Oil | Agriculture | Metals | Carbon & Power | Dry Freight
Click on headers to go to that section

Top News - Oil

OPEC sees no peak oil demand long term, secretary general says

OPEC does not see a peak in oil demand in its long-term forecast and expects demand to grow to 116 million barrels a day by 2045, and may be higher, the secretary general said on Thursday. The International Energy Agency said in a report on Wednesday it sees oil demand peaking by 2029, levelling off at around 106 million barrels per day (bpd) towards the end of the decade. Hathaim Al Ghais, writing in Energy Aspects, called the IEA report "dangerous commentary, especially for consumers, and will only lead to energy volatility on a potentially unprecedented scale".

OPEC+, which groups de facto Saudi-led OPEC, the Organization of the Petroleum Exporting Countries, and allies including Russia, has made a series of deep output cuts since late 2022 to support the market. OPEC+ members are cutting output by a total of 5.86 million bpd, or about 5.7% of global demand. That includes cuts of 3.66 million bpd, which the group on June 2 agreed to extend by a year until the end of 2025, and cuts of 2.2 million bpd, which OPEC+ will gradually phase out over the course of a year from October.

The Paris-based IEA, which advises industrialised countries, moved forward the date for peak oil demand after having said in October that it would occur by 2030. It said oil demand would begin to contract in 2030 while the U.S. and other non-OPEC countries add to supply.

Al Ghais said similar narratives had been proven wrong previously, such as the IEA suggesting gasoline demand had peaked in 2019 or that coal demand had peaked in 2014. "At OPEC, we see oil demand growth of 4 mb/d over the two years of 2024 and 2025, with other forecasters also seeing an expansion of over 3 mb/d. Even the IEA sees growth of 2 mb/d over this period, followed by growth of 0.8 mb/d in 2026. It then dramatically drops off a cliff to almost no growth in the next four years through 2030," he said. "This is an unrealistic scenario, one that would negatively impact economies across the world. It is simply a continuation of the IEA's anti-oil narrative."

COLUMN-US refining margins slump as fuel stocks climb: Kemp

U.S. oil refineries have been processing petroleum at the fastest rate for the time of year since before the pandemic, but rising fuel inventories have begun to weigh on crack spreads and likely signal a slowdown ahead.

Refineries processed 17.5 million barrels per day (b/d) of crude and other feedstocks over the week ending on June 7, the fastest seasonal rate since 2018, according to data from the U.S. Energy Information Administration (EIA). Refineries were employing 95% of their operable capacity, up 94% last year, and the highest percentage since 2019, weekly data from the EIA show. But intensive processing is producing more gasoline and diesel than is being used domestically and exported – resulting in a persistent accumulation of stocks. Gasoline inventories had climbed to 234 million barrels on June 7 compared with 221 million barrels in 2023 and 218 million in 2022. Stocks were 1 million barrels (+1% or +0.10 standard deviations) above the prior 10-year seasonal average, erasing a deficit of 6 million barrels (-3% or -0.87 standard deviations) two months earlier.

Distillate inventories had climbed to 123 million barrels compared with 114 million in 2023 and just 110 million in 2022. Distillate stocks were still 10 million barrels (-8% or -0.50 standard deviations) below the 10-year average but the deficit had narrowed from 18 million barrels (-13% or -1.09 standard deviations) at the start of March.

Refineries have been responding to relatively high refining margins but the accumulation of stocks has now undermined them and likely indicates less frenetic processing in the weeks ahead. The gross margin from turning 3 barrels of crude into 2 barrels of gasoline and 1 barrel of diesel, known as the 3-2-1 crack spread, has averaged $24 per barrel so far in June down from $31 in March. The inflation-adjusted 3-2-1 crack spread is now exactly in line with the average for the 10 years before the pandemic, indicating the fuel market is comfortably supplied.

HURRICANE PREPARATIONS

The Atlantic hurricane season which runs from June to November is expected to be more active than normal in 2024 as result of conditions across the Atlantic and Pacific oceans. In the Atlantic, sea surface temperatures are already warmer than normal for the time of year, creating conditions for a greater number of more intense tropical storms, including severe hurricanes.

In the Pacific, El Nino has already faded and forecasters expect La Nina conditions to form over the second half of the year, which will also promote a more active Atlantic hurricane season. Even so, the risk of major disruption to the major refineries on the coast of Texas and Louisiana, where almost half of the country's processing capacity is located, remains low in absolute terms.

But the forecast of an active hurricane seasons means it will be relatively higher than usual, especially around the most intense part of the storm season in August and September. Other things being equal, the market needs to carry slightly higher inventories to offset the increased risk of refinery disruptions.

But inventories cannot continue building at the recent rate without putting further downward pressure on margins and prices.

TAPPING THE REFINERY BRAKES

Hedge funds and other money managers have already anticipated fuel markets will be oversupplied, selling futures and options equivalent to 52 million barrels of gasoline and 13 million barrels of diesel over the last eight weeks. In gasoline, the net position was cut to just 33 million barrels (24th percentile for all weeks since 2013) on June 4 from 85 million barrels (88th percentile) on April 9. In diesel, the fund position had been transformed into a net short of 4 million barrels (24th percentile) from a long of 9 million (41st percentile). Fund sales have likely anticipated, accelerated and amplified the downward pressure on refinery margins over the last two months. Weaker margins will likely cause refineries to pull back slightly over the early part of the summer limiting the eventual inventory build.

Fuel consumption in the United States and the rest of the world has so far increased by much less than expected in the second quarter which has contributed to the pull back in petroleum prices.

OPEC+ is forecasting much stronger growth in the third quarter to draw down oil inventories, boost prices and enable producers to increase output starting from the fourth quarter. But there are no indications of a big increase in fuel consumption yet, which is contributing to the downward slide in prices and spreads.

Top News - Agriculture

Argentina wheat planting shows fast progress, except in north

Wheat planting in Argentina jumped sharply in the last week thanks to dry weather in much of the South American country, the Buenos Aires Grains Exchange (BdeC) reported on Thursday.

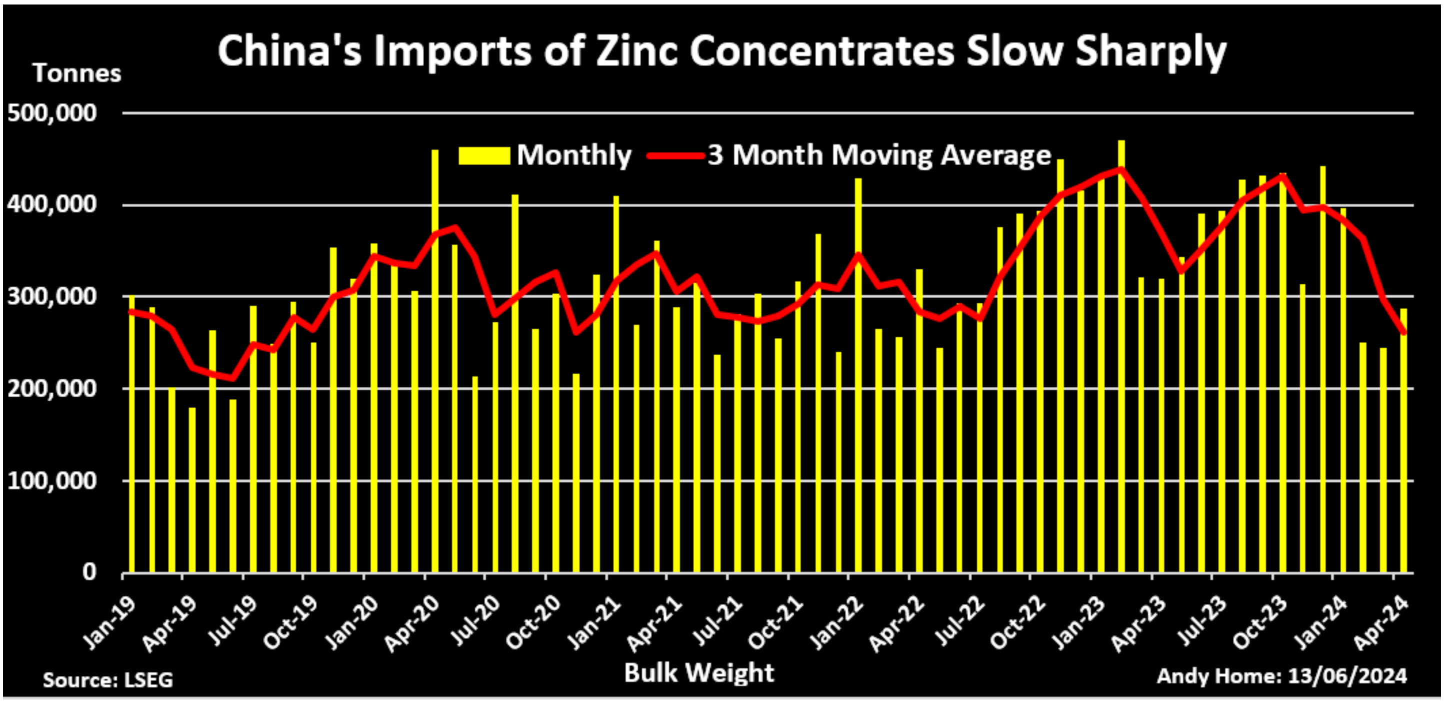
Argentina is a key wheat exporter and saw its 2024/25 wheat sowing advancing 20.6 percentage points during the last week, bringing the planted area for the cereal to 46.3% of the 6.2 million hectares planned, the BdeC said in its weekly crop report.

The grains exchange also warned that dry conditions were becoming a concern north of the country. "In the north of the country, the lack of surface moisture slows down the entry of the machines, which could compromise the fulfillment of the sowing plans," the BdeC said in its report. Meanwhile, the 2023/24 soybean harvesting tasks are coming to an end in Argentina, where farmers have harvested 96% of the fields planted with the oilseed, whose production is expected to reach 50.5 million tons, according to the grains exchange. Harvesting tasks of the 2023/24 season has been completed in 40.3% of the planted area, with an estimated production of 46.5 million tons, the BdeC said.

EXCLUSIVE-Ivory Coast halts cocoa forward sales over crop concerns, CCC sources say

Top cocoa producer Ivory Coast's Coffee and Cocoa Council (CCC) has halted forward sales of next season's crop at 940,000 metric tons as they await more clarity on

Chart of the Day



expected production, two sources at the sector regulator told Reuters on Thursday.
Failed harvests in Ivory Coast and number two grower Ghana have sent global cocoa prices soaring this year. Poor weather and disease have pushed cocoa arrivals to Ivorian ports down 28% in the current 2023/24 season. The CCC typically sells forward around 70% of its anticipated harvest in order to fix a guaranteed minimum price for farmers. However, the CCC officials, who both asked not to be named as they were not authorised to speak publicly on the matter, said they were awaiting feedback from crop assessment teams currently deployed in growing regions. "We're not selling as long as we don't have certainty around the coming production. It's still unclear," one CCC official said. The current season's production shortfall meant Ivory Coast oversold the 2023/24 October to March main crop, forcing it to roll contracts for 150,000 metric tons of beans into the mid-crop. "We aren't far from 940,000 tons of contracts already sold. That's 35% less than we sold up to this time last year," said a second CCC official, who confirmed the pause on forward sales.
"This is justified by the lack of visibility and readability of production development," he added. The lack of available contracts for the coming season has raised concerns among exporters. Many international exporters held back from participating in earlier forward sales in expectation of a drop in global cocoa prices. They are now struggling to meet their purchasing targets. "Everyone is looking for contracts for 2024/25. I think in total there's a need for at least 400,000 tons," said one exporter, who told Reuters that his company alone was seeking to secure around 100,000 metric tons of Ivorian cocoa contracts.
Smaller domestic firms dominated earlier contract auctions, but major multinationals are now scrambling. "It's complicated, you could say. The CCC hasn't sold anything in ages," said a second exporter, who is seeking to buy 75,000 metric tons worth of contracts before the start of the next season in October.
While weather conditions appear to have improved this season, CCC experts and exporters remain concerned that structural issues, notably the rapid spread of swollen shoot disease, could still threaten the coming harvest. "Swollen shoot is heavily present everywhere," one of the CCC's crop surveyors, known as a pod counters, said. "It's not just a question of rain and sunshine alone. I think this disease is destroying the structure of cocoa production in Ivory Coast."

Top News - Metals

Global nickel prices have probably hit a floor, says Macquarie
Global nickel prices may have hit a floor, according to a Macquarie analyst who sees a market recovery driven by strong demand from the steel sector and as a surplus of ore supplies shrinks after Indonesia slowed production permits. "Our belief is that we've seen the bottom, we've seen the supply adjustments, we see the uncertainty in future supply, and that is giving us quite a lot of support where the prices are today," Macquarie analyst Jim Lennon told a conference organised by Shanghai Metals Market in Jakarta this week.
He forecast LME cash nickel prices at $17,379 per metric ton this year, down from $21,491 per ton last year.
Cash nickel on the London Metal Exchange (LME) was trading at around $17,500 a ton on Thursday. The price could rebound to $20,500 per ton in 2025 and gradually rise to $23,000 per ton in 2028, Lennon said.
Mining approvals in top producer Indonesia faced delays this year for various minerals including nickel, causing a drop in ore inventories at smelters and forcing some companies to import ore from the Philippines. The Indonesian government approved production quotas, known as RKABs, for around 240 million metric tons of nickel ore annually for the next three years. That fell short of the 260 million tons ore demand estimated by the Indonesian Nickel Miner Association (APNI) this year.
As of this week, only around 220 million tons of annual output has been approved this year, leading to shortages at smelters, APNI Secretary General Meidy Katrin Lengkey told the same conference.
Smelters have reduced their ore inventories "very, very dramatically", Macquarie's Lennon said. "Hearing what we do hear about the ore supply limitations, I we think that (nickel metal oversupply this year) is now probably likely to be between 50,000 and 100,000 tons, rather than over 100,000 tons," Lennon said, referring to Macquarie's previous estimate. Amid low prices and rising costs, nickel producers such as BHP and Anglo-American, are also slashing output, he said.
On demand, Lennon said primary nickel consumption globally is expected to grow 8.9% to 3.53 million metric tons this year, compared to the 6.3% growth in supply.
Paul White, secretary general of the International Nickel Study Group, told the conference that primary nickel demand is estimated to increase by 7.9% this year, similar to last year. Strong stainless steel production in China and Indonesia will underpin nickel demand, Lennon and White said. Lennon added that nickel consumption in the battery sector, which stalled last year due to high battery stockpiles, will resume its growth in 2024. Jerome Baudelet, sales and marketing director of nickel & lithium at French miner Eramet, said demand for nickel for batteries is expected to jump to 2.7 million tons in 2035, representing 48% of global nickel demand, up from 687,000 tons in 2025.

COLUMN-China's zinc imports reflect shifting market dynamics: Andy Home
China's imports of zinc concentrates fell sharply over the first four months of this year in response to a tightening raw materials market.

Spot treatment terms for imported mine concentrates are currently trading at levels that are uneconomic for many Chinese smelters, forcing them to rely more on domestic mine supply. It's probably no coincidence that flows of refined zinc into the country have been much stronger than this time last year. Such is the current dynamic of the global zinc market. There is plenty of metal around but an ongoing squeeze on raw materials due to weak global mine production.

TIGHT CONCENTRATES MARKET

China imported 1.18 million metric tons of zinc concentrates in the first four months of this year, down 24% on last year's equivalent tally of 1.54 million tons. This is a pronounced change of trend after raw materials imports increased by 13% and 14% in 2022 and 2023 respectively. The cause is the collapse in treatment and refining charges, which are paid by miners to smelters for processing raw materials into refined metal.

Chinese smelters looking to buy on the international market are facing rock-bottom terms of $30-50 per ton, according to price reporting agency Fastmarkets.

This year's annual benchmark terms, set by Canadian miner Teck Resources and Korea Zinc in the first quarter, came in at $165 per ton. That marked a hefty discount from the 2023 benchmark of $274 but is already looking very generous to smelters in light of the bombed-out spot market. The underlying problem is weak global mine output. The world's zinc mines saw production fall by 2% in 2022 and another 1% in 2023. There has been no recovery so far this year, output sliding another 3% year-on-year in the first quarter, according to the latest assessment by the International Lead and Zinc Study Group (ILZSG).

The squeeze on raw materials has been accentuated by restarts of idled smelter capacity in Europe, reducing the amount of concentrates available on the spot market.

PLENTIFUL METAL SUPPLY

While Chinese smelters are struggling to source concentrates at economically viable prices, the country's imports of refined zinc are trending higher.

Inbound volumes totalled 143,000 tons in the first four months of this year, compared with just 35,000 tons in the same period of 2023. China turned a net exporter of zinc in 2022, a rare phenomenon caused by multiple smelter outages in Europe due to super-high energy prices.

Trade patterns reverted to historical norms around the middle of last year with the export tap largely turned off ever since and imports accelerating. There is no shortage of refined metal.

London Metal Exchange (LME) stocks rebuilt from a depleted 30,475 tons to 223,225 tons over the course of 2023 and at a current 255,900, they are up another 15% since the start of January. There has been a lot of churn in registered inventory this year as stocks financiers play the warehouse arbitrage game but the headline figure has largely held in a 250,000-260,000-ton range since the start of April. A wide contango across the LME zinc forward curve underlines the abundance of metal right

MARKET MONITOR as of 06:45 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$78.12 / bbl	-0.48%	9.03%
NYMEX RBOB Gasoline	$2.41 / gallon	0.93%	14.21%
ICE Gas Oil	$765.50 / tonne	2.61%	1.96%
NYMEX Natural Gas	$2.93 / mmBtu	-3.65%	16.71%
Spot Gold	$2,310.86 / ounce	-0.50%	12.04%
TRPC coal API 2 / Dec, 24	$122.5 / tonne	1.66%	26.29%
Carbon ECX EUA	€70.71 / tonne	-0.04%	-12.02%
Dutch gas day-ahead (Pre. close)	€35.42 / Mwh	1.11%	11.21%
CBOT Corn	$4.63 / bushel	1.26%	-4.44%
CBOT Wheat	$6.34 / bushel	-0.28%	-0.82%
Malaysia Palm Oil (3M)	RM3,964 / tonne	0.03%	6.53%
Index	**Close 13 Jun**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	346.10	0.18%	14.83%
Rogers International	29.05	0.48%	10.33%
U.S. Stocks - Dow	38,647.10	-0.17%	2.54%
U.S. Dollar Index	105.45	0.24%	4.07%
U.S. Bond Index (DJ)	429.10	0.55%	-0.38%

now. The LME's benchmark cash-to-three-months time-spread flexed out to a multi-year high of $62 per ton at the end of May and again earlier this month. It was still close to those levels at $57 as of the Wednesday close. The ILZSG estimates the global market generated a supply surplus of almost 300,000 tons last year, which explains why there's so much metal around.

SHRINKING SURPLUS

The global zinc market remains in surplus, according to the ILZSG, which estimates production exceeded usage by a significant 144,000 tons in the first three months of 2024. The Group's most recent forecast in April was for a diminished 56,000-ton supply surplus over the year as a whole. Key to that market balance assessment was a forecast that mined supply will again under-perform, acting as a restraint on refined metal production, particularly in China.

The country's zinc concentrates trade shows that dynamic is starting to play out with a knock-on impact on smelter run rates. China's refined zinc output surge by 8% last year, according to ILZSG. Production growth in the first quarter of this year braked sharply to 1.6%, according to local data provider Shanghai Metal Market. However, the combination of China's increased refined metal imports and still high LME inventories suggests there is a way to go yet before the current concentrates squeeze turns into a metal squeeze.

Top News - Carbon & Power

Japan could be energy-independent by 2060 thanks to renewables, Rystad Energy CEO says

Japan, a major coal and liquefied natural gas (LNG) buyer, could be energy-independent by 2060 thanks to expansion of solar and wind power together with storage batteries, said Jarand Rystad, chief executive of the Rystad Energy consultancy. Japan imports most of its energy resources, with the Middle East, Australia and the United States being its top suppliers.

The government's strategy calls for a reduction in LNG and coal to under 40% of the power generation mix by 2030 from more than 60% now. But analysts say Japan is moving slower it needs to. "Japan's mindset is that we have to import energy because we have no energy ourselves. But with the development in renewable energy technologies, I think that statement doesn't need to be true," Rystad told Reuters.

According to Rystad, Japan could be energy-sufficient by having 45% of solar power, 30% of wind generation led by offshore farms, 5% of hydropower, another 5% of biomass and e-fuel with nuclear power providing the remaining 15%, by 2060.

"All Japan needs is to continue installing as much solar as it did in the years before 2020. From 2014, you installed between 10 and 12 gigawatts on the peak," Rystad said. Japan installed about 4 GW of new solar capacity last year, with its total outstanding solar capacity reaching 87 GW, the world's third biggest behind China and the United States.

Rystad said mixing agriculture with solar panels - which also provide the shade preferred by some types of crops - as well as solar rooftops above roads, among other solutions, could help to expand the use of such power. "The combination of offshore and onshore wind and solar, geothermal and biomass with solid backup from both battery and pumped hydro, should actually enable Japan to see self-dependency in energy in 40 years, or by 2060 even," he said.

Thyssenkrupp Nucera sees hydrogen market lull as temporary

Project delays in the global market for hydrogen equipment are temporary, Thyssenkrupp Nucera's CEO Werner Ponikwar told Reuters, adding that the German company could double its workforce in the next three years. Thyssenkrupp Nucera, a major electrolysis plant supplier, last month reported a 42% drop in order intake in January-March, saying investors were holding back on finalising deals due to a lack of regulatory certainty and problems securing financing as banks want evidence that consumers will take future production volumes.

Ponikwar said he expected the downturn would not be prolonged and the company was investing for growth, including plans to expand its staff from around 900 currently to 1,500-2,000 within three years. "From today's perspective, we don't see this market taking a break," Ponikwar said in an interview published on Thursday. The company, majority held by Thyssenkrupp, has orders at hand worth just under 1 billion euros ($1.08 billion).

"We believe that the market will grow extremely strongly over the next 10 or 20 years and we want to continue to play a very, very important role there," he said on the sidelines of the Handelsblatt hydrogen conference in Essen, Germany on Wednesday.

The company last month lowered its sales growth forecasts for its 2023/24 fiscal year ending Sept. 30 and made a core loss prediction for 2023/24 in a mid double-digit euros range. However, it should benefit from the German government's decision last month to accelerate hydrogen projects and remove hurdles, and Ponikwar said related carbon capture and storage (CCS) provisions for CO2 would help with the switch from initially gas-based projects to feeding them with hydrogen.

The company was also active in export markets other than Germany. "The big projects in Europe today tend to take place in the south of Europe, in Portugal and Spain," said Ponikwar, who also mentioned pro-hydrogen legislation under the United States' Inflation Reduction Act as helpful. The company was predominately focused on EU and U.S. markets first, and would look at regions such as Australia and the Middle East later, he said.

Top News - Dry Freight

Japan buys 109,126 tons of food wheat via tender
Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF) bought a total of 109,126 metric tons of food-quality wheat from the United States, Canada and Australia in a regular tender that closed on Thursday. Japan, the world's sixth-biggest importer of wheat, keeps a tight grip on imports of its second most important staple after rice and buys the majority of the grain for milling via tenders typically issued three times a month.

Taiwan's MFIG buys about 65,000 metric tons corn, expected from Brazil
Taiwan's MFIG purchasing group bought about 65,000 metric tons of animal feed corn expected to be sourced from Brazil in an international tender on Thursday, European traders said. The yellow corn was purchased at an estimated premium of 159.88 U.S. cents a bushel c&f over the Chicago September 2024 corn contract, they said. It was believed to have been sold by trading house Cargill.
Reports reflect assessments from traders, and further estimates of prices and volumes are still possible later.
Shipment was sought between Aug. 5 and Aug. 24 if the corn was sourced from the U.S. Gulf, Brazil or Argentina, traders said. If sourced from the U.S. Pacific Northwest coast or South Africa, shipment was sought between Aug. 20 and Sept. 8. A total of ten trading houses offered 65,000 tons of Brazilian corn each with the next lowest offer from Brazil at an estimated premium of 160.74 cents c&f over Chicago.
Traders said only one offer for U.S. corn was made, for 65,000 tons at 210.11 cents a bushel c&f over Chicago.
Chicago Board of Trade corn futures ended higher on Wednesday with firm U.S. cash markets supporting, as U.S. farmers have been reluctant to sell stored corn at current prices, still down from late last year.
No offers of Argentine or South African corn were reported. Because of concerns about low quality, Argentine corn would only be accepted in the tender if it was the lowest price offered and at least 4 cents per bushel below the next cheapest offer from other origins, traders said. In its last reported corn tender on May 8, MFIG bought about 65,000 tons, also expected to be sourced from Brazil.

Picture of the Day

Farmers set up watering facilities on a farmland to cope with high temperatures and drought, in Baofeng county of Pingdingshan, Henan province, China, June 13. cnsphoto via REUTERS

(Inside Commodities is compiled by Lactus Fernandes in Bengaluru)

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

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LSEG
10 Paternoster Square, London, EC4M 7LS, United Kingdom

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