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Top News - Oil

Russian oil and gas revenues set to rise by 50% y/y in June, Reuters calculations show

Russia's oil and gas revenue in June is set to rise by more than 50% year on year to $9.4 billion, Reuters calculations showed, after a decrease in subsidies to refineries and reflecting the Russian economy's ability to limit the impact of sanctions.

These revenues have been the most important single source of cash for the Kremlin, accounting for around a third to a half of total federal budget proceedings for the last decade.

The military conflict in Ukraine has prompted the West to impose multiple sanctions aimed at curbing Russian oil and gas income that accounts for about a third of the country's federal budget.

Russia was able to divert oil exports away from Europe to India and China, securing the much-needed financial flows for its budget, which is in deficit as Moscow spends heavily on defence and security.

Reuters calculations show Russia's projected June oil and gas revenue at 814 billion roubles ($9.4 billion), up from 794 billion roubles in May and 529 billion roubles in June 2023.

It is expected that the subsidies to refineries from the budget will decline by 60 billion roubles from May. The subsidies include a payment known as a damper that encourages refineries to sell their product on the domestic market instead of exporting it for a higher price.

The Finance Ministry will publish June's budget data on July 3.

For 2024 as a whole, the government budgeted for federal revenue of 10.7 trillion roubles from oil and gas sales, up 21% from 2023, when weaker oil prices and a fall in gas exports reduced the revenue by 24%.

Russia has heavily increased defence and security spending since launching what it calls a special military operation in Ukraine in February 2022, leading to two consecutive annual deficits exceeding 3 trillion roubles, about 2% of GDP.

It financed these with internal borrowing and by drawing on the rainy day National Wealth Fund (NWF).

Russian President Vladimir Putin has hailed high rates of economic growth, saying they outstrip that of Western economies.

The economy grew 3.6% in 2023 after a revised 1.2% contraction in 2022. Russia-based economists have highlighted the poor quality of economic growth, saying that production of missiles and shells may contribute to higher GDP but offer limited benefit to the population.

Venezuela resorts to dark fleet to supply oil to ally Cuba

Venezuela's state oil company PDVSA has begun using tankers that navigate off radar to supply its closest political ally, Cuba, as a fleet of state-owned vessels that have historically covered the route dwindles, according to documents and ship monitoring services.

Cuba and its main oil supplier, Venezuela, for over a decade had exclusively used their own tankers to navigate between the two countries.

Delayed maintenance, however, has taken some ships out of service and the emergence of Mexico as a new supplier to Cuba using some of the same vessels have the two revamping routes to get desperately needed crude oil and fuel to the island.

A large portion of tanker fleets owned by Venezuela and Cuba are under U.S. sanctions, which also limits their travel. Operated by third parties, dark fleet vessels often lack western insurance and send false location signals to disguise their movement.

PDVSA in June began co-loading crude and fuel oil cargoes that deliver a portion in Cuban waters, and from there depart to destinations in Asia to discharge the remaining volume, according to company shipping documents.

The vessels spoof their signal, making them look elsewhere in the Caribbean while they are discharging in Cuba, often by ship-to-ship transfers, according to monitoring service TankerTrackers.com and a satellite photo by Planet Labs seen by Reuters.

One of the vessels, the Panama-flagged Neptune 6, was last week near Cuba's Nipe Bay transferring Venezuelan heavy crude and fuel oil to Cuba-flagged vessel Esperanza, according to the documents and photo, analyzed by TankerTrackers.com. The ship's transponder is signaling a location north of Curacao since late May, according to LSEG data.

PDVSA and the foreign affairs ministries of Venezuela and Cuba did not provide comment. It was not immediately clear if the use of third-party vessels to supply Cuba is temporary.

IN NEED OF BARRELS

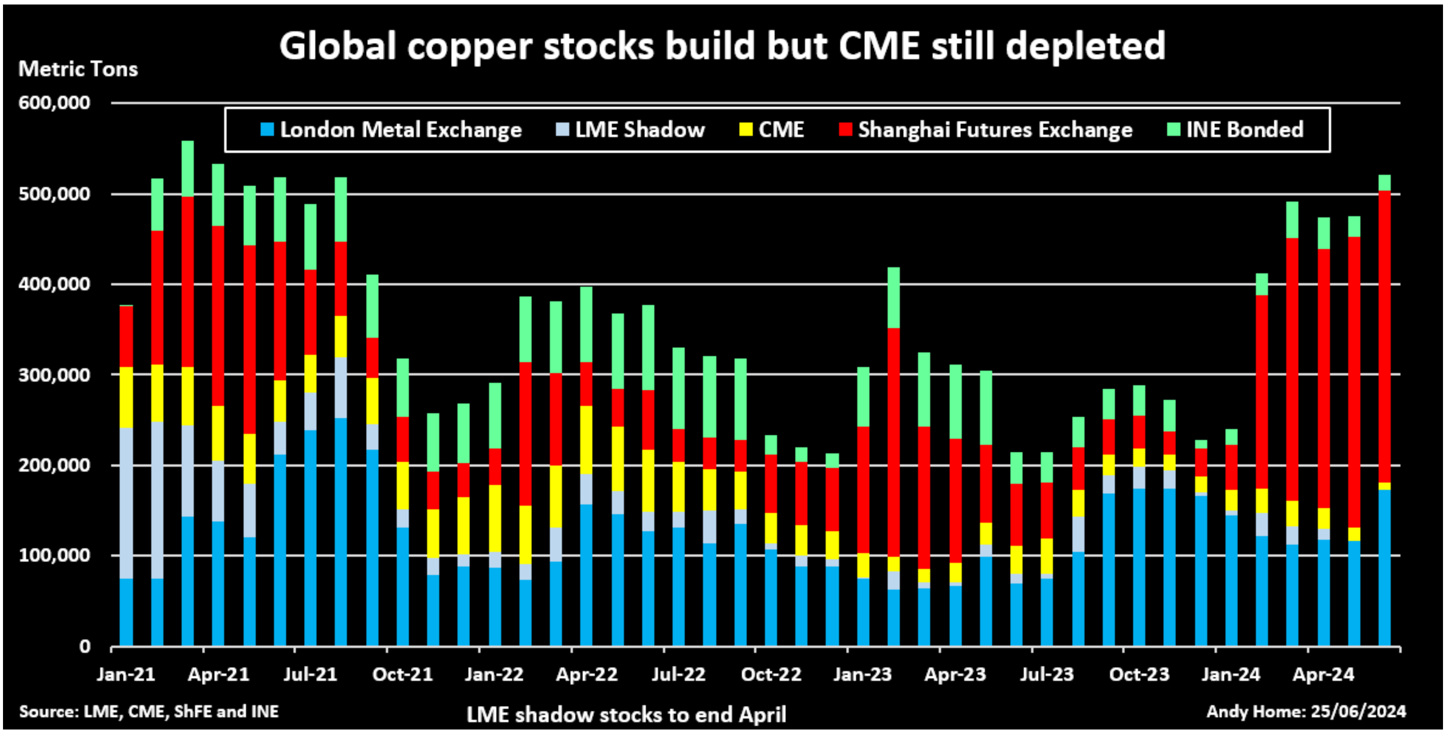
The extra vessels could help boost Venezuela's oil supply to Cuba, which so far this year is at 27,000 barrels per day (bpd), compared with 51,500 bpd in the same period of 2023.

The covert help comes as demand for electricity produced by oil-fired plants soars during sultry Cuban summers.
Blackouts that were occasional in Cuba have become routine as imported supplies are limited and logistical issues complicate domestic fuel distribution to its aging power plants.
Cuban energy officials also have said workers are tuning up and providing maintenance to power generating plants ahead of the high-demand summer season, and hope the coming months will see fewer blackouts.
Cuba has not been able to fully recover its oil storage capacity since a devastating fire destroyed a portion of the island's largest oil terminal, Matanzas. The lack of tanks forces suppliers to transfer cargoes to other ships used for floating storage by Cuba.
In May, Mexico's state company Pemex resumed oil shipments to Cuba after a three-month pause in the same vessels used to ship oil from Venezuela, Reuters reported.

Top News - Agriculture

Hot spell hits summer crops in east Europe, but a relief in northwest
A heatwave due to spread throughout Europe this week is set to take a heavy toll on summer crops in the southeast but is good news for farmers on the other side of the region after prolonged rains flooded fields and hampered plants' growth, analysts said.
Meteorologists forecast scorching temperatures in most parts of the European Union this week, just as record heat and dry weather are threatening crops in other major global growing regions, hitting world supplies and pushing prices higher.
Weather is key for crops as harvest nears in the northern hemisphere and any sign of damage, or relief, can make prices swing. High yield reports and showers in parched wheat fields in top exporter Russia sent global wheat prices off 10-months highs in recent weeks.
Summer crops in eastern Europe and the Balkans, mainly in the EU's second largest maize producer Romania, were most at risk from the heatwave, set to continue for another week or two, analysts said.
"We are approaching a critical stage. One week will already lead to a fall in output. If there are two weeks like that there will be major damage and it could go very fast," Vincent Braak, an analyst at consultancy Strategie Grain, said.
Strategie Grains had already lowered its EU 2024 maize crop forecast earlier this month.
EU crop monitor MARS on Monday cut its yield estimate for Romania's maize and sunflower crops to below the

Chart of the Day



five-year average, saying lasting dry weather made them very vulnerable to dry and hot conditions.
In contrast, the expected warm and dry weather is welcome in the western part of the EU where crops have suffered from excessive and prolonged rainfall since the autumn.
"The French farmers will be delighted. That's what they have been expecting for a while to give their crops a boost," Braak said.
Hot and sunny weather will also be welcome in Germany, Denmark and Poland, a German grains analyst said.
"Germany has had a prolonged cool and rainy start to the summer and sunshine would be excellent to push wheat to ripeness," the analyst said, adding it would also help prevent fungal infections in the cereal.
MARS lowered most of its yield forecasts for this year's crops in the EU on Monday, citing excess water in western Europe and dry weather in some southeastern countries.

Denmark will be first to impose CO2 tax on farms, government says
Denmark, a major pork and dairy exporter, will introduce a tax on livestock carbon dioxide emissions from 2030, making it the first country to do so and hoping to inspire others to follow, the government said on Tuesday.
A tax was first proposed in February by government-commissioned experts to help Denmark reach a legally binding 2030 target of cutting greenhouse gas emissions by 70% from 1990 levels.
The centrist government late on Monday reached a wide-ranging compromise with farmers, industry, labour unions and environmental groups on policy linked to farming, the country's largest source of CO2 emissions.
"We will be the first country in the world to introduce a real CO2 tax on agriculture. Other countries will be inspired by this," Taxation Minister Jeppe Bruus of the centre-left Social Democrats said in a statement on Tuesday.
While subject to approval by parliament, political experts expect a bill to pass following the broad-based consensus.
The deal proposed taxing farmers 300 Danish crowns ($43.16) per tonne of CO2 in 2030, increasing to 750 crowns by 2035.
Farmers will be entitled to an income tax deduction of 60%, meaning that the actual cost per tonne will start at 120 crowns and increase to 300 crowns by 2035, while subsidies will be made available to support adjustments in farm operations.
The tax could add an extra cost of 2 crowns per kilo (2.2 pounds) of minced beef in 2030, Minister for Economic Affairs Stephanie Lose told public broadcaster DR.
Minced beef retails from around 70 crowns per kilo at Danish discount stores.
New Zealand this month scrapped plans to introduce a similar tax after facing criticism from farmers.
But while Danish farmers had expressed concerns that the country's climate goals could force them to lower production and cut jobs, they said the compromise makes it possible to maintain their business.
"The agreement brings clarity when it comes to significant parts of the farmers' conditions," the L&F agriculture industry group said.

Top News - Metals

Albemarle plans more lithium auctions to boost market transparency
Albemarle, the world's largest lithium producer, plans to hold more auctions for the metal used in electric vehicle batteries to boost price transparency and promote a better understanding of the opaque market, an executive said on Tuesday.
The move is one of the most aggressive by an industry leader to clear up the widespread confusion about how lithium is priced. It would also help better underpin supply contracts with automakers hungry for fresh and consistent supply.
"What we're trying to do is build trust," Eric Norris, head of Albemarle's energy storage business, told Reuters on the sidelines of the Fastmarkets Lithium Supply and Battery Raw Materials Conference in Las Vegas.
While lithium has surged in popularity the past decade, confusing futures pricing from market leader China has made it unclear what a realistic global reference point for price should be. The struggle became especially acute after Chinese prices plunged last year and dragged down shares of Albemarle and other Western lithium producers.
The London Metal Exchange has yet to launch a long-planned lithium futures contract and volumes on the CME Group lithium contract are dwarfed by those for copper and other critical minerals.
In response to the price uncertainty, Albemarle auctioned some of its Australian lithium supplies in March, a practice it now plans to replicate globally, Norris said.
"Our intent is to do more of them" in more parts of the world and for various types and grades of lithium, he added.
Albemarle plans to provide its auction data to Fastmarkets and other pricing agencies to formulate into publicly available prices, he said, noting that many of the company's long-term contracts are linked to such data.
Data sharing should also boost the use of hedging and other financial contracts to reduce risk, Norris said.
"If we can create more volume, more liquidity ... that's going to benefit the entire industry."

'TAP THE POTENTIAL'
In Chile's Salar de Atacama, where Albemarle produces lithium using evaporation ponds, the company has mapped an aggressive growth plan involving the use of direct lithium extraction technology, Norris said.
However, Albemarle has no plans to bid to develop Chile's other lithium-rich salars, or salt flats, steps that rivals are taking.
"We haven't fully even begun to tap the potential of what we have in the Atacama," Norris said.
With the recent drop in lithium prices, now may be the right time for industry consolidation, Norris said, but Albemarle is focused on existing projects.
"There should be bigger players with bigger balance sheets ... in this space in order to credibly support the growth going forward," he said. "We'd never rule out acquisitions, but our priority now is internal organic investments."

COLUMN-Copper stocks surge offers little relief for CME shorts: Andy Home
Copper stocks registered with the world's big three exchanges have risen above 500,000 metric tons for the first time since August 2021. London Metal Exchange (LME) inventory has surged by 56,850 tons so far this month and at 172,850 tons is the highest it has been since December last year.
At least some of the recent inflow has come from China, where smelters have capitalised on LME copper's spike to a record nominal high of $11,104.50 per ton in May.
China can afford to ship some units. Shanghai Futures Exchange (ShFE) stocks currently stand at 322,910 tons, down only slightly from a four-year high of almost 337,000 tons earlier in June.
The one exception to this trend remains the CME's COMEX division, where inventory has shrunk to just 8,274 tons, the lowest since 2008.
CME shorts have little option other than to roll positions forward, prolonging a running squeeze in the U.S market.

COPPER, COPPER EVERYWHERE...
Rising global exchange stocks of copper have damped bullish spirits, which is why the LME three-month price has fallen back below the $10,000-per ton level, last trading around $9,600.
The growing mountain of metal also explains the wide contango structure on both London and Shanghai exchanges. The LME benchmark cash-to-three-months period stretched to a contango of $150 per ton early Tuesday, almost matching last month's record cash discount of $152.50.

MARKET MONITOR as of 06:38 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$81.33 / bbl	0.62%	13.51%
NYMEX RBOB Gasoline	$2.50 / gallon	0.25%	18.88%
ICE Gas Oil	$786.50 / tonne	0.13%	4.76%
NYMEX Natural Gas	$2.72 / mmBtu	-1.49%	8.00%
Spot Gold	$2,315.86 / ounce	-0.14%	12.28%
TRPC coal API 2 / Dec, 24	$119.5 / tonne	-1.24%	23.20%
Carbon ECX EUA	€68.19 / tonne	0.40%	-15.15%
Dutch gas day-ahead (Pre. close)	€34.61 / Mwh	1.20%	8.67%
CBOT Corn	$4.34 / bushel	0.58%	-10.28%
CBOT Wheat	$5.64 / bushel	0.54%	-11.88%
Malaysia Palm Oil (3M)	RM3,865 / tonne	0.16%	3.87%
Index	**Close 25 Jun**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	342.52	-0.91%	13.64%
Rogers International	29.04	-0.33%	10.29%
U.S. Stocks - Dow	39,112.16	-0.76%	3.77%
U.S. Dollar Index	105.74	0.12%	4.34%
U.S. Bond Index (DJ)	430.97	0.00%	0.06%

Chinese smelters have made no secret of their plans to deliver up to 100,000 tons of copper to LME warehouses. Sure enough, exports spiked to 73,829 tons in May, the highest monthly outbound volumes since 2016.
It's likely no coincidence that the main points of arrival in the LME warehouse system this month have been those closest to mainland China. The Taiwanese port of Kaohsiung has received 29,325 tons and the Korean ports of Gwangyang and Busan have registered inflows of 20,400 and 9,675 tons respectively.
Chinese refined metal imports have been robust this year but stubbornly high visible stocks explain why the country's producers are happy to sell physical metal into the Western market.
ShFE stocks have conspicuously failed to draw after the lunar new year holidays, breaking a multi-year pattern of rapid early-year build followed by equally rapid depletion over the second quarter.
Bonded warehouse stocks have risen from under 10,000 tons in January to a current 89,700 tons, according to local data provider Shanghai Metal Market.

...BUT NOT IN THE UNITED STATES
While cumulative inventory on the LME and ShFE has more than doubled in the first half of the year, very little metal seems to have made its way to the United States.
CME warehouses, all on home soil, have not seen any inflows since May and metal has been steadily trickling out of the system ever since.
LME warehouses in Mobile and New Orleans hold a residual 1,375 tons, all but 725 tons of it awaiting physical load out.
COMEX time-spreads have flared into backwardation again over the last couple of weeks as short-position holders move down the forward curve ahead of the expiration of the June contact.
The squeeze has not been as vicious as that in May but it is a sign there are players who are still short and caught, whether in terms of outright price, spreads or a combination of the two.
The disconnect with the London and Shanghai markets is stark and highly unusual.

THE WAITING GAME
Physical arbitrage will close the yawning gap between the United States and the rest of the world.
But it has clearly has not yet happened. It does not help that most of what is stored in the LME system does not qualify as a good-delivery brand on the CME.
Chinese and Russian metal accounted for 72% of on-warrant LME stocks at the end of May. The ratio is likely to have risen further in June given the burst of arrivals at LME ports close to China.
Chinese brands are not deliverable against the CME copper contract. Neither are Russian brands, although it would not make any difference if they were since the Biden administration banned all Russian copper imports in its latest sanctions package.
The CME's good-delivery list is weighted heavily towards domestic, South American and Japanese brands, limiting availability for anyone wanting to divert copper to the United States.
This has become a waiting game as shorts shuffle down the forward curve with one eye on the horizon for signs of inbound shipments.
Until they arrive, the COMEX market is going to remain a turbulent ride for copper bears.

The opinions expressed here are those of the author, a columnist for Reuters.

Top News - Carbon & Power

Guyana selects former Exxon exec's firm to engage with Exxon in gas project
A newly formed company headed by a former Exxon Mobil executive was selected to support the Guyana government and Exxon to create a new independent natural gas development in the country, Guyana's Ministry of Natural Resources said.
Fulcrum LNG offered "the most comprehensive and technically sound proposal" among 17 bidders, the government said in a statement. The ministry has engaged the company along with Exxon to begin the project, with ongoing discussions in a preliminary stage, it said.
Guyana wants to put together a plan to monetize its vast untapped natural gas resources and develop a second leg to its booming energy industry. The country is estimated to have 16 trillion cubic feet of gas off its Caribbean coast, according to the U.S. Energy Information Administration.
Fulcrum LNG was founded by Jesus Bronchalo, who spent two decades at Exxon, recently as a vice president based in Guyana. Bronchalo left Exxon in the first half of 2023. Corporate records show he founded Fulcrum LNG in Nevada in July last year, acting as CEO, secretary, treasurer and director.
The government of Guyana said that Bronchalo's past "relationship with Exxon was not seen as presenting a conflict of interest, since he had severed all ties with said company."
Bronchalo did not reply to requests for comment.
Exxon has not decided whether it will participate on the project to process and export gas.

Guyana has said it would push forward the project, with or without Exxon.
As "the development of the gas resource is not an immediate priority for the company, our government decided to seek a capable independent third-party operator to either work with ExxonMobil or carry out this activity on its own," the ministry said.
Guyanese President Irfaan Ali last week said said an agreement with the government, that may or may not include Exxon, is not expected until next year.
Exxon said that as "a corporate policy, we don't comment on commercial matters – however, we remain committed to helping Guyana develop its natural gas resources, maximizing value for all stakeholders".
Government officials said developing natural gas resources was a national priority, with the aim of exporting gas from an onshore facility to Brazil and using it to power the domestic industry or build a liquefied natural gas plant for exports.

FORMER EXXON EXECUTIVE
During his 2020-2023 term as VP in Guyana, Bronchalo was in charge of daily relations with the government and headed the bidding process for a gas-to-energy project designed to generate electricity for industry and residents.
As Exxon's VP, he was the architect of the take-or-pay agreement in which Guyana will pay Exxon $55 million per year for the gas supply for the gas-to-energy project.
Bronchalo was also involved in the bidding process in which Exxon awarded a 20-year lease agreement to the VESHI group to build a shorebase to support the company's offshore activities.
Two of the initial partners of the shorebase were targets of a U.S. criminal investigation before the contract was awarded, Reuters revealed. The pair were sanctioned by the U.S. earlier this month.
Chinese oil giant CNOOC, one of three members of a joint venture responsible for all the country's oil production, came in second from a list of 17 groups that submitted proposals to Guyana, the ministry said.

Global LNG market remains in fragile equilibrium on limited supply, IGU says

The global liquefied natural gas (LNG) market has a new found, but fragile equilibrium, following two years of volatility, due to lack of spare supply in the near-term, the International Gas Union (IGU) said in a report on Wednesday.
Global LNG trade reached a record level of 401.42 million metric tons in 2023, growing by 2.1% or 8.4 million tons from the previous year, supported by high spot purchases due to gradual decline in prices.
However, the pace of growth was lower than the 5.6% seen in 2022, as limited supply remains the primary growth- limiting factor, IGU said in its World LNG Report.

WHY IT IS IMPORTANT
LNG, widely seen as a transition fuel on the path to net-zero emissions, is playing a critical role to help countries, especially in Asia to achieve their energy transition goals.
European Union nations have raced to replace Russian fuel following Moscow's invasion of Ukraine in 2022, and LNG imports have been instrumental in replacing a substantial share of Russian gas pipeline supplies.
The IGU represents the global gas industry with more than 150 members in over 80 countries, covering over 90% of the global gas market.

BY THE NUMBERS
- Global LNG trade connected 20 exporting markets with 51 importing markets in 2023.
- Asia saw the biggest change in net imports, with an increase of 10.49 million tons, as lower prices spurred spot purchases.
- China was the world's top LNG importer of LNG with 71.21 million tons of imports.
- European imports remained steady, as a mild winter helped keep inventories at strong levels.
- Germany imported substantial volumes of LNG for the first time in 2023, estimated at slightly over 5 million tons, compared with 80,000 tons in 2022.
- The United States remained the world's top LNG exported in 2023, with total exports of 84.5 million tons, an increase of 8.9 million from the previous year.
- Australia came in second place with exports totalling 79.6 million tons, followed by Qatar and Russia exporting 78.2 million and 31.4 million respectively.
- Asia and Asia Pacific regions remain highly dependent on long-term imports at 68.9% and 69.5% respectively.
- Meanwhile, Europe's long-term purchases reached 46.4% and its spot purchases were 48.4%.

KEY QUOTES
"LNG market conditions remain tight, despite lower prices. The global market's newfound equilibrium is still fragile and sensitive to uncertainties from supply and demand sides," said IGU President Li Yalan.

Top News - Dry Freight

Egypt's GASC buys 470,000 metric tons of wheat in tender

Egypt's state grains buyer, the General Authority for Supply Commodities (GASC), said on Tuesday that it had bought 470,000 metric tons of wheat in an international tender.

The purchase comprised 50,000 tons of Bulgarian wheat, 60,000 tons of Ukrainian wheat, 180,000 tons of Russian wheat and 180,000 tons of Romanian wheat, GASC said.

Russian wheat was offered lowest in the tender, mainly due to the unofficial price floor not being implemented in this tender, traders said.

The price floor has been implemented by Russia since last year in an effort to slow Russian wheat exports and cool domestic flour and bread prices.

South Korea’s NOFI buys estimated 135,000 T corn, traders say

Leading South Korean animal feed maker Nonghyup Feed Inc. (NOFI) bought an estimated 135,000 metric tons of animal feed corn all expected to be sourced from South America in an international tender on Tuesday, European traders said.

It was bought in two consignments, both at an estimated $240.06 a ton cost and freight (c&f) included, with some also purchased at a premium over Chicago corn futures, they said.

One consignment of about 67,000 tons was bought from trading house CJ International with an extra $1.75 a ton surcharge for additional port unloading. Traders said part of CJ International’s consignment was bought at an estimated premium of 173 U.S. cents a bushel over the Chicago September corn contract.

The corn was for arrival in South Korea around Nov. 1.

Another consignment of 68,000 tons was bought from trading house Pan Ocean with an extra $1.50 a ton surcharge for additional port unloading.

Pan Ocean’s consignment was for shipment from South America between Sept. 3-Oct. 2 for arrival in South Korea around Nov. 10.

Reports reflect assessments from traders and further estimates of prices and volumes are still possible later.

Picture of the Day

A drone view shows debris accumulating on the Rapidan Dam after torrential rains caused the Blue Earth River to swell, southwest of Mankato, Minnesota, U.S. June 25, 2024. REUTERS/Ben Brewer

(Inside Commodities is compiled by Shoubhik Ghosh in Bengaluru)

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

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