

## European market for pharmaceutical and industrial ethanol grades

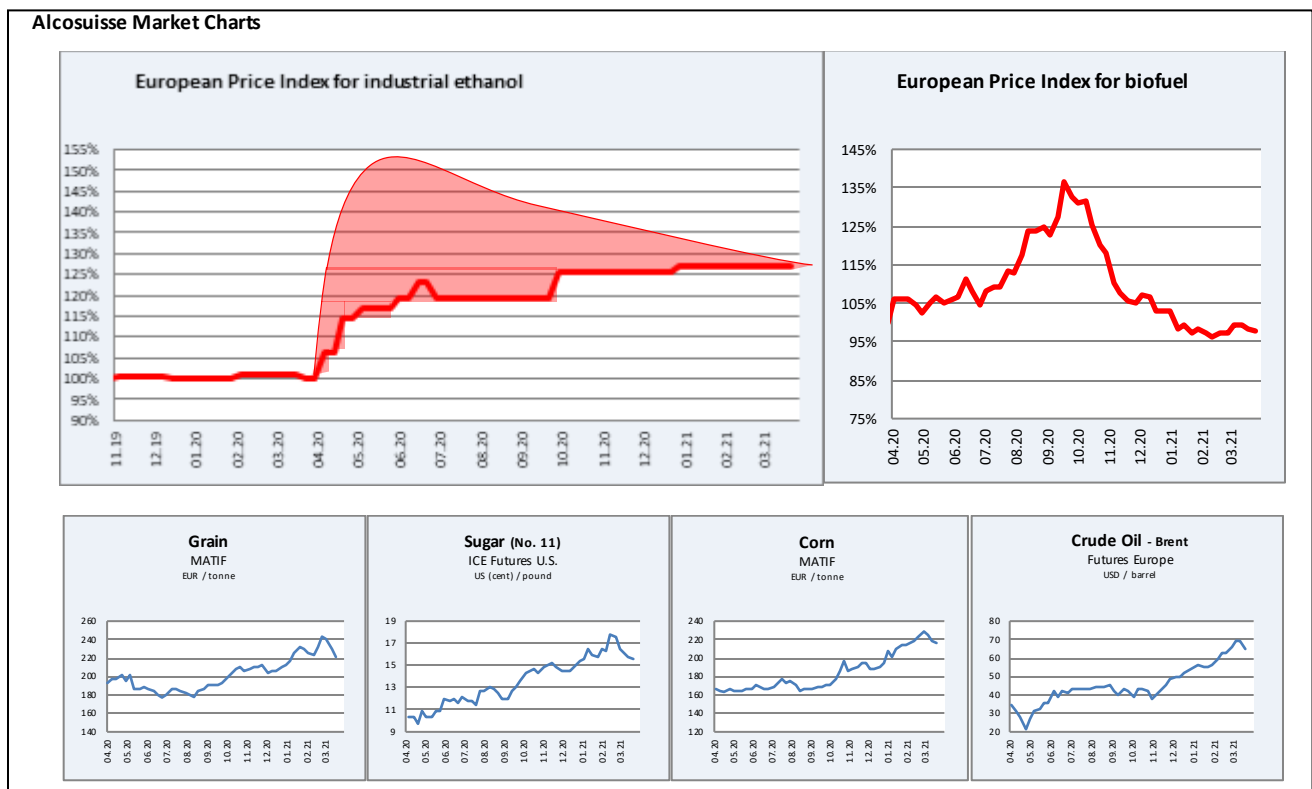
### 2nd quarter 2021

Average prices for both hydrous and anhydrous grades remained stable over the whole Q1. We expect relatively stable prices also for Q2. A certain downward trend due to lower demand will be mitigated by the fact, that a lot of producers still have very low stocks and no additional product available. In Switzerland, the slightly weaker Swiss Franc will additionally contribute to soften the downward pressure of a lower demand.

Since the start of the Covid-19 crisis in March 2020, the ethanol market in Europe hasn't been functioning properly anymore. The abrupt lack in supply lead to a huge price range on the market, particularly customers with additional or new short-term demand were forced to accept huge markups. As shown in the chart below, the market price for the same product in the same region could vary up to 50%, in some cases, especially for bigger volumes, price increases of up to 200% could be observed. In the first quarter of 2021, a clear normalization of the market situation could be noticed. With the recovery of the supply situation, the price dispersion narrowed to an almost usual extent.

### Long-term situation

The development of the ethanol prices in Europe for Q3 and Q4 will depend a lot on the development of the general economic situation. Due to the expected speed-up in the European vaccination programs in the coming months that should allow to vaccinate all willing people until summer or autumn, we assume a constant recovery of the European economy after the summer holidays. This will support ethanol prices as it will lead to more demand from many industrial sectors that were slowed down during the Covid-19 crisis and the ongoing pandemic preventive programs. But this additional demand will be strongly mitigated by the sharp decrease of the demand for disinfectants. Due to these contrarious factors, we expect a more or less neutral impact of the demand on the price development. On the supply side, we see clear indications, that the supply situation will further improve and therefore lead to a better availability. This will strengthen the negotiation position of the customers and lead to a downward trend, especially for hydrous grades. While the extent of the downward tendency might still be very limited for Q3 negotiations, it could get much more distinct in Q4, when the new product of the European harvest will be available. Of course, a lot will depend on the results of the sugar beet and grain crop in autumn. Especially the new yellow virus that affected last year's sugar beet crop enormously could be a game changer. On the other hand, the experience of the enormous lack in supply last year motivated a lot of farmers to focus their crop on agricultural feedstock that can be used for ethanol and producers to expand and optimize their production capacities for ethanol. As a conclusion, from today's point of view the bearish indications prevail, we expect a price decrease in autumn of 2-5 Euro/hlap.



**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 [info@alcosuisse.ch](mailto:info@alcosuisse.ch) or call +41 31 309 17 17

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