



INSIGHT: Spot glycerine soars
on biodiesel cut fears

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SAMANTHA WRIGHT MAY 2020



€795/tonne

increase in five weeks

European glycerine spot prices have seen triple-digit increases over the past six weeks as availability tightened significantly, with players concerned that upstream biodiesel production will fall further through the second quarter.

Refined vegetable glycerine prices shot up €795/tonne on average over five weeks to €1,300-1,500/tonne FD (free delivered) NWE (northwest Europe). Prices are at a 12-year high, with hikes being seen consistently since the end of March. There are some signs that the rapid increases are starting to slow, with prices stable in the first week of May.

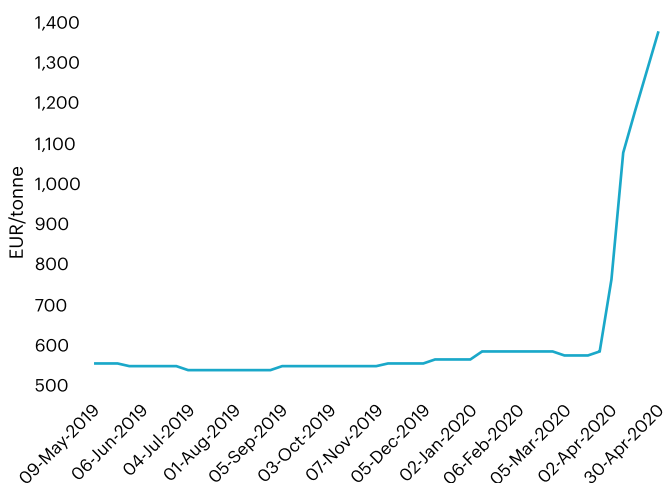
Availability of refined vegetable non-genetically modified origin (non-GMO) material tightened exponentially on the back of the significant decrease in biodiesel production in the region.

Refined tallow/technical vegetable glycerine values hit 22-month highs at the beginning of May. Prices jumped up €345/tonne on average over six weeks to €700-850/tonne FD NWE. Tallow and technical vegetable prices were also impacted by the limited supply on the back of upstream production cuts, though to a slightly lesser extent than refined vegetable prices.

There is marginally more material available in the technical vegetable market due to imports noted in some cases from South America.

There is also some production of used cooking oil methyl ester (UCOME) in Europe still as this material is double counted towards biofuel mandates.

Glycerine Vegetable FD NWE Assessment Bulk Spot 2-6 Weeks Full Market Range Weekly (Mid)



The continued production of UCOME has led to more technical glycerine available in the market compared to non-GMO product.

Imports stall

There is little to no material being imported from southeast Asia currently due to logistical issues moving material into Europe, as well as a lockdown in Malaysia forcing some oleochemical plants in the country to shut.

Any material that can leave southeast Asia bound for Europe will take at least 40 days to reach its destination, with players expecting tightness in the region until at least June before extra material arrives.

Crude glycerine prices hit a two-year high at the beginning of May. Values rocketed €180/tonne on average over six weeks to €350-500/tonne FD NWE.



The lack of demand for fuels in Europe, coupled with extremely low – and in some cases negative – margins has led biodiesel producers to cut and in some cases **completely stop production**

There is almost no material being seen in the crude glycerine market in May, with virtually no product seen in the region since the beginning of April. The lack of demand for fuels in Europe, coupled with extremely low – and in some cases negative – margins has led biodiesel producers to cut and in some cases completely stop production.

Some players have already cut capacity by 50%, while there are several plants said to have shut down for an unspecified amount of time.

Because glycerine is a by-product of biodiesel, a number of glycerine sellers have stopped all spot sales at the beginning of April in order to assess how much material will be available.

With some biodiesel margins negative through April and into May, high glycerine prices are helping to mitigate, and in rare cases, balance negative revenue streams.

Glycerine typically makes up 10-12% of output as a by-product, and despite strong demand for glycerine, the lack of biodiesel offtake remains a serious challenge for producers in terms of revenue and logistics.

Reduced biodiesel production weighs on supply

There is an unplanned shutdown at a Saipol biodiesel plant in France which has limited glycerine supply, but this is due to a fire at the unit rather than production cuts.

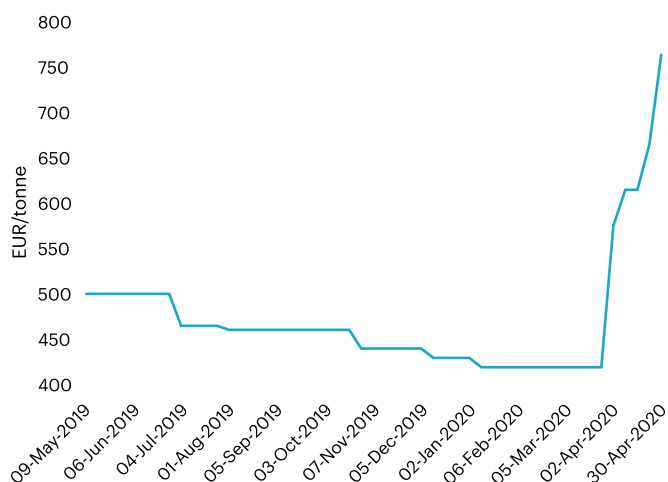
Glycerine can also be produced using fatty acids; however, most market participants do not expect this method of glycerine production to increase significantly.

It is likely that biodiesel production in the region will remain reduced for most of the second quarter.

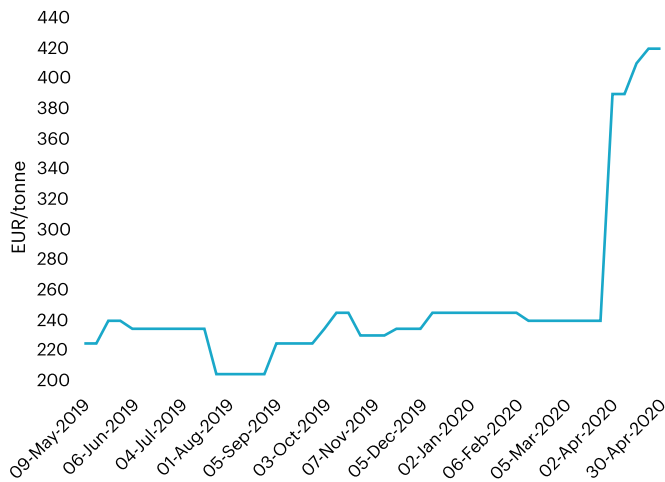
One glycerine seller said: “Why we hear it [has turned] so quickly is biodiesel producers don’t have any off take for biodiesel right now. Demand has collapsed, there is no external storage space left in Europe.

“There are 30,000 tonne cargo vessels of biodiesel being rerouted into Europe from Asia because they can’t dock there, and when they dock here they need to store it.

Glycerine Tallow/Technical FD NWE Assessment Bulk Spot 2-6 Weeks Full Market Range Weekly (Mid)



Glycerine Crude 80% FD NWE Assessment Bulk Spot 2-6 Weeks Full Market Range Weekly (Mid)





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Samantha Wright is a Senior Editor Manager at ICIS, covering base oils, biodiesel, glycerine, fatty acids and fatty alcohols. Since joining ICIS in 2017 Samantha has covered a wide range of chemical markets as well as leading a number of data analysis and visualisation projects.

So producers have to lower their utilisation rates in the plant because the customers have nowhere to put the product.”

There are still pockets of healthy supply in the region. One buyer said they had no issues securing material but that logistical issues are the real concern.

“I keep being told there is sufficient glycerine available. Even with all these new hand sanitizer plants and the requirements of washing hands putting some strain on glycerine, it’s still relatively low compared to other uses for glycerine.

“I am still being told there are enough stocks, but the main issue is logistics. There have been issues getting drivers, we are having issues getting it to the site.”

Even if countries do begin to resume normal operations during the summer months, rapeseed methyl ester (RME) production is likely to remain at low levels because it is typically a winter blend, with palm oil and soybean alternatives preferred in the summer.

A biodiesel tender in Brazil could lead to more glycerine supply available in the global market, though currently it is unclear if this material would be bound for Europe.

Increasing sanitizer consumption boosts demand

Demand remains good, with a slight increase seen in interest for use in sanitizer applications, though glycerine is a small component of most sanitizer products.

There has been a drop in demand for industrial applications, with the rubber and antifreeze industries taking a knock from falling automotive demand.

Players noted a sharp increase in enquiries during April, but this is mainly due to the limited supply of material in the market, rather than a substantial rise in actual demand.

In May enquiries began to slow down slightly as players realised most sellers were sold out of material.

Storage facilities in the region are getting full, and this could see a drop in demand from players who were trying to ensure they had full stocks going into the second quarter.

Glycerine is mainly used in personal and oral care products such as skincare creams, toothpastes and mouthwashes, as well as food products either as glycerine directly or one of its derivatives such as glycerol mono-stearate.

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