

Market Update

Vinyl Glove Production in China

As your trusted supplier we wish to inform you about the most up-to-date market conditions associated with the products we manufacture, import, and distribute. As our valued customer, we are pleased to offer this timely update on the current market conditions that will affect the disposable glove markets.

Over the course of the past decade, we watched capacity increase tremendously for vinyl glove manufacturers in China. The increase of capacity led to a lot of competition in the marketplace and forced many manufacturers to seek out ways to become more competitive. Recently, the ones who did not find sustainable cost saving measures ended up closing or consolidating their operations with other manufacturers.

Today, we find a new struggle facing us with some of those same manufacturers who were able to weather the storm. Environmental policies related to concerns about air pollution are forcing some to temporarily shut down operations for overhauls to their facilities. These shut downs in addition to the reduction in resin supply are creating potential supply chain challenges for the industry which may impact glove prices.



Resin Shortages

There has been a significant reduction in resin production due to pollution concerns. The Chinese government restricted the amount of paste resin that may be made using “direct oil” method by 50-80%. Utilizing this method is most common in China because of the relatively low cost of coal used in the process. The primary remaining key suppliers are from Japan and the Middle East with higher priced resin.

Factory Impact

Many factories, including Vinyl glove factories, in Shijiazhuang, a city located in the North China Hebei Province, temporarily ceased operation on November 18, 2016 due to air pollution concerns resulting from their production process. The government is encouraging factories to convert their ovens from coal burning to gas burning. Negotiations are ongoing between the factories and the government. The current expectation is that the factories will be able to reopen on or around December 31, 2016.

The temporary closing of these factories has caused a shortage of vinyl supply in the market. There are total of 170 production lines shutdown in Shijiazhuang which is equivalent to an estimated volume of 1.7 million cases of gloves.

Air pollution regulations matching those set in the city of Shijiazhuang have not been imposed in other areas of the country, however, it is possible that the policies might be enforced in the future. The regulations are an attempt to reduce the release of volatile organic compounds (VOC's) into the air. It is important to note that many of their production capacities are full already due to the shutdown and the upcoming Chinese new year.

How will this affect you

We hope this information helps explain some of the factors that are influencing **AmerCareRoyal** and our glove manufacturing partners around the world. While the situation remains fluid at this time, as your trusted supplier, we will continue to communicate related information in an effort to minimize the impact these challenges will have on our customers.