

European market for pharmaceutical and industrial ethanol grades

3rd quarter 2023

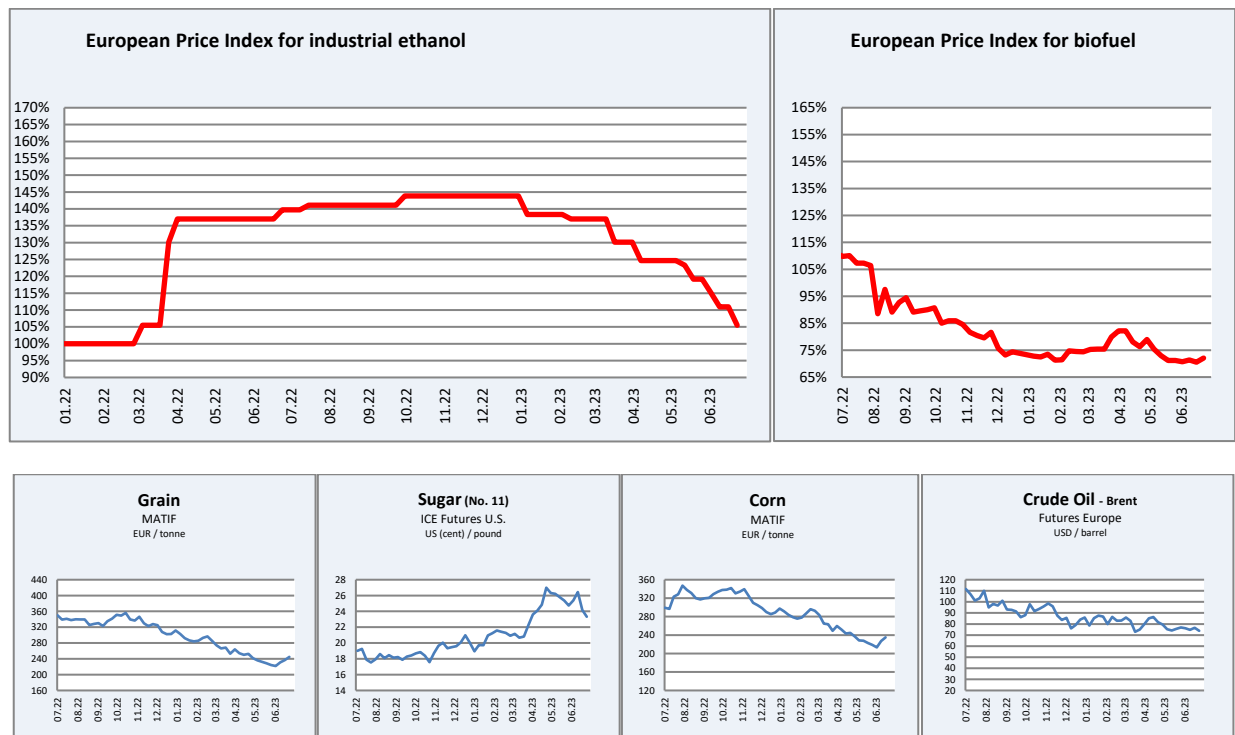
European prices for pharma and industrial grade ethanol have continued to fall steadily in Q2 and are now only slightly above the level of February 2022 (the start of the Ukraine war). There are two main reasons for this continuous price erosion. The first reason is the price of energy, which has also fallen almost in parallel with ethanol prices over the same period. The production cost for ethanol (distillation) as a very energy-intensive product is highly dependent on energy prices, in Europe primarily on gas prices. The second main reason is the restrained demand. Before last winter, many market players apparently stocked up on commodities as much as possible under the impression of imminent supply shortages. Now that the market has eased considerably, many customers are reducing their high inventories again, which further reinforces the bearish mood in the market. For the third quarter, we expect the price level to stabilize at the current low level; during the summer months with traditionally low demand, there could even be further price reductions, although to a lesser extent.

Long-term situation

The development of the price level in autumn and winter 2023/2024 is currently subject to great uncertainty. On the one hand, the high product availability and the rather sluggish demand will continue to have a price-depressing effect. On the other hand, there are considerable risks for a trend reversal and a price increase in the fourth quarter. The most important factor is again the cost of energy: with the approaching winter, it is highly likely that the cost of energy and especially the cost of gas will rise again significantly and make the production of ethanol more expensive. Most of the European producers did not yet fix their energy needs for the production campaign that starts at the end of September. In addition, it remains to be seen how the currently very high imports from Pakistan to Europe will develop. There are certain indications that some importers have speculated too high and will significantly reduce import volumes after selling off the current stock in ARA at dumping prices. Also, a pick-up in demand could occur in autumn, since stocks and inventories have been reduced considerably.

Overall, we expect prices to rise in Q4, but at a rather moderate pace. For Q1 2024, we also see risks for a further price increase of up to 10%.

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

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