

European market for industrial ethanol grades

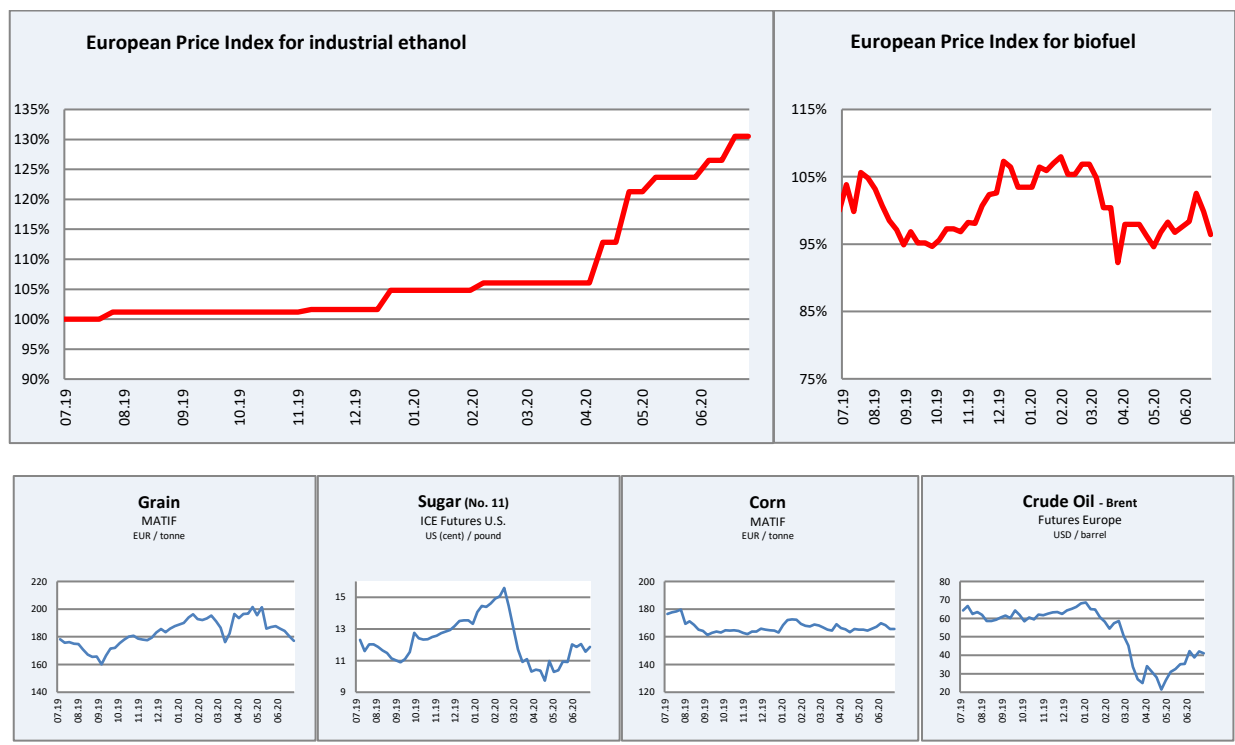
3rd quarter 2020

The European ethanol market is still under the dominant effect of the Covid19 crisis, a proper game changer for the global ethanol market since mid-March. In Q2, additional volumes of pharma grade ethanol for the production of sanitizers were almost impossible to source on the European market. In Switzerland, thanks to the longterm and global sourcing strategy of Alcosuisse, additional volumes of approximately 6'000 tons of Pharma Grade Ethanol could be made available at short notice. But as the demand was literally exploding, in Switzerland as in all other European countries a certain amount of Biofuel was used for the production of disinfectant and sanitizer products. As the product was temporary completely unavailable on the European market, the price indication shown below in the main chart is theoretical: most of the demand could not be covered by prices shown in the index, a lot of customers were forced to pay prices that were up to 300% of the prices of the 1st quarter. Availability of pharma grade ethanol improved in June a little bit, at least for hydrous grades. But still the entire demand can't be covered by pharma grade ethanol and a lot of buyers who did not secure their needs for the whole 2020 are forced to use Biofuel grades for their production. In Switzerland, the situation is a bit better and will improve even more during the summer months. The main reason is the intensive global sourcing activity of Alcosuisse, the undisputed market leader in the country for all grades of ethanol. We secured at the beginning of the crisis more than 20'000 tons of additional volumes of Pharma grade ethanol. As we sourced the product mainly overseas, these volumes will arrive only now during the summer months on our sites in Switzerland and will then cover the needs of Swiss customers until the end of the year. The price increases in Switzerland will remain for Bulk deliveries beneath the upswing of the European prices, as we already fixed our purchasing prices in the first days of the crisis and will not benefit now from a price level in Europe that must be entitled as unsound. In practical terms this means that prices in Switzerland for bulk deliveries will remain for the 3rd quarter on the current level. On the European market, we expect another price increase during the summer months of 2-5 Euros per hl, mainly due to the still very high demand and due to traders that are trying to unduly benefit from the delicate market situation.

Long-term situation

Under the current situation, an outlook for Q4 and the beginning of next year is very difficult to make for the European market. Price development will mainly depend on the further development of the Covid19 crisis. A second wave and more restrictive lockdown rules would naturally aggravate the tightness even more. On the other hand, an economical downshift could reduce demand and therefore help to improve availability. Our outlook for the European market weights the risks significantly more than the mitigating factors, we therefore expect a price level that will at least remain on the current level. For Switzerland, planning reliability of the price development is much higher: due to our longterm sourcing strategy, Alcosuisse guarantees for most of the products and most of the volumes a stable price until the end of the 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

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alcosuisse ag vereint grosse Erfahrung und langjährige Tradition mit einem hohen Qualitäts- und Dienstleistungsanspruch.

