Demand Shifts to Regions with Higher GDP Growth

North American demand for synthetic latex, still reeling from the one-two punch of the global recession and U.S. housing crisis, is not expected to return to pre-recession levels for at least a year, consultants and producers say. Bright spots remain, however, in emerging markets and applications.

Shifting East: Paper coatings demand in Asia is expected to be strong, Styron says.

Many synthetic latex polymer end-use markets are tied directly to GDP growth, says market research firm Kline & Company (Little Falls, NJ). Kline expects the North American market for synthetic latex polymers to grow at 2.4%/year through 2014, with nearly half of that demand from paints and coatings and paper and paperboard applications. Demand will not reach 2007 levels until 2011-2012, it says. Demand in China is expected to grow 7.5%/year, more than triple that of North America, through 2013.

There have been positive trends for latex demand in certain end markets, especially advertisement, packaging, and construction, says Marco Levi, v.p./latex and rubber at Styron. Demand is especially strong in China, and Styron is “actively looking” to grow its asset base in South Asia, he adds.

Meanwhile, the North American market has “pretty much stabilized” and results have been “fantastic” in Europe, largely because nearly half of Styron’s latex product mix is considered differentiated from more commodity latex polymers, Levi says. Latex demand in developed regions, however, will take a year or two to return to pre-recession levels, he adds.

The market for synthetic rubber, 70% of which is tied to tire manufacturing, is stable due to significant 2010 growth for automotive, Levi says. In-demand products include synthetic rubber mixes for higher-performing tires.

Omnova Solutions, also a major producer of latex, says it expects the strongest markets for synthetic latex to emerge in Asia and India in applications including paper coatings, construction, and adhesives. The company—which operates five emulsion plants manufacturing synthetic latexes including styrene butadiene, styrene butadiene acrylonitrile, acrylics, styrene acrylics, vinyl acrylics, and polyvinyl acetate—says further globalization, products incorporating sustainable content, and use of emulsion polymers in new applications will be key to growing its business.

Raw materials, particularly styrene and butadiene, will continue to pressure latex margins, Levi says. “Styrene prices have been increasing on a dramatic path, although that stabilized a few months ago. Butadiene was on a fast track until the beginning on the second quarter,” but has eased as additional capacity came online in Asia, he says. Acrylics are also pretty tight, and an upward trend in prices is likely to continue.

Dow Chemical sold Styron to Bain Capital (Boston) in June for $1.63 billion. The deal included Dow’s styrene-butadiene latex, styrene-butadiene rubber, polycarbonate, acrylonitrile butadiene styrene/styrene acrylonitrile resins, expandable polystyrene, polystyrene and styrene monomer units. Styron posted 2009 revenues of $3.7 billion with 20 manufacturing sites and 1,900 employees based in 30 countries.

This acquisition trend has been ongoing since the early 2000s, as synthetic latex polymer manufacturers seek economies of scale to improve shrinking margins. Kline says Dow’s acquisition of Rohm and Haas in Europe boosted its sales capacity by about 30%, mostly in the paints/acrylics line, and BASF doubled its styrene butadiene production with the acquisition of Ciba. Arkema acquired Dow’s UCAR Emulsion Systems specialty latex business in North America in January of this year.

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