

NOVEMBER  
2018

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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



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	 Bearish Bullish	UCOME EU	 Bearish Bullish
TALLOW CAT 1 & 2	 Bearish Bullish	TME EU	 Bearish Bullish



## VEG-OIL: DOWNWARDS TREND DUE TO LOW GASOIL

Despite a surge in Malaysian domestic consumption of palm oil by 22%, the ending stocks rose

by 8% due to falling exports. Depreciating currency and credit crunch in India, the largest CPO importer, has strongly affected the demand in November. Indonesia will also temporarily remove the CPO export (\$50 per ton) levy to boost competitiveness of the vegetable oil in overseas markets. There are voices that the palm oil market will start its recovery only in three months as we are now in the peak of the harvesting season.

The rapeseed oil and RME rally continued this month due to limited supply and increased demand for winter grade. It was also the sharpest RME rally in years with premium over gasoil coming to USD 680/MT. European rapeseed oil is still quoted at a high level, whereas the prices for Canadian rapeseed oil decreased due to the good harvests there. Market participants expect bigger demand from China, which may stabilize prices in the next months.

We will always need the RME and thus also rapeseed oil, even during spring to make the blending according to the EN 14214 spec. The demand will remain and the limited production impacted by the bad seedling this year may keep tension on the price, however, there should be no major crisis.

- **EU:** rapeseed oil and RME prices remain high
- **CPO:** prices in Malaysia reach a 3-years low
- **Soybean:** China – US dispute still not fully resolved

The continuous downward trend of crude oil which began last month and continued throughout November has weighed heavily on the vegetable oil complex.

Soybean oil prices continued to slide in November as a record US harvest and the absence of the Chinese market weighed in. Latest figures indicate a staggering 94% soybean export drop to China and even an increased soybean exports to Europe, Middle East and North Africa cannot make up for the fall in Chinese demand. Many US farmers already started stockpiling soybeans outside due to full warehouses and US domestic crush is forecasted at a record 2.045 billion bushels. There was certain amount of optimism about resolving the trade issue at the G20 meeting in Argentina on November 30th, however the results are uncertain. Meanwhile soybean futures prices are off by nearly 25 percent and soybean oil futures are off over 15 percent since May.

In the next weeks a number of key policy decision should influence the veg-oil market. These include the fate of anti-dumping duties on biodiesel exports from Argentina to Europe, the US review of trade duties on Argentina, B20 in Indonesia and B10 in Malaysia.



## UCO: BUYING INTEREST RETURNS SLOWLY

It has been more than three weeks since the market came to a standstill. Buyers in Europe have completely stopped purchasing as a result of UCOME's continuous decline. The import market did not accept the downward price trend of UCOME, although well-known and predictable, given the evolution of the RME since mid-October and the market of FAME 0 ° C which stagnates.

Buyers for Pasir Gudang, as well as those in Spain and Rotterdam, have not mentioned any bids for several weeks. However, we note a significant number of UCO offers from China and Eastern Asia while buyer interests remain around \$550 per ton CIF Europe and \$520 per ton CIF Pasir. There are relatively low bids given the lack of visibility on UCOME's market outlook.

- **Imports:** bids for imported UCO remain low due to limited visibility on the UCOME market in the EU
- **Europe:** market waits for the reaction to announcements about Argentina

At the end of November, we finally note some bids on the UCO market of around 565 to 580 USD per ton CIF as the demand comes back slowly for purchases for December and January. The market recovery will take time, the production of UCOME is being sold for December and the market of UCOME is still very gloomy for the next month.

Following the announcements about countervailing duties and possible anti-subsidy duties on Argentine Biodiesel we need to see in the coming days the market evolution on the FAME 0°C which will drive the UCOME and also the UCO market. Producers in Europe hope for a bullish movement by the end of winter (February / March) but let's see if it is going to start earlier.



## ANIMAL FAT: ITALY GOVERNS THE MARKET

The animal fat producers are preparing to renew contracts for the first quarter. The market is rather complicated for biodiesel with a high CFPP value, such as TME. Today, we observe an RME / FAME spread at \$460 (\$38 per degree) – it is the first time since 2012.

Fortunately, the forecasts on the RME / FAME spread are at around \$185 in Q1 and \$85 in Q2, which improves the value of TME and therefore CAT 1 animal fats in few months. However, it is difficult to say what could be the value of fat category 1, probably from €350 to

€420 per ton as the market is changing fast in the last 2 days.

It is a good thing that the Italian market should pass the demand in TME in 2019, and even if we had been quite pessimistic about the TME

market in December/January, it seems that there has been a renewed interest in recent days. The Italian market seems to dictate the rules on the TME market and it is likely that CAT1 fat values will not fall as much. During the winter periods the quality of the fats is rather good and it is a good time also to store this product.



## BIODIESEL: NEW DUTIES FOR ARGENTINE SME?

The UCOME market is going through a difficult period since October, we are in the lowest historical levels. This is the first time since 2012. Indeed, in a context where the FAME 0°C market stagnates in opposition to the RME market which is reaching its peak, the UCOME market is penalized. It is especially harsh for producers who often offer a product with a CFPP between +1°C and +4°C.

However, it is important to note that even if the UCOME market lost more than €60 per ton, the correction on the UCOME/UCO spread was less significant but subsidized by €40 per ton. The market has been very calm since mid-November. There are still some quantities available for December: around 12,000 tonnes in Spain and some volumes in the North. However, the demand actually disappeared in November and still before the breaking news on the final countervailing duty against biodiesel from Argentina there was no demand for December.

Until last week, buyers were positioning themselves more in March / Q2. However, producers are not ready and their main problem is to finalize their sales in close proximity for the upcoming weeks. But there

are serious difficulties with the Rotterdam market in November where trades of UCOME were done at around €760 / €770 per ton FOB, which is a little out of spec on the CFPP. On ARA, the market for the UCOME full spec CFPP 0°C is oriented with rather important variables between \$135 to \$155 over FAME 0°C and the bids on the spot are quite bad. There are good perspectives on UCOME from Q2 with a FAME 0°C moving up above 800\$, which again gives a good perspective on the UCOME market.

This is an impatient time for all producers unless new market changes are in the pipeline. There are also several UCOME offers available in China, either in flexi tank or bulk, with trades realized around 820 / 805 USD per ton for EPA certified products FOB. As regards the TME market, demand comes mainly from the Italian market. A market where the supply in DC is quite restrictive with the end of the PFAD and the very strict conditions on the UCOME allow the TME a strategic and almost monopolistic position. Despite its high CFPP, which remains less penalised in Italy due to national rules on the value of more flexible CFPPs, particularly in the south of the country, there are some buying interests. Producers remain very firm

around €800/810, FOB ARA on Q1, which is almost identical to the UCOME CFPP 0°C.

Today, one of the major concerns remain a closing of bids on the French market in 2019. Even if this year's volumes have already been contracted since last summer for the following year, the tenders have been delayed with the strong variations of October. There are still a lot of quantities to be contracted for next year. We will certainly have a significant spot activity in 2019.

The puzzle for buyers remains the January and February purchases where prices are quite painful. Even if the market hopes to implement double counting in Spain in 2019, it is necessary to be cautious because the national standard is CFPP +5°C (winter) / CFPP 10°C

(summer) in a context of very low palm oil. This should not encourage much buying of UCOME and buyers will move towards a much more competitive PME based FAME in a context of low price of FAME +5°C/+10°C. Caution must be observed.

However, the **market can change rapidly**. Indeed, yesterday European Commission proposes **final countervailing duty on Argentine Biodiesel**, very important market announcement. The duties would range between 25% to 33,4% and would normally start in January 2019, but there will not be any retroactive application. Such new laws will change the game, and already start to impact the price of FAME 0°C with upward movement which will impact positively the DC market.

As last year and the year before, we are taking part in the **survey conducted by the Energy Risk Commodity Rankings** in two categories:

### **BIOFUELS BROKER & RESEARCH on BIOFUELS**

And we would appreciate if you could help us by voting for Greenea.

The link to the survey: <https://www.surveygizmo.eu/s3/90112341/ER-Commodity2019>



## **ONCOMING EVENTS: DECEMBER AND JANUARY**

### **Global Biodiesel Focus 2018**

3 – 4 December  
Indonesia, Jakarta

### **Fuels of the Future**

21 – 22 January  
Berlin, Germany

### **Biomass Trade Summit Europe**

16 – 17 January  
Rotterdam, The Netherlands

### **5<sup>th</sup> Biomass and Bioenergy Asia**

23 – 24 January  
Bangkok, Thailand



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