

## BIODIESEL REPORT

### 1- General Comments:

A meeting of major European producers in Brussels this week at the European Biodiesel Board confirmed the growing negative sentiment towards both B99 from the USA and palm products from South East Asia. This sentiment was shadowed only a few days later at a large conference, also in Brussels where the two themes of B99 and palm were again heatedly debated. The unease over palm products is essentially based on sustainability issues. The tax credit system being operated in the USA (B99 benefits from a credit of 99 cents per gallon = USD 298 pmt) is primarily geared to support the US farmers. It would seem logical that the practice of blending SE Asian PME in US shore tanks or indeed in vessels docked at US ports to obtain the tax credit will be short-lived. The rapeseed crop in Europe this year is expected to be higher than in previous years which could lead to some price relief. However, the ambitious target of 5,75 % biofuels by 2010 in Europe will see this rapeseed oil rapidly absorbed and the use of both palm and soya to some extent seems inevitable. All in all, biodiesel production in Europe and elsewhere remains an unattractive commercial proposition at present. The model cost calculation on the next page shows that the manufacture of biodiesel in Europe results in an out of pocket loss (hence the fact that a number of factories in Germany and Southern Europe have ceased production) and barely covers direct costs in SE Asia. In the USA, our model calculation for a 100,000 mt SME plant yields a contribution to fixed costs of USD 31 pmt, but quality problems continue to dog the industry both for domestic use and for the export markets.

### 2- Biodiesel Raw Material and Fuel Prices:

VEGETABLE OILS	Mar '07	Sept '07
RSO FOB Rotterdam	583 EUR	596 EUR
SBO CBOT	665 USD	695 USD
RBD Olein FOB SE Asia	590 USD	590 USD

METHANOL	Mar '07
FOB Rotterdam	410 EUR
USA delivered	505 USD
SE Asia delivered	480 USD

<b>SODIUM METHYLATE</b>	EUR 700 pmt
<b>30:70 solution (contract)</b>	delivered

GLYCERINE	Mar '07	Sept '07
	traded	estimation
80% crude DDP Europe	120 EUR	160 EUR
80% crude DDP USA	120 USD	140 USD
80% crude FOB SEA	175 USD	160 USD

FUEL PRICES excl VAT	Spot	Change
FAME FOB NWE / 100 litres	56,50 EUR	-2,5
RME EXW Germany / 100 litres	60,00 EUR	-1,8
PME FOB SE Asia / metric tonne	720,00 USD	0
SME EXW USA / metric tonne	894,00 USD	0
Diesel Oil EN590 FOB Rotterdam / metric tonne	541 USD	+17
Diesel Fuel selling price at pump in Germany Inclusive VAT	123 EUR per 100 litres	+12
Brent Crude Oil per barrel	62,34 USD	+5,22

EXCHANGE RATE

EUR =	1,32 USD
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### 3- Biodiesel Market:

PME from South East Asia is offered this week at USD 700 pmt FOB, but only relatively small volumes are available for sale with new production units only on stream later this year. There was some demand for PME in Europe and this will increase as we enter the spring season and the warmer weather patterns. Very little RME is seen, but offers still remain around EUR 680-690 pmt ex works. FAME is traded at under USD 800 pmt CFR Rotterdam in small barge volumes.

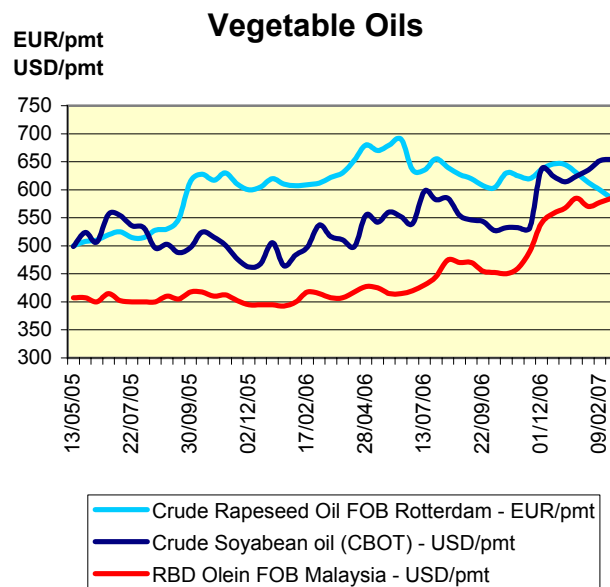
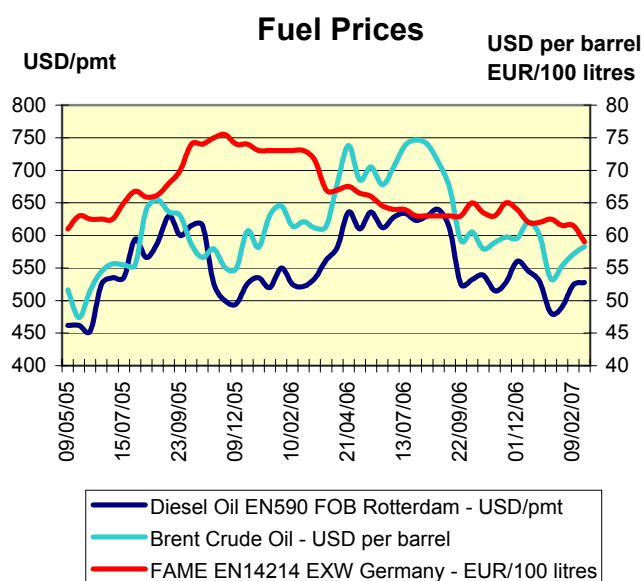
The Italian quota is expected to be announced next week although some players expect a delay in the decision. The quota for 2007 has been announced as 180,000 mt. Further to this, 70,000 mt will be sold to the agriculture sector and a further volume of around 35-40,000 mt could be made available, making a total of 285-290,000 mt. The current tax exemption for biodiesel in Italy is EUR 333 per cubic metre.

### 4- Vegetable Oils Markets:

Rapeseed Oil is down by EUR 2 pmt since 2 weeks ago and continues it's sliding trend. Palm oil has been stable over the past week despite stock levels in Malaysia / Indonesia at above 3 million mt, and all players await the Price Outlook Conference in order to gain a perspective on future pricing. Given the situation in Europe where Crude soyabean oil from South America is currently sold cheaper than palm olein, the medium term pricing of palm oil will be very important. Soyabean oil of US or South American origin should rise as more acreage is given over to corn and maize for ethanol production. This should give more breathing space for palm oil prices

*These quotations are averages of price ranges pertaining in the market during the two weeks reported. They are based on bids, offers and trades either posted on Oleoline®'s market place or handled by our sister company HBI during the period concerned, and we believe them to be representative of market levels. However, Oleoline® cannot accept any responsibility for these figures nor liability for commercial decisions based on the content of this report. Violation of copyright is an offence. Any distribution of this report without Oleoline®'s express agreement is a copyright violation.*

**5- Fuel and Vegetable Oil Price Trends:**



**6- Crude Glycerine Market:**

Crude glycerine prices continue to rise on the back of strong demand from refiners competing with the animal feed industry, and reduced supply from biodiesel manufacture in Europe. More crude glycerine should become available in March, albeit at relatively high prices. Demand is still strong and prices look set to increase further during the course of this year.

**7- Model Cost Calculation for Biodiesel Production in Europe, South-East Asia and the USA:**

	FAME* EUR/mt	RME EUR/mt	Palm Methyl Ester# USD/pmt	Soya Methyl Ester USD/pmt
Vegetable oil price ex mill	537,0	573,0	580,0	655,0
Semi-refining cost	20	20		25
Loss (3%) + credit for acid oil sale	6,1	6,4		7,4
<b>Cost of refined vegetable oil ex refinery</b>	<b>563,1</b>	<b>599,4</b>	<b>580,0</b>	<b>687,4</b>
Freight to biodiesel plant	15	15	10	65
<b>Cost of semi-refined vegetable oil DDP biodiesel factory</b>	<b>578,1</b>	<b>614,4</b>	<b>590,0</b>	<b>752,4</b>
Methanol useage (11%) delivered	47,9	47,9	58,3	55,6
crude glycerine credit 10% at 100% concentration ex factory	-10,0	-10,0	-16,9	-10,0
<b>Material cost of biodiesel ex works</b>	<b>615,9</b>	<b>652,3</b>	<b>631,4</b>	<b>798,0</b>
Variable production costs	50	50	50	65
<b>Out of pocket cost of biodiesel ex works</b>	<b>665,9</b>	<b>702,3</b>	<b>681,4</b>	<b>863,0</b>
Biodiesel price ex works pmt	639,9	679,5	720,0	894,0
<b>Contribution/margin of biodiesel production</b>	<b>-26,1</b>	<b>-22,8</b>	<b>38,6</b>	<b>31,0</b>

\*FAME = 70% soyabean oil, 20% palm olein, 10% rapeseed oil

#Based on RBD Palm Oleine

These are models for biodiesel product in Europe, USA and SE Asia and are based on certain assumptions (for example, freight costs and variable costs) which may differ from factory to factory.

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