

PLASTICS PROCESSING IN UKRAINE HAS REDUCED **BY ONE THIRD**

Ukrainian producers of plastic packaging and pipes have become the victims of complicated international relations between Russia and Ukraine and the war in the East of the country. According to the Marker Report Analytical Company's statistics, Ukrainian plastics industry have reduced production by 30% in average from January to August, mainly because of reduction in raw materials supply, the main source of which was Russian.

Processing has been reduced

In particular, as a result of the eight months of the current year, PE consumption in Ukrainian plastic industry was 152 thousand tonnes, which 27% less than in the same period of 2013.

According to Market Report, consumption of HDPE has become the most affected. The processors confirm they are experiencing problems with purchasing HDPE. "We had serious problems with HDPE supply in August and September", says Yuri Dotsenko, Director of Yurpak. According to him the supply was disrupted by war. "Ukrainian consumer has become insignificant to the exporters of PE raw materials. It has become less financially stable and there are logistics hurdles at supply to the Ukraine. It is much more interesting for Russian and European PE producers to work with the consumers from EC or other countries", complains the processor.

Therefore, it is a vicious circle: Ukrainian plastic industry have slightly reduced the demand for raw materials due to the general downfall and difficult political situation, the suppliers have changed the supply markets and chose the customer who can pay. As a result of this, Ukrainians started to get less than they are able to pay for. "Now our production output is only 40%", notes Dotsenko. They are expecting a better supply of PE into Ukraine in October and processing volumes will pick up, said Dotsenko.

Belarus instead of Russia

The situation is even worse with LDPE. The supply of LDPE was record low. "The total import volume of LDPE into Ukraine had dropped to the lowest level within the last 4 years – to 4.78 thousand tonnes (7.8 thousand tonnes was supplied to Ukraine in August 2013). The significant reduction of supply was from Russia and was down to shortage in

the internal market of the country", said Sergey Karaichentsev, Monitoring department Manager of Marker Report Company.

It is quite interesting that traditionally the LDPE was mainly imported into Ukraine by Russian Tomskneftechim of SIBUR Holding. Due to the fact that the company decided to reduce the supply to Ukraine, Polymir, Belarussian producer, became a leader (23% of total volume of supply from January to August and 28% in August). Tomskneftechim has reduced export of LDPE by 60% to 9.5 thousand tonnes within eight months and Polymir has increased it by 22% in the same period to 12.7 thousand tonnes.

The prices are growing

While PE import and processing in Ukraine are crumbling, the prices for the produce are growing and reaching record levels. In August, for example, the price of LDPE and HDPE reached 27 thousand hryvnyas per tonne. It is a maximum mark within the last 7 years. For example, in 2007 the average price of PE was no more than 9 thousand of hryvnyas per tonne.

The situation with plastic processing could have been improved by giving the distributors and processor an access to cheap credits. This idea was offered by the processors themselves. Russian suppliers are used to work with Ukrainian partners not only by pre-payment. Their European counterparts are more loyal towards Ukrainian consumers of raw materials, however, they are more interested in supplying their own demand in the season. The current situation on the plastics market will hit the end user hard with more expensive product. For example, the producers of PVC-profiles have already announced the price per square meter in dollars, which strikes all who wanted to change the windows for the winter.