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Top News - Oil

US crude stockpiles fall on higher exports, gasoline builds - EIA

U.S. crude oil stockpiles last week fell to their lowest this year on strong export demand, while gasoline inventories rose much more than expected on weak demand, according to the Energy Information Administration on Wednesday.

Crude inventories fell by 2.2 million barrels in the week to Sept. 29 to 414.1 million barrels, their lowest since December 2022. Analysts polled by Reuters had expected a 400,000-barrel drop.

Crude exports climbed 944,000 barrels per day to nearly 5 million bpd, while net crude imports fell by 1.96 million bpd, EIA said.

"Strong exports have combined with weaker imports to draw crude inventories, albeit modestly," said Kpler analyst Matt Smith.

Crude stocks at the Cushing, Oklahoma, storage and delivery hub for U.S. crude futures rose by 132,000 barrels to 22.1 million barrels last week, the EIA said.

It marked the first build in eight weeks after inventories at the key storage hub dropped in the prior week to the lowest in over a year.

Refinery crude runs fell by 463,000 bpd in the week, and refinery utilization rates fell by 2.2 percentage points to 87.3%of total capacity.

"Seasonal refinery maintenance is in full swing, materially reducing crude demand," Smith added.

Gasoline stocks rose by 6.5 million barrels in the week to 227 million barrels, the most since January 2022, the EIA said, compared with analysts' expectations in a Reuters poll for a 200,000-barrel rise.

Finished motor gasoline supplied fell to about 8 million bpd, its lowest since the start of this year.

Distillate stockpiles, which include diesel and heating oil, fell by 1.3 million barrels in the week to 118.8 million barrels, versus expectations for a 300,000-barrel drop, the EIA data showed.

Oil prices fell after the data as markets worried about weak gasoline demand and the build in Cushing stocks.

U.S. crude futures were down $3.28, or more than 3.6%, at $85.95 per barrel by 11:00 a.m. ET (1500 GMT), while Brent crude futures fell $3.35, or 3.7%, to $87.57.

U.S. gasoline futures fell 5% to $2.24 per gallon after the higher-than-expected build in stocks.

Exxon 3Q profits to climb from last quarter on higher prices

Exxon Mobil said on Wednesday big increases in oil, gas and fuel prices would deliver a third-quarter operating profit between $8.3 billion and $11.4 billion, below the year ago's record earnings but up from its second quarter.

Exxon's snapshot of operating profits, delivered in a securities filing after the market close, signals a good quarter for oil companies on high oil prices and strong demand for gasoline and diesel.

The largest U.S. oil producer posted total profit in the same quarter a year ago of $19.7 billion and $7.9 billion in its second quarter this year. Analysts currently forecast a $9.22 billion, or $2.37 per share profit, for the latest quarter, according to financial firm LSEG.

Exxon's oil and gas production earnings were boosted by an about 30% increase in average crude oil prices during the period. The Brent global benchmark ended the quarter near $97 per barrel, up from $72 per barrel at the end of June, JPMorgan said in a note.

The strong operating profits still fall shy of the same period a year ago, which saw ultra-high natural gas prices after Russia's invasion of Ukraine, and record refining throughput on fuel demand.

The securities filing put oil and gas operating profits at between $5.2 billion and $6.7 billion, compared to last year's $12.4 billion in its third-quarter oil and gas business.

Refining also slipped to less than half the year ago's $5.8 billion operating profit.

Exxon shares fell nearly 4% on Wednesday to $111.50 as oil prices tumbled on a global bond sell-off and rising interest rates. The company's shares hit a record high of $120 last week.

Full results are due to be released on Oct. 27.

Top News - Agriculture

Australian farm incomes set to fall 41% as El Nino limits rains

The Australian government on Thursday said it expects dry weather and low livestock prices to reduce average farm incomes by 41% in the 2023–24 financial year, taking them back to levels last seen three years ago.

Australia is a major producer and exporter of farm products from wheat and barley to beef and sugar, and agriculture accounts for around 2.5% of the country's economic output.

Three years of plentiful rainfall raised crop production and the value of agricultural exports to record highs.

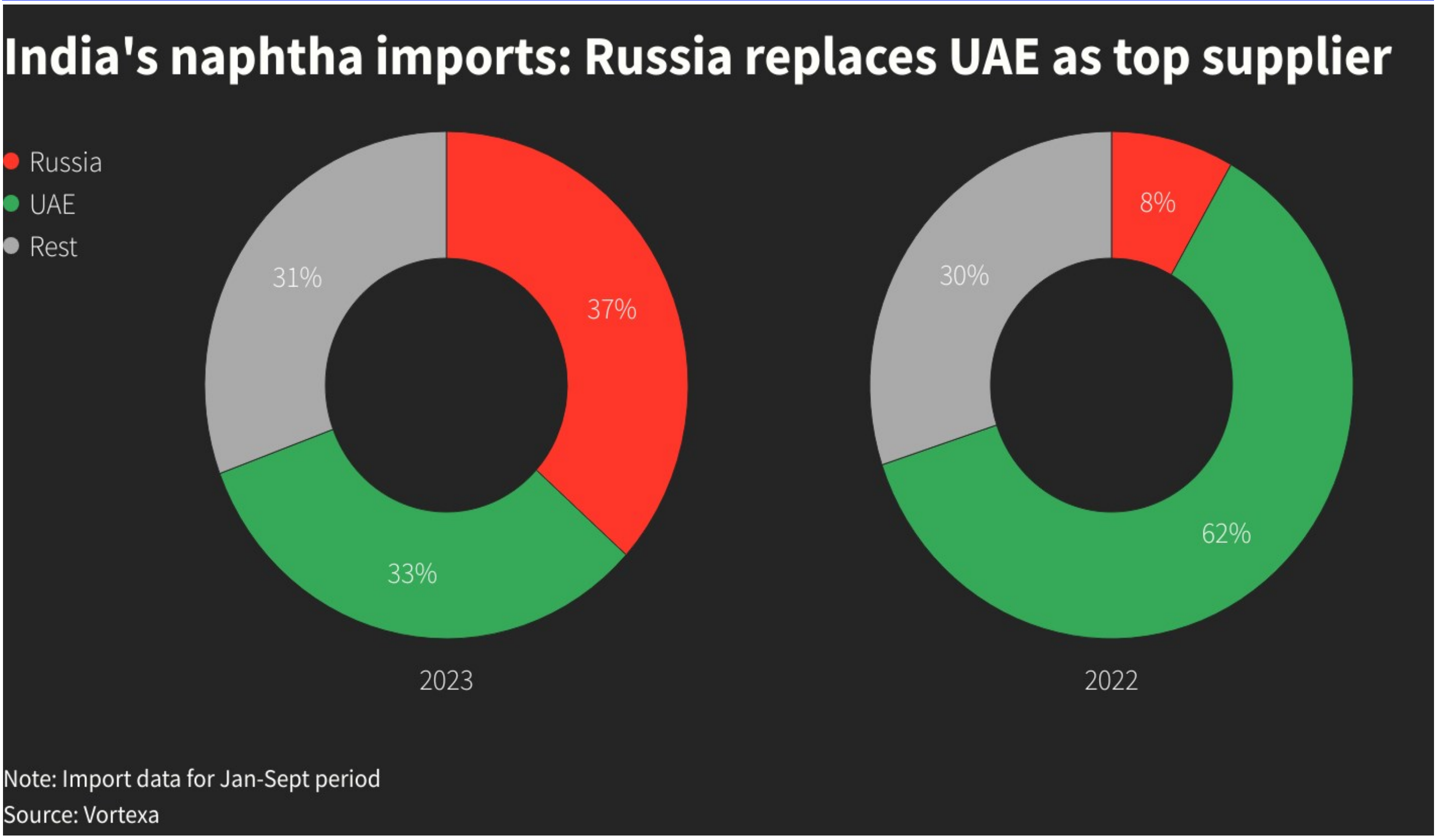
But the country is now in the grip of an El Nino weather event that has brought dry and hot conditions, stunting

crop development, damaging pastures and pushing down cattle and sheep prices.
Average cash income per broadacre - or large-scale - farm is expected to fall to A$197,000 ($125,000) from a record-breaking A$350,000 in 2021-22 and A$332,000 in 2022-23, the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) said in a report.
"Reduced prices for agricultural commodities, particularly livestock, and declines in crop production due to drier conditions are the main drivers of forecast falls," it said.
Average incomes nationwide will still remain above their levels in recent drought years such as 2019-20, ABARES said.
But it forecast below-average profits for parts of northern New South Wales and southern Queensland, where dry weather has damaged crops, and for parts of southern Victoria, Tasmania, Southern and Western Australia hit by dryness and declining sheep, lamb, and wool prices.
ABARES also said its estimates may prove too high because cattle and sheep prices have fallen further since it compiled them last month.
A little over half of Australia's farmers expect the country's agricultural output to grow over the next decade, with optimism in short supply among livestock farmers particularly, a survey published on Wednesday showed.

Argentina wheat productivity at risk after recent rains disappoint

Argentina's agricultural heartland needs more rain soon to avoid wheat productivity losses and finish planting early season corn, after showers last week failed to quench parched farmlands, the Rosario grains exchange said on Wednesday.
Agricultural powerhouse Argentina is a key global exporter of wheat and the world's third-biggest corn exporter, but a historic drought severely hit the previous 2022/23 crops.
Western agricultural areas still await rainfall to help restore soil moisture levels.
In a report, the exchange said that between 15-20 milliliters of water are needed "to maintains the crops' potential," but that in general less than half of the agricultural area has received this much rain.
The lack of rain could affect the Rosario's forecast of 15 million metric tons for the 2023/24 wheat production, while it could also hit the exchange's projection of 56 million tons for the 2023/24 corn output.
A separate weather report from the Buenos Aires grains exchange on Wednesday showed that most of the Argentine agricultural area, as well as northwestern Paraguay, will receive less than 10 milliliters of rain in the coming days.

Chart of the Day



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Top News - Metals

Global miner BHP to focus on cost cuts, patient on M&A

Global miner BHP Group is focused on cutting costs to drive growth while being patient on buying assets, its chief development officer Johan van Jaarsveld said on Thursday in Melbourne.
"This is a cyclical industry, and you sometimes are going to have to wait for 10 years or may be more to get the right opportunity at the right price," van Jaarsveld said.
"If we can save 10% of our cost base, that's $20 billion in value that's under our control. The last time someone created $20 billion with an M&A deal - I'd like them to tell me when it was." While lots of money would be made in lithium over the next few years, BHP was not invested in the sector because the long-term margins were not sufficient, but in nickel, BHP expects to eventually become the world's second biggest producer.
It intends to ramp up to produce 200,000 metric tons a year of nickel, second only to Russia's Norilsk Nickel with its Australian operations producing 120,000-130,000 tons and its Tanzanian Kabanga operations around 60,000-70,000 tons.
Van Jaarsveld backed BHP's view that nickel sulphides remain the most attractive ore to own, because conversion costs to higher purities are cheaper than with laterites, despite a steady decline in nickel production costs in Indonesia, the world's top supplier of nickel from laterite.
He acknowledged this year's 36% slump in LME nickel prices and said the miner regularly reviews its commodity outlook. "There has been a lot of (price) volatility and I think there has been more coming out of Indonesia than I think a lot of folks expected. As we sit here today, we haven't changed our view on nickel," he said.

DIVESTMENT DOWNSIDE

Van Jaarsveld said a deterrent to acquisitions was the need to later sell off assets.
For example, he said Canada's Teck Resources, whose metals business has attracted interest from a number of major miners including Glencore, arguably has some commodities that BHP would like more exposure to.
For BHP to engage in a buyout, it would need to consider price, ease of jurisdiction, and opportunity to add value, among other factors, but then would need to think about which assets it would have to divest.
"So you've just paid a 30% premium for everything," he said. "This is what makes M&A hard. You can do a great deal and then you have to sell 30% of what you just bought and you're losing all your synergy value."
BHP has been trying to sell two Queensland metallurgical coal mines since August 2020 and is assessing prospects for assets it acquired in its $6.4 billion takeover of Oz Minerals, such as the Pantera copper and gold project in Brazil.
"BHP's Oz Minerals Brazil is not on the market," van Jaarsveld said.
"The deal only closed in May. We are looking at what we have got," adding "you don't want to sell assets, potentially and then somebody else make a big discovery."

LMEWEEK-Hydro CEO sees rapid demand growth for low-carbon aluminium

Hydro expects demand for its low carbon aluminium to grow at a fast pace over coming years, the CEO of one of the world's largest aluminium producers told Reuters, adding that U.S. customers are starting to ask for recycled material.
Aluminium is a key material for the energy transition, which includes electric vehicles. It is used to reduce weight which helps extend the driving range of EVs and offsets the heaviness of other parts such as batteries.
But the production of primary aluminium, which needs large amounts of electricity, is extremely carbon intensive and consumers looking to reduce their emissions are seeking to use as much recycled and low carbon aluminium as possible.
Hydro's low carbon aluminium includes recycled material and the metal produced by its plants using hydro power.
"Growth in demand for low-carbon aluminium far exceeds expectations for average consumption," the Norwegian company's Chief Executive Hilde Merete Aasheim said.
While Hydro expects demand for its low carbon products to rise 20% a year on average until 2030, the market for primary aluminium is only seen growing 3% a year over the same period. Hydro did not detail the premium it could command for its low carbon aluminium, but it did say the lower the CO_2 content the higher the premium.
Emissions from aluminium production vary globally.
Producing one metric ton of aluminium in China can emit up to 20 tons of carbon as much of the industry relies on burning coal to produce power, and in Europe the number is less than seven tons. One ton of Hydro's primary aluminium emits four tons of carbon.
Recycled or secondary aluminium typically uses 95% less energy than primary.
Hydro has in the past year signed deals to sell its low carbon aluminium to European auto makers Porsche and Mercedes-Benz.
Aluminium, which is also used in the packaging and construction industries, is classified as a critical mineral by the United States and the European Union.
Despite higher prices of raw materials and slowing activity in European construction, the sector's demand for recycled aluminium products is "remarkable", Aasheim said.
Global demand for primary aluminium is estimated at around 70 million tons this year. Hydro is also boosting its recycling capacity in the United States, partly aided by the U.S. Inflation Reduction Act (IRA), which contains a commitment to increasing domestic supply of minerals critical to the energy transition.

Top News - Carbon & Power

Climate change-related droughts dent progress on energy emissions -report

Droughts limiting hydro-electric generation globally prevented a fall in the energy sector's overall carbon emissions in the first half of 2023 despite the growth of wind and solar power, climate think tank Ember said in a report on Thursday.

Total power sector emissions rose by 0.2% in the first half of the year despite wind and solar's share of the global electricity supply rising to 14.3% over the same period, up 1.5% compared to the first half of 2022, Ember data showed.

"While it is encouraging to see the remarkable growth of wind and solar energy, we can't ignore the stark reality of adverse hydro conditions intensified by climate change," Ember senior electricity analyst Malgorzata Wiatros-Motyka said.

Hydropower output fell by some 177 terawatt-hours (TWh) due to droughts, with China accounting for nearly 75% of this, which prevented emissions from falling, the report said.

Carbon emissions would have dropped by 2.9% had hydro power generation stayed flat year-on-year, the data showed.

Some fossil fuel production was used to plug the supply gap, with power generation from coal and gas both rising by 8% in China and 8.1% from gas in the United States, Ember data showed. However, low electricity demand growth helped suppress gains in emissions, with the total growth rate just 0.4% compared to the 10-year historic average of 2.6% growth per year.

Growth in solar power supply also helped lower total emissions as 104 TWh was added to the global energy mix with 50 countries setting monthly records, the data showed.

However, both wind and solar power supply growth remained below 2022 levels in absolute terms, with solar down 28 TWh and wind down 38 TWh, the data showed.

A recent International Energy Agency (IEA) report said that renewables will need to grow at a rapid pace and should triple by the end of the decade to reach goals to limit global warming.

New England states join to buy offshore wind power as US industry struggles

Three U.S. states in New England - Massachusetts, Rhode Island and Connecticut - on Wednesday agreed to jointly procure offshore wind power as soaring interest rates and rising equipment and labor costs have made some projects uneconomic. By joining forces, the states

MARKET MONITOR as of 06:24 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$84.64 / bbl	0.50%	5.46%
NYMEX RBOB Gasoline	$2.17 / gallon	0.47%	-12.28%
ICE Gas Oil	$893.00 / tonne	-2.86%	-3.04%
NYMEX Natural Gas	$3.01 / mmBtu	1.49%	-32.83%
Spot Gold	$1,823.69 / ounce	0.14%	-0.04%
TRPC coal API 2 / Dec, 23	$122.5 / tonne	1.24%	-33.69%
Carbon ECX EUA / Dec, 23	€81.68 / tonne	0.01%	-2.73%
Dutch gas day-ahead (Pre. close)	€32.55 / Mwh	5.51%	-56.93%
CBOT Corn	$5.01 / bushel	--	-26.11%
CBOT Wheat	$5.94 / bushel	0.81%	-26.26%
Malaysia Palm Oil (3M)	RM3,662 / tonne	-1.43%	-12.27%
Index (Total Return)	**Close 04 Oct**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	310.68	-2.14%	3.10%
Rogers International	28.64	-1.85%	-0.09%
U.S. Stocks - Dow	33,129.55	0.39%	-0.05%
U.S. Dollar Index	106.8	-0.19%	3.17%
U.S. Bond Index (DJ)	388.99	0.77%	-1.64%

hope to counter the pain rippling across the nascent U.S. offshore wind industry, which is expected to play a key part in decarbonizing the power sector and revitalizing domestic manufacturing.Earlier this week, another offshore wind developer canceled agreements to sell power to local utilities - this time in Connecticut - because the previously agreed upon prices for that power was too low to cover the rising cost of building the project.

Massachusetts Governor Maura Healey announced the agreement between the three states at the American Clean Power Association’s Offshore WINDPOWER Conference in Boston, according to a press release on the governor's website.

The three states will seek multi-state offshore wind proposals for selection in 2024 for up to 6,000 megawatts (MW) of power.

Any two or three states may agree to select a multi-state proposal and split the anticipated megawatts and renewable energy certificates from a single project.

One megawatt can power about 1,000 U.S. homes.

CANCELED CONTRACTS

On Monday, Avangrid, a U.S. subsidiary of Spanish energy firm Iberdrola, said it filed agreements with power companies in Connecticut to cancel power purchase agreements for Avangrid's proposed Park City offshore wind project. “One year ago, Avangrid was the first offshore wind developer in the United States to make public the unprecedented economic headwinds facing the industry," Avangrid said in a release.

Those headwinds include "record inflation, supply chain disruptions, and sharp interest rate hikes, the aggregate impact of which rendered the Park City Wind project unfinanceable under its existing contracts," Avangrid said.

Avangrid has said it planned to rebid the Park City project in future offshore wind solicitations.

Also over the past week, utility regulators in Massachusetts approved a proposal by SouthCoast Wind, another offshore wind developer, to pay local power companies a total of around $60 million to terminate contracts to provide about 1,200 MW of power.

Those Massachusetts power companies include units of Eversource Energy, National Grid and Unitil.

SouthCoast Wind, formerly known as Mayflower Wind, is owned by units of Shell and Ocean Winds. Ocean Winds is owned by units of Portuguese energy company EDP Energias de Portugal's majority-owned EDP Renováveis and France's ENGIE.

Top News - Dry Freight

Ukraine expects 12 more cargo ships at its Black Sea ports

Ukraine's navy said on Wednesday that 12 more cargo vessels were ready to enter a fledgling Black Sea shipping corridor on their way to Ukrainian ports, as Kyiv steps up a push to defy a de facto Russian blockade on its vital sea exports.

Russia, which has a much more powerful and bigger naval fleet in the Black Sea, pulled out of a deal in July that had allowed wartime Ukraine to safely ship food products out through what is traditionally its main export corridor.

Ukraine responded by setting up a temporary "humanitarian corridor" for cargo vessels, and several ships have departed from Ukraine's Black Sea ports since.

"In total to enter the new corridor we have 12, and 10 to leave. That is as of now," Navy spokesperson Dmytro Pletenchuk told an online media briefing on Wednesday.

Those figures appeared to indicate an increase in the amount of shipping traffic set to use the corridor, although Pletenchuk did not say when the vessels were expected to sail. He said Ukraine's defence forces were doing everything to ensure the safety of civilian ships in their territorial waters and that they were proceeding into the waters of Romania, Bulgaria and Turkey, all of which are NATO member countries. At least seven new ships entered Ukrainian waters in the past several days, and they were due to ship abroad at least 127,000 tons of Ukrainian-origin grain, local officials and lawmakers said.

However, Ukrainian grain exports have declined by 24% so far in the 2023/24 July-June season as the country's major export routes were blocked.

The agriculture ministry's data showed on Wednesday the grain exports have fallen to 6.82 million metric tons, from 8.99 million tons in the same period of 2022/23.

The data showed 153,000 tons of grain were exported in the first three days of October 2023, compared with 297,000 tons a year ago. Traders and farmers associations have said that Ukrainian Black Sea ports being blocked and Russian attacks on Ukrainian ports on the Danube River were the main reasons for lower exports.

Ukraine has traditionally shipped most of its exports through its deep water Black Sea ports. Ukraine can also export limited volumes through small river ports on the Danube and via its western land border with the European Union. Ukraine maritime exports totalled 2.4 million tons in September and 99% of the volume were covered by Danube ports, brokers said. Ukraine is expected to harvest 79 million tons of grain and oilseed in 2023, with 2023/24 exportable surplus totals of about 50 million tons.

Buyer in Thailand purchased about 60,000 T feed wheat- traders

An importer group in Thailand is believed to have purchased about 60,000 metric tons of animal feed wheat thought likely to be sourced from the Black Sea region, European traders said on Wednesday. One consignment for shipment in January 2024 was bought at an estimated price of around $265.80 a ton c&f liner out. Seller was believed to be trading house Dreyfus.

Picture of the Day

A farmer dries cocoa beans at a village in Daloa, Ivory Coast October 2. REUTERS/Ange Aboa

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

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

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