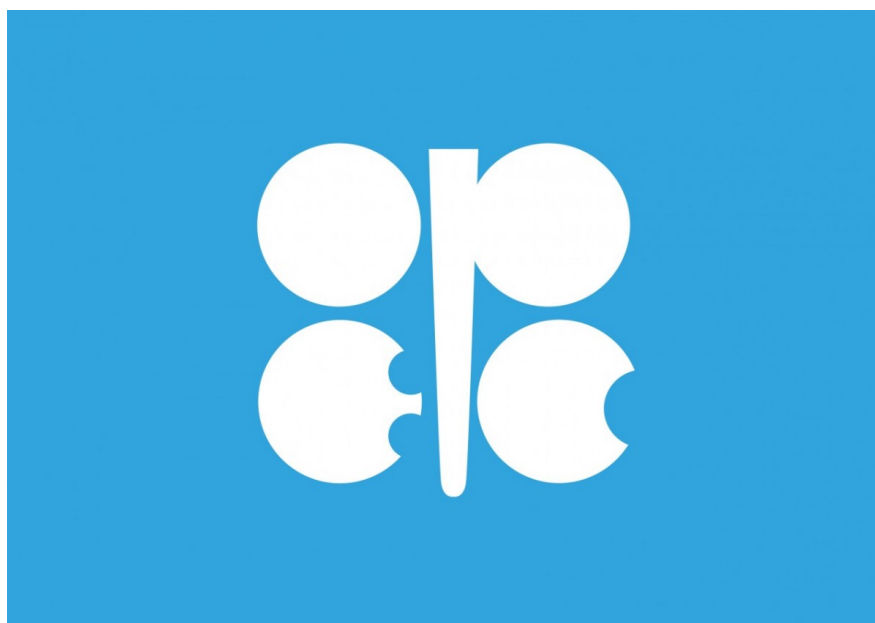


The Commodities Feed: OPEC+ sticks to its deal

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

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.