The Commodities Feed: Supply risks vs peace talks

Despite the start of talks between the US and Russia, oil prices edged higher with supply risks dominating the market

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Energy Supply uncertainty

The oil market appears to have found some support with ICE Brent edging higher yesterday, moving closer towards US$76 per barrel. There have been reports that OPEC+ may delay increasing supply to the market. The group's members were set to gradually restore levels to 2.2m barrels per day in April. Concerns over the fragility of the market leaves OPEC+ reluctant to increase supply. A delay could wipe out the surplus we expect for the market this year, which would leave prices better supported.

On top of OPEC+ supply uncertainties, there are concerns over Kazakh oil flows given the repair work needed at a pumping station in Russia damaged by a Ukrainian drone attack. It is estimated to take 2 months. As a result, pipeline operator Transneft says Caspian Pipeline Consortium flows could fall 30%; CPC flows averaged around 1.27m b/d in 2024.

Meanwhile, there are reports that the Group of Seven is considering tightening the Russian oil price cap, currently set at US$60/bbl, to minimise Russia's oil revenues. However, since its introduction, the price cap has had limited success. Russia has managed to circumvent it by building up its own tanker fleet. If recent US sanctions against a large share of the Russian shadow tanker fleet are effective, it would likely force Russian crude to use Western shipping services. That would ensure Russian crude trades at, or below, the current cap. This, however, would likely be short-lived as Russia and buyers will find ways around sanctions. Russia, for example, is likely to increase the size of its non-sanction shadow fleet. To be sure, it might seem counterintuitive to see the price cap tighten at a time when the US has started talks with Russia on a peace deal to end the war in Ukraine.

Agriculture – European wheat exports

The latest data from the European Commission shows that EU soft-wheat exports for the 2024/25 season stood at 13.3mt as of 16 February, down 36% year on year. The decline was largely driven by France, where excessive rains impacted crop production. Global wheat prices have had a strong start to 2025 with CBOT wheat up close to 10% so far this year -- and with expectations for further tightening in the global wheat balance.

Weekly export inspection data from the USDA for the week ending 13 February shows US corn shipments rose, while wheat and soybean exports slowed. US weekly inspections of wheat for export stood at 249.8kt, down from 570.3kt, in the previous week and 420.3kt a year ago. Similarly, US soybean export inspections stood at 720.3kt, down from 1,097.4kt a week ago and 1,291.7kt for the same period last year. And US corn export inspections stood at 1,611.5kt, compared to 1,355.2kt a week ago and 1,052.2kt for the same period last year.

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