Oil | Agriculture | Metals | Carbon & Power |Dry Freight
Click on headers to go to that section

Top News - Oil

Exxon-Pioneer tie up could squeeze US shale oil suppliers, pipelines

Top U.S. oil producer Exxon Mobil's planned acquisition of the No. 1 Permian shale producer Pioneer Natural Resources could further restrain output growth in the largest U.S. oilfield, squeezing pipeline companies and suppliers, executives and energy advisors said.

Consolidation, steep cost inflation and investor demands for returns have shrunk production growth this year in the Permian shale formation in West Texas and eastern New Mexico. Permian crude production is forecast to rise this year by about 430,000 barrels per day (bpd), well below the 1 million-bpd gain in 2019, according to government data.

Exxon, the fifth largest producer in the Permian, has set an up to 1 million-bpd target for its operations there for 2025 and more recently pushed it back to 2027. Buying Pioneer would boost its output to about 1.33 million barrels of oil and gas equivalent per day, well above its goal.

"With this Pioneer deal, there is a possibility that Exxon might say they've achieved that growth target for Permian production and so they don't have to grow as rapidly as they originally intended," says Ajay Bakshani, director of analytics at research firm East Daley Analytics.

Exxon has declined to comment on any acquisition discussions. CEO Darren Woods said in June that developing technology in-house ultimately will allow Exxon to better identify acquisition targets. U.S. oil producers are pumping more oil, but the pace of growth has slowed due to lower drilling activity. Mergers also have chipped away at drilling budgets, analysts and industry executives said. Overall, oil companies have cut 36 active drilling rigs in the Permian in the last year, a 10% drop. Rigs are an indicator of future output.

Recent shale consolidation, including Civitas Resources and Callon Petroleum-Percussion, also led to reductions in the combined companies' active drilling rigs.

Dropped rigs affects the broader oilfield service business and pipelines as the consolidation means less equipment rentals, fewer roughnecks and customers to compete for their business. Past mergers have led to job cuts at acquired companies.

"There's no question the position of that magnitude or size would give them considerable leverage in negotiating or contracts with the service providers," said Ben Crook, a portfolio manager at Hennessy Energy Transition Fund.

The White House would struggle to thwart the acquisition, antitrust lawyers and experts said last week.

Pioneer ships most of its oil to market on Targa Resources pipelines, while Exxon relies more on Energy Transfer and to a lesser extent on Targa, East Daley's Bakshani said.

A Pioneer deal could see Exxon shift more volumes on pipelines it co-owns, such as the Wink-to-Webster line co-owned as part of a join venture that includes Plains All American and MPLX among others.

The combined company "might be able to negotiate better pricing for themselves based on the sheer volume of the work they'll create," said Robert Webster, CEO of oil, gas and carbon storage advisory Intermontane Oil LLC. "Volumes always wins when it comes to contracting."

Saudi Aramco to supply full oil volumes to N.Asia refiners in Nov – sources

Saudi Aramco has notified at least four North Asian buyers that it will supply full contractual volumes of crude oil in November, sources with knowledge of the matter said on Tuesday, as the Kingdom maintained its output policy.

The world's top oil exporter reaffirmed last week that it will stick with oil supply reduction of 1 million barrels a day to the end of 2023.

Refiners in China, the largest buyer of Saudi crude oil, have kept their nominated volumes steady in November, totalling around 47 million barrels, comparing to about 50 million barrels in the prior month, the trading sources said.

"The supply and demand for Saudi oil seem stable at this moment, despite the high prices," said one of the people.

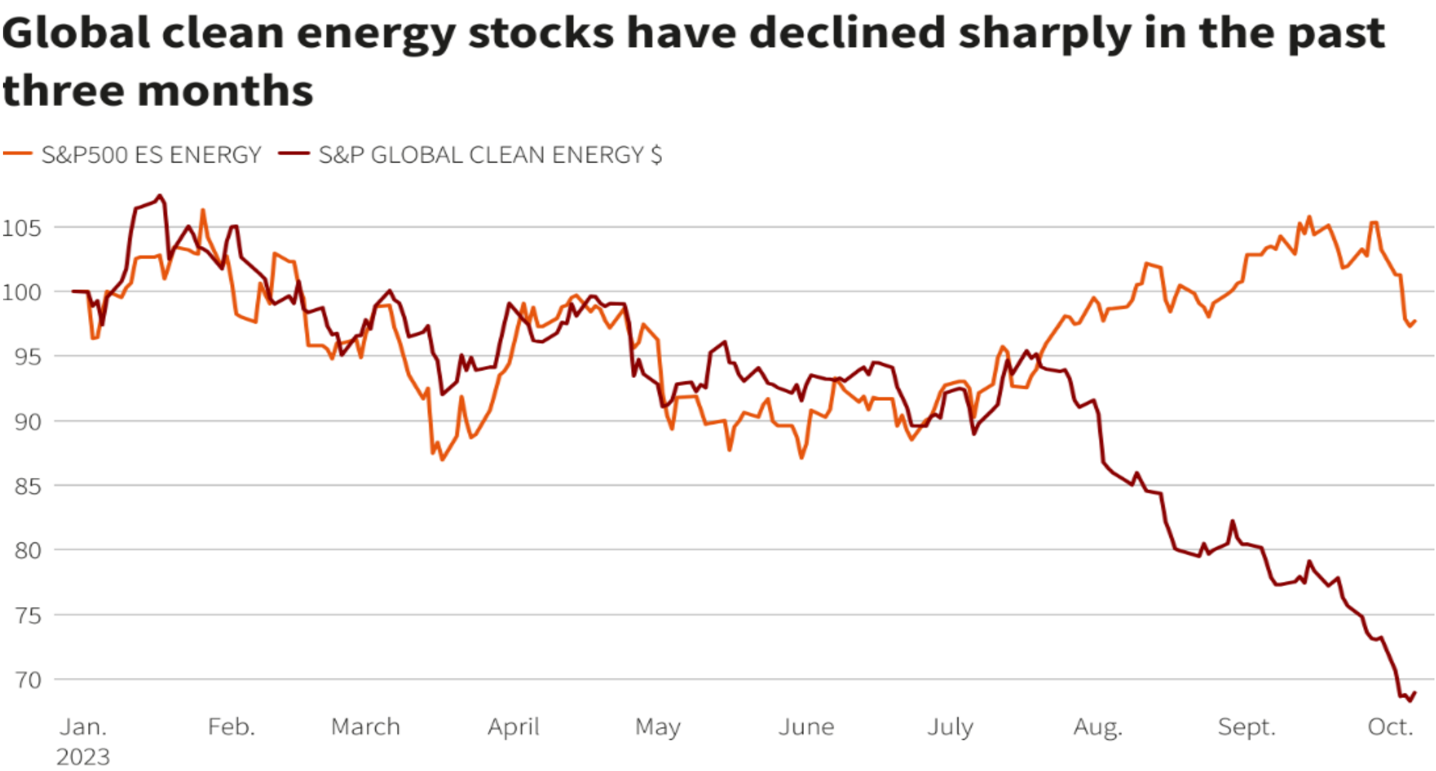
Saudi Aramco raised the price of its flagship Arab Light crude to Asian customers in November for a fifth month to its highest level this year.

Top News - Agriculture

COLUMN-Crop Watch: Harvest pace quickens, beans in spotlight -Braun
Most of the U.S. Crop Watch producers reported quick harvest progress in the first week of October, and soybeans were the prime beneficiary as many areas are close to wrapping up those efforts. Five Crop Watch soybean fields were harvested between last Monday and Sunday, three with slightly better than expected results and two with notably worse ones. Just two Crop Watch soybean fields await harvest: Ohio and North Dakota. Most areas have a decent harvest window until about midweek, when a low-pressure system is expected to move across the center of the country. That could bring between 2 and 4 inches of rain to places including Iowa, northern Illinois, southern Minnesota and parts of Nebraska and South Dakota. This will likely disrupt field work for several days, but some of the Crop Watch producers note that the moisture is still somewhat welcome as much of the U.S. Corn Belt remains under drought conditions. Fields could take some time drying out now that temperatures have turned more seasonal after a summer-like start to the month, though most Crop Watch producers have not yet expressed serious concerns.

RESULTS
Crop Watch producers have been rating yield potential on a 1-to-5 scale with a score of 3 around farm average yield, 4 solidly above average and 5 among the best crops ever. The 11-field, average soybean yield fell to a season-low 3.48 from 3.59 last week as the Crop Watch soybeans in eastern Iowa and western Illinois both landed a full point below pre-harvest expectations. Both producers reported small seed size caused by the exceptionally dry stretch of weather in August.
Final soybean yield scores in eastern Iowa and western Illinois landed at 2.5 and 2.75, respectively. The eastern Iowa beans scored 4.5 in each of the last two years, and the western Illinois beans ended at 4.5 last year and 4 in 2021.The eastern Iowa producer noted that there were some better bean results than the Crop Watch field in his area, but it all depended on whether the field picked up moisture in August, and sometimes just one small rain shower made the difference. The I-state soybean losses last week were partially offset by the beans in South Dakota, Minnesota and Nebraska, which all improved by a quarter-point upon harvest. South Dakota featured the best results, ending at 4.75 versus 2.75 last year and 3.25 in 2021.

Chart of the Day



Note: The indexes are rebased to 100 with the start date set at the start of this year
Source: LSEG Eikon | Patturaja Murugaboopathy

The final Minnesota bean yield of 2.5 was lower than the scores in 2022 or 2021, which were 3.75 and 3, respectively. Nebraska's bean yield of 3.25 slightly outscores last year's 3 but falls well short of the 4.5 observed two years ago.
Average Crop Watch corn yield remains unchanged at 3.61, and there were no adjustments to any individual scores this week. Only four of the 11 Crop Watch corn fields have been harvested as of Monday morning, and the most recent one was completed on Sept. 29.
The following are the states and counties of the 2023 Crop Watch corn and soybean fields: Kingsbury, South Dakota; Freeborn, Minnesota; Burt, Nebraska; Rice, Kansas; Audubon, Iowa; Cedar, Iowa; Warren, Illinois; Crawford, Illinois; Tippecanoe, Indiana; Fairfield, Ohio. The North Dakota corn is in Griggs County and the soybeans are in Stutsman County.

Ivory Coast weather boosts farmers' hopes for cocoa main crop
A mixture of rain and strong sunny spells over most of Ivory Coast's main cocoa growing regions last week should help small pods develop and extend the October-to-March main crop, farmers said on Monday.
Ivory Coast, the world's top cocoa producer, is in its rainy season which usually runs from April to mid-November.
Most farmers said the main crop was developing well and recent weather conditions had increased the chances of good harvests in January and February.
"The main crop is looking good," said Pierre Kouame, who farms near the western region of Soubre, where 29.1 millimetres (mm) of rain fell last week, 5.6 mm above the five-year average.
In the southern regions of Agboville and Divo, rains were below average last week, while they were above average in the eastern region of Abengourou. Despite the differences, farmers from these regions said they were upbeat about the conditions and outlook.
In the centre-western region of Daloa, rains were below average and farmers said the quality of beans was improving.
"There are not many mouldy beans ... and black pod (fungal disease) is not excessive," said Albert N'Zue, who farms near Daloa, where 25.5 mm fell last week, 2.8 mm below the average.
The central regions of Bongouanou and Yamoussoukro saw above-average rain.
Average temperatures ranged last week from 25.9 to 28.3 degrees Celsius (78.6 to 82.9 degrees Fahrenheit).

Top News - Metals

Codelco 2024 copper premium offer matches 2023's record $234/T for European customers
Chile's Codelco, the world's biggest copper miner, is offering to sell copper at a premium of $234 a metric ton to European customers next year - matching this year's record - a source with direct knowledge of the matter said.
The premiums set by Codelco for physical delivery of copper are paid on top of the London Metal Exchange (LME) contract and are sometimes used as a benchmark for global contracts for the metal used in the power and construction industries.
State-owned Codelco declined to comment.
The premium hit a record level this year as European consumers shunning Russian copper after Moscow invaded Ukraine last year were looking for alternative sources of supply. Another factor was high energy and transport costs.
Both transport and logistics costs have since dropped.
Russia was previously a major supplier of copper to the European Union (EU). The EU imported more than 801,000 tons of copper in 2021, of which nearly 292,000 tons came from Russia according to data from Trade Data Monitor (TDM).
Elsewhere, Europe's biggest copper smelter Aurubis will charge a premium of $228 a metric ton over the LME price for copper it sells to its European customers in 2024, unchanged from 2023.
Austria's Montanwerke Brixlegg is offering its low-carbon copper next year to customers at a premium of 286 euros a ton over the (LME) price starting next year, a small reduction from this year.

Zinc study group now sees market surplus for 2023
The global refined zinc market will see a surplus of 248,000 metric tons in 2023 compared with a previously forecast deficit of 45,000 tons due to slower than expected demand growth, the International Lead and Zinc Study Group (ILZSG) said on Monday.
Prices for zinc are down 16% so far this year following last year's slump in demand from China, the world's largest consumer.
The surplus for the metal, used to galvanise steel for the construction and auto sectors, will widen to 367,000 tons in 2024, the ILZSG added.
Global demand for refined zinc is expected to increase by 1.1% to 13.59 million tons in 2023 and by 2.5% to 13.93 million tons in 2024. In April, the group expected 2023 demand to rise to 13.80 million tonnes.
Usage in China will recover 3% this year as galvanised plate output increased by 12% in January-July after falling 12% in 2022.
"The production of passenger cars and home appliances has also risen over the same period, however investment in the real estate sector has remained depressed. In 2024, a growth of 1.2% in Chinese zinc demand is

anticipated," ILZSG said. Global refined zinc metal production is forecast to rise by 3.7% to 13.84 million tons in 2023, and by 3.3% to 14.30 million tons in 2024, mainly driven by an increase in China, the group said.
In the lead market, global supply of refined metal will exceed demand by 35,000 tons in 2023 and by 52,000 tons in 2024, the ILZSG said. Refined lead supply is forecast to increase by 2.7% to 12.84 million tons in 2023 and by 2.3% to 13.14 million tons next year, while demand is seen increasing by 1.1% to 12.80 million tons this year and by 2.2% to 13.08 million tons in 2024.
Demand growth in China is expected to accelerate to 2.4% in 2024 from 1.9% this year, ILZSG added.

Top News - Carbon & Power

Australia LNG unions threaten fresh strikes next week, Chevron says deal possible
Chevron has asked Australia's industrial tribunal to help resolve a "small number" of issues blocking a deal with unions at its two liquefied natural gas (LNG) facilities in Western Australia as workers announced plans to resume strikes next week.
Chevron said on Monday it was committed to a deal with unions at its Wheatstone and Gorgon facilities and had asked the Fair Work Commission to help resolve a handful of sticking points, including how travel and meal expenses are reimbursed and cabin sharing on the offshore platform.
Hours earlier, unions told Reuters they had given the oil and gas major seven-days notice and strikes would resume next week at the facilities responsible for around 6% of global LNG output. Chevron confirmed it had received the notice.
“We don’t believe that industrial action is necessary, given we are seeking the assistance of the Fair Work Commission to resolve the small number of outstanding items between the parties," a spokesperson said in a statement.
"We will continue to take steps to maintain safe and reliable operations in the event of disruption at our facilities.”
The Offshore Alliance had called off strikes in late September after reaching a deal brokered by the Fair Work Commission, but the unions said last week that Chevron had reneged on the deal.

MARKET MONITOR as of 06:35 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$85.87 / bbl	-0.59%	6.99%
NYMEX RBOB Gasoline	$2.21 / gallon	-0.05%	-10.67%
ICE Gas Oil	$891.50 / tonne	-0.64%	-3.20%
NYMEX Natural Gas	$3.36 / mmBtu	-0.36%	-24.83%
Spot Gold	$1,857.49 / ounce	-0.18%	1.81%
TRPC coal API 2 / Dec, 23	$124.25 / tonne	4.19%	-32.75%
Carbon ECX EUA	€82.20 / tonne	0.55%	-2.11%
Dutch gas day-ahead (Pre. close)	€39.50 / Mwh	38.84%	-47.73%
CBOT Corn	$5.02 / bushel	-0.40%	-26.00%
CBOT Wheat	$5.98 / bushel	-0.87%	-99.25%
Malaysia Palm Oil (3M)	RM3,567 / tonne	-1.05%	-14.54%
Index	**Close 09 Oct**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	316.19	1.20%	4.93%
Rogers International	28.85	1.76%	0.65%
U.S. Stocks - Dow	33,604.65	0.59%	1.38%
U.S. Dollar Index	106.16	0.11%	2.55%
U.S. Bond Index (DJ)	386.64	-0.58%	-1.48%

Chevron said a draft agreement based on the in-principle agreement was almost complete and it was committed to resolving the outstanding items. “Once we receive the further clarification from the Commissioner, we will be able to finalise the Enterprise Agreements and provide them to our employees to vote on," a spokesperson said. Markets have so far offered a mixed reaction to the threat of further strikes, in part because weeks of action in September did not disrupt shipments. Unions had varied the length and extent of the strikes. European gas prices gained on Friday, however Asian spot LNG prices retreated from 7-month highs as demand remained muted. Should further talks breakdown Chevron could choose to restart a petition requesting the Fair Work Commission intervene in the dispute, dictate an agreement and end strikes. Chevron would need to give seven days notice before restarting the petition.

Global natgas demand set for slower growth to 2026, IEA says

Global natural gas demand is expected to experience slower growth to 2026 after peaking in mature markets such as Europe and North America in 2021, a report by the International Energy Agency (IEA) said on Tuesday. The IEA's annual medium-term gas market outlook said global gas demand was on course to increase by an average of 1.6% a year from 2022 to 2026, more slowly than the average annual rise of 2.5% between 2017 and 2021.

Russia's invasion of Ukraine last year resulted in lower supplies of pipeline gas to Europe from Russia, prompting a race for alternative energy supplies.

Overall gas demand from mature markets in the Asia Pacific region, Europe and North America peaked in 2021, and is forecast to decline by 1% annually to 2026, according to the report. An accelerated roll-out of renewables and improved energy efficiency are among the key drivers behind the downward trend for natural gas in these markets. For Europe, the loss of pipeline gas from Russia forced governments to seek alternative solutions to maintain energy security, the IEA said. "After their heyday between 2011 and 2021, the world’s gas markets have entered a new and more uncertain period that is likely to be characterised by slower growth and higher volatility – and could lead to a peak in global demand by the end of this decade," said Keisuke Sadamori, IEA director of energy markets and security.

Although consumption is set to decline in mature gas markets, any growth will be mainly concentrated in countries representing nearly half of global gas consumption - emerging markets in Asia, as well as gas-rich economies in the Middle East and Africa.

China alone is expected to account for almost half of the total growth in global gas demand between 2022 and 2026, drawing on the fuel to serve its industrial production, power sector and urban areas, the report said.

Top News - Dry Freight

Amazon drought chokes river traffic, threatens northern corn exports

A severe drought choking major rivers in the Amazon rainforest has disrupted ship traffic near the region's biggest city and pushed up costs for northern shipping routes, raising risks for corn exports in coming months. The unusual heat and dryness, linked to the mass deaths of fish and river dolphins, has already limited local communities'access to food and drinking water, leading the federal government to set up a humanitarian task force. Officials are now warning the thinning rivers could disrupt grains exports in the region. "There is concern about shipping part of the corn harvest, which will still take another two to three months," the Agriculture Ministry said in a written statement. The worst effects of the drought have been focused west of Manaus, the capital of Amazonas state, the ministry said, adding that the lower Amazon and Tapajos River remain in good shape. But navigation along the Amazon's upper tributaries, often tricky in the dry season, has become especially difficult. Some of those rivers are key to the logistical breakthroughs whereby Brazil has consolidated northern export routes, boosting competitiveness of the South American grains powerhouse.

On the Madeira River, the government said barge routes between Porto Velho and Itacoatiara, where firms such as Cargill, Bunge and Amaggi operate, "are functional but barge loads are being reduced as a precautionary measure." Low river levels have also affected docking of transoceanic ships around Manaus and pushed up pilotage costs, said Thiago Pera, a logistics research coordinator at ESALQ-LOG. He said Brazil's bumper soy crop is already out the door, but conditions could prove tricky for shipping this year's second corn harvest.

The chief executive of barge operator Hidrovias do Brasil said there was no impact yet on its routes along the Tapajos, where barges typically run at two-thirds capacity in the dry season. CEO Fabio Schettino said climactic conditions may postpone the rainy season, which often starts in November, by "weeks or a month," adding that he saw the unusual weather as part of annual variation rather than a "structural change."

Meteorologist Gilvan Sampaio, from Brazilian space agency INPE, said this year's drought in the Amazon could prove to be the worst on record. He said the dryness might last through 2024 if El Niño intensifies in the Pacific Ocean and there is no cooling of tropical waters in the North Atlantic. An association of major grains exporters in Brazil, who also rely on southern and southeastern ports to export soybeans and corn, said they had not changed their outlook for strong exports this year. ANEC head Sergio Mendes said in a statement that the climate could still put crops at risk. The agriculture ministry said there was a risk of shipping costs rising in Brazil without a corresponding boost in global prices, which could squeeze local farmers and traders, adding that "so far we do not see this impact."

Indonesia to import additional 1.5 mln tons of rice this year -minister

Indonesia will import an additional 1.5 million metric tons of rice in 2023, its acting agriculture minister said on Monday, as drought affects harvests at home.

The additional quota comes on top of a 2 million ton rice import quota for 2023 and an additional 300,000 ton carryover from last year's import plan.Of the additional 1.5 million tons, Indonesia has so far procured 600,000 tons from Thailand and Vietnam, which should arrive by the end of the year, acting agriculture minister Arief Prasetyo Adi told Reuters in a phone interview. He did not say when or where the rest of the additional quota would be procured. Although Indonesian President Joko Widodo discussed importing 1 million tonnes from China with Chinese officials during the ASEAN summit last month, Prasetyo Adi said there was no deal so far.

Picture of the Day

Pickers harvest Chardonnay grapes at one of English wine producers, Chapel Down's vineyards, near Maidstone in southern Britain, October 5. REUTERS/Toby Melville

(Inside Commodities is compiled by Indrishka Bose in Bengaluru)

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