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Supply shortfalls and price increases challenge the European adhesives industry

Brussels June 2nd 2010 – Macroeconomic recovery seen in the first quarter of 2010 has brought about a surge in demand for specialty chemicals, which has led to shortfalls in supply and price increases for some of the key raw materials used in producing adhesives. The economic development of the European adhesives industry is further challenged by the poor harvest of natural raw materials, insufficient freight capacity and a weak Euro.

During the crisis year of 2009, the petrochemicals industry drastically cut and even partially shut down the already limited plant capacity for producing specialty chemicals. As a result, now that the demand for basic chemicals is rising sharply, it cannot be completely met. To make matters worse, a crop failure in natural resin (gum resin) has led to a shortage and a price increase for this raw material. The adhesives industry has also had to deal with supply shortfalls and additional costs resulting from limited freight capacity. Across Europe, 230 000 transport vehicles have been deregistered so that they can be equipped for truck toll data collection in Europe. Meanwhile, the limited availability of ship freight has led to order bottlenecks which, experts claim, will not be fully resolved until the third quarter of 2010.

The Association of European Adhesives and Sealants (FEICA) says that the supply problems and the spiraling prices are critical for natural raw materials – and in particular for petrochemical commodities to produce hot-melt adhesives, some dispersion adhesives and contact adhesives. These adhesives systems are used in most areas of industry and across a wide range of trades.

At present forecasters do not predict an imminent shortfall in adhesives as the industry is addressing these developments by reformulating and by sourcing alternative commodities. While this approach is time-consuming and expensive, it ensures that the demand for adhesives will in the long term continue to be met.

Background

FEICA is the European Voice of the European Adhesive & Sealant Manufacturers. The association, founded in 1972, has a dual membership composed of 14 National Associations and over 20 direct companies.