

[Oil](#) | [Agriculture](#) | [Metals](#) | [Carbon & Power](#) | [Dry Freight](#)*Click on headers to go to that section***Top News - Oil****China's May diesel exports almost four times prior year's level**

China's exports of refined fuel products surged year-on-year in May, data showed on Sunday, as weak domestic demand saw refiners shift inventories overseas while crude imports and throughput remained high.

Diesel exports were up almost four times at 600,000 metric tons, versus a low base of 120,000 metric tons in the same period last year, while gasoline exports rose 67% to 1.36 million metric tons.

Continued weakness in China's property market, evident in recent data showing sliding property investment, has weighed on domestic diesel demand, alongside a sluggish manufacturing sector.

Domestic demand for gasoline had been expected to soften in May, as road travel normalised following the end of the national holiday at the start of the month.

"With the holiday having ended and subdued retail sales thereafter, gasoline and diesel demand should have retreated and exports should rebound," analysts from Citi wrote in a note in late May.

Strengthening demand from the aviation sector also boosted kerosene exports, which reached 950,000 metric tons, up from 810,000 metric tons a year earlier.

International flights in and out of China had reached their highest levels thus far in 2023, at 62% of pre-pandemic levels, said analysts at JPMorgan in a client note.

Fuel sales for international flights are counted as exports by Chinese customs.

However, the pick-up in international flights considerably lags the recovery in China's domestic air travel market, which has already exceeded pre-pandemic levels.

Geopolitical tensions and the closure of Russian airspace to many airlines continues to weigh on the market, the JPMorgan note added.

Total refined fuel exports, which also includes marine bunker fuel, surged 49.8% on last year to reach 4.88 million metric tons in May, data previously showed.

In May, Chinese authorities issued 9 million metric tons of fuel export quotas under a second allotment for 2023, just half of the 18.99 million metric tons released in January but double the allocation of 4.5 million metric tons issued around a year earlier.

Also, China's total monthly refinery throughput reached the second highest level on record in May, as refinery capacity came back online from maintenance and independent refiners in Shandong province snapped up discounted, sanctioned cargoes from Iran, Russia and Venezuela.

Sunday's data also showed China imported 6.41 million metric tons of liquefied natural gas in May, up 31.5% from

last year, as steep declines in spot prices encouraged purchases.

Below are details of the trade, all in million metric tons.

Iran's oil exports hit 5-year highs as US holds nuclear talks

Iran's crude exports and oil output have hit new highs in 2023 despite U.S. sanctions, according to consultants, shipping data and a source familiar with the matter, adding to global supply when other producers are limiting output.

Tehran's oil exports have been limited since former U.S. President Donald Trump in 2018 exited a 2015 nuclear accord and reimposed sanctions aimed at curbing oil exports and the associated revenue to Iran's government. Even so, exports have risen during the term of his successor President Joe Biden. Iranian and Western officials have said the U.S. is holding talks with Iran to sketch out steps that could limit the nuclear programme. Iranian crude exports exceeded 1.5 million barrels per day (bpd) in May, the highest monthly rate since 2018, according to Kpler, a provider of flows data. They were around 2.5 million bpd in 2018, before the U.S withdrawal from the nuclear deal.

Iran said in May it has boosted its crude output to above 3 million bpd. That's about 3% of global supply and would be the highest since 2018, according to figures from the Organization of the Petroleum Exporting Countries (OPEC). A source familiar with the matter told Reuters earlier this month output was still at this level.

The International Energy Agency this week put Iran's May production at 2.87 million bpd, close to Iran's official figure.

The rise from Iran comes as OPEC+, which includes OPEC, Russia and other allies, is cutting output to support the oil market, where expectations that economic weakness will dent demand have pressured prices.

Other analysts say Iran's production and exports have risen. SVB International, a consultant, estimates crude production hit 3.04 million bpd in May, up from 2.66 million bpd in January. Exports of crude and condensate were 1.93 million bpd in May.

"Sanctions are in place but perhaps they are not fully implemented or monitored," said Sara Vakhshouri of SVB, who has previously said during Biden's term there hasn't been any serious crackdown or action against Iran's oil exports.

"Also all of these supply volumes are in the dark market, where there is no transparency and so they are not reflected in formal global supply and export data."

A U.S. State Department spokesperson said all Iran sanctions authorities remain in effect. "We do not hesitate to take action against sanctions evaders, using all our available sanctions authorities," the spokesperson said. The U.S. Treasury did not immediately respond to requests for comment.

China is Iran's biggest customer while volumes also head to Syria and Venezuela, according to analysts and shipping data.

GROWTH OUTSIDE OPEC+ CORE

OPEC+ agreed on June 4 a wide-ranging deal to limit oil supply into 2024. Iran is not required to make cuts as, together with Venezuela and Libya, it has an exemption.

Nigeria is not exempt but has faced internal challenges in raising output.

Analysts at JP Morgan in a report this week said OPEC+ needed to cut more. They lowered their Brent oil-price forecast for 2023 to \$81 a barrel from \$90, saying rising supply was offsetting demand growth.

"Within the broader OPEC+ alliance, supply has been also rising outside the core members," the analysts at JP Morgan said, and revised up their production expectations for Venezuela, Nigeria and Iran by almost 600,000 bpd from November.

"Invariably, to make room for this supply growth, OPEC+ needs to cut more, were the alliance to adhere to the market management strategy."

Top News - Agriculture

Russian officials say Black Sea grain deal can't be extended

Senior Russian officials said on Friday the Black Sea grain deal could not be extended under current circumstances but that Moscow was working to ensure that poorer countries would not suffer food shortages when it ends.

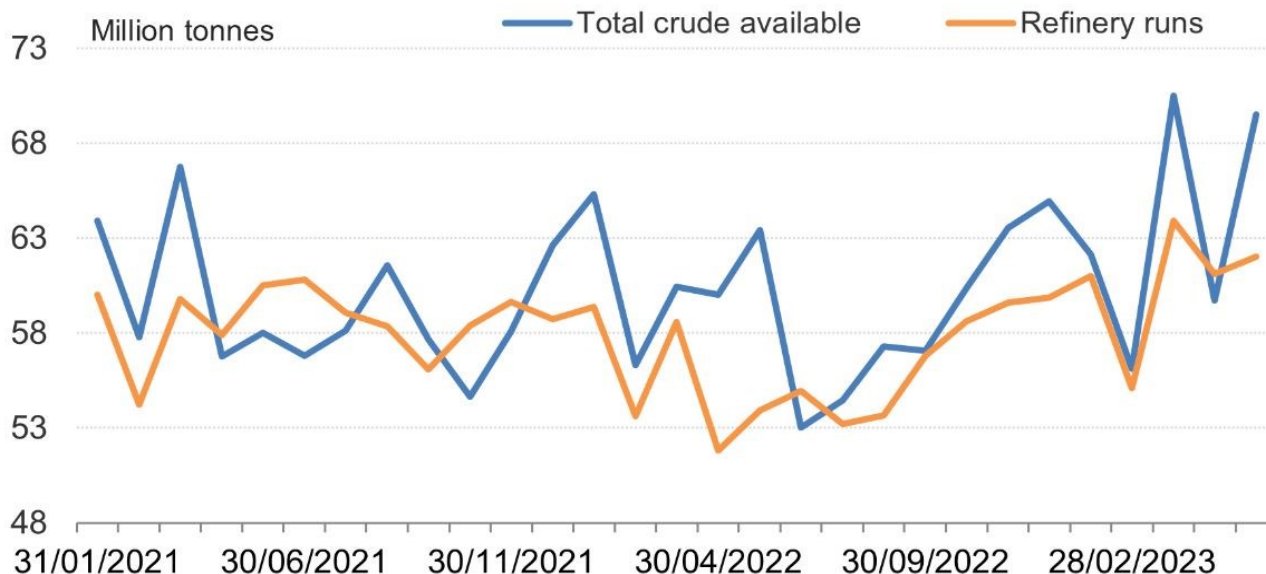
The deal, brokered by the United Nations and Turkey in July 2022, allowed Ukraine to resume sea-borne grain exports to help tackle a global food crisis the U.N. said had been exacerbated by Europe's deadliest conflict since World War Two.

Last month Moscow reluctantly agreed 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

Chart of the Day

CHINA CRUDE VS. REFINERY RUNS

Total crude oil available from imports and domestic output vs. refinery throughput



Note: January-February data has been calculated proportionally on a daily basis.

Source: Refinitiv Eikon Reuters graphic/Clyde Russell 19/06/23



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food and fertiliser exports. Russia says this help has not materialised.

"It is impossible to update this deal, and under these conditions, I believe, it is also impossible to extend it because the limit of our patience and desire to implement it has been exhausted," Interfax news agency cited the speaker of the upper house of parliament, Valentina Matviyenko, as saying.

Matviyenko, speaking on the sidelines of an economic forum in St Petersburg, said Russia would seek "other formats" to ensure that poorer countries did not suffer from the collapse of the grain deal.

"We are open to all reasonable proposals and to any dialogue but not to the detriment of our country's interests," she said.

Separately, top Kremlin foreign policy aide Yury Ushakov said on Friday that Russia was unlikely to quit the grain deal before it comes up for renewal on July 17, state media reported

BARRIERS

While food and fertiliser exports do not fall under the West's tough sanctions imposed on Russia over the Ukraine war, Moscow says restrictions on payments, logistics and insurance create barriers.

President Vladimir Putin will discuss the fate of the grain deal and other issues with a delegation of African leaders in Moscow on Saturday. The leaders were in Kyiv on Friday to discuss possible ways of ending the 16-month war.

Putin said on Tuesday that Moscow was considering withdrawing from the deal because it had been "cheated" by the West over promises to remove the barriers to Russia's own grain and fertiliser exports.

Asked on Friday about the possibility of extending the grain deal, Russian Foreign Minister Sergei Lavrov said: "How can you extend something that doesn't work?"

TASS news agency quoted Lavrov as also saying that an explosion that damaged an ammonia pipeline between Russia and Ukraine was evidence that someone wanted to wreck the grain deal.

Coffee research group progresses on naturally decaffeinated varieties

A Brazilian coffee research institute has started a decisive stage in a two-decade project to develop arabica coffee varieties that are naturally decaffeinated, a development the researchers think could have significant commercial potential.

The program is being developed at the Instituto Agronomico de Campinas (IAC), a leading coffee research center that has provided many of the high-yield coffee plants that have helped Brazil become a powerhouse in the global coffee market, supplying more than a third of the trade.

Researchers at the IAC said they are starting regional field trials of some of the varieties they have been developing for several years by crossing different coffee plants that naturally have very low caffeine content, using the germplasm bank at their facilities.

If successful, the resulting varieties could find a market niche in large consuming regions such as Europe and the United States among consumers that would prefer them instead of current decaffeinated brands that are the result of chemical or industrial processes.

Companies selling decaffeinated coffee as well could benefit with reduced costs, since they could skip the industrial processes to remove caffeine from regular coffee varieties.

"The results we had so far look promising, we are upbeat," said Julio Cesar Mistro, a researcher overseeing the project at IAC.

Some of the clones developed in the center are being planted in different regions in Brazil.

Coffee trees usually take two to three years to produce the first fruits, so there are still some years ahead until the researchers can harvest that coffee and test it.

Consumption of decaffeinated coffee accounts for around 10% of the market in the United States, according to data from the National Coffee Association (NCA).

Although many drink coffee specifically seeking the energy boost provided by caffeine, some people are intolerant to it, or prefer to have "decaf" when later in the day to avoid potential sleeping disruptions.

Top News - Metals

China's May aluminium imports up slightly on prior year

China's aluminium imports in May climbed 1.8% from a year earlier, customs data showed on Sunday, but arrivals were lower than the prior month amid weak industrial demand.

The world's biggest aluminium producer and consumer brought in 191,701 tonnes of unwrought aluminium and products -including primary metal and unwrought, alloyed

aluminium - last month, according to data from the General Administration of Customs.

That compared to 188,469 tonnes imported in the same month of 2022, but lower than the 222,851 tonnes in April.

The metal is mainly used in the transportation, construction and packaging sectors.

Overall consumption of the light metal remained weak amid sluggish performance of the housing sector, an

unexpected contraction in May factory activity and a subdued export market.

That said, better production in the solar and auto sectors lent some support to demand.

Chinese passenger car production and sales posted annual growth of 18% and 28.2% in May, according to the China Car Passenger Association.

The world's top metal consumer is expected to carry out more stimulus to boost its economy, which could mean more demand for industrial metals.

Primary aluminium production in the country remained constrained by a power crunch in the southwestern Yunnan province, with May output rising only slightly to 3.42 million metric tons.

Imports in the first five months of the year totalled 989,298 metric tons, up 10.3% year-on-year, the data showed.

Industry participants are expecting more shipments from Russia, which exported 261,384 metric tons of primary aluminium to China in the first four months, up 185% from the same period last year, according to customs data.

Imports of bauxite, a key raw material for aluminium products, totalled 12.93 million metric tons last month, the customs data showed, up 7.8% on the prior year.

Fortescue expands battery and electric powertrain output in UK with new plant

Australian miner Fortescue Metals is expanding its battery and electric powertrain production operations in the UK with a new plant in Oxfordshire, its green power arm Fortescue Future Industries (FFI) said on Monday. The Banbury facility will open in 2024 and operate alongside Fortescue's other Oxfordshire facilities including the Kidlington factory which will open later this year, FFI said in a press release.

The new plant will focus primarily on manufacturing of heavy industry, electric and zero-emission powertrain systems and will offer automated assembly for battery modules and packs.

The company is targeting the first prototype build for July or August, with the first mining haul truck module due for completion in August 2023.

"This new state-of-the-art site will bolster the UK's electric vehicle supply chain and create over 120 highly skilled jobs, helping to grow our economy," said Business and Trade Secretary Kemi Badenoch.

The world's fourth largest iron ore maker, Fortescue is expanding into production of hydrogen from renewable resources, known as green hydrogen, under its Fortescue Future Industries (FFI) unit, and aims to become a global powerhouse in renewable energy.

MARKET MONITOR as of 06:33 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	\$70.97 / bbl	-1.13%	-11.57%
NYMEX RBOB Gasoline	\$2.56 / gallon	-0.92%	3.48%
ICE Gas Oil	\$739.00 / tonne	0.41%	-19.76%
NYMEX Natural Gas	\$2.58 / mmBtu	-1.86%	-42.28%
Spot Gold	\$1,954.19 / ounce	-0.16%	7.11%
TRPC coal API 2 / Dec, 23	\$113.75 / tonne	-2.36%	-38.43%
Carbon ECX EUA / Dec, 23	€90.80 / tonne	-1.68%	8.13%
Dutch gas day-ahead (Pre. close)	€33.30 / Mwh	-18.38%	-55.93%
CBOT Corn	-	-	-
CBOT Wheat	-	-	-
Malaysia Palm Oil (3M)	RM3,773 / tonne	0.80%	-9.61%
Index (Total Return)	Close 16 Jun	Change	YTD Change
Thomson Reuters/Jefferies CRB	300.66	1.51%	-0.22%
Rogers International	26.71	1.97%	-6.82%
U.S. Stocks - Dow	34,299.12	-0.32%	3.48%
U.S. Dollar Index	102.24	0.13%	-1.24%
U.S. Bond Index (DJ)	408.00	-0.05%	4.01%

Top News - Carbon & Power

Iraq invites foreign bids for 11 gas blocks in new areas - oil ministry

Iraq on Sunday invited foreign companies to bid for contracts to explore and develop natural gas reserves in 11 new blocks as the OPEC member seeks to produce much-needed natural gas for power stations and cut imports that weigh on the country's budget.

Eight blocks are located in western Anbar province, one in the northern city of Mosul and two others are located along province borders, including one between Anbar region with Mosul and another with Iraq's southern city of Naja, the oil ministry said in a statement on Sunday.

Iraq's oil ministry has ended preparation to launch a sixth bidding round to auction off the gas blocks, the ministry said, without setting a date for the bidding process.

Iraq, OPEC's second-largest producer after Saudi Arabia, flares much of its own gas, extracted alongside crude oil at its fields, because it lacks the facilities to process it into fuel and instead uses Iranian power imports to generate electricity.

Baghdad has been under pressure from the United States to reduce its reliance on gas imports from Iran.

Late push for coal subsidies upsets EU deal on energy reforms

A late proposal to extend subsidies for coal plants has upset European Union countries' plans to on Monday approve a reform of the bloc's power market, which was designed to shift the electricity system towards cleaner energy.

EU countries' energy ministers meet in Luxembourg on Monday to agree a joint stance on new EU power market rules, aimed at expanding low-carbon power and avoiding a repeat of last year's energy crisis, when record-high gas prices left consumers with soaring energy bills.

The proposed reform aims to make power prices more stable and predictable, by putting new state-backed renewables and low-carbon nuclear plants onto fixed-

price "contracts for difference". Ministers need to iron out details like how to spend any revenues raised by these subsidy schemes.

But the talks have been complicated by a late proposal by Sweden, which holds the EU's rotating presidency, to allow countries to prolong capacity mechanism subsidies for coal power plants, under which they are paid to keep enough power generating capacity on standby to avoid blackouts.

Poland - which could prolong its support scheme for coal plants beyond 2025 under the proposal - said last week the idea had majority support.

But EU diplomats said some governments had pushed back on the proposal over environmental concerns, risking a deal on the overall power reforms. "We think this is a potential dealbreaker," one EU country diplomat said.

Coal is the most CO₂-emitting fossil fuel. Scientists say its use must plummet this decade if the world is to avoid the most severe impacts of climate change.

Some EU countries say they need more flexibility in how fast they exit the fuel and support new industries in communities that have long relied on coal sector jobs.

Poland gets around 70% of its power from coal.

A senior EU official said the coal loophole would only be allowed "under very specific conditions". The official said they expected ministers to approve the power market reforms - but that it was not clear if the coal carve-out would make it into the final deal.

The proposal, seen by Reuters, said capacity mechanisms in place before July 2019 could temporarily dodge a CO₂ limit the EU usually imposes on these schemes - enabling coal plants to participate - if they fail to attract enough lower-carbon generators.

Once EU countries agree their stance, they must negotiate the final power market upgrade with EU Parliament, aiming to pass the law before EU Parliament elections next year.

Top News - Dry Freight

Ukraine's 2022/23 grain exports at 47.5 mln T as of June 16 -ministry

Ukraine's grain exports for the 2022/23 season stood at 47.5 million metric tons as of June 16, two weeks before the end of the marketing year, Agriculture Ministry data showed on Friday.

The ministry did not give an exact comparison for the same date a year ago but said that Ukraine had exported 47.8 million tons of grain as of June 17, 2022.

The volume in the current July-to-June season so far includes 16.3 million ton of wheat, 28.2 million ton of corn and about 2.7 million ton of barley.

The ministry said grain exports in June had reached 1.8 million tons.

After a blockade caused by Russia's invasion of Ukraine on Feb. 24, 2022, access to three Ukrainian Black Sea ports was cleared at the end of July last year under a deal between Moscow and Kyiv brokered by the United Nations and Turkey.

A major grain grower and exporter, Ukraine's grain output dropped to about 53 million tons in clean weight in the 2022 calendar year from a record 86 million tons in 2021. The ministry has said the crop could fall to 44.5 million tons of grain in 2023.

Algeria tenders to buy nominal 50,000 tonnes soft milling wheat -traders

Algeria's state grains agency OAIC has issued an international tender to buy soft milling wheat to be sourced from optional origins, European traders said on Saturday.

The tender sought a nominal 50,000 metric tons (tonnes) but Algeria often buys considerably more in its tenders than the nominal volume sought.

The deadline for submission of price offers in the tender is Monday, June 19, with offers having to remain valid until Tuesday, June 20.

The wheat is sought for shipment in two periods from the main supply regions including Europe: Aug. 1-15 and Aug. 16-31.

If sourced from South America or Australia, shipment is one month earlier.

Algeria is a vital customer for wheat from the European Union, especially France, but Russian exporters have been expanding strongly in the Algerian market.

Picture of the Day



A file photo shows a field of potatoes being irrigated during sunset, as the risk of drought continues across France, in Blecourt, France, June 15, 2023. REUTERS/Pascal Rossignol

(Inside Commodities is compiled by Sreshtha Uniyal in Bengaluru)

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