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Top News - Oil

Venezuela starts to pursue former oil clients after US lifts sanctions

Venezuelan state-run oil company PDVSA has begun contacting customers with crude supply contracts amid the temporary lifting of U.S. sanctions, two people familiar to the matter said on Thursday, moving to resume cash sales to global refiners.

The U.S. on Wednesday lifted most restrictions on Venezuela for six months for producing, selling and exporting oil to its chosen markets. The broad relaxation of sanctions imposed since 2019 following an election that Washington considered a sham will allow some Venezuelan crude to flow to customers previously barred from transactions.

The license, issued by the U.S. Treasury's Office of Foreign Assets Control (OFAC), aims to encourage a fair presidential election in Venezuela next year. But it is not expected to significantly boost Venezuela's deteriorated oil production or immediately lead to stronger exports.

PDVSA's trading division has lost many of its skilled staff with oil traders departing due to low salaries. That loss of experience means new negotiations could take time, or produce few new export deals in the six months of the license, according to the sources, who spoke on condition of anonymity.

Oil output in Venezuela, which boasts of the largest crude reserves worldwide, now averages 780,000 barrels per day (bpd) and the license changes could help increase PDVSA's cash flow by at least reducing the pool of middlemen selling its oil at a discount to customers, mostly in Asia.

"The OFAC has issued an unprecedented general license that suspends the broad siege imposed to PDVSA," the company's CEO and Oil Minister Pedro Tellechea said on social media.

Venezuela can now receive direct payments for goods or services under the license issued by OFAC, which oversees American sanctions.

The payment restrictions had reduced sale proceeds to PDVSA and its joint ventures, which were authorized only to deliver cargoes to repay debt, while cash moving to Venezuela was barred. Not all U.S. sanctions on PDVSA were lifted.

PDVSA's earnings have been heavily curtailed by sanctions in the past four years. As its traditional customers were banned from doing business with it, the company had to sell its oil to an ever-changing group of middlemen willing to trade cargoes for large price discounts.

Since November, when Washington authorized Chevron to expand its joint ventures with PDVSA and export Venezuelan crude to the U.S., that agreement and a few others provided PDVSA's only access to Western markets.

Those agreements, however, are limited to debt repayment deals, so little cash is reaching PDVSA's coffers, constraining its ability to expand oil production and exports.

"The biggest short-term benefit, in an election year, is to sell oil at a full price to its most profitable market, the United States," Francisco Monaldi, a Latin American energy market expert at Rice University's Baker Institute, wrote on social media.

"Even in case sanctions are reinstated, the money brought in and the limited additional production will be a 'bird in hand,'" for Venezuelan President Nicolas Maduro's administration, Monaldi added.

FROM CHINA TO EUROPE

A delegation led by Maduro traveled to China in September to renew trade and investments. Among proposals discussed by both government and state companies was the reactivation of Venezuela's debt payments with oil to China, which largely remain under a grace period, and the expansion of joint oil ventures in the country, according to separate sources close to the talks.

China is Venezuela's main oil export market, receiving some 430,000 bpd of crude and fuel this year, according to tanker tracking data. Before the sanctions, India and the U.S. were other top destinations.

PDVSA's largest customers, state-run CNPC and PetroChina through wide oil-for-debt deals, have not imported Venezuelan oil since the U.S. imposed secondary sanctions in 2020, so small refiners in China have been taking the Venezuelan cargoes instead.

Before sanctions, PDVSA also had oil supply contracts with U.S. oil refiners including its Houston-based subsidiary Citgo Petroleum, Valero Energy and PBF Energy; India's Reliance Industries and Nayara Energy; and European firms such as Italy's Eni and Spain's Repsol.

It was not immediately clear which of those oil supply contracts remain unexpired and could be quickly renewed.

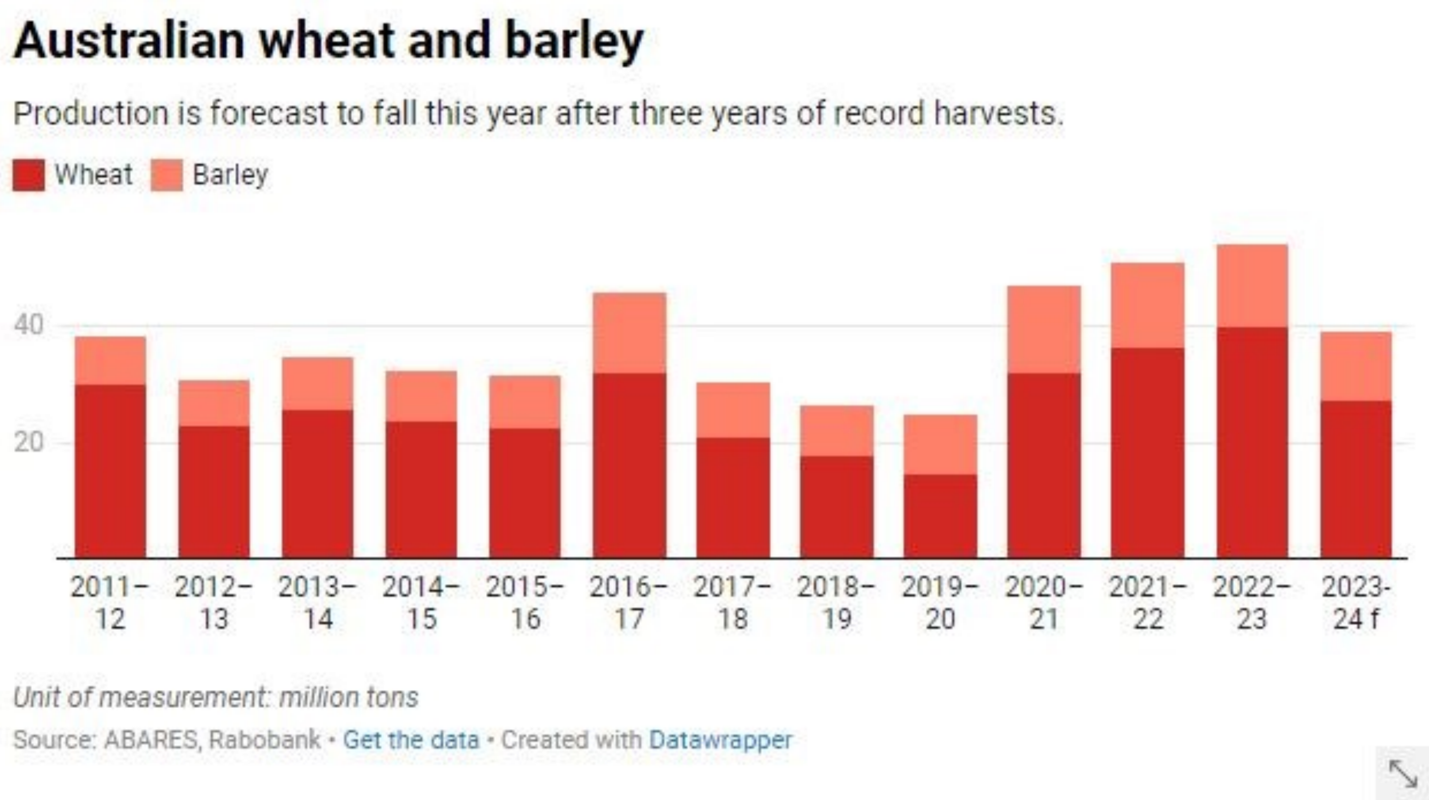
PDVSA and Venezuela's oil ministry did not immediately reply to requests for comment.

President Joe Biden's administration this week

highlighted that both the election terms and a series of side agreements between Maduro, the country's political opposition and Washington must be fulfilled to keep the licenses active.
The U.S. gave Venezuela until the end of November to withdraw bans on opposition candidates who would run for president, and a group of political prisoners must be released. The first release of detainees took place overnight.

US seeks to buy 6 million barrels for oil reserve by January
President Joe Biden's administration hopes to buy 6 million barrels of crude oil for delivery to the Strategic Petroleum Reserve in December and January, as it continues its plan to replenish the emergency stockpile, the U.S. Department of Energy said on Thursday.
The department hopes to sign purchase contracts for the oil at $79 a barrel or less. That is an increase from its earlier preferred range of around $70 a barrel, but lower than the current benchmark futures price for U.S. oil of around $90 a barrel. Last year the administration conducted the largest ever sale from the SPR of 180 million barrels, part of a strategy to stabilize soaring oil markets and combat high pump prices in the aftermath of Russia's invasion of Ukraine.
Since then, the U.S. has bought back 4.8 million barrels for an average of less than $73 a barrel. In January, DOE rejected some bids from oil companies to replenish up to 3 million barrels.
The department will determine whether submitted bids are acceptable and believes its price guidance and monthly solicitations will allow it to move quickly when buying opportunities arise.
The DOE will issue monthly solicitations through at least May 2024, for volumes that have yet to be determined.
Last year's 180 million barrel sale angered some Republicans who accused the administration of leaving the U.S. with the lowest level in the reserve in 40 years, and a thin supply buffer to adequately respond to a future supply crisis. But Republicans in recent years had also called for big sales from the reserve as domestic U.S. oil output has soared thanks to fracking and other drilling techniques.
The Biden administration has said it hopes its repurchase strategy will provide good taxpayer returns, because the oil was sold around $95 a barrel and can be bought back cheaper. Fears that Israel's military campaign in Gaza could escalate to a regional conflict have lifted world crude oil prices in recent days.

Chart of the Day



Top News - Agriculture

IGC raises forecast for 2023/24 world wheat crop

The International Grains Council (IGC) on Thursday raised its forecast for global wheat production in the 2023/24 season with upward revisions for Ukraine, Russia and the United States outweighing a deteriorating outlook for the crop in Australia.

The inter-governmental body's monthly update put the global wheat crop at 785 million metric tons, up from a previous forecast of 783 million but still well below the prior season's record of 803 million.

The IGC estimated Ukraine's wheat production at 27.4 million metric tons versus 25.9 million seen previously while exports were upwardly revised to 12.5 million tons from 12.0 million.

Exports were still, however, seen below the prior season's 17.1 million following the expiry in July of a UN-backed deal that allowed exports through a Black Sea safe corridor.

Russia's wheat crop was seen at 89 million tons, up from a previous forecast of 87.4 million with wheat exports upwardly revised to 49 million tons from 48.5 million seen a month ago.

The other major crop revisions were for the United States (49.3 million tons vs 47.2 million) and Australia (24.4 million tons vs 25.4 million).

The IGC also cut its forecast for 2023/24 global corn production by 3 million metric tons to 1.219 billion tons driven by downward revisions for the United States (382.7 million vs 384.4 million) and Brazil (127.2 million vs 130.2 million).

The impact was partially offset by an improved outlook for China where a crop of 280.6 million tons was forecast, up from 277.4 million previously.

ANALYSIS-Bumper US corn harvest sinks prices, pushes global supply to surplus

After a dry spring threatened to wither the U.S. corn crop in the fields, farmers are harvesting what will likely be the country's third-largest crop ever.

A bumper harvest will strain storage capacity and hold down prices of the world's most traded commodity crop. This will benefit customers who will pay less for corn used to feed livestock, dairy cows and egg-laying chickens or to make ethanol biofuel. But it will squeeze profits for farmers, who will store corn and hope for new demand from exports or new domestic uses.

"At the end of June, I wasn't even sure it would make a crop," said Steve Pitstick, who farms nearly 5,000 acres just outside the Chicago suburbs in northern Illinois, where harvested fields stood next to crops ready to be cut.

"But the timing of the rain, better genetics and better planting equipment set us up for success," Pitstick said during a rain delay in his harvest after more than two straight weeks of work. "It is surprisingly good." When the combines have finished the harvest and all the corn has been delivered for customer and exporter needs, the corn left in storage should exceed the amount that has sat in U.S. silos for seven years, according to the U.S. Agriculture Department (USDA).

There could be 50% more corn in storage when the harvest starts in 2024 than when it started this year, the biggest single-year jump in supplies in nearly two decades.

That bounty should further pressure the international corn price in Chicago.

Already corn prices are trending near three-year lows at a time when some food prices are rising due to tight supplies of other staples like rice, stoking inflation worries.

Top exporter Brazil also grew a record amount of corn, and the global corn market, tight for years, now stands on the verge of a change in fundamentals to surplus for the first time since before the pandemic.

Just 16 months ago corn prices were at their highest in a decade as the war in Ukraine disrupted supplies from the Black Sea breadbasket.

"I think we are kind of in a headwind for corn for a couple of years," said Stephen Nicholson, global strategist for grains and oilseeds at Rabobank.

Corn is the world's single biggest grain crop, and a surplus can quickly change the market tone to bearish for wheat, soy and other major crops.

USDA forecast that domestic corn supplies would jump 55% to 2.111 billion bushels in the 2023/24 marketing year, helping push the global stockpile to a five-year high by September 2024.

Corn buyers will benefit. The U.S. chicken industry will spend less on corn for poultry feed after years of poor margins and closing plants.

"I'm optimistic that the feed costs are going to be more manageable going forward," said Bill Roenigk, a consultant to the chicken industry.

Cal-Maine Foods the biggest U.S. egg producer, said its costs for feed per dozen eggs produced fell 10.5% in the quarter ended Sept. 2, primarily because of lower corn prices.

STORING GRAIN

But lower prices have dented incomes for corn farmers. Those with space in their grain silos will refrain from selling at a loss this fall and instead store the corn, hoping prices rise. Some may switch to planting more soybeans next spring.

Pitstick, who devotes about half his acreage to corn, said he plans to store all the grain he has not already committed to sell. In the past 10 years, he has tripled his storage capacity to about 500,000 bushels.

"You have only got one chance to grow a good crop but many opportunities to market it," he said.

Still, rising interest rates make storing grain a more expensive and risky proposition. Some growers need to take out loans to fund their operations as they wait and hope corn prices will rise.
U.S. farmers also face high costs for the fuel and fertilizer needed to produce their corn.
Net U.S. farm income is expected to fall 23% at the end of this year from last year's record high.
Harold Wolle, president of the U.S.-based National Corn Growers, said that to use the surplus and keep farmers financially stable, it will be critical to boost exports, including tapping new markets, and grow ethanol demand with developments in the aviation fuel industry.
"As prices decrease, our margins get squeezed," Wolle said.
"It becomes harder and harder for farmers to have a profit margin when our prices get this low."

Top News - Metals

China, world's top graphite producer, to curb exports of key battery material
China will require export permits for some graphite products to protect national security, its commerce ministry said on Friday, in its latest move to control supplies of critical minerals in response to challenges over its manufacturing dominance.
China is the world's top graphite producer and exporter and also refines more than 90% of the world's graphite into the material that is used in virtually all EV battery anodes, which is the negatively charged portion of a battery.
Beijing is requiring the export permits at a time when many foreign governments are increasing their pressure on Chinese companies over their industrial practices.
The European Union is weighing levying tariffs on Chinese-made EVs, arguing they unfairly benefit from subsidies. Also, the U.S. government earlier this week widened curbs on Chinese companies' access to semiconductors, including stopping sales of more advanced artificial intelligence chips made by Nvidia.
The ministry said the move was "conducive to ensuring the security and stability of the global supply chain and industrial chain, and conducive to better safeguarding national security and interests".
It added that it was not targetting any specific country.
Top buyers of graphite from China include Japan, the United States, India and South Korea, according to Chinese customs data. Under the new restrictions, China will require as of Dec. 1 that exporters apply for permits to

MARKET MONITOR as of 06:30 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$90.37 / bbl	1.12%	12.60%
NYMEX RBOB Gasoline	$2.36 / gallon	0.60%	-4.89%
ICE Gas Oil	$923.75 / tonne	1.51%	0.30%
NYMEX Natural Gas	$2.95 / mmBtu	-0.14%	-34.01%
Spot Gold	$1,975.82 / ounce	0.11%	8.30%
TRPC coal API 2 / Dec, 23	$133.75 / tonne	-3.95%	-27.60%
Carbon ECX EUA	€81.87 / tonne	0.13%	-2.50%
Dutch gas day-ahead (Pre. close)	€44.65 / Mwh	-5.20%	-40.92%
CBOT Corn	$5.16 / bushel	-0.15%	-23.86%
CBOT Wheat	$6.22 / bushel	0.28%	-99.22%
Malaysia Palm Oil (3M)	RM3,741 / tonne	-0.45%	-10.37%
Index	**Close 19 Oct**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	324.83	0.54%	7.80%
Rogers International	29.25	-0.29%	2.04%
U.S. Stocks - Dow	33,414.17	-0.75%	0.81%
U.S. Dollar Index	106.38	0.12%	2.76%
U.S. Bond Index (DJ)	385.04	-0.74%	-1.89%

ship two types of graphite, including high-purity, high-hardness and high intensity synthetic graphite material, and natural flake graphite and its products.
Three types of "highly sensitive" graphite items had already been under temporary controls, the commerce ministry said, and are included in the new list.
Meanwhile, it dropped temporary controls on five less sensitive graphite items used in basic industries such as steel, metallurgy, and chemicals.
The new measures will ensure the domestic supply of graphite for military use, such as in the aerospace sector, as well as domestic battery-making, said Chang Ke, an analyst at consultancy Mysteel.
With rising sales of electric vehicles, automakers are racing to lock in supplies from outside China, but shortages are looming.
"It's a restriction on EV material flowing out as many new energy companies are increasingly building up more plants overseas," Chang said.
Shares in China's new energy vehicle and battery makers rose after the announcement.

SIMILAR CURBS
The curbs are similar to those in place since Aug. 1 for two chip-making metals, gallium and germanium. The restrictions have slashed exports of those metals from China recently and pushed up prices outside of the country.
Analysts said it was not clear how much impact the new measures on graphite will have in the short term.
"This control is not a complete ban, and there has been no significant impact on any industry during the previous temporary control," said Ivan Lam, a senior analyst at Counterpoint Research.
Prices for natural flake graphite were 3,950 yuan ($539.62) a metric ton this week, down 25.5% from the beginning of this year because of declining demand from the EV sector, according to Mysteel.
However, Counterpoint's Lam said that graphite prices are likely to rise.
"We believe that the average price of graphite will continue to rise in the future due to supply and demand imbalances, including Russia, which was one of the major graphite suppliers before the Russia-Ukraine war," he said. China has reduced natural graphite mining in recent years to protect the environment, instead ramping up synthetic graphite output since 2021. The synthetic form now accounts for 70% of China's output, according to Mysteel.

Freeport-McMoRan to slow expansions amid inflation, weak copper prices
Copper miner Freeport-McMoRan posted a better-than-expected third-quarter profit on Thursday, but said it would slow expansion plans due to inflation and slumping prices for the red metal used across the global economy.
The announcement from one of the world's largest copper producers is the latest warning from the mining industry that supplies of minerals critical to the clean energy transition are likely to fall far short of aggressive demand forecasts in coming years.
"Recent weakness in (copper) prices, combined with higher capital costs to develop new mines are making it more difficult to justify new project development, which is essential to the future," Kathleen Quirk, Freeport's president, told investors on a Thursday conference call.
Freeport's shares fell 1.3% to $35.16 in morning trading. Copper prices, which the company's stock tracks, have slipped more than 12% in the past six months. Freeport's cost to produce a pound of copper, meanwhile, rose 18% sequentially in the third quarter.
The company's earnings, for example, swing $90 million with every 10% shift in the price of diesel, a key fuel for mining trucks.
Freeport continues to struggle with attracting and training U.S. workers, and the company's quarterly production there would have dropped without the use of copper leaching, a practice that Quirk said would increase.
Freeport posted third-quarter net income of $454 million, or 31 cents per share, compared with $404 million, or 28 cents per share, in the year-ago quarter. Excluding one-time items, Freeport earned 39 cents per share. By that measure, analysts expected earnings of 34 cents per share, according to IBES data from LSEG.
Freeport raised its forecast for 2023 copper sales volumes slightly to 4.06 billion pounds, partly due to it obtaining a crucial export license in Indonesia, where it operates the world's second-largest copper mine.

Top News - Carbon & Power

US LNG companies race to build export plants while natgas prices are high
Two U.S. natural gas exporters are racing to complete construction of the country's first liquefied natural gas (LNG) plant since 2022, hoping to cash in on booming demand for the superchilled gas before it fades later this decade, two analysts said this week. Golden Pass LNG, owned by Qatar Energy and oil major Exxon Mobil, expects to start production on the first of three Texas processing units in the second half of 2024. The full, 18 million metric tons of LNG per annum (MTPA), project would be in operation by 2025, the company has said.
Venture Global LNG, which is building its $21 billion Plaquemines LNG plant, also aims to produce first LNG in the second half of 2024 and be fully running the following year. It will be able to produce 20 MTPA when completed.

On Thursday, it received approval for its contractors to work a 24-hour, seven day a week schedule. Venture Global LNG first made the request to U.S. regulators a year ago.
Both projects are competing to get underway before rivals do, and before renewable projects can siphon gas demand, which had risen at an average annual rate of 2.5%, according to consuming nations group International Energy Agency (IEA).
"The tidal wave of new global LNG capacity is set to crest in 2026 and remain strong through 2027," according to the Institute for Energy Economics and Financial Analysis. The many LNG projects in development suggests the market will be unable to "absorb that much new supply so quickly" if all are built, it wrote.
The Qatar/Exxon and Venture Global LNG projects are competing to secure sales at current prices, said Alex Munton, director of gas & LNG research at consultants Rapidan Energy Group.
"There is a financial windfall for companies as prices will soften by 2028 as more capacity comes online from other projects in the U.S. and globally", said Munton.
Golden Pass LNG appears to have the inside track. It recently sought approval to add fuel gas to the plant in November. And it won regulatory approval to construct the facility on a 24-hour, seven day a week schedule.
Golden Pass could produce first LNG by the second quarter next year, estimated consultancy Energy Aspects, ahead of schedule. "The ability to manage our schedule, which included bringing more people to the site or to increase the flexibility, all that was critical to meeting our startup time," said Renwick DeVille, Golden Pass LNG's senior advisor for public and government affairs.

LNG tanker diverts from Egypt terminal as gas flows from Israel ebb
A tanker seeking to fill up liquefied natural gas (LNG) at a terminal in Egypt left empty and diverted to another port, after an Israeli pipeline supplying gas was halted due to Israel-Hamas conflict, analysts said on Thursday.
The Seapeak Catalunya tanker has changed course from Egypt's Idku LNG plant and is now heading to the Algeria's Arzew LNG facility instead, LSEG analyst Olumide Ajayi said citing shipping data.
Chevron has shut down the Israeli Tamar gas field amid the military conflict in the country and suspended exports through the subsea EMG pipeline, which runs from Ashkelon in southern Israel to Egypt.
Egypt relies on Israeli gas imports to meet some of its domestic demand and therefore the pipeline cuts mean there is less gas available for LNG exports, Ajayi said.
This year to-date, 50% of Egyptian exports have been sold into the European Union and Britain, based on LSEG ship-tracking data, he added.
However, the country has not exported any LNG since July amid high domestic demand this summer and was only set to resume exports in October.
Egypt imports about 7 billion cubic feet per year of natural gas from the Israeli Tamar and Leviathan gas fields, according to data from consultancy Rystad Energy.
Egypt exported 3.7 million tonnes of LNG between Oct. 2022 and Jan. 2023, hitting a high of just below 1 million tonnes in Dec. 2022, the firm said in a note.
The ongoing conflict is likely to have a limited impact on prompt European gas prices given current mild weather, full storages and the potential for more U.S. LNG imports, Aditya Saraswat, head of Middle East upstream research at Rystad Energy said.
"However, there remains a risk of escalation into a broader conflict that could cause a short-term increase in energy prices," Saraswat said.
The front-month Dutch TTF hub contract, the European benchmark, was trading 3.4% lower on Thursday at 47.80 euros per megawatt hour, but still some 25% higher than before the Israel-Hamas conflict.

Top News - Dry Freight

Crunch time for Brazil ports as coffee flow hit, sugar faces delays
Brazil's commodities export hubs are strained with record volumes of soy, corn and sugar to be moved at a time of the year when rains start to increase in southern ports, according to traders, analysts and shipping data.
Exporters are reporting delays in coffee shipments due to a tight availability of trucks and containers, while loading waiting times for vessels have jumped, resulting in additional costs for traders and delays for the commodities to reach destinations.
Brazil ports have been dealing with high volumes this year, but rains in the south, the largest ever delivery of sugar on the expiration of the October contract in New York and the diversion of cargoes from northern ports to Santos port as a drought cut the Amazon River's water levels added pressure to the system.
"We are having trouble with container availability," the chief trader of a large coffee exporter said on condition of anonymity, adding that the situation slowed exports in September.
He said the sugar industry is using a lot more containers, reducing availability.
Raw sugar is usually shipped in bulk, while refined sugar uses containers.
According to shipping data provider Datamar, container use for sugar exports jumped 86% in the year through August versus the previous year, while the number of containers used for coffee fell 5%.
For bulk carriers, the wait to load cargoes jumped.
Shipping agency Williams said the waiting time at CLI, a main sugar terminal in Santos, rose to 33 days on

Wednesday from 17 days in September.
ING analysts said some sugar shipments scheduled to depart Brazil in October will likely be pushed to November.
"We hear some vessels are delayed even 25-27 days," said sugar industry consultants CovrigAnalytics in a note on Thursday.
The line-up of vessels to load sugar in Brazil rose nearly 40% in the last week to around 4.2 million metric tons, 25% more than at the same time last year. About 90 vessels are available at the ports to load sugar.
Buyers are already expecting delays, said a director at one of the largest sugar exporters in Brazil. "But if it starts to rain much, it can get complicated."
The forecast is for only light rains in the coming days at Santos, with heavier downpours expected from Oct. 28.

China's Sept soybean imports from Brazil rise 23% from a year ago

China's soybean imports from Brazil rose in September by 23% from a year earlier, data showed on Friday, after a huge crop produced by the South American nation this year continued to reach the world's top buyer. China imported 6.88 million metric tons of the oilseed from Brazil last month, according to the General Administration of Customs, the highest for September in three years.
Brazil ships most of their soybean crop from March through June when it harvests its crop, with exports dwindling after then, but this year summer month shipments have been higher than before.
September arrivals from the United States, China's second-largest supplier, shrank to 133,692 tons from 1.15 million tons a year ago.
Total imports by China last month were 7.15 million tons.
So far this year, China has imported 54.87 million tons of Brazilian soybeans, up 18% compared with the same period last year.
Total arrivals from the U.S. in the first nine months of 2023 are up 8% at 20.08 million metric tons, the data also showed.
Brazil also supplied 1.25 million tons of corn to China last month, 76% of the total arrivals.

Picture of the Day

A electric charging port is seen attached to a vehicle in a street in Paris, France, October 18. REUTERS/Sarah Meyssonnier

(Inside Commodities is compiled by Soumya Chatterjee in Bengaluru)

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