

Printing ink producers face continued severe supply chain problems

Brussels, 2021-12-06 – Printing ink producers expect supply chain strains to continue throughout 2022. Even as some of these constraints ease and the recovery moves forward, there remains global uncertainty regarding a resurgence of the coronavirus, erratic consumer purchasing behaviours, and potential trade barriers.

The European Printing Ink Association (EuPIA) points again, following a communication earlier in 2021, to an aggregation of factors, mostly triggered by the COVID-19 crisis, which are severely impacting the overall raw material supply chain. Whilst EuPIA members continue to work tenaciously to minimize risks to customers, they highlight the economic pressures impacting the printing inks market below.

Global Supply Chains

The global economy is experiencing what most economists and supply chain experts say, is the most unprecedented supply chain volatility in recent memory. Demand for products continues to surpass supply and, as a result, global raw material and freight availability has been heavily impacted.

This situation, driven by a global pandemic which continues to cause manufacturing shutdowns in many countries, was exacerbated first by a homebound consumer base purchasing more items than usual and outside of peak seasons and, second, by the revival of the economy in all regions of the world, which led to a surge in demand. Add to that a crippled supply chain, reduced production in China due to the Chinese Energy Reduction Program, and a shortage of key raw materials.

For the printing ink and coatings producer – transportation and raw material shortages are causing a multitude of challenges. Feeding into this ‘perfect storm’ are numerous factors related to raw materials and freight transportation.

Raw Materials

Supply and demand imbalances for many critical raw materials used in the production of printing inks – vegetable oils and their derivatives, petrochemicals, pigments and Titanium Dioxide (TiO₂) – are causing significant disruption to EuPIA member companies.

Materials in all of these categories, to a differing extent, are seeing increased demand while supply continues to be constrained. Moreover, the demand volatility has caused increased complexity in vendors’ ability to forecast and plan shipments.

When looking at each material group, unique contributing drivers can be spotted:

- Pigments, including TiO₂, have surged recently due to increased demand and factory shutdowns in China caused by the Chinese Energy Reduction Program. TiO₂ has seen increased demand for architectural paints and wind turbine production.
- The supply of organic vegetable oils has been affected by unfavourable weather conditions in the U.S. and Latin America – at a time when Chinese imports and consumption of this raw material category has increased.

- Petrochemicals – UV, polyurethane & acrylic resins and solvents – have been rising in cost since early 2020 with some of these materials having demand increases outside of normal levels.

The market has witnessed a multitude of force majeure events which have further constricted supply and exacerbated an already unstable situation. As costs continue to increase and supply continues to tighten, printing ink and coating producers are increasingly affected by immense competition for materials and resources.

Packaging, Freight & Transportation

Packaging Materials:

The industry continues to face shortages in steel for drums and High-Density Polyethylene feedstocks used for pails and jugs. Increased demand in online commerce is driving a tight supply of corrugated boxes and inserts. Material allocation, production delays, feedstock, Force Majeures, and labor shortages all contribute to packaging increases. Extraordinary demand continues to outweigh supply.

Air and ocean freight capacity limits:

The pandemic has been a catalyst for abnormal consumer purchase activity (both during and after shutdowns), causing unusual demand within multiple industries and straining both air and sea freight capacity. Jet fuel costs have increased along with shipping container costs (in some routes from Asia/Pacific to Europe and/or the United States, container costs have increased 8-10x the norm). Unusual ocean freight schedules have emerged, and freight carriers are stranded or challenged to find ports to offload containers. Ultimately, increased demand and ill prepared logistics have caused a critical shortage of freight capacity.

Congestion at ports:

Due to the coronavirus pandemic, strict health and safety measures remain in place at global ports which is affecting port capacity and throughput. The majority of ocean freight liners are missing their scheduled arrival times and ships, which do not arrive on time, experience delays as they wait for new slots to open up. This has contributed to escalating shipping costs since autumn of 2020.

Truck driver shortages:

Another contributing factor is driven by a critical shortage of truck drivers in many regions but perhaps most pronounced across Europe. Interestingly, this shortage is not new and has been a concern for at least 15 years. It's simply been heightened due to the global pandemic.

The pandemic has disrupted international trade, driving up the cost of shipping goods and adding a fresh challenge to global economic recovery.

Print of all types remains an important medium for sharing news around the world, producing essential documents and signage, and to produce the packaging that protects, preserves and assists in the transportation of food and other essential goods to societies around the world. The value of printing inks and coatings is undeniable, and the industry is committed to working together to ensure continuity of supply as we move forward against these continued headwinds.

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