Resin Plants Restarting, but Supplies Remain Tight

Texas Injection Molding invests $6.5M at custom plant
By Frank Esposito, Plastics News Staff

Some production of resin and feedstocks is returning to Texas and other parts of the Gulf Coast, but tight supplies and high prices are likely to continue at least through the first half of the year.

In the wake of Winter Storm Uri, which hit the region in mid-February, many material suppliers continue to have customers on force majeure sales limits or other types of allocation. Market sources contacted by Plastics News said that supplies of many commodity plastics are limited, if available at all. Some plastics processors throughout the U.S. already have made production cuts, while others are concerned they might need to in the next few weeks.

Automakers, including Honda and Toyota, already have made production cuts because of supply chain issues including foam for seating and microchips in a separate shortage issue. In a March 18 email, a spokeswoman for resin maker Dow Inc. said that all crackers on Dow’s U.S. Gulf Coast are operational except Sabine River, which will restart this month.

“We expect all assets impacted by the winter storm to continue to ramp through the end of March and into April as we manage a few raw material constraints and freeze damage is repaired,” she added. “In general, we expect our Texas assets to be at 80 percent rates by end of the month and full rates in April, which will enable us to begin to fulfill the backlog of demand.”

At resin maker LyondellBasell Industries, Media Relations Manager Chevalier Gray said in an email that the firm’s U.S. Gulf Coast manufacturing facilities “are finalizing storm-related repairs and have initiated the restart of some of our operations.”
A March 18 Bloomberg News article quoted LyondellBasell CEO Bob Patel at an industry conference saying that “today, we don’t have enough volume to even meet the needs of the domestic customers” and that Houston-based Texas Injection Molding LLC is investing $6.5 million in its custom-built manufacturing plant to make room for new blow molding operations and a substantially larger tool shop. The investment includes a Conair central material handling system and central water chilling system, two 85,000-pound silos for bulk material storage, two 10-ton overhead cranes and one 3-ton overhead crane. It also includes a dual-head blow molding machine for its new blow molding operation.

Since 2013, Texas Injection Molding has “almost tripled” its amount of equipment and “more than quadrupled the amount of sales to the point that the existing infrastructure we have here was just not enough,” Scott Kelley, president and co-owner, told Plastics News. “We have machines in places where we wouldn’t normally like to have equipment; we have low ceilings,” Kelley said. The new 65,000-square-foot facility, with space to add another 40,000 square feet, was custom designed by Kelley and CEO Jeff Applegate.

Patel added that two of LyondellBasell’s ethane crackers in Texas are back up and running, but a third in Corpus Christi will only start up in another three weeks, according to the article. He also was quoted saying that he estimates U.S. polyethylene resin production will be down 12 percent for full-year 2021. North American prices for commodity resins — including PE, polypropylene and PVC — are expected to be up again in March, although final amounts remain unsettled.

PP prices in the region are up an eye-popping 61 cents per pound since December as a result of strong demand and tight supplies of propylene feedstock. Since January, PE prices are up a net of 32 cents, with suspension PVC up 22.5 cents and solid polystyrene up 19 cents. PET bottle resin prices are up 6 cents since Jan. 1. Prices for most of these materials are believed to be at all-time highs.

During the recent online Plastics News Executive Forum, PE market analyst Mike Burns estimated that 60 percent of Gulf Coast PE production and 80 percent of production of ethylene production is back online. Burns, who is
with Resin Technology Inc. in Fort Worth, Texas, added that the U.S. PE market has lost 1 billion pounds of inventory since January and that some PE lots are being sold in online auctions at prices well above contact prices.

RTI PP analyst Scott Newell said during the event that 75 percent of Gulf Coast PP sites have reopened, but that actual operating rates likely are closer to 50 percent. Propylene prices for the month should be down, with so much PP production offline, he added, but resin prices are likely to be up.

“Supplies are short from [PP] pellets to finished goods,” Newell said. “There’s very little inventory throughout the supply chain. “Everyone’s worried that in two to four weeks they’ll run out of material or experience very severe shortages. These are the most challenging market conditions that I can remember.”

In a March 19 news release, officials with the Wood Mackenzie consulting firm in Houston said that as of mid-March, the U.S. olefins industry — including ethylene and propylene — “has yet to regain its footing with only 60 percent of capacity back in operation.” They added that while the supply of these raw materials dropped during outages, demand for their end-use products has not, sending ethylene prices to a seven-year high and prices for polymer-grade propylene to all-time highs.

Wood Mackenzie estimates that U.S. PE operating rates fell 33 percent in February, with PP operating rates down 36 percent. “These outages coincide with domestic consumption that has remained robust through [the first quarter], sending inventory levels of both polyethylene and polypropylene into a sharp decline,” they said.

Officials added that they expect PE and PP prices “to be elevated over much of the first half of 2021, supported by pent-up demand related to coronavirus recovery and weather-related shortages.”

A PVC resin executive contacted by PN said that although supplies of the material are improving as plants come back online, U.S. construction activity could be affected by inability to get PVC products. About 60 percent of U.S. PVC production is sold into construction uses such as pipe and
siding. The executive added that “we might be a month away from getting the material we need for construction” and that supplies of plasticizers, stabilizers and impact modifiers needed to make PVC compounds also are tight.

The ice storm and extreme cold also affected supplies of adhesives needed to make gaylords and other cardboard boxes needed to ship resin. Box maker International Paper of Memphis has told customers that their production may be affected as a result. In a recent letter to customers, materials firm Ineos Styrolution said it would use different-sized boxes to ship resin because of issues with corrugated box production. Resin distributor M. Holland Co. of Northbrook, Ill., said that some new boxes being used may not be stackable. “Such unstackable packaging should be clearly marked,” officials said. “In the interest of safety, we urge clients and our fulfillment partners to notify anyone involved in logistics operations to be mindful of the shortage and careful to heed warning labels that may appear on resin containers,” they added.