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Top News - Oil

OPEC+ discussing delay to planned oil output hike in October, sources say

OPEC+ is discussing delaying an oil output increase scheduled to start in October after oil prices hit their lowest in nine months, four sources from the producer group told Reuters on Wednesday.

The move comes as oil prices have been falling together with other asset classes on concerns about a weak global economy and particularly soft data from China, the world's biggest oil importer.

Last week, the Organization of the Petroleum Exporting Countries and allies led by Russia, or OPEC+ as it is known,was set to proceed with a 180,000 barrels-per-day output hike in October, part of a plan to gradually unwind its most recent cuts.

Still, fragile oil market sentiment over the prospect of more supply from OPEC+ and an end to a dispute halting Libyan exports, coupled with a weakening demand outlook, have raised concern within the group, one of the sources said.

A delay to the October output increase is looking "highly possible," another of the four OPEC+ sources said. All of the sources declined to be identified by name.

Oil prices rose on the possible delay, with global benchmark Brent crude climbing by over $1 to a session high of $74.80 a barrel and later giving up its gains to fall to about $73, its lowest since December.

OPEC and the Saudi government communications office did not immediately respond to requests for comment.

CHINA CONCERNS

A dispute between rival factions in OPEC producer Libya over control of the central bank that led to a loss of at least 700,000 bpd of production has supported oil in recent weeks.

But prices slumped by about 5% on Tuesday on news that a possible deal to resolve the conflict was in the works.

Weak Chinese demand and a slump in global refining margins which could prompt refiners to process less crude, have also weighed.

"China's underperformance has dented 2024 growth projections and has continued to trail both 2023 crude import and refinery throughput levels," RBC Capital analyst Helima Croft said in a note.

It may be prudent for OPEC+ to wait until December before returning extra barrels to the market, she added.

In all, OPEC+ is cutting output by a total of 5.86 million bpd, or about 5.7% of global demand, in a series of steps agreed since late 2022 to support the market due to uncertainty over the demand outlook and rising supply outside the group.

OPEC+ agreed in June to extend 3.66 million bpd of those cuts until the end of 2025. It also agreed to prolong the most recent cuts - a 2.2 million bpd cut by eight members - by three months until the end of September 2024, and to then gradually ease this cut from October to September 2025. The planned 180,000 bpd output increase in October, which may now be delayed, was scheduled to come from the eight OPEC+ members who have been making this most recent layer of cuts.

Oil tanker loading crude at Libya's Brega port, engineers say

The 600,000-barrel oil tanker Front Jaguar was loading at Libya's Brega port on Wednesday, engineers told Reuters and Kpler data showed, despite a blockade that has halted other exports.

The tanker was permitted to load oil from storage after exports had been halted at major Libyan ports, the engineers said, without giving further details.

Crude exports at major Libyan ports have been shut for nearly a week and oil output has plummeted since eastern authorities in the divided country ordered a shutdown to all oil production on Aug. 26.

The eastern authorities' declaration was in response to western factions moving to oust veteran Central Bank of Libya (CBL) Governor Sadiq al-Kabir and replace him with a rival board.

Libya's two legislative chambers said on Tuesday they had agreed a mechanism for resolving the dispute over control of the CBL, which receives revenue from Libya's oil exports, the vast bulk of the national wealth.

Crude exports remained halted at Zueitina port on Wednesday but the 5,000 tons-capacity tanker Gaz United was expected to arrive there on Thursday to load propane, engineers there told Reuters on Wednesday.

The crisis over control of the CBL threatens to spiral and could end a four-year period of relative peace in the major oil exporter long split between factions in its east and west.

The National Oil Corporation, which controls Libya's oil resources, declared force majeure at the 70,000 barrels per day El Feel oilfield on Monday. Reuters had reported last week that output was halted there.

NOC said on Aug. 28 that total oil output dropped by more than half from typical levels to just over 590,000 bpd. It was not immediately clear where current production stood.

Reuters reported on Saturday that Libya's Sarir, Messla and Nafoura oilfields had been ordered to resume production by their operator, Arabian Gulf Oil Company, an NOC subsidiary.

About 150,000 barrels per day of output from Sarir and Messla was arriving at Hariga port for local consumption, while any excess was being stored, engineers at the fields said on Wednesday.

Top News - Agriculture

Brazil's soybean area set to expand at slowest pace in 18 years, AgRural says

The area planted with soybeans in Brazil will grow in 2024/25 at its slowest pace in almost two decades, agribusiness consultancy AgRural said on Wednesday, forecasting a modest 0.9% expansion when compared with the previous season. Farmers in the South American country, the world's largest soybean producer and exporter, are set to start sowing their 2024/25 crop this month, although bad weather is seen delaying some work in the fields.

AgRural expects Brazil's soybean area to reach 46.4 million hectares (114.7 million acres) in 2024/25, which - based on figures provided by national crop agency Conab - would mark the worst year-on-year performance since 2006/07, when there was a drop from 2005/06.

"Prices are not encouraging a greater area increase," AgRural analyst Daniele Siqueira told Reuters, as benchmark soybean futures in Chicago hover around four-year lows on expectations of a bumper U.S. crop.

Siqueira noted the figures were still preliminary as dry weather in the main producing areas should hold off an early start to planting in September. AgRural will review its estimate in the second half of the month.

The consultancy believes that Brazil's soybean production could reach 168 million metric tons in 2024/25, up 14% on a yearly basis, as adverse weather last season affected output in major grain-producing states such as Mato Grosso and Parana. A second consultancy, Patria AgroNegocios, also forecast on Wednesday Brazil's soybean area will reach 46.45 million hectares in the new season, but it sees a slightly higher percentage increase as its estimate for 2023/24 sat at 45.69 million hectares. The 1.66% growth projected by Patria would be driven by Brazil's north and northeast regions, while in southern and southeastern states - where most of the local grain output is concentrated - the expansion would be limited. Patria sees Brazil's soybean output potentially reaching 166.72 million tons in 2024/25, up 15.5% from the previous season.

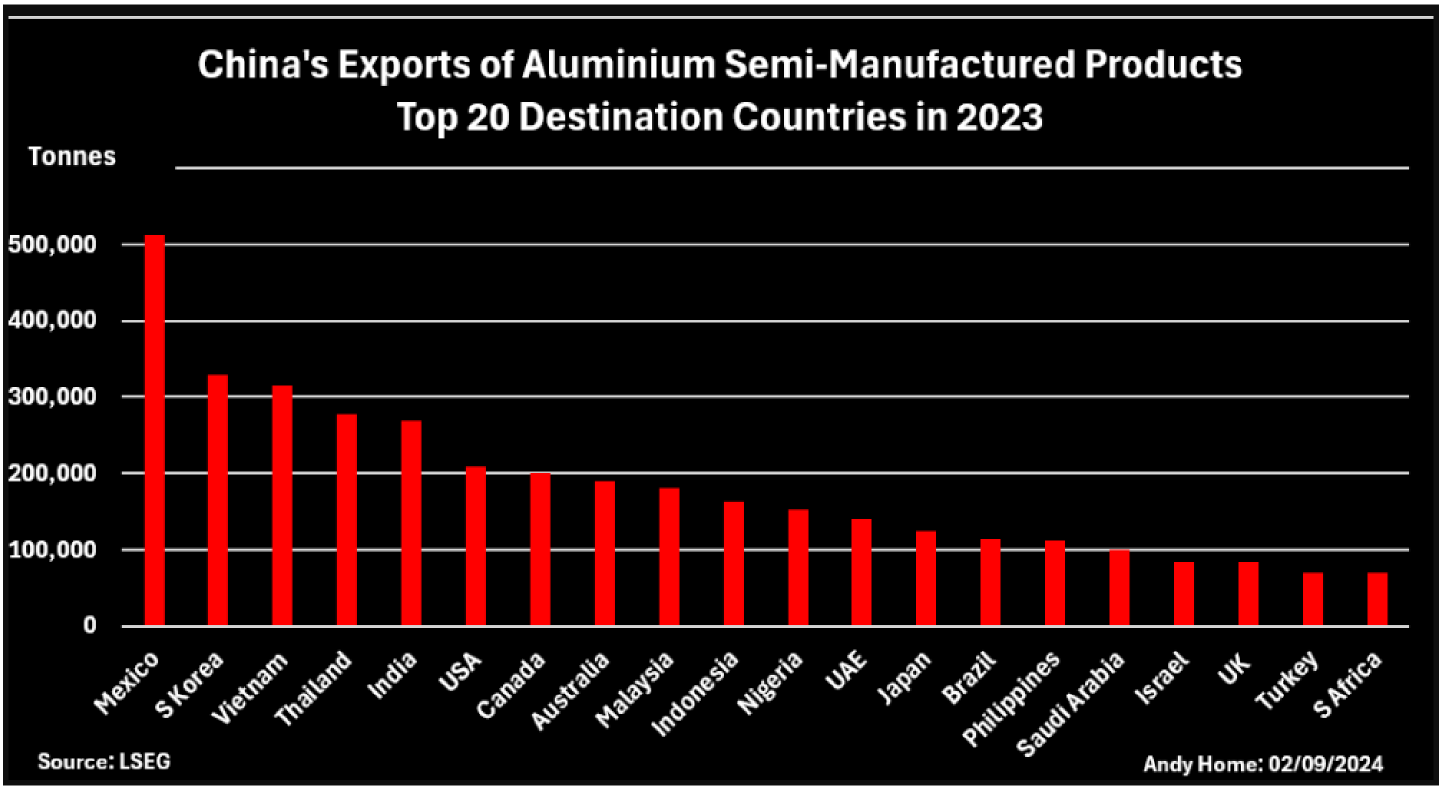
Drought dominates Ukrainian winter grain sowing fields, forecasters say

Ukrainian farmers have started sowing winter grain crops for the 2025 harvest, but the availability of moisture in the soil in most regions of Ukraine is extremely low, state weather forecasters said on Wednesday.

In recent years, Ukraine has often experienced a lack of soil moisture during autumn sowing, but farmers are hoping that a wet and mild winter and favourable weather in the spring will allow for a good harvest.

"Drought continued and intensified in the fields intended for sowing next year's winter crop," forecasters said in a report. "After the July heatwave, in August, amid a severe precipitation deficit and high temperatures, soil and

Chart of the Day



atmospheric drought intensified in the southern, central and eastern regions, spreading to about 60-70% of the area, including the western regions," they noted.
Ukrainian agriculture ministry said this week that farmers had started winter grain sowing for the 2025 harvest, seeding the first 27,700 hectares of winter wheat. Winter wheat generally accounts for 95% of overall Ukrainian wheat output each year.
Ukraine has completed the 2024 wheat harvest, threshing 21.8 million tons of the commodity, compared with more than 22 million tons in 2023.

Top News - Metals

EXCLUSIVE-US warned Nippon Steel its U.S. Steel bid risks harming American industry, sources say
The Biden administration told Nippon Steel in a letter on Saturday its $14.9 billion acquisition of U.S. Steel would pose a national security risk by harming the American steel industry, three people said, adding to evidence the U.S. is poised to block it.
The deal faces opposition from numerous Democrats and Republicans, with Vice President and Democratic presidential candidate Kamala Harris saying on Monday she wants U.S. Steel to remain "American owned and operated." Her Republican rival Donald Trump has pledged to block the deal if elected.
In the letter, which has not been previously reported, the Committee on Foreign Investment in the United States (CFIUS) said the deal would damage American steel production and decrease the likelihood that U.S. Steel would continue to aggressively seek trade remedies, the people who were familiar with the matter said, adding that the companies were given until Wednesday to respond.
"The committee has identified risks to the national security of the United States arising as a result of the transaction," the letter said, according to one of the sources.
In their written response, excerpts of which were shared with Reuters, the companies echoed concerns revealed publicly by U.S. Steel on Wednesday. "Rejection of this transaction will lead to the idling of U.S. Steel's blast furnace facilities; ... likely cost thousands of jobs; and ultimately weaken the quality and resiliency of steel supply to U.S. industries." The U.S., they added, was "acting in this matter not on the basis of the facts, the law, or the United States national security interests, but on the basis of politics and the cynical exploitation thereof by third parties." The White House declined to comment. The Treasury Department, which leads CFIUS, did not respond to a request for comment. Spokespeople for Japan's Nippon Steel and U.S. Steel declined to comment on the letter but referred Reuters to prior statements arguing that the deal does not create any national security concerns and would strengthen the U.S. steel industry.
"We fully expect to pursue all possible options under the law to ensure this transaction, which is the best future for Pennsylvania, American steelmaking, and all of our stakeholders, closes," the spokesperson for U.S. Steel added. Nippon Steel shares were up 0.8% around midday on Thursday. U.S. Steel shares closed down 17.5% on Wednesday.

COLUMN-West plugs defences as China cranks up aluminium output: Andy Home
China's primary aluminium smelters are producing record amounts of metal and the domestic market surplus is spilling out of the country in the form of semi-manufactured products.
This sudden acceleration in "semis" exports is rekindling the flames of a long-simmering trade conflict.
Western countries have repeatedly accused China of unfairly subsidising its aluminium and steel sectors, claiming the country's excess capacity is swamping global markets.
The World Trade Organization (WTO) said last month that it was unable to get a clear picture of China's financial support for key industrial sectors due to an "overall lack of transparency".
With no means of negotiating a multilateral remedy, countries are increasingly turning to unilateral tariffs to protect themselves from the renewed Chinese flood.

CRANKING UP THE VOLUME
China's production of primary aluminium hit a fresh monthly peak of 3.690 million metric tons in July, according to the International Aluminium Institute.
Output rose 4.9% on a year-on-year basis in the first seven months of 2024 and the collective run-rate reached an annualised 43.5 million tons in July.
The country's production rate is closing in on the government's 45-million-ton annual capacity cap now that increased rainfall in the hydro-rich province of Yunnan has enabled smelters to restart capacity that was idled earlier this year.
The problem is that China's domestic demand hasn't been strong enough to absorb this much aluminium.
Although demand remains resilient in new energy applications such as solar panels and electric vehicles, domestic appetite is being constrained by weakness in both the construction and broader manufacturing sectors.
The surplus aluminium is being exported in the form of semi-manufactured products such as plate, rods, tubes and foil.
Semi-manufactured product exports fell 14.9% last year but rebounded by a similar margin to almost 3.0 million tons in the first half of 2024, according to LSEG trade data.
Outbound shipments of 566,400 tons in July were the highest monthly tally since July 2022.

FORTRESS AMERICA
The U.S. has led the push-back against Chinese exports of both aluminium and steel in recent years.
There have been multiple anti-dumping and countervailing duties imposed on Chinese products, overlaying the broader 10% aluminium import tariffs initiated in 2018 using so-called Section 232 national

security powers. None of which has halted the flow of Chinese products into the U.S. market. China exported 210,000 tons of aluminium to the U.S. last year, making it the sixth-biggest destination by volume.
The Biden administration is now preparing to up the ante. In April it asked the Office of the U.S. Trade Representative to consider tripling duties to 25% on both Chinese steel and aluminium products, using Section 301 powers designed to protect the country from "unfair" trade practices. Mexico and Canada, which both enjoy exemptions from the Section 232 tariffs, are also being corralled into action. Mexico was the top destination for Chinese aluminium product exports last year with outbound shipments of 511,000 tons, according to LSEG data. Another 200,000 tons were shipped to Canada, making it the seventh-largest export market. Both countries have been accused of acting as transshipment corridors for Chinese aluminium surplus in the form of remelted product.
Canada will start imposing a 25% surtax on imports of both Chinese aluminium and steel on Oct. 15.
Mexico was due to lift duties by a similar amount but changed its mind in May. The government argued it would have placed too high a burden on the country's aluminium consumers. The U.S. has responded by requiring aluminium product imports from Mexico to be accompanied by a certificate of analysis proving they have not been derived from Chinese metal either at the smelting or casting stage of the production process. Those that fail to satisfy the country of ultimate origin test will no longer be exempt from the Section 232 tariffs.

FRACTURED WORLD
Others are following the U.S. lead by shoring up their own trade defences against Chinese imports.
India's trade ministry has just recommended imposing an anti-dumping duty on aluminium foil imported from China after surging shipments from the neighbouring country captured nearly a third of India's market share despite ample local production capacity.
The European Union has, like the U.S., already hit Chinese aluminium imports with multiple product-specific anti-dumping penalties. But the carbon border adjustment mechanism, due to come into effect in 2026, will form another broader line of defence against Chinese aluminium, most of which comes with a relatively high carbon footprint. The more aluminium China produces, the more tariff walls are going to be erected, as the West looks to protect its domestic supply chains from what David Bisbee, the U.S. deputy permanent representative at the WTO, described as China's "predatory" industrial policy aimed at global domination. The WTO is proving to be an ineffective forum for resolving what amounts to a clash of systems between Western free market orthodoxy and China's state-led industrial model. So countries are increasingly left with no other choice but to take their own unilateral actions, fracturing what was once a highly globalised market. The cracks will only widen if China's exports keep rising.

MARKET MONITOR as of 06:45 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$69.46 / bbl	0.38%	-3.06%
NYMEX RBOB Gasoline	$1.93 / gallon	-0.25%	-8.38%
ICE Gas Oil	$661.00 / tonne	-0.75%	-11.95%
NYMEX Natural Gas	$2.13 / mmBtu	-0.84%	-15.39%
Spot Gold	$2,502.79 / ounce	0.34%	21.34%
TRPC coal API 2 / Dec, 24	$118 / tonne	-3.79%	21.65%
Carbon ECX EUA	€66.85 / tonne	-0.22%	-16.82%
Dutch gas day-ahead (Pre. close)	€35.38 / Mwh	-4.64%	11.08%
CBOT Corn	$4.12 / bushel	-0.18%	-14.88%
CBOT Wheat	$5.77 / bushel	-0.69%	-9.81%
Malaysia Palm Oil (3M)	RM3,868 / tonne	-0.46%	3.95%
Index	**Close 04 Sep**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	320.20	-0.92%	6.24%
Rogers International	26.19	-0.46%	-0.53%
U.S. Stocks - Dow	40,974.97	0.09%	8.72%
U.S. Dollar Index	101.22	-0.14%	-0.11%
U.S. Bond Index (DJ)	445.98	0.49%	3.54%

Top News - Carbon & Power

US oil, gas M&A nears 2023 record, focus shifts away from Permian, Rystad says

U.S. oil and gas producers' appetite for dealmaking is closing in on last year's record, with rising interest in smaller oilfields offsetting slower activity in the top oil-producing Permian Basin, analysts at consultancy firm Rystad said on Wednesday.

Nearly $100 billion has been spent by U.S. producers on mergers and acquisitions so far this year, and another $46 billion in assets are currently for sale, according to a Rystad analysis through late August.

A record $155 billion worth of production and exploration focused deals were signed in 2023, according to Rystad's tally. Consolidation in the industry reached a fever pitch last year as top oil producers unveiled mega-deals to boost both their output and their backlog of drilling locations. For private owners, it has presented a rare window to exit investments profitably. "Private equity-backed oil producers are likely to continue selling off assets to capitalize on public companies' appetite for inventory and secure premium valuations as competition among potential buyers increases," said Atul Raina, vice president of upstream M&A analysis at Rystad..

While last year's dealmaking rush focused almost exclusively on the Permian Basin in Texas and New Mexico, intense competition for acreage in the top U.S. oilfield has sent opportunistic buyers to look elsewhere.

SM Energy, which is extending its footprint in the Uinta basin in Utah by acquiring XCL Resources for $2 billion, said good deals have become harder to find in the Permian.

"We would love to add that kind of asset in the Permian, but getting something of that size anywhere near that price is really hard right now," SM Energy Chief Financial Officer Wade Pursell said at a conference on Tuesday.

Deals focused on the Permian were just 46% of the first half total this year, versus 92% in the second-half last year, according to Rystad's analysis.

Deals in the Bakken basin of North Dakota grew to 12% in the first-half this year, from virtually none in the second half last year. The Marcellus basin in Pennsylvania made up 14% of the deals in the first half this year, while the Eagle Ford basin in Southeast Texas represented 13%, according to Rystad data.

Williams to add 4.2-bcfd of US natgas projects in 2024-2027, CEO says at Barclays conference

U.S. natural gas company Williams Cos is on track to add 12 projects representing about 4.2 billion cubic feet per day (bcfd) of capacity from 2024-2027, company CEO Alan Armstrong said at the Barclays CEO Energy-Power Conference on Wednesday.

The additions come after the company placed 17 projects representing about 5.0 bcfd of capacity into service from 2018-2023, the company said in a presentation.

The new projects include the 1.8-bcfd Louisiana Energy Gateway gas pipe, which is under construction and expected to enter service in the second half of 2025, and the 1.6-bcfd Southeast Supply Enhancement, which is under development and could enter service in the fourth quarter of 2027.

One billion cubic feet is enough gas to supply about 5 million U.S. homes for a day.

Armstrong said the $1.45 billion Southeast Supply Enhancement would help meet growing demand from residential, commercial and industrial customers in several U.S. Mid-Atlantic and Southeast states, including the fast-growing demand for electricity from data centers.

"We're seeing a tremendous amount of growth effectively at the (power) utility level (for data centers and artificial intelligence) - so it's not us capturing that market directly - but we are more than happy to have the utilities capture that load and for us to serve the utilities," Armstrong said.

He said power demand for gas was increasing as coal-fired power plants are retired.

In addition, the company said it has about 30 projects under development representing about 11.5 bcfd of capacity and roughly $10.2 billion in capital expenditures in its backlog that could enter service from 2026-2032.

The company said the new projects would serve growing demand for gas from industrial, power generation and liquefied natural gas export customers in the future.

On mergers and acquisitions, Armstrong said the company's recent strategy has been to buy more gas storage, adding that it is "an area we continue to focus on." Outside of gas storage, Armstrong said, "We have not seen anything that is attractive to us as bolt-on transactions where we have a lot of synergies that we can apply directly to those investments." Earlier on Wednesday, Williams denied extending a buyout offer to U.S. energy firm Targa Resources.

Top News - Dry Freight

Low water on Mississippi River impacts barges, grain exports ahead of harvest

Low water conditions have led to several barges running aground along a key stretch of the lower Mississippi River, the U.S. Coast Guard told Reuters on Wednesday, just as the busiest U.S. grain export season gets underway.

Low water levels are slowing export-bound barge shipments of grain and oilseeds from the Midwest farm belt for a third straight year, making U.S. exports less competitive in a world market awash in supplies - just as farmers are set to harvest a record soy and large corn crop and as prices hover near four-year lows.

The U.S. Coast Guard said in an email it has received reports and responded to several groundings over the last week along the Greenville-Vicksburg sections of the lower Mississippi River.

American Commercial Barge Line warned that customers should expect one to two day delays for river shipments "due to reduced navigable space in certain areas," the company said on its website.

Sandbars are already starting to show on the Mississippi River at the Memphis, Tennessee, river gauge, according to barge sources. Last October, this stretch of the river fell to an all-time low of -12.04 feet, according to the National Oceanic and Atmospheric Administration's National Water Prediction Service.

The water level at Memphis is lower than it was last year: It is forecast to drop to -7.5 feet by Sept. 18, NOAA data shows. Towing and draft restrictions have been rolled out, which are limiting how many barges can move and how much volume can be loaded onto them, said Mike Steenhoek, executive director of the Soy Transportation Coalition. If conditions worsen, the Coast Guard said it may implement further vessel and tow restrictions.

Barge rates are soaring - making it more expensive for overseas buyers to source U.S. grain. Rates for barges coming from the St. Louis, Missouri, area were 65% higher in late August than the three-year average, according to Steenhoek and USDA data.

Such low river levels come despite heavy rains during this year's growing season, which resulted in flooding and excessively wet fields across wide swaths of the northwestern Midwest.

But now, abnormal dryness and drought conditions are intensifying across the southern Plains and Tennessee and Lower Mississippi Valleys, creating a rapidly developing flash drought situation, according to the U.S. Drought Monitor.

"The secret of our success on the global market has always been lower transportation costs," Steenhoek said. "This further diminishes our competitive position."

Taiwan buys estimated 101,700 T wheat of US-origin, traders say

The Taiwan Flour Millers' Association purchased an estimated 101,700 metric tons of milling wheat to be sourced from the United States in a tender on Wednesday, European traders said.

The purchase involved various wheat types for shipment from the U.S. Pacific Northwest coast in two consignments.

The first consignment of 52,400 tons involved 34,500 tons U.S. dark northern spring wheat of a minimum 14.5% protein content bought at an estimated $320.40 a ton free on board (fob) equating to $360.39 a ton cost and freight (c&f) including ocean shipping costs to Taiwan, they said.

It also involved 10,650 tons of hard red winter wheat of a minimum 12.5% protein content bought at $292.48 a ton fob/$332.47 a ton c&f and 7,250 tons of soft white wheat of a minimum 8.5% and maximum 10% protein bought at $241.40 a ton fob/$281.39 c&f. The first consignment was for shipment for Nov. 5-19 and was all sold by trading house CHS, traders said. The second consignment of 49,300 tons involved 32,100 tons of dark northern spring wheat of a minimum 14.5% protein content bought at $312.08 a ton fob/$353.70 a ton c&f, they said.

It also involved 10,850 tons of hard red winter wheat of a minimum 12.5% protein content bought at $282.56 a ton fob/$324.18 c&f and 6,350 tons of soft white wheat of a minimum 8.5% and maximum 10% protein bought at $241.40 a ton fob/$283.02 c&f. Bunge sold the dark northern spring in the second consignment and CHS sold the soft red winter and soft white. Reports reflect assessments from traders and further estimates of prices and volumes are still possible later.

The association’s tenders traditionally provide an accurate snapshot of U.S. wheat export prices in Asian markets.

Picture of the Day

Workers for Selt Marine Group check drying red seaweed that will be used to produce a range of eco-friendly products from food ingredients to potential plastic alternatives, at a farm, in the Menzel Jemil lagoon in Bizerte, Tunisia August 27. Reuters/Jihed Abidellaoui

(Inside Commodities is compiled by Indrishka Bose in Bengaluru)

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