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US MELAMINE

PEAK DEMAND CONFRONTED BY TIGHT SUPPLY



BY DAVID LOVE

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Second-quarter US melamine contract prices increased for the third consecutive quarter, amid tight global supply and strong seasonal demand.

US Q2 melamine contract prices settled at an average increase of 5 cents/lb from the previous quarter. Prices in the first quarter increased by an average of 2 cents/lb from the fourth quarter.

US melamine imports during the first two months of this year were down sharply – by 37% from the same period the previous year. The drops in volume were across the board from all of the top suppliers to the US market.

Imports fell by 12% in 2017 from the previous year. At 32,716 tonnes, US imports were down from the 2013-2017 annual average of 33,584 tonnes.

Supply from European melamine producers was particularly tight in 2017 because of planned and unplanned turnarounds during the year.

Imports from the Netherlands and Germany, the second- and third-largest melamine suppliers to the US market last year, fell by 19% and 44%, respectively, from the previous year. That represented a total loss in volume of 6,848 tonnes compared to 2016.

Trinidad and Tobago made up for some of the lost supply, shipping 11,720 tonnes of melamine to the US in 2017, an increase of 3,477 tonnes from 2016. While doing so, Trinidad and Tobago moved back into the position of top supplier to the US market, which it last held in 2013.

The US melamine market shifted after the US International Trade Commission (ITC) slapped China with steep antidumping duties (ADD) in December 2015. The ITC ruled that China had dumped melamine into the US market at less than fair value. China was the largest melamine supplier to the US market in 2014 at 13,013 tonnes.

Cornerstone Chemical, of Waggaman, Louisiana, requested that the ITC investigate China and Trinidad and Tobago in petitions it filed in November 2014. Trinidad and Tobago was cleared by the ITC in late 2015 to resume melamine exports to the US without incurring any duties.

However, during the year-long investigation, the country was hit with US import duties. As a result, imports from the

country dropped to only 3,140 tonnes in 2015.

US imports of Chinese melamine fell to 1,514 tonnes in 2015, followed by 82 tonnes in 2016 and none in 2017.

The exit of China from the US market opened the door for increased supply from Europe in 2015, especially given that supply from Trinidad and Tobago was sharply reduced that year.

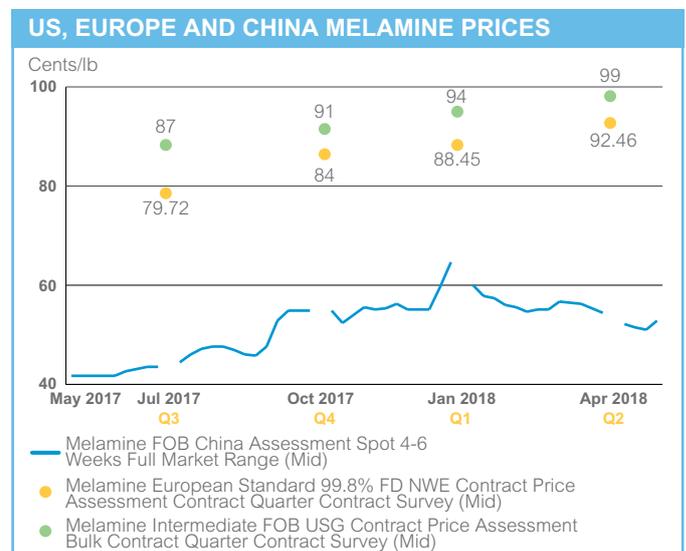
The Netherlands and Germany were the top two suppliers to the US market in 2015, followed by Trinidad and Tobago. While the same scenario held true in 2016, Trinidad and Tobago was only slightly behind Germany.

The current European supply picture has improved in the second quarter, but there is still ongoing maintenance in Europe.

Environmental inspections in China, which began in earnest during the autumn of 2016, shifted global melamine trade flows during 2017. The situation in China continues to be one of the main market drivers in 2018.

China is the largest exporter in the global melamine market, and before the inspections regularly shipped 20,000-25,000 tonnes/month.

Chinese supply has tightened as domestic production rates fell, which resulted in exports being cut as producers focused on local customers.



That changed global melamine dynamics as buyers, particularly in Turkey, South America and Asia, turned to other producers for relief.

The second quarter in the US is typically the strongest-demand quarter of the year. Given that laminates accounts for roughly half of global melamine consumption, the sharp increase in construction activities in the second quarter is a major reason for that.

Melamine consumption has also benefited from the growing production of passenger cars, as melamine formaldehyde is used in auto paints and coatings.



ABOUT THE AUTHOR

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David Love is an ICIS senior editor who covers aromatics and polymers in addition to melamine, from the company's Houston office. He is a career market journalist covering petroleum coke, fuel oil and petrochemicals, exclusively in trade journals. He joined ICIS in 2015.

US MELAMINE PRICE REPORT

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