

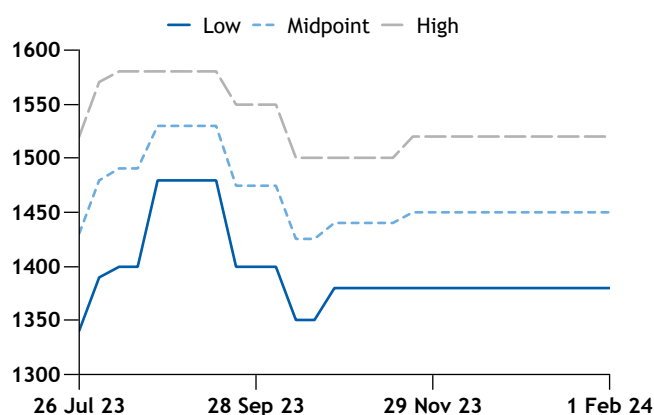
OUTLOOK

- Global markets watching shipping headwinds
- Tighter supply balance possible for Q2
- Palm outlook firm later in Q1

HISTORICAL PRICING

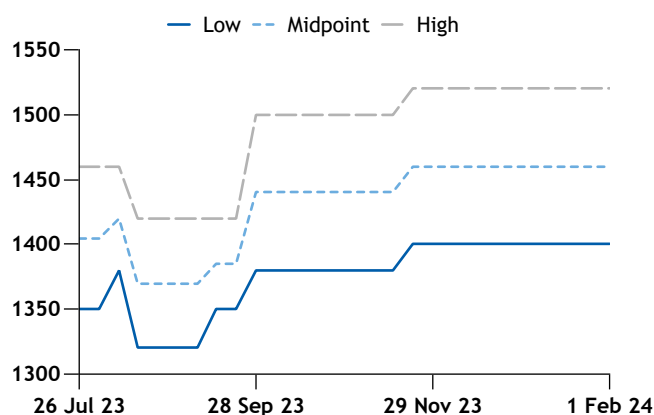
C12-14 southeast Asia historical spot pricing

\$/t



C16-18 southeast Asia historical spot pricing

\$/t



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PRICES

Southeast Asia spot averages					\$/t
	21 Dec	4 Jan	18 Jan	1 Feb	Average
C8 fob	1,875	1,850	1,850	1,850	1,856
C10 fob	2,100	1,925	1,925	1,925	1,969
C12-14 fob	1,450	1,450	1,450	1,450	1,450
C16-18 fob	1,460	1,460	1,460	1,460	1,460
C16 fob	1,525	1,525	1,525	1,525	1,525
C18 fob	1,380	1,315	1,315	1,315	1,331

Southeast Asia spot price range					
	Δ	\$/t		Δ	€/lb
C8 fob	◀▶	1,800	1,900	◀▶	81.65 86.18
C10 fob	◀▶	1,850	2,000	◀▶	83.91 90.72
C12-14 fob	◀▶	1,380	1,520	◀▶	62.60 68.95
C16-18 fob	◀▶	1,400	1,520	◀▶	63.50 68.95
C16 fob	◀▶	1,480	1,570	◀▶	67.13 71.21
C18 fob	◀▶	1,280	1,350	◀▶	58.06 61.23

Prices are assessed on a weekly basis

US 1Q24 contract price range						
	Δ	€/lb		Δ	\$/t	
C12-14; C12-16; C12-15 Mid-cut						
Del bulk	◀▶	75.00	88.00	◀▶	1,653	1,940
C16-18 30:70 blend						
Del bulk	▲+5.00	92.00	110.00	◀▶	2,028	2,425
C16-18 50:50 blend						
Del bulk	▲+5.00	95.00	113.00	◀▶	2,094	2,491
C18 straight cut						
Del bulk	◀▶	82.00	105.00	◀▶	1,808	2,315
C16 straight cut						
Del bulk	◀▶	73.00	87.00	◀▶	1,609	1,918

Mexico spot price range						
	Δ	\$/t		Δ	€/lb	
C12-14 Mid cut						
cif Veracruz	◀▶	1,800	2,000	▲+50	81.65	90.72

China spot prices					\$/t
	29 Dec	5 Jan	12 Jan	19 Jan	26 Jan
C12-14 ex-works	1,586	1,529	1,521	1,560	1,612
C16-18 ex-works	1,663	1,655	1,647	1,645	1,682

Mass balance premium	
Mass balance premium for volume sold with certification is heard at 9.0-11.0 €/lb.	

Truck freight from USGC to Midwest generally ranges 7.0-10.0 €/lb.

Truck freight from USGC to east coast generally ranges 7.0-10.0 €/lb.

NORTH AMERICA

As the middle of the first quarter nears, the market is facing more volatility than seen at the same time last year, as the El Nino weather pattern could affect feedstock prices along with the ongoing uncertainty around the possible escalating war in the Middle East.

Moving from the final quarter of 2023 into 2024, in most alcohol grades there was an array of stable to mixed pricing with some cuts seeing weaker dynamics than others. Prices were mixed as soft demand continued to drag on the market and some cuts saw lengthy supply, while other cuts trended towards a tighter supply balance.

As the market looks to the next quarter, the mid-cut tier has moved to a tighter supply balance as buyers worked through inventories last year. Additionally, some higher pricing quoted on imported material has been heard across all cuts. But buyers are watching and waiting until after the ACI conference this week in Orlando, Florida.

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.

Ship movements via the Suez Canal are constrained and costs for passing through the waterway have risen on higher rates, insurance payments, and additional expenses for guard vessels.

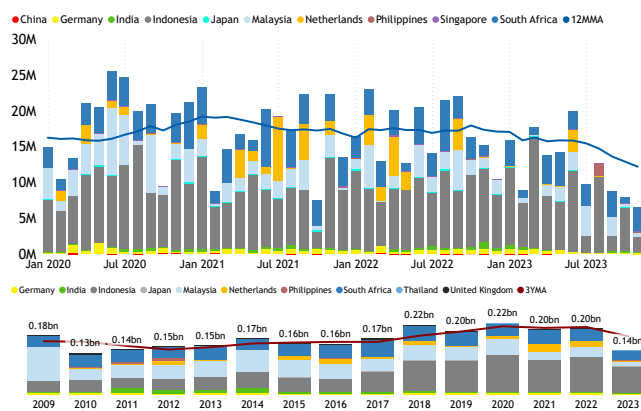
The Red Sea is connected to the Mediterranean by the Suez Canal and is the shortest shipping route between Europe and Asia. The Houthis began attacking ships in November in response to Israel's military operation in Gaza. Several commodities and shipping firms have suspended all transits through the 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.

The mass balance (MB) premium range remains elevated, with approximately 9-11¢/lb considered to be the common spread. The range is flexible depending upon market input and subject to change going forward at such time as change is evident.

US rail costs are currently discussed at about 5-8¢/lb, depending on destination, with truck costs at about a 2-3¢/lb premium over rail.

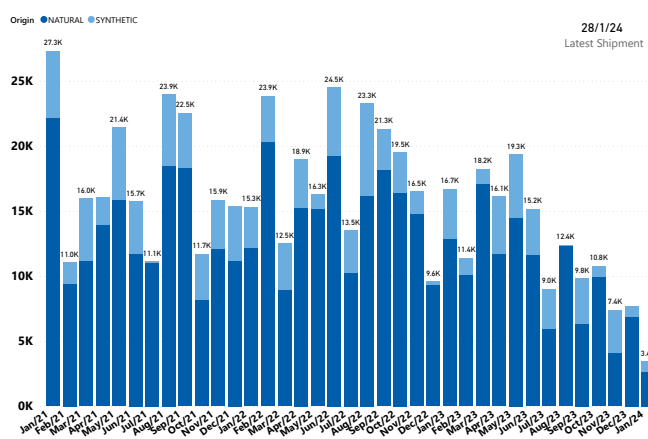
The import graph below shows November imports lower with most volume originating from South Africa and Indonesia, according to Global Trade Tracker.

US fatty alcohol import volume by country of origin



According to our Trade Monitor, which tracks bill of lading data, about 3,400t of natural and synthetic fatty alcohols were imported into the US through to 28 January.

US natural and synthetic fatty alcohol imports



In the energy complex, the following graphs for ethane and ethylene can assist in observing the feedstock price trends for synthetic alcohol producers.

Dow plans to continue running its US Gulf coast crackers "hard" in the current quarter to meet domestic and export demand.

The cost of Enterprise Products ethane at Mont Belvieu, Texas, averaged 22.875¢/USG in the fourth quarter, according to Argus data. Ethane prices bottomed at the end of December at 16.5¢/USG, the lowest since April 2020.

NORTH AMERICA (CONTINUED)

The ethane advantage over competing feedstocks on the US Gulf coast helped keep cracking margins wide enough to sustain 90pc run rates. The gross spot cash margin for cracking ethane on the US Gulf coast averaged 8.9¢/lb in the quarter, widening from 2.5¢/lb a year earlier, according to Argus' generic model.

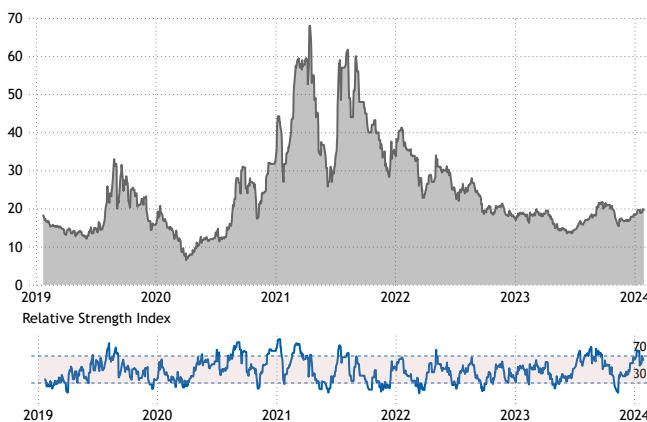
ICE Mont Belvieu ethane pricing

¢/USG



Ethylene pipeline choctaw pricing

¢/lb



Upstream oil and gas

US refiners say they are ready to support the energy transition, but profitable margins and policy instability are holding back renewable fuels development.

"With crack spreads where they are, I do not want to make one barrel less of conventional fuel," US refiner Par Pacific president Will Monteleone told the Argus Americas Crude Summit in Houston on 24 January. Producing renewable fuels is a more volatile business than traditional crude refining, Monteleone says. A weaker correlation between

renewables feedstocks and products prices and a reliance on supportive policies heighten the investment risk in renewable fuels.

Refining margins have fallen from their post-Covid demand-driven highs, but refiners are still likely to report strong full-year results for 2023 over the next few weeks. Despite the historically firm refining margins, Par last year announced that it will spend \$90mn on building a renewable fuels facility at its 94,000 b/d Kapolei refinery in Hawaii to eventually produce renewable diesel, sustainable aviation fuel, renewable naphtha and LPG.

Other refiners foresee a longer transition away from crude. "An energy transition will happen but it is going to be a very slow process," US refiner Delek executive vice-president of operations Joseph Israel says. Fossil fuel refining will be necessary for decades to achieve affordable, reliable and clean energy, he says.

Brent crude oil futures

\$/bl



West Texas intermediate oil

\$/bl



NORTH AMERICA (CONTINUED)

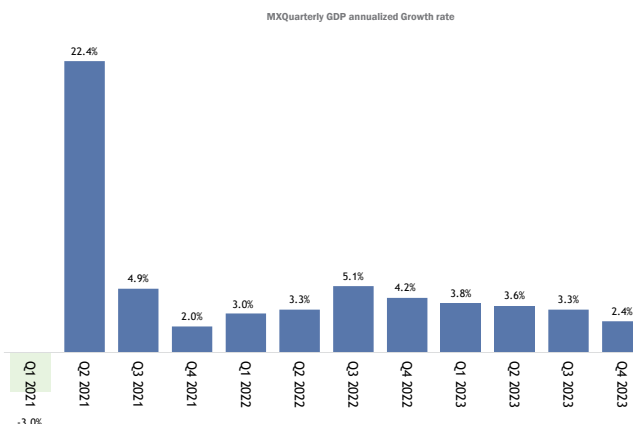
Mexico

The Mexican market is subdued as Pemex is still struggling to keep its operations steady after a string of production problems at the Cangrejera petrochemical complex.

Mexico's economy downshifted more than forecast in the fourth quarter, as demand from the US, the country's biggest trading partner, slowed along with household consumption.

Mexico quarterly GDP growth

±%YoY



ASIA

Demand for most cuts of fatty alcohols remains tepid ahead of the extended regional holiday, and reduced production rates continue across the region.

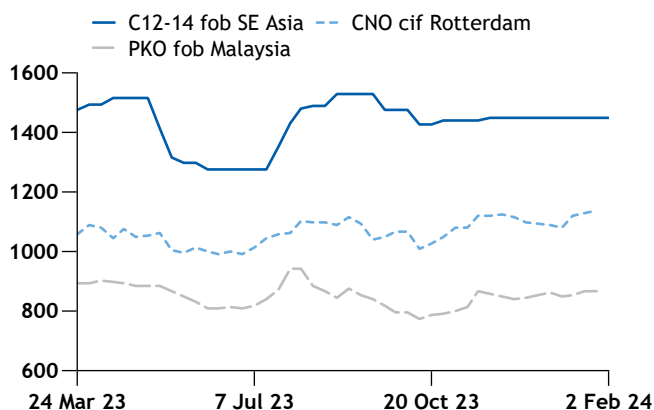
Slightly tighter supply scenarios are in place in both Asia and Europe, with reduced operating rates and some maintenance downtime.

But demand remains sluggish in most regions, apart from India, where demand is still healthy despite the countervailing duties.

With the outlook across the region generally still bearish, some sources do not foresee a significant improvement to consumption until potentially after the Lunar New Year holidays.

CNO & PKO vs C12:14

\$/t



Light cut alcohols demand is soft and lengthy inventories continue to drag on the tier. Prices have seen downward pressure in recent months as sellers try to place volume.

On the mid-cut alcohols, prices are heard steady on feedstock price direction for volumes shipping in February 2024.

In heavy-cut alcohols, spot pricing was stable in early February. Most business has been discussed for smaller volumes on a hand-to-mouth basis.

Looking to the key palm oil market, 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.

Meanwhile, 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.

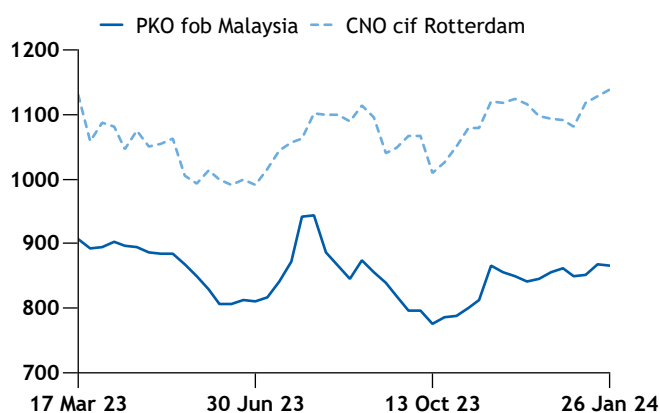
Fadhil noted that Indonesia's palm oil production has been steadily declining since 2005.

"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.

ASIA (CONTINUED)

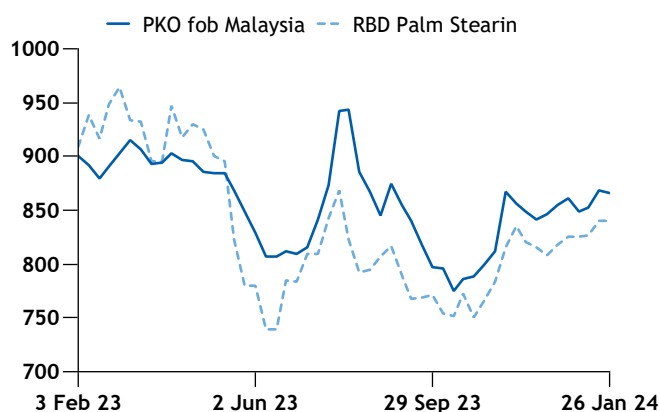
CNO vs PKO, weekly average

\$/t



RBD palm stearin vs PKO, weekly average

\$/t



Weather in key production regions

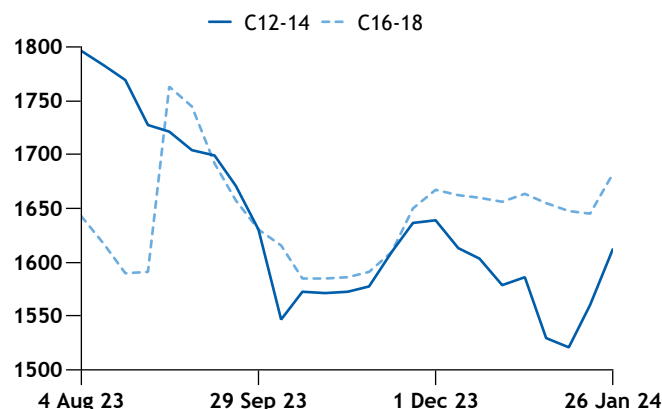
The Indonesian Disaster Management Board reported flooding caused by heavy rainfall in several areas of Indonesia, including West, South and Central Kalimantan, and North and South Sumatra, some of the country's largest palm oil producer provinces.

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.

China

China select fatty alcohols, weekly average prices

\$/t



China's mid-cut and heavy-cut fatty alcohols prices were higher as supply has been limited and the market saw a brief uptick in demand. Pricing looking forward will likely depend on feedstock price direction.

In the C12-14 tier, pricing in end-January was heard around 11,500 yuan per metric ton (Yn/t) exw northeast China, and C16-18 fatty alcohols were heard around Yn12,000/t exw northeast China.

Turning to ethoxylation news, ethylene oxide (EO) producers in China have been pushing up EO prices over the past two weeks in the wake of higher feedstock ethylene prices.

Chinese EO plants continued production cuts with the negative margins. The average run rate edged lower to 58pc from 59pc in early January.

India

India has extended reduced import duties on crude and refined edible oils until March 2025 in a bid to curb food price inflation, the finance ministry said earlier in December.

Import duties on crude palm oil, sunflower oil and soybean oil (SBO) will remain at 5pc until 31 March 2025, while duties on the respective refined products will stay at 12.5pc.

India's imports of palm oil – comprising crude and refined products – totalled 894,186t in December, up from 869,491t in November but down from 1.11mn t a year earlier. At the same time, overall palm oil imports in the first two months of the 2023-24 season reached 1.76mn t, sharply down from 2.25mn t a year ago.

Total vegetable oil imports to India rose to 1.31mn t in December, up from 1.15mn t a month earlier, with November-December imports reaching 2.47mn t compared with 3.11mn t a year ago, down by 21pc on the year.

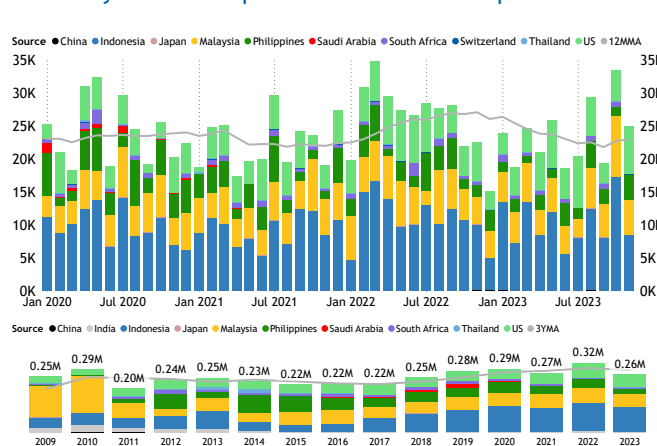
EUROPE

Prices of mid-cut alcohols have seen some upward price pressure as the second quarter approaches. Production issues have been present at more than one location in Europe and the supply balance is slightly tighter.

Mid-cut fatty alcohols supply has been reduced on the Wilmar force majeure (FM), which has not been heard lifted yet, according to some sources. Although some market players say that the plant has restarted.

The following graph data shows import statistics for the EU at Rotterdam. November saw less imported volumes with Indonesia, Malaysia, and the US as the main exporters.

EU Fatty alcohols imports from outside Europe

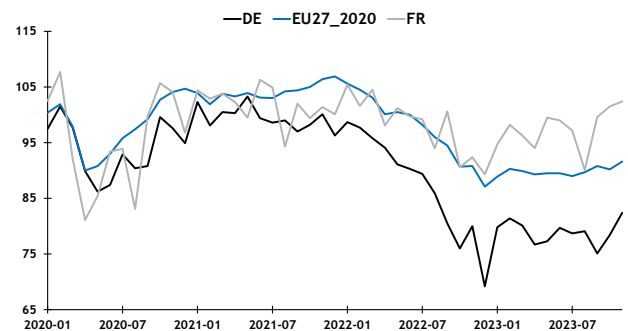


EU manufacturing output continued to drop on both the month and year in November, although the chemicals sector showed signs of recovery, according to preliminary data from Eurostat.

The graph below shows Europe's chemical production/manufacture index percentage monthly change.

EU chemicals and manufacturing index growth

±%



TROPICAL OILS

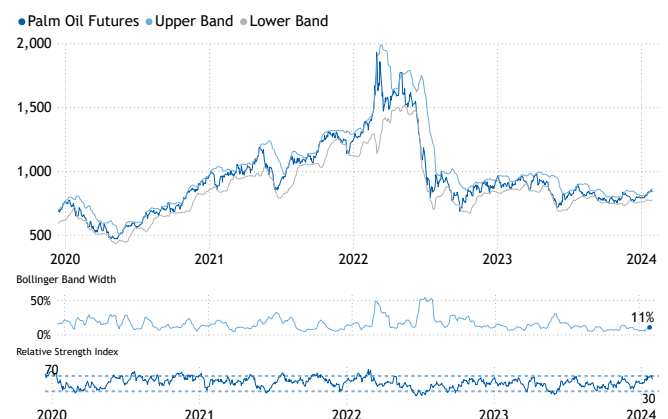
Tropical and key edible oils weekly pricing				\$/t
	6 Jan 23	19 Jan 24	26 Jan 24	Weekly trend
Fats and greases				
Crude palm oil fob Malaysia	942	814	818	▲
Crude palm kernel oil fob Malaysia	916	868	866	▼
Coconut oil cif Rotterdam	1,086	1,129	1,138	▲
RBD palm olein fob Malaysia	968	853	853	◀▶
Palm 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	◀▶
Fats and greases				
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 ringgit/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 oil futures

\$/t



TROPICAL OILS (CONTINUED)

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.

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.

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 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.

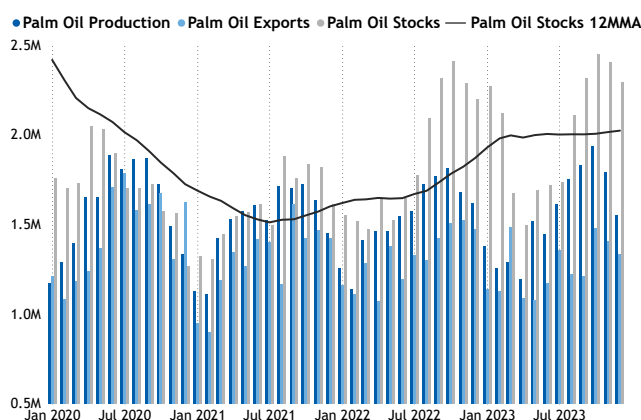
MPOB

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.

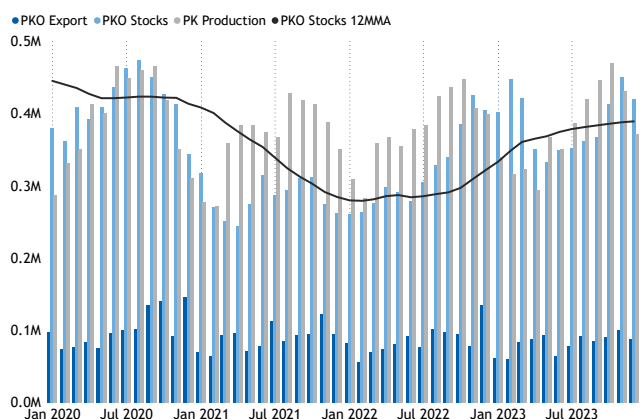
Malaysia palm oil production, exports, stocks

t



Malaysia palm kernel 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.

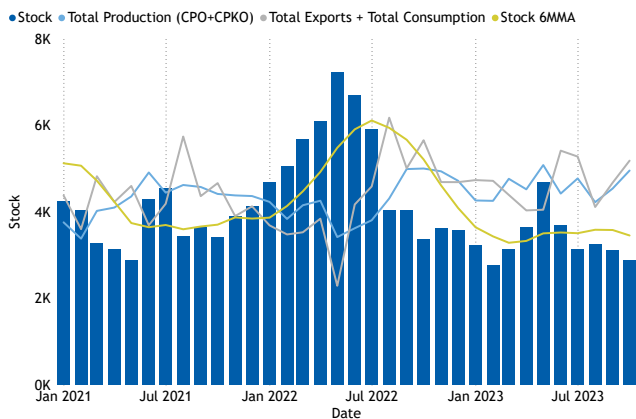
GAPKI

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.

TROPICAL OILS (CONTINUED)

Indonesia palm oil production, exports, stocks '000t



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.

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.

Meanwhile, 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."

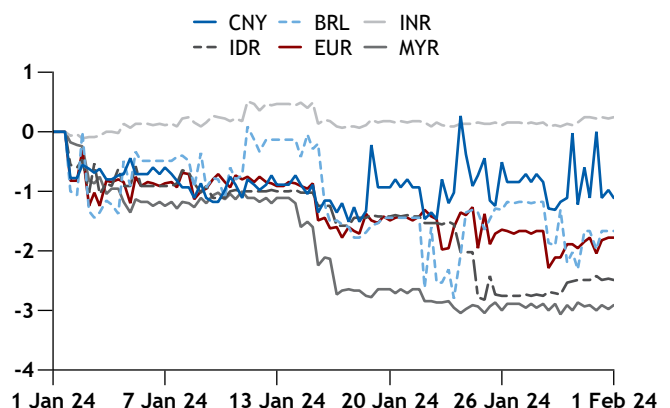
The ECB's forecast is for inflation at 2.7pc in 2024, 2.1pc in 2025 and 1.9pc in 2026, although these projections were made before Yemen's Houthi militants began their campaign of attacks on shipping in the Red Sea, which could have inflationary effects if the costs of longer diversionary voyages are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

Suez Canal Situation

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.

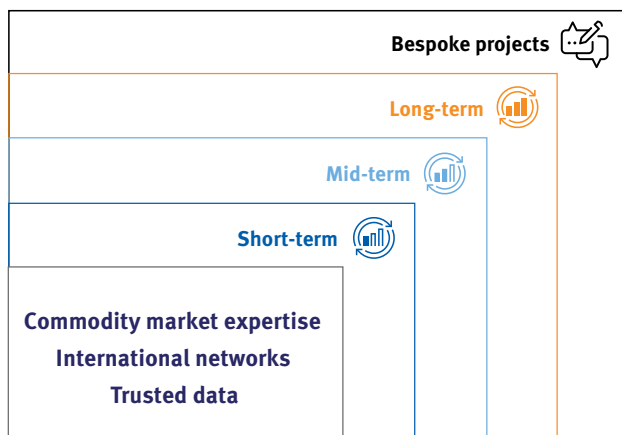
The Red Sea is connected to the Mediterranean by the Suez Canal and is the shortest shipping route between Europe and Asia. The Houthis began attacking ships in November in response to Israel's military operation in Gaza. Several commodities and shipping firms have suspended all transits through the Red Sea in the wake of the attacks and are opt-

ing 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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