

Firms battle limited PE, ABS supplies

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Raw-material issues are limiting supplies of polyethylene and ABS in North America.

Dow Chemical Co. has gone to “demand management” on some grades of high density PE, while Chevron Phillips Chemical Co. LLC has declared force majeure on all of its PE grades.

Both companies cited limited ethylene supplies as reasons for these market moves.

“The focus is on select HDPE resins because of the combination of product location and the lack of feedstock,” Dow’s Glenn Wright said in a March 12 e-mail. “At this time, Dow believes this is a situation it can work through in an orderly manner without needing to declare force majeure.

“Dow expects the restricted ethylene availability situation will not improve for at least 90 days,” added Wright, who is commercial vice president of Midland, Mich.-based Dow’s North America basic plastics business. “During that time, we will be in continual contact with our customers to update them on the situation.”

In a March 5 letter to customers, Pawan Bassi — global PE business manager for Chevron Phillips in The Woodlands, Texas — said his firm “has experienced a contingency event” and “is in the process of evaluating the expected duration.”

Stock analyst Kevin McCarthy summed up the situation by titling a March 5 research note “Got olefins?” He added Eastman Chemical Co. to the list of companies that have suffered recent outages and said the situation already was driving ethylene prices higher.

“The upshot is that consumers of these raw materials ... may need to be more nimble in adjusting selling prices to preserve margins,” said McCarthy, who is with Bank of America/Merrill Lynch in New York.

PE prices — already up substantially in the first two months of 2010 — could be affected as well, market sources said. PE makers are working to implement increases of 6 cents per pound effective March 1.

In ABS, shortages have impacted BASF Corp. and Ineos ABS USA Corp., but for different reasons. Florham Park, N.J.-based BASF is having difficulty sourcing butadiene feedstock at its ABS production site in Altamira, Mexico. Ineos ABS has limited production at its plant in Addyston, Ohio, because of a lack of acrylonitrile feedstock.

BASF declared force majeure on ABS in North America on Feb. 26, according to spokesperson Kathy Dennis. The situation could last as long as two or three months, she said.

“Domestic supply has tightened,” Dennis added. “We’re still supplying our customers and fulfilling orders as best as we can.”

Officials with Ineos ABS’ parent firm, Ineos Group, declined to comment. The status of the Addyston plant was confirmed by several market contacts.

North American ABS prices usually are stable when compared to other commodities, but already have climbed an average of 8 cents per pound — a 7 percent average — since Jan. 1. That matches price increases seen in the region for all of 2009.

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