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# 'Smooth waters don't make strong sailors': How packaging producers handle fluctuating resin prices

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Watching the dramatic aerial footage of the Ever Given stuck diagonally in the Suez Canal in March may have not immediately made viewers think of plastic packaging, but this was just the latest event to impact the price of resin - an issue that refuses to go away. So how are plastic packaging producers handling the price fluctuation in order to smooth the waves for their customers, and protect their businesses? Emma-Jane Batey reports.

The price of resin is not generally dinner party conversation. But not only are we not having dinner parties at the moment, nor can we ignore the fluctuating price of resin. And not just for social small-talk reasons; it impacts on us all, as packaging professionals and as consumers. The reason resin pricing has hardly been in the broadsheet headlines until now is that, essentially, it muddled along fine until 2020, and even relatively fine until 2021. Sure, it's had its ups and downs, but haven't we all?

But the grounding of the Ever Given on 23rd March 2021 was the media-friendly wake-up call that brought the issue of global shipping and our reliance on it to a wider audience. The sight of that very-nearly 400 meters-long container ship, one of the world's largest, and its 20,000 containers stacked up like Lego bricks, wedged in the world's busiest shipping channel, holding up at least 360 vessels behind it, showed how one force majeure can create a devastating international ripple effect.

And yet the grounding of the Ever Given, which was essentially over within nearly eight days, was not the only force majeure to impact on the global price of resin in recent months. February 2021 also saw Storm Uri hit Texas, with the major petrochemical producing region of Houston particularly badly affected. The resulting power outage caused over \$195 billion in damages, paralysing the petrochemical industry locally and resulting in huge repercussions nationally and internationally.

All this before we even mention Coronavirus. Safe to say that the last year hasn't been Easy Street for plastic packaging producers, if it has been for anyone other than antibacterial gel manufacturers.

Aleksandr Levchenko, head of procurement and logistics at packaging producer RETAL, explains how maintaining transparency with suppliers and customers continues to be a crucial element in mitigating the impact of the fluctuating price of resin. "There are enough challenges when everything is running smoothly, so when crisis after crisis happens, it is time for us to really pull together. But it is not a time to panic.

«We make commitments to our customers and we must honor them; we have to be flexible about buying cargo in bulk and be able to communicate with real-time data to know what we have, what we're getting, and when we're getting it.»





## All in the same boat

Flexibility is key when stability is not on offer. Levchenko notes that logistics costs can be higher and safety stocks must be carefully managed. “All our competitors have the same circumstances to work with. Indexes do not reflect the whole situation as they include different grades of resin for different applications, whereas we are concerned with PET.”

Justina Volcek, product development specialist at PET resin and polyol producer NEO GROUP, agrees that while the indexes may differ from reality, this brings with it opportunities to circumvent issues - when handled carefully. “Price and availability of raw materials are the problem, it’s not just one or the other. PET production is continuous, 24/7, 365 days a year, so we can’t just stop it even if we wanted to, and it’s the same for our customers, as it can take up to two months to restart production with all the necessary cleanings.

“Maintaining a supply of raw materials is paramount and it’s up to us to keep that flow through continuous monitoring of the market, seeing where containers are available, and being prepared to act quickly and decisively.”

With NEO GROUP and RETAL sister companies at RETAL Industries, the teams can communicate in a quick, clear, and easy manner – a valuable commodity in difficult times. Levchenko says, “Our vertical integration is a huge advantage in terms of security of supply because we have an extra layer of openness.

«We’re like family; you might not always like what they say, but they have your best interests at heart. The fluctuating pricing and availability issues we’ve seen in recent months are now showing positive signs as each of the force majeure recede, so now we’re focusing on accurate forecasting.”

‘Accurate forecasting’ has certainly taken on a new meaning now that all industries are accurately aware that anything can happen. Buying on spot base or on short lead times are not practical solutions for unforeseen complications as everyone is trying to do the same thing. The only way to maintain the least fluctuation possible in terms of supply is to accurately share real-time data, and to create - and honor - contracts that have been carefully designed to meet demand, with allowances for straight-talking when everyone is in the same run-around boat and keen to get sailing again.

