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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.

CONTENTS

DOUBLE COUNTING INDICATORS

DOUBLE COUNTING	PRICE TREND	DOUBLE COUNTING	PRICE TREND
UCO - EU		UCOME EU	
TALLOW CAT 1 & 2		TME EU	

VEG-OIL: PRICES SUPPORTED BY SOYBEAN OIL

- **Palm oil** prices get some support again in October but long-time outlook still remains bearish
- **Soybean** experiences slight bullish trend due to EPA's announcement not to cut mandates

In the second half of October, the prices of palm oil experienced some support due to stronger soybean oil, favorable export figures from Malaysia and concerns over production volumes at the end of the year.

However, in spite of lower production, the **inventories of palm oil in Malaysia keep increasing.** They were 3.7% higher year-on-year. In addition, **Malaysian government increased palm oil export tax for November 2017 from 6% to 6.5%** which may also negatively influence the demand that is already predicted to be lower due to oncoming winter.

China and Europe usually lower their palm oil consumption in the winter months. Moreover, the sustainability concerns over palm oil should further decrease the EU's demand for palm oil. As a result, the prices may be under pressure in the next months.

The **increase in soybean oil prices that gave support to the market** was caused by higher demand in the US. This came after the EPA announced that there will be no cuts in the renewable fuel volume mandates for next year. They will stay at the current level or will increase.

The **rapeseed crop for 2017-18 should not change significantly from last year** and will reach 63.49 million tons. However, the increase in consumption should be bigger than the increase in production which will result in lower inventories at the end of the season and should give some support to the prices. In the EU, the inventories will go down to 1.16 million tons (down by 0.31 million tons). The only increase should be in Canada (by 0.15 million tons) to 1.50 million tons.

According to the International Grain Council, **the grain crop of 2017-18 will be the second highest ever with 2.08 billion tons.**

UCO: SLIGHT PRICE DECREASE

- **EU market:** price decrease is relatively low compared to the UCOME trend
- **Import market** saw only a slight price decrease but further trend development will depend largely on the UCOME sector

Despite an aggressive decline on the biodiesel market, the **UCO market saw a decline of only about ten euros in the NWE and the prices remain above €700 per ton DDP in this region.** In the South of Europe, the price correction is more significant.

Given the weak resistance of the UCOME market and rapid increase of UCOME imports, European UCO collectors are unsure about the evolution of price in the next 3 months. Some of them are ready to sell for the full winter period.

The **UCO import market is doing well despite a decline of $10 to $15** which was noted in the negotiations for November and December compared to the contracts made before the sharp decline of the EUR on the 26th of October. If the EUR / USD remains at 1.16 and the market trend of UCOME does not change, we can see the price of imported UCO losing another $10.

ANIMAL FAT: LOW PRICE VISIBILITY ON THE MARKET

- Price trend differs largely between cat 1 and cat 3 markets
- **Animal fat cat 1** faces a significant crisis while prices of **cat 3** are resisting due to market activity in Spain

The trends in the animal fat sector are divided between cat 1 and cat 3 markets. **Buyers of cat 1 are facing serious crisis which is predicted to last all winter.** At the same time, the market of cat 3 is rather stable due to activity in Spain. Thus, the decline of prices is only around 10 to 15 euros.

Producers of animal fat cat 1 made most of their sales for late September and early October when TME producers were already predicting a drop in biodiesel prices. However, the forecasted decline was much less dramatic than what we see now in the second half of October.

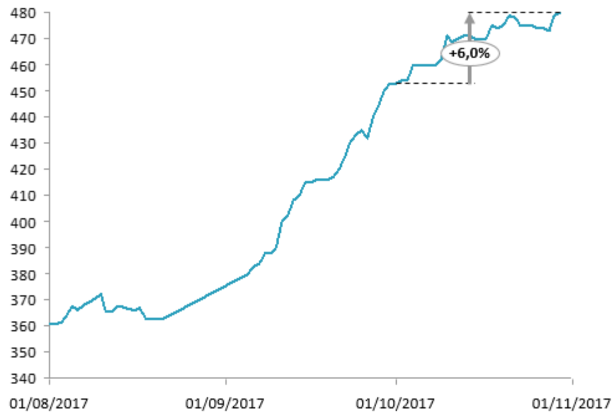
Animal fat cat 3 with FFA 5% are trading at around 660/670 euros in the NWE. If there are some producers of cat 1 who have not yet sold the major part of their production, the next sales will be very difficult due to the lack of visibility on the TME market for November, December and for Q1. The current production margins in the TME sector are almost zero or even negative. There is no price trend emerging for Q1. Even if the new regulations are more favourable for the TME and UCOME markets for 2018, in the short term the market is very complicated.

GLYCERIN: PRICES KEEP INCREASING

The glycerin market is continuously on the rise. Thus, **crude glycerin 80% UCO-based traded in Europe at around 270 euros per ton in August, 305 euros per ton in September and now 325 euros per ton** in October for loading in Q4.

UCOME producers are very satisfied with the increasing prices and are already offering Q1 2018 sales. The market is less liquid for Q1 2018 but the demand arrives little by little as majority of the producers are already sold out for the rest of 2017.

The upwards trend is also present in Asia where crude glycerin prices went up by 6% during last month (please see the graph) and are reaching new heights.



Crude glycerine 80%, in flexibags FOB South-East Asia

In South America, the prices of crude technical glycerine veg-oil based 80% were around 350-420 USD per MT FOB (depending on the certificate).

BIODIESEL: OCTOBER, WHAT A COMPLICATED MONTH!

- Liquidity on the DC market remains low for Q4 with buyers already focusing more on Q1
- The spot market lost 30 and 50 euros per ton for UCOME and TME respectively

The **FAME 0°C price in spot remained stable at around 885 USD/MT FOB ARA when the RME prices reached peak levels at 1015 USD/MT** (+40SUD/MT) bringing the spread RME/FAME0°C up to 130 USD/MT. As a result, the cost of point of CFPP went up to 10 USD/MT.

Despite the increase of Gasoil, **RME premium increased by around 15-20 USD/MT to 475 USD/MT while FAME 0°C premium went down to 350 USD/MT.**

On the DC market, liquidity was almost non-existent in the first half of the month with most blenders already covered. The market was stuck between low demand for Q4, numerous offers from many UCOME producers having full inventories and significant volumes of UCOME coming from China with abnormally high value of GHG emission savings. Thus, the spot UCOME market lost around 30 euros and the TME market up to 50 euros.

Even if we noticed more liquidity during the second half of the month, the market does not seem very promising for November and December. Most of the buyers already focus on Q1 sales and there are still substantial volumes to offer.

The **CFPP value is the main concern for UCOME and TME producers** suffering from significant discounts for CFPP deviation given a competitive advantage of traders that can offer DC material with 0°C or even negative CFPP.

The **UCOME is offered at around €885 per ton FOB ARA for November and December for CFPP between +2 and 3°C while bid is at around the same level for CFPP 0°C and high GHG**. TME producers are the ones suffering the most due to their high CFPP +11°C implying a potential discount of around 110 USD/MT over UCOME prices… Moreover, the Italian market that is usually bringing most of the TME demand does not seem to be very active recently.

We note that the Med DC producers are mostly sold out for November, however, still very little volume traded for December (less than 10%). Even if the recent drop of EUR/USD down to 1.16 should support the fixed price in euros for EU producers and limit the opportunities for imports, a lot of the uncertainty remains for this last quarter.

Pressure continues to be stronger on the RED II draft proposal. There is discussion to limit or even eliminate palm oil and veg-oil biofuels but the final decision on the EU level will take some time.

ONCOMING EVENTS: NOVEMBER

World Ethanol and Biofuels
7-8 November
Brussels, Belgium

Future of Biogas Europe
15-16 November
London, UK

European Biomass to Power
8-9 November
Aarhus, Denmark

Palmex Latin America
30 November – 1 December
Bogota, Colombia

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