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Top News - Oil

OPEC+ unlikely to change oil output policy at Aug 1 JMMC meeting, sources say

A mini OPEC+ ministerial meeting next month is unlikely to recommend changing the group's output policy, including a plan to start unwinding one layer of oil output cuts from October, three sources told Reuters.

The Organization of the Petroleum Exporting Countries and allies led by Russia, or OPEC+ as the group is known, will hold an online joint ministerial monitoring committee meeting (JMMC) on Aug. 1 to review the market.

One of the three OPEC+ sources, all of whom declined to be identified by name, said the meeting would serve as a "pulse check" for the health of the market.

Oil has risen in 2024 and was trading around \$85 a barrel on Thursday, finding support from Middle East conflict and falling inventories. Concern about higher for longer interest rates and demand has limited gains this year.

The Saudi government communications office did not immediately return a request for comment. OPEC's headquarters in Vienna did not immediately respond to a request for comment.

OPEC+ is currently cutting output by a total of 5.86 million barrels per day (bpd), or about 5.7% of global demand, in a series of steps agreed since late 2022.

At its last meeting in June, OPEC+ agreed to extend cuts of 3.66 million bpd by a year until the end of 2025 and to prolong the most recent layer of cuts - a 2.2 million bpd cut by eight members - by three months until the end of September 2024.

OPEC+ will gradually phase out the cuts of 2.2 million bpd over the course of a year from October 2024 to September 2025.

Russian Deputy Prime Minister Alexander Novak, asked this week if the market was strong enough to take the extra volume from October, did not rule out tweaks to the agreement if needed.

"Now we have such an option (of output increase), as we said earlier, we will always evaluate the current situation," Novak said.

In June, Saudi Energy Minister Prince Abdulaziz bin Salman had said OPEC+ could pause or reverse the production hikes if it decided the market is not strong enough. The JMMC usually meets every two months and can make recommendations to change policy which could then be discussed and ratified in a full OPEC+ ministerial meeting of all members.

ANALYSIS-Exxon clash with Chevron hinges on change of control of Hess' Guyana asset, sources say

Exxon Mobil's legal bid to stop Chevron's proposed \$53 billion acquisition of Hess rests on whether the transaction would involve a change of control of Hess' prize subsidiary in Guyana, according to people knowledgeable about the argument.

The two top U.S. oil producers are in an arbitration battle over the world's largest oil discovery in almost two decades, in offshore Guyana. Exxon, which operates all output in the South American country with a 45% stake in a lucrative consortium, has challenged the merger in which Chevron would gain control of Hess and its 30% stake, a deal that would define Chevron's future.

Exxon asserts that Hess should have first given it the opportunity to purchase its stake in the Guyana asset. Exxon's position is that the right of first refusal is triggered by a change of control in Guyana and that Chevron structured the deal in a way to bypass it, people familiar with the arguments, which are confidential, said.

Chevron and Hess say the acquisition is structured in a way that would keep Hess intact, with no change of control of its asset in Guyana, since Hess would become a unit within Chevron.

Chevron and Hess believe the argument has no merit because Hess would survive under a new Chevron and continue to own the asset, people close to their thinking said.

"The crux here is whether a change of control even occurred," agreed oil and M&A expert James English at law firm Clark Hill Law.

The three-person arbitration panel which will make the call must decide in part whether to focus on the language in the contract or to delve into Chevron's intent.

"A plain language approach would be very favorable to Chevron, while if you go with the intent, Exxon may have a case," English said.

A discussion around intent also would unfold the dispute into new stages that could require discovery, interrogations and hiring independent valuation experts, pushing a resolution into next year, as Exxon has warned.

Chevron believes the discussion on how to interpret the words in the contract will be "very straightforward," a person aware of the company's legal strategy said. Chevron and Hess said they are seeking a hearing in the

third quarter, hoping for an outcome in the fourth and to close the deal shortly thereafter.

The case is unique as Guyana represents between 60-80% of the \$53 billion Chevron offered for Hess, English and other experts have estimated.

An Exxon arbitration win would not be the end of the dispute. While Exxon has ruled out buying Hess outright, it has left the door open to bid for its 30% stake in Guyana, to bid for just a piece of it, to get a compensation from Chevron, or to just leave things as they are.

Its final strategy will depend on what is so far a closely guarded secret by Chevron and Hess: how much their merger values Hess' Guyana stake.

OIL RICHES

Guyana will produce 1.9 million barrels of oil equivalent per day (boepd) in the next decade, more than twice the output of OPEC-member Venezuela and nearly as much as the Gulf of Mexico, Rystad Energy consultancy firm projects. Chevron originally hoped to close the Hess acquisition by the first half of this year, but was taken by surprise in March when Exxon sought arbitration over the right of first refusal.

"Job number one is to get past the first hurdle, which is an alignment that a preemption rights exist in the contract," Exxon CEO Darren Woods told Reuters in March.

The arbitration panel will analyze a confidential joint operation agreement (JOA) between Exxon, Hess and a third partner, CNOOC 0883.HK, that rules the Guyana operations, known as the Stabroek oil block.

Exxon wrote the JOA in 2008 with a previous partner, before any oil discoveries, based on a 2002 model contract by the Association of International Energy Negotiators (AIEN), two of the people said.

The model says, for instance, that any "direct or indirect" change in control would constitute a change in control but is not entirely clear on what indirect means.

The model language, however, has been adjusted.

Exxon, Chevron and Hess declined to disclose the final language of the contract.

The model was updated in 2023 to make it explicit that there is change of control if the ultimate parent company changes. "We wrote the JOA, so we have a pretty clear line of sightness (sic) to the intent and the circumstances that apply," Woods said in April after reporting first quarter earnings. "That is the point of the arbitration."

The person aware of Chevron's strategy said that there is no real precedent for Exxon's change of control arguments in decades of industry mergers and acquisitions governed by similar JOAs.

"We disagree with Exxon Mobil's interpretation of the agreement and are confident that our position will prevail in arbitration," Hess said.

Chart of the Day



Top News - Agriculture

China faces soybean glut as peak US export season nears

China is facing an oversupply of soybeans as record high purchases boost stockpiles at a time when animal feed demand remains subdued, with prices of products such as soyoil and soymeal set to sink even lower.

The soybean surplus also threatens to curb China's appetite for imports in the September-December period, the peak marketing season for U.S. beans, putting further pressure on prices already near four-year lows, traders and analysts said.

"The main issue is that demand for soybean products is not picking up," said a Singapore-based trader at an international company which runs oilseed processing plants in China. "Crush margins are under pressure due to huge arrivals of beans."

Soybeans are crushed to make soymeal, a protein-rich ingredient used to feed the world's biggest herd of pigs in China, and soyoil, which is mainly used for cooking.

Slower economic growth in China, which consumes nearly half of the world's pork, is denting meat demand. China's July soybean imports, mostly from Brazil, are likely to hit a record high on lower prices and the prospect of Donald Trump returning as U.S. president and reigniting trade frictions, traders said.

"China's pork demand is not strong," said Pan Chenjun, a senior analyst for livestock at Rabobank in Hong Kong.

"Pork prices have risen greatly but that is less due to improved demand; it is mainly because there is a tight supply of hogs."

Hog breeders are trimming sow herd sizes in line with a government directive to curb overcapacity, and delaying slaughter in order to sell at heavier weights.

China's second quarter pork output fell from a year earlier, official data showed, while its pig herd fell to 415.33 million head in the second quarter from 408.5 million in the previous quarter.

Benchmark Dalian soymeal has lost almost 8% over three weeks, while soyoil fell around 4% last week.

Crush margins, in negative territory since early June, plunged further this month. Oilseed processors in the hub of Rizhao are losing more than 600 yuan per ton, their biggest drop since February.

Since February, around 9.68 million tons of imported soybeans have been put up for auction by state stockpiler Sinograin, but only 2.08 million tons, or 21%, were bought by crushers, according to Reuters' calculations based on auction announcements and analyst reports.

Last year, around 27% of soybeans offered at auction were sold and participation rates were also higher, said Darin Friedrichs, co-founder of Shanghai-based Sitonia Consulting.

"It is very hard to be bullish because across pretty much

all of the proteins, prices are down, demand is weak.

Consumers are not really wanting to spend money," he added.

In its latest report, China's agriculture ministry forecast 2024/25 soybean consumption falling to 114.56 million tons, compared to an estimated 115.24 million tons during the 2023/24 marketing year ending September. Benchmark Chicago soybeans, which are down by a fifth in 2024, could face more headwinds on expectations of weak Chinese demand and higher U.S. output. Brazil has surpassed the U.S. as China's top soybean supplier, accounting for 70% of imports.

Global sugar market looks headed towards surplus, analysts say

The global sugar market looks increasingly likely to have a supply surplus in the 2024/25 season (Oct-Sept), despite an expected smaller Brazilian crop, as analysts believe other regions will produce more than initially expected.

Broker and supply chain services provider Czarnikow on Thursday adjusted upwards its view on global sugar production by 3.2 million metric tons to 189.7 million tons in 2024/25, the highest global output on record.

Czarnikow estimated global consumption at 180.8 million tons, which will result in a supply surplus in the market of 8.8 million tons in the new season.

"This is thanks to increased output from the EU, Thailand and India. Global production surplus in 2024/25 will be the highest since the 2017/18 season," it said.

India is projected to produce 33.7 million tons after good monsoon rains, 2.2 million tons more than in the previous season.

Sugar market adviser CovrigAnalytics also moved its sugar supply projections for 2024/25 to a surplus from a deficit expected back in April.

"Next season flips into a tiny surplus on higher production expected in Thailand, Europe, China, Pakistan.

Consumption growth struggles," it said in a report, which projected a small surplus of 200,000 tons.

CovrigAnalytics projects global consumption at 191.4 million tons.

The more favorable weather in Asia, which boosted crops in India and Thailand, was cited by the analysts. It has also helped to curb sugar prices, with New York raw sugar futures falling this week to the lowest in nearly a month.

Brazil also received some much needed rains in the last week, although they did not cover the whole production area.

"Some downside pressure on New York prices can be felt up until the end of October when the Brazilian crop and stocks will pass their peak," CovrigAnalytics said.

Top News - Metals

Japan buyers agree to pay higher Q3 aluminium premiums, sources say

The premium for aluminium shipments to Japanese buyers for July to September was set at \$172 per metric ton, up 16%-19% from the previous quarter, reflecting tighter supplies in Asia, five sources directly involved in pricing talks said.

The figure is higher than the \$145-\$148 per ton paid in April to June and marks a second consecutive quarterly increase. But it was below the initial offers of \$175-\$190 per ton made by global producers.

Japan is a major Asian importer of the light metal and the premiums for primary metal shipments it agrees to pay each quarter over the benchmark London Metal Exchange cash price set the benchmark for the region. The increase from the previous quarter reflected tighter supplies in the region as some metals were diverted to Europe and the United States where premiums were higher and demand was stronger, a source at a global producer said. Demand for the light metal in Japan remained lacklustre, all the sources said.

Aluminium stocks at three major Japanese ports stood at 317,860 metric tons at the end of June, up about 3% from the previous month, according to Marubeni Corp.

The quarterly pricing talks began in late May between Japanese buyers and global suppliers including Rio Tinto and South32.

One producer lowered its offer to \$172 per ton late last week after raising it once in mid-June to \$185 from the initial proposal of \$175, as the talks were dragging longer than usual, another source at a Japanese end-user said. The negotiations usually end before the new quarter begins, but this time it took longer to settle due to wider gaps between buyers and sellers after the producer temporarily hiked its offer despite weak local demand, the second source said.

The sources declined to be identified because of the sensitivity of the discussions.

China copper smelters eye more output cuts as raw material supply tightens

A shortage of copper concentrate this year has forced a few smelters in China to cut output, and more curtailments could follow next year when raw material supply is expected to tighten further, industry participants and analysts said.

Refined copper output in top producer China is closely watched by investors betting on tight long-term supply driven by rising demand for energy transition technology. The December closure of First Quantum's Panama Cobre mine and output cuts elsewhere have squeezed raw material supply for smelters.

CRU, a research and consultancy firm, predicts a shortage of concentrate feed globally in 2025 at 1.1

MARKET MONITOR as of 06:40 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	\$82.31 / bbl	-0.62%	14.88%
NYMEX RBOB Gasoline	\$2.47 / gallon	-0.40%	17.18%
ICE Gas Oil	\$760.75 / tonne	-0.23%	1.33%
NYMEX Natural Gas	\$2.10 / mmBtu	-1.32%	-16.59%
Spot Gold	\$2,418.98 / ounce	-1.06%	17.28%
TRPC coal API 2 / Dec, 24	\$112.25 / tonne	-1.10%	15.72%
Carbon ECX EUA	€66.17 / tonne	-0.41%	-17.67%
Dutch gas day-ahead (Pre. close)	€32.17 / Mwh	2.06%	1.00%
CBOT Corn	\$4.05 / bushel	0.00%	-16.32%
CBOT Wheat	\$5.59 / bushel	-0.18%	-99.13%
Malaysia Palm Oil (3M)	RM3,935 / tonne	-0.05%	5.75%
Index	Last	Change	YTD
Thomson Reuters/Jefferies CRB	336.07	-0.15%	11.50%
Rogers International	27.91	0.13%	6.02%
U.S. Stocks - Dow	40,665.02	-1.29%	7.89%
U.S. Dollar Index	104.32	0.14%	2.94%
U.S. Bond Index (DJ)	433.55	-0.37%	0.66%

million metric tons of copper-in-concentrate. This will likely lead to 300,000 tons of capacity closures, a 640,000-ton reduction in demand from smelters lowering their utilisation rates and around 150,000 tons of smelter project delays.

While large smelters reliant on yearly contract purchases are less affected by the concentrate shortage given they signed treatment and refining charges (TC/RCs) agreements at \$80 per ton and 8 cents per pound for this year's supply, smaller producers are under pressure to cut production as spot TCs fall along with concentrate supply.

In the first half of this year, several small and medium smelters in China trimmed production, while among larger players Jinchuan cut output at two plants for one month each by 10% and 20% and Baiyin cut output at a smelter by 20-30% in March, CRU said in a June report.

Baiyin and Jinchuan did not immediately respond to requests for comment.

"As the supply shortages get worse, there will be more smelters taking action to cut output," an official at a mid-sized smelter said, declining to be identified.

Falling spot TCs and expectations of sharply lower benchmark prices next year prompted some smelters to plan output cuts for 2025, according to analysts and market participants.

Most smelters only make their production plans for the next year in September and October, one producer said.

"With 2025's TC/RC annual benchmark expected to be at a level which is uneconomic for most smelters, they are likely to be less incentivised to operate at high utilisation rates," said CRU analyst Craig Lang.

Baotou Huading Copper Industry Development Co said at a meeting of top smelters last week that it could cut output by 40% next year, two people familiar with the matter said. The company, which declined to comment, has annual capacity of 30,000 tons refined copper and 200,000 tons of blister.

Daye Nonferrous Metals Group Holdings Co, with annual capacity of 930,000 tons, plans to trim smelting output by 20% next year, Bloomberg reported on Wednesday.

A Daye investor relations official denied that it mentioned an output cut at the meeting, without commenting on current production conditions or its 2025 plan.

However, big output cuts are unlikely, as large smelters in China are mainly state-owned and have a responsibility to maintain production and sustain economic growth, analysts and industry players said.

"Companies all have revenue targets to reach and it's not simple and easy to lower production for all of next year.

Everyone will come back online if TCs go back to 50," an official at a large state smelter said, declining to be named.

Despite the concentrate tightness, China's refined copper output rose 7% in the first half of this year to 6.67 million tons, official data showed.

Top News - Carbon & Power

Rising cooling demand to keep coal plants online this year, IEA says

Global electricity demand is set to grow at its fastest pace in nearly 20 years this year, spurred by increasing demand for air conditioning as temperatures rise, the International Energy Agency (IEA) said in a report on Friday.

The trend, expected to continue into 2025, will support ongoing use of coal power, even as renewable energy production increases, it predicted.

The increase in air conditioning use is expected to continue as the primary driver of demand growth, following a year of record global temperatures and severe heatwaves pushing grids to maintain a reliable but dirtier baseload supply from sources like coal.

"Growth in global electricity demand this year and next is set to be among the fastest in the past two decades, highlighting the growing role of electricity in our economies as well as the impacts of severe heatwaves," said Keisuke Sadamori, IEA Director of Energy Markets and Security.

Rising electricity demand from artificial intelligence (AI) is also drawing attention to demand patterns from data centers, raising questions about deployment, demand projections, and energy efficiency, among others, the IEA said.

Global power consumption is expected to grow by around 4% in 2024, which would be the largest growth rate since 2007, with the trend expected to continue at the same pace in 2025, compared to a 2.5% demand increase in 2023, IEA data showed.

India is expected to lead in demand growth over the coming year, up some 8% in 2024 while China is expected to register a 6% growth rate on the year, down 1% from 2023 as the Chinese economy continues to restructure, IEA data showed.

The European Union is expected to rebound from two years of contraction by growing 1.7%, but uncertainty remains around how the pace will continue, while the United States should also bounce back by 3% after declining in 2023 on mild weather.

Renewable energy production is also supposed to rise over the coming years, with the source's total share of global supply seen at 35% in 2025, up 5% from 2023, which is expected to push solar and wind past hydropower's share in the global mix.

Total renewable generation is forecast to also overtake coal-fired electricity output in 2025, but the more polluting resource is expected to remain resilient in 2024, adding less than 1% depending on hydropower output, especially in China.

As a result, carbon emissions from the global power sector are plateauing, with slight growth expected this year before falling back in 2025, the IEA said.

Texas tanker bottleneck grows on slow Freeport LNG restart after Beryl

The number of liquefied natural gas (LNG) tankers waiting to load at Freeport LNG in Texas has increased since the U.S. second largest exporter of the supercooled gas halted processing ahead of Hurricane Beryl's landfall last week, according to shipping data on Thursday.

Beryl made landfall on July 8 near Matagorda, on the Texas coast, lashing the state with 80-mph (130-kph) winds that caused infrastructure damages and left more than 2 million customers without electricity for days. Ports and energy companies in many coastal cities, including Freeport, suffered wind damage and slow restoration of power.

Freeport LNG, which shut its three liquefaction trains on July 7 and reported wind damage after, has had a slow operational restart since.

The LNG exporter said on Monday it plans to restart one processing train this week and the remaining two trains shortly after, but production will be reduced while it continues repairs.

U.S. gas futures had dropped about 7% on Monday to a 10-week low after it became clear to the market that Freeport LNG would likely continue to operate at less than full capacity for several more days.

On Thursday, the facility was increasing production with it expected to use 500 million cubic feet of gas, up from 400

mmcf on Wednesday, according to LSEG data.

However, vessel loading has not resumed. A total of six empty LNG tankers were anchored near the port, with some of them accumulating more than 10 days of wait, according to LSEG.

As of Thursday, Freeport LNG had not distributed any instruction to bring tankers into its berths, even though there were some vessels in schedule, a source familiar with the company's operations said.

The Port of Freeport last week reopened the navigation channel, but draft restrictions for vessels remain, the Brazos Pilots Association said.

Long waits for vessels that have back-to-back contracts tend to lead to cargo cancellations.

Freeport LNG has canceled at least 10 cargoes for loading through August, Bloomberg reported, citing traders familiar with the matter.

Freeport LNG said on Thursday it would not comment on its commercial activity, including cargoes.

Top News - Dry Freight

India plans to ease rice export curbs as stocks surge to record, sources say

India is likely to cut the floor price for basmati rice exports and replace the 20% export tax on parboiled rice with a fixed duty on overseas shipments, government sources said, as rice inventories in the country jumped a record high.

The world's biggest rice exporter imposed various curbs on exports in 2023 and continued them in 2024 in an effort to keep local prices in check ahead of the general elections held in April-May.

New Delhi is expected to lower the basmati rice's minimum export price (MEP) to \$800-\$850 a metric ton, down from \$950 a ton, to boost shipments, said the sources, who didn't wish to be identified as they are not authorised to talk to media.

Lowering the MEP would help India retain its market share against Pakistan, which exported a record amount of rice this year due to New Delhi's export curbs.

India and Pakistan are the leading exporters of basmati rice. New Delhi exports more than 4 million metric tons of basmati - the premium long-grain variety famed for its aroma - to countries such as Iran, Iraq, Yemen, Saudi Arabia, the United Arab Emirates and the United States. New Delhi is also expected to drop the 20% export tax on parboiled rice and introduce a minimum export tax to stop under-invoicing of shipments, the sources said.

The government was examining possibilities of easing rice export curb, including resuming white rice exports, Reuters reported last month.

Worried over expectations of lower output due to the El Nino weather pattern, India banned overseas shipments of non-basmati white rice varieties in July 2023 and

imposed curbs on other grades.

"With rice supplies significantly exceeding local demand, it's crucial to reduce stockpiles to prevent spoilage. The most effective solution is to lift export restrictions," said B.V. Krishna Rao, president of the Rice Exporters Association (REA).

The country's rice stocks at state warehouses have jumped to 48.51 million metric tons as of July 1, the highest ever for the month and nearly 19% more than last year, according to the Food Corporation of India.

New Delhi would also review the export ban on non-basmati white rice after assessing the progress of rice planting, the sources said.

Farmers have so far planted 11.6 million hectares with rice paddy during the current planting, up 20.7% on the same period last year.

Jordan tenders to buy up to 120,000 metric tons feed barley, traders say

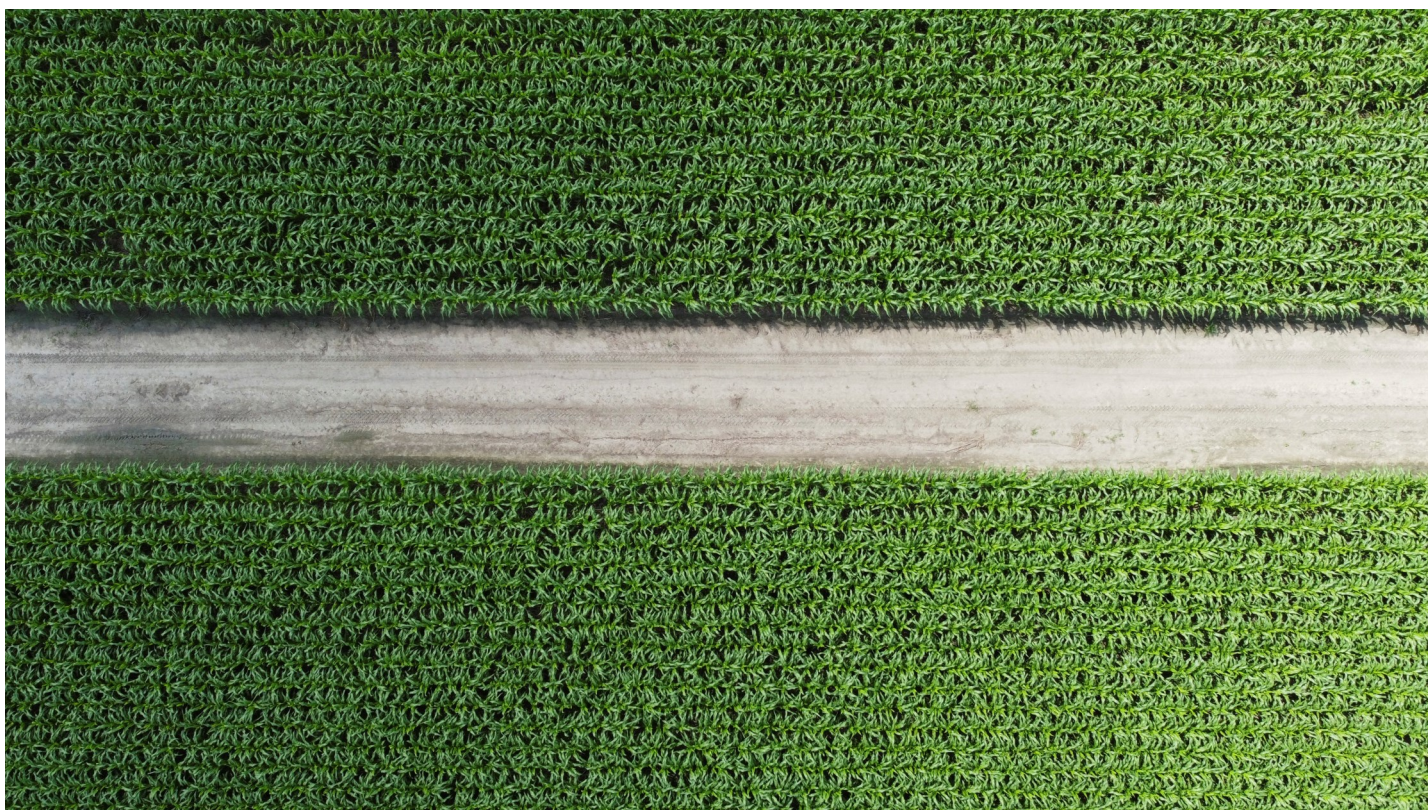
Jordan's state grains buyer has issued an international tender to purchase up to 120,000 metric tons of animal feed barley, European traders said on Thursday.

The deadline for submission of price offers in the tender is July 24.

A new announcement had been expected after Jordan made no purchase in its previous tender for 120,000 tons of barley on Wednesday.

Shipment in the tender is sought in a series of possible combinations in consignments of 50,000 to 60,000 tons. Possible combinations are Sept. 1-15, Sept. 16-30, Oct. 1-15 and Oct. 16-31.

Jordan on Wednesday also issued a separate tender to buy 120,000 tons of wheat closing on July 23.

Picture of the Day

A drone view shows a corn field, in Turen, Portuguesa State, Venezuela, June 27. REUTERS/Leonardo Fernandez Vilorio

(Inside Commodities is compiled by xxxxxx in Bengaluru)

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

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