

Quarterly Market Report

01.10.2024

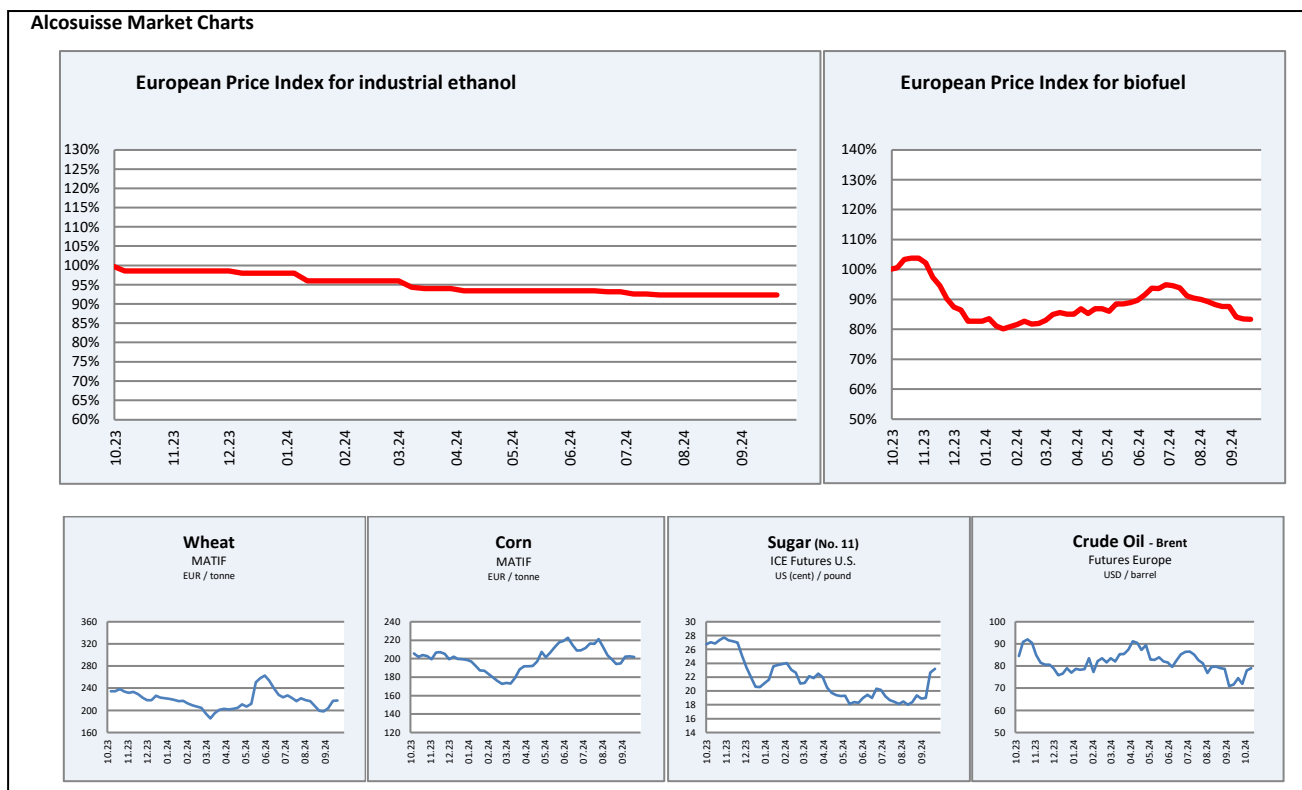
European market for pharmaceutical and industrial ethanol grades

4th quarter 2024

Availability on the European market for industrial ethanol remains rather high because demand across Europe continues to be weak. Although the central banks are trying to stimulate investment and consumption by lowering the interest rates, there are still no signs of a trend reversal towards growth. On the contrary, the figures for the fourth quarter have been revised downwards. For instance, for Germany, the former world export champion, a negative growth of 0.2 percent is forecasted. This means a recession for the second year in a row. The last time we saw this in Germany was more than 20 years ago. Despite that weak demand throughout Europe, supply is not being reduced. On the contrary: on the production side, an even more pronounced oversupply is expected for Q4, as a very good sugar beet harvest is awaited for France. Even though in Eastern Europe the heavy rainfall and severe floods in HU, CZ, PL, AU have badly affected production, and even though imports from Pakistan are currently low because the Pakistani ethanol flow is going to China instead of Europe, where prices are more attractive, the oversupply in Europe will remain. While imports from Pakistan are missing, imports from Brazil are coming in due to the favorable exchange rate. In the screenwash business, for example, we have seen a large number of vessels travelling from Brazil to Europe, fueling the supply. To sum up, the parameters as observed in the past quarters remain unchanged. We therefore expect prices to remain on the current low level.

Long-term situation

The current low price level could come to an abrupt end if the conflict between Iran and Israel intensifies. This because an escalation would drive up the price of crude oil. Within the last two weeks, the oil price climbed to USD 79 per barrel, an increase of 10 percent. Depending on how the conflict develops, analysts believe that a price of over 100 dollars is possible. The result would be massively higher production costs for ethanol producers. In addition, there would be a simultaneous drop in demand due to falling real incomes, as producers would pass on their costs. With higher gasoline prices, the price of biofuel would also spike. Without the current geopolitical risks, we would expect the price of biofuel to fall in the coming months, as the winter months are usually bearish due to a generally lower demand. However, due to the worsening conflict in the Middle East, there is now a risk that the price of biofuel will rise, which would also push up the price of industrial alcohol, as producers who produce both industrial and biofuel would then switch to fuel, thus reducing the supply of industrial alcohol. In summary, the trend is for prices to rise at the beginning of 2025. Companies that are looking for planning reliability are therefore well advised to purchase their annual requirements for 2025 early.



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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