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Top News - Oil

OPEC holds oil demand view steady despite economic growth warning

OPEC left its forecast for 2023 global oil demand growth steady for a fourth month on Tuesday, though the producer group warned that the world economy faced rising uncertainty and slower growth in the second half of the year.

Global oil demand this year will rise by 2.35 million barrels per day (bpd), or 2.4%, the Organization of the Petroleum Exporting Countries (OPEC) said in its monthly report. This was virtually unchanged from the 2.33 million bpd forecast last month.

"There are rising uncertainties regarding economic growth in the second half of 2023 amid ongoing high inflation, already elevated key interest rates and tight labour markets," OPEC said in its report.

"Moreover, it is still unclear as to how and when the geopolitical conflict in Eastern Europe might be resolved," it added, referring to Ukraine.

OPEC+, which comprises OPEC, Russia and other allies, has been taking more steps to support the oil market in 2023. On June 4 the group announced its second package of output cuts since April and Saudi Arabia pledged a voluntary cut for July.

Crude prices, however, have remained under pressure from concern over slowing economic growth and demand. The Brent crude benchmark added to an earlier gain after the report was released, rising 2.5% gain to trade above $73 a barrel.

Chinese oil demand is now expected to rise by 840,000 bpd, OPEC said, up from the 800,000 bpd forecast last month, adding to a recovery after strict COVID-19 containment measures were scrapped.

OPEC left its 2023 global economic growth forecast at 2.6% and said momentum was slowing. A graphic in the report showed that growth could slow to 0.1% quarter on quarter in the final three months of the year.

Potential upside factors, other than a drop in inflation, include an even stronger than previously expected economic rebound in China and the United States being able to maintain its first-half momentum, OPEC said.

LOWER OUTPUT

The report also showed OPEC's oil production fell in May, reflecting the impact of earlier output cuts pledged by OPEC+ as well as some unplanned outages.

The OPEC report said its May output fell by 464,000 bpd to 28.06 million bpd as voluntary cuts, promised by Saudi Arabia and other members, took effect.

Last year, with prices weakening, OPEC+ agreed to a 2 million bpd cut in its output target from November - its largest reduction since the COVID-19 pandemic in 2020.

On April 2 several OPEC+ members pledged voluntary cuts that added to the deal agreed last year.

OPEC kept its estimate of the oil demand needed to balance the market at 29.3 million bpd, pointing to a supply deficit if OPEC keeps pumping at May's rate and makes the further promised curbs.

China increases oil import quotas 20% on year ago

China has issued a third batch of 2023 crude oil import quotas, raising the total volume in the first half of this year to 194.1 million tonnes, up 20% from the same period last year, according to six people and documents on Wednesday.

Thirty-three companies, mostly independent refiners, are receiving 62.28 million tonnes of allotments in this round, the six sources with knowledge of the matter said and documents reviewed by Reuters showed.

That compares to 52.69 million tonnes issued by Beijing in June last year and a total released quota of 161.72 million tonnes over the first half of 2022.

China's Ministry of Commerce did not immediately respond to a faxed request for comment.

Zhejiang Petroleum & Chemical Co， a subsidiary of Rongsheng Petrochemical 002493.SZ, was granted 20.0 million tonnes in the new round of issuance. Hengli Petrochemical 600346.SS and Shenghong Petrochemical received 3.0 million tonnes and 8.0 million tonnes, respectively.

The rest of quotas were allotted to smaller-sized independent refiners, known as teapots, in the eastern Chinese province Shandong. Chinese independent refineries have been boosting imports of discounted crude oil essentially from Russia, Iran and Venezuela over the past months to improve refining margins amid lacklustre fuel and petrochemical demand in the country. Analysts estimate that refining margins at teapot refineries are more than double the level than at their state-backed counterparts. The flood of discounted feedstock prompted Chinese authorities to toughen scrutiny of crude oil quotas.

Top News - Agriculture

Bunge, Viterra will merge to form $34 billion agri-trading powerhouse

U.S. grains merchant Bunge and Glencore-backed Viterra are merging to create an agricultural trading giant worth about $34 billion including debt, the companies said on Tuesday, in a deal that will likely draw close regulatory scrutiny.

The deal brings the combined company closer in global scale to leading rivals Archer-Daniels-Midland and Cargill, valuing Bunge and Viterra at about $17 billion each.

Bunge shareholders, however, will own about 70% of the company, because Bunge will pay for a significant chunk of the deal with cash.

The deal is unprecedented in size in the global agriculture sector. It comes after Bunge posted record adjusted profits in 2022, benefiting from tight global grain supplies due to the war with Ukraine.

Bunge shares rose more than 2%.

Under the deal, Viterra shareholders will get about 65.6 million shares of Bunge stock, carrying a value of about $6.2 billion, and about $2 billion in cash.

Bunge will also assume $9.8 billion of Viterra's debt, according to a joint statement.

Viterra shareholders will own 30% of the combined company following the deal's expected close in mid-2024.

"The companies are highly complementary," Chief Executive Greg Heckman said in an interview. "The way the assets and teams fit together, the strategic merit is one that we've looked at for years ... Things just finally aligned."

Reuters first reported the terms of the deal on June 8.

Bunge is already the world's largest oilseed processor and analysts said it and Viterra's crushing businesses could face regulatory scrutiny in Canada, Argentina and elsewhere.

Canada's antitrust regulator will review the planned merger, a spokesperson for the regulator said in a statement. Argentina's competition bureau has not yet received formal notification of the merger, a government source said.

The U.S. Department of Justice and antitrust regulators in the European Union did not respond to requests for comment.

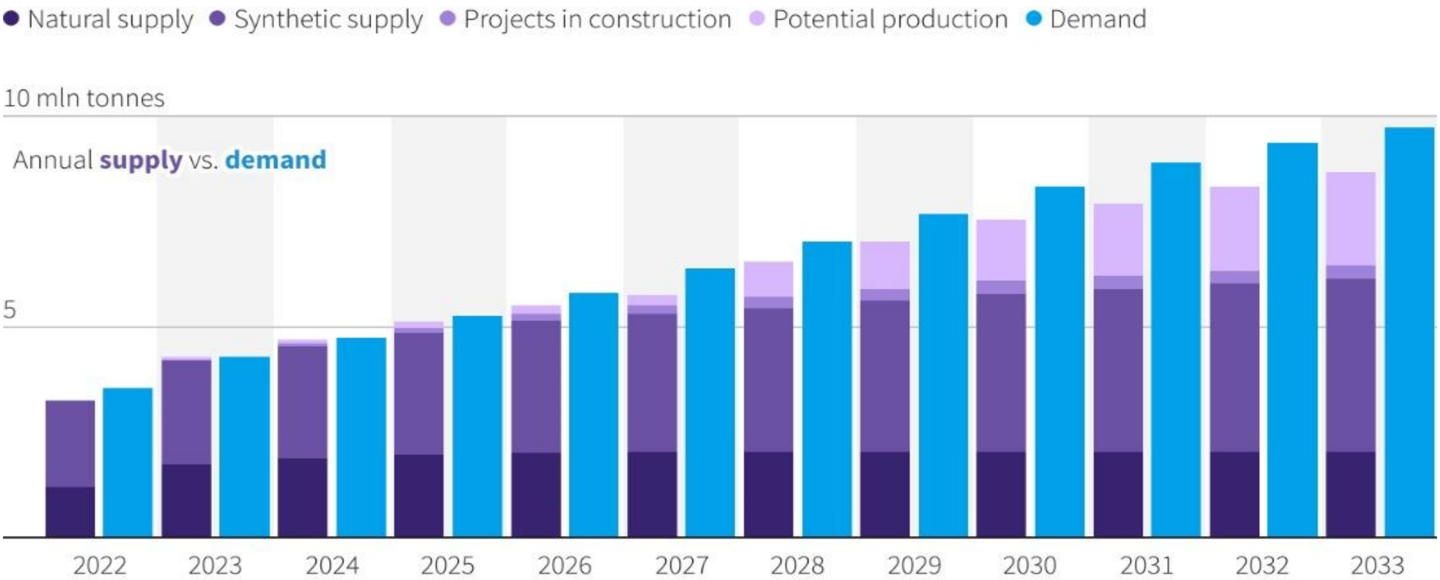
Last year, Bunge was the largest corn and soybean exporter from Brazil, the world's top source of the staple crops for making animal feed and biofuels, according to data from shipping agent Cargonave. Viterra was the third-largest corn exporter and No. 7 soybean shipper.

In the United States, Viterra's business of buying and selling grain expanded via its purchase of Gavilon last

Chart of the Day (Interactive)

Shortages looming of graphite for EV batteries

Deficits are due to kick in by 2025 and expand in coming years of graphite used in electric vehicle batteries as new mines fail to keep up with surging demand from automakers which are ramping up EV production



Source: Project Blue | Reuters, June 2023 | By Eric Onstad

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year. The merger would enhance Bunge's grain exporting and oilseed processing businesses in the world's No. 2 corn and soy exporter, where it has a smaller presence than ADM and Cargill.
The deal also expands Bunge's physical grain storage and handling capacity in major wheat exporter Australia, where the company currently operates just two grain elevators and a port terminal in the western part of the country. Viterra has 55 storage sites in South Australia and western Victoria and six bulk grain export terminals.
Fitch Ratings said its BBB rating for Bunge could be raised to BBB+ if the deal closes as anticipated.
Sustained annual earnings of $4 billion are "a very reasonable target" for the company after the merger, John Neppl, Bunge's chief financial officer, said in an interview.

DEAL COULD REDUCE COMPETITION
Bunge's management team, led by CEO Greg Heckman who took over the top role in 2019 when the company itself was a takeover target, will oversee the combined entity.
Heckman oversaw a portfolio review that led Bunge to scale back or sell underperforming operations such as South American sugar and Mexican wheat milling and invest in its core edible oils business. The company reported record earnings last year after a string of quarterly losses in 2018. Heckman previously led Gavilon from 2008 to 2015.
The Consumer Federation of America said the deal would reduce competition for farmers' crops and consolidate processing of oilseeds used to make plant-based foods as well as biofuel at a time the Biden administration is broadly trying to promote competition in the economy.
"Further concentration seems likely to harm consumers and the businesses, like plant-based food manufacturers, that rely on these commodities," said Thomas Gremillion, director of food policy for the Federation.
Bunge said it plans to repurchase $2 billion of its stock to enhance accretion from the deal to adjusted profit. The deal is being backed by a financing commitment of $7 billion from Sumitomo Mitsui Banking Corporation (SMBC).
Canada Pension Plan Investment Board (CPPIB) and British Columbia Investment Management Corp said they have agreed to support the deal, indicating that all Viterra shareholders are on board. CPPIB said it would own 12% of the combined company.
In Ukraine, the world's top sunflower producer and largest supplier of sunflower oil, a combined Bunge-Viterra would have three oilseed processing plants across the country's south and east - in Kharkiv, Dnipro and Mykolaiv.
Acquiring Viterra would bring Bunge's revenue, which was $67.2 billion in 2022, more in line with that of ADM, which registered sales of nearly $102 billion last year.
The merger is expected to generate about $250 million of annual gross pre-tax operational synergies within three years.

Putin says Russia thinking of ditching grain deal due to West's 'cheating'
President Vladimir Putin said on Tuesday that Russia was considering withdrawing from the Black Sea grain deal because the West had cheated Moscow by implementing none of the promises to get Russian agricultural goods to world markets.
The deal allowing Ukraine to resume seaborne grain exports was brokered by the United Nations and Turkey in July last year to help tackle a global food crisis the U.N. said had been exacerbated by Europe's deadliest conflict since World War Two.
To convince Moscow to approve the pact, known by diplomats as the Black Sea Grain Initiative, a three-year accord was struck at the same time under which U.N. officials agreed to help Russia with its own food and fertilizer exports.
But Putin said that commitment had not been honoured due to the perfidy of the West. In response, Russia has slowed down Black Sea grain shipments.
"We are thinking about getting out of this grain deal now," Putin told a meeting of Russian war correspondents and military bloggers.
"Unfortunately, we were once again cheated - nothing was done in terms of liberalising the supply of our grain to foreign markets. There were a lot of conditions that the Westerners had to fulfill under the leadership of the U.N. "Nothing has been done," Putin added.
Western powers have imposed what they cast as the toughest sanctions ever on Russia over its full-scale war in Ukraine launched on Feb. 24, 2022.
While Russia's food and fertilizer exports are not sanctioned, the West's restrictions on payments, logistics and insurance pose barriers to shipments, according to Moscow and major Russian grain and fertiliser exporters.

HURDLES REMAIN
U.N. spokesman Stephane Dujarric said on Tuesday some progress has been made by U.N. officials to smooth Russia's exports, but "there are some hurdles that remain".
"We don't hold all the levers of power in order to facilitate the export of Russian grain and fertilizer, which is not sanctioned," Dujarric said.
The United States called on Russia to stop threatening global food supplies.
"The world deserves certainty that this corridor for grain and food exports will be there on a sustainable basis, and that it will get to global markets so that the world can continue to be fed," said a White House National Security Council spokesperson.
Russia and Ukraine are two of the world's top agricultural producers, and major players in the wheat, barley, maize, rapeseed, rapeseed oil, sunflower seed and sunflower oil markets. Russia is also dominant in the fertiliser market.
U.N. Secretary-General Antonio Guterres said on Monday he was concerned Russia would on July 17 quit the grain deal.

"We are working hard in order to make sure that it will be possible to maintain the Black Sea initiative and at the same time that we are able to go on in our work to facilitate Russian exports," Guterres told reporters.

DEMISE OF THE DEAL?
Putin made it absolutely clear that Russia is considering stopping participation in the grain deal.
He said he would discuss its future with some African leaders expected to visit Russia soon, adding that Moscow was ready to supply grain for free to the world's poorest countries.
"Almost nothing goes to African countries," Putin said of the current situation, adding that Moscow had agreed several times to extend the deal but had nothing to show for doing so.
The United Nations has always said the Black Sea grain deal was a commericial enterprise and not intended to be entirely humanitarian, but that it benefited poorer countries by helping lower food prices globally.

"We're interested in seeing this (deal) continue in order to ensure that food prices do not go back up," Dujarric said.
According to U.N. data more than 31 million tonnes of mainly corn and wheat has so far been exported by Ukraine under the Black Sea deal and the top destinations have been China, Spain, Turkey, Italy, the Netherlands, Egypt and Bangladesh.
The current deal will expire on July 17 unless Russia agrees to extend.
Russia's specific demands are that Russian Agricultural Bank (Rosselkhozbank) be reconnected to the SWIFT payment system, that supplies of agricultural machinery and parts to Russia needed to be resumed, and that restrictions on insurance and reinsurance needed to be lifted.
Other demands include the resumption of the Togliatti-Odesa ammonia pipeline that lets Russia pump the chemical to Ukraine's main Black Sea port, and the unblocking of assets and accounts of Russian companies involved in food and fertiliser exports.

MARKET MONITOR as of 06:31 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$69.67 / bbl	0.36%	-13.19%
NYMEX RBOB Gasoline	$2.47 / gallon	0.18%	-0.38%
ICE Gas Oil	$701.25 / tonne	0.43%	-23.86%
NYMEX Natural Gas	$2.32 / mmBtu	-0.85%	-48.16%
Spot Gold	$1,946.99 / ounce	0.19%	6.72%
TRPC coal API 2 / Dec, 23	$107 / tonne	0.94%	-42.08%
Carbon ECX EUA / Dec, 23	€90.25 / tonne	0.39%	7.48%
Dutch gas day-ahead (Pre. close)	€35.75 / Mwh	22.01%	-52.69%
CBOT Corn	$5.42 / bushel	-0.69%	-20.02%
CBOT Wheat	$6.45 / bushel	-0.46%	-18.87%
Malaysia Palm Oil (3M)	RM3,523 / tonne	3.13%	-15.60%
Index (Total Return)	**Close 13 Jun**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	289.34	1.52%	-3.98%
Rogers International	26.14	1.00%	-8.81%
U.S. Stocks - Dow	34,212.12	0.43%	3.21%
U.S. Dollar Index	103.34	-0.30%	-0.18%
U.S. Bond Index (DJ)	404.58	-0.38%	3.49%

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Top News - Metals

Global aluminium producer cuts Q3 premium offer to $170/T from initial $180/T

A major global aluminium producer has lowered its offer of a premium for Japanese buyers to $170 per tonne for July-September primary metal shipments from its initial level of $180, two sources directly involved in quarterly pricing talks said.

The $170 offer still marks a 31-36% increase from the current quarter's premiums of $125-$130 per tonne.

Japan is Asia's biggest importer of the metal and the premiums for primary metal shipments it agrees to pay each quarter over the London Metal Exchange (LME) cash price set the benchmark for the region.

Australia's ANZ looks to expand lending to critical minerals sector

Australian lender ANZ Group is looking at opportunities to invest more in the critical minerals sector as part of its efforts to support decarbonisation and has recently backed its first stand-alone lithium deal, an executive said on Wednesday.

ANZ has traditionally supported long-life, low-risk mine projects for Australia's staple resources including iron ore, gold, aluminium, copper and nickel, said Simon Arduca, ANZ's executive director of resources, energy and infrastructure.

"We are keen to do more in transition metals. We are keen to do more across the board," he said. "We are keen to do more in decarbonisation. We have a goal to be a leader in environmental sustainability and that then feeds into critical minerals."

As competition for mortgages wipes out some of the usual margin benefits from higher interest rates, ANZ and the country's other top lenders are looking to redirect staff and capital to the business banking sector.

Australia is rich in commodities like lithium that are key to the energy transition, but early stage resources projects have struggled to attract funds due to lengthening permitting times, soaring costs and because the industry has yet to build a track record. Investors and traditional lenders have been wary of the sector given the long lead time from resource discovery to cash generation.

ANZ, however, has just financed a stand-alone lithium mine, Arduca told a panel at a mining conference in Melbourne, declining to provide further details. The bank prefers to finance projects that have mineral reserves that can sustain mining over many years as well as sufficient cash reserves for unexpected events, he said.

"What it means is when the cycle turns, when there's a weather event, a production issue, we can sit down with our customers and negotiate. It's a lot harder to do that with a short mine life," Arduca said.

Green finance, where companies that meet certain sustainability milestones can get access to lower lending rates has not really yet entered the mining sector, but will in time, he added.

Top News - Carbon & Power

EU tries to pass renewable energy deal, sources say ammonia exception eyed

EU countries hope to pass a deal on new renewable energy targets on Wednesday and are considering options including an exemption for certain ammonia plants, in an attempt to win over countries sceptical of the final law, diplomatic sources said.

The European Union is attempting to finalise a key pillar of its climate agenda. If passed by EU countries and lawmakers, the renewable energy law will enshrine a binding goal for the EU to get 42.5% of its energy from renewable sources by 2030.

Countries' approval of the law has been delayed for weeks, after late opposition by France and other countries seeking more favourable treatment of nuclear energy in the bill. Nuclear energy is low-carbon, but not renewable. The group of states, many of them in Eastern Europe and with nuclear energy interests, have also raised concerns over the fate of ammonia produced from hydrogen under the rules.

Sweden, which holds the EU's rotating presidency and chairs negotiations among EU countries, has put the law back on the agenda for a meeting of EU countries' ambassadors on Wednesday - signalling confidence that it now has enough support to pass.

Diplomatic sources said positions of some countries were unclear. Slovakia was expected to drop their previous opposition and support the final version, which would provide a large enough majority for the law to pass. "We can confirm that discussion is going on and there are some movements. Of course, it is in everybody's interest to push this through as we need the agreement. A landing zone might be to have a recital on ammonia, which would help us to move," a Slovakian official said.

The ammonia preamble to the law could provide a limited loophole for hydrogen derived from non-renewable sources in calculating countries' renewable fuel targets, a draft version showed. "Some specific integrated ammonia production facilities may need major industrial rebuild for consuming increased shares of hydrogen produced from electrolysis," the draft said.

Hydrogen produced in these facilities could be excluded from the baseline used to calculate countries' targets to use renewable fuels, it said, adding that these ammonia production plants should have plans in place to reach carbon neutrality by 2035.

Renewable transition still lagging in fuel, heating sectors – research

The share of renewable energy in global power generation hit 30% last year after record growth in solar, but little progress has been made when it comes to decarbonising the heat and fuel sectors, according to a research report published on Tuesday.

Though heating and fuel account for more than three quarters of global energy use, both remain heavily dependent on fossil fuels, with renewable sources accounting for just 3.6% and 9.2% respectively, the Paris-based REN21 think tank said.

With heat and fuel included, renewable sources accounted for only 12.7% of the world's total energy supply, said Rana Adib, REN21's executive director.

"What we are currently witnessing is a power transition rather than an energy transition, as most policies and regulations have mainly focused on developing renewables in the power sector," she said.

"There are 179 countries with renewable power targets - only 46 have renewable heat targets and 49 renewable fuel targets," she added.

Heat provision makes up 49% of global energy demand, with fuel accounting for 29%, but the failure to diversify renewable energy technologies beyond wind and solar power is holding back efforts to meet climate goals, the REN21 report said.

The low prices of fossil fuels have also held back the development of renewable heat and fuel technologies. Subsidies for fossil fuels also soared to more than $1 trillion in 2022, according to the International Energy Agency, with oil subsidies up 85%.

Global renewable capacity reached 3,481 gigawatts in 2022, with growth driven largely by China, which was responsible for 44% of new capacity additions over the year.

China also invested $274.4 billion in renewables over the year, accounting for 55% of the global total, REN21 said.

Top News - Dry Freight

Brazil reaping record soy and corn crops, government agency confirms

Brazilian farmers will reap record soybean and corn crops this year, the government's food supply and statistics agency Conab said on Tuesday, citing favorable conditions in key growing regions.

Farmers in the South American country are poised to harvest 155.7 million metric tons of soybeans in the 2022/2023 cycle, up 24% from last season, Conab said in its latest crop forecast.

Growers will also reap 125.7 million metric tons of corn nationally, 11.1% more than in 2022, even though some farmers were forced to sow part of their corn outside the ideal climate window, Conab added.

More than 99% of Brazil's soybean fields have been harvested while growers have only begun reaping their second corn, which is planted after soybeans are harvested in the same areas.

Second corn represents about 75% of Brazil's total corn crop in a given year, and is mainly exported in the second half the year, competing with U.S. corn in global markets.

Brazil is the world's biggest soybean supplier and sells mainly to China, though this year sizeable exports have been going to neighboring Argentina, where a drought has destroyed a lot of the crop.

Conab said Brazilian farmers have harvested less than 1% of their second corn crop in top grower Mato Grosso state. It added grain filling went well even with somewhat scarce rains in May, raising the potential for a full second-corn harvest there.

Taiwan buys estimated 56,000 metric tons wheat of US origin

The Taiwan Flour Millers' Association purchased an estimated 56,000 metric tons of milling wheat to be sourced from the United States in a tender on Wednesday, European traders said.

The purchase involved various wheat types for shipment from the U.S. Pacific Northwest coast between July 31 and Aug. 14.

The purchase involved U.S. dark northern spring wheat of a minimum 14.5% protein content bought at an estimated $341.35 a metric ton FOB U.S. Pacific Northwest coast or $368.30 c&f including ocean shipping to Taiwan, traders said.

It also involved hard red winter wheat of a minimum 12.5% protein content bought at $316.32 a metric ton FOB/$343.27 a metric ton c&f and soft white wheat of a minimum 8.5% and maximum 10% protein bought at $278.01 a metric ton FOB/$304.96 a metric ton c&f.

The seller of dark northern spring grain was trading house CHS, traders said. Trading house Columbia Grain International sold the hard red winter and soft white.

The association's tenders traditionally provide an accurate snapshot of U.S. export prices in Asian markets.

Picture of the Day

A file photo of a stacker unloading iron ore onto a pile at a mine located in the Pilbara region of Western Australia December 2, 2013. REUTERS/David Gray

(Inside Commodities is compiled by Sreshtha Uniyal in Bengaluru)

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

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