MARCH
2018

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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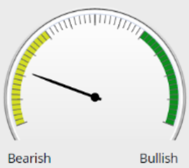
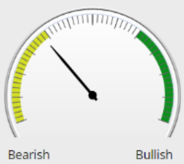
DOUBLE COUNTING INDICATORS

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

VEG-OIL: TRADE CONFLICT THREATENS THE MARKET

- **China and US** trade relations are tense and might heavily weight on soybean exports this year
- **India's veg-oil import tax** increased again, to the highest level in more than a decade

An increase in the import tax on palm oil in India, the biggest world edible oil importer, contributed to the bearish price trend in March. The country raised the tax to 44% (from 30%) on crude palm oil, the highest level in more than 10 years. It is the fourth increase of the import tax in India in the last half a year which aims at encouraging the local production. This should limit the country's demand for imported palm oil in the next months.

After three months of suspending export duties on palm oil by Malaysia, the country decided to impose them again at the level of 5%, starting from April. This could influence negatively the export from Malaysia as the demand for palm oil remains limited and, as a result, further pressure the prices.

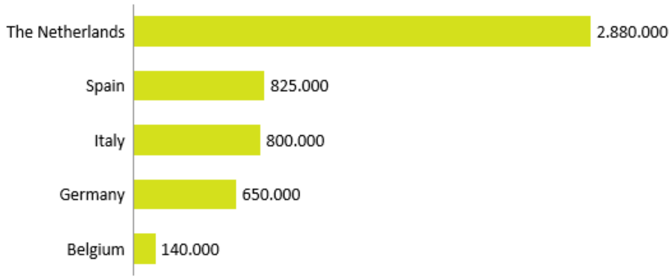
At the same time the increased production outlook and high stockpiles weight on the palm oil prices. At 2.5 million tons, the inventories in Malaysia are 70% higher than in the same period last year. 3.5 million tons of stocks in Indonesia in January 2018 represent a 27% increase from the same month in 2017.

However, Ramadan coming in the middle of May should limit the price decrease in Q2. Usually, during this period the demand for edible palm oil is going up which could also decrease the stockpiles in Indonesia and Malaysia and give some support to the prices in later months.

In order not to add more pressure to the palm oil market, **Indonesia delayed the introduction of the new regulations on palm oil shipments to April 2019.** The new regulations say that palm oil exporters could use only Indonesian flagged vessel and Indonesian insurance companies. This would further limit the country's export volumes.

Biggest EU palm oil importers in 2017 (in MT)

Source: Eurostat



The European Commission announced that the plan to eliminate palm oil from European biofuels starting from 2021 might be difficult to justify in front of WTO. It casts some doubt on the palm oil ban, however, nothing is yet decided.

Lower soybean oil production in Argentina is offset by record crushing in the US. At the same time, ample supply of palm oil limits the potential price increase.

However, **the soybean oil market may be heavily influenced in the next weeks by a looming "trade war" between US and China.** The US has accused China of breaking WTO rules and threatened to increase the tariffs on Chinese products. As a response, China wants to restrict soybean imports from the US on the anti-dumping grounds. According to the USDA, China buys yearly from the US soybean for around 14 billion USD. Some sources say that Chinese buyers already started to procure more rapeseed to insure their supplies in case of the conflict escalation.

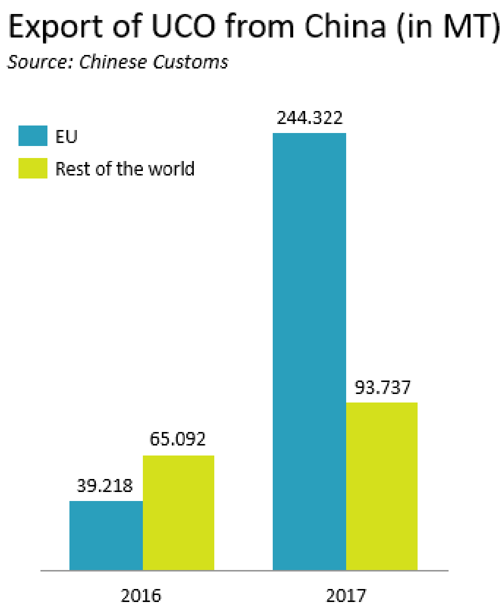
UCO: LOWER SUPPLY DUE TO PRICE CORRECTION

- **Europe:** prices remain stable at the end of the first quarter
- **Imports:** Chinese UCO imports are still booming and are expected to grow further this year

After the sharp downwards price correction at the end of February, **the UCO market remained stable throughout March.** We see prices for the beginning of Q2 at around 610 USD per ton CIF for imported product and 595 euros per ton DDP for European UCO.

Product availability was reduced slightly in March as collectors from overseas had to make sure that the European market really went down by 70 USD per ton since the beginning of January and that there are no signs of bullish trend in the next weeks for UCO or UCOME. **Both traders and biodiesel producers have high stocks of UCO and some are already covered for April or May.**

We see interest for UCO FOB Asia in bulk of 5000-8000 tons. Although the premium for bulk is up to 40 USD compared to flexitank shipments, there are other advantages such as limited logistics costs, limited handling and lower risk. Thus, we are always open to new partners who could offer UCO in bulk.



The export of UCO from China has increased significantly between 2016 and 2017, especially to the EU. The biggest importing country is, by far, the Netherlands which accounts for nearly 54% of all the EU imports. The rest goes to Spain, Portugal and the UK.

ANIMAL FAT: ACTIVITY BACK TO THE MARKET

In March, we could see more activity on the animal fat market as the producers made part of their sales for Q2. **We noted a drop of prices of 30 to 40 euros per ton between Q1 and Q2.** Surprisingly, several TME producers quickly covered their demand for the next quarter. Others limited their purchases and prefer to wait until there is more visibility on the market. Thus, there is still animal fat cat 1 available for the next months.

The continuous decline in the price of fats could make the market players rethink the economic interest of reusing this product for burning.

The market of animal fat cat 3 was also very active. We could see high liquidity due to contract renewals for the next quarter.

GLYCERIN: CHINESE DEMAND STILL LOW

In Europe, we see lower availability of premium glycerin (100% vegetable and GMO free). This is due to a decrease in biodiesel production caused by difficult market situation. Consequently, the prices of premium glycerin are expected to receive some support.

In China, the bids for crude glycerin veg-oil based are at around 450-460 USD/MT C&F. However, the producers are not ready to sell at this level. The prices there are driven down by lower local demand coming from the oleochemical industry. Temporary closures of plants around China due to environmental issues largely contributed to the fall in demand. In 2017, 40% of the oleochemical manufacturing capacity of the country was temporarily shuttered. At the same time, the glycerin started to be increasingly used in the EPC (Epichlorohydrin) production. Yet, the oversupply of this product in the recent weeks further contributed to the fall of glycerin price in China.

At the beginning of March, the European Court of Justice announced the suppression of anti-dumping duties for 13 Argentine and Indonesian biodiesel producers who account for the major part of these countries' SME and PME production. As a result, the availability of glycerin there should go up, adding further pressure to the prices worldwide.

BIODIESEL: AGAIN A DECREASE IN PRICES

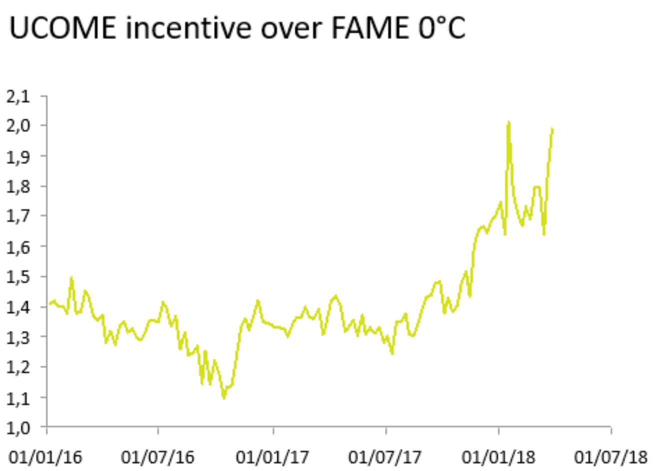
In March, the market was again moved by the discussion about cancellation of antidumping duties from Indonesia.

- **UCOME and TME:** prices go down by 10 euros per MT pushing the DC incentive down
- **FAME:** the premium went down to lowest level since November 2014, 165 USD per MT

The fixed price of FAME 0 and RME dropped again by around 15-20USD/MT to 785USD and 830USD/MT respectively. With the increase of GO price by around 55 USD, FAME premium went to 165USD/MT, lowest level since November 2014 when GO was at 750USD/MT. The low level of FAME 0°C is forcing some RME producers to reduce significantly their production or even to stop the plants in Q2, as announced by ADM, Diester and Bunge.

On the DC market, **the prices of UCOME and TME dropped also by around 10 EUR/MT.** With premium for UCOME at around 165-170USD/MT over FAME, the DC incentive is now really close to 2, which could make the blenders more reluctant to blend in spot.

TME producers expect that the demand will pick up in Italy for the second half of the year with the cancellation of FFA and PFAD as DC feedstock.



ONCOMING EVENTS: APRIL

Oils & Fats
24-25 April
London, UK

5th Africa Oil Palm & Rubber Summit
25-26 April
Accra, Ghana

7TH Annual Platts Geneva Biofuels Conference
26 April
Geneva, Switzerland

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