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Top News - Oil

OPEC gets updated plans from Iraq, Kazakhstan on overproduction compensation

OPEC has received updated output compensation plans from Iraq and Kazakhstan, stating that they aim to make up for their overproduction in the first seven months of this year by September 2025, the producer group said on Thursday.

OPEC and other producers including Russia, known as OPEC+, have implemented a series of output cuts since late 2022 to support the market, most of which are in place until the end of 2025.

Iraq's cumulative overproduction between January and July was 1.4 million barrels per day (bpd) and Kazakhstan's was 699,000 bpd, OPEC said.

Iraq's oil ministry confirmed on Thursday it had submitted an updated compensation plan to the OPEC Secretariat and said it had "taken real and tangible steps to reduce production levels while working to compensate for the quantities that exceeded the designated production levels in previous months."

The move underscored Iraq's "dedication to supporting the joint efforts made by the OPEC+ group to achieve balance and stability in the global oil market, and to safeguard the interests of all producing and consuming countries alike," it added.

Russia said earlier this month it exceeded its July production quota agreed with OPEC+ but pledged to abide by it and to compensate for excess output.

On Aug. 1, OPEC+ confirmed a plan to start unwinding the most recent layer of cuts of 2.2 million bpd from October, with the caveat that it could be paused or reversed if needed.

India surpasses China to become Russia's top oil buyer in July

India overtook China as the world's biggest importer of Russian oil in July as Chinese refiners bought less because of lower profit margins from producing fuels, a comparison of import data showed.

Russian crude made up a record 44% of India's overall imports last month, rising to a record 2.07 million barrels per day (bpd), 4.2% higher than in June and 12% more than a year ago, data on Indian shipments from trade and industry sources showed.

That surpassed China's July oil imports from Russia of 1.76 million bpd via pipelines and shipments, based on Chinese customs data.

Indian refiners have been gorging on Russian oil sold at discounts after Western nations imposed sanctions against Moscow and curtailed their energy purchases in response to Russia's invasion of Ukraine.

"India's requirement for Russian oil is going to go up as long as there are no further tightening of sanctions," an Indian refining source said.

India's trade with Russia has increased since Russia began its war against Ukraine in February 2022 mainly because of oil and fertiliser imports, a move helping to keep a lid on global prices and controlling inflation.

India's rising purchases are changing the flow of Russian ESPO Blend crude from traditional Chinese buyers to South Asia.

ESPO imports to India jumped in July to 188,000 bpd as larger Suezmax vessels were used, according to the data.

Refiners in northeast China are typically the biggest ESPO buyers because of their close proximity, but their demand has fallen because of tepid fuel demand.

Iraq continued to be the second-largest oil supplier to India last month, followed by Saudi Arabia and the United Arab Emirates.

India's crude purchases from the Middle East rose 4% in July, pushing up the region's share in India's overall mix to 40% from 38% in June, the data showed.

Top News - Agriculture

Crop tour finds record Iowa corn crop prospects; Minnesota sub-par

Iowa's corn yield potential set a new record high for the Pro Farmer Crop Tour while excessive June rains drove Minnesota's corn yield prospects to the lowest levels since 2012, scouts on an annual tour of top U.S. production states found on Thursday.

The tour projected Iowa's corn yield at 192.79 bushels per acre (bpa), well above the 2023 tour average of 182.80 bpa for the largest U.S. corn state and above the tour's three-year average of 185.79 bpa.

But in Minnesota, the fourth-largest corn producer, the tour projected yield at 164.90 bpa, far below last year's estimate of 181.34 bpa and the three-year average of 183.06. The four-day tour, which began on Monday, projected above-average corn yields for six of the seven Corn Belt states surveyed.

The outlook for bumper harvests comes as grain and oilseed futures prices have slipped to nearly four-year lows amid ample global supplies.

In Iowa and much of the Midwest, crops benefited from near-ideal weather.

"Generally we've seen good growing conditions, and it shows," said Brian Grete, Pro Farmer editor and leader of the tour's eastern leg. "An early frost would be the one thing that could derail it."

Minnesota was an exception. "The corn crop is going to struggle to make the finish line. They have seen too much excess rainfall this season, which has washed away the fertilizer," said Scott German, a North Dakota farmer who was on the tour. Yet Minnesota's soybeans fared better.

The tour, which does not project soybean yields, estimated the number of soybean pods in a 3-ft by 3-ft (91-cm by 91-cm) square in Minnesota at an average of 1,036.59 pods, above last year's average of 985.00 pods and close to the three-year average of 1,037.70 pods.

For Iowa, the No. 2 soy producer after Illinois, the tour estimated the average number of soybean pods in a 3-ft by 3-ft (91-cm by 91-cm) square at 1,312.31, above last year's tour average of 1,190.41 pods and the three-year average of 1,194.21 pods.

This month, the U.S. Department of Agriculture forecast a record U.S. soybean crop and the third largest corn crop.

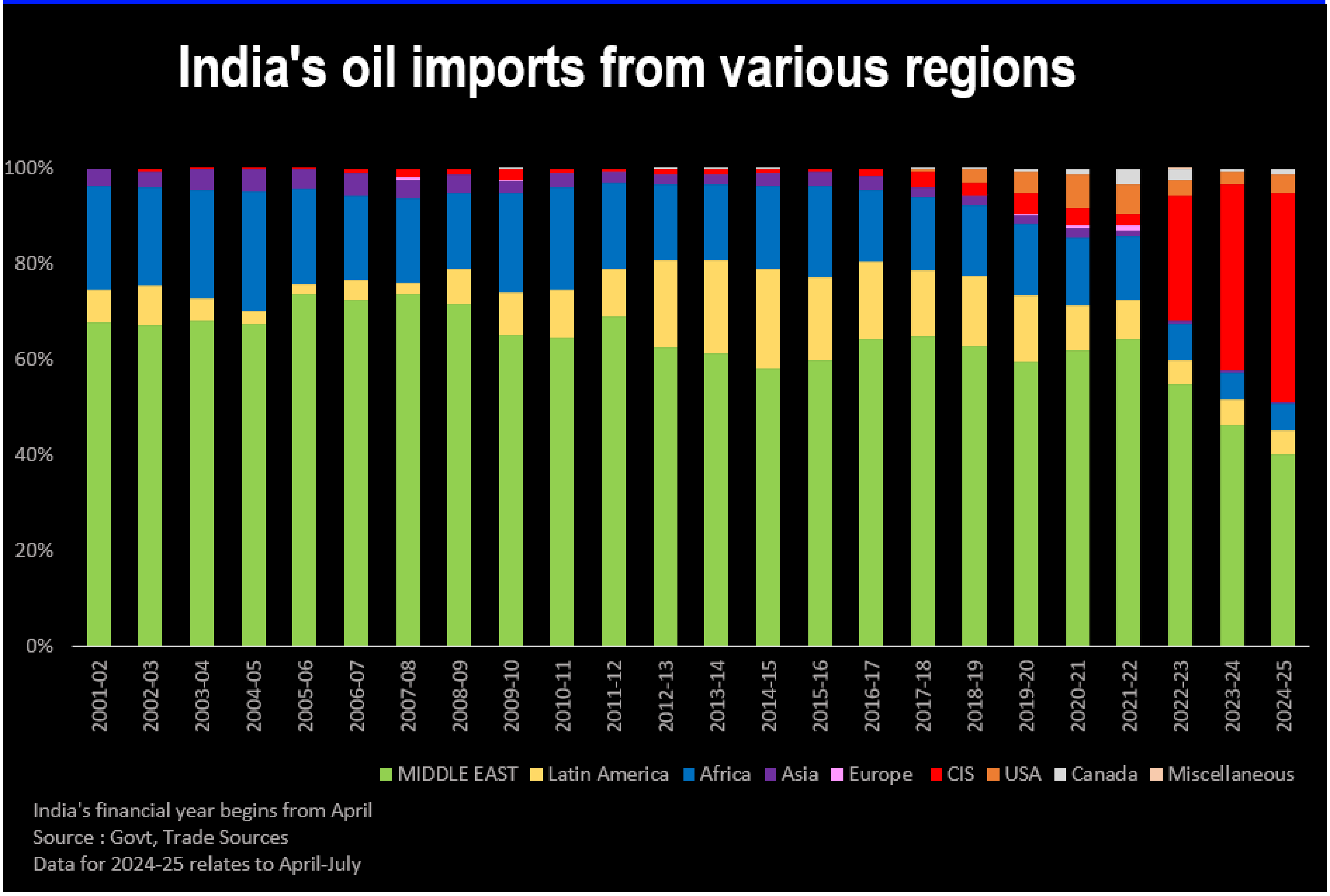
In addition to Iowa and Minnesota, the four-day tour this week scouted fields in South Dakota, Nebraska, Illinois, Indiana and Ohio.

The editors of Pro Farmer, a newsletter, will release their own estimate of U.S. corn and soybean production on Friday.

Argentine rains boost wheat but delay sunflower planting

Argentina's current wheat season should continue to improve thanks to recent rainy days, the Buenos Aires

Chart of the Day



grains exchange said in a report on Thursday, though the wet weather slowed the start of the country's sunflower campaign.

The South American nation is a major world supplier of wheat and has planted some 6.3 million hectares (15.6 million acres) for the 2024/25 season. The harvest is set to begin in November.

"Crop conditions in the south and center of the agricultural area are expected to keep improving after rains this week and last," the exchange said, adding they should benefit from a fresh fertilization push.

But a lack of rain and frosty cold fronts could risk conditions in the northwest of the farming heartlands, it warned.

Meanwhile, the recent rains have slowed the final harvests of the 2023/24 corn crop, which is 98.7% complete, the exchange said.

Argentina is the world's third-largest corn exporter and the exchange expects this season to produce some 46.5 million metric tons. It is also a major world exporter of sunflower oil.

Farmers last week began planting an expected 1.85 million hectares of the 2024/25 sunflower crop, the exchange said.

Sunflower sowing began after several weeks of delays and is some 9.5 percentage points behind the historic average for this point in the season, it noted, due to the recent wet weather.

Top News - Metals

Lead sellers caught short by Shanghai delivery rule change

Would-be sellers of battery metal lead on the Shanghai Futures Exchange (ShFE) have been forced to search for overseas supplies or roll forward contracts they hoped to close following a change in specifications, four sources familiar with the matter said.

ShFE declined to comment.

While the global lead market is well supplied, Shanghai's stocks have been tightened after the ShFE in April lowered the content of bismuth in lead that can be delivered against its contracts in response to stricter emission standards for Chinese battery makers.

As traders struggled to find material to meet the new requirements, China in July became a net importer after years of being a net exporter and lead prices on ShFE reached a six-year high of 20,050 yuan a metric ton on July 18.

They have since eased to 17,434 yuan.

Lead trading activity also surged, reaching all-time highs of 126,959 lots, or 288,550 metric tons, on Aug. 16.

The short sellers caught in the frenzy were either producers hedging or traders risking bets the market would fall.

As they found themselves forced to deliver against their positions, or pay to roll them forward to buy time, some turned to the London Metal Exchange (LME) for lead, where prices are lower, having risen only 0.5% this year, compared with the 23.9% rally on ShFE.

Lead stocks in LME-approved warehouses at 185,500 tons have declined by 20% or 46,100 tons since start of August.

At the same time, lead stocks in warehouses monitored by the ShFE more than doubled to 57,710 tonnes.

Chinese zinc smelters agree to adjust maintenance plans, Antaike says

Major Chinese zinc smelters agreed to adjust planned maintenance on production lines and postpone commissioning of new capacity, state-backed research house Antaike said on Thursday, as falling ore processing prices have eroded the sector's profits.

Treatment charges (TCs), or the price smelters receive from miners to process ore concentrate into zinc, have been falling since the fourth quarter of 2023 due to tight ore supply.

Such charges rise during times of raw material surplus and slide during periods of shortfall.

The agreement was reached among 14 smelters on Wednesday at a quarterly industry meeting in the country's northern region of Inner Mongolia, Antaike said in a statement on its WeChat account, adding that the smelters at the meeting accounted for about 70% of China's primary zinc smelting capacity.

China is the world's biggest producer of zinc, which is also used to make galvanised steel.

The country produced 4.09 million tons of the metal in the first seven months of the year, up 5.1% year-on-year, official data showed.

"Ore supply remains tight. The second-quarter ore output among major overseas miners all posted annual drops, with falling ore grade and unexpected maintenance curbing supply. It's hard to see TCs ticking up in the short term," analysts at SDIC Essence Futures said on Wednesday.

China's imports of zinc concentrates dropped 4.8% annually in July to 375,373 tons, according to customs data.

Smelters at the meeting also discussed the possible establishment of a floor pricing mechanism for zinc concentrate TCs, Antaike said, without providing any further details.

Shanghai's most active zinc contract rose for a second straight session on Thursday to hit an intraday high of 23,795 yuan a ton, the highest since July 18.

Top News - Carbon & Power

China issues guidelines on green power trading

China has issued guidelines for medium- and long-term green power trading, calling for a market-based approach, a notice on the state planner's website said.

The rule lays out a price mechanism under which green power prices will be determined by the electricity price plus the price of green certificates, according to the notice jointly issued by the National Development and Reform Commission (NDRC) and the National Energy Administration (NEA).

Green certificates, issued by NEA, are tradable assets that represent 1,000 kilowatt-hours (kWh) of renewable energy consumption each. Transactions should not be subject to any price limit except as specified by the state, and green power trading should not be used as a way to "disguise" price reductions, it said.

Green power trading is a market-based approach to promote green electricity consumption that could help China shift away from a reliance on subsidies.

The rule also aims to standardise green power trading across regions.

The trading has been piloted in Beijing, Guangzhou, and Inner Mongolia since 2021, but with varying rules and pricing mechanisms, according to an online Q&A from the energy regulator.

The transactions grew 283% on average from 2021 to 2023, when 69.7 billion kilowatt-hours of green power were traded, according to the Q&A. That represents about 1% of China's electricity consumption last year.

With the new rule, NDRC and NEA are also seeking to make it easier for export-oriented businesses to participate.

However, researchers have cautioned it is uncertain to what extent China's green certificates would be recognised internationally.

Wind and solar, including distributed resources, hydro and geothermal power are all covered by the guidelines, the notice said.

China is seeking to reform its power sector to create a unified national spot market by 2030, but transactions are still largely carried out on the basis of medium- and long-term contracts.

MARKET MONITOR as of 06:48 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$73.13 / bbl	0.16%	2.07%
NYMEX RBOB Gasoline	$2.09 / gallon	0.50%	-0.79%
ICE Gas Oil	$698.50 / tonne	0.04%	-6.96%
NYMEX Natural Gas	$2.05 / mmBtu	-	-18.34%
Spot Gold	$2,492.75 / ounce	0.38%	20.86%
TRPC coal API 2 / Dec, 24	$124 / tonne	-0.40%	27.84%
Carbon ECX EUA	€71.89 / tonne	0.45%	-10.55%
Dutch gas day-ahead (Pre. close)	€36.00 / Mwh	-0.83%	13.03%
CBOT Corn	$3.94 / bushel	-	-18.70%
CBOT Wheat	$5.37 / bushel	0.23%	-16.07%
Malaysia Palm Oil (3M)	RM3,834 / tonne	0.21%	3.04%
Index	**Close 22 Aug**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	324.85	-0.25%	7.78%
Rogers International	26.27	-0.49%	-0.23%
U.S. Stocks - Dow	40,712.78	-0.43%	8.02%
U.S. Dollar Index	101.33	-0.17%	0.00%
U.S. Bond Index (DJ)	447.09	-0.41%	3.80%

ANALYSIS-Brazil's grid caps power from wind and solar, threatening renewable projects

Wind and solar energy producers in Brazil have warned they are reconsidering future investments there after the national grid operator repeatedly capped how much energy they could deliver in the past year, which squeezed their profits. Brazil has made big strides encouraging companies to invest in wind, solar and other renewable power generation sources, offering generous financing and subsidies. But all the electricity they generate has taxed the grid.

More than a dozen executives and industry representatives said renewable energy investments were less viable under the National Electric System Operator's (ONS) current "curtailments" policy, which temporarily caps how much power ONS accepts from wind and solar plants. The pressure has been most acute in northeast Brazil, a hot spot for renewable energy investment. There are bottlenecks in transmission lines carrying electricity to Sao Paulo, Rio de Janeiro and elsewhere in the more populous southeast region.

ONS has managed the grid more cautiously since August 2023, when a power outage in the northeast spread over most of the country. That has meant more curtailments when electricity generation exceeds consumption or there is a lack of transmission capacity.

ONS has said curtailments were not excessive, and were necessary for safety. The operator said its data shows only 3% of electricity generated was lost to curtailments last month. Volt Robotics, a power sector consultancy, analyzed ONS numbers. The Brazilian Wind Energy Association, ABEEolica, estimated the sector had lost some 700 million reais ($128 million) in the past year. The Brazilian Solar Association, Absolar, estimated a loss of 50 million reais in the four months through July.

"Renewable energy for the country is going to waste," said Eduardo Sattamini, chief executive officer of Engie Brasil Energia, which has been affected.

The Serra do Mel II B complex in the northeast state of Rio Grande do Norte, owned by Equatorial Energia, was hit hardest among wind generators, they found. Between January and early August, 58% of power generated was rejected by the grid.

Equatorial's renewables unit Echoenergia said in a statement the curtailments had hurt its operations and translated into higher risk pricing by investors, which could cut new investments.

"This is not an environment for decision-making about new projects," the company said.

Chinese generator SPIC's Banabuiu complex in coastal Ceara state was the worst hit among solar generators, Volt Robotics said, losing 50% of electricity generated between January and early August.

Adriana Waltrick, chief executive of SPIC Brasil, said it was critical to resolve the grid challenges, which "could increase future energy costs and impact the competitiveness of the renewable energy sector in Brazil."

Losses can be compounded because generators often must buy electricity at market rates to honor contracts with distributors and consumers.

Voltalia, a renewable energy producer with nearly two thirds of its capacity in Brazil, expects curtailmentsto shave some 40 million euros ($44.48 million) from its earnings before interest, tax, depreciation and amortization this year.

CPFL Energia, a power company controlled by China's State Grid, also highlighted the issue in second quarter results, flagging losses of 21 million reais.

Some companies have sought compensation in court for the losses incurred by ONS failures. Those legal battles could take years.

Offering some relief, the federal government has held auctions for private companies to build transmission lines, but many of those projects are years away from completion.

Christiano Vieira, director of operations at ONS, said more electricity from the northeast will begin flowing into the national grid in September, when a new transmission line will start operating, which may help reduce curtailments.

Top News - Dry Freight

Canada moves to end rail shutdown quickly; CN workers to return to work

Workers at Canadian National Railway will begin returning to work, the Teamsters union said, hours after the Canadian government moved to end an unprecedented rail stoppage.

The union said the work stoppage at Canadian Pacific Kansas City would continue pending an order from the Canadian Industrial Relations Board (CIRB). The union and company officials are scheduled to meet with the board on Friday morning.

Canada's top two railroads, Canadian National Railway and Canadian Pacific Kansas City had locked out more than 9,000 unionized workers earlier on Thursday, triggering a simultaneous rail stoppage that business groups said could inflict hundreds of millions of dollars in economic damage.

The Canadian government on Thursday announced that it would ask the country's industrial relations board to issue a back-to-work order that should come soon.

The CIRB, which is independent, will now consult the companies and unions before issuing an order.

CN had said it would end its lockout on Thursday at 6 p.m. ET (2200 GMT). CPKC said it was preparing to restart operations in Canada and further details on timing would be provided once it received the CIRB's order.

"I assume that the trains will be running within days," Labour Minister Steven MacKinnon told reporters.

As well as requesting a back-to-work order, MacKinnon asked the board to start a process of binding arbitration between the Teamsters union and the companies, and extend the terms of the current labor agreements until new agreements have been signed.

The sides blamed each other for the stoppage after multiple rounds of talks failed to yield a deal.

In a new statement during the early hours on Friday, the Teamsters union posted on X that it had taken down picket lines at CN.

CN spokesperson Jonathan Abecassis told the Canadian Broadcasting Corp it could take the company a week or more to catch up on shipments.

MacKinnon's decision marked a change of mind by the Liberal government of Prime Minister Justin Trudeau, which had said it wanted to see the matter settled at the bargaining table.

"We gave negotiations every possible opportunity to succeed ... but we have an impasse here," MacKinnon said.

"And that is why we have come to this decision today."

RELIANT ON RAIL

Business groups and companies had demanded the government act. Trudeau, in a post on X, said "collective bargaining is always the best way forward," but added governments must act when faced with serious consequences to supply chains and the workers who depend on them.

Canada is the world's second-largest country by area and relies heavily on railways to transport a wide range of commodities and industrial goods. Its economy is heavily integrated with that of the United States, meaning a stoppage would roil North American supply chains.

"We are pleased the government has responded to our calls to intervene ... A prolonged stoppage would have imposed enormous costs on Canadian business," the Canadian Manufacturers & Exporters, an industry group, said in a statement.

The rail companies previously said they were forced into the lockouts to avoid strikes at short notice. They said they had bargained in good faith and made multiple offers with better pay and working conditions.

Paul Boucher, head of the Teamsters rail union, had accused CN and CPKC of being "willing to compromise rail safety and tear families apart to earn an extra buck".

Unions typically do not want contracts decided through arbitration as it removes their leverage from withholding labor to secure better terms. The left-leaning New Democratic Party, which has traditionally received strong union support and props up Trudeau's government, opposed the government's decision.

"Justin Trudeau has just sent a message to CN, CPKC and all big corporations - being a bad boss pays off," party leader Jagmeet Singh said in a statement.

The stoppage has crippled shipments of grain, potash and coal while also slowing the transport of petroleum products, chemicals and autos.

Tens of thousands of people who depend on certain commuter rail lines into Toronto, Vancouver and Montreal were also hit by the lockouts, since all train movement on these CPKC-owned lines had halted indefinitely.

The stoppage was largely rooted in scheduling, availability of labor and demands for better work-life balance, according to the union and companies. It comes after Ottawa introduced new duty and rest-period rules in 2023.

South Korea’s MFG tenders for 70,000 T corn, traders say

South Korea's Major Feedmill Group (MFG) has issued an international tender to purchase up to 70,000 metric tons of animal feed corn to be sourced from either South America or South Africa only, European traders said.

The deadline for submission of price offers in the tender is also Friday, Aug. 23. The corn is sought for arrival in South Korea in one consignment around Dec. 23.

Between 55,000 and 70,000 tons are sought, with the seller free to decide the volume to be offered within this range. Shipment is sought between Oct. 25 and Nov. 13 if sourced from South America or Nov. 4 and Nov. 23 if from South Africa.

Price offers in the tender are sought both in outright terms per ton cost and freight included (c&f) or at a premium over the Chicago December corn contract. Offers over $235 a ton c&f will not be accepted, traders said.

Asian import interest was sparked after Chicago Board of Trade corn futures fell on Thursday as strong results from a major crop tour in the United States reinforced expectations of bumper U.S. harvest, traders added.

Picture of the Day

An aerial view shows illegal mining, also known as garimpo, at a deforested area of the Sarare Indigenous Land, in Mato Grosso State, Brazil, August 21. Fabio Bispo/Greenpeace Brazil/Handout via REUTERS

(Inside Commodities is compiled by Haritha K P in Bengaluru)

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