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Top News - Oil

PREVIEW-Saudi Arabia may raise Oct Arab Light price to 10-month high

Saudi Arabia may raise prices of all crude grades it sells to Asia in October as the world's top oil exporter is expected to extend its voluntary output cut for a third month, keeping sour crude supply tight and prices elevated.

The October official selling price (OSP) for flagship Arab Light crude could increase by about 45 cents a barrel from the previous month, according to five refining sources surveyed by Reuters, which would be the grade's highest price so far this year.

Market participants and analysts expect Saudi Arabia to extend an unilateral voluntary production cut of 1 million barrels per day (bpd) to October as the kingdom targets drawing down global inventories further.

Middle East benchmarks have been strengthening since June on supply tightness worries and resilient oil demand. Dubai's monthly change in first- and third-month price spread has averaged $2.05 a barrel this month, compared to $1.57 a barrel in July, reflecting a deepened backwardation and tighter supply in the near term.

Respondents also expect state oil giant Saudi Aramco to increase the prices of other grades on forecasts of stronger demand as most Asian refiners are seen resuming production in the fourth quarter after maintenance.

"All the price assessments are conducted based on the expectation that Saudi will prolong the cut to defend oil prices. But higher OSPs could prompt some refiners to take less cargoes and find cheaper alternatives," said one respondent.

As the spread between Brent and Dubai narrows to near parity, hauling crude from the Atlantic Basin and Americas is economical for Asian refiners.

Saudi Aramco's OSPs are usually released around the fifth of each month, and set the trend for Iranian, Kuwaiti and Iraqi prices, affecting about 9 million bpd of crude bound for Asia.

Saudi Aramco officials as a matter of policy do not comment on the monthly OSPs.

Eni, Repsol to upgrade oil-for-debt deal with Venezuela

European oil majors Eni and Repsol plan to expand an oil-for-debt deal with Venezuela under U.S. approval, aiming to supply refined products to state firm PDVSA and boost oil deliveries to Europe, three people close to the matter said.

As Western sanctions last year cut the flow of Russian oil to Europe, Eni and Repsol received authorization from the U.S. State Department to take Venezuelan crude and process it in European refineries, to recoup accumulated debt and dividends from their joint ventures in the South American country.

The original "comfort letters" created exemptions to U.S. sanctions on Venezuela's oil industry that have curtailed the OPEC member's oil exports since 2019. But they did not allow oil swaps and banned cash payments to PDVSA, an arrangement that irked the Venezuelan firm.

Under the revised terms, Eni and Repsol can supply the state company with fuels, potentially helping Venezuela ease an intermittent scarcity that has led to long lines at gasoline stations in recent years.

The first fuel delivery under the expanded agreement, consisting of some 330,000 barrels of naphtha, is scheduled to arrive in PDVSA's Cardon port this week from Italy's Milazzo refinery, operated by a consortium of Eni and Kuwait Petroleum, according to Refinitiv Eikon data.

PDVSA did not reply to a request for comment. Eni and Repsol were not immediately available to respond to a Reuters request for comment.

A U.S. State Department spokesperson has said it would not discuss "specific communications with companies."

The White House declined comment.

Since the U.S. imposed oil sanctions on Venezuela in 2019, oil swaps have provided ways for companies to receive payment for joint-venture debt, sometimes also securing refined products PDVSA can distribute domestically.

Crude received by Eni and Repsol under their swap deal has mostly been sent to Repsol's refineries in Spain. But PDVSA has only allocated seven oil cargoes so far this year to Eni, which acts as offtaker for both firms, limiting the deal's reach.

SIMILAR DEALS

Since the U.S. Treasury in November separately granted a license to oil major Chevron to expand operations in Venezuela and export crude from its joint ventures to U.S. refiners, several companies have sought similar deals.

U.S. President Joe Biden's administration is drafting a proposal that could ease sanctions on Venezuela's oil sector, allowing more companies and countries to import its crude oil, if the South American country moves toward a free and fair presidential election, sources said this month.

Eni is also in initial talks with PDVSA to increase output at their joint shallow-water project Corocoro, which has been producing crude intermittently since 2021, aiming at resuming exports of that grade, which remains frozen since 2019.

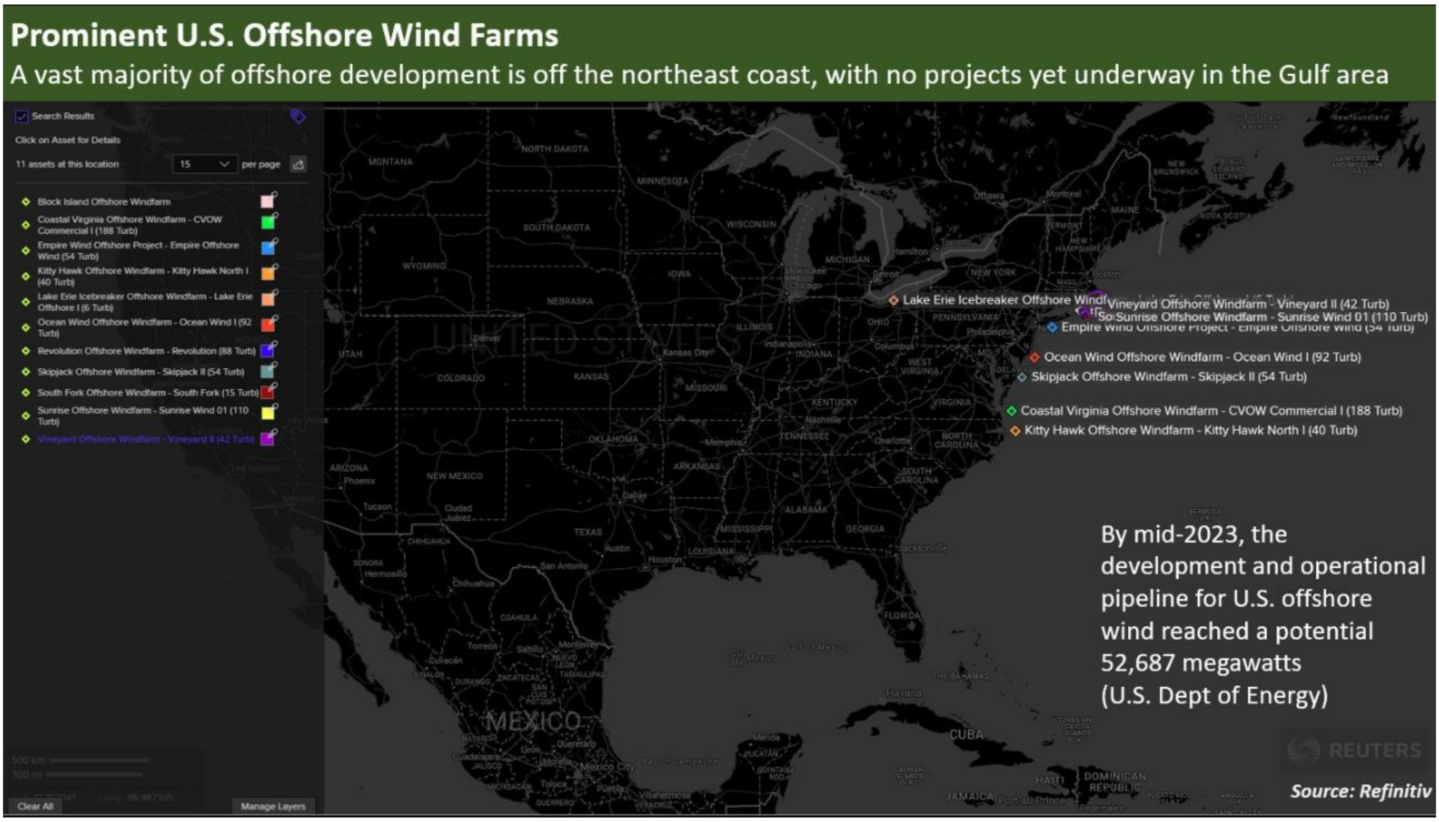
The field is run by the Petrosucre joint venture between Eni and PDVSA. Before U.S. sanctions, it was producing some 24,000 barrels per day of oil, but it has produced only 2,200 bpd so far this year, according to independent analysts. In July, PDVSA inspected a floating platform at the field to assess remaining inventories and available storage to avoid a total halt on production, a separate

source said. If current talks between Eni, Repsol and PDVSA prove successful in continuing to expand their joint businesses, a separate offshore project, Perla, which provides natural gas for power generation, could ultimately expand output, the people said.
The Perla project in Venezuela's Gulf near the maritime border with Colombia currently allows PDVSA to buy about 550 million cubic feet per day (mmcfd) of natural gas produced by Eni and Repsol at international prices. Its second phase would expand output to 800 mmcfd. The parties also hope to export any future surplus of associated natural gas liquids and condensate the project produces, which would require additional authorization by Washington.

Top News - Agriculture

India allows exports of non-basmati white rice trapped at ports
India has allowed traders to ship out their non-basmati white rice cargoes sitting at ports due to a sudden ban on exports of the category, a government order said late on Tuesday.
On July 20, India surprised buyers by banning exports of widely consumed non-basmati white rice to control rising domestic prices. The move followed a ban on broken rice exports last year.
The export ban trapped thousands of tonnes of non-basmati white rice at ports, leaving traders facing losses.
The Directorate General of Foreign Trade (DGFT), a unit of the trade ministry, in its latest order said it would allow shipments of trapped cargoes provided traders paid the export duty by July 20, when the ban was imposed.
Before the July ban on non-basmati white rice exports, overseas shipments of the grade would attract a 20% tax.
After the DGFT order, around 150,000 tonnes of non-basmati white rice cargoes would be shipped out of various ports, said Prem Garg, president of the Indian Rice Exporters Federation.
"Three ships were standing still at the Kandla port and a lot of containers were lying at different ports, causing a lot of problems for the rice industry," he said.
India, which accounts for 40% of world rice exports, sells the staple to more than 150 countries, including a few poor and vulnerable countries in Africa and Asia.
New Delhi exported a record 22.2 million tons of rice in 2022.
After banning non-basmati white rice exports, India on Friday imposed a 20% tax on parboiled rice shipments and introduced a floor price for overseas sales of basmati rice, as part of efforts to keep a lid on local prices.
India's rice export curbs have put upward pressure on global rice prices.
"The permission to allow the cargoes stuck at ports will not only help Indian suppliers, it will also help consumers in some of the most needy countries," Garg said.
Most of the trapped cargoes would go to East African and West African countries, he said.

Chart of the Day



From rice to palm oil, Asian crops output forecast lower as El Nino strengthens

An unusually dry August has taken a toll on cereal and oilseed crops in Asia as El Nino intensified, and forecasts for lower rainfall in September are further threatening to disrupt supplies.

While wheat output forecasts are being revised lower due to dry weather in Australia, the world's second largest exporter, record-low monsoon rains are expected to reduce the volume of crops, including rice, in India, the world's biggest shipper of the grain, meteorologists and analysts said.

Insufficient rains in Southeast Asia, meanwhile, could dent supplies of palm oil, the world's most widely used vegetable oil, while extreme weather in top corn and soybean importer China is putting food output at risk.

"We are in full-blown El Nino weather in several parts of the world and it is going to intensify towards the end of the year," said Chris Hyde, a meteorologist at U.S.–based Maxar Technologies, a climate data analytics platform. "The weather pattern in Asia will correlate with dry El Nino conditions."

El Nino is a warming of Pacific waters which typically results in drier conditions over Asia and excessive rains in parts of North and South America.

LACK OF RAINS IN INDIA, AUSTRALIA

India's monsoon rains, crucial for summer crops such as rice, sugarcane, soybeans and corn, are poised to be the weakest in eight years.

"The impact of El Nino is much greater than we had anticipated," said a senior India Meteorological Department official. "This month is going to end with a deficit of over 30%, marking it as the driest August on record. El Nino will also affect September's rainfall."

India, which accounts for 40% of global rice exports, has curbed shipments, lifting prices to 15-year highs.

Australia's wheat output estimates are being revised lower by analysts for the first time in four years as key growing areas have had insufficient rain in August.

"Wheat production is going to be three million (metric) tons lower than our initial estimate of 33 million tons," said Ole Houe, director of advisory services at agricultural brokerage IKON Commodities. "If the dryness continue in September, we are looking at an even lower crop."

Australia has had three straight years of bumper wheat output, boosting supplies for importers such as China, Indonesia and Japan.

TROPICAL SOUTHEAST ASIA HIT BY DRYNESS

Rice, palm oil, sugarcane and coffee crops have received lower-than-usual rainfall in Southeast Asia, with Indonesia and Thailand the worst hit.

"Eastern parts of Indonesia and much of Thailand has had very little rain in the last 30 to 40 days," Maxar's Hyde said.

"In these areas, precipitation has been 50% to 70% of average. Most of September is going to be largely below normal rains in Thailand and Indonesia."

In the United States, corn and soybean crops have suffered in recent weeks due to dryness, although the weather is not associated with El Nino, said Drew Lerner, president of World Weather Inc.

From November to February, however, U.S. farms will see a bigger impact from El Nino with above-average precipitation in southern states, benefiting winter wheat, Lerner said.

South American weather is expected to be crop-friendly for soybeans and corn which will be harvested early 2024.

Top News - Metals

LME clearing house cuts size of minimum default fund

The clearing house of the London Metal Exchange said on Tuesday it would cut the size of its default fund, reflecting a lower level of risk over the previous six months.

In the event of a member default, LME Clear takes over the member's portfolio and sells it. Any losses are initially offset against margins paid by the defaulter, and then by LME Clear's default fund.

LME Clear will be introducing a new methodology for setting the minimum default fund size and will lower the minimum level to $1,030,778,739 from $1,300,000,000. The change is effective from Sept. 1.

The new methodology links the minimum default fund size to the recent level of risk (Initial Margin), being set as a percentage of the average Initial Margin over the previous six months, LME added.

LME Clear's losses resulted in close to full depletion of the default fund under a stress test of its base metals service, a Bank of England report dated Oct. 13, 2022 said. The LME doubled its clearing house default fund to $2.075 billion after its nickel crisis in April 2022, which also spurred lawsuits against the exchange.

Chinese steel demand declining less than data suggests, says Vale executive

Brazilian miner Vale SA sees declining steel demand in China, the world's largest producer, but the situation is not as dire as some indicators suggest, the miner's vice president of iron ore solutions told Reuters.

Vale is "cautiously optimistic" about the largest global consumer of iron ore, as China's economy has proven resilient, despite uncertainties surrounding possible stimulus measures to achieve growth targets, the Vale executive, Marcello Spinelli, said.

"We can see that there is demand (for steel). It's declining, but not to the extent that some isolated indicators show to some analysts," Spinelli said. "When you reconcile it with the property numbers (in the construction sector) there is this divergence."

Vale is heavily dependent on sales to China, even as it works to diversify with its base metals unit. Last year, China bought 190 million tons of iron ore and pellets from Vale, representing around 63% of total sales in those segments, according to company data.

Spinelli acknowledged significant distrust among analysts about China's building sector, following liquidity problems for some real estate developers.

However, he said many analysts overlook that non-developer entities are actively constructing homes at elevated levels, partially offsetting the decline.
He also said low iron ore and steel inventories offer support for the market.
Iron ore inventories at China's ports are at their lowest levels in almost three years, around 118 million metric tons, according to data from consultancy SteelHome.
Prices are still holding above $110 per ton, but far from this year's peak near $130 and last year's high of $150.
"There's a lot of volatility because nobody knows what the central government is going to decide (about stimulus). We have to wait a bit, but China is there, alive, economically resilient and it's still going strong," Spinelli said.
"We're cautious optimists, that's what we are. There is a stabilization of the economy at a very high level, and with some adjustment, yes, (growth) will slow moderately over the next five, 10 years, but in a way that is already foreseen," said Spinelli.

Top News - Carbon & Power

First US offshore wind auction in Gulf of Mexico attracts paltry interest
The Biden administration's first ever auction of offshore wind development rights in the Gulf of Mexico ended with a single $5.6 million winning bid on Tuesday, reflecting meager demand for the clean energy source in a region known for oil and gas production.
Germany's RWE won rights to 102,480 acres (41,472 hectares) off Louisiana - the lowest winning bid for a federal offshore wind lease at auction since the Obama administration - while the other two lease areas on offer off Texas received no bids, according to results posted online by the U.S. Bureau of Ocean Energy Management.
The auction was by far the weakest of the four held since President Joe Biden took office in 2021 pledging to accelerate the industry as part of his climate change agenda.
Biden's administration wants to deploy 30 gigawatts (GW) of offshore wind by 2030, and the Interior Department said the three offered Gulf leases combined had the potential to account for more than 10% of that amount.
"It is striking just how bad the economics clearly must be in order for two of the three sites to remain unsold ... and for the site that was sold to go for such a low price," said Alon Carmel, a partner at PA Consulting who advises offshore wind companies.
A spokesperson for RWE said the sale was "a great opportunity to enter the Gulf's offshore wind industry at the ground floor" and noted that the first lease sales in the Atlantic had similar participation and prices. RWE is among the world's largest offshore wind developers, with

MARKET MONITOR as of 06:30 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$81.59 / bbl	0.53%	1.66%
NYMEX RBOB Gasoline	$2.57 / gallon	0.40%	3.56%
ICE Gas Oil	$937.25 / tonne	0.73%	1.76%
NYMEX Natural Gas	$2.67 / mmBtu	4.34%	-40.40%
Spot Gold	$1,936.16 / ounce	-0.05%	6.13%
TRPC coal API 2 / Dec, 23	$127.5 / tonne	0.79%	-30.99%
Carbon ECX EUA / Dec, 23	€84.82 / tonne	0.06%	1.01%
Dutch gas day-ahead (Pre. close)	€35.20 / Mwh	-2.49%	-53.42%
CBOT Corn	$4.89 / bushel	0.41%	-27.91%
CBOT Wheat	$6.04 / bushel	0.54%	-24.82%
Malaysia Palm Oil (3M)	RM3,937 / tonne	0.18%	-5.68%
Index (Total Return)	**Close 29 Aug**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	313.91	0.43%	4.17%
Rogers International	28.06	-0.21%	-2.11%
U.S. Stocks - Dow	34,852.67	0.85%	5.14%
U.S. Dollar Index	103.53	-0.51%	0.01%
U.S. Bond Index (DJ)	405.80	0.61%	2.77%

an extensive portfolio in Europe, and has also secured leases off the coasts of California and New York. French energy giant TotalEnergies, which is developing offshore wind projects in other U.S. regions, is one of the companies that elected to sit out the sale, despite having qualified to bid.
"Our assessment factoring in wind speeds, competition from other onshore renewables, and competitive power market conditions does not, at this time, justify submitting an offer," a spokesperson said in a statement.

INTEREST ELSEWHERE
Offshore wind lease sales off New York and New Jersey in February 2022 drew billions of dollars of bids, while more recent auctions for areas off the coasts of the Carolinas and California drew hundreds of millions of dollars.
Many of those states have passed laws that require utilities to buy power from offshore wind projects - mandates considered critical for a technology that is estimated to produce electricity at twice the cost of a natural gas plant. The Gulf's lower wind speeds, soft soils and hurricanes are considered challenges to the industry. The Southeast also has low power prices that could make it harder for higher-cost offshore wind generation to compete for electricity contracts.
The sale also comes at a challenging time for offshore wind.
In recent months, owners of several planned projects in the Northeast have sought to renegotiate or cancel power delivery contracts due to soaring cost inflation. Many of those companies had been qualified to bid on Gulf of Mexico leases. RWE said the Louisiana lease was attractive because the state has strong existing coastal port and supply chain infrastructure and a goal to install 5 gigawatts of offshore wind capacity by 2035. Texas does not have an offshore wind target.
"Today's auction results show the important role state public policy plays in offshore wind market development," Liz Burdock, CEO of the Business Network for Offshore Wind, said in a statement. The sale was cast by the Biden administration as a major milestone for the industry.
"Today’s lease sale represents an important milestone for the Gulf of Mexico region — and for our nation — to transition to a clean energy future,” said Bureau of Ocean Energy Management (BOEM) Director Elizabeth Klein. She said the Louisiana lease had the potential to power about 435,400 homes and create hundreds of jobs. According to a BOEM document, fifteen companies were qualified to bid at the sale.
They included offshore wind development arms of European energy companies Equinor and Shell, who also have oil and gas operations in the Gulf.

Japan's Mitsui, others to jointly study hydrogen, ammonia supply chain in Osaka
Japan's Mitsui & Co, Mitsui Chemicals, IHI Corp and Kansai Electric Power Co will conduct a joint study for establishing a hydrogen and ammonia supply chain in the Osaka coastal industrial zone, the companies said.
The announcement comes a day after Eneos and Osaka Gas said they would study the construction of a large e-methane facility - based on green hydrogen - and to be located in the Osaka Bay area.
The four companies would study options for receiving, storing and supplying ammonia - which can be used in power generation among other fields - in the Osaka area to potentially expand its usage in the Kansai and nearby Setouchi regions.
Hydrogen and ammonia, which do not emit CO_2 when burning, are an important part of Japan's energy security strategy to reduce the usage of traditional fossil fuels. Mitsui is Japan's biggest ammonia importer.
Separately, Tokyo Gas Co, Osaka Gas Co, Toho Gas Co, Mitsubishi Corp and Sempra Infrastructure Partners LP would study e-methane exports to Japan from the United States, they said.
The project would comprise a facility that would produce 130,000 metric tons of e-methane per year in Texas or Louisiana in the U.S. to be liquefied at the nearby Cameron liquefied natural gas (LNG) terminal and exported to Japan from 2030.
The capacity of the proposed facility is equivalent to 1% of the annual gas demand of Tokyo Gas, Osaka Gas and Toho Gas, five companies said in the joint statement, without providing an investment figure.

Top News - Dry Freight

South Korea’s MFG bought about 55,000 metric T feed wheat
South Korea's Major Feedmill Group (MFG) has purchased about 55,000 metric tons of animal feed wheat expected to be sourced from the Black Sea region in a private deal without issuing an international tender, European traders said on Tuesday.
One consignment was purchased at an estimated $273.80 a ton c&f plus a $1.50 a tonne surcharge for additional port unloading.
It was believed to have been bought from Korean trading house Pan Ocean.
Traders expected the wheat to be sourced from the Black Sea region, but Russia is excluded as an origin and Ukrainian and Russian loading ports may not be used, they said. Shipment is between Oct. 7 and Nov. 5 with arrival in South Korea around Dec. 10.
South Korean importer NOFI also bought about 55,000 metric tons of animal feed wheat in a private deal from Pan Ocean on Friday without issuing an international tender, European traders said on Monday.

Egypt's GASC seeks wheat in international tender
Egypt's state grains buyer, the General Authority for Supply Commodities, is seeking wheat in an international tender for shipment Oct. 5-20 and/or Oct. 25 - Nov. 10 and/or Nov. 15-30.
GASC said the deadline for submitting offers was Aug. 30 at GASC's offices in the New Administrative Capital.
Suppliers should submit offers on a free-on-board basis for at sight payment using funding from ITFC.

Picture of the Day

Shane Edwards holds his three year old granddaughter Elizabeth Giraud as they play in the surf ahead of Hurricane Idalia in Clearwater Beach, Florida, U.S., August 29. REUTERS/Adrees Latif

(Inside Commodities is compiled by Sreshtha Uniyal in Bengaluru)

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

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Refinitiv
28 Liberty Street, New York, NY 10005

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