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Top News - Oil

China's May refinery runs rise 15.4% yoy to second highest total on record

China's oil refinery throughput in May rose 15.4% from a year earlier, data showed on Thursday, as refiners brought units back online from planned maintenance and independent refiners processed cheap imports.

Total refinery throughput in the world's second-largest oil consumer was 62.0 million metric tons last month, data from the National Bureau of Statistics (NBS) showed.

May's figures represented the second-highest monthly total on record, exceeded only by 63.3 million metric tons in March this year.

May's production was the equivalent of 14.6 million barrels per day (bpd), up from 12.7 million bpd a year earlier, an increase flattered by a low base in 2022 reflecting the impact of extensive COVID-19 lockdowns.

April throughput was 61.1 million metric tons, or 14.87 million bpd.

A return of refinery capacity following maintenance work boosted demand. Sinopec's Zhenhai and Jinling refineries reopened after being closed in April, while state-owned PetroChina's 100,000 bpd Changqing refinery also reopened at the end of May. Operating levels at Chinese state refiners were marginally lower at 76% in May versus around 77% in April, according to data compiled by China-based Longzhong consultancy.

However, independent refiners in the oil hub of Shandong province were able to step up runs as they imported cheap, sanctioned crude from Russia, Iran and Venezuela, enjoying significantly enhanced margins.

Refinery runs have remained high even as downstream demand for refined fuels falters, amid a patchy economic recovery.

Weakness in the property and construction sectors has weighed on diesel demand, whilst the worsening economic backdrop has pulled down travel-related demand for gasoline and kerosene, as well as higher-end refined petrochemicals used in plastics, paints and pharmaceutical products.

However, refiners have been expected to increase throughput to further boost inventory ahead of the summer travel season. China's crude oil imports in May jumped to the third highest level on record, totalling 51.44 million metric tons, or 12.11 million bpd, according to data from the General Administration of Customs released last week.

NBS data also showed China's crude oil production in May was 18.1 million metric tons, about 4.3 million bpd, versus 17.6 million tonnes in 2022.

Natural gas production was up 7.2% to 19.0 billion cubic metres (bcm) from last year's 17.7 bcm.

Economic outlook, energy transition to curb oil demand growth from 2024

The boost to oil demand from the post-pandemic recovery is set to end this year, the International Energy Agency (IEA) said on Wednesday, with a slowing economy and the transition to cleaner fuels sapping growth from 2024.

Strong demand from China and India boosted the Paris-based agency's outlook for growth this year by almost 300,000 barrels per day (bpd) to 2.4 million bpd, but that will fall by nearly two-thirds due in large part to more use of electric cars.

The shift to a clean energy economy is picking up pace, with a peak in global oil demand in sight before the end of this decade as electric vehicles, energy efficiency and other technologies advance," said IEA Executive Director Fatih Birol.

Global upstream investments in oil and gas exploration, extraction and production this year are due to reach $528 billion, the highest level since 2015, and are on course to keep the world adequately supplied through 2028, the IEA said.

The agency did not expressly reiterate a projection from 2021 that investors should not fund new oil, gas and coal supply projects for the world to reach net-zero emissions by 2050. It said however that current investment "exceeds the amount that would be needed in a world that gets on track for net zero emissions".

"For total oil demand to decline sooner, in line with the IEA's Net Zero Emissions by 2050 Scenario..., additional policy measures and behavioural changes would be required," the IEA said. The agency expects economic headwinds to cut growth to 860,000 bpd next year and just 400,000 bpd in 2028, for overall demand of 105.7 million bpd versus 102.3 million bpd in 2023.

"The slowdown has been hastened by Russia's invasion of Ukraine amid heightened energy security concerns and by governments' post-COVID recovery spending plans, with more than $2 trillion mobilised for clean energy investments by 2030," the IEA said.

Demand for oil from combustible fossil fuels, excluding biofuels, petrochemical feedstocks and other non-energy uses, is set to peak at 81.6 million bpd in 2028, it said, adding that oil demand for transport is due to peak in 2026.

Top News - Agriculture

Bunge boosts oilseed dominance, renewable diesel potential with Viterra deal

Bunge's planned acquisition of Viterra would make the world's biggest oilseed crusher even more dominant and secure a larger role in the expanding renewable diesel industry, although it may face competition hurdles.

Under the deal to create an agricultural giant worth about $34 billion including debt, Bunge's crushing capacity will increase by nearly one-third, to 75 million metric tons annually, adding plants in Europe, Canada and Argentina.

The deal would make the combined company better able to capitalize on an anticipated surge in demand for soybean and canola oil to produce biofuels in coming years than its rivals, but more consolidation in the industry leaves farmers with fewer buyers for their crops.

Though its grain trading business is smaller than rivals Cargill and ADM, U.S.-based Bunge is already the world's largest oilseed processor and producer of vegetable oil.

Oils produced primarily from soy and canola are seeing increasing demand from refiners for low-carbon renewable diesel.

"This really accelerates the strategic growth platform that we've laid out," Bunge CEO Greg Heckman said in an interview on Tuesday.

Bunge has in the past two years entered partnerships with oil major Chevron to crush oilseeds for renewable diesel and seedmaker Corteva to tailor crops for biofuel feedstocks. Its investment in startup Covercress gives Bunge access to future supplies of a new low-carbon-intensity oilseed for crushing.

"(Buying Viterra) allows us to fill in some of the areas where we needed additional origination, where we needed to be closer to the farmer to drive regenerative ag and sustainable practices," Heckman said.

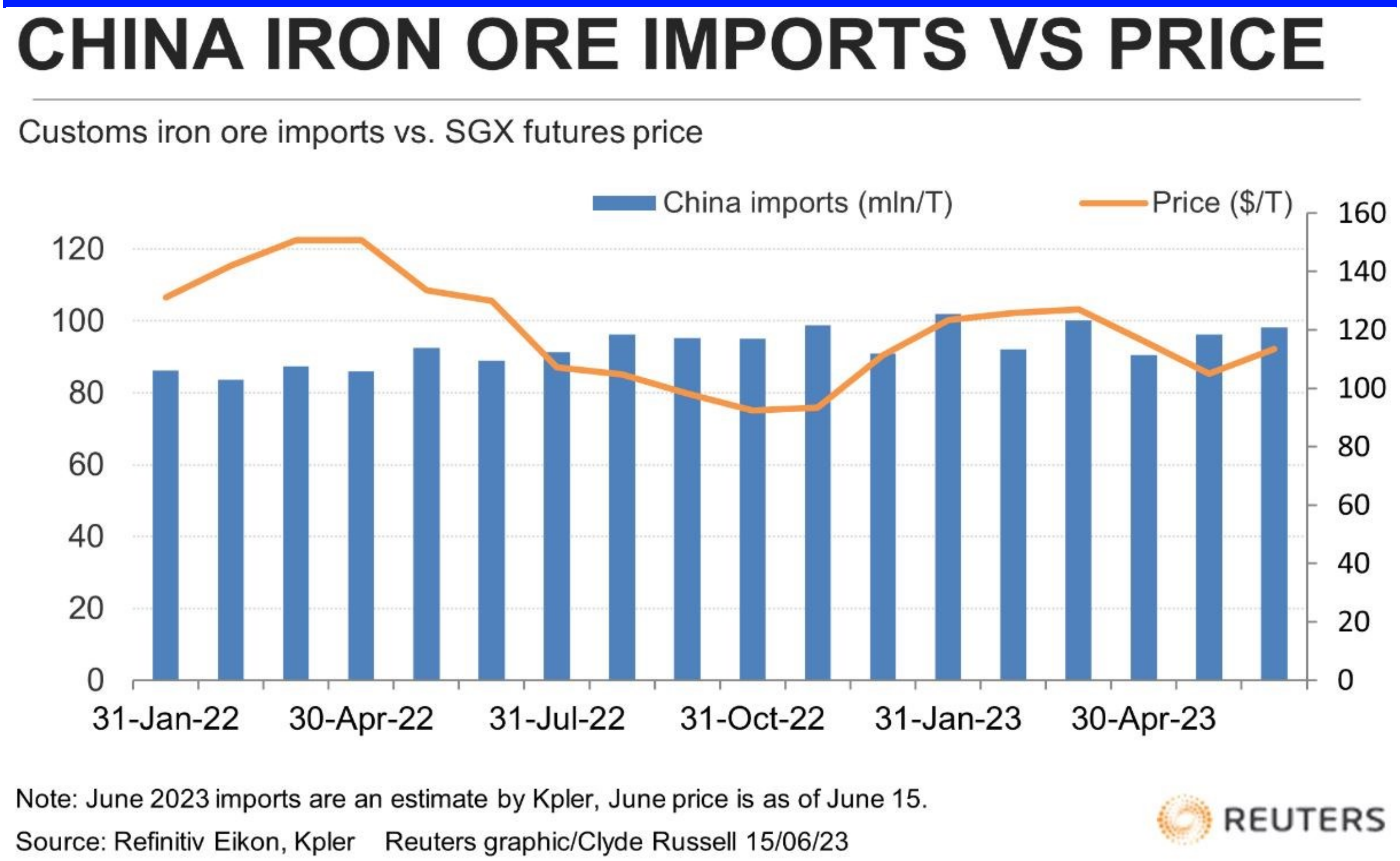
Viterra's large network of grain shipping terminals and country elevators, particularly in oilseed production regions of North America, Argentina and Europe, would complement Bunge's existing oilseed processing business, analysts said.

In the United States, the deal marks a reversal after Bunge sold 35 grain elevators in 2021, citing poor profits. Viterra's elevators have better locations across Bunge's network, Heckman said.

The Viterra network would aid Bunge's processing plants by both purchasing oilseeds from farmers and shipping products like livestock meal, analysts said.

"Scale is key in this business and the more points along the value chain you possess, the more opportunity you

Chart of the Day



have," said Ben Bienvenu, equity research analyst at Stephens. "Bunge (stock) was a way to express a bullish view on the renewable diesel buildout via equity prior to this deal. And it's only more so post this deal," he said.
The U.S. Energy Information Administration said in February that annual U.S. renewable diesel production could more than double by 2025, driven in part by tax credits for renewable fuels under President Joe Biden's Inflation Reduction Act.
While some developers have cancelLed or delayed renewable diesel projects due to rising costs, long-term demand for cleaner-burning fuel remains attractive, a factor that likely convinced Bunge to bolster its crushing operations, said Tore Alden, senior agriculture analyst at Fastmarkets, a price reporting agency.
"I think it's prescient," he said. "(Bunge) is taking the long-term view that renewable diesel can continue to grow beyond the initial, fervored capacity build-out."
Soybean oil accounts for 28% of feedstock used to make renewable diesel, and 60% of the feedstock for biodiesel, a biofuel that blends with petroleum diesel, said Matthew Blair, an analyst at TPH&Co. Viterra's crushing businesses could face regulatory scrutiny in Canada and Argentina, and elsewhere, analysts said. Both have canola-crushing plants in Eastern and Western Canada, including facilities in southern Manitoba.
Canada's antitrust regulator will review the planned merger, a spokesperson said. Argentina's competition bureau has not yet received formal notification of the merger, a government source said.
An EU Commission spokesperson also said the transaction had not been formally notified to the Commission. The Australian Competition and Consumer Commission said it was aware of the plan to merge and is monitoring developments.

Russian 'goodwill' on Black Sea grain deal is 'not endless' – Kremlin

Russia's "goodwill" cannot last indefinitely when it comes to renewing the Black Sea grain deal, the Kremlin said on Wednesday, a day after President Vladimir Putin said that Moscow was considering withdrawing from the accord.
The deal allowing Ukraine to resume sea-borne 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.
Moscow agreed reluctantly to extend the deal, known by diplomats as the Black Sea Grain Initiative, until July 17 on condition that it also received help with its own food and fertiliser exports. "The extension of the grain deal was a goodwill gesture. Russia has repeatedly made such gestures...," Kremlin spokesman Dmitry Peskov told a regular news briefing.
"But unfortunately, in the absence of reciprocity, the lack of desire on the part of the collective West to fulfil part of the agreements concerning Russia, this manifestation of goodwill and political will cannot be endless," he said.
"That is why our exit from the deal after its expiry is being considered. But there is no decision yet," Peskov added.
On Tuesday, Putin accused the West of "cheating" Moscow by failing to deliver on promises to help get Russian agricultural goods to world markets.
Western powers have imposed tough sanctions on Russia following its decision to send tens of thousands of troops into Ukraine on Feb. 24, 2022.
While Russia's food and fertiliser exports are not sanctioned, the West's restrictions on payments, logistics and insurance pose barriers to shipments, Moscow says.
Putin will discuss the future of the grain deal with African leaders in Russia on June 17, the Interfax news agency reported on Wednesday.
The Russian leader said on Tuesday that Moscow was ready to supply grain for free to the world's poorest countries.
Earlier on Wednesday, the Kremlin said Putin had discussed supplies of grain, fertiliser and fuel during a phone call with Mali's interim leader.

Top News - Metals

China's May crude steel output extends falls on production cuts

China's crude steel output extended both year-on-year and month-on-month falls in May, the statistics bureau said on Thursday, with the reduction mainly coming from electric-arc-furnace (EAF) based steelmakers that had cut production to curb losses.
The world's top steel producer manufactured 90.12 million metric tons of the ferrous metal last month, data from the National Bureau of Statistics (NBS) showed.
The May volume fell from 92.64 million metric tons produced in April and 96.61 million metric tons in the same month in 2022, the NBS data said. The average daily steel output in May stood at 2.91 million metric tons, down from 3.09 million metric tons in April and 3.12 million metric tons in May 2022, respectively, according to a Reuters calculation based on NBS data.
"It's the reduction in steel produced via EAF that contributed most to the overall decline in May," said Pei Hao, a Shanghai-based senior analyst at the international brokerage firm FIS ahead of the data release. "The increased output from blast furnace (BF) based steelmaking in the second half of May, thanks to a production resumption amid improved steel margins

among them, cannot fully offset the fall in output manufactured from EAF," he added.
Only one-third of the surveyed EAF-based steel mills were operating on May 30, down from from 41% in late April, according to data from consultancy Shanghai Metals Market.
Steel margins among blast furnace-based steelmakers improved, encouraging some mills to restart operations while many EAF-based steel mills still suffered losses due to higher costs, analysts said. The reduced steel supply last month, however, failed to provide support to steel prices, which were weighed down by disappointing steel demand. The most-traded October rebar contract on the Shanghai Futures Exchange dropped by 6.4% month on month to 3,448 yuan ($480.38) a metric ton on May 31.

China May aluminium output largely flat on-year as power crunch persists

China's primary aluminium output in May rose only slightly from a year earlier, data released on Thursday showed, as production in most regions remained steady while output growth was capped by extended power curbs in the southwestern Yunnan province.
The world's top aluminium producer churned out 3.42 million metric tons of primary aluminium last month, up 1.1% from the same period a year ago, according to data from the National Bureau of Statistics.
May's data equates to a daily output of 110,323 metric tons, compared with 110,000 tons per day from the previous month, a Reuters calculation showed.
The eastern Shandong province, northern Xinjiang and Inner Mongolia, which together account for nearly half of the country's total capacity, maintained strong production rates in May as they reaped good profits.
Smelter profits remained around 2,000 yuan ($278.64) a metric ton in May thanks to lower raw material costs and coal prices, according to industrial information provider Mysteel.
However, prices of the light metal used in construction, transportation and packaging sectors have remained under pressure due to sluggish domestic and export demand.
The southwestern Yunnan province, the country's fourth-biggest aluminium producer, continued to suffer from prolonged production cuts amid a power crunch.
Power supplies to the province's smelters will be increased later this month after more rainfall recently, and analysts expect to see over 1 million metric tons of capacity resuming output.

MARKET MONITOR as of 06:32 GMT			
Contract	**Last**	**Change**	**YTD**
NYMEX Light Crude	$68.70 / bbl	0.63%	-14.40%
NYMEX RBOB Gasoline	$2.46 / gallon	0.37%	-0.76%
ICE Gas Oil	$688.50 / tonne	-0.79%	-25.24%
NYMEX Natural Gas	$2.33 / mmBtu	-0.68%	-48.02%
Spot Gold	$1,934.75 / ounce	-0.42%	6.05%
TRPC coal API 2 / Dec, 23	$113.5 / tonne	6.07%	-38.57%
Carbon ECX EUA / Dec, 23	€93.39 / tonne	0.08%	11.22%
Dutch gas day-ahead (Pre. close)	€38.35 / Mwh	7.27%	-49.25%
CBOT Corn	$5.52 / bushel	1.33%	-18.55%
CBOT Wheat	$6.45 / bushel	0.62%	-19.72%
Malaysia Palm Oil (3M)	RM3,477 / tonne	0.72%	-16.70%
Index (Total Return)	**Close 14 Jun**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	288.77	-0.19%	-4.17%
Rogers International	26.04	-0.40%	-9.17%
U.S. Stocks - Dow	33,979.33	-0.68%	2.51%
U.S. Dollar Index	102.95	-0.38%	-0.55%
U.S. Bond Index (DJ)	405.69	0.27%	3.09%

For the January-to-May period, China produced 16.71 million metric tons of aluminium, up 3.4% from the same period last year, the data showed.
Production of 10 nonferrous metals - including copper, aluminium, lead, zinc and nickel – rose 5.1% to 6.15 million metric tons from a year earlier. Year-to-date output was up 7.4% at 30.24 million metric tons.
The other non-ferrous metals are tin, antimony, mercury, magnesium and titanium.

Top News - Carbon & Power

EU lawmakers approve legislation to make batteries greener
The EU parliament approved on Wednesday new rules to make batteries more durable, more sustainable, and better performing.
The new rules, which will come into force once the European Council has formally endorsed the text, affect the design, production and waste management of all types of batteries sold in the EU.
Europe’s battery demand is set to soar this decade, spurred by the 30 million electric vehicles the EU says its citizens will be driving by 2030.
The new regulations seek to ensure that this demand is met by greener batteries with lower emissions, produced using recycled materials.
Under the rules, light means of transport (LMT) batteries (e.g. for electric scooters and bikes) and rechargeable industrial batteries must declare and label their carbon footprint. As battery manufacturing is largely dependent on critical raw material imports, which have a significant environmental and societal impact, eight years after the regulation goes into force, there will also be an obligation to use minimum recycled cobalt, lithium, nickel, and lead.
Additionally, to encourage battery recycling, the new rules set out targets for EU countries to collect 63% of portable batteries by 2027 and 70% by 2030, up from the current target of 45% which data from 2020 shows was largely met.
"For the first time, we have circular economy legislation that covers the entire life-cycle of a product - an approach that is good for both the environment and the economy," MEP Achille Variati said.

China's May daily coal output dips on high stocks, weak demand
China's daily coal output fell in May from April, data showed on Thursday, as miners lowered production to ease inventory pressure amid tepid demand.
China produced about 385.5 million metric tons of coal last month, National Bureau of Statistics (NBS) data showed, equivalent to 12.44 million metric tons per day. That was down from 12.72 million metric tons in April, and compared with 12.09 million metric tons a year before.
Production over the January-May period was 1.91 billion metric tons, 4.8% higher than a year earlier, the data showed.
Average utilisation rates at 442 major coal mines in China's top mining hubs, Shanxi, Shaanxi and Inner Mongolia, dropped to 83.5% in May from 85.2% in April, according to data compiled by the China Coal Transportation and Distribution Association (CCTD).
Coal inventories at Chinese ports and major coal-fired power plants hit near record high levels in early June as the country struggled with economic recovery from COVID-19 curbs and shrinking exports that dented power consumption at manufacturers.
However, coal demand is showing signs of picking up as extremely hot weather across China boosts power demand for air conditioning.
Daily coal use at eight coastal provinces rose to 2.15 million tonnes last week, up 16% from the end of May, data analytics firm Wind said.
But analysts and market participants are not expecting coal demand to see significant improvemet in the near term.
"The domestic economy remains in the recovery stage and power consumption growth from the industrial sector is limited. It's difficult for power plants to maintain high operation rates only based on high temperature," Zhang Yan, analyst from coal consultancy Sxcoal, said in a note.
Thursday's data also showed China's power generation was 688.6 billion kilowatt-hours (kWh) in May, up 5.6% from a year earlier.
In the January-May period, total power output was 3.42 trillion kWh, up 3.9% year-on-year.

Top News - Dry Freight

Tentative US West Coast port contract deal reached, union and employers say

The Longshore union and employers of 22,000 dockworkers at U.S. West Coast ports on Wednesday said they have reached a tentative deal on a new six-year contract covering all ports, ending 13 months of talks and easing supply chain worries.

The deal was reached with assistance from Acting U.S. Labor Secretary Julie Su, the International Longshore and Warehouse Union (ILWU) and the Pacific Maritime Association (PMA) employer group said in a joint statement.

The agreement, covering workers at ports stretching from California to Washington State, is subject to ratification by both parties.

"The tentative agreement delivers important stability for workers, for employers and for our country's supply chain," Secretary Su said in a statement on Wednesday.

PMA President James McKenna and ILWU International President Willie Adams said in a joint statement: "We are also pleased to turn our full attention back to the operation of the West Coast Ports".

The PMA declined to provide additional details on the agreement, and the ILWU did not immediately respond to a request for further comment.

Workers subject to the agreement are based at some of the nation's busiest seaports, including the No. 1 ocean trade gateway at Los Angeles/Long Beach. They have been working without a contract since July 1 and have been seeking a share of pandemic cargo surge profits and retroactive pay.

The tentative deal comes as retailers like Walmart and Target are importing merchandise for the critical back-to-school, Halloween and Christmas retail shopping seasons. Manufacturers, automakers and food producers who import or export goods also rely on the Pacific Coast ports.

West Coast port marketshare dipped after some customers shifted cargo rival East Coast and Gulf Coast ports to avoid potential labor disruptions during the negotiations.

"The tentative agreement between the ILWU and the PMA brings the stability and confidence that customers have been seeking," Port of Los Angeles Executive Director Gene Seroka said on Twitter. "We look forward to collaborating with our partners in a renewed effort to bring back cargo."

FranceAgriMer cuts 2022/23 non-EU soft wheat export forecast

Farm office FranceAgriMer on Wednesday lowered by 100,000 tonnes its monthly forecast for French soft wheat exports outside the European Union in the 2022/23 season to 10.2 million tonnes, which would still be 16% above the previous season.

After projecting non-EU soft wheat exports as high as 10.6 million tonnes in January, the office has regularly trimmed its outlook in the past months, citing renewed competition from the Black Sea region.

The lower exports outside the 27-member bloc were the main reasons for a rise in projected French soft wheat stocks at the end of the season on June 30, to 2.89 million tonnes from 2.72 million projected last month and now 3.8% above last season.

The office the office kept nearly unchanged its forecast for 2022/23 soft wheat exports within the EU at 6.38 million tonnes from 6.39 million forecast in May, and 20% below 2021/22.

In its monthly supply and demand outlook for major cereal crops, FranceAgriMer also increased its forecast of 2022/23 barley stocks, now seen at 1.26 million tonnes, from 1.12 million earlier.

Barley exports outside the EU were revised at 3.15 million compared to 3.20 million last month and now 7% below 2021/22, while projected intra-EU exports were cut to 3.12 million from 3.15 million seen in May, still 11% above last season.

For maize, the office lowered its ending stock forecast to 2.11 million tonnes from 2.15 million projected last month, down 9% from last season, due to mainly to a cut in projected imports and slightly higher export estimates.

Picture of the Day

A file photo shows a vendor with his handmade oil extractor wait for customers while selling oil at the entrance of a market in Karachi, Pakistan June 8, 2023. REUTERS/Akhtar Soomro

(Inside Commodities is compiled by Sreshtha Uniyal in Bengaluru)

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