

Europe's Winter Gas Squeeze Reaches the Food Factory

What expensive gas means for your suppliers' costs, and which price claims to accept · Buyer briefing

SUBJECT	GEOGRAPHY	TIMEFRAME	CONFIDENCE
Gas and food costs	Europe (EU / euro area)	Jul-Sep 2026 (data to 2 Oct)	Medium

This briefing follows last week's report on oil and diesel. It explains how gas prices reach the products you buy: through factory energy, electricity, fertiliser and packaging. It is written for food buyers preparing supplier negotiations. Each price is labelled as a futures price, a monthly average or a forecast. These are different measures and should not be read as one series. Sources (with links) are on page 3.

Status: **Tightening** = costs rising now · **Mixed** = depends on the product or supplier · **Watch** = could matter, but timing or size is unclear. **Confidence:** High = several sources agree · Medium = reliable, some uncertainty · Watch = early signal.

Bottom line. Higher gas prices are a reason to check supplier claims closely, especially for energy-heavy products. They are not a reason for blanket price rises. Pay only for the proven energy cost that is linked to gas and was not bought in advance, through a two-way index clause with set review dates.

1. Executive Summary

- **Europe goes into winter short of gas.** EU gas storage was 70.9% full on 26 September. In a normal year it would be 86–89% by then. Germany (57.0%) and the Netherlands (56.5%) are the furthest behind. The European gas futures price (TTF, October contract) was €82.52/MWh on 14 September, against a June average of €44.94. **Status: Tightening.**
- **Factories use gas mainly for heat.** Boilers, ovens and dryers in dairy, bakery, pet food, sugar and frozen food run on gas. Gas also often sets the wholesale electricity price, though how much depends on the country and on each supplier's power contract.
- **Shelf prices for processed food have barely moved.** Euro-area prices for processed food, alcohol and tobacco rose 0.4% over the year to September. Energy is a small part of what most food products cost to make. A 60% rise in the monthly average gas price (July 2026 vs July 2025) does not justify a 6–8% product price increase. Ask each supplier for evidence (see page 3).
- **Fertiliser will matter later, not now.** Gas is 70–80% of the cost of making nitrogen fertiliser. The urea price averaged \$400 per tonne in July, down from about \$800 in spring. One of Europe's largest producers, AGF Nitrogen, said on 2 September it may cut output. If it does, grain prices would feel it from the 2027 harvest.
- **Don't lock in 12-month prices at the winter peak.** Winter-average forecasts range from about €60/MWh to €85/MWh, and above €100 if the winter is cold. The ECB assumes an annual average of €43.3/MWh for 2027. Keep agreements short, or use a two-way gas index with a cap, a floor and review dates.

2. Key Indicators

GAS PRICE · TTF futures, Oct contract (€/MWh) 82.52 Price on 14 Sep · June avg 44.94	GAS STORAGE · EU, % full 70.9% 26 Sep · normal year 86–89%	GAS STORAGE · Germany, % full 57.0% 26 Sep · Netherlands 56.5%	GAS PRICE · Europe, monthly average (\$/mmbtu) 18.06 July avg · +60% vs July 2025 avg
ENERGY PRICES · Euro-area consumer energy inflation 18.8% September · August 14.3%	FOOD PRICES · Processed food, alcohol & tobacco inflation 0.4% September · August 0.5%	FERTILISER · Urea, E. Europe, monthly avg (\$/t) 400 July avg · spring peak about 800	INFLATION · All items, euro area 3.8% September · August 3.2%

3. Gas Market & Geopolitical Overview

European gas TIGHTENING

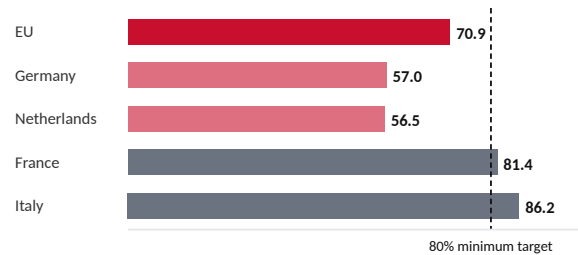
Confidence: **High** that prices are up and why; **Medium** on where they go this winter.

What happened. The TTF front-month futures price stayed above €50/MWh from mid-July, passed €60 in late July and went above €80 in September for the first time since early 2023. Measured as a monthly average, gas in Europe cost \$18.06/mmbtu in July, against \$11.29 in July 2025 (World Bank).

Why. The Strait of Hormuz disruption cut almost 20% of the world's LNG (shipped gas). LNG from Qatar and the UAE is down about 45% this year (IEA). Norwegian maintenance, Asian buyers competing for cargoes and a hot summer also slowed storage refilling. The EU has banned new short-term Russian LNG contracts since 25 April. The remaining long-term contracts are due to end on 1 January 2027.

Storage. EU rules let countries hit their 90% target at any point between 1 October and 1 December. The target can drop to 80% if supply is difficult. The Netherlands lowered its own target from 74% to 64%. As our own checkpoint, at the current rate the EU will be about 77–78% full on 1 November.

Where prices may go. These are forecasts on different bases. Oxford Economics expects close to €60/MWh on average for Q4 2026–Q1 2027 (Euronews, 20 Aug). Morgan Stanley expects a winter average of €85/MWh, and over €100 in a cold winter (IndexBox, 20 Sep). The ECB's annual assumptions are €51.0/MWh for 2026 and €43.3 for 2027. **What this means:** all of them expect gas to be cheaper in 2027. A supplier who prices the next 12 months on today's futures price is charging you for the peak.



How full gas storage is (%), 26 September 2026. In a normal year the EU is 86–89% full by late September. Data: GIE AGSI via Global Energy Flow.

4. Where Gas Hits Supplier Costs

4.1 Factory energy: heat and electricity TIGHTENING

Confidence: **Medium**. Costs are clearly up, but each supplier's exposure is different and not public.

What we know. Food factories burn gas to make steam and to run ovens and dryers. They use it for cooking, pasteurising, sterilising, baking, frying, spray-drying milk powder, drying pet food and refining sugar. Gas often influences wholesale electricity prices, but how much depends on each country's power mix and the supplier's contract. The ECB assumes wholesale electricity will average €108.7/MWh in 2026 and €90.2 in 2027. Gas contracts linked to oil reprice 5–6 months later (IEA). Consumer energy inflation (18.8% in September) tracks household bills. It shows the general direction, not a supplier's industrial energy cost. **Buyer action:** pay only for the energy cost that is actually exposed, and ask for the evidence listed on page 3.

4.2 Fertiliser, grains and feed WATCH

Confidence: **Watch**. The link is clear (IEA); how much and when it reaches food prices is not.

What we know. Gas is 70–80% of the cost of making nitrogen fertiliser (IEA). Urea doubled to about \$800 per tonne in March–May. Monthly averages then fell to \$453 in June and \$400 in July (World Bank). On 2 September AGF Nitrogen, which makes 3.6 million tonnes of ammonia a year, said it may cut production. It gave gas at €73.15/MWh as the reason. **What this means:** farmers pay for fertiliser before they plant. Higher fertiliser costs show up in grain, oilseed and animal feed prices with the 2027 harvest, not in current contracts. **Buyer action:** reject fertiliser arguments on this season's grain-based products. Review bakery, cereals and pet food in spring 2027.

4.3 Glass packaging and CO₂ MIXED

Confidence: **Watch**. Based on industry statements and press reports; there is no current price index for glass or CO₂.

What we know. Glass furnaces run on gas. The European container glass association (FEVE, 140+ plants) warned in February that carbon costs could double for some producers between 2025 and 2026. The CO₂ used in soft drinks, beer and meat packs mostly comes from fertiliser plants. When those plants cut output, CO₂ can run short, as reported in 2022. **Buyer action:** treat this mainly as a supply risk. Ask about backup CO₂ sources and approve alternative packs in advance. A possible shortage is not a reason to pay a premium now.

5. Which Categories Are Most Exposed

Exposure	Typical categories	Why (where gas is used)	How to respond to a claim
High	Milk powder, cheese, dry and wet pet food, bakery, sugar, frozen ready meals, products in glass	Spray drying, cooking and drying kibble, sterilising, ovens, sugar boiling, freezing, glass furnaces	Can be valid. Accept only the proven, gas-linked share not bought in advance
Medium	Snacks, canned goods, drinks, packed meat and poultry, paper and board packaging	Frying, can sterilising, CO ₂ supply, paper drying	Challenge the size. Ask for a cost breakdown and a backup plan
Low	Fresh produce (except greenhouse), repacking, products with little cooking	Little process heat	Reject without a full cost breakdown

This grouping is our own assessment of how much gas each production process uses. Confirm it with each supplier's cost breakdown.

6. How to Check a Supplier's Energy Claim

Ask every supplier for

- Energy as a % of product cost
- The split between gas, electricity and other energy
- The share bought in advance, and when those contracts expire
- Production site and which energy market it buys in
- Energy used per tonne or per unit
- Glass and CO₂ exposure, where relevant

If you agree to an index clause, it must have

- A named gas index and start date
- A verified exposure %
- A cap and a floor
- Fixed review dates and an agreed time lag
- Automatic price cuts when gas falls, as well as rises

Worked example (example figures only). A supplier asks for +7%. Apply the gas change only to the part of the cost that is energy, linked to gas, not bought in advance, and exposed during the new price period:

1 Unit cost €1.00	2 Energy share 5% → €0.050	3 Linked to gas 70% → €0.035	4 Not bought in advance 50% → €0.0175	5 Gas change over the price period +60% → €0.0105	Supported increase about +1%, not +7%
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The real shares must come from the supplier. +60% is the July 2026 vs July 2025 monthly average (World Bank). For a real case, use the change in a named index over the period the new price will apply.

7. Risks & Mitigation

Risk	What to watch	What to do
Cold winter with low storage	EU 70.9%, Germany 57.0% (26 Sep); about 77–78% by 1 Nov	Ask how much winter energy suppliers have bought; second-source energy-heavy products
Gulf LNG returns late	IEA assumed recovery by early Q4; Hormuz still restricted	Short or index-linked agreements; don't fix prices at the peak
More fertiliser plants cut output	AGF Nitrogen decision; any rebound in urea from \$400/t	Track for 2027 grain and feed costs; no increases this season
CO ₂ , glass or LNG shortages	Fertiliser plant shutdowns; end of Russian long-term LNG contracts (1 Jan 2027)	Backup suppliers, alternative packs, Q1 2027 review point. Plan for continuity; don't pay a premium

8. How Sure Are We

High: inflation figures and the causes of high gas prices. **Medium:** gas price, storage, electricity. **Watch:** fertiliser, glass, CO₂. The latest confirmed futures price is from 14 September, so check the current price before a negotiation. World Bank prices are July averages. Winter forecasts come from banks and consultancies quoted in the press. Consumer inflation figures do not measure supplier costs.

Sources: IEA Gas Market Report Q3 2026 (LNG losses, Qatar/UAE, fertiliser cost share, contract lag, Russian LNG) · World Bank Pink Sheet, Aug 2026 (gas, urea monthly averages) · Eurostat HICP flash, 2 Oct 2026 · ECB staff projections, Sep 2026 (gas and electricity assumptions) · GIE AGSI via Global Energy Flow, 26 Sep · IndexBox, 20 Sep (TTF, Morgan Stanley, Russian LNG 2027) · LNG Global, 11 Sep · Euronews / Oxford Economics, 20 Aug (storage rules) · Profercy, AGF Nitrogen, 2 Sep · FEVE via Vinetur, 12 Feb · Brussels Times (2022 CO₂ shortage). Prepared by REDWILDPIG Retail Market Intelligence, 5 October 2026. Confidential, for internal negotiation use only.