IQChem Newsletter

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IQChem Inc.
Benkenstrasse 254
CH-4108 Witterswil

Telephone +41 (0)61 721 95 40
www.iqchem.com
info@iqchem.com

Dr. Alfred Betschart,Chairman

Editorial:

Historically speaking, it has been just a short time since I started sourcing colorants as head of Clariant's (Sandoz's) China office in Hong Kong during 1990. But very much has changed since that time when travelling in China was still an adventure. Most notably it is very easy to contact both Chinese and Indian suppliers, some of them are present in Europe. What also has changed over the last twenty and some years is the number of Asian suppliers able to produce pigments to a quality and consistency required by the world market. Even if we assume a certain concentration amongst the potential suppliers in the near and not so near future, the number of pigment producers in Asian will remain high – particularly in comparison to Europe, where we have two giants and a handful of smaller competitors.

It is this huge number of potential suppliers which forms the *raison d'être* of IQChem's business model. As an independent company in the pigment business, IQChem can procure its pigments from the most attractive partners. We are not and do not want to be bound to any Asian producers by financial commitments, cross-ownerships and similar agreements. Instead of financial links we prefer the approach called in Chinese *guānxì* – connections – to learn who has the best quality in the market at a reasonable price and of course to maintain relationships with our local Asian partners.

The key factor to be successful with such a business model is technical competence. With Bruno Piastra, who built his reputation with Clariant and its pigment business providing expertise of R&D, application and sales & marketing, we have a CEO with whom you can discuss any technical problem in the field of pigments. And of course, there is our laboratory on which we heavily rely upon when talking about the quality of our pigments.

The biggest challenge for all suppliers will be the registration of their pigments under REACH. At present it would appear only a few Asian suppliers will register themselves, this means that the duty will stay with the European importer.. Several years ago IQChem AG found an affiliate in Germany to assure compliance with REACH and as a new member of the POLYGON group, IQChem will be able to draw on the group's financial resources, when required, to finance the cost burden associated with registration.

Independence, market know-how, technical competence and financial strength, these are the values on which IQChem's future is built.

 ***Dr. Bruno Piastra, Managing Director***

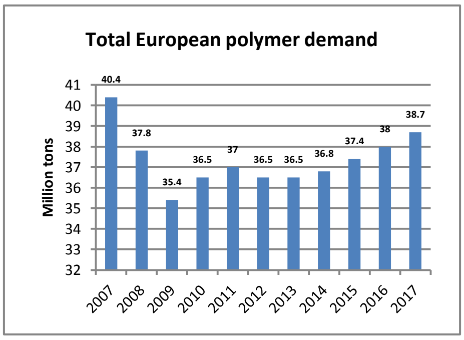
Pigment and dyes market:

The global demand of pigment and dyes should be growing by 4% in 2014.

The interior architectural coating segment continues to improve, still dependent on the housing market. The ink market is profiting from the growth of ink volumes for the packaging market, in particular for food packaging. The demand for high quality pigments is growing in this sector as well. But the sector seeing the best growth is probably the packaging ink for plastics. High performance pigments are of special interest in the field of low migration inks.

Inks for textile printing require also high quality pigments, especially when Oeko-Tex label is foreseen.

Plastics industry activities are easily monitored by the polymers demand. In Europe, the demand was flat the 2 last years, at a level of 36.5 million tons in 2012 and 2013. If a slight increase is foreseen, 5% over next five years is estimated, the differences can be notable between polymers and countries.



PVC is definitely suffering as 70% of its consumption goes in the building industry (window-frame, pipes cables and flooring). Polypropylene and some engineering polymers have been affected by the decrease in the European automotive production. The packaging sector is maybe one sector which is still growing, a positive sign since it accounts for half of the polymers processed in Europe. In southern European countries, the fall in volume has probably been the most severe, mainly due to the decrease in purchases of appliances and consumer goods. Germany, sustained by high volumes of exports, is the country in Western Europe that has been less impacted by the general decline, compared to their neighbors. Central Europe continues to have a positive development, this trend being supported by the automotive sector . Poland is certainly the most dynamic country, profiting of the appliance manufacturing and packaging sectors.

Supply situation in China:

In 1994, when I started my carrier in pigment R&D at Clariant Huningue, we were already sourcing intermediates from China. At that time most of the conventional chemistry, nitration, sulfonation, chlorination, had already been shifted to the Far East, this was mainly due to the increasing pressure created by changes in pollution regulations, and also as a consequence of the high production costs for basic chemicals in Europe.

Today the history seems to repeat itself in China. The Chinese Government has enforced a strict environmental policy. Since the implementation one year has passed already, with a clear acceleration at the end of 2013. China will "declare war" in the battle against pollution, Premier Li Keqiang said in March at the closing of the National People's Congress session.

Controls have been intensified, sanctions and penalties have followed. In July, a Chinese chemical company in East China's Zhejiang province has been fined 20 million yuan ($3.25 million) for illegally discharging waste water and polluting the environment. The fine is the largest sum handed down for pollution in the province.

As a consequence a few companies had to stop production, some have seen their production capacities reduced due to control of effluents, some will have to move in the near future because of the rapid urbanization in some areas. Plants producing chemical intermediates have been the first to be affected. This has created a shortage of some raw materials, disruption in the supply chain and price increases, up to 20% for certain items. In some cases, with a significant effect on the end products. Solvent dyes have been particularly affected, leading to high volatility on prices.

Exceptional events, like the explosion of a diketene plant in the Jiangsu province in April, are further damaging the supply situation.

Price increase of azo and specialty pigments are to be foreseen, when not already announced by some large suppliers.

Availability of raw materials will continue to drive the supply chain of organic pigments and pricing at least during the last part of the year. Our local partners are regularly updating us with news about the supply situation and price evolution. This situation is also leading to the consolidation of suppliers. Therefore the sustainability of the producers in China, remains a critical sourcing factor. In November last year during my last trip in China, I had the opportunity to visit a few plants with our partners. I could see the huge investments they have made to modernize and increase the capacity of their wastewater treatment plants. This is clearly a must for their sustainability.

To work only with large and sustainable producers has been one of IQChem’s principles of doing business in China for many years.

Products and challenges:

Regulatory requirements will soon lead to the phase-out of lead chromate pigments in Europe. Some historical producers announced long time ago their intention to exit this business. Organic pigments with high opacity and good resistance can be used as alternatives. PY 151 can be used for the greenish shade, PY 83 or PY 139 for the reddish shade for example. We have several projects running with a few customers on this topic.

PR 177, an anthraquinone pigment, is also affected by some supply issues. We have a drop-in alternative for this item. Don’t hesitate to contact us or our local partner.

IQChem looks for new products:

In close collaboration with our partners in China, we continuously bring new products to our customers.

I have spent about 10 years in pigment R&D, and our main focus, besides the discovery of new chromophores, was process optimization for cost saving and environmental concerns. Based on a strong technical know-how, we are able to support selected producers in order to optimize processes and fine tune high quality standard. This allows us to strengthen collaboration with our suppliers and to foster the development of new targets.

With our partner in China, we have been able to develop a good quality of **PR 168**. This pigment is mainly used in the architectural coating segment. We have recently introduced this product in our portfolio with positive feedback from our customers. For more details please consult our Newsflash #3 on our website.

Our products are approved in our laboratory in Witterswil, where we perform our quality control in paints and plastics. Our technician, Ulysse Brigenti, has worked for many years in the QC & development laboratory for preparations at Clariant Huningue. He has extensive experience in the testing of organic pigments and color matching.

IQChem strengthens its marketing presence:

IQChem has a global marketing presence. Our commercial network is based on local agents and distributors, with vast experience in the coating and plastic industries.

In Germany/Austria & Switzerland, **Polygon** is promoting our products in the coating sector. With its four sales managers, Polygon is our key partner in the largest market in Europe. The pigment pallet is an add-on in its portfolio of numerous products, including additives for the paint industry.

In France and Benelux,as well as in the German plastics sector, **Eukem** is representing us on the market. Bruno Salle de Chou has worked many years in the additive business for Ciba, and has been collaborating with IQChem since 2011, enlarging his domain of competence with organic pigments.

In UK, **Devine Chemicals** is promoting our pigments in the coating and plastics sectors.

In Italy, we collaborate with **Came** in Orrigio (MI) in the coating business. Verena Cepparulo, MD of Came, strengthened his team last year with a new collaborator, Simone Caielli, whom has many years experience in the pigment business .

In Turkey, we are represented by **NAG** in Istanbul. Having made his carrier in the pigment business, Nuvit Gurbuz, along with his son Ali, is our cornerstone for the Turkish market, where we are present with the main paint producers.

At the beginning of 2014, we concluded a distribution agreement with **Incoplas** in Indonesia, expanding our presence in a very dynamic and growing market.

Incoplas is a distribution company of specialty chemicals in Indonesia. “We have local and global partners to provide our customers with high standard quality products. We are a domestic investment company with constant growth and expansion”, says Heru Kristianto, Managing Director. Heru has worked many years for Clariant Indonesia in the pigment field.

Incoplas also sells and distributes various other specialty chemical products from many foreign partners.

The company is located in Tangerang in the Province of Banten, 20 km west of Jakarta.

Where you can meet us at forthcoming events:

- Eurocoat : 23-25 September in Paris
- Ramspec : 2-4 October in Modena
- Fakuma : 14-18 October in Friedrichshafen
- Paintistanbul : 23-25 October in Istanbul, come to visit us at hall 1- booth H11
  - http://en.paintistanbul.com/

- ECS 2015: 21-23 April 2015 in Nürnberg, we will be present as exhibitor.