

# 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 latest traded prices.



Used Cooking Oil



Animal fat



Glycerin



Physical  
Biodiesel

	UNIT	PRICE	Weekly var	Monthly var	Monthly var (%)	LOWEST*	HIGHEST*	30 DAYS AVG
<b>GASOIL</b>	USD per ton	297	▼ -3	▼ -116	▼ -39,1%	271	683	313
<b>EUR / USD</b>		1,090	▼ -0,007	▼ -0,028	▼ -2,6%	1,069	1,153	1,102
<b>FAME 0°C M+1</b>	USD per ton	646	▲ 8	▼ -182	▼ -28,2%	549	946	670
<b>RME M+1</b>	USD per ton	757	▼ -3	▼ -218	▼ -28,8%	671	1495	807
<b>CFPP Value M+1</b>	USD per °C	8,54	▼ -0,85	▼ -2,77	▼ -32,4%	2,77	56,92	10
<b>UCOME Th. M+1</b>	USD per ton	1005	▼ -26	▼ -324	▼ -32,2%	938	1397	1112
<b>UCOME Producer M+1</b>	EUR per ton	920	▼ -30	▼ -280	▼ -30,4%	760	1270	1007
<b>TME Producer M+1</b>	EUR per ton	890	▼ -30	▼ -290	▼ -32,6%	775	1240	990
<b>UCO DDP NWE M+1</b>	EUR per ton	710	▼ -60	▼ -165	▼ -23,2%	580	875	799
<b>UCO CIF ARA Flexi M+1 (bid)</b>	USD per ton	705	▼ -25	▼ -165	▼ -23,4%	560	870	770



## BIODIESEL – AN INCREDIBLE DOWNWARD SPIRAL

**March 23rd is certainly a date that will remain in the memory of the FAME and RME markets:** USD 550 per ton FOB and USD 680 per ton RME. Is it a premium over gasoil ? No, you're not dreaming, it's a fixed price. Since 1 January, it's been down 66% for FAME and 58% for RME. Unexpectedly, the market has regained more than USD 50 per ton at a time when the announcements have never been so negative: a 60 to 70% drop in diesel consumption in Western Europe, a health crisis that is spreading worldwide and oil and biofuel stocks accumulating dangerously. There are already several requests from distributors to postpone delivery. However, not to worry for the moment, **the requests for postponement are for 2 or 3 weeks**, but it really should not get any worse. If the lockdown continues in May or if consumer habits change in the upcoming months with fewer moves - which should logically happen, because the virus will not be stopped completely - **a crisis between supply and demand could severely affect this market in the 2nd and 3rd quarters**. Moreover, with FAME and RME prices below the price of the raw material (RME 680 and rapeseed oil at USD 750), this market logic cannot continue and price adjustments, either of the raw material or of the final product, are inevitable. Moreover, we could also question the interest of biofuels in a context of a barrel price between 20 and 35 USD and a slowing demand. However, the current scenario is a temporary anomaly and does not affect long-term mandates.

To survive in this environment, producers will have to reduce production in April and May, or even temporarily shut down their plants. This seems inevitable for some leaders. Why would they produce when there is no new demand to cover?

Concerning waste-based biodiesel (TME & UCOME), the activity is almost non-existent. It only exists within the framework of current contracts where the UCOME producer prefers to buy on the UCOME market rather than actually run his plant, given the current margins. **The premium for UCOME over FAME has fallen from USD 500 to USD 400**, but this correction may not be complete. Given the current market, we don't really see how this price can resist and we could reach the 300 USD premium, below 900 EUR/tonne. Today, the value is moving around EUR 920 per ton FOB ARA, but with very poor liquidity. If this scenario is confirmed, the impact will be as violent on the TME. Currently, this biofuel is set to be worth around EUR 900, but without any real intention to buy. There are also oil companies looking to sell their TME position. So this does not reflect a real value and if the UCOME premium does not resist, we could soon reach EUR 830/850... This is a trend to watch closely in April. This is an unexpected downturn. Only a few weeks ago, the market for waste-based biodiesels was evolving in an environment of continuous growth and high margins. Perhaps this will have the merit of bringing a market reality - a market can move down - several players had forgotten about it lately, particularly producers of waste based feedstock....



## UCO – MUCH PAIN, NO GAIN

Where is the UCO market heading in the 2nd quarter? **More than 3.9 billion people - half the world's population - are locked up** in various degrees in nearly 80 countries in an attempt to contain the pandemic. Of course, many restaurants and fast food around the world are closed. This is unprecedented in the UCO collection industry. Is the market going to skyrocket in the next few days due to the shortage? We remain skeptical. UCOME producers will never buy above their production cost and will prefer to slow down their production as much as possible if UCO prices do not align with the biofuel market. Since the beginning of April, the UCO market has been aware of this trend and a few contracts have been concluded around **USD 700 per ton CIF Rotterdam** (FFA 6%, MI 2%, IV 75, Sulfur 50ppm), origin China in FLEXI TANK (April / May loading). This is the only real source of UCO available for the moment, the rest of the supply around the world remains more or less anecdotal. Purchases have been made to cover sales of UCOME. To what extent

will UCO traders take positions on this product over the next two quarters, given the lack of visibility on the price of UCOME? It's a bet to be taken at one's own risk for a trader, as the UCOME market could very well stabilize around EUR 900 or even lose EUR 50 again... So it's really in April that the market is likely to be tight, very few UCO in Europe will be collected, the same goes for the South America, North/South Africa, the Middle East and South-East Asia. It is also easy to predict that tourist activity will be at a standstill, during the lockdown period, but also several weeks after it is lifted. There will certainly be a price drop - it is already real: **less EUR 100 on UCO** (FFA 5%, MI 2%, IV 75) in 10 days to reach **700 EUR per ton DDP NWE**, but the correction is likely to be less severe at the expense of UCOME producers' margins. The margins to which UCOME producers have become used to in 2019 will decrease and will probably return to the level of previous years.



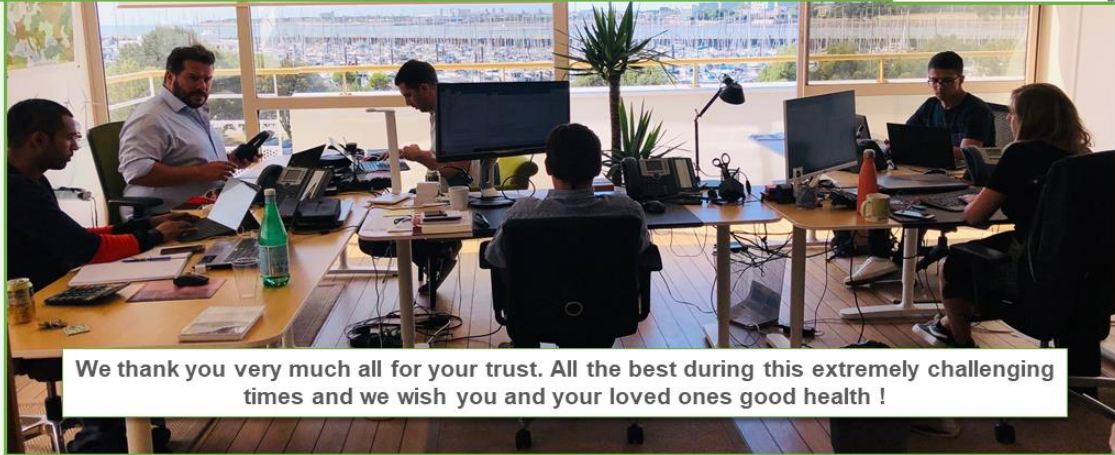
## ANIMAL FAT – RISKY TIMES AHEAD

**The animal fat market is much more at risk.** The meat and rendering industry does not stop, humans continue to eat and livestock production continues, it cannot evolve as quickly. In a context where the **TME biodiesel market is experiencing a strong correction**, we are concerned about the evolution of CAT 1 fat prices in the 2nd quarter, or even at the beginning of the 3rd quarter. Indeed, **the fat production industry cannot store** and the available storage possibilities are almost non-existent. Moreover, the possibility of finding other outputs, such as energy production, is highly uncertain. It is hard to see how this product could escape its worst crisis if there are still uncontracted volumes in the 2nd

quarter. It is hoped that few producers still have volumes available for this quarter. For the 3rd quarter, we can assume that this sector will have nothing more to lose and pray that the crisis will be resolved by July - we all hope so. For CAT 3 fats, all eyes are turning to palm oil which is trying to resist the crisis. Fortunately, the health crisis is affecting the world with a delay and China, the world's second largest palm oil buyer, is gradually returning to normal. Nevertheless, we try to find a hint of optimism on our markets: the CAT 3 biodiesel market is still facing a correction of more than EUR 200 per ton, so for their biodiesel sector, the animal fat market should follow this trend.

Despite the turmoil, there is some good news. We are thrilled to receive this award and we hope to share our enthusiasm with you over a drink after the storm

- #1 Second-generation biofuels Broker in the Energy Risk Commodity Rankings 2020
- #2 Research in Biofuels at the Energy Risk Commodity Rankings 2020
- #2 Ethanol and biodiesel Broker in the Energy Risk Commodity Rankings 2020



We thank you very much all for your trust. All the best during this extremely challenging times and we wish you and your loved ones good health !

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