



Market Update

An Update Regarding
Current Market Conditions

June 2017

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 markets.

We will continue to monitor the changing market conditions and provide information that will assist with your supply chain management.

Please do not hesitate to contact your local sales representative should you need further information.

Thank you for your business.

Glove Market

The glove market pricing continues to fluctuate as energy costs, environmental pressures and raw material costs impact manufacturing.

Materials — We have seen extreme pricing swings for materials. Two prime examples are raw latex (natural rubber) and butadiene (the main raw material of nitrile latex). Raw latex increased over 40% earlier in the year, has now come back down to January levels and is expected to rise again around August. The increase in car sales in China has led to increased demand for butadiene, a synthetic rubber used in tires and nitrile gloves. This increased demand has increased the cost of butadiene by roughly 50%. Glove manufacturers have in turn passed along the increases to their customers. The holiday and much higher rain totals than normal added to shipping and rubber harvesting issues as well.

Pollution — The Chinese government involvement related to pollution control has impacted capacity on vinyl gloves. VOC levels have been linked to both the energy source and the manufacturing process. Some facilities are converting their energy source from coal to natural gas, however, recent findings by the government feel that this conversion might not be enough. The VOC emissions from the manufacturing process are now under further evaluation and contributing to line shutdowns. It is estimated that all facilities combined lost out on 100 containers a day in December through January during the mandatory government shutdown. Some facilities now are only operating at between 50-80% capacity as they try to maintain safe air quality levels until they make the required upgrades while others have shut down lines indefinitely adding to supply and demand concerns. Pricing on vinyl will continue to rise in the foreseeable future with stabilization not expected until 2018.

Kraft Liner Board

Another area where we have seen increased exposure is with kraft liner board producers. With tight capacity and an increase announced at 10% to match raw material increases, it appears that the new pricing will stick. After going almost 5 years without movement, there have been two increases in the past 5 months.

Transportation

Transportation is another strong contributor to the pricing adjustments we have seen recently. The rates are up significantly as the shipping companies work to set sustainable rates in hopes of avoiding the HanJin fallout last year that created many shipping issues. The companies are still working through rerouting concerns that have caused a slowdown of vessels coming out of Shanghai. Rerouting, combined with constantly increasing volume and a backlog of missed shipments from last year have contributed to 1-2 week delays of vessels. The backlog and rerouting concerns are expected to dwindle in the coming months.

