



Feeling the Pinch

Distortions in raw material markets

29 September 2008

Rising costs of raw materials

Access to raw materials distorted by:

Increasing government interference

- ✦ Third country practices
- ✦ EU domestic policies

Price distorting market structures

- ✦ Scarcity of metals/other materials
- ✦ Rising global demand



1. Third country practices

Example

- ✦ Yellow phosphorus: Chinese export tax (+100%)
- ✦ Petrochemical feedstock: dual pricing in Saudi Arabia, gas in Russia

Impact on industry

- ✦ European producers: higher input costs
- ✦ Third country producers: cost advantage



2. EU domestic policies

Example

- ✦ Bio ethanol subsidies
- ✦ Mandatory renewable targets

Impact on industry

- ✦ Distorted access to fermentable feedstock



3. Price distorting market structures

Example

- ✦ Chinese operators buying up Pig skins in Europe for food purposes

Impact on industry

- ✦ Soaring costs for European gelatine producers



Conclusion

European industry needs

- ✦ Undistorted, non-discriminatory and stable access to raw materials
- ✦ A coherent, comprehensive and effective EU strategy.

Thank you.

