

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



Animal fat
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: POSITIVE OUTPUT FORECASTS

In May, crude palm oil prices recovered and stabilized at the level of \$727 per MT on average in Rotterdam. Bearish trend was felt already at the end of the month due to good production forecasts. Stocks should recover end of July after the Ramadan shipments. Furthermore, fiercer competition with soybean oil from South-America is expected during this period.

Global palm oil production is expected to grow by 11% this year from 58.3 million tons to 65 million tons on favorable weather conditions and good rain forecast. Malaysian output is estimated at 20 million tons this year while Indonesian production should be up by 9% to 35 million tons.

Malaysian Government has strengthened crude palm oil sustainability compliance. From now on, all palm oil plantations under the Roundtable on Sustainable Palm Oil (RSPO) scheme will have to comply progressively with the Malaysian Sustainable Palm Oil (MSPO) criteria within a specific time frame depending on the plantation's size.

80% of the soybean surface have been now harvested in Argentina (up by 5% from last week). Argentinian Ministry of Agriculture estimates the production of season 2016/17 at 58 million tons while the USDA is more conservative at around 57 million tons.

Amid of political scandal, Brazil took advantage of the Real depreciation to bring more competition into the market and increase exports.

On the CBOT market, soybean lost around 2.2% since the beginning of May and did not

recover from its sharp fall in week 20 after US plantings progress figures were published. For the third quarter, soybean futures are traded at 308.8 and 309.5 euros /MT one average.

This year, **world soybean production should reach an all-time record of 341 million tons.** For the season 2017/2018, the USDA revised slightly its global soybean production forecasts down by 1% to 345 million tons. Brazil's output is predicted to be down by 4% to 107 million tons while China's production is expected to grow by 7%. At the same time, output in Canada should grow by 28%. If these forecasts turn out to be true, world soybean stockpiles would fall by 1.5% to 89 million tons.

In France, rapeseed surface for 2017 is estimated down by 7% from last year to 1.44 million hectares due to unfavorable crops condition caused by lack of rain in several regions such as Bourgogne and Franche-Comté. French rapeseed production is estimated at 4.6 million tons for next season 2017/2018.

However, EU's production is still estimated to grow by 5% compared to last year's crops and reach 21.35 million tons (Stratégies Grains' estimates) thanks to increased production in Germany (around 5 million tons) and growing planted areas in the UK, Poland, Romania and Hungary.

After a short recovery, rapeseed oil prices fell back to the level of \$838 per MT on average in Rotterdam on dropping veg-oil prices.



UCO: STABILIZATION OF THE PRICES

The **UCO market was relatively calm in May** and should remain so in June and July following the market of UCOME which remains stable. There was not much activity on the UCOME in the last weeks and the market seems calm for the next months.

Our **biggest concern is the vegetable oil market in June and July** with bearish futures resulting from low demand. However, any change on this market will be felt in the biodiesel sector and, as a result, will impact the price of UCO.

The **European UCO market remains at the level of 715-730 euros per ton DDP** and the market is not expected to go up much this summer. The importation market benefits from the euro increase to around 1.11 / 1.12. The prices went up to around \$710 to \$730 (North / South).

In the last quarter of 2016 we could observe a fast price increase of UCO, however, the trend changed and the prices went steadily down during the first quarter of this year. **Since the**

Export of UCO from China in Q1 under HS 15180000: top 10 destinations

Destination	Quantity in kT
The Netherlands	20 307
South Korea	8 046
Spain	4 128
Thailand	2 041
Hong Kong	1 904
India	1 647
UK	1 338
Turkey	906
Malaysia	905
Vietnam	752

middle of April, we have seen a price stabilization on the UCO market.

Statistics China published the UCO export figures for Q1 2017 with **The Netherlands being, by far, the biggest destination country of Chinese used cooking oil.** Official April figures have not been published yet and thus the European data issued recently might not be accurate.



ANIMAL FAT: LOW MARKET LIQUIDITY

The animal fat market was calm in May. But as trading is mostly done for a quarter, **we expect the market to become more liquid in June.** However, several buyers remain cautious due to the big uncertainty over the future price of TME / FAME biodiesel at the end of the 3rd

quarter and only want to contract July deliveries.

The animal fat cat 3 market should correct to around 680 to 700 euros DDP for the 3rd quarter depending on the quality. The market of animal fat cat 1, though, is closer to 620 to 630 euros DDP.

As every year, we should see a decline in good quality cat 1 quantities offered due to higher acidity during the summer (FFA max 20%). Thus, TME plants will be affected by a decrease in their production yield due to high FFA product. Additionally, an increase in methanol prices will put pressure on the margins.

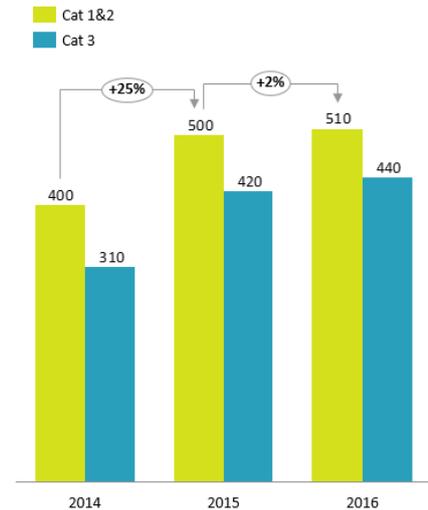
A reduction in prices of animal fat cat 1 will be needed during Q3 if producers of TME want to keep their margins as a bullish scenario on the TME prices is not really expected.

This week's EFRA conference provided an overview on the animal fat volumes sold into the biodiesel industry in Europe.

Until 2014 there was a constant growth in volumes, however, 2015 and 2016 brought

stabilization to the EU output. Thus TME producers who want to increase their capacity will have to look for new types of feedstock.

Animal fat sold to the biodiesel industry in the EU (in KT)



GLYCERINE: DEMAND REMAINS RATHER HIGH

It is predicted that the **glycerine market will reach 3.12 billion USD by 2021** with the CAGR of 6.8%. The main engines of growth are Asian countries, especially China, Japan and India. There is also more demand coming from the chemical industry as well as new applications.

In the first three months of 2017, China imported 47,600 MT of glycerine which shows a 31% increase compared to the same period last year.

In China, the prices of refined glycerine went up by around 20 USD since the beginning of the year. In January, the price for refined

Refined glycerine 99.5% in drums FOB South-East Asia



product FOB Chinese ports was around 590 – 600 USD per ton while currently we see prices close to 615 - 620 USD per MT. However, we see already a slight downwards trend as the prices in May went down by up to 2% compared to the month before.

Crude glycerine 75% CIF China for June / July deliveries was at 280 USD per ton while glycerine with 80% glycerol content was at 295 USD per ton.

A similar situation can be observed in Indonesia and Malaysia where FOB prices of refined glycerine went up by 20 USD per MT since the beginning of the year reaching 640 USD per ton and 630 USD per ton respectively.

In Europe, at the end of May, we see a price stabilisation although the demand remains relatively high. Crude glycerine (UCO based) 75% ExW Spain was seen at 160 euros per ton while crude glycerine (UCO based) 80% ExW France / NWE was at 250 euros per ton, both for June and July shipments and up to 280 / 300 euros per ton for veg-oil based glycerine 80%.



BIODIESEL: SHORT VISIBILITY AND LIQUIDITY ISSUES

The market was very volatile in May for GO, EUR/USD and veg-oil prices. In May, FAME prices in USD/MT oscillated between 880 and 900 FOB ARA and RME around the same level with a premium not much higher than 5 USD/MT. The increase of EUR/USD rate from 1.08 to almost 1.12 penalized the fixed price in EUR per ton for UCOME and TME producers.

UCOME price dropped by around 20 euros/MT in May from 950 euros/MT down to 930 euros/MT. TME is traded at a similar level due to low RME/FAME for prompt market. For the Italian market, TME even traded higher than UCOME.

At the same time, **the demand is mainly focused on prompt sales** (only 1 month in advance if not less) predominantly due to backwardation and the perspective of downwards trend of the veg-oils prices in the coming months.

The liquidity issue is back again to the UCOME market. Biofuel producers have difficulties in planning their purchases of raw materials for the next quarter.

Buyers of waste-based biodiesel remain very reluctant in their purchases for the summer months. However, the Spanish producers succeeded, despite this market trend, to sell 60% of their July output. This is mainly due to the possibility to offer UCOME for the Italian market. This is not the case of producers in the North of Europe, though.

Negotiations should start quickly for July sales, since we are entering June and all producers are nearly sold out (North / South).

DDC is proposed to be prolonged to 2021 and, by that date, should be increased to 16.4%. It is assumed that the increased mandate will be

fulfilled predominantly by DC and HVO, biodiesel from tall oil, etc.

The **throughput volume of biofuels at the port of Rotterdam grew by 6% between 2015 and 2016** reaching 4.8 million tons. The biggest growth was noted in the biodiesel segment,

+23% to 3.5 million tons. 50% of the biodiesel supply entering the Rotterdam port comes from Singapore, Malaysia and Indonesia. Spain supplied 25% of the biodiesel that was shipped to Rotterdam last year. The primary destination of biodiesel shipped from Rotterdam was Sweden with 19% of the total volumes.



ONCOMING EVENTS: JUNE

EUBCE 2017

12-15 June

Stockholm, Sweden

ARGUS Biofuels Asia 2017

12-13 June

Singapore

6th Biobased Chemicals and Plastics

19-22 June

Bangkok, Thailand

Oleofuels 2017

28-29 June

Krakow, Poland



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