

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
 - Chinese 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 manufacturers 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.

