

Quarterly Market Report

01.10.2023

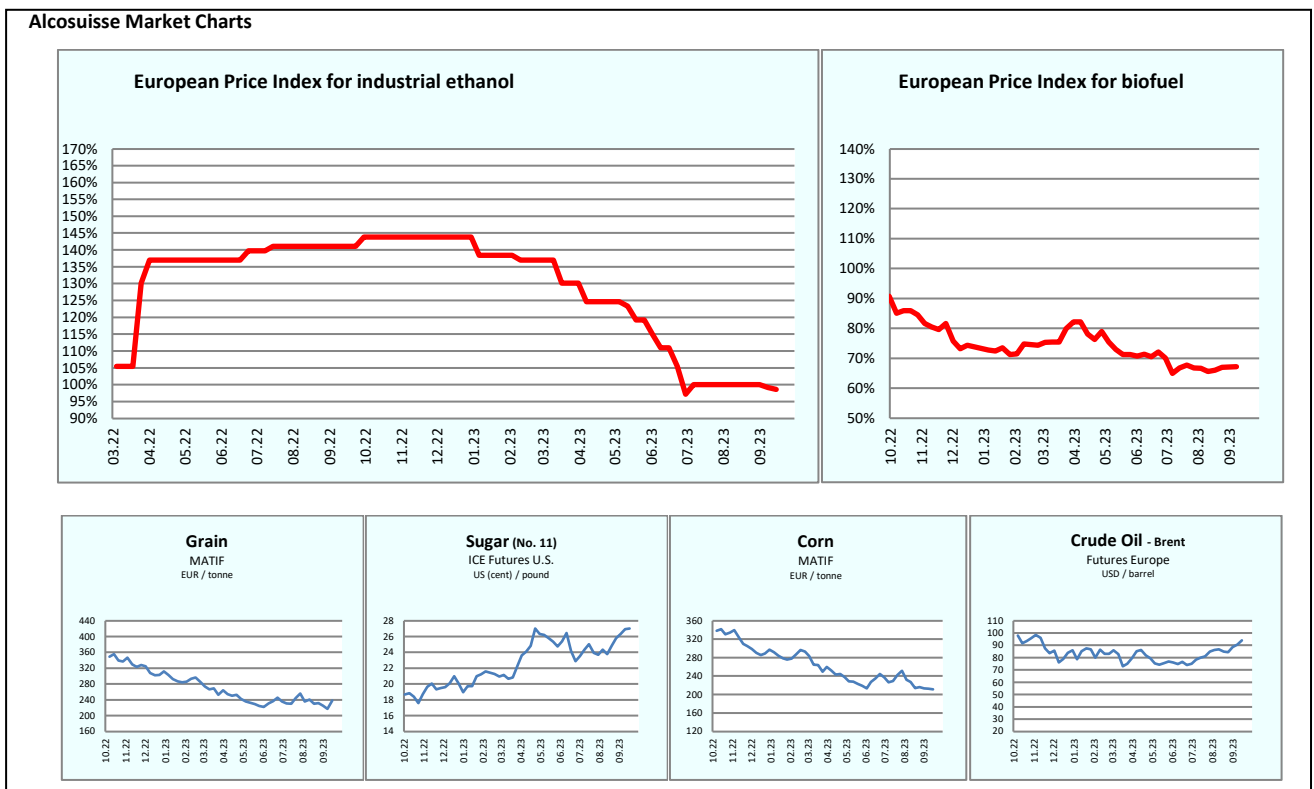
European market for pharmaceutical and industrial ethanol grades

4th quarter 2023

The market for industrial and pharmaceutical grade ethanol in Europe stabilized this summer at a relatively low level after a continuous price decline in the first half of the year. This price stabilization occurred despite weakening demand, which over the entire summer for almost all grades was not only seasonal (summer is a period of weak sales every year), but also below previous years in a long-term comparison. On the one hand, this weakness in sales reflects the depressed, if not crisis-ridden economic situation in Europe. On the other hand, there are clear indicators that many large consumers have now cut back on the inventories they built up due to the supply crisis in 2022 because availability has improved again significantly. Rising interest rates will also have played their part in this destocking. We see prices continuing to move sideways in the fourth quarter. The price curve, which has risen noticeably in winter months of previous years, is likely to be absent or only minimal this year. The main reasons for this are a continued weak demand, a lot of import product at the ports in ARA and, as a result, high availability.

Long-term situation

For next year, we expect a small upward price adjustment in the first half of the year, but this should be moderate. Product availability is so good and the economic outlook so gloomy that the basic structure of a long market should not change. However, European producers will be under cost pressure, as a certain price increase is expected for various important cost factors (energy, raw materials, workforce, transport) towards the winter months. However, due to the enormous quantities of imported ethanol, the possibilities for price adjustments will be very limited. A decisive factor for the long-term price development in 2024 on the European market is likely to be the forthcoming decision by the EU to abolish the tax exemption for Pakistani ethanol. This duty exemption, which was introduced in 2020 as a support measure by the EU in the wake of the flood disaster in Pakistan, has led to an enormous increase in the volume of ethanol imports from Pakistan. It is expected that the responsible commission will abolish or at least suspend these tariff exemptions in the near future, the most realistic being an abolition as of 31 March 2024. In the short term, this could lead to even higher imports, but in the long term to a tightening of the supply side in 2024 and to a more balanced market towards summer 24. We therefore assess the potential of a further significant price collapse in 2024 as very low; the risks of a price increase are considerably higher at the present time, although limited. For this reason, we recommend that consumers with a long-term horizon cover their requirements for the whole of 2024, as the price risks tend to lie in the second half of the year.



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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