

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

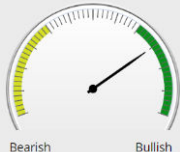
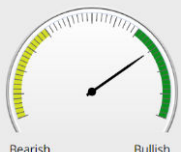
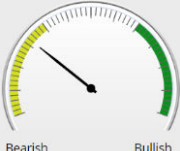



Glycerine



Physical
biodiesel

DOUBLE COUNTING INDICATORS

DOUBLE COUNTING	PRICE TREND	DOUBLE COUNTING	PRICE TREND
UCO - EU	 <p>Bearish Bullish</p>	UCOME EU	 <p>Bearish Bullish</p>
TALLOW CAT 1 & 2	 <p>Bearish Bullish</p>	TME EU	 <p>Bearish Bullish</p>



VEG-OIL: WAIT FOR THE ANTI-DUMPING DECISION

After a slight increase in the first half of the month, **palm oil prices started to go down again in the last days of August**. This is caused mainly by expectations of increased inventories, a fall in exports and growth in production. Between 1 and 25 of August, export from Malaysia, one of two biggest producers, fell by more than 8% compared to the same period in the month before.

The **output of canola is threatened by dry weather, both in Canada and Australia**. In August, the premium of canola over soybean grew by 22 USD from 36 USD in July. Statistics Canada estimates that the output should be at the level of 18.6 million tons which is still above last year's 18.42 million tons. However, this year's sowing was record-high.

In spite of not perfect weather conditions in some parts of the EU, the **USDA raised its rapeseed crop estimation by 0.28 million tons to 22 million tons**. EU will remain to be the world's biggest rapeseed producer.

According to the Paris-based Agritel, the EU grain market and especially the rapeseed producers, are unsure before the decision on the 7th of September about the possible lowering of anti-dumping duties for biodiesel from Argentina.

In Ukraine, the rapeseed crop is expected to grow by 62% compared to last year. With nearly 99% of the harvest completed, the output is estimated at the level of 2.1 million tons.

In the EU, the sunflower crop is expected to be lower than predicted previously due to lower yields from Southeast European producers caused by excessive heat in July. The planted acreage went up by 1.3% but the output is expected to go up only by 0.4% to around 8.6 million tons.

July 2017 saw **the second biggest Chinese purchase of US soybean in history**. The import is valued at around 5 billion USD and the size is 12.5 million tons. This shipment is already more than all the import from 2016 when China bought 9 million tons of product for approximately 4 billion USD. In 2017, the country already bought 34 million tons of soybean from the US. This increased demand comes from continuous expansion of the middle class in China and their demand for livestock. Soybean is used there as a high protein feed ingredient.

In order to further facilitate the import of soybean from the US, **China's state-owned COFCO formed a partnership with US second largest grain co-operative Growmark Inc** in August 2017.

However, with the Hurricane Harvey underway in some parts of the US, there are concerns about the quality of corn and soybean in the Mississippi Delta.



UCO: CALM COME BACK AFTER THE SUMMER

The UCO market remained relatively stable in August and the trend continues in September. There is **no major upheaval in the sector and the market stays at around €710/720 per ton DDP NWE** for UCO with FFA 5% and IV 75. At the same time, UCO DDP Spain was at 680-685 euros per ton.

The producers of UCOME are relatively well covered for September. **Imports benefited from the strong historical EUR growth against the USD**, which allowed a slight increase on the contracts negotiated at the end of August for delivery in September and October. Thus, we saw prices between \$710 and 745 for UCO with FFA 5% and IV 75 (depending on the packaging

as there is always a premium for deliveries in ISO TANK) and prices around 670 - 680 USD per ton for iodine value below 60.

Although container logistics remains most popular, there are bulk offers of 3,000 to 5,000 tons coming from the sellers of UCO. Several such contracts have been negotiated by Greenea for September and October.



ANIMAL FAT: CALM BEFORE THE STORM FOR Q4 SALES

The **market of animal fat cat 1 still remains calm** but a slight downward trend is forecasted for the 4th quarter.

At the moment, there are still very few contracts closed for Q4 and **the negotiations should really start at the beginning of September.**

Given the trend on the biodiesel market and the discussions in the animal fat sector, **a decrease in prices of 25 to 45 euros per ton is predicted for the last quarter.** The decrease should depend on the region.

There are ongoing discussions about the use of CAT 1 or 2 for HVO production. The trials should start at the end of the year or even in 2018. However, still nothing is confirmed.

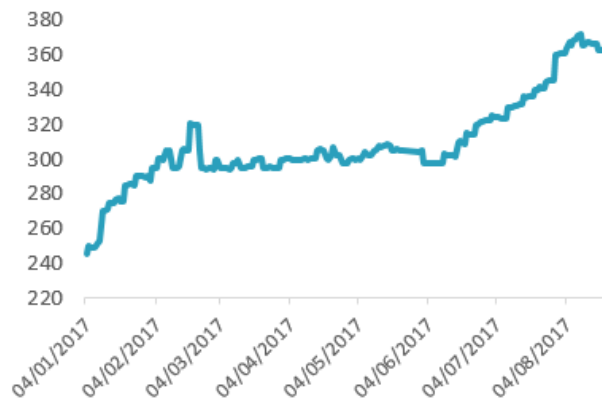


GLYCERINE: EUROPEAN DEMAND STABILIZES

In Europe, we saw crude 80% UCO based glycerine offered at 225 euros per ton ExW NWE. 70% UCO based glycerine was sold at 170 euros per ton ExW producers in the South of Europe. However, **the gap between supply and demand seems to be getting less wide.** Prices of veg-oil based glycerine were relatively stable at around 320 euros per ton for crude product and 540 for refined product, both ExW NWE. Veg-oil based crude glycerine FOB Argentina was seen at the levels of 155 USD per ton while refined product at around 500 USD per ton.

In China, the prices of crude glycerine FOB went up by 35% since the beginning of the year. They are currently at the level of 270 – 280 USD per ton while in January they were around 200 USD per ton. In August, prices went up by around 2% compared to last month and by 17% compared to the same period last year.

At the same time, **prices of refined glycerine FOB China went up by 21% in 2017** and were noted at the level of 720 and 730 USD per ton in August. The supply of refined glycerine in



Crude glycerine 80% in flexibags FOB South-East Asia

Asia is low which supports the prices. Compared to the same period last year, the prices are up by 13% and around 85 USD.

Interest for glycerine is increasing also in Thailand, where import of the product went up by 40% so far, this year, compared to the year before. In the first half of 2017, the country imported 33,100 MT of glycerine. Only in June 2017 Thailand bought nearly 6,000 MT of the product from overseas which constitutes a growth of around 105% compared to the same period in 2016.



BIODIESEL: ANTI-DUMPING AND GHG CALCULATIONS

In August, the market was active mainly at the beginning of the month after the delay of the decision about anti-dumping duties for biodiesel from Argentina to the 7th of September. The case of Indonesia will be studied separately.

Buyers covered their purchases for September but the activity and liquidity on the market remains pretty weak for Q4 with interest mainly focused on RME. Market players do not want to take the risk to be too long in product due to the **still high backwardation (35USD/MT between September and October) and the risk of price drop of FAME 0°C in case of the cancelling of the antidumping duties from Argentina.**

When Europe is in discussion to reduce their anti-dumping duties, the US sets stage for import duties for Argentina and Indonesia with a final vote in November. In 2016, the US imported just under 2 million tons of biodiesel from Argentina and Indonesia, about 80 per cent of the total volume. Such measures will have significant impact on the market, it may have a 15-20% upward price impact on soybean oil.

If the US market is closed to Argentinian SME, their only chance to survive will be to target

Europe. This, in turn, will have a dramatic impact on the prices here. However, in order to find a mutually beneficial solution, it could be a good idea to develop trade of biodiesel from Europe to the US.

The price of DC remains quite stable in USD and is mainly affected by the strong variation of EUR/USD rate. The UCOME and TME traded in the range of 905-915EUR/MT and 895-905€/MT respectively.

This week, despite the lobbying, **it has been confirmed that the new GHGs calculation methodology will be applied from September, 1st.** All the producers lost between 2 and 5% of the final value. The highest GHGs value seen now are for UCOME: around 92% (over 95% in the past) and 60% for RME (above 65% in the past).

This decision could be a double-edged sword. On the one hand, some market players took their sales positions for Q4 based on former calculation and high GHGs and may struggle to cover their short. On the other hand, if all producers have reduced GHGs value, it should also increase the demand and volume for Germany to meet the mandate.



ONCOMING EVENTS: SEPTEMBER

Sugar & Ethanol Africa

19-21 September

Nairobi, Kenia

Sugarex 2017

21-22 September

Trujillo, Peru

Expo Biomasa

26-29 September

Valadollid, Spain



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