

# Market Watch

Every month, **GREENEA** provides our clients and 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.

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Physical  
veg-oil



UCO



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cat 1 & 2



Glycerine



Physical  
biodiesel

## DOUBLE COUNTING INDICATORS

DOUBLE COUNTING	PRICE TREND	DOUBLE COUNTING	PRICE TREND
UCO - EU		UCOME EU	
TALLOW CAT 1 & 2		TME EU	



## VEG-OIL: SLIGHT OUTPUT GROWTH

Rapeseed oil prices decreased by more than 3% over the month to 825 euros per MT in Rotterdam on average, following the trend of the oilseed complex.

To compensate the weak production of last season, big volumes of canola and rapeseed from Canada and Australia came to Europe. 2.9 million tons were imported between July 2016 and January 2017. This trend continues over February and March with imports estimated at around 1 million tons. During the spring, another two to three million tons are likely to be imported.

**EU 28 rapeseed production is estimated at around 20.9 million tons for the season 2017-2018, up by around 1 million tons year-on-year.** In the main producing countries, a lower output in France (down by 300 KT to around 4.3 million tons) will be compensated by the production in Germany (up 350 KT to 4.9 million tons). The production in the UK is estimated at the same level as last year, around 1.8 million tons. Poland's output is estimated to be up by 500 KT to 2.5 million tons. The rest of the increase will come from other producing countries.

In Brazil, around 75% of soybean planted area have been harvested. Total output is estimated at 110 million tons. In Argentina, soybean output is also expected to increase despite lower acreage due to heavy rainfalls. Analysts revised their forecasts up by 2 million tons to 56 million tons thanks to higher than expected yields.

Trump Administration validated the extension of biofuels mandates by 18% for 2017 proposed by the Energy Information

Administration in November last year. This should sustain the soybean oil demand in the US. Besides, the mandate could be transferred from the blenders to the producers. The increased mandate helped soybean prices only temporarily. In fact, they lost around 8% over the month on CBOT market.

**Crude Palm Oil (CPO) production is recovering from last year**, the Malaysian Palm Oil Board indicated a 20% increase to 1.25 million tons from February 2016 to February 2017. CPO output is expected to continue growing in the coming months up to 1.63 million tons in May.

However, palm oil stockpiles in Malaysia (1.4 million tons in February) and in importing countries are at their lowest. This situation is likely to continue. Despite growing production Malaysian stockpiles are expected to be flat until May 2017 which will keep pressure on the palm oil complex until the second half of the year. **Since the end of January CPO prices lost almost 16% to \$710 per MT at the end of March. It is the lowest level in 6 months.**

Despite a strong global demand, Malaysian exports in March were down by 7.9% month-on-month on lower than expected output. Indonesia decided to lower its export tax to \$3 per MT from the 1<sup>st</sup> of April against \$18 per MT in March. This should help CPO against soybean oil.



## UCO: PRICES GO DOWN FOLLOWING UCOME MARKET

With a delay of two weeks to the UCOME market, the **prices of UCO finally correct down both in Europe and overseas**. We saw a decrease of 40 to 60 euros per ton in the UCO price between February and end of March for the product from European collectors and a fall down of 50 USD per ton for an overseas product CIF Europe. Nevertheless, the UCO prices went down at lower pace than biodiesel putting high pressure on biodiesel producer margins. The correction of prices of imported UCO is always more difficult as the overseas producers do not follow closely the European market of UCOME. **Currently the UCO is traded at around 750 to 770 euros per ton ExW collectors in the North of Europe. Imported UCO is negotiated between 730 and 760 USD per ton CIF.**

The decline in the dollar at the end of March to around 1.08 / 1.07 gave some resistance to international markets. However, we should be careful as if the weakness of the UCOME

market persists and if the EUR declines again, tensions will be felt on the imports market.

The UCO market was steadily increasing last year (from 650 to 815 euros per ton DDP NWE). Unfortunately, the market is not so simple and the year 2017 looks more uncertain. Looking at the prices negotiated in January (the highest level during the last 3 years) and the sharp drop in March, for the moment, no bullish sign is visible on the market.

**If the downwards trend of UCOME price continues in April and May, the decline in UCO prices should be even more visible.** However, market transparency and liquidity are low and it is difficult to make any price predictions.

In January 2017, the US exported nearly 18,700 MT of yellow grease. The biggest buyers were: the UK (27%), Mexico (22%) and the Netherlands (21%). Altogether 70% of US' export in January went to the EU.



## ANIMAL FAT: MARKET STILL RESISTING

In Europe, the market of animal fat cat 1 remains quite strong, not following the downwards trend of UCO and UCOME. In fact, during the last week, the prices went up to 625-630 euros per ton DDP.

Animal fat cat 3 is also facing a downwards trend, however less visible, with prices falling down by 10 to 25 euros per ton depending on the quality and region.

Animal fat FFA 5% is traded at around 775 euros delivered and the fats with low acidity

(FFA 2%) were seen at around 780 euros per ton delivered.

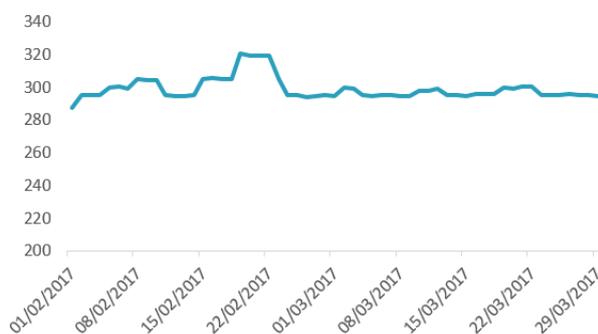


## GLYCERINE: PRICES GO SLIGHTLY UP

In Europe, we can observe **an increase in interest in crude glycerine 80% between April and May**. The increase in prices is also visible at 35-40 euros per ton. Glycerine 80% from mixed feedstock was traded in March at 185 euros per ton ExW North-Western Europe and 75% in Spain at 145 euros. While the same products were sold for April at 230 euros per ton in NWE and 170 euros per ton in Spain for the lower quality.

At the same time **glycerine prices CIF China went up by around 15 USD per ton**. In March, we saw glycerine 75% at 270 USD and 80% at 285 USD per ton while April shipment were at 285 and 300 dollars per ton respectively.

In India, the imports of glycerine have gone up by 30% in 2016 as compared to the year before. In 2015, the country imported 65,800 MT of glycerine while a year later 85,530 MT. In January 2017, 4,740 MT of glycerine were sold to India and 70% of the volume was refined product. Compared to the same period in 2016, the volume went down by 15%.



**Crude glycerine 80% price trend FOB South-East Asia**

The imports of glycerine to China also went down beginning of the year. The country imported 11,100 MT of the product in January 2017 which is a decrease of 21% compared to December 2016 and a fall by 9% compared to the same period last year.

At the beginning of the year the prices of glycerine in China were up due to lower supply. This trend should start to reverse as the biodiesel factories that were closed due to pollution are now resuming production.



## BIODIESEL: PRODUCERS' MARGINS UNDER PRESSURE

**The FAME 0°C and RME prices dropped in March by 35 USD/MT and 25USD/MT respectively,** following the trend of veg-oil prices.

**The period between 10 and 15 of February was certainly the weakest time on the biodiesel market during the last 2 years,** especially when it comes to the demand side. Low buying interest put a strong pressure on the double-counting markets where prices went down to €940 per ton FOB ARA. **For April, the demand for UCOME rebounded slightly and prices were at around 950 – 955 euros per ton FOB ARA.** However, the key buyers are still not present on the market.

Low vegetable oil prices and good harvest forecasts slow down the DC trading activity also for Q2. UCOME producers start to be really stressed by this situation fearing that the prices might not recover in Q2 or Q3. The UCOME market is mainly focused on UK and Dutch markets. In Germany, however, the demand for UCOME was largely replaced by volumes of FAME with GHG savings above 70% compared to previous years.

The imports of UCOME from China are also beginning to worry European producers because competition is intense and volumes are constantly increasing. Moreover, some buyers of UCOME are wondering if the sustainability of these shipments is really compliant with the European rules. Some European buyers put in their purchase contracts that UCO/UCOME they buy cannot be of Chinese origin.

The margins of TME producers are also under pressure with the current level of price of animal fat cat 1/2. The TME price is still sustained by the Italian demand but producers fear the start of production of the new Musimas plant that should be operating by June with 200 KT of PFAD Methyl Ester per year in Livorno (Italy). Even if for the moment the PFAD is still on the list of DC materials until the end of June 2018, this significant volume could impact the premium for double counting especially with palm oil coming back to lower levels.



## ONCOMING EVENTS: APRIL

**The 1<sup>st</sup> International Biotechnology Congress**  
25-27 April  
Xi'an, China

**7<sup>th</sup> European Algae Industry Summit**  
26-27 April  
Nice, France



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