

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
GASOIL	USD per ton	363	▲ 18	▲ 60	▲ 16,5%	191	626	343
EUR / USD		1,124	▼ -0,005	▲ 0,002	▲ 0,2%	1,069	1,142	1,126
FAME 0°C M+1	USD per ton	825	▲ 15	▲ 78	▲ 9,5%	549	940	805
RME M+1	USD per ton	921	▲ 7	▲ 78	▲ 8,5%	671	1156	904
CFPP Value M+1	USD per °C	7,38	▼ -0,62	▬ 0,00	▬ 0,0%	4,62	17,46	8
UCOME Th. M+1	USD per ton	1234	▲ 14	▲ 79	▲ 6,4%	1036	1234	1205
UCOME Producer M+1	EUR per ton	1035	▲ 10	▲ 10	▲ 1,0%	910	1270	1026
TME Producer M+1	EUR per ton	995	▬ 0	▲ 5	▲ 0,5%	880	1240	991
UCO DDP NWE M+1	EUR per ton	810	▲ 5	▲ 15	▲ 1,9%	710	875	801
UCO CIF ARA Flexi M+1 (bid)	USD per ton	800	▲ 15	▲ 45	▲ 5,6%	705	870	778



BIODIESEL – A MODEST RECOVERY

The UCOME market is gradually progressing upwards, which began at the beginning of May, rising from **€910 per ton (4 May) to €1025 per ton at the end of June**, i.e. a 12% increase. Since 1st June, the price has been flat at around **€1,015 to €1,030**. Producers are currently negotiating sales for August or even early September. In fact, almost all volumes for July are sold and the challenge for producers is to secure the supply of UCO (for a good quality UCO, we will discuss this in the chapter on the UCO market) and above all to have the supply in time. Supply management is a bit more complicated at the moment given the lack of visibility of collectors on the management of their collection between the end of the lockdown and the restart of catering. The TME market is also active, still drawn to Italy especially as the summer specs facilitate its incorporation. **Prices are thus oriented between 980 and 1020€ per ton for TME on Q3**, but already several producers are sold out over the next 3 months. We can thus find the pre-crisis (March) levels.

As for the Chinese market, the import of UCOME from China does not seem to have known the COVID cold **with 112kt (Jan), 58kt (Feb), 34kt (March), 43kt (April)** (*source Eurostat*). For the year 2019, 43kt per month have been exported to Europe, and we are already at an average of 62kt this year.... The question arises as to how this success is deserved in the midst of UCO's supply crisis. The price of the Chinese UCOME has seen strong variation regaining almost 150 USD these last 2 months to reach in July around 1000 to 1050 USD per ton FOB China depending on the qualities and for bulk. There are more and more serious concerns with China: in a period of strong price variation, contracts have trouble being honored and suppliers review the conditions during the contract, without really understanding the implications for buyers (e.g. hedging). A puzzle!

The hope of the end of lockdown at the end of May or beginning of June has allowed the price to recover, the players to see opportunities, and finally the longer-term effects of this crisis will be smoothed out over the months with a more limited and less visible impact. Demand seems to be coming back, even if a whole part of the road transport sector has never stopped, the end of the lockdown has boosted the consumption of diesel and therefore of biofuels. The stocks accumulated during this period of containment are gradually being emptied out and buyers are able to resume purchasing. This is a very positive sign for the market. Structurally speaking, at the beginning of May margins were negative on FAME and RME, trade was below replacement values which put producers in a precarious and unsustainable situation. This increase is also the result of the rebalancing of the simple counting market. The single counting market, structurally speaking, at the beginning of May the margins were negative on the FAME and the RME, trading was done below replacement values, which put producers in a precarious and unsustainable situation. During the months of **May and June, the prices of simple counting increased markedly, we see an increase of 15% on the RME from 777 USD per ton to 916 USD per ton**. Even more visible increase on **Fame 0 where the price per ton in two months rose from 609 USD to 813 USD**, an increase of 25%. This increase was caused by several effects. A reduction in the production of single EU plants the lockdown period, a return to optimism due to the end of lockdown and the timid but current return of demand for Biofuel and to a certain rebalancing of prices in the hope of 'a return to normal of the global economic situation. It would seem that this increase is now contained one would think that we are entering a period where prices will be more less stable. **The quantities traded in the electronic window remained stable compared to May with around 250 kt traded, Fame 0 (60%), RME (20%) and UCOME (20%)**.



UCO – RECOVERING MARKET BUT A DARK SUMMER...

The UCO market is hopeful again, but is it really the UCO sector or is it our hope that is taking over that we are already back to normal? Actually, the supply of UCO still seems quite complicated, less tourist activity, fear of going to public areas, less desire to go to restaurants with the new sanitary constraints.

The market is already very tense with the COVID crisis on the supply of UCO drawn in large mandates. The COVID crisis with lockdowns and the restaurant sector at a complete standstill and a recovery that does not look as easy as expected. The impact on the UCO collection sector is inevitable. Despite these uncertainties, prices on the UCO market are giving new hope, driven by the UCOME market, **which has recovered well since 15 May**. Thus UCO gained 50€ in June (FFA 5%, IV 75) by reaching between **785 to 810€ per ton DDP NWE** and 50 to 70 USD depending on the qualities supported by the European markets and the EUR/USD ratio going from 1.10 at the beginning of June to more than 1.13 strongly supporting imports prices in USD. Thus, we note trades for imported products between

765 to 800 USD per ton CIF ARA for qualities FFA 6%, IV 75, Sulfur 50ppm in flexi up to more than 820/830 USD for premium qualities such as Japan FFA max 2%, IV 90, Sulfur 30ppm. The market in China still seems very strong and tense, and the prices increase announced for August loadings seem out of control.

The trend over the summer season still seems a little fuzzy on one hand, catering in Europe is starting up again and we should see European volumes again, but will European collection return to traditional levels of around 100,000 tons per month? This is still complicated to predict. The tourist season will be very quiet in the Middle East, or even non-existent in South East Asia. In Europe, even if the containment is well underway, the first statistics on bookings seem to announce a significant drop in July (between minus 20 to 30% due to the lack of foreign tourists as a result of the economic crisis and the fact that many employees took time off in April during the lockdown). The prospects for the summer 2020 collection will definitely be impacted, as time will tell.



ANIMAL FAT – TRADING RACE IN PROGRESS

Negotiations are underway for the 3rd quarter, with sellers in the race to try to push prices up despite the near-monopoly situation of TME producers. Thus, we note a gain of 20 to 30 EUR compared to the previous quarter to reach a price between **560 to 580 EUR depending on the quality for CAT 1 fats**. As every year, the summer season also announces high temperatures and strong variations in the quality of fats, the acidity of which is likely to skyrocket for some producers. The TME market is doing well which should facilitate the end of negotiations for Q3. No big change in the CAT 3 fat markets. The CAT 3 biodiesel market is not bullish which does not help the biodiesel sector to position itself on this market for Q3. Animal fat producers prefer the more competitive traditional markets (feed/oleochemicals/pets food) more for Q3.

A major concern for this industry is the temporary closure of one of the largest pig plants in Germany due to Covid-19 infections of several workers. China has banned meat imports from this plant. It is expected that the closure will strongly disrupt the pig market and the by-product like animal fat CAT 3. The Rheda-Wiedenbrück plant can process 20,000 pigs per day. A coming new storm on the pork market.... A new strain of swine flu with "pandemic potential" has been identified by scientists in China. Researchers from the China Agricultural University, the Chinese Centre for Disease Control and Prevention and the University of Nottingham, in the UK, revealed that influenza virus surveillance on pigs between 2011 and 2018 has led to the discovery of a new H1N1 strain they have named G4.

By



Fabien Hillairet
Partner French Office

Fabien.hillairet@greenea.com



Olivier Madiot
Partner Switzerland Office

Olivier.madiot@greenea.com

Your brokerage & consulting partner for biofuels

Discover more on www.greenea.com

Disclaimer:

The information presented in this document is provided for informational and demonstrational purposes only. The data is purely indicative and gives no warranty of prices at which transactions may be affected at any time. To the maximum extent permitted by law, no responsibility or liability for the accuracy, quality, correctness or comprehensiveness of the data will be accepted by GREENEA whether arising from the negligence or otherwise. GREENEA shall in no circumstances be liable for economic loss or any indirect or consequential loss or damages arising from the use of this data.