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Top News - Oil

US oil M&A jumps as private equity unloads shale assets

U.S. oil and gas deals rebounded in the second quarter as private equity firms shed shale portfolio investments and publicly traded oil firms grabbed smaller rivals.
U.S. oil exploration and production deals last quarter soared to $24 billion - nearly three times that of the first quarter, energy analytics firm Enverus disclosed on Tuesday.
There were 20 deals with an average value of $1.8 billion as a stable U.S. oil price outlook has encouraged private-equity buyers to exit properties. Oil futures are trading between $74 and $77 per barrel through April 2024.
The surge was due in part to energy focused private equity firms EnCap Investments and NGP Energy Capital selling off a combined six portfolio companies. In total, $14 billion in private equity-owned assets have changed hands this year, Enverus said.
"The formation of new private-equity backed E&Ps hit its peak in 2017 and now, six years later those investments are being unwound via sales to public companies," said Andrew Dittmar, an Enverus director.
Private equity firms have moved away from oil deals, with only 10 new exploration and production firm investments this year compared to 100 per year last decade, Enverus said.
“Those investors saw an opportunity to monetize deals they had held longer than normal” and exit at higher valuations than were possible a few years ago, said Jon Platt, a Baker Botts LLP attorney who specializes in private equity and energy M&A.
Most M&A was in the top U.S. shale field as companies looked to add oil acreage, Enverus' Dittmar said. Ovintiv spent $4.3 billion on three Permian Basin acquisitions, and Civitas Resources spent a combined $4.7 billion for two private-equity owned properties.
The quarter's biggest deal was Chevron's $7.6 billion bid for PDC Energy.
Noticeably absent from deals in the first half were natural gas production companies, said Dittmar. U.S. gas prices trade for less than half what they did a year ago on flat export demand and gains by renewables at utilities.

India's June crude oil imports drop to seven-month low

India's crude oil imports fell to a seven-month low in June, with shipments into the world's third-biggest oil importer dropping in line with lower consumption due to monsoon rains and refineries undergoing maintenance.
Crude imports dropped 6% month-on-month in June to 19.18 million metric tons, data from the website of the Petroleum Planning and Analysis Cell (PPAC) showed on Tuesday.
Meanwhile, oil products imports rose 14% to 3.61 million metric tons from June last year.
"The decline in imports is mostly driven by lower refining, as the Bina and the Visakhapatnam refineries have at last gone into maintenance from early July," said Viktor Katona, lead crude analyst at Kpler, adding that the monsoon is the reason refineries are going into maintenance.
India's fuel consumption, a proxy for oil demand, eased in June as monsoon rains restricted mobility in the country.
Data obtained from trade sources showed that India's Reliance Industries, operator of the world's biggest refining complex, Russian oil imports in June fell 2.4% month-on-month.
"Saudi Arabia's voluntary cuts and Russian supply reductions are also leading to lower supply of crude oil," said Refinitiv analyst Ehsan Ul Haq.
"However, Indian oil demand is likely to pick up after the monsoon season. The festival season could see another jump in demand, which should lead to more crude oil imports."
The country's product exports fell to 5.01 million metric tons, with diesel accounting for 1.95 million metric tons compared with 2.38 million metric tons in May. "While the diesel export duty is still kept at zero, incentivizing exports of middle distillates, it seems that India's export capacity has reached its upper limit," Katona added.

Top News - Agriculture

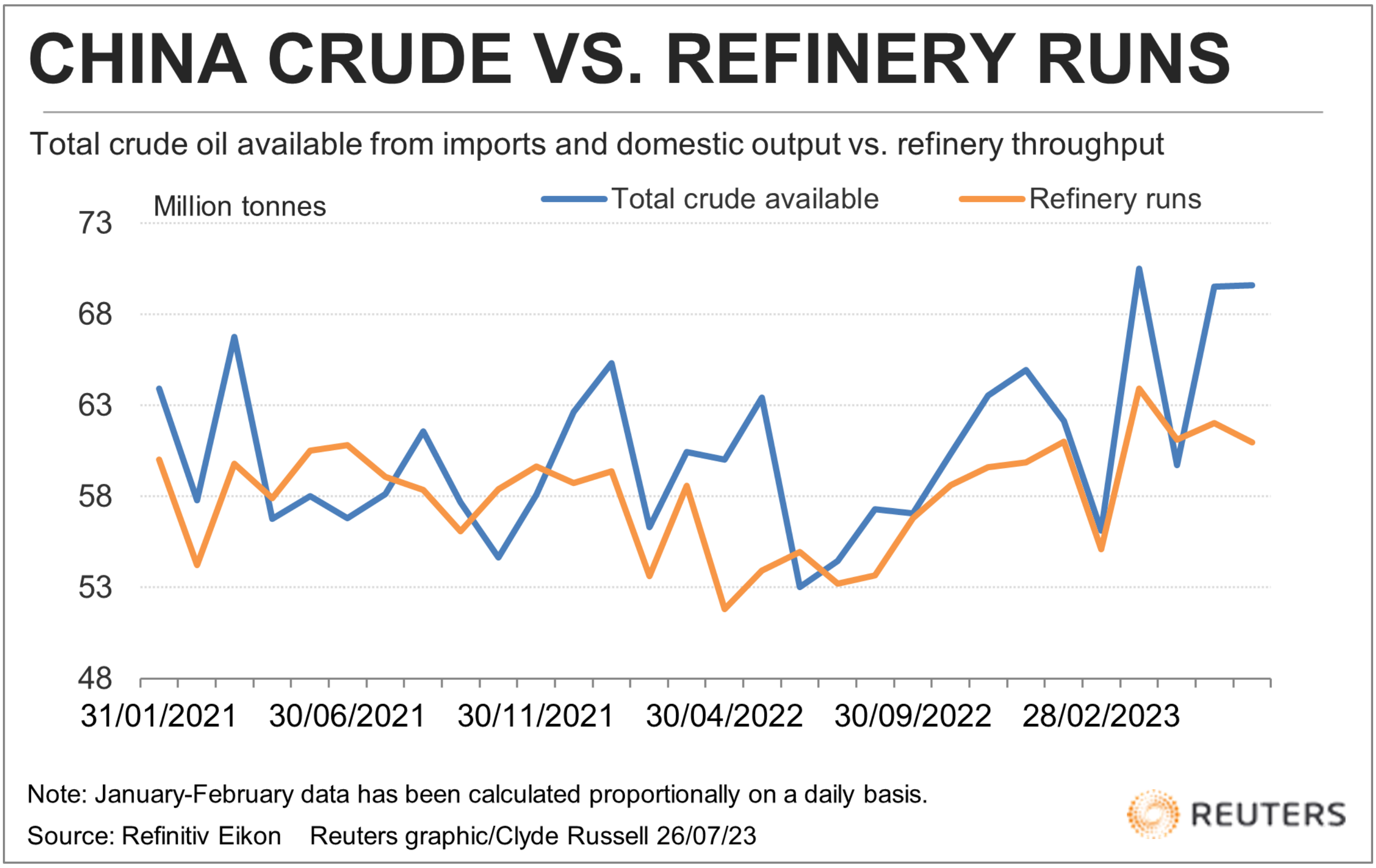
Global rice market set for government deals as India's ban curbs supplies

Global rice importers are likely to seek direct deals with governments in exporting countries as India's ban on shipments of a key variety is squeezing supplies and igniting concerns over food security.
Buyers from Africa to Asia are likely to scramble for rice shipments as supplies tighten in coming months following India's decision last week to ban non-basmati white rice exports.
The ban will cut availability of the staple on world markets by about a fifth, traders and analysts said, and could lead to importers seeking more government-to-government deals to overcome shortages and tame spiralling prices.
"Export restrictions inherently reduce trust in the dependability of international trade," said Shirley Mustafa, rice market analyst at the U.N.'s Food and Agriculture Organisation (FAO).
"Thus, they could result in importing countries looking at government-to-government deals to ensure supplies."
While announcing its export ban last week, India has left the door ajar for such deals, saying that it will consider meeting the requirements of countries in need of rice supplies.

INDIA'S GOVERNMENT DEALS
Last September, India banned exports of broken rice in a bid to cool domestic prices, but since then official data shows the country approved sales of around one million metric tons of broken rice to Indonesia, Senegal, Gambia, Mali and Ethiopia.
"The current ban excludes government-to-government sales, and it remains within the government's prerogative," said B.V. Krishna Rao, president of the Rice Exporters Association.
"A decision will be made based on the needs of importing countries and the supply situation in the local market."
African buyers are likely to approach the Indian government for rice sales, and Asian importers such as Indonesia and the Philippines could sign government-to-government contracts with the region's top exporters Thailand and Vietnam, traders said.
Indonesia has signed an agreement with the Indian government to potentially import one million metric tons of rice if the El Nino weather pattern hits its domestic supplies.
India last month approved wheat and broken rice exports to a few countries that had requested shipments of grains.
Indonesia's National Food Agency (NFA) said that deals the country has made since end of last year are sufficient for now, while the National Food Authority in the Philippines can import rice upon approval by the president in an emergency situation.
India has ample stocks as of now to meet such requests, while Vietnam is due to start harvesting its main crop, analysts said.
"India's government stocks of non-basmati rice are ample, standing at around 41 million tonnes on July 1," FAO's Mustafa said. "So, they could service the needs of both domestic public distribution and government level trades."

ANALYSIS-Russia's Danube attacks tighten noose on Ukraine's grain sector
Russian air strikes on Ukrainian grain facilities on the Danube this week threaten a vital river route for Kyiv's exports, as Moscow seeks to tighten the noose around a key sector of the economy days after abandoning the Black Sea shipping deal.
Last week, air strikes caused tens of millions of dollars of damage to the grain sector in Odesa region, and Monday's strikes on infrastructure along the Danube brought back memories of the export gridlock that followed Russia's February 2022 invasion.
"Without the Danube, the export (situation) becomes critical. To do it with just land routes is a very small amount. We'd be going back to the beginning of the full-scale invasion," said Denys Marchuk, deputy head of the Ukrainian Agrarian Council.
"We have no other way to work. If the Black Sea is closed, the Danube is one of the main routes which we will need to use," he told Reuters by phone.

Chart of the Day



Police said Danube grain warehouses had been hit on Monday in a drone attack along with tanks for storing other cargo. Reuters verified video showing damaged grain warehouses at Reni, a transport hub on the Danube bordering NATO and EU member Romania.
Officials did not go into further detail for security reasons.
"The big question mark is whether Russia will continue to attack these ports in the near future and prevent exports," said Carlos Mera, head of Agri Commodities Markets Research at Rabobank.
Since Monday's air strikes, the Danube channel has seen shipping disruptions, although it was unclear why there was a slowdown of vessel traffic.
There continued to be a bottleneck, with a buildup of ships at anchor, queuing to take their turn in port, or moving slowly across the Danube channel on Tuesday, according to Reuters calculations based on ship tracking data from analytics company MarineTraffic.
Twenty vessels including cargo ships were at anchor close to the crucial Izmail port terminal. Just three vessels had been able to sail from Izmail and another three arrived since Monday, the data showed.
There was also congestion around Reni with seven vessels, mainly inland fuel tankers, anchored near to that port some 45 km (28 miles) from Izmail.

INSURANCE RATES RISE
Insurance sources have said war risk cover for Ukraine's ports that was part of the defunct Black Sea grain deal had been suspended with some insurance providers reviewing provisions for Danube ports.
Insurance industry sources said on Tuesday there were few requests to cover new charters for vessels looking to pick up cargoes from Ukraine's Danube ports.
"Russia appears to be aiming to destroy infrastructure rather than intimidate shipping, although the latter is an effect," one insurance source said.
Another said: "Even with whatever cover is still being offered for Danube ports, rates are significantly up."
"All bets are off," the second source said. The Danube corridor has grown in importance for Kyiv since the demise of the grain deal which Russia quit last week. The route could export around 2.5 million tons of grain and oilseeds per month before the attacks, according to Mera.
Road and rail export routes would only be able to handle up to 2 million tons of produce per month, Marchuk said. That is nowhere near enough to cover Ukraine's export potential. Ukraine expects to harvest 44 million tons of grain this year, down from a record 86 million-ton harvest in 2021 before the invasion. Ukraine traditionally exports most of the grain it harvests.
Some of Ukraine's western neighbours have also restricted imports of Ukrainian grain under pressure from their farmers, who said they were suffering from the added competition.
The attack on the Danube infrastructure followed a week of Russian strikes that hit grain-related infrastructure at Odesa's main ports.
Officials say the strikes damaged 60,000 tons of grain earmarked for supply to China, reservoirs and berths, and infrastructure owned by Kernel, Viterra and CMA CGM Group. Kernel said it would take at least 12 months to repair facilities at Chornomorsk where Ukraine said damage was "considerable".
Marchuk said the lost grain was worth $8 million and that a "significant" number of elevators had been damaged. "These are worth tens of millions of dollars," he said.

'BLACKMAIL'
Oleksiy Danilov, secretary of the National Security and Defence Council, said the attacks sought to cut Ukraine off from the Black Sea and to elevate the importance of Russia as a global grain supplier.
The strikes, he said, indicated Russia was trying to "blackmail" the West to win a resumption of Russian ammonia exports and the lifting of some sanctions and restrictions.
Marchuk said the attacks also served to scare off commercial vessels.
The attacks lay bare the challenge to Ukrainian air defences of repelling attacks across a country double the size of Italy.
A local news report said Monday's attack on the Danube involved 15 drones with only three of them shot down, a much poorer ratio than in Kyiv where Western air defence systems have a very high success rate.

Top News - Metals

Some Chinese steel mills ordered to cap output this year - sources
Several Chinese steel mills have received instructions to cap this year's output at the same level as 2022, five people familiar with the matter and analyst reports said on Tuesday, potentially curbing iron ore demand in the world's top steel market.
Three mills owned by the world's biggest steelmaker, state-owned China Baowu Steel Group, were given verbal instructions that output should not exceed that of 2022, said four of the sources, with two adding the orders were delivered yesterday.
None of the people specified which authority issued the orders and all declined to be identified because of the sensitivity of the matter.
A Baowu public relations official said he had no information to share on the matter.
China has mandated zero output growth in its steel sector for the last two years as it seeks to limit carbon emissions by one of its most polluting industries.
In both 2021 and 2022, the state planner announced the zero growth target in the second quarter, but no public announcement has been made this year, leaving the market guessing on Beijing's plans.
China's state planner did not respond to a fax seeking comment on the caps issued at some steel mills. Some mills in the northern Chinese city of Tianjin were notified to keep steel output below the 2022 level, according to reports by local consultancies Mysteel and Fubao on Tuesday, which did not specify the number of mills.
Some mills in eastern China also received similar instructions, consultancy Shanghai Metals Market said.

However, a dozen mills in northern Chinese cities including Tianjin and Handan contacted by Reuters said they had not yet received any instructions to cap their output.
The most-traded steel rebar contract on the Shanghai Futures Exchange closed daytime trading 1.21% higher at 3,857 yuan ($539.93) per metric ton on Tuesday, the highest since April 20.
China produced 535.64 million metric tons of crude steel in the first half of the year, up 1.3% from the same period last year, data from the National Bureau of Statistics showed.
Output in 2022 fell 1.7% on the prior year to 1.018 billion metric tons.

Goldman Sachs says 'time to sell nickel' as oversupply concerns loom
Goldman Sachs on Tuesday said that with nickel supply set to outstrip any potential demand uplift and the metal's prices trading at the very top of the curve, there is a good opportunity to short the market.
"Nickel prices are currently trading at the very top of the industry cost curve, which is at odds with the necessary supply rationing needed to restrain the expected glut ahead," analysts at Goldman Sachs said in a note.
The Wall Street bank expects the nickel market to swing into surplus of 218,000 tons in 2023 and 306,000 tons in 2024, respectively.
The bank expects nickel prices to average $19,000 per metric ton over the three-month period and sees prices averaging $16,000 per metric ton over the 12-month period.
Three-month nickel on the London Metal Exchange (LME) was trading at $22,440 per metric ton at 1556 GMT on Tuesday.
"The delivery of refined metal onto the exchange from the new brands approved by the LME and rising net exports of refined metal from China will, we think, lead to replenishment of refined metals stocks that have fallen to all-time lows," Goldman said. "The lack of a tightening fundamental catalyst makes nickel vulnerable to the supply developments in the class 1 market."
Separately, Goldman Sachs raised the three-month copper target to $9,250 per ton from $7,750 per ton and six-month target to $9,500 per ton from $9,200 per ton, advising investors to buy dips from here.

MARKET MONITOR as of 06:31 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$79.20 / bbl	-0.54%	-1.32%
NYMEX RBOB Gasoline	$2.77 / gallon	-0.92%	11.79%
ICE Gas Oil	$809.50 / tonne	0.40%	-12.11%
NYMEX Natural Gas	$2.73 / mmBtu	-0.04%	-39.02%
Spot Gold	$1,969.49 / ounce	0.25%	7.95%
TRPC coal API 2 / Dec, 23	$133.25 / tonne	5.96%	-27.88%
Carbon ECX EUA / Dec, 23	€92.03 / tonne	0.11%	9.60%
Dutch gas day-ahead (Pre. close)	€32.65 / Mwh	9.56%	-56.80%
CBOT Corn	$5.59 / bushel	-1.15%	-17.59%
CBOT Wheat	$7.69 / bushel	-1.47%	-2.25%
Malaysia Palm Oil (3M)	RM4,110 / tonne	1.08%	-1.53%
Index (Total Return)	**Close 25 Jul**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	314.63	0.64%	4.41%
Rogers International	27.89	0.65%	-2.72%
U.S. Stocks - Dow	35,438.07	0.08%	6.91%
U.S. Dollar Index	101.35	0.00%	-2.10%
U.S. Bond Index (DJ)	410.22	-0.05%	4.57%

Top News - Carbon & Power

Indonesia's big gas projects to proceed after global majors sell stakes

Shell and Chevron's agreements to sell stakes in major Indonesian gas projects to Pertamina, Petronas and Eni will unleash development at the fields, enabling the country to boost its flagging output, the buyers said.
Indonesia has seen declining oil and gas production in recent years due to depleting reserves, and as major new projects face delays due to oil majors' exits.
After signing a deal on Tuesday to buy a 20% stake in the Masela gas block from Shell, Nicke Widyawati, CEO of Indonesian state energy firm Pertamina, told reporters at the Indonesia Petroleum Association conference that a final investment decision on the project would be made in 2026.
Shell had been looking to sell its 35% interest in the project since 2019. Under the agreement signed on Tuesday, Malaysia's Petronas will buy Shell's other 15% stake.
"Our participation underscores the commitment in supporting Indonesia's production target to achieve one million barrels of oil per day and 12 billion standard cubic feet per day of gas by 2030," Petronas group CEO Tan Sri Tengku Muhammad Taufik said.
Abadi LNG, led by Japan's Inpex Corp, will use gas from the Masela block to produce 9.5 million metric tons per year of LNG at its peak, which will be shipped from the proposed terminal for domestic industries and overseas customers.
Dwi Soetjipto, the CEO of Indonesian upstream regulator SKK Migas, told Reuters at the same conference that an FID on the project could be reached as early as end-2024.

FAST TRACK

Eni also signed a deal on Tuesday to take over Chevron's stake in the IDD gas project. It said the acquisition will allow it to fast-track development of the resource, in which it was already a partner along with Pertamina and China's Sinopec. The IDD project involves the Bangka, Gendalo and Gehem gas fields, and its development will integrate the nearby Jangkrik and North Ganal blocks operated by Eni in the Kutai basin.
It will also leverage the Jangkrik infrastructure and the existing Bontang LNG facility, in which Eni holds a stake, Eni said. Chevron confirmed the sale and said it continues to invest in Indonesia.
SKK Migas also said on Tuesday that three to five potential investors from the Middle East and Asia have started assessing the Tuna natural gas project in a possible sale of Russian firm Zarubezhneft's stake.
British firm Harbour Energy is currently partnering with Zarubezhneft on the gas field, but Zarubezhneft plans to pull out of the project due to a lack of progress following sanctions on Russian companies.
The Tuna field is expected to reach peak production of 115 million standard cubic feet per day in 2027. Gas from the field will be exported to Vietnam from 2026.
Indonesia still has "huge potential" from natural gas resources, its Energy Minister Arifin Tasrif told the conference earlier, and would exploit gas as a bridge fuel in its transition to greener forms of energy.
Big producers have in recent years promoted gas, which has lower emissions than coal when burned, as a transition fuel to smooth out intermittent supply from renewables. The move has been fiercely resisted by environmentalists.

Equinor Q2 profit down 57% as oil and gas prices fall

Equinor on Wednesday posted a 57% year-on-year decline in second quarter core profit, in line with expectations as oil and gas prices fell, while maintaining its dividend and share buyback levels.
The Norwegian energy group's adjusted earnings before interest and tax for April-June fell to $7.54 billion from $17.6 billion a year earlier, broadly in line with the $7.64 billion predicted in a poll of 21 analysts compiled by Equinor.
"Equinor delivered solid earnings in a quarter affected by turnarounds and energy prices down from the extraordinary levels last year," CEO Anders Opedal said in a statement.
Equinor maintained its plan to distribute $17 billion to shareholders this year in the form of dividend payments and share buybacks, he added.
Equinor, Europe's largest supplier of natural gas, is the continent's first major energy group to report results for the second quarter of 2023.
Oil and gas prices soared last year as Russia's invasion of Ukraine led to supply disruptions but the cost of energy has since fallen as fears of shortages eased amid global economic headwinds.
Majority state owned Equinor's operating profit was also down from $12.0 billion in the first quarter.
Equinor's overall oil and gas production rose 1% year-on-year to 1.99 million barrels of oil equivalent per day (boed) in the quarter of 2022.
The company maintained its full-year production growth target of 3% for the year, boosted by a bump in output from the Johan Sverdrup oilfield, Europe's biggest producing entity.
Equinor's Oslo-listed stocks have fallen 10% year-to-date as gas prices tumbled, underperforming a 0.4% drop in European petroleum company stocks.

Top News - Dry Freight

ANALYSIS-German industry changes tack as river Rhine runs drier

German industry is finding new ways to transport cargoes from coal to chemicals as increasingly frequent low water levels on the Rhine disrupt Europe's largest economy.

The 1,230 km (764.29 miles) river, a world famous tourist destination and a part of the national psyche, is the commercial artery for 80% of the German economy's inland shipping of goods, including crude oil and natural gas.

But following extended periods of low water in 2018 and 2022, Rhine levels are again too low in parts of the river for cargo vessels to sail fully loaded when they can hold the equivalent of up to 150 trucks.

At Kaub, the critical chokepoint for Rhine barges, water levels fell to their lowest this year earlier this week.

Last year, 182 million metric tonnes of goods were transported via Germany's waterways, down 6.4% from 2021 and the lowest since German reunification.

As severe heatwaves grip southern Europe, the Federal Waterways and Shipping Agency expects the downward trend to continue.

Germany chemical-maker Covestro transports more than 30% of its finished goods and receives the majority of the raw materials to produce them via the Rhine.

"Climate change and the increasing occurrence of low water levels are posing significant challenges to Covestro as well as other companies," Uwe Arndt, who heads Covestro's Rhine taskforce, said.

That is why the group has chartered two low-water barges that are able to supply customers with hydrochloric acid even when Rhine levels at Cologne fall to 0.40 metres.

Around 260 km down the river, BASF has also started to use a low-water ship to supply its Ludwigshafen hub, which gets around 40% of its raw materials via the Rhine.

In the case of inflammable and toxic chemicals, the river is often the only viable option for transport.

But Kaub levels below a metre mean that traditional barges must reduce their cargoes by more than half to under 1,500 metric tonnes, the DTG shipping cooperative says.

BASF's new low-water tanker - the Stolt Ludwigshafen - however can still carry a load of 2,300 tonnes and sail through the Kaub bottleneck at ultra-low levels of 30 centimetres (11.8 inches).

BASF Vice President Barbara Hoyer said the world's No.1 chemicals group depended on the Rhine as most liquid raw materials, including naphtha, are transported via the river.

"We need a lot to keep production going, and it's very difficult to move those volumes," she said.

Thyssenkrupp, which declared force majeure during the 2018 dry spell because it no longer received enough raw materials, has chartered a train long-term that can supply around 3,000 metric tonnes of coal, needed to make steel, each day.

ARTERY OF THE ECONOMY

The impact of low water levels is not limited to big business. Germany's gross domestic product shrank by 0.4% in 2018 as Rhine traffic slowed.

As a rule of thumb, if water levels at Kaub fall below 78 centimetres for 30 straight days, as was the case in 2022 and 2018, industrial production falls by 1%, according to the Kiel Institute for the World Economy.

Deutsche Bank, which already expects Germany's economy to decrease by 0.3% in 2023, reckons that a prolonged period of low water levels could delay the country's recovery from recession.

DTG board member Roberto Spranzi, however, said demand for shipping has fallen in line with lower economic activity, meaning the impact of low water levels could be more manageable than in previous years.

WINNERS AND LOSERS

For industry, profit margins are squeezed by higher shipping rates and the cost of chartering low-water barges.

But logistics firms are benefiting from rising demand for vessels adapted to lower river levels.

"We expect, due to climate change, that the extremes on the river Rhine will happen more often," said Maickel Uijtewaal, general manager at Stolt-Nielsen.

The company is in talks with several customers with sites on or close to the Rhine about low-water barges, it said, adding firms were concerned about the integrity of their supply chains.

Germany's HGK Shipping, a unit of Cologne's municipal utility, is building three such ships for customers, including global grains merchant Archer-Daniels-Midland Co.

Its CEO Steffen Bauer said energy, chemicals and steel companies had limited alternatives for transporting large volumes of raw materials.

"There is a lack of capacity, infrastructure and personnel in the short- as well as mid-term for a like-for-like shift to rail and road," he said.

Chemicals firm Evonik, also a user of low-water boats, agreed saying Germany's railway system needed extensive upgrading, and that the leading industrial nation cannot rely on a second class railway network.

Brazil's Paranagua port export volumes reach 50-year high as soy sales jumps – authority

Exports through the eastern corridor of Brazil's second busiest port totaled 11.1 million metric tons in the first half, the highest volume for a single semester since the port's establishment 50 years ago, Paranagua port authorities said on Tuesday.

Officials at the publicly owned port cited a significant increase in grain shipments across the board, but highlighted soybeans, whose export volumes jumped 22.4% after Brazil harvested its largest-ever crop in 2023.

Soy exports represented 6.5 million metric tons of the total shipped in the first half via Paranagua, or almost 60%, authorities said. Next came soymeal, with nearly 24% of total shipments, and corn, which represented around 17% -- or 1.9 million metric tons.

Brazil ships most of its soybeans to China but this season, crop failure in Argentina sparked sales of unseen volumes to its southern neighbor, itself a large global supplier of soybeans and byproducts. In 2023, Brazil is also harvesting its biggest-ever corn crop, helping raise demand for port services in the initial months of the year. Traditionally, Brazil exports most of its corn in the second half, when it competes with the U.S. product in global markets.

According to analysts, problems with Ukraine supplies and new demand from China, which approved Brazilian corn imports last December, are also raising demand for Brazilian corn this year. Paranagua authorities said first-half results also reflect boosted port efficiency, citing average berthing time in the East corridor falling to 2.35 days in June from 2.84 days in June last year. The average pace of shipments rose to about 1.088 tons per hour from about 817 tons/hour in the period, Paranagua said.

Picture of the Day

A shopkeeper fills a bag of rice for a customer, at a shop along a market in Karachi, Pakistan June 9, 2023. REUTERS/Akhtar Soomro

(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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