

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 latest traded prices.

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Article written by: **GREENEA Team**

Palm oil, the new red devil?

The first to ban the use of palm oil-based biofuels in 2020 was Norway, followed by France. Last March, the European Commission excluded palm biodiesel from the list of sustainable biofuels and will be gradually reduced from 2023 onwards to be completely banned in 2030.

What are the consequences for the biofuels industry?

Palm oil, used in the food and cosmetics industry, has a negative image in Europe. Accused of causing massive deforestation and loss of biodiversity, it is also accused of causing massive greenhouse gas emissions.

However, in a situation of strong interest in waste-based biodiesel and optimal rapeseed production in Europe, how can HVO plants be developed?

Interest prevails and the price is important, then why not rapeseed, a third crop?

See our special article about palm oil on <http://www.greenea.com/en/publications/>



BIODIESEL: A VERY CONCERNED MARKET

May has been the month of all concerns in the UCOME sector. First of all because of the ongoing investigation into double counting certificates fraud in the Dutch market and then due to suspicions of questionable FAME / UCOME - PME / UCOME mass balance, which may not comply with regulations. All this has been peppered with a lot of gossip and is not good news for the whole waste-based biodiesel industry.

After the suspension of the ISCC certificate of the largest producer of UCOME in the Netherlands and the fear of an imbalance between supply and demand in the market, the price of UCOME suddenly increased by EUR 15 to reach EUR 870 per ton FOB ARA SH May and may continue to go up again in June/July. Furthermore, this will impact the availability of Dutch double counted UCOME for Q3.

By mid-May all the quantities of June were sold out and the quantities available for July are almost sold out also to this day. At the beginning of June, there was very little volume available for July from UCOME producers (less than 17 kt), 7kt in Spain and the rest in the North. The FAME 0° market, which is not supported and is at its lowest level of the year, penalizes the value of the DC factor which has reached over twice the FAME premium over the GO value.

This should eventually slowdown interest in UCOME, except for buyers who must meet their

UCOME obligations and not FAME. For the moment buying interests continue to be strong.

The RME / FAME 0°C spread is still historically high for May / June period, leading to a CFPP point value around 11 USD per degree that should rather be close to 1 or 2 USD per degree as in the last years. However, given the limited volumes of UCOME, UCOME transactions with a CFPP between 2°C and 3°C were not really impacted by an aggressive discount on the value of the CFPP, buyers seem today flexible on this point.

On the Asian market, the scenario was similar, with several UCOME producers already fully sold out for June/July. Contracts were negotiated at around USD 860/870 per metric ton FOB China.

On the TME market, producers start selling in the third quarter, aiming for price targets of around EUR 895/900 per ton of ARA FOB, while interest rates are closer to €885 per ton.

The strong movements in the oil market also had an impact on the FAME market at the beginning of June. Brent Crude hitting its lowest level since January and WTI Crude at its lowest since February as trade disputes continued to weigh on the outlook of global economy and oil demand growth. At the end of May/beginning of June, the FAME premium on GO increased by approximately USD 60 per metric ton, from USD 152/mt (May 21) to USD 214/mt (June 4), or +40%.

31 May	UNIT	PRICE	Weekly var	Monthly var	Monthly var (%)	LOWEST*	HIGHEST*	30 DAYS AVG
GASOIL	USD per ton	677	▲ 73	▲ 28	▲ 4,1%	492	736	634
EUR / USD		1,113	▼ -0,002	▼ -0,006	▼ -0,5%	1,113	1,177	1,119
FAME 0°C M+1	USD per ton	769	▼ -8	▼ -75	▼ -9,8%	740	918	806
RME M+1	USD per ton	891	▲ 6	▼ -14	▼ -1,6%	868	1495	892
CFPP Value M+1	USD per °C	10,17	▲ 1,17	▲ 5,08	▲ 50,0%	1,00	61,67	7
UCOME Th. M+1	USD per ton	973	▲ 11	▲ 4	▲ 0,4%	935	980	963
UCOME Producer M+1	EUR per ton	875	▲ 10	▲ 20	▲ 2,3%	760	915	862
TME Producer M+1	EUR per ton	890	▲ 20	▲ 10	▲ 1,1%	775	900	877
UCO DDP NWE M+1	EUR per ton	640	▼ -5	▼ -5	▼ -0,8%	580	645	644
UCO CIF ARA Flexi M+1 (bid)	USD per ton	620	▬ 0	▼ -5	▼ -0,8%	560	645	622



UCO: NEW MARKETS WANTED

During the first half of May the UCO market was a little bullish, but following the temporary shutdown of a major buyer, the market quickly changed direction with a surge in supply of UCO available in Northern Europe. Many UCO traders and exporters have been looking for new markets for the last 10 days. Thus, during the second half of May, the participation in UCO (FFA max 5%, IV 75, Sulfur 50ppm) is until now

more oriented towards USD 610 - 615 per ton CIF ARA. A premium of about EUR 10/15 is collected in Spain and Portugal seems to be the Eldorado of the UCO again. We can certainly predict a new price increase after this slowdown in late May due to the UCOME trend on Q3. The fluctuation of the EUR/USD between 1.114 and 1.127 also affected the interest of UCO imports in the last weeks of May.



ANIMAL FAT: MARKET STILL AFFECTED BY SWINE FEVER

The CAT 3 animal fat market remains highly affected, especially for pork fats because of the African swine fever in China. Millions of pigs have been culled by China and beyond, devastating global food chains, from Hong Kong to American dining tables. Outbreaks have been reported in Vietnam, Mongolia, Cambodia, Hong Kong and China - the world's biggest pork producer and consumer. Live pig prices are up by around 40 per cent year-on-year in China and pork imports from Europe, Canada and Brazil in the country are climbing.

It is an opportunity for the export of European pork carcasses to Asia, but a very significant decrease in the quantity of fat available and a price that continues to rise. In addition, negotiations for sales of CAT 1 grease for Q3 are underway, a quarter still very complicated on the qualities with very high acidity during the summer period and less available quantities. We can still expect an increase on the CAT 1 price in this next quarter. Furthermore, the entire industry will meet on June 12/15 at EFRA in La Baule (France), which should intensify negotiations during the week.



GLYCERIN: PRICES STILL DECLINING

The glycerin market has not yet recovered, with prices having dropped even more since April. Refined glycerin USP grade from South America to China moved under the USD 400 level and crude glycerin (80%) under USD 200 per metric ton. South American producers are

now looking at other markets to export (US, Europe) or trying to sell volumes locally. The US-Chinese trade war and recent depreciation of the Yuan is also affecting Chinese glycerin imports from overseas.



ONCOMING EVENTS: JUNE AND JULY

International Fuel Ethanol Workshop & Expo

10 – 12 June
Indianapolis, IN, USA

EFRA 2019

12 – 15 June
La Baule, France

Are Biofuels Sustainable - How biofuels will fit into the energy mix by 2030

25 June
Brussels, Belgium

MEET US THERE !

PALMEX Malaysia 2019

26 – 27 June
Sarawak, Malaysia

ISCC Technical Committee: Waste, Residues and Advanced Low Carbon Fuels

02 July
Shanghai, China

MEET US THERE !

Biomass to Power North America

10 – 11 July
Raleigh, NC, USA

16th Global Oleochem Summit 2019

17 – 19 July
Dalian, China

MEET US THERE !

Australian Renderers Association 15th Symposium

23 – 26 July
Hobart, Australia

MEET US THERE !



FOR MORE MARKET NEWS AND PRICES PLEASE VISIT:

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