



Supply Bottlenecks due to Raw Material Shortages

Strong demand from the Far East combined with the impact of production constraints on raw material suppliers from around the world are causing great concern to many coatings manufacturers.

The economic recovery currently being experienced by the Far East has stimulated sales of coatings and, with it, demands for the raw materials that go into the manufacture of these products. We also see this increase in demand reflected in other parts of the world and, as a result, suppliers of raw materials are under pressure to increase production rates.

However, it is believed that the chemical industry destocked during the depths of the 2009 recession. This has led to a reduced capability to supply in a recovering market in early 2010. For a wide range of raw materials used by the coatings industries, a combination of increasing demand, shut downs for maintenance and regulatory control, together with major plant breakdowns around the world has led to a situation where many ingredients are either in short supply, on exasperatingly long lead times, on force majeure or allocation.

There have been reports about serious shortages in the supply of certain pigments, acrylic acid, titanium dioxide and vinyl resins. Some plants have reduced production rates to undertake process changes in order to eliminate hazardous materials from their products. Furthermore, the rising price of oil has impacted the cost of many petrochemical-derived solvents used by the coatings industries including methyl ethyl ketone, ethyl acetate and other esters.

Added to these difficulties, the markets for pulp and cellulose have also tightened as a result of growing demand from the Far East. At a time when we are starting to see many sectors in the coatings industry come out of recession, it is disappointing to learn that this recovery may be constrained by both supply difficulties upstream and cost inflation for both coatings manufacturers and their customers.

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