Your broker for waste-based feedstock & biodiesel

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Market Watch

Every month, **GREENEA** provides our clients & 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.

DOUBLE COUNTING INDICATORS

DOUBLE COUNTING	MARKET PRICE FORECAST SHORT TERM	MARKET PRICE FORECAST MID TERM	SUPPLY	DEMAND
UCO – EU	↗	◂ ▸		
Tallow Cat 1&2	↗	◂ ▸		
UCOME – EU	◂ ▸	◂ ▸		
TME – EU	◂ ▸	◂ ▸		

VEG-OILS: PALM OIL HOLDS STRONG

Palm oil

After their rally in August, palm oil prices remained relatively stable during the first weeks of September and increased sharply to their highest level in two years at the end of the month. On average, CPO from Indonesia and Malaysia was traded around $775-785 CIF Rotterdam (+5% since the beginning of the month).

The bullish price trend in August was supported by booming demand from the main buyers. During this period CPO exports to India multiplied by 3 while the demand of China and the EU increased by 17% and 15% respectively. The demand is predicted to ease in the coming month though, since most of the restocking activity has already been done.

In Malaysia, the palm oil output increased by 13% month on month in August to about 1.8 million tons. This represents the highest level in 10 months. The readjustment of the CPO supply may help limit the rise in palm oil prices in the coming months.

Furthermore, the spread between soybean oi(l and palm oil narrowed by two third from July to August to only USD 30 per ton threatening palm oil's market share.

As imports are expected to be even higher this year from last season's record (15.5 million tons during 2015-16 until October 2016), Indian Government decided to lower its import duty on edible oils. Around 55% to 60% of the country's needs will be covered by imports, mainly from Indonesia, Malaysia and Argentina. The tax on CPO will be decreased from 12.5 per cent to 7.5 per cent and on refined edible oil from 20 per cent to 10 per cent. This represents a threat for local refiners since the gap between crude and refined product will narrow.

Soybeans

Strong demand and exceptional crops in the US have been the key factors on the soybeans market. USDA supports its prediction of record-high crops this season due to remarkable yields. Soybean ratings were unchanged from a week ago with 73% of the harvest rated as "good-to-excellent."

In the last days of September, soybean prices were dragged down by better than expected weather conditions in the US which will determine the result of the harvest.

For the season 2016/2017, the projected demand from China has been slightly reduced by 1 million tons to 86 million tons. Forecasted exports from China remain very strong though (+ 4.2% year-on-year).

Rapeseed

In September, rapeseed oil prices increased by 3.3% to around USD 855-860 per MT on Dutch Mill markets. This is the result of poor crops in Europe, high palm oil prices and deteriorated production prospects over the next year.

The European of Cereals COCERAL estimates that the EU28 rapeseed output decreased by more than 2 million tons year-on-year to 12.3 million tons. This is due to lower yields (-16%) caused by harsh weather conditions in France, Germany and the UK and lower acreage (-1%). In comparison, the outputs of other oilseeds are up. Sunflower production increased by 3.9% from last year with higher yields seen in France and wider acreage in Spain. Soybean production increased 11.7% year-on-year.

Statistics Canada published their first estimates for the output of canola in 2016. It is predicted to be down by 1.2% to 17 million tons compared to last year. Falling supply will put pressure on prices and reduce the competitiveness of rapeseed oil against North-American soybean oil.

UCO MARKET: BULLISH TREND CONTINUES

The UCO market has seen a strong bullish trend with +8% growth between June and August. Current price level is at €680 per ton DDP NWE. For the last 27 months we have not seen such prices, equivalent to these in June 2014!

The demand in Europe is very high and several UCOME producers face serious issues to secure enough feedstock for their production in the last quarter.

Optimism comes back to the used cooking oil collection industry after several financially tough years. Let's recall that UCO prices between October 2013 and April 2014 were between 700 and 750 euros per ton which means that there is still a potential for significant increase if the double counting market remains bullish. However, for the last 10 days, the UCOME price for the last quarter seems to have stabilized around 910/915 euros per ton. This, in turn, could mitigate the bullish trend of UCO.

The same bullish trend is visible on the UCO import market as the prices return to the levels from 2014 and stabilize around 660-680 dollars CIF depending on the quality (IV, FFA).

The demand for UCO remains high not only in Europe but also, more and more, in new markets like the US and Asia. In the US, prices of yellow grease were around 590-600 USD per ton FOB West Coast and 610-630 USD per ton FOB East Coast. It is a big increase since the same period last year when yellow grease was traded at 460 dollars FOB West Coast and 475 USD FOB East Coast.

ANIMAL FAT: PRICES CONTINUE TO RALLY SINCE OCTOBER 2015

We expect animal fat prices to remain firm in Q4 and even in Q1 of 2017. Tight feedstock supplies and TME production running at full capacity push the prices up even if the winter period is about to start.

Strong demand pushed animal fat cat 1 prices to record levels of €570 per ton DDP, an increase of 15 / 25 euros compared to Q3. Since October 2015, the pressure on the cat 1 market pushed the prices by more than 40% (Oct 2015 / Oct 2016). In the same period the TME prices increased by 15%.

The spread between UCO and tallow cat 1 went down from €250 in Q4 2015 to €135 in Q4 2016.

The TME / tallow cat 1 spread decreased from €400 to €330 per ton. Animal fat cat 3 prices continue to climb and may reach €700 for FFA max 2% and around €675 DDP NWE for FFA 5%.

EFPRA has made some statistics on the usage of animal fats in the world. It is clearly visible that the share of animal fat going to the feed market is diminishing, from 43% in 2010 to 28% in 2015. The shares of the biodiesel and oleochemical sectors, however, are growing. Currently 26% of animal fat goes into the biodiesel industry against 11% in 2010. The share of the oleochemical sector grew from 11% to 16%.

GLYCERINE: INCREASING DEMAND FROM CHINA AND INDIA

In the last weeks, we could observe a 10 USD gap between bids and offers concerning glycerine trades from Argentina to China. Crude glycerine 80% of Argentinian origin was offered around 205-210 USD per ton CIF main Chinese ports while bids were heard at around 190-195 USD per ton.

The situation might change with stockpiles steadily increasing in South America which could lower the prices a little. At the same time, the supply of glycerine in South-East Asia is decreasing due to lower biodiesel production in Thailand, for example, where the government decreased the blending mandate from 5% to 3%. On the other hand, the demand in China was weaker in the first half of the month due to lower performance of some of the downstream sectors of the oleochemical industries which are biggest glycerine consumers in the country. This changed in the last two weeks with increasing interest also from India.

The prices of refined glycerine offered ExW NWE remained relatively stable since last month and were quoted at 450 euros per ton. The prices of crude glycerine ExW NWE went slightly up in the first half of Setember and were seen at around 190 euros per ton. In the last week of September, however, we saw offers at 183 euros per ton for the same quality (rapeseed-based). Mixed feedstock crude glycerine 80% was traded around 130 euros per ton FCA Western Europe.

BIODIESEL: POSSIBLE ANNULATION OF ANTI-DUMPING DUTIES

The biodiesel market remained strong in September following the stable prices of veg oil. RSO traded at 850 USD/MT FOB ARA and palm oil reached 800 USD/MT FOB ARA at the end of September.

Contrary to the previous year, the spread between RME and FAME 0°C remains relatively low at 40 USD/MT for Q4. Last year it was at 95 USD/MT in the same period. It is mainly due to the fact that currently other veg-oils are not competitive enough compared to rapeseed oil.

The European Union court delivered a series of rulings to annul anti-dumping duties imposed on exporters of biodiesel from Indonesia and Argentina. This measure could put significant pressure on the European veg-oil biodiesel producers if flows of SME and PME start again from these two countries. Nevertheless, European biodiesel producers may appeal against this decision and it will certainly take much more time till the actual annulation takes place.

In France, the annual tender for 2017 should be launched in the coming weeks. We have already seen one major French buyer starting their tender this week. For 2017, there is a big uncertainty connected with the potential application of a new certification scheme RBO (Register of Biofuels Origination) for double-counting biodiesel. This scheme forces the producers to have a full traceability of the feedstock and seems to be more restrictive than ISCC. This new scheme requires again the collectors, animal fat producers, biodiesel producers and traders to undergo another audit thus implying additional costs. It will be also a significant barrier for imports as it will require the overseas producers and collectors to get certified with another EU scheme. It took already a lot of time to convince and explain to non-EU feedstocks suppliers how and why they should get certified ISCC EU. Now, biodiesel producers and traders have to start again from scratch.

Concerning the DC market, UCOME price reached 920 €/MT and TME IT DC 890 €/MT FOB ARA for September/October, the highest level since May 2014. This does not necessarily imply better margins for producers as both UCOME and TME producers are under pressure due to the significant increase of feedstock prices.

In 2016, France imported nearly 1 million tons of FAME with high percentage of palm oil. The country imported also 135,000 MT of HVO which was in 100% palm-oil-based.

France will also most probably introduce 7,7% blending obligation for off road volumes in 2017. The blending target for 2020 is 10% with 7% of VOME and 0.35% of UCOME and TME.

In Germany, the share of biodiesel fell from 8% in 2014 to 6.5% in 2015. This is the result of the introduction of GHG emission savings system in the country. It allows for blending less biodiesel with higher GHG emission savings bringing the volumes down. Biodiesel production in Germany fell from 3,4 million tons in 2014 to slightly below 3,0 million tons last year.

Greenea will be present at the ARGUS Conference in London, UK in October. See you there!

ONCOMING EVENTS: OCTOBER

Argus Biofuels and Feedstocks 2016

London, UK
18-20 October

Fat-and-Oil Industry - 2016

Odessa, Ukraine
26-27 October

GREENEA, your broker for waste-based feedstock & biodiesel! Our activities focus on the brokerage of physical products covering the whole biofuels supply chain mainly specialized in waste-based biofuels and feedstock.

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