

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.

CONTENTS



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: PALM OIL BAN DELAYED

In the EU, the RED II draft was revised **postponing the palm oil phase out to 2030**. Initially it was planned that palm oil would be banned from the European biodiesel market starting from 2021. This should give the market more time to adapt.

In the second half of June we have seen a growth in palm oil prices resulting from forecasts of lower output in both Indonesia and Malaysia. This is caused by disruptions in the fruit harvesting process.

The world veg-oil market should receive significant boost from the **growing Indian demand**. According to Rabobank's recent study, by 2030 India will have to import 25 million tons of vegetable oils per year. Currently, the country buys 15.5 million tons from overseas. This is predominantly due to booming demand and stagnant local supply. Currently, India produces 4% of world's global veg oil supply and accounts for 12% of global consumption.

In Asia, the governments are trying to develop their biofuels policies and increase the mandates. However, there is a rising concern that doing that on a too large scale or too quickly could boost the demand for veg-oils

- **EU:** rapeseed forecast below five-year average
- **India:** the country's demand for imported veg-oil is ever growing, predicted to reach 25 million tons by 2030

and result in an increase of food prices.

Soybean prices decreased in the last days of June due to raised estimates of 2018 plantings. At the same time, the demand from China, the biggest soybean buyer, is still a big uncertainty. Due to the tensions between China and the US, the government in Beijing wants to cover the country's soybean needs by sourcing the product predominantly in South America. However, it is doubtful, that this could be an option. Thus, the prices should rebound in the next weeks once China realises the supply in South America is not enough and will have to turn to the US.

In the EU, the forecast for 2018-19 rapeseed harvest has been revised down due to unusually dry and warm weather conditions in the main producing countries: Poland, the UK, France and Germany. According to the EU Commission, the crop will be 5% lower year-on-year and should account for 20.8 million tons. This is 3.4% below the five-year average. This should give some support to the rapeseed prices in Europe in the next months.



UCO: LOWER ACTIVITY BEFORE THE HOLIDAYS

The UCO market remained relatively stable this month. **In Europe, the prices are around 645/655 euros per ton DDP**

NWE. There is, however, a slight downwards trend in the prices of imported UCO. They are down by 1,6% compared to the previous month, around 630 USD per ton CIF ARA in Flexi tank (FFA max 5%, MIU 2%, IV 75, Sulfur max 40ppm).

At the same time, hot weather in Europe and Asia deteriorates the quality of UCO. Collectors are trying to offer the product for July and August with FFA max 6% instead of the regular max 5%.

In the second half of June, we saw a slow-down in imports due to a slight fall in prices. Asian

- **Europe:** prices of local UCO remain stable
- **Imports:** a slight decrease in prices slowed down the import as overseas collectors prefer to wait

collectors prefer to wait. The trading activity should increase again in July as there are still significant quantities left to sell. An increase in Euro / USD exchange rate would help liquify the market.

However, UCO suppliers in Asia increasingly complain about rising costs of sea transport for Q3, which makes exports to Europe more expensive. Several suppliers mention a freight increase of 10 to 20 USD per ton for UCO shipped in containers due to multiple consolidations among the sea transport companies.



ANIMAL FAT: LOSS OF A BIG BUYER

The market of cat 1 fats remains stable, with a slight downwards movement. **There is not much movement on the TME market** for several weeks in spite of the fact that one of the buyers in the South of Europe stopped production. The plant used to buy product from France, Slovenia, Austria and Italy.

The **liquidation of OXEM** could continue to bring bearish trend to the market, however, as

Italy is one of the most active TME markets in Europe, we are hopefully awaiting good news of what is going to happen to the plant in the near future.

The market of animal fat cat 3 has not been very predictable lately, and we have seen a lot of contradictory price movements depending on the application. There are signs of downwards trend due to large stocks available.



GLYCERIN: DRASTIC FALL IN DEMAND AND PRICES

The market is full of crude glycerine, however, there is low buying interest. During the last two months, **the prices lost more than 200 USD per ton**. In China, the market is currently at around 250-260 USD per ton but the buyers are still willing to wait and see how low the prices can go.

This downwards trend was caused largely by the falling prices of Epichlorohydrin, which is produced from crude glycerine. There are also hints that Chinese economy is not growing as fast as predicted due to a looming trade war with the US which adds pressure to the market.

We see also several offers of glycerine coming from Argentina, Malaysia and Indonesia. Plants are running there at full capacity flooding the Asian market.

The glycerine market is highly unpredictable, however, **it is very probable that the prices will reach the bottom in the summer and start going up with the arrival of colder months**. Autumn brings the demand from antifreeze producers which should give some support to the prices.



BIODIESEL: MARKET REMAINS STABLE

In June, the market has been subject to a lot of **volatility for veg-oils, Gas oil** and also EUR/USD.

- Market of **FAME 0°C and RME** remains stable with fixed prices slightly up.
- **UCOME:** Producers not ready yet to offer for Q4 due to low visibility on the feedstock market

In fixed price both FAME 0°C (910USD/MT) and RME (940USD/MT) increased by respectively 10 and 15USD/MT compared to the previous month. After tough time in Q4-17 and Q1-18, esterification margins for both veg-oil and waste-based producers are attractive again even if the increasing price of methanol and

the huge drop in glycerin prices mitigates the profit.

For DC materials, after the peak of demand in May the activity went down in June. Fixed price in EUR remains stable or slightly lower than in May with 890€/MT for UCOME and 875€/MT for TME in prompt. With an increasing FAME

0°C price, it means that premium for DC got reduced by around 20USD/MT to 130USD/MT for prompt and Q3 is offering more interesting DC incentive for blenders.

For Q4, the current value of UCOME is around 160USD/MT over FAME0°C or 860€/MT in fixed price. Nevertheless, it is mainly a discussion between traders. Producers are not ready yet to offer as there is not enough visibility on the feedstock prices and market is penalized by really strong backwardation of FAME 0°C of around 50USD/MT between Q3 and Q4.

For the coming months, the demand and price will be driven by what will be the outcome of the new application of antidumping duties. If and from when they will be retroactive. The application or not of the DC in Spain from 2019 could also put pressure on DC materials already for Q4.



ONCOMING EVENTS: JULY

Bioenergy 2018

2-4 July

Frankfurt, Germany

10th Asia Sustainable Oil Palm Summit

30-31 July

Bali, Indonesia

PALMEX Malaysia 2018

25-26 July

Sarawak, Malaysia



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