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Top News - Oil

US 2023 oil output to rise more than previously expected, EIA says

U.S crude oil production this year will rise faster and demand increases will cool compared to prior expectations, the U.S. Energy Information Administration (EIA) said on Tuesday. EIA issued the new outlook after the Organization of the Petroleum Exporting Countries (OPEC) and allies extended output cuts through 2024. Saudi Arabia will pare 1 million barrels per day (bpd) from its July output to stabilize oil markets, it said. The production cuts by the group known as OPEC+ will slightly reduce global oil inventories in each of the next five quarters and boost global oil prices in late-2023 and early-2024, the agency predicted in its Short-Term Energy Outlook. Brent crude prices will average $79.54 a barrel in 2023, about 1% higher than previously forecast, and U.S. West Texas Intermediate crude prices will average $74.60, a 1.3% increase from EIA's prior estimate. U.S. total petroleum consumption will rise only by 100,000 bpd to 20.4 million bpd this year, compared with an estimated gain of 200,000 bpd in the May forecast, it said. While services and travel should boost gasoline and jet fuel demand growth this year, diesel fuel consumption is set to decline as manufacturing becomes less of a factor in the economy, the agency said. EIA projects U.S. crude oil production will climb by 720,000 bpd to 12.61 million bpd this year, above a prior forecast calling for a gain of 640,000 bpd. U.S. oil production gains have slowed due to investor demand for increases in dividends and share buybacks over capital spending. But U.S. output is still set to hit annual production records in 2023 and 2024, EIA said.

China's May crude oil imports climb to third-highest monthly level on record

China's crude oil imports in May rose to the third-highest monthly level on record, customs data showed on Wednesday, as refiners built inventories and stepped up operations after maintenance in April. Crude imports in May totalled 51.44 million tonnes, or 12.11 million barrels per day (bpd), according to data from the General Administration of Customs. That was up 12.2% from the 10.79 million bpd of crude imported in May last year. Shipments to the world's largest oil importer increased significantly month on month, up 17.4% on April's 10.32 million bpd. Despite a mixed macroeconomic picture, a build-up in inventories has helped to sustain crude import demand. "Crude oil inventories in China have surged to 46.1 days of forward cover, up from 44.9 in December 2022," JPMorgan analysts said in a note last week. Refinery maintenance at key plants did not significantly reduce crude throughput, while refinery runs have increased in recent weeks. "Although centralised maintenance began in March, the workload of the main refineries remained stable and did not fall significantly. Operating rates also increased significantly in June," said Xu Peng, a refined products analyst at China-based consultancy JLC. Seaborne deliveries jumped, with the biggest increases seen in supplies from the U.S. and Canada, due to favourable pricing for April-loaders, and from suppliers such as Saudi Arabia, the UAE, Kuwait and Angola, said Emma Li, a China crude oil markets analyst at Vortexa in Singapore. However, a slower-than-expected post-COVID rebound in China's manufacturing sector continues to weigh on fuel demand, amid weak orders from key export partners and ongoing distress in the country's economically important property sector. The official manufacturing purchasing managers' index (PMI) dropped to a five-month low of 48.8 points in May, data from the National Bureau of Statistics (NBS) showed last week, down from 49.2 in April and below the 50-point mark that separates expansion from contraction. China imported 10.64 million tonnes of natural gas in May, up 17.3% from 9.07 million tonnes a year ago and representing the highest monthly level since January 2022. Refined fuel exports rose 49.5% to 4.89 million tonnes from May last year.

Top News - Agriculture

Australia sees wheat, barley output dropping by a third next year

Australia's production of winter crops is set to fall from record highs, with wheat output seen declining more than 30%, the country's agricultural department said, as forecasters predict dryness due to the El Nino weather pattern.

Australia is the world's second largest wheat exporter, supplying mainly to buyers in Asia, including China, Indonesia and Japan.

Total Australian winter crop production is forecast to fall by 34% to 44.9 million tonnes in 2023–24, around 3% below the 10-year average to 2022–23 of 46.4 million tonnes, according to the June crop report from the Department of Agriculture, Fisheries and Forestry.

Wheat and barley production will drop by 34% and 30% to 26.2 million tonnes and 9.9 million tonnes, respectively. Both figures are below the 10-year average. Canola is forecast to fall 41% to 4.9 million tonnes but remain 15% above the decade average.

"For the last three years millers in Asia have had ample supplies from Australia, but for next year they will have to look at alternative supplies," said one Singapore-based trader at an international trading company which sells Australian wheat to mills in Indonesia.

"It is a bit early, but supplies from Europe, the Black Sea region and to some extent even the United States could replace Australian wheat."

Australian wheat is planted in April-May, and harvesting starts in November.

EL NINO SEEN HITTING YIELDS

Australia's weather bureau said on Tuesday there was a 70% chance this year of an El Nino weather pattern developing, typically associated with hotter, drier weather.

The El Nino weather pattern and the dry weather it causes are threatening food producers across Asia, with Australian wheat and palm oil and rice production across southeast Asia at particular risk.

Area planted to winter crops will fall but remain historically high at 23.3 million hectares, with wheat and canola plantings down by 2% and 11%, respectively. Barley plantings are set to rise 4% to 4.3 million hectares because it can better handle drier conditions.

Lower yields will pressure the total value of agricultural production, which is forecast to fall by 14% to A$79 billion ($52 billion) in 2023-24, still the third highest on record, according to the June agricultural commodities report put out by the same department.

Agricultural exports are also forecast to tumble from record levels, falling 17% to A$65 billion in 2023-24 due to lower production and easing global prices for grains and oilseeds.

Summer crop production, which includes sorghum and cotton, is estimated to fall 8% to 5.1 million tonnes over the same period, but remain well above the decade average.

Global coffee market to clock 7.3 mln bag deficit in 2022/23, ICO says

The global coffee market will record a 7.3 million bag deficit in the 2022/23 (October-September) season as increased global fertiliser costs and adverse weather last year hurt crops, the International Coffee Association (ICO) said on Tuesday.

This follows a deficit of 7.1 million bags in the 2021/22 season when coffee consumption bounced back and economic growth improved as the world emerged from the COVID-19 pandemic, the ICO said in a monthly report.

The inter-governmental body sees production rising just 1.7% to 171.3 million bags in 2022/23 despite top producer Brazil being in an "on-year" of its biennial crop cycle.

Although consumption is also seen growing 1.7% to 178.5 million bags, this is modest compared to last season's 4.2% post-COVID surge.

"Decelerating economic growth for 2022 and 2023, coupled with the dramatic rise in the cost of living, will have an impact on coffee consumption for coffee year 2022/23," said the ICO.

It also noted global exports of green or un-roasted coffee beans fell 2.9% in April versus a year ago to 9.21 million bags, bringing the cumulative total of exports for the first five months of the coffee year to 64.95 million bags, down 6.4%.

Chart of the Day

Top News - Metals

China's May copper imports down 4.6% y/y after record local output

China's copper imports slid 4.6% in May from a year earlier, customs data showed on Wednesday, as soft demand amid a shaky economic recovery in the world's top metal consumer dampened buying appetite while domestic production remained high.

Imports of unwrought copper and copper products totalled 444,010 tonnes in May, data from the General Administration of Customs showed.

The metal, including anode, refined, alloy and semi-finished copper, is used widely in construction, transportation and power sectors.

Strong cable and wire production last month following increased government investment in the power sector bolstered copper consumption, while the production of copper tube, rod and foil fell, said China Futures analysts in a note on June 4.

The macro-economic backdrop also weighed on copper prices last month, including official data showing a fall in manufacturing activity and industrial profits, while benchmark copper futures on the London Metal Exchange posted their biggest monthly drop in May since June 2022.

May imports rose 9% from 407,294 tonnes in April, which Lynn Zhao, a commodity strategist at Macquarie, said was helped by arbitrage opportunities amid falling stocks domestically.

Copper stocks in warehouses monitored by the Shanghai Futures Exchange dropped to 86,177 tonnes in the last week of May, down 66% from a peak in late February.

China's imports of copper ore and concentrate hit a record high at 2.56 million tonnes in May, rising 16.9% from the same month last year.

China's refined copper production rose to over 1 million tonnes in March for the first time and climbed further in April to 1.06 million tonnes.

May output figures have not yet been released by the National Bureau of Statistics.

Copper imports in the first five months of 2023 fell 11% to 2.14 million tonnes, compared with the year-earlier period, the data showed.

Philippines Q1 nickel ore output up 5.3% y/y - mines bureau

Philippine nickel ore output in the first quarter totalled 4 million dry metric tons (dmt), up 5.3% versus the 3.8 million dmt produced in the same period last year, the Mines and Geosciences Bureau (MGB) said on Wednesday.

Of the 33 nickel mines in the Philippines, only 13 recorded output during the first quarter while the rest did not produce any due to unfavourable weather or because they were under maintenance, the agency said in its quarterly report.

In terms of value, nickel ore output in the Philippines rose 43% to 11.53 billion pesos ($205.89 million) at an average price of $11.78 per pound, the MGB said.

A major nickel ore supplier to top metals consumer China, the Philippines is optimistic about its metallic mineral exports this year, particularly nickel and gold.

The MGB said almost 97% of nickel ore exports in the last two years went to China, where demand is expected to increase this year, after it scrapped strict COVID-19 measures and reopened its economy.

Increased nickel ore supply from the Philippines, however, adds to an anticipated global surplus of the material used in making stainless steel and batteries for electric vehicles, as top producer Indonesia ramps up output. The Philippines, meanwhile, is working to woo investment into its domestic nickel processing sector, as the resource-rich country looks to squeeze value out of its metals and minerals industry, similar to what Indonesia has been doing.

Top News - Carbon & Power

China May coal imports fall on tepid demand, high inventories

China's coal imports dipped 2.7% in May from the previous month, customs data showed on Wednesday, as weak demand from the power and steel sectors and high inventory led buyers to scale back shipments.

The world's top coal consumer brought in 39.58 million tonnes of the fossil fuel in May, almost double the low base of 20.55 million tonnes in the year-ago period, data from the General Administration of Customs showed.

Still, the tally was down from the 40.68 million tonnes of coal shipped into the country in April.

Over the first five months of 2023, China brought in 182 million tonnes of coal, up 89.6% from the same period a year ago, customs data showed.

Coal imports faced a slowdown as Chinese utilities grappled with lacklustre power demand and mounting inventory, largely owing to a weaker-than-expected recovery in industrial sectors.

Key Chinese coal-fired power plants witnessed record-high stockpiles of about 113 million tonnes by end-May, 24% higher than the same period last year, according to people close to China's power association.

The high inventory, sufficient for nearly 26 days of usage, gave fewer incentives for power plants to place new purchase orders, weighing on domestic coal prices and the economics of imported coal.

Domestic thermal coal with energy content of 5,500 kilocalories (kcal) at Chinese northern ports was traded at about 770 yuan ($108.14) per tonne. Imported coal of similar quality was around $99 per tonne at southern Chinese ports on a cost-and-freight (CFR) basis.

China's steel industry, a key driver of coking coal demand, continues to struggle amid persistent weakness in the country's property and construction sectors, with steel rebar prices falling to their lowest levels in three years at the end of May.

While May usually sees lower levels of thermal coal demand from utilities, the second half of the month saw record temperatures across the country, increasing electricity demand for air conditioning.

The southern manufacturing hub of Guangdong saw small-scale power cuts in late May, with state media reporting that daily loads on the Shenzhen grid were up as much as 17.7% on the previous year.

While increased utilities' consumption has largely drawn on inventories so far, Chinese buyers have been "active in buying imported coal on fears of shortages later in the year as extreme weather boosts electricity demand," said analysts at ANZ Bank in a client note.

U.S. natgas output and demand to hit record highs in 2023

U.S. natural gas production and demand will rise to record highs in 2023, the U.S. Energy Information Administration (EIA) said in its Short Term Energy Outlook (STEO) on Tuesday.

The EIA projected dry gas production will rise to 102.74 billion cubic feet per day (bcfd) in 2023 and 103.04 bcfd in 2024 from a record 98.13 bcfd in 2022.

The agency also projected domestic gas consumption would rise from a record 88.53 bcfd in 2022 to 88.64 bcfd in 2023 before sliding to 86.59 bcfd in 2024.

If correct, 2024 would be the first time that output rises for four years in a row since 2015, and 2023 would be the first time demand rises for three years in a row since 2016.

The latest projections for 2023 were higher than the EIA's May forecast of 101.09 bcfd for supply and 87.54 bcfd for demand.

The agency forecast average U.S. liquefied natural gas (LNG) exports would reach 12.07 bcfd in 2023 and 12.73 bcfd in 2024, up from a record 10.59 bcfd in 2022.
That 2023 LNG forecast was lower than the 12.11 bcfd the EIA forecast in May.
The EIA projected U.S. coal production would fall from 597.2 million short tons in 2022 to 559.5 million short tons in 2023, the lowest since 2020, and 478.4 million short tons in 2024, the lowest since 1963, as natural gas and renewable sources of power displace coal-fired plants.

As gas demand eases and power producers burn less coal, the EIA projected carbon dioxide emissions from fossil fuels would fall from 4.964 billion tonnes in 2022 to 4.794 billion tonnes in 2023 and 4.775 billion tonnes in 2024.
That compares with 4.580 billion tonnes in 2020, which was the lowest since 1983 because the coronavirus pandemic depressed demand for energy.

MARKET MONITOR as of 06:42 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$71.23 / bbl	-0.71%	-11.25%
NYMEX RBOB Gasoline	$2.46 / gallon	-0.94%	-0.57%
ICE Gas Oil	$692.25 / tonne	-1.21%	-24.84%
NYMEX Natural Gas	$2.27 / mmBtu	0.44%	-49.23%
Spot Gold	$1,958.59 / ounce	-0.22%	7.36%
TRPC coal API 2 / Dec, 23	$104.25 / tonne	4.25%	-43.57%
Carbon ECX EUA / Dec, 23	€80.87 / tonne	-0.98%	-3.69%
Dutch gas day-ahead (Pre. close)	€25.35 / Mwh	-11.67%	-66.45%
CBOT Corn	$5.29 / bushel	-1.12%	-22.05%
CBOT Wheat	$6.39 / bushel	-0.20%	-19.87%
Malaysia Palm Oil (3M)	RM3,355 / tonne	1.18%	-19.62%
Index (Total Return)	**Close 06 Jun**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	288.89	0.11%	-4.13%
Rogers International	26.33	0.40%	-8.15%
U.S. Stocks - Dow	33,573.28	0.03%	1.29%
U.S. Dollar Index	104.13	0.12%	0.58%
U.S. Bond Index (DJ)	407.11	0.16%	3.57%

Top News - Dry Freight

China May soybean imports hit record 12 million tonnes

China imported a record 12.02 million metric tons of soybeans in May, up 24% from a year ago, customs data showed, as cargoes delayed during recent strict inspections were finally unloaded at ports.

The imports by the world's top soybean buyer were up from April's 7.26 million metric tons, which were far short of expected arrivals.

Harvesting of the largest ever crop in China's top supplier Brazil was delayed this year, pushing back arrivals of soybean cargoes, while stricter customs procedures at Chinese ports significantly slowed imports in April.

The delays led to low stocks of soybeans, driving up the price of soymeal, a protein-rich ingredient used in animal feed.

Last month's large arrivals of beans have, however, brought down prices, with spot soymeal sold in crushing hub Rizhao down almost 20% during May to 3,670 yuan ($515.53) a metric ton.

The previous record for a month was 11.2 million metric tons in June 2020.

Arrivals in June could be even larger at about 13 million metric tons, said a Beijing-based soybean trader, based on the large shipments in April.

Chinese crushers snapped up cheap Brazilian soybeans earlier in the year, as the large crop weighed down futures prices.

Low hog prices in China in recent months are, however, hurting demand for soymeal, as are large volumes of cheap wheat that are increasingly available for feedmakers.

Swapping wheat for corn in animal feed can lower demand for soymeal because it has a higher protein content than corn.

Total soy arrivals in the first five months of the year reached 42.31 million metric tons, up 11.2% year-on-year, the General Administration of Customs data showed.

EU executive extends Ukraine grain import restrictions

The European Commission said on Monday it had extended until September 15 an arrangement whereby five of Ukraine's neighbours can ban domestic sales of Ukrainian grains, while allowing the grains to transit their countries.

The five - Bulgaria, Hungary, Poland, Romania and Slovakia - had complained that the European Union's liberalisation of all trade with Ukraine meant cheaper Ukrainian grain flooding in, making domestic production unprofitable.

The Commission, which oversees trade policy in the 27-nation European Union, had allowed the neighbours to set restrictions on imports of Ukrainian wheat, maize, rapeseed and sunflower seeds. This exception was to have lasted until Monday.

The grains can still be exported to other EU members or to outside the bloc. The Commission said a month ago that it could extend the restrictions if exceptional conditions persisted.

Picture of the Day

A view shows drought on a field as it hits Denmark after several weeks without rain, near Gilleleje, Denmark, June 6. Ritzau Scanpix/ Mads Claus Rasmussen/via REUTERS

(Inside Commodities is compiled by Indrishka Bose in Bengaluru)

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