

Market Highlights

Just as Brent mineral oil prices touching USD 70/barrel started to look promising for biofuels economics, the vegetable oil complex continued to new highs. Palm oil has stayed stubbornly around USD 1000 pmt at origin and soybean oil has crossed over USD 1100 pmt, levels not seen in a decade. Though there do not seem to be any wide-scale production disruptions, volumes have definitely changed at the margin. We see it in the co-product glycerine market, which has moved from balanced to downright tight, with crude glycerine prices up 100% since the start of the year.

Statistics for 2021 are not out yet in most regions, except we see the US EPA reported only 356kt of production for January, the slowest in years, and there does not seem to be any improvement since. Current D4 RIN prices are at the highest level ever, with April RIN's trading at USD 1.50/gallon, with 1.5 RINs generated per gallon of biodiesel to yield a total value of USD 675/mt.

However, 2020 was a good year in general for biodiesel. The UFOP reports that Germany set a record export year with 2.3 million mt shipped, and imported more than ever at 1.45 million mt. On the US West Coast, total biodiesel usage (FAME and RD combined) set a new record and will account for about 30% of total US consumption. Though Indonesia did not achieve its target of 9.7 million kl in 2020 due to Covid and high palm oil prices, consumption was still up 1 million kl over 2019.

There is news from Austria that OMV will convert a hydrogenation unit at Schwechat to make RD with an investment of EUR 200 million. The government of Bolivia plans a USD 250 million investment to produce 450kt of RD from local fat feedstocks to reduce reliance on imported petroleum products. To support biofuel feedstock needs in Paraguay, Investancia announced the intention to plant 125k ha of pongamia trees over the next 10 years, which generate a high-oil content fruit and have a negative carbon footprint. Marathon Petroleum reports that its Board has confirmed the conversion of their California refinery to make RD with capacity of >2 million mt p.a. to be on-line by end of 2022. Pertamina of Indonesia confirms that production of RD from palm oil will begin in December of this year at 150kt annual rate and double by December 2022. There is so much news and interest in RD that the US Department of Agriculture and Energy Information Agency will revise their reporting to provide more transparency into RD production and consumption.

Biodiesel Feedstock Markets and Price Forecasts

Palm Oil

TREND



The rally in the crude oil prices has pushed the vegetable oils higher during the last fortnight. Concerning the supply side of palm oil, the trade was expecting increase in production during February but the MPOB report released this week estimated a marginal drop of about 1.85% in the production in Malaysia. The month end stocks in Malaysia dropped by 1.80%. The CPO third month futures on MDEX rallied from MYR 3598 pmt to MYR 4064 pmt. The Malaysian Ringgit weakened from 4.05 to 4.11 against the US Dollar. The CPO FOB levels in Malaysia performed in the range USD 974-1007.5 pmt. Strong crude oil and soybean oil prices are expected to support the palm oil complex. The gap between soybean oil prices and palm oil prices widened and the demand is expected to remain strong for palm oil.

Soybean Oil

TREND



Rallying crude oil prices, tighter stock situation in the US and the slow harvest pace in Brazil are the three important factors that induced a heavy rally in the soybean oil prices. The CBOT soybean oil May month futures rallied from 49.23 c/lb to 54.62 c/lb. The basis points at the Brazilian ports have increased above +100 and the FOB levels are trading at around USD 1242 pmt thanks to the demand shift due to tight stocks in the US. Despite the slow harvesting in Brazil, the crop estimates still remain high. Brazil's Conab increased its soybean production to 4.965 billion bushels for or the year crop year 20-21, an increase of 1% from previous estimate. We expect the soybean oil prices to perform sideways in the coming couple of weeks as the harvest in Brazil progresses.

Rapeseed Oil

TREND



The rapeseed price continues rising sharply these last weeks. Agrarmarkt Informations-Gesellschaft (mbH) explained the main reason is the limited supply of rapeseed on the market. In addition, the firm prices for canola in Canada and for soybeans in USA, as well as the increase in crude oil prices are also important factors that influence the trend of rapeseed prices. The stock level in producer's hand is quite low now as they already largely sold over the previous months.

For rapeseed oil, the spot price fluctuated during these 2 weeks, and today it returns back to EUR 1090 pmt FOB ARA as the price level in the last report. The future +3 months contract price increased to EUR 1070 pmt.

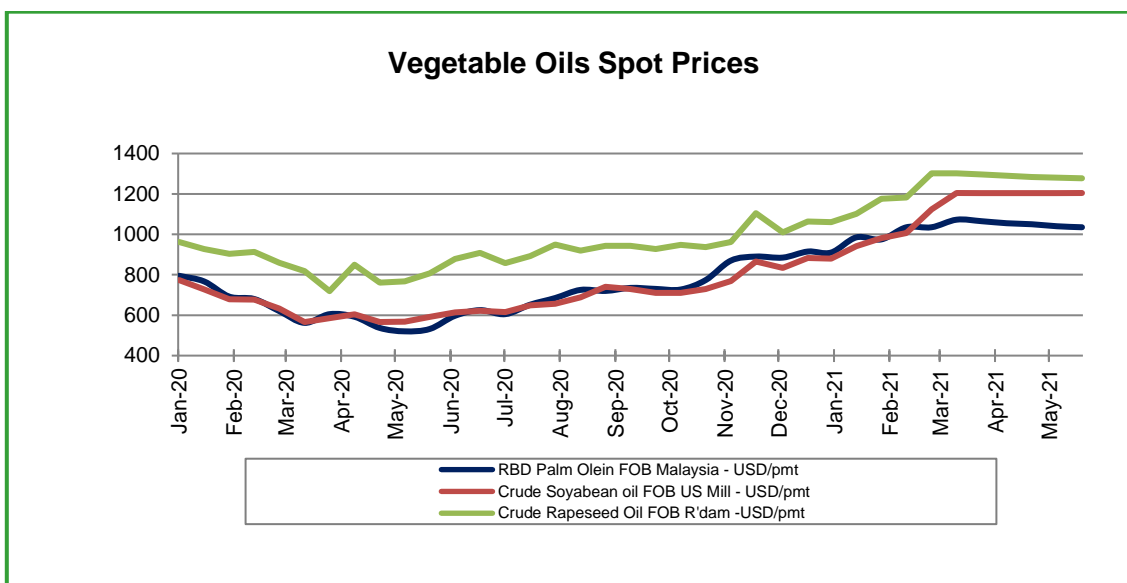
Other Feedstocks

TREND



Demand remains important from oleochemical and biodiesel producers. Q2 contracts are being finalized and prices keep going up for CAT 3. Some Oleochemical producers are wondering if buying palm oil directly would be a more efficient solution in order to produce at the lowest price. The price gap is reducing between tallow CAT3 and palm oil. Tallow CAT 3 is traded at around EUR 940 - 980 delivered. No change is observed in the CAT 1 price; it remains at around EUR 640 pmt delivered.

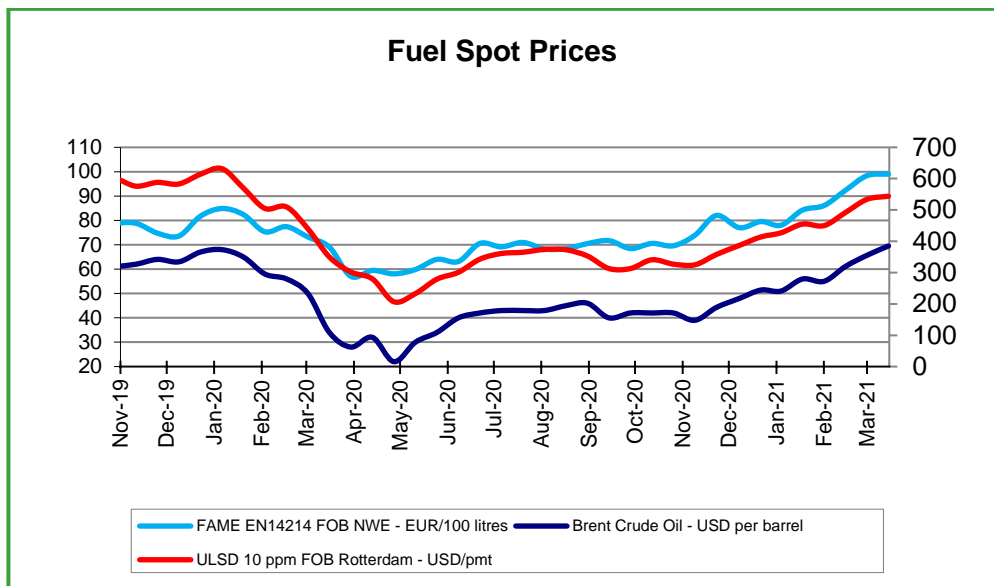
There is almost no UCO availability in the market. The market is trading at historical prices: around EUR 1020 pmt delivered for European quality and around EUR 980 pmt for imported quality. It is expected to have this bullish tendency for Q2.



VEGETABLE OILS / UCO	Current traded	Month + 3 futures
RSO FOB Mill Netherlands pmt	1 090 EUR	1 070 EUR
SBO FOB US Mill pmt	1 204 USD	1 204 USD
SBO FOB Argentina pmt*	1 242 USD	1 186 USD
RBD Palm Olein FOB SEA pmt	1 073 USD	1 035 USD
CPO FOB Indonesia pmt**	1 100 USD	1 100 USD
UCO max 10 FFA FOB ARA	938 EUR	

* Includes 26% export tax.

**Includes USD 348 pmt levy.



FUEL PRICES excluding VAT	Spot Current	Change from last report
FAME 0 FOB ARA / mt	1 230 USD	-10
FAME -10 FOB ARA / mt T2	1 340 USD	-11
RME EXW Germany ct/100 litres	103 EUR	+3
PME FOB Indonesia / mt	1 065 USD	+40
SME FOB Argentina / mt	1 070 USD	+20
ISCCEU UCOME FOB ARA / mt	1 193 EUR	+68
ULSD 10 ppm FOB NWE / mt (Ultra Low Sulfur Diesel)	544 USD	+10
Diesel Fuel selling price at pump in Germany Inclusive VAT per 100 litres	128 EUR	-4
Brent Crude Oil per barrel	70 USD	+4

Glossary

- ARA Amsterdam Rotterdam Antwerp
- CPO Crude Palm Oil
- EXW Ex-Works
- FAME Fatty Acid Methyl Ester
- FFA Free Fatty Acids
- FOB Free on Board
- ISCCEU European International Sustainability & Carbon Certification
- PME Palm Methyl Ester
- RBD Refined, Bleached and Deodorized
- RME Rapeseed Methyl Ester
- RSO Rapeseed Oil
- SBO Soya Bean Oil
- SEA South East Asia
- SME Soya Methyl Ester
- UCO Used Cooking Oil
- UCOME Used Cooking Oil Methyl Ester
- ULSD Ultra-Low-Sulfur Diesel

Model Cost calculation for Biodiesel Production

GLYCERINE	Current traded
80% kosher non-GMO crude DDP Europe	435 EUR
80% crude FOB US factory	209 USD
80% crude FOB SEA*	410 USD
80% crude FOB Argentina in bulk	330 USD

*No import duty from ASEAN to China, 6% if coming from elsewhere

SODIUM METHYLATE	653 EUR
30:70 solution (contract)	Delivered

METHANOL (contract)	Q1'21
FOB ARA	390 EUR
USA delivered	492 USD
SE Asia delivered	430 USD

	European RME EUR/mt	European UCOME EUR/mt	Indonesian PME* USD/mt	Argentine SME USD/mt
Feedstock oil price ex-mill / FOB ARA for UCO	1090,00	938	1095	1 242
Semi-refining/degumming cost	30	30	25	20
Loss (3%) + credit for acid oil	12,0	10,5		13,3
Cost of semi-refined feedstock ex refinery	1132,0	978,5	1120,0	1275,3
Freight to biodiesel plant	10	15	7	
Cost of semi-refined feedstock DDP	1142,0	993,5	1127,0	1275,3
Catalyst usage delivered	16,3	16,3	13,7	13,7
Methanol usage (11%) delivered	45,7	45,7	47,3	59,6
Crude glycerine credit 10% at 100% concentration exw	-49,4	-16,3	-46,3	-31,3
Indonesian export tax differential(*)(**)			-154,5	
Argentinian Export Tax Differential average of -2%***				25,5
Material cost of biodiesel ex works	1154,6	1039,2	987,2	1342,8
Variable production costs	30	30	30	35
Out of pocket cost of biodiesel ex works	1184,6	1069,2	1017,2	1377,8
FOB costs (for PME/SME/UCOME) + transport		15	12	5
Biodiesel price ex works pmt for RME	1160,8			
Biodiesel price FOB for PME/SME/UCOME		1193	1065	1070
Fixed cost contribution/margin of biodiesel production	-23,8	108,9	35,8	-312,8
Profitability Trend	↑	↑	↑	↓

a/ Exchange Rate: 1 EUR = 1.19 USD

b/ * Based on CPO

c/ ** March 2021 Indonesian export tax differential between CPO (USD 255+93=348) and PME (192.5+1=193.5) = USD 154.5 pmt

d/ Malaysia CPO export tax: 8% for March 2021

e/*** Argentinian export tax differential between SBO (26%) and SME (28%) = -2%

These taxes do not include the additional tax of 4 pesos for every dollar exported for SME and SBO

f/ Import taxes of 8% to 18% are applied on Indonesian PME in Europe

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