

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	<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: SOYBEAN DUTIES MAY CHANGE THE MARKET

There is **cautious optimism** regarding **palm oil prices in the second half of the year** due to expected rise in demand and lower supply of soybean, its biggest rival.

- **China's threat to introduce import duties on US soybean**, if confirmed, may change the demand structure on the veg-oil market
- **Malaysian palm oil** production shows signs of slowing down

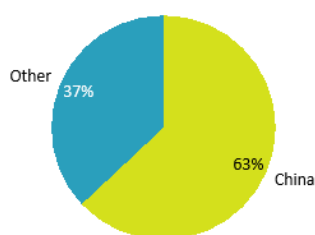
According to the Indonesian Palm Oil Producers Association (Gapki), Indonesian export of palm oil decreased by 14% to 2.37 million tons from January to February 2018. The decline in export was caused mostly by the Chinese New Year Holidays and fewer days in February. However, the overall export volume for January and February 2018 was 3% lower than in the same period last year (5.3 million in 2017). It is interesting to notice that while the export to the Middle East rose by 41% and to China by 6%, the demand from the US fell by 50%, to India by 26% and to the EU by 17%.

At the same time, the stocks in Malaysia are higher than previously expected, at 2.32 million tons at the end of March. A significant increase from 1.55 million tons in the same period last year. It is mainly due to higher production, 17% increase month-on-month and 8% year-on-year. Yet, it is a slowdown compared to January which saw a y-to-y increase of 24%. This might be an indication that **the production boom might be slowly over**.

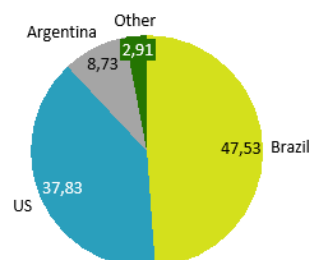
However, **the situation on the veg-oil market in the next weeks will largely depend on the final decision about duties for US soybean**. China wants to introduce a 25% duty as a response to US threats in a mutual trading war. If confirmed, the US soybean prices will fall and

the country will need to find new outputs to replace its biggest customer whose yearly soybean purchases account for 14 billion USD. Currently, China is buying 60% of world's soybean supply. At the same time, the demand for South American soybean should increase, pushing up the prices. **We should then see also higher demand for canola, rapeseed as well as palm oil as China will try to steadily reduce its dependence on soybean. This, in turn, could give some boost to prices also of competing oils.**

US soybean export
Source: Rabobank



Chinese soybean import (million MT)
Source: Rabobank



In spite of wet and cold weather, **the forecast of rapeseed for the EU has been slightly increased**. The weather did not cause any substantial damages to the crops and the world harvest this year should be only 0.1 million tons lower than the record-high one of last year. In the season of 2018/19, the world rapeseed crop should reach 71.4 million tons.



UCO: SIGNS OF UPWARD MOVEMENT

Finally, the market of UCO is seeing some boost after months of continuous decline. However, the recovery will be long as the prices are still 120 euros per ton lower than in April 2017. Currently we are back to the levels from February with **UCO FFA 5% IV 75 EU origin at around 590/610 euros per ton DDP. Imported product is at around 610/625 USD per ton** and there is still a premium of 15/20 dollars for IV 90 delivered in ISO TANK.

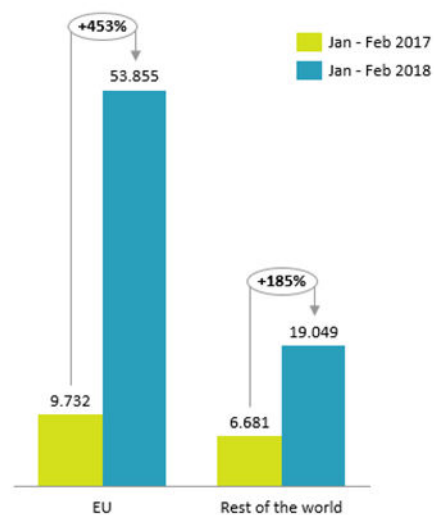
March and April were very complicated when it comes to imports from Asia due to low local market prices. As soon as the prices went back to \$570/580 FOB for shipments in flexitanks and \$600/610 for bulk, the liquidity of the import market increased. However, during the last week, there has been a continuous decline of Euro against the USD. If this trend continues, it may strongly penalize the market.

China is still a hot topic as it accounts for 30% of UCO volumes imported to the EU. The country wants to position itself as a strategic supplier for European producers. Between January and February 2017 and the same period this year, the shipments from China to

- **Europe:** prices start to increase, yet the growth is still moderate
- **Imports:** volumes coming from China keep on growing but the EUR / USD bearish trend is penalizing the import market

UCO export from China (MT)

Source: Chinese Customs



Europe increased five times. However, if China finally introduces the B5 mandate, this flow of UCO may be interrupted and will have to be covered from other sources.

The Euro/USD exchange rate is currently at the lowest level since January. It was going steadily down during the last week of April. If this movement continues, it can have serious repercussions on the UCO import market even if the prices in Europe are currently still rising.



ANIMAL FAT: UPWARDS MARKET TREND

The last two months have been rather gloomy on the animal fat market in Europe. Yet, several indicators show that **a strong rebound is coming to the cat 1 market in the coming weeks.**

Starting from June, the PFAD will no longer be considered as waste-based feedstock in Italy which will give priority to animal fat cat 1 and UCO certified according to the Italian scheme.

During the last two weeks, the TME market has been on the rise, following the trend of FAME 0°C. The new rules of the Italian market should further support this upwards trend (+15 euros last week, +20 euros this week).

The only concern is that the majority of the contracts for Q2 was negotiated 3-4 weeks ago when the market was still low. This should mean that the increase of prices for Q3 will be rather significant.



GLYCERIN: DOWNWARDS TREND CONTINUES

The downwards trend that started in February 2018, before the Chinese New Year, strongly accelerated in April. It is mainly due to the fact that the price of ECH (Epichlorohydrin), one of the main uses of crude glycerin in Asia, went down significantly in the last weeks.

The supply is currently high, the stocks of the producers, traders and refiners are ample while the demand is going down. We see the

market at around 400-390 USD per MT CFR China and 420-430 USD per MT CFR India. Most of the buyers are now waiting with the purchases to see how low the prices can go.

However, there is no longer arbitrage on biodiesel from Argentina and Malaysia to Europe, so we do not expect increased glycerin production there. This could help to support the prices.



BIODIESEL: DC SURPRISE IN SPAIN

The upward trend initiated at the end of March has been confirmed in April by a sharp rise in the fixed prices of FAME

0 and RME for spot and Q3. This price variation of biodiesel cannot be explained by the vegetable oil market, which has been very stable in recent days but rather by **an increase in demand**. An increase in biodiesel incorporation mandates in many European countries as well as a closed arbitration for imports of SME from Argentina and SME from Asia is adding tension to the market.

Moreover, there are voices that the Argentinean government will increase its export taxes on biodiesel from 8% to 15% which would reduce the available volumes of SME for the European market. This can also be observed in the structure of FAME 0°C price that was in contango for several months and now again back to backwardation.

As the market goes up and the demand increases, **we start to face a supply issue of FAME 0°C which strongly impacts the market**. How will this be resolved?

When at the end of March / beginning of February, the FAME 0°C market hit the lowest level since February 2016, several French distributors started their purchases for 2019. The prices were seen at around 170 / 180 euros per m³ but the sales seem to be over (+10 / 15 € this week).

On the DC market, liquidity is back after months of low activity. After hitting the level of 760 euros per ton in March, **the prices of UCOME went up this week to levels above 815 euros for May and June**. In the last 2 weeks,

- **UCOME and TME:** liquidity back to the market with prices going up in Q2
- **FAME:** with the increase of the market FAME 0°C faces supply issues

the market has been quite active and the majority of producers are sold-out for May (it is estimated that 90% of the quantities are sold) and they are gradually starting sales for June.

UCOME CFPP 0°C with 91% GHG savings is at around 150 USD per ton over FAME 0°C for Q3 contracts and 130-140USD/MT for May-June.

The **TME market follows the same trend enforced by the change of regulations in Italy** (end of the PFAD in June) and by limited supply in May (several producers were already sold out, 1 producer undergoing maintenance). So currently, there is only one producer who has some quantities available for the second half of May, however, given the current trend, the price should be close to 800 euros per ton FOB.

We also saw **increasing demand coming from Sweden** for high GHGs product. This is due to the implementation of a new mandate based on GHGs from June 2018.

Legally, **the DC rule is entering into force in Spain today**. There is no cap mentioned on the law, however, blenders will certainly wait for the final set-up of this law by the National Commission on Markets and Competition (CNMC in Spanish). This is the entity that promotes and defends proper functioning of all markets in Spain. Thus, we have to be cautious as the verification of the procedures can take some time. It will be important to watch when Repsol or CEPSA will start buying the DC material.



ONCOMING EVENTS: MAY

9th Biomass Pellets Trade & Power
14-17 May
Tokyo, Japan

26th European Biomass Conference and Exhibition
14-18 May
Copenhagen, Denmark



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