

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


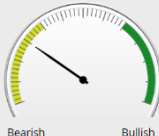




Glycerine



Physical
biodiesel

DOUBLE COUNTING INDICATORS

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



VEG-OIL: RAPESEED HARVEST FORECAST DOWN

The beginning of September brought a slight fall in palm-oil prices in Malaysia due to a forecast in growing stocks and weaker crude oil prices. This trend is expected to continue in the next months as the production of palm oil usually increases at the end of the year.

As the question about banning palm oil derived biofuels in the EU from 2021 remains open, Malaysia and Indonesia intend to join forces again to lobby for cancelling the ban.

The trade war between US and China continues and soybean farmers in North America seem to be the biggest victims. Soybean is the biggest US export to China which brought US farmers 12.4 billion dollars last year, 61% of which came from Chinese buyers. The trade war caused the soybean

- **EU:** rapeseed forecast down due to bad weather in Germany
- **Soybean:** the trade war between US and China continues weighing on the market and prices

prices to fall by 22% since April this year. So far, China tried to replace US soybean with product from Brazil or Argentina but this is simply not enough. It is forecasted that China will eventually need to get back to buying soybean from the US, however, it may not happen in the next one or two months. This, however, makes the prices of US soybean fall without a clear trend for the next months.

In the EU, the forecast of 2018 rapeseed harvest was lowered due to bad weather affecting crops in Germany. The EU forecast by Strategie Grains was lowered from 19.95 million to 19.62 million tons. If this prediction comes true, the 2018 harvest would be 11.5% smaller than that of 2017. The crop in Germany is expected to be the lowest in the last 15 years. This should also put pressure on the prices.



UCO: MARKET STILL SLOW

The price trend of UCO during the summer was rather bearish. After a continuous increase in Q2, the prices underwent a significant correction and returned to the levels from May. It was caused by a fall on the UCOME market of 40-50 euros per ton since the peak seen in May.

What is more, lack of liquidity on the double-counting biodiesel market slows down UCO trading. The market of UCO is still better than that of biodiesel due to contracts lasting one or two months and UCOME producers' need to maintain constant production flow at their plants.

When it comes to UCO coming from overseas, since August we see the Chinese collectors to be less pressured to sell their oil to the EU. This

- **Europe:** bearish trend over the summer
- **Imports:** increased demand for UCO in China puts less pressure on local collectors to export to the EU

seems to be caused largely by increased local demand in China. In fact, China is the only country where we noted a price increase of UCO between August and September. This trend will have to be closely observed in the next days but if it is confirmed then there is little chance that UCOME producers from Europe can be competitive in sourcing UCO from China in the next weeks.

UCO CIF ARA in flexi tank (standard quality) is traded at around 615 USD per ton CIF, however, during the last weeks liquidity was very poor due to this increased demand in China and an increase of the freight costs from Asia to Europe.



ANIMAL FAT: FURTHER MARKET CONSOLIDATION

Summer was relatively calm on the animal fat market. This, of course, if we do not count a couple of changes among the key market players. After OXEM stopped their production in Italy, we heard the news of Argent acquiring BDA. The question arises whether the changes will change the dynamics of the market? We will see with time whether this will impact the prices and negotiations.

Difficulties on the TME market are expected to make the price trend of animal fat cat 1 for Q4 rather bearish. The strong increase since August of the value of CFPP point (10 USD per

point) will penalize TME sales for the winter period.

Animal fat cat 3 market should be stronger in September and Q4 due to the reduction of pig population in Spain and the African swine fever around Europe. The disease is spreading to more EU countries affecting the quantities of cat 3 fat.



GLYCERIN: LACK OF ACTIVITY

The glycerine market is always struggling with the supply-demand balance, which is mirrored in the price trend. The second half of the year, though, might bring some relief. The only exception might be the US market where the supply is still tense. With most of the suppliers sold out for Q3 any disruption in production will bring tension and price increase there. But the supply in South-East Asia is increasing due

to higher biodiesel production there which is predominantly the cause of increased glycerine supply forecast for the next months.

Asian market sees lack of activity in the last days but there were some trades reported at 350 USD per ton for veg-oil based glycerine and 310 USD per ton for UCO based product, both CIF China.



BIODIESEL: LONG SUMMER ON THE DC MARKET

August was a complicated month on the UCOME and TME markets. This was mainly due to a decline on the market of FAME 0°C, backwardation in biodiesel prices for September / Q4 and a sharp increase in the CFPP value point from Mid-August. Thus, the liquidity was very weak or almost inexistent in the second half of August, we even noted several days without any negotiated volumes.

The premium of UCOME over FAME 0°C stays stable at around \$150 per ton for September but there is no real demand so the prices are more around €850 per ton for CFPP + 2°C or even close to €800 / 805 for out of spec UCOME in the South of Europe. Prices are

- TME: market is quiet with producers sold out for September
- UCOME: some quantities for September still available but mostly in Spain

falling again for October deliveries because of the backwardation on the FAME 0°C (\$30 between September and October) and the increase of the point of CFPP by \$8 or even \$10 for October / November. In addition, the decline in the FAME 0°C prices penalized the interest of buying double counting because of the rise of DC incentive.

On the UCOME market there are still some quantities available for September, mostly in Spain and at the end of the month (around 17,000 tons). Producers from the North of

Europe seem to be sold out and now working on their October or Q4 sales.

On the TME market, sales were made before August 15, before the strong increase of the spread between RME and FAME. Thus, now the TME market stays very quiet, penalized by its typical CFPP of around 11°C. The Italian market should still support the market of TME, especially with the end of DC for the PFAD and the advantage of winter spec with CFPP 0°C. However, for the moment no significant extra premium and no interest was noted.

TME producers are sold out for September and there should be some plant maintenance in October, which will reduce the quantities available on the market next month. Thus, for the moment, the producers remain calm and hope that the demand will start again.

The DC mandates in Europe increased significantly in 2018 and will grow even more next year. Chinese UCOME penalizes the EU market but even with a sharp increase in volumes, it constitutes around 10% of the European demand.

In addition, we are waiting for news from Spain about the introduction of double counting next year. Will it be finally introduced or not? Will there be a cap? More details should come in September after the meeting with all stakeholders. Spanish players seem to be quite sure that this time the DC will be finally properly introduced but after so many years of uncertainty it is best to wait for an official announcement.



ONCOMING EVENTS: SEPTEMBER

6th Oleochemical Outlook

5-6 September

Bali, Indonesia



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