

Cost of plastics: An unbearable increase for Plastics Converters

The scale and the suddenness of plastics' price increase affecting the plastic converters at the beginning of this summer, worry the whole industry. This increase, which could reach 20%, must be passed on downstream immediately.

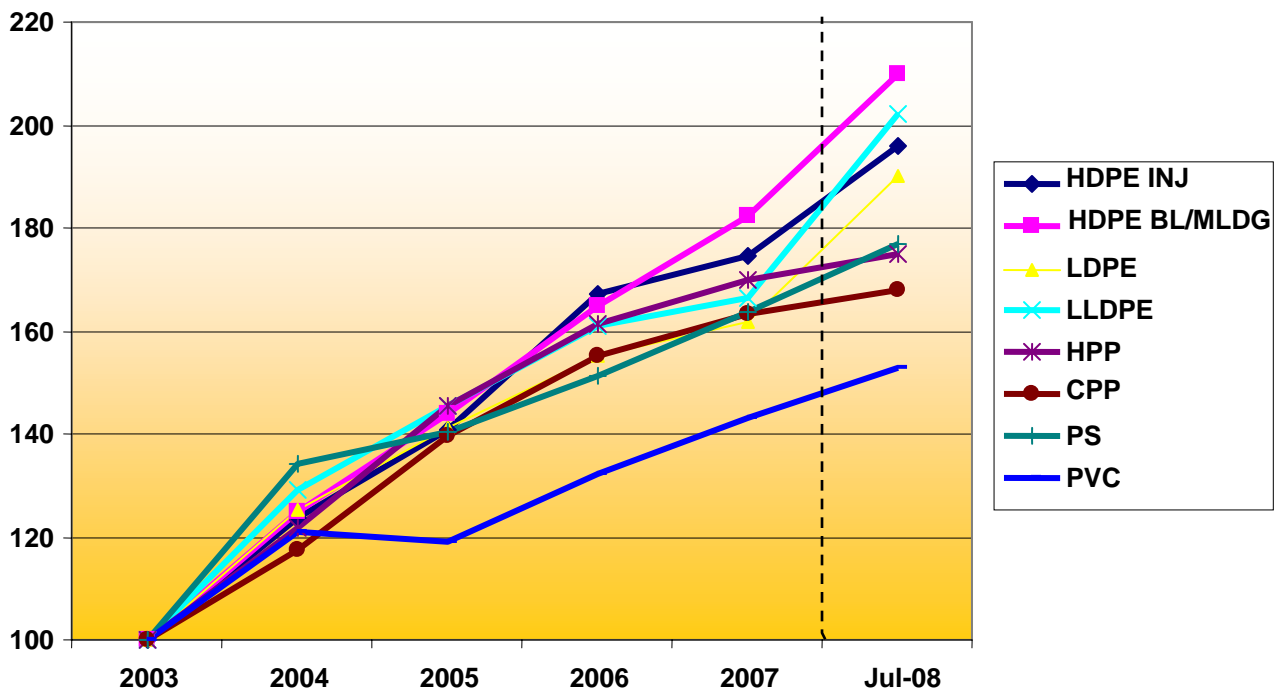
A continuous rise that accelerates

The problem of the raw materials' price increase, already addressed in the past by the Fédération de la Plasturgie, sharply imposes itself as a structural problem with which the plastic converters must now deal. This constraint comes as an addition to many others: exacerbated global competition, ever increasing pressures on prices and margins, supply problems, etc...

As an example, since January 2004, the price of polyethylene went up 90%, those of polypropylene and polystyrene went up 63% and 70%, respectively.

Example of evolution of plastics prices Annual average from 2004 to 2007 and index as of July 04, 2008

Source: Fédération de la Plasturgie according to ICIS Pricing
Index 100 in December 2003



The rises in prices of raw materials undergone by Europe come from a combination of several factors: an unprecedented rise in the crude oil price, an imbalance between supply and demand tied to the capturing of part of the production by Asia, and the determination of the chemical producers to get back their margins.

This upward trend brutally accelerated at the beginning of July with price increases of up to 10 to 15% within eight days, whether for commodity or technical plastics.

New increases to pass on imperatively

The plastic converters cannot escape these increases, their opportunities to negotiate the purchase price being close to nil. They also risk the termination of their supply contracts.

The answer to these increases has so far taken the shape of products and processes innovations, which limited the increase on the processed products.

But, facing the scope of the present increases, (€150 to 200 per tonne), no party within the plastic converters, whose average net profit rate is 2%, has the capacity to absorb this cost increase, which is certainly only starting.

Therefore, the Fédération de la Plasturgie informs the big ordering parties and customers of various sectors of the vital necessity for the plastic converters to pass on these increases downstream immediately.

About the Fédération de la Plasturgie :

The Fédération de la Plasturgie is the professional organization representing the industrial sector of the processing of plastics. This sector represents 3,700 enterprises in France, realizing sales of 30 billion Euros and employing 151,000 persons. With its member syndicates, the Fédération de la Plasturgie supports the enterprises in numerous domains: Economy, Innovation, Social relations, Employment-Training, Environment- Hygiene-Security.

The Fédération de la Plasturgie is an active member of MEDEF, GFI (Groupe des Fédérations Industrielles – Group of Industrial Federations) and of the European organisation EuPC (European Plastics Converters).

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