Oil | Agriculture | Metals | Carbon & Power | Dry Freight

Click on headers to go to that section

Top News - Oil

Oil stocks to rise on slower demand, OPEC cuts needed to bolster prices

Global oil stocks are set to rise next year amid weakening demand and a stronger U.S. dollar, executives at an oil conference said on Monday, adding that OPEC will have to cut output to reduce supply if they want prices to remain supported.

Oil prices climbed past $100 a barrel after Russia, the world's largest exporter of crude and fuels, invaded Ukraine in February. But prices have come off their peaks by nearly 40% amid fears that an economic slowdown would weaken demand.

Brent crude and U.S. West Texas Intermediate (WTI) prices slid to eight-month lows on Monday, last trading around $85 and $78, respectively, weighed by a stronger U.S. dollar and concerns that rising interest rates will tip major economies into recession and cut demand for oil.

OPEC would need to make oil cuts of 0.5-1 million barrels per day to keep Brent prices above $90, said Gary Ross, chief executive of Black Gold Investors LLC, who also expects oil inventories to continue building in the first quarter despite Russia's declining oil output.

"We could be in contango in the first quarter if OPEC doesn't cut, so if they want to see prices at $90 on their balance, they're going to have to cut," Ross said.

Others agreed that stockbuilds will cap prices though fears will rise when European sanctions go into effect on Dec. 5.

A European Union embargo on Russian crude and oil products over the next few months could also tighten supplies and drive prices higher, although G7 nations are hoping to minimise supply disruption by implementing a price cap mechanism.

"I think inventories will rise next year as demand slows down and more production comes in ... but it all depends on whether Russian oil flows or not. That's the elephant in the room," Fereidun Fesharaki, founder and chairman of energy consultancy FGE, told Reuters on the sidelines of the conference, as bans on Russian oil loom.

A successful revival of the Iran nuclear deal will also lead to an inventory build-up "in a big way," he added, which will lead to production cuts by OPEC+, or the Organization of the Petroleum Exporting Countries and its allies.

"Oil's near-term price outlook all (has) to do with sentiment, signals from China and fear about the future. But when we get to Dec. 5, if Russian oil gets shut in, prices will be $120 or more."

INCREASING CHINESE DEMAND

Refiners in China, the world's largest crude importer, however, expect Beijing to release up to 15 million tonnes worth of oil product export quotas for the rest of the year to support sagging exports. Such a move would add to global supplies and depress fuel prices but could support China's crude demand.

At least three Chinese state oil refineries and a privately run mega refiner are considering increasing runs by up to 10% in October from September, eyeing stronger demand and a possible surge in fourth-quarter fuel exports.

"There's been a push by the refiners, the state-owned companies to export more products ... in an effort I think to try and increase exports and help support the yuan and trade balance," said Black Gold Investors' Ross.

He added, however, that it would be difficult for Chinese refiners to achieve 15 million tonnes of exports by the year-end "because it's right around the corner".

"I think that they'll export quite a bit less than that, and it's unclear at this stage, but it doesn't look like the quotas will be carried over the next year."

APPEC-U.S. official rules out secondary sanctions for Russian oil price cap

A U.S. Treasury official has ruled out secondary sanctions to enforce a price cap mechanism on Russian oil exports despite a proposal last week by U.S. senators.

Democratic and Republican senators last week proposed that U.S. President Joe Biden's administration use secondary sanctions on international banks to strengthen the price cap aimed at capping Russia's oil revenues while minimising the impact on global markets and prices.

"We don't think secondary sanctions are needed," Catherine Wolfram, deputy assistant secretary for climate and energy economics at the U.S. Treasury, told reporters on the sidelines of the APPEC 2022 conference.

"We have all the service providers that are part of the coalition and each country kind of brings in some sanctions."

The Group of Seven (G7) nations expect companies in the supply chain from brokers to banks, insurers and shipping firms to monitor Russian oil trades and report irregularities. Industry executives and analysts have raised questions about the feasibility of the oil price cap and its enforcement.

Wolfram said the authorities will release full guidance on how the Russian oil price cap will be implemented before

European Union sanctions on Russian crude exports take effect on Dec. 5. U.S. officials have said they will consider Russia's marginal production cost and historical prices before the Ukraine war when setting the price to encourage Russia to continue production.

The price cap will apply to Russian crude oil in every trade, but not refined products that have been produced from Russian crude, Wolfram said.

"Once oil is substantially transformed, then price cap no longer applies," she said.

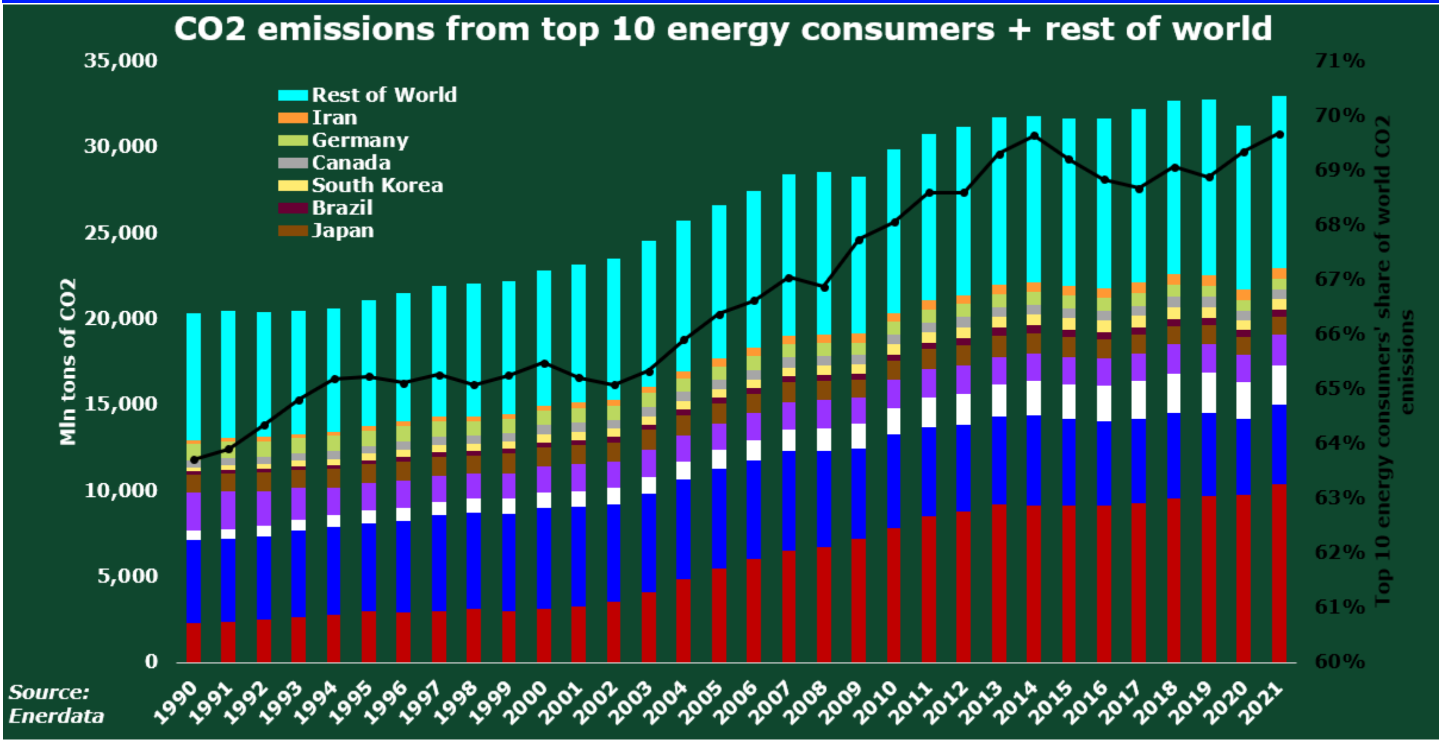
If traders benefit from trading these products, it still means that the revenue does not go to Moscow, she added.

Wolfram added that she does not expect China and India to join the coalition formally at the government level as it would not be in their self interest, but said a number of Indian and Chinese companies would find it in their economic interest to continue using trade services provided by G7 countries after the price cap is in place.

"We have talked to some Indian importers who view using Russian insurance as more costly than using UK or Norwegian insurance," she said.

"The (U.S.) administration is in close contact with OPEC, who doesn't like volatility and the idea of big amounts of Russian oil coming off the market, and emphasises that the price cap will only apply to Russia."

Chart of the Day



Top News - Agriculture

U.S. farmers urge Washington to challenge Mexico's looming ban on GM corn

Farmers in the United States are urging their government to challenge a looming Mexican ban on genetically modified (GM) corn under a regional free trade agreement, warning of billions of dollars of economic damage to both countries.

A late 2020 decree by Mexico President Andres Manuel Lopez Obrador would phase out GM corn and the herbicide glyphosate by 2024. Supporters of the ban say GM seeds can contaminate Mexico's age-old native varieties, and point to research showing adverse effects of glyphosate.

Mexico prides itself as the birthplace of modern corn but it imports about 17 million tonnes of U.S. corn a year and is on track to import even more this year, experts said.

Some in Mexico's government, including Agriculture Minister Victor Villalobos, have signaled that yellow corn imports for livestock feed will not be disrupted. U.S. farmers remain wary since no official document states that, according to a U.S. agriculture official familiar with recent meetings with Mexican officials.

Also, Lopez Obrador this month said firmly: "We do not accept GMO corn."

Corn for human consumption, including white corn used in food products like tortillas, accounts for between 18% and 20% of Mexico's total U.S. corn imports. There are still questions about whether such GM imports will be eliminated by 2024.

Mexico's health regulator COFEPRIS has not authorized

REFINITIV DATA IS JUST THE BEGINNING

new strains of glyphosate-resistant GM corn seeds for import since 2018. The National Corn Growers Association, representing U.S. farmers, wants the U.S. Trade Representative (USTR) to launch a dispute settlement proceeding under the USMCA trade pact, which includes Canada and Mexico.

Angus R. Kelly, the association's director of public policy, trade and biotechnology, said it objects to the "precedent-setting nature of the decrees" and to Mexico rejecting biotech crop traits "without any scientific basis."

Washington could potentially raise a dispute under the agriculture chapter of the USMCA stipulating cooperation between members on an individual government's regulation of imports, according to Raul Urteaga, a former Mexican government official and founder of consulting group Global Agrotrade Advisors.

A dispute settlement can apply under some USMCA chapters when a country considers one member government has nullified or impaired a benefit that was in place when the pact was signed.

Mexico's agriculture ministry and the U.S. embassy in Mexico declined to comment. The USTR and the USDA did not respond to requests for comment.

Biotechnology Innovation Organization (BIO), representing biotech companies including Bayer, said it "supported the (U.S.) administration taking enforcement action on Mexico’s treatment of agricultural biotechnology" if dialogue fails.

Federico Zerboni, Argentina-based president of agriculture chamber MAIZALL which sent a delegation to Mexico in August, said denial of new GM seeds made it seem like Mexico's regulator favors a "very old and unfeasible production system to feed the world."

COFEPRIS, in a statement to Reuters said its decisions were based on "scientific evidence and risk assessments."

In 2020, Bayer agreed to pay billions of dollars to settle lawsuits by people who claimed they were harmed by its weedkiller. A March report by the U.S. consulting firm World Perspectives Inc projected that Mexico's ban could cost the country $4.4 billion over 10 years for corn imports, push the price of tortillas up 42% by the second year and cause major risks to food security.

The United States could see a $16.5 billion drop in economic output over 10 years, the report found. It did not differentiate between white and yellow corn.

EU crop monitor raises Russian wheat crop estimates, cuts maize

The European Union's crop monitoring service MARS on Monday raised its projections for Russia's 2022 wheat crop to a new record high, but lowered its grain maize crop forecast to take account of hot and dry summer weather.

In a report, MARS estimated the Russian wheat harvest at 95.0 million tonnes, up from 88.8 million seen in its previous estimate in June, and now 25% above last year.

That included 70.2 million tonnes of winter wheat, up 31% on last year, and 24.8 million tonnes of spring wheat, up 10%.The revised wheat crop forecast was still below those released by leading Russian analysts, including the Sovecon consultancy, which last week raised its forecast for Russia's 2022 wheat crop to 100 million tonnes from 94.7 million tonnes due to high yields of spring wheat.

For barley, MARS projected Russia's crop at 21.7 million tonnes, up 2 million from its June estimate and now 18% above 2021.

It cut its forecast for the grain maize harvest to 16.4 million tonnes from 16.7 million tonnes in June, now 6% above last year.

"The persistent rain deficit during summer, followed by a heatwave in August is expected to have negatively affected the grain maize yield potential in south-western parts of European Russia," it said.

Top News - Metals

China copper smelters hike Q4 2022 TC/RC floor to a five-year high

China's top copper smelters lifted their floor treatment and refining charges (TC/RCs) for the fourth quarter of 2022 to a five-year high as rising concentrate supply is expected to outpace the expansion in smelting capacity.

Demand for copper concentrate in China, the world's biggest smelter and consumer of the metal, was expected to remain stable, with several processors bringing new capacity online in the third and fourth quarter of this year. Because of China's clout in the market, its TC/RCs guide the global direction for processing prices.

The floor charges of $93 per tonne and 9.3 cents per pound were set at a meeting of the China Smelters Purchase Team (CSPT) held online on Tuesday, three sources with knowledge of the matter said.

The charges are higher than the $80 per tonne and 8 cents per pound set for the third quarter of 2022, and also up from $70 per tonne and 7 cents per pound set for the fourth quarter of 2021.

Miners pay TC/RCs to smelters to process copper concentrate into refined metal, offsetting the cost of the ore. The charges fall when supply tightens and rise when more concentrate is available.

The members of the CSPT in top copper consumer China, including Jiangxi Copper, Tongling Nonferrous and China Copper, are meant to adhere to the floor when agreeing spot processing deals for imported concentrate.

"Overseas supply is on the rise following the launch of new mining capacity and production ramp-ups in some

key copper origins," an attendee at the CSPT meeting said, asking to remain unidentified because of the confidential nature of the talks.
As COVID restrictions that had constrained mining operations in 2021 were relaxed this year, the first half of 2022 saw global copper mine production climb 1.3% from a year earlier to 10.63 million tonnes, according to data released by the World Bureau of Metal Statistics. The International Copper Study Group (ICSG) forecasts global copper mine production to total 22.25 million tonnes this year, a yearly increase of 5.1%.
That said, uncertainty over mining activity and logistics still lingered over the supply outlook amid intermittent workers' protests against mining companies, including Chile's Escondida, the world's largest copper mine and Peru's Las Bambas and Cuajone mines
China produced 7.12 million tonnes of refined copper in the first eight months of 2022, up 2.6% from the same period last year.
Spot treatment charges in China, as assessed by Asian Metal, are at $86.50 a tonne so far in September, compared with $59.50 at the beginning of 2022.

Argentine state-run miners launch first-time lithium project

Units of Argentina's state oil firm YPF will next month begin lithium exploration in a first-ever entry into the sector by state-run miners as the government aims to benefit from surging demand for the battery metal, according to a statement on Monday.
Lithium prices have soared past $70,000 per tonne this year as the major automakers scramble to secure more supply of the ultra-light metal to shift production from fossil fuel-burning engines to electric-powered vehicles.
YPF lithium units, YPF Litio and Y-TEC, announced in a statement on Monday the start of work on a 20,000 hectare area lithium prospecting project in Fiambala in western Catamarca province, a partnership with local mining firm Catamarca Minera y Energetica. The project seeks to identify the highest lithium concentrations in Fiambala salt flats.
The statement did not disclose how much they would invest in the project or the expected duration of the exploration phase.
Argentina's is the world's fourth biggest producer of the coveted white metal, with around 20 other lithium projects currently under development, according to Roberto Salvarezza, chairman of the boards of both YPF units, stressing that those are run by foreign or private miners.
"Now for the first time we have the possibility of a national

MARKET MONITOR as of 06:43 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$77.94 / bbl	1.60%	3.63%
NYMEX RBOB Gasoline	$2.42 / gallon	1.56%	8.66%
ICE Gas Oil	$937.00 / tonne	0.29%	40.48%
NYMEX Natural Gas	$7.05 / mmBtu	2.07%	88.90%
Spot Gold	$1,635.85 / ounce	0.88%	-10.53%
TRPC coal API 2 / Dec, 22	$312 / tonne	2.31%	153.66%
Carbon ECX EUA / Dec, 22	€69.34 / tonne	-1.41%	-14.02%
Dutch gas day-ahead (Pre. close)	€169.00 / Mwh	5.04%	154.14%
CBOT Corn	$6.70 / bushel	0.49%	12.85%
CBOT Wheat	$8.58 / bushel	-0.41%	11.32%
Malaysia Palm Oil (3M)	RM3,483 / tonne	-1.64%	-25.85%
Index (Total Return)	**Close 26 Sep**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	283.73	-1.53%	14.86%
Rogers International	30.41	-0.44%	30.49%
U.S. Stocks - Dow	29,260.81	-1.11%	-19.48%
U.S. Dollar Index	113.49	-0.54%	18.25%
U.S. Bond Index (DJ)	381.61	-5.52%	-18.07%

company having a presence in obtaining the resource," Salvarezza is quoted as saying in the statement.
Argentina produces around 8% of global lithium, with neighboring Chile accounting for about 22%. Argentina could significantly grow its lithium production given its status as the world's second largest lithium reserve, according to U.S. Geological Survey estimates, with 19.3 million tonnes.Only Bolivia holds more at 21 million tonnes, though it has for years struggled to get its state-run production off the ground. The three South American countries account for more than half of estimated global reserves, mostly held in sprawling salt flats.

Top News - Carbon & Power

Gas from Russia's Nord Stream 2 pipeline leaks into Baltic Sea

Danish authorities on Monday asked ships to steer clear of a five nautical mile radius off the island of Bornholm after a gas leak overnight from the defunct Russian-owned Nord Stream 2 pipeline drained into the Baltic Sea.
The German government said it was in contact with the Danish authorities and working with local law enforcement to find out what caused pressure in the pipeline to plummet suddenly. Denmark's energy ministry declined to comment.
On Monday evening, the operator of the Nord Stream 1 pipeline, which ran at reduced capacity since mid-June before stopping supplies altogether in August, also disclosed a pressure drop on both lines of the gas pipeline.
"The reasons are being investigated," Nord Stream AG said on its website, without disclosing further information.
The pipeline has been one of the flashpoints in an escalating energy war between Europe and Moscow since Russia's invasion of Ukraine in February that has pummelled major Western economies and sent gas prices soaring.
"A leak today occurred on the Nord Stream 2 pipeline in the Danish area," said Denmark's energy agency in a statement.
The German network regulator president, Klaus Mueller, said on Twitter the pressure drop in both pipelines "underscores the German network regulator's assessment that the situation is tense."
The regulator said it was currently not known what had caused the pressure drop, adding the event had no impact on security of supply in Germany and that the country's gas storage levels were around 91%.
Danish maritime authorities had issued a navigation warning and established a zone around the Nord Stream 2 pipeline "as it is dangerous for ship traffic", it added.
Nord Stream 2's operator said pressure in the pipeline, which had contained some gas sealed inside despite never becoming operational, dropped from 105 to 7 bars overnight.
The pipeline, which was intended to double the volume of gas flowing from St. Petersburg under the Baltic Sea to Germany, had just been completed and filled with 300 million cubic metres of gas when Germany cancelled it days before the invasion.

NO CLARITY

"Overnight the Nord Stream 2 landfall dispatcher registered a rapid gas pressure drop on Line A of the Nord Stream 2 natural gas pipeline," Nord Stream 2's operator said in a statement.
"Investigation is ongoing."
European countries have resisted Russian calls to allow the Nord Stream 2 pipeline to operate and accused Moscow of using energy as a weapon. Russia denies doing so and blames the West for gas shortages.
"We are currently in contact with the authorities concerned in order to clarify the situation. We still have no clarity about the causes and the exact facts," said a statement from the German economy ministry.
The Swiss-based operator, which has legally been wound up, said it had informed all relevant authorities about the leak.
Russian gas exporter Gazprom referred questions about the incident to the Nord Stream 2 operator.
Russia has cut off gas supplies to several countries and also halted flows through the Nord Stream 1 pipeline, blaming Western sanctions for hindering operations.
President Vladimir Putin in September chided the West for keeping Nord Stream 2 shut.
Monday's gas leak happened a day before the ceremonial launch of the Baltic Pipe carrying gas from Norway to Poland.
The project is a centrepiece of Warsaw's efforts to diversify from Russian gas. Danish Prime Minister Mette Frederiksen is due to travel to Poland on Tuesday to mark the occasion.
Nord Stream 2 was widely unpopular among Danish lawmakers and the country in 2017 passed a law which allowed it to ban the project from passing through its territorial waters on security grounds.
But Nord Stream 2 later changed the original route to steer it through Denmark's exclusive economic zone, where this veto could not be applied.

ANALYSIS-Australia - a land of promise and hurdles for offshore wind developers

Under a new government, Australia is shaping up to be the next big market for offshore wind developers, attracting interest from the likes of Shell, Denmark's Orsted and Norway's Equinor. But the industry, starting from scratch Down Under, faces a slew of challenges.
After more than a decade of weak climate action under conservative leaders, Anthony Albanese's new Labor government has committed to net zero emissions by 2050 - a goal that aligns with states' renewable energy goals.

To meet that target, the country will need 96 gigawatts of renewable energy capacity by 2035, replacing coal-fired plants that are set to close, and offshore wind will have to be part of that mix, Shell's Australia chair Tony Nunan told Reuters in an interview.

Onshore wind power accounts for 10% of Australia's electricity needs but the groundwork needed for offshore farms - which are much bigger and far more productive - is only just starting to fall into place after a law setting out a framework for their development was passed late last year. The government has, however, moved quickly to launch a process for identifying offshore zones to be opened up for licenses. The first area proposed is off Victoria state's Gippsland coast, with a final decision expected before the end of the year.

"We're at the fairly early stages and a lot has happened in the last few weeks much faster than people expected and that's attracted a lot of global attention," said Tim Sawyer, chief international officer at Flotation Energy, which has a proposed project off the Gippsland coast.

To many in the industry, Australia could well become the next boom market for offshore wind.

Equinor, for example, sees Australia as one of its top three Asia-Pacific markets for offshore wind, behind Japan and South Korea and plans to use its South Korean projects as a template for Australia, said Lars Nordli, Equinor's vice president for business development renewables Asia & Pacific.

THE HURDLES

However, the sector will need new regulations and beefed-up government departments to handle licensing and approvals.

It will also have to develop a supply chain as well as workers' skills for thousands of jobs in construction, operations and maintenance, industry executives said.

Projects, which typically take eight to 10 years to complete, will likely also need to overcome potential opposition from landowners concerned about transmission lines needed to hook into the grid onshore.

Community concerns about the impact of wind turbines on bird life, such as orange-bellied parrots, and sealife, such as fish and whales, are also expected.

"Each project will be assessed individually to make sure we protect our precious biodiversity while we harness our world-class offshore wind to generate clean energy," Victoria's energy minister, Lily D'Ambrosio, said in comments emailed to Reuters.

The industry must also lure suppliers of vessels, turbines and other related technology away from rapidly growing offshore wind markets in Europe and Asia - suppliers who may only come if there are several projects being developed around the same time.

"There's only a limited number of vessels in the world that can be used for erecting turbines offshore. So you need to attract those vessels to Australian waters," said Charles Rattray, CEO of Star of the South, the country's most advanced proposed offshore wind project.

Flotation Energy sees opportunities to speed up development and cut costs by using oil and gas assets that are coming to the end of their lives in waters off Victoria, such as vessels that will be deployed for decommissioning oil and gas platforms.

"There's a lot of opportunities from a petroleum industry that's got 50 years of heritage in the region...to take part of that and evolve it into offshore wind," Sawyer said. "I'd prefer we're not taking 10 years to build a project."

FOCUS ON VICTORIA STATE

Shell, Orsted and France's ENGIE, through its Ocean Winds venture with EDP Renewables, said they are watching the Victorian process closely.

The state, which has spearheaded the country's offshore wind push, plans to procure 2 gigawatts (GW) of offshore capacity with supply due by 2032, enough to power 1.5 million homes. It is also targeting 4 GW by 2035 and 9 GW by 2040. The 2.2 GW capacity Star of the South, on the drawing board for 10 years and now majority owned by Danish wind giant Copenhagen Infrastructure Partners, aims to be up and running in 2028.

New South Wales has also sought bids for renewable energy projects for the Illawarra region south of Sydney, attracting eight offshore wind proposals with 12.9 GW of capacity worth A$35 billion ($23 billion).

"New South Wales has got much better options. It's got much bigger electricity demand. All the coal is closing in the next 10 years, so you've got incredible grid infrastructure opening up," said Oceanex Energy CEO Andy Evans, who was a Star of the South co-founder.

Oceanex, which has lined up Equinor as a partner, hopes to start producing power off New South Wales by 2030, he said.

Top News - Dry Freight

Ukraine urges EU to help make emergency food routes permanent

Ukraine on Monday urged the European Union to support its plans to make the emergency paths for grain exports through the bloc permanent, with investment in at least five border terminals and a pipeline through which sunflower oil would flow.

Ukraine's agriculture minister Mykola Solsky told EU counterparts and the European Commission his country needed financial support to reduce its reliance on Black Sea exports that Russia had blocked and could hinder again.

Its grain and sunflower seed exports have risen from 200,000 tonnes in the month after Russia's Feb. 24 invasion to 4.5 million tonnes in August, helped by a July deal to unblock ports, but most still following overland corridors

through Europe.
"We think these corridors should become stable and permanent," Solsky told a news conference after a meeting in Brussels.
He said Ukraine needed help to increase its fleet of trucks, adding a rise to 16,000 from 12,000 now could allow 10-20 million tonnes of cereals to cross land borders per year.
Ukraine, one of the world's largest grain exporters, normally supplies around 45 million tonnes of grain to the global market per year.
Five border terminals should be built, costing $25-30 million each. The cost of a sunflower oil pipeline would depend on its route.
Solsky recognised shipping was cheaper, but for crops in western Ukraine the distance to Baltic ports was no further than to the Black Sea, where Ukraine would face an "unpredictable neighbour" even after the war.
"To have an alternative route is a must, routes through friendly democratic countries in order to continue business," he said.
Agriculture commissioner Janusz Wojciechowski said he would ask the EU executive to assess ways for the bloc to finance such initiatives.
plummeting exports for the 2022-2023 season have driven up global food prices and prompted fears of shortages in Africa and the Middle East.

South Korea’s NOFI buys estimated 135,000 T corn in tender -traders

South Korean animal feed maker Nonghyup Feed Inc (NOFI) has bought an estimated 135,000 tonnes of animal feed corn in an international tender that closed on Monday, European traders said.
The corn was bought in two consignments, the first of which was 68,000 tonnes from trading house GrainCorp at a premium of 172.75 U.S. cents c&f over the Chicago December corn contract plus a $1.50 a tonne surcharge for additional port unloading. The second consignment of 67,000 tonnes was bought from trading house CJ International at a premium of 181.40 U.S. cents c&f over the Chicago December corn contract plus a $1.75 a tonne surcharge for additional port unloading.
Both were bought for arrival in South Korea around Jan. 23, traders said.
Importer interest was sparked as Chicago corn futures fell on Monday, pressured by expectations of good harvest weather in the United States, traders said.

Picture of the Day

A file photo shows a worker holding a plant at Tulima, a farm that uses climate-controlled greenhouses and an LED lighting system in an attempt to increase yields while saving water and energy, in Beheira, Egypt. REUTERS/Hanaa Habib

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(Inside Commodities is compiled by Anjana J. Nair in Bengaluru)

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