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Top News - Oil

US oil output to rise to record high in July but growth narrowing -EIA

U.S. oil output from top shale-producing regions is due to rise to the highest on record in July, but the size of the increase is expected to be the smallest since December, U.S. Energy Information Administration data showed on Monday.

U.S. oil output is expected to rise to 9.38 million barrels per day (bpd) in July, EIA data showed. Output is due to rise by about 0.1% versus the previous month, which would be the smallest monthly gain since production was seen falling in December, the data showed.

Crude output in the Permian Basin in Texas and New Mexico, the biggest U.S. shale oil basin, is expected to rise by 1,000 bpd to a record-high 5.76 million bpd. That would be the smallest monthly increase for the region since February.

In the Bakken region of North Dakota and Montana, output is due to rise 7,000 bpd to 1.21 million bpd, which would be the highest since November 2020.

Crude oil production in the South Texas Eagle Ford region is due to fall by 5,000 bpd to 1.12 million bpd, the lowest level since April.

Total natural gas output in the big shale basins will increase by about 0.1 billion cubic feet per day (bcfd) to 97.3 bcfd in July, topping an expected record high in June, the EIA projected.

In the biggest shale gas basin, Appalachia in Pennsylvania, Ohio and West Virginia, output will rise to 35.4 bcfd in July, the highest since January, the EIA said. That compares with a monthly gas output record in Appalachia of 36.0 bcfd in December 2021.

Gas output in the Permian and the Haynesville in Texas, Louisiana and Arkansas will rise to record highs of 22.9 bcfd and 16.6 bcfd in July, respectively.

Gas output in Appalachia was expected to increase even though drillers have been getting less gas out of each new well for 28 months in a row.

EIA said it expects new Appalachia gas well production per rig to drop to 23.7 million cubic feet per day (mmcfd) in July, the lowest since June 2020.

New gas well production per rig in Appalachia hit a record of 33.3 mmcfd in March 2021.

EXCLUSIVE-Pakistan paid in Chinese currency for discounted Russian oil- minister

Pakistan paid for its first government-to-government import of discounted Russian crude oil in Chinese currency, the South Asian country's petroleum minister said on Monday, a significant shift in its U.S. dollar-dominated export payments policy.

Discounted crude offers a respite as Pakistan faces an economic crisis with an acute balance of payments problem, risking a default on its external debt. The foreign exchange reserves held by the central bank are scarcely enough to cover a month of controlled imports.

The first cargo of discounted Russian crude oil arranged under a deal struck between Islamabad and Moscow earlier this year arrived in Karachi on Sunday. It is currently being offloaded at the port in the southern city of Karachi.

Petroleum Minister Musadik Malik, speaking to Reuters by telephone, did not disclose the commercial details of the deal, including pricing or the discount that Pakistan received, but said, the "payment (was) made in RMB)".

He said the purchase, Pakistan's first government-to-government (G2G) deal with Russia, consisted of 100,000 tonnes, of which 45,000 tonnes had docked at Karachi port and the rest was on its way. Pakistan made the purchase back in April.

About its grade, he said, it is Urals, adding this is one of the lighter crudes available.

Pakistan's purchase gives Moscow a new outlet to add to growing sales to India and China, as it redirects oil from Western markets because of the Ukraine conflict.

Despite being a long-standing Western ally and the arch-rival of neighbouring India, which historically is closer to Moscow, analysts say the crude deal also presents a new avenue for Pakistan at a time when its financing needs are great.

Islamabad earlier this month also outlined a process to open barter trade with Russia, Afghanistan and Iran, another sign of the South Asian economy seeking avenues to buy and sell commodities without trading in dollars, which analysts say could be a shift from West to East.

Pakistan's Refinery Limited (PRL) will initially refine the Russian crude, the minister said. He had earlier referred to the purchase of the shipment as a trial run to judge financial and technical feasibility, but said on Monday that all the tests and trials had been done, which found that the Russian crude was fit to refine and market locally.

COMMERCIALLY VIABLE

He played down concerns around the financial viability and the ability of local refineries to process Russian crude given Pakistan's historical importation of Middle Eastern petroleum products.

"We've run iterations of various product mixes, and in no scenario will the refining of this crude make a loss," Malik said, adding: "We are very sure it will be commercially viable."

It will be blended with around 60-70% Arabian light crude for refining, he said, adding, "No adjustments (were) needed at the refinery to refine the Russian crude."

Malik wouldn't say how much difference the crude will have at the gas station price in the local market, saying, "It will surely make a difference."

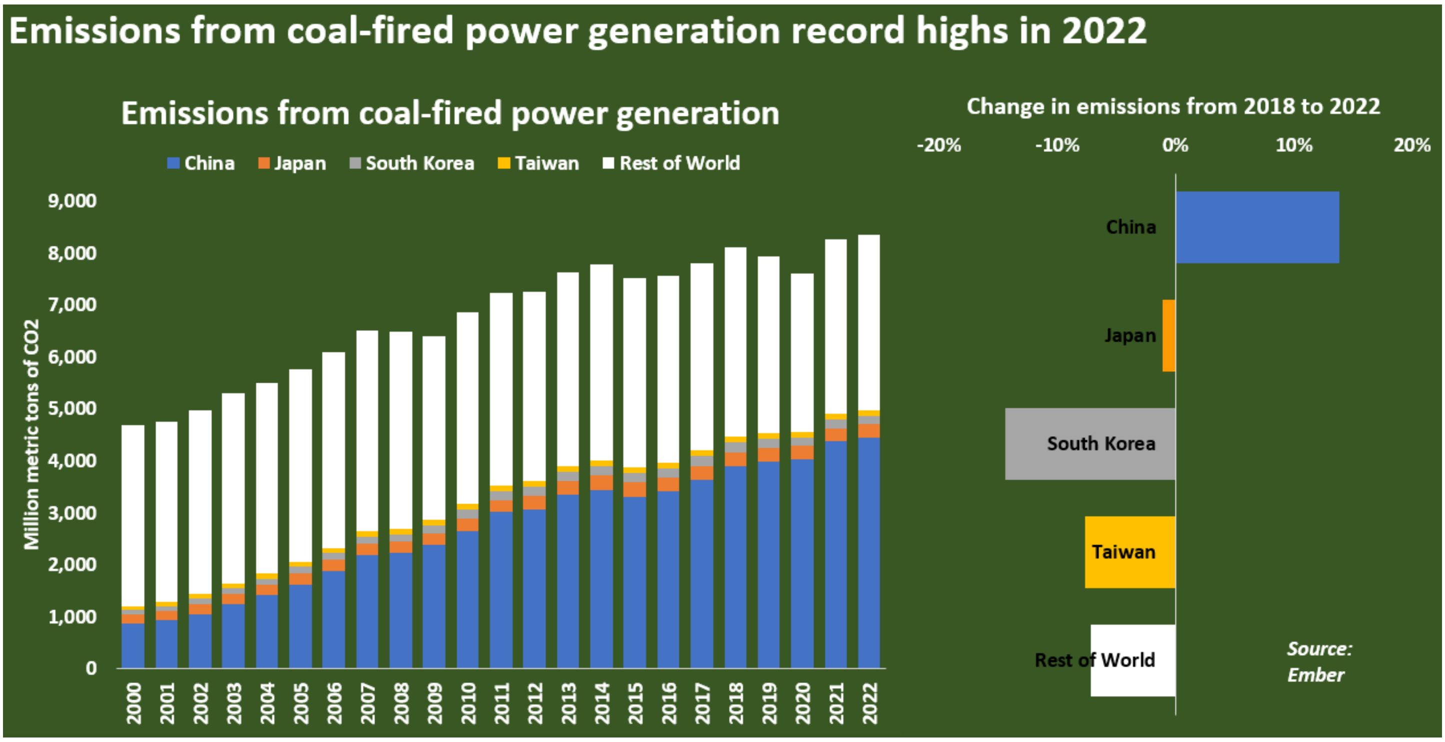
Energy imports make up the majority of the Pakistan's external payments. Islamabad imported 154,000 bpd of oil in 2022, around the same as the previous year, data from analytics firm Kpler showed. "We're looking to target one-third of our total oil imports at the Russian crude," the minister said. The crude was predominantly supplied by the world's top exporter Saudi Arabia followed by the United Arab Emirates.

Top News - Agriculture

US corn rating slips to 61% good/excellent, soy down to 59% -USDA
The U.S. Department of Agriculture rated 61% of the U.S. corn crop in good to excellent condition in its weekly crop progress report on Monday, down 3 percentage points from a week ago and below the average of estimates in a Reuters poll.
Twelve analysts surveyed by Reuters on average had expected corn ratings to fall 2 percentage points to 62% good-to-excellent, with estimates ranging from 59% to 64% good-to-excellent.
The USDA also lowered its U.S. soybean crop rating by 3 percentage points to 59% good to excellent, below the average analyst estimate of 60%. Analyst estimates had ranged from 57% to 62% good to excellent. The USDA said 96% of the soybean crop was planted by Sunday, matching expectations.
The United States is the world's No. 2 exporter of corn and soybeans, after Brazil.
Underscoring the impact of dry conditions in the Midwest, U.S. corn ratings have fallen in each of the two weeks since the USDA initially rated 69% of the crop as good to excellent as of May 28. Approximately 45% of the U.S. corn belt was experiencing drought as of June 6, according to the USDA.
"While below-average precipitation in the first half of June has been helpful for field work, soil moisture levels remain low and drought conditions have worsened across large swaths of the state," Iowa Secretary of Agriculture Mike Naig said in a statement. Iowa is the top U.S. corn producer and the No. 2 soybean state after Illinois.
Scattered weekend showers brought welcome moisture to parts of the Midwest. However, space technology company Maxar said in a daily weather note, "rain is expected to be limited across most of the corn belt this week, maintaining dryness concerns."
The USDA rated 60% of the U.S. spring wheat crop as good to excellent, down from 64% a week ago and below the average analyst estimate of 63%.
The harvest of the drought-hit U.S. winter wheat crop was 8% complete, up from 4% by June 4 but lagging the average analyst estimate of 10%. Winter wheat condition ratings improved to 38% good to excellent, above the average analyst estimate of 37%.

Coceral cuts EU grain harvest outlook on dry weather
Grain trade association Coceral lowered on Monday its outlook for this year's cereal harvest in the European Union, hit by dry weather in northern Europe and Spain.
In northern Europe, crop expectations had been reduced for Denmark, Germany, Sweden and the Baltic states, while the crop outlook had also been cut in Spain, where rains came too late for wheat and barley, Coceral said.
It cut the overall forecast for cereal production in the EU and Britain to 296.7 million tonnes from 303.5 million projected in March.

Chart of the Day



Downward revisions were concentrated in EU countries, with the outlook for Britain's cereal crop stable at 23.4 million tonnes.
The steepest cut was for drought-affected Spain, with cereal production now expected at 11.9 million tonnes, down from 20.8 million forecast in March.
For soft wheat, Europe's main cereal crop, 2023 production in the European Union and Britain was forecast at 142.4 million tonnes, down from 144.5 million estimated in March.
That would be slightly below last year's crop of 142.5 million, Coceral said.
Expected soft wheat output in top grower France was raised to 35.1 million tonnes from 34.3 million, Coceral's data showed.
However, traders have become more cautious about French prospects, too, as a dry spell in northern France has started to temper the season's very good conditions so far. For barley, Coceral's 2023 crop forecast for the EU plus Britain was cut to 56.6 million tonnes from 59.3 million in March.
Expected corn production was lowered by a million tonnes, to 61.3 million, but was still seen recovering from last year's drought-hit harvest of 52.5 million tonnes.
Corn production was forecast to rebound sharply in Bulgaria, Hungary, Italy and Romania, but the French crop was only expected to rise slightly due to reduced planting, Coceral said.
For rapeseed, Europe's main oilseed crop, forecast 2023 rapeseed production in the EU and Britain was trimmed to 21.0 million tonnes from 21.1 million in March.
Coceral said a further forecast reduction was "very likely" if dryness persisted in the northern half of the European Union.

Top News - Metals

Russian aluminium stocks at LME grow, boosting demand for Indian alternative

Russian aluminium's share of stocks in warehouses registered with the London Metal Exchange (LME) rose to 68% in May from 52% in April, data from the exchange showed on Monday, as traders reported increased demand for Indian metal as an alternative.
The world's oldest exchange and largest market for industrial metals has not banned Russian metals from being traded and stored in its system since Moscow invaded Ukraine, as there are no Western sanctions on Russian base metals.
Large amounts of Russian aluminium in LME warehouses is a concern for the industry because it could distort pricing on the exchange used as a benchmark for contracts between producers, consumers and traders.
Russian aluminium producer Rusal alone accounts for 5.4% of global supplies estimated at around 70 million tonnes this year.
In May there was a total of 263,125 tonnes of Russian aluminium in LME warehouses, data from the exchange showed, while Indian-origin aluminium amounted to 30%, or 116,800 tonnes, in May from 46.5% in April.
Traders say strong demand for aluminium produced in India was due to many consumers in the transport, packaging and construction industries looking for alternatives to metal supplies from Russia.
The LME said that Russian aluminium continues to flow through its network as of the 45,300 tonnes of primary aluminium loaded-out last month, 54% was Russian metal.
A meaningful set of global consumers continue to accept Russian metal, it added.
Of the 57,925 tonnes of primary aluminium on LME warrant in May, 67% was Russian, the LME said. A warrant is an ownership document for metal in LME-registered warehouses. Cancelling warrants indicates an intention to take delivery of metal from the warehouses unless it is rewarranted.
Of the 167,550 tonnes of primary aluminium warrants cancelled, 19% was Russian and 81% non-Russian in May, the LME said, adding that most of this cancelled stock remains in the warehouse.
The LME report also showed that as of May 31, the share of Russian copper stocks fell to 33% from 36% in April, or 29,600 tonnes, while nickel was stable at 20%, or 7,224 tonnes.

Glencore makes offer for Teck's steelmaking coal business

Glencore on Monday offered to buy Teck Resources' steelmaking coal business as a standalone unit, after the Canadian miner twice rebuffed its $22.5 billon offer to combine the two companies.
Teck Resources said on June 6 it had received several proposals for its coal business, as it reworks a plan to split it from its copper and zinc unit that failed to secure enough shareholder support in late April.
On Monday, Teck confirmed it is engaging with Glencore on its coal proposal.
Glencore, which mines and trades thermal coal, the fossil fuel used to produce electricity, as well as smaller amounts of coking coal to make steel, said it would demerge the coal units of both companies.
"If Teck is unwilling to consider a sale of Teck Metals at this juncture, an attractive 'middle ground' could be the sale of the coking coal assets to Glencore," Deutsche Bank analysts said in a note.
"It would provide Teck with a cleaner exit from coal and allow Glencore to split its own business into CoalCo and MetalsCo."
Glencore's CEO Gary Nagle in May said buying Teck's coal business as a standalone unit was a "distant second" for the Swiss mining company, as it still pursues its merger plans.
Teck's steelmaking coal mines are among few left in the world, making them attractive to Glencore, as global efforts to phase out coal-fired power generation gather momentum. Other parties are interested, including Canadian mining entrepreneur Pierre Lassonde and Japanese steel maker Nippon Steel Corporation.
As part of its original proposal, Glencore offered up to $8.2 billion in cash to Teck shareholders who may not want exposure to thermal coal.

Top News - Carbon & Power

Britain puts coal plant on standby as warm temperatures ramp up demand

Britain's National Grid has asked Uniper to ready a unit at its Ratcliffe coal-fired power plant in case extra electricity is needed on Monday amid warmer temperatures.

Britain has a target to close its coal-fired power plants by October 2024 as part of efforts to cut fossil fuel emissions and meet its 2050 net-zero target.

A market notice, published by the National Grid Electricity System Operator (ESO) showed it has asked for the unit to be ready on Monday afternoon.

National Grid ESO has contracted some coal plants to be available if needed to help balance the country's electricity supply but they have rarely been used and typically only called up during colder-winter months.

National Grid ESO did not comment on why the notification had been issued. Power plant operator Uniper did not immediately respond to a request for comment.

Temperatures in Britain have reached over 30 degrees Celsius in parts of the country over the weekend leading the country's Met Office to issue a Heat Health Alert indicating older people, or those with health conditions, should take precautions.

"It is a sign of failure that the National Grid is turning to one of the most polluting forms of power generation to deal with a summer heatwave that we know has been made worse because of climate change," Ami McCarthy, political campaigner at environmental group Greenpeace UK said in a statement.

Gas-fired power plants were providing around 41% of the country's electricity on Monday, with wind power lower than usual, providing just 7%.

A subsea power cable connecting Britain and Norway has also been operating at half of its capacity due to a technical fault, with full capacity of 1.4 gigawatts (GW) expected to return on Tuesday, Norwegian grid operator Statnett said.

COLUMN-East Asia heat wave to crank up coal use & emissions: Maguire

A heat wave across China, Japan, Taiwan and South Korea looks set to drive coal use for electricity generation to new highs over coming weeks, priming the region that accounts for more than 60% of world coal emissions to boost pollution further.

Authorities in Japan and southern China have recently called on households and businesses to curb power use to shield electric grids from further stress, but soaring temperatures are expected to bring greater use of power-hungry air conditioners throughout the region.

Forecasts for Beijing, Hong Kong, Japan, Taiwan and South Korea are all calling for temperatures well above local long-term averages in the coming weeks, according to Refinitiv data.

HOT ZONE

Areas around Beijing, Tokyo and Taipei will see

MARKET MONITOR as of 06:33 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$67.51 / bbl	0.58%	-15.89%
NYMEX RBOB Gasoline	$2.41 / gallon	0.70%	-2.59%
ICE Gas Oil	$676.00 / tonne	-4.52%	-26.60%
NYMEX Natural Gas	$2.30 / mmBtu	1.32%	-48.69%
Spot Gold	$1,962.19 / ounce	0.27%	7.55%
TRPC coal API 2 / Dec, 23	$106 / tonne	-4.03%	-42.63%
Carbon ECX EUA / Dec, 23	€88.82 / tonne	1.14%	5.78%
Dutch gas day-ahead (Pre. close)	€29.30 / Mwh	-7.72%	-61.23%
CBOT Corn	$5.39 / bushel	-0.78%	-20.46%
CBOT Wheat	$6.41 / bushel	-0.77%	-19.12%
Malaysia Palm Oil (3M)	RM3,363 / tonne	0.42%	-19.43%
Index (Total Return)	**Close 12 Jun**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	285.01	-1.33%	-5.42%
Rogers International	25.88	-1.63%	-9.72%
U.S. Stocks - Dow	34,066.33	0.56%	2.77%
U.S. Dollar Index	103.65	0.09%	0.13%
U.S. Bond Index (DJ)	406.14	0.10%	3.38%

temperatures that are 4% or more above the long-term averages throughout June, July and August, Refinitiv weather forecast data shows.
Seoul and Hong Kong are expected to post average temperatures around 3.4% above normal, which places all regions in the high 20s to low 30s Celsius range (80s to 90s Fahrenheit) during the summer.
If consistent through the coming months, the temperatures would be significantly higher than the already-elevated readings seen in these countries in recent years, and render daily life uncomfortable for many without the use of air conditioners. China, Japan and Korea are all heavy users of air conditioners, accounting for just under half of installed global air conditioning units, according to the International Energy Agency (IEA).
And owners of aircon units can be expected to use them during oppressively hot periods, regardless of pleas from local authorities to conserve power use.
This means power producers will expect greater electricity demand over the coming months from homes, apartments and businesses, and rack up power generation fuels accordingly.

EMISSIONS TOLL
China produces roughly 60% of its electricity from coal, Japan and South Korea 30%, and Taiwan around 43%, according to think tank Ember, so coal will be a major driver of electricity generation in each country, especially at night when solar power production stops.
Collective emissions from coal-fired power generation in China, Japan, South Korea and Taiwan topped 4.9 billion metric tons of carbon dioxide (CO_2) in 2022, and could surpass 5 billion metric tons in 2023 if high levels of coal use are sustained.
China is the main driver of regional and global coal use, and over the first half of 2023 it has lifted thermal coal imports by more than 70% from the same period in 2022, shipping data from Kpler shows.
Japan, South Korea and Taiwan have all reduced year-to-date coal imports compared to the same period in 2022, but China's sheer scale means its increased tonnage more than outweighs the decline in imports seen elsewhere in East Asia.
China's coal consumption will also set the overall tone for regional emissions, even if other countries continue to pare back coal use in power mixes.
That said, power producers throughout East Asia are expected to have little choice but to raise coal-fired power generation this summer as the entire region gets gripped by hot weather, and resume efforts to cut back on coal use only when demand levels ease off.
The opinions expressed here are those of the author, a columnist for Reuters.

Top News - Dry Freight

Algeria said to have bought corn in tender, volume unclear - traders
Algerian state agency ONAB is believed to have bought an unknown volume of animal feed corn to be sourced from optional origins in an international tender for up to 140,000 tonnes which closed on Thursday, European traders said on Monday.
It was believed to have been purchased at around $260 a tonne c&f and would be sourced from optional origins.
Results reflect assessments from traders and further estimates of prices and volumes are still possible later.
Corn shipment was sought in four 35,000 tonne consignments: one for immediate shipment by June 30 at the latest and the others for shipment between July 1-15, July 15-31 and Aug. 1-15.

U.S. West Coast port labor skirmishes simmer; contract still elusive
West Coast seaport employers on Monday criticized worker absences, which they said were slowing work at some of the nation's busiest ports, as unions press for a bigger share of record profits reaped when cargo shipments surged during the pandemic.
West Coast ports stretching from California to Washington state are critical to U.S. supply chains and the nation's economy. Some 22,000 workers at those trade gateways have been without a contract since July and talks - now covering the last outstanding issues - have entered their 13th month.
The Pacific Maritime Association (PMA), representing terminal operators with ties to the shipping companies that enjoyed a hefty financial windfall from COVID-19, said port operations in Los Angeles, Long Beach and Seattle on Sunday suffered disruptions due to labor shortages.
Weekend operations at many U.S. seaports are limited, seaport operators said. Still, several have confirmed that worker absences have slowed or stopped work during the talks. For example, ships have been delayed at berth at the No. 1 U.S. container gateway at Los Angeles/Long Beach, due to a lack of "lashers" who secure and unlock containers onboard vessels.
The unions are not officially striking or slowing during talks, but one LA union local recently said its members "had taken it upon themselves to voice their displeasure" after feeling snubbed by employers.
Labor actions and complaints about their impact are not uncommon in the last stages of negotiations as each side looks for leverage. Meanwhile, weary customers are lobbying U.S. President Joe Biden to intervene in the standoff as the peak shipping season approaches and a drought threatening the Panama Canal makes diverting cargo to rival East Coast ports more difficult and expensive.
The International Longshore and Warehouse Union (ILWU) declined comment on Monday.
On Saturday, the union's International President Willie Adams said "West Coast ports are open as we continue to work under our expired collective bargaining agreement." He reiterated the union's intention of reaching an agreement.
If talks fall apart, mediation fails and port operations cease, Biden can invoke the Taft-Hartley Act to force resumption of normal port operations. The last president to do that was George W. Bush, who invoked that federal

law in 2002 after port employers locked out union longshore workers. Late last year, President Biden stepped in to finalize a contract deal covering union freight railroad workers whose contract expired in 2020.

Those workers were also critical during the pandemic. Their deal included a 24% raise over five years, including the time they worked without a contract. West Coast port workers are also seeking such retroactive pay.

Picture of the Day

An emergencies ministry specialist looks through a helicopter viewport during an operation to contain wildfires in the eastern Abai region, Kazakhstan, June 12, 2023. REUTERS/Turar Kazangapov

(Inside Commodities is compiled by Sreshtha in Bengaluru)

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

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Refinitiv
28 Liberty Street, New York, NY 10005

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