With Great Growth Projected, Is Your Company Ready?

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DHL Global Forwarding held its first annual U.S. Chemicals Supply Chain Conference on May 13 as part of DHL Global Forwarding's strategy to ramp up its chemical offerings and prepare for the expected growth of chemical production in the U.S. in the next five years. According to the American Chemistry Council, production in the U.S. is expected to grow by almost 25 percent, pushing industry shipments to $1 trillion by 2018. It is deemed one of the largest industries in the U.S., a $770 billion enterprise.

The conference included special guest speaker Satish Jindel, president and principal consultant of SJ Consulting Group, Inc. who has worked in the transportation and logistics industry for more than 25 years. An industry thought leader, Jindel has been working with various companies on their transportation and logistics strategy, marketing, pricing, merger and acquisitions, and providing operational advice across multiple industries.

"With chemical production projected to grow annually over the next five years, increased attention to safety in transporting of chemicals and tightening of capacity means companies shipping these goods may be subjected to sizeable rate increases in coming years," said Jindel. "For those involved in the chemicals sector, this type of event is important to gauge what is on the horizon and to plan overall and improve their supply chain."

During the event, the challenges, different modes of transport, security and various global economic factors pushing the industry's growth in Europe and shale gas production in the U.S., among others, were discussed. *Chem.Info* sat down with Tim Robertson, an expert from DHL, to talk more about the

projected growth in the industry and how companies need to prepare for it.

What is causing the great (projected) growth in the chemical industry?

Mainly the U.S., the Middle East and Asia have driven global chemical growth, according to several reports, including ICIS Chemical Business. The U.S. chemicals industry has been bolstered by increased demand for plastic and rubber products, appliances, computers and electronics. U.S. automotive manufacturing demand has been one of the key catalysts fueling the chemicals industry. Shale gas is driving the expansion but when you drill down even more the ethane it produces is surpassing liquid gas as the most significant basic material, both as an energy source and as a raw component for plastics. There is also a boon in the Asia chemicals industry. But while Asian chemicals production, excluding Japan was projected to increase by 8 percent in 2013, keep an eye on the U.S. chemicals industry in 2014, which has rebounded due to improved company margins and strong credit conditions, thanks to the recovering U.S. economy. According to IHS Chemical Week's Outlook 2014, U.S. chemical production is expected to rise in 2014 and even more in 2015, in large part due to low-cost shale feedstocks.

Currently, there are 148 chemical projects, valued at $100.2 billion that have been announced in the U.S. which are directly linked to the use of shale gas as a feedstock or energy source.

What are the biggest concerns companies have or should have when preparing for this growth?

Volatility and competition. Volatile market demand impacts both inbound and outbound material flows. In Europe, industry leaders are concerned about increased competition. They are also facing feedstock cost and business climate pressures,

and an outdated infrastructure, according to IHS Chemical Week.

Key disruptive developments for the chemicals industry include the advent of large industrial zonesin emerging economies. These will change the economic landscape, leading to more decentralized production and competition in mature regions. The related logistics costs and physical constraints show significant volatility. In addition, financial and economic uncertainties could hamper worldwide growth. Factor in potential terrorism, political unrest, and social turmoil and growth could stagnate even more.

A recent KPMG survey of 100 global chemicals executives revealed major economic concerns included the U.S. fiscal cliff, the susceptibility of chemicals companies to outside ‘economic shocks,’ and a potential slowdown in emerging markets. The Eurozone debt crisis was cited as another key issue.

How do you think the new GHS Standards and regulations like California’s Green Chemistry laws will impact companies as this growth occurs?

Developed by the United Nations, GHS classification and labeling of chemicals is an attempt to get everyone on the same page. I think it is healthy for the industry, and helps to alleviate regulatory confusion. Green chemistry essentially replaces the TSCA Act of 1976 and represents a major shift in industrial manufacturing. Its proactive approach is good for the industry, and its acceptance across the board means there should be little negative affect on business.

What were the best take-away points from the conference?

Some of the best take-away points and key components from the conference were CBP priority trade issues, trade facilitation, trend analysis and common importing mistakes. Among the top concerns for the customer is global trade compliance and that each country has specific requirements that are difficult to track.

The chemicals sector is predicted to double in size by 2030, and market leadership will be won by companies whose business models can master key elements such as sustainability, volatility of demand, new sources of competition, commoditization, access to feedstock and economic uncertainty. In addition, several important chemicals industry trends are occurring:

• Feedstock dynamics are changing the market

• Merger & Acquisition activity is growing

• Supply chains are increasingly globalized

• Financial & operational cost pressure continues

•Increasing standards of regulatory requirements

•Risk mitigation (geo-political events and other factors)

DHL provides the chemicals industry with the know-how and services needed regarding hazardous goods and supply chain documentation and visibility. The goal of DHL Global Forwarding's U.S. Chemicals Supply Chain Conference was to provide an open forum for our customers to express their transportation and logistics needs as well as to discuss trends impacting the sector growth over the coming years.

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