

Plastics buyers rage over 'excessive' hikes

THROUGHOUT EUROPE polyethylene converters are up in arms over excessive price rises. Yet several industry associations appear keen to distance themselves from members' complaints.

In France, an official complaint to the French government is said to have been made by at least one converter, encompassing both PE and PP. The country's plastics packaging industry association took the unusual step of indicating at a press conference that it believed polymer price rises were excessive with 'no industrial reasons' for the hikes. During H2 1994, the price of PE and PP rose by 85%. In Italy too official complaints are rumoured and in the UK at least one medium-sized converter is said to have complained.

One UK PE converter could 'not see much justification' for a 50% cumulative increase in only six months. Converters have been forced to absorb some of the hikes. 'Enough is enough,' said one. Warning of switches to other polymers, the player accused the producers of running a price-fixing cartel and said it would support legal action all the way to the European Court.

As yet there is no clear indication that the European Commission is officially involved, but producers fear 'Brussels bureaucrats are already making discrete enquiries'.

Current trader talk of prime ldPE prices weakening sharply over the past month to as low as DM1.69/kg, well below producer talked DM1.80/kg minimum prices, is a poor background to converters' complaints of collusion and price fixing by polymer producers.

As far as ldPE is concerned, producers point out that with 17 ldPE producers in the European marketplace and importers also active, collusion would be impossible. ldPE price history speaks for itself. It took world ethylene shortages in H2 1994 before a firm upward trend in ldPE prices was established.

Producers admit to some recent softening of demand and agree limited west European material could be available at prices lower than DM1.80/kg where export sales to the Far East have been cut back over the Chinese New Year period. But these trader-based sales account for at most 2-3% of the 350 000 tonne/month European ldPE market.

However, some large accounts in France are still paying FF615/tonne, equivalent to DM1.77/kg, and in the Netherlands DM1.78/kg equivalent.

Supply is expected to tighten by Q2. Converter destocking will be completed in March. Far East demand and prices are already rising. Production at Dunkirk and Carling has been disrupted as a result of the French strikes and Shell's 105 000 tonne/year Berre unit is scheduled for March maintenance, with the Carrington line back onstream by then. PCD's 230 000 tonne/year unit will also be down in the April/May time-span.

Meanwhile Atochem is believed to have brought forward to April plans to close the former 70 000 tonne/year Carling ldPE line it purchased from Enichem and to begin conversion to copolymer production. But Erdölchimie's 135 000 tonne/year ldPE unit continues to operate in spite of the end-1994 European Commission deadline for closure and BP anticipates it will continue to run as talks with the EC continue.

Polymer duty cut helps out Brazilian buyers

BRAZIL'S TRADITIONAL position as a strong polymer net exporter appears to have been at least temporarily reversed during January/February. Large volumes of mainly Korean, but also US and west European PE in particular, have been flowing to Brazil following a temporary reduction in import taxes on PE, PP, PVC and PS from 14% to 2% and the elimination of a 15% export tax.

The changes, which are only applicable for the 1 November 1994-31 March, 1995 period, are aimed at securing supplies at reasonable prices to domestic consumers. Brazilian resin consumption data for the last four months of 1994 showed a 40% leap over average monthly performance during H1. They followed an earlier long-term move in October to cut import taxes from 15% to 14% - the latter representing the Mercosur common external tariff.

The four Mercosur countries - Brazil, Argentina, Uruguay and Paraguay - moved to zero trading area tariffs from 1 January 1995, but no significant import volumes into Brazil have been available from this area.

The temporary duty will dramatically reduce Brazil's resin trade surplus for the year, but is unlikely to wipe it out. Politeno's 265 000 tonne/year PE capacity at Camaçari last week emerged from a month-long turnaround, but other plants have been operating at 100%.

Italian exports keep converters in business

BOOMING EXPORTS have helped conceal a number of structural problems in the Italian plastics manufacturing industry, according to a recent report by Milan consultancy Plastic Consult, entitled *Plastic trend synthesis*.

Italian industrial production rose 5% in 1994, led by an 8% growth in exports, but current worries centre on high inflation and a continuing fall in real wages leading to depressed internal demand.

Overall plastics demand increased by

Italian thermoplastic trends '000 tonne		
	1993	1994E
Total supply	2700	2890
Imports	2400	2570
Exports	910	970
Real consumption	4175	4460
Growth	1.1	6.8
Consumption by type		
ldPE/ldPE	925	965
hdPE	475	495
PP	880	1010
PVC	860	875
PS	420	445

Source: Plastic Consult-Milan, Italy.

about 7% in 1994 to about 4.9m tonne, evenly spread between plastics and thermosets.

Total plastics production went up in parallel totalling about 3.3m tonne with imports, up 7%, doing slightly better than exports, up 6%. Imported material accounts for about 55% of total demand.

But Plastic Consult points to the polymers trade deficit being more than compensated for by the net export flow for both plastics manufactured goods and process equipment.

Total sales of the plastics processing industry are up 20.6% in 1994 at Lira20 500bn (\$12.6bn) due to price increases in the latter part of the year, but sales prices have grown less than raw material prices and margins are under pressure.

The Italian processing industry is showing signs of weakness with several companies forced out of business or undergoing drastic restructuring.

Exports at 1.07m tonne far exceeded imports of 200 000 tonne. For the plastics processing industry, the enhanced competition on export markets helped by the lira's devaluation, has been an important factor in keeping capacity utilisation rates at reasonable levels in 1994, since domestic demand of plastics manufactured goods rose 2.3%. This is negligible if exports by converters are taken into account.