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Top News - Oil

Oil market yawned over Saudi cut as economic concerns cap prices -Chevron exec

Concern about the global economy dampened the oil market's reaction to Saudi Arabia's pledge to cut supplies and has capped prices this year, a Chevron executive told Reuters on Thursday. Benchmark Brent crude prices were just below $76 a barrel on Thursday, little changed from where they were before Saudi Arabia announced on Sunday it would cut 1 million barrels per day from supply in July and possibly beyond. "You've got this macroeconomic sentiment, this general malaise, that says: well, the economy is slowing down," Colin Parfitt, Chevron's vice president of midstream, told Reuters on the sidelines of an energy conference.

"Saudi Arabia made a cut of 1 million barrels per day and fundamentally, the market yawned. It's all about macroeconomic sentiment." Softer prices are masking an oil market that is little changed from last year and remains tight, Parfitt said, with little spare capacity to deal with a future rise in demand.

An uptick in economic activity from China and with it fuel demand could quickly change sentiment in the market, he said. "I could paint the picture this could turn around quite quickly," Parfitt said.

NATURAL GAS

The natural gas market has tightened since the Ukraine war started because Russia shut in some production when it lost European buyers due to sanctions and damage to pipelines. Chevron sees Europe as a strong market for short- to medium-term gas demand as Europe seeks to substitute Russian supply, he said.

For longer term demand, Asia is the stronger bet, he added. Chevron is a big natural gas producer, and pumps more than half its output from the United States and Australia. Chevron is studying options to sell more gas from its Leviathan field in the Eastern Mediterranean either through regional pipelines or through installing a floating LNG facility, he said. LNG would give more flexibility, allowing Chevron to sell to the strongest market, he added. While natural gas is seen as a transition fuel in many countries to replace coal as a source of power generation, in some places it may become the long-term fuel of choice, he said. "People often talk about gas as a transition fuel, but I'm not sure it is," Parfitt said. "I think it might be a destination fuel. This might be part of the play."

Oil supply growth still limited as demand rises, US shale executive says

Global demand for crude oil is continuing to rise but supply growth remains limited, which will lead to higher prices later this year, said an executive at Pioneer Natural Resources, the third-largest producer in the top U.S. shale basin. The U.S. oil industry's output has been capped by higher labor and materials costs that have squeezed profit margins and investor demands to limit spending, Pioneer Executive Vice President Beth McDonald said on Thursday in an interview at the RBN Energy crude export conference in Houston.

Global oil futures were trading on Thursday at about $76.50 per barrel after the OPEC+ group of major oil producers agreed on Sunday to maintain existing production cuts through the end of 2024 and Saudi Arabia said it would cut 1 million barrels from its June output. "That squeeze in the margin is really keeping U.S. E&Ps (exploration and production companies) from moving forward in a significant way" despite the OPEC moves, McDonald said. "In general, you'll still see those modest (production) growth rates and those low reinvestment rates because we continue to focus on returning cash to shareholders," she said. U.S. shale oil production has inched higher this year, with June output in the seven top shale basins forecast to be 9.33 million barrels per day (bpd), compared to about 9.3 million bpd in January. Oil should trade between $70 per barrel and $100 per barrel over the next three to five years in the wake of the OPEC+ moves, McDonald said, adding that prices recently have been driven by demand losses in China and recessionary fears in Western economies.

Top News - Agriculture

EXCLUSIVE-Bunge finalizing $30 billion-plus merger with Viterra -sources

U.S. grains merchant Bunge Ltd is putting the final touches on a deal to merge with Glencore Plc -backed peer Viterra and create an agricultural trading giant worth more than $30 billion, including debt, people familiar with the matter said on Thursday.

The deal, whose terms have not been previously reported, would come as Russia's war in Ukraine has tested the security of supply in global food markets. Its potential impact would be examined closely by antitrust regulators.

Bunge, whose market value is about $14 billion and carries debt net of cash of about $2.7 billion, will pay for most of the deal with stock but will also use cash and has lined up debt financing from banks, the sources said.

Bunge's management team, led by Chief Executive Greg Heckman, would oversee the combined company, the sources added.

Privately held Viterra's shareholders, which beyond Glencore include the Canada Pension Plan Investment Board and British Columbia Investment Management Corp, may sign off on the deal as early as this weekend if the negotiations conclude successfully, the sources said.

While the deal is on track to be announced next week, there is always a possibility it may collapse at the last minute, the sources cautioned, requesting anonymity because the matter is confidential. The deal's final value may vary based on the movement of Bunge's shares by the time the agreement gets signed, according to the sources.

Glencore and Viterra declined to comment. Bunge did not immediately respond to requests for comment.

Bloomberg News had reported on May 25 that Bunge and Viterra were in talks to combine, without providing details on the deal's terms and timing.

Trade in staples such as wheat, corn and soybeans is already concentrated among Bunge and three other large players - Archer-Daniels-Midland Co, Cargill Inc and Louis Dreyfus Co. Collectively referred to as "ABCD," they have been raking in hefty profits after the war in Ukraine disrupted shipments and sent crop prices skyrocketing.

Last year, Bunge was ranked as the largest corn and soy exporter from Brazil, which is the world's top source of the staple crops for making animal feed and biofuels, according to data from shipping agent Cargonave. Viterra was the third largest corn exporter and No. 7 soybean shipper.

Acquiring Viterra would bring Bunge revenue's revenues -- $67.2 billion in 2022 -- in line with Archer-Daniels-Midland, which registered sales of nearly $102 billion last year. The deal would also buoy Bunge's grain exporting and oilseed processing businesses.

This is not the first attempt at this deal. In early 2017, Viterra, then known as Glencore Agriculture, attempted a takeover of Bunge, which was then valued at $11 billion.

In May 2017, Bunge rebuffed Glencore after the latter made an informal approach to discuss "a possible consensual business combination."

Viterra expanded its business of buying and selling grain in the United States through its $1.1 billion acquisition of Gavilon last year.

Argentina's soybean crop seen down at 21 mln T as harvest nears end

Argentina's current soybean harvest is nearing completion with total production expected to reach just 21 million metric tons, a major grains exchange said on Thursday, far below yields from previous years for the country's main cash crop.

Argentina is the world's leading exporter of processed soybeans, as well as a major wheat and corn supplier to global markets, but a historic drought that began last year has slashed by half expectations for the 2022/2023 harvest.

The soybean harvest is nearly 94% complete, according to a report from the Buenos Aires Grains Exchange.

Corn harvest activity tends to intensify as the soybean crop concludes.

In its latest report, the grains exchange said about a third of planted corn has been threshed - the process by which grains are separated from the plant - while production for the cycle is estimated to hit 36 million metric tons.

Meanwhile, wheat planting during the upcoming 2023/2024 harvest suffered delays over the last week due to rainfall in Buenos Aires province, an important agricultural region, according to the grains exchange.

The wheat crop is expected to total 18 million metric tons.

For now, Argentina's wheat farmers have sown nearly 20% of the 6.3 million hectares (15.6 million acres) set out for the grain's cultivation, according to the exchange.

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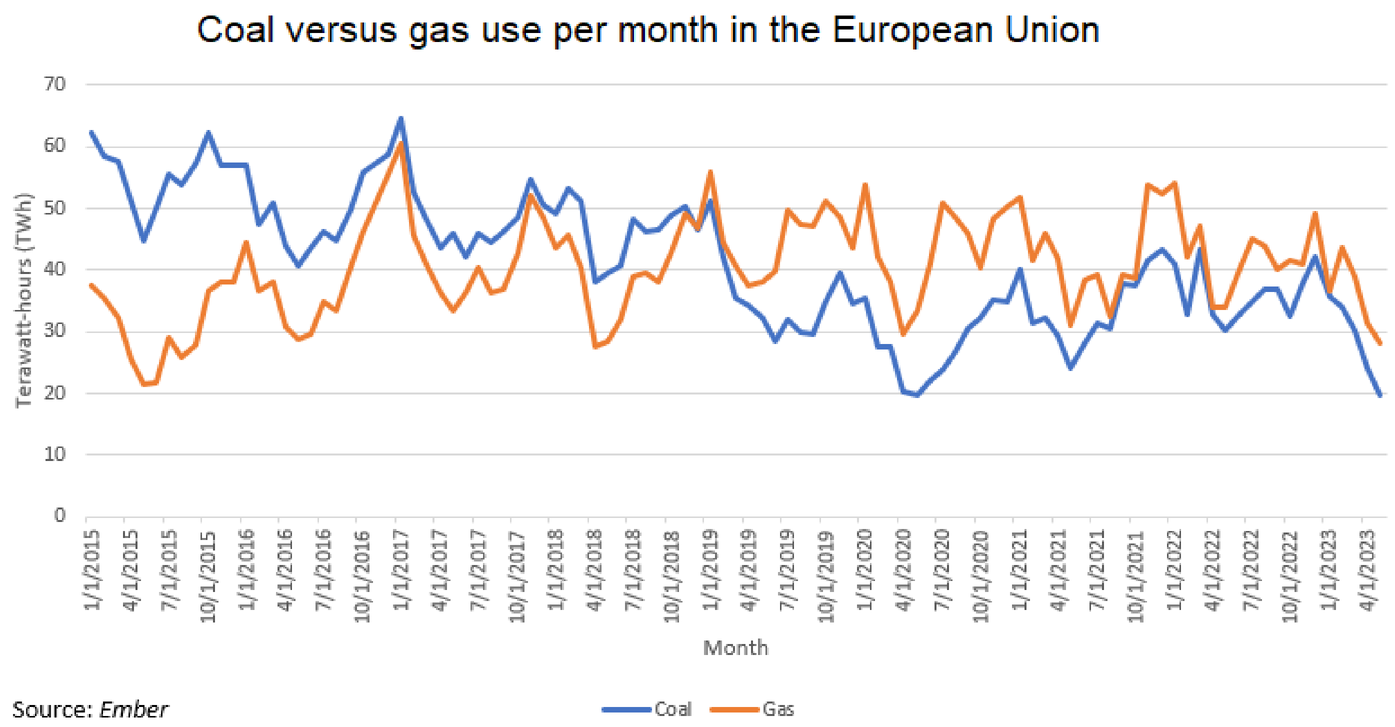
Chart of the Day



Top News - Metals

Namibia bans export of unprocessed critical minerals
Namibia has banned the export of unprocessed lithium and other critical minerals, the government announced on Thursday, as it seeks to profit from growing global demand for metals used in clean energy technologies.
The southern African country has significant deposits of lithium, which is vital for renewable energy storage, as well as rare earth minerals such as dysprosium and terbium needed for permanent magnets in the batteries of electric cars and wind turbines. "Cabinet approved the prohibition of the export of certain critical minerals such as unprocessed crushed lithium ore, cobalt, manganese, graphite and rare earth minerals," Namibia's information ministry said in a statement. Only small quantities of the specified minerals would be allowed, after approval by the mines minister, it said. Namibia is one of the top global producers of uranium and gem-quality diamonds, but its battery metals are attracting growing interest as the world shifts away from polluting fuels to renewable energy.
Last year, Namibia signed an agreement to supply rare earth minerals to the European Union under the bloc's plan to reduce its reliance on China for critical minerals.
Some firms with critical minerals projects in Namibia include the Australia-listed Prospect Resources, Arcadia Minerals and Askari Metals. Celsius Resources and Namibia Critical Metals are developing cobalt and rare earth projects, respectively.
Another African lithium producer Zimbabwe banned lithium ore exports last December, allowing only concentrates to be shipped out. Zimbabwe has said it wants lithium miners operating in the country to work towards producing battery-grade lithium locally and could impose a tax on exports of lithium concentrate in future.

Nickel Industries plans to raise $633 mln through share placement
Australia's Nickel Industries said on Friday it planned to raise A$943 million ($633.32 million) and had executed an agreement to reduce its investment in the Excelsior Nickel Cobalt (ENC) project in Indonesia.
Under the latest placement, the company will issue about 20% of its shares to PT Danusa Tambang Nusantara, a subsidiary of Indonesia's PT United Tractors Tbk. The placement will be directed towards doubling production

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ofthe ENC Project via Stage 2 Expansion, the company said in a statement.
The Sydney-based miner has been working towards developing nickel for batteries, with it raising $471 million capital in January to fund its acquisition of several nickel projects in Indonesia.
"The acquisition of a strategic minority stake in Nickel Industries is another important step in the diversification of our business," United Tractors President Director Frans Kesuma said.
The latest placement will be carried out at an issue price of A$1.10 per share, representing a premium of 27.2% to the Nickel Industries stock's last close on June 8.

Top News - Carbon & Power

GRAPHIC-Lower European gas prices encourage switch from coal
Lower European wholesale natural gas prices due to swelling inventories and weak industrial demand have encouraged utilities to switch to gas from coal to generate electricity in a reversal of behaviour last year.
A surge in European gas prices to record highs caused by reduced Russia supplies after Moscow invaded Ukraine in February last year led utilities to switch to carbon-heavy coal even as the European Union (EU) seeks to meet climate targets that depend on increased use of lower carbon fuel. Gas prices have since fallen after a milder-than-average winter and ample supply allowed more gas to be injected into storage sites. European gas storage levels are around 70% full, compared to just under 50% full a year ago. The EU has a target to fill storage to at least 90% by Nov. 1. Analysts at Goldman Sachs said inventories could reach 100% full as early as August. The Dutch front-month gas contract, the European benchmark, has dropped by around 65% since the start of this year. While physical front-month European coal prices have also fallen, they have lagged the drop in gas prices, causing the short-term marginal costs to shift in favour of using gas to generate electricity. EU coal-fired power generation has fallen around 45% so far this year to 19.8 terawatt hours (TWh) in May, data thinktank Ember said. "We see a lot more coal-to-gas and lignite-to-gas switching happening since around mid-May, especially in Germany," said Gabriele Martinelli, manager of European power research at Refinitiv. Efficient gas plants replaced some lignite-fired coal plants in the merit order, leaving lignite-fired generation running below 40% of its available capacity in Germany on some days. "Low gas prices are also making gas-fired plants in neighbouring countries more competitive, leading to record high net power imports to Germany over the past few weeks," he added. Demand for gas from industrials has fallen this year and the lack of spot Asian demand for liquefied natural gas (LNG), which could pull spare cargoes away from Europe, has largely failed to materialise, also adding weakness to global gas and LNG prices, Tom Marzec-Manser, head of gas analytics at ICIS, said. The German economy, Europe's largest, was in recession early this year after household spending fell under pressure from high inflation.
Energy market shifts are often temporary and more coal to gas switching could lift demand and raise prices.
With the EU carbon price incorporated, a level of 30 euros ($32) per megawatt hour (MWh) encourages switching to gas, according to analysts at Energy Aspects. "We estimate that a 5 euro/MWh drop in (Dutch gas) prices relative to this level will result in a swing from lignite to gas of around the equivalent of 32 million cubic metres (mcm) a day," they said.
"This has boosted our power sector gas demand numbers for western Europe by 4.9 billion cubic metres over June–October," they added. The front-month Dutch gas price was trading at around 28.60 euros/MWh on Thursday. However, for more coal to leave the power mix this year, gas prices will need to fall further, said Ingvild Sørhus, manager of EU carbon analysis at consultancy Veyt. "We probably need to get closer to winter, with ample gas supply, in order for the winter risk premium to soften before seeing favourable fuel switching conditions then," she added.

Tokyo Gas to spend $1.4 bln on renewable power at home and abroad
Japan's Tokyo Gas is shifting its overseas focus to renewable energy and away from regional upstream gas projects as it seeks to combat climate change, its president said, although it will invest in liquefied natural gas (LNG). In common with global peers, Japanese energy companies are changing their portfolios as they pursue 2050 carbon neutrality targets. Japan's biggest city gas provider plans to spend 200 billion yen ($1.4 billion) over the next three years to boost its renewable capacity at home and abroad to 6 gigawatts by 2030 from 1.5 GW now, with a focus on offshore wind farms. "We are shifting our overseas focus from upstream gas projects to renewable energy and Asia's infrastructure as we have limited resources ... and as we need to invest in decarbonisation," President Shinichi Sasayama told Reuters. "We should work on offshore wind power, especially floating, as it has great potential," he said in comments cleared for publication onFriday.
The process of divesting its stakes in Australia's gas projects is under way, but Australia continues to be an important LNG supplier, providing half of Tokyo Gas's imports, he said.

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Apart from decarbonisation, Tokyo Gas is focused on economics and spreading its risks after the Ukraine war underlined the dangers of dependency on Russian gas. Sasayama said it was possible the company would invest in U.S. shale gas assets if they promised to be highly profitable. Many long-term contracts for LNG were due for renewal around 2030 and the company would carefully consider which ones it signed, he said. "Economics remains important, but flexibility in contract terms, including destination clauses, is also very important," he said. Japan's energy uncertainties include doubts over the future of its nuclear sector, which until the Fukushima disaster of 2011, provided a huge part of the country's baseload power. Sasayama said Tokyo Gas hoped therefore the government would provide support for new long-term LNG contracts to meet any shortfall, saying the risk was too great for a private company alone.

Among contracts Tokyo Gas has not renewed is one for a million metric tonnes a year with Brunei LNG that expired in March, Sasayama said. He declined to give the reason. "We take a variety of projects into consideration and decide whether it is better to renew existing projects or sign new contracts, based on a comprehensive evaluation in terms of conditions and price," he said.

The company buys about 13 million tonnes of LNG a year from 13 projects in four countries, down from 15 in five countries a year ago.

MARKET MONITOR as of 06:41 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$70.84 / bbl	-0.63%	-11.74%
NYMEX RBOB Gasoline	$2.50 / gallon	-0.41%	1.06%
ICE Gas Oil	$700.50 / tonne	-0.50%	-23.94%
NYMEX Natural Gas	$2.32 / mmBtu	-1.32%	-48.13%
Spot Gold	$1,964.50 / ounce	-0.17%	7.68%
TRPC coal API 2 / Dec, 23	$107 / tonne	0.94%	-42.08%
Carbon ECX EUA / Dec, 23	€83.98 / tonne	-0.01%	0.01%
Dutch gas day-ahead (Pre. close)	€26.75 / Mwh	5.94%	-64.60%
CBOT Corn	$5.23 / bushel	-0.99%	-22.82%
CBOT Wheat	$6.35 / bushel	-0.63%	-20.00%
Malaysia Palm Oil (3M)	RM3,382 / tonne	3.62%	-18.97%
Index (Total Return)	**Close 08 Jun**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	290.80	0.35%	-3.50%
Rogers International	26.19	-0.95%	-8.63%
U.S. Stocks - Dow	33,833.61	0.50%	2.07%
U.S. Dollar Index	103.34	-0.73%	-0.17%
U.S. Bond Index (DJ)	406.47	0.47%	3.08%

Top News - Dry Freight

Kremlin says ammonia pipeline blast is negative for Black Sea grain deal

The Kremlin said on Thursday that there would be a "negative impact" on the fate of a Black Sea grain deal from a blast which damaged a pipeline used to export Russian ammonia via Ukraine that Moscow wants restarted. The Togliatti-Odesa pipeline, which once pumped up to 2.5 million tonnes of ammonia annually for global export to Ukraine's Pivdennyi port on the Black Sea from Togliatti in western Russia, has lain idle since the start of the war in February last year.

Russia has accused Ukrainian forces of blowing up a part of the pipeline, the world's longest carrying ammonia, in Ukraine's Kharkiv region on Monday. The regional Ukrainian governor said Russia had shelled the pipeline on Tuesday. Neither side provided evidence to back their allegations. Asked by reporters about how the damaged pipeline could affect the fate of the Black Sea grain deal, Kremlin spokesman Dmitry Peskov said: "It can only have a negative impact." He described it as "yet another complication in terms of extending the deal," adding that Russia did not know "what kind of destruction" there had been to the ammonia pipeline. Russia has threatened to walk away from the Black Sea grain deal on July 17 if demands to improve its own food and fertilizer exports are not met. The deal, struck in July last year, facilitates the "safe navigation" of grain, foodstuffs and fertilizers - including ammonia - for export to global markets.

U.N. officials are continuing discussions with all the parties to the deal, U.N. spokesman Stephane Dujarric said on Thursday. "We're continuing our efforts through as many avenues as we can given the importance of all of this to the fight against global hunger and ensuring that the prices of food do not spike on the global market," Dujarric told reporters. The Ukraine grain Black Sea export deal was brokered by the United Nations and Turkey to help alleviate a global food crisis worsened by conflict disrupting exports from two of the world's leading grain suppliers.

To help persuade Russia to allow Ukraine to resume its Black Sea grain exports last year, a separate three-year agreement was also struck in July in which the United Nations agreed to help Russia with its food and fertiliser exports.

Dujarric said top U.N. trade official Rebeca Grynspan is due to meet with Russian officials in Geneva on Friday "as part of our routine contacts on our efforts to facilitate the trade in Russian fertilizer and Russian grain."

Russian Industry and Trade minister Denis Manturov said earlier on Thursday that Moscow had no access to the damaged part of the pipeline and did not expect to be granted it, the Interfax news agency reported.

Russian Foreign Ministry spokeswoman Maria Zakharova said on Wednesday that it would take between one and three months to repair the damaged section of the pipeline.

South Korea’s NOFI buys estimated 66,000 tonnes corn in tender

Leading South Korean animal feed maker Nonghyup Feed Inc. (NOFI) has bought an estimated 66,000 tonnes of animal feed corn in an international tender for up to 138,000 tonnes on Thursday, European traders said.

It was expected to be sourced from either South America or South Africa.

It was bought at an estimated $244.89 a tonne c&f plus a $1.50 a tonne surcharge for additional port unloading with arrival in South Korea around Oct. 30. Seller was believed to be trading house Cargill.

No purchase was immediately reported of a second consignment of up to 69,000 tonnes also sought by NOFI in the tender for arrival in Korea around Nov. 5.

Picture of the Day

A hive with bees is seen in a water in a flooded area after the Nova Kakhovka dam breached, amid Russia's attack on Ukraine, in the village of Sadove in Kherson region, Ukraine June 8. REUTERS/Ivan Antypenko

(Inside Commodities is compiled by Indrishka Bose in Bengaluru)

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

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