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Top News - Oil

US crude stocks, gasoline and distillate inventories fall – EIA

U.S. crude stocks plunged by much more than expected last week as refining and export activity increased, while gasoline and distillate inventories also fell, the Energy Information Administration said on Wednesday.

Crude inventories fell by 12.2 million barrels to 448.5 million barrels in the week ending June 28, the EIA said, compared with analysts' expectations in a Reuters poll for a 680,000-barrel draw.

"Strong exports, a slight drop in imports, and a rebound in refinery runs colluded to draw crude inventories," said Kpler oil analyst Matt Smith.

"Both gasoline and distillates also showed draws despite higher refinery runs, with implied demand higher for both—particularly for gasoline—as gas stations stocked up ahead of the Independence Day holiday weekend," Smith said. Refinery crude runs were up by 260,000 barrels per day, the EIA said, while refiners' utilization rates rose by 1.3 percentage points.

Despite the drawdowns, oil prices were little changed, with trading muted ahead of the July 4th holiday and as some investors doubted the market had more room for gains. "Based on the reaction, it seems to look as the market believes it (the report) was a one-off," said UBS analyst Giovanni Staunovo. "We need to see ongoing similar reports to see oil prices moving higher."

Market participants were also concerned about an increase in barrels from the Organization of the Petroleum Exporting Countries, Growmark Energy said in a note.

U.S. gasoline stocks fell by 2.2 million barrels in the week to 231.7 million barrels, the EIA said, compared with analysts' expectations in a Reuters poll for a 1.3 million-barrel draw.

Distillate stockpiles, which include diesel and heating oil, fell by 1.5 million barrels in the week to 119.7 million barrels, versus expectations for a 1.2 million-barrel drop, the EIA data showed.

Crude stocks at the Cushing, Oklahoma, delivery hub, meanwhile, gained 345,000 barrels on the week, the EIA said.

Russian oil and gas revenue soars 41% in first half, data shows

Proceeds from oil and gas sales for Russia's federal budget rose by around 41% year on year in the first half of the year 5.698 trillion roubles ($65.12 billion), finance ministry data showed on Wednesday, due to rising oil prices and the weaker rouble.

Oil and gas 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.

During the first half of the year, the price of Russian flagship oil Urals blend averaged at $69.1 per barrel, above the Western-imposed price cap of $60, up from 52.5$ in the same period 2023.

At the same time, the rouble rate weakened to 90.8 per $1 for the period from 76.9 in January - June 2023.

Oil and gas revenue was down from 794 billion roubles in May and comparing to Reuters forecast of 814 billion roubles.

Proceeds from the mineral extraction tax (MET) rose in June to more than 1 trillion roubles from 631.6 billion roubles in the same month of 2023, according to finance ministry. The data also showed that payments to refineries under the "damping mechanism" - introduced to stop companies from capitalizing on high fuel export prices and defend the domestic market - reached 158.1 billion roubles last month, down from 201.7 billion roubles in May and 78.6 billion roubles in June 2023.

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.

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).

Top News - Agriculture

Brazil corn exports gather pace as soy season loses momentum

Brazilian corn exports for July were estimated at 3.4 million metric tons, a 2.4 million tons rise compared to June, as the shipment season gathers pace and soy exports lose momentum, grains traders lobby Anec said on Wednesday.

If confirmed, corn exports for the month would be around 2.5 million tons below July of last year, when Brazil harvested a record second-corn harvest and China was more avidly buying the cereal from the South American nation. Still, China was Brazil's top destination for corn exports this year through June, accounting for 20% of all shipments, according to Anec.

Brazil's second corn, which is sowed after soybeans are harvested on the same areas, is mainly exported in the second half, when it competes with supplies from the United States.

Consultancy Agroconsult on Tuesday pegged Brazil's second corn production at 100.5 million tons and exports at about 42 million tons. After surveying local corn fields, Agroconsult said lower projected exports this season reflect weaker demand from China and competition from rival suppliers like Argentina and Ukraine.

Anec's projection is based on shipping schedules. In its most current report, Anec said it is still possible that corn shipments reach 4.3 million metric tons in July, depending on demand.

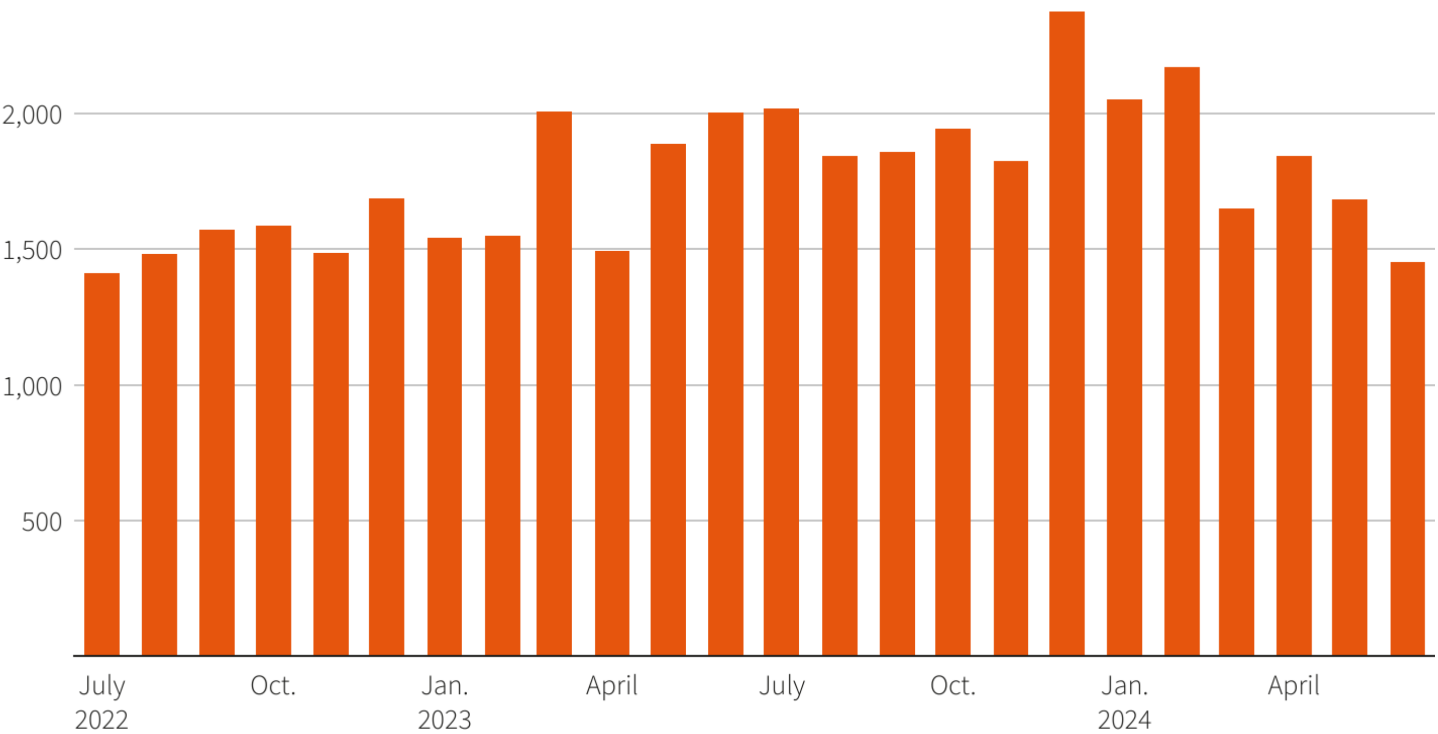
In the case of soybeans, Anec said shipments are expected to grow by almost 900,000 in July from the same month a year ago. This, however, would be a sharp decline compared to June, as corn begins to take up soy's space at the busy and frequently congested Brazilian ports.

Soybean shipments were estimated at around 9.5 million tons for the current month, versus 13.9 million tons in June, a volume that set a record for the sixth month of the year and the highest monthly level since May last year. China was the destination for 75% of Brazilian soybean exports this year through June, Anec said.

Chart of the Day

U.S. crude exports to Europe hit a 2-yr low in June

U.S. crude loadings bound for Europe sunk to 1.454 million barrels per day (bpd) in June, their lowest monthly total since July 2022.



Source: Kpler | Reuters, July 3, 2024 | By Robert Harvey

Brazil ag minister says auction to import rice 'not necessary'
The Brazilian government will no longer need to buy imported rice, Agriculture Minister Carlos Favaro told a local TV channel on Wednesday, after the plan attracted flak from local farmers.
"Prices have already dropped," Favaro said, adding the government will continue monitoring the market. "As there is no speculation, in my opinion, new auctions are not necessary."
Last month, Brazil's national crop agency Conab canceled the results of a controversial rice auction over doubts about the winners' financial capability to honor their commitments. The government said then it would hold a new auction to purchase imported rice, but stopped short.
A new measure to expand rice production in the country will include an options contract which would allow local farmers to sell the cereal to the government under certain market conditions, Paulo Teixeira, minister for agrarian development and family farming, said during an official event on Wednesday.
He also said the government will allocate 2.4 billion reais in the 2024/25 crop cycle to buy agriculture products, including rice.
In last month's rare auction, Brazil had committed to purchase 263,370 metric tons of imported rice for 1.32 billion reais ($57.6 million). The goal was preventing a price hike after historic floods in the top producing state Rio Grande do Sul, which submerged entire towns, killed livestock and disrupted harvesting of crops like corn and soy.
According to Favaro, Brazil's Plano Safra farm credit program, to be announced later in the day, will offer loans to increase rice production in the flood-hit state, as well as in others.

Top News - Metals

Russian firms raise zinc output to meet government demand, sources say
Russian firms have boosted zinc metal production over the past month to benefit from rising state demand and reduce reliance on China as a destination for material, two sources familiar with the matter told Reuters.
Russia's output of zinc used to galvanise steel is a fraction of the global total, but it will add to tightness in the global zinc concentrate market as seen in China's imports.
Russia's commodity exports to China soared after Western sanctions were imposed on Moscow for its invasion of Ukraine in Feb. 2022.
However, ever-widening U.S. sanctions, including those on the only Russian bank branch in China, have narrowed options for making payments to Russian firms, crucial for state revenues.
Sanctions-hit Russian groups "UMMC and RCC have increased production of refined metal zinc itself, as zinc concentrate exports to China dropped due to problems with timely arrival of payments and discounts which Chinese buyers request for on-time payments," a source familiar with the matter said.
Russian state orders for finished products are up, while for remaining exports to China, fewer shipments of refined metal mean fewer payment transactions, the source added.
UMMC and RCC, which mine zinc in Russia, did not respond to a Reuters' request for comment.
Russia's production of finished metals products, which include weapons and ammunition, jumped 56% in May.
The second source said the Chelyabinsk Zinc Plant, the only producer of the metal in Russia, was quickly ramping up output after a decline in recent years following reconstruction work.
The upgrade at the plant, owned by UMMC, has added about 15% to its production capacity, the first source said.
Consultancy CRU expects the plant's output to rise to 212,000 metric tons in 2025 from 209,000 tons this year, or 1.5% of the 2024 global total, estimated at 14.0 million tons.
Another smelter, the New Verkhny Ufaley smelter owned by a local firm, Polimet Engineering, is expected to start producing in the third quarter. CRU expects it to produce 40,000 tons this year and 80,000 tons in 2025.
By 2027, Russia will be able to produce 322,000 tons of refined zinc from the Chelyabinsk and Verkhny Ufaley smelters, up from last year's 205,000 tons, CRU analyst Tom Rutland said.

France's Eramet targets November production start at Argentina lithium plant
France's Eramet aims to start production at its new Centenario lithium plant in Argentina in November and ramp up to 24,000 metric tons of battery grade lithium by mid-2025, it said on Wednesday after starting the final test phase at the plant.
The $870 million plant, a joint venture with Chinese nickel and steel giant Tsingshan, is likely to be among the first worldwide to use an innovative processing system called direct lithium extraction, or DLE, at commercial scale.
That makes it a key test for the promising technology that helps speed up lithium production even as governments and car makers race to secure supply of the ultra-light metal needed for many of the batteries that power electric vehicles.
Argentina, which sits in South America's so-called "lithium triangle," is the world's fourth largest producer of the metal and is looking to rev up output with a slate of new projects set to come online later this year.
Eramet's Centenario project, in northern Salta province, is set to be the first to start production, with the company now testing the equipment and production processes in a key phase known as commissioning.
Eramet, which owns 50.1% of the project, is requesting permits for a second plant with a capacity of 30,000 tons, with construction likely to begin next year. It plans to eventually build a third plant of the same size.
The company is hopeful that a recent new economic reform bill passed in Argentina's Senate that includes plans to incentivize large investments, including tax sweeteners and ease of access to currency exchange

markets, could help boost those expansion plans.
"The most important for us is the free currency exchange, the freedom to bring dollars to get dollars out," said Eramet CEO Christel Bories in an interview with Reuters.
Looking at neighboring Chile, she said the country has struggled to draw as many new lithium projects as in Argentina, but that Eramet planned to keep pressing ahead to develop a lithium project.
The company bought a mining concession last year in a lithium salt flat and is evaluating whether to submit a proposal to work with state-run miner Codelco on a major new lithium project in the Maricunga salt flat. It is partnering with junior mining companies as well on exploration.
"Our objective is to gradually build a portfolio of very early stage to more mature opportunities in Chile," said Geoff Streeton, Eramet's head of strategy.
"We're also conscious that that requires giving the time and space for the Chilean lithium policy to develop," he said.

Top News - Carbon & Power

Aramco, ADNOC reportedly weighing bids for Australia's Santos, but analysts sceptical
Saudi Aramco and Abu Dhabi National Oil Company (ADNOC) have been separately considering bids for Santos, Bloomberg News reported, sending shares of the Australian gas producer up 6.5% on Thursday.
Both Saudi Aramco and ADNOC have been conducting preliminary evaluations of Santos as a possible acquisition target, the report said, citing sources who declined to be named as the information was private.
The sources said Santos could attract interest from other potential buyers, according to the report. Deliberations are on, and the suitors have not decided whether to proceed with any proposals, it added.
"Santos does not comment on media speculation," a company spokesperson said.
Saudi Aramco did not immediately respond to Reuters' request for comment, while ADNOC declined to comment.
Santos shares rose to a high of A$8.18 and last traded up 5% at A$8.09, outpacing a 1% rise in the benchmark S&P/ASX200.
Adelaide-based Santos had a market capitalisation of $16.63 billion as of Wednesday's close, up 1% since the start of the year.
Santos, with assets stretching across Australia to Alaska and Papua New Guinea (PNG), has been eyed by suitors over the past several years for its liquefied natural gas (LNG) business, especially its stake in PNG LNG.
The company produced 91.7 million barrels of oil equivalent (mmboe) last year and had proven plus probable reserves of 1,661 mmboe as of the end of last year. Its biggest development project is the Barossa gas project in waters off northwestern Australia, which has faced delays and cost increases following court fights with an Indigenous group over the planned route for a gas pipeline from the field.

MARKET MONITOR as of 06:41 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$83.31 / bbl	-0.68%	16.27%
NYMEX RBOB Gasoline	$2.54 / gallon	-1.04%	20.38%
ICE Gas Oil	$797.75 / tonne	0.22%	6.26%
NYMEX Natural Gas	$2.43 / mmBtu	0.54%	-3.30%
Spot Gold	$2,355.19 / ounce	-0.04%	14.19%
TRPC coal API 2 / Dec, 24	$112.5 / tonne	-0.22%	15.98%
Carbon ECX EUA	€70.53 / tonne	-0.33%	-12.24%
Dutch gas day-ahead (Pre. close)	€32.40 / Mwh	-2.56%	1.73%
CBOT Corn	-	-	-
CBOT Wheat	-	-	-
Malaysia Palm Oil (3M)	RM4,091 / tonne	0.22%	9.94%
Index	**Close 03 Jul**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	345.23	0.59%	14.54%
Rogers International	28.98	-0.34%	10.07%
U.S. Stocks - Dow	39,308.00	-0.06%	4.29%
U.S. Dollar Index	105.31	-0.09%	3.92%
U.S. Bond Index (DJ)	425.72	0.74%	-1.16%

DOUBTS ON A DEAL

A Santos shareholder and an analyst both played down the likelihood of an offer from Aramco or ADNOC.

"I think Santos is an attractively priced company with a handful of great assets, but despite this, I find it hard to imagine a would-be buyer flagging its interest prior to making an offer," said Simon Mawhinney, managing director of fund manager Allan Gray.

"So I'm inclined not to put too much, if any, weight on these reports and happily be proven wrong on this point."

MST Financial senior analyst Saul Kavonic said Aramco and ADNOC have been looking at a number of LNG opportunities but Santos would be "a big step out of their comfort zone", politically, operationally and by size.

Australia's Woodside Energy held preliminary talks with Santos earlier this year to form a $52 billion energy giant, however discussions collapsed, and Santos said it would continue to review options to unlock value for its shareholders.

"Santos has been shopping itself for a while, so there could be quite a few players out there who have pursued preliminary assessments," Kavonic said, adding that Santos' domestic assets might be an obstacle to any buyout.

"We remain of the view that a bid for Santos at a material premium is unlikely to emerge, despite Santos shopping itself for some time," he said.

EXCLUSIVE-Berlin faces hefty discount in multi-billion Uniper stake sale, sources say

Berlin will have to accept a significant discount in a planned sale of shares in bailed-out Uniper, two people familiar with the matter said, adding that the group's current market valuation was no reliable indicator.

A sale of government holdings in the utility could become one of Germany's biggest deals next year and rake in badly needed funds for the country's three-way coalition.

Following years of heavy spending in response to the COVID and energy crises, Germany's budget suffered a further setback last year when the country's constitutional court blocked the re-purposing of funds, causing frictions within the coalition.

Berlin is preparing the sale of around 20-30% in Uniper, likely in spring 2025, to pare back its holding acquired as part of the company's nationalisation in the wake of Europe's energy crisis, the people said.

Uniper and the Finance Ministry, which oversees the German government's stake in Uniper, both declined to comment.

Uniper's current share price of around 45 euros values the government's 99.12% stake at 18.5 billion euros ($19.9 billion), but that valuation is inflated by its tiny free float of 0.88%, which means the group's stock is barely traded, the sources said.

An additional reason for the inflated share price could be minority shareholders who held out for a squeeze-out when the government stepped in around two years ago, they said, adding Citi had been hired as part of the sales process.

To successfully place a minority stake with investors, the government may have to value Uniper at 10 billion euros or less, one of the people said, which would represent a 46% discount to current levels.

In total, the German government pumped 13.5 billion euros into Uniper to save what was then Germany's biggest importer of Russian gas from collapse, making it one of the country's biggest ever bailouts.

Berlin may be willing to accept a steep discount in a first sale, hoping to fetch higher prices in subsequent stake disposals and also relying on Uniper restarting dividend payements at some stage, the sources said.

Under European Union rules, the German government must reduce its holding in Uniper to at least 25% by the end of 2028.

Uniper shares are already down more than a quarter so far this year, in what sources said reflects anticipation of the share sale and subsequent value adjustments.

Uniper Chief Executive Michael Lewis, too, in February acknowledged that not enough Uniper shares were traded and the government had to sell more to arrive at a clearer valuation.

Details on the planned stake sale and the timing are not final and still subject to change, the people said.

Bringing in a new anchor shareholder remained an option if markets for listings continue to be subdued, the said.

Top News - Dry Freight

Jordan buys about 60,000 metric tons feed barley in tender, traders say

Jordan's state grain buyer has purchased about 60,000 metric tons of animal feed barley in an international tender on Wednesday, European traders said.

It was said to have been bought from trading house Olam at $217.00 a ton cost and freight (c&f) included for shipment in the second half of August. Reports reflect assessments from traders and further estimates of prices and volumes are still possible later. Traders said these other trading houses participated in the tender with their estimated offers per ton c&f: Viterra $224 and $226, Bunge $226.50, Cargill $230.90, CHS $223.38, Ameropa $230.00, Grain Star $227.00, TOI $223.00 and Dreyfus $225. A new tender is expected to be issued in coming days closing on July 10 seeking shipment in the full months of September and full month of October, they said.

South Korea's MFG buys about 60,000 T soymeal, traders say

South Korea's Major Feedmill Group (MFG) purchased an estimated 60,000 metric tons of soymeal expected to be sourced from South America in a private deal late on Tuesday, European traders said on Wednesday. It was bought at an estimated $433.50 a ton cost and freight (c&f) including a surcharge for additional port unloading. Trading house Olam was believed to be the seller. It was for shipment from South America between Oct. 1 and Oct. 31 with arrival in South Korea around Dec. 10. Reports reflect assessments from traders and further estimates of prices and volumes are still possible later.

Picture of the Day

A farmer waters a field with newly planted corn, amid an orange alert for heatwave in the drought-hit region, in Jinan, Shandong province, China June 20. REUTERS/Nicoco Chan

(Inside Commodities is compiled by Mohammed Nihaal T S in Bengaluru)

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