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

Click on headers to go to that section

Top News - Oil

US crude stocks rose last week, fuel inventories dipped as demand surged, EIA says

U.S. crude stocks rose last week, while fuel inventories fell sharply, the Energy Information Administration said on Wednesday, as back-to-back major hurricanes drove gasoline demand to nearly a three-year high.

Crude inventories rose by 5.8 million barrels to 422.7 million barrels in the week ended October 4, the EIA said, compared with analysts' expectations in a Reuters poll for a 2 million-barrel rise. Together, gasoline and distillate fuels declined by some 9.42 million barrels last week. Analysts said that draw was primarily due to stockpiling ahead of Hurricane Milton, which is slated to hit Florida as a major storm on Wednesday.

Crude stocks at the Cushing, Oklahoma, delivery hub rose by 1.2 million barrels last week, the EIA said.

"Messy data because of the hurricane, but stronger product demand than expected," said Josh Young, chief investment officer at Bison Interests.

"Probably all of the main EIA weekly inventory numbers are affected by the hurricane. Crude higher due to lower exports, products lower due to stockpiling at gas stations," he said.

Oil futures pared some losses following the report. Global Brent futures were trading at $76.24 a barrel, down 92 cents at 11:09 a.m. EDT (1509 GMT), while U.S. West Texas Intermediate futures were trading at $72.83 a barrel, off 74 cents.

Refinery crude runs fell by 101,000 barrels per day, according to the EIA. Meanwhile, refinery utilization rates were off by 0.9 percentage points to 86.7% in the week, marking the fifth straight week of declines.

Total product supplied, a proxy for demand, jumped by 1.34 million barrels per day last week to 21.19 million bpd, driving down fuel inventories.

U.S. gasoline stocks fell by 6.3 million barrels in the week to 214.9 million barrels, their lowest level since September 2023, the EIA said, compared with analysts' expectations in a Reuters poll for a 1.1 million-barrel draw.

Distillate stockpiles, which include diesel and heating oil, fell by 3.1 million barrels in the week to 118.5 million barrels, versus expectations for a 1.9 million-barrel drop, the EIA data showed. Gasoline product supplied was up by 1.13 million bpd to 9.65 million bpd, the biggest week-over-week increase since February 2001.

Distillate demand climbed by 394,000 bpd to 4 million bpd, last week. Net U.S. crude imports fell last week by 305,000 barrels per day, EIA said. Crude exports were down by 84,000 bpd to 9.79 million bpd.

"I think this report was bullish, driven by a large drop in overall oil inventories. Definitely, it might have been highly influenced by Hurricane Milton, which supported implied demand for gasoline," said Giovanni Staunovo, an analyst with UBS.

Top Kazakh oil field hits record output amid tensions with OPEC+, sources say

Kazakhstan's biggest oil field Tengiz, operated by U.S. major Chevron, boosted output to a record high in October, sources told Reuters, potentially complicating the country's future efforts to comply with its OPEC+ quota.

OPEC+ has named top 10 global oil producer Kazakhstan along with Iraq and Russia as countries that have repeatedly failed to comply with its pledges to curb oil production this year.

Tengiz boosted daily production to 699,000 bpd in early October from 687,000 bpd in September, when output increased by 30% from August after the completion of maintenance, said two industry sources familiar with the data.

The field's operator Tengizchevroil, which has invested more than $70 billion since the project's inception in 1993, said its operations were continuing as usual and declined further comment. Chevron owns a 50% stake in the venture. Exxon Mobil controls 25%, KazMunayGaz has a 20% stake, and Russia's Lukoil owns 5%.

The Kazakh energy ministry did not reply to a request on comment about oil production plans for 2024 and 2025.

Kazakhstan - which relies on Tengiz and two other major fields, Karachaganak and Kashagan, for most of its production - is subject to output targets as a member of OPEC+, an alliance of OPEC and other top producers led by Russia

The country's oil production quota under the OPEC+ deal stands at 1.468 million bpd, a target it exceeded in September by around 170,000 bpd, according to Reuters calculations. It is likely to remain within its targets this month because it will shut down the Kashagan field for maintenance, sources said.

Overall October production data from Kazakhstan is not yet available, but sources said Karachaganak will produce its regular volumes of 228,000 bpd, while maintenance at Kashagan will entail a complete stoppage of its 400,000 bpd facility.

While that means Kazakhstan will be able to achieve its October quota, the sources said, complying with OPEC+ quotas might become problematic again when the field returns from maintenance in November. "Taking into account the expansion of Tengiz, compliance with the quota could become impossible," one of the sources said. Chevron and its partners plan to expand output at the Tengiz project to 850,000 bpd in the first half of 2025. Expansion costs at the project stand at around $49 billion.

OPEC will release estimates of its members' September oil output next week. The group's leader Saudi Arabia has repeatedly called on rival producers to improve compliance, saying it was the most paramount immediate task before OPEC+ embarks on releasing more barrels from December.

Top News - Agriculture

Harsh weather curbs global wheat output, buoys prices

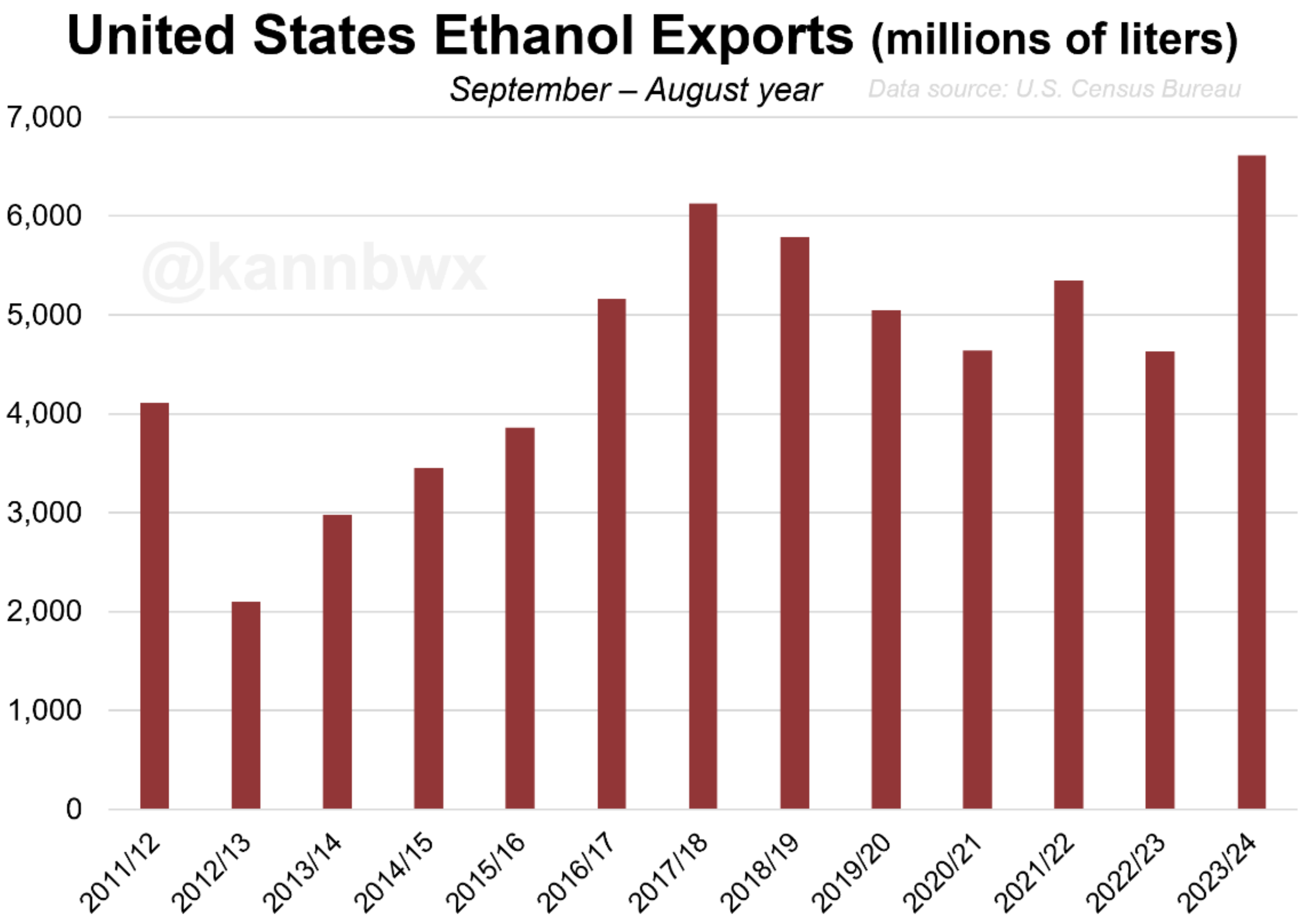
Harsh weather is reducing wheat production in major global exporters, cutting inventories that have already been projected to hit nine-year lows, while fuelling a sudden surge in prices. Dryness afflicting suppliers from Russia, the world's biggest, to Argentina is making food production vulnerable as recent Russian attacks on grain ships in the Black Sea rekindles concerns about the war limiting supplies.

While top southern hemisphere exporters Argentina and Australia have lost several million tons of wheat to drought and frost, a lack of moisture is hitting plantings for 2025 crops in Russia, Ukraine and the United States.

"The wheat market is getting tighter and it is going to get worse," said Ole Houe, head of advisory services at IKON Commodities in Sydney.

World wheat inventories have fallen from record highs five years ago, U.S. data shows, as poor weather hurt output and Russia's 2022 invasion of Ukraine temporarily spiked grain prices. Last week Ukraine said Russian attacks damaged two grain ships there.

Chart of the Day



Russian crops suffered from late frosts and then drought since April, Agriculture Minister Oksana Lut said this week.

"In some regions, there hasn't been any rain since April," Lut told a conference. "I don't know if there have been years like this before, when everything that could happen with the climate actually happened."

In the physical market, Black Sea wheat in Southeast Asia is quoted around $280 a metric ton, including cost and freight, up from $265 about a month ago. Chicago wheat futures jumped last week to their highest in four months, as the market recovered from its weakest since 2020 in July.

Some farmers in exporting nations, such as Australia and Canada, are holding back sales in anticipation that prices will climb even higher. "It is the trend most places where wheat comes from, farmers are not selling and it is becoming a problem for traders who have committed sales to millers," said one Singapore-based grains trader at an international company.

U.S. farmer Doug Keesling, 50, said he was praying for rain for his fields in Chase, Kansas, after planting about 1,200 acres (486 hectares) of wheat during a third year of drought.

"I can dig down three to four inches and there's not a single drop of moisture in this soil," he said, referring to a depth equivalent to 8 cm to 10 cm. "If it rains, it'll come up. If it doesn't rain, it's going to be tough even for following into the next year."

Production prospects in neighbouring Oklahoma are lower for 2025 than 2024 after dryness slowed plantings, said Mike Schulte, executive director of the Oklahoma Wheat Commission.

HIGHER PRICES

The U.S. Department of Agriculture projects world wheat ending stocks at a nine-year low of 257.22 million metric tons in 2024-25 even as the outlook for global production reaches a record 796.88 million.

Analysts surveyed by Reuters expect the agency will trim its stocks forecast on Friday to 256.14 million tons.

"There's a lot of room to the upside (in prices) if USDA decides to cut production globally by 3.5 million to 4 million tons," said Terry Reilly, senior agricultural strategist for Marex.

The Rosario grains exchange trimmed its wheat harvest estimate to 19.5 million tons from a previous estimate of 20.5 million. Australia probably produced about 32 million to 33 million metric tons of wheat, up from last year but off earlier estimates by about 2 million to 3 million tons, analysts said.

"It is quite dry and there has been frost damage as well," said Dennis Voznesenski, an analyst at Commonwealth Bank, while touring wheat farms in South Australia this week. "Crops are not looking good."

Rain-affected roads slow cocoa arrivals at Ivory Coast ports

Damage inflicted by heavy rains on roads in Ivory Coast's west, southwest and coastal regions is hampering the harvest, drying and transportation of cocoa beans to ports, exporters and buyers have told Reuters.

Six exporters, five cooperatives and six buyers said cocoa arrivals at ports are down and the quality of beans has significantly deteriorated.

"Since the last week of September, we have noticed a resumption of rains that are quite heavy and have blocked roads and made village tracks totally impassable," said Hamed Coulibaly, who buys cocoa in the region of Duekoue, Guiglo and Man.

He said he has not yet been able to recover 60 metric tons of the commodity that his middlemen have already collected in various villages.

"I have two trucks with cocoa that have been stuck on the tracks towards Blolequin for six days ... we can't do anything," said Seydou Konate, another buyer in Guiglo.

Cocoa bean arrivals in ports were estimated at 13,000 tons from October 1 to 6, 2024, compared to 50,000 tons last year, according to exporter figures. In the towns of Man, Danane, Toulepleu, Guiglo, Duekoue and Tai in western Ivory Coast, plantations have been flooded and roads cut off by the rain. Geyo, Yabayo and Buyo in the main cocoa producing part of the country have endured similar conditions.

The wet weather has also damaged cocoa beans, which turn black and ferment if stored in poor conditions and without being dried properly due to lack of sunlight. "We are seeing a slowdown in cocoa arrivals at the ports ... but what worries us the most is the quality of the beans that are arriving," said an exporter based in San Pedro port who has received about 55 tons to date compared to 300 tons by the same point last year. "We are receiving very poor quality products: poorly fermented, dried and too humid," said an exporter in Abidjan who has received 45% less cocoa so far this season compared to last year.

Ivory Coast's Coffee and Cocoa Council (CCC), however, blamed the decrease in cocoa available so far this season to a delay of seed stock. "We must put things into perspective: there is less cocoa in the ports because there is less cocoa at the moment; it is not because of the state of the roads," a CCC official told Reuters on condition of anonymity.

"Usually, it is September's stocks that supply the first weeks of October, but this year, that's not the case," another CCC official said. "There's no cocoa, but it's coming - we must be patient."

Top News - Metals

ANALYSIS-Rio Tinto's real prize: Arcadium's lithium extraction technology

Rio Tinto's $6.7 billion buyout of Arcadium will give it a suite of lithium filtration technologies that are poised to revolutionize how the metal is produced for the electronics and electric vehicle industries.

Arcadium's expertise in so-called direct lithium extraction (DLE) is the real prize for Rio, analysts said, and vaults it into contention with Eramet, Sunresin, Exxon Mobil and others aiming to make the technology commonplace in coming years.

The DLE industry is expected to grow to more than $10 billion in annual revenue within the next decade by supplying lithium for EV batteries in hours or days, not months or longer as with existing large, water-intensive evaporation ponds and open pit mines.

While DLE technologies vary, they are comparable to filtration used by common household water softeners and aim to extract about 90% or more of the lithium from brines, compared to about 50% using ponds. No one has launched a commercial DLE operation without ponds, although multiple companies are racing to be first.

Arcadium, through a predecessor company, was the first to develop an early version of a DLE technology in the 1990s at an Argentina lithium brine site that is still operational today.

While that site uses ponds in tandem with DLE, Arcadium's decades-long experience with the technology makes it a tantalizing prize for Rio as it aims to develop lithium deposits in Chile, where officials are phasing out ponds and requiring DLE, and elsewhere.

"It (DLE) is actually the solution to provide the lithium that the world needs," Rio CEO Jakob Stausholm told investors on Wednesday after announcing the all-cash deal. It values Arcadium at a 90% premium to its share price before Reuters first reported the companies were in talks last Friday.

Arcadium's Argentina DLE operations are located near a DLE project that Rio paid $825 million for in 2022, though that project has yet to produce lithium. Arcadium's engineers have already met with Rio's DLE team, Stausholm said. "There's a lot ahead of us and we haven't explored it fully, yet it's the right technology," he said.

Though Rio has long been a leader in hard rock mining, it has far less expertise in the chemical processing at the core of lithium production. DLE, for example, is just one part of a complex process that can involve more than 20 steps, including pre-treatment of a lithium brine and crystallization.

Each brine deposit can also have different chemical compositions - including various levels of calcium,

MARKET MONITOR as of 06:31 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$73.76 / bbl	0.71%	2.94%
NYMEX RBOB Gasoline	$2.05 / gallon	0.64%	-2.51%
ICE Gas Oil	$698.00 / tonne	0.72%	-7.03%
NYMEX Natural Gas	$2.64 / mmBtu	-0.83%	4.93%
Spot Gold	$2,615.37 / ounce	0.29%	26.80%
TRPC coal API 2 / Dec, 24	$125.75 / tonne	-1.18%	29.64%
Carbon ECX EUA	€62.27 / tonne	0.42%	-22.52%
Dutch gas day-ahead (Pre. close)	€37.90 / Mwh	-0.13%	19.00%
CBOT Corn	$4.41 / bushel	0.68%	-8.88%
CBOT Wheat	$6.32 / bushel	1.49%	-1.25%
Malaysia Palm Oil (3M)	RM4,261 / tonne	0.21%	14.51%
Index	**Close 09 Oct**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	340.59	-0.38%	13.00%
Rogers International	27.96	-0.21%	6.21%
U.S. Stocks - Dow	42,512.00	1.03%	12.80%
U.S. Dollar Index	102.90	-0.03%	1.54%
U.S. Bond Index (DJ)	447.14	-0.29%	3.81%

magnesium and other metals - that must be carefully analyzed. All of those steps have been studied in depth for years by Arcadium.
"The key to unlocking initial implementation of DLE tends to be that know-how plus infrastructure," Arcadium CEO Paul Graves told investors on Wednesday. "But once you have unlocked it, it's incredibly quickly replicable."
Arcadium, through a predecessor company, also holds a stake in EnergySource Minerals, a DLE developer that licenses lithium technology to SLB and others.
When that investment was announced last December, executives said it could start commercial production by 2025. "Rio Tinto is paying a premium for Arcadium in part for its intellectual property around DLE technology," said Chris Berry, an independent lithium industry consultant.

DLE RIVALS
Rio's bid to make DLE mainstream will face intense competition, including from some of the very people who helped make Arcadium a DLE leader.
Arcadium's Argentina DLE site, for example, was developed by a scientist who is now chairman of International Battery Metals, which has developed a modular DLE facility that Exxon, Chevron and others have considered licensing.
Albemarle, the world's largest lithium producer, is also testing DLE in Arkansas near its existing bromine operations and in Chile. SQM, which is headquartered in Santiago, agreed with Chile's government this year to a plan that will see its production increase in part due to DLE. "DLE is about being a chemical processing expert. Companies like Arcadium, Albemarle, SQM, they have a lot of expertise that they can put to work in that area," Eric Norris, head of Albemarle's energy storage business and a former executive at an Arcadium predecessor company, told Reuters earlier this year.
Vulcan Energy, privately held EnergyX, Standard Lithium and others are also advancing their own versions of DLE technologies.

Japan Q4 aluminium premium rises on supply fears amid firmer Europe prices

The premium for aluminium shipments to Japanese buyers for October to December was set at $175 a metric ton, up 1.7% from the prior quarter, on supply concerns amid higher premiums in Europe, four people directly involved in pricing talks said.
The figure is higher than the $172 per ton paid in July to September, and represents a third consecutive quarterly increase and the highest since the January-March quarter in 2022. Still, it is below initial offers of $180 to $185 per ton made by global producers.
Japan is Asia's major importer of the light metal and the premiums for primary metal shipments it agrees to pay each quarter over the London Metal Exchange cash price set the benchmark for the region.
"The increase from Q3 reflected producers' worries over tighter supplies in Asia, as some metals could be diverted to Europe where premiums were higher," a source at a Japanese aluminium rolling mill said.
Meanwhile aluminium demand in Japan remained sluggish across both industries and construction sectors, with ample inventories, sources said.
Aluminium stocks at three major Japanese ports rose 9.2% month-on-month to 327,300 metric tons by the end of August, trading house Marubeni said last month.
Quarterly pricing talks began in late August between Japanese buyers and global suppliers including Rio Tinto and South32.
In September, negotiations briefly widened the divide between buyers and sellers after one producer hiked its offer to $200 per ton, citing concerns that a fire at a smelter of aluminium group Press Metal in Malaysia could tighten supplies for the region. But producers made concessions, as the fire's impact was expected to be limited and as they considered weak local demand and rising inventories, the sources said.
"Japanese companies don't purchase much metal from Press Metal, so the impact will be limited," said a source at a Japanese trading firm. Press Metal said last month that about 9% of its total smelting capacity was affected by the fire.
The sources declined to be identified because of the sensitivity of the discussions.

Top News - Carbon & Power

Italy to present plan by end of year to revive nuclear energy

Italy aims to introduce a draft law by the end of the year allowing the resumption of domestic nuclear power production, Energy Minister Gilberto Pichetto Fratin told a parliamentary hearing on Wednesday.
The law - which will need to be approved by parliament - aims to create a favourable environment for private investments also through state financial support for the early stages of nuclear projects in the country, Pichetto said later in the day, speaking during a Q&A session in parliament.
Nuclear fission as a source of energy is a controversial topic in Italy, where nuclear-fired power plants are banned following referendums in 1987 and 2011. Those votes were influenced by the Chernobyl disaster in the former Soviet Union and then the backlash after the issues at Fukushima in Japan.

The minister has recently appointed a legal expert to study how power stations based on new nuclear technology including small modular reactors (SMRs) and advanced modular reactors (AMRs), which the government believes could support its green energy transition, could be exempted from the ban.
During the parliamentary hearing, Pichetto said that Italy would be able to save 17 billion euros ($18.6 billion) on the cost of decarbonising the economy by 2050, should it include at least 11% of nuclear power in its energy mix.
Despite the ban, Italy has retained expertise in the sector. State-controlled utility Enel operates nuclear power stations in Spain and energy major Eni is investing in a project to develop a nuclear fusion reactor in the United States.

Gas line connection to Exxon's FPSOs in Guyana completed, executive says
A pipeline that would allow Guyana to bring natural gas produced by an Exxon Mobil-led consortium to shore has been connected to two of the project's floating production platforms, Exxon's head for Guyana was reported as saying on Wednesday.
The "Gas-to-Energy" project by Guyana's government aims to feed a 300-megawatts power plant and a natural gas liquids (NGL) facility with gas produced at two Floating Production Storage and Offloading (FPSO) facilities that are part of Exxon's Stabroek block.
The 200-kilometer (124.3-mile) pipeline could be in service by year end, Exxon Guyana chief Alistair Routledge told local reporters, according to Newsroom Guyana.
The project, expected to help lower electricity costs and reduce emissions once completed next year, will be the first to take advantage of associated gas produced in the country.
Guyana has so far invested some $400 million in the development.
The Exxon consortium, also integrated by China's CNOOC and U.S. Hess, temporarily halted crude and gas output at the platforms in the third quarter to allow the pipeline connection.
"Risers have now been successfully connected to the pipeline, and we have been conducting several tests and de-watering exercises to ensure everything is functioning correctly," Routledge said.

Top News - Dry Freight

EXCLUSIVE-Algeria bars France from wheat import tender as relations sour, sources say
Algeria excluded French companies from a wheat import tender this week and required that participating firms did not offer French-origin wheat, in apparent fallout from renewed diplomatic tensions between Algiers and Paris, trading sources said.
The move, echoing a dispute three years ago that led to France being sidelined from its former colony's wheat tenders for months, may reinforce the recent dominance of Black Sea supplies, led by Russian wheat, in Algeria's massive import market.
Algeria is one of the world's biggest wheat buyers and for many years France was by far its largest supplier.
France's decision in July to back a plan for the Western Sahara region under Moroccan sovereignty angered Algiers, which supports the Polisario Front's quest for an independent state there.
Algeria held one of its regular tenders on Tuesday, in which state grains agency OAIC is estimated by traders to have purchased over 500,000 metric tons.
OAIC's tenders are held on an optional-origin basis, under which the seller can choose the source of the grain within a range of approved origins including French wheat.
But six sources familiar with the matter said that this time French firms did not receive an invitation to participate, while non-French companies that took part were asked not to propose French wheat as a supply option.
OAIC did not explain to firms the reasons for its move, according to the sources, who said it was understood to reflect the souring of diplomatic relations, including over Western Sahara.
OAIC and France's foreign trade and agriculture ministries did not immediately respond to requests for comment.
French wheat had not been seen as in contention to win business in this week's tender due to a poor harvest and much higher prices than in Russia, now Algeria's main wheat supplier.
But OAIC's move prevented French firms from potentially supplying other origins while raising uncertainty over how long such an exclusion might last.
Algeria's previous rift with France three years ago supported the opening of its wheat market to Russia, the world's biggest exporter of the cereal.
Repeated heavy rain led to the smallest French wheat harvest since the 1980s this year. The plunge in volume, coupled with mixed milling quality, is set to slash exports from the European Union's biggest wheat-producing country.

More Kazakh agricultural exporters complain of issues with transit to Russia
Some Kazakh rice and corn exporters are unable to ship their products to Russia, Kazakhstan's Grain Union said

on Wednesday, in what appeared to be an expansion of a Russian block on grain transit from Kazakhstan after Moscow accused Astana of breaching plant health regulations.

Russia is a key transit country for major Kazakh exports such as oil and uranium, and trade tensions could make market players nervous about the steady supply of those commodities.

The Russian state agricultural watchdog, Rosselkhoznadzor, said last week it would block the issuance of phytosanitary certificates for grain, grain products, sunflower seeds, tomatoes, and peppers from Kazakhstan.

The Kazakh government said it requested proof of the purported violations from Russia, and the Kazakh state railroad company said grain exports via Russia would continue and even increase this month.

But market players say Russia's decision has affected shipments. "The situation has not been resolved, as far as I understand," Yevgeny Karabanov, the head of analytics at the grain union said.

"(Grain) transit continues via routes where cargoes do not need to be unloaded from one means of transportation and loaded onto another one. For example, to the Baltic countries, Azerbaijan, Belarus."

But Kazakh grain cargoes are no longer shipped via Russian ports, Karabanov said. "In addition, there are complaints from companies that supply rice and corn - which were not mentioned in the Rosselkhoznadzor letter - from Kazakhstan to Russia," he said. "Trucks loaded with those products are being turned away at the border."

A Russian industry source, speaking on the condition of anonymity because they were not authorised to comment publicly, confirmed that there were issues with Kazakh transit and shared a document listing products that were banned for import if they had Kazakh phytosanitary certificates.

The list includes not only all major grains, but also wheat flour, corn, rice, soybeans, lentils, some nuts and melons.

Kazakhstan's agriculture ministry said in a statement that since Russian restrictions took effect on Sept. 23, Kazakhstan has shipped 204,000 metric tons of such produce to Russia, and only 0.3% of that has been turned away at the border. It also said the two countries' agricultural safety watchdogs held talks on the matter on Wednesday and would continue them.

Rosselkhoznadzor in Russia did not immediately respond to a request for comment.

Picture of the Day

Hurricane Milton advancing towards Florida in a view from Dragon Endeavor, docked with the International Space Station, October 9. Matthew Dominick/NASA/Handout via REUTERS.

(Inside Commodities is compiled by Rohit James in Bengaluru)

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

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