

# specialties

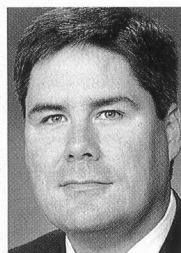
## INTERNATIONAL COATINGS EXPO

### Cost Increases Pressure Margins

Paints and coatings raw material suppliers attending the International Coatings Expo, held late last month in Chicago, say they remain in a margin squeeze due to rising feedstock costs and difficulty in passing those costs on to formulators, who are in turn being squeezed by major discount retailers. However, many raw material suppliers say they have implemented price increases this year to help offset costs, and are also introducing higher-value new products to help customers comply with environmental regulations.

Prices for paint ingredient raw materials have increased significantly, suppliers say. Propylene, the key raw material for acrylate resins, has risen by more than 60% since January. Higher oil and gas prices are also pushing up prices for solvents; methyl ethyl ketone (MEK), for example, is up by about 50% over the same period, they say.

"Relentless raw material cost increases" have pressured raw material makers and formulators, says Patrick Gottschalk, global business director/



Gottschalk: Cost increases 'relentless.'

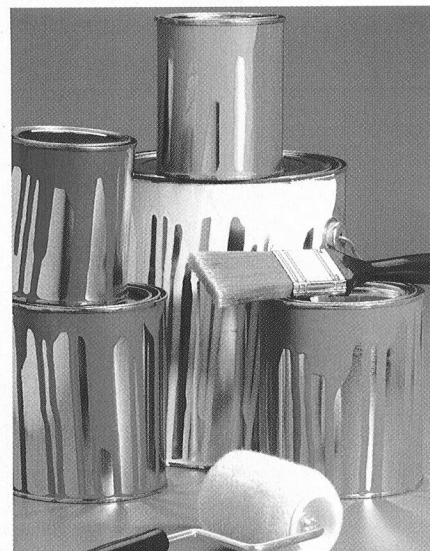
solvents and intermediates at Dow Chemical. On the other end, major big-box retailers and automotive manufacturers continue to resist price increases, Gottschalk says. "We're in a box," he says. Poor margins have resulted in "a continued focus on eliminating assets during a time when demand has been robust." Dow is closing latex emulsion plants at Tucker, GA and Garland, TX, but will replace those with a new, lower-cost facility at St. Charles, LA (*CW, Nov. 3, p. 11*).

Other companies are saying they are also investing in new capacity, particularly in Asia. BASF says it is expanding its coil coatings facility at Shanghai (*CW, Oct. 20, p. 26*). It did not disclose capacity amounts, however. "China is undergoing enormous growth in demand for color-coated steel, fueled by the expanding construction industry," BASF says. The company opened a new coil coatings technical service laboratory at the same site last year.

There have also been capacity expansions in Europe. Clariant says it recently opened a diketopyrrolo pyrrole pigment plant at Frankfurt. Sartomer is expanding its acrylates plant at Villers St. Paul, France, says Gary Ceska, v.p./technology. Neither firm provided capacity details, however.

Several suppliers say they are growing their product lines and/or market share through acquisitions. These include Dow, which purchased Celanese's acrylates and acrylic acid business last year for €150 million (\$160 million) (*CW, Sept. 17, 2003, p. 9*). The deal provides raw materials that give Dow a "stronger" cost position in both its UCAR emulsions and superabsorbents businesses, the company says. Lubrizol acquired Noveon last June, broadening its product portfolio with plastic and wood coatings, Lubrizol says. Arch Chemicals acquired Avecia's biocides business earlier this year, which has products that may be used in applications including marine paints, Arch says.

Suppliers say they are trying to offset rising costs through new product development, especially higher-value products that help formulators comply with environmental regulations. "In the short term, pricing cost pressures will go into next year," says J. Logan



Sturgill, global business manager at Hercules' Aqualon unit. "For the long term, products that add value for customers will be successful." Sturgill cites Aqualon's recent launch of a modified hydroxyethylcellulose and synthetic associative thickeners for waterborne coatings.

Several suppliers have launched low- or zero-volatile organic compound (VOC) ingredients. They include Huber Engineered Materials, which says it has introduced an anti-corrosive barrier pigment that requires less resin due to its binding abilities. "Lower- or zero-VOCs and safer additives are displacing older products to meet regulations," says Shaw Gilmer, coatings business manager at Huber.

Troy Corp. (Florham Park, NJ) has boosted capacity for zero-VOC, dry-film preservatives and advanced additives for markets in Asia and the U.S., says David Faherty, v.p./marketing at the company.

Dow's UCAR emulsion systems business is adding low-VOC products for makers of semigloss, non-flat, and flat coatings, says Mike Kaufman, technical service and development leader, UCAR emulsion systems. Reichhold is offering a low-VOC, chlorinated polyolefin-modified acrylic emulsion for coating propylene-based plastics. Eastman Chemical's coatings film technologies division has a low-VOC coalescents range for U.S. and European architectural coatings.

Clariant, Air Products, and Degussa have each launched alternatives to alkyl phenol ethoxylate (APE) surfactants. APEs have come under criticism because of health and biodegradability concerns.

—VERONICA MACDONALD in Chicago

#### Intertape Closes Canada Unit

Intertape Polymer (Montreal), a maker of specialty polyolefin packaging materials, says it is closing its hot melt tape production and distribution facility at Montreal. The closure is part of Intertape's ongoing plan to lower costs and optimize inventory investment, the company says. Intertape says it will transfer most of the operations to other facilities over the next three months.

#### Specialty Price Watch

Rhodia says it has raised prices by 40% on salicylic acid and on a range of salicylates, including methyl salicylate, benzyl salicylate, hexyl salicylate, isoamyl salicylate, and oxoamyl salicylate, effective November 1 or as contracts permit. The company cites rising "dramatic" cost increases for key raw materials, especially for benzene and key alcohols, energy, and transportation. FMC says it will increase list and off-list prices by 10% on ammonium, sodium, and potassium persulfates.