

## ACETIC ACID

Acetic acid, a clear colourless liquid with a pungent odour, is used as a chemical intermediate and solvent with widespread applications throughout industry. The vinyl acetate monomer (VAM) sector consumes 44% of the world consumption of acetic acid. Many VAM plants are integrated with acetic acid facilities. In the United States VAM comprises 60% of the acetic acid commercial output. End-uses for VAM include paints, adhesives, textiles, paper, films, and chewing gums.

The production of purified terephthalic acid (PTA) is the second largest outlet in Asia, consuming 18% of acetic acid production. It is also the fastest growing sector, pulled by strong demand for polyethylene terephthalate (PET) bottles and polyester fibres. Di-methyl terephthalate (DMT) and Purified terephthalate (PTA) account for eight% of the acetic acid production in the US, going downstream to PET solid state resins and films.

Acetic anhydride, used for cellulose acetate/filter tow for cigarettes; plastics; coatings; pesticides; and pharmaceuticals takes up 15% of the acetic acid output. Acetate esters (ethyl acetate and butyl acetate) account for 10%, primarily used in paints and coatings. The remaining portion of acid production is utilized by chloroacetic acid and other such acids, moving downstream to end-uses in di-ketene production for pharmaceutical and industrial applications.

ICIS pricing quotes acetic acid in Europe, Asia-Pacific and the US Gulf.

### **Frequency:**

Published weekly on Fridays in Europe and Asia-Pacific, and on Tuesdays in the US Gulf.

### Acetic Acid (EUROPE)

#### **Weekly Price Assessments:**

##### *Acetic Acid Contract prices*

- FD NWE Quarterly (EUR/MT & conversion to US CTS/LB)
- FD NWE Monthly (EUR/MT & conversion to US CTS/LB)

##### *Acetic Acid Spot prices*

- FD NWE – TRUCKS (EUR/MT & conversion to US CTS/LB)

##### *Acetic Acid Feedstock prices*

- METHANOL FOB RDAM Quarterly (EUR/MT)

### Acetic Acid (ASIA-PACIFIC)

#### **Weekly Price Assessments:**

##### *Acetic Acid Spot Prices*

- CFR N.E. Asia (USD/MT & conversion to US CTS/LB)
- CFR S.E. Asia (USD/MT & conversion to US CTS/LB)
- CFR S. Asia (USD/MT & conversion to US CTS/LB)
- FOB China (USD/MT & conversion to US CTS/LB)
- East China ex-tank (CNY/MT & conversion to US CTS/LB)



## Acetic Acid (US GULF)

### **Weekly Price Assessments:**

- FOB EXPORT (USD/MT & conversion to CTS/LB)

*Acetic Acid Feedstock prices*

- METHANOL FOB BARGE Monthly (US CTS/GAL)

### General Information

**Assessment window:** Assessments are based on information supplied by market participants through the week (Monday – Friday) up to the close of business at 1700 hours London, Singapore, or Houston time.

**Specification:** ICIS pricing quotes product that is minimum acetic acid content of 99% and max water content of 0.15% by weight. Pricing quote in the domestic Chinese market is up to GB/T1628.1-2000 or ASTM D3620-1994 standards.

**Timing:** In Asia and the US, deals assessed typically have a loading time of two to six weeks from publication, and Letters of Credit with maximum 90 days validity. European spot FD assessments reflect business done for the current month.

**Terms:** 30-60 days after bill of lading date with the exception of trades concluded on 'FOB CHINA' basis which are on LC at sight basis.

**Standard Cargo Size:** In Europe, the FD NWE spot quote reflects typical truck sizes of 20-35 tonnes. The CFR N.E. Asia price quote - which excludes China in the assessment with effect from 28 August 2009 - reflects trades of 1,000-2,000 tonnes cargoes to major ports. The CFR S.E. Asia price quote reflects trades of 500-2,000 tonnes. The CFR S. Asia price quote reflects trades of 1,000-2,000 tonnes. FOB China price quote reflect trades of 1,000-2,000 tonnes. The yuan (CNY) ex-tank East China quote reflects typical cargo sizes above 30 tonnes. The US Gulf FOB range covers cargoes up to 5,000 tonnes. US domestic placements go via truck and rail (46,000 lbs, 180-190,000 lbs respectively) or by truck in steel drums of 560 lb.

**Assessment basis:** Acetic Acid price assessments are based on reported business and bids-offers heard throughout the week.

In **Europe**, the FD NWE quarterly and monthly contract gross prices typically define 15,000-30,000 tonnes/year sized accounts. Monthly quotes were introduced in March 2012. Bulk parcels referred to from time to time in the text are usually around 1,000 tonnes.

There is no contract price band published in the **United States**. The US market comprises four producers, each of which is vertically integrated between Acetic Acid and vinyl acetate monomer (VAM).

In **Asia**, spot price assessments are based on information gathered throughout the week (Monday to Friday) from market players comprising producers, end-users and traders. The process of evaluation firstly takes into consideration confirmed deals, then reported deals. Best bids and offers and rumoured deals might also be partly taken into consideration in the formulation of assessments in the absence of confirmed deals, especially if they are in line with rapidly changing market fundamentals.

In the absence of trades, the published price range may be adjusted on a notional basis to accurately reflect the levels at which trading activity could take place based on the majority of market sentiment and based on highest bids or lowest offers. Factors affecting price movements including supply/demand information; plant operating rates; feedstock, domestic prices and derivative markets; deep-sea cargo movements and general sentiment, will also be taken into account. In the event that the FOB China market becomes illiquid, ICIS will take into account prevailing sea freight and/or logistics rate levels in determining the FOB value from CFR values. Domestic prices will also form part of the consideration for FOB China exports amid demand supply extremes and a lack of liquidity for FOB China after a protracted period over three weeks.

Certain prices may be excluded from the range if they have been negotiated in unusual circumstances or if special conditions are thought to apply. Domestic prices in China and India will be discussed in the text.

Prices in **East China** refer to the maximum and minimum prices in Jiangsu, Zhejiang and Shanghai. Jiangsu and Shanghai prices are based on ex-tank prices at Shanghai, Jiangyin and Nantong ports and ex-works prices of major acetic acid producers in Shanghai and Jiangsu. Zhejiang prices are based on ex-tank prices at Ningbo port. The maximum and minimum prices are based on transaction prices for a single deal with the minimum trading volume of 30 tonnes.

The assessment for CFR China Main Port was removed in September 2011 in the absence of import trades and because China has become a net exporter of the product.

All regional reports offer market commentary that includes details of traced transactions, news on the supply/demand balance, export/import information, contract price negotiations and general sentiment for price direction. Where applicable there is product information, comments on up and downstream market developments and general market intelligence.

4 March 2013