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Top News - Oil

China's state-owned refiners resume Russian Urals crude imports

China's top refiners PetroChina and Sinopec are resuming purchases of discounted Russian crude after a brief pause in late 2022, just before the European Union embargo on Russian oil started, industry sources said.
Russian Urals crude, typically consumed in Europe, is now heading to India and China at depressed prices following an EU ban on Russian crude because of the Ukraine war.
The state refiners have received permission from their headquarters to buy Russian crude from trading companies at large discounts that will sharply reduce costs for the world's top crude importer and boost refining margins.
The green light comes just as demand for transportation fuel is rebounding in China, the world's number two oil consumer, after it ended its zero-COVID policy.
PetroChina will receive about 1.5 million barrels of Urals crude later this month onboard Aframax tankers NS Arctic and Crudemed at its 200,000 barrels-per-day refinery in Qinzhou, Guangxi province, according to trade sources and shiptracking data from Refinitiv and Kpler.
The refinery last imported 730,000 barrels of Urals crude each in October and November, the data showed.
Unipec, the trading arm of Asia's top refiner Sinopec, is also set to resume imports although it is not immediately clear the volume it has bought and where it will be delivered, five sources familiar with the matter said.
Sinopec and PetroChina did not immediately respond to a request for comment.
"It's not a surprise to see China's state-owned refiners taking Russian oil at this moment," said a China-based oil trader.
"Prices of Urals are well below the price cap, and the cheap feedstocks are timely as they would increase refining throughput when China's demand picks up."
March-loading Urals crude is traded at a discount of about $13 against ICE Brent on a delivered ex-ship basis versus a discount of $7 two months ago.
Unipec was one of the major buyers of Russian crude oil last year when western countries shunned trade with Russia in the wake of its invasion of Ukraine.
Sinopec refineries in Maoming, Zhanjiang, Ningbo and Tianjin cities have previously received Urals crude.
Sinopec is last seen taking a 730,000 barrels of Urals cargo in November, Kpler data showed.

'MINIMISE THE RISKS'
Both PetroChina and Unipec are allowed to buy only Russian crude delivered to China from trading companies that handle payments to Russian producers, arrange for shipping and insurance, sources familiar with the matter said.
None of the companies is breaching sanctions, the sources said. Neither are they using western ships or insurance permitted in the Russian price cap mechanism devised by the Group of Seven nations, the European Union, and Australia aimed at curbing Russia from funding its war in Ukraine, they added.
Under the mechanism, companies involved in the deals have to show U.S. officials documents proving that the price of Russian crude is below $60 a barrel. By going through middlemen, it shields Chinese majors from U.S. scrutiny of their trades, the sources said.
"That is a way (for companies) to minimise the risks in shipping and insurance process," said a Singapore-based oil trader.
Another source said shipping and insurance remained obstacles in the Russian oil trade as Russian financial institutions and insurance companies are mostly under sanction and it would be difficult for them to issue payouts if accidents happened.
China's imports of Urals plunged to only 1.45 million barrels in December from a peak of 9.67 million barrels in August, Kpler data showed. But it rebounded in January and is expected to rise more in the coming months, traders said.

Russia price caps spur India interest in naphtha, fuel oil, but not diesel

More Indian firms are attracted to buying Russian naphtha as low-cost feedstock for their refineries and petrochemical plants after price caps imposed by Western nations, six refining sources said.
Prices for refined products such as naphtha and fuel oil are capped at $45 a barrel by the Group of Seven nations, the European Union, and Australia in a scheme aimed at curbing Moscow funding its war against Ukraine.
By comparison, Singapore naphtha traded at $80.03 a barrel on Tuesday on a free on board basis.
The price cap was implemented along with an EU ban on Russian oil products imports on Feb. 5.
India's interest in ramping up Russian oil products imports comes after the world's third largest crude importer became Moscow's top oil client after China as the West

shunned supplies from Moscow. Cheap Russian crude has shaved costs at Indian refiners and boosted margins.
Reliance Industries Ltd., the owner of the largest refining complex in the world, boosted its imports of Russian naphtha imports in February to about 222,000 tonnes, ship tracking data from Refinitiv showed.
Reliance began importing Russian naphtha in September and by the end of January had shipped in about 217,000 tonnes, the data showed.
Reliance, already India's largest buyer of Russian naphtha and fuel oil, would consider increasing imports further, one of the sources said.
Its Russian fuel oil imports are set to triple a record of around 4.8 million tonnes between April 2022 and Feb. 2023, the first 11 months of this financial year, from about 1.6 million tonnes in 2021/22, Refinitiv Eikon data showed.
State-owned refiners Bharat Petroleum Corp. and Indian Oil Corp., which have petrochemical facilities, are also looking for opportunities to buy Russian naphtha, sources said.
"So far there is no offer made to us for Russian oil. It is early days..we will definitely buy Russian naphtha if we get it at cheaper rate," said an official at one of the state refiners.
Haldia Petrochemicals Ltd would also consider buying Russian naphtha if the quality and cost are suitable for its plants, two sources at the company said.
Reliance, IOC, BPCL and Haldia Petrochemicals did not respond to Reuters' emails seeking comment.
The G7 price caps prohibit Western insurance, shipping and other companies from financing, insuring, trading, brokering or carrying cargoes of Russian crude and oil products unless they were bought at or below the set price caps.
NOT DIESEL
However, Indian refiners are unlikely to purchase Russian diesel as import costs are high after adding $10–$15 per barrel in freight and insurance costs to the $100 price cap for the fuel.
Asia's benchmark 10-ppm sulphur gasoil prices were at $110.57 a barrel on Tuesday.
There is also a windfall tax on diesel exports which makes re-exports uneconomical.
"As there is no shortage of diesel in India, any diesel imports from Russia will boost India's exports, and exports will be charged with the windfall tax," one refinery executive said.
Unlike naphtha that is imported by some refiners and petrochemical makers, India is self-sufficient in diesel production as most refiners are traditionally geared to maximise gasoil output.
"Due to its proximity to both Russia and Europe, we believe the Middle East is the best region for Russian diesel imports," the refinery executive said.

Top News - Agriculture

India to harvest record wheat, rapeseed crop in 2023
India's 2023 wheat production is likely to rise 4.1% to a record 112.2 million tonnes, the government said on Tuesday, as higher prices prompted farmers to expand crop-growing areas with high-yielding varieties and the weather remained favourable.
Higher wheat output could help the world's second-biggest producer of the grain in replenishing depleted inventories and bringing down prices from record levels.
India, also the world's second-biggest consumer of wheat, banned exports in May 2022 after a sharp, sudden rise in temperatures clipped output, even as exports picked up to meet the global shortfall triggered by the Russia-Ukraine conflict.
India's wheat output fell to 107.74 million tonnes in 2022 from 109.59 million tonnes a year earlier, data released by the Ministry of Agriculture & Farmers Welfare showed.
The country grows only one wheat crop in a year, with planting in October and November, and harvesting from March.
Despite the expected rise in output, India is considering extending a ban on wheat exports as it seeks to replenish state reserves and bring down domestic prices, government sources said last week.
India's rapeseed production in 2023 could jump 7.1% from a year earlier to a record 12.8 million tonnes, the government said.
A rise in rapeseed output could help the world's biggest edible oil importer reduce overseas purchases of palm oil, soyoil and sunflower oil.
The country's rice production from winter-sown crop could rise to 22.76 million tonnes from 18.47 million tonnes a year earlier, according to the government.
India is the world's biggest exporter of rice.

COLUMN-Brazil's corn planting is not the slowest ever, but yield risks are elevated -Braun
Top soybean exporter Brazil is on the brink of also becoming the world’s leading corn supplier, but farmers there have not gotten an ideal start to what they hope will be a bumper corn crop.
As of late last week, Brazilian producers had harvested 17% of their soybeans, behind average and compared with up to 30% a year ago. Rainy conditions this season have all but solidified the record soy crop, though unfavorable timing of those rains has recently limited field work.

The delays have pushed back planting of the heavily exported second corn or safrinha crop, which may heighten the corn's vulnerability to weather down the road.
The biggest concerns right now lie in Brazil's No. 2 safrinha producer Parana in the country's south, where heavier rains are expected to persist for at least the next week. As of Monday, just 12% of the state's corn was sown compared with 28% last year and 23% on average. That 12% sits above the same points in 2011, 2018 and 2021 but is otherwise lower than in all other years since. Parana's safrihna yields were below average in those years, especially in 2021 when yields dropped more than 50% from normal after being stressed by every unsavory weather condition possible.

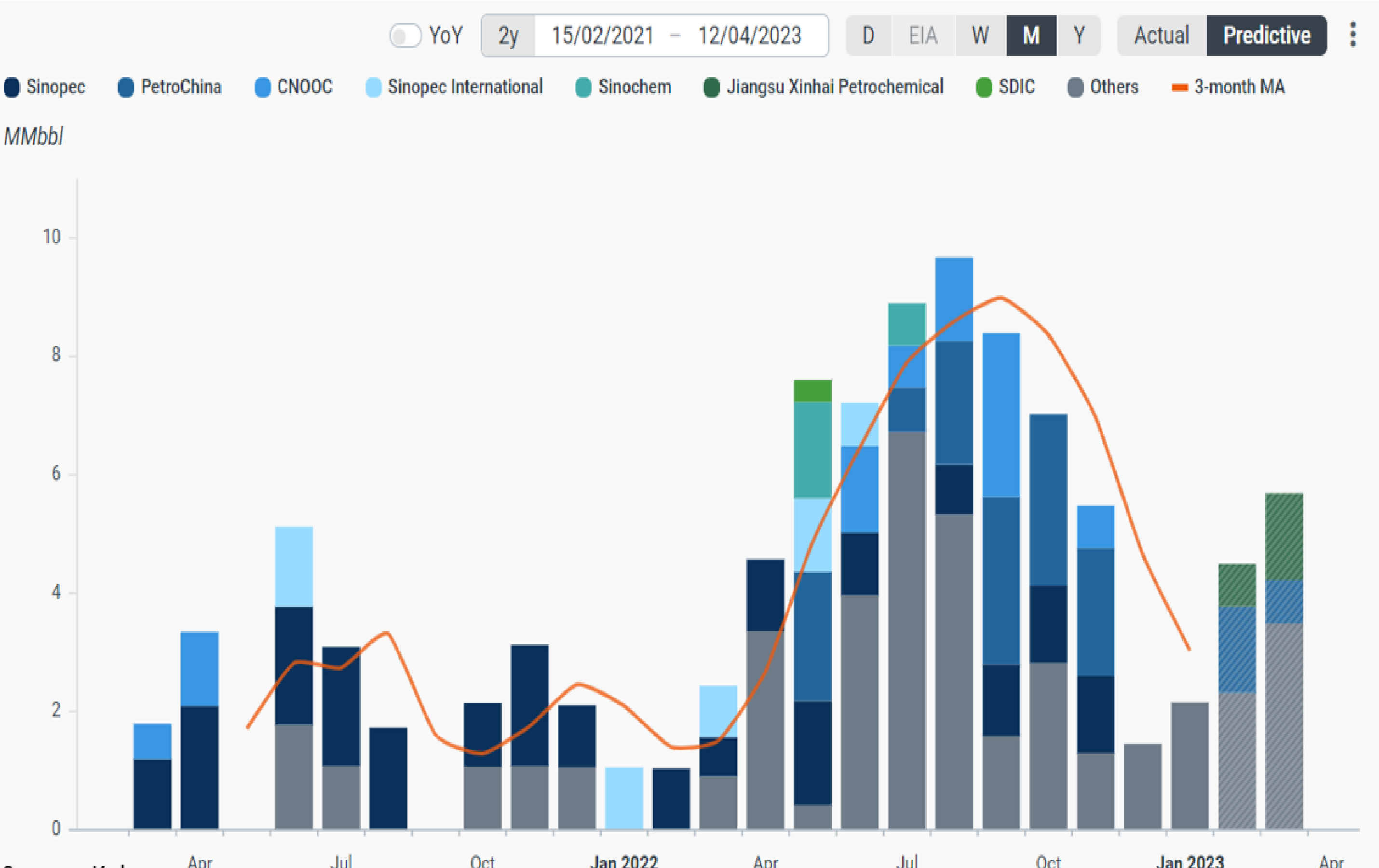
Parana's 2021 safrinha crop was its latest planted since at least 2009, so it was especially subject to frost and freeze toward the end of the season. This year's planting is tracking more closely with 2018, which caught up to normal pace by early March when the crop was about 60% planted.
The main issue in 2018 was the unusually dry weather that struck suddenly in April and May after what had been a wetter start to the year, and Parana's safrinha yields fell more than 20% from trend.
Although it may not be related, it is interesting to note that in 2018, the Pacific Ocean transitioned out of La Nina into an El Nino cycle toward the end of the year, something forecasters predict for this year.
Despite Parana's recent rains, Brazil's southernmost state of Rio Grande do Sul has been experiencing drought and is expected to trim the country's overall soybean output. The state is Brazil's No. 2 producer of first crop corn, but it does not plant a second crop.

MATO GROSSO
Brazil's top grower Mato Grosso in the center-west is also on a field work pace similar to 2018. Some 34% of its corn was planted as of Friday compared with 55% a year ago and a five-year average of 42%.
But that progress is more middle-of-the road if looking over the past decade, comparing best to 30% by the same date in 2018. Farmers may have to continue working around rain showers for at least the next week.

Although Mato Grosso's planting pace is not necessarily alarming, it may reduce the corn's resilience to any potentially tough weather conditions later, and last year provides a great example. In early 2022, producers planted safrinha corn at an above-average clip.
Weather appeared favorable until April, when rainfall fell 40% below normal, marking the state's second-driest April in over a quarter century. May followed the exact same pattern, though Mato Grosso's corn yields were very respectable last year.
Weather followed a very similar pattern in 2016 with the extremely dry April, but the late-planted crop could not hang on and yields were close to 30% below trend, perhaps Mato Grosso's worst-ever corn result.
Mato Grosso's biggest risk of late corn planting is the onset of dry season, as early as April. Dry pockets in 2018 limited the state's corn yield similar to last year, and yield was good but not excellent.
Brazilian farmers' hoarding of soybeans has supported global soy prices recently, but farmers may be holding back corn sales at an even heavier rate. Producers in Mato Grosso had sold 25% of their upcoming corn crop by mid-month, below the year-ago and average pace closer to 50%.

Chart of the Day

China's imports of Russian Urals crude by buyers



Source: Kpler

Top News - Metals

Fortescue sees solid iron ore demand this year on China property support

Australia's Fortescue Metals said it expects solid iron ore demand this year given China's support for its property and construction sectors, as it reported lower profit and dividends for the first half and flagged persistent inflationary pressure.
Fortescue was seeing "really good" demand for its lower grade iron ore after the Chinese New Year, given compressed margins at steelmakers, Chief Executive Fiona Hicks said on Wednesday. Steelmakers tend to buy cheaper ore when their profits are under pressure.
"We expect (good demand) to continue. The (Chinese) government has been quite vocal in terms of their support for the construction and real estate sectors, so we expect to see that translate to real steel demand towards the end of the year," Hicks said on an earnings call.
At the same time, Fortescue noted operating costs rose by 14% due to significant demand for skilled labour across the mining sector and a crippling inflationary environment across the globe, to average $17.43 per wet metric tonne.
Against that backdrop, Fortescue is set to retrench up to 1,000 staff from global and local operations, the Australian newspaper reported last week.
Company executives did not confirm job cuts, but founder and executive chairman Andrew Forrest said: "The typical pattern of Fortescue we grow, steady the ship, consolidate ... and grow again."
Given the turbulence in markets due to interest rates, Fortescue has "stuck to its knitting", with these results

being ordinary after an exceptional last year, said David Lennox, a resource analyst at Fat Prophets in Sydney.
The Perth-based company declared an interim dividend at A$0.75 per share, compared with last year's A$0.86, as miners keep cash on hand for growth projects.
The world's fourth-biggest iron ore miner offered fresh detail on its plans to develop a global green hydrogen business.
It is due to make a decision this year on five projects that it will develop and one of those is likely to be in Texas, Fortescue Future Industries Chief Executive Mark Huchinson said.
For the first half ended Dec. 31, Fortescue received $87 per dry metric tonne (dmt) for its iron ore, down from $96 per dmt a year earlier, after logging record shipments of 96.9 million tonnes, up 4% from a year ago.
Iron ore prices have rebounded after slipping from elevated levels during the December half, when stringent COVID-19 curbs and property sector woes in China tempered steel demand in the world's second-biggest economy.
Underlying net profit after tax fell 15% to $2.37 billion from $2.78 billion a year ago. Analysts had expected a profit of $2.34 billion, according to Vuma Financial.
Shares of the miner fell as much as 3% to their lowest since Jan. 10 before trading flat.
Larger rivals BHP Group, the world's largest listed miner, and Rio Tinto, the world's biggest iron ore producer, will announce their first-half and full-year reports on Feb. 21 and 22, respectively.

Steelmaker Ternium reports near 100% drop in Q4 net profit as costs rose
Steel producer Ternium reported on Tuesday a fourth-quarter net profit of $59 million, down almost 100% from the $1.1 billion it reported in the year-ago period, as costs increased and steel prices fell.
The company, which operates in Mexico, Brazil, Argentina, Colombia, the United States and Central America, posted revenue of $3.546 billion in the three months to the end of December, an 18% decrease.
Cost of sales in the quarter stood at $3.1 billion, a rise of $399 million from the same period the year before, mainly due to a hike in raw material prices.
Revenue per ton in the fourth quarter of 2022 dropped, compounded by lower steel prices in Ternium's steel markets, a company statement said.
On a year-over year basis, revenue per ton decreased $352 in 2022, the statement added.
"The company expects this dynamic to gradually reverse itself over the course of the next few quarters, with margins expected to normalize as cost per ton decreases and steel prices in the USMCA region recover," the statement said.
The company also announced on Tuesday an estimated $2.2 billion investment in a new steel production plant, which it expects to be operational by the first half of 2026 and to have an annual production capacity of 2.6 million tonnes.
It also said it was increasing its forecast of investments in fixed assets in 2023 to $1.1 billion from $1.0 billion due to a new wind farm in Argentina.
Adjusted earnings before interest, tax, depreciation and amortization (EBITDA) for the quarter fell 80% from the year before to $303 million.
Ternium added it anticipates a continued increase in steel volumes in Mexico during the first half of 2023.
Meanwhile, in Argentina, the firm expects a moderate sequential decrease of steel shipments in the first quarter of 2023 due to a seasonal decline in customer orders.

Top News - Carbon & Power

Japan's JERA faces complaint from climate activist over risk disclosures
A climate activist group on Wednesday lodged a complaint with the Singapore Exchange (SGX) over JERA Co Inc, saying Japan's biggest power generator did not fully disclose risks related to its $300 million bond issue on the exchange last year.
The complaint, filed by Australia's Market Forces to the SGX whistleblower office, reflects growing scrutiny by climate activists on financial disclosures in the energy industry.
The group asked the SGX to investigate JERA's prospectus for the dollar-denominated five-year bond, saying that the company's disclosure of systemic risks over investments in liquefied natural gas (LNG) "is severely lacking."
In response to questions about the SGX complaint, a JERA spokesperson said the company was looking into the matter.
It specifically criticised JERA's description of the impact of the war in Ukraine on the LNG business.
Moscow's invasion of Ukraine - which it calls a "special operation" - has highlighted energy security risks worldwide, disrupted global fuel supply chains and boosted fuel import costs to Japanese power utilities.
Also missing in the 91-page prospectus were litigation in Australia and business plans to manage a potentially rapid shift to renewable energy from fossil fuels, it said.
"These omissions are material given JERA's significant exposure to the LNG industry and the transition risks facing that industry, as well as the financial impact litigation can and is having on key JERA projects," Market

Forces said. "Unless these omissions are corrected, investors will be unable to make an informed assessment of JERA's expected financial performance."
Market Forces did not invest in JERA bonds, but decided to take the step, as the SGX's whistleblower system is open to general public, it said.
JERA, a joint venture between Tokyo Electric Power and Chubu Electric Power, has capacity equivalent to an about third of Japan's thermal power generation output and is one of the world's biggest LNG buyers.
The complaint comes nearly a year after Market Forces and four other groups jointly urged Tokyo Electric and Chubu Electric to improve climate-related risk disclosures at their respective annual shareholders meetings.

COLUMN-South Asia's LNG import appetite on radar after price plunge: Maguire
Traders of liquefied natural gas (LNG) and climate watchers alike are both on the lookout for signs of a rise in import demand from buyers across South Asia, which until 2022 had been the world's second largest market for LNG after North Asia.
For LNG traders, more demand from buyers in India, Pakistan and Bangladesh would tighten global LNG supplies, and may support prices that have slumped nearly 70% since August on lower consumption in key markets such as Europe and China.
For climate watchers, South Asia's appetite for LNG has a direct correlation with the region's use of high-polluting coal to generate power, with higher use of cleaner-burning LNG a goal for government and businesses keen to reduce emissions.
A key factor that complicates the outlook for South Asian LNG demand is how cost-sensitive buyers are across the region.
In 2022, South Asian imports of LNG dropped by their most on record in response to the steep climb in LNG prices to record highs, ship tracking data from Kpler shows.
But with benchmark LNG prices now sharply off their 2022 peak and forecasted by forward markets to remain relatively flat over the coming year, 2023 may trigger a turnaround in demand for LNG in India and elsewhere across South Asia, with potentially significant repercussions for both gas markets and regional air pollution levels.

FUEL MISMATCH
The 16.5% drop in LNG imports in 2022 from 2021 was the first annual decline in South Asia's LNG imports since 2013, according to ship tracking data from Kpler.
That in turn helped free up LNG supplies for other buyers last year, especially in Europe where utilities were forced to replace reduced pipelined natural gas supplies from Russia with LNG imports following the outbreak of the Russia-Ukraine war.
However, reduced LNG imports also triggered more coal demand in South Asia, with total thermal coal imports by the region jumping by 11.5% to over 173 million tonnes in 2022.
That reversed a declining trend in coal imports into South Asia since 2019, and pushed up coal purchases by more than any other region last year.
South Asia also dialled up imports of other fuels that can be used in power generation in 2022, including diesel and fuel oil that can release sulphur and other pollutants when burned to generate power. In combination, the forced adjustment of power fuels and sharp swings in fuel imports pushed power prices higher last year, and along with a rise in interest rates took a toll on South Asian industry through widespread reductions in output levels.
However, a key index of manufacturing activity in India - by far the region's largest economy - pushed to 9-month highs in December just as global power fuel prices slumped. In addition, Indian car production in January 2023 topped 200,000 vehicles for the first time since March 2021, according to the Centre for Monitoring Indian Economy (CMIE), suggesting the region is now gathering economic momentum.

PRICE PRESSURE
Greater manufacturing activity is expected to generate additional energy use throughout South Asia in 2023, which should support demand for all power generation commodities.
The exact mix of power fuels deployed depends on the relative prices of each, as well as the extent of government pressure on industry to reduce emissions.
Coal will remain the primary source of electricity generation, especially in India, where authorities said last month that utilities will burn about 8% more coal in the coming fiscal year than the year before.
However, a recent ban on burning coal around New Delhi due to smog is supportive over the near term for demand for cleaner-burning natural gas, which is the most efficient alternative to coal for utilities looking to generate baseload power.
India relies on imports for roughly half of its natural gas supplies, mainly in the form of LNG, so higher LNG imports look likely at least until the coal ban is eased.
For 2023 as a whole, the affordability of LNG on the international market will play a major role in determining just how much will be used, and for how long.
Current Asia benchmark prices are at their lowest since mid-2021, when average monthly LNG imports into South Asia were roughly 25-30% greater than the volumes imported over the second half of 2022.
With LNG prices hovering at their most attractive levels in more than a year just as South Asia's economy gathers momentum, the prospects look good for a rise in LNG imports into the region back towards previous levels.
That should be welcome news for both LNG traders worried about current surplus of LNG on international markets, and emissions monitors keen to see South Asia's coal consumption recede from last year's elevated levels.

MARKET MONITOR as of 07:30 GMT			
Contract	**Last**	**Change**	**YTD**
NYMEX Light Crude	$78.18 / bbl	-1.11%	-2.59%
NYMEX RBOB Gasoline	$2.67 / gallon	-1.03%	7.58%
ICE Gas Oil	$851.25 / tonne	0.12%	-7.57%
NYMEX Natural Gas	$2.54 / mmBtu	-1.17%	-43.31%
Spot Gold	$1,843.30 / ounce	-0.59%	1.04%
TRPC coal API 2 / Dec, 23	$141.75 / tonne	4.61%	-23.27%
Carbon ECX EUA / Dec, 23	€91.21 / tonne	-0.91%	8.62%
Dutch gas day-ahead (Pre. close)	€53.06 / Mwh	0.30%	-29.79%
CBOT Corn	$6.80 / bushel	-0.29%	0.26%
CBOT Wheat	$7.82 / bushel	-0.54%	-0.76%
Malaysia Palm Oil (3M)	RM3,922 / tonne	-0.86%	-6.04%
Index (Total Return)	**Close 14 Feb**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	298.52	0.29%	-0.93%
Rogers International	28.11	-0.32%	-1.95%
U.S. Stocks - Dow	34,089.27	-0.46%	2.84%
U.S. Dollar Index	103.23	-0.11%	-0.28%
U.S. Bond Index (DJ)	403.15	-0.21%	2.94%

Top News - Dry Freight

Argentina crop export revenues could fall 23% after drought

Argentina's drought-stricken crops could bring in 23% fewer export dollars this season versus a year earlier, the Buenos Aires grains exchange said in a report on Tuesday. For much of the last year, Argentina's worst drought in sixty years has delayed planting and withered crop outlooks, making life ever harder for farmers in a country where inflation nears 100%. The agriculture sector's export revenues from the 2022/2023 harvest are expected to fall to $33.39 billion, the exchange said. Argentina is the world's top exporter of processed soy, the third exporter of corn and an important global supplier of wheat. Recent rains brought some relief to parts of Argentina's agricultural regions, but the risks are far from over, the exchange said, adding that the drought could trim $3.31 billion from the government's strained tax intake. "The impact could be even greater if rainfall does not return to normal in the remainder of the season and if the risk of early frosts becomes real, given the delays in planting progress," the report said. The grains exchange forecasts 2022/23 soybean and corn production, crops whose harvest begins in April, at 38 million tonnes and 44.5 million tonnes respectively.
As recently as September, the exchange had forecast the soybean crop at 48 million tonnes and corn at 50 million tonnes, a sign of the drought's toll.

EXPLAINER-Can Ukraine's grain corridor ease the global food crisis?

It is unclear whether Moscow will extend its participation in a U.N.-backed initiative that has enabled grains to be exported from Ukraine's Black Sea ports. Russia said on Monday it would be "inappropriate" to extend the Black Sea grain deal unless sanctions imposed on Moscow following its invasion of Ukraine on Feb. 24 last year that have affected its agricultural exports are lifted. The deal to free up grain exports from Ukraine's southern Black Sea ports was extended on Nov. 17 for 120 days. Sources familiar with the matter, speaking on condition of anonymity, said the deal needs to be renewed by around March 20 at the latest for exports to continue. Reached in July last year, it created a protected sea transit corridor and was designed to alleviate global food shortages by

allowing exports to resume from three ports in Ukraine, a major producer of grains and oilseeds.
Here are some of the issues:

WHAT HAS BEEN EXPORTED?
Under the pact to create a safe shipping channel, some 21.1 million tonnes of agricultural products have been shipped, including 10 million tonnes of corn. Wheat shipments have reached 6 million tonnes, or 28% of the total. Other commodities shipped include rapeseed, sunflower oil, sunflower meal and barley.

HOW MIGHT THE AGREEMENT CHANGE?
Russia seeks the removal of sanctions on its agricultural exports in return for its continued backing of the pact. Agricultural exports have not been explicitly targeted by sanctions, but Moscow says blocks on its payments, logistics and insurance industries are a barrier to the export of its grains and fertilisers. Among its demands, Russia is believed to want the West to ease restrictions on state agriculture lender Rosselkhozbank, which should facilitate Russian exports. Ukraine has not made public any changes it is seeking, but in the run-up to the November agreement, it sought unsuccessfully to have the deal expanded to include more ports. The three ports involved in the deal - Odesa, Chornomorsk and Pivdennyi - have the combined capacity to ship around three million tonnes a month. Ukraine wanted to include the ports of the southern Mykolaiv region, which provided 35% of Ukrainian food exports before Russia's invasion.
Mykolaiv was Ukraine's second-largest grain terminal according to 2021 shipment data so its addition would allow a much larger volume of grains and oilseeds to be shipped. Ukraine had separately sought a one-year extension of the deal and a streamlined inspection regime.

HAS IT ALLEVIATED THE FOOD CRISIS?
Reduced shipments from major exporter Ukraine have played a role in the global food price crisis.
Other factors include the COVID-19 pandemic and climate shocks that continue to challenge agricultural production, including droughts in both Argentina and the United States. The corridor has led to a partial recovery in shipments from Ukraine but they remain well below pre-invasion levels and will not fully recover for the foreseeable future.
Transporting grains to and from ports there is challenging and expensive, and Ukrainian farmers have reduced sowings of crops such as wheat after in many cases selling last year's crops at a loss because domestic prices were very low.

HAS IT DRIVEN DOWN GLOBAL WHEAT PRICES?
Prices of wheat on the Chicago Board of Trade rose sharply following Russia's invasion of Ukraine on Feb. 24, 2022. They are now around pre-conflict levels as Ukraine's ability to export millions of tonnes of wheat through the corridor helped to lower prices.
Other factors include a record crop in major exporter Russia last year, the gloomy global economic outlook and a strong dollar. Prices for wheat-based food staples, such as bread and noodles, are still well above pre-invasion levels in many developing countries despite the decline in Chicago futures, as weak local currencies and higher energy prices have raised costs such as transport and packaging.

WHAT ABOUT SEA MINES?
Russia and Ukraine accuse each other of planting naval mines that float around the Black Sea, posing a significant threat. A crew member on the Sierra Leone-flagged Razoni, the first ship to pass through the corridor on Aug. 1 cited them as a concern. The mines have drifted far from Ukraine's shores, and Bulgarian, Romanian and Turkish military diving teams have defused some that have ended up in their waters. Clearing the rest could take months and there was not enough time to do so before the grains pact came into effect.

WHAT ABOUT INSURANCE?
The Istanbul based Joint Coordination Centre, which oversees the deal and is made up of Russian, Turkish, Ukrainian and U.N. officials, in August published procedures on the shipping channel to address the concerns of insurers and shipowners. Insurers initially said they were willing to provide cover if there were arrangements for international navy escorts and a clear strategy to deal with sea mines. Since then, they have created clauses for providing cover, including provisos that ships need to stay inside the corridor when transiting or risk invalidating their policies. Following the July 22 agreement, Lloyd's of London insurer Ascot and broker Marsh set up a marine cargo and war insurance facility for grain and food products moving out of Ukrainian Black Sea ports with $50 million cover per voyage. The cost of overall insurance for ships sailing into Ukrainian ports - which includes separate segments of cover - is nevertheless likely to remain steep. This has been compounded by insurers having to cover more of the risk after reinsurers at the start of this year introduced exclusions for Belarus, Russia and Ukraine, meaning more exposure for insurers and potentially less appetite to cover cargoes.

WHAT ABOUT CREWS?
In September, Ukraine implemented a decree allowing its seafarers to leave the country despite wartime restrictions, a move aimed providing a workforce to deal with Ukrainian grain exports and for the wider global shipping industry. At the start of the conflict there were around 2,000 seafarers from all over the world stranded in Ukrainian ports.
Industry estimates show over 300 crew members are stuck in Ukraine.

Picture of the Day

A general aerial view of Cambrai-Niergnies photovoltaic power plant in Cambrai, France, February 14. REUTERS/Pascal Rossignol

(Inside Commodities is compiled by Indrishka Bose in Bengaluru)

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