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Top News - Oil

US House lawmakers seek antitrust probe of OPEC and oil companies

A group of Democratic U.S. House lawmakers asked the Justice Department on Tuesday to probe allegations of antitrust behavior among U.S. oil producers and OPEC and said the two largest U.S oil companies have been conspiring to keep fuel prices high.

Nine House of Representatives Democrats, in a letter to Attorney General Merrick Garland, cited a complaint by the Federal Trade Commission (FTC) in May alleging the former CEO of Pioneer Resources engaged in an "outrageous scheme... to coordinate pricing between U.S. oil companies and foreign producers."

The letter, led by Jerrold Nadler, the top Democrat on the House Judiciary Committee, also cited the big profits earned last year by Exxon Mobil Corp and Chevron, the two largest U.S. oil companies.

"Major oil producers appear to be colluding with each other and foreign cartels to keep prices high, padding their profits at the expense of American consumers," the lawmakers said.

"We urge you to use the full authority of the Department of Justice to investigate and, where necessary, prosecute this anticompetitive conduct," the letter said.

On Exxon and Chevron, the lawmakers said the oil giants had apparently "been lining their own pockets while conspiring to keep prices high" instead of passing those profits through to consumers in the form of cheaper products. Exxon said the FTC's allegations are "entirely inconsistent with how we do business."

Chevron did not immediately respond to a request for comment. The Organization of the Petroleum Exporting Countries also did not immediately respond to a request for comment. In addition to Nadler, the letter was signed by Henry Jackson, Pramila Jayapal and seven other Democrats. Last month, the FTC approved Exxon Mobil's $60 billion purchase of Pioneer Natural Resources, but barred former Pioneer CEO Scott Sheffield from Exxon's board on allegations he attempted to collude with OPEC to raise oil prices. Late last month, U.S. Senate Majority Leader Chuck Schumer and 22 of his Democratic colleagues sent a similar letter to Garland.

Sheffield coordinated efforts with U.S. shale oil producers to constrain their output and raise energy prices, the FTC said on May 2. Sheffield, known for his long tenure and frank comments on industry output and spending, used his influence "to align oil production across the Permian Basin in West Texas and New Mexico with OPEC+," a production group that includes Russia as well as OPEC members, the FTC said at the time.

Sheffield's lawyers have referred to comments made last month, when Sheffield asked the FTC to dismiss the ban. "At no time did government officials and Mr. Sheffield exchange competitively sensitive information," said Sheffield's counsel Cleary Gottlieb Steen & Hamilton.

Crude oil tanker market grappling with ageing fleet, says Trafigura

The crude oil tanker market is grappling with an ageing fleet of vessels which need to be replaced, posing a challenge as shipyards are focused on building other types of ships, a top executive with commodity trader Trafigura said on Tuesday.

The crude tanker market, including VLCC supertankers, has remained strong in recent months partly due to longer voyages made by some vessels sailing via southern Africa amid Red Sea attacks by the Houthis, which has tightened availability.

In addition, up to 850 tankers are estimated to have left conventional trading to transport sanctioned oil including from Russia, Iran and Venezuela as part of the so-called shadow fleet.

"The market is grappling with an ageing (tanker) fleet that will need to be replaced," Andrea Olivi, head of wet freight for Trafigura, told Reuters.

"The big shipyards are currently focused on building large container and LNG (liquefied natural gas) ships rather than VLCC vessels," he said on the sidelines of the Posidonia shipping week in Athens.

An industry source said Trafigura had placed an order for five VLCC newbuild tankers from China's New Hantong Shipyard - their first newbuild orders for VLCCs.

The first two new tankers are scheduled for delivery in 2026 and the remaining vessels in 2027, which will all be dual-fuel ammonia ready, the source added.

It normally takes three years on average for vessels to be delivered from yards with the focus in recent years being on building container ships and LNG tankers due to sector booms.

Lars Barstad, chief executive of leading tanker operator Frontline, told an earnings call last week the market needed to order some 1,100 crude tankers in the coming years, including 400 VLCCs.

"Our confidence in this segment of the market is growing, driven by the need to replace an aging fleet with new vessels," Trafigura's Olivi said, referring to crude tankers.

Trafigura is responsible for more than 5,000 voyages a year and has an average of 400 vessels in their fleet at any given time, which includes tankers and dry cargo, Olivi added.

Top News - Agriculture

FOCUS- US farmers opt for soy to limit losses as all crop prices slump

Mark Tuttle planted more soy and less corn on his northern Illinois farm this spring as prices for both crops hover near three-year lows and soybeans' lower production costs offered him the best chance of turning a profit in the country's top soy producing state.

He even planted soybeans in one of his fields for a second straight year, breaking the traditional soy-corn-soy rotation for field management.

He and many other farmers are hoping to just minimize losses.

Planting more soy at a time of sputtering demand from importers and domestic processors will only serve to drive prices lower, further swell historically large global supplies and erode U.S. farm incomes already poised for the steepest annual drop ever in dollar terms.

But Midwest farmers' other main options - seeding more corn or leaving fields fallow - could have resulted in even wider losses.

"There's a better chance of making money with soybeans than there is for corn right now," Tuttle said. "But if we have another bigger crop, prices are going to go lower and that's not going to bode well for the farmer."

In March, the U.S. Department of Agriculture forecast farmers would plant 86.5 million acres of soybeans nationwide this spring, the fifth most ever. Some analysts expect soybean acres to increase by another million acres or more as heavy rains close the window on corn planting.

In nearby Princeton, Illinois, Evan Hultine also increased soy plantings and scaled back corn.

High production costs due in part to a jump in interest rates looked likely to erode most or all of his corn returns, while soybeans remained marginally profitable, he said.

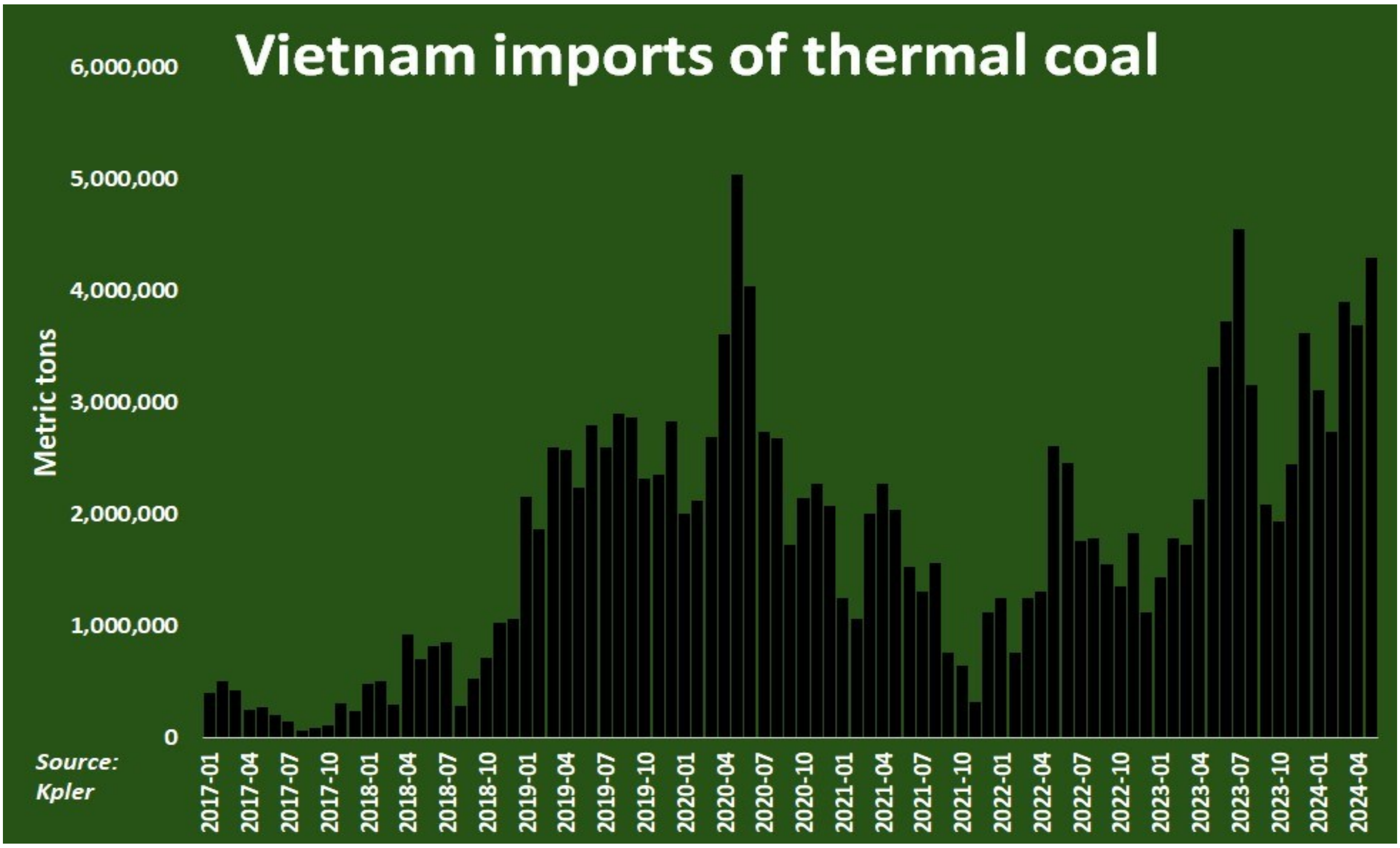
The farm's profits will likely be the thinnest in at least five years, Hultine said.

In an annual early season crop budget estimate, University of Illinois agricultural economists projected negative average farmer returns in the state for both crops, though losses would be smaller for soybeans.

UNPROFITABLE CROPS

In northern Illinois, farmers could lose $140 per acre on average for corn and $30 an acre for soybeans with autumn delivery prices of $4.50 and $11.50 a bushel, respectively, the analysis showed. Actual returns vary significantly from farm to farm, however, depending on

Chart of the Day



factors like crop yields, the timing of grain sales and whether farmers own or rent their land.

Fertilizer costs are down from highs last year, but crop prices are also down, while land costs remain elevated and borrowing rates for operating loans and equipment have jumped, likely forcing farmers to cut expenses, the economists said.

When looking to cut costs, farmers often favor planting soybeans rather than corn because they require less fertilizer and pesticides and seed costs tend to be lower. High interest rates have been a particularly painful expense recently.

"If you're borrowing $700 an acre to put a corn crop in at 7% to 8%, you're talking about some real dollars there just on the price of money. You can put a bean crop in a lot cheaper. Your interest cost per acre might be half," Tuttle said.

MORE SOY, LESS CORN

An early-spring forecast from the USDA projected soy plantings would expand by 3.5% this year while corn plantings were expected to shrink 4.9%.

The expansion is expected to swell the U.S. soy stockpile next season by more than 30% to the highest in five years and the sixth highest level on record as demand from the domestic and export markets is not keeping pace with rising production, according to the USDA.

Now, rain-saturated fields in some areas could clip corn acres and even further expand seedings of soybeans, which, unlike corn, can be planted well into June without significant risk to yields.

Cash prices offered for the next corn and soybean harvest have improved from earlier this spring in Spencer, Iowa, where Brent Swart has been struggling to plant the last of his corn acres due to overly wet weather. But neither crop pencils a profit at current prices.

Nearly a foot of rain over the past month, seven inches more than normal, has left his fields too soggy for field work.

Swart estimates his remaining corn fields may not be in shape to plant until after his planting deadline date of June 1, when crop insurance benefits begin to drop with each day.

Swart's best option in some of his fields may be to file an insurance claim saying he was prevented from planting due to waterlogged soils. Soybean prices remain some 40 cents a bushel under his estimated cost of production, he said. "If you switch to soybeans, you're potentially looking at a loss. If you prevent plant, you're looking at more of a breakeven scenario," Swart said.

Only farmers with severe weather issues will be able to file for insurance, however.

Weather delays and a favorable price versus corn could boost soy plantings by 500,000 to 1 million acres above the USDA's latest forecast for 86.5 million, said Tanner Ehmke, lead economist for grains and oilseeds at CoBank.

"The signal from the marketplace to the farmer right now is that, if you have a doubt about your acreage, send those acres to soybeans," he said.

Soybean losses from floods in southern Brazil seen at 2.7 million tons

Soybean losses related to recent floods in Brazil's southernmost state of Rio Grande do Sul were estimated at 2.71 million metric tons, crop agency Emater said on Tuesday, in line with private forecasts ranging from 2.8 million to 3 million tons.

Emater said in a statement it expects Rio Grande do Sul's soybean crop to reach 19.53 million tons this season, down from the 22.24 million tons forecast previously, pegging soy yields at 2,923 kilograms per hectare in the state.

Rio Grande do Sul's livestock production was also severely impacted and will require a long time to recover, Emater said citing data from the state's farm and rural development agencies.

Some 3,711 farmers were affected, mainly poultry producers, who lost an estimated 1.198 million head after floods and landslides in some areas.

There were also substantial losses of beef and dairy cattle, pigs, fish and bees, Emater said, without providing details.

In rural areas, Emater said more than 206,000 properties were affected, with losses in production and damage to infrastructure, including roads and food storage facilities.

Top News - Metals

Cargill exits physical steel trading in China

Global grain and metals trader Cargill will stop physical steel trading within China, it said on Tuesday, as demand has softened in the world's top producer and consumer of the metal amid a prolonged slowdown in its property sector.

Steel prices in China have sunk 10% from the beginning of the year despite a slew of stimulus measures aimed at reviving the property sector.

"Following an in-depth study of the market and the business model, Cargill decided to optimise its steel business in China and cease physical steel trading in the Chinese domestic market," Oliver Handasyde Dick, Cargill's head of China metals trading, said in a client notice in Chinese seen by Reuters.

U.S.-based Cargill confirmed it had decided this week to discontinue physical steel trading in China, and that affected employees had been notified.

"China remains a critical part of Cargill’s metal business, and we are committed to serve China customers leveraging our global expertise in trading and risk management," it said in a statement to Reuters.

Cargill's annual physical steel trade in China stood at 2 million metric tons, accounting for a third of its global physical steel business, its website showed.

Chilean state miner Enami reports 'encouraging' Altoandinos lithium results

Chilean state-owned miner Enami on Tuesday said an early exploration campaign for its Salares Altoandinos lithium project, located in the South American nation's northern salt flats, has shown promising results. Enami is looking for a partner with which to develop the project after the government tapped it to help pursue a strategy of expanding state control in the production of lithium, a white metal used in electric-vehicle batteries. According to preliminary data, Enami said the Aguilar salt flat, more than 1,000 km (620 miles) north of the capital Santiago, could have an average lithium concentration of 740 milligrams per liter, with as much as 984 mg/l in some areas. "The preliminary results are encouraging," Enami's executive vice president, Ivan Mlynarz, said in a statement. He said technical advances had allowed for important developments that represented "important competitive advantages for investors interested in being part of the initiative."

With an initial investment of $10.5 million, Enami has set up its basic exploration campaign for the Aguilar, La Isla and Grande salt flats from a camp in the Atacama mountains. Enami has also begun testing direct lithium extraction, a technique that uses less water and has a higher recovery rate from brine, to extract saleable forms of lithium.

The initial campaign is set to establish what lithium resources and reserves are available at these deposits. The company expects to start building the production facilities by 2030.

Chile is the world's second-biggest lithium producer after Australia. Together with South American neighbors Argentina and Bolivia - the so-called lithium triangle - they are estimated to hold more than half the world's resources.

MARKET MONITOR as of 06:45 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$73.22 / bbl	-1.35%	2.19%
NYMEX RBOB Gasoline	$2.33 / gallon	0.12%	10.41%
ICE Gas Oil	$705.00 / tonne	-0.49%	-6.09%
NYMEX Natural Gas	$2.64 / mmBtu	-4.21%	5.01%
Spot Gold	$2,332.69 / ounce	-0.75%	13.10%
TRPC coal API 2 / Dec, 24	$124.75 / tonne	-2.54%	28.61%
Carbon ECX EUA	€72.33 / tonne	-3.00%	-10.00%
Dutch gas day-ahead (Pre. close)	€33.88 / Mwh	-6.15%	6.37%
CBOT Corn	$4.49 / bushel	-0.17%	-7.33%
CBOT Wheat	$6.81 / bushel	-1.84%	6.53%
Malaysia Palm Oil (3M)	RM3,936 / tonne	-3.43%	5.78%
Index	**Close 04 Jun**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	334.70	-0.96%	11.05%
Rogers International	28.14	-0.34%	6.88%
U.S. Stocks - Dow	38,711.29	0.36%	2.71%
U.S. Dollar Index	104.27	0.16%	2.90%
U.S. Bond Index (DJ)	426.77	0.44%	-0.92%

Top News - Carbon & Power

Saudi Aramco holding LNG talks with US firms Tellurian, NextDecade, sources say
Oil giant Aramco is in talks with U.S. firms Tellurian and NextDecade on two separate liquefied natural gas (LNG) projects as the Saudi firm seeks to boost its gas trading and production, three sources close to the talks told Reuters.
U.S. gas production has boomed over the past decade with oil majors and Aramco's rivals such as Qatar Energy competing to build several projects to export gas to Europe and Asia.
The state energy firm is in talks with Tellurian to buy a stake in its 27.6 million metric ton per annum (mtpa) Driftwood LNG plant near Lake Charles, Louisiana.
Aramco officials visited the site three times this year - including together with executives from Australia's Woodside on one of those occasions, said the sources who declined to be identified as talks are not public.
Aramco is also in talks with U.S. LNG firm NextDecade for a long-term gas purchase agreement from a proposed fifth processing unit at its $18 billion Rio Grande facility.
Aramco declined to comment. Tellurian said it does not comment on market speculation. Woodside said it continuously assesses organic and inorganic growth opportunities but declined further comment. NextDecade did not immediately respond to Reuters' request for comment.
Aramco is seeking to strengthen its position in the LNG market, which is set to grow globally by 50% by 2030, especially in the United States, where LNG capacity is set to almost double over the next four years.
Tellurian has spent years and hundreds of millions of dollars trying to finance and build the Driftwood plant.
Last fall, Tellurian warned investors that within a year the company might not be able to cover operating and debt costs due to continued losses and dwindling cash reserves.
An Aramco investment could provide the turnaround that Driftwood LNG needs, said Kaushal Ramesh, Rystad Energy's vice president for LNG research.
Driftwood is not affected by President Biden's pause on LNG export projects as it already has a Department of Energy permit to export the proposed plant's super-chilled gas to countries that do not have free-trade agreements with the U.S.
In February, the U.S. Federal Energy Regulatory Commission gave Tellurian a three-year permit extension to complete construction of Driftwood.
Aramco is one of the world's largest oil producers and the top exporter, pumping nearly 10% of the world's crude supply.
However, its presence in the LNG market is dwarfed by neighbouring Qatar. UAE's ADNOC also has a bigger presence.
Aramco made its first LNG investment abroad when it bought a stake in U.S.-based MidOcean Energy for $500 million last year.
In March, Reuters reported that Aramco was in talks to invest in Sempra Infrastructure's Port Arthur project in Texas.
It is also competing with Shell to buy the assets of Temasek-owned LNG trading firm Pavilion Energy.

Europe gas supply risks ease as key Norway pipeline due back Friday
An outage affecting Norway's gas exports to Britain that sent prices soaring on Monday will likely be repaired by Friday, easing supply crunch concerns but still serving as a fresh reminder of Europe's dependence on Norwegian gas.
Europe's benchmark gas price, the Dutch front-month contract, eased on the news that the repair would be limited in time, shedding 4% to 34.93 euros/MWh by 0925 GMT.
Monday's outage had driven up European gas prices on Monday to a peak of 38.56 euros - their highest level since December. Gassco attributed it to a crack in a two-inch pipeline onboard Equinor's offshore Sleipner Riser platform.
The outage drove up prices in the United States and Asia too, on concerns it could tighten supply at a time of worries over remaining Russian volumes and an Asian heatwave increasing competition for liquefied natural gas (LNG). The United States is a main exporter of LNG and supply outages elsewhere increases demand for U.S. exports and in turn lifts domestic gas prices.
Norway in 2022 overtook Russia as Europe's biggest gas supplier after Moscow's invasion of Ukraine, making any outages at Norwegian fields a possible trigger for higher prices.
Norway in 2022 provided 26% of all natural gas consumed in Britain and the European Union, making it the continent's largest supplier, according to the Norwegian Offshore Directorate, an industry regulator.
"The outages once again highlight the risks on the European gas market, which is still highly dependent on individual producer countries," Commerzbank's head of commodity research Thu Lan Nguyen said in a note on Tuesday.

REPAIRS
"Based on what we have heard from the field operator, this is the repair time we think it will take to fix the problem," Alfred Hansen, head of system operations at Gassco, told Reuters on Tuesday, following a meeting with Equinor.
Repairs could take longer or also less time, but were not expected to take weeks, he added.

Gassco will stay in frequent contact with Equinor throughout the repair period and update outage timings on its transparency website to reflect the latest estimates, Hansen said.
Equinor did not immediately respond to a request for comment. The company has previously referred questions on the outage to Gassco.
Sleipner Riser is a connection point in the North Sea for the Langeled North and Langeled South pipelines connecting the Nyhamna plant on Norway's west coast to the Easington terminal in northeast England.
Norwegian gas supply nominations rose marginally to 264 million cubic metres (mcm) per day on Tuesday, from 256 mcm/day nominated on Monday, according to Gassco data but were still well below the 300 mcm or more per day normally scheduled. Nyhamna is able to process up to 79.8 mcm per day, while Britain's Easington terminal has a capacity of 72.50 mcm/day.

Top News - Dry Freight

EU 2023/24 soft wheat exports down 5% year on year
Soft wheat exports from the European Union since the start of the 2023/24 season in July had reached 28.17 million metric tons by June 2, down 5% from a year earlier, data published by the European Commission showed on Tuesday.
EU barley exports totalled 5.44 million tons, down 13% from the corresponding period of the 2022/23 season. EU maize imports were at 17.07 million tons, 32% lower than a year earlier. The Commission resumed its normal weekly reporting of data last week after several weeks of disruption owing to a technical problem.
However, the Commission said import data for Hungary has not been available since November 2023.
Traders also consider that the EU figures are lagging actual soft wheat exports. The 8.1 million tons given for French soft wheat exports outside the EU so far this season is about 1 million tons shy of market estimates that peg the total at more than 9 million tons.

Algeria buys about 800,000 T wheat in tender, traders say
Algeria’s state grains agency, OAIC, has purchased about 800,000 metric tons of soft milling wheat in an international tender that closed on Tuesday, European traders said.
Purchases reported were around $279 to $279.50 a metric ton, cost and freight (c&f) included, they said.
Some purchases at $280 a ton c&f for the first half of August were also reported.
There were some estimates that 600,000 tons were bought, but most trade estimates were around 800,000 tons.
Algeria's tenders are optional-origin but the Black Sea region was tipped to supply a large part of the purchase.
The wheat was sought for shipment in 2024 in two periods from the main supply regions including Europe: Aug. 1-15 and Aug. 16-31.
If sourced from South America or Australia, shipment is one month earlier.
Reports reflect assessments from traders.
Further estimates of prices and volumes are still possible later.
Algeria is a vital customer for wheat from the European Union, especially France, but Russian exporters have been expanding strongly in the Algerian market.
In its previous large-scale soft wheat purchase reported on May 3, Algeria purchased between 240,000 and 300,000 tons of milling wheat at around $249 a ton c&f.
Since then, prices hit 10-month highs on concerns about weather damage to the harvest in leading exporter Russia.

Picture of the Day

Traffic builds up as farmers use their tractors to block the border between Spain and France, during a demonstration demanding better conditions ahead of European elections, Irun, Spain, June 3. REUTERS/Vincent West

(Inside Commodities is compiled by Nandu Krishnan in Bengaluru)

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