

The Commodities Feed: Secondary tariff threats push oil higher

Oil prices rose yesterday as the US threatened secondary tariffs on Russian and Iranian oil



Energy – Secondary tariff threat

Oil prices rose yesterday amid growing threats to oil supplies. ICE Brent settled almost 2.8% higher after with President Trump threatened secondary tariffs on Russia and Iran. This follows an executive order last week taking similar action against Venezuela. For now, it appears to be just a threat to Russia and Iran. However, if it becomes a reality, it creates plenty of upside risk to the market given the significant oil export volumes from both countries.

Russia exports around 7.4m b/d of crude oil and refined products, while Iran exports around 1.4m b/d of crude oil. This tool could be very effective in persuading buyers to shun the targeted oil, with the impact on the buying country's economy potentially far outweighing the benefits of buying discounted crude oil. The key buyers of Russian crude oil are China and India, whose top export markets are the US. However, taking such action, particularly against Russia, would make it harder for Trump to lower oil prices, as promised. Instead, it would push prices much higher.

Agriculture – USDA sees soybean acreage falling

In its latest Prospective Plantings report, the US Department of Agriculture (USDA) forecasts soybean plantings will drop significantly this year, while corn acreage will rise. It projects that 2025 soybean acreage in the US could fall sharply to 83.5m acres, compared to 87.1m acres in 2024. The market was expecting acreage to be around 83.8m acres. In contrast, the USDA projects 2025 corn plantings to reach 95.3m acres, higher than the 90.6m acres planted in 2024 and above expectations of 94.4m acres. Chinese retaliatory tariffs on US soybeans may buttress the view that US farmers will increase corn plantings at the expense of soybean areas. Wheat planting estimates were trimmed to 45.4m acres, lower than the 46.1m acres planted last year.

The USDA also released its quarterly stocks report, as of 1 March, yesterday. It reported corn inventories at 8.15b bushels, down 2.4% year on year, but largely in line with market expectations. For soybeans, the agency reported inventories of 1.91b bushels, up 3.5% YoY and marginally above market expectations of around 1.9b bushels. Similarly, wheat inventories were reported at 1.24b bushels, up 13.6% YoY and higher than the 1.2b bushels the market expected.

Recent data from the Indian Sugar & Bio-energy Manufacturers Association (ISMA) shows that 2024/25 sugar production in India stood at 24.8mt -- after diversion for ethanol -- through 31 March. The group added that 90 mills were crushing cane during the second quarter of the ongoing 2024/25 season.

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