

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



Physical
veg-oil



UCO



Animal fat
cat 1 & 2

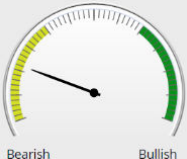
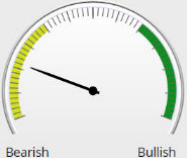


Glycerine



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: INDIA'S NEW IMPORT TAX PUSHES DOWN THE PRICES

In India, the imports of vegetable oils, both edible and non, have been growing exponentially in the last years (up by 45%

since 2012). In the year 2016/17 (November to October), the country imported 15.44 million tons, up from 14.74 million tons last year. The increase is caused by stagnant local production and constantly growing demand. At the same time, we see a change in the share of imported oils as imports of palm oil decrease and imports of soybean oil go up. This depends, though, mostly on the price attractiveness of each of the oils at a given moment.

However, the imports' growth might slow down in the next months as **India increased import duties on edible oils**. With prices of domestic oilseeds falling down, the country decided to support local producers by imposing new rates: **crude soybean oil 30% (from 17.5%), crude palm oil 30% (from 15%), crude sunflower oil 25% (from 12.5%), crude canola/rapeseed oil 25% (from 12.5%)**.

Indonesia and Malaysia, the two world's biggest palm oil producers, announced that they are considering a joint action against the EU's ban on palm oil imports. The EU parliament proposed a resolution to ban palm oil in biofuels by 2020 and to introduce tighter sustainability controls. According to Malaysia and Indonesia, the proposed rules of EU are discriminatory. The EU is a key buyer of palm oil accounting for 17% of Indonesia's export and 13% of Malaysia's. For now, the EU's resolution has not been confirmed.

- **India** is increasing import tax on veg-oils to develop local production; the announcement caused downwards price trend
- **Indonesia and Malaysia** plan a joint action against EU's will to cut palm oil imports.

With India introducing higher import tax and EU proposing ban on palm oil biofuels, the demand for CPO will be negatively influenced in the coming months. However, lower demand in India should not last long as the local production cannot cover the country's constantly growing demand.

At the same time, **Malaysian Minister of Plantation Industries and Commodities estimates that palm oil prices should go down next year.** He states that the production will exceed this year's forecast of 19.5 million tons and the stockpiles keep on growing. A lot will depend on the final decision of the EU Parliament on the palm oil imports.

The decision of India to increase import tax on edible oil as well as USDA's report stating good soybean harvest, **pushed soybean oil prices down this week.** They rebounded partially, however, ample supply in the US could limit further increase in the next months.

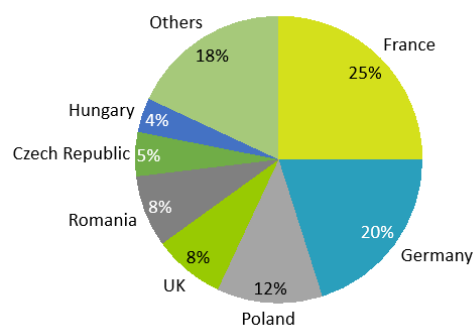
After establishing its trading office in Canada in 2016, COFCO's purchases of canola there are growing exponentially. It is expecting to buy 2.5 million tons of canola next year, which would represent a 30% growth compared to this year. The 2.5 million tons constitute around 14% of total Canada's canola production. COFCO is estimating that 2 million tons will go to China while the rest will be traded to other countries. Altogether, China should import around 4 to 4.4 million tons of canola. The demand for this crop in China is

limited as the country prefers soybean over canola.

In Canada, the canola crop this year is expected to be nearly record-high. However, increasing demand worldwide gives some support to the prices. In the middle of November, there was a slight decrease in canola price caused mainly by stronger Canadian dollar and USDA report forecasting that the prices should go down due to low export. The fall was short-lasting, though, and overall the prices remain relatively stable.

The European Commission revised up its rapeseed planting estimations by 2.4% (4% above the 5-year average). It is the second biggest planted area ever. Romania managed to increase its share in EU rapeseed output from 7 to 8% this year. Although the crops there are still lower than in the UK, Romanian farmers harvested a bigger planted area than those in the UK.

In terms of exported volumes in 2016/17 to the domestic market, Romania took second place after France, pushing Poland down. The country exported 1,425 KMT in total (domestic and overseas) in 2016/17 and became overall the largest EU rapeseed exporter.



Top EU Rapeseed Producers in 2017

(Source: EU Commission)

The sunflower crop estimation for the Black Sea region was decreased in November from 27,400 KMT to 26,900 KMT. The change is due to reduced harvest forecasted in Ukraine.



UCO: INCREASING SHIPMENTS FROM CHINA

Christmas does not look very promising for European UCO collectors given the downwards price correction of the UCOME market. UCO prices came back to the levels from August 2016! They are currently around **670/685 euros per ton DDP NWE and around 635 to 640 euros DDP Spain.**

- **Europe:** strong price correction due to downwards trend on the UCOME market
- **Imports:** price drop of only 10 USD due to favourable EUR / USD exchange rate

correction is much less significant as it is only 10 USD between October and November/December. This is mainly due to EUR / USD exchange rate that helped the collectors from overseas.

The import market in USD is less penalized by the downwards trend of UCOME. The

The UCO supply from importation is quite ample. We see that the Chinese market became much more professional and it is now relatively easy to contract UCO batches of 5,000 MT on FOB terms. **There were around 30,000 MT contracted on FOB China terms between September and December.**

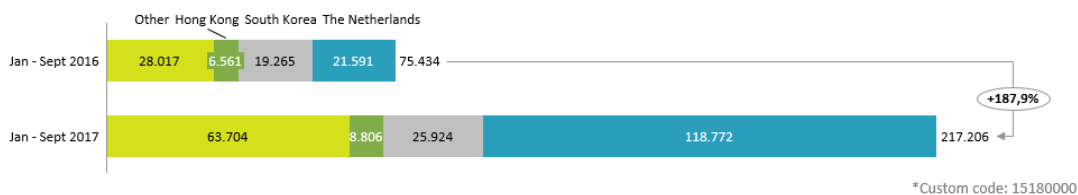
The volume of UCO exported from China nearly tripled between January and September 2016 and the same period this year.

The Netherlands is, by far, the biggest destination of Chinese UCO with 54% of all exported product going there in the first nine months of this year.

The increasing volumes of UCO in bulk arriving to Europe change the structure of the import market. However, shipments in flexitanks from China also continue to develop. Fortunately, double counting biodiesel mandates are increasing for 2018, which should help to maintain a balance between supply and demand.

UCO EXPORT FROM CHINA: JAN – SEPT 2016 VS JAN – SEPT 2017

(Source: Chinese Customs)



ANIMAL FAT: DIFFICULT WINTER COMING

The **animal fat cat 3 market experienced only a slight correction** following the downwards trend of biodiesel and the evolution of palm oil prices. At the same time, the **prices of cat 1 decreased significantly reacting to the crisis on the TME market** during the last quarter. The situation will probably not improve till February...

The TME demand was destabilised by the sharp downwards correction of prices as well as by a reduction in production volumes at some of the plants. The **prices went below 500 euros per MT and were seen at the levels of 480 and 460 euros per ton DDP**. These are the prices from March 2016. We do not see much chance for price increase in the coming months.

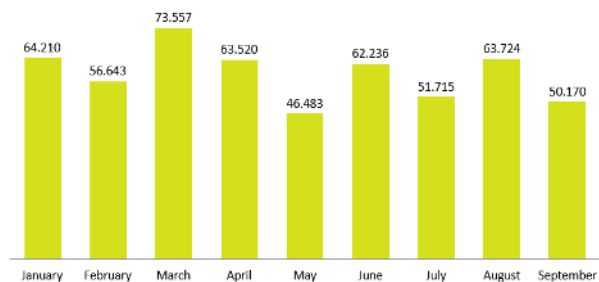


GLYCERIN: MARKET BOOM IS SLOWING DOWN

The **glycerine market is still booming, however, we believe that certain level of saturation has already been reached.** Q4 of 2017 has seen a strong growth in prices, yet, it seems that for glycerine prices sky is the limit. In the last 10 years, we have seen prices ranging from 50 to 550 euros per MT for crude glycerine.

Thus, we believe that for UCO based glycerine 80% (NaCl), the optimal price should be around 320 euros per ton ExW Europe. But it is important to note that indicative prices for glycerine are very difficult to quote due to significant quality differences between producers, especially in the case of UCO based product. As a result, **the contracted prices for Q1 vary between 150 and 320 euros per ton ExW** depending on the glycerine and water contents as well as on the methanol level.

From 2015 to 2016, the import of glycerine to China grew by 16%. In the first nine months of this year the country imported 7.6% of glycerine more than in the same period last year (532 kT). We see that even if the demand is still very strong, it seems to be growing at a slower pace.



Chinese Glycerine Imports: 2017 (in MT)
(Source: Chinese Customs)



BIODIESEL: LOW MARKET VISIBILITY

Despite the increase of GO prices of around 10 USD/MT, we saw premium of FAME 0°C over Gas Oil oscillate between 330USD/MT and 315USD/MT implying **a drop in fixed price for the FAME 0°C.** At the beginning of November, the fixed price went down to 860USD/MT which is the lowest price since April 2017. RME prices also went down from 1045USD/MT to 1020USD/MT.

- **UCOME:** with annual tenders, November brought some liquidity to the market
- **TME:** market still struggling with significant volumes still not sold for Q4

Negotiations for the 2018 annual tenders in France are now pretty advanced with most of the supermarkets having contracted volumes for all the year. There are still some market players waiting for a good opportunity to book the remaining product.

Some of the FAME buyers introduced no palm oil requirement into their buying requests. If this trend spreads, traders will have to apply a malus clause on the FAME containing palm oil. However, for the moment, it seems to be only a political decision.

Since September, we saw 2018 average premium over Platts delivered to French ports oscillating between 275 and 315 €/m3. It was mainly due to the high volatility of gasoil and veg-oil during this period. Nevertheless, **we estimate that most of the 2018 tenders have been booked from 295€/m3 to 305€/m3.**

We saw a little bit more liquidity on the DC market in November. By the end of the year, there should be still around 15KT of UCOME left to be sold in ARA and around 10KT in the Med region. German market, though, seems to be sold out till the end of the year.

Moreover, we estimate that most of the Chinese UCOME for December is already booked. UCOME market still has some liquidity issues though. It is active, with trades made regularly but without a lot of price competition and the negotiation and trades are very private and confidential. Thus, prices are around 870-875 €/mt FOB ARA, equivalent to a 160\$ premium.

Nevertheless, the TME market is still struggling with a low FAME 0°C price and a very high cost of CFPP point (10-12\$ on spot, and 8\$ for Q1). **Most of TME producers are stopping their production, hoping for a reduction of the RME/FAME 0 spread, while we see prices of around 840€/MT FOB ARA.** These are levels from February 2016. There are some producers who sold a good part of Q4 2017 TME in September, yet, we estimate that the remaining volume available in spot is still significant.



ONCOMING EVENTS: DECEMBER

8th International Congress on Biofuels, Bioenergy & Bioeconomy
4-5 December
Sao Paulo, Brazil

Ethanol Latin America
5-7 December
Antigua, Guatemala



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