

**World - Ethanol prices for the week ended 12 January, 2018**

European Union (in EUR/hl pure alcohol, delivered at place, unless stated otherwise)

Fuel		Contract		Spot	
<b>Central</b>	<b>Current</b>	<b>48-49</b> ↗		<b>48-49</b> ↗	
	12 months ago (13 January, 2017)	52-54 ↗		58-60 ↗	
<b>North</b>	<b>Current</b>	<b>48-48</b> ↗		<b>no quote</b>	
	12 months ago (13 January, 2017)	52-54 ↗		no quote	
<b>East</b>	<b>Current</b>	<b>48-49</b> ↗		<b>48-50</b> ↗	
	12 months ago (13 January, 2017)	52-54 ↗		56-57 ↗	
		<b>T1</b>		<b>T2</b>	
<b>NW European ports fob</b>	<b>Current</b>	<b>USD 43-44</b> ↗		<b>47.5-48</b> ↗	
	12 months ago (13 January, 2017)	USD 46.5-48.5 ↘		58-60 ↗	

Non-Fuel		Contract		Spot	
		96°	99°	96°	99°
<b>West</b>	<b>Current</b>	<b>61-62 (I)</b> ↗ <b>54-56 (REN)</b> ↗ <b>61-63 (B)</b> ↗	<b>66-67 (I)</b> ↗	<b>60-61 (I)</b> ↗ <b>54-55 (REN)</b> ↗ <b>61-63 (B)</b> ↗	<b>66-67 (I)</b> ↗
	12 months ago (13 January, 2017)	60-62 (I) ↗ 52-54 (REN) ↗ 60-62 (B) ↗	64-65 (I) ↗	61-63 (I) ↗ 53-54 (REN) ↗ 61-63 (B) ↗	64-65 (I) ↗
	<b>Central</b>	<b>Current</b>	<b>60-62 (I)</b> ↗ <b>54-56 (REN)</b> ↗ <b>60-63 (B)</b> ↗	<b>64-66 (I)</b> ↗	<b>60-62 (I)</b> ↗ <b>54-55 (REN)</b> ↗ <b>61-63 (B)</b> ↗
12 months ago (13 January, 2017)		59-61 (I) ↗ 53-55 (REN) ↗ 59-61 (B) ↗	62-64 (I) ↗	60-62 (I) ↗ 54-55 (REN) ↗ 60-62 (B) ↗	62-64 (I) ↗
<b>South</b>	<b>Current</b>	<b>61-63 (I)</b> ↗ <b>61-63 (B)</b> ↗	<b>68-70 (I)</b> ↗	<b>61-62 (I)</b> ↗ <b>61-63 (B)</b> ↗	<b>68-70 (I)</b> ↗
	12 months ago (13 January, 2017)	61-63 (I) ↗ 60-61 (B) ↗	68-70 (I) ↗	61-63 (I) ↗ 60-62 (B) ↗	68-70 (I) ↗
	<b>North</b>	<b>Current</b>	<b>60-62 (I)</b> ↗	<b>65-67 (I)</b> ↗	<b>no quote (I)</b>
12 months ago (13 January, 2017)		59-62 (I) ↗	65-67 (I) ↗	no quote (I)	no quote (I)
<b>East</b>	<b>Current</b>	<b>61-64 (I)</b> ↗ <b>61-64 (B)</b> ↗ <b>no quote (P)</b>	<b>64-65 (I)</b> ↗	<b>61-64 (I)</b> ↗ <b>61-64 (B)</b> ↗ <b>no quote (P)</b>	<b>64-65 (I)</b> ↗
	12 months ago (13 January, 2017)	60-63 (I) ↗ 60-62 (B) ↗ no quote (P)	64-66 (I) ↗	60-63 (I) ↗ 59-62 (B) ↗ no quote (P)	64-66 (I) ↗
			<b>T1</b>	<b>T2</b>	
<b>NW European ports fob</b>	<b>Current</b>	<b>no quote (99)</b> <b>no quote (REN)</b> <b>no quote (surfin)</b>		<b>no quote (99)</b> <b>51-53 (REN)</b> ↗ <b>56-57.5 (surfin)</b> ↗	
	12 months ago (13 January, 2017)	no quote (99) no quote (REN) no quote (surfin)		no quote (99) 49-51 (REN) ↗ 55-56 (surfin) ↗	

Non-European markets (USD/m3)	Fuel		Non-fuel	
	Hydrous (EPA)	Anhydrous (EPA)	Grade B	
<b>Brazil, fob Santos</b>	<b>550-620</b> ↗	<b>570-650</b> ↗	<b>535-630</b> ↗	
	<b>Chicago</b>	<b>New York</b>		
<b>USA, Spot</b>	<b>335-341</b> ↗	<b>378-386</b> ↗		
	<b>Anhydrous</b>		<b>ENA</b>	<b>Industrial</b>
<b>Pakistan, fob Karachi (USD/tonne)</b>	<b>720-740</b> ↗		<b>660-670</b> ↗	<b>625-630</b> ↗

B: beverage; I: industrial; P: pharmaceutical; REN: rectifié extra neutre; ENA: extra neutral alcohol; EPA: Environmental Protection Agency

## European Market Comments

The **traditional** market remained quiet with only routine business being done. With regards to the next couple of months a number of players expect balanced market conditions. While local producers will maintain their high production rates, the flow of imports could start to wane. Pakistan is reportedly sold out with most of its ethanol in Q2 being committed in the Far East.

**Fuel** ethanol prices were somewhat lower in the spot month with January losing EUR5 to EUR475-480 per cubic metre. At the same time both February and March held steady at around EUR480. Supplies are reported to be plentiful and this could put downward pressure on prices in the weeks ahead.

**Freight** sources told F.O. Licht that there was shipping interest for 1.0-1.5 mln litres of ethanol from Germany to Sweden from early January and for 2,000 tonnes of ETBE ex Stenungsund (Sweden) to various destinations including ARA, Thames (United Kingdom), Gothenburg (Sweden) or Oslo (Norway).

World Ethanol - Port Statistics (tonnes) - week beginning January 15, 2018									
Country	Port	Ship Name	Status	Load.	Unload.	Origin	Sailing		ETA
							on	to	
USA	Gulf Coast	Navig8 Universe	S	30,000			24/12/2017	China	
	Gulf Coast	TRF Moss	S	20,000			23/11/2017	China	05/01/2018
	Gulf Coast	Xena	S	12,000			25/11/2017	China	07/01/2018
Brazil	Aratu	Castillo de Tebra	E		3,600	Santos			14/01/2018
	Itaqui	Pidgeon Point	A		3,000	USA			
	Itaqui	Shamrock Mercury	A		3,950	USA			
	Itaqui	Sichem Defiance	A		4,000	USA			
	Itaqui	Gion Trader	E		17,000	USA			
	Paranagua	Stolt Endurance	E	26,500					15/01/2018
	Paranagua	Marie C	S	21,000			25/12/2017	US Gulf	31/01/2018
	Santos	MTM St Jean	E		16,000	USA			
	Santos	Store Bay	E		3,699				
	Santos	Bochem Luxembourg	S	16,000			03/01/2018	US Gulf	21/01/2018
Suape	Gion Trader	E		2,000	USA				
Suape	Pigeon Point	E		11,000	USA				
Guatemala	Quetzal	Jo Spirit	E	4,425					20/01/2018
	Quetzal	Chemstar Stellar	E	12,000					24/01/2018
	Quetzal	Chembulk Shanghai	S	3,908			08/01/2018	China	06/02/2018
Pakistan	Karachi	Maritime Equator	B	8,500					
	Karachi	BW Lithium	S	11,820			22/12/2017	S.Korea	
	Karachi	Stolt Courage	S	2,940			12/12/2017	Spain	14/01/2018
	Karachi	Oriental Rose	S	4,550			27/12/2017	Italy	
	Karachi	Chemroad Sakura	S	3,930			31/12/2017	UAE	
Europe	Norrköping	Nautilus	E	6,925				Germany	13/01/2018

\*only customs clearing, A: Anchored; B: Berthed; E: Expected; S: Sailed

## Europe - Non-fuel Ethanol Prices, Central Region, dlvd.

Year	Month	Beverage Alcohol		REN		Industrial Alcohol 99°		REN-beverage spread (EUR/m <sup>3</sup> )
		EUR/m <sup>3</sup>	\$/m <sup>3</sup>	EUR/m <sup>3</sup>	\$/m <sup>3</sup>	EUR/m <sup>3</sup>	\$/m <sup>3</sup>	
2016	7	610	677	555	616	655	727	-55
	8	610	683	551	617	655	734	-59
	9	604	676	543	608	643	720	-61
	10	595	655	535	589	630	693	-60
	11	595	643	535	578	630	680	-60
	12	597	627	535	562	630	662	-62
2017	1	607	643	543	576	630	668	-64
	2	610	647	559	593	633	671	-51
	3	615	658	590	631	650	696	-25
	4	615	658	590	631	650	696	-25
	5	615	683	590	655	650	722	-25
	6	615	689	590	661	650	728	-25
	7	615	707	590	679	650	748	-25
	8	624	736	587	693	650	767	-37
	9	630	750	585	696	650	774	-45
	10	630	743	563	664	650	767	-67
	11	630	737	550	644	650	761	-80
	12	623	735	546	644	650	767	-77

## European Market Fundamentals

**Sweden** - The government has raised the energy and carbon taxes on petrol and diesel as of January 1, 2018. As a result motorists will have to pay SEK0.30 (\$1=SEK8.20) more per litre of gasoline while the increase for diesel is SEK0.27.

Under a 2015 law these rates are to rise by 2% a year on top of the annual inflation rate.

The ethanol portion in E-85 will be exempt from the tax. The same applies to B-100 and HVO-100.

Low-level biofuel blends will have to pay the full tax until July 2018 when the tax rate on the biofuel share will be reduced to zero.

The introduction of energy and carbon taxes on E-85 in 2015 had resulted in a considerable drop in the demand for this fuel.

## Brazilian Market Comments

Prices on the local market continued to march higher, as there is a good chance that the inter-crop season may be tighter than last year. Hydrous ethanol gained BRL50 to BRL2,270-2,300 per cubic metre (exw; taxes included), while offers for anhydrous grades were up BRL40-60 to BRL2,100-2,150.

Imports from the US have picked up again as obligated parties need to demonstrate to the country's fuel regulator ANP that they have sufficient stocks at their disposal.

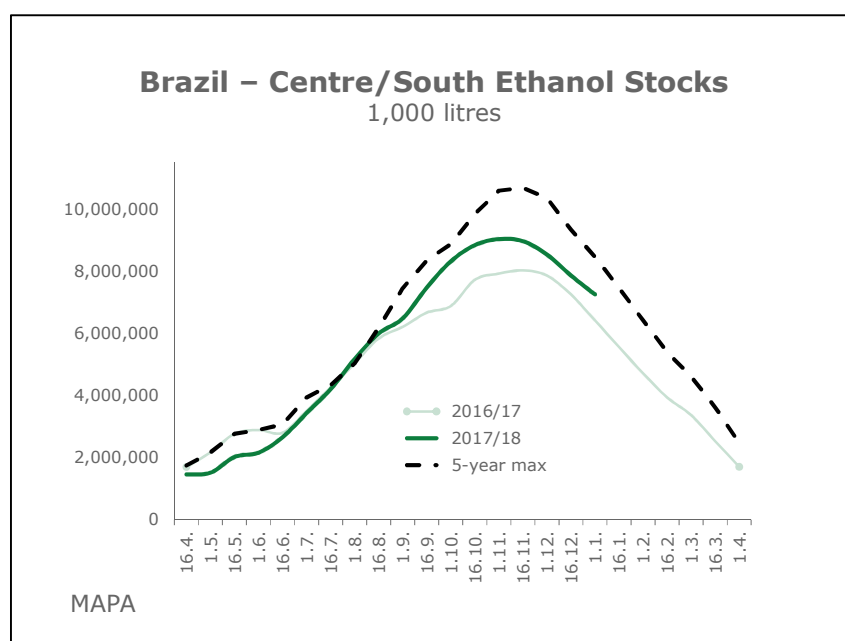
**Brazil** - With the 2017/18 crushing campaign almost over the level of ethanol stocks and that of consumption will determine whether Brazil is headed for a tight inter-crop season.

The most recent numbers may suggest that even though the absolute decline in ethanol stocks is lower than last year.

As of January 1, 2018, there were almost 7.3 bln litres in stock in the Centre/South, up from 6.4 bln last year. What is more, at 1.3 bln litres the decline in stocks in December was lower than that in 2016 (1.4 bln).

However, if the relative y/y decline in stocks is compared with the relative increase in consumption it may be suggested that stocks may fall faster during the inter-crop period. During December 2017 stocks fell by 15% while consumption gained almost 10%. In 2016 inventories dropped by 18% but consumption during the time was down 13%. At the same time imports in 2016 were not restricted.

On the basis of the current dynamics Brazil is likely to be headed for a much more expensive inter-crop period.



## US Market Comments

Ethanol **futures** prices in Chicago moved higher despite stable gasoline and corn markets. The cold winter weather and the lack of railcars still make it difficult to ship product from the Midwest to the coasts. The front-month February contract settled at \$1.357 per gallon, up from \$1.315 last week.

In **spot** market, prompt delivered ethanol at the Argo terminal in the **Chicago** area traded at \$1.28 per gallon, up 1.0 cent on the week. Prompt delivered ethanol by barge in the **New York Harbour** was assessed at \$1.43-1.46 per gallon, up 1.0 -3.0 cents.

**United States - Fuel ethanol production** in the week to January 5, 2018 averaged 996,000 barrels per day (bpd), a 13-week low, reported the Energy Information Administration (EIA). This compares with 1.032 mln bpd in the prior week and 1.049 mln one year ago. It was the first time since October that output dipped below one million bpd, and the cumulative drop of 94,000 bpd during the past two weeks was the largest such decline since EIA began tracking the data in 2010.

Production had hit a record high of 1.108 mln bpd in early December. Recent cold weather has prompted some plants to either slow down for maintenance or scale back. On top, higher natural gas prices amid some of the coldest temperatures in the Midwest in years have raised operational costs for ethanol makers. Additionally, slower turnaround on rail tanker cars, due in part to the weather, also limited where producers could load out their fuel for shipment to domestic gasoline-blending terminals and export ports.

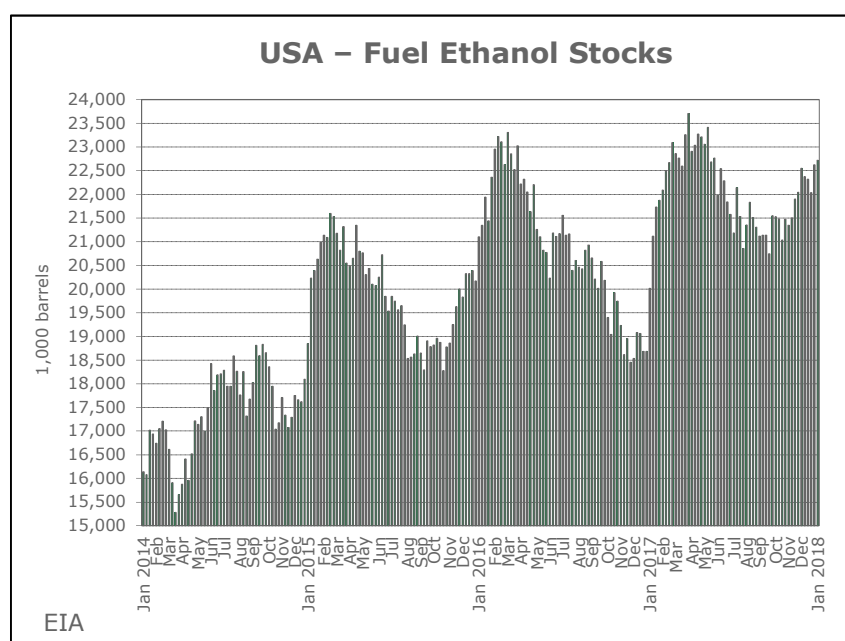
Cold temperatures were forecast to return early next week in the Midwest region where most ethanol plants are located, after a brief warmup this week, which could temper run rates.

**Imports** remained at nil for the fifth consecutive week.

**Refiner and blender net input** averaged 795,000 bpd, compared with 855,000 in the preceding week and 806,000 one year ago. The EIA data point to the first y/y decline in three weeks. Based on the amount of motor gasoline supplied, the average blending ratio was 9.5% vol., compared with 9.9% and 9.0%.

**Stocks** continued to rise, reaching 22.7 mln barrels, up from 22.6 mln in the prior week and the highest since late May, following an increase from 22.0 mln in the last week of December (one year ago: 20.0 mln). The EIA data show a w/w decline in inventories in the Midwest (7.9 mln barrels vs. 8.4 mln), which was offset by growth on the Gulf Coast (4.7 mln barrels, a record level, up from 4.3 mln) and the East Coast (7.2 mln barrels, a 13-week high, up from 7.0 mln).

Chicago ethanol futures rallied to a one-month high at \$1.349 per gallon after the EIA data was released, before settling 0.002 cent lower at \$1.326.



**United States - Ethanol exports** in November 2017 totalled 409.0 mln litres, trade data show, down 17% on the year, following a 24% decline to 358.6 mln in October.

Shipments to Brazil rose on the month (106.5 mln litres vs. 48.9 mln) but were down on the year (176.6 mln). Additionally, exports to Canada fell on the month (93.5 mln litres vs. a strong 129.9 mln). In Jan/Nov 2017, a total of 4.569 bln litres was exported, up 13% on the year. The main destination was Brazil (1.503 bln litres vs. 857.1 mln), followed by Canada (1.173 bln vs. 1.094 bln). Exports to India rose to 577.4 mln litres from 336.9 mln.

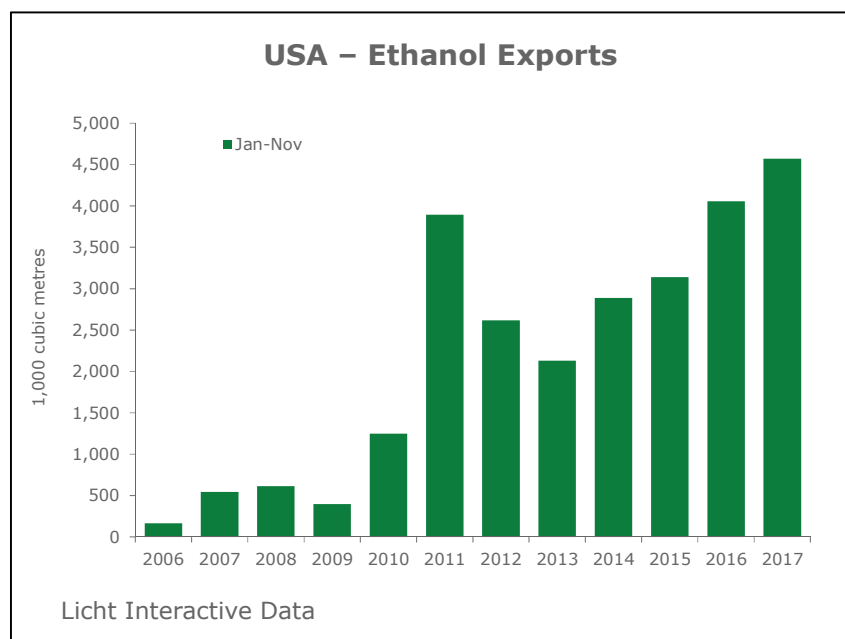
Imports in November totalled 162.4 mln litres, the highest since September 2015. The November import volume more than tripled on the year from 43.6 mln litres. The strong growth follows a 74% increase to 70.8 mln litres in October. The main origin was by far Brazil (152.9 mln litres vs 37.1 mln last year). Jan/Nov imports totalled 1.003 bln litres, a plus of 27% on the year and the highest for four years. The main origin was Brazil (910.6 mln litres vs. 681.8 mln).

The weaker real provided support for ethanol shipments from Brazil to the United States.

In Jan/Dec 2016, 4.469 bln litres were exported, while imports totalled 841.0 mln.

Net exports in November were 246.6 mln litres, down 45% on the year (Jan/Nov: 3.567 bln, up 27% on the year and a record level).

The data exclude trade in blends.



### Asian Market Comments

The arbitrage in **China** remains open for US ethanol. Buyers continue to show a keen interest at prices of around \$520-530 per m<sup>3</sup> for prompt shipments. However, US sellers are holding back for a variety of reasons. Among them are the logistical problems in the US where winter weather and a lack of railcars make it difficult to get product from the Midwest to the coasts. In addition, ethanol producers are finding storing ethanol attractive as the outer months on the futures market carry an above average premium.

Sales to **India** are expected to pick up in Q1 as the country will remain in deficit as far as industrial ethanol is concerned.

Elsewhere, **Pakistan** is reportedly sold out which is a remarkable achievement given its record production in 2016/17 and 2017/18. Buyers in **Japan** are said to be well covered up to the end of Q2 while **Vietnam** has been in the market to buy some fuel ethanol volumes to support its local E-5 program.

**Pakistan - Ethanol exports** in 2017 rose to almost 600 mln litres, a new all-time high.

This compares with less than 500 mln litres last season. The increase was triggered by the country's record molasses crop in 2017. As production of molasses is forecast to rise again in 2018, ethanol exports from this origin can be expected to remain high.

The biggest sellers of ethanol in 2017 were Premier (92.5 mln litres), followed by Tandlianwala (77 mln), Hunza (47.6 mln), Shakarganj (41.9 mln) and United (34.7 mln).

The biggest buyers were Mitsubishi (137.4 mln), Alcotra (122.1 mln) and Vitol (94.4 mln).

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