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Wednesday, May 26, 2010

Biodiesel Bulletin

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Renewable Fuels

CHARTS & TABLES

* * Only viewable through our website * *

CHARTS	TABLES
Biodiesel	Crude Oils, Glycerin & Fatty Acid Production
Biodiesel Regions Map	Edible & Inedible Fats Production

EUROPEAN BIODIESEL

Biofuel End of Day Pricing

	Bio Diesel		Forward Curve				
USD MT	SPOT 6-8 Week Forward EN14214 Virgin Veg Oil					EUR/USD	1.2220
FOB ROTT	Bid	Offer	**Q3 '10**	**Q4 '10**	**Q1 '11**	**Q2'11**	**Q3 '11**
RME	890	920	$900-930	920-950	930-960	950-980	960-990
SME	870	900	$880-910	900-930	920-950	930-960	940-970
PME	860	890	$870-900	880-910	880-910	870-900	870-900
0 cfpp	860	890	$870-900	890-920	900-910	910-940	920-950
USD MT SPOT 6-8 Weeks Fwd 100% Biomass no UCO, TME or PME 300ppm Water							
FOB ARGENTINA USD MT			**Jun**	**Jul**	**Aug**	**Sep**	**Oct**
SME ASTM/EN Indication Level			$825-855	830-860	830-860	835-865	840-870

***Prices Courtesy of Starsupply Renewables**

European Outlook
Courtesy of Alex Nimmo

The European commercial biodiesel market has been evolving at an exceptional pace since it first came into its own around the start of the new millennium. Since that time, arguments have raged back and forth over sustainability, emissions, food prices and costs. People have protested against a market that has been described as 'political', pointing out that the only reason it exists is due to subsidies and mandates and it cannot support itself without them.

Despite all this, it has become clear that there is a very real future in the renewable fuels industry which car manufacturers and airlines have committed to embracing. Part of the difficulty facing the market is that people will always go for the option that costs them the least amount of money. Biodiesel seems attractive with crude at its pre-crash highs, but the moment costs come down, interest evaporates. Recently, since the UK and the Netherlands increased the onus on using waste cooking oil to make biodiesel, prices for that feedstock have risen to become more expensive than the finished material. This is likely to remain a trend all the time that a government offers a subsidy or credit that favours one product over another. Even so, the price of rapeseed oil is now approximately €50 above the price of rapeseed based biodiesel. Logically this is not sustainable, and in fact, a quick look at the historic data shows that since June 2009 the price has hovered around the breakeven point, in the six months before that it was negative; in fact, the last time a biodiesel producer sold his biodiesel for more than the feedstock was in December 2008.

All this of course begs the question, 'what is the point?' It's the ammunition that anti biodiesel campaigners use to try draw attention to the unsustainability of the industry. Well, in order to have a second or third generation biofuel made from waste or algae or left over tyres there has to have been a 1st generation product. This has been financed, gained momentum and allows governments to create the necessary legislation and put infrastructure in place. The 2nd generation is then a more refined version, as costs are less, final prices are lower, and people are accepting of the product. The biodiesel industry in Europe will of course undergo changes in the next five years every bit as large as the past five years. Part of the future will be the sourcing of the biodiesel. Europe is too small to grow all of its own biodiesel, particularly if airlines begin to use it. So it will have to come from the outside, from countries which also have their own requirements. As a result the costs will almost certainly increase, so will prices, and the food/fuel argument will re enter the spotlight. The most important point will be ensuring that the market remains as open and transparent as possible.

Alex Nimmo is a renewable fuels broker at SCB Group in Switzerland.

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ANIMAL FATS—BIODIESEL

I am certain that you are all watching the lack of Congressional action regarding the biodiesel tax credit so I will not dwell on that issue.

Animal fat markets have been easing on down ever so slightly but with the short kill week coming up the price decline has basically stopped, with maybe the exception of the YG market on the East Coast. It seems that more trucks of YG that had been going to the biodiesel sector in NY have suddenly showed up and are being sold into the feed trade. However, on the other hand one of the Midwestern biodiesel operators is still buying material and operating plants.

The hog slaughter is quite slow even for this time of the year and this has of course meant less supply of Choice White Grease and what is available seems to be getting sucked up by the various demand sectors, at least for now.

Most of the trading in the BFT market has been on a formula basis which can only be described as “kissing your sister”. Or if you are female, “kissing your brother”. The point is there is not a lot trading into the open market to set a price trend.

Fat exports will slow as palm stearin prices continue to decline which will only dissuade buyers from coming to the US for tallow. China the 900 lb. gorilla in the world market has not been active in the market place.

RENEWABLE FUELS – BIODIESEL

Debate is yet to begin in Washington on H.R. 4213 which includes the Biodiesel Blender's Credit as well as several other items that expired at the end of the year. The last statements overheard in Washington D.C. were that the majority party did not have the necessary votes to pass based on reconciliation. At this time it will certainly be tough to see this accomplished before a holiday recess. We are told that negotiations are ongoing, but the sticking point remains in finding something to cover the cost. It is also important to remember that there are unemployment benefit extensions in this Bill as well when trying to determine just why it has not been a priority before now.

FEEDSTOCK INFORMATION

PALM OIL

Rough numbers for Palm Oil (RBD) would indicate at forty to forty-one and a half cents a pound (US Gulf and

West Coast) and at seven and a half pounds per gallon for B100 without production costs the value would be from $3.00 to 3.1125 a gallon.

SOYBEAN OIL

Rough numbers for Soybean Oil (RBD) at thirty-seven to thirty-eight cents a pound (Midwest) and seven and a half pounds for a gallon of B100 without production costs the indicated value would be from $2.775 to 2.85 a gallon.

B100 PRICES BY REGION

- **Northeast** - The average price for the region today is $3.50 a gallon which is unchanged from this time last week.
- **Southeast** - The price in the region today averaged $3.25 a gallon with both ends of the range down ten cents a gallon from this time last week.
- **Lower Midwest** - Today the average price for the region is $3.15 a gallon with both ends of the range down five cents a gallon from this time last week.
- **Upper Midwest** - The price in this region today averaged $3.15 a gallon with both ends of the range down five cents a gallon from this time last week.
- **South Central** - The average price for the region today is $3.20 a gallon with both ends of the range unchanged from this time a week ago.
- **Rocky Mountain** - The price for this region today averaged $3.85 a gallon with both ends of the range unchanged from last week.
- **West Coast** - The average price for the region today is $3.55 a gallon with the range tightened by five cents a gallon from a week ago.

B100 PRICES BY FEEDSTOCK

SME (Soyoil Methyl Ester) The price range for this week is from $3.15 to 3.65 a gallon which is down five cents a gallon on each end from last week.

FAME (Fatty Acid “Animal Fats” Methyl Ester) The price range for this week is from $3.00 to 3.50 a gallon which is unchanged from a week ago.

PME (Palm oil Methyl Ester) Based on palm oil as the feedstock, B100 would be about $3.00 to 3.1125 a gallon before processing costs.

The Blends The various feedstock’s were priced in a range of $2.90 to 3.40 a gallon this week which is unchanged from a week ago.

Please direct questions or comments to Lenny Carpenter at 765-279-5041 or lenny@thejacobsen.com

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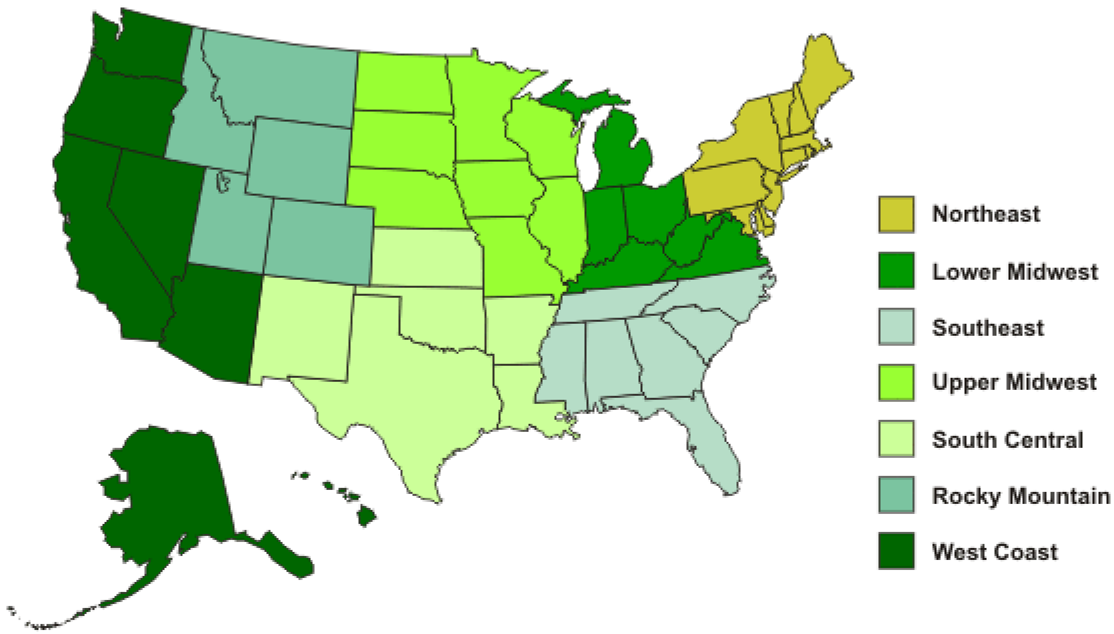
Biodiesel (B100) Reporting Regions



The Jacobsen B100 Index for May 26 is $3.2975.

The Jacobsen B100 Index for May 19 was $3.3275.

B100 GROSS PROCESSING MARGIN
(Jacobsen Upper Midwest Values – May 26, 2010)

Components	Pricing Date: 5/26/2010
RBD Soy Oil Price ($/lb)	$0.3735
RBD Cost @ 7.5 lb/gal	$2.8013
Methanol Price ($/gal)	$1.15
Methanol Cost @ 0.112 utilization	$0.1288
Processing Costs ($/gal)	$0.2266
Byproduct Credit ($/gal) [Glycerin @$0.0550/lb X 0.8530 #/gal]	$0.0597
Total Transesterification Costs ($/gal)	$3.0969
B100 Market Price ($/gal)	$3.15
Gross Processing Margin ($/gal)	$0.0531
Change From 5/19/2010 $0.1106 ($/gal)	-0.0575