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

Top News - Oil

ANALYSIS-US oilfield firms slash prices as mega-mergers shrink customer base

A wave of mega-mergers among oil producers is forcing the U.S. service companies that drill and hydraulically fracture wells to slash their prices, merge, or risk bankruptcy as they compete for a dwindling number of customers.

U.S. oil producers, also known as operators, announced more than $275 billion in deals over the past year and a half, including multi-billion-dollar combinations such as Exxon Mobil and Pioneer Natural Resources.

As big producers integrate and become more efficient while raising oil output, there is less work for the oilfield services companies that depend on them, according to service company executives and energy analysts.

Diamondback Energy, for example, anticipates $550 million in annual cost synergies following its acquisition of Endeavor Energy. Of that, $325 million in savings are tied to operations, $150 million to land and $75 million to financial and corporate costs.

“When customers combine, you might have a guy who was running seven rigs, and a guy who was running five rigs, that adds together to 12. But when they come back, they run 10," said Chris Wright, CEO of Liberty Energy, which holds 6% of the U.S. services market, according to consultancy Rystad Energy.

The U.S. rig count fell to 586 last week, off 83 from this time last year, its lowest since December 2021, according to services company Baker Hughes.

The fragmented U.S. oilfield service sector is led by Halliburton with 14% of market share, according to Rystad.

Some smaller firms with older technology have been forced to lower prices to stay competitive as their customer bases shrink and clients opt for more efficient drilling, executives and analysts said.

"Everyone is scrambling and fighting for less scraps," said Jasen Gast, CEO of well construction and completions firm Oilfield Service Professionals.

"The operators know that they can get better rates. They can just go out into the market and say, 'well, who wants my business?'" he added.

BANKRUPTCIES AND MERGERS

Nitro Fluids, a Texas-based oilfield services company that filed for bankruptcy in May, largely blamed consolidation by operators, according to court filings.

After Permian Resources acquired one of Fluids' top customers, Earthstone Energy, in November, Fluids' monthly average revenue plummeted from $1.2 million in 2023 to less than $100,000 in March, the company said. It now faces $38.23 million in secured debt obligations and $14.4 million in unsecured debt, while holding $234,000 in cash as of May.

Fluids declined to comment. Permian did not respond to a request for comment.

Other companies are consolidating to broaden their services. The U.S. oilfield sector has seen $12 billion worth of mergers and acquisitions this year, versus $5.3 billion in all of 2023, according to energy tech firm Enverus.

SLB said in April it would buy Champion, allowing SLB to expand further into artificial lift technology that pumps more oil out of wells.

"As the industry consolidates across the board you will see these bigger (producers) working with bigger service companies, so the service companies that have scale will have the advantage over time," said Rystad vice president Thomas Jacob.

LONGER-TERM DEALS

Large service firms are pushing for longer-term contracts and partnerships with operators for stability after years of painful boom-and-bust drilling cycles, executives said.

Longer-term partnerships also appeal to operators as they pursue more efficient drilling methods that are usually offered by technologically-advanced, large service companies.

Midland, Texas-based ProPetro secured a three-year contract in April with Exxon Mobil to provide electric hydraulic fracturing fleets in the Permian basin.

"The consolidation and new emerging technologies available today, including electric hydraulic fracturing equipment, have led operators to begin offering longer-term contracts," said David Schorlemer, ProPetro's CFO.

'PENNIES ON THE DOLLAR'

As oilfield companies go bankrupt, auctions are booming, providing a chance for surviving companies to buy inexpensive equipment.

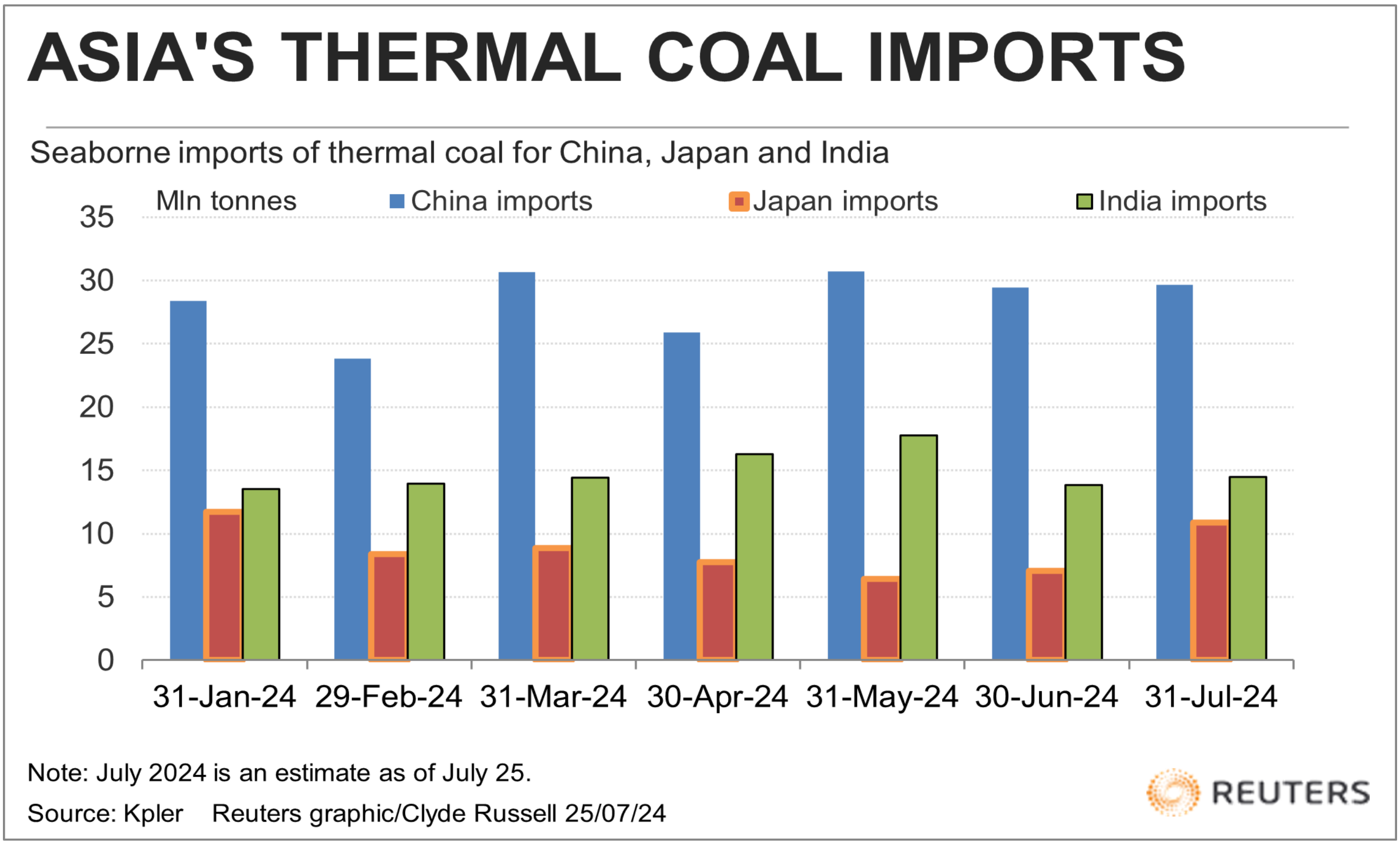
"We picked up some assets for pennies on the dollar (at an auction), because the company just went under,” said Thomas Dunavant, CFO at Oilfield Service Professionals.

Superior Energy Auctioneers, based in Oklahoma, has

held three total liquidation sales for oilfield companies this year, compared with three for all of 2023, according to the company's website.
The brutal battle for customers, especially among small service companies, shows no sign of abating, Jacob said. "The outlook is a bloodbath," he said.

PREVIEW-US refiners' Q2 profits fall on low margins, soft fuel demand
U.S. oil refiners are expected to report sharply lower second quarter earnings from a year ago after a listless summer driving season that weakened refining margins, energy analysts said.
Refiners ramped up processing capacity in the three months ended June 30 to 93.5%, compared with 91% in the prior-year period, to meet an expected spike in gasoline and diesel fuel demand that ultimately fell short, according to the Energy Information Administration.
Rising diesel inventories over the quarter, fueled by new refineries in the Middle East and higher exports from China, shrunk refining margins and cut into profits, analysts said.
"Refining cracks weakened through the second quarter," TD Cowen analyst Jason Gabelman said. "It caught investors off guard."
BP and ExxonMobil said earlier this month that lower refining margins, in part due to weak fuel prices, would have a negative impact on their second-quarter results. The companies report on July 30 and Aug. 2, respectively.
The U.S. gasoline crack spread, which is the difference between gasoline and crude oil futures, fell to $22.02 a barrel in June, the lowest since February. The diesel crack spread traded at a two-year low of $22.22 a barrel in June.
Valero Energy, which is the second-largest U.S. refiner by capacity, is set to kick off refiner earnings on Thursday, with analysts forecasting profits of $2.60 per share, down from $5.40 a year ago, according to data from LSEG.
Shares of Valero are down around 14% since the end of the first quarter, easing earlier gains.
Marathon Petroleum, which is the top U.S. refiner by volume, is forecast to report per share profit of $3.22 on Aug. 6, compared with $5.32 a year ago, according to LSEG estimates.
Phillips 66, meanwhile, is expected to report earnings at the end of the month of $1.98 per share, compared with $3.87 a year ago, LSEG estimated.
Looking ahead, a combination of soft gasoline demand and higher global diesel supply could persist and continue to limit margins in the coming months.
Operators on the U.S. West Coast could be forced to scale back refinery runs in response to the poor margin environment, said Matthew Blair, downstream research

Chart of the Day



director at financial firm Tudor, Pickering, Holt and Co.
U.S. West Coast's refinery margins for gasoline and diesel fell below average this spring, according to the EIA.
"With summer coming to a close, demand will fall further. Not much to look forward to for refiners," said Patrick De Haan, a petroleum analyst at GasBuddy.com.

Top News - Agriculture

Crop tour forecasts record wheat yields in parts of North Dakota

U.S. spring wheat crops in northwest and north-central North Dakota are expected to produce the highest yields since at least 1994, the Wheat Quality Council said on an annual tour on Wednesday.
Crop scouts estimated the average hard red spring wheat yield at 53.7 bushels per acre, up from 45.7 bushels in the same area last year. The five-year average for this part of the state is 40.02 bushels, excluding 2020 when no tour was held because of the COVID-19 pandemic.
Grain traders, millers and exporters are monitoring conditions of hard red spring wheat, used in pizza crusts and bagels. Major wheat-growing areas in the Black Sea have suffered from drought, though improving yield forecasts from the region's ongoing harvest have weighed on futures prices.
Scouts admired lush fields in the northern regions of North Dakota that are expected to produce high yields.
North Dakota is the top producer of spring wheat, the second of two wheat harvests in the United States.
"I've been doing this for a long time, and I don't ever remember the crops being this uniformly good all over the state," Dave Green, executive vice president of the Wheat Quality Council, said.
Many groups noted prevalence of fusarium head blight, also known as scab, which can cause vomiting in animals and humans if present in high enough quantities.
Grains that test positive for vomitoxin, the toxin produced by the fusarium fungus, are often sold to millers for a heavy discount.
"Most of us aren't sure if scab is going to be a huge problem," Green said.
Scouts on the first day of the tour also forecast the highest yields on record in southern and east-central North Dakota.
The tour will assess fields in northeast North Dakota on Thursday before releasing a final state yield estimate.
When asked why yields set records, farmer Bill Ongstad answered with one word: "Rain."

Sugar market to have smaller surplus as Brazil crop falls, says broker

The global sugar market is expected to have a smaller-than-anticipated supply surplus in 2024/25 (Oct-Sept) despite rising production in Asia, due to a significant reduction on the Brazilian crop, broker StoneX said on Wednesday.
StoneX cut its projection for Brazil's Centre-South sugar output by nearly 2 million metric tons to 40.5 million tons due to this year's lower quality of the sugarcane and a smaller-than-expected cane allocation to sugar production.
The broker said Brazilian mills are keeping a relatively high level of ethanol production, answering to higher domestic demand, so they are not earmarking the amount of cane to sugar production that was expected at the start of the harvest in March.
It cut its view on total cane allocation to sugar, the so-called sugar mix, to 50.5% for the crop from 52% projected in May.
Other major changes for large producers included an increase of 500,000 tons for China to 11 million tons and a reduction of 200,000 tons for Russia to 6.8 million tons. India's number was kept at 28.8 million tons.
As a result, The broker projected a surplus of 1.21 million metric tons in 2024/25 from 2.51 million tons estimated in May.
The view is slightly more positive for sugar prices than recent updates on projections by other analysts, who actually increased their estimates on the surplus.

Top News - Metals

Chinese steel traders seek delay of new rebar standards

Regional steel trading associations in China are seeking new quality standards for steel rebar, used in construction, to be delayed after news of the rules' planned implementation on Sept. 25 triggered inventory sell-downs, traders and analysts said.
China, the world's largest steel producer and consumer, on June 25 announced the mandatory standards to replace voluntary guidelines in place from 2018, prompting industry players to say they had been given too little time to work through existing stockpiles.
In Zhejiang province, local trade associations gathered on Tuesday and asked China's National Association of Metal Material Trade to request a delay to Jan. 1, 2025, according to a post on the WeChat account of the Hangzhou Steel Trade Industry Association on Tuesday.
"It has exacerbated the sentiment of sell-off activities in a market plagued by high stocks and low demand amid the property downturn," the post added.
Hangzhou is the capital of Zhejiang province, an industrial powerhouse in eastern China.
Some 30 steel trade associations have also sought a delay, consultancy MySteel posted on Wednesday.
Production of rebar fell by 11.7% to 102.35 million metric tons in the first six months of this year versus a year ago, dragged down by prolonged weakness in the country's property sector.
Some traders holding rebar inventories have sharply lowered prices to try to attract buyers, fearful that the products will become worthless and not accepted as deliverable cargoes by the futures exchange after Sept.

25, traders and analysts said.
Rebar futures prices SRBcv1 have fallen more than 4% in July to their lowest level since early April, while steel ingredients iron ore, coking coal and coke lost more than 6%, 5% and 7% respectively.
"The essence of the problem is that market players feel it's hard to fully draw down the existing inventories within three months at a time when demand is seasonally poor," Jiang Zhenzhen, a Beijing-based analyst at consultancy CRU Group, said.
China's State Administration for Market Regulation and Standardization Administration did not respond to requests for comment. The Shanghai Futures Exchange, which has yet to say whether it will accept rebar under the older standard after September, did not immediately respond to a request for comment.
The new standards will add between 20 yuan ($2.75) and 30 yuan per ton to production costs, mills, traders and analysts said.
Some steel mills have implemented equipment maintenance to ease supply and price pressure, CRU's Jiang added.
A south China-based steel producer, declining to be named as he is not authorised to speak to media said the change in the long run was good for the industry, but in the short term would raise costs.

Anglo to face investors with wary eye on BHP's potential return
Anglo American investors will keenly scrutinize CEO Duncan Wanblad on Thursday as he gives an update on the London-based miner's strategy, just months after fighting off a $49 billion takeover bid from bigger rival BHP Group.
Delivering first-half earnings results for the first time after rebuffing the world's No. 1 miner, Wanblad and his team need to convince investors that the strategy to refocus on copper, iron ore and a fertilizer project is on track.
While Wanblad pinned his approach on getting an early start with selling Anglo's coking coal assets in Australia, which the company said has drawn huge interest, an unexpected and unwieldy fire at its Grosvenor mine could torpedo the well-laid plans, setting the timing back with a possible hit to the deal's valuation.
"Clearly, any updates on the simplification strategy will be closely watched," said Richard Hatch, analyst at Berenberg.
"Our key questions center around the challenges of selling the coal business ... and whether Anglo would accept payments in contingent form due to operational issues," Hatch added.
Anglo has already cut its output forecast for steelmaking coal, because of the June 29 fire at its Grosvenor mine that has rendered the affected sections inaccessible.
Damage assessment and re-opening is going to take several months, Anglo said.
Investors also expect Anglo to write off the value of its Woodsmith fertiliser project in northern England, having earlier said it would slow down development but still invest $800 million this year. Anglo already wrote down $1.7 billion on the project a year ago.
The miner last week said it's also exploring options for

MARKET MONITOR as of 06:40 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$76.99 / bbl	-0.77%	7.45%
NYMEX RBOB Gasoline	$2.39 / gallon	-0.76%	13.68%
ICE Gas Oil	$748.25 / tonne	-0.56%	-0.33%
NYMEX Natural Gas	$2.12 / mmBtu	0.00%	-15.79%
Spot Gold	$2,373.06 / ounce	-1.02%	15.05%
TRPC coal API 2 / Dec, 24	$114.75 / tonne	2.50%	18.30%
Carbon ECX EUA	€68.63 / tonne	0.32%	-14.61%
Dutch gas day-ahead (Pre. close)	€32.63 / Mwh	4.25%	2.45%
CBOT Corn	$4.17 / bushel	-0.30%	-13.89%
CBOT Wheat	$5.69 / bushel	-0.31%	-99.11%
Malaysia Palm Oil (3M)	RM3,915 / tonne	-0.25%	5.21%
Index	**Last**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	329.49	-0.23%	9.32%
Rogers International	27.57	-0.43%	4.73%
U.S. Stocks - Dow	39,853.87	-1.25%	5.74%
U.S. Dollar Index	104.29	-0.09%	2.92%
U.S. Bond Index (DJ)	431.92	-0.47%	0.28%

further reductions in diamond production at its De Beers unit amid lower prices, to help preserve cash.
The restructuring plan, which also includes the demerger of its South African platinum unit, closure or sale of its nickel mines and the divestment of diamonds business De Beers, could be completed by 2025.
Unless, BHP resumes its pursuit or other suitors, join the hunt.
"BHP could come back after six months, or could wait for the Amplats unbundling to be complete," said Ian Woodley, portfolio manager at Old Mutual.
"If I were them, I would wait at least until the unbundling has moved along a bit further," he added.
The main prize in Anglo's portfolio are its world class and long-life copper assets in Latin America.
Copper is seen as a draw-card to deals in the mining sector, with investors expected to demand that even the most profitable companies show plans on how to grow the metal's portfolio.
"Having an exposure to the copper sector, to the copper price, is attractive for investors," said Erik Belz, president and chief operating officer at hedge fund Engine No. 1.
"Consolidation can get our (investors) costs down. If we get our costs down, we can expand our margin. And if the price goes up on top of that, then that's sort of two ways to win," Belz added.

Top News - Carbon & Power

Global coal demand to remain flat this year and next-IEA
Global coal demand is set to remain largely flat this year and next as higher electricity demand in some major economies offsets the rapid expansion of solar and wind, the International Energy Agency said in an update on the coal market.
Global use of coal rose by 2.6% in 2023 to an all-time high, driven by strong growth in the two largest coal consumers, China and India.
While coal demand grew in the electricity and industrial sectors, the main driver was the use of coal to fill the gap created by low hydropower output and rapidly rising electricity demand, the report showed.
"Our analysis shows that global coal demand is likely to remain broadly flat through 2025, based on today's policy settings and market trends," said Keisuke Sadamori, IEA's director of energy markets and security.
"The continued rapid deployment of solar and wind, combined with the recovery of hydropower in China, is putting significant pressure on coal use. But the electricity sector is the main driver of global coal demand, and electricity consumption is growing very strongly in several major economies," he added.
Without such strong growth in consumption, there would be a decline in global coal use this year, he said.
Although the continued deployment of solar and wind power is slowing the growth in coal use in China, it's electricity demand is forecast to rise by 6.5% this year, making a decline in coal consumption unlikely.
In India, coal demand growth is set to slow in the second half of 2024 as weather conditions return to seasonal averages and hydropower output improves.
After falling by more than 25% in 2023, coal power generation in the European Union is forecast to drop by almost as much again this year. Coal use has also been contracting significantly in the United States in recent years, but stronger electricity demand and less switching from coal to natural gas threaten to slow this trend in 2024, the report said.

COLUMN-China's run of robust thermal coal imports may ease: Russell
One of the standout commodity stories so far this year has been China's demand for thermal coal, with the world's largest importer seeing record shipments arriving in the first half.
China's imports of thermal coal from the seaborne market, used mainly to generate electricity, were 168.73 million metric tons in the first six months of the year, up 8.5% from 155.51 million in the same period in 2023, according to data compiled by commodity analysts Kpler.
This was the strongest first half in China's history and puts the world's second-biggest economy on track for another record year for coal imports in 2024.
But there are some signs that China's appetite for seaborne thermal coal may be easing, raising the possibility that the second half of 2024 will be weaker than the first.
July's seaborne imports of thermal coal are forecast by Kpler to be 29.66 million tons, slightly higher than June's 29.44 million, but weaker by 2.5% on a per day basis.
The growth rate for the first seven months of the year is expected to slip to 7.1% from the 8.5% seen in the first half.
The question becomes what are the factors that may drive a moderation in China's demand for seaborne thermal coal.
The main driver is a recovery in China's domestic output, which had been softening amid ongoing mine safety inspections in key coal-producing regions.
China's coal production rebounded in June, with output of all grades of the fuel jumping to a six-month high of 405.38 million tons, which was also 3.6% above the same month in 2023, according to official data released on July 15.
The soft start to 2024 meant year-on-year production was still down 1.7% in the first half, but this was an improvement on the 3.0% drop recorded in the first five months of the year over the same period in 2023.
Another factor is that coal's share in China's electricity production is slipping, with official data showing thermal generation fell for a second straight month in June, dropping 7.4%, adding to the 4.3% decline in May.
Thermal generation does include some small amounts of natural gas-fired power, but it is mainly coal.
Coal's share in China's electricity mix is being eroded by hydropower, which is rebounding from a weak, drought-affected 2023, and also by rising output from renewables such as wind and solar.
Hydropower rose 44.5% in June following an increase of 21.4% in May, while wind output gained 10.4% in the first half of 2024 from the same period a year earlier and solar jumped 39.4% over the same period.

If hydropower can maintain its recent strength and renewable deployment continues at pace, it increases the likelihood of coal-fired generation declining in the second half of the year.
This in turn means China may be less reliant on imported thermal coal, especially if domestic output continues its upward trend.

PRICE TREND
Going one step further, the question becomes whether lower Chinese demand will result in significantly softer prices for Asia's main seaborne thermal coal grades.
The answer is not necessarily, as any coal not taken by China tends to be bought by other countries, especially if there is some retreat in prices.
Indonesia is China's biggest supplier of thermal coal, and the popular 4,200 kilocalories per kg grade, as assessed by commodity price reporting agency Argus, has been in a declining trend in recent weeks.
It ended at $52.72 a ton in the week to July 19, which was marginally up from the prior week's $52.70, but that was the lowest price since September last year, and the grade is down 9.4% from its peak so far this year of $58.17 in early March.
The softer price, which has been mirrored in competing Australian coals, has led to other Asian countries ramping up imports of seaborne thermal coal.
Vietnam's imports for the first seven months of 2024 were 26.48 million tons, up 44% from the same period last year, according to Kpler data.
India, the world's second-biggest coal importer, saw arrivals of thermal coal of 104.81 million tons in the first seven months of this year, up 14.9% from the same period last year.
Japan, the third-biggest buyer, saw thermal coal imports leap in July to 10.89 million tons, up from June's 7.05 million and the highest since January, according to Kpler.
The opinions expressed here are those of the author, a columnist for Reuters.

Top News - Dry Freight

Ukraine's grain exports jump 67% so far in 2024/25, ministry says
Ukraine's grain exports in the 2024/25 July-June season rose by about 67% to almost 2.78 million metric tons by July 24 from 1.67 million tons at the same date a season earlier, agriculture ministry data showed on Wednesday.
The volume included 994,000 tons of wheat, 1.39 million tons of corn and 380,000 tons of barley.
The ministry has said that the 2024 combined grain and oilseed crop could fall to 77 million tons, including 56 million tons of grain.
Ukraine's grain exports in the 2023/24 marketing season rose to about 51 million tons from 49.2 million a year earlier.
Producers have said the combined export of grain and oilseed is seen at around 60 million tons for 2024/25, almost the same as the country exported in 2023/24.

Jordan believed to pass in 120,000 T wheat tender, traders say
Jordan's state grain buyer is believed to have made no purchase in an international tender to buy 120,000 metric tons of milling wheat which closed on Tuesday, European traders said.
Prices were regarded as too high. A new tender is expected to be issued in coming days closing on July 30 with the same shipment periods in the full month of September and first half of October.
Participants in Tuesday’s tender were believed to be Cargill, CHS, Viterra, Al Dahra, Ameropa and The Andersons, they said.
In its last wheat tender on July 16, Jordan purchased about 60,000 tons at an estimated $255.00 a ton cost and freight included (c&f). Jordan has also issued a separate tender to buy 120,000 tons of animal feed barley with price offers to be submitted on Wednesday.

Picture of the Day

A farmer inspects a sunflower while working at field on the outskirts of Peshawar, Pakistan, July 24. REUTERS/Fayaz Aziz

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

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

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

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

Please visit: **LSEG** for more information

Privacy statement