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MATERIAL COST INCREASES HIT PROCESSORS

'Plastics processors are hurting', said Alexandre Dangis, speaking about the mounting raw material cost increases sustained by Europe's plastics processors. The head of the industry's Brussels organisation, European Plastics Converters Association, believes that this will slow down recovery in the industry, just at a point when flickers of hope were appearing in the marketplace.

'For some plastics such as Polystyrene and Polypropylene we are facing price increases of over 40% in the period March 2009 to March 2010', he said. 'There are widespread reports of shortages and processors not being able to get the material to enable them to deliver on new projects. Some producers are putting their customers on allocation'

A key background factor has been the increase in the price of crude oil which provides the basic chemical building blocks for the manufacture of plastics raw materials. Whilst the progress of its price hasn't been consistently upwards the price range has settled in the \$65 to \$85 per barrel range. Added to this, the surge in demand in China has sucked away material to feed a plastics industry whose demand for polymer is now running at approximately 50 million tonnes per annum.

Dangis says that these underlying conditions have been exacerbated by declarations of 'force majeure' by polymer producers who have been hit by a variety of problems such as power failures. 'I'm expecting discontinuity in supply to extend at least until August', he added.

'It is extremely disappointing that we will not be able to aggressively seize business development opportunities and claw our way out of recession in the way that we had hoped. Customers should be aware of this situation and recognise our current economic vulnerability. We cannot support the rises by ourselves.'

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