

European market for pharmaceutical and industrial ethanol grades

3rd quarter 2022

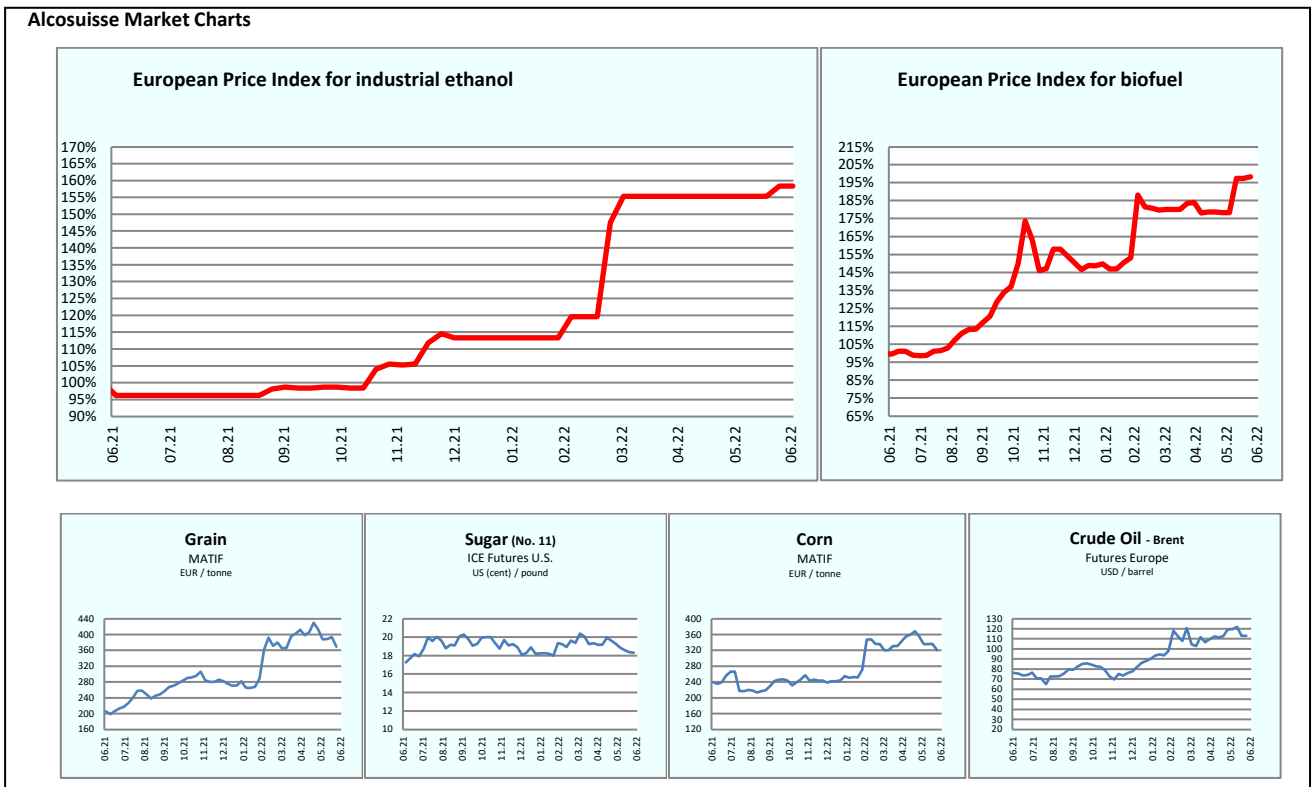
Prices on the European market for pharmaceutical, industrial and beverage grade ethanol have risen by around 50% since the start of the war in Ukraine. For certain grades (especially anhydrous pharma grade and grain-based ethanols), prices have risen even more, by up to 80%. In addition, the availability of these qualities is very limited and no longer guaranteed for short term supplies. In Switzerland, the situation is slightly better. Thanks to Alcosuisse's global sourcing strategy, product availability is secured and prices have not risen quite as much as in most of the European countries. Many contract customers still benefit from long-term contracts with Alcosuisse and are currently buying at a major discount of up to 60% compared to the European market.

The reasons for this huge price increase are obvious. On the one hand, the war in Ukraine has made agricultural raw materials, the basis for fermentation ethanol, massively more expensive. But it has also caused energy costs to shoot up, which are a central cost factor in the production of ethanol (distillation process). The negative effects of the war were exacerbated by the immense logistical problems in international trade. There is a massive shortage of container capacity in global shipping and the loading and handling times in numerous important ports have increased significantly, delays of several weeks became a common phenomenon. One of the main reasons for these worldwide bottlenecks is still the Corona pandemic, causing significant and multiple restrictions. The logistical problems in the inner-European traffic are also serious; capacities are severely limited in both rail and road traffic and cancellations or delays became an everyday annoyance.

We do not expect any easing of these fundamental problems in the third quarter, and therefore also no easing on the price front. However, prices should not increase significantly during the summer months, so we expect a fairly stable price level.

Long-term situation

A forecast for the fourth quarter or beyond is almost impossible due to the many exogenous factors. However, there are some factors that can give at least some clues: On the one hand, the harvest prospects in Western Europe for sugar and grain are good to very good, which will improve availability somewhat from September onwards. On the other hand, the cost-driving risk factors (especially energy costs) and default risks (logistics problems, energy supply) clearly predominate, which is why we do not expect any easing of the price level for the fourth quarter, neither for the first quarter of 2023. On the contrary, the risks of a further price increase clearly outweigh the potential for falling prices.



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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