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

Top News - Oil

US crude, gasoline stockpiles rise on weaker demand, distillates fall, EIA says

U.S. crude and gasoline inventories rose as demand softened, while distillate stockpiles fell last week, the Energy Information Administration said on Wednesday.

Crude inventories rose by 3.6 million barrels to 460.7 million barrels, the EIA said, compared with analysts' expectations in a Reuters poll for a 2.9-million-barrel draw.

Crude stocks at the Cushing, Oklahoma, delivery hub fell by 226,000 barrels in the week, the EIA said.

Oil prices dipped following the surprise build. Brent futures were trading at $84.96 a barrel, down about 5 cents, at 1501 GMT. WTI futures were trading at $80.63 a barrel, off 22 cents.

Refinery crude runs fell by 233,000 barrels per day, while utilization rates fell by 1.3 percentage points in the week to 92.2%.

U.S. gasoline stocks rose by 2.7 million barrels in the week to 233.9 million barrels, the EIA said, compared with analysts' expectations in a Reuters poll for a 1 million-barrel draw.

Product supplied for motor gasoline, a proxy for demand, fell by about 417,000 bpd last week, to 8.97 million bpd. The four-week average for demand is about 2% under last year's levels.

"At the same time we saw crude and refined products build, we saw refiners cut back on utilization a little bit, which was a bit of a surprise," said Andy Lipow of Lipow Oil Associates in Houston.

"This may be indicative of the impact of weakening gasoline markets that have occurred of the last couple of weeks," he added.

Gasoline futures turned negative following an unexpected build.

Distillate stockpiles, which include diesel and heating oil, fell by 377,000 barrels in the week to 121.3 million barrels, versus expectations for a 259,000 barrel drop, the EIA data showed. Distillate product supplied declined by 441,000 bpd week-over-week to 3.54 bpd.

Net U.S. crude imports rose last week by 65,000 barrels per day, while exports were down 508,000 bpd to 3.91 million bpd.

"A drop in exports due to tropical activity in the Gulf of Mexico last week, combined with lower refinery runs, encouraged a third crude inventory build in four weeks," said Matt Smith, head analyst for ship-tracking firm Kpler.

U.S. crude imports touch two-year high despite lukewarm demand

U.S. crude oil imports last month rose to a nearly two-year high as refiners scooped up heavy crudes from Canada and Latin America to process into fuels for summer driving season.

Imports of crude oil rose to 3.1 million barrels per day (bpd) in May, the highest since July 2022, data from ship tracking service Kpler showed. Imports so far this month have remained strong, at around 2.9 million bpd to date.

Fuel demand has remained tepid with product supplied for gasoline at 9.1 million bpd in the week to June 14, slightly below the 10-year seasonal average, data from the U.S. Energy Information Administration showed.

U.S. product supplied of distillate fuel oil also was around 3.7 million bpd, about 3% below the seasonal average, according to EIA data.

Crude oil imports from Canada climbed in May to 319,000 bpd, its most in 2-1/2 years, as the newly expanded Trans Mountain pipeline boosted flows to the U.S. West Coast. The imports were 39% higher than the same month a year ago.

Supplies from Mexico, Guyana and Colombia also climbed. Guyana crude hit a record 99,000 bpd and Colombia rose to a near two-year high. Imports from Mexican state oil company Pemex rebounded, reversing brief export cuts.

"U.S. refiners bought excess crude oil to mitigate the loss of Mexican crude," said Rohit Rathod, market analyst at energy researcher Vortexa.

Pemex in April had pared exports, sending U.S. refiners to get order heavier crude from Colombia and Canada, but weaker-than-expected demand by Pemex's domestic refineries canceled planned May cuts. Imports from Mexico this month have run 624,000 bpd, the highest this year.

Top May refining importers were Chevron, Marathon Petroleum, Valero Energy and Phillips 66, according to Kpler data.

Top News - Agriculture

India grants duty concessions for corn, vegetable oil imports

India on Wednesday allowed limited imports of corn, crude sunflower oil, refined rapeseed oil, and milk powder under the tariff-rate quota (TRQ), where importers pay nil or lower duty, as New Delhi tries to bring down food inflation.

India is the world's biggest importer of vegetable oils such as palm oil, soyoil and sunflower oil and the top producer of milk.

India has allowed imports of 150,000 metric tons of sunflower oil or safflower oil, 500,000 tons of corn, 10,000 tons of milk powder and 150,000 tons of refined rapeseed oil, the government said.

Food inflation, driven by supply-side factors like adverse weather affecting crops, has remained at around 8% year-on-year since November 2023, preventing it from cutting interest rates.

The government has short-listed cooperatives and state-run companies, such as the National Dairy Development Board (NDDB), the National Cooperative Dairy Federation (NCDF), and the National Agricultural Cooperative Marketing Federation of India Ltd (NAFED), for the imports.

"There wasn't any need to allow imports of sunflower and rapeseed oil at concessional duty," said a Mumbai-based dealer with a global trade house.

"Oilseed prices are already under pressure due to cheaper imports, which still attract duty. Now, duty-free imports will exert additional pressure."

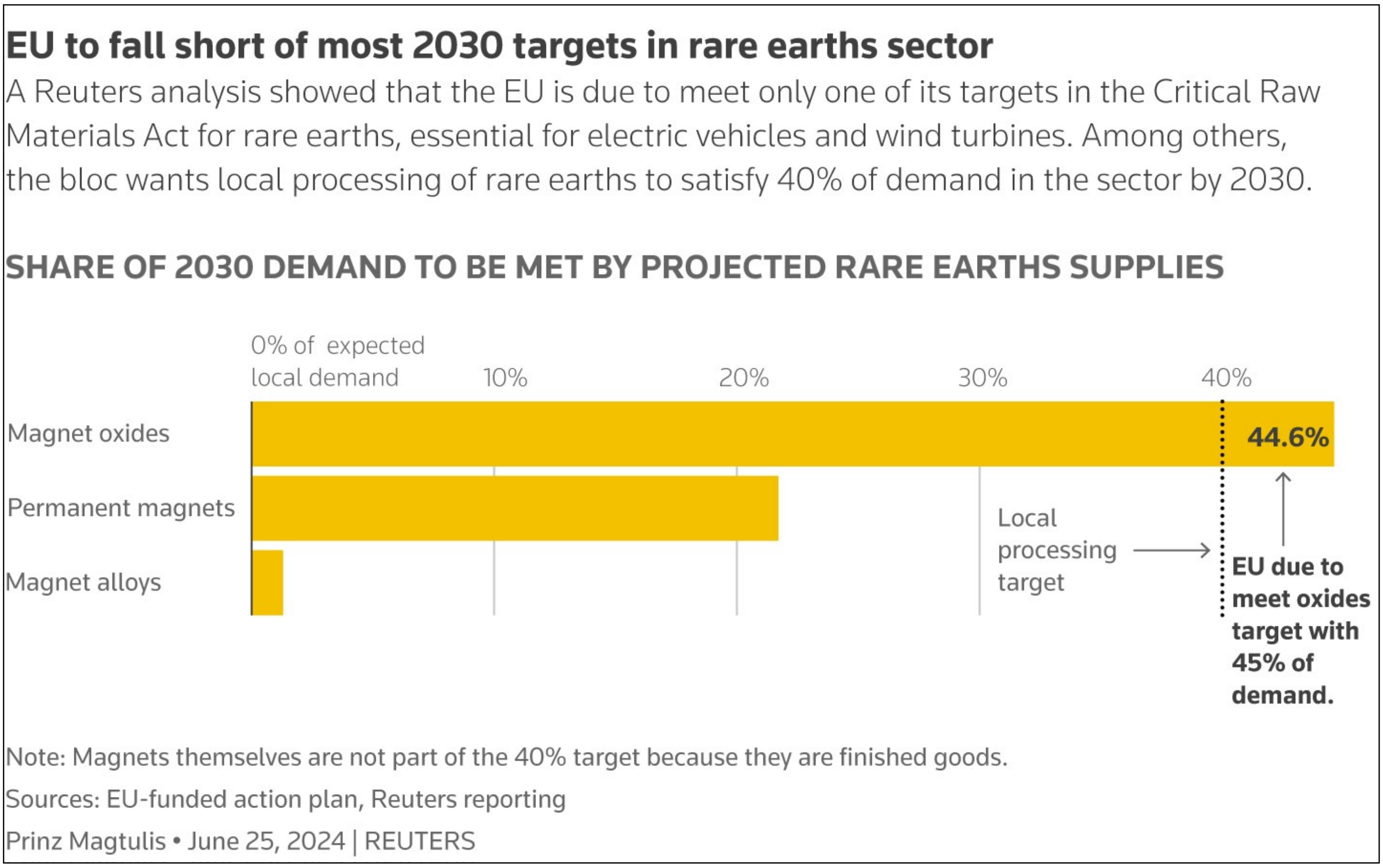
India fulfils nearly two-thirds of its vegetable oil requirements through imports of palm oil, mainly from Indonesia and Malaysia, as well as sunflower oil and soybean oil from Russia, Ukraine, Argentina, and Brazil.

India is the world's biggest producer of milk, but recently, leading dairies raised milk and milk product prices due to strong demand amid limited supplies.

Domestic corn prices were rising due to strong demand from the poultry and ethanol industry.

India, which does not allow cultivation of any genetically modified food crops, has rules in place to ensure that imports contain no trace of genetically modified organisms.

Chart of the Day



EU governments fail to agree on gene-editing rules despite patent exception

A last-ditch attempt by EU governments to break a deadlock over relaxing regulations on gene-edited crops failed after countries including Poland rejected changes to the text that exempted patented seeds from the measure.

The text for so-called new genomic techniques (NGT), which would be the foundation of negotiations with the European Parliament before the law could take effect, was withdrawn from Wednesday's agenda after it emerged in preliminary talks that there was insufficient support to reach a qualified majority, according to an EU official.

Poland and others declined to back the modified text despite efforts to assuage concerns that the patenting of seeds produced using NGT would not provide equal access to the technology for small- and medium-sized producers.

The new draft rules by Belgium presented this week sought to separate NGT technology from regulations covering traditional GMOs and also wanted any patented NGT seeds to still fall under the strictest GMO rules, according to an EU source.

Poland's government did not immediately respond to a request for comment.

The EU parliament endorsed NGT technology in February but for the proposal to relax regulations to go ahead, lawmakers and governments would have to align their respective texts first.

Unlike GMO, NGT can edit the genetic material of an organism without introducing foreign DNA.

Its proponents say it effectively accelerates mutations that can occur naturally over time, and can develop varieties that could reduce pesticide use and make crops more drought-resistant and nutritious. Critics say it is no different to GMO and could damage fragile ecosystems and affect people's health.

Cesar Gonzalez of Brussels-based Euroseeds, an association representing European seed businesses, said the failure to reach a consensus would imply a delay of at least a year in approving any legislation since the EU's rotating presidency will be led by Hungary and Poland, both of which oppose the legislation.

In the meantime, the EU may struggle to identify imported products developed using NGT because they won't have foreign DNA that can be used to identify them.

"It's a disadvantage for those here and an advantage for the others," Gonzalez said.

Top News - Metals

EXCLUSIVE- Codelco copper output falls behind target in May, document shows

Chile's state mining giant Codelco, one of the world's largest copper producers, fell further behind its production target in May, an internal document obtained by Reuters showed, underscoring the challenge to revive output at a 25-year low.

The mining firm, which has yet to publicly release data for May, produced 103,100 metric tons of the red metal in the month, some 8.6% below its target of 112,800 tons, the previously unreported June document revealed.

The firm produced 484,500 tons of copper in the first five months of the year, 6.1% off its target, the document showed.

Codelco, which is battling hard to revive production, did not immediately respond to a request for comment.

Codelco, which posted production in April below 100,000 tons for the first time in at least 18 years, has been hit by a deadly accident at its Radomiro Tomic in March, which led to a stoppage at the site amid the investigation of the incident.

The company's CEO has pledged that it will boost output this year after its worst performance in around a quarter of a century in 2023, affected by delay to major projects.

The company has shaken up its leadership in recent months.

It is also pushing ahead with its new Rajo Inca project to extend the life of its small Salvador division and plans to begin partial operation of an expansion of its El Teniente underground mine in October-December this year.

INSIGHT- In race to regain rare earth glory, Europe falls short on mineral goals

Four decades ago, a rare earth processing plant on France's Atlantic coast was one of the largest in the world, churning out materials used to make colour televisions, arc lights and camera lenses.

Its current owner Solvay is racing to return the plant at La Rochelle to its former glory after years of diminished output as Europe seeks to boost production of the minerals fuelling the green energy transition.

The factory's 76-year history is a microcosm of the challenges Europe and the United States face as they seek to reverse massive migration of rare earth processing to China that took place around 25 years ago.

China became dominant in rare earths, a group of 17 minerals, by producing them at lower prices than the West, helped by government support, and often ignoring environmental concerns in a sector that can create toxic waste.

In recent years, China has beefed up sustainability and closed polluting operations.

In the 1980s and 1990s, output from the plant at La Rochelle set the benchmark for global rare earth prices. It now supplies 4,000 metric tons a year of separated rare earth oxides, a fraction of the 298,000 tons pumped out by China last year.
Moreover, Solvay's modest output is focused on the kind of processed rare earths used for auto catalysts and electronics, not the kind needed for permanent magnets used in electric vehicles (EVs) and wind energy. Solvay says it will start producing those by next year.
"We at Solvay want to put rare earths for permanent magnets back on the map in Europe," said An Nuyttens, president of Solvay's division that produces rare earth products.
"It's not an easy one, it's going to be step by step, as the chain from mining up to magnets production needs to be built."
Eventually, the 160-year-old chemicals group aims to supply 20% to 30% of the separated rare earths demand for magnet production in Europe, but Nuyttens said meeting that target may not be possible until after 2030, giving no date.
Under a new EU law that entered into force in May, the bloc has set ambitious 2030 targets for domestic production of critical minerals required for its green transition - 10% of annual needs mined, 25% recycled and 40% processed domestically by the end of the decade.
The bloc has zeroed in on rare earths as one of the most important critical minerals due to their use in permanent magnets that power motors in EVs and wind energy. EU demand is forecast to soar sixfold in the decade to 2030 and sevenfold by 2050.
The EU will struggle, however, to meet most of the goals in rare earths, according to production forecasts gathered by Reuters and interviews with over a dozen industry executives, consultants, EU-funded officials, industry groups and investors.
Missing targets in the Critical Raw Material Act (CRMA) may impact the bloc's zero carbon goals while opening the prospect of further dependence on China amid heightened geopolitical tension with the West, analysts say. China accounts for 98% of EU rare earth permanent magnet imports.
EU Commission spokesperson Johanna Bernsel said they could not confirm the Reuters findings, but said the bloc would do its best to promote projects that help meet the goals in the CRMA.
"Projects in Europe will benefit from a streamlined permitting process, as well as coordinated support for accessing de-risking financing tools and matchmaking with downstream users," Bernsel said.

MARKET MONITOR as of 06:38 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$80.79 / bbl	-0.14%	12.76%
NYMEX RBOB Gasoline	$2.53 / gallon	0.11%	19.99%
ICE Gas Oil	$789.00 / tonne	0.96%	5.09%
NYMEX Natural Gas	$2.76 / mmBtu	4.91%	9.67%
Spot Gold	$2,301.07 / ounce	0.14%	11.56%
TRPC coal API 2 / Dec, 24	$118.25 / tonne	-1.05%	21.91%
Carbon ECX EUA	€67.08 / tonne	0.22%	-16.54%
Dutch gas day-ahead (Pre. close)	€33.55 / Mwh	-3.06%	5.34%
CBOT Corn	$4.24 / bushel	-0.35%	-12.40%
CBOT Wheat	$5.63 / bushel	0.40%	-12.00%
Malaysia Palm Oil (3M)	RM3,869 / tonne	-0.26%	3.98%
Index	**Close 26 Jun**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	341.67	-0.25%	13.36%
Rogers International	28.95	-0.29%	9.97%
U.S. Stocks - Dow	39,127.80	0.04%	3.82%
U.S. Dollar Index	105.89	-0.15%	4.50%
U.S. Bond Index (DJ)	430.98	-0.79%	0.06%

WINDOW CLOSING FAST

There are three main steps in the rare earth supply chain before permanent magnets can be produced -- mining, separating elements and producing metals/alloys (the latter two both come under the processing target).

Reuters compiled production forecasts from companies and compared those with a demand forecast in a report by two EU-funded bodies to assess how the bloc is faring compared to its goals.

According to the Reuters analysis, the EU is due to have only scant output from rare earth mines by 2030; and there is similarly only one project in the metals and alloys sector, which is low margin.

The bloc, however, is likely to meet one target in its most advanced area, separation, producing 45% of needs by 2030.

The final stage of the supply chain - producing magnets from the metals - is not covered by the targets in the new law since they are a finished product, but EU output is expected to meet only 22% of expected demand by 2030, according to the Reuters analysis.

Obstacles to boosting EU rare earths output include public opposition to new mines, wary support by European industry which benefits from cheap Chinese imports, limited funding, uncertain demand as EV sales growth falters and weak prices for the metals.

"The window between now and 2030 is going to close very quickly in the context of how long it takes to get some of these projects and processing facilities off the ground," said Ryan Castilloux at consultancy Adamas Intelligence, which specialises in critical minerals.

Failing to include magnets in the CRMA targets is a "blindspot" and sets up the law to generate "false-positive" results, he added.

The EU spokesperson did not comment directly on that criticism, but noted that CRMA includes several measures to increase recycling.

MINING ON ICE

The European continent has rich rare earth deposits, but there is currently no mining of them. That is unlikely to change in the near term with some projects stalled due to public opposition.

The only likely output in the EU by 2030 is re-processing waste from Sweden's LKAB iron ore mines, which would contribute about 1% of the EU's demand for oxides needed for magnets, based on the Reuters analysis.

Southern Sweden's Norra Karr project, which could supply a large portion of the region's demand, has been held up for 10 years in the government's permitting process and there has also been opposition by environmentalists who say it could pollute drinking water.

An executive of the project's owner, Leading Edge Materials, said a new application for a mining lease is underway for a redesigned project, but offered no timeline for starting production.

The Swedish government did not immediately respond to a Reuters request for comment.

The company plans to apply for the project to be declared strategic under the CRMA, which in theory would make possible fast-track permitting in 27 months.

Another rare earths mining project, Sokli in Finland, also aims to be named a strategic project, but it still has to go through environmental impact assessment and permitting.

"It's not realistic to have it commissioned before 2030," said Matti Hietanen, CEO of the project's owner, state-owned Finnish Minerals Group.

Non-EU-member Norway could contribute 10% of the bloc's demand by 2031, according to private company Rare Earths Norway, which said this month it has Europe's biggest rare earth deposit.

A slide in rare earth prices is also dampening prospects for new mining projects.

"At current price levels, most mines are just not profitable, so there must be support from governments and automakers," said Daan De Jonge at consultancy Benchmark Mineral Intelligence in London.

EU companies are also gearing up to take advantage of the huge potential for recycling to supply critical rare earths, but it will take time before there is enough supply of old EVs and wind turbines to process.

INTEGRATING THE SUPPLY CHAIN

Other industry executives echoed Solvay's uncertainty about ramping up output by 2030, with several telling Reuters they could not commit to launching or raising production by then.

Some of the wariness is due to sales demand for electric cars cooling in recent months after rising dramatically for several years, as consumers wait for more affordable models to hit the market. European EV sales fell 9% in May.

Another challenge for Europe is competing with cheaper imports from China, which has a highly integrated rare earths supply chain including state-owned firms from mining to finished magnets.

Some of the key European rare earth firms have long had operations in China or joint ventures with firms there and are using that expertise to help boost their new EU ventures.

One of those is Neo Performance Materials. It has a plant for separating rare earths in Estonia plus operations in other countries including China.

It is also building a permanent magnet factory in Estonia, which is due to launch output next year and ramp up to 2,000 tons annual capacity over the following two to three years, enough magnets to power about 1.5 million EVs.

Expansion will depend on whether customers support the Critical Raw Material Act targets.

"If they're going to buy 40% of their processed material here, we will absolutely support that demand with production capabilities in Europe," said CEO Rahim Suleman.

While competing with China is tough, Neo estimates it can produce magnets that would cost about $50 per vehicle more than imported magnets from China. The permanent magnets in hybrid and EV motors cost more than $300 per vehicle or up to half the cost of the motor, analysts say.

GKN Powder Metallurgy has launched small-scale production of permanent magnets at a plant in Germany and is gearing up to build a larger commercial facility based on demand.

Magneti Ljubljana in Slovenia, founded in 1951, aims to expand output, but this depends on customers agreeing to purchase products that are more expensive than Chinese imports to diversify their supply and in some cases boost sustainability.

"I've been working in this factory since 1986 and during that time, 27 factories in Europe closed down the production of magnets because of the price," Managing Director Albert Erman said.

Top News - Carbon & Power

FOCUS-BP halts hiring, slows renewables roll-out to win over investors

BP's new CEO Murray Auchincloss has imposed a hiring freeze and paused new offshore wind projects as he places a renewed emphasis on oil and gas amid investor discontent over its energy transition strategy, sources at the company said.

The moves, which have not previously been reported, are part of a decision by Auchincloss to slow down investments in big budget, low-carbon projects, particularly in offshore wind, that are not expected to generate cash for years, said several sources at BP who declined to be named.

They mark a stark reversal from the direction the CEO's predecessor Bernard Looney took to rapidly move away from fossil fuels. This has weighed on BP's shares as returns from renewables shrank, while profits from oil and gas soared in the wake of the COVID-19 pandemic and Russia's invasion of Ukraine.

BP has reassigned dozens of people tasked with identifying new renewables opportunities to projects already underway such as offshore wind in Britain and Germany, three sources said.

Auchincloss and Chief Financial Officer Kate Thomson have prioritised investing in and even acquiring new oil and gas assets, particularly in the Gulf of Mexico and in the U.S. onshore shale basins, where BP already has large operations, company sources briefed on the matter said.

BP will also consider investing in biofuels and some low-carbon businesses that can generate returns in the short term. Earlier this week, BP agreed to buy grain trader Bunge's 50% stake in Brazilian sugar and ethanol joint venture BP Bunge Bioenergia for $1.4 billion

It is also expected to make some job cuts in renewables, although no specific targets have been given, the sources said, adding that BP has imposed a company-wide hiring freeze, with only a few exceptions including frontline and safety personnel.

Auchincloss has promised a pragmatic approach since taking over in January, four months after Looney resigned for failing to disclose relationships with employees.

In May Auchincloss announced a $2 billion cost saving drive by the end of 2026 relative to 2023. The 53-year-old also cut his executive leadership team from 11 to 10 members.

BP said in a statement to Reuters that Auchincloss introduced six priorities "to deliver as a simpler, more focused and higher value company".

The priorities include focusing the business and delivering "the next wave of efficiencies and BP's growth projects".

"The actions we are taking are part of delivering this - and of course are all in service of our aim of growing the value of BP," it said.

BP's most high profile external hire under Looney was Anja-Isabel Dotzenrath, a former head of RWE Renewables who joined in 2022 to lead its renewables and gas division but stepped down for personal reasons in April.

Her successor, veteran BP executive William Lin, is expected to put a greater focus on gas operations when he takes over in the coming months, two sources said.

Shares in BP have underperformed rivals in recent months, raising speculation that it could be a takeover target.

That has piled pressure on Auchincloss as he seeks to reassure investors who are juggling the need to decarbonise the global economy with rising near-term demand for fossil fuels.

BP spent $2.5 billion on renewables, hydrogen, EV charging and biofuels in 2023, out of a total capex of $16 billion.

BACK TO BLACK

BP is the only major oil company to have oil and gas output reduction targets. Shell last year shifted its strategy to focus on high-return business, scaling back investments in many renewables and low-carbon energy

businesses.
In February 2023, BP slowed its cornerstone pledge to cut oil and gas output between 2019 and 2030 from 40% to 25%. It kept its 2030 renewables targets, including the development of 10 gigwatt of installed capacity.
Auchincloss last month further softened the language on the 2030 target.
In another sign of change, BP has hired several new staff to its exploration team, headed by Bryan Ritchie since May, as it tries to replenish its reserves in order to sustain and even grow output.
BP is also allocating more capital and workforce to developing new fields such as the Kaskida, Tiber and Gila discoveries in the Gulf of Mexico.
In recent weeks it also overhauled its mergers and acquisitions division by combining it with the business development division under Sam Skerry, three sources said.
Last October BP said it had 18 billion of barrels of oil and gas equivalent in resources which represent 20 years of its current production that could be developed to sustain its 2022 production level within its returns target.

EU drafts plan to avoid disputes over green energy mega-projects
The European Union will set out how its member countries should jointly develop major renewable energy projects, in a bid to avoid projects being delayed by disputes over splitting the bill, a document seen by Reuters showed.
As Europe's shift to low-carbon energy gathers pace, countries are planning major new wind farms and other off-shore energy projects that will link to multiple nations.
How governments and companies in these countries split the bill for such projects is an open question, and Brussels is concerned that disputes over who should pay could hamper the build-out of these major new green energy hubs.
"We don't underestimate the potential for conflicts, disputes and delay in projects of this complexity," a senior EU official said.
Draft European Commission guidelines, due to be published this week and seen by Reuters, will provide a basis for governments to negotiate deals on these major offshore renewable energy projects.
For example, countries should consider skimming off a share of these congestion revenues and putting the cash in a fund that could invest in future renewable energy projects benefiting multiple countries in the region, the draft said.
Such a scheme "would address investment gaps persistently difficult to fill", for major cross-border energy projects, the draft said.
Other ways to cover financing gaps could include "statistical transfer" deals in which one country invests in a renewable project in another country, in exchange for receiving credits that the investing country can count towards meeting its renewable energy goals, the draft said.
Belgium and France are currently at odds over a major new wind farm planned off the coast of Dunkirk, which Belgium wants moved to a different site.
Countries could also explore new ways to jointly own such projects, including by launching new offshore power transmission entities to develop offshore power grid projects linked to multiple countries, the draft said.
It also urged countries to decide early how to share congestion income that a project will eventually generate - and consider splitting this based not only on the split in ownership of the project, but also the cost of operating it.

Top News - Dry Freight

Algeria buys wheat in tender for shipment to 2 ports, traders say
Algeria’s state grains agency OAIC is believed to have bought about 130,000 to 150,000 metric tons of milling wheat in an international tender on Wednesday which sought limited shipment to two ports only, European traders said.
Purchases reported were around $248 to $250 a metric ton cost and freight (c&f) included, they said.
The wheat was optional origin was thought likely to be sourced from the Black Sea region including Russia, Ukraine, Romania and Bulgaria.
The requirement in the tender to unload the wheat only in the harbours of Mostaganem and/or Tenes in two port tenders from the OAIC generally signals that a relatively small purchase will be made, traders said.
The wheat was sought for shipment in several periods from the main supply regions including Europe: Aug. 1-15, Aug. 16-31, Sept. 1-15, Sept. 16-30, Oct. 1-15 and Oct. 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.
Results reflect assessments from traders and further estimates of prices and volumes are still possible later.

Jordan makes no purchase in barley tender, launches new one

Jordan's state grain buyer is believed to have made no purchase in an international tender for 120,000 metric tons of animal feed barley which closed on Wednesday, European traders said.

A new tender has been issued closing on July 3, they said. Shipment in the tender was sought in a series of possible combinations in 50,000 to 60,000 ton consignments. Possible shipment combinations were between Aug. 1-15, Aug. 16-31, Sept. 1-15 and Sept. 16-30, they said.

Picture of the Day

An Israeli navy patrol boat sails in front of Ashkelon power plant, amid the ongoing conflict between Israel and Hamas, near the Gaza coast, June 25. REUTERS/Amir Cohen

(Inside Commodities is compiled by Shoubhik Ghosh in Bengaluru)

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

To subscribe to Inside Commodities newsletter, **click here**.

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

Please visit: **LSEG** for more information

Privacy statement