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Market Watch

Every month, **GREENEA** provides our clients & 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.



DOUBLE COUNTING INDICATORS

DOUBLE COUNTING	MARKET PRICE FORECAST SHORT TERM	MARKET PRICE FORECAST MID TERM	SUPPLY	DEMAND
UCO – EU				
Tallow Cat 1&2				
UCOME – EU				
TME – EU				



VEG-OILS: LOWER PALM OIL OUTPUTS PUSH UP SOYBEAN PRICES

El Nino weather phenomenon continues to negatively influence the palm oil output which, in turn, supports prices of all oilseeds. Forecasters predict that the output of the two world biggest producers, Indonesia and Malaysia, will decrease around by 4% in 2016, falling respectively from 32 to 31 million tons and from 20 to 19 million tons.

The local production of biodiesel (200,000 MT produced each month) in Indonesia in order to fulfil the mandate is contributing to lower export of palm oil. In February, the export of palm oil from Indonesia fell to 1.95 million tons which is a one-year low level.

Soybean is following the bullish trend of palm oil. Since the start of the year, soybean oil has increased 10% to 33.64 cents a pound, while soybean is up 4% above \$9 a bushel. Palm oil was quoted at around \$707 per ton in Rotterdam and reached the ringgit 2700 level which is a two-year high.

Soybean is, however, not likely to follow the bullish trend of palm oil indeterminately. On the contrary, it should contribute to stabilizing the prices of palm oil in the long run. Current harvest in South America, Argentina and Brazil is

expected to boost exports and rebalance the market. In Argentina, the government reduced its export tax by 5% and analysts foresee the total production this year at around 58-60 million tons. Furthermore, inventories of soybeans and soymeal remain record-high.

Soybean maintains its sharp rise in the US. The fall of the dollar amid the announcement of the Fed keeping policy rates around current levels due to disappointing growth, helped soybean to rebound.

Rapeseed in Paris market benefits from the upswing of soybean. Moreover rapeseed is sustained by the increasing competitiveness of rapeseed oil with the general improvement of vegetable and crude oil prices. Rapeseed oil contracts were exchanged at around \$778 on Dutch Mill markets.

Furthermore, **the global rapeseed production for the season 2015/2016 should decrease** by 1,21 million mt to 25,44 against 26,65 million mt in 2014/15 (-4.6%), with India at 1,80 vs 1,91 million mt (-6%), the EU-28 at 10,30 vs 10,67 million mt (-3.5%), China at 4,95 vs 5,45 million mt (-10%) and Canada at 3,39 vs 3,21 million mt (+5.5%).



UCO MARKET: OVERSUPPLY IN SPAIN

The UCO prices negotiated for April and Q2 are between 640 - 650 euros per ton in NWE. **The market remains relatively stable in Q2** with very few changes noted in Europe. Spain is an exception where, due to the temporary stop of

the Biocom plant, the supply of UCO is very high. However, this should last only until the reopening of the plant in mid-May / June. As a result, prices fell on the Spanish market affecting also collectors in the South of France.

Euro to dollar exchange rate moved higher on soft economic data in the US. Euro experienced a decent upside move versus the US dollar recently as the rate moved above the \$1.12 resistance area.

Even if the demand for UCO remained relatively stable in March, **the strength of the EUR against the USD supported the importation market keeping the prices at attractive levels.** UCO FFA 5% with IV 50 was traded in March for

Q2 delivery from 570 to 575 USD per ton and UCO FFA 5% with IV 75 around 590 to 620 USD per ton. We see a wider spread for the UCO IV 75 because of different qualities (IV 75 up to 110) available on the market and a greater number of buyers.



ANIMAL FAT: SLIGHT INCREASE IN PRICES

The animal fat market was bearish all the year 2015 due to overproduction and big volumes available on the market as well as the fall of palm oil prices starting from June. **The current rise of palm oil should sustain the recovery of the animal fat market.**

Low prices of animal fat cat 3 helped the exports towards the feed industry for instance in Spain during the first semester. This trend was sustained by the biodiesel market during the second half of the year. The same thing was true for animal fat cat.1 and cat.2 which benefitted from the double-counting rule. Cat.1 and 2 are mainly processed into biodiesel, for instance on the French market 79,566 tons (82%) were turned into biodiesel and 17,053 tons (18%) were used for co-generation. The main markets for

animal fat cat.3 remain the oleo chemicals industry, the food industry, the pet food sector and the biodiesel industry.

In 2016, animal fat markets are likely to be under the pressure of scarcer quantities due to lower slaughter of poultry in France, Holland and Germany and the rise of palm oil prices. After a rather stable period, we observed a slight increase in prices within the renegotiation window for Q2 contracts between the 1st and 15th of March. In this period, animal fat cat.1 and 2 prices rose by €10 to €20 per ton to around €450 / €460 DDP TME producers. Animal fat cat.3 was quoted at around €515-€520 FCA NWE against €500 at the beginning of the year.



GLYCERINE: PRICES UNDER PRESSURE IN ASIA

The glycerine market is currently influenced by the **weakening demand in China and new biodiesel production capacity on the world market.** The prices experience a lot of pressure due to uncertainty of the Asian demand.

During the last few weeks, the prices of refined glycerine have stabilized due to more balanced supply, especially in the Asian market. However, the demand in China remains alarmingly weak. This does not mean, though, that this situation

will continue in the future, yet, China is, for sure, a market to watch.

Glycerine prices remain rather stable with crude product traded at 200 euros ExW NWE and 82

USD FOB Argentina. Refined glycerine was seen at the level of 450 euros ExW NWE and at 383 dollars FOB Argentina.



BIODIESEL: UPWARD TREND ON THE FAME MARKET

Following the trend of palm oil whose price rose by 25% in March (from 560USD/MT to 700USD/MT FOB Rotterdam), **FAME prices went up significantly in March.** At the same time, **fixed prices of UCOME and TME are pretty stable** with prices around 860-880€/mt (depending on the GHG value) and 840-855€/MT respectively. As a result, the premium over FAME that was around 180-185USD/MT went down to 155-160USD/MT in March making DC material much more attractive for blenders. Nevertheless, the demand remains quite dull for the moment. The situation, however, should change pretty soon as new incorporation year is starting from April in several countries, e.g. UK or Holland. Blenders will have to incorporate again physical product in order to generate tickets.

It has been announced that FOFSA will ban UCO and UCOME from the authorized previous load list for vessels. But it is still difficult to know what will be the exact consequence of this decision. Most likely it will cause a slight increase in freight price for waste-based biofuels.

According to the WTO (World Trade Organization), Argentina was partly right in the trade dispute against the EU on anti-dumping measures against Argentine biodiesel. A panel of experts arbitrating this dispute back to late 2013 issued the decision stating that certain aspects of the anti-dumping investigation conducted by the EU before taking action, had not been made in compliance with international trade rules. The panel recommends the EU to take action to comply with international trade rules. The panel however dismissed the charge of Argentina that the anti-dumping measures taken by the EU were a violation in itself of the anti-dumping WTO rules.

The case also concerns Indonesia, and the panel has started work on the Indonesian case as well. Currently, European Union applies anti-dumping duties of approximately 24.6% to the Argentine biofuel and 18.9% to the Indonesian product.

Brazil will increase its blending mandate from 7 to 8% in the coming months with the target to reach 10% mandate in 2019.



ONCOMING EVENTS: APRIL



Argus Biomass Trading

London, UK
5-7 April



Biomass Fuel and Power

Moscow, Russia
6-7 April



**INPALME International Palm Oil
Exhibition & INPOC**

Medan, Indonesia
20-21 April



Oil and Fats International India

Hyderabad, India
13-14 April



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