US May acrylates initiatives may face uphill battle

DATE : 2015-05-12

US acrylic acid and acrylic esters producers are expected to push hard for increases in May free-market contract values, but sources said on Wednesday that price talks are off to a slow and unclear start.

Each of the major domestic acrylates producers separately announced plans to increase freely negotiated May contract prices by 3-4 cents/lb ($66-88 /tonne). None of the producers cited rationale, but most buyers say the initiatives are margin-improvement efforts since April feedstock propylene increased by only 1 cent/lb.

Before that, producers separately sought increases totalling 4-5 cents/lb during March and April despite the fact that March propylene increased by 1.5 cents/lb and dropped in February by 1.5 cents/lb. April contracts broadly settled below producers' targets.

In the acrylates markets, the prior month's propylene settlement typically sets the current month's acrylates pricing in contracts tied to propylene, but also strongly influences current-month pricing in free-market negotiations.

April glacial acrylic acid (GAA) contract prices are in a range of 76-80 cents/lb FD (free delivered), as assessed by ICIS.

The quests for better margins - and some short-term pressure on 2-ethylhexyl acrylate (2-EHA), a source said - will put pressure on negotiated pricing because feedstock prices have risen for the last two months, even if only incrementally, a buyer said.

US May propylene contracts remain unsettled, with producers nominating a slight increase.

However, buyers are pushing for a propylene rollover or decrease because recent and near-term propylene restarts may lengthen supply.

For example, US-based Dow Chemical restarted its propane dehydrogenation (PDH) unit in Freeport, Texas, earlier this week after completing maintenance, the company confirmed.

One acrylates buyer said it has already negotiated some rollovers for 2-EHA and butyl acrylate (butyl-A), with formula-based prices rising on April propylene and natural gas input costs. Most contract negotiations are still under way, however.

Another buyer said it might choose imports if its US suppliers push hard for May increases. It said imported glacial acrylic acid (GAA), for example, could be had for about 2 cents/lb less than domestic product.

“I've been offered import material at very competitive price levels," a large buyer said. "Methyl acrylate (methyl-A) is more readily available via import than butyl-A or 2-EHA right now since several Asian producers are currently in turnarounds.”

Demand from adhesives, water treatment and super-absorbent polymer (SAP) markets was described as soft to typical for this time of year. The cyclical architectural coatings market was said to be better year on year, but not robust.

Also upstream, n-butanol (NBA) and 2-ethylhexanol (2-EH) oxo-alcohols markets, freely negotiated May contract talks were still in early stages, some sources said.

Seasonal demand improvement prompted talk that prices may increase, but by only a portion of the proposed 5 cents/lb, which surfaced despite the small increase in April propylene.

US acrylates producers include Arkema, Dow and BASF.

Source Icis News