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Top News - Oil

Saudi output cuts help drive up one corner of global oil market

Prices for sour crude oil have climbed globally this month after top exporter Saudi Arabia hiked prices and expanded production cuts of higher-sulfur oil in the first sign its efforts to prop up global prices is having an impact.

The de facto leader of the Organization of the Petroleum Exporting Countries (OPEC) this month deepened its production cuts to 1 million barrels per day in response to benchmark prices that fell to below $72 a barrel this summer.

"The kingdom's curbs have had an outsized impact on the supply of medium-and heavy-sour barrels," Mark Rossano, a partner at energy data provider Primary Vision Network, said.

The increases - seen among North Sea, U.S. and Canadian sour crude grades - have jumped as oil refiners in China, Europe and the U.S. bid up dwindling supplies from sanctions on Russia and Saudi Arabia's cutbacks, according to traders and brokers.

Also pushing up sour crudes are U.S. government purchases to restock its emergency reserves, production outages from Canadian wildfires, and worries about potential for Atlantic hurricane season to cut production of U.S. sour crude.

Most of Saudi Arabia's crude oils, such as Arab Light, Medium and Heavy, are sour grades, a type that requires more complex refining and typically trades at a discount to sweet crude, which has lower sulfur content.

But sour prices are no longer cheap. Norway's medium sour Johan Sverdrup crude climbed on Friday to a record $3.50 per barrel premium to dated Brent, according to traders, compared with a more than $6 discount in December.

U.S. Mars sour crude prices on Thursday of last week also traded at a $2 per barrel premium to U.S. crude futures at Cushing hub, its highest in three years. It traded at a premium to light, sweet WTI Midland at East Houston terminal, something rarely seen before.

Mars also traded at a $3.70 premium to Middle East crude benchmark Dubai, significantly higher than spot Middle Eastern crude.

Western Canadian Select heavy crude, another widely discounted sour grade, traded at the U.S. Gulf Coast on Monday at a $2.30 per barrel discount, compared with a more than $8 per barrel discount as recently as March, according to brokerage CalRock.

Saudi Arabia's price hike to Asia, the second month in a row, has pushed some Chinese refiners to seek cheaper sour crude alternatives from the spot market, traders and brokers said. This has lifted prices for other sour crudes.

U.S. Gulf Coast refiners, which are mostly configured to run sour crude, likely will purchase more Latin American barrels, said Rohit Rathod, an analyst at energy data provider Vortexa.

"OPEC+ players are pulling back supplies and we are already in a tight market at least for sour crudes."

Venezuelan petcoke contract dispute fuels tanker queues, hunt for options

The sudden suspension of a Venezuelan contract that had boosted its exports of petroleum coke has led to a bottleneck of tankers waiting to load and sent customers scrambling for alternative supplies, according to sources and data.

A 2017 contract between Venezuelan state oil company PDVSA and Geneva-based Maroil Trading helped the country's exports of the oil byproduct to grow seven fold between 2021 and 2022. But the deal was suspended last month amid a dispute over accounts receivable and the extension of the contract.

Venezuela's petcoke exports dropped to 56,000 metric tons in June, from more than 620,000 tons in January. So far this month, only one 70,000-ton cargo has been authorized by PDVSA to load. But as of Tuesday the vessel had not sailed, shipping data seen by Reuters showed.

Eight other vessels are near Venezuelan ports waiting to load a combined 350,000 tons, according to the data.

Petcoke is largely used to fire cement kilns in countries from France to China.

PDVSA did not reply to a request for comment. A law firm representing Maroil did not provide immediate comment.

Venezuela last year exported some 3.3 million metric tonnes of petcoke, mostly traded by Maroil, which in recent years has signed commercial agreements with other companies to reach final customers.

A senior executive from a cement company in southern India said its Venezuelan petcoke supplier has canceled three contracts since last month, citing uncertainties related to its ability to deliver the product.

"We expect someone else to step in, in place of Maroil now," the company executive said, declining to disclose the name of its suppliers.

PDVSA has in recent months approved new buyers and intermediaries for its petcoke sales, a move to expand its customer roster and directly reach overseas buyers.

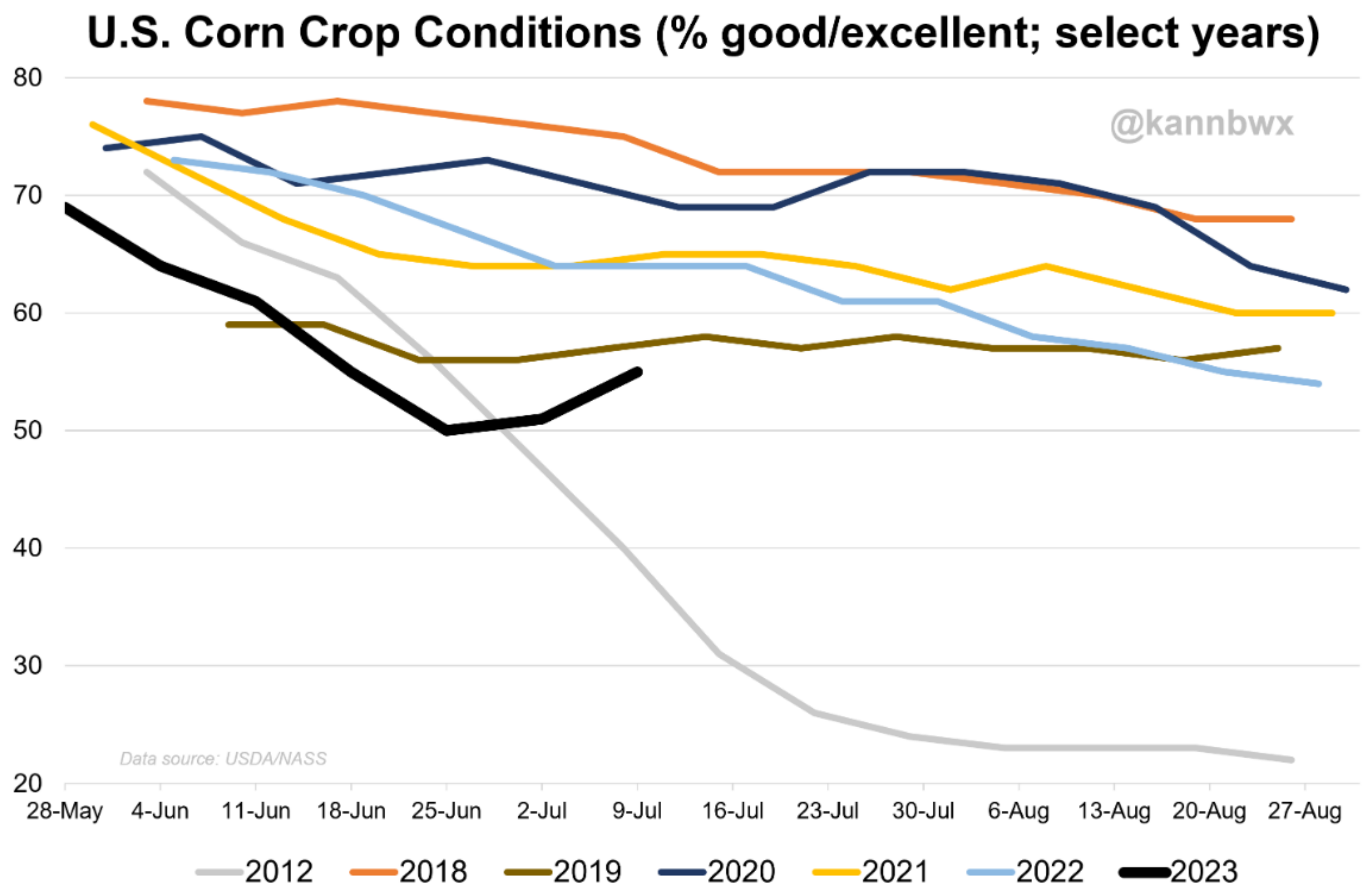
"No Indian buyer should attempt to get Venezuelan material without a guarantee that payment would only be

made on discharge," said another customer, citing past delivery delays.
International petcoke prices have fallen this year amid supply-demand imbalances, according to Gujarat-based trader I-Energy Natural Resources. But a similar drop in coal prices, which is an alternative fuel, has motivated some importers in Asia to switch away from Venezuelan petcoke. Venezuela-origin petcoke sold at $105 per ton at the end of last week. In contrast, Saudi-origin petcoke was priced at $103 per ton, and U.S. Gulf Coast petcoke for India delivery traded at $105 per ton in the same period, according to I-Energy.

Top News - Agriculture

Australia disappointed with China move to extend barley tariffs review
Australia said on Wednesday it was disappointed that China has asked for another month to complete a review needed to lift tariffs on barley and warned it would resume a case at the World Trade Organization (WTO) if there was further delay.
Australia on April 11 agreed to temporarily suspend a case at the WTO over China's anti-dumping and countervailing duties on barley after Beijing said it would hasten its review on tariffs.
It was agreed then by the major commodity trade partners that China would finish the review in three months, with a possible fourth if required.
"China has now requested this one-month extension, which we have agreed to," a spokesperson for Foreign Minister Penny Wong and Trade Minister Don Farrell said in a statement.
"While we are disappointed China's review could not be completed within the initial three months - we remain hopeful the impediments will be lifted in the near future."
China's move to delay its decision on barley tariffs comes as Canberra seeks to stabilise ties with Beijing and remove trade barriers after relations soured when Australia called for an inquiry into the origins of COVID-19, angering Beijing.
Diplomatic tensions have eased since the centre-left Labor government returned to power in May 2022.
Chinese purchases of Australian coal resumed in January after almost three years, and timber in May, and imports

Chart of the Day



of beef have accelerated.
Farrell visited Beijing in May, the first by an Australian trade minister since 2019, and last month said he expected a "favourable decision" from China, Australia's biggest trading partner, on barley tariffs.
In 2020, China imposed combined duties of 80.5% on Australian barley for five years prompting Australia to launch a formal appeal to the WTO, which later set up a dispute settlement panel.
"If the duties are not lifted at the end of the four-month period, Australia will resume the dispute in the WTO," the government spokesperson said.

COLUMN-All analysts banking on lower US corn yield on Wednesday -Braun
After one of the driest-ever Junes in the U.S. Corn Belt, grain market participants already believe corn and soybean yields will not reach the government's record-high targets.
It is always risky when all analysts are leaning the same way, though recent weather and the already-lofty nature of the corn yield seem to validate this thinking. However, lower yields may not be printed in the U.S. Department of Agriculture's report on Wednesday.
All 25 analysts polled between Reuters and Bloomberg believe this month's corn yield will come in below USDA's trend-line of 181.5 bushels per acre. Two groups called for 180 bpa, the highest estimate, though the 25-analyst average is 176.4 bpa.
The trade pegs soybean yield at 51.4 bpa, below USDA's trend of 52. Eight of 25 analysts expect the 52 bpa to stand on Wednesday, though soy yield may be more likely than corn to come in lower this month.
Aside from any yield adjustments, USDA's July U.S. crop estimates will include June's surveyed acres, which came in well above expectations for corn but well below for soybeans. That leaves room for corn yield losses on the balance sheet but keeps bean supplies tight either way.

MODEL SPECS
USDA's corn and soy yield models, first employed in 2013, provide the official yield estimates until August, when USDA's statistics service (NASS) issues survey-based estimates. The models rely primarily on weather in July and August but also adjust for extremely dry Junes.
The model states that the dry June variable is triggered when June precipitation is in the lowest 10% tail of its statistical normal distribution since 1988. For corn, the precipitation data is weighted by harvested area over an eight-state region, and seven states are considered for soybeans.
Both the corn and soybean calculation show June 2023 was the third-driest after 1988 and 2012, but neither precipitation total actually qualifies for the lowest 10% tail, likely since 1988 was so extreme. That may argue against lower yields on Wednesday.
A soy yield reduction is plausible since June rainfall over the soy region was right on the cusp of qualification, so it could come down to rounding and trigger the cut.
However, there could be justification for lower yields outside the model constraints should USDA choose.
Data published on Tuesday confirmed June 2023 was the Midwest's fifth-driest June since 1895 and driest since 1988. The Midwest in this case is a nine-state region surrounding Illinois and Indiana, different than USDA's corn and soy regions.
But the first third of July has been devoid of heat and has featured wetter weather in many areas, which has stabilized or improved crop health.
USDA may have operated outside the model bounds in July 2019 when soybean yield was reduced by 1 bpa due to delayed planting. Although it exists for corn, the soybean model states that a planting progress variable is not used, so USDA may have some leeway to make a judgment call over June weather.
Regardless, do not overthink the results. If 181.5 is printed for corn on Wednesday, that does not necessarily mean that USDA officials believe the 2023 yield will be 181.5 bpa, but rather there was insufficient evidence to adjust that number this month per the existing methodology.
The August yields will be much more telling since they are survey-based and will incorporate the next couple weeks of weather. The September yields add field observations on top of the survey data.
(The opinions expressed here are those of the author, a market analyst for Reuters.)

Top News - Metals

World's biggest gallium buyer says clients stockpiling
China's planned export controls on gallium have caused frantic stockpiling of speciality semiconductor wafers made from the metal, according to the world's largest gallium buyer.
Freiberger Compound Materials relies almost entirely on Chinese suppliers for its gallium needs to make wafers that go into mobile phone radio signal amplifiers and optical electronics.
Consuming an estimated 10% of global gallium output, the company has found itself at the centre of turmoil following China's surprise announcement to control exports of gallium and germanium products from Aug. 1.
"My clients are not relaxed about this at all. There's now a burst of orders being placed to increase inventory levels. The industry is very much on edge," chief executive Michael Harz told Reuters.
Chinese gallium companies have driven most rivals elsewhere out of the market by undercutting them on

price over the last decade.
Freiberger, with annual sales of 70-80 million euros and a 65% market share in gallium arsenide wafers for smartphone power amplifiers, competes with Japan's Sumitomo Electric and a number of smaller Chinese manufacturers.
Red LEDs and red light sensors are another major use for gallium arsenide.
The group, which traces its roots to a state-owned electronics factory in the former East Germany, has several months' worth of gallium in stock because it had long anticipated some form of trade crisis and has little else it can do to react, Harz said.
Automakers are also in a dilemma over whether they can continue to rely on a metal which had been seen as a game changer for electric vehicles.
Harz said his Chinese suppliers were providing authorities with data needed to obtain export licences. They have estimated that deliveries will stop when the export controls take effect on Aug. 1 and resume about a month later when licence requests have been processed, though no reliable information is available.
Harz does not believe that China will disrupt gallium trade flows over the next few years because that would quickly damage its own electronics industry.
The CEO added he viewed China's move for now as "sabre rattling", because the world's leading makers of power amplifiers, which boost radio signals so that smartphones can communicate with cell towers, are based in the United States.
Freiberger consumes several dozens of tons of gallium per year, making the raw material its largest single cost.

IEA says critical minerals supply could pull close to demand by 2030

Supply of minerals critical to the energy transition could move close to levels needed to support climate pledges by 2030 after a surge in investment, the International Energy Agency said on Tuesday - provided all projects go as planned.
Consultants and analysts have warned of looming shortages due to surging demand for key minerals like lithium and cobalt used in electric vehicles, wind turbines and other clean energy technologies.
But after investment in critical minerals production jumped 30% last year to $41 billion, having gained 20% in 2021, that picture is looking brighter, the IEA said. In key battery mineral lithium, the IEA forecasts supply by 2030 will reach 420,000 metric tons - only a touch short of demand estimated at 443,000 to meet government pledges, though well below the 702,000 required for net zero.
"We are happy that for a change we can give some good news," IEA Executive Director Fatih Birol told Reuters in an interview.
"This is testimony that the markets are buying in to the

MARKET MONITOR as of 06:34 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$74.73 / bbl	-0.13%	-6.89%
NYMEX RBOB Gasoline	$2.55 / gallon	-0.02%	2.78%
ICE Gas Oil	$.00 / tonne	-100.00%	-100.00%
NYMEX Natural Gas	$2.73 / mmBtu	-0.07%	-39.02%
Spot Gold	$1,936.83 / ounce	0.25%	6.16%
TRPC coal API 2 / Dec, 23	$108.5 / tonne	-6.47%	-41.27%
Carbon ECX EUA / Dec, 23	€87.04 / tonne	0.35%	3.66%
Dutch gas day-ahead (Pre. close)	€28.76 / Mwh	-8.20%	-61.94%
CBOT Corn	$4.98 / bushel	0.61%	-26.62%
CBOT Wheat	$6.57 / bushel	-0.49%	-17.31%
Malaysia Palm Oil (3M)	RM3,929 / tonne	1.03%	-5.87%
Index (Total Return)	**Close 11 Jul**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	298.07	1.23%	-1.08%
Rogers International	26.48	0.57%	-7.64%
U.S. Stocks - Dow	34,261.42	0.93%	3.36%
U.S. Dollar Index	101.73	-0.24%	-1.73%
U.S. Bond Index (DJ)	405.62	0.37%	2.97%

fact that the clean energy transition is moving very fast."
Critical mineral start-up firms raised a record $1.6 billion in 2022, up 160% from the previous year, the IEA said.
Demand for critical minerals has surged over the past five years, including a tripling in consumption of lithium and a jump of 70% for cobalt, with the total critical mineral market now worth $320 billion, it said.
While the supply picture is improving, the Paris-based energy watchdog warned that delays and cost overruns for projects posed a risk to the upbeat scenario.
More work is also needed to diversify from key nations that have tight control on output of many minerals, such as China, Indonesia and Congo, the IEA added in a report.
The newly financed projects will help meet rising demand for critical minerals that the IEA has calculated will be needed to meet climate pledges made by governments, which would likely result in a global temperature rise of 1.7 C by 2100.
The agency made separate estimates of what would be necessary to meet a net zero-emission scenario by 2050.
Mining companies needed to make more progress in curbing greenhouse gas emissions and water use, the IEA said. Twenty top miners emitted 0.18 kg of CO_2 per kg of minerals in 2021, the same as in 2020, while water use climbed to 7.9 cubic metres per metric ton of mined output in 2021 from 5.4 cubic metres in 2019, the IEA said.

Top News - Carbon & Power

US natgas output, demand to hit record highs in 2023

U.S. natural gas production and demand will rise to record highs in 2023, the U.S. Energy Information Administration (EIA) said in its Short Term Energy Outlook (STEO) on Tuesday.
The EIA projected dry gas production will rise to 102.35 billion cubic feet per day (bcfd) in 2023 and 102.40 bcfd in 2024 from a record 98.13 bcfd in 2022.
The agency also projected domestic gas consumption would rise from a record 88.53 bcfd in 2022 to 89.02 bcfd in 2023 before sliding to 87.81 bcfd in 2024.
If correct, 2024 would be the first time output rises for four years in a row since 2015, and 2023 would be the first time demand rises for three consecutive years since 2016.
The latest projections for 2023 were lower than the EIA's June forecast of 102.74 bcfd for supply, but higher than its June forecast of 88.64 bcfd for demand.
The agency forecast average U.S. liquefied natural gas (LNG) exports would reach 12.04 bcfd in 2023 and 13.31 bcfd in 2024, up from a record 10.59 bcfd in 2022.
The EIA said the jump in 2024 LNG exports would occur as two new export plants enter service - QatarEnergy/ Exxon Mobil's Golden Pass in Texas and Venture Global LNG's Plaquemines in Louisiana.
The agency projected U.S. coal production would fall from 597.2 million short tons in 2022 to 572.2 million short tons in 2023, the lowest since 2020, and 460.3 million short tons in 2024, the lowest since 1962, as natural gas and renewable sources of power displace coal-fired plants.
As gas demand eases and power producers burn less coal, the EIA projected carbon dioxide emissions from fossil fuels would fall from 4.964 billion tonnes in 2022 to 4.789 billion tonnes in 2023 and 4.774 billion tonnes in 2024.
That compares with 4.580 billion tonnes in 2020, which was the lowest since 1983 due to the negative impact of the coronavirus pandemic on demand for energy.

Spain makes new proposal for EU power market reform as seeks deal, sources say

Spain has drafted a new proposal on the reform of the European Union's electricity market as it seeks to push the bloc towards an agreement in principle by the end of July, two people familiar with the matter said on Tuesday.
The draft was sent to EU member states last Wednesday, one of the sources said, and the countries were now analysing it. The sources could not be drawn into giving details of the proposal.
EU countries have so far failed to strike a deal on how to reform the market to speed up deployment of renewable energy and shield consumers from price surges, with member states at odds over new state aid for power plants.
Spain, which holds the EU rotating presidency until the end of the year, hopes that informal talks of EU energy ministers taking place in the Spanish city of Valladolid this week will help bridge the different positions, one of the sources said.
Madrid has made reaching a deal one of its key priorities. To this end, Energy Minister Teresa Ribera was taking part in two separate meetings on Tuesday, organised by pro-nuclear and pro-renewables EU countries respectively.
Spain, whose energy policies focus on renewable sources such as wind and solar, will act as "an honest broker", Ribera told journalists on Tuesday afternoon, adding that any agreement must respect some "capital principles".
"We must not incorporate measures that generate distortions in the internal market or measures that endanger the viability of the decarbonisation objectives," Ribera said.

Top News - Dry Freight

World's top fertilizer maker cuts output as Canada port strike drags on

The world's biggest fertilizer producer Nutrien Ltd cut production on Tuesday, citing the impact of an 11-day-old strike in Canada's Pacific ports whose cost has now ballooned to an estimated C$5.5 billion.

Some 7,500 dock workers represented by the International Longshore and Warehouse Union (ILWU) walked off on July 1 after failing to agree a new wage deal with the British Columbia Maritime Employers Association (BCMEA).

The union says the BCMEA is refusing to give a fair pay increase despite making billions of dollars in profits in recent years. The association says it is negotiating in good faith while blaming the strike for damaging trade and the economy.

The strike has upended operations at two of Canada's three busiest ports, the Port of Vancouver and the Port of Prince Rupert - key gateways for exporting the country's natural resources and commodities and bringing in raw materials.

Nutrien blamed the Port of Vancouver work stoppage for lowering export capacity at its Cory potash mine in Saskatchewan and warned of further production impacts if the walkout is prolonged.

The strike could trigger more supply-chain disruptions and fuel inflation, economists have warned, just as the central bank is trying to cool the economy. The Bank of Canada is widely expected to raise its key interest rate on Wednesday by 25 basis points to 5%.

More than half of Canadian small business owners say the strike at the Port of Vancouver will affect their operations, according to preliminary survey results from the Canadian Federation of Independent Business (CFIB) released on Tuesday.

The strike so far has cost an estimated C$5.5 billion, based on industry body Canadian Manufacturers & Exporters calculation of about C$500 million in disrupted trade every day.

The two parties met in person for the first time in more than a week on Monday night, a government source not authorized to speak on the record said.

They were joined by Senator Hassan Yussuf, a former president of the Canadian Labour Congress who helped negotiate an end to the largest public sector strike ever in April and May, the source said.

In statements late on Monday, both sides blamed each other for failing to reach a new deal. The association said its proposals to addresses ILWU Canada's demand to expand the union's jurisdiction over regular maintenance work on terminals were rejected by the union.

The workers and their employers had walked away from negotiations last week, but resumed talks on Saturday.

Algeria tenders to buy soft milling wheat for shipment to 2 ports – traders

Algeria's state grains agency OAIC has issued an international tender to buy soft milling wheat for shipment to two ports only, European traders said on Tuesday.

The tender sought a nominal 50,000 tonnes but the shipment to two ports generally indicates a small purchase is planned, traders said.

The deadline for submission of price offers in the tender is Thursday, July 13, with offers having to remain valid until Friday, July 14.

The wheat is sought for shipment in several periods from the main supply regions including Europe: Aug. 1-15, Aug. 16-31, Sept. 1-15 and Sept. 16-30. If sourced from South America or Australia, shipment is one month earlier.

The wheat should be unloaded in the ports of Mostaganem and/or Tenes. Algeria is a vital customer for wheat from the European Union, especially France.

Picture of the Day

The Iranian-flagged Very Large Crude Carrier (VLCC), MT Arman 114, and the Cameroon-flagged MT S Tinos, are seen as they were spotted conducting a ship-to-ship oil transfer without a permit, according to Indonesia's Maritime Security Agency (Bakamla), near Indonesia's North Natuna Sea, Indonesia, July 7, 2023 in this handout picture released July 11, 2023. Indonesia's Maritime Security Agency (Bakamla) / Handout via REUTERS.

(Inside Commodities is compiled by Archak Sengupta in Bengaluru)

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

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