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COMMODITIES DAILY

# The Commodities Feed: OPEC+ seen agreeing to another large supply increase

Oil prices are under pressure as expectations grow that OPEC+ will announce another large supply increase for August



## Energy – Attention shifts to OPEC+

Oil prices edged marginally lower yesterday, a move that continued in early morning trading today, as the market increasingly turns its attention towards the OPEC+ meeting this weekend. The group is expected to agree to another large supply increase of 411k b/d, taking total supply increases since April to almost 1.8m b/d. Given its strategy shift, we believe the group will continue with these large increases. This would see the full 2.2m b/d of supply brought back online by the end of the third quarter, 12 months ahead of the original schedule.

These larger supply increases should leave the global oil market well supplied for the remainder of the year. It's set to return to a large surplus in the fourth quarter of this year. Clearly, recent price action suggests the market is mostly focused on this supply. The geopolitical risk premium has eroded fairly quickly following the ceasefire between Israel and Iran. Expectations for a comfortable oil balance, along with a large amount of OPEC spare production capacity, appear to be comforting the market.

### Agriculture– USDA updates 2025 acreage estimates

In its latest acreage report, the USDA estimates soybean and wheat plantings will drop this year, while corn acreage will increase. The agency projects 2025 corn acreage at 95.2m acres, higher than the 90.6m acres planted in 2024, but slightly lower than the previous estimate of 95.3m. In contrast, the USDA projects 2025 soybean plantings to reach 83.4m acres, lower than the 87.1m acres planted in 2024 and March's estimate of 83.5m acres. Wheat planting estimates were trimmed to 45.5m acres, lower than the 46.1m acres planted in 2024, but slightly above the previous estimate of 45.4m acres.

In its quarterly stocks report, the USDA also reported that corn inventories stood at 4,644m bushels as of 1 June, down 7% year-on-year. This is largely in line with market expectations of 4,625m bushels. For soybeans, the agency reported inventories of 1,008m bushels, up 4% year on year and higher than the 974m bushels the market expected. Similarly, wheat inventories were reported at 851m bushels, up 22% YoY and above market expectations of around 836m bushels.

The latest fortnightly report from UNICA shows that sugar cane crushing in Central-South Brazil stood at 38.8mt over the first half of June, down 21.5% from a year ago. This leaves the cumulative sugar cane crush for the season at 163.6mt, down 14.3% YoY. Meanwhile, sugar production fell 22% YoY to 2.5mt over the first half of June. Around 51.5% cane was allocated to sugar production over the fortnight, higher than the 49.7% allocated in the same period last year. Cumulative sugar production so far this season stands at 9.4mt, down 14.6% YoY.

### Author

#### Warren Patterson

Head of Commodities Strategy

[Warren.Patterson@ing.com](mailto:Warren.Patterson@ing.com)

#### Ewa Manthey

Commodities Strategist

[ewa.manthey@ing.com](mailto:ewa.manthey@ing.com)

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