

World - Ethanol prices for the week ended 24 August, 2018

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

Fuel		Contract		Spot	
Central	Current	48-49 ↕		49-50 ↕	
	12 months ago (25 August, 2017)	53-55 ↕		53-55 ↕	
North	Current	48-49 ↕		no quote	
	12 months ago (25 August, 2017)	54-55 ↕		no quote	
East	Current	48-50 ↕		49-50 ↕	
	12 months ago (25 August, 2017)	54-56 ↕		54-56 ↕	
		T1		T2	
NW European ports fob	Current	USD 41-42 ↘		49-50 ↘	
	12 months ago (25 August, 2017)	USD 47-49 ↕		53.5-54.5 ↘	

Non-Fuel		Contract		Spot	
		96°	99°	96°	99°
West	Current	58-60 (I) ↕ 53-55 (REN) ↕ 57-59 (B) ↕	63-66 (I) ↕	58-60 (I) ↕ 53-55 (REN) ↕ 57-59 (B) ↕	65-67 (I) ↕
	12 months ago (25 August, 2017)	61-62 (I) ↕ 58-60 (REN) ↕ 62-64 (B) ↕	66-67 (I) ↕	61-63 (I) ↕ 58-60 (REN) ↕ 62-64 (B) ↕	66-67 (I) ↕
	Central	58-60 (I) ↕ 54-55 (REN) ↕ 57-59 (B) ↕	63-66 (I) ↕	58-60 (I) ↕ 54-55 (REN) ↕ 57-59 (B) ↕	63-66 (I) ↕
South	Current	60-63 (I) ↕ 59-61 (B) ↕	66-68 (I) ↕	60-62 (I) ↕ 59-61 (B) ↕	66-68 (I) ↕
	12 months ago (25 August, 2017)	61-63 (I) ↕ 61-63 (B) ↕	68-70 (I) ↕	61-63 (I) ↕ 61-63 (B) ↕	68-70 (I) ↕
	North	60-62 (I) ↕ 60-62 (I) ↕	64-67 (I) ↕ 65-67 (I) ↕	no quote (I) no quote (I)	no quote (I) no quote (I)
East	Current	60-63 (I) ↕ 57-59 (B) ↕ no quote (P)	64-65 (I) ↕	60-63 (I) ↕ 55-57 (B) ↕ no quote (P)	64-65 (I) ↕
	12 months ago (25 August, 2017)	60-64 (I) ↕ 60-62 (B) ↕ no quote (P)	64-66 (I) ↕	60-64 (I) ↕ 60-62 (B) ↕ no quote (P)	64-66 (I) ↕
	NW European ports fob	no quote (99) no quote (REN) no quote (surfin)		no quote (99) 51-53 (REN) ↕ 56-57 (surfin) ↕	
12 months ago (25 August, 2017)	no quote (99) no quote (REN) no quote (surfin)		no quote (99) 57-58.5 (REN) ↕ 58.5-60 (surfin) ↕		

Non-European markets (USD/m3)	Fuel		Non-fuel	
	Hydrous (EPA)	Anhydrous (EPA)	Grade B	
Brazil, fob Santos	410-415 ↕	430-440 ↘	410-415 ↕	
USA, Spot	Chicago 341-346 ↘	New York 367-370 ↘		
Pakistan, fob Karachi (USD/tonne)	Anhydrous 730-740 ↕		ENA 645-660 ↕	Industrial 620-630 ↕

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

European Market Comments

Fuel ethanol prices showed weaker tendencies. By the end of the week they had reached EUR488-494 per cubic metre for the prompt, down up to EUR15 on the week. September fell by an average EUR10 w/w to either side of EUR495, and October was down EUR15 at roughly EUR490. At the same time, price declines for milling wheat in Paris improved crushing margins, but these still remain deep in the red for 2018/19. Higher gasoline values helped cut blending cost.

From the **freight** market, enquiries for up to 6.5 mln litres from Lillebonne/France to the Thames/United Kingdom and for around 5 mln from the Tees to Grangemouth, both UK, all for early September, were reported. Moreover, there was shipping interest for a 5,000 tonne cargo including ethanol and biodiesel for ARA/Ireland and Northern Ireland for the same period.

Brazilian Market Comments

Hydrous ethanol was offered at BRL1,780-1,850 per cubic metre (exw; taxes included), up from BRL1,740-1,760 last week. Offers for anhydrous grades also were at BRL1,730-1,770, down BRL20 at the lower end. Last week, New York raw sugar prices fell below 10¢/lb for the first time in ten years as the real marched towards BRL4 against the US dollar.

Brazil - Sugar mills in the Centre/South (CS) crushed only 33.562 mln tonnes of cane in the first half of August, down sharply from 47.347 mln in the second half of July and compared with 45.436 mln in the same period a year ago, Unica data showed.

This reduction is due to heavy rains at the beginning of August, implying an average loss of almost five milling days. The regions were affected to a different degree, with the milling interruption varying from one to nine days (such as in the state of Paraná and the regions of Assis, Piracicaba and São Carlos in São Paulo state).

Total Recoverable Sugars (ATR) per tonne of cane rose further to 152.49 kg from 150.64 in H2 July and compared with only 146.22 kg in the same period last year. The sugar allocation was down at 35.17% from 50.08% last year. This allowed the production of only 1.715 mln tonnes of sugar, *tel quel*, during the period under review, down sharply from 2.615 mln in H2 July and 3.170 mln a year ago. On the other hand, ethanol production stayed flat at 1.977 bln litres compared with 1.955 bln a year ago. Corn ethanol production was 24.37 mln litres in the first half of August, bringing the total for the 2018/19 season so far to 235.03 mln, an increase of 134% over the same period last year.

Total cane milling since the start of the season has now reached 318.510 mln tonnes, down from 343.774 mln a year ago. Sugar production is down significantly at 16.476 mln tonnes from 20.797 mln, while ethanol production is up at 18.046 bln litres from 13.566 bln.

Preliminary data obtained by the Sugarcane Technology Center (CTC) from a sample of 76 mills show that there was a 11.1% drop in the cane yield in the first half of August to 72.80 tonnes per ha from 81.91 a year ago. Unica's Technical Director Antonio de Padua Rodrigues commented that this drop represents the beginning of the (drought-related) downtrend expected for the coming months. The final average yield in the current crop is expected to be very poor and the year-over-year drop could even surpass 20% in some regions.

The use of milling time in July reached 94% in the CS, above the historical average for the month of 87%. This is due to the intense drought that has hit the CS region since April with rains well below the historical average. On the other hand, the drier climate stimulated a higher concentration of sugars in the cane. In July, the cane quality measured by the concentration of Total Recoverable Sugars (ATR), increased by 7.6% to 148.2 kg per tonne of cane versus 137.7 kg in the same month of the last year. This brought the season-to-date value to 134.7 kg by the end of July, up 5.3% year-over-year.

The negative impact of the long drought is reflected in the cane yield for July, which fell 5.7% y-o-y to 78.04 tonnes per ha from 82.77. The drop during Apr-Jul was 3.38% in Goiás, 2.37% in Paraná and 2.17% in São Paulo. However, the drop was as large as 4.58% in the region of São José do Rio Preto and 5.15% in Ribeirão Preto, both in the interior of São Paulo state.

As far as the cane profile is concerned, the share of cane that was harvested for the first time (12-month cane, 18-month cane and winter cane) rose to 21% in Apr-Jul this year from 15% a year ago and the average yield of this cane fell 3.30%. However, the yield reduction for older cane was more pronounced and reached 5.6% for fourth-cut cane, 6.8% for fifth-cut cane and 8.6% for cane that was cut more often than five times. In coming months, the rising share of older cane will intensify the downtrend of the cane yield, as could already be observed in H1 August. In summary, the drop of the average cane yield during Apr-Jul of 1.6 tonnes per ha can be broken down into: zero effect from the share of standover cane (cana bisada), a drop by 3.2 tonnes per ha from adverse climate and cultural practices and a rise by 1.6 tonnes due to the larger share of first-cut cane.

Brazil: CS Campaign Report – August 16, 2018				
	H1 August		Season-to-date	
	2018/19	2017/18	2018/19	2017/18
Cane (1,000 tonnes)	33,562	45,436	348,510	343,774
Sugar (1,000 tonnes)	1,715	3,170	16,476	20,797
Anhydrous alcohol (mln litres)	632	863	5,574	5,869
Hydrous alcohol (mln litres)	1,345	1,093	12,472	7,696
Total alcohol (mln litres)	1,977	1,955	18,046	13,566
ATR (1,000 tonnes)	5,118	6,644	47,546	44,823
ATR/TC (kg)	152.49	146.22	136.43	130.38
Production mix - sugar (%)	35.17	50.08	36.37	48.69
Production mix - alcohol (%)	64.83	49.92	63.63	51.31
Litres of alcohol/tonne of cane	58.17	42.73	51.11	39.17
kg of sugar/tonne of cane	51.10	69.77	47.27	60.50
Source: Unica				

Brazil - Ethanol sales ex Centre/South in the first fortnight of August 2018 rose to 1,291 mln litres from 1,040 mln one year ago, sugar sector group Unica said.

Out of this, 920 mln litres (648 mln) were hydrous grades for the local market, supported by advantageous economics against gasohol at the pump.

Total sales of all grades so far in the current Apr/Mar cycle were up 14% at 10.584 bln litres, the Unica data show, with hydrous ethanol up 38% at 7.212 bln, according to Unica.

US Market Comments

Future prices in Chicago settled down on the week. The front-month September contract declined to USD1.313 per gallon from USD1.355 on the back of bearish fundamentals (see below) and weaker corn values. CBOT ethanol's discount to RBOB gasoline in New York rose on stronger fossil energy prices to 76¢ per gallon from 62¢ and reached its highest level since late May (based on front-month settlement prices).

Spot values for ethanol in Chicago at the Argo hub late last week were at USD1.34 gallon (roughly two cents over CBOT then). New York Harbour barges traded at USD1.44. Prices at the Gulf were at the NY level.

United States - Fuel ethanol production in the week to August 17, 2018 averaged 1.073 mln barrels per day (bpd), up 1,000 on the week and remaining only slightly below the all-time high of 1.108 mln set in early December 2017, data from Energy Information Administration (EIA) show. Output remained significantly above last year's (1.052 mln bpd).

Imports were nil for the 37th consecutive week.

Refiner and blender net input amounted to 943,000 bpd, down 5,000 each on the week and on the year. Based on the amount of motor gasoline supplied, the average blending share was around 10.0% vol., flat on the week and sharply above 9.8% last year.

Stocks continued to rise w/w, hitting a 22-week high (around 23.3 mln barrels vs. 23.0 mln). The EIA data pointed to risen inventories on the East Coast (7.5 mln barrels, up 0.2 mln) and the Gulf (5.4 mln, up 0.3 mln), which more than offset a decline in the Midwest (7.5 mln, down 0.3 mln).

Asian Market Comments

South Korea - Ethanol imports in July 2018 amounted hit a six-month low of around 28.1 mln litres, following a record 47.9 mln in June and settling above 26.2 mln last year, trade data show.

Out of the July total, 14.8 mln came from the United States and 8.9 mln from Pakistan.

Imports in Jan/Jul 2018 totalled 247.3 mln litres, up from 204.5 mln one year earlier and a historical high for that time of the year.

Shipments from the US, the main origin, rose y/y to 125.1 mln litres from 74.5 mln, raising their share to 51% from 36%. Other key origins so far in 2018 were Pakistan (49.1 mln litres vs. 19.8 mln), with the share doubling to 20%, and Australia (37.5 mln vs. 51.7 mln).

The import matrix also included strong growth in arrivals from Cambodia (19.3 mln litres vs 11.6 mln), while there were lower recordings for Vietnam (1.8 mln vs 6.8 mln), China (0.9 mln vs 3.2 mln), Guatemala (1.7 mln vs 15.1 mln) and Brazil (5.9 mln vs 7.1 mln).

In Jan/Dec 2017, 380.0 mln litres were imported.

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