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Top News - Oil

US crude output to rise to record 12.76 mln bpd in 2023 - EIA
U.S. crude oil production is expected to rise by 850,000 barrels per day to record 12.76 million bpd in 2023, according to a monthly report from the Energy Information Administration on Tuesday.
Crude oil production is expected to rise by 330,000 barrels per day to 13.09 million bpd in 2024, EIA data showed.
The last record output was 12.3 million bpd in 2019, before the COVID-19 pandemic crushed demand and prices, and drillers were hit by higher costs that squeezed profit margins and investor demands to limit spending.
The increases in forecasts are due to come as a result of higher expected well-level productivity and higher crude oil prices, the EIA said.
Global benchmark Brent crude oil prices are due to average $86 per barrel in the second half of 2023, up about $7 per barrel from the previous forecast, the EIA said. U.S. GDP growth is expected to rise increase by 1.9% in 2023, up from 1.5% in last month's forecast, the EIA said.
Crude prices have been rising since June, primarily because of extended voluntary cuts to Saudi Arabia's crude oil production as well as increasing global demand.
"We expect these factors will continue to reduce global oil inventories and put upward pressure on oil prices in the coming months," the EIA said.
Rising global oil production in 2024 is expected to keep pace with oil demand and put downward pressure on crude oil prices beginning in the second quarter of 2024, it added.
U.S. total petroleum consumption is forecast to rise by 200,000 bpd to 20.5 million bpd in 2023, and is forecast to rise by another 200,000 bpd to 20.7 million bpd in 2024, the data showed.
The EIA has reversed its forecast of a supply deficit in the global oil markets for 2023, with the agency now expecting a sharper increase in non-OPEC OECD output than earlier. It had last month forecast that world petroleum consumption would outpace production this year.
In the natural gas market, U.S. production and demand will rise to record highs in 2023, the EIA said in the same monthly report.
It projected that dry gas production will rise to 103 billion cubic feet per day (bcfd) in 2023 and 104.12 bcfd in 2024 from a record 98.13 bcfd in 2022.
The agency also projected that domestic gas consumption would rise from a record 88.53 bcfd in 2022 to 89.34 bcfd in 2023 before sliding to 87.88 bcfd in 2024.

China's Venezuelan oil imports rebound in July, fuel oil tapers off
China's imports of heavy crude oil from Venezuela are poised to recover to levels last seen in March as more cargoes have passed through customs without delays, which could reduce refiners' appetite for substitute fuel oil, traders and analysts said.
The Venezuelan crude, mostly heavy sour Merey and Boscan, is widely used by independent refineries in the eastern province of Shandong. Traders typically categorised Venezuelan and some Iranian heavy crude as diluted bitumen when clearing customs so refiners don't have to use crude import quotas that Beijing tightly controls.
China's diluted bitumen imports slumped in April when authorities increased inspections on oil under this category and slowed imports in the following months. However, imports for July are back to pre-inspection levels, with at least 1.5 million metric tons, equal to 11 million barrels, of Venezuelan crude estimated to have discharged at Chinese ports, according to Vortexa analyst Emma Li and a trade source in China who tracks shipments.
Some 900,000 to 1 million metric tons of the Venezuelan crude could be imported as diluted bitumen in July, they added. The imports resumed after customs authorities in Shandong informed refiners in a meeting in June that heavy crude grades that meet certain specifications, such as density, could be declared as diluted bitumen, according to several traders.
"Venezuelan crude mostly meets those standards, but Iranian heavy grades do not," said one of the traders.

FUEL OIL
The resumption of Venezuelan crude imports and a rally in the high-sulphur fuel oil market have eased independent refiners' appetite for the residue fuel.
Fuel oil arrivals are expected to have softened to about 2.2 million metric tons in July, shiptracking data from Kpler showed, after hitting a decade-high in June of 2.7 million metric tons. "As new (crude import) quotas are released and diluted bitumen imports resume, some fuel oil demand would be replaced," said China-based energy consultancy JLC in a note.
The rally in the high-sulphur fuel oil market has also made prices less competitive compared to other feedstocks, said JLC and two Singapore-based traders.
The margin for 380-centistoke high-sulphur fuel oil to benchmark Dubai crude was at a discount of about $5 a barrel at the end of July, the narrowest in more than a year, Refinitiv data showed.

Top News - Agriculture

U.S. farmers expect corn harvest could be second-biggest ever

The U.S. corn harvest could be the second-largest on record as rains during July shepherded the crop through its critical development phase, offsetting dry conditions early in the season and hot summer temperatures, analysts and farmers said.

A strong harvest would add to domestic stockpiles that are expected to balloon as demand for U.S. corn exports wilts due to a massive harvest in Brazil, which is expected to overtake the United States as the world's top corn supplier.

Corn prices fell 18% from their late-June peak during July, with improving conditions in the field weighing heavily on the market as the drought damage from the early season was not as bad as feared.

Drought-tolerant genes and other improvements in genetically modified corn allowed the crop to weather severe drought across much of the Midwest, farmers said. Genetically modified corn accounts for more than 90% of the U.S. crop.

"With the technology that we have in the seed, the corn hung in there a lot better than people expected," said Drew DeSutter, who farms about 4,000 acres with his family in western Illinois. "I think we will probably have overall decent to good crops." Analysts expect the U.S. government in a monthly report due on Friday to cut its forecast for domestic corn production to 15.135 billion bushels this year, from its July estimate for a record high 15.320 billion. The new forecast if achieved would be the second-biggest harvest ever, behind the 2016 harvest of 15.148 billion bushels. Average yields were seen at 175.5 bushels per acre this year, which would be the fourth-biggest ever.

The percentage of corn rated good-to-excellent this year by the U.S. Agriculture Department in weekly reports rose by 4 percentage points during July, when the bulk of the crop in major Midwest production states passes through its yield-determining pollination stage.

In the previous 30 years, good-to-excellent ratings for the corn crop had risen in July only six times.

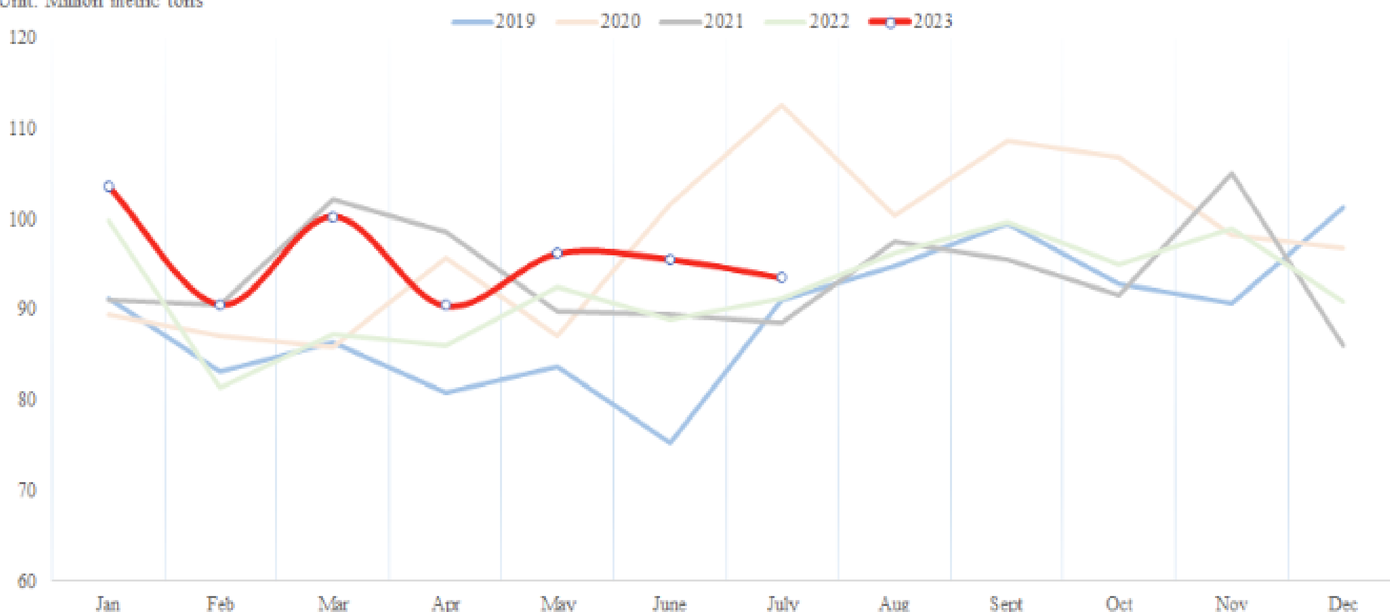
But the early dryness will still cause some drag to yields, farmers and analysts said, and good-to-excellent ratings of 55% on July 30 were the lowest for that time of year since the major drought year of 2012.

"It has just been a roller coaster of a growing season," said Eric Honselman, a farmer who grows corn and soybeans near Casey, Illinois. "I just wish Mother Nature would make up her mind."

EXCLUSIVE-Phillips 66, ADM in talks on biofuels joint venture – sources

U.S. oil refiner Phillips 66 and grain trader Archer-Daniels-Midland are discussing a biofuels joint venture with an aim toward producing lower-carbon jet fuel, three people familiar with the matter said.

Chart of the Day



The oil and corn-based ethanol industries, which were at odds for years over blending mandates, have increasingly become allies amid a series of partnerships aimed at securing crop feedstocks to produce lower-carbon biofuels without costly refinery upgrades.
The two companies are discussing putting ADM's dry corn mill operations into a venture that would convert grain-based alcohol to jet fuel, the people said.
ADM, an ethanol pioneer and for years the top U.S. producer, has sought to downscale its role in the business in recent years. It put the dry corn mills up for sale in 2016 and, after failing to find a buyer, spun off the assets into a wholly-owned subsidiary called Vantage Corn Processors. ADM sold its Peoria, Illinois, dry mill in 2021. Its two remaining dry mills in Columbus, Nebraska, and Cedar Rapids, Iowa, are among the country's largest, with a combined capacity to produce 613 million gallons of ethanol a year, according to Renewable Fuels Association data.
Meanwhile, Houston-based Phillips next year plans to start making renewable fuels at a Rodeo, California refinery converted from crude oil to processing fats, used cooking oils and soybean oils into 50,000 barrels per day of renewable diesel, gasoline and jet fuel.
Several U.S. states, led by California, have set up low-carbon fuel markets that reward fuel producers for developing motor fuels that emit less carbon. They can earn credits for producing fuels with lower carbon intensity compared with refining crude oil.
Phillips declined to make an executive available for comment and both ADM and Phillips 66 declined to comment. Potential value of the deal could not be immediately learned.

TECH LINED UP
Axens SA, which provides technology to convert oil and biomass to lower-carbon fuels, in May agreed to provide its ethanol-to-fuels conversion technology to Phillips, ADM or a joint venture. The deal was a carve out between Paris-based Axens and Gevo Inc, which had an exclusive license for the ethanol conversion technology. The carve out gave Axens rights to directly license its technology for a dry mill in Cedar Rapids, Iowa, and a dry mill and co-generation plant in Columbus, Nebraska, according to a Gevo company filing.
The agreement could result in payments of least $125 million to Gevo, the report said.
Axens and Gevo did not respond to requests for comment.
ADM already formed a joint venture in 2021 with top U.S. oil refiner Marathon Petroleum Corp to churn out renewable diesel from soybeans. Their jointly-owned Green Bison Soy Processing crush plant in North Dakota is set to begin processing soybeans later this year.
Top oilseed processor Bunge and Chevron last year formed Bunge Chevron Ag Renewables to make renewable fuels from soybeans and canola. As part of one deal, Chevron invested $600 million in the joint venture, helping double processing capacity at two Bunge soybean crushing facilities.

Top News - Metals

Glencore stockpiled cobalt in first half to support prices
Glencore stockpiled cobalt in the first half of the year, cutting supplies to the market to support prices of the electric vehicle battery material, the London-listed miner's CEO Gary Nagle said on Tuesday.
Nagle said the world's largest cobalt-producing company would also consider reducing production and adding to its stockpiles of the material that is used to make alloys for the aerospace industry as well as in batteries.
Cobalt prices at $17 a lb are down more than 50% from October, due to weak demand and growing supplies from Indonesia, the world's second largest producing country. Democratic Republic of Congo, where Glencore's cobalt production is concentrated, is the largest.
"There is still a surplus in the market," Nagle told analysts in a call after the company's half-year results.
"Taking action is something we have done before and it is something we will consider in the future...(It) could be lower production or stockpiling for a period of time or a combination." Glencore supplied 43,800 tonnes of cobalt in 2022 and 21,700 tonnes in the first half of this year.
According to data from Darton Commodities, Glencore accounted for 23% of global mined cobalt supplies of more than 187,000 tonnes in 2022, when the market recorded a near 17,000-tonne surplus.
"Electric vehicle use of cobalt is very strong and the forecast remains very strong. Aerospace and defence are also very strong," Nagle said, adding the use of cobalt in consumer goods had been weak, but was picking up.
Although identified as a critical mineral by the United States and Europe, Chinese battery producers have switched from nickel, cobalt and manganese (NCM) chemistry to cheaper lithium iron phosphate (LFP) batteries. That means cobalt demand will grow less than previously expected.
Surpluses are expected to remain a feature of the cobalt market as producers in Indonesia ramp up production and exports from China's CMOC Group Tenke Fungurume mine (TFM) in Democratic Republic of Congo reach the market after a one-year stoppage caused by a dispute with the government. In 2021, TFM supplied 10% of the world's cobalt.

COLUMN-China's imports of major commodities lose some steam in July: Russell
China's imports of major commodities lost momentum in July in a further sign that the world's second-biggest

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economy is struggling to boost flagging growth.
China is the world's biggest buyer of crude oil, copper and iron ore, and imports of these key commodities underperformed in July.
Crude oil imports dropped to 43.69 million metric tons in July, equivalent to 10.29 million barrels per day (bpd), which was down 18.8% from June's 12.67 million bpd.
While June's imports were the second-highest on record, the July outcome was the weakest since October last year on a barrels per day basis.
Imports of unwrought copper and copper products were 451,159 metric tons in July, up slightly from June's 449,648 but down 2.7% from July 2022, according to data released on Tuesday by the General Administration of Customs. In the first seven months of 2023, China's copper imports slid 10.7% to 3.04 million metric tons.
Iron ore imports dropped to 93.48 million metric tons in July, down 2.1% from June's 95.52 million.
For the first seven months of the year, imports of the key steel raw material were 669.46 million metric tons, up 6.9% from the same period in 2022.
However, strength earlier this year was largely related to the then prevailing market view that China would successfully stimulate its economy and revive the steel-intensive construction industry.
This narrative is now being challenged by series of weak economic numbers, the latest being a 14.5% drop in exports in July, which was worse than the expected 12.5% decline and the 12.4% fall in June.
Another factor to consider in assessing iron ore imports is China's rising exports of steel products, with shipments jumping 9.6% year-on-year in July to 7.31 million metric tons, and exports for the first seven months gaining 27.9% to 50.89 million.

COAL EXCEPTION

The exception to the softer trend for major commodity imports in July was coal, with arrivals of 39.26 million metric tons, a tad lower than June's 39.87 million, but 67% higher than July last year.
For the first seven months of the year China's coal imports came in at 261 million metric tons, some 86% above the same period in 2022.
While last year was unusually weak for coal imports, the strength so far in 2023 is related to rising thermal power demand amid a shortage of hydropower generation.
High summer temperatures have boosted electricity demand and the falling price of seaborne thermal coal in recent months has made coal imports competitive with domestic supplies.
The strength in coal imports is largely a result of a set of domestic circumstances that have little direct correlation with the overall state of China's economy.
The softer outcomes for imports of crude oil, copper and iron ore in July fit more with the view that China's economy is struggling to ignite growth.

MARKET MONITOR as of 06:31 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$82.75 / bbl	-0.21%	3.10%
NYMEX RBOB Gasoline	$2.60 / gallon	-0.23%	5.01%
ICE Gas Oil	$908.25 / tonne	2.19%	-1.38%
NYMEX Natural Gas	$2.78 / mmBtu	0.14%	-37.85%
Spot Gold	$1,929.95 / ounce	0.27%	5.79%
TRPC coal API 2 / Dec, 23	$123.75 / tonne	0.61%	-33.02%
Carbon ECX EUA / Dec, 23	€84.71 / tonne	0.44%	0.88%
Dutch gas day-ahead (Pre. close)	€29.51 / Mwh	-0.14%	-60.95%
CBOT Corn	$5.01 / bushel	0.50%	-26.07%
CBOT Wheat	$6.78 / bushel	-0.48%	-14.68%
Malaysia Palm Oil (3M)	RM3,705 / tonne	0.32%	-11.24%
Index (Total Return)	**Close 08 Aug**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	312.30	0.03%	3.64%
Rogers International	27.61	0.09%	-3.68%
U.S. Stocks - Dow	35,314.49	-0.45%	6.54%
U.S. Dollar Index	102.53	0.47%	-0.96%
U.S. Bond Index (DJ)	405.46	0.40%	2.90%

Crude oil will be the most interesting commodity to watch, given the strength in imports in the first half.
It's too early to say whether July's import performance was merely a blip before a resumption of strength, but there are several factors worth watching in the oil market.
The first is that the impact of rising prices in recent weeks on China's imports won't be apparent for months to come, given the lag between when cargoes are bought and when the oil is delivered.
This means that July's imports were largely arranged at a time when global crude prices were close to the lowest so far this year, with Brent futures dropping to just above $70 a barrel in early May.
With Brent trading around $85 a barrel currently, China's refiners may choose to dip into their ample stockpiles and trim imports in coming months, a move that would undercut the market expectation for strong Chinese demand in the second half.
China added just under 1 million bpd to inventories in the first half of the year, according to calculations based on official numbers for crude imports, domestic output and refinery processing. This means Chinese refiners have options to use stored crude should they deem the cost of imports have risen too much, or gained too rapidly.
The opinions expressed here are those of the author, a columnist for Reuters.

Top News - Carbon & Power

Biden's carbon proposal is unworkable, US power sector warns

U.S. power plant owners warned the Biden administration on Tuesday that its sweeping plan to slash carbon emissions from the electricity sector is unworkable, relying too heavily on costly technologies that are not yet proven at scale.
Top utility trade group the Edison Electric Institute (EEI) asked the U.S. Environmental Protection Agency (EPA) for revisions of the proposed power plant standards, which hinge on the widespread commercial availability of carbon capture and storage (CCS) and low-emissions green hydrogen, adding the agency's vision was "not legally or technically sound."
"Electric companies are not confident that the new technologies EPA has designated to serve as the basis for proposed standards for new and existing fossil-based generation will satisfy performance and cost requirements on the timelines that EPA projects," EEI said in a public comment released on Tuesday on the agency's deadline for feedback.
Resistance from the EEI and other energy-related groups poses a potentially big challenge to the administration's climate agenda.
U.S. President Joe Biden has a goal to achieve net-zero emissions by 2035 in the power sector, the source of a quarter of the nation's climate-warming gases. That target is a central part of Washington's pledge to halve U.S. greenhouse gas output by 2030 as part of an international agreement to fight global climate change.
Proposed in May, the EPA plan would for the first time limit how much carbon dioxide power plants can emit, after previous efforts were struck down in court.
West Virginia, which led a lawsuit against the Obama-era Clean Power Plan, also said it and 20 other states were opposed to the rule because the standards would leave coal plant operators with no choice but to close.
The proposed limits for both new and existing power plants assume availability of CCS technology that can siphon the CO2 from a plant’s smokestack before it reaches the atmosphere, or the use of hydrogen as a fuel.
The EPA said that last year's passage of the Inflation Reduction Act, which subsidizes those technologies, makes them cost-effective and viable.
Environmental groups Clean Air Task Force and Natural Resources Defense Council said the proposal "provides generous lead times for implementation and compliance and will not cause reliability problems if finalized."
Industry is particularly concerned about proposed standards for existing natural gas power plants, saying those facilities would be hard to retrofit with CCS, or hydrogen, due to space constraints and other limitations.
The EPA's plan would require large existing gas-fired plants that run at least 50% of the time to install carbon capture by 2035, or co-fire with 30% hydrogen by 2032.
EEI asked the agency to "repropose or significantly supplement" the proposed rules for existing gas plants.
One investor-owned utility, Baltimore-based Constellation, distanced itself from EEI's position and said it supported the EPA's proposed guidelines. The company said, however, that it was seeking improvements to the rule.
The National Rural Electric Cooperative Association, which represents 900 member-owned electric utilities, asked the EPA to withdraw the proposed rule, saying it would compromise reliability and affordability, said CEO Jim Matheson.
Labor unions, the United Mine Workers of America and the International Brotherhood of Electricity Workers, also called on the EPA to redo the rule and criticized its reliance on CCS, saying it puts jobs at risk.
The EPA's proposal had been crafted to reflect constraints the Supreme Court imposed on the agency last year after it ruled that the Obama era's Clean Power Plan went too far by imposing a system-wide shift from fossil fuels to renewable energy.

EXCLUSIVE-Defying war risk, European traders store gas in Ukraine

European gas traders have begun storing natural gas in Ukraine to take advantage of lower prices and available capacity there, regardless of the risks from the ongoing war, three traders and company officials said.

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Following Russia's invasion of Ukraine, begun in February last year, the European Union (EU) has sought high levels of gas storage to compensate for reduced Russian supply, especially during the peak demand winter months.
The bloc is expected to reach a target of filling its storage facilities to 90% full by Nov. 1.
Traders said there was commercial logic in storage in Ukraine, in addition to on EU soil, to take advantage of cheaper prices now versus for future delivery.
Gas for September delivery is priced at 30 euros ($32.96) per MWh compared with forward prices for first quarter of 2024 at 49 euros, according to prices from the TTF Dutch gas futures market.
Czech EPH group told Reuters its decision to use Ukrainian storage was also a sign of confidence in the country.
"EP Commodities transports natural gas to Ukraine and uses Ukrainian gas storage facilities," Miroslav Hasko, chairman at EPH's EP Commodities, said.
"We believe in the reliability of the Ukraine’s gas transport and storage systems, which proved themselves even in such an immensely difficult wartime situation."
He did not disclose volumes.
EU countries' gas storage facilities were 87% full on Aug. 7, according to transparency platform GIE.
"We see a positive trend in gas injection by foreign traders into our (storage) facilities," said Ukriane's state-owned Ukrtransgas, part of Naftogaz Group.
Naftotgaz said foreign customers could use more than 10 billion cubic metres (bcm) of storage of the country's around 30 bcm capacity, mostly in the country's west, which is far from the front lines.
Slovakia state-owned SPP, which supplies most of the Slovak market, in part with Russian gas, said it was looking at the possibility of using Ukrainian storage given Slovak storage was already 90% full.
"We consider gas storage in Ukraine as one of the interesting business opportunities that we are currently considering," SPP told Reuters.
Other European traders said there are risks due to possible military strikes or questions over what happens to the network if Russia stops pumping the gas it still sends westward via Ukraine.
"Imagine a well-targeted missile hits a compressor station or some other infrastructure. You have to take that risk," said Martin Pich, head of trading at Czech firm MND.
He said volumes at current spreads may not be large but could pick up if spot prices drop. He did not comment on MND's trading.
The Bruegel think tank said last month Ukraine could increase Europe's storage capacity by about 10%.
"Utilising the extra 100 TWh capacity available in Ukraine will provide a nice boost to Europe’s winter outlook, and a welcome boost to Ukraine’s income," Bruegel said.
Gas for storage in Ukraine can be purchased anywhere and pumped using real or virtual flows in pipelines from Hungary, Poland and Slovakia.
Nominations have risen for the pipeline that transports Russian gas from Ukraine to Slovakia at the Velke Kapusany border for flows into Ukraine - virtual reverse flows.
They have been up to 10 mcm per day since July.
Physical flows from Slovakia into Ukraine also started in August through the Budince point with daily volumes of around 17 mcm.

Top News - Dry Freight

Black Sea exporters struggle to clear Danube shipping backlog

Dozens of ships are backed up around critical Danube arteries close to Ukraine's river gateways days after Russian drone attacks on the country's ports, shipping data showed on Tuesday.
The river and its mouth are Ukraine's last remaining waterborne grain export route.
Russia has attacked the agricultural and port infrastructure of Ukraine, one of the world's top grain exporters, in recent weeks after refusing to extend a year-old safe passage grain corridor brokered by the United Nations and Turkey - effectively shutting Ukraine's Black Sea ports. These included the Danube ports of Izmail and Reni, shipping sources said.
At least 30 ships had dropped anchor around Musura Bay in the Black Sea, which leads into a channel that links up with Izmail further along the waterway, tracking data from analytics company MarineTraffic showed on Tuesday.
There were at least 20 ships anchored leading up to Izmail.
"It is impossible to transport the entire volume by river or rail," Ukraine's First Deputy Agriculture Minister Taras Vysotskiy told national television.
"In order to export all the grain, the Black Sea ports need to be reopened."
In addition, there were at least 20 commercial ships waiting close to the Romanian port of Constanta, the MarineTraffic data showed. Many of the vessels had reported their destination as Romanian ports.
"The two Ukrainian ports continue to reel from the Russian attacks. It took time to reorganise, re-establish communication," Florin Uzumtoma, navigation director for Romania's Danube administration agency, said.
"Not all the ships clustered on the water want to enter Romania. Some of them are just waiting in safe waters. There are anchor spots on the Danube and they are just waiting there until they are ready to meet all the formalities to cross."
Some marine insurers have started to restrict the amount of cover they are providing for Danube shipments after pausing insurance provisions for Ukraine ports that were

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part of the grain corridor initiative, insurance sources said. "This is not only about insurance, but also about overall shipping activities in the area for shipowners who might consider that risks for their crew and their assets are just too high," one underwriter said, asking not to be named.
Before Russia pulled out of the safe passage corridor, the Danube ports accounted for around a quarter of Ukraine's grain exports. Ukraine, which needs to boost exports of its bumper grain crop, has started work to expand alternative export opportunities by organising raid transshipment near the mouth of the Danube River, seaports authorities said on Tuesday.

INSIGHT-After attacking Ukraine wheat exports, Russia faces own shipping challenge
Russia's lack of ships and Western grain traders' shrinking appetite for business with Moscow are adding to rising costs of moving Russian wheat, at a time when the war in Ukraine has spilled perilously close to vital Black Sea supply routes.
President Vladimir Putin promised to replace Ukrainian grain with Russian shipments to Africa after Moscow in July ended an arrangement that gave Ukraine's food cargo safe passage in the Black Sea, imposing a de-facto blockade on its neighbour and attacking storage facilities, in an escalation of the war.
Ukraine's response, sea-drone attacks on a Russian oil tanker and a warship at its Novorossiysk naval base, next door to a major grain and oil port, has added to these new dangers for transport in the Black Sea.
Eduard Zernin, head of Russia's Union of Grain Exporters, cited a potential aggravation of what he called "hidden sanctions" that "may lead to an increase in freight and insurance costs" for Russia.
This "will be reflected in the price level of wheat and other grains on the world market", Zernin told Reuters.
Even though agriculture exports are not subject to direct European and U.S. sanctions imposed after Russia invaded Ukraine last year, Moscow says restrictions placed on banking and Russian individuals are "hidden sanctions" on the food trade.
The financial and security risks associated with trading with Russia - compounded by the Black Sea corridor collapse - are driving up costs of freight for Moscow and pushing it toward older and smaller vessels run by less established shipping operators, Reuters reporting based on conversations with 10 marine insurers, traders and shipping companies showed.
The situation is raising doubts about whether Russia can keep up a record pace of exports and if not resolved could push global wheat prices higher, the sources said.
Already, prior to the expiry of the deal, grain carriers and commodity houses had reduced exposure to Russia.
Global commodity houses are no longer helping Russia with the mechanics of trading its grain. Cargill, Louis Dreyfus and Viterra stopped such work on July 1, adding more pressure on Moscow to handle all aspects of grain deals including transport.
Cargill has said it would continue to ship grain from Russia's ports. It declined further comment.
Dreyfus, Viterra and ADM declined to comment, while another major international group, Bunge, did not respond to a request for comment.
"It is not going to be easy for them (Russia)," said one industry executive with knowledge of grains exports.
Last year, Russia exported a record volume of wheat on ships chartered from international companies and traders.
While exports remain strong, in the past few months it has had to source more of its own freight, increasingly relying on a "shadow fleet" of older vessels typically operated by companies based in Turkey and China, three shipping industry sources said.
"There is very little coming out now for international companies", said the executive, who, like other industry sources consulted for this story, asked not to be named because of the sensitivity of the issue. "Most of what is coming out is dealt with by Russian traders using (shadow) fleet ships, which international traders would not touch".
In a sign of Russia's growing hunt for vessels, its requests for charters doubled to 257 in July compared with the same month last year, according to data from maritime platform Shipfix that collates from hundreds of market participants.
The data does not show how many of the requests were fulfilled, or which ship operators were involved.
The requests for ships were up 40% from June, and are likely to climb further as the export season gathers pace.
Denmark's NORDEN and two other Western shipping groups that declined to be named told Reuters they stopped working with Russia after the invasion of Ukraine in February, 2022.

INSURANCE
Without the Black Sea corridor in place, both Russia and Ukraine warned in July that ships destined for each others ports could be treated as legitimate military targets, which three marine insurance source said was a further blow to Western companies' risk appetite.
Insurance for ships heading to Russia's Black Sea ports currently costs tens of thousands of dollars in additional premiums daily, the three sources said, with rates ticking higher following Russia's attacks on Ukraine's other waterways through the Danube in recent days and Kyiv's response.
The Black Sea remains a critical area for Russian exports, with other locations more complicated and costly.
One shipping source familiar with the matter said even before insurance, ship operators were charging up to $10,000 more daily for Russian cargoes than for cargoes leaving nearby ports in Bulgaria and Romania, as the collapse of the deal and Black Sea escalation weighed.
Mike Salthouse, head of external affairs with leading ship insurer NorthStandard, said that ever since the United States and Europe imposed sanctions, some traders and insurers fear the ultimate beneficial owners of Russia's

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ports and terminals could be connected to designated individuals.
"The ownership structure is not readily apparent from routine or even enhanced due diligence," he said, leading to "a level of reluctance with engaging in Russian trades."
The industry executive said another risk was if a vessel needed to buy fuel from Russia, a situation the source said could create problems with Western sanctions enforcers, making it harder to then conduct non-Russian business. "It's not easy to flip into the normal trade after that", the executive said. Russia's Black Sea terminals handle about 70% of the country's grain exports. They include the Novorossiisk and Taman ports.

"TRADE BARRIERS"

Despite the tensions, global wheat prices remain well below the peak after Russia's invasion last year triggered fears of a global hunger crisis.
The removal of more Ukrainian grain from the world market could add to supply pressure unless Russian exports or large crops from other producers make up the difference.
Two sources said the escalation of tensions in the Black Sea was likely to impact Russia's export numbers, and was discouraging shipping companies from bringing vessels to Russian ports, especially newer ships that carry more. In a statement to Reuters, Russia's agriculture ministry forecast grain exports will fall about 8% during the 2023/24 season from Russian last year's high of 60 million tonnes. It did not give a reason for the drop.
Wheat exports will be down a little less, to 44-45 million tons, Zernin said, in line with estimates from the International Grains Council.

SHIP BUILDING

The ministry in December announced a plan to build a fleet of 61 new grain ships, citing "sanctions pressure and the refusal of many international carriers to cooperate with Russia".
Russian exporters need 34 grains ships with a carrying capacity of 60,000 tonnes and 27 with capacity of 40,000 tonnes, the ministry said in December. It did not say when they could be built by Russian shipyards.
Russia's state-owned agricultural leasing company Rosagroleasing said in March of this year it had placed orders for a fleet of grains ships that it planned to launch within three years.
No orders have currently been reported for Russian companies either domestically or internationally, according to data from valuation company VesselsValue. New ships typically take up to three years to build.
Many of the Russian operated current fleet of 31 mainly smaller dry bulk carriers are over 30 years old, VesselsValue data showed, making it harder to access some ports with stringent requirements for ships over a certain age.
"We don't see Russia building its own fleet from scratch in the short term in order to meet its immediate needs. The primary focus is going be on chartering from the commercial market," said Victoria Mitchell, analyst with Control Risks consultancy.

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Picture of the Day

A tugboat pulls a timber raft down the Angara River near the settlement of Strelka in the Krasnoyarsk Region, Russia August 8, 2023. REUTERS/Alexey Malgavko

(Inside Commodities is compiled by Dhanya Hegade in Bengaluru)

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