

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: AGAIN A COMPLICATED YEAR FOR RAPESEED

This According to the latest USDA report, the global vegetable oil market is projected to set a new record at 204

million tons. Especially palm and soy oil show strong production figures. This would be a 3% increase compared with last year. Only the rapeseed harvest is expected to decrease by 1% due to dry conditions in the EU and Australia. The German Association of Oil and Protein Crops (UFOP) is anticipating continuous pressure on the international vegetable oil markets due to the strong harvest. Downwards palm oil price trend and growing crude oil prices which hit a four-year-high in October, increase the economical attractiveness of biofuels.

Parts of France, Germany, Poland and Czech Republic are among the rapeseed producing areas where winter crop emergence is expected to be impacted by bad weather conditions. They have all faced below average rainfall between September and October, even droughts. France and Germany are the largest EU rapeseed producers, but are estimated to see 11% and 15% year-on-year reduction in 2018 production.

Due to the poor rapeseed crop and the increasing demand for winter blend biodiesel, October has seen a significant price hike of RME as producers are stocking up among limited availability.

- **EU:** rapeseed oil and RME prices on the rise
- **Brazil:** fast start of the new soybean planting season
- **Global:** 2018/19 veg-oil production predicted to be record-high at 204 million tons

At the same time, Russia saw a record production of rapeseed oil in the first two months of the 2018/19 season of 101.1 KMT. As 70% (or even more) of Russian production is shipped abroad, the country's crushers should see high interest from the key importer: EU, this should be supported by favourable prices.

Brazil is off to a quick start of the soybean planting season. 46% of the total 2018-19 estimated planting area has been finished by October 25th. Many of the Brazilian farmers have eyes on Chinese demand with ongoing US-China trade dispute. This is a risky strategy according to the Brazilian confederation of Agriculture and Livestock (CNA). On the one hand it guarantees them a short-term increase, on the other there is a risk in the medium and long term that farmers could end up with a lot of soy in their storehouses.

Last but not least, falling CPO prices support export from Indonesia as well as the depreciation of Rupiah which is down 12% from the same period last year. Total Malaysian and Indonesian palm oil stocks are estimated to fall by 1.12% at the end of October to 6.9 million tons compared with previous month.



UCO: SHORTAGE OF UCO COMING FROM ASIA

Since September, the import of UCO has seen a strong decrease in volumes. Chinese prices remain high while the price of UCOME in Europe has been falling since September. The Euro/USD fall from 1.159 in early September to 1.138 in late October further limited the import possibilities.

Thus, the UCO (FFA 5%, IV 75, Sulfur 45ppm) from China stays at 630 USD CIF per ton while the bids are more oriented towards 610 / 620 USD per ton. UCO in bulk FOB China is still offered at 610 USD per ton and despite the ongoing negotiations, sellers remain very firm

- **Imports:** margins of UCOME producers may be affected if China's export prices remain stable and high
- **Europe:** Price relatively stable too, a slight decline is observed

on the price and there is no downward movement on their part.

In Europe, UCO prices (FFA max 5%, IV 75), also remain stable at around 610 euros per ton FCA in the NWE.

If the Chinese market reduces the volumes exported to Europe or if the down price stays at the current level, the margins of UCOME producers will fall together with the decrease of biodiesel prices.



ANIMAL FAT: TRADES ARE FINISHED FOR Q4

The animal fat market of cat 1 remains stable as negotiations are conducted every quarter. The price of category 1 fats is around 400 to 420 euros per ton. Due to reduced demand, there are still some volumes of fat available in

the last quarter. Several TME plants took advantage of this last quarter to carry out their maintenance activities. In addition, there is one plant less in Europe with the shutdown of OXEM in Italy.



GLYCERIN: ILLIQUID Q4, VALUES SOFTEN

The glycerine market remained calm, with little change due to a slowdown in prices over the last quarter. Several contracts were made around 150 euros per ton for crude glycerine

80% UCO-based. The bid/ask for such quality is more oriented towards 150/190 euros per ton for the last quarter.



BIODIESEL: INCREASED MARKET ACTIVITY

The double counting market has become quite active again starting from mid-October. While liquidity in this market was very

low, Spanish producers still managed to sell their November production. For November deliveries, 23 kt of UCOME were sold on the Spanish market for prices from 785 to 805 euros per ton depending on quality. Two lots still remain for sale for November. Despite a significant increase in liquidity in the double counting market, the increasing gap in the RME/FAME spread has a strong impact on the value of the CFPP, which is rising to USD 32 per point on the spot and around USD 23 per degree for December. UCOME sales by producers with CFPP between +2°C and +5°C are strongly affected by the persistent RME/FAME0°C spread. This spread should continue till the end of February. However, the issue arises in the second quarter with summer specifications for biodiesel, the import of SME which should persist and the poor sowing of rapeseed in Europe. UCOME (CFPP 0°C, GHG >90%) on the Rotterdam market is oriented

FOB USD per ton	ARA	RME	FAME 0°C	ICE GASOIL	Rape Oil	Palm Oil	EUR / USD
26 Oct 2018		1 260	900	702	880	550	1,14
17 May 2012		1 260	1 120	931	1 230	1 080	1,27
21 Oct 2010		1 260	1 135	706	1 180	990	1,38

towards a premium over FAME 0°C of around 115 USD per ton on M+1 equivalent around 850/860 euros per ton FOB Rotterdam for a full spec. product. There have been several operations around €820/835 for a product with a CFPP +2 / +3°C.

The RME market continues to grow: the same trend can be observed as in the period between September 2010 and April 2014, when the price has gradually increased to USD 1500. It is still not the case today, but the price has increased from 1100 to 1260 USD during October. However, so far, the RME/FAME spread has never reached such a peak compared to October 2018.

As regards the implementation of anti-dumping duties on imports of SME and PME, the situation slowed down: the European Commission must prove by the end of February

2019 that Argentine producers benefit from a subsidised export system that is against the competition rules. This will be a difficult task for the European Commission. As the end of the year and winter holidays are coming, it is to be hoped that our political support in Brussels will recall the challenges that are facing European biofuel producers. Concerning PME imports from Indonesia, the market is open and will not be affected by the additional duties.

Due to the challenge of reducing PME imports in Europe, there is pressure at the national level. In France, MPs recently rejected the amendment to the 2019 Finance Act on the use and additional tax on palm oil. The debate has moved to the local level where NGOs such as Friends of the Earth are pressuring oil distributors to communicate to the public.

In addition, the implementation of double counting is still to be done in Spain: the official announcement is expected in the coming weeks for 2019 (but the question remains when in 2019). However, local Fuel Distributors remain sceptical for an implementation in the 1st or 2nd quarter: several contracts have been signed for early 2019 with simple counting.

The other side of the coin in the European market's growth will certainly be international pressure from SME and PME exports and also a strong pressure on feedstock imports (waste based and others).

In the short term, the perspective is more comfortable, even for 1st generation producers, with current good margins on the RME and the American market gradually opening up for EPA certified producers. However, cautiousness is still necessary in the biofuels industry where markets are evolving fast.



ONCOMING EVENTS: NOVEMBER

F.O. Licht's World Ethanol and Biofuels

6 – 8 November
Brussels, Belgium

Future of Biogas Europe

7 – 8 November
London, UK



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