

**Brussels, 19 October 2020**

## **Force Majeures at European Polyol and Diisocyanates Producers and an extended Gulf storm season in the US disrupt supplies for Flexible Polyurethane Foam Manufacturers**

Demand for flexible polyurethane foam for the comfort sector (bedding and furniture) in Europe has been strong since June and is expected to remain high in the coming months. Demand for foam in the automotive sector is also picking up positively over the past weeks. The ability of foam producers to answer demand is however being challenged by the availability of raw materials.

Since August, successive storms in the Gulf of Mexico have prompted suppliers of polyols and diisocyanates to declare force majeure at plants in Texas, meaning that imports from the United States of key chemicals used to produce flexible polyurethane foam have largely come to a halt. This situation is expected improve from late October.

In Europe, the supply of raw materials also tightened over the summer:

- For MDI, force majeure was invoked at a plant in Germany at the end of July. One plant in the Netherlands was under annual turnaround between the end of May and the end of July, while another one was under turnaround for the whole month of August. So stocks are low and prices have increased strongly over the past months. Foam producers do not report supply issues for mainstream products but there is some “tightness” for some specialty monomeric based products.
- For TDI, the situation is very different. Annual turnarounds were carried out as planned in August and September at 2 European producers, although stocks would have been running low over the period. The expectation was that the situation could be managed. This changed dramatically when force majeure was invoked at a producer in September, and then at another one on 14 October, for an undefined period of time, after a major breakdown following maintenance. This means that most major producers are either shutdown or running at significantly lower levels. Also the availability of supplies from other regions (e.g. APAC) are hindered by the strong increase in demand of the Chinese market.
- Following an earlier claim of force majeure at a polyol plant in Spain over the summer, a major European polyol producer has in September claimed force majeure until November at its plant in the Netherlands. Supply for polyols is very tight with major foam producers reporting that they are just about managing to obtain the materials they need. As a result of overall polyol shortage, prices have increased sharply. Also, here specialty grades have been particularly affected.

This situation creates major difficulties for flexible polyurethane foam producers, who have to juggle with both the availability of raw materials and orders from their customers. Indeed, when they are unable to source the full variety and required quantities of both polyols and diisocyanates to produce all types of flexible polyurethane foam in their portfolio, they cannot satisfy the needs of all their customers. In that case, they have to manage scarcity, usually prioritizing complex supply chains where many actors depend on a stable foam supply.

Reacting to the situation, Eric Van Lancker, President of EURO-MOULDERS, the European Association of Producers of Moulded Polyurethane Parts for the Automotive Industry, said: “As if 2020 had not already been difficult enough for the automotive supply chain, our member companies are now also experiencing difficulties to get sufficient raw materials to honour their orders from the OEMs. When people can eventually obtain polyols or diisocyanates, in the context of this global tight supply situation, prices are of course sky rocketing. If supply is not restored rapidly, there is a real chance that some foam producers will have to invoke force majeure too, which would have effects throughout the automotive supply chain”.

Bart ten Brink, President of EUROPUR, the European Association of Flexible Polyurethane Foam Blocks Manufacturers, said: “This is now the second time in three years that our industry is experiencing severe difficulties in supplies of raw materials and extreme price instability. I really encourage the supply chain to think about security of supply. Our industry is becoming extremely fragile, as any combination of storms and plant breakdowns can have serious consequences all over. It is not good for our industry that demand for foam is strong and that we are actually not able to supply as we would wish to. Such situations actively encourage some customers to look more closely at competing materials with greater security of supply and price stability”.

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**EUROPUR** is the European Association of Flexible Polyurethane Foam Blocks Manufacturers, representing slabstock foam producers from 28 countries in Europe. **EURO-MOULDERS** is the European Association of Producers of Moulded Polyurethane Parts for the Automotive Industry.

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