

CONSUMERS TO PAY MORE FOR ANYTHING PLASTIC

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Consumers will soon have to pay more for anything made out of plastic - from pipes and gutters for construction to consumer products with plastic packaging - due to a sharp rise in the price of the material worldwide.

Plastic prices have skyrocketed due to production interruptions at processing plants in the US because of the intense cold spell there in February, and also because of a shortage of raw materials for the production of plastics, Bloomberg reports.

Anton Hanekom, executive director of Plastics SA, says the prices of some new plastics are now about 30% higher than they were a year ago. Plastic is a by-product of the petrochemical sector and prices are therefore linked to the crude oil price. This week, the price of Brent crude oil was about \$72 [R985] per barrel, compared with \$39 per barrel last June.

In addition, disruptions in manufacturing and shipping due to Covid-19-related constraints and stronger demand as economies recover put pressure on stock levels, Hanekom says.

Sustained strong demand and limited supply of raw materials and/or resin pushed up the price of polyethylene, PET, polystyrene and polyvinyl chloride (PVC). According to the US department of labour, the cost of plastic pipes at the factory level in February was already 16% higher than a year earlier, reports Bloomberg.

PVC is used in the construction industry, and mining and engineering and agriculture, and for electrical and

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electronic applications, among other things.

In the construction industry, PVC products are used for water pipe networks, and waste-water pipes and gutters. There are also products such as PVC cladding, ceilings and floor coverings. In the electrical field, it is used for supply pipes and cable insulation, among other things, says Hanekom.

Bloomberg reports that PVC is on an upswing due to rising consumer demand worldwide, while America's PVC manufacturing capacity has been largely paralysed by the snowstorms in the states of Louisiana and Texas, and is not yet fully running, so supplies are therefore scarce.

Hanekom says PVC stocks in the US will hopefully normalise soon and that the supply of ethylene-based PVC from China will improve, but it could take up to six months for things to return to normal.

The price of high-density polyethylene, which is used for shampoo bottles and shopping bags, for example, is the highest since 2008, according to Bloomberg.

Hanekom says that the polymer used to manufacture plastic packaging is a commodity and is vulnerable to international price fluctuations as the price of crude oil fluctuates. As long as the high demand and limited supply in the plastics industry continues, the price of raw materials for plastics will also remain high.

Hanekom says that although suppliers of raw materials and manufacturers of plastic products can absorb the price fluctuations in the short term, the higher prices will filter through to consumers.

The agreements between buyers (retailers) and manufacturers often extend over a few years, with

limited opportunities to renegotiate prices.

The US is the world's largest plastics exporter and some prices have doubled in the past year, Independent Commodity Intelligence Services data from Bloomberg show.

Hanekom says South Africa produces certain grades of PVC for the local market and a small percentage for exports to neighbouring countries. The demand for specific grades of PVC that are not produced locally means that this PVC is imported. He says South Africa is dependent on an outdated PVC factory. Production comes to a standstill for a while every year for essential maintenance work, which affects supply. Any unplanned suspension in production worsens the stock shortage.

EuPC, a trade organisation that represents plastics processors in the EU, says that, according to the website packagingeurope.com, companies across the region are struggling to obtain the necessary raw materials to sustain production.

Although plastics processors increased production in the second half of last year after a sharp decline in the first half of the year due to Covid-19, the supply of raw materials has not kept pace with the higher production. Since December, the situation has deteriorated rapidly.

Plastics SA expects supplies from Europe to be low for the duration of the second quarter due to planned and unplanned factory closures.

Hanekom believes that once the impact of the recent natural disasters, factory closures for maintenance and the availability of cargo containers subsides, plastic prices will slowly begin to normalise.