

European market for pharmaceutical and industrial ethanol grades

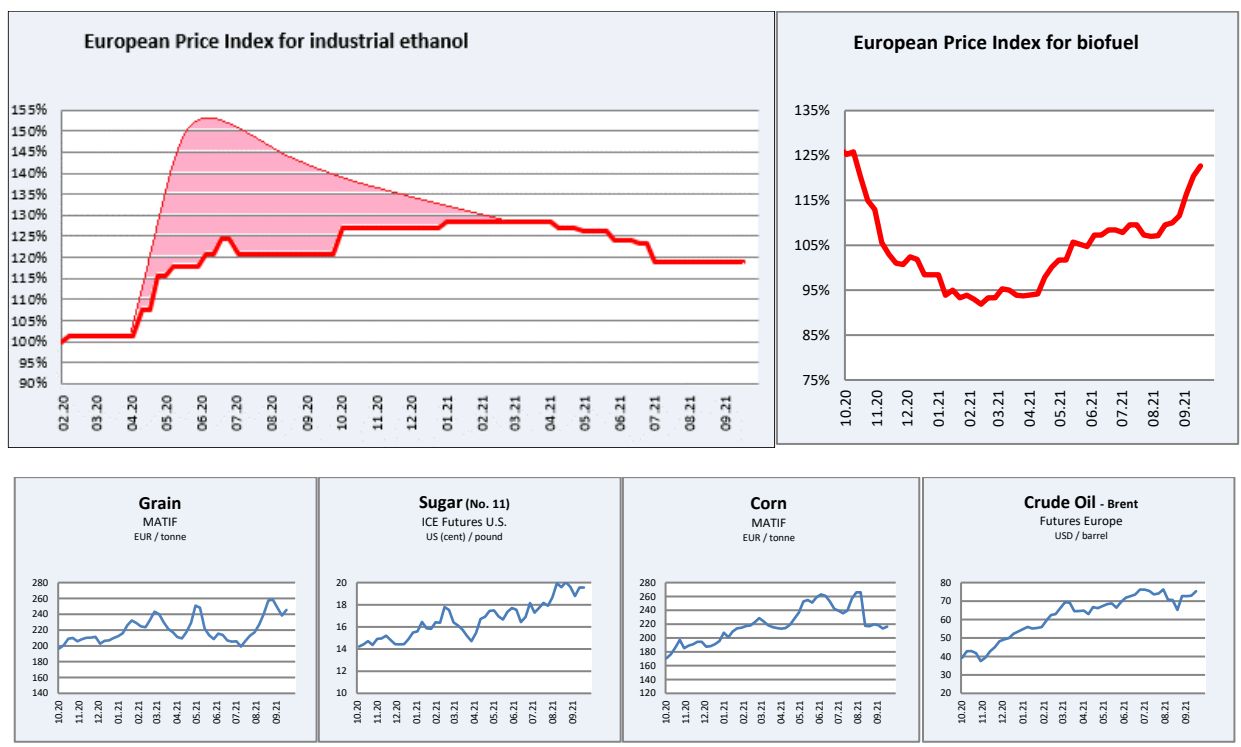
4th quarter 2021

Prices for industrial ethanol on the European market remained stable during the summer months. After the correction of the corona price excesses in the first half of the year, the market stabilized at a still elevated level compared to pre-pandemic prices (see chart below; the current price level is still about 20% above the level at the beginning of 2020). This stabilization is mainly due to a recovery in demand and in particular to a price increase for biofuels and all major feedstocks used to produce ethanol. Fuel-grade ethanol prices have risen steadily by more than 20% over the past six months and prices for crude oil, sugar and grain have also increased considerably (see charts below). The increase in sugar prices by about 30% will have a significant impact on the price development in the fourth quarter, as in Western Europe large volumes are produced on a molasses basis. We therefore expect a further stabilization of the market and a shift to a more bullish dominated situation with a potential for price rises of 2-3 euro/hlpa. In Switzerland, the market remains stable and there is no risk of price increases, as market leader Alcosuisse has already secured its volumes in the summer and will therefore even be able to offer small discounts for spot volumes in the fourth quarter.

Long-term situation

Firm feedstock prices, poor availability and high price levels in Brazil will continue to have a bullish impact on the market in the first half of 2022, as the main volumes for next year will be produced and calculated based on current commodity price levels, at least in Europe. On the other hand, the still quite high price level compared to the situation before the Corona crisis holds considerable downside potential. In such a market situation, with major factors having a contrary impact on the ethanol price, the outlook for the next year is characterized by a high degree of uncertainty, which can lead to relevant price swings in either direction. But since we do not expect a significant price drop in Q1 2022, we advise customers with substantial ethanol demand to secure their volumes at least for the first half of 2022 and not to wait too long before concluding their purchase agreements, as we see more risks than opportunities towards the end of this year.

Alcosuisse Market Charts



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