Market Update - May 2022

Shanghai COVID Lockdown Continues into May

• The government proposed a two-week lockdown in the beginning of April. The lockdown continues to hinder the Chinese way of life and complicate the supply chain.

EU Oil Prices Increase Due to Russian Sanctions

• Sanctions on Russian fuel continue to increase energy prices in the EU. This is increasing prices for manufactured flavor and fragrance ingredients from Europe.

Phenol Food Grade Packaging Liners to be Banned by the EU

• As the regulatory landscape in the EU continues to evolve, restrictions on substances used in food grade packaging liners continue.

Indonesia Bans Exports of Crude Palm Oil and Refined Palm Products

• On April 28, Indonesia announced an export ban on Crude Palm Oil and Refined Palm Products. This includes all Oleochemicals that are palm derived.

Dow Declares Force Majeure on Propylene Glycol

• PG stock and supply continues to struggle since the "Great Texas Freeze" in February 2021. A recent fire at a Dow manufacturing plant has shutdown the feedstock used to make Propylene Glycol.





Shanghai COVID Lockdown Continues into May





Summary – Originally proposed as a two-week lockdown in the beginning of April, the lockdown continued to hinder the Chinese way of life and burden the strained supply chain.

Detail

- Shipping out of the major ports of Shanghai has been halted. This affected a significant amount of global trade.
- Chinese hazardous air shipments are required to move through the Shanghai port to ship.

Purchasing Comments

- Ohinese suppliers think that the lockdown will continue through mid May. This will cause a six-week backlog of shipments that will take a few months to work through.
- Vigon has sourced raw material from other countries around the world to make sure that we have our products stocked.



Picture: Cargo Ships Backlog to Shanghai Port

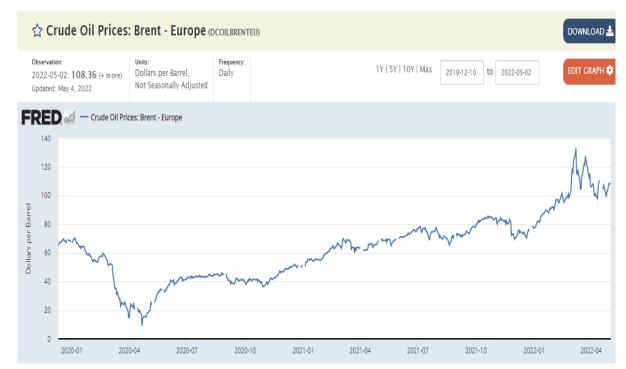
EU Oil Prices Increase Due to Russian Sanctions





Summary - Sanctions on Russian fuel continue to increase energy prices in the EU. This is increasing prices for manufactured flavor and fragrances from Europe.

- Detail
 - Sanctions on Russian oil have increased oil prices between 30-50% in the last 2 months.
 - This has led to increased manufacturing costs and electricity costs in Europe
- Purchasing Comments:
 - Major flavor and fragrance manufactures will increase prices of manufactured products to offset losses due to higher energy costs.



Graph 1: Crude Oil Prices in Europe



Indonesia Bans Exports of Crude Palm Oil and Refined Palm Products



Summary - On April 28, Indonesia announced an export ban on crude palm oil and refined palm products. This includes all oleochemicals that are palm derived.

Detail –

- High cooking oil costs in Indonesia results in a banning of exported palm oil products.
- This is expected to continue until home cooking oil prices fall to a reasonable level for the Indonesian people

Purchasing Comments:

- Vigon sources from Malaysia and our supply is currently unaffected by the Indonesian ban.
- It is expected that pricing will continue to rise for Oleochemicals as the Indonesian supply has been reduced



Picture: Malaysia is Orange. Indonesia is Green



Dow Declares Force Majeure on Propylene Glycol





Summary – PG stock and supply continues to struggle since the "Great Texas Freeze" in February 2021. A recent fire at a Dow manufacturing plant has shutdown the feedstock used to make Propylene Glycol.

Detail –

- The force majeure is expected to last for 1-2 months until ethylene oxide production has recovered.
- Propylene glycol is used in the food industry for emulsification and flavor enhancements.

Purchasing Comments:

- Expect continued price increases from competitors.
 A \$.08/lb increase has been announced from Lyondell.
- Vigon has a strategic reserve of this product that should last us through the force majeure.

