

Quarterly Market Report

01.01.2022

European market for pharmaceutical and industrial ethanol grades

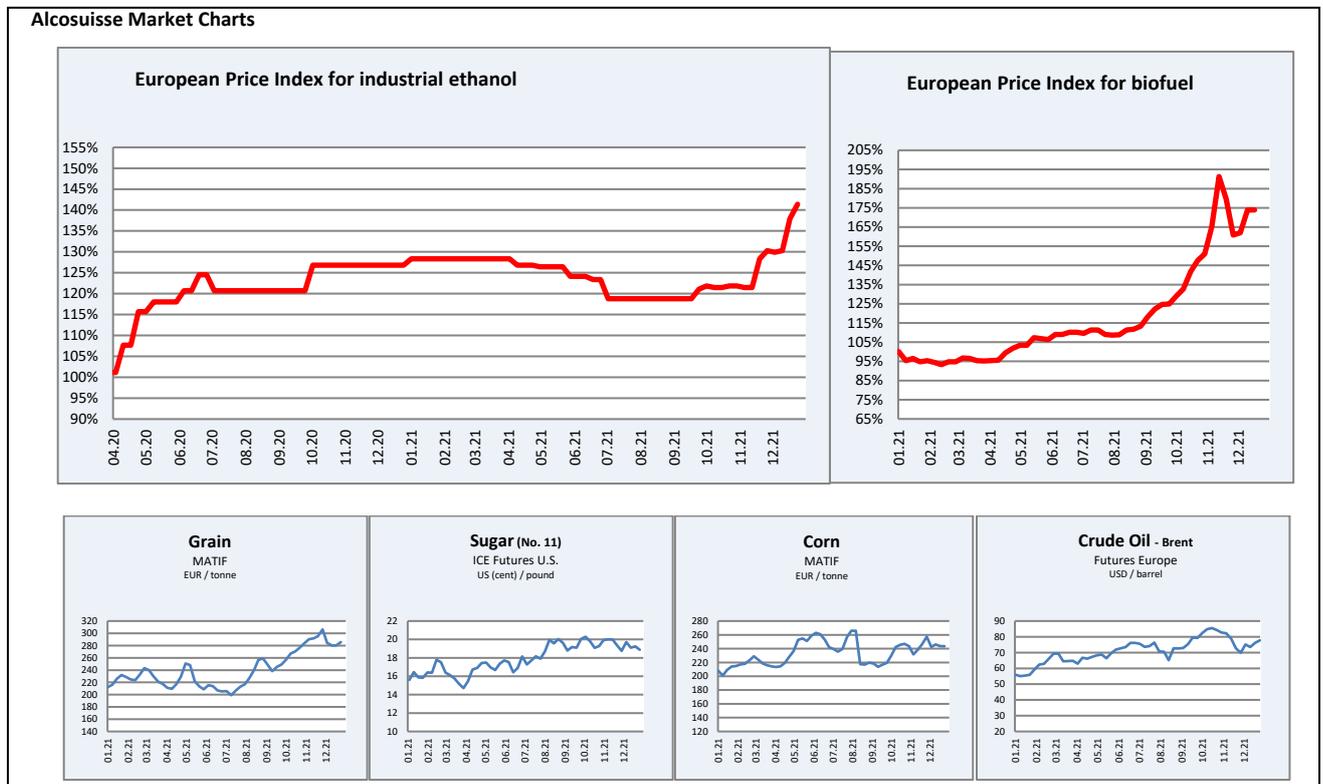
1st quarter 2022

The European market for ethanol has experienced a huge price increase of over 20% in the past two months. In particular towards the end of the year prices rose sharply. This enormous price increase came as a surprise to many market participants. Most of them still in early autumn expected a further downward trend after a first half of 2021 where the heavy market distortions of the first Corona year had already been corrected. This incorrect market assessment may have contributed to the explosive price development: many ethanol purchasers waited a little too long with their transactions in expectation of more favorable prices, which was then reflected in a certain overheating of the market. However, the main reasons for this price development cannot simply be explained by market psychology but have a solid background. First of all, the development of the biofuel price (see chart below), which started to climb already in September and almost doubled in some cases. This led to a market situation where ethanol producers could suddenly sell high quality pharma grade ethanol to the fuel sector at a much better price, which of course - although delayed by one or two months - had an impact on the prices of high quality ethanols. In addition to the biofuel price came the literally skyrocketing price of gas, which greatly increased the production costs for ethanol. Distillation is an energy-intensive production process, and many ethanol producers in Europe use mainly gas.

Most ethanol purchasers have now covered their requirements for the first quarter at this significantly higher price level. Availability - especially of anhydrous grade - is currently very tight. Additional relevant volumes are not expected either from European producers or from imports. We therefore do not expect any easing on the market for the first quarter of 2022.

Long-term situation

We see little potential for a correction of this recent price rally for the first half of 2022 either. Rather, there are still risks that could lead to a further price increase. The main reason for concern is the scarcity of availability. Whereas in past periods, when the market in Europe was tight, ethanol was imported from South America and partly Asia, the situation in South America is currently also very tense and there are practically no more exports to Europe. In addition, the development of the gas price in the coming winter months is a top risk for European producers. Stocks in the Union are low, and nervousness is high. This is compounded by uncertainty due to the rampant Omicron variant and risks along the supply chains. In the worst case, force majeure situations could occur this winter, which would drive the price even higher.



Note: The Alcosuisse Market Report is based on multiple market sources within the European Union and Switzerland. As one of the largest ethanol buyers in Europe alcosuisse receives regularly up-to-date price and market information from practically all major market players. Nevertheless, all information in this report remains an estimation of future developments that can never be forecasted with an absolute guarantee. Therefore, alcosuisse accepts no liability for decisions based on the content of this report and its charts. Contact: For more information or a firm offer please contact our customer service at info@alcosuisse.ch or call +41 31 309 17 17

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