

Taiwan's Dairen Chem mulls cuts in Singapore VAM plant production

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Taiwan's Dairen Chemical plans to further reduce production at its 350,000 tonne/year vinyl acetate monomer (VAM) plant in Singapore on the back of squeezed margins because of firm cost of feedstock ethylene, a company source said on Friday.

The plant in Jurong Island is currently running at 70% of capacity, the source said.

The exact date and schedule of the operating rate cut have yet to be finalised.

On 10 January, Dairen Chemical announced in a letter to its customers a \$120/tonne price hike for all grades of VAM for all markets, with further possible price increases after the Lunar New Year.

The Lunar New Year falls on 31 January 2014.

"This increase is necessary to sustain our commitment to deliver high quality products and reliable supply to our customers," according to the statement.

Dairen's selling indications were mentioned at around \$1,100/tonne CFR (cost and freight) SE (southeast) Asia and at above \$1,100/tonne CFR South Asia for February shipments.

But selling interest from other suppliers at prices below \$1,100/tonne CFR Asia could still be located, according to market sources. Buying ideas were at \$1,050-1,100/tonne CFR SE Asia.

"Buyers feel that prices are too high but we will stand firm," the source from Dairen Chemical said, adding that the company anticipates lower transaction volumes.

In the fourth quarter of 2013, rising prices of upstream methanol and acetic acid, as well as steady-to-firm ethylene feedstock costs, prompted major VAM producers to eye a \$20-50/tonne hike on December VAM shipments, at \$1,050/tonne CFR (cost & freight) Asia.

Largely unchanged demand and supply fundamentals, however, hampered producers' attempts to raise their prices at that time.

Dairen Chemical operates two other VAM plants in Mailiao, Taiwan, comprising a 300,000 tonne/year No 2 plant and a 350,000 tonne/year No 3 plant.

SOURCE *Icis News*