduct electricity providing crucial support for the South American country's economy.
Among the country's top miners, Grupo Mexico's subsidiary Southern Copper saw its January-to-March output rise nearly 20%, while production from commodity giant Glencore's Minera Antamina unit increased about 13% during the three months. March production of gold, zinc, iron, tin and molybdenum were all up in the month, but silver and lead dipped.
Energy and Mines Minister Romulo Mucho has said he expects copper production to reach 3.0 million tons this year, which if achieved would mark nearly 9% growth compared to last year's national output of the metal. For years, Peru was the world's second largest copper miner behind Chile, but its No. 2 position was taken last year by the Democratic Republic of the Congo in Africa in terms of production. Even so, Peru remains No. 2 globally in terms of copper exports, according to official data.

Top News - Carbon & Power

EU to drop probe into Chinese bidders for Romanian solar park
The European Commission will close its investigation into Chinese bidders in a public tender for a solar park in Romania after the companies withdrew from the process, European Industry Commission Thierry Breton said on Monday.
The Commission launched two investigations on April 3 into whether the Chinese participants benefited excessively from subsidies in bidding for a contract worth about 610 million euros ($658 million).
The first investigated consortium was composed of Romania's ENEVO Group and a subsidiary of LONGi Green Energy Technology Co.
The second involves subsidiaries of Chinese state-owned Shanghai Electric Group Co. Breton said that the Commission took note of the withdrawal of LONGi Solar and Shanghai Electric from bidding and would therefore close its investigation.
"We are massively investing in the installation of solar panels to decrease our carbon emissions and energy bills – but this should not come at the expense of our energy security, our industrial competitiveness and European jobs," Breton said.
Under the EU foreign subsidies regulation, which has applied since July 2023, companies are obliged to notify the European Commission, which then has to assess whether subsidies allow companies to submit overly advantageous offers.
The Commission also dropped its first investigation into Chinese trainmaker CRRC's involvement in a Bulgarian tender after it withdrew.

EU countries to seek more power grid funding, draft document shows
European Union countries will ask Brussels to find ways to increase funding for power grids, as concerns mount that ageing electricity infrastructure could hamper Europe's green goals, a draft document showed.
Europe's plans to shift to clean energy will require a huge expansion of power grids, transforming the network to connect consumers to massive new offshore wind farms, fleets of local solar panels, and install millions of charging stations for electric vehicles.
EU countries will ask the European Commission to assess how current EU funds available for power grids compared with the - far bigger - actual investment needs, and produce guidance on how to use more EU funds for grid projects, according to draft conclusions for a meeting of EU energy ministers on May 30.
The conclusions, seen by Reuters, said the Commission should then "look for ways to increase overall financing for electricity grid infrastructure".
The document called on the European Investment Bank to also strengthen its support for power grid projects - including by de-risking projects to help attract private finance. Current investments in grids lag far behind the 584 billion euros per year the EU says is needed to meet green goals. The EU added dozens of power grid projects last year to a list of schemes eligible for fast-tracked permits and certain EU funds.
Kristian Ruby, secretary general of industry group Eurelectric, said more needed to be done to speed up investments and avoid a situation where newly-built green energy projects have to wait years to be connected to ailing power networks.
"We need to make sure that there is an active incentive for the grid operators to make use of public funds," he said.
More than 35,000 power plants requested new connections to Austria's power grid in 2022, for example - more than three times the number received in 2021, with most requests coming from solar plants.
Diplomats said one issue proving particularly difficult among EU governments was how they should share the costs of massive new power projects - such as offshore wind farms - designed to feed electricity to multiple countries.

Top News - Dry Freight

COLUMN-US and China at odds over corn import ideas after soy divergence -Braun

Two months ago, the U.S. Department of Agriculture stopped using Chinese customs data to estimate China's soybean imports since supplier data indicated much larger volumes, creating a large gap between U.S. and Chinese soy import outlooks.

That disparity has now spread to corn as USDA and China hold vastly different views of how much corn China will import in the 2024-25 marketing year starting Oct. 1.

The eventual reality could have a large impact on U.S. corn exports, which in the case of business to China, have recently been displaced by Brazilian supply. USDA on Friday pegged 2024-25 Chinese corn imports at 23 million metric tons, unchanged from 2023-24.

Earlier that day, China's agricultural ministry forecast 2024-25 imports at 13 million tons, a five-year low and down from 19.5 million in 2023-24.

The outlooks were both agencies' first cuts at 2024-25.

The difference in the two 2024-25 estimates is not driven by customs data discrepancies, though that could become the case once the marketing year begins.

USDA expects China's domestic grain prices will remain higher than the world market, possibly making foreign corn cheaper than domestic supplies.

China projects its 2024-25 corn crop at a record 297 million tons, up nearly 3% on the year and thus reducing import needs.

USDA has the upcoming corn crop at 292 million tons versus 288.84 million in 2023-24, identical to China's 2023-24 crop peg.

WIDENING TARGETS

USDA and China's understanding of realized Chinese corn imports appears to have diverged in late 2023 as both agencies hold identical estimates of 18.7 million tons for the 2022-23 season ended last September.

The two agencies' final figures for the previous several marketing years also match.

But a year ago, the agencies did not see eye-to-eye on 2023-24 potential. USDA's initial 2023-24 outlook of 23 million tons has not changed, though China's initial 17.5 million has come up by 2 million.

The 10 million-ton gap in the 2024-25 forecast is huge, equivalent to nearly 400 million bushels or about 18% of total anticipated 2024-25 U.S. corn exports.

China recently accounted for as much as 31% of annual U.S. corn exports (2020-21), but just 7% went to China in the first seven months of 2023-24. USDA sees 2024-25 U.S. corn exports up 2% on the year to 2.2 billion bushels, and the agency has probably allocated some of that to China given the large import target and the modest 4% increase in Brazil's projected 2024-25 corn crop.

Brazilian corn cargoes first began arriving in Chinese ports in January 2023, and the volume has exploded since then, potentially creating data discrepancies.

However, in the case of soybeans, the supplier data variation stemmed from U.S. exports and not the much larger Brazilian ones.

China's latest corn import figures for the four marketing years through 2023-24 are all higher than China initially estimated.

USDA's latest figures are higher than its initial for 2020-21 and 2022-23, lower for 2021-22 and unchanged for 2023-24.

SOYBEAN GAP

USDA's March methodology adjustment puts its latest 2022-23 and 2023-24 Chinese soybean import estimates 7% and 9% above China's ministry, respectively.

But the disparity in the initial 2024-25 outlooks is a whopping 15%, with USDA 14.4 million tons (529 million bushels) higher.

Just as in corn, the full global picture must be examined before drawing conclusions, and an immediate standout is USDA's massive 2024-25 Brazilian soy harvest of 169 million tons, up 10% on the year.

USDA has already drawn scrutiny in recent months for its relatively high 2023-24 crop targets, but it also has very strong Brazilian soy export estimates to match the lofty crop, creating some offset on the balance sheet.

USDA undoubtedly expects China to be the largest U.S. soybean customer in 2024-25, but China has no new-crop U.S. soybeans, corn or wheat on the books thus far.

(Karen Braun is a market analyst for Reuters. Views expressed above are her own.)

Brazil's coffee exports jump 61% in April

Brazil's total exports of green coffee leaped nearly 61% year-over-year in April, rising to 3.90 million 60-kg bags, industry group Cecafe said on Monday.

Shipments of arabica coffee, which account for most of the country's exports, grew 40.1% from the year-ago month to 3.22 million bags.

Exports of robusta coffee multiplied by more than five times from the same month in 2023 with 676,691 bags. Brazil has been exporting larger volumes of this variety to fill gaps left by a drop in exports from Vietnam and Indonesia, major robusta producers.

Total revenue from Brazilian exports, which include instant coffee, rose 52.6% to $935.3 million, a record for any month, according to Cecafe.

"Internacional prices jumped in April, raising the value of shipments in general," Cecafe head Marcio Ferreira said in a statement.

Picture of the Day

A drone view shows gas cylinders deposited in a flooded area in Porto Alegre, Rio Grande do Sul state, Brazil May 12. REUTERS/Adriano Machado

(Inside Commodities is compiled by Nandu Krishnan in Bengaluru)

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

To subscribe to Inside Commodities newsletter, **click here**.

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

Please visit: **LSEG** for more information

Privacy statement