

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: US MANDATE INCREASE DRIVES UP VEG-OIL PRICES

Soybean Oil

The announcement of the US Environmental Agency of an increased biofuel mandate for next year and 2018 pushed up veg-oil prices at the end of the month. The biofuel production is expected to raise by 6.5% in 2017 and by 12% in 2018 while the soya-based biodiesel accounts for around 25% of the total output.

Soybean prices are further supported by weak stockpiles in South America caused by a reduced production in Argentina.

Soybean and soybean oil futures for January 2017 increased by around 3.7% and 6% respectively over November on CBOT markets.

In Argentina, soybean acreage is expected to drop by 0.4 million hectares to 20.2 million hectares. In Brazil, 83% of soybean acreage have been planted so far which represents 8% more surface than at the same period last year.

Palm Oil

As the main substitute for soybean oil, palm oil followed the bullish soybean trend. Over the month, palm oil prices increased by more than 4% and are traded at around \$772 per ton in Rotterdam. We noticed a sharp increase in the last week of November as the prices hit their highest level since September 2012.

The crude palm oil demand in Indonesia should keep increasing at least till 2020. The Government announced a forecasted blending plan that sets Indonesian CPO consumption at 10.6 million tons in 2020 against 6.3 million tons this year. The blending targets will increase

progressively and are expected to reach up to 26% of the country's output.

Rapeseed Oil

After a fall during the three first weeks of the month, rapeseed oil prices recovered on a bullish rapeseed trend. They increased by around 3% from the 18th of November and finished the month at \$904 per ton on average in Rotterdam. Last week, the prices of rapeseed increased by more than 2% and closed around 408 euros per ton (an increase of 7,5 €/t).

After Vienna's meeting on Wednesday 30th November, rapeseed oil and oilseed prices increased due to the OPEC members' agreement to reduce their oil production by 1.2 million barrels per day to 32,5 million bpd. Moreover, Russia said that it would also cut its production by 300 K bpd. Consequently, oil prices surged by around 10% with Brent back to above \$50 per barrel.

The canola harvest in Canada is not yet finished in the Saskatchewan Province, around 5% of the surface could not have been harvested due to harsh weather conditions. Statistics Canada is expected to give its final production estimates for 2016 on December 6th.



UCO: THE MARKET REMAINS STRONGLY BULLISH

The used cooking oil market is definitely bullish, supported by a significant increase in UCO demand coming from the U.S. and European biodiesel industry. The shortages on the used cooking oil market will have a price-boosting impact, especially if the biodiesel price and demand continue to increase.

Due to the strong demand, the market sees a lack of availability of UCO not only in the ARA region but also in Spain. In fact, there is high interest for UCO on the Spanish market this year-end coming from Portugal. The prices offered by Portuguese buyers for November and December are very aggressive (higher than in the ARA region). Thus, the UCO prices remain firm between 750-770 Euro/MT on FCA ARA basis.

Therefore, in spite of strong local demand in Spain, the export of UCO is growing. In the first eight months of 2016, the export volumes grew by 120% compared to the same period last year

and reached 34,000 MT. 29,000 MT were shipped to Portugal. At the same time, the country imported 63,000 MT of UCO in the period from January to August which still makes them a net importer.

The prices of imported UCO vary more depending on the quality and packaging. We see prices between \$700 to \$720 (FFA 5%, IV 75) for flexi tank and up to \$760 (FFA 5%, IV 75) for ISO tank. The spread between flexi and ISO tank is high because several biodiesel producers do not accept flexi tanks while handling costs are lower for ISO tanks. We note also strong premium for UCO with IV above 90 (Argentina, Japan, etc).

The UCO market in Europe, for prices negotiated in euros came back to the levels of 2013, but import prices have not gone sharply up yet due to the weakness of the euro against the USD (e.g. January 2014 EUR / USD 1.36 and end November 1.06).



ANIMAL FAT: PRICES BACK TO 2013 LEVELS

The prices of animal fat are back to the levels from December 2013. Since mid-November, the prices of all animal fat categories (cat 1, 2 and 3) are experiencing high upwards trend.

The prices of tallow category 3 are supported by strong demand (feed, food or technical) and trade between €770 to €800 for FFA between 2% to 5%. It is an increase of 120-140 euros compared to the previous quarter!

The negotiations for animal fat category 1 are still ongoing for the first quarter. There are strong tensions due to high demand and a sharp increase in TME prices of 40 euros between Q1 2017 and Q4 2016. Sellers are trying to foresee the future price of animal fats cat 1 to target the sales for Q1.



GLYCERINE: ASIA PACIFIC MARKET LEADS THE DEMAND

According to a recent study, the glycerine market is estimated to be valued at 2,144.4 million USD by 2024 with CAGR of 5.4% between 2016 and 2024. The biggest market will be Asia Pacific, followed by North America. At the end of 2016, the Asia Pacific glycerol market is valued at 536.6 million USD and its predicted CAGR will be 6.3% during the next 8 years. This should increase the sales of glycerine in Asia Pacific to 920.6 million USD by the end of 2024. In North America, however, the CAGR in the same period is calculated at 4.9% and will bring the market from 230.2 million USD in 2016 to 338.6 million USD at the end of 2024.

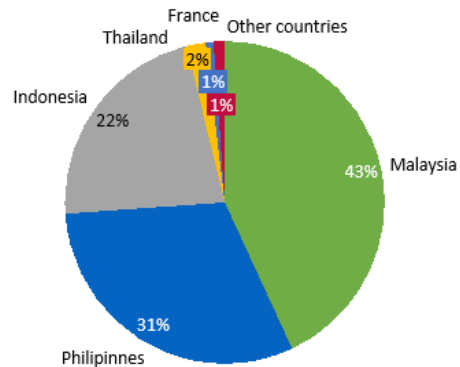
Japan has increased its glycerine imports by 20% between January and September 2016 as compared to the same period last year. The volumes went up from 49,342 MT in the first nine months of 2015 to 59,210.4 MT in the same period in 2016. In September 2016, the country imported 29% more glycerine than in August 2016 and 41% more than in September last year. Japan imports nearly exclusively refined product.

In Asia, once the biodiesel mandate is finally introduced in Indonesia, the prices of glycerine will be under pressure. The country is planning to increase the biodiesel output by almost 20% next year which will raise the glycerine supply volumes.

Crude glycerine prices FOB USA went down by 15 dollars (7%) since the beginning of the year. In November 2016, they were around 200-215 USD per ton. Compared to the same period last year, the prices there fell by approximately 11% or 25 dollars.

The prices of crude waste-based glycerine FOB Argentina were stable in November at around 73 dollars per ton while refined product traded at around 370 USD per ton. In NWE, the prices went slightly up compared to October and refined

Japan's refined glycerine import by origin: January to September 2016



glycerine was sold around 410 euros per ton while crude product was at around 150-175 euros per ton depending on quality. We saw crude 80% veg-oil based Kosher glycerine at 220 euros per ton ExW France.



BIODIESEL: REVOLUTIONARY CHANGES FROM 2021

The European Commission's draft of the Renewable Energy Directive II leaked one week ago revealing the plan of progressively reducing the share of first generation biofuels from 7% in 2020 to 3.8% in 2030. This draft generated a strong reaction especially from the agricultural sector that claims that it could have a dramatic impact on the European agricultural industry (mainly rapeseed industry). But at that time, there was still no further information about waste-based biodiesel. However, a revision of the document was published on Nov, 30th. The new version determines the minimum share of advanced biofuels (from straw, forestry waste, lingo-cellulosic, non-cellulosic feedstock, etc.) that should grow from min 0.5% in 2021 (with min 70% GHGs to min 85% GHGs in 2026) to 3.6% in 2030. It is also bad news for UCO and tallow producers as the text suggests a cap of 1.7% for these biofuels. Molasses are also added as new feedstock for second generation biofuels. These decisions could jeopardize the waste-based biodiesel industry.

The Directive's proposal concerning the increase of Advanced biofuels seems unrealistic as the availability of these feedstock types is very limited and the number of plants able to process these materials as well. Moreover, there is a risk that the changes will benefit mostly HVO and bioethanol producers and put the waste-based biodiesel industry at a disadvantage.

This week, a new publication of the RTFO for the UK Market was also published with an increase of the mandate from 4.75% to 6% for next year (this should imply an increase of around 100 KT of UCOME/TME) with target of 9.75% in 2020 (increase of around 500KT from now). With this announcement made on Tuesday, some UCOME/TME producers pulled out their offers from the market thinking the price will increase in the coming weeks.

Biodiesel prices keep going up following the bullish trend of veg oil prices: soybean oil +5.8%, palm oil +10% and over the 3000 Ringgit (record high since July 2012), rapeseed oil (+4.33%).

The prices of FAME are at a similar level that in the previous month, around 940USD/MT for FAME 0°C and around 1000USD/MT for RME but with EUR/USD exchange rate down from 1.11 to 1.06. The fixed price in EUR increased by more than 4%.

This raise in euro fixed price does not really benefit the producers who still have relatively low margins (with RME vs rapeseed oil again below 70USD/MT). When it comes to DC producers, the prices of UCOME and TME increased by around 50€/MT from previous month (respectively 1020€/MT and 975€/MT) but feedstock prices quickly followed the trend. It is currently more and more difficult to find feedstock at reasonable prices. So, it does not necessarily imply higher margins for them either.



ONCOMING EVENTS: DECEMBER



World Biodiesel Congress & Expo
San Antonio, USA
5-7 December



Biopolymers Europe 2016
London, UK
7-8 December

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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