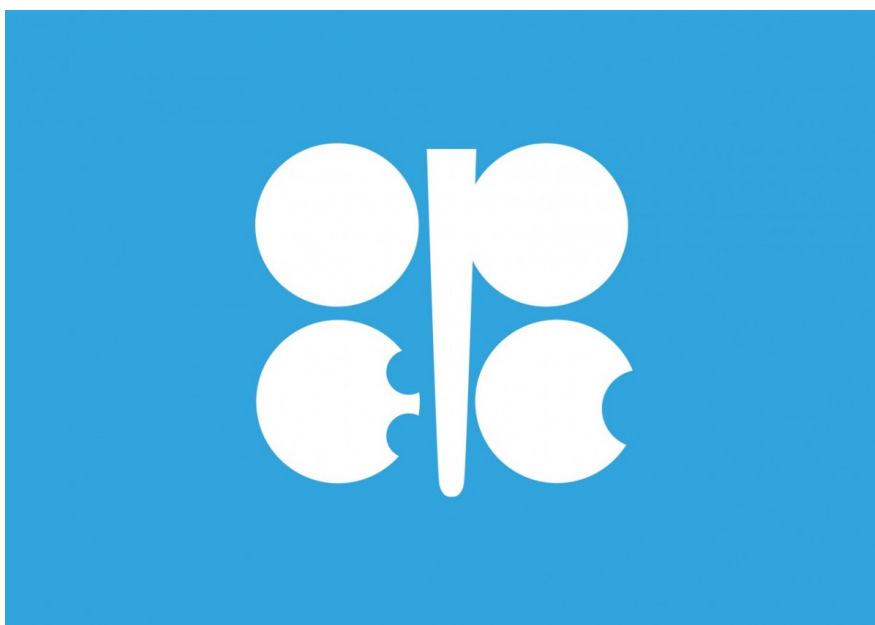


The Commodities Feed: OPEC+ sticks to its deal

Your daily roundup of commodities news and ING views



Energy

Oil prices remain well supported as the market awaits the outcome of EU discussions around the proposed ban on Russian oil and refined products. The proposal is not guaranteed, at least not in its current form, with a handful of EU members against an embargo. The EU's proposed ban had no influence on the OPEC+ meeting yesterday. The group agreed to stick to its current production plan, which would see them increasing output by 432Mbbbls/d in June. This means that OPEC+ are allowed to produce 42.56MMbbbls/d in June, which is unlikely to be hit, given that the group produced a little over 38MMbbbls/d in March, according to IEA numbers. The group is struggling to hit output quotas due to disruptions and a lack of investment in fields. Lagging production is unlikely to change anytime soon, particularly given the weaker demand for Russian oil, which will eventually lead to output decreasing. The next OPEC+ meeting is scheduled for 2 June and that, potentially, will be a more interesting meeting. The group should have the final details around what the EU has decided in terms of its Russian oil ban, and will also be able to assess the impact on prices if we were to see the EU ban implemented.

The US administration has announced that it plans to start refilling its Strategic Petroleum Reserve

(SPR), after the significant 180MMbbls release that was announced back in March. The US Department of Energy (DOE) will be looking to buy 60Mbbbls of crude oil and will invite bids over the Autumn. Delivery windows are yet to be confirmed, but the DOE has said that it will likely be after FY2023, when future oil prices are significantly lower. The DOE has also made it clear that this would be the first tranche and that there would be more to follow. The US administration believes that announcing this refilling plan will help encourage production as it will guarantee demand for crude oil in the years ahead.

Agriculture

The Indian Sugar Mills Association reported that sugar production increased by around 14% YoY to 34.2mt through until the end of April. The association also reported that around 217 sugar mills were still operating at the end of April compared to 106 mills operating last year at this point in the season. At the current production rate, India's sugar production for the current marketing year (ending in September) could well exceed ISMA's estimate of 35mt; we believe India's sugar production could increase to around 36-37mt for the current year. India has exported around 6.8-7mt of sugar for the year so far, with another 1.2-1.5mt of sugar exports contracted. ISMA maintained its export estimate of around 9mt for the current marketing year 2021/22, up from 7.2mt in 2020/21. Higher supply from India has weighed on sugar prices over the past few weeks even as sugar supply from Brazil remains muted due to a delay in the crushing season and a higher allocation of cane towards ethanol production.

Author

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

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