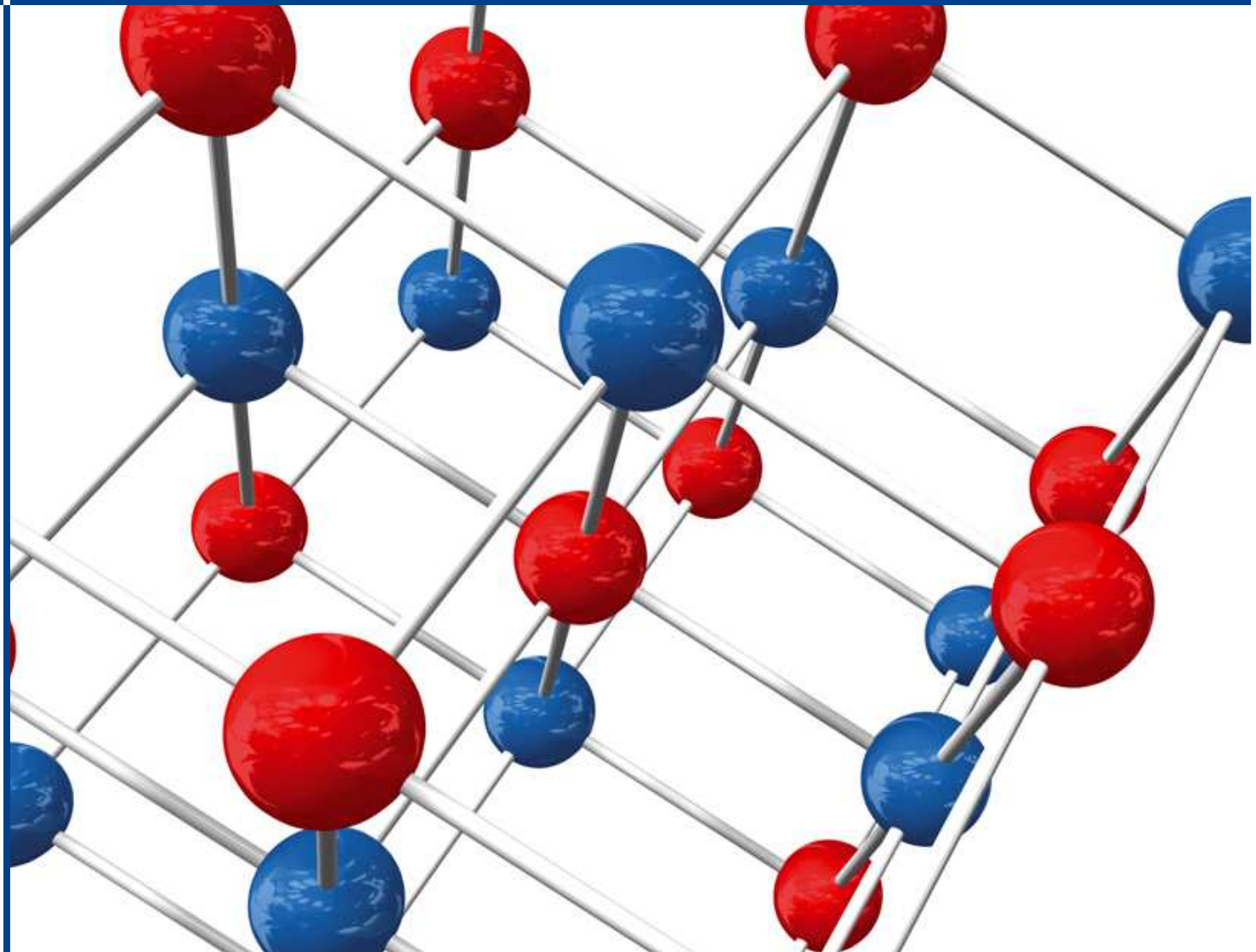




# Melamine Conference - Creon Moscow - October 9th, 2009





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**Global Melamine market:  
Current situation and future  
prospects**



## Melamine – global situation today

- 3rd / 4th quarter 2008 downturn started with global effect in following industries:
  - wood processing
  - automotive
  - construction
- Significant utilization decrease ( approx 30% )
- Inefficient production mothballed
- de-stocking at producers and consumers



## Shutdown & Reduction of Production rates

- AMI, GER 80kt: offline Feb. – April 09
- AMI, AT 80kt: offline April-June 09
- DSM, NL 40kt: SLP - offline since early 09
- DSM, ID 60kt: offline since March 09, just restarted
- ZAP, PL 32kt: (1st line) on and off
- IPCC, Iran 20kt: offline April – June 09
- Azom, RO 18kt: no continuous production
- SMR, ID 18kt: offline since Nov. 08
- Chinese several shutdowns of small productions,  
large producers running at reduced rates (minus 40-50%)



## Melamine – global situation today

- Significant decrease in consumption,
  - e.g. Ineos (31kt/yr to 19 kt/yr Ger / USA)
  - BASF Constr. (10kt/yr to 6kt/yr Ger)
  - Hexion (35kt/yr to 16kt/yr worldwide)
- Key accounts for Melamine in financial turmoil



# Melamine – global situation today

## **Suppliers will face substantial slowdown in 2009**

All the stars seem to be aligning themselves in the current crisis facing the furniture and supplier industry. A downswing on almost all relevant markets in rapid succession was intensified by unfavourable exchange rates. The downturn first surfaced in the US. Within Europe, the Spanish market, which had enjoyed high deliveries for a long period of time, and the Central European market, which had started in the second half of 2007. Central European market is turbulent.

## **EPF industry standard seems to be second choice at present**

European wood-based panels manufacturers are showing a clear trend of activity towards new limit values.

**Melamine manufacturers under pressure**  
For melamine resin manufacturers, the furniture sales channel. In an interview Anton Robek and Tim in recent months have fallen more severely than they say, has dropped to historic low. The reduced profitability will mean...

## **Decor paper industry finding it hard to leave turbulent times behind**

Europe's decor paper industry entered choppy waters last year. Three mills closed permanently and more sites' future hangs in the balance, with decisions due to be made as soon as the next few months, according to the companies in question. Even the remaining paper mills have long battled significant capacity utilisation problems.

## **Wood-based panels output reduced by 20-25 %**

Central European wood-based panels manufacturers have curbed their output even more since the fourth quarter of 2008 in reaction to sustained weak demand on European markets and an even sharper drop in exports. A number of businesses are now idling their plants at regular intervals depending on order intake and inventory levels. These stoppages are increasingly being conducted through short-time work or similar arrangements.



## Melamine – global situation today

- Prices are dropping since 4th q'2008 after increase in 9 consecutive quarters before

Price development





## New Melamine productions

MHTL, Trinidad	60kt/yr	start up early 2010
Qafco, Qatar	60kt/yr	start up early 2010
<hr/>		
<b>Sichuan Jade Elephant, China</b>	50kt/yr	started
(3rd generation of Tsinghua tech.)	50kt/yr	planned for end 2009
Chengdu Yulong Chem. / Jade Dragon	50kt/yr	planned for 2010 (?)
Hengze Yinzhu	50kt/yr	planned for 2010 (?)
<hr/>		
Shandong Liaherd., China	30kt/yr	planned for end 2009
Urumqi, China	30kt/yr	planned (?)
Jianfeng, China	30kt/yr	planned (?)
<hr/>		
Eurochem, Russia	50kt/yr	planned for 2011 (?)
Borouge (J/V Borealis / ADNOC), UAE	80kt/yr	planned for 2015 / later





## Situation of major Producers

### **DSM:**

- Sale of Fertilizer and Melamine business on hold
- Announced to improve customer service

### **Borealis / AMI:**

- AMI fully integrated into Borealis

### **ZA Pulawy:**

- Privatization process on hold



## Situation of major Producers

### **BASF:**

- Aggressive (spot) in merchant market

### **Cytec:**

- Expanded capacity to 80.000 mt/
  - running full capacity

### **Other producers:**

- I can tell you in a few months.



## Melamine – brutal facts

- Overcapacity will remain for the next years.
- Excess production will remain for the next years?
- Producers are not satisfied with the returns.
- Backintegration, development of raw material prices, plant cost, the financial concept and the supply chain are key factors for competitiveness.
- Consumers are not satisfied with their returns.
- Consolidation process will continue.



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WILL MAKE IT!**



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