

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: PRICES UNDER PRESSURE

Over June, Malaysian Crude Palm Oil prices dropped about 12% in Rotterdam. Last week of June CPO traded at \$646 per MT on average in ARA.

CPO prices have been under the pressure of soybean production and the downward trend of gasoil. Strong soybean production in the US and in South America is pushing the forecasted stock levels to almost 100 million tons by the end of 2016-2017 season. The prices of soybean oil are going down capping also the prices of CPO. At the same time, gasoil prices lost around 4.6% over June which also dragged down the oilseed complex.

In Malaysia, even though export figures were seen down by 15% in the first 20 days of June, the production numbers confirmed recovery in both Malaysia and in Indonesia.

Recent data from the Malaysian Palm Oil Board showed that output rose by 6.9 percent month-on-month in May 2017 to 1.65 million tons. Output in Indonesia increased as well in May to 3.38 million tons from 2.9 million tons in April (Reuters).

In June, soybean oil prices increased by around 5.3% on the CBOT market. Hot and dry weather conditions in the South of the United States are likely to affect the Midwest States' production. Consequently, the US crop progress revised its ratings of "good to excellent" down from 1% to 66% of the surface. This led to the increase of soybean and soybean mill.

The U.S. International Trade Commission decided to pursue investigation into Argentinian biodiesel exports to protect their

local market from unfair subsidies and dumping which Argentinian Government denies.

Despite restricted outlets in the US Biodiesel industry, an overall low palm oil production in South East Asia maintains soybean oil prices which are also supported by Chinese and Indian demand.

Rapeseed oil prices increased slightly (around 2%) in June thanks to favourable weather forecasts in Europe. Rapeseed oil prices were traded at \$835 per MT on average in Rotterdam.

The **European Union forecasts a growing rapeseed output for the campaign 2016/17** at 22 million tons (2.2 million tons up from last season) with a higher crushing rate. In its last report, the USDA is more conservative with an estimated production at 21.1 million tons.

In France, even though yields seem to recover, there are still doubts on the oil content of the crops. Thus, FranceAgrimer predicts a lower production for the campaign 2016/17 at 4.7 million tons, down by 11% from last year. Besides, the new French Government announced that the taxation of diesel and gasoline should meet which could hinder the competitiveness of diesel and biodiesel.

At the same time, in the summer, the biodiesel industry is keen on buying more soybean oil and palm oil to produce material with a lower CFPP as temperature rises.



UCO: PRICES STILL STABLE

In June, the **UCO market is relatively stable in spite of a slight downwards trend observed over the last two weeks of the month.** In fact, the sector is looking at the UCOME price development for Q3 as, in the past years, the trend at this time of the year was always bullish. It seems to be the case also this year with prices falling for July contracts.

As a result, several collectors prefer not to wait for a more significant UCOME fall and sell part of their production for Q3 immediately in order to limit the risks.

When it comes to UCO prices, we see the levels around 710 to 730 euros per ton DDP European plants (for EU origin). Imported product is at

around 680 to 720 USD per ton CIF Europe (for IV 75) and around 640 USD per ton for low iodine value (50).

The UCO market seems to resist the downwards trend only because of the limited supply and the fact that biodiesel producers want to continue the co-operation with their regular suppliers. As a result, the margins for UCOME producers have decreased.

The supply of UCO from Asia keeps developing with more volumes coming from China. We can also see fewer quality issues, however, we have to remain careful and continue to be demanding on the quality of the imported product.



ANIMAL FAT: SUMMER BRINGS QUALITY ISSUES

Strong activity in the animal fat markets in June with the renewal of contracts on Q3. In the CAT 3 market, prices have improved markedly over the last three months, in spite of the downward movements in palm oil and the decline in biodiesel.

The market of animal fat cat 1, after a long period of upwards trend, finally started to correct downwards. This is mainly due to the TME prices falling steadily since the beginning of the year and thus lower and lower margins for producers.

Moreover, **production of animal fat cat 1 encountered major problems in June due to**

persisting heat across Europe. The quality of animal fat deteriorated significantly with acidity peaks between 30% and 45%. Animal fat cat 1 was offered at around 635 euros per ton DDP European plants with bids around 610 euros per ton. Producers of cat 1 with max FFA contents of 20% want to maintain prices at around 635 euros per ton due to the fact that the supply of good quality grease is lower during the summer. That is why some producers prefer to sell only product for July because they believe that the price drop is too big and does not really reflect the market.

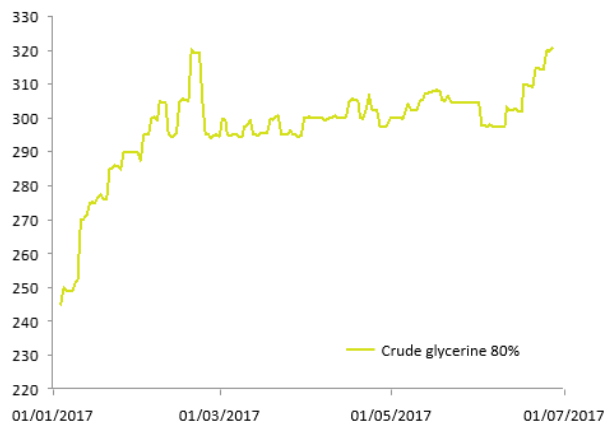


GLYCERINE: EUROPEAN PRICES SLIGHTLY DOWN

In Europe, **the prices in June went slightly down compared to May**. Crude glycerine 80% was traded at 230 euros per MT ExW France for waste-based product. Product with 75% glycerol content ExW Spain was seen at 155 euros per MT.

The US investigation and the **possible introduction of anti-dumping measures against biodiesel from Argentina will have an influence on the world glycerine market**. The final results of the investigation should be known at the end of August. In case of a positive outcome, the supply of glycerine from Argentina will decrease significantly which will put pressure on the prices. If the measures are finally not introduced, the flow of crude glycerine should increase.

In South-East Asia, we see the FOB prices of crude glycerine going up again. This is due to the increased demand coming from China as some of the plants processing crude glycerine resumed activity. However, at the same time, the production of biodiesel and glycerine in Indonesia, Malaysia or Thailand decreased due to low prices of crude oil.



Crude glycerine 80% in flexitanks FOB South-East Asia (USD per MT)

China's imports of glycerine grew by 35% between January – April 2016 and the same period this year. In the first four months of the year the country imported 63,000 MT of the product.

The prices of crude glycerine waste-based 80% CIF China were at around 290 USD per MT while product with 75% glycerol content was at 275 USD per ton in June.

The prices of crude glycerine FOB USA also increased since the beginning of this year. They went up by approximately 5% over Q1 and are now around 205-215 USD per MT.



BIODIESEL: LIQUIDITY IS BACK TO THE MARKET

After the first half of the month with very limited demand, **the DC market recovered and the liquidity came back in the last days of June**. FAME dropped from 900USD/MT to 865 USD/MT before recovering back to 895USD/MT. Respectively, RME went from 910 to 870 USD/MT then back to 910 USD/MT.

On the other hand, the drop in GO price from 450USD/MT to 413USD/MT caused a significant increase of biodiesel which did not necessarily make blenders happy. However, the increase of EUR/USD, from 1.07 to above 1.13 mitigates the perspective to get much better fixed price in EUR.

UCOME prices went from 930€/MT FOB ARA to 905€/MT (equivalent to around 140 USD/MT over RED FAME 0°C).

The demand for the UK seems a bit slower due to the delay of the mandate increase to at least Mid-2018. All the hopes for DC are now focused on implementation of DC in Spain next

year and an increase of the mandate in Holland for 2018.

The market has been more liquid in recent days and the supply of UCOME from Northern producers is becoming limited. In fact, in Spain and France the producers of UCOME are sold out until mid-August. **There are still several blenders that are not yet fully covered for July so the demand should continue** in the coming days. However, the demand is hindered these last days due to the strong EUR.

The TME market is quasi sold out for July, we should see a few KT available but not much more. The producers of TME IT DC are working on their sales for August with a target at around 915 euros per ton FOB ARA. Currently bids are at €900. Since, the implementation of the new rule for IT DC from May that obliges the producers to segregate the feedstock for IT DC from other types, it seems that the premium for the Italian market increased.



ONCOMING EVENTS: JULY

Oleochem Outlook
12-13 July
Nanjing, China

MAPEX
18-20 July
Sibu, Malaysia



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