F.O. LICHT'S

# World Ethanol Price Report

Vol. 14, No. 9 July 30, 2018

## World - Ethanol prices for the week ended 27 July, 2018

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

| Fuel | | Contract | Spot |
|---|---|---|---|
| **Central** | **Current** | **48-49** | **48-49** |
| | 12 months ago (28 July, 2017) | 55-57 | 55-57 |
| **North** | **Current** | **48-49** | **no quote** |
| | 12 months ago (28 July, 2017) | 55-56 | no quote |
| **East** | **Current** | **48-50** | **48-50** |
| | 12 months ago (28 July, 2017) | 55-57 | 56-57 |
| | | **T1** | **T2** |
| **NW European ports fob** | **Current** | **USD 45.5-46** | **48-48.5** |
| | 12 months ago (28 July, 2017) | USD 48-49 | 56.5-57 |

| Non-Fuel | | Contract | | Spot | |
|---|---|---|---|---|---|
| | | 96° | 99° | 96° | 99° |
| **West** | **Current** | **58-60 (I)**<br>**53-55 (REN)**<br>**57-59 (B)** | **63-66 (I)** | **58-60 (I)**<br>**53-55 (REN)**<br>**57-59 (B)** | **65-67 (I)** |
| | 12 months ago (28 July, 2017) | 61-62 (I)<br>58-60 (REN)<br>62-64 (B) | 66-67 (I) | 61-63 (I)<br>58-60 (REN)<br>62-64 (B) | 66-67 (I) |
| **Central** | **Current** | **58-60 (I)**<br>**54-55 (REN)**<br>**57-59 (B)** | **63-66 (I)** | **58-60 (I)**<br>**54-55 (REN)**<br>**57-59 (B)** | **63-66 (I)** |
| | 12 months ago (28 July, 2017) | 61-63 (I)<br>58-60 (REN)<br>60-63 (B) | 64-66 (I) | 61-63 (I)<br>58-60 (REN)<br>60-63 (B) | 64-66 (I) |
| **South** | **Current** | **60-63 (I)**<br>**59-61 (B)** | **66-68 (I)** | **60-62 (I)**<br>**59-61 (B)** | **66-68 (I)** |
| | 12 months ago (28 July, 2017) | 61-63 (I)<br>61-63 (B) | 68-70 (I) | 61-63 (I)<br>61-63 (B) | 68-70 (I) |
| **North** | **Current** | **60-62 (I)** | **64-67 (I)** | **no quote (I)** | **no quote (I)** |
| | 12 months ago (28 July, 2017) | 60-62 (I) | 65-67 (I) | no quote (I) | no quote (I) |
| **East** | **Current** | **60-63 (I)**<br>**57-59 (B)**<br>**no quote (P)** | **64-65 (I)** | **60-63 (I)**<br>**55-57 (B)**<br>**no quote (P)** | **64-65 (I)** |
| | 12 months ago (28 July, 2017) | 60-64 (I)<br>60-62 (B)<br>no quote (P) | 64-66 (I) | 60-64 (I)<br>60-62 (B)<br>no quote (P) | 64-66 (I) |
| | | **T1** | | **T2** | |
| **NW European ports fob** | **Current** | **no quote (99)**<br>**no quote (REN)**<br>**no quote (surfin)** | | **no quote (99)**<br>**51-53 (REN)**<br>**56-57 (surfin)** | |
| | 12 months ago (28 July, 2017) | no quote (99)<br>no quote (REN)<br>no quote (surfin) | | no quote (99)<br>57-58.5 (REN)<br>58-60 (surfin) | |

| Non-European markets (USD/m3) | Fuel | | Non-fuel | |
|---|---|---|---|---|
| | Hydrous (EPA) | Anhydrous (EPA) | Grade B | |
| **Brazil, fob Santos** | **415-430** | **465-490** | **425-440** | |
| | Chicago | New York | | |
| **USA, Spot** | **378-380** | **407-412** | | |
| | Anhydrous | | ENA | Industrial |
| **Pakistan, fob Karachi (USD/tonne)** | **720-740** | | **650-660** | **620-630** |

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

## European Market Comments

Prices in the traditional market remained unchanged amid light business. The holiday season is keeping many players away from their desks and this is not expected to change in the next couple of week.

From France it was reported that a producer may face problems for August/September loadings because of tight stocks. Other than that, players keep a close eye on the grain market where price march higher amid the scorching summer heat. Wheat in France crossed the EUR200 level for the first time since 2014 again on July 24. Corn, at over EUR170 per tonne, reached a 2-year high.

The higher grain prices also were behind the firmer fuel ethanol market. Here values gained EUR15 week-on-week with July/September in the EUR480 to EUR485 per $m^3$ range.

Reportedly, suppliers are holding back with new offers waiting for the rally to run its course.

**World Ethanol - Port Statistics (tonnes) - week beginning July 30, 2018**

| Country | Port | Ship Name | Status | L | D | Origin | Sailing on | Sailing to | ETA |
|---|---|---|---|---|---|---|---|---|---|
| **Brazil** | Aratu | Bunga Angelica | B | | 4,036 | USA | | | |
| | Aratu | Castillo de Tebra | B | | 4,300 | Santos | | | 24/07/2018 |
| | Itaqui | MTM Antwerp | E | | 5,540 | USA | | | 24/07/2018 |
| | Paranagua | Pigeon Point | E | 12,125 | | | | | |
| | Paranagua | Willard J | E | 20,000 | | | | | |
| | Paranagua | Sveva | S | 11,900 | | | | | |
| | Paranagua | Marie C | S | 21,000 | | | 12/07/2018 | GC USA | 30/07/2018 |
| | Salvador | Bunga Angelica | E | | 4,036 | USA | | | |
| | Santos | Muhut Silver | S | 36,000 | | | | | |
| | Santos | Fairchem Success | S | 11,801 | | | 24/07/2018 | Singapore | 21/08/2018 |
| | Santos | Cielo di Salerno | S | 31,560 | | | 23/07/2018 | WC USA | 20/08/2018 |
| | Santos | Celsius Malaga | S | 16,000 | | | 21/07/2018 | GC USA | 07/08/2018 |
| | Santos | MTM New Orleans | S | 19,600 | | | 10/07/2018 | Singapore | 07/08/2018 |
| **Guatemala** | Quetzal | Fairchem Conquest | E | 5,000 | | | | WC USA | 01/08/2018 |
| | Quetzal | TRF Kashima | S | 16,600 | | | 06/07/2018 | ARA | 30/07/2018 |
| **Pakistan** | Karachi | Fortitude | B | 8,200 | | | | | |
| | Karachi | Everrich 7 | S | 1,000 | | | 22/07/2018 | | |
| | Karachi | Chemroute Pegasus | S | 5,800 | | | 14/07/2018 | China | 27/07/2018 |
| | Karachi | Jeil Crystal | S | 3,600 | | | 09/07/2018 | Singapore | 21/07/2018 |
| | Karachi | Octaden | S | 9,900 | | | 23/06/2018 | Turkey | |
| **Nigeria** | Lagos | Chemstar Tierra | E | | 11,875 | USA | | | 25/07/2018 |
| **France** | Dunkirk | TRF Kashima | E | | 6,400 | | | | 31/07/2018 |
| **Germany** | Rostock | Neptunus | E | 5,000 | 5,000 | Sweden | | Denmark | |
| **Sweden** | Norrköping | Neptunus | E | 5,000 | | | | Germany | |

***only customs clearing, **ETBE; A: Anchored; B: Berthed; E: Expected; S: Sailed; L: Load; D: Discharge**


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**Europe - Fuel Ethanol Prices, fob Rotterdam**

| | | T1 | | | | T2 | | | | T1-T2 Spread |
|---|---|---|---|---|---|---|---|---|---|---|
| Year | Month | USD/m$^3$ | USD/tonne | EUR/m$^3$ | EUR/tonne | EUR/m$^3$ | EUR/tonne | USD/m$^3$ | USD/tonne | EUR/m$^3$ |
| 2017 | 2 | 484 | 613 | 454 | 576 | 636 | 806 | 677 | 858 | -181 |
| | 3 | 483 | 612 | 453 | 574 | 599 | 759 | 639 | 810 | -146 |
| | 4 | 509 | 645 | 475 | 602 | 544 | 689 | 583 | 739 | -69 |
| | 5 | 475 | 586 | 430 | 531 | 586 | 743 | 648 | 821 | -156 |
| | 6 | 483 | 574 | 431 | 512 | 574 | 728 | 643 | 815 | -143 |
| | 7 | 481 | 574 | 418 | 498 | 571 | 724 | 658 | 834 | -153 |
| | 8 | 490 | 621 | 416 | 527 | 550 | 697 | 648 | 821 | -134 |
| | 9 | 477 | 605 | 400 | 507 | 530 | 672 | 631 | 800 | -130 |
| | 10 | 453 | 574 | 385 | 488 | 461 | 584 | 542 | 687 | -76 |
| | 11 | 455 | 577 | 387 | 491 | 468 | 593 | 550 | 697 | -81 |
| | 12 | 422 | 535 | 357 | 452 | 472 | 598 | 559 | 708 | -115 |
| 2018 | 1 | 433 | 549 | 356 | 451 | 474 | 601 | 577 | 731 | -118 |
| | 2 | 463 | 587 | 375 | 475 | 461 | 584 | 570 | 722 | -86 |
| | 3 | 468 | 593 | 379 | 481 | 457 | 579 | 564 | 714 | -78 |
| | 4 | 464 | 588 | 377 | 478 | 444 | 563 | 546 | 692 | -67 |
| | 5 | 466 | 591 | 394 | 500 | 448 | 567 | 529 | 671 | -53 |
| | 6 | 459 | 581 | 392 | 497 | 474 | 600 | 554 | 702 | -81 |
| | 7 | 456 | 578 | 390 | 494 | 474 | 601 | 555 | 703 | -84 |

## European Market Fundamentals

**France -** The market share of E-10 in the gasoline segment (including E-85) averaged around 42% in Jan/Jun 2018, the most recent data from ethanol sector group SNPAA show.

This was up from 38% one year earlier. SNPAA reported a share for SP95-E10 of constantly above 40% for the Nov 2017/Jun 2018 period. Since June 2017, the product had the largest share within the gasoline portfolio, ahead of gasoline 95 (SP95; can also contain fuel ethanol shares up to 5% vol. or ETBE) and gasoline 95 (do.).

In terms of volume, sales of E-10 went up 13% y/y to around 2.1 bln litres. Apart from the fuel tax waiver and the advantageous ethanol/gasoline price ratio, support for demand also came from a 3% increase in all gasoline sales to 5.1 bln litres.

The SNPAA statistics also show that SP98 maintained its 23% share in Jan/Jun, while that for SP95 declined by four percentage points to 34%. In terms of volume, SP95 use fell by 8% to 1.7 bln litres (SP98 1.2 bln; +3%).

Among the main fuel sellers, Intermarché was offering E-10 at 69% of its service stations, against 80% for Total. As of end-June, 6,068 forecourts were offering the blend, up from 5,851 six months earlier.

SNPAA added that around 75 mln litres of E-85 were sold in H1, a plus of 36% y/y. The number of service stations offering Superéthanol-E85 rose to 1,035 from 973 over H1. Out of this, 375 were operated by Intermarché and 276 by Total. A total of 32,145 flexfuel vehicles was registered as of July 1, 2018. This compares with 31,824 ones earlier reported for January 1.

Gasoline sales in Jan/Dec 2017 included 3.934 bln litres of E-10, 3.751 bln of gasoline 95 and 2.337 bln of gasoline 98. Total demand for gasoline products was 10.140 bln litres. The market share of E-10 reached 39% and exceeded that of gasoline 95 (37%) for the first time on an annual basis (SP98: 23%). E-85 sales in 2017 totalled 118 mln litres, a share far far below 1%.


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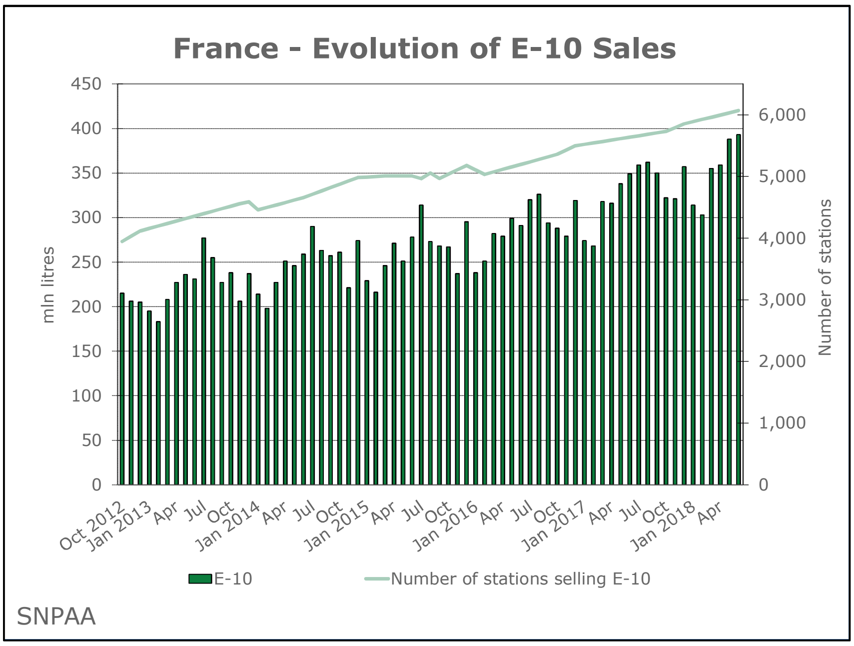


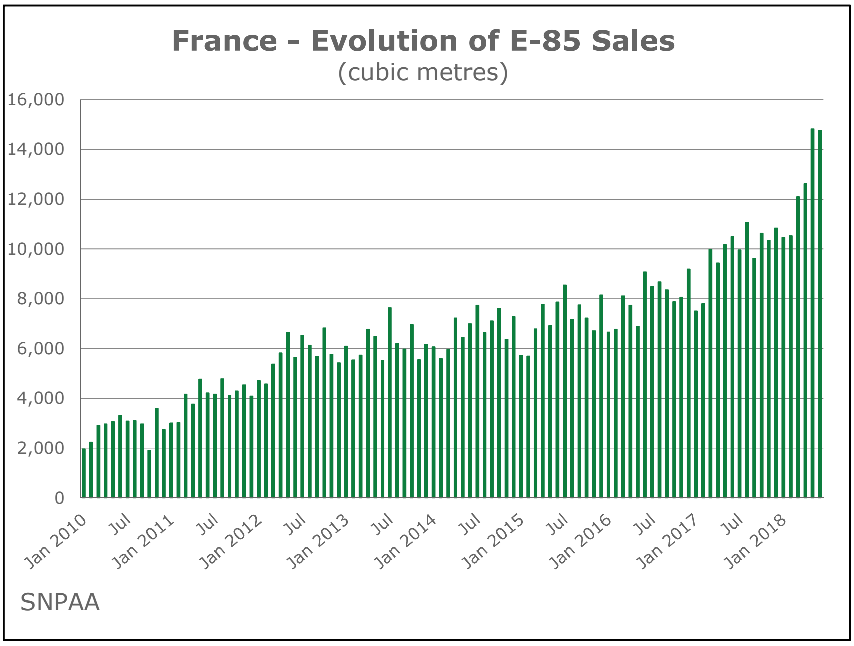


**Germany - Fuel ethanol blending** in May 2018 remained buoyant, official data (BAFA) show.

Sales in the month were 135.3 mln litres, up 5 mln litres on the year. The blending ratio averaged 6.9% vol., up from 6.5% last year. Lower ethanol premiums over gasoline cut blending cost in the second quarter.

Jan/May demand rose 8% to 630 mln litres from 585 mln. Higher blending rates (6.7% vs 5.8%) offset falling gasoline consumption (-0.8%).

Sales of E-10 remained in the familiar ranges with its market share at 13.2% in total gasoline sales.


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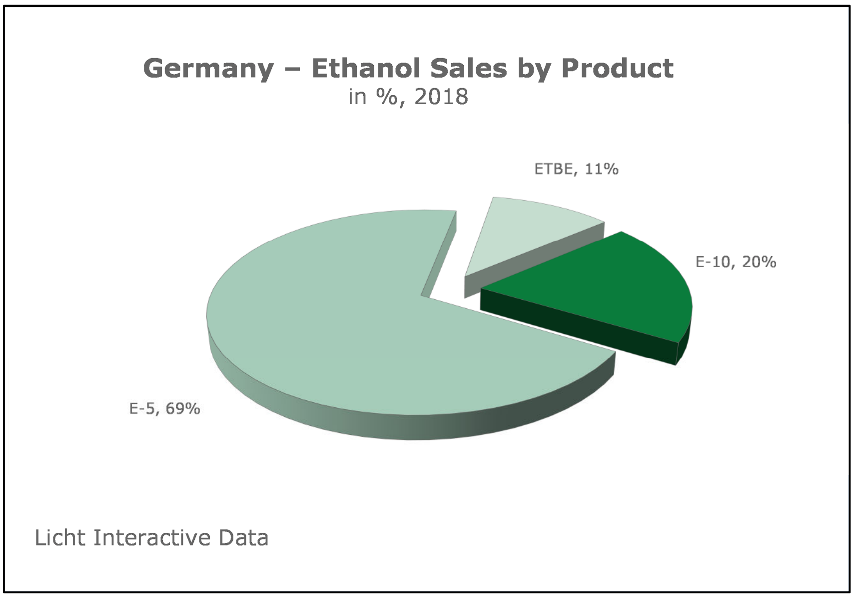


## Brazilian Market Comments

The market was lower in the latest week amid plentiful supplies. Sellers are eager to improve cash-flow in order to meet month-end obligations. In many locations ethanol sells at a record discount to gasoline which will help support demand. At the same time ethanol continues to trade at parity to sugar.

Hydrous ethanol was offered at BRL1,770-1,790 per cubic metre (exw; taxes included), down BRL50-70. Offers for anhydrous grades were assessed at BRL1,770-1,780, a loss of BRL20 on the week.

**Brazil -** Sugar mills in the Centre/South processed only 44.879 mln tonnes of cane in the first half of July, down from 45.566 mln in the second half of last month and also below the 48 mln in H1 July 2017, Unica data showed. This brought total milling since the beginning of the 2018/19 harvest to 267.421 mln tonnes against 247.430 mln last year.

The amount of recoverable sugars per tonne of cane was 7.7% higher than last year, raising the season-to-date total to 131.86 kg from 125.45 a year ago. This is due to the dry weather observed since the beginning of the harvest, which on the other hand is expected to lower cane yields significantly in coming months.

The share of cane allocated to sugar production so far in 2018/19 was only 36.13%, up a bit from June but down sharply from 48.02% a year ago.

Sugar production therefore dropped to 2.389 mln tonnes, tel quel, in July from 3.114 mln last year. Some 12.139 mln tonnes have been produced since the start of the season, down from 14.202 mln a year ago.

Ethanol production surged to 2.390 bln litres in H1 July from 1.893 bln a year ago, with the season-to-date total now having reached 13.450 bln, up from 9.522 bln.

A sample of 81 companies, conducted by the Sugarcane Technology Centre (CTC), shows an average cane yield of 81.91 tonnes per ha in July, down from 85.56 a year ago. This was the second month of the current harvest with a lower cane yield than last year.

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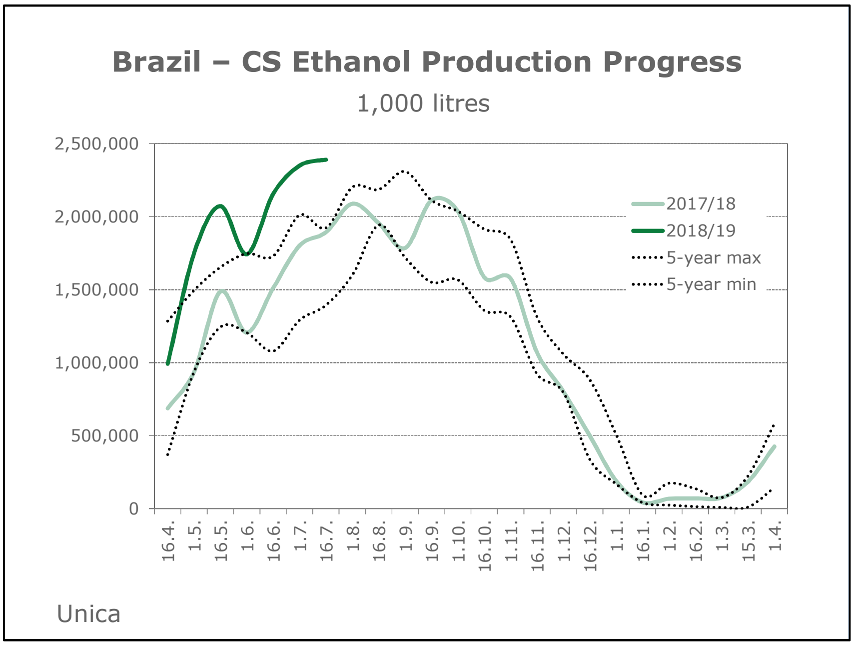
| Brazil: CS Campaign Report – July 16, 2018 | | | | |
|---|---|---|---|---|
| | H1 July | | Season-to-date | |
| | 2018/19 | 2017/18 | 2018/19 | 2017/18 |
| Cane (1,000 tonnes) | 44,879 | 48,000 | 267,421 | 247,430 |
| Sugar (1,000 tonnes) | 2,389 | 3,114 | 12,139 | 14,202 |
| Anhydrous alcohol (mln litres) | 791 | 846 | 4,078 | 4,067 |
| Hydrous alcohol (mln litres) | 1,599 | 1,047 | 9,372 | 5,455 |
| Total alcohol (mln litres) | 2,390 | 1,893 | 13,450 | 9,522 |
| ATR (1,000 tonnes) | 6,529 | 6,483 | 35,262 | 31,041 |
| ATR/TC (kg) | 145.47 | 135.07 | 131.86 | 125.45 |
| Production mix - sugar (%) | 38.40 | 50.41 | 36.13 | 48.02 |
| Production mix - alcohol (%) | 61.60 | 49.59 | 63.87 | 51.98 |
| Litres of alcohol/tonne of cane | 52.71 | 39.20 | 49.59 | 38.19 |
| kg of sugar/tonne of cane | 53.22 | 64.88 | 45.39 | 57.40 |
| Source: Unica | | | | |




**Brazil - Ethanol stocks** in the North/Northeast (NNE) remain at the lowest level since 2013/14 as the 2017/18 crop in this part of the country has come to an end and transfers from the C/S arrive only slowly.

Inventories reached no more than 64 mln litres by mid-July, down from 104 mln twelve months earlier but up from 32 mln in mid-June. The growing tightness is drawing additional supplies from both the C/S of the country and the US despite the 20% import tariff.

In contrast, a strong pace of production and large carry-over stocks from the 2017/18 season have prompted ethanol stocks in the Centre/South (CS) to remain at record levels, official data show.

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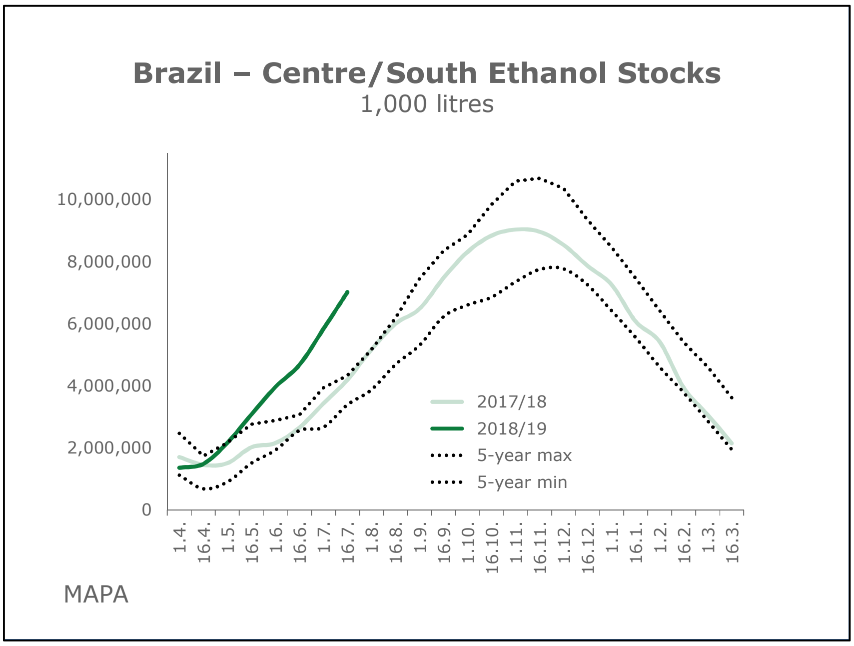
As of July 15, 2018, there were more than 7 bln litres in stock in the CS, up from 4.2 bln last year. The increase in stocks over the last four weeks was 2.4 bln litres against 1.5 bln last year.

Supplies of hydrous ethanol in the CS are plentiful, the data suggest. The share of this product in overall stocks reached over 64%, a level which was last recorded in 2013 at this time of the year.




## US Market Comments

Ethanol future prices in Chicago posted more gains over the week amid firmer corn values. By the end of the week prices had recovered further to USD1.437 per gallon, basis the August contract, up from USD1.429 a week earlier. Market activity is reported to be limited.

Spot ethanol in the Chicago market was at USD1.44-1.45 a gallon, a seven-week high.

**United States - Fuel ethanol production** in the week to July 20, 2018 averaged 1.074 mln barrels per day (bpd), said the Energy Information Administration (EIA), up 10,000 on the week. It also remained significantly above last year's (1.012 mln bpd).

**Imports** were nil for the 33rd consecutive week.

**Refiner and blender net input** rose w/w (942,000 bpd vs 913,000) and remained below last year's (945,000). Based on the amount of motor gasoline supplied, the average blending share was around 9.6% vol., against 9.4% in the prior week and 9.7% at the same time last year.

**Stocks** fell once more on the week, hitting a five-week low (around 21.7 mln barrels vs. 21.8 mln) with sharp declines recorded on the Gulf.

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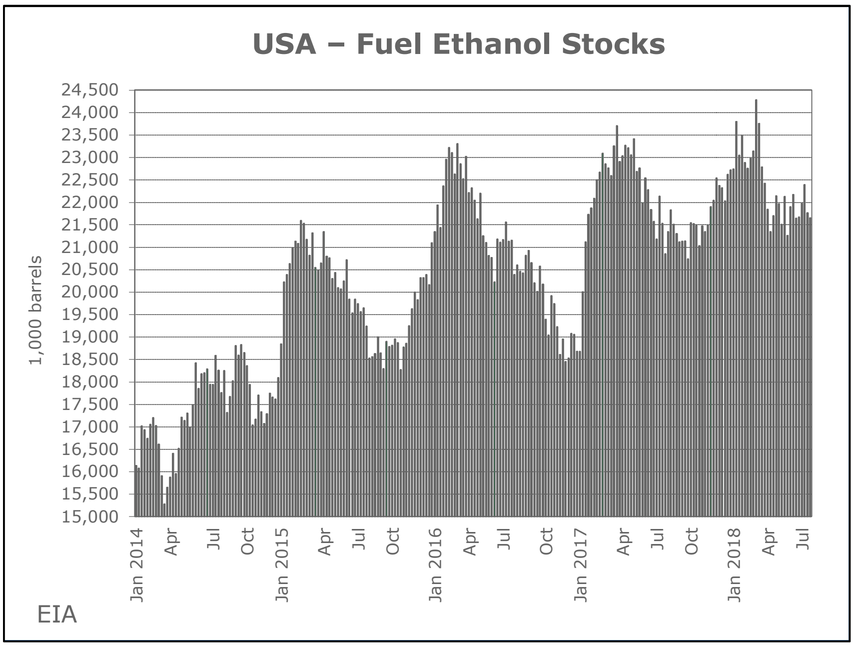


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