

SEPTEMBER
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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Physical
veg-oil



UCO



Animal fat
cat 1 & 2




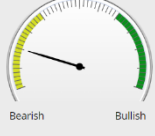


Glycerine



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 EXPORTS SPEED UP

This year's extremely hot and dry summer reduced the yield of main agricultural crops in Europe.

Compared with last

year, EU is expecting the rapeseed harvest to be significantly lower – 19.45 million tons down from 21.1 million tons and the bad news does not stop there. The dry soil conditions made the seeding process in many areas of the top producers not possible (France, Germany, UK and Poland). Despite the cool down and rainfalls which came in the second half of September, it was too late to make up for the previous weeks. High grain prices after the poor EU crop also caused some farmers to switch to cereals.

Malaysian CPO production this September is set to become the highest one in the last 6 years. Estimates show a 12% increase from previous month and the exports see an even larger increase of 40 to 50%. The EU and the Middle East increased their import of palm oil from Malaysia helping to bolster the overall price. Nevertheless, crude palm oil prices nearly hit a three-year-low this month due to a

- **EU:** rapeseed seeding is affected by the long hot summer; next year's harvest can be hurt as well
- **Malaysia:** Sharp increase of palm oil exports

strong production growth. Despite that, palm oil prices re-bounced thanks to the soybean oil price increase following the US – China trade tensions. Crude oil price hike also added some support.

After China stopped buying soybean from the US, cheap US soy is finding buyers in the EU, whose soy bean imports rose by 133%. Moreover, US is crushing much more soy beans than ever before to deal with the oversupply. However, EU and other non-traditional markets will not be enough to make up for China, putting further pressure on US soy prices. Chinese companies have enough stock through early 2019 and many have already planned to increase other meal imports such as sunflower meal. They can easily reduce the soybean meal proportion in the feed by a few percent. Multinational giant COFCO already started to increase the purchasing of alternatives.



UCO: LIQUIDITY IS LOW ON THE MARKET

September was very quiet on the UCO market. The market has been facing opposite trends in Europe and Asia killing the liquidity. As a result, very few transactions were reported this month. European buyers do not want to make purchases with the current UCO / UCOME trend while sellers in Asia prefer to turn to the local market or wait for the next month. There was some more liquidity in the last few days but the negotiations are still ongoing as Q4 is coming with a decline of UCOME prices.

The market is around 605 USD per ton CIF ARA for UCO FFA 5, MIU 2, IV 75, buyer interest, but only small volumes were contracted at this

- **Europe:** lack of liquidity on the market
- **Imports:** Chinese offers seems to be limited for the last months of the year

price, which is close to the levels from April. Spain is a little more bullish on the prices but the sourcing difficulties remain and only small quantities have been secured for the coming month. The producers are still buyers for October.

The negotiations of offers FOB Asia are also delayed due to the autumn festival holidays in China. Even if the UCO import from China hit a record high during the summer time, the last quarter of the year starts a downwards trend. We should closely observe how this situation will evolve.



ANIMAL FAT: AFRICAN FEVER AFFECTS EU MARKET

This month has been very busy with the renewal of contracts for the last quarter. Interestingly, category 1 and category 3 saw two opposite trends.

As the TME market is bearish since the end of August due to winter constraints and the lack of liquidity, the prices of animal fat cat 1 follow

a similar trend. Thus, the market is at around €400 per ton DDP NWE.

The category 3 fat market is experiencing a rather stable or bullish trend coming mainly from the pet food and feed markets. The fear of African swine fever puts high risk on the European pork production for Q4 adding to the bullish trend. So far outbreaks of African swine

fever have been confirmed in nine EU countries with Belgium, Estonia, Poland, CZ, Latvia, Lithuania and Romania suffering most.

In the next weeks it will be crucial to understand how this will impact the animal fat market in the last months of the year and how long this may last.



GLYCERIN: THREAT OF OVERSUPPLY

The increase of biodiesel mandate in Malaysia calls for higher biodiesel production there, which will directly influence the amount of glycerine available on the market. Moreover, the open arbitrage possibilities for SME and PME further add to the increased supply which

may result in the oversupply of glycerine in the last quarter of the year.

There are voices on the US market stating that glycerine prices there seem to be affected also by the US – China trade war. A slight bearish trend can be felt in current weeks.



BIODIESEL: MARKET WAITING FOR KEY EU DECISIONS

In September, Gasoil price experienced an impressive rally during the second half of the month with an increase of almost 50 USD/MT and reached around 715 USD/MT. However, palm and soybean oil prices were continuing to go down (palm oil FOB Rotterdam: -40 USD/MT) when rapeseed oil stayed relatively stable putting pressure on the biodiesel market. Consequently, FAME 0°C price lost around 30 USD/MT during the month while RME went up by 15 USD/MT increasing significantly the RME/FAME 0°C spread for Q4. The value of the CFPP point reached even 13.5 USD/MT at the end of September. This

- **DC:** the incentive for DC is nearly non-existent...
- **Regulation:** the anti-subsidy investigation for Argentinian PME is still ongoing

downward fixed price FAME 0°C coupled with an increasing GO price impacted the FAME premium by 60 USD/MT (from 190 USD/TM down to 130 USD/MT).

On the waste-based biodiesel markets, the low FAME premium reduced significantly the double counting incentive and the buying interest for it. With a UCOME value of around 135 USD/MT over FAME 0°C in Q4, the DC incentive is higher than 2... If this trend continues, it might happen that we see blenders privileging blending twice single-

counted material rather than blending DC product. This low interest put pressure on UCOME producers' margin as the price of UCO remains relatively stable.

The demand for Italian DC remains still high with only few offers on the market due to the low availability of feedstock compliant with Italian DC law. In France, there are on-going discussions to increase the DC mandate from 0.7 to 0.9% including 0.1% of advanced biofuel. We estimate that it will represent an increase

of 20 KT for UCOME-TME and 20 KT for advanced biofuels.

The antidumping and anti-subsidies case for Argentinian SME still does not have the final outcome. The antidumping is cancelled and anti-subsidies still under study. All comments can be submitted till October, 16th. Till then, no provisional duties will be applied. The final decision about the anti-subsidies will be an important factor for the evolution of the market even if currently really small amounts of PME are entering the EU markets compared to EU production.

Another challenging decision is whether or not the double counting will be applied in Spain in 2019.



ONCOMING EVENTS: OCTOBER

2nd Biomass Trade and Bioenergy Africa

2-3 October
Johannesburg, South Africa

Argus Biofuels

8-11 October
London, UK

Biofuels International 2018

10-11 October
Berlin, Germany

7th International Symposium on Energy from Biomass and Waste

15-18 October
Venice, Italy

Sugartech Indonesia 2018

31 October – 1 November
Surabaya, Indonesia

Bulk Liquid Storage 2018

3-4 October
Cartagena, Spain

PALMEX Indonesia

9-11 October
Medan, Indonesia

International Biomass & Biogas Congress & Expo

10-11 October
Berlin, Germany

13th International Congress on Biofuels and Bioenergy

18-20 October
Ottawa, Canada



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