

<http://magazine.promomarketing.com/article/raw-material-shortages-continue-impact-ink-prices/1>

## Promo Marketing

### Raw Material Shortages Continue to Impact Ink Prices

**Ink prices for printers and decorators continue to increase as a result of limited materials and increasing demand.**

May 16, 2011

In order to help printers and converters understand why their ink prices may be on the rise, the [National Association of Printing Ink Manufacturers Inc.](#) (NAPIM), Woodbridge, N.J., is issuing a series of bulletins and press releases that provide insight into the raw material printing ink market supply chain.

This press release is an update to the [February 1, 2011 press release](#) and covers the availability of critical raw materials likely used in the inks that printers purchase in all of the major printing processes—lithographic, gravure, flexographic and inkjet.

Availability, driven by capacity and demand from competing regions and industries, continues to be the dominant factor on how much product any one manufacturer can obtain and at what cost. Some of the key raw materials causing price increases include: rosin, acrylic acid, carbon black, titanium dioxide, nitrocellulose, crude oil and natural gas, vegetable oils, and colored organic pigments.

#### **Rosin**

In all regions rosin remains in tight supply. In North America tall oil rosin (TOR) is very tight and under severe upward price pressure due to the global demand for TOR (driven by replacement demand of gum rosin and biodiesel demand in Europe) and has now hit price levels nearly equal to gum rosin. Although we are recently seeing some price stability, prices remain at an all-time highs. Since January 2010 the cost of rosin is three times more expensive and will likely remain at very high price levels for the foreseeable future. We are beginning to see some changes away from rosin to alternatives, but the alternatives also have supply and price issues associated with them.

North America has moved from a net importer to a net exporter, a number of suppliers of rosin based materials have decided to focus their efforts away from the graphic arts industry.

#### **Acrylic Acids**

Various production problems around the world and increased demand from other industrial applications continue to result in a tight market, rising prices and sales control initiatives from major producers. Styrene in particular has seen skyrocketing prices. As a result, the availability of acrylates remains tight as well. Certain specialty methacrylates are also in short supply. Polyamide resins have seen unprecedented raw material increases given competing end-uses of tall oil fatty acids (TOFA). Many supporting chemicals have started to move upward as well.

#### **Carbon Black**

A second carbon black supplier was recently purchased by a private equity firm. This is the second major supplier to be sold this year. The first was acquired by a competitor resulting in a consolidated supply base. Crude oil escalation is applying further pressure to an already constrained market. The availability of carbon black for the graphic arts industry has been significantly reduced due to the ongoing demand increase for tires.

#### **Titanium Dioxide (TiO<sub>2</sub>)**

TiO<sub>2</sub> continues its aggressive move upward as suppliers have announced their third increase for 2011; the latest a 10 percent announcement for June. Product remains tight and there is no available capacity for reallocation of volumes or growth. The increasing cost of energy, the ongoing consolidation of the market and the coatings industry are key drivers.

In addition, feed stock and key raw material availability and price pressures are likely to further drive prices higher in the coming months as producers attempt to stay in front of an increasing cost curve. A major global supplier of TiO<sub>2</sub> announced significant capacity expansion plans earlier this week (week of 5/9/2011); however the majority of this capacity is not expected to come on line until the end of 2014.

#### **Nitrocellulose**

Nitrocellulose supply continues to be very tight globally. Price pressure is increasing as well with increases implemented in the double digit range from most suppliers for Q2. If demand continues and cotton/wood pulp prices remain at elevated levels, there will be additional increases for Q3. Wood pulp producers are having production issues. The cotton linters growth was stronger in 2010 but the overall amount released to the market has not increased, allowing the value to increase for the farmers. In addition, cost driven challenges on cotton (floods in Pakistan and similar crop issues elsewhere) and the increased costs for wood pulp (demand) have had a significant upward impact.

There was a significant explosion at a European supplier's facility this month. They supply approximately 8 percent of the global market. This will most likely create additional turmoil with supply as well as accelerated price increases.

The overall growing demand of nitrocellulose coupled with higher value markets, such as pharmaceutical, cosmetic and explosives industries competing for nitrocellulose has caused a steady rise in cost.

#### **Crude Oil and Natural Gas**

The U.S. EIA expects that oil markets will continue to tighten over the next two years given robust growth in global oil demand resulting in a drawdown of world oil stocks and a reduction of surplus crude oil capacity. World crude oil pricing will remain dependent on several factors including continued unrest in the Middle East and North Africa and its potential impact on supply; decisions by key OPEC member countries regarding their production response to the global increase in oil demand; and the rate of economic growth, both domestically and globally. Natural gas inventories remain high during 2011 but market begins to tighten and prices increase slightly in 2012 as industrial growth improves.

#### **Vegetable Oils**

Soya pricing has continued to trade up at the Chicago Board of Trade due to high demand and the link to crude oil (biodiesel). Linseed and soya oil are keeping pace with petroleum oil. Linseed is tight, with elevated prices based on low plantings levels in 2010. Initial planting estimates for this year show a return to normal acres, however recent weather issues in the U.S. could have an impact. It is important to note that farmers in Canada have planted significantly less this year which will likely cause increasing prices.

Soy oil has keenly felt the devalued U.S. dollar as managed money pour dollars into commodities. A large South American harvest is coming into bins, and the U.S. is just kicking off the planting season (with cold wet weather pushing us a week or two behind normal averages).

#### **Colored Organic Pigments**

Due to the supply rationalization that occurred during the economic downturn and the significant increase in organic pigment demand for higher-end market segments, there is a tight global supply for organic pigments and key raw materials used to manufacture the pigments. In addition, the increased costs of environmental and regulatory compliance as well as high oil prices have increased the cost of basic chemicals and other raw materials (e.g., copper trading at an all-time high on the London Metals Exchange) used to manufacture pigments. The expectation is that this trend will continue throughout 2011.

#### **2011 Outlook**

In Q2 2011 ink manufacturers continue to expect feedstock inflation, tight markets and shortages. The outlook remains difficult with shortages on a number of key raw materials and ongoing inflationary pressure. As noted above, ink manufacturers will likely see increases with issues related to nitrocellulose, titanium dioxide and additives, as well as persistence of the issues in rosin resin and some pigments. Oil prices are expected to remain high in 2011 and subjected to high volatility with petrochemicals and oil derivatives following.

#### **About NAPIM**

The National Association of Printing Ink Manufacturers is a trade association tasked to represent the printing ink industry in the United States and provide information and assistance to its members to better manage their businesses. NAPIM provides direction through seminars, conferences, timely bulletins and day-to-day communications. For more information, visit [www.napim.org](http://www.napim.org).