F.O. LICHTS
World Ethanol Price Report

Vol. 13, No. 32 January 22, 2018

World - Ethanol prices for the week ended 19 January, 2018

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

Fuel		Contract	Spot
Central	Current	**47-49**	**47-49**
	12 months ago (20 January, 2017)	52-54	60-63
North	Current	**47-48**	**no quote**
	12 months ago (20 January, 2017)	52-54	no quote
East	Current	**49-51**	**49-51**
	12 months ago (20 January, 2017)	52-54	58-60
		T1	T2
NW European ports fob	Current	**USD 42.5-43.5**	**46.5-47**
	12 months ago (20 January, 2017)	USD 46.5-48.5	60-63

Non-Fuel		Contract		Spot	
		96°	99°	96°	99°
West	Current	**61-62 (I)** **54-56 (REN)** **61-63 (B)**	**66-67 (I)**	**60-61 (I)** **54-55 (REN)** **60-63 (B)**	**66-67 (I)**
	12 months ago (20 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)
Central	Current	**60-62 (I)** **54-56 (REN)** **60-63 (B)**	**64-66 (I)**	**60-62 (I)** **54-55 (REN)** **60-63 (B)**	**64-66 (I)**
	12 months ago (20 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)
South	Current	**61-63 (I)** **61-63 (B)**	**68-70 (I)**	**61-62 (I)** **61-63 (B)**	**68-70 (I)**
	12 months ago (20 January, 2017)	61-63 (I) 60-61 (B)	68-70 (I)	61-63 (I) 60-62 (B)	68-70 (I)
North	Current	**60-62 (I)**	**65-67 (I)**	**no quote (I)**	**no quote (I)**
	12 months ago (20 January, 2017)	59-62 (I)	65-67 (I)	no quote (I)	no quote (I)
East	Current	**61-64 (I)** **61-65 (B)** **no quote (P)**	**64-65 (I)**	**61-64 (I)** **62-66 (B)** **no quote (P)**	**64-65 (I)**
	12 months ago (20 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)
		T1		T2	
NW European ports fob	Current	**no quote (99)** **no quote (REN)** **no quote (surfin)**		**no quote (99)** **51-53 (REN)** **56-57.5 (surfin)**	
	12 months ago (20 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	
Brazil, fob Santos	550-620	570-650	535-635	
	Chicago	New York		
USA, Spot	349	386		
	Anhydrous		ENA	Industrial
Pakistan, fob Karachi (USD/tonne)	725-740		665-675	625-630

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

European Market Comments

The **traditional** market started to pick up again this week but no price changes were reported. So far, activity remains restricted to routine business.

Fuel ethanol prices were lower in the spot month with January losing EUR10 to EUR465-470 per cubic metre. At the same time both February and March lost EUR5 to EUR475-480. Supplies are reported to be plentiful and this could put downward pressure on prices in the weeks ahead.

World Ethanol - Port Statistics (tonnes) - week beginning January 22, 2018

Country	Port	Ship Name	Status	Load.	Unload.	Origin	Sailing on	Sailing to	ETA
USA	Gulf Coast	Navig8 Universe	S	30,000			24/12/2017	China	
Brazil	Paranagua	Stolt Endurance	B	26,500					
	Paranagua	MTM St Jean	A		12,646	USA			
	Paranagua	Bunga Allium	E		20,225	USA			28/01/2018
	Paranagua	Bow Architect	E		2,500				
	Paranagua	Marie C	S	21,000			25/12/2017	US Gulf	31/01/2018
	Santos	Bochem Luxembourg	S	16,000			03/01/2018	US Gulf	21/01/2018
	Suape	Gion Trader	E		3,000	USA			15/01/2018
	Suape	Sichem Defiance	E		7,440	USA			
	Suape	Pigeon Point	E		15,000	USA			26/01/2018
	Suape	Nordic Lynx	E		4,000	USA			20/01/2018
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	Oriental Protea	B	3,500					
	Karachi	Chemroad Fuji	B	8,040					
	Karachi	Maritime Equator	S	8,500			14/01/2018	Singapore	24/01/2018
	Karachi	BW Lithium	S	11,820			22/12/2017	China	15/01/2018
	Karachi	Oriental Rose	S	4,550			27/12/2017	Italy	
	Karachi	Chemroad Sakura	S	3,930			31/12/2017	Med	
Europe	Rostock	Havva Ana	E	5,000					28/01/2018

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

European Market Fundamentals

European Union - The European Parliament (EP) agreed on a 12.0% cal. renewables target in road and rail transport per member state under the reformed Renewable Energy Directive (RED II) for 2030.

According to the draft, the share of crop-based biofuels in member states must not exceed 2017 levels and remain below 7.0% until 2030.

Banning the use of palm oil in motor fuels is envisaged from 2021.

The share of advanced biofuels (which have a lower impact on land use than those based on food crops), renewable transport fuels of non-biological origin, waste-based fossil fuels and renewable electricity will have to be at least 1.5% in 2021, rising to 10.0% in 2030, the EP said. This included a minimum share of advanced biofuels made from feedstock fixed in a positive list (Annex IX A; rising to 0.5% from 3.6%) and a 1.7% limit for established non-crop based biofuel pathways (Annex IX B, i.e. animal fat and used cooking oil), both almost unchanged from the earlier Commission proposal (see below) with the exception that molasses is now excluded from Annex IX B.

For those member states where crop-based biofuels make up less than 2.0% of the fuel mix, there will be granted flexibility to adjust their cap upwards to 2.0% in order to meet the 12.0% renewable energy in transport target.

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The adapted text also said it is appropriate to reduce the amount of biofuels and bioliquids produced from food and feed crops that can be counted towards the Union target, while distinguishing crop-based biofuels with high greenhouse gas (GHG) efficiency and a low risk of indirect land use change (ILUC). The latter should be promoted.

Specific feedstocks for advanced biofuels should be listed in an annex. In order to ensure that this annex is up to date with the latest technological developments, it should be regularly evaluated.

A review of parts of the RED II is scheduled by 2025, including a modification of the renewable energy targets. Modified obligations shall at least maintain levels that correspond to advanced biofuel capacity installed and under construction in 2025.

The EP, the executive European Commission and EU national governments must now negotiate together on the final legislation.

Brazilian Market Comments

The rise in local prices came to a halt this week as players tried to gauge the probability of ethanol import taxes being scrapped again (see below). Even with import taxes the arbitrage with the US market remained open in the Northeast.

Brazilian brokers quoted US ethanol delivered at local ports at around BRL1.95 per litre after transportation costs and all taxes and the 20% import charge. This compares with Brazilian product pegged at around BRL2.15.

According to Brazilian sources, US producers could ship as much as 450 mln litres of ethanol in the Dec/Feb quarter - triple the quota and roughly matching record-large volumes seen in the same period a year ago.

Hydrous ethanol was offered for BRL2,270-2,300 per cubic metre (exw; taxes included), while offers for anhydrous grades were BRL2,100-2,150.

Brazil - Fuel ethanol exports were 65 mln litres in December 2017, up from 37 mln in December 2016, SECEX data show.

This brought total exports of this type in calendar year 2017 to 1.024 bln litres, up from 847 mln in 2016.

The main destinations in 2017 were the United States with 926 mln litres (760 mln), Japan (85 mln vs. 77 mln) and China (24 mln vs. 95 mln).

In contrast to fuel grades, exports of non-fuel ethanol were lower in 2017. Total shipments reached 354 mln litres against 917 mln the prior year. The largest recipients for non-fuel ethanol were South Korea (including transshipments to Japan) with 281 mln vs. 631 mln litres, the Netherlands (32 mln vs. 79 mln) and the US (15 mln vs. 35 mln).

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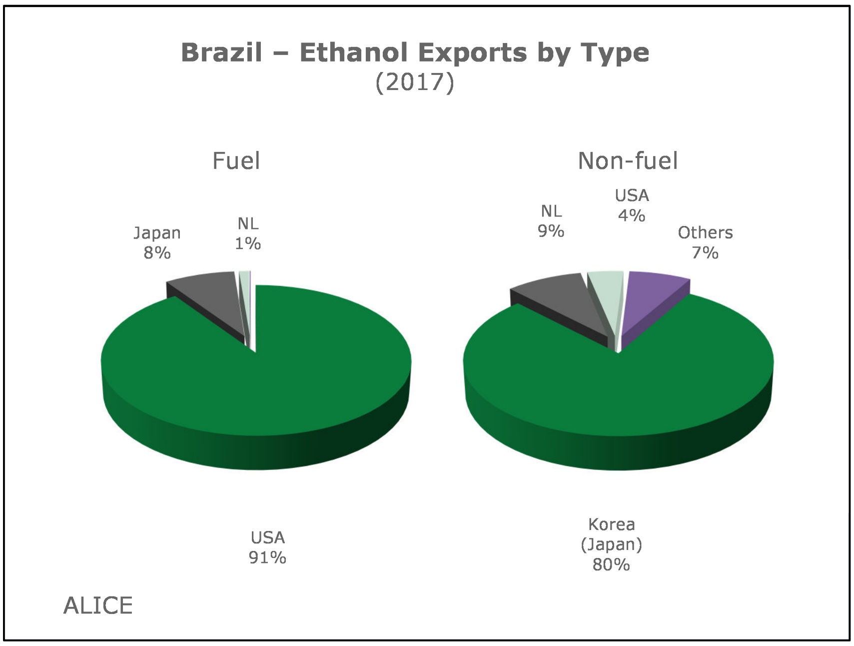

Brazil - The federal government may withdraw the import tax on ethanol following a jump in gasoline prices, Agriculture Minister Blairo Maggi said.

Currently a 20% tax is imposed on imports once a tariff-rate quota of 600 mln litres per annum is exceeded.

High prices for gasoline and ethanol would remove one of the major justifications for the tax, Mr Maggi said, adding that US politicians were also putting a lot of pressure on Brazil to scrap the tax.

The duty was introduced in September 2017 after imports swelled to over 1.6 bln litres last calendar year.

Mr Maggi implied that a decision on removing the ethanol import tariff could depend on Washington lifting a ban on fresh beef exports from Brazil. Also in 2017, the US banned shipments of fresh beef from Brazil following a food safety scandal involving bribes paid to inspectors that led to heightened inspections by the US and in turn uncovered potential health risks. The ban on fresh beef exports could be lifted by April, Mr Maggi said, when he is expected to step down in order to meet a deadline to run for elected office in October. Brazil has already submitted all of the material requested by the US to address concerns over beef exports and is awaiting the US to decide whether the issue is resolved, he said.

US Market Comments

Ethanol **futures** prices in Chicago gave up some of their gains as weather conditions returned to normal. The front-month February contract settled at $1.332 per gallon, down from $1.357 last week.

In **spot** market, prompt delivered ethanol at the Argo terminal in the **Chicago** area traded at $1.29 per gallon, up 1.0 cent on the week. Prompt delivered ethanol by barge in the **New York Harbour** was assessed at $1.43, unchanged on the week. **Gulf Coast** ethanol was assessed at $1.38.

United States - Fuel ethanol production in the week to January 12, 2018 jumped 6.5% on the week to an average of 1.061 mln barrels per day (bpd), the Energy Information Administration (EIA) said. This compares with 1.054 mln bpd one year ago.

Imports remained at nil for the sixth consecutive week.

Refiner and blender net input averaged 856,000 bpd, compared with 795,000 in the preceding week and 840,000 one year ago. Based on the amount of motor gasoline supplied, the average blending ratio was 9.9% vol., compared with 9.0% one week earlier and 10.4% last year.

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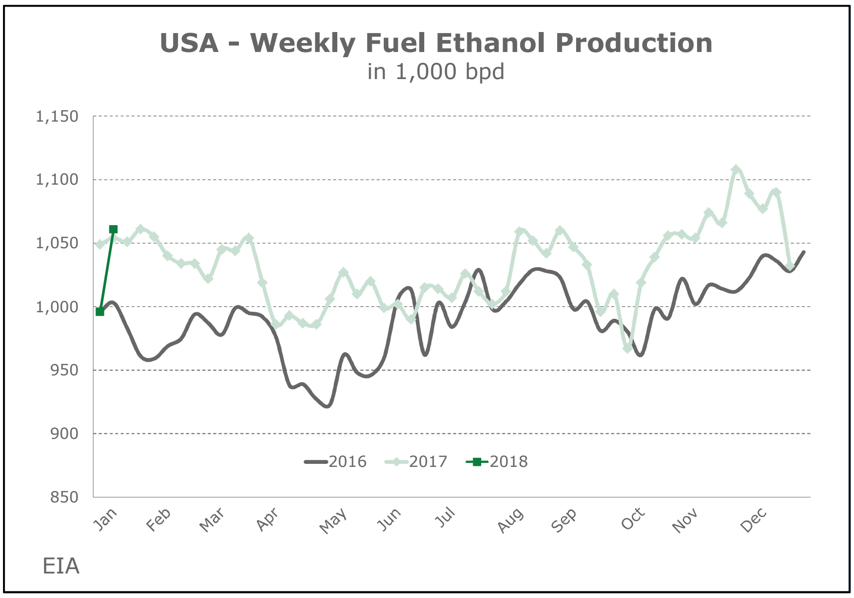
Stocks remained largely flat at 22.7 mln barrels, but were up from the year ago level of 21.1 mln barrels. While stocks were higher in the Midwest (+132,000 barrels) and the West Coast (+207,000), they were lower on the East Coast (-209,000) and the Gulf Coast (-105,000).



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