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Argus Fatty Acids

Formerly Oleochem Analytics Fatty Acids

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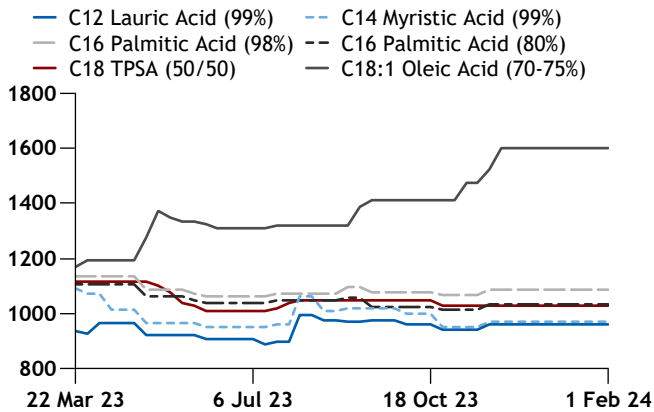
OUTLOOK

- Asian outlook remains uncertain
- Market focused on palm oil developments
- Europe inquiries surface for US product

HISTORICAL PRICING

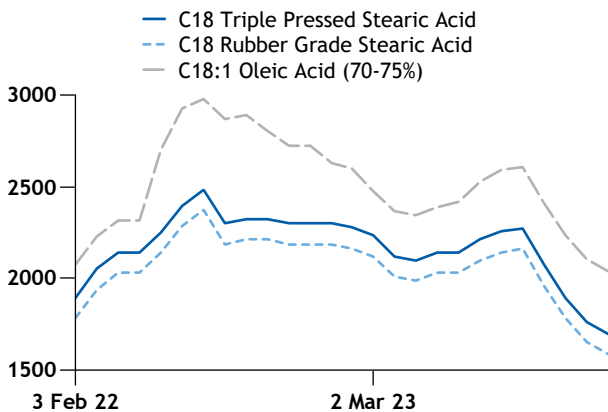
Select historical Asia spot pricing

\$/t



Historical US contract pricing

\$/t



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PRICES

Asia spot		Δ	\$/t		Δ	€/lb	
C8/10 Blend Caprylic Capric Acid							
FOB SE Asia Drums	◀▶	1,400	1,500	◀▶	63.50	68.04	
C8 Caprylic Acid (99%)							
FOB SE Asia Drums	◀▶	1,450	1,570	◀▶	65.77	71.21	
C10 Capric Acid (98-99%)							
FOB SE Asia Drums	◀▶	2,450	2,700	◀▶	111.13	122.47	
C12 Lauric Acid (99%)							
FOB SE Asia Bagged	◀▶	920	1,000	◀▶	41.73	45.36	
C14 Myristic Acid (99%)							
FOB SE Asia Bagged	◀▶	920	1,020	◀▶	41.73	46.27	
C16 Palmitic Acid (80%)							
FOB SE Asia Bagged	◀▶	1,000	1,070	◀▶	45.36	48.53	
C16 Palmitic Acid (98%)							
FOB SE Asia Bagged	◀▶	1,050	1,120	◀▶	47.63	50.80	
C18:1 Oleic Acid (70-75%)							
FOB SE Asia Drums	◀▶	1,550	1,650	◀▶	70.31	74.84	
C18 Stearic Acid Triple Pressed (50/50)							
FOB SE Asia Bagged	◀▶	980	1,080	◀▶	44.45	48.99	
C18 Stearic Acid Triple Pressed (38-42)							
FOB SE Asia Bagged	◀▶	950	1,040	◀▶	43.09	47.17	

China spot prices		\$/t*				
		29-Dec	5-Jan	12-Jan	19-Jan	26-Jan
C18 Stearic Acid						
N.E. China EXW		1,142	1,136	1,116	1,139	1,150

*USD/MT, Includes 13% VAT

US Contract (Feb)		Δ	€/lb		Δ	\$/t	
C16 Palmitic Acid (80%)							
DEL Midwest	◀▶	72.75	79.75	◀▶	1,604	1,758	
C16 Palmitic Acid (98%)							
DEL Midwest	◀▶	78.75	83.75	◀▶	1,736	1,846	
C18 Triple Pressed Stearic Acid							
US DEL Midwest	▼-3.00	72.50	81.50	▼-3.00	1,598	1,797	
C18 Rubber Grade Stearic Acid							
US DEL Midwest	▼-3.00	67.50	76.50	▼-3.00	1,488	1,687	
C18:1 Oleic Acid							
US DEL Midwest	▼-3.00	86.00	98.75	▼-3.00	1,896	2,177	

Mass balance premium

Mass Balance premium for colume sold with certification is heard at 8-11 ¢/lb.

Truck freight from the US Gulf to Midwest generally ranges 8-12 cents/lb

Truck freight from the US Gulf to East Coast generally ranges 8-12 cents/lb

ASIA

Inquiries in the spot market remain at low levels ahead of the Lunar New Year holidays. While some participants anticipate demand could improve following the end of the holidays later on this month, others remain less certain on China's prospects going forwards.

China's ailing economy was dealt another blow after a Hong Kong court ordered the liquidation of property giant Evergrande Group. With more than \$300 billion of total liabilities, Evergrande was ordered to liquidate after not being able to offer a concrete restructuring plan more than two years after defaulting on its offshore debt. Many now expect the country's policymakers to step up its efforts to stop its economy spiraling further.

Market participants continue to focus their attention on palm feedstock costs. Although values have firmed since the beginning of the year, this week Bursa Malaysia palm values came under pressure following weakness in the rival vegetable oil markets. Values for April delivery fell to 3,795 ringgit (\$802.83/t) on 31 January.

Nevertheless, the ongoing El Niño phenomenon has raised the possibility of forest and land fires across palm oil plantations. Some in the market anticipate that feedstock values could advance later on this year should yields be reduced. With reduced oleochemical production rates seen in Asia and freight rates on the rise owing to latest developments in the Red Sea, many now expect oleochemicals values to firm during the coming months.

Oleochemical operating rates in Asia have been reduced for some time owing to the ongoing soft demand levels. Some oleochemical producers continue to operate around 70pc of capacity and rates across the other producers are currently thought to range between 70-80pc.

Looking at palm oil supplies, the US Department of Agriculture's Foreign Agricultural Service (USDA FAS) has kept its Malaysian palm oil exports forecast for the 2023-24 marketing year little changed, with the country's output supported by favourable weather conditions, a small increase in workforce, and less replanting than expected.

The USDA FAS expects Malaysia – the world's second-largest palm oil producer – to export 16.6mn t in the 2023-24 marketing year (October 2023-September 2024), in line with steadily growing market opportunities.

Meanwhile, the USDA FAS reduced its Malaysian palm oil exports estimate for 2022-23 to 15.4mn t from 16.5mn t it expected in its April 2023 report.

It expects increases in palm oil imports by India and China in the second half of the 2023-24 season. Djibouti, Kenya, Nigeria, Senegal, Tanzania, Philippines, and Vietnam

are anticipated to offer additional avenues for expansion, contributing to the overall strength of Malaysia's palm oil exports in 2023-24.

Elsewhere, Indonesia's stable production of palm oil amid rising domestic demand is projected to reduce its palm oil exports during this year 2024 by more than 4pc to about 29m t, according to the Indonesian palm oil association (Gapki).

The largest possible increase of palm oil production expected this year is no more than just 5pc, according to Gapki's chairman, Eddy Martono. If the mandatory production of biodiesel B35 is continued, then Indonesia's domestic demand of palm oil will reach 25m t this year.

Gapki foreign division head Fadhil Hasan said that besides the mandatory biodiesel program, Indonesia's local consumption will increase because of oleochemical production.

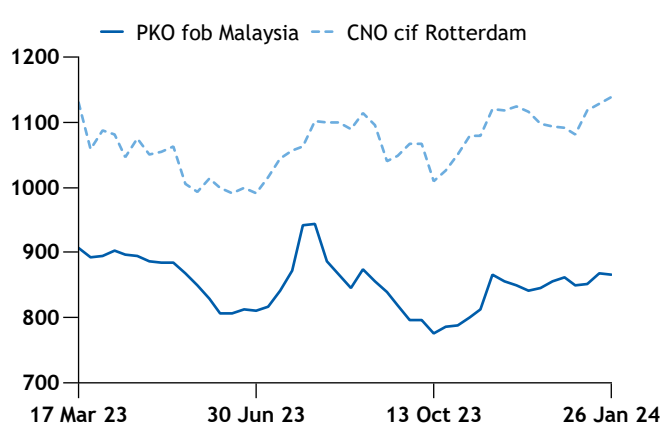
Indonesia's declining trend of palm oil exports has been seen since 2020, according to Gapki.

Fadhil noted that Indonesia's palm oil production has been steadily declining since 2005.

"During 2005-2010 it saw a decrease of 10pc, during 2010-2015 it decreased by 7.4pc, then during 2015-2020 it decreased by 3.2pc, and since then it's been stagnant," said Fadhil.

CNO vs PKO, weekly average

\$/t

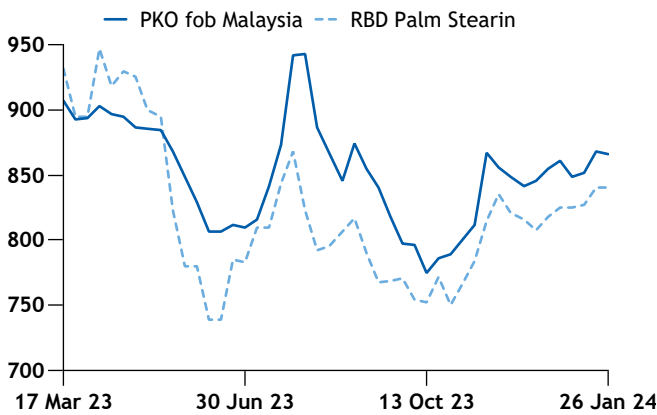


Announcement

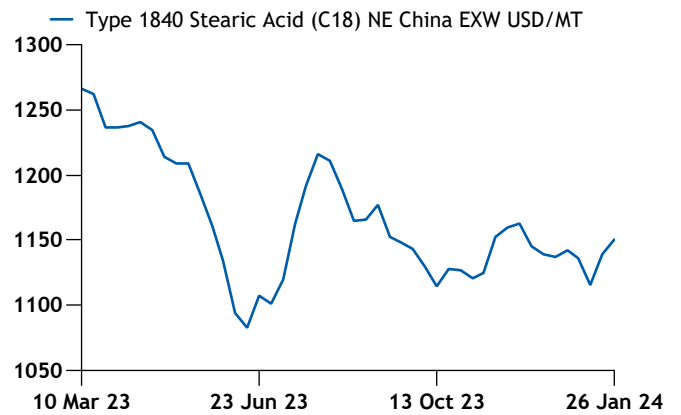
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ASIA (CONTINUED)

RBD palm stearin vs PKO, weekly average \$/t



China spot C18 stearic prices \$/t



China

Triple pressed C18 stearic acid prices edged slightly higher and were heard around Yn8,200/t exw northeast China.

China's overall edible oil imports in December 2023 fell on the month and on the year because of slow domestic demand.

A total of 580,077t of edible oil, including soybean oil, palm oil and rapeseed oil arrived at Chinese ports in December, down by 22pc on the month and by 5.6pc on the year, data from China's general administration of customs showed.

Palm oil imports totalled 293,501t, down by 33pc on the month and by 32pc on the year. Chinese buyers usually reduce their palm oil imports in December, as the low melting point of the product reduces the frequency of usage in cold weather, especially in the northern regions.

Indonesia remained the largest supplier, accounting for 60pc of last month's imports. Malaysia's share increased on the month from 14pc to 40pc.

US

US tallow values have fallen further with demand remaining at low levels. This has resulted in another reduction in tallow-based fatty acids contract prices for February. The C16 palmitic acid contract prices for both 80pc and 98pc grades were assessed stable for the February assessment with palm feedstock values holding mostly steady last month.

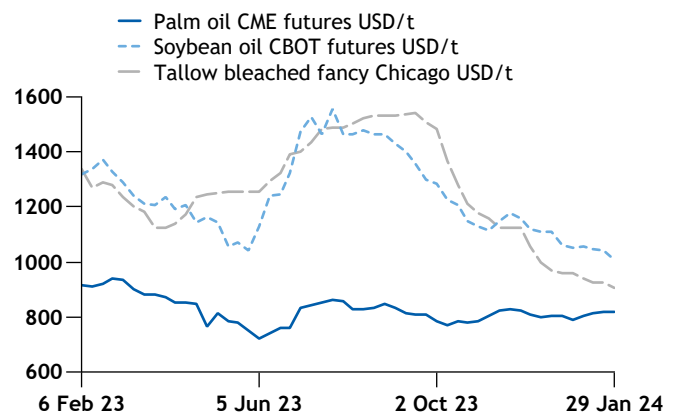
Logistical concerns continue to centre most discussions, with Houthi attacks on vessels transiting the Red Sea still taking place, increasing numbers of shipowners are now opting to undertake the longer route around the Cape of Good Hope. This has resulted in increased freight rates and the cost of additional war risk insurance now being factored into shipments from Southeast Asia.

Weather in key production regions

The Indonesian Disaster Management Board reported flooding caused by heavy rainfall in several areas of Indonesia, including West, South and Central Kalimantan, and North and South Sumatra, some of the country's largest palm oil producer provinces.

According to the Australian Bureau of Meteorology (BoM), El Niño continues in the tropical Pacific Ocean. But model forecasts and observations indicate sea surface temperatures in the central tropical Pacific have peaked and are now declining. Sea surface temperatures in the tropical Pacific are expected to return to neutral El Niño-Southern Oscillation levels in the southern hemisphere autumn 2024, the BoM said.

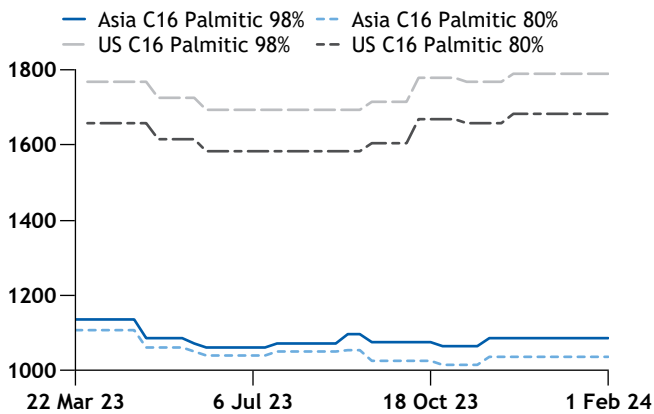
CPO vs soybean oil vs tallow, weekly average \$/t



US (CONTINUED)

Many in the market are now being quoted higher prices for fatty acids shipments. Some producers note they are now also hearing inquiries from European buyers for fatty acids shipments, as many try to seek out cheaper options to source product.

C16 fatty acids, US & Asia pricing spreads \$/t



Further volumes of palm-based stearic and lauric acids are set to continue arriving to the US going forwards, with consumption from China still significantly lacking. A large importer has been expanding tank space along the US Gulf coast and adding more railcar availability to accommodate the further volumes. While some importers have been heard skipping shipments in order to manage inventory and avoid the high storage and handling costs.

For palm-based fatty acids, stearic acids remain ample, but the supply of C18:1 oleic acids remains tighter. Prices for imported palm-based product are currently holding steady owing to the lack of activity in the market, inquiries are ongoing, and some participants note they are now being quoted higher levels for future shipments.

Oleochemical producers in southeast Asia continue to run their production at reduced levels. Some producers are still running around 70-80pc of capacity, and this looks set to continue throughout the first quarter. Demand across various downstream markets has been heard around 20pc lower and is not expected to improve anytime soon, according to sources.

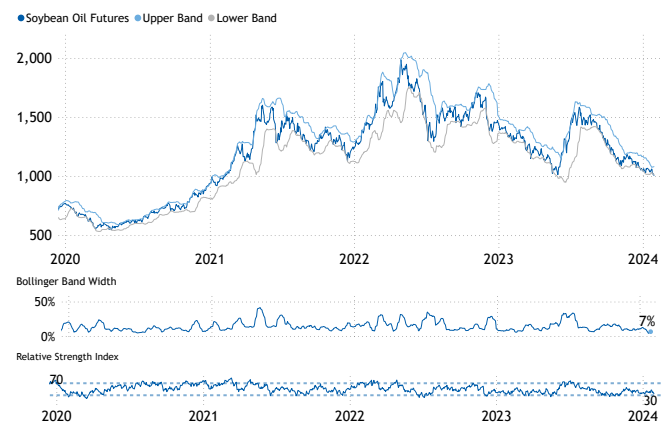
US rail costs are currently discussed at about 7-10¢/lb, depending on destination, with truck costs at about a 2-3¢/lb premium over rail.

The US cattle slaughter rate has declined from a year earlier, while hog and poultry slaughter rates also fell, according to data from the US Department of Agriculture.

Cattle slaughter rates including calves were reported at 549,735 head for the week ended 13 January, an 18pc fall from a year earlier.

Slaughter volumes provide insight into supplies of rendered fats, which are used as soaps, animal feed and feedstocks for renewable biofuels and oleochemicals. Approximately 50pc of a slaughtered animal is used for human consumption and the remaining half is rendered.

Soybean oil futures ¢/lb



In other vegetable oil markets, SBO futures contracts on the CME dipped lower this week and settled around 46¢/lb for March.

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EUROPE

With Houthi attacks still taking place on some vessels entering the Red Sea, market participants continue to keep a watchful eye on developments. While many shipowners have opted to avoid the region in favour of the longer voyage around South Africa, some continue to undertake the route via the Suez Canal. This has added significant costs and freight rates have risen sharply on higher tariffs, insurance payments, and additional expenses for guard vessels.

The Red Sea is connected to the Mediterranean by the Suez Canal and is the shortest shipping route between Europe and Asia. The Houthis began attacking ships transiting

the region in November in response to Israel's military operation in Gaza and have yet to be deterred despite military action by the west.

Some participants note that freight rates for container shipments from Southeast Asia to Europe are now between two-to-three times as much as they were prior to the attacks by the Houthi rebels, which has further deterred buyers from making purchases. Indeed, some buyers have also been heard making inquiries for fatty acid shipments from the US as they try to seek out cheaper alternatives.

TROPICAL OILS

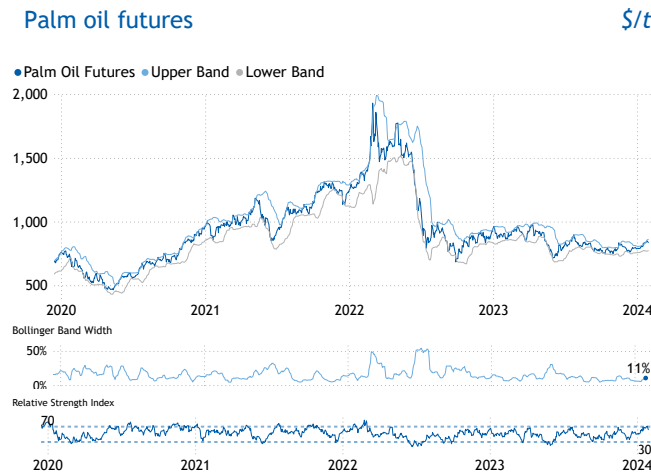
Tropical and key edible oils weekly pricing					\$/t
	6 Jan 23	19 Jan 24	26 Jan 24	Weekly trend	
Fats and greases					
Crude palm oil fob Malaysia	942	814	818	▲	
Crude palm kernel oil fob Malaysia	916	868	866	▼	
Coconut oil cif Europe	1,086	1,129	1,138	▲	
RBD palm olein fob Malaysia	968	853	853	◀▶	
Palm fatty acid distillate fob Malaysia	751	711	711	◀▶	
RBD palm stearin fob Malaysia	945	840	840	◀▶	
Rapeseed oil fob Dutch mill	1,222	925	922	▼	
Soybean oil futures CBOT	1,401	1,046	1,044	▼	
Bleached fancy tallow del Chicago	1,543	926	926	◀▶	
Used cooking oil					
Used cooking oil cif ARA flexi	1,145	926	933	▲	
Used cooking oil fob China bulk	1,054	834	868	▲	

* the previous week is displayed when no trades occur

Tropical and key edible oils daily pricing				
Ticker	Description	Exchange	Date	Price
FCPO2!	Palm oil futures RM/t	MYX	30 Jan	3,881.00
CPO2!	Palm oil futures \$/t	CME	30 Jan	816.25
ZL2!	Soybean oil futures \$/t	CBOT	30 Jan	1,009.28

Palm taxation

Malaysia kept its export duty on CPO flat at the highest rate of 8pc for the 37th consecutive month in January, while its reference price moved higher from the previous month. The CPO reference price used to set the duty will rise to 3,679.50 ringgit/t (\$798/t) for January, up from 3,589.09 ringgit/t in December, according to the country's palm oil board.



Usual interpretation and usage of the RSI are that values of 70 or above indicate that a security is becoming overbought or overvalued and may be primed for a trend reversal or corrective pullback in price. An RSI reading of 30 or below indicates an oversold or undervalued condition.

Bollinger Band Width percentage illustrates volatility in percentage terms. The higher the value, the greater the recent percentage price swings in a commodity or stock.

Indonesia's palm oil export duties and levies for the second half of January were kept unchanged although the country's CPO reference price rose. The CPO reference price for 16-31 January was set at \$774.93/t, according to the trade ministry, up from \$746.69/t over 1-15 January. The increase was not enough to trigger the upper band of export duties and levies for CPO, which is still subject to a \$18/t

TROPICAL OILS (CONTINUED)

export duty and \$75/t export levy.

Indonesia sets its CPO bi-weekly reference price using Bursa Malaysia benchmark CPO futures and delivered CPO prices to the Netherlands' Rotterdam in an unpublished formula. But this price is projected to be reported based on futures instead during the first quarter of 2024, according to commodity futures trading regulator Bappebti.

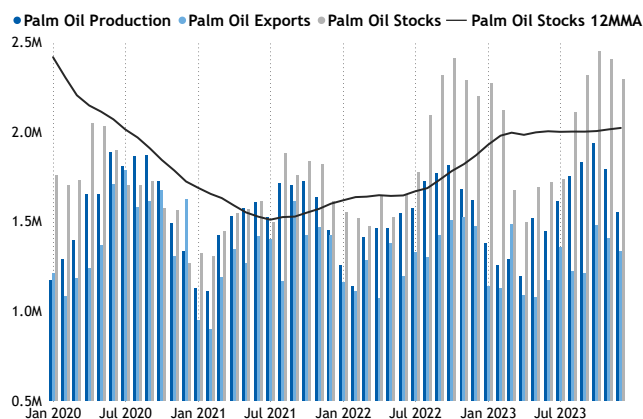
Export duties on palm oil products are paid to the treasury, while levies are funnelled to the country's Oil Palm Plantation Fund Management Agency to subsidise domestic biodiesel blending and replanting initiatives.

MPOB

Malaysia's palm oil stocks dropped to 2.29mn t at the end of December, 5pc lower than a month earlier, according to data from Malaysia's Palm Oil Board (MPOB).

The country produced 1.55mn t of CPO last month, a 13pc decline from November. It exported 1.33mn t of palm oil, down by 5pc on the month, according to the MPOB.

Malaysia palm oil production, exports, stocks t



Malaysia's crude palm kernel oil production dropped by 8pc on the month to 191,236t in December, while palm kernel oil exports declined by 11.5pc from November to 88,260t.

Malaysian oleochemicals exports edged down to 245,000t last month from 259,000t in November, while biodiesel exports were at 17,834t, a marginal reduction from November levels, the MPOB data showed.

Malaysia accounts for around 28pc of global palm oil production, behind Indonesia with a 56pc share.

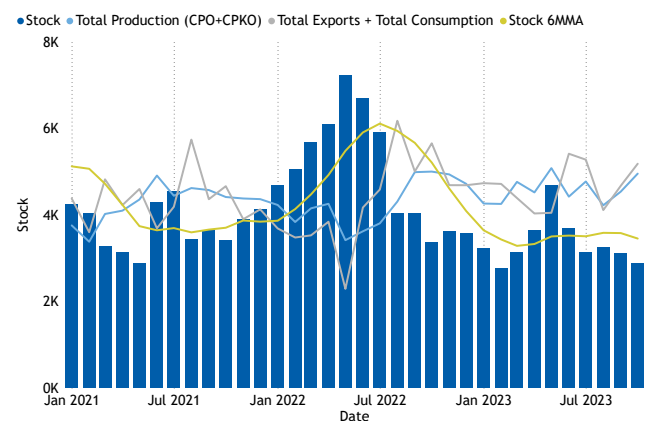
GAPKI

Indonesia's palm oil inventories fell for the second consecutive month in October as exports rose, data from the Indonesian palm oil association (Gapki) showed.

Total palm oil inventories fell to 2.87mn t in October, down by 7pc from the previous month and by 29pc from the same month last year.

Indonesia exported 3.0mn t of palm oil products in October, including refined products such as biodiesel and oleochemicals, up by around 11pc from 2.7mn t in September. Total CPO exports – including processed CPO – rose in October by 9pc to 2.5mn t.

Indonesia palm oil production, exports, stocks '000t



CPO production rose by 9pc to 4.52mn t in October, up from 4.14mn t in September, Gapki said. Palm kernel oil (PKO) output was also higher, moving up to 430,000t from 394,000t in September, the regulator said.

PKO exports, including processed PKO, decreased by 17pc to 114,000t in October, according to Gapki. Oleochemicals exports rose by about 22pc to 406,000t in October from 333,000t the previous month.

ECONOMIC VIEW

In a surprise move to some economists, China announced a 0.5pc cut in banks' minimum reserves as it hopes to boost the lending available to households and businesses.

The governor of the People's Bank of China (PBOC), said that the reserve requirement ratio would be cut from 5 February, the deepest cut seen to the rate since December 2021. The move will allow about 1tn yuan (£110.8bn) to be released in the form of new loans.

Many had anticipated a rate cut later on in the year, but authorities have acted earlier as it tries to prop up China's ailing economy.

The European Central Bank (ECB) left its interest rates unchanged for a third successive month and gave no indication of a timeline for a reduction.

The bank's key lending rate remains at 4pc, which it said if "maintained for a sufficiently long duration" will "make a substantial contribution" to ensuring inflation returns to the ECB's 2pc target.

Inflation was 2.9pc in December, after 2.4pc in November. Inflation is trending downwards, the bank said, albeit with "an energy-related upward base effect", and future decisions will ensure rates "will be set at sufficiently restrictive levels for as long as necessary."

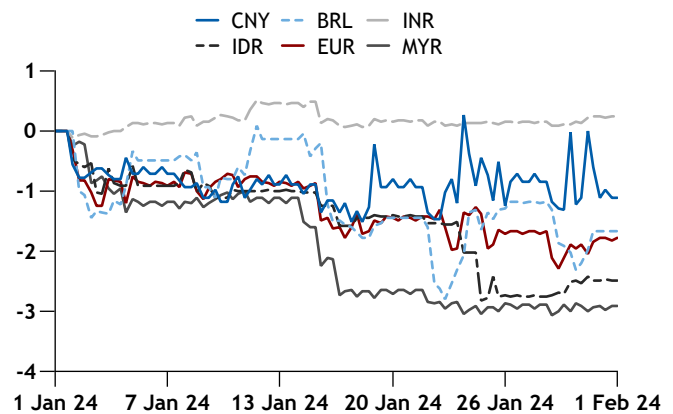
The ECB's forecast is for inflation at 2.7pc in 2024, 2.1pc in 2025 and 1.9pc in 2026, although these projections were made before Yemen's Houthi militants began their attacks on shipping in the Red Sea, which could have inflationary effects if the costs of longer voyages are passed on.

Any loosening of rates could stimulate faster economic growth and consequently demand for commodities. But forecasts for the eurozone do not suggest this will be forthcoming. ECB president Christine Lagarde said the single-currency economy is likely to have stagnated in the fourth quarter of 2023, and the most recent OECD Economic Outlook projected that GDP growth will edge up to 0.9pc this year from 0.6pc in 2023.

Currency

The dollar gained against the euro early in the week as investors prepared for the prospect that the US Federal Reserve could push back against expectations of an imminent rate.

Key oleochemical currencies' performance vs \$ ±%YTD



SHIPPING AND LOGISTICS

With the Red Sea shipping crisis showing no sign of clearing up, shippers are becoming increasingly anxious about the availability of empty containers, a potential supply chain headache last witnessed during the covid pandemic.

The new secretary-general of the International Maritime Organization (IMO), Arsenio Dominguez, opened the first sub-committee meeting under his tenure reiterating his message calling for peace in the Red Sea.

The Red Sea is connected to the Mediterranean by the Suez Canal and is the shortest shipping route between Europe and Asia. The Houthis began attacking ships in November in response to Israel's military operation in Gaza. Several commodities and shipping firms have suspended all transits through the Red Sea in the wake of the attacks and are opting to sail around the southern tip of Africa instead, adding weeks to their journeys.

No sector has witnessed greater diversion disruption more than container shipping, with around 90pc of all container ships opting to take the longer route around the African continent on voyages between Asia and Europe rather than risk being targeted by the Iranian-backed Houthis, who have fired missiles and drones at some 35 merchant ships since November in their response to the ongoing war between Israel and Hamas.

This soaking up of container tonnage has sent freight rates rocketing, while importers are scrambling to get access to containers at origin, something that is expected to become far more difficult in the coming weeks towards the Chinese lunar new year.

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