

SEPTEMBER
2017



YOUR BROKER FOR
WASTE-BASED FEEDSTOCK AND BIODIESEL

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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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: SEPTEMBER BRINGS SOME PRICE SUPPORT

Palm oil prices saw the strongest daily increase for months in the second half of September due to worries of stagnating production output in

Malaysia. An increase in the prices of veg-oil complex as well as a 26-month high price of Brent crude contributed to the bullish trend of palm oil. However, the outlook for Q4 remains rather bearish.

The inventories of palm oil in the two main producing countries: Indonesia and Malaysia are going up. Even though the production is rather flat, lower demand contributed to the increase of inventories which went up by 8.9% or 1.94 million tons in Malaysia only between July and August. This is the highest inventory in the country since March 2016.

The demand from all the main buyers is going down. **India and China are predicted to lower their imports of palm oil in Q4** due to high domestic inventories and lower general demand for the product.

The EU is also buying less palm oil due to issues with sustainability and stricter regulations regarding traceability of feedstock.

- **Palm oil** prices get some support in September but Q4 outlook seems to be more bearish
- **Soybean** experiences slight bullish trend due to increased demand in the US
- **Rapeseed** forecast for the EU for 2017 crop is revised down

In Sweden, for example, the government is discussing eliminating PFAD from the feedstock mix used for HVO production due to its palm origin and sustainability problems.

The long-term trend of palm oil prices will be highly influenced also by the final decision of the EU on the opening, or not, of the market to Indonesian biodiesel. However, this is expected only at the end of the year.

Soybean experiences a slight bullish trend due to higher domestic demand, however, soybean oil prices were down. Last week of September, the US sales of soybean were the highest ever for any crop ever registered there.

In spite of very positive initial forecast for rapeseed output in the EU, Strategie Grains lowered their predictions for 2017 crop by 260,000 MT to 21.65 million tons. This is mainly due to grain damages in Germany caused by rains during the summer. This should give some support to the prices.



UCO: MARKET WAITING FOR CLEAR PRICE TREND

In September, the market was mostly waiting for the confirmation of the price trend for the last quarter. End of

September has been, for the last few years, the decisive moment for Q4 prices. Last year, at this time, we saw the beginning of a strong upwards trend while in September 2014 and 2015 a bearish trend started.

For the time being, it is still difficult to predict what is going to happen this year. **We can observe a slight decrease in prices, however, there are no signs of a definitive trend.** The UCOME market is also calm for Q4 so far with many offers being showed. The liquidity, though, is still rather low.

The **UCO was negotiated between 705/715 euros per ton DDP NWE and about 25 to 35**

- **EU market:** UCOME producers are mostly covered for October and are waiting with making further purchases
- **Import market** sees continuous offers of UCO coming especially from Asia

euros less in Spain. Very strong euro / USD exchange rate at 1.20 helped the import market and generated a lot of trade at around 710-735 USD CIF per ton. Declining of the euro calmed down the imports. Moreover, most of the UCOME producers are already well covered for October and are now waiting before making more purchases. They want to be sure about the UCO price trend before closing any more contracts.

In general, the import of UCO from Asia remains very active and we note as well as a multitude of daily UCO offers.



ANIMAL FAT: STRONG DOWNWARDS TREND

- Price decrease by up to 100 euros per ton over the last months.
- Low market liquidity and low demand coming from TME producers

The market of animal fat saw a big decline over the last quarter. The prices went down by 70 to 100 euros per ton.

The TME market is currently quite complicated as there is low demand, even for spot deliveries. This translates into **low demand for animal fat cat 1.** TME producers have large stocks of feedstock which prevents them from buying more, moreover,

some plants have some technical issues and had to make production breaks. All of this has bearish impact on the animal fat cat 1 prices.

We should not forget, though, that the prices of cat 1 were constantly on the rise since October 2015. They started at around 380 euros per ton and reached 630 euros per ton in Q2 2017. The correction for Q4 of up to 100 euros per MT is big but the market of TME remains weak.

For quite a long time the demand on the market of cat 1 exceeded largely the supply. Currently, we can see a trend reversal due to several factors starting from the reclassification of best quality cat 1 into cat 3 which impacted the specs of the product

delivered to producers. This, in turn, caused some production issues at the TME plants and impacted the yields. Opening up if the market to Argentinian biodiesel also added some uncertainty to the TME market.

The producers of animal fat cat 1 are unlike UCO collectors and cannot wait for the clarification of the price trend and increased liquidity on the TME market. Majority of the producers have storage for their product for only up to one week and thus need a steady output for their fat which puts even more pressure on the prices.

The tests of animal fat cat 1 for HVO production, if successful, might give some support to the market. However, it is a long-time prospect.

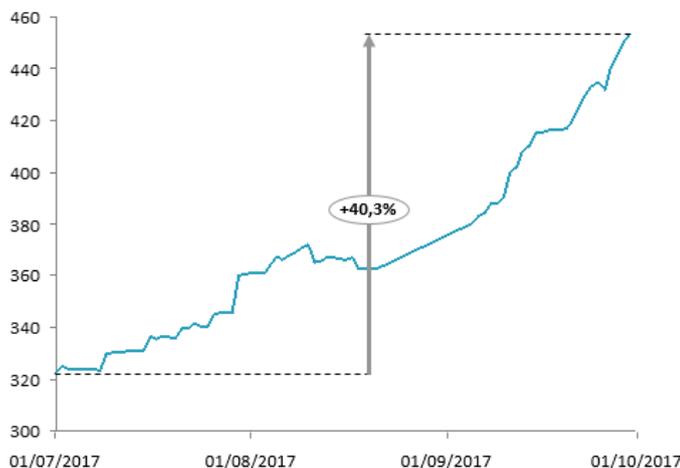


GLYCERINE: ANTI-DUMPING WEIGHTS ON THE MARKET

In Europe, we have seen prices at around 238-245 euros per ton for 80% glycerine (mixed origin) FCA plants in Northern Europe. Crude waste-based product was traded in Spain at around 160 USD per ton FCA biodiesel plants. This was for loadings in September and October.

In Asia, the prices of crude glycerine 80% have been on the rise in the recent weeks. This is partly caused by supply shortage coming from South America and Indonesia. Closing of the US market to Indonesian biodiesel

Crude glycerine 80%, in flexibags FOB South-East Asia



caused drop in production and thus lowered the supply of glycerine. However, EU still did not take the final decision about extending the anti-dumping duties for the biodiesel from Indonesia. If they are lowered or cancelled, then the production of glycerine there should increase again. The decision date is not yet known.

It was expected that the lowering of anti-dumping duties by the EU on Argentinian biodiesel will boost the biodiesel and glycerine production there. However, the restrictions

coming from the US market seem to have balanced the potential supply increase.

We see increased demand coming from such countries as Thailand whose imports went up by 50% year-on-year. Since the beginning of the year, the country bought overseas nearly 40,000 MT of glycerine. The biggest exporters to Thailand were Argentina with 31% of the total volume followed by The Netherlands (17%) and Indonesia (12%).

Greenea will be present at ICIS conference in Barcelona! See you there!



BIODIESEL: BEARISH MARKET IN EUROPE

- At the end of the month, market stabilized at around 910 USD per MT for FAME 0°C and 990 \$/MT for RME.
- UCOME prices were around 905 euros FOB NWE and TME around 895 euros FOB ARA for September.

Agency about the possible lowering of the Biodiesel mandate for 2018/2019 in the US.

The results of the European Commission's vote on the antidumping duties for Argentinian SME had a **bearish impact on both RME and FAME markets in the first half of September**. RME dropped by 6% (-60USD/MT) while FAME 0 resisted better and lost only 3% (-30USD/MT). **In the second half of the month, the prices recovered and went up by 15USD/MT**. They stabilized around 910 USD per MT for FAME 0°C and 990 \$/MT for RME. The spread between FAME 0 and RME for Q4 went down from 110USD/MT to 80USD/MT.

The downward trend can also be explained by the drop of soybean oil on the CBOT. This, in turn, was caused by the USDA's report announcing better soybean yield and by the announcement of Environmental Protection

Gasoil price increased by more than 10% as high global demand faced some supply reductions. Hurricane Harvey caused production disturbance in several oil refineries in the Gulf of Mexico and in Texas. At the same time, production cuts by OPEC and Russia, as well as the geopolitical situation in the Iraqi Kurdish region threatening the oil supply from there also contributed to the price increase.

The drop of FAME flat price combined with the increase of Gasoil had a significant bearish impact on FAME/RME premium with drops by 70USD/MT and 95USD/MT respectively. Such a low premium made the French market (buying in GO + premium in EUR/cbm) react and big volumes were traded for all 2018 at levels close to 300 EUR/cbm.

There was low liquidity on the double counting market with UCOME and TME producers finalizing their sales for September until the last days of the month. There is still a lot of product available for October, which could make the market active in the coming days.

It was more complicated this month to trade DC in fixed price in euros with high EUR/USD. **UCOME prices were around 905 euros FOB NWE and TME around 895 euros FOB ARA for September.** We also saw that the DC premium over FAME increased by around 15-20 USD/MT during September with trades closed at 175 USD/MT for Q4/Q1.

Producers are worried about their Q4 sales as there is no clearly visible price or demand trend yet. But **the demand for DC for 2018 looks very promising** due to the sharp increase in the mandate in the UK and other EU countries as well as changes to GHG in Germany. It is expected that part of this forecasted demand increase might be fulfilled by the strong development of UCOME production in China. This is for sure the trend that should be closely followed in the months to come.

**Greenea will be present at Argus in London!
See you there!**



ONCOMING EVENTS: OCTOBER

Biofuels International 2017
4-5 October
Edinburgh, UK

ARGUS Biofuels 2017
17-19 October
London, UK



Greenea will be present at ARGUS in London this October. See you there!



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