F.O. LICHTS

World Ethanol Price Report

Vol. 14, No. 32 January 21, 2019

World - Ethanol prices for the week ended 18 January, 2019

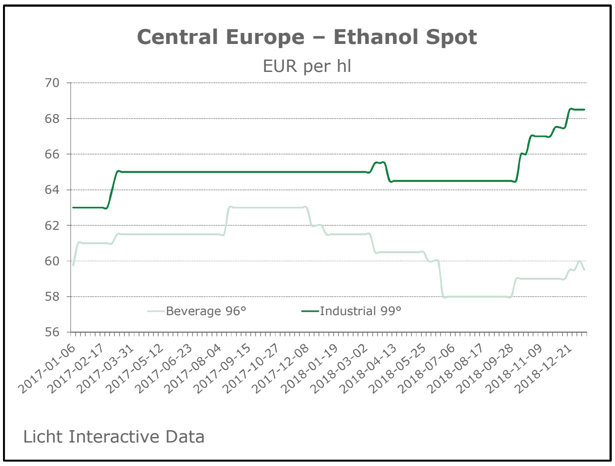
European Union (in EUR/hl pure alcohol, delivered at place, unless stated otherwise)

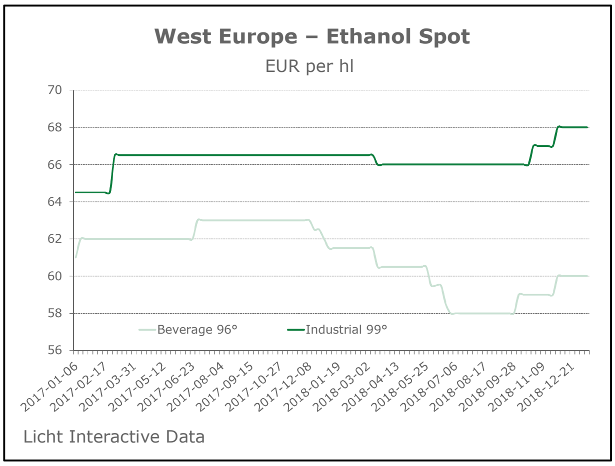
Fuel		Contract	Spot
Central	Current	**50-51** →	**52-54** →
	12 months ago (19 January, 2018)	47-49 ↓	47-49 ↓
North	Current	**50-51** →	**no quote**
	12 months ago (19 January, 2018)	47-48 ↓	no quote
East	Current	**51-52** →	**51-52** →
	12 months ago (19 January, 2018)	49-51 →	49-51 →
		T1	T2
NW European ports fob	Current	**USD 40-41** →	**58-59** ↑
	12 months ago (19 January, 2018)	USD 42.5-43.5 ↓	46.5-47 ↓

Non-Fuel		Contract 96°	Contract 99°	Spot 96°	Spot 99°
West	Current	**60-61 (I)** → **55-57 (REN)** → **59-61 (B)** →	**66-70 (I)** →	**60-61 (I)** → **55-57 (REN)** → **59-61 (B)** →	**66-70 (I)** →
	12 months ago (19 January, 2018)	61-62 (I) → 54-56 (REN) → 61-63 (B) →	66-67 (I) →	60-61 (I) → 54-55 (REN) → 60-63 (B) →	66-67 (I) →
Central	Current	**59-61 (I)** → **56-58 (REN)** → **59-60 (B)** →	**67-70 (I)** →	**59-61 (I)** → **56-58 (REN)** → **59-60 (B)** →	**67-70 (I)** →
	12 months ago (19 January, 2018)	60-62 (I) → 54-56 (REN) → 60-63 (B) →	64-66 (I) →	60-62 (I) → 54-55 (REN) → 60-63 (B) →	64-66 (I) →
South	Current	**60-63 (I)** → **59-61 (B)** →	**66-68 (I)** →	**60-62 (I)** → **59-61 (B)** →	**66-68 (I)** →
	12 months ago (19 January, 2018)	61-63 (I) → 61-63 (B) →	68-70 (I) →	61-62 (I) → 61-63 (B) →	68-70 (I) →
North	Current	**60-62 (I)** →	**66-69 (I)** →	**no quote (I)**	**no quote (I)**
	12 months ago (19 January, 2018)	60-62 (I) →	65-67 (I) →	no quote (I)	no quote (I)
East	Current	**60-63 (I)** → **60-63 (B)** → **no quote (P)**	**64-66 (I)** →	**60-63 (I)** → **60-63 (B)** → **no quote (P)**	**no quote (I)**
	12 months ago (19 January, 2018)	61-64 (I) → 61-65 (B) → no quote (P)	64-65 (I) →	61-64 (I) → 62-66 (B) → no quote (P)	64-65 (I) →
		T1		T2	
NW European ports fob	Current	**no quote (99)** **no quote (REN)** **no quote (surfin)**		**no quote (99)** **51-52 (REN)** → **56-58 (surfin)** →	
	12 months ago (19 January, 2018)	no quote (99) no quote (REN) no quote (surfin)		no quote (99) 51-53 (REN) → 56-57.5 (surfin) →	

Non-European markets (USD/m3)	Fuel		Non-fuel	
	Hydrous (EPA)	Anhydrous (EPA)	Grade B	
Brazil, fob Santos	**460-485** ↑	**475-530** ↓	**465-585** ↑	
	Chicago	New York		
USA, Spot	**328-330** ↓	**367-372** ↓		
	Anhydrous		ENA	Industrial
Pakistan, fob Karachi (USD/tonne)	**710-730** →		**650-665** →	**620-630** →

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





European Market Comments

Prices for fuel grades, basis fob Rotterdam, settled up on the week. Support came from strong bids and low offers, market sources said. Prices for prompt were reported in the low-to-mid EUR580s per cubic metre. At the same time, February deliveries went up to the low-to-mid EUR540s, while March was in the mid-to-high EUR530s. Blending cost declined on the week, as gasoline prices went up faster.

Freight sources told F.O. Licht that there was shipping interest for up to 7,000 tonnes of ethanol ex-Karachi/Pakistan to a port in the western Med for mid-February. Moreover, there was an inquiry for around 500 tonnes from Damietta/Egypt to Casablanca/Morocco for mid-January. On the intra-EU market, there were inquiries for up to 7.5 mln litres from ARA to Denmark and Sweden, up to 5 mln from the same origin to Grangemouth/United Kingdom and for the same volume from Santander/Spain to Sweden, all for mid-January.

European Market Fundamentals

Spain - Fuel ethanol production in Jan/Aug 2018 reached a record of around 345.2 mln litres, official data (CMNC) show. This was up 40% on the year. However, after strong y/y increases early in the year, which can be attributed to the crisis around Abengoa in 2017, growth rates slowed in July (42.3 mln litres, down 6%) and August (46.7 mln, up 2%).

Consumption in Jan/Aug was up 11% at 204.7 mln litres, up from 184.4 mln, and a three-year high. Support for demand came from the increase in the 2018 biofuels quota to 6.0% cal. from 5.0% and lower blending cost.

The Jan/Aug surplus rose on the year to 140.5 mln litres from 62.7 mln, the highest since the start of recordings in 2008.

In calendar year 2017, 377.5 mln litres were produced, and demand was 278.2 mln.

Brazilian Market Comments

The ethanol market was unchanged to weaker against the prior week. Hydrous grades were down BRL20-50 at BRL1,980 per cubic metre (exw; taxes included), while anhydrous ethanol was stable at BRL1,950-1,980.

Brazil - Sugarcane processing in the Centre/South (CS) in the second half of December 2018 slowed to 2.41 mln tonnes from 12.88 mln in the first half of the month, bringing the season-to-date total to 562.03 mln, down from 583.24 mln at the same time last year, Unica data showed.

Unica's Technical Director, Antonio de Padua Rodrigues, said that the 2018/19 harvest is practically over as only eight sugarcane mills and six maize processors will be active during January.

He added that crushing volumes during the first quarter of 2019 will depend on weather conditions. In December, rainfall fell below the historical average (up to 100 mm lower) in many areas, which

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adversely affects planting of new cane and its early development. That said, it is too early to make any projection about cane supply in the next harvest, he concluded.

Sugar production during the 2018/19 crop has now reached 26.34 mln tonnes, down from 35.83 mln by the same time in 2017/18. Ethanol production rose to 30.12 bln litres from 25.223 bln. Ethanol production from corn totalled 42.94 mln litres in the second half of December, bringing the total for the season as of January 1 to 512.81 mln. This is already practically the same amount as during the entire 2017/18 harvest (521.49 mln litres) with three months still to go until the official end of the harvest.

The concentration of Total Recoverable Sugars (ATR) per tonne of cane was 144.11 kg in the second half of December, down 2.55% on the year. The season-to-date total now stands at 138.65 kg, an increase of 0.9% compared to 2017/18.

CTC data indicate that the cane yield reached 64.09 tonnes per ha in December 2018, hardly changed from 64.23 a year ago. The average for Apr/Dec now stands at 73.3 tonnes per ha, down 3.4% from 75.9 last year.

Brazil: CS Campaign Report – December 31, 2018

	H2 December		Season-to-date	
	2018/19	**2017/18**	**2018/19**	**2017/18**
Cane (1,000 tonnes)	2,410	2,556	562,029	583,240
Sugar (1,000 tonnes)	72	116	26,339	35,829
Anhydrous alcohol (mln litres)	39	6	9,108	10,656
Hydrous alcohol (mln litres)	165	183	21,015	14,567
Total alcohol (mln litres)	204	189	30,123	25,223
ATR (1,000 tonnes)	347	378	77,926	80,118
ATR/TC (kg)	144.11	147.88	138.65	137.37
Production mix - sugar (%)	21.65	32.24	35.47	46.93
Production mix - alcohol (%)	78.35	67.76	64.53	53.07
Litres of alcohol/tonne of cane	66.82	59.75	52.68	42.70
kg of sugar/tonne of cane	29.72	45.43	46.86	61.43

Source: Unica

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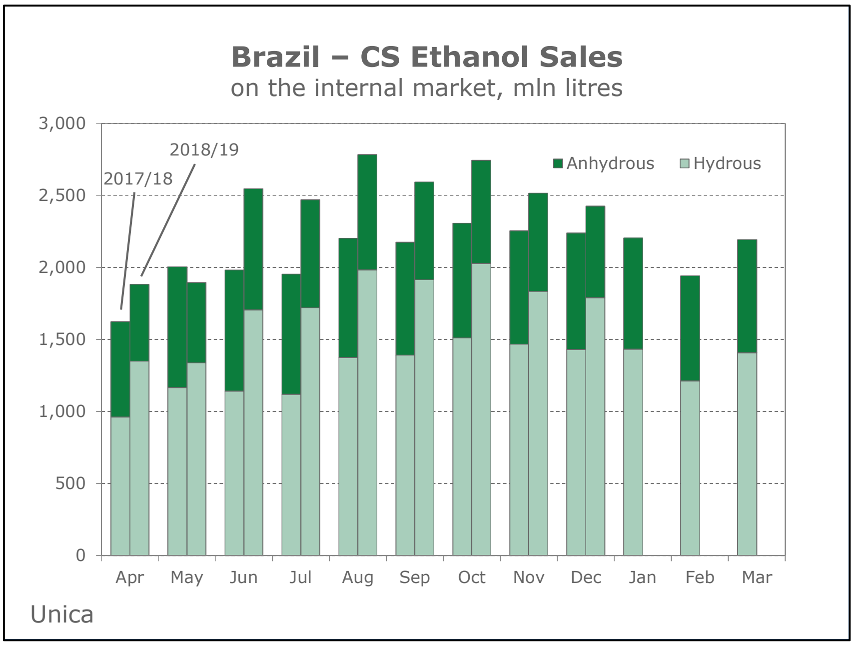
Brazil - Ethanol sales ex Centre/South (CS) in December 2018 to the local market rose by 8% on the year to 2.425 bln litres, data from sugar sector group Unica show.

Ongoing competitiveness of hydrous grades against gasoline at the pump boosted sales by 25% y/y to a seasonal all-time high of 1.791 bln litres. The growth rate was unchanged from November. A decline in demand on the month can be attributed to lower gasoline prices set by Petrobras. The strong performance in December was partially offset by a 22% fall in sales of anhydrous grades.

Uncia added that local sales of hydrous ethanol in the second fortnight of December rose by 27% y/y to 858 mln litres (anhydrous: 311 mln, down from 412 mln).

The outlook for the start of the inter-crop period is upbeat. Hydrous ethanol values were on a 65% parity to gasohol, below the required 73%.

Ethanol exports were considerably higher in December, reaching 108 mln litres, of which 57 mln anhydrous grades.



Brazil: CS Ethanol Sales (mln litres; Apr/Mar season)

	Dec 2018	Nov 2018	Dec 2017	Change y/y in %	Cumulative 2018/19	Cumulative 2017/18	Change y/y in %	2017/18
Domestic market	2,425	2,516	2,240	8	21,859	18,743	17	25,400
Anhydrous	634	682	810	-22	6,190	7,178	-14	9,527
Hydrous	1,791	1,834	1,430	25	15,668	11,565	35	15,873
Export	108	105	83	30	1,225	1,261	-3	1,511
Anhydrous	57	63	53	8	706	877	-19	1,099
Hydrous	51	42	30	70	519	384	35	412
Total	2,534	2,621	2,323	9	23,084	20,004	15	26,911
Anhydrous	691	745	863	-20	6,897	8,055	-14	10,626
Hydrous	1,843	1,876	1,460	26	16,187	11,949	35	16,286

Imports are excluded.
Source: Unica

ISSN: 1759-1414

US Market Comments

Future prices for ethanol in Chicago continued to fall. The February contract settled at USD1.279 per gallon, down from USD1.286 in the prior week. Downward pressure came from higher inventory levels (see below). At the same time, corn and gasoline prices moved up, while ethanol's discount to gasoline widened on the week to around USD0.17 per gallon from USD0.08, basis February contracts. This was the highest level for the front-months for five weeks.

United States - Fuel ethanol production in the week to January 11, 2019 averaged 1.051 mln barrels per day (bpd), a six-week high, reported the Energy Information Administration (EIA), against a one-year low of 1.000 mln in the prior week and 1.061 mln in the same week a year ago.

Imports were nil for the ninth week in a row.

Refiner and blender net input remained up on the year and stood at 862,000 bpd, up from 815,000 in the preceding week and last year's 856,000. Based on the amount of motor gasoline supplied, the blending share averaged around 10.1% vol., up on the week (9.3%) and on the year (9.9%).

Stocks continued to rise the week, reaching 23.4 mln barrels, a four-week high, against 23.3 mln previously. A w/w rebound on the Gulf (4.6 mln barrels vs 4.3 mln) and higher inventory levels on the East Coast (7.3 mln vs 7.0 mln) more than offset a decline the Midwest (8.0 mln vs 8.4 mln).

Asian Market Comments

South Korea - Ethanol imports in December 2018 amounted to 38.4 mln litres, a three-month low, against 40.6 mln in August and 42.0 mln last year, trade data show.

Imports in Jan/Dec 2018 totalled 437.6 mln litres, up from 380.0 mln one year earlier and a record high.

Shipments from the US, the main origin, rose y/y in Jan/Dec to 235.3 mln litres from 155.1 mln, raising their share to 54% from 41%. Other key origins so far in 2018 were Pakistan (74.7 mln litres vs. 48.5 mln), with the share jumping to 17% from 13%, and Australia (80.7 mln vs. 37.7 mln).

The import matrix also included growth in arrivals from Brazil (52.4 mln litres vs 16.7 mln), while there were lower recordings for Cambodia (19.3 mln vs 27.6 mln), Vietnam (2.4 mln vs 8.2 mln), China (0.9 mln vs 6.2 mln) and Guatemala (1.7 mln vs 15.6 mln).

Exports in Jan/Dec rose to 51.3 mln litres, another all-time high, from 30.4 mln. The bulk went to Japan.

Pakistan - Ethanol exports in Jan/Dec 2018 reached a total of 653,443 tonnes (around 827.1 mln litres), reported the local press, an all-time high, against 572,056 tonnes in 2017, at an average price of USD650 per tonne (USD425 mln).

Pakistan entered the world market in the early 2000s. Presently, around 18 distilleries - either operating independently or attached with sugar mills - are engaged in producing anhydrous grades, extra neutral alcohol (ENA) and industrial alcohol (B grade), it was reported. Besides, a blend of ENA and B grade is also being produced.

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