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Top News - Oil

U.S. senators want secondary sanctions on Russian oil

Democratic and Republican senators on Tuesday proposed that U.S. President Joe Biden's administration use secondary sanctions on international banks to strengthen a price cap G7 countries plan to impose on Russian oil over Moscow's invasion of Ukraine.

Democratic Senator Chris Van Hollen and Republican Senator Pat Toomey announced a framework for legislation to impose the secondary sanctions, which would target financial institutions involved in trad e finance, insurance, reinsurance and brokerage of Russia oil and petroleum products sold at prices exceeding the cap.

Both senators are members of the Senate Banking Committee, which oversees sanctions policy.

They said the ability to target banks would make it harder for Russia to evade the price cap through deals with countries not formally participating in the G7 scheme.

"If you want to set a worldwide price cap on Russian oil, you need to ensure that it's uniformly applied. And to do that, we believe you need the backup of the secondary sanctions," van Hollen said on a call with reporters after a Banking committee hearing on Russia sanctions.

"I think the president needs new authority from Congress to enforce the price caps on anyone who buys oil from Russia at a price above the cap that's been set or in significantly increased volumes," Toomey said on the call.

The Biden administration has been reluctant to impose secondary sanctions, concerned they could complicate relations with importers of Russia oil like China and India.

Elizabeth Rosenberg, Treasury Assistant Secretary for Terrorist Financing and Financial Crimes, told the hearing the price cap was a powerful tool to hit Russia and stabilize energy prices.

The U.S. Treasury has said that anyone who falsifies documentation or otherwise hides the origin or price of Russian oil would face consequences under the domestic law of jurisdictions implementing the price cap.

The Group of Seven announced the price cap plan this month to limit Russia's lucrative oil export revenue in the wake of the invasion. Several countries have banned imports of Russian crude and fuel, but Moscow has managed to maintain its revenues through increased crude sales to Asia.

"The price cap we believe will have a powerful effect in doing several things, certainly in the first instance denying Russia's revenue to fund its war," Rosenberg said. "And secondly, by keeping Russian oil in the market at lower prices, it will reduce the potential for price spikes in the market."

Also at the hearing, Democratic Senator Kyrsten Sinema asked Rosenberg what Washington can do to address the blending of Russian oil by the country's producers with crude from other nations to circumvent sanctions.

Rosenberg indicated that Treasury will in coming weeks release guidelines to address the issue.

"We have an opportunity to offer further clarity and guidance on this important point in the forthcoming guidance and frequently asked questions that the U.S. government will put out in the coming weeks," she said.

Europe pays up to grab Russian diesel ahead of difficult winter

European diesel buyers are willing to pay more for Russian cargoes than they were in May, as traders look to get their hands on supplies ahead of a difficult winter and global shortage of the fuel, industry sources said.

The European Union will stop buying all Russian crude oil delivered by sea from early December and will ban all Russian refined products two months later, to curb Russia's oil-export revenue in response to Moscow's invasion of Ukraine.

A number of large oil firms have already stopped buying from Russia following the invasion, which Moscow calls a "special military operation".

As demand fell for Russian diesel, its discount to the fuel produced elsewhere reached $30 a tonne by May.

But the discount has since narrowed to around $6 a tonne in northwest Europe and $10 a tonne in the Mediterranean as demand for the fuel has risen, three trading sources said.

Diesel cargo prices and barge prices in northwest Europe have fallen by around 20% since May, according to Refinitiv Eikon. But traders still attributed the narrower discount of Russian diesel compared to non-Russian fuel to higher demand.

"Those that can, will buy Russian and stockpile. Gas-to-oil switching has added to demand and we're switching to winter diesel. This is one of the factors why Russian stuff is not as cheap as it used to be," one European trader said.

The Netherlands is buying millions of barrels of non-Russian diesel as it seeks to safeguard winter energy supplies. Two tenders were posted by the Netherlands Petroleum Stockpiling Agency last week seeking 2.8 million barrels of EN-590 Dutch Winter Grade diesel. They are to be delivered to storage facilities in Amsterdam by the end of the year.

Smaller discounts of Russian diesel to fuel produced elsewhere only safeguard Russia's earnings ahead of sanctions. Top Russian oil producer Rosneft on Thursday posted a 13% rise in half-year net profit helped by tight

cost controls. The Group of Seven (G7) plans to implement a price cap on Russian crude and refined products.
Europe relies heavily on Russian diesel for a winter specification which can withstand cold weather conditions.
The specification change comes into force in Europe in November but some firms want to buy the product as early as August to replenish tanks, one Mediterranean diesel trader said.
Although it has declined, Russian diesel continues to make up the largest portion of European imports at 44% this month, data from Vortexa show.
"Immediate supply is no concern but if (refinery) turnarounds are prolonged or not coming back according to plan, the winter might be a challenge," one European trader said.
Those that are unable to buy Russian diesel will likely look to the United States and China for winter-specification diesel, traders said. China is expected to issue a fifth batch of refined fuel export quotas for 2022 in the fourth quarter, which could add global fuel supply.
The diesel futures market remains in backwardation, where current prices trade at a premium to prices for future deliveries. This makes it uneconomical for traders to put diesel into storage and book a profit.
As a result, stocks of diesel and gasoil in northwest Europe are well below seasonal levels.
But recent volatility in the backwardation has prompted "market speculation" and there has been a recent pickup in demand to rent diesel storage space, one industry source said on condition of anonymity.
"People that have tanks are holding on even if they are empty, because if you give it away, you never get it back," the source said, adding there is little free storage available to rent across northwest Europe.
"There is a bit of concern on how to survive the winter," one trader said.

Top News - Agriculture

EXCLUSIVE- Climate change, conflict decimate Syria's grain crop - UN FAO

Climate change, a faltering economy and residual security issues have decimated Syria's 2022 grain crop, leaving the majority of its farmers in a precarious position, the United Nations Food and Agriculture Organization (FAO) said.
Syria's 2022 wheat harvest amounted to around 1 million tonnes, down some 75% from pre-crisis volumes, while barley was almost non-existent, Mike Robson, FAO's Syria Representative told Reuters.
Erratic rainfall patterns in the past two seasons have shrunk Syria's wheat crop from around 4 million tonnes annually pre-war, enough to feed itself and export to neighbouring countries in a good year.
Now after more than a decade of conflict many farmers are struggling with harsh economic conditions and security issues in some areas while having to adapt to the new realities of changing weather conditions.
The meagre harvest adds strain on Syria's sanctions-hit government as it struggles to source wheat from the international market. Food is not restricted by Western sanctions but banking restrictions and asset freezes have made it difficult for most trading houses to do business with Damascus.
International import tenders conducted by the state's main grain buyer, Hoboob, have repeatedly failed in previous years with most wheat sourced from ally Russia.
Global wheat prices have also surged since February, after Moscow's invasion of Ukraine halted grain exports from the Black Sea for months.
"Climate change isn't easy anyway but it is doubly not easy in a place like Syria with high inflation, no power, no good quality inputs and some residual security issues that are still playing up in parts of the country," Robson said.
The bulk of Syria's wheat crop, or around 70%, relies on rainfall with irrigation underdeveloped due to war.
Compared to planted areas, the harvest was around 15% of what farmers expected of the rainfed wheat areas.
"When the rain fell it was concentrated and it didn't follow traditional patters," Robson said.
"A late start to the rainfall meant that farmers were delayed in planting and they couldn't prepare their land in time and then the rains finished early by March," he said.
Farmers in Syria typically plant their wheat crop around November-December and harvest in May-June.
Syria's economy is also faltering under the weight of its complex, multi-sided conflict, now in its twelfth year.
The collapse of the Syrian pound has driven up the price of good quality fertilizers, seeds and fuel needed to power water pumps. On Monday, Syria further weakened its official exchange rate to the U.S. dollar by roughly seven percent.
The productivity of one hectare of wheat planted in irrigated lands should be around three to four tonnes but is currently at only around two as farmers struggle with agricultural inputs.

PRECARIOUS EXISTENCE

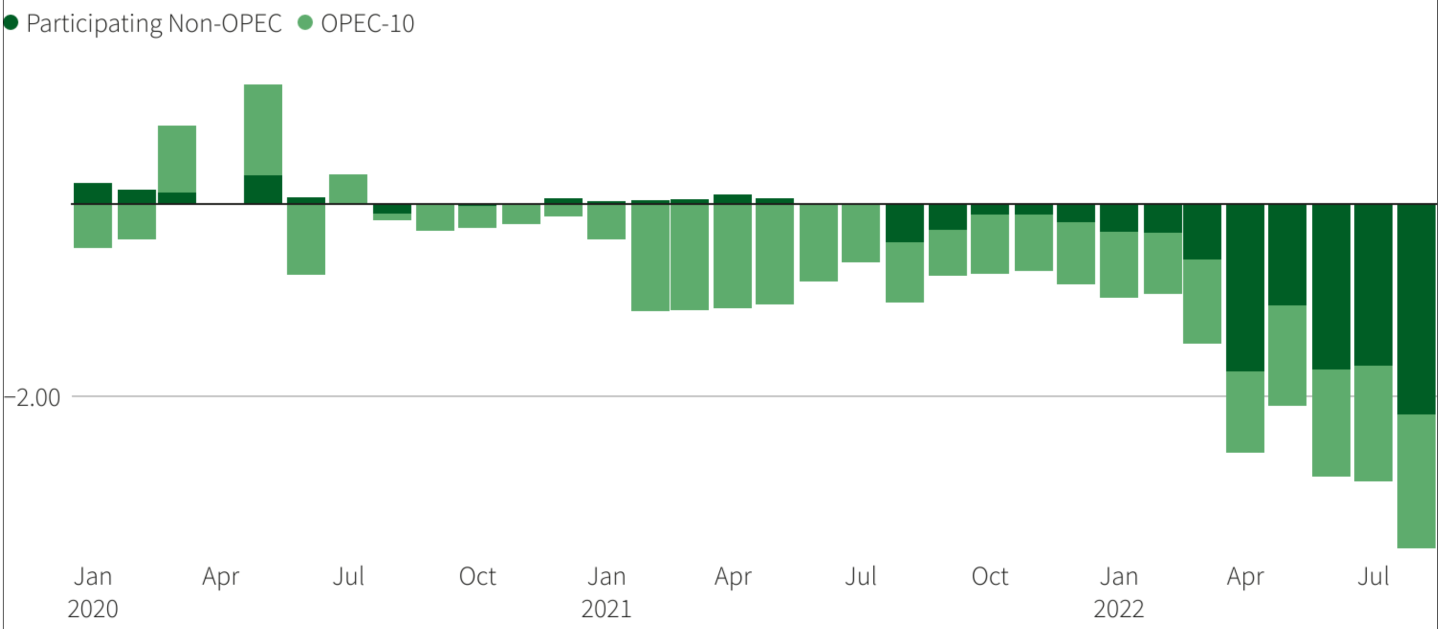
The one million tonne production figure is far lower than government estimates of around 1.7 million tonnes.
The government did not immediately respond to a request for comment on the figures.
The FAO estimate translates into a need to import around 2 million tonnes from abroad to feed government-controlled areas.
A drop in global wheat prices in August, partly on the back of grain exports resuming from Ukraine under a July deal between Kyiv and Moscow makes the situation less dire than a couple of months ago but there are still concerns over the government's ability to provide funding for purchases.
"The (international) market is slowly getting back to functioning but I'm still concerned as obviously there's a need

for foreign exchange to buy the wheat," Robson said.
With the barley crop also failing, some sheep herders are choosing to de-stock, selling most of their animals as they are unable to feed them.
Syria used to be able to produce around 4-5 million tonnes of feed barley a year to feed its livestock but this year many are struggling to keep their livelihood.
"When they needed to buy feed, sheep farmers used to sell one animal to buy a tonne of barley for instance and they can feed 20 with that," Robson said.
"This year they would need to sell 10 animals."
The effects are already being felt in the food market where poultry meat is now selling for more than lamb as financially struggling farmers continue to sell their sheep.
"The price will go way down but then it will become in short supply and it will be a real problem," Robson said.
Areas that are relatively lush in winter and could be used for grazing animals are plagued with lingering security issues and so livestock keepers prefer not to venture there.
Farmers who have been unable to make a profit for the past couple of years are now worn out financially and may consider other livelihoods as opposed to taking on more debt to grow more grains.
"It is a very uncertain and precarious existence farming in rainfed conditions right now."

INSIGHT- As war, drought hit global crops, Argentina gambles on GM wheat
In fields near Argentine farm town Pergamino, spiky green shoots of wheat stretch in neat rows to the horizon, a crop developers hope will boost yields of the grain thanks to a single gene borrowed from sunflowers helping it better tolerate drought.
Reached along a dusty farm track, the field is one of dozens of sites growing a genetically modified (GM) wheat strain called HB4, developed by local firm Bioceres and state scientists. Argentina, the world's No. 6 wheat exporter, gave commercial planting approval to HB4 in 2020. It was the first GM wheat strain in the world to receive such approval.
Its backers say HB4, also modified to tolerate the herbicide glufosinate-ammonium, could help ward off food shortages at a time when climate change has led to severe droughts in China, North America and Europe, and a war between major growers Russia and Ukraine has snarled food supply chains.
Many environmental and consumer groups have resisted GM wheat, fearing unforeseen side-effects from changes to the genome in a grain used in bread, pasta and other staples. Genetic modifications have long been used in soy and corn, used predominantly for animal feed.
Bioceres is leading the way globally towards commercial-

Chart of the Day

OPEC+ supply shortfall hits record in August



Note: in mln barrels per day
Source: OPEC+ internal data

izing GM wheat, Reuters found from interviews with the firm and importers, documents on U.S. field trials obtained through a freedom of information request and a rare visit to the Argentina test fields.

The firm has gained varying levels of approvals in Brazil, Nigeria, Australia and New Zealand. It is using blockchain and georeferencing to avoid contamination with regular wheat, a risk local farmers fear could prompt import bans.

"There is some ignorance about what transgenic is, it is not a monster," said Raquel Chan, biochemist and researcher at the National Council for Scientific and Technical Research (CONICET) who led development of the strain, now licensed to Bioceres.

She explained the plant was "almost indistinguishable" from normal wheat, but that it could better tolerate a lack of water due to an extra gene edited in from the sunflower plant.

"It's something that could have happened in nature and has in fact happened in other instances... Normally it takes thousands of years. We just did it faster."

HB4 could improve crop yields 20% versus regular wheat under dry and warm conditions, according to a 2020 academic paper, published in Frontiers in Plant Science and on which Chan was a co-author.

Even with Argentina's approval, Bioceres has yet to start selling the GM wheat for commercial use in the South American country. It is also testing it in neighboring Brazil.

GM WHEAT: STILL TABOO?

In the Bioceres laboratories in Argentina's inland grains port hub of Rosario, on the banks of the Parana river, Reuters saw scientists working on strains of soy, a GM crop long established in the global food supply chain.

GM wheat, however, has long been taboo.

"The main concern is the possibility that GM wheat and non-GM wheat could end up mixing," said Julio Calzada, chief economic analyst at Argentina's Rosario grains exchange.

"This could spark bans in international markets and Argentina needs these $4.5 billion dollars in exports. They're key at such a complicated moment for the country's economy."

No other global seed company has publicly endeavored to develop GM wheat since 2004, when giant seed maker Monsanto, now owned by Bayer AG, dropped plans to develop GM wheat that could withstand its weed killer Roundup. Consuming countries were threatening bans of U.S. wheat, even though the company has long sold corn and soy whose genomes were changed to withstand Roundup, or glyphosate.

In 2020, Bayer agreed to pay billions of dollars to settle lawsuits by people who claimed they were harmed by its weedkiller.

U.S. Department of Agriculture records show agribusiness companies BASF SE, Biogemma USA Corp, and Pioneer Hi-Bred International, owned by Corteva Inc, received permits for GM wheat trials in the United States in recent years. BASF told Reuters it discontinued the trials in 2019 and is developing wheat through traditional breeding methods. Corteva said it does not intend to commercialize wheat from its trials. Biogemma conducted field trials only for research and development, according to owner Limagrain. Bayer said it is not working with GM wheat.

Bioceres has said it is trying to get commercial approval from the U.S. and Australian governments for planting HB4 wheat in those countries.

In Indonesia, top buyer of Argentina's wheat behind Brazil, the head of the wheat flour mills association Ratna Sari Loppies played down contamination worries, but said millers there would not yet buy Argentina's GM wheat to avoid a "negative" impact on their own exports of consumer wheat products.

Brazil, which hopes to boost its own wheat harvest and exports of the grain, appears to have softened its stance. Rubens Barbosa, president of the Brazilian flour millers association Abitrigo, said he believes Brazil might approve HB4 wheat. In 2020 he had threatened to halt wheat imports from Argentina after its government approved Bioceres' GM wheat. Brazil approved flour made from HB4 wheat in 2021.

"The seeds that will come and be planted in the north of Cerrado will have higher yields," he said in August, referring to the GM strain. "All of these factors justify optimism related to output and Brazil's self-sufficiency in wheat production."

THE 'MESSI' GENE

In the Pergamino test fields, Reuters crossed regular farm gates and fences to access the growing area estimated at some 80 hectares where the GM wheat strain was planted.

Bioceres said it has taken strong steps to avoid cross-contamination, including using blockchain technology in a "preserved identity production system" to ensure traceability of the HB4 strain.

The crop is audited at planting and harvesting. Planters must georeference in a computer system the areas planted with HB4 and any work done in those fields. Growers receive financial incentives to ensure compliance and regular inspections are carried out, Bioceres said. Seeds stored in silo bags are monitored until shipment and paperwork documents the chain of custody of the seeds and grains during transport.

Federico Trucco, Bioceres chief executive, said these steps help win over doubters. A new landmark is the recent approval in Nigeria, the only country to fully approve imports of HB4 wheat grains. He said the firm was pushing in Indonesia and Vietnam, as well as North Africa. In Brazil consumers and millers were warming up to GM wheat, he added.

"Approvals are happening much faster than anticipated," Trucco told Reuters in Rosario, where at a nearby laboratory HB4 wheat was being grown to produce seeds, with

tall golden heads of the cereal in a specialized greenhouse. Trucco said Russia's invasion of Ukraine and severe droughts in Europe and China had shifted the needle on drought-tolerant GM wheat. The United Nations has warned that droughts could be the next "pandemic" as global temperatures rise.
Chan, who helped develop HB4, cited Argentine soccer great Lionel Messi to explain how the sunflower gene could help as drought events increased worldwide.
"Wheat has a regulatory protein for response to water stress but it is not as good," she said. "It's like the sunflower lends it a good gene. Imagine yourself as a team of soccer players... if you add in Messi to the mix you will obviously do better."

Top News - Metals

BHP coal mine workers in Australian state set to vote on industrial action
Workers at four mines of the BHP Mitsubishi Alliance (BMA), which owns Australia's largest metallurgical coal fields, will vote on strike action over working conditions and job security, their union said on Wednesday.
The possibility of industrial action at some sites of BHP Group's joint venture with a unit of Mitsubishi Corp in Australia's Queensland state comes as prices slump due to weaker steel demand in China.
Coking coal futures on the Dalian Commodity exchange closed at 2,192.5 yuan on Sept. 20, down from a high of 3,741 yuan in March.
"We had 15 months of negotiations with BHP, then another three months of negotiations assisted by the Fair Work Commission, but BHP refuse to do the right thing," Stephen Smyth, the Mining & Energy Union's (MEU) Queensland president, said in a statement.
Mitsubishi Development and BHP, one of the world's biggest miners, did not immediately respond to a request seeking comment.
BMA, owned 50:50 by BHP and Mitsubishi Development, is Australia's largest producer and supplier of seaborne metallurgical coal. The alliance operates seven mines in central Queensland's Bowen Basin as well as the Hay Point Coal Terminal.
Smyth said the union will fight to protect permanent jobs after a steady decline over the last decade. Talks have not reached the point of discussing wage hikes as the focus was on working conditions, especially on job security, he said.
The union filed an application to strike with Australia's workplace regulator on Monday but a date has not yet been set for the vote, a union spokesperson said in an emailed response.
More than 2,000 workers across four of BMA's seven

MARKET MONITOR as of 06:30 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$84.85 / bbl	1.08%	12.82%
NYMEX RBOB Gasoline	$2.48 / gallon	1.26%	11.23%
ICE Gas Oil	$995.25 / tonne	1.95%	49.21%
NYMEX Natural Gas	$7.84 / mmBtu	1.61%	110.21%
Spot Gold	$1,674.59 / ounce	0.69%	-8.41%
TRPC coal API 2 / Dec, 22	$312 / tonne	2.31%	153.66%
Carbon ECX EUA / Dec, 22	€70.50 / tonne	-0.90%	-12.59%
Dutch gas day-ahead (Pre. close)	€179.00 / Mwh	5.04%	169.17%
CBOT Corn	$6.94 / bushel	0.25%	16.94%
CBOT Wheat	$8.94 / bushel	-0.41%	15.96%
Malaysia Palm Oil (3M)	RM3,754 / tonne	0.45%	-20.08%
Index (Total Return)	**Close 20 Sep**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	299.92	-0.08%	21.42%
Rogers International	30.85	0.75%	32.38%
U.S. Stocks - Dow	30,706.23	-1.01%	-15.50%
U.S. Dollar Index	110.44	0.20%	15.08%
U.S. Bond Index (DJ)	390.62	-3.29%	-16.89%

mines come under the current employment agreement, the union said.
BHP's Queensland coal operations, which also include two mines operated by the miner independently, produced 41 million tonnes of the steel-making coal in fiscal 2021. This is roughly 4% of the global total, data from the International Energy Agency showed.

Europe upstages China as main driver for copper outlook

Shrinking copper demand in Europe due to a manufacturing recession caused by the energy crisis will dominate market sentiment for some time with prices likely to retreat towards two-year lows early next year.
Copper prices typically react to the ebb and flow of demand in China, which accounts for half of global consumption estimated at around 25 million tonnes this year.
But this time the focus is on Europe, accounting for 15%-20% of global demand for copper used in power and construction.
The region is facing surging gas and power prices after energy supply cuts, which Russia blames on Western sanctions over the Ukraine conflict. The European Union has made proposals to impose mandatory targets on member countries to cut power consumption.
"It would be rare to see an outright decline in demand, but I think that's what we are going to see in Europe over the next 3-6 months," said Citi analyst Max Layton.
"There will be a very substantial seasonal surplus between December and March, the combination of which is going to bring copper down to 6,600." Benchmark copper prices on the London Metal Exchange (LME) fell to $6,955 a tonne in July, the lowest since November 2020 when COVID lockdowns hit manufacturing activity around the world.
Weak copper demand means surpluses.
Macquarie analysts expect a copper market surplus of 691,000 tonnes in 2023 from a 162,000 tonne deficit this year. They expect global refined copper production at more than 26 million tonnes in 2023.
"The economic outlook ex-China has worsened, particularly in Europe due to the ongoing energy crisis," said Macquarie analyst Marcus Garvey.
"We do not think China will be able to offset the slowdown elsewhere. Inventories will build next year, but how much will be visible is difficult to say."
Copper stocks in LME and CME Group registered warehouses and in those monitored by the Shanghai Futures Exchange are visible and total around 189,000 tonnes.
Low stocks in exchange warehouses have supported copper prices, while worries about supplies on the LME have also created a hefty premium for the cash over the three month contract. Invisible inventories include those held by producers, traders and state stockpiles such as those held by China. Modelling by Citi analysts shows invisible stocks outside China could total around 500,000 tonnes. "We see an adequate inventory buffer to bridge the gap between now and a more pronounced demand slowdown as potential recession in Europe plays out over the winter months," Layton said.

Top News - Carbon & Power

Germany nationalises gas importer Uniper

Germany has agreed to nationalise Uniper by buying Fortum's stake in the gas importer to secure operations and keep its business going, the three parties involved said on Wednesday.
The agreement comprises a capital increase of 8 billion euros ($7.94 billion) for an issue price of 1.70 euros per share excluding the shareholders' subscription rights, Uniper said in a statement.
After completion of the capital increase, which will exclusively be signed by the German government, and the share buy, the government will hold around 99% of Uniper, the economy ministry said.
The package "creates a clear ownership structure in order to secure Uniper, and thus the energy supply for companies, municipal utilities and consumers," it said.
German Economy Minister Robert Habeck will make a statement at 08:30 a.m. (0630 GMT) on Uniper, it said.
Russia cutting back natural gas supplies and last month closing the Nord Stream 1 gas pipe have led Uniper, Germany's largest gas importer, to financial dire straits, triggering a rescue package with Berlin which was agreed in July.
Fortum will be paid back a 4-billion-euro parent company loan and released from its 4-billion-euro parent guarantee which it had given to Uniper earlier this year, Fortum said.

ANALYSIS- Europe energy crisis may deepen with looming liquidity crunch

Europe's problems in sourcing oil and gas this winter after a dispute with Russia may be exacerbated by a new crisis in the market where prices are already red-hot: a liquidity crunch that could send them spiralling higher still.
But European governments have only belatedly rallied to offer financial support to power providers on the brink of collapse, in an effort to ease pressure on a market whose smooth operation is vital to keep people warm.
"We have a dysfunctional futures market, which then creates problems for the physical market and leads to higher prices, higher inflation," a senior trading source told Reuters.
The problem first came to light in March when an association of top traders, utilities, oil majors and bankers sent a letter to regulators calling for contingency plans.
This was triggered by market players rushing to cover their financial exposure to soaring gas prices through derivatives, hedging against future price spikes in the physical market, where a product is delivered, by taking a

'short' position. Market players typically borrow to build short positions in the futures market, with 85-90% coming from banks. Some 10-15% of the value of the short, known as minimum margin, is covered by the traders' own funds and deposited with a broker's account.

But if funds in the account fall below the minimum margin requirement, in this case 10-15%, it triggers a 'margin call'.

As prices for power, gas and coal have risen over the past year, so have the price of shorts, with the resulting margin calls forcing oil and gas majors, trading firms and power utilities to tie up more capital.

Some, particularly smaller firms, have been hurt so badly they have been forced to exit trading altogether as energy prices soared after Russia's invasion of Ukraine in February, which made a general global shortage worse.

Any such drop in the number of players reduces market liquidity, which can in turn lead to even more volatility and sharper spikes in prices that can hurt even major players.

Since late August, European Union governments have stepped in to help utilities such as Germany's Uniper.

However, with winter price spikes lying ahead, there is no indication of whether or how quickly governments and the EU can back banks or other utilities that need to hedge their trades.

Exchanges, clearing houses and brokers have raised initial margin requirements to 100%-150% of contract value from 10-15%, senior bankers and traders said, making hedging too costly for many.

The ICE exchange is, for example, charging margin rates of up to 79% on Dutch TTF gas futures.

Although market participants say that fast disappearing liquidity could severely reduce trading in fuels such as oil, gas and coal and lead to supply disruptions and bankruptcies, regulators still say the risk is small.

Norwegian state-owned firm Equinor, Europe's top gas trader, said this month that European energy companies, excluding in Britain, need at least 1.5 trillion euros ($1.5 trillion) to cover the cost of exposure to soaring gas prices.

That compares with the $1.3 trillion value of U.S. subprime mortgages in 2007, which triggered a global financial meltdown.

However, one European Central Bank (ECB) policymaker told Reuters that worst case scenario losses would amount to 25-30 billion euros ($25-30 billion), adding the risk lay with speculators rather than the actual market.

'NEED TO HEDGE'

Some traders and banks have nevertheless asked regulators such as the ECB and the Bank of England (BoE) to provide guarantees or credit insurance to brokers and clearing houses to lower initial margining levels to pre-crisis times.

Doing this, sources familiar with talks said, would help bring participants back into the market and increase liquidity.

The ECB and BoE have met several big trading houses and banks since April, four trading, regulatory and banking sources said, but no concrete measures have resulted from the consultations, which have not previously been reported.

"It's too big a single point of risk for a bank. The banks have hit or are close to hitting their liquidity risk and counterparty risk levels," a senior banking source involved in commodities finance said.

Banks have a certain level of capital they can tie up to a particular industry or a particular player and the price spikes and a reduction of players are currently testing those levels.

The ECB has repeatedly said it did not see systemic risk that could destabilise the banking sector. The ECB declined to offer fresh comment.

ECB President Christine Lagarde said this month she would support fiscal measures to provide liquidity to solvent energy market participants, including utility firms, while the ECB stood ready to provide liquidity to banks if needed.

Britain's Treasury and Bank of England, meanwhile, announced a 40 billion pound ($46 billion) financing scheme this month for "extraordinary liquidity requirements" and short term support to wholesale energy firms.

A Treasury spokesman said the measures are being taken at the appropriate moment after watching the market for some time and in line with European peers.

Yet the markets for energy and commodities remain opaque, with physical trades hedged with financial instruments depending on internal rules set by the various companies involved.

And since no regulator or exchange maintains a central register for trades it is impossible to see the full picture, sources at several large commodities houses told Reuters.

For some, however, the signals are clear to see.

"Open interest and volumes have come down significantly as a result of what is happening on the margining front," Saad Rahim, chief economist at Trafigura, told a conference last week. "It will ultimately have an impact on the physical volumes that are being traded because physical traders need to hedge."

Top News—Dry Freight

Indian rice shipments stuck at ports, traders seek government help

At least 20 ships are waiting to load around 600,000 tonnes of rice at Indian ports as New Delhi's surprise export restrictions have trapped cargoes for nearly a fortnight, forcing sellers to pay demurrage charges, industry officials told Reuters. India banned exports of broken rice and imposed a 20% duty on exports of various other types on Sept. 8, as the world's biggest exporter of the grain tries to boost local supplies and calm prices after below-average monsoon rainfall curtailed planting.

The surprise move trapped cargo that was moved to the ports or was in transit before the government made the announcement, said B.V. Krishna Rao, president of The Rice Exporters Association (TREA).

"We have requested the government to provide concession to this transitional cargo as we are paying hefty demurrage charges," he said.

Apart from 600,000 tonnes rice that is waiting for the loading at berthed vessels, a further 400,000 tonnes of rice is stuck at port warehouses and container freight stations (CFS) even though contracts are backed by letters of credit (LCs), he said.

Broken rice shipments are stuck because of the ban, while in the case of white rice buyers and sellers are not willing to pay the 20% duty over the agreed price, dealers said.

"When contracts were signed there wasn't any tax on the exports. Since exports now attract the tax, there is dispute who will pay the tax over the agreed price," said a New Delhi-based dealer with a global trading firm.

In similar circumstances, New Delhi has in the past provided exemptions for contracts backed by LCs, or payment guarantees, issued until the day the government made a policy change. But that has not happened this time.

Stuck broken rice shipments were heading to China, Senegal, Senegal and Djibouti, while other grades of white rice were bought by buyers in Benin, Sri Lanka, Turkey and the United Arab Emirates, exporters said.

India exports rice to more than 150 countries and any reduction in shipments would increase upward pressure on food prices, which are already rising because of drought, heatwaves and Russia's invasion of Ukraine.

Brazil's September corn export view shy of monthly record as Anec revises data

Brazilian corn export estimates were revised lower on Tuesday, narrowing the chance of a monthly record in shipments, according to data from the National Association of Cereal Exporters (Anec). Anec reduced September's corn export estimate by more than 200,000 tonnes, to up to 7.618 million tonnes. This compares to exports as high as 7.880 million tonnes predicted last week for the current month.

Had Anec maintained last week's view on corn exports, Brazilian shipments in September could have surpassed the 7.670 million tonnes from August 2019, the monthly record so far.

Analysts predict that Brazil could export more than 40 million tonnes of corn this year, in part to fill a supply gap in Ukraine, a major exporter.

If they are right, Brazil may once again become the second biggest global corn exporter, behind the United States.

In spite of a slightly lower forecast for September, Brazil is on track to ship the largest monthly volume for this year, surpassing August's total -- when corn exports reached about 6.9 million tonnes.

Anec's data is based on shipping schedules, and the actual pace of shipments depends on factors such as the weather at ports.

Anec estimates corn exports of 26.5 million tonnes between January and September, above the 20.6 million tonnes for the whole of 2021, when a drought reduced supply and curtailed trade.

In September of last year, for example, Brazilian shipments totaled just 2.5 million tonnes.

SOY

Soybean exports from Brazil may reach up to 4.152 million tons in September, compared with 4.471 million estimated in the previous week, which implies a reduction of 550,000 tonnes from the same year ago month.

This year, Brazilian soybean exports are weaker due to the crop failure in the south of the country and reduced demand from China.

Picture of the Day

A woman jogs by power lines in Mountain View, California, U.S.. REUTERS/Carlos Barria

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(Inside Commodities is compiled by Jerin Tom Joshy in Bengaluru)

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