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Top News - Oil

U.S. bill pressuring OPEC+ after oil production cut gains momentum

Top U.S. senators from both parties on Thursday gave momentum to a bill pressuring OPEC+ after the group this week announced a deep cut in oil production despite lobbying by President Joe Biden's administration to keep the taps open.

The so-called No Oil Producing and Exporting Cartels (NOPEC) bill gained interest after OPEC+, a group led by Saudi Arabia and Russia, decided on Wednesday to cut oil production by 2 million barrels per day. OPEC+ made the move despite tight oil global supplies worsened by Russia's war in Ukraine.

"What Saudi Arabia did to help (Russian President Vladimir) Putin continue to wage his despicable, vicious war against Ukraine will long be remembered by Americans," said Senate Majority Leader Chuck Schumer, a Democrat. "We are looking at all the legislative tools to best deal with this appalling and deeply cynical action, including the NOPEC bill," Schumer said in a statement.

Senator Chuck Grassley, a Republican who sponsored NOPEC, said he intends to attach the measure as an amendment to the forthcoming National Defense Authorization Act.

NOPEC easily passed the Senate Judiciary Committee in May, with support from Democrats including Senator Amy Klobuchar, a former 2020 presidential candidate. It passed a House committee last year.

If passed by both chambers of Congress and signed by President Joe Biden, would change U.S. antitrust law to revoke the sovereign immunity that has protected OPEC+ members and their national oil companies from lawsuits.

It would give the U.S. attorney general the option to sue the oil cartel or its members, such as Saudi Arabia or Russia, in federal court.

"OPEC and its partners have ignored President Biden's pleas for increased output, and now they are colluding to reduce production and further raise global oil prices," Grassley said in a statement. "We should at least be able to hold them accountable for their unfair price fixing," he said. It was uncertain whether an amendment would gain enough support to pass. Congress is unlikely to tackle major legislation until after the Nov. 8 midterm elections.

If Washington were to sue other countries for collusion, the United States could face criticism for its attempts to manipulate markets by, for example, its release of record amounts of oil from emergency reserves between May and November.

Klobuchar's office did not immediately respond to requests for comment.

The White House said on Wednesday it would consult with Congress on "additional tools and authorities" to reduce OPEC+'s control over energy prices, an apparent reference to possible support for NOPEC. The White House had previously raised concerns about the bill.

Saudi Arabia leaves November Arab Light crude OSP to Asia unchanged

Saudi Aramco on Thursday kept the November official selling price (OSP) for its Arab Light grade for Asian customers unchanged from October, against expectations of a small price hike.

The move took traders by surprise as the world's top exporter had been expected to track gains in Middle East price benchmarks last month.

Traders have been bracing for possibly larger price hikes following Wednesday's agreement by OPEC+ oil producers - which include members of the Organization of the Petroleum Exporting Countries and allies including Russia - to slash output by 2 million barrels per day.

One refining source said the producer may have kept prices unchanged because refining margins in Asia have dropped. Other sources said Saudi Aramco may be keeping supplies to Asia steady to maintain its market share in the region.

The November OSP for Arab Light to Asia was set at a premium of $5.85 a barrel to the Oman/Dubai average.

The producer also kept the November OSP for Super Light crude unchanged while trimming the price for Arab Extra Light crude by 10 cents.

It raised prices for Arab Medium and Arab Heavy crude in November by 25 cents from the previous month.

Saudi Arabia lowered its Arab Light OSP to northwest Europe to $0.90 a barrel against ICE Brent for November, while raising it to the United States to $6.35 versus ASCI.

Saudi Energy Minister Abdulaziz bin Salman said on Wednesday the real supply cut stemming from the OPEC+ agreement would amount to about 1 million to 1.1 million bpd in a response to rising global interest rates and a weakening world economy.

Analysts expected Saudi Arabia to account for a big share of the production cuts.

Top News - Agriculture

Colombia's 2022 coffee output could hit lowest since 2014

Colombia's coffee production this year is set to fall to an eight year low, with a drop in plantation renovations and in the use of fertilisers storing up problems for future crops, an industry leader told Reuters.

The expected drop in the harvest to around 12 million 60-kilogram bags, potentially the lowest since 2014, is due to strong rains caused by the La Nina weather phenomenon as well as climate change, Roberto Velez, boss of Colombia's national coffee federation, said in an interview late on Wednesday.

"In Colombia we've now gone 26 months where the monthly rainfall has exceeded the historical average ... that is accompanied by cloudiness and a lack of sun which decreases production," Velez said at an industry fair in Colombia's capital Bogota.

The drop in output comes at a time when international coffee prices are at their highest level in recent years, while Colombia's peso has fallen sharply, favoring exports. Colombia's coffee exports could close 2022 at between 11.5 million and 12 million bags, Velez said, lower than the 12.5 million bags exported in 2021.

As well as falling production, coffee plantation renovations will fall from a typical 80,000 hectares (197,684 acres) per year to around 60,000 hectares in 2022, while rising costs of agricultural inputs, pushed upwards by the war in Ukraine, is expected to see fertilizer use drop by a fifth. "The consequence of this will have to be paid by the next harvest," Velez said.

While rains pose a problem, Colombia's coffee plantations are healthy, with levels of coffee rust, a fungus that damages the plants leaves, and voracious coffee borer beetles, which eat the seeds, at just 5% and 2% respectively, he added.

Rains are expected to reduce next year, which could allow Colombia's coffee output to improve, Velez said.

Colombia has the capacity to produce around 14 million sacks of coffee a year.

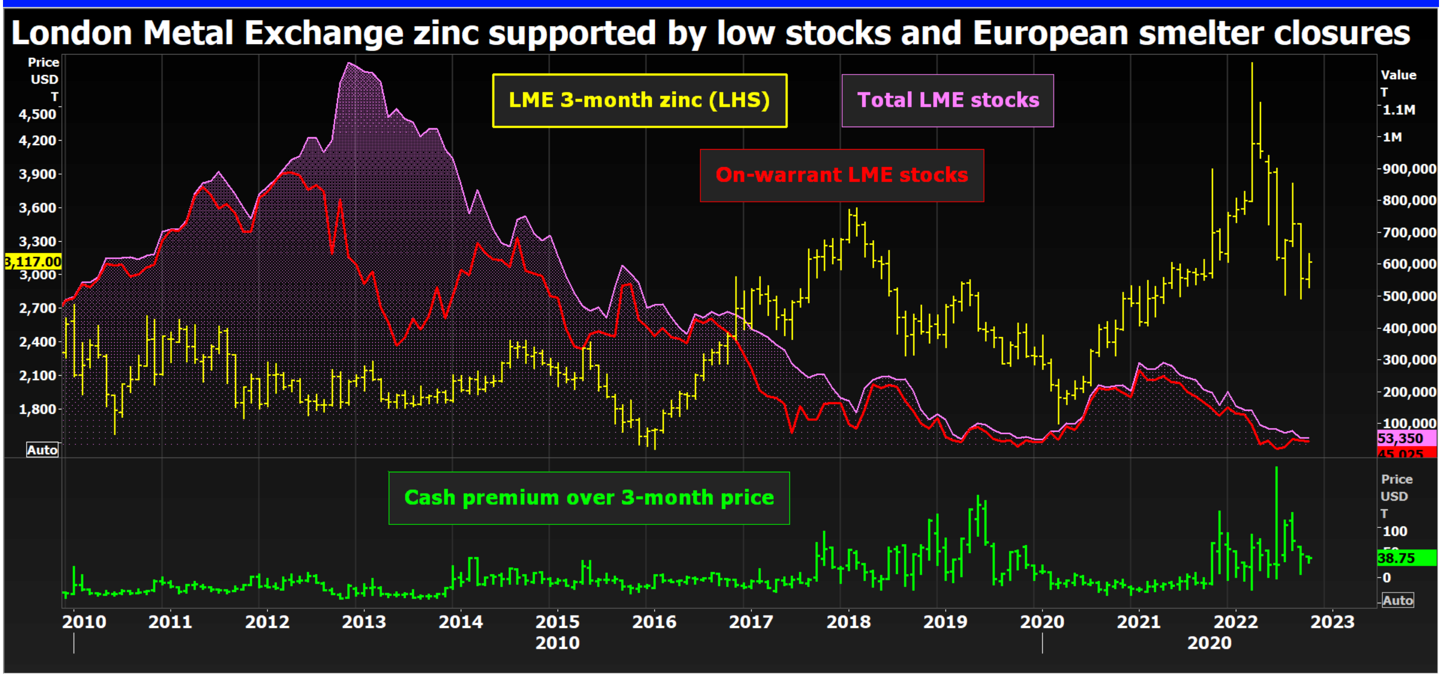
Dry soil in Russia's south poses risk for 2023 grain crop -official

Low level of moisture reserves in soil in Russia's southern breadbasket poses risks for the 2023 grain crop of the world's largest wheat exporter, Roman Nekrasov, an agriculture ministry official, said on Thursday.

Farmers in Russia have accelerated winter wheat sowing after recent rain eased dry soil conditions in some regions last week, though sowing is still delayed compared with a year ago. The moisture reserves are low in Russia's southern Krasnodar, Rostov and Stavropol regions - the main wheat producing and exporting areas of the country, Nekrasov told an agriculture conference in Moscow. He urged farmers to pay special attention to the need to store additional precipitation during upcoming winter and boost moisture reserves to brighten the crop prospects for 2023. There are no estimates of the 2023 grain crop so far. Russian officials expect the country to harvest a record grain crop of 150 million tonnes, including 100 million tonnes of wheat, in 2022.

Winter wheat, sown in autumn for harvesting in summer, typically accounts for 70% of Russia's crop, brings a higher yield than spring varieties and is less vulnerable to weather.

Chart of the Day



Top News - Metals

LME seeks market opinion on possible Russian metal ban

The London Metal Exchange (LME) on Thursday launched a discussion paper on the possibility of banning Russian aluminium, nickel and copper from being traded and stored in its system.

Western countries have imposed sanctions on Russian banks and wealthy individuals connected to President Vladimir Putin since Russia's invasion of Ukraine in February, but so far there are no restrictions on buying Russian metal.

Sources, however, said there was some concern that Russian metal producers, including Rusal, would not be able to sell its aluminium and would deliver it to registered warehouses of the 145-year-old metal exchange.

The world's largest and oldest metals exchange highlights three options and requests feedback by market participants by Oct. 28.

One option is to suspend Russian metal. However, the LME said it would not be appropriate to apply any suspension to metal that is already on warrant and stored in its warehouses.

"(A suspension) risks causing market disruption in the short term, but would provide certainty for the market," the exchange said in a release. "Not taking action could result in market disorder...On the other hand, taking action would have impacts on market participants."

A second option would maintain the current position of no restrictions.

A third would introduce thresholds so that once Russian metal reaches a specified percent of stock in its approved warehouses for a particular metal, the LME would move to suspend further deliveries.

Rusal, the world's largest aluminium producer outside China of around 6% of global supply, said on Wednesday in a letter seen by Reuters, that banning its metal would fuel volatility in the LME's aluminium contracts and create uncertainty about the exchange's role in the metals industry.

Currently, a number of Russian brands across multiple metals are approved as meeting the LME's requirements and can be stored within its network of warehouses and delivered against its contracts.

Russia's Nornickel, controlled by Vladimir Potanin who was sanctioned by Britain in June, accounted for 7% of global mined nickel production last year. Russia also produced 920,000 tonnes of refined copper last year, about 3.5% of the world's total, according to the U.S. Geological Survey.

The LME has restricted new copper and zinc deliveries from Russia's Ural Mining & Metallurgical Co (UMMC) and a subsidiary following Britain's sanctioning of its controlling shareholder, Iskander Makhmudov.

Russia may build alumina plant to cut costly dependence on China

Russia is considering building a plant to make alumina, used in aluminium production, to reduce its reliance on imports from China, which has risen since the start of the Russia-Ukraine conflict, a document seen by Reuters showed.

One of the world's largest aluminium producers, Russia secures 65% of its need for the intermediate product alumina through imports, mostly from China, a draft of the plan for development of Russia's metals industry until 2030 said.

Russia's increased dependence on China's alumina has driven up the production costs of aluminium and follows disruption of supplies from Ukraine and Australia since Feb. 24, when Moscow sent troops to Ukraine.

The draft said the proposed plant would be near Russia's Baltic Sea port of Ust-Luga. It did not estimate the plant's capacity or how much it would cost.

Russia's industry and trade ministry, which is in charge of the metals sector, did not reply to Reuters' request for comment.

"Investment development projects for the construction of new alumina capacity in Russia are planned," the draft said.

"Critical dependence on imported raw materials for the bulk of the existing production facilities and all prospective projects to increase primary aluminium production capacity is unacceptable," it added.

Rusal, the world's largest aluminium producer outside China, also did not reply to a Reuters' request for comment.

A halt in alumina production at a refinery in Ukraine and an Australian ban on exports of alumina and bauxite to Russia led to a 33% jump in first-half production costs at Rusal, the company said in August.

Top News - Carbon & Power

Nord Stream investigation finds evidence of detonations, Swedish police say

A crime scene investigation of the Nord Stream 1 and 2 gas pipelines from Russia to Europe found evidence of detonations, strengthening suspicions of "gross sabotage", Sweden's Security Service said on Thursday.

Swedish and Danish authorities have been investigating four leaks after the pipelines, which link Russia and Germany via the Baltic Sea and have become a flashpoint in the Ukraine crisis, were damaged at the start of last week.

Europe, which used to rely on Russia for about 40% of its gas, is facing an energy crisis in the aftermath of Moscow's invasion of Ukraine which has cut off supplies of the fuel in a continuing stand-off.

It is investigating what caused the leaks as Moscow seeks to pin the blame on the West, suggesting the United States stood to gain. Washington has denied any involvement.

"After completing the crime scene investigation, the Swedish Security Service can conclude that there have been detonations at Nord Stream 1 and 2 in the Swedish economic zone," it said.

The security service added that there was extensive damage to the gas pipelines and it had retrieved some material from the site that would now be analysed. The evidence "has strengthened the suspicions of gross sabotage", it added.

The crime scene investigation conducted by the Swedish Coast Guard and Navy would have involved unmanned vehicles, Swedish navy spokesperson Jimmie Adamsson said.

"The pipes are at a depth of 70-80 metres and at those depths you use unmanned underwater vehicles," he added.

Russia said it had been informed via diplomatic channels that it was not able to join the investigation.

"As of now, there are no plans to ask the Russian side to join investigations," Kremlin spokesman Dmitry Peskov told reporters, adding that Moscow replied it was not possible to conduct an objective investigation without its participation.

The operators of the pipelines owned by Russia and European partners said this week they were unable to inspect the damaged sections because Danish and Swedish authorities had cordoned off the area on Monday.

Sweden's Prosecution Authority said on Thursday the area, where gas spewed into the sea for almost a week, was no longer cordoned off.

It was not possible to let others take part in a Swedish criminal investigation, Sweden's justice minister said on Wednesday in response to the Kremlin.

Denmark's Foreign Minister Jeppe Kofod told Reuters on Thursday that a police-led taskforce between Denmark,

MARKET MONITOR as of 06:13 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$88.39 / bbl	-0.07%	17.52%
NYMEX RBOB Gasoline	$2.69 / gallon	0.37%	20.77%
ICE Gas Oil	$1,204.25 / tonne	1.56%	80.55%
NYMEX Natural Gas	$6.77 / mmBtu	-2.91%	81.47%
Spot Gold	$1,712.59 / ounce	0.10%	-6.33%
TRPC coal API 2 / Dec, 22	$290 / tonne	2.31%	135.77%
Carbon ECX EUA / Dec, 22	€69.20 / tonne	0.35%	-14.20%
Dutch gas day-ahead (Pre. close)	€121.00 / Mwh	5.04%	81.95%
CBOT Corn	$6.73 / bushel	-0.37%	13.44%
CBOT Wheat	$8.79 / bushel	-0.41%	14.04%
Malaysia Palm Oil (3M)	RM3,765 / tonne	1.76%	-19.84%
Index (Total Return)	**Close 06 Oct**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	303.28	0.14%	22.78%
Rogers International	31.70	0.40%	36.00%
U.S. Stocks - Dow	29,926.94	-1.15%	-17.64%
U.S. Dollar Index	112.22	-0.04%	16.93%
U.S. Bond Index (DJ)	381.71	-5.50%	-19.03%

Sweden and Germany was in charge.
Maria Zakharova, spokeswoman for the Russian foreign ministry, said on Thursday that Moscow would insist on a "comprehensive and open investigation" that includes Russian officials and Gazprom.
"Not to allow the owner (of the pipelines) to witness the investigation means there is something to hide," Zakharova said.
The Swedish government has received no application from Gazprom or Nord Stream to investigate the damage themselves, an enterprise minister spokesperson said.

ITALY STORAGE NEARLY FULL
As European countries try to reassure consumers that they will have enough power as the cold months draw near, the chief executive of energy group Eni said on Thursday that Italy will have its gas storage nearly full ahead of winter.
Nonetheless, the supply situation is tight, and Italy should be alert to uncertainties that could arise in case of a colder winter or unexpected problems with energy infrastructure, Eni CEO Claudio Descalzi said.
Last year, Italy sourced 40% of its gas imports from Moscow, and Eni was the country's biggest importer of Russian gas.
The head of Germany's Federal Network Agency, which would be in charge of gas rationing in the event of a supply emergency, repeated his warning a week ago that consumption was too high.
"We will struggle to avoid a gas emergency this winter without at least 20% savings in private households, businesses and industry," Klaus Mueller of the Bundesnetzagentur said.
"The situation may become very serious if we do not significantly reduce our gas consumption," he told Reuters.

EU leaders turn to gas price caps to end energy crunch
European Union leaders will lock horns on Friday over whether and how to cap gas prices, as they attempt to curb a surge in energy prices that threatens to push the 27-nation bloc into recession and disrupt the EU's cherished single market.
The leaders, meeting in Prague for informal talks, are unlikely to come up with concrete measures on Friday, officials said, but should tell their energy and finance ministers which of the several available solutions to pursue further.
"The energy topic is probably the most important topic of the informal meeting," a senior EU official involved in the preparations for the talks said.
"It's not a topic that the leaders will solve. The leaders need to provide strategic guidance and then the energy ministers and finance ministers can come up with the appropriate solutions," the official said.
Finding a solution is difficult because the 27 EU countries have different energy needs, suppliers and energy markets - meaning that the drop in Russian gas supplies and resulting jump in energy prices has hit some countries harder than others.
Fifteen EU countries want a price cap on gas, but do not agree on the details of how it should be done. Germany, the Netherlands and Denmark oppose price caps, worried such a measure would disrupt the market and make it difficult for them to buy the gas they need to keep their countries running. The European Commission will present several options to choose from, including a price cap on gas used to generate electricity and a broader temporary price cap while Brussels works on a new benchmark for gas prices to replace the Dutch Title Transfer Facility which has become extremely volatile amid the big reduction in Russian gas supplies.
Poland, Greece, Belgium and Italy mooted another idea on Thursday, for a price "corridor" that could be lifted in a supply emergency. A document outlining the idea, reviewed by Reuters, said that would ensure the measure did not compromise Europe's energy security - wiggle room that some EU officials said could offer a route to compromise with sceptical states.
"There isn't a single measure that will solve all the problems," the senior EU official said. "We all gradually come to the conclusion that it will be multiple measures."

NEW JOINT BORROWING TO DEAL WITH ENERGY?
The unprecedented surge in gas and electricity prices, caused by Russia stopping gas deliveries to Europe, has boosted inflation to record highs of 10% and prompted steep interest rate rises, triggering an EU cost-of-living crisis.
Because the energy price surge is also threatening to kill off business and jobs and leave people struggling to heat their homes during winter, EU governments are scrambling to come up with measures to ease the pain for households and companies.
While welcomed by voters, such measures work against the European Central Bank's efforts to bring down inflation and can threaten fair competition in the bloc because not every country can afford the same amount of support to businesses.
Germany drew sharp criticism from its EU peers last week when it announced a support programme for companies and households of up to 200 billion euros ($196 billion), dwarfing similar French and Italian schemes one third its size.
Berlin's plan prompted top European Commission officials to propose new joint borrowing by the bloc to generate funds that could be used to deal with the energy crisis.
But several northern European countries are reluctant. A compromise solution could be if the money jointly borrowed by the EU was in the form of loans to EU governments and could only be spent on investment, rather than consumption.
"Countries will not be comfortable with European funding for consumption. There is much more openness for joint European funding for investments, that's where the landing zone could be," the senior EU official said.

Top News - Dry Freight

Soybean imports forecast at two-year low crimp China's ailing hog feed makers

China's soybean imports are likely to drop to their lowest in more than two years this month, adding to tight supplies of the key animal feed ingredient soymeal and exacerbating the problems of the country's hog feed manufacturers.

Soybean arrivals in China, the world's biggest importer, are estimated to be around or slightly below 5 million tonnes in October, according to two traders and Ole Houe, director of advisory services at agriculture brokerage IKON Commodities in Sydney. Imports of 5 million would be the lowest since March 2020.

Soybeans are crushed to make cooking oil and soymeal, a protein rich raw material used for animal feed. Chinese soymeal prices are expected to trade near record highs as feed makers, already grappling with negative profit margins, struggle to find supplies to meet demand, said two Singapore-based soybean traders.

"Crush margins have been in negative territory for several months which is resulting in lower imports," said IKON Commodities' Houe.

Lower Chinese soybean imports may weigh on benchmark futures in Chicago at a time of overall rising food commodity prices, but the record soymeal will likely translate to higher prices for pork, the favoured meat in China. Hog prices have climbed more than 40% since March.

Cash soymeal prices rose to a record of 5,600 yuan ($787.24) a tonne in northwestern China's city of Xi'an at the end of September, according to Shanghai JC Intelligence Co Ltd (JCI).

"A bulk of the soymeal to be produced in October and November has already been sold out," said one of the Singapore-based traders, who works for an international company which owns processing units in China. "Feed manufacturing companies which delayed purchases are now suffering as they have to pay very high prices."

China's soybean imports have declined in recent months, discouraged by poor processing margins, which have been negative much of the time since mid-April. Crushers in the key processing hub of Rizhao were losing more than 86 yuan for each tonne of soybeans as of Sept. 30.

The country's soybean imports are estimated to have slid to 5 million tonnes in September and fell almost 25% in August from a year earlier, according to customs data.

"Some factories had to such down operations while other are working much below their capacity," said the second Singapore-based trader. "Typically, the industry operates at around 70% of its capacity as there is more capacity than the demand."

Feed makers have been reducing the component of soymeal used in hog feed to less than 20% from the usual around 30%, the trader said.

"This does not mean that pigs will die of hunger, it just means that the growth rate will slow down."

China accounted for around half of the world's pork consumption of 110 million tonnes in 2022, according to U.S. Department of Agriculture data. The country buys more than 60% of soybeans shipped worldwide to fatten the world's biggest pig herd.

Still, imports are expected rise later this year to replenish the soymeal shortage and as beans are harvested in the United States. China's imports in November are likely to climb to as much as 9 million tonnes and to about 10 million tonnes in December, according to estimates from JCI and the two traders.

COLUMN- Both U.S. grain exporters and China lose out over river logistics snafu -Braun

Post-harvest U.S. soybean exports have yet to ramp up during what is normally the busiest month for shipments which is bad news for top importer China, already facing tight soymeal supplies after importing lighter bean volumes earlier this year.

Prolonged dry weather has significantly reduced water levels in the Mississippi River, the main transport vein to the U.S. Gulf, and the forecast does not favor near-term replenishment. Fewer barges at a time can now navigate the waters and with less cargo aboard, boosting freight rates to all-time highs.

Based on U.S. export inspection data, the United States exported roughly 145 million tonnes of grain and oilseeds in calendar year 2021. Some 56% of this volume left the U.S. Gulf while 28% departed off the Pacific coast, similar shares as in 2020.

Corn was the most dependent on the Gulf, handling 62% of last year's shipments, while 55% of soybeans and 30% of wheat also sailed from the Louisiana coastline.

But soybeans are the most jeopardized by the recent transportation issues since about half the year's exports usually depart between October and December versus 20% of corn, and October usually features the highest soy volumes.

In 2021, some 42% of October-December soybean shipments to China left from the U.S. Gulf versus 52% from Pacific ports, though the Gulf share was 58% in 2020.

Southbound barge tonnages on the Mississippi River have been reduced by more than 20% and the number of barges per tow reduced by 17-38%, according to the U.S. Department of Agriculture's weekly transportation report published on Thursday.

That has pushed freight rates considerably higher in the latest week. For example, a southbound barge from St. Louis now costs 81% more per tonne than it did in the prior week, nearly four times more expensive than the three-year average.

Barged grain movement hit a five-week high through Oct. 1, up 44% on the week but 36% below last year, when shipments started slowly following hurricane damage at Gulf ports. Barges are traveling back from the Gulf at a slow pace, which could further restrict grain flow toward the port. The number of barges moving upriver last week was among the lowest 3% of all weeks in the last 17 years and down 42% from the three-year average.

CHINA AT RISK

Of last year's 145 million exported tonnes of U.S. grains and oilseeds, some 13% was specifically soybeans to China in the last three months of the year. This year, China seemingly cannot afford a delay in arrivals.

Soymeal prices recently reached record levels in China as low crush margins have limited imports for months. At the same time, its flailing hog sector has finally seen a recovery in prices, boosting feed demand.

China's October soy imports may fall to the lowest levels since March 2020, down about 25% from the month's three-year average. Analysts see November and December arrivals at above average levels because of increased U.S. shipments, a trend that has not yet started.

China has an above average volume of U.S. soy sales on the books, but those have not come recently. Purchases in the latest week, aside from the trade war in 2018, were the lowest for the week since 2003.

Overall, buyers are not exactly chomping at the bit for U.S. grains. Through 29 days of September, soybean sales to all destinations of 3.1 million tonnes were an 11-year low for the month. Corn sales of 1.5 million tonnes were the lowest since 2012.

On the other hand, no. 2 U.S. soybean importer Mexico last week bought a well above-average volume of the oilseed. About two-thirds of all U.S. grain shipments to Mexico are shipped via interior methods such as rail, but the other third relies on the Gulf.

U.S. railroads nearly shutdown last month as union negotiations came down to the wire, which would have wreaked havoc on U.S. agriculture, especially now with the river transportation problems.

Railroads play a key role in delivering grain to ports in the Pacific Northwest, but they are also vital for overland exports to both Mexico and Canada. Interior exports accounted for 14% of all U.S. grain and oilseeds last year, third behind the Gulf and Pacific regions.

Picture of the Day

A woman pours paddy rice inside a rice milling machine besides Wuruku rice mill market after a flood displaced millers from the market in Makurdi, Nigeria. REUTERS/Afolabi Sotunde

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

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