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Siegwerk's raw materials supply chain under pressure due to multiple global cost drivers

Packaging ink suppliers are facing increased prices on pigment raw materials, petrochemical price increases and supply constraints and higher freight cost due to the reduced availability of containers.



This has resulted in significant pressure across the entire packaging ink industry, and, as a result, Siegwerk, a leading global provider of printing inks for packaging applications and labels is not immune to the supply difficulty these issues have caused.

"Already in 2021 we are seeing a combination of several factors which are interlinked with the COVID-19 crisis which has severely impacted the overall raw material supply chain," said Dr. Arash Babai, Director of Global Purchasing for

Siegwerk. “Our team is working hand-in-hand with our global supply chain to leverage its buying power and minimize risks to our customers.” Below is an overview of the three unique scenarios impacting the packaging ink segment.

Pigments

Prices around the globe have seen sharp increases in the first quarter for pigment raw materials, including titanium dioxide (TiO2). Key drivers for the increases include: high demand across all industries, greater domestic supply requirements and broad demand pressures and higher costs. While the actual costs vary widely from region to region, higher than average per ton costs have been aggravated by significantly higher freight costs.

“Beyond these developments, we continue to see broader market momentum in other pigment categories, such as Carbon Blacks, Metallics and Colored Pigments. In fact, we have received price increase notifications from multiple strategic suppliers”, added Dr. Babai.

Petrochemicals

Similar to pigments, petrochemical raw materials, which include UV resins, polyurethane resins, solvents and acrylic resins, have recently experienced higher prices beginning in Q2 2020. This is as a result of shortages of epoxy resins, higher demand for polypropylene glycol in flexible foams and acrylic acids, among other things. All have seen increases at varying rates depending on the location. In addition, due to the ongoing freight constraints, Siegwerk is experiencing longer delivery times and ongoing higher container shipping costs.

Freight

The underlining issue affecting much of global commerce is the disruption in the world’s shipping trade due to the erratic business requirements which the

Coronavirus pandemic has created for international customers. The transport of shipping containers has become disrupted with many containers now in the wrong part of the world. The gap between customer demands and short supplies has resulted in a severe global shortage.

Summary

To ensure customers receive an uninterrupted supply of its inks and varnishes, Siegwerk's Global Purchasing and Procurement teams are monitoring raw material inventory levels and supplies. Both are in constant communication with local teams around the globe to manage any risk of a disruption of supply from Siegwerk to the market. "While the overall situation is constantly changing, Siegwerk Is devoting all available resources to ensure our supply to customers is uninterrupted," concluded Dr. Babai.

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