

COVID-19 impact on global ethanol markets

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Current COVID-19 impacts on ethanol market

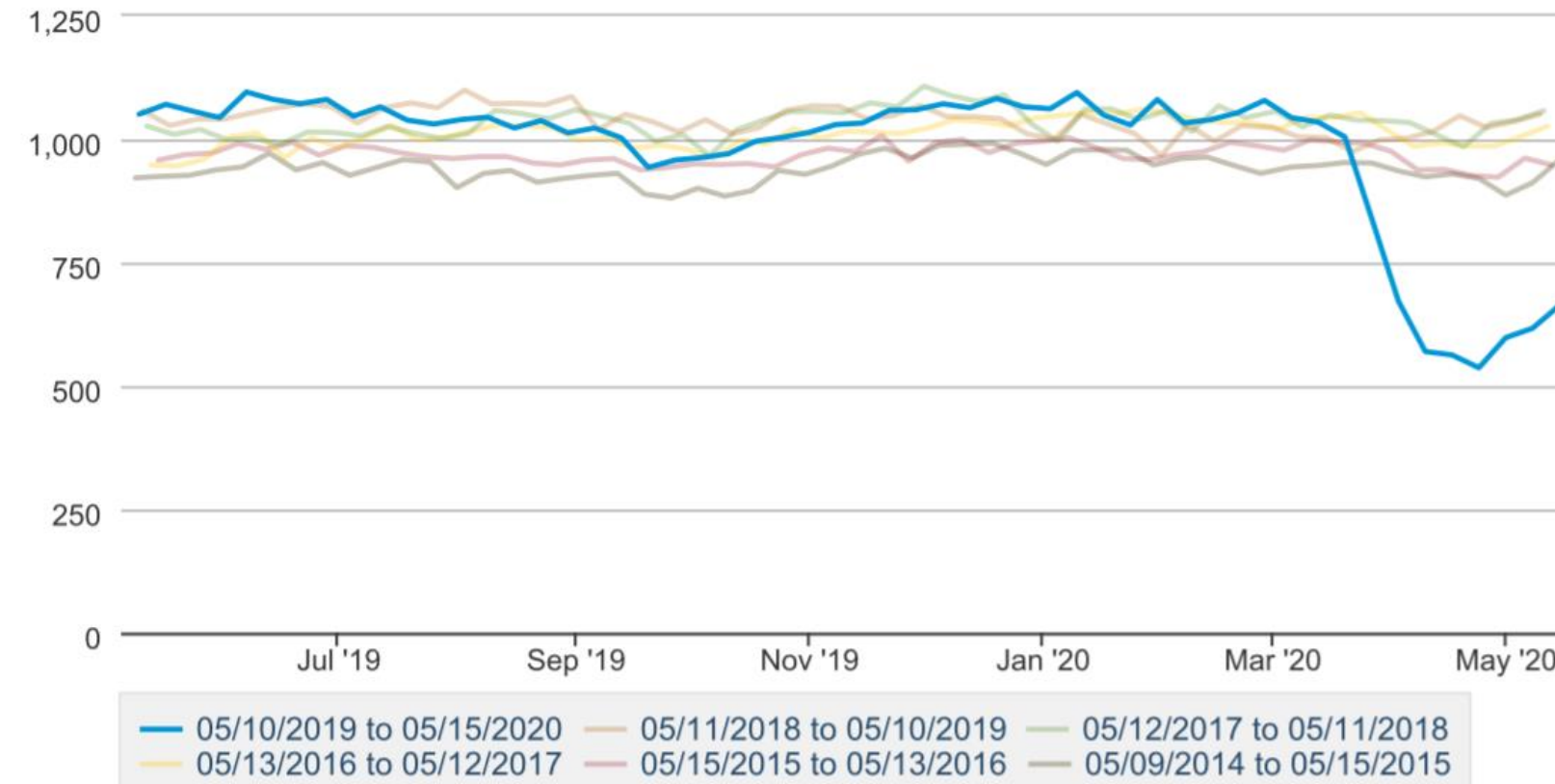
- Stay at home orders → overnight demand disappearance – gasoline demand down 50 percent in the U.S., about 11 percent inclusion rate
- Half of U.S. ethanol industry offline or operating under capacity – now starting to come back online
- Exports – reductions not realized yet in trade data
- Prefaced with global glut of crude, price pressure easing as April agreement holds in May, likely June
- Demand recovery begins in China, EU, and U.S. as they slowly open, many countries facing worse of crisis now – a structural change has occurred
- Human Health – hand sanitizer hones attention

U.S. ethanol production has recovered slightly; now 38 percent below May 15, 2019

Annual U.S. demand forecast down 20-25 percent for 2020

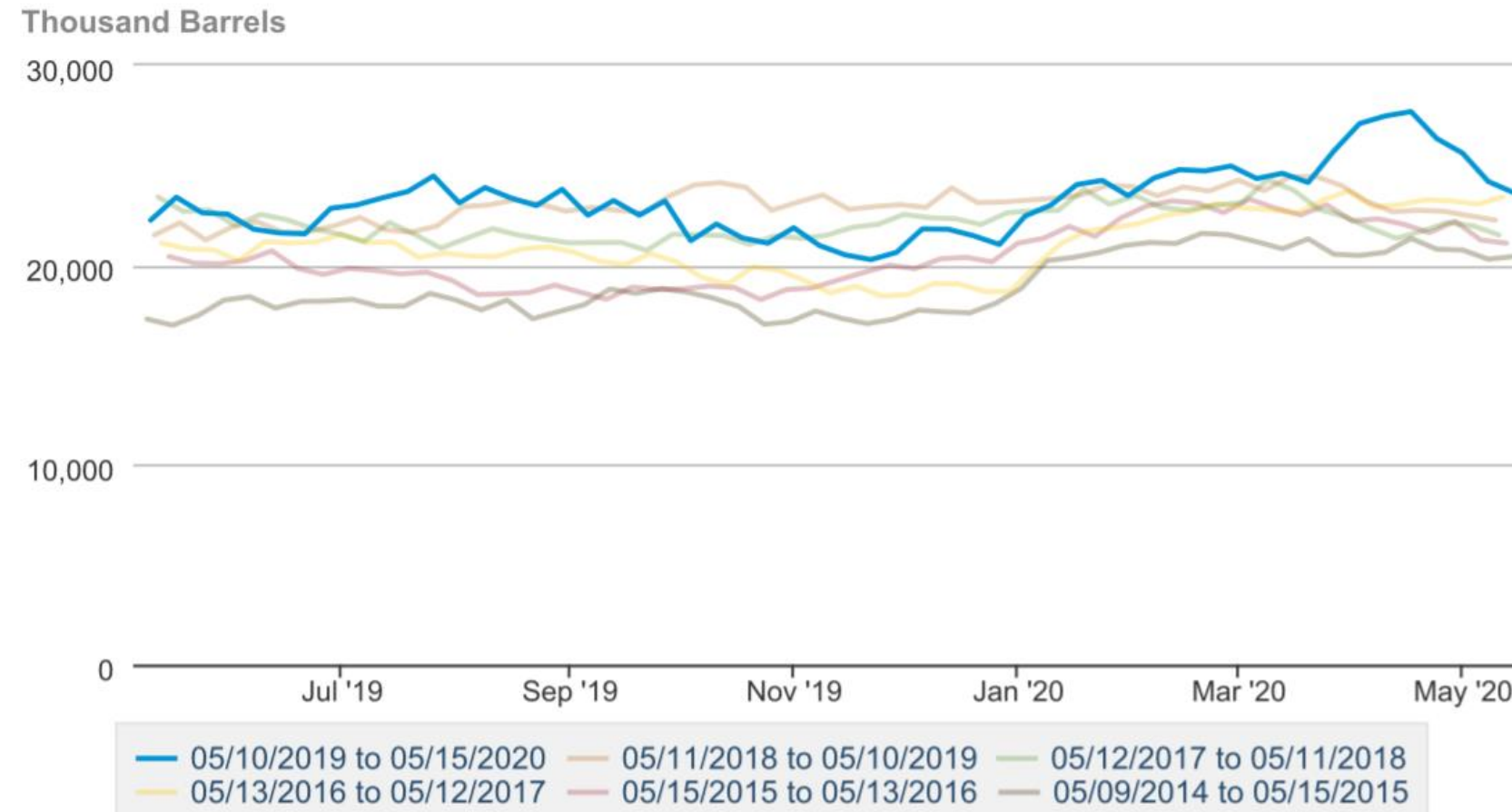
Weekly U.S. Oxygenate Plant Production of Fuel Ethanol

Thousand Barrels per Day



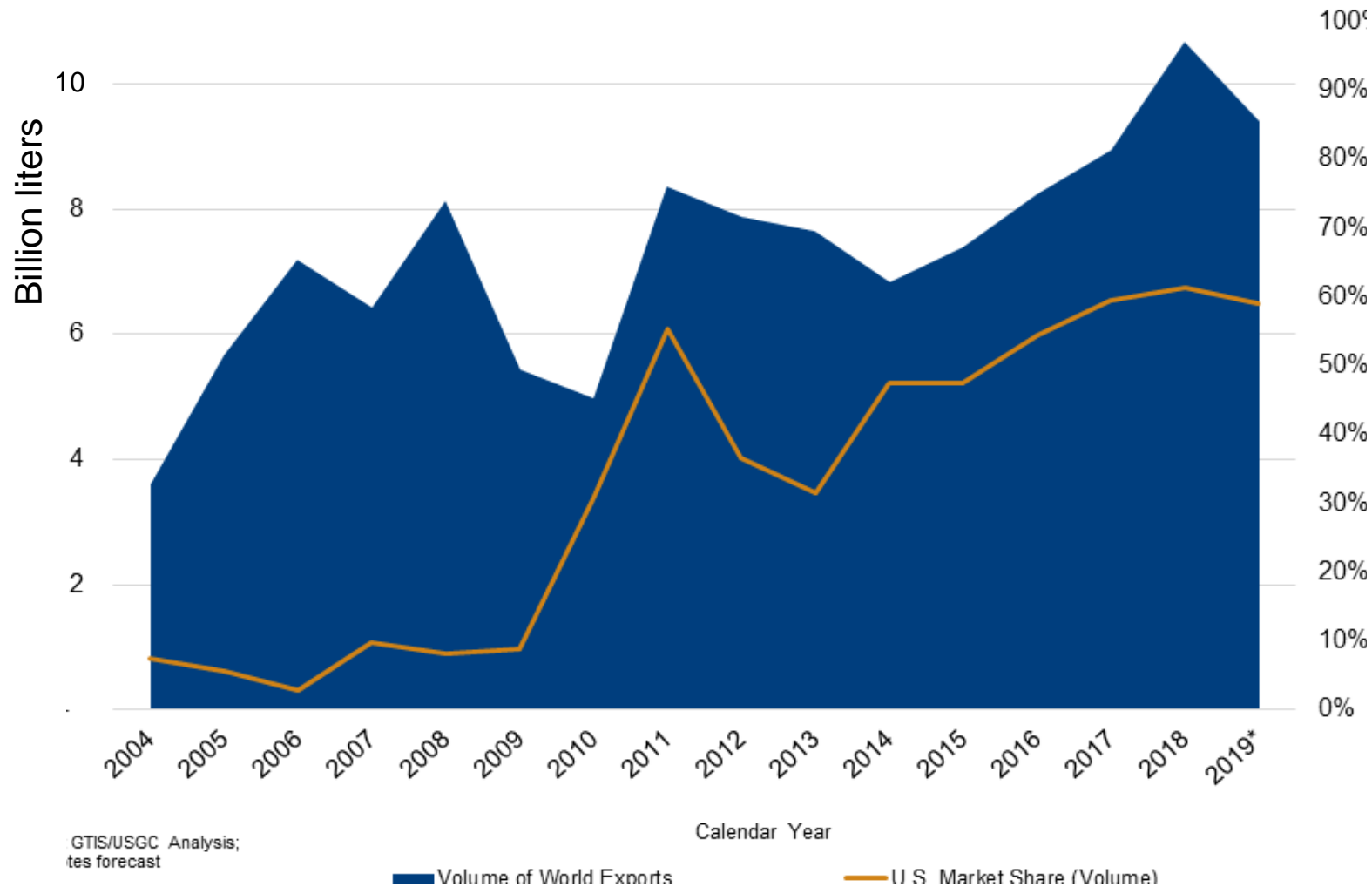
Stocks also ease as production recovers, storage constraint relief

Weekly U.S. Ending Stocks of Fuel Ethanol



- 2019 – trade down due to market access barriers & sugar price decline further weighed on Brazil demand
- 2020 – global fuel ethanol trade will decline, industrial use to lesser extent
 - U.S. exports at 3.1 billion liters 09/19-02/20, up 3%
 - Fuel demand loss in top export markets will drive decline rest of MY20 – Brazil, Canada, EU
- Beyond 2020 – policy implementation will be key for expanded demand

Worldwide Trade in Ethanol in 2019 Reaches 9.42 Billion Liters (2.8 Billion Gallons)
U.S. holds 59% share of world exports



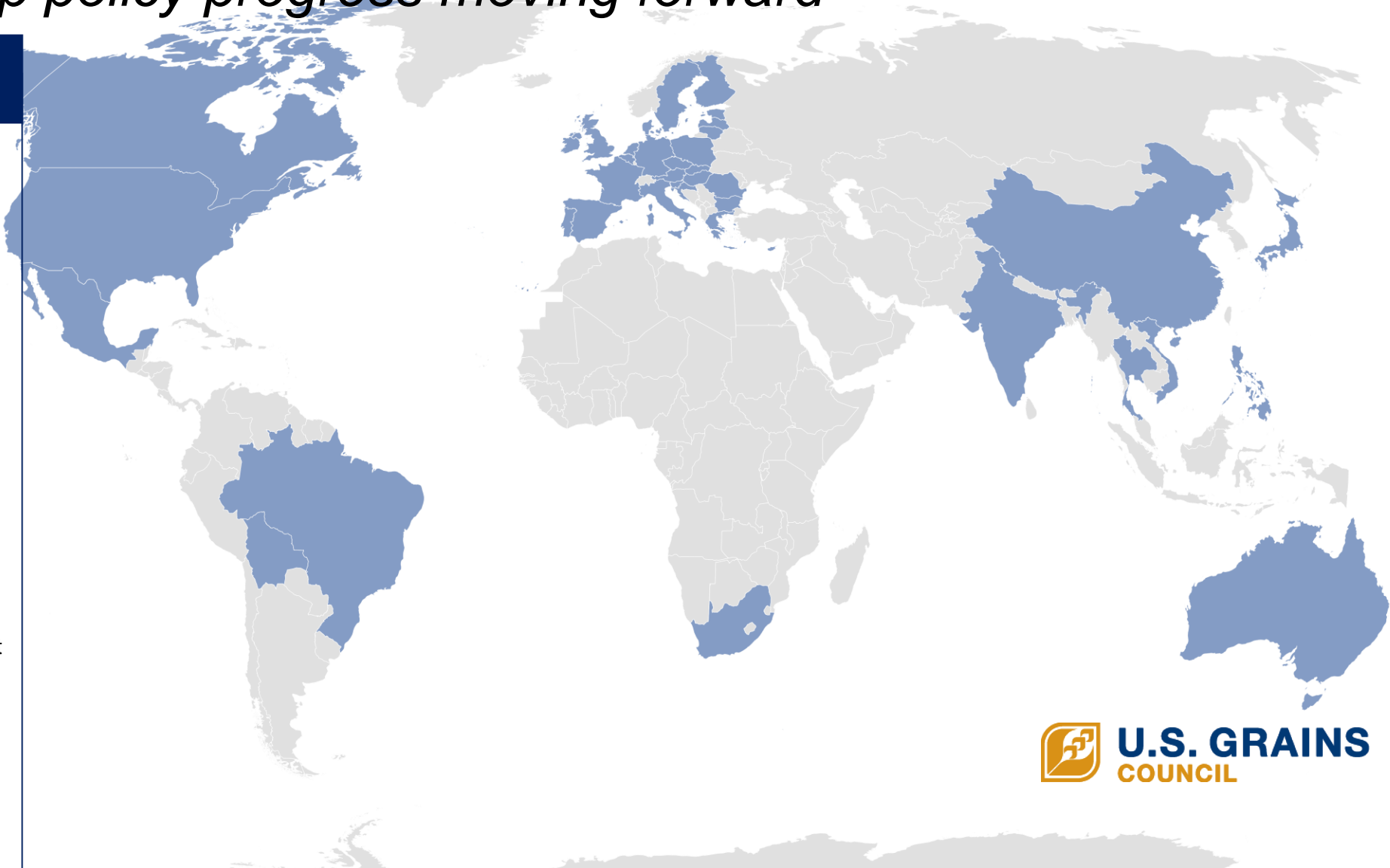
GTIS/USGC Analysis;
 tes forecast

Source: Global Agricultural Trade System (UN Trade Data subset) and Global Trade Atlas, U.S. Grains Council – projections (*)

Implementation delays have started in some markets after 13 have announced significant expansions to their policies over the past two years
Critical to keep policy progress moving forward

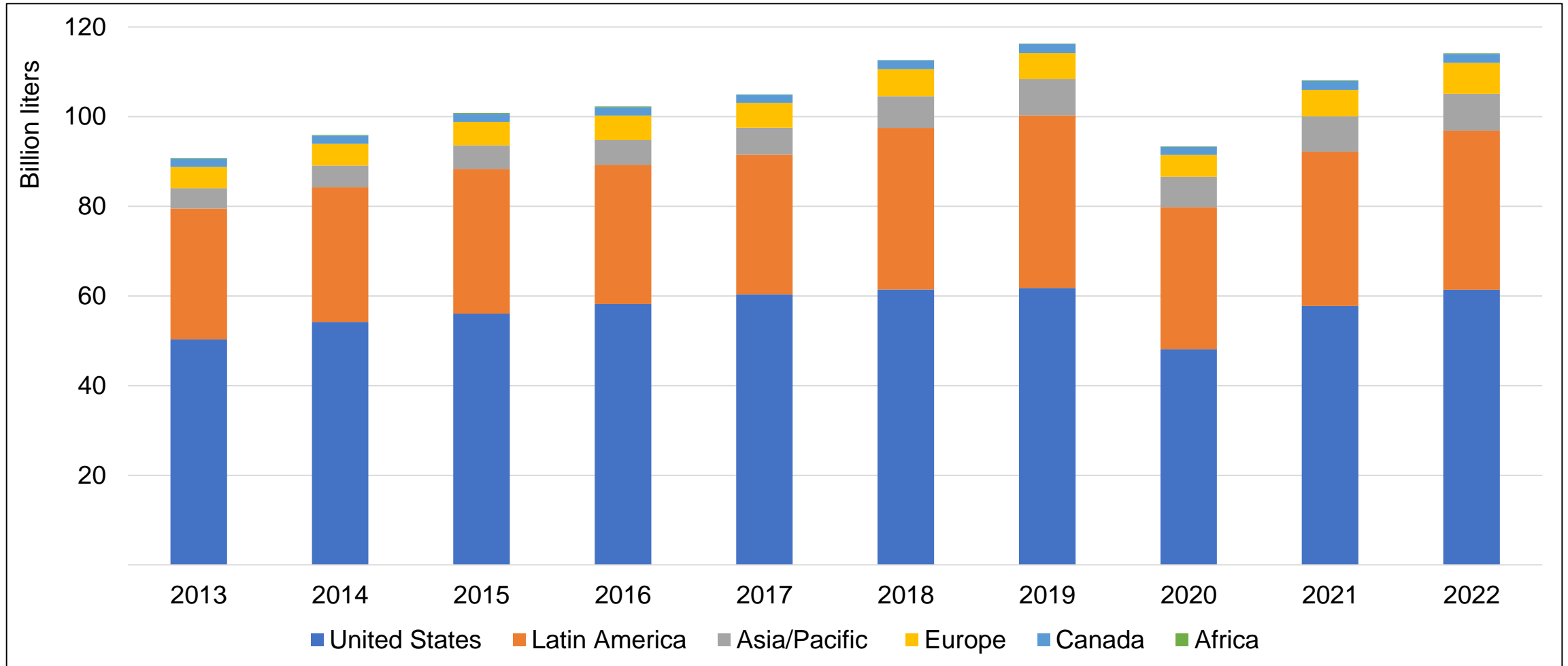
Expanding global use

- Bolivia – E25 by 2025
- Brazil – RenovaBio and corn ethanol industry expansion
- China – E10 provincial mandates, national policy recently delayed
- Canada – Ontario/Quebec: E10 by 2020/21, 15% renewable content by 2025, CFS national policy
- EU – maintains feedstocks (RED II)
- UK – E5 to E10
- India – new feedstocks
- Japan – new suppliers in 2019
- Mexico – E10 allowance in 65 percent of the country
- Vietnam – E5 to E10, 2020 and new feedstocks
- South Africa – E2 blend
- Australia – Bioenergy roadmap



Global ethanol production forecast down 20 percent in 2020 – recovery not realized until 2022

23 billion liter production loss in 2020 – shuttering more than 250 ethanol plants globally





Factors that will weigh on ethanol markets post COVID-19

A long tail to recovery

- Government responses to second wave and vaccine timing
- Readjustment to social proximity and overcoming learned behaviors & fear
- Global unrest from unemployment, deferred payments, access to fiscal support, nationalism
- Industry bankruptcies and consolidation – structural change is underway, in some sectors has already occurred
- Pressure on current and future policies
- Pressure on feedstock producers in already difficult positions