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ERYTHRITOL MARKET INTEL



SURGING PORK PRICES

Increased Demand For Corn Feed Crops

This Kernel Is About To Be A Cluster!

Long the ship-of-the-line for the clean label industry, **erythritol** has been taking on water since the middle of last year. A no-sugar-added soft drink craze in the Chinese market led to a global supply crunch and COVID-19 sent oceanic shipping capacity to Davy Jones' locker. To make matters worse, everyone's favorite polyol was caught in political crossfire between China and the United States, being slapped with a 25% **tariff torpedo**. But if you thought 2021 was when you got to catch your breath, guess again. Corn-shaped storm clouds are on the horizon. By means of some enzymatic magic, corn glucose is the primary substrate for manufacturing erythritol, and because of this, the non-nutritive sweetening champ is poised to eat a 30% price hike knuckle sandwich – provided, of course, if you can even find it.

The latest in a string of clean label calamities springs from a confluence of factors, chief among them the resurgence of the **Chinese pork industry**. During 2018 and 2019, African Swine Fever rampaged through Chinese pig farms, reducing the hog population by tens of millions. With pork prices surging, farmers scrambled to rebuild their herds during 2020. Being home to more than half the world's hogs, this significantly increased the demand for feed crops in China which in this case is primarily corn.

Not just the basis for erythritol, corn is a primary source of hog feed and Chinese farmers have snatched up every bushel they can find. The price of corn on the Dalian index began climbing in May 2020, and by October, hit a record high, having increased by 30% over the course of 5 months. This trend continued until December 15 when things really hit the fan. With the last kernels plucked from domestic silos, the next 30 days saw the price of corn in China jump 15%.



With demand spiraling out of control, the need for corn boiled over to commodity exchanges in the US and Europe, sending global prices soaring. From December 15 to January 15, US corn prices rocketed by over 25%, hitting a six-year high. In the last week of January 2021 alone, US corn prices hopped up an additional 5% as Chinese importers purchased 3.74 million tons from US growers – a sum equal to nearly half of all Chinese corn imports in 2019. At this breakneck pace, China is expected to vault over 11 other countries to claim the gold medal on the list of the world's top corn importers for 2021.

See the following articles:

USDA may have to raise China corn import forecast

<https://www.foodbusinessnews.net/articles/17801-usda-may-have-to-raise-china-corn-import-forecast>

China buys 1.36 million tonnes of US corn over weekend

<https://www.foodbusinessnews.net/articles/17776-china-buys-136-million-tonnes-of-us-corn-over-weekend>

The horizon is looking increasingly grim. Proposed as a backstop for global supply, Argentina's farmers are struggling with poor rainfall. Indeed, harvest projections are so terrible that the world's 3rd largest maize exporter briefly flirted with banning corn exports altogether before enacting severe export caps to prevent food shortages in their country. Ukraine saw their 2020 harvest fall by nearly 20%, turning the breadbasket of Europe into a net importer of corn. This could spell a disaster for the erythritol market. Since glucose syrup from corn is its main input, new erythritol contracts have seen prices grow 30% over the course of January. Across the globe, supply of erythritol appears to be drying up, with shipments likely to be delayed or cancelled. This is an industry wide contagion, spilling over to other corn-adjacent products such as allulose and xylitol, and as corn continues to rise, the dollar continues to fall, and shipping capacity continues to contract, things may only get worse. Manufacturers have struggled for months to shelter buyers from price increases while shoring up supply, but the global corn pricing surge at the end 2020 breached the dam. For the foreseeable future, rapidly increasing prices and poor availability could be the new normal.

Don't push the panic button just yet. For those who are not ready to throw in the towel, Icon Foods will serve as your clean label bulwark in these uncertain times. Utilizing our connections across the planet, we forged a rugged supply chain that links you and your brands to the increasingly dear erythritol you need. We have solid positions and containers on the water. While others toil to scrounge up the remaining scraps, we have access to ample stock of erythritol and allulose alike. Yet make no mistake – even our prodigious resources have their limit.

Now is the time stake your claim and lock in your 2021 erythritol, allulose and sweetening systems. Call your Icon Foods rep directly or reach out to the sales team at:

310-455-9876 or email sales@iconfoods.com. We've got your back.