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Top News - Oil

Russia starts pumping Kazakh oil to Germany, flows to Poland halted

Russian oil pipeline monopoly Transneft said on Monday that it had started pumping oil from Kazakhstan to Germany via Poland through the Druzhba pipeline, while halting deliveries to Poland, Russian news agencies reported.
Although the European Union imposed a ban on seaborne oil imports from Russia on Dec. 5, it is still receiving piped volumes, partly to ensure supply to the bloc's landlocked countries.
Kazakh oil pipeline operator KazTransOil said earlier on Monday it had shipped 20,000 tonnes of crude to Germany via Russia's Druzhba pipeline.
Landlocked Kazakhstan is heavily reliant on neighbouring Russia to help export its energy, and is not subject to Western sanctions.
TASS news agency cited Transneft as saying paperwork had not been completed for the supply of oil to Poland in the second half of February, and that Polish customers had been cut off.
"(Oil) should have been pumped to Polish refineries in the second half of February," a spokesperson said. "However, routing orders with confirmed resource and transit payment were not executed.
"In addition, operational changes were made to the schedule, excluding supplies for Polish consumers."
Polish refiner PKN Orlen said on Saturday that Russia had halted supplies, and that it would plug the gap from other sources. It said on Monday that it had no business or trade relationship with Transneft.
Polish state-owned pipeline operator PERN said on Monday it couldn't comment on trade relationships between companies that were in charge of buying oil for delivery to Poland.
The Polish government has been criticised by the opposition and activists for allowing the state-controlled refiner to keep buying Russian crude.
Warsaw is a key ally of Kyiv and pledged that Russian supplies would be halted by the end of 2022.
Oil supplies to Slovakia and Czech Republic via the southern arm of the Druzhba pipeline were continuing as normal, operators said.

COLUMN-US oil drilling falls in response to lower prices: Kemp

U.S. oil drilling activity has begun to decline in response to the downturn in prices since the middle of 2022 - which will translate into slower production growth throughout the rest of 2023 and into 2024.
The number of rigs drilling for oil fell to 600 in the week ending on Feb. 24, down from a recent peak of 627 in the week ending on Dec. 2, oilfield services company Baker Hughes found.
The rig count has declined in five of the eight most recent weeks and is at the lowest level since the start of July 2022.
The acceleration of drilling activity that started in August 2020 after the first wave of the pandemic appears to have paused or possibly ended.
Over the last three decades, changes in the rig count have generally followed changes in front-month WTI futures prices with an average lag of about 4-5 months (roughly 19 weeks).
When prices rise, delays reflect the time needed to confirm a change in price level is persistent rather than temporary, contract extra rigs, move them to the drill site, erect the equipment, and begin boring.
When prices fall, the lag reflects time needed to confirm the trend, finish part-drilled wells, drill wells already under contract, and idle unneeded rigs.
In this instance, WTI futures peaked at the start of June 2022, when they were more than 70% higher than at the same time a year before.
The number of rigs drilling for oil peaked in late November, roughly 25 weeks after prices peaked, slightly longer than average.
Since June 2022, however, prices have generally retreated, which has been reflected in a gradual turnover in drilling activity rates.
Prices are roughly 15% below year-ago levels and still trending lower, implying drilling is likely to continue falling through end of June 2023.
Once drilling is finished, there is a further delay of six months on average for casing, pressure pumping, installation of surface equipment, flow testing, linking up to the pipeline network and entering commercial production.
The current slowdown in drilling is therefore likely to reduce production growth through the end of 2023 and probably into 2024. The Energy Information Administration (EIA) forecasts U.S. production will be only 340,000 barrels per day (2.7%) higher in December 2023 than it was in December 2022. If this forecast is realised, growth will have halved from 660,000 barrels per day (5.8%) in December 2022 compared with December 2021.
Growth would be just one-sixth of what it was at the

height of the second shale drilling boom in 2018, marking the end of the shale revolution. Slower growth in U.S. production will reduce any accumulation of crude inventories, even if the global economy slows this year, and restrict the potential for non-inflationary growth in the remainder of 2023 and 2024.

Top News - Agriculture

U.S. disagreement on Mexico corn decree 'politically motivated,' Mexico says

The United States' disagreement with Mexico over its plan to limit imports of genetically modified corn is " politically motivated," Mexico's economy ministry said on Monday.

The United States has threatened a trade dispute panel under a trilateral agreement with Mexico and Canada over the plan, which would ban genetically modified corn for human consumption.

Mexico's economy ministry said in a statement that Mexico's position was compatible with the deal's rules.

U.S. Agriculture Secretary Tom Vilsack said last week Mexico's decision was "not a situation that lends itself to a compromise."

Mexico's economy ministry seemed to criticize the comment from Vilsack, saying that "as the (secretary) himself would recognize, (the disagreement) is an issue of principles." The comments follow Mexico's walking back of a previous deadline to ban GM corn for animal feed and industrial use in the country.

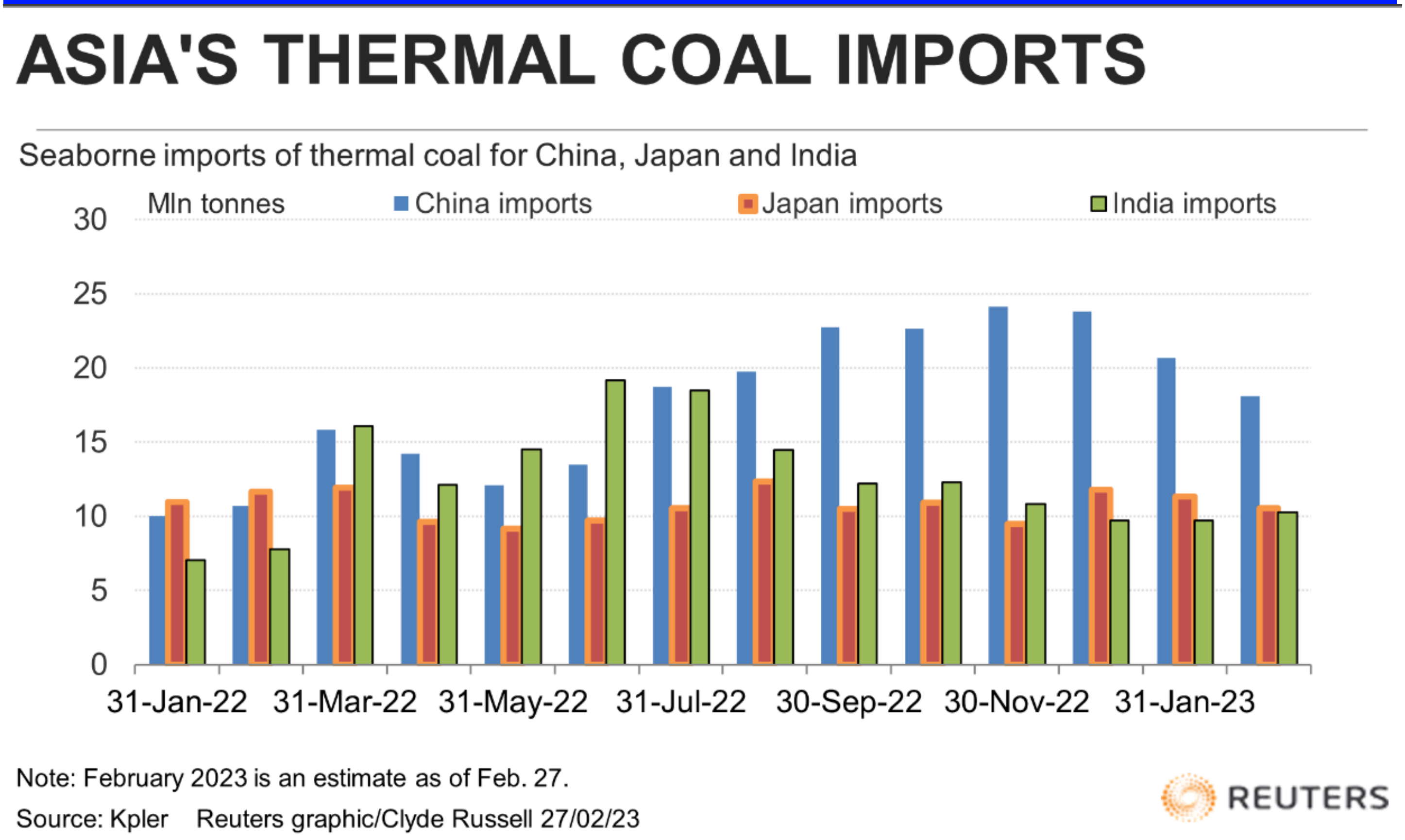
About 20% of Mexican corn imports from the U.S. is white corn for food products. Vilsack had also said that if talks between the countries through the U.S. Trade Representative (USTR) were not successful, a trade dispute panel under the United States-Mexico-Canada (USMCA) agreement would be the next step.

Trade Representative Katherine Tai spoke to Mexican Economy Minister Raquel Buenrostro on Friday, the ministry said Monday. The two agreed to "transparent and frank dialogue" to strengthen USMCA accords, the ministry added.

The ministry also said that if the U.S. were to want to open a dispute panel, "it would have to quantitatively show something that has not happened: that the corn decree affects its trade imports."

The USTR office has said the deal threatens billions of dollars of corn trade.

Chart of the Day



Argentina's GDM prepares launch of new GMO soy seeds in South Africa

Plant genetics company GDM has applied for registration in South Africa of 13 soy plant varieties after the country approved the use of a new GMO seed technology, according to company executives on Monday.

GDM is based in Argentina but derives most of its sales in neighboring Brazil, where that same technology has been in use since 2014.

The expectation is that three of the 13 materials be pre-launched this year, as the firm hopes to bolster its South African business and prepare incursions throughout the region. "Our target is that by 2027 more than 50% of the area planted with soybeans in South Africa contains our genetics," said Thiago Schwonka, the company's Africa, Asia and Europe business leader.

GDM's strategy reflects a recent push by African governments to tackle food insecurity by attracting plant genetics firms.

Schwonka said that while South Africa is the only African nation that recognizes intellectual property of autogamous, or self-fertilizing plants, other countries are keen to modernize their patent laws and join the International Union for the Protection of New Varieties of Plants (UPOV). All the 13 materials GDM plans to register in South Africa feature Bayer's INTACTA RR2 PRO GMO seed technology, designed to help soy plants resist caterpillars and the glyphosate weed-killer.

South Africa's approval of that technology came in 2021, GDM said. Joao Schechtel, GDM's product placement supervisor, noted much of South Africa's soy is used as cattle feed during the dry months of winter. He said corn remains South Africa's main crop, but added farmers may grow soy planting in corn areas because corn production costs are rising. GDM also plans to launch non-GMO wheat seeds in South Africa shortly. By 2027, it wants to achieve a 20% share of the wheat seed market there, the executives said.

Top News - Metals

China's net gold imports via Hong Kong fall 47% in January

China's net gold imports via Hong Kong in January fell by about 47% from the previous month, Hong Kong Census and Statistics Department data showed on Monday.

Total gold imports via Hong Kong were down about 47.3% to 22.992 tonnes, while net imports stood at 22.24 tonnes in January, compared with 42.16 tonnes in December. The Hong Kong data may not give a full picture of Chinese purchases because gold is also imported through Shanghai and Beijing.

Physical gold premiums in the world's top consuming nation rose by as much as $30 an ounce over global benchmark prices in January, when prices registered their third consecutive month of gains, Refinitv data showed.

China's gold production climbed last year even as consumption of physical gold registered a decline as a result of COVID-19 restrictions, high gold prices and volatility in exchange rates.

Chinese lithium investigation set to cut supply

An investigation into illegal mining in China's lithium hub could cut global supply of the battery raw material by 13% this month, analysts said on Monday, potentially supporting prices that have plunged from record highs.

The city of Yichun in southern China, which produces about 29% of the country's lithium salt and is known as Asia's lithium capital, said late on Friday it was cracking down on criminal activity, such as unlicensed and environmentally-damaging mining.

Financial news outlet Yicai reported on Sunday that the central government had also sent a working group to investigate the sector.

The Yichun government did not specify whether producers could continue operating during the investigation, but two Yichun-based lithium companies told Reuters on Monday that they had suspended mining.

Yichun has an annual lithium extraction capacity of 150,000 tonnes of lithium carbonate equivalent (LCE).

Analysts at Citic Securities Research said they assumed mining in the city would be halted for a month, removing around 13,000 tonnes of LCE from global supplies, adding that equated to about 13% of the world's total supply in a given month. One of the producers said mining was expected to resume after China's annual parliament meeting that opens on March 5, and can last for more than 10 days.

Yichun's bureau of Industry and Information Technology declined to comment on the enquiry, while lithium salt producers and analysts said it was likely to support prices, which have fallen in recent months because of slowing EV sales in China.

Since mid November, spot lithium carbonate prices in China have dropped 34.3% to less than 400,000 yuan ($57,553.13) a tonne. After a slight recovery, driven by news of the investigation, futures prices closed lower on Monday. The most-traded lithium carbonate contract on China's Changzhou Zhonglianjin E-Commerce platform rose by as much as 3.4% in early trade before closing down 3.2% at 344,000 yuan a tonne.

Shares of companies with lithium mining businesses in Jiangxi province where Yichun is located, including Ganfeng Lithium and Jiangxi Special Electric Motor, also fell on Monday.

Top News - Carbon & Power

Essar creates new unit to drive $3.6 bln low-carbon plan in UK, India
India's Essar Group said on Monday it has created a new entity that will control its various businesses and drive $3.6 billion worth of low carbon projects in UK and India over the next five years.
Essar, built by billionaire brothers Shashi and Ravi Ruia, sold some of its Indian assets in telecom, oil refining and steel over the years to settle its huge debt.
It has also turned its focus on creating new environmental, social and governance compliant businesses to cut emissions from existing projects.
Essar Energy Transition (EET), the new unit that will control its various business, would invest $2.4 billion across its site at Stanlow, between Liverpool and Manchester and $1.2 billion in India for developing low carbon energy transition projects, the statement said.
Through its investment in the UK, EET hopes to cut around 3.5 million tonnes of carbon dioxide - nearly a fifth of the total industrial emissions in North West England, Essar said.
EET will include Essar's blue hydrogen, low carbon biofules and green ammonia businesses and its Stanlow refinery, terminal and marketing operations.
Essar, which is developing 1 GW of green ammonia in India for sale in UK and international markets, said it is also creating a liquefied natural gas value chain in India, including LNG truck manufacturing and LNG fuel stations, setting up a pellet plant in eastern India and a 4-million tonnes-per-annum green steel complex at Ras-Al-Khair, Saudi Arabia.

COLUMN-India, China demand boost low-rank thermal coal prices in Asia: Russell
Signs of stronger import demand from India have arrested the decline in price of the thermal coal grades most commonly sought by the world's second-biggest importer of the fuel used to generate electricity.
The price of low-grade Indonesian coal with an energy content of 4,200 kilocalories per kg (kcal/kg), as assessed by commodity price reporting agency Argus, increased to $73.42 a tonne in the week to Feb. 24.
This was up 7.7% from the 13-month low of $68.18 a tonne hit the prior week and was the first weekly gain since the seven days that ended on Dec. 23.
This grade of coal is usually bought by utilities in China, which use it as a blending feedstock with domestic supplies, and also by power generators in India, who are

MARKET MONITOR as of 07:20 GMT			
Contract	**Last**	**Change**	**YTD**
NYMEX Light Crude	$76.16 / bbl	0.63%	-5.11%
NYMEX RBOB Gasoline	$2.60 / gallon	0.71%	5.01%
ICE Gas Oil	$831.25 / tonne	0.61%	-9.74%
NYMEX Natural Gas	$2.71 / mmBtu	-0.77%	-39.44%
Spot Gold	$1,811.50 / ounce	-0.32%	-0.71%
TRPC coal API 2 / Dec, 23	$160 / tonne	-0.62%	-13.40%
Carbon ECX EUA / Dec, 24	€105.08 / tonne	-0.06%	19.41%
Dutch gas day-ahead (Pre. close)	€47.90 / Mwh	-9.11%	-36.62%
CBOT Corn	$6.40 / bushel	-0.43%	-5.67%
CBOT Wheat	$6.92 / bushel	-0.54%	-12.12%
Malaysia Palm Oil (3M)	RM4,186 / tonne	-0.92%	0.29%
Index (Total Return)	**Close 27 Feb**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	293.61	0.58%	-2.56%
Rogers International	27.71	-0.45%	-3.35%
U.S. Stocks - Dow	32,889.09	0.22%	-0.78%
U.S. Dollar Index	104.67	-0.51%	1.11%
U.S. Bond Index (DJ)	396.84	0.25%	1.56%

attracted by its relatively lower price compared with the higher grades supplied by Australia and South Africa.
In recent months, Indian buyers have been limited in the volume of coal they have been importing from Indonesia, preferring to buy steeply discounted Russian cargoes, or supplies from Australia. But signs of a possible electricity shortfall as the peak summer demand period approaches in India has prompted utilities that rely on imported coal to switch back to Indonesian cargoes. India last week invoked an emergency measure to force coal-fired plants that run on imported fuel to maximise output ahead of expected shortages in summer. India has about 17 gigawatts of generation that relies on coal imports and the directive, which comes into effect on March 16, means power plants will have time to import coal ahead of the expected surge in consumption.
Even without this boost to imports, India's coal arrivals are heading higher, with data from commodity analysts Kpler pointing to a rise in thermal coal imports to 10.19 million tonnes in February, up from 9.71 million tonnes in January and the most since November.
The increase is being driven by higher volumes from Indonesia, with imports from the world's largest exporter of thermal coal expected to be 6.09 million tonnes in February, up from 4.36 million in January.

AUSTRALIAN IMPORTS
It is also possible that India will seek to boost imports from Australia, especially of the 5,500 kcal/kg grade that it has been buying. This grade has also been slumping in price in recent months, but recorded its first weekly gain since mid-January in the seven days to Feb. 25, rising to $118.55 a tonne, up from a 13-month low of $117.72.
The 5,500 kcal/kg Australian coal also used to be popular with buyers in China, but the trade collapsed after Beijing imposed an informal ban on imports from Australia in mid-2020 as part of a bilateral political dispute.
This ban was lifted last month and there are already some signs that Chinese utilities are resuming imports of Australian coal, although mainly coking coal used to make steel. Nonetheless, Kpler has tracked about 584,000 tonnes of Australian thermal coal arriving this month at Chinese ports, and while this is a far cry from the pre-ban levels of several million tonnes a month, it may just be enough to lend support to the 5,500 kcal/kg grade.
Certainly, the 5,500 kcal/kg Australian grade, which underpins the long-standing regional benchmark Newcastle Index, has yet to show the reversal of its recent price declines. The index ended at $187.55 a tonne in the week to Feb. 24, the weakest since Dec. 31, 2021. It has now declined for seven straight weeks.
The drop in higher-grade thermal coal most likely reflects the fact that major buyers of this fuel type, Japan and South Korea, are starting to exit the peak winter demand and enter the spring shoulder season before air-conditioning ramps up electricity consumption in the summer. Overall, the outlook for seaborne thermal coal in Asia is somewhat split, with Indian and Chinese demand likely to support prices for lower-grade Indonesian and Australian grades, but the higher quality fuel susceptible to seasonal slowing in its major markets.

Top News - Dry Freight

South Korean flour mills tender for 85,000 tonnes of wheat -traders
A group of South Korean flour mills has issued a tender to purchase around 85,000 tonnes of milling wheat to be sourced from the United States and Canada, European traders said on Monday. The deadline for submission of price offers in the tender is Tuesday, Feb. 28.
Some 50,000 tonnes is sought from the United States and 35,000 tonnes from Canada, both for shipment between May 1 and May 31. A range of different wheat types is sought.

Ukraine grain exports down 27% so far in 2022/23 season to 31.8 mln tonnes
Ukraine grain exports are down almost 27% at 31.8 million tonnes in the 2022/23 season so far, hit by a smaller harvest and logistical difficulties caused by the Russian invasion, agriculture ministry data showed on Monday. The volume so far in the July to June season included about 11.2 million tonnes of wheat, 18 million tonnes of corn and about 2 million tonnes of barley. Exports at the same stage of the previous season were almost 43.5 million tonnes. The ministry said grain exports so far in February had reached 4.7 million tonnes as of Feb. 27, down from 5.04 million tonnes in the same period last year. After an almost six-month blockade caused by Russia's invasion of Ukraine, three Ukrainian Black Sea ports were unblocked at the end of July under a deal between Moscow and Kyiv brokered by the United Nations and Turkey. However, Ukraine has repeatedly accused Russia of delaying inspections of ships carrying Ukrainian agricultural goods, leading to reduced shipments and losses for traders. Ukraine appealed this month to the United Nations and Turkey to press Russia to stop hindering Ukrainian grain shipments that supply millions of people and not to use food as a weapon.
A major global grain grower and exporter, Ukraine's grain output is likely to have dropped to about 54 million tonnes in clean weight in the 2022 calendar year, down from a record 86 million tonnes in 2021.
Officials have blamed the fall on hostilities in the country's eastern, northern and southern regions.

Picture of the Day

View of South African utility Eskom's electricity pylons during dawn as frequent power outages implemented by Eskom due to its aging coal-fired plants continue, in Johannesburg, South Africa, February 25, 2023. REUTERS/Siphiwe Sibeko

(Inside Commodities is compiled by Soumya Chatterjee in Bengaluru)

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