NOVEMBER

2020

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 latest traded prices.

Used Cooking Oil

Animal fat

Glycerin

Physical Biodiesel

	UNIT	PRICE	Weekly var	Monthly var	Monthly var (%)	LOWEST*	HIGHEST*	30 DAYS AVG
GASOIL	USD per ton	344	37	7	2,0%	191	626	329
EUR / USD		1,187	0,023	0,005	0,4%	1,069	1,192	1,177
FAME 0°C M+1	USD per ton	944	63	52	5,5%	549	971	877
RME M+1	USD per ton	1049	52	68	6,5%	671	1156	998
CFPP Value M+1	USD per °C	8,08	-0,85	1,23	15,2%	2,69	19,92	9
UCOME Th. M+1	USD per ton	1198	-10	-41	-3,4%	1155	1283	1205
UCOME Producer M+1	EUR per ton	950	5	-50	-5,3%	910	1270	977
TME Producer M+1	EUR per ton	1040	40	-40	-3,8%	880	1240	1061
UCO DDP NWE M+1	EUR per ton	725	5	-45	-6,2%	710	875	746
UCO CIF ARA Flexi M+1 (bid)	USD per ton	730	0	-55	-7,5%	705	870	756

9 November 2020

** since January*

DO WE RELEASE THE HANBRAKE AFTER THE 9 NOV?

October 2020 has not been a good month for biofuels in general. Even though the FAME 0 or single-counting RME prices are globally stable compared to September, the FAME 0 is up 5% and the RME 6% compare to September prices. The main change we have seen is in liquidity. **In October, liquidity dropped drastically compared to September** to an exceptionally low level. **October is the worst month of 2020 in the Argus Window with only 31 transactions for the FAME, 47 for the RME and 12 for the UCOME.** Compared to September, which was already a month of low liquidity, it is a decrease of 60% for FAME 0, 30% for RME and 65% for UCOME. October saw the explosion of viral contamination and the lockdown of some European country due to the second wave of Covid-19. Throughout the month, the number of infections increased every day until the EU countries decided to re-lock as in April 2020. **In this uncertainty, the major players in the diesel and biofuel market were extremely cautious**, choosing to take less risk and exposure in this situation. It is almost certain that the recent closure of major EU countries will not help companies to recover in November either. The RME/FAME 0 spread is still trading between 100 and 150 USD/ mt with little change or evolution in September. Certainly, biofuel market players are rather worried about recent market developments, with low diesel and rather strong vegetable oil. It seems that RME production continues to slow down, but demand is even lower. The main complaint of biofuel market players today is the lack of demand in the EU. It is difficult today to plan a way out of the crisis because we still have no visibility on the end of the Covid-19 pandemic. To make things more complicated, **the veg-oil complex has been overheating since the 1st week of November**. Soybean prices reached their highest level in Chicago since the summer of 2016, driven by positive signs for demand and unfavorable weather conditions. Malaysian palm oil futures jumped to an eight-year high due to a rise in demand mainly from India and China combined with a drop in supply. All this points to very strong tensions on FAME / RME production margins in a context of demand that should be strongly impacted in the next few months with the implementation of restrictive measures on travel across Europe. To take the example of France, between January and September, the drop in diesel consumption was -15% compared to the same period in 2019 and the outlook for November looks complex, given that some fuel deposits in the first week of November were down by 30 to 40%.

In the double counting market, the **demand of UCOME completely fell since the end of October.** Fortunately, a majority of producers had already sold well in November/December. The next trades are expected to be very complicated or even compromised, given the current context. **We note a sharp price decrease from EUR 1020 per ton (end of sept), EUR 1000 per ton (in average in Oct) to EUR 950 per ton (6/11)** and we have even noted transactions below this value. The increase of the FAME makes the UCOME much more competitive in the face of a certain lack of visibility on the forecasted demand for fuel over November/December. **As for the TME market, it is going through the crisis** in a disagreeable way, we are talking about the **NIS certified TME**, the demand is burning, the offer is limited which maintains prices out of the ordinary, today traded at a minimum premium of 100€ above the UCOME.

UCO – BACK TO THE FUTURE?

Are we back as we were last March? It is a big uncertainty ahead. If we put down the facts quickly, Europe is under a sort of bell jar. In November there is a lockdown in most countries. But to tell the truth, what we are facing is probably the "stop and go": we risk to spend the winter punctuated by lockdowns, with a 3 weeks break for Christmas and New Year's Eve.

Catering will face a severe crisis. This will result in a significant drop in the **UCO supply in Europe in November** and in the coming months.

But if we take a step back, **this crisis is concentrated in Europe,** because in Asia, the Middle East and South America, the restaurant sector is operating.

In addition, **the stocks of UCO in October were at a maximum** amongst the importers, so we are entering this crisis with important stocks, the export which is doing well and the **European collectors who still have 1 to 2 weeks of working stock ahead** of them before the uncertainty. Let's not forget that an important part of the collection of UCO comes from the agro-industry, certainly between 20/35%. **So, we will not see a break in the supply of UCO in the coming weeks.** The question will certainly come up again in December and in the first quarter of 2021, if the European lockdown persists. The great news about the possible vaccine for the COVID on the 9 Nov, is a major announcement. However, it will not stop the pandemic in a few weeks/months. Currently, Europe imports almost 60% of its UCO needs and the import of UCO is now the key to keep European factories running. **So, we would be much more worried if Asia was in lockdown.** This is the paradox of this market for which the resource, especially in relation to the projected needs for 2025, is not available in Europe. Let's go back to the short term, wait and see.... With the UCOME market almost at a standstill and a supply of available UCO, we are therefore in a very violent downward movement. **The UCO market has almost lost 50€ in the last week of October and we are still wondering if the fall is not going to continue with a possible drop of 20/30€ (today traded value around 730/740€ per ton DDP NWE FFA 5%, IV 75).** Fortunately, most UCOME producers had sold most of their production in November and December before this crisis and the vegetable oil market remains very firm. The import is experiencing the same situation with a drop **from 780 USD per ton at the beginning of October to 740 USD** currently with a majority of bids even below this value (UCO FFA 5%, MI 2, IV 75, Sulfur max 50ppm). Bulk volumes in FOB / CIF remain abundant. They have certainly been the most penalized by this crisis, caught between a number of bulk buyers who have closed the complementary trades with the panic on the biodiesel market and the boats that are arriving and the stocks that are desperately filling up. Well, fingers crossed that the next newsletter will be more optimistic. After all, we can still believe in Santa Claus at all ages and the 9 November's news is a good start.

ANIMAL FAT – IS IT STORM COMING?

It's a surprising winter for the CAT 1 animal fat market. Negotiations for this quarter had started well in September with prices around 550 / 600 EUR per ton DDP, so a good price increase. However, due to the price increase, **buyers were cautious on their purchases and delayed part of the negotiations**. Thus, we note volumes of CAT 1 still **available in November/ December**, which seems very surprising in the context for which the TME market is doing very well. In fact, it is the only market that does not seem to have caught Covid. Concerning CAT 3 for FAME applications, **this market has not been very flourishing over the last quarter** as the gap between UCO and animal fats was very close, a drop certainly around 50% for CAT 3 fat consumption for the FAME sector (non-crops fame).

Given that we are in 2020, it is good to end on a negative news. After Covid and the threats of swine fever, **here comes the avian flu**. This highly pathogenic virus has been detected in 4 countries: France, Netherlands, Germany and the United Kingdom. These countries have been placed at "high risk" of avian influenza. The number of cases of influenza identified in the Netherlands and Germany has risen sharply, raising fears of a new wave of contamination of poultry farms, particularly foie gras palmipeds in France. This virus had forced farmers to mass poultry slaughter in 2016 and 2017 and caused huge economic losses.

ONCOMING EVENTS

6th Future of Biogas Europe
11 – 12 November 2020
Berlin, Germany

Fuels of the Future
18 – 22 January 2021
Berlin, Germany

2nd Global Biofuels
17 – 18 November 2020
Virtual Conference

Lignofuels 2021
10 – 11 February 2021
Helsinki, Finland

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