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Top News - Oil

COLUMN-Is oil market's glass half full or half empty?: Kemp

Global petroleum prices appear reasonable given the level of inventories – to the frustration of the producers who would like them to be significantly higher.
Commercial inventories of crude oil and refined products in the OECD advanced economies were around 2,842 million barrels at the end of May, according to the U.S. Energy Information Administration (EIA).
Commercial inventories were just -35 million barrels (-1% or -0.19 standard deviations) below the prior 10-year seasonal average ("Short-term energy outlook", EIA, June 6).
Given stocks almost exactly in line with the long-term seasonal average, it is unsurprising spot prices and calendar spreads were also close to average. Front-month Brent futures prices ended May at $73 per barrel, which was in the 40th percentile for all trading days since the start of the century, once adjusted for inflation. While the real price was a little low, it was not obviously mispriced or significantly below the long-term median price of $81.
Brent's six-month calendar spread was trading in a backwardation of $1.31 per barrel, in the 54th percentile for all trading days since the start of the century.
The spread was slightly high, but again not obviously mispriced, or significantly above the long-term median of a backwardation of 98 cents.
There are no comprehensive estimates for OECD inventories in June as yet. But since the end of May, spot prices have been steady, spreads have weakened slightly, and oil stocks in the United States have been stable, all of which is consistent with a market close to balance.
Looking forward, production cuts by Saudi Arabia and its allies in OPEC+, as well as the declining oil and gas rig counts in the United States, are likely to deplete inventories later in 2023 and into 2024.
Working in the other direction, however, are high exports from Russia, Venezuela and Iran; rising interest rates and slowing economies in North America and Europe; and a sluggish post-pandemic recovery in China.
For all the powerful rhetoric from bulls and bears, including some producers and investors, the market remains in a glass half-full, half-empty condition, depending on your perspective.

Environmental groups ask Norwegian court to halt three oil developments

Environmental groups said on Thursday they were demanding an immediate halt to the ongoing development of three Norwegian offshore oilfields, seeking a court injunction against the government.
Greenpeace and Nature and Youth said they had asked the Oslo District Court to put on hold Equinor's Breidablikk and Aker BP's Yggdrasil and Tyrving fields, arguing the government had failed to assess their climate impact.
"Their recent approvals violate the Norwegian constitution and Norway's international human rights commitments, as well as the United Nations Convention on the Rights of the Child," the two environmental groups said in a statement. The Norwegian energy ministry said it was confident the relevant approvals did not violate the law and that direct and indirect emissions resulting from individual field developments had been considered.
"Still, it's the right of environmental organisations to try this before the court," State Secretary Andreas Bjelland Eriksen said in a statement to Reuters. Equinor and Aker BP did not respond immediately to requests for comment.
Norway is western Europe's largest oil producing nation and the biggest supplier of natural gas to Europe, and the government says its petroleum resources are vital to the continent's energy security.
Greenpeace and Nature and Youth have long sought to get the courts to intervene against Norway's oil and gas production, particularly in the Arctic region, but the Supreme Court in 2020 dismissed a major lawsuit. In its ruling, the Supreme Court said, however, that the government was obliged to assess global impacts on the environment from field developments, which green campaigners saw as a positive step. The global impact assessments for Yggdrasil, Tyrving and Breidablikk were "either non-existent or highly inadequate, rendering the approvals invalid", Greenpeace and Nature and Youth said on Thursday.
"The organisations demand that the development cease until the court has assessed the legal basis," they added.
Breidablikk was approved for development in 2021 and is due to come on stream next year, while Tyrving and Yggdrasil received approvals earlier this month with plans for startups in 2025 and 2027 respectively, according to the operators. Norway on Wednesday approved the development of another 19 oil and gas fields, with investments in the coming years set to exceed 200 billion Norwegian crowns ($18.5 billion).

Top News - Agriculture

Argentina expects major recovery for current wheat harvest

Argentina's wheat harvest for the 2023/2024 season is estimated at 18 million-19 million metric tons, according to a government forecast issued on Thursday, up by about half compared to the previous drought-stricken harvest.

The wheat harvest during the previous 2022/2023 crop totaled just 12.6 million metric tons.

The South American agricultural powerhouse is the world's largest exporter of processed soybeans as well as a major corn and wheat supplier, but last season's yields were sharply trimmed by a historic drought.

Argentine farmers began sowing new wheat fields in recent weeks, which will be harvested mainly between December and January.

Argentina's agriculture secretariat estimates that the 2023/2024 wheat planting area will total some 6.1 million hectares, in line with the area forecast by the Buenos Aires grains exchange.

The exchange on Thursday slightly cut its estimate for the wheat planting area to 6.0 million hectares from 6.1 million hectares previously forecast.

Recent rains helped to reverse the parched weather conditions in most areas, but others have suffered from a lack of rainfall in recent weeks.

The grains exchange in its weekly report said that the lack of humidity over the center-west of Argentina's key agricultural region, especially in the south of Cordoba province and north of La Pampa province, does not allow farmers to meet their original planting plans.

The completed 2022/2023 soybean crop, meanwhile, yielded 21 million metric tons, according to the grains exchange, or less than half the 43.3 million metric tons harvested in the previous cycle.

The exchange added that 48.5% of the 2022/2023 corn harvest has been collected, while the total production of the grain is estimated at 34 million metric tons.

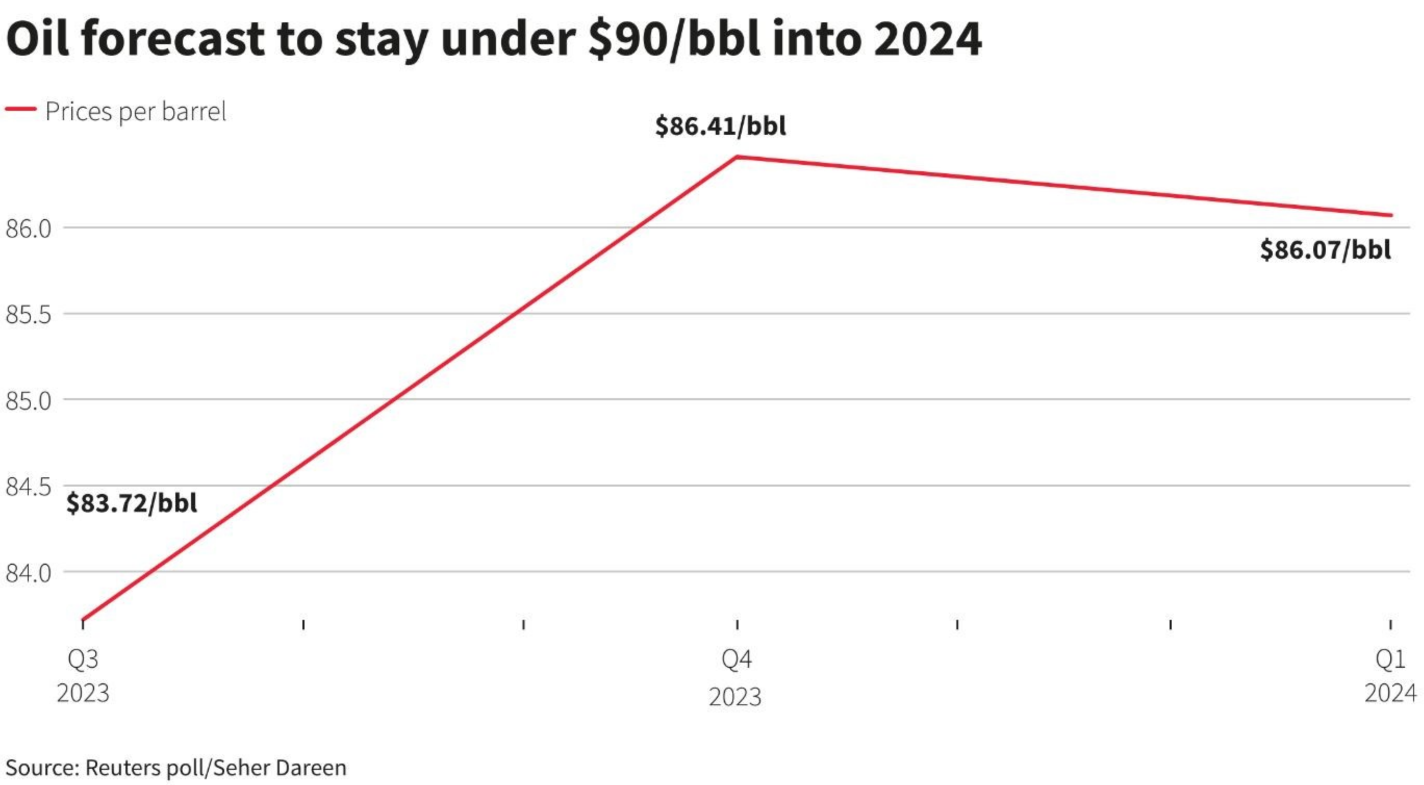
US Midwest drought expands, but forecast rains offer relief to crops

The most intense drought to hit the U.S. Midwest farm belt since 2012 deepened over the past week, sapping soil moisture and threatening crop yield potential in the heaviest corn and soybean production areas of the United States.

But a series of rain storms forecast over the next two weeks in the southern and central Midwest could help stabilize or improve crop conditions that have been eroding for weeks and recharge soil moisture just ahead of the corn crop's critical pollination period in late July.

The improving weather outlook triggered steep breaks in corn and soybean markets this week after concerns about

Chart of the Day



the dry start to the U.S. summer crop season had rallied prices to multi-month highs last week.
However, drought conditions worsened in the heaviest crop production areas of the Midwest over the past week. Weekly drought Monitor data showed 65% of the region in moderate drought or worse as of June 27, up from 58% a week earlier and the broadest area since 2012.
More than 89% of Iowa, the top corn and No. 2 soybean state, and nearly 93% of Illinois, the largest soy grower and second-largest corn producer, were under moderate drought or worse.
"Right now about 45% of the corn and soy belt is where the main concerns are, and it's right through the heart of the belt." said Joe Woznicki, meteorologist at Commodity Weather Group.
A series of rain systems beginning this weekend will likely benefit crops, particularly in central and southern areas of the Midwest, he said.
"After the next two weeks, the main portions of the belt that are going to remain too dry would be southeast Minnesota, Wisconsin, northeast Iowa, Michigan and Missouri, or about a quarter of the belt," Woznicki said.
Conditions varied over the past week in the High Plains, with the drought worsening in eastern Nebraska and Kansas but improving in western Nebraska and the Dakotas, Drought Monitor data showed.

Top News - Metals

NSW regulator says Newcrest's Cadia mine has taken steps to reduce dust pollution
Newcrest Mining Ltd's Cadia mine in Australia's New South Wales (NSW) has adjusted its operations to significantly reduce production of dust, the state's Environment Protection Authority (EPA) said on Friday.
Cadia, Newcrest flagship goldmine, has been under investigation by the EPA after testing of residential rainwater tanks identified heavy metal contamination.
Further testing of kitchen taps by the state's health ministry had found the water met guidelines.
Newcrest is currently the subject of a A$26.2 billion ($17.33 billion) takeover offer from Newmont Corp.
Last week, the EPA demanded that Cadia take immediate action to address "unacceptable level of dust" emanating from the mine's main vent, or risk appropriate action, which could include a suspension of its license and court orders.
"We required immediate action from Newcrest's Cadia mine and they have responded with significant changes but there is still more work to be done," said EPA Chief Executive Officer Tony Chappel.
As part of its ongoing investigations and monitoring of the Cadia mine, an independent panel of experts has been appointed by the NSW EPA to provide advice, the EPA said.
"Panel members will provide advice on sampling, testing and monitoring to understand the extent, impact and potential of pollutants making their way into the Cadia Valley community," Chappel said.

Fixing deep-sea mining damage would be double the cost of extraction -study
Extracting minerals from the ocean floor could negatively impact biodiversity on a scale of up to 25 times greater than land-based mining, and fixing the damage would cost twice as much as extraction, a new report said on Thursday.
A search for alternatives to fossil fuels has driven demand for materials that go into batteries, some of which can be found on the seabed where ecosystems have yet to be fully explored.
Deep-sea mining would extract cobalt, copper, nickel, and manganese from potato-sized nodules which pepper the sea floor at depths of 4-6 kilometres. The nodules are an essential habitat for many species.
The total biosphere impacted by this mining in international waters alone would be up to 75 million cubic kilometres, a greater volume than all the freshwater in the world, according to the report by non-profit Planet Tracker.
"Sadly, the nodules... take millions of years to form," said François Mosnier, head of Oceans Programme at Planet Tracker, which warned resulting biodiversity loss could be permanent.
Advocates say deep sea ecosystem restoration, such as installing artificial clay nodules to replace those lost, could mitigate these impacts.
But this would cost between $5.3 - $5.7 million per square kilometre, compared with $2.7 million price per square kilometre to mine them, according to the report.
Seabed mining in international waters cannot start until the International Seabed Authority (ISA), a Jamaica-based U.N. body, decides on regulations expected by July.
Several countries, including Germany, and companies, such as Google, AB Volvo Group, and Samsung SDI are calling for a moratorium on the start of the practice.
Others are supporting it. Norway in June proposed opening parts of its extended continental shelf in the North Atlantic for mineral exploration.
"Any deep sea activity is hugely expensive. In Norway, we're also talking the High Arctic. You have ice sheets floating around... really difficult weather conditions... there is a huge issue about the technological development and the funding needed for that," said Kaja Loenne Fjaertoft a senior advisor at Sustainable Oceans with the World Wide Fund for Nature (WWF).

Top News - Carbon & Power

EU countries eye tighter subsidies in hunt for energy market deal – draft

European Union countries are considering stricter limits on state aid for power plants in an upcoming revamp of Europe's electricity market, after disagreements between Germany and France over the issue sunk a deal last week.

EU energy ministers failed to agree the reforms last week, after countries including Germany, Austria and Luxembourg opposed plans to grant fixed-price power contracts with the state to existing power plants, which they said could distort the EU market by giving some states a competitive edge.

EU diplomats said the concerns centred around the potential use of these subsidies for French nuclear plants.

France, which had supported the subsidy proposal, has pushed in recent talks on various EU laws for more favourable treatment of low-carbon nuclear energy, which it says is crucial to meet climate goals.

A new compromise proposal, seen by Reuters, said countries could offer the subsidies to only those existing plants where a substantial investment was made covering at least 50% of the plant's value and prolonging its lifespan by a decade or more.

The proposal by Sweden, which holds the EU's rotating presidency until Saturday and is racing to reach a deal before then, also added conditions to avoid "overcompensation" of these plants.

EU countries' ambassadors will debate the proposal on Friday.

The planned electricity market reform aims to make Europe's power prices more stable, and avoid a repeat of last year's energy crisis, when record-high gas prices left consumers with soaring bills.

Countries had also clashed over a late proposal to let countries extend coal power subsidies under the reform, which some capitals warned would undermine Europe's efforts to fight climate change.

Poland, which could prolong its capacity mechanism support scheme for coal plants beyond 2025 under the proposal, said it was needed for energy security.

The latest draft would still allow countries extend coal subsidies until 2028, but added conditions including that they assessed the impact on CO2-cutting targets.

Once they agree to a common position, countries must negotiate the final power market reforms with the EU Parliament.

MARKET MONITOR as of 06:32 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$69.91 / bbl	0.07%	-12.90%
NYMEX RBOB Gasoline	$2.50 / gallon	-0.12%	0.89%
ICE Gas Oil	$706.75 / tonne	1.54%	-23.26%
NYMEX Natural Gas	$2.69 / mmBtu	-0.56%	-39.98%
Spot Gold	$1,904.77 / ounce	-0.18%	4.41%
TRPC coal API 2 / Dec, 23	$115.88 / tonne	-1.80%	-37.28%
Carbon ECX EUA / Dec, 23	€88.16 / tonne	0.31%	4.99%
Dutch gas day-ahead (Pre. close)	€34.45 / Mwh	-0.52%	-54.41%
CBOT Corn	$5.30 / bushel	1.24%	-21.83%
CBOT Wheat	$6.78 / bushel	1.54%	-16.43%
Malaysia Palm Oil (3M)	RM3,809 / tonne	1.44%	-8.74%
Index (Total Return)	**Close 29 Jun**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	288.07	-0.04%	-4.40%
Rogers International	25.75	-0.43%	-10.19%
U.S. Stocks - Dow	34,122.42	0.80%	2.94%
U.S. Dollar Index	103.34	0.42%	-0.17%
U.S. Bond Index (DJ)	407.17	-0.70%	4.48%

Rise in solar provides a ray of hope for Dutch green goals

A pandemic push and a subsidy surge have transformed the Netherlands from renewable energy laggard to Europe's leading per capita user of solar panels, putting it on course to meet green goals after years of struggling.
While it faces growing infrastructure challenges to maintain the momentum, in May more than half of Dutch electricity and 20% of national energy was supplied by renewable sources. Both were firsts.
Compare that with 7.4% in 2018, when the country was the worst performer in Europe behind Malta, Eurostat figures show.
It missed 2020 goals but is on track to hit renewable and emission targets for 2030.
One reason is a government-led build out of wind turbine farms in the North Sea, the kind of large-scale engineering the Dutch are famed for. The bigger surprise was a tripling of solar energy during the COVID-19 pandemic, much of it on rooftops and farms.
"I think a lot of people are surprised by the fact that this country, famous for paintings of clouds, is actually now a solar leader," Energy Minister Rob Jetten told Reuters in an interview, underlining that the country has challenges ahead.
Subsidies include a generous "net metering" system, which means users can deduct what they feed into the grid from their electricity usage.
Home-owner Linda Balk installed eight solar panels in 2021 on her roof in the southern Dutch town of Sint-Oedenrode and said the money she has saved on her energy bill has made a "huge difference" - especially when prices spiked following Russia's 2022 invasion of Ukraine.

BOTTLENECKS

But a major issue is adapting electrical grids. Grid company TenneT has said it will spend on infrastructure in the coming decade, but more international interconnections are needed and project connections face unpredictable waits.
The Netherlands still trails China, the U.S., Germany and Spain in overall solar generation, but it entered the global top 10 in 2022, according to industry body SolarPower Europe, adding 4.1GW for a total of 18GW capacity.
That makes the Dutch first in Europe and number two globally, behind Australia in solar capacity per person, as better, cheaper panels are driving the adoption of solar energy worldwide.
Martien Visser, a lecturer at Hanze University of Applied Sciences who collects and publishes data on the Dutch energy transition, said the subsidies behind the boom will become less generous. The net metering system will be gradually replaced by compensation based on spot prices - which are falling, sometimes to zero, during sunny hours, leading to some solar capacity being shut in.
Another pillar of Dutch renewable success has been North Sea wind, with 3.2 GW total in 2022 - and around 2GW being added annually for the coming decade. A 750MW farm came online last week.
SolarPower Europe forecasts the Netherlands will also install around 4GW of solar annually through 2028.
With one gigawatt enough to supply roughly a million households with electricity, the country may have a surplus of green electricity - but most infrastructure relies on natural gas and oil for heating, transport and industrial needs.
Apart from grid improvements, batteries, hydrogen and other ways to store electricity are urgently needed.
"Although there are a lot of projects on the drawing board, so far, hardly anything has been built," Visser said.

Top News - Dry Freight

South Korea’s NOFI buys estimated 68,000 metric tons corn in tender

Leading South Korean animal feed maker Nonghyup Feed Inc. (NOFI) has bought an estimated 68,000 metric tons of animal feed corn in an international tender for up to 138,000 tonnes on Thursday, European traders said.
It was expected to be sourced from either South America or South Africa.
It was bought at the estimated outright price of $249.99 a metric ton c&f plus a $1.50 a tonne surcharge for additional port unloading for Nov. 10 arrival in South Korea.
Seller was believed to be trading house Olam.
The tender had sought shipment from South America for Sept. 12-Oct. 1 or from South Africa for Sept. 22-Oct. 11.
If South African corn is shipped for the purchase, only 52,000 metric tons need be supplied.
No purchase was reported of a second consignment of up to 69,000 metric tons also sought by NOFI for arrival in South Korea around Nov. 20.
Traders said Asian import interest was sparked after U.S. corn futures fell over 4% on Wednesday, pressured by forecasts for beneficial rains in the Midwest where crops have struggled with dryness.

Brazil to buy 500,000 tons of corn as it rebuilds food stocks

Brazil's government is set to buy 500,000 metric tons of corn as it looks to start rebuilding public food stocks, fulfilling one of President Luiz Inacio Lula da Silva's campaign pledges, the head of food agency Conab said on Thursday.
Confab President Edegar Pretto told reporters the initial move would cost public coffers about 350 million reais

($72 million), and said the government may return to the market by the end of the year for additional purchases.
The Lula administration sees shoring up government food stocks as a way of easing prices when supplies are low or of helping farmers when they are selling below the legally required minimum.
Brazil's public food stocks reached all-time highs between 2009 and 2010, during Lula's first stint in office, when they totaled more than 4 million metric tons.
The government policy of buying food for storage, however, was later abandoned and public stocks are now practically non-existent.
"By the end of the year we might make another round of purchases of corn or another product. We are closely watching prices," Pretto said. Farmers are grappling with low corn prices as Brazil harvests a bumper crop.
Agriculture Minister Carlos Favaro made the announcement alongside Pretto and defended the plans to resume stocking up on products such as corn, rice and beans as public policy rather than market intervention.
He said the plan would not incur financial losses as the government would be able to buy low and sell high, and said having food in storage would help alleviate inflationary pressures if prices spike.
"The government is working to support farmers and make sure citizens do not buy expensive food," Favaro said.
Brazil is the world's largest exporter of corn and soybeans.

Picture of the Day

Solar panels on roofs of houses are seen in Nijmegen, Netherlands June 28, 2023. REUTERS/Piroschka van de Wouw

(Inside Commodities is compiled by Sreshtha Uniyal in Bengaluru)

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

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Refinitiv
28 Liberty Street, New York, NY 10005

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