



# Supply and Demand Driving Costs Higher in 2021

*North America - July 2021*

## FEEDSTOCK AND ADHESIVE RAW MATERIAL UPDATE

- While supply is expected to improve, many key feedstock and raw material suppliers remain on force majeure or sales allocation.
  - Hot melt polymers extremely tight (EVA, SIS, etc.)
  - Water-based VAEs extremely tight
- Market will remain short to tight depending on the material for the rest of the year as demand is very high and suppliers have not yet replenished their inventories.
- The supply chain remains vulnerable to any unplanned issues as most manufacturers have little to no inventory (ex. hurricanes, unplanned maintenance, logistical issues, etc.).

## FREIGHT RATES CONTINUE TO RISE IN NORTH AMERICA

Truckload and LTL freight rates continue to rise based on multiple factors. According to C.H. Robinson, a large logistics 3PL in the U.S., factors include:

- Demand is outstripping supply at unprecedented levels, and has been for longer than historical norms
- Hiring and retaining drivers is a significant issue, requiring multiple driver pay increases already in 2021
- Manufacturing is competing with ecommerce/retail for limited LTL capacity
- Cost to operate a truck outpaces Consumer Price Index
- National average van line haul rates have gone from 2.59 in April to 2.74 in July

Sea freight shipments continue to be an issue, no relief in sight:

- Global freight forwarder DHL describes ocean freight environment as “an enormous traffic jam” with transportation delays likely to continue into 2022
- According to Freightos Baltic Index (FBX) rental for a 40' Container has gone from \$1500 to \$6000+ in 2021, and companies are paying double that to get a guaranteed delivery date. Costs will rise again in Q4.
- Lead times from 8 to 16 weeks, extending further in Q4
- Retailers, such as Home Depot and Amazon, are now contracting their own container vessels, which will take more capacity out of the market.



## FEEDSTOCKS AND RAW MATERIALS: COST INCREASES CONTINUE

The adhesives industry continues to see significant increases in key feedstocks, raw materials, and packaging materials. In Table 1 on this page you'll see that for many materials there are **incremental** increases happening **quarter after quarter**. Prices for packaging materials, such as corrugated, steel, and plastic resins are also up considerable amounts year over year and supply is scarce.

## INFLATIONARY PRESSURES WILL CONTINUE TO DRIVE COSTS UP IN 2021

- The Consumer Price Index for All Urban Consumers rose another 0.9% in June after increasing by 0.6% in May, for a total of up 5.4% over the last 12 months.
- Labor tightness and a manufacturing skills gap are making it harder and more expensive for manufacturers to attract and retain workers. "We're seeing rising cost pressures due to workforce shortages and demand exceeding supply", said National Association of Manufacturers CEO Jay Timmons.

## OUR COST TO SERVE HAS INCREASED

In addition to material and freight increases, the cost to serve our customers in this environment has increased. In order to meet customer needs we continue to expedite more materials, execute shorter manufacturing runs, split more deliveries, and utilize alternative, higher cost sources and service providers to ensure supply and delivery. One example of this is paying a premium to guaranteed drivers in this volatile logistics market. In order to continue our level of service, we must increase our prices. We appreciate your patience, collaboration and flexibility as we work through these challenging times together.

**For more information, please contact your sales representative.**



For more information about our company, visit [www.hbfuller.com](http://www.hbfuller.com).

Table 1

Hot Melt	Q1 2021	Q2 2021	Q3 2021	Q4 2021
SBC	+8%	+14%	+16%	+8%
MPO	+0%	+13%	+15%	+10%
EVA	+2%	+14%	+17%	+1%
RESIN	+0%	+2%	+12%	+1%
OIL	+2%	+12%	+16%	+12%
WAX	+0%	+6%	+5%	+5%

Water-Based	Q1 2021	Q2 2021	Q3 2021	Q4 2021
VAM	+14%	+25%	+0%	+0%
ACRYLIC MONOMER	+12%	+28%	+4%	+0%
PVOH	+0%	+20%	+9%	+11%
ETHYLENE	+17%	+30%	+0%	+0%
BENZOATE	+2%	+11%	+4%	+0%

SPECIALTY	Q1 2021	Q2 2021	Q3 2021	Q4 2021
POLYETHER POLYOL	+12%	+57%	+32%	+1%
ISOCYANATE	+8%	+14%	+15%	+0%
POLYESTHER POLYOL	+0%	+10%	+10%	+0%

**IMPORTANT:** Information given in this document is provided so far as we are reasonably aware, but nothing is intended to provide legal advice, give a political opinion or make an offer of any kind.