

brings you the latest issue of the

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Market Watch

Every month, **GREENEA** provides our clients & partners with reliable and up-to-date information about feedstock and biodiesel markets. All the information in our monthly Market Watch is based on the last traded prices.

DOUBLE COUNTING INDICATORS

DOUBLE COUNTING	MARKET PRICE FORECAST SHORT TERM	MARKET PRICE FORECAST MID TERM	SUPPLY	DEMAND
UCO – EU				
Tallow Cat 1&2				
UCOME – EU				
TME – EU				



VEG-OILS: SUPPLY TO OUTGROW THE DEMAND NEXT SEASON

Palm oil

After a huge price drop of almost 10% to around USD 677 per MT CIF Rotterdam in the first 10 days of October, palm oil prices recovered to USD 745-750 per MT in the second half of the month. The recovery was mainly due to disappointing output figures in Malaysia and Indonesia.

Palm oil production in Malaysia rose only by 0.8% month-on-month in September to 1.72 million metric tons which represents the lowest output in 6 years at this period of the year. This should still be the consequence of last year's El Nino which brought dry weather to the producing regions of Indonesia and Malaysia.

At the same time, stockpiles increased by around 6% from August to September to 1.51 – 1.55 million tons as the demand from India and China slowed down. Over the period, exports towards the two main buyers fell by 40% and 34% respectively due to the competition of rival soybean oil.

Same situation in Indonesia, where stockpiles increased by 12% to 1.9 million metric tons in September.

Soybean

Soybean oil prices on the stock market followed the general bullish trend of oilseeds and increased, on average, by around 12% since the beginning of the month.

China remains one of the top soybean importing countries with around 7 million tons per month.

The total imports for the season 2016/2017 could reach the level of 86 million tons.

Argentina is expected to increase its biodiesel production and process more soybean oil. This strategy aims at generating more value out of exports and sustaining the price of feedstock for local producers.

In Brazil, soybean seeding is now progressing rapidly. 28% of the area has been seeded against 20% at the same period last year.

Global vegoil production and consumption
(Aggregate of palm oil, soybean oil, rapessed oil, and sunflowerseed oil - in million tonnes)



Rapeseed

Rapeseed oil prices were booming in October and reached their highest level since July 2014. Rapeseed oil has increased by more than 9% since the beginning of the month and was traded at an average of USD 934 per MT in Rotterdam.

Mid of October, rapeseed prices were at their highest in one year at around 386 euros per ton. The pressure comes from lower expected output in Canada where harvest is still ongoing amid



wintry weather conditions. Nevertheless, Canadian output forecast remains at record-levels and the country accounts for 70% of the international trade of rapeseed/canola and their oils.

In Europe, the lack of rain on rapeseed seeding threatens yields and quality in France and Germany for the 2016/2017 campaign.

Global veg-oil overview for 2016/2017

The USDA forecasts that the aggregated production of the four main oils (palm oil, soybean oil, rapeseed oil and sunflower oil) will

offset the consumption for the next campaign. Even though the demand is still predicted to grow, the season 2016/17 should see record-high output for each of the veg-oils with the exception of rapeseed whose production is expected to decline by 1%.

At the same time, stockpiles are expected to reach a 13-years low in 2016/17. This may put additional pressure on veg-oil prices in case of lower output.



UCO: STRONG RIVALRY SOURCING UCO IN EU AND OVERSEAS

There is a strong tension on the UCO market at the end of the year due to a big increase in prices. We are currently at the levels from April 2014 with prices around 710 euros per ton in the North of Europe. But there is still a 5% increase necessary to reach the top level of 750 euros from 2013. And the fall in prices should not come fast even if the UCOME prices negotiated for Q1 of 2017 are currently traded €20 lower than December prices. The market of vegetable oils is bullish which also supports UCO prices.

So, it looks like 2017 might be a good year for the UCO collectors. However, it will not be free of tensions during the negotiation periods due to limited supplies. Unfortunately, we have seen that on the market with fast price changes and sourcing rivalry some buyers are not honouring the contracts at the expense of the buyers. This

relates especially to collectors from outside of Europe who, when the prices increase, may find it difficult to understand the importance of long-term relationships between buyers and sellers.

Otherwise, the UCO importation market is doing well despite a sharp drop of the EUR to 1.09. In spite of the rise of the USD, prices continue to go up to around \$680-715 per ton CIF depending on the quality.

Asian UCO market is very tense which is the result of strong demand coming from Europe further reinforced by the demand from the local market which continues to grow. At the same time, the deposits of UCO in Asia seem to be drying up. In addition, we can see that the quality is much worse than it used to be especially when it comes to the FFA, Sulphur and Phosphorus contents.



ANIMAL FAT: UPWARD PRICE TREND CONTINUES

No big change on the market of animal fat which is due to the fact that most of the contracts were negotiated for the whole Q3. However, there are still tensions on the market which is visibly oriented towards the buyers' side. Several TME producers are still not fully covered with feedstock for the last two months of the year.

2017 should be a good year for the animal fat cat 1 producers due to higher commodity prices and a big increase in the TME production capacity in the UK. The animal fats category 3 continue their

upwards trend to reach the levels around 730 euros per ton for FFA max 1% and levels around 680 or 690 euros per ton for FFA max 5%.

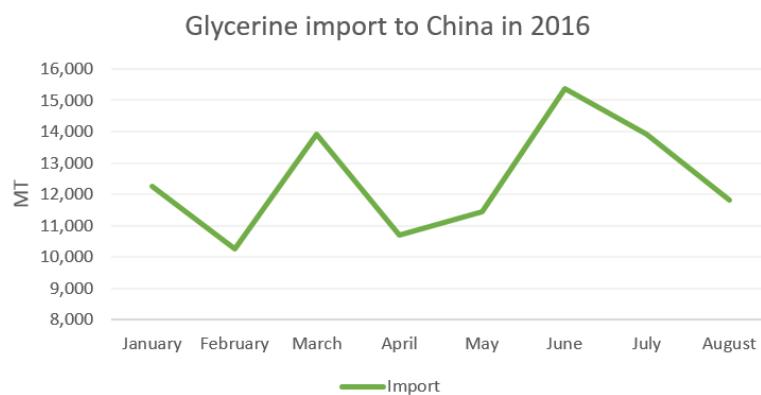
In the US, however, we can observe an unusual situation for this time of the year on the animal fat market. October is generally the month of the increased slaughtering there and lower demand, which pushes the prices down. However, this year the prices are sustained by bullish veg oils.



GLYCERINE: 2016 SEES A SHARP FALL IN CHINESE DEMAND

The import of glycerine to China in the first 8 months of 2016 is 31% lower than the volume imported to the country in the same period last year. Some sources say that it can be partly due to lower performance of some of the downstream sectors that are outputs for the imported glycerine. Gap between offers and bids prevented some of the trades in July and August, however, the demand from China increased in September which should reverse the falling import trend in July and August.

In October, crude glycerine NWE Europe was offered at around 165 euros per ton throughout the whole month. Crude glycerine 100% veg-oil based remained rather stable at around 200 euros per ton FCA Central Europe. We could, however, observe a fall in refined technical grade



glycerine prices in NWE Europe from around 430 euros at the beginning of the month to 400 euros last week.

The prices of glycerine FOB Argentina were stable at around 75-78 USD per ton for crude product and 373 USD for refined glycerine. 100% veg-oil crude glycerine was traded at around 210-215 USD FOB Argentina.



In the last days of September, Louis Dreyfus Commodities opened their new glycerine refinery located at their subsidiary's biodiesel plant in Claypol, Indiana in the US. The refinery is the second largest in the US and is dedicated to producing only Kosher and halal USP-grade glycerine. It can achieve 99.7% pure product. The capacity of the plant is 36,000 MT per year.

According to a recent study, the world glycerine market is valued at 1,408.5 million dollars by the end of 2016. The CAGR is at the level of 5.4% which will allow the sector to grow to 2,144.2 million USD by 2024.



BIODIESEL: PRICES REACHING THE PEAK FOLLOWING VEG-OIL TREND

The demand for the last months of the year starts to weaken and most of the buyers are already nearly covered. This reduced by 15-20 USD/MT the pressure on the prompt market (October-beg of Nov). Backwardation between Nov-Dec and Q1-2017 remains still high at around 60USD/MT.

The price of FAME (890€/MT) and RME (935€/MT) in Q4 are reaching their highest values since July 2013. The increase in FAME price is mainly due to the skyrocketing price levels of veg-oils. For example, rapeseed oil price increased by around 90€/MT since the beginning of October. However, we have an impression that this trend starts to slow down.

The fixed prices of double-counting material also reached highest levels since May 2014 (970€/MT for UCOME and 920€/MT for TME). Nevertheless, in 2014, the level of premium for DC was around 200-250 USD/MT (DC coefficient over FAME at 2.3 but GO was at 900USD/MT) when now we only have premium of around 90USD/MT. It is equivalent to a DC coefficient

lower than 1.2 and can be explained by a fiercer competition on DC production and still a reasonable margin for producers.

Now almost all producers are sold out for Q4-2016 and negotiations are starting for Q1-2017. The main challenge for DC producers is currently to secure their feedstock which is becoming increasingly difficult.

In France, it seems unlikely that the RBO traceability system will be implemented in January 2017. A proposal to adopt B10 has been rejected and delayed as well as the discussions about the extension of mandate to 100% for non-road diesel. The list of DC materials was published but we did not see any significant changes. The only change would be the introduction of a 1% target for advanced biofuels and it is said that PFAD would be included in the list of the feedstock but not double-counted.



ONCOMING EVENTS: NOVEMBER



19th Annual F.O. Licht's World Ethanol & Biofuels

Brussels, Belgium
7-10 November



6th International Symposium on Energy from Biomass and Waste

Venice, Italy
14-17 November

GREENEA, your broker for waste-based feedstock & biodiesel! Our activities focus on the brokerage of physical products covering the whole biofuels supply chain mainly specialized in waste-based biofuels and feedstock.

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