Tecnon OrbiChem

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CHEMICAL BUSINESS FOCUS

A MONTHLY ROUNDUP AND ANALYSIS OF THE KEY FACTORS SHAPING WORLD CHEMICAL MARKETS

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ACETIC ACID • VINYL ACETATE

INCLUDING ETHYL ACETATE, ACETALDEHYDE, POLYVINYL ALCOHOL AND ACETIC ANHYDRIDE

- BP YPC begins testing of 500,000 ktpa Nanjing acetic acid plant
- Acetic acid prices remain below \$400/ton cfr China in early August
- Methanol prices resilient in Q3 as plant outage tighten supplies
- Ineos lifts VAM *force majeure* in July; supplies tight in Europe
- Russia acetic acid exports curtailed by government mandates
- Sipchem, Rhodia ink deal for 100 ktpa ethyl acetate plant at Jubail

Feedstocks
Methanex rolled over its non-discounted contract price to August from July at 105 c/gal. Southern Chemical lowered its non-discounted price in August to 105 c/gal from July's level of 107 c/gal. Methanex rolled its Asia Pacific Contract Price to August from July at \$310/ton. Initial July ethylene contracts settled at a decrease of 2.5 c/lb compared to June, or 37 c/lb. In Europe, the August contract price dropped to Euro940/ton, a decrease of Euro18/ton from July. Asia spot ethylene prices fell to around \$900/ton in early July, but were firmer following a cracker outage in Taiwan.

Acetic Acid
The US acetic acid market continued to move along at a steady pace in July, and prices were stable compared to the second quarter. Truck prices in Europe acetic acid moved up about Euro30-40/ton, but contract talks were not settled. Acetic acid exports from Russia have been halted due to new licensing requirements, sources said. BP YPC Acetyls Co confirmed 3 August its had started test runs at their 500,000 tpa plant at Nanjing, China, with a view toward first volumes of acetic acid being available in H1 August.

Vinyl Acetate
Ineos lifted the *force majeure* declaration on its VAM supplies from Hull, UK, on 12 July, but the European VAM supplies remained restricted throughout the month. Spot VAM supplies in the US Gulf Coast were tight during late July amid reports of strong demand for some downstream markets. In Asia, Formosa's cracker outage and subsequent problems led to concerns about VAM production. Also, buyers were heard looking for VAM cargoes at prices close to \$800/ton cfr NE Asia. China VAM import prices were below \$800/ton cfr amid slow downstream demand.

Ethyl Acetate
Saudi Arabia's Sipchem has signed an agreement with Rhodia to build a 100,000 tpa ethyl acetate plant at Jubail, the company said in a press statement on 4 August. Ethyl acetate prices in Europe showed signs of erosion during July, with prices dropping to around Euro820/ton FD in some locations. China ethyl acetate prices decrease Rmb200/ton during July due amid slow seasonal demand. US ethyl acetate market activity remained stable in late July in terms of pricing and supply/demand patterns.

PRICE MONITOR

US PRICES

		Apr-2010	May-2010	Jun-2010	31-Jul-2010		31-Jul-2010
		¢/lb	¢/lb	¢/lb	¢/lb		$/ton
Acetic Acid	Domestic (truck/rail)	52.0 - 56.0	52.0 - 56.0	52.0 - 56.0	52.0 - 56.0	DEL	1146 - 1235
	Domestic Bulk	43.5 - 44.5	43.5 - 44.5	43.5 - 44.5	43.5 - 44.5	FOB	959 - 981
	Export (> 5,000)	18.0 - 24.0	18.0 - 23.0	18.0 - 23.0	18.0 - 22.0	FOB	397 - 485
	Export (<= 1,000)	30.0 - 32.0	30.0 - 32.0	30.0 - 32.0	30.0 - 32.0	FOB	661 - 705
VAM	Domestic (truck/rail)	77.0 - 81.0	77.0 - 81.0	77.0 - 81.0	77.0 - 81.0	DEL	1698 - 1786
	Domestic Bulk	63.0 - 64.0	63.0 - 64.0	63.0 - 64.0	63.0 - 64.0	FOB	1389 - 1411
	Export (> 5,000)	37.0 - 40.0	39.0 - 41.0	37.0 - 40.0	36.0 - 39.0	FOB	794 - 860
	Export (<= 1,000)	52.0 - 54.0	52.0 - 54.0	50.0 - 52.0	49.0 - 51.0	FOB	1080 - 1124
Ethyl Acetate *	Domestic	40.0 - 43.0	40.0 - 43.0	40.0 - 43.0	40.0 - 43.0	DEL	882 - 948
Acetic Anhydride	Domestic	73.5 - 77.5	73.5 - 77.5	73.5 - 77.5	73.5 - 77.5	DEL	1620 - 1709

WEST EUROPE PRICES

		€/ton	€/ton	€/ton	€/ton		$/ton
Acetic Acid	Contract T2	785 - 825	785 - 825	785 - 825	785 - 825	DEL	1022 - 1074
	Contract T2 (bulk)	445 - 495	445 - 495	445 - 495	445 - 495	DEL	579 - 645
VAM	Contract T2	1215 - 1255	1215 - 1255	1215 - 1255	1215 - 1255	DEL	1582 - 1634
	Contract T2 (bulk)	755 - 805	755 - 805	755 - 805	755 - 805	DEL	983 - 1048
Ethyl Acetate	Domestic	900 - 930	900 - 930	900 - 930	900 - 930	DEL	1172 - 1211
Acetic Anhydride	Domestic	1285 - 1365	1285 - 1365	1285 - 1365	1285 - 1365	DEL	1673 - 1777
	Domestic Bulk	900 - 910	900 - 910	900 - 910	900 - 910	DEL	1172 - 1185

ASIA PRICES

		$/ton	$/ton	$/ton	$/ton		
Acetic Acid	Taiwan Imported	410 - 420	410 - 420	400 - 410	400 - 410	CFR	
	China Domestic (Rmb/ton)	2750 - 2950	2850 - 3000	2800 - 3000	2650 - 2850	EXW	391 - 421
VAM	Taiwan Imported	900 - 910	900 - 910	840 - 850	800 - 810	CFR	
	S Korea Import	900 - 910	900 - 910	840 - 850	800 - 810	CIF	
	China Import ($/ton)	830 - 850	810 - 850	810 - 840	740 - 760	CFR	
Ethyl Acetate	Taiwan Import	900	900	870	840	CFR	
	S Korea Import	900	900	870	840	CIF	
Acetic Anhydride	China Domestic (Rmb/ton)	5500 - 5700	N.A.	5300 - 5450	5100 - 5300	EXW	753 - 782

Rmb/ton prices include VAT at 17%

* = 8-20 mmlb/year direct
N.A. = Not Available

Current one US dollar equivalent (30-Jul-2010)
€: 0.768 £: 0.639 (1/1.565) Yen: 86.7 NT$: 32.04 Won: 1183.08 Rmb: 6.78 Rs: 46.41
Current one € equivalent (30-Jul-2010)
US$: 1.302 £: 0.832 (1/1.202) Yen: 112.8

FEEDSTOCKS

Methanol

The 1.89 million tpa M5000 plant in Trinidad restarted operations on 12 July, and was operating normally during H2 July. The plant was shut in late June for minor repairs, and experienced some delays in resuming production. The plant was down for more than two weeks, according to market participants. LyondellBasell placed its methanol customers on allocation in June following a condenser leak at the 600,000 tpa plant at Deer Park, Texas. The 40% allocation level was extended through July, according to market participants.

Methanex reported that it lost a total of 190,000 tons of methanol production as a result of the extended outage at the Atlas facility in Trinidad during Q2. The plant was down for approximately 60 days.

Spot methanol prices were at 88-90 c/gal fob US Gulf Coast at the start of July, but ticked higher in the middle of the month. At least one spot deal was heard done at 93.5 c/gal fob, and offers increased to 95-96 c/gal fob. The reasons for the spot price increase were not immediately clear, and some market participants dismissed talk that the higher prices were linked to production problems in Southeast Asia. It was later learned that Methanex had entered the market to buy spot methanol, which it does on a regular basis, and that had caused the unexpected spike in methanol spot prices. Methanex rolled over its non-discounted contract price to August from July at 105 c/gal, just as it had done the previous month. Southern Chemical lowered its non-discounted price in August to 105 c/gal from July's level of 107 c/gal. Some consumers expressed surprise that the methanol contract price was left essentially unchanged for August, saying the production problems that had caused the spike in spot pricing were no longer a factor. Other market participants said spot availabilities remained very low as a result of the outages.

Some Northwest Europe methanol plants reportedly were experiencing production cutbacks during July as a result of hot weather or other technical problems, and low water levels on the Rhine River in Germany were heard causing some barge shipping delays. The Azot Severodonetsk plant in Ukraine was shut in early July, according to market sources, and is expected to remain shut until mid-August. It is understood that two large plants in Russia will be down for maintenance turnarounds later in Q3, which will restrict temporarily the import volumes coming into West Europe. Spot prices were talked at around Euro230/ton cfr Rotterdam for late July arrival, while August cargoes were talked Euro5-10/ton lower. Negotiations for the Q3 methanol contract dragged into the first days of July before any initial settlements were reported. The contract was agreed at Euro255/ton, a small increase of Euro5/ton compared to the Q2 settlement.

Petronas declared force majeure from its methanol facility at Labuan, Malaysia, after a problem with delivery of natural gas feedstock caused it to shut its 1.7 million tpa plant on 16 July, according to market participants. The plant was expected to restart by 23/24 July. It was understood that the plant restarted as scheduled, but market sources said the plant was not running at full rates. Also, the 660,000 tpa Kaltim plant at Bontang, Indonesia, was shut on 16 July due to a mechanical problems, and the plant was expected to restart by 25 July, according to market participants. Market participants said the plant did restart as scheduled. Methanex reportedly will start its new 1.3 million tpa plant in Egypt in late Q3/early Q4, later than originally scheduled. Iran's Kharg Petrochemical Company shut its 660,000 tpa in late July following an explosion at an adjacent unit in the facility. It is unclear when the plant will restart.

In China the methanol import prices were reported at $235-240/ton in the third week of July, a slight increase of $2-4/ton compared to the beginning of the month. The export prices were $265-275/ton fob China Main Port. The imports from Iran have begun to decrease due to problems with obtaining bank credit, a result of financial sanctions imposed against Iran by the United Nations Security Council in June. Some market participants estimated that import supplies into China would decline as a result of this action combined with the ongoing anti-dumping investigation. The Chinese domestic methanol market in the third week of July saw prices increase of Rmb20-40/ton, mainly in East China and South China. With the lower operating rate in Henan and Shanxi provinces, coupled with the natural gas based methanol producers decreasing their operating rates due to the increased feedstock price, the domestic methanol supply to some extent decreased. Further more, with imports from Iran restricted by sanctions, supplies have taken the opportunity to increase methanol offer prices. However, due to the weak downstream demand, there is not much confidence on the near-term market. The average operating rate in July was at around 45%- 48%, although some market participants said operating rates were perhaps closer to 40%.

In the derivative markets, formaldehyde was running at around 50% during the rainy season; demand for DME was still soft and has been affected by the government's investigation on the blending with LPG; and acetic acid remained flat with ample supply and weak downstream demand.

In the second half of July, the domestic price was quoted at Rmb2080-2120/ton ex tank in East China, and Rmb2120-2130/ton ex tank in South China. Market prices were Rmb1750-1900/ton in Northeast China; Rmb1700-2050/ton in North China; Rmb2050-2150/ton in Southwest China; and Rmb1700-1950/ton in Northwest China.

Methanex rolled its Asia Pacific Contract Price to August from July at $310/ton. The company also said it has reached agreements with natural gas suppliers to keep one of its 900,000 tpa units at Motunui, New Zealand, operational through 2011.

Ethylene

Spot ethylene prices on the US Gulf Coast rebounded slightly in July as a result of some unplanned cracker outages, according to market participants. At the end of June, spot ethylene for July was trading at around 36 c/lb. Prices fell sharply in heavy trading at the beginning of July, ending at close to 30 c/lb. Further decreases were seen during the second week of July when 29.5 c/lb was done and bids were heard as low as 27 cents.

The market rallied after Dow's 612,000 tpa cracker at Freeport, Texas, was shut on 14 July. Spot numbers increased by 4 c/lb to 33.5 c/lb by the end of the week. Prices remained in the range of 32-34 c/lb until the last week of July when they rose to 34-35 c/lb. Demand is only moderate and forward markets remain backwardated with September bid at less than 30 c/lb. The June contract was settled 5.25 c/lb down at 39.5 c/lb, while initial July ethylene contracts settled 3 August at a decrease of 2.5 c/lb compared to June, or 37 c/lb.

Chevron Phillips began the re-start of its Port Arthur, Texas, cracker in late July, and Equistar also was restarting its Morris, Illinois, cracker. There was no news regarding when Dow might restart its Freeport cracker. In other news, Eastman said it intends to re-start on of its two units at Longview, Texas, that has been idle since 2007. Ethane traded at around 45 c/gal early in July. By the last week of the month it had increased a little but only to 46-47 c/gal. Spot ethylene recovered to 34-35 c/gal late in the month. In mid-July, when spot ethylene was around 30 c/lb, the margin over cost for ethane cracking was around 12 c/lb – still 6-7 c/lb better than naphtha. With ethylene 4-5 c/lb higher late in the month the margin for ethane increased to 14-16 c/lb while that for naphtha decreased.

In Europe, the August contract price dropped another step lower to Euro940/ton, a decrease of Euro18/ton from July. So far in Q3, the ethylene contract has slipped Euro30/ton compared to the June level.

Various spot parcels from the Middle East were offered, and some sold, during the month. An Iranian parcel was sold at around $1000/ton cif. In the Mediterranean, material from Petro Rabigh in Saudi Arabia has been on offer at $900-950/ton cif and a parcel from Libya was sold at close to $950/ton cif Turkey. However, most major ethylene buyers in Northwest Europe are not set up to accept large spot parcels at the coast. Many of those located inland are committed to contract deliveries by pipeline and have little or no flexibility.

In this context the announcement that the Ineos subsidiary Ineos Oxide will build a new deep-sea ethylene terminal at its Zwijndrecht, Belgium, site could be very significant. The terminal will have a capacity of 1 million tpa and is expected to begin operating in 2012. It will connect directly to Ineos ethylene-consuming sites in the Antwerp-Rotterdam Area and also Cologne and the Ruhr via the ARG ethylene pipeline.

Ineos Oxide's CEO Hans Casier claims that "It is also clear the new INEOS ethylene terminal will re-shape the ethylene market in Europe, opening up a new gateway to world markets." That statement could well prove to be accurate depending on who else gets access to ethylene coming in through the new terminal.

Total has started up a demonstration-scale methanol-to-olefins unit at its Feluy, Belgium, site, and is considering a commercial-scale project.

Ethylene spot prices in Northeast Asia continued to fall early in July reaching $900-910/ton cfr, the lowest level for nine months, in the first week of July with numbers as low as $850/ton cfr being discussed. The shutdown of ExxonMobil's 600,000 tpa PE unit at Singapore at the beginning of July brought additional spot ethylene on to the market and one cargo was reported sold at $830/ton cfr Indonesia.

Formosa's 700,000 tpa No 1 cracker at Mailiao, Taiwan, went down following an explosion on 7 July. Sources at Formosa have resported that the cracker will be offline until late September. Later in the month another explosion, a fire and an oil spill, this time at Formosa's Mailiao refinery, caused the whole refinery complex to be shut down. Formosa sought permission to postpone the turnaround of its 1.03 million tpa No 2 cracker, due to begin on 20-22 August, until after the re-start of the No 1 cracker. It is now understood that the No 2 cracker will shut in late September for a maintenance turnaround.

An arbitrage window opened between Southeast and Northeast Asia with ethylene available at $750-800/ton fob SEA or around $900/ton cfr NEA. Two parcels were sold from Malaysia to Taiwan in the second week of July.

In Korea a thunderstorm struck Daesan on the West Coast on 23 July causing a power outage that shut down several petrochemical plants. These included SamsungTotal's 850,000 tpa naphtha cracker and its associated downstream units. Plants that escaped the effects of the storm included LG Chemical's 760,000 tpa cracker and Honam's 1 million tpa cracker.

ACETIC ACID

United States

The US acetic acid market continued to move along at a steady pace in July; the word "steady" being used by a majority of market participants to describe market activity for the past several months.

UNITED STATES EXPORTS
ACETIC ACID

	April 2010 Tons	April 2010 $/Ton	Jan-Apr 10 Tons	Jan-Apr 09 Tons
Canada	2,313	792	8,699	5,739
Mexico	28,261	619	116,267	136,173
Argentina	1,506	569	5,984	764
Brazil	11,401	419	41,145	22,928
Colombia	600	520	2,941	1,965
El Salvador	160	663	320	40
Honduras	311	672	600	247
Belgium	9,079	471	105,602	90,160
Germany	-	-	-	2,240
Italy	1,785	539	4,409	3,881
Spain	-	-	-	33,695
Saudi Arabia	14	1,513	16	1,815
South Africa	-	-	-	1,000
India	-	-	-	10,190
China	-	-	-	9,003
Taiwan	6,142	415	9,144	21,080
Others	76	1,980	402	1,281
Total	61,648		295,529	342,201

$/ton figures are calculated from customs data and may not reflect market prices

Market participants said acetic acid demand actually was stronger than anticipated early in the third quarter and it seemed that order books were running at or above expectations for the quarter. However, exports for the period January-May were running about 14% below levels seen in 2009, and VAM demand remained depressed for some of the emulsions and coatings applications. Other VAM derivatives, such as EVA and PVOH, and other acetic acid derivatives, such as PTA, reportedly were experiencing good demand in early August. Producers also characterised internal demand as very strong for a variety of acetic acid derivatives.

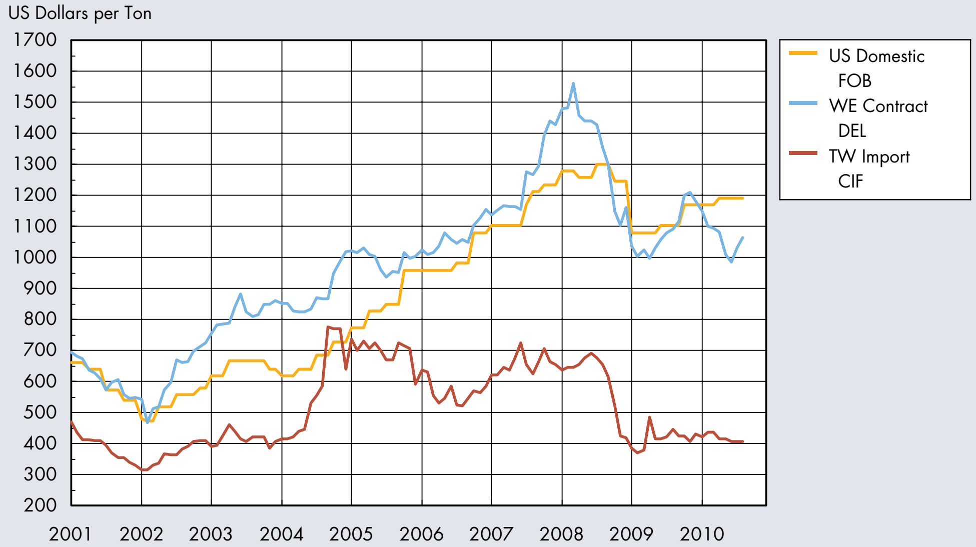
During their quarterly financial results conference call, Celanese officials said they were operating their global acetic acid assets at 90% rates, or above industry average. Other US producers also are operating their acetic acid units at high rates.

The "steady" demand and high operating rates are not necessarily reflected in recent pricing. Market participants said US acetic acid producers are trying to keep acetic acid prices at the same level as Q2, after there were no official price increase announcements made beginning in July. Methanol contract prices have remained stable to slightly lower (1 c/gal on average) for August, but spot prices increased during July as a result of production problems in the Caribbean. Natural gas prices trended higher in late July, but slipped again in early August.

There didn't seem to be real momentum pushing the acetic acid price forward, so suppliers appeared happy to hold onto prices during the holiday period and perhaps look for an increase in the fourth quarter.

Sekisui Specialty Chemicals will invest $2.6 million in order to make upgrades in its acetic acid distillation tower at its facility at Calvert City, Kentucky, the company has confirmed. Also, the company also has been informed that it received preliminary approval from the Kentucky Economic Development Finance Authority for tax incentives up to $888,000 through the Kentucky Reinvestment Act. According to Sekisui, the work is tentatively scheduled to be carried out in Q4 during a previously scheduled turnaround at the facility. The aim of the scheduled work will be to increase the efficiency of the acetic acid facility, allowing it to operate at higher rates for longer periods of time. While the work is not expected to result in an increase to the nameplate capacity of the plant, a Sekisui spokesman said the work would have a "positive impact" on capacity as a result of less down time for maintenance.

UNITED STATES, WEST EUROPE & TAIWAN ACETIC ACID PRICES



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COMPANY NEWS

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In production news, Eastman has a scheduled turnaround in September at its facility at Kingsport, Tennessee, which will affect production of both acetic acid and acetic anhydride. The maintenance outage will occur in the "front end" of the facility. Eastman produces acetic acid and anhydride via coal gasification.

A recent spike in oil prices has provided another concern for petrochemical companies in general. NYMEX crude futures topped $82/bbl in early August as a result of the weakening US dollar, according to published reports. Further increases in oil prices could eventually trickle down into the petchem markets, especially if economic activity grows as expected.

Subscriber's Note: Following discussion with subscibers and as a result of subscriber feedback, Tecnon OrbiChem will retain its US acetic acid price designated as Domestic (bulk). For more information or comments, please contact William Bann, Business Manager for Acetyls, Methanol and Engineering Thermoplastics, at william.bann@orbichem.com.

Subscriber's Note: Tecnon OrbiChem will add two new price assessments for the China market beginning with the September edition of the Acetic Acid/Vinyl Acetate Monomer Chemical Business Focus. Tecnon OrbiChem will publish a Vinyl Acetate Monomer price assessment that will represent domestic prices on a Yuan Renminbi/ton (Rmb/ton) ex tank basis, East China. Tecnon OrbiChem also will publish an Ethyl Acetate price assessment that will represent domestic prices on a Yuan Renminbi/ton (Rmb/ton) ex tank basis, East China. For more information or comments, please contact William Bann, Business Manager for Acetyls and Methanol, at william.bann@orbichem.com.

Europe

Acetic acid producers are pushing for further acceptance of Q3 price increases as they were only partially successful during July. According to market participants, acetic acid truck prices have moved up about Euro30-40/ton compared to the end of the second quarter, which would put the price range at around Euro490-530/ton FD. It is understood that negotiations for larger accounts were ongoing, and it would appear that some settlements will not be reached until later in Q3.

It is understood that some competitive situations have developed among producers looking to secure market share, and that offers for Q3 volumes, in some cases, have not been close to the proposed increases. Celanese announced an increase of Euro90/ton on its Q3 contract prices, and other suppliers reportedly followed that increase. Even though acetic acid demand has improved compared to the same period in 2009, there are still concerns about the strength of economic recovery in H2 2010. August also is typically a slow season for most markets due to holidays across Europe.

Market participants said the spot import price has bounced up from its low levels seen at the end of June, and the recent recovery of the Euro against the US dollar also has helped boost prospects for potential importers. The import price was talked at around Euro380-390/ton cfr Rotterdam, but material from Central and Eastern Europe was not readily available due to a variety of issues.

Russia's Eurochem confirmed that it will not have any exports available until the end of August, at the earliest, as it works to comply with new licensing requirements in Russia. New licenses and documentation have been mandated by the Russian legislature for each export market, according to Eurochem. The new mandates affect material with up to 80% acetic acid content or higher. Domestic demand within Russia reportedly is steady, despite the fact parts of the country are in the grip of a record-setting heat wave.

Azot Severodonetsk shut its acetic acid and methanol units in July, according to market participants, and it is understood the plants are set to resume operation in early August. However, some market participants believe the Ukraine plant will only operate for a short period unless the acetic acid prices increase.

Also, ongoing financial sanctions against Iran imposed by the United Nations in June are expected to keep acetic acid from Fanavaran (150,000 tpa) from reaching Europe. Most of Iran's acetic acid exports have been to India during 2010, but even those shipments could be affected by the sanctions.

A Northwest Europe producer reportedly has a lengthy turnaround scheduled for Q4, according to market participants. This has not been confirmed directly by the producer.

EUROPEAN UNION EXPORTS
ACETIC ACID

	April 2010		*Jan-Apr 10*	*Jan-Apr 09*
	Tons	*$/Ton*	*Tons*	*Tons*
Switzerland	511	785	1,686	2,764
Algeria	118	1,054	227	124
Israel	150	535	341	307
Others	392	1,291	2,102	2,970
Total	1,171		4,356	6,165

The figures in this table are the total, summed over all 27 EU countries, of trade with countries outside the EU. Readers should note, however, that some EU countries may have suppressed data if trade for this product is commercially sensitive, so it is possible that there is under-reporting in the above figures.
$/ton figures are calculated from customs data and may not reflect market prices

EUROPEAN UNION IMPORTS
ACETIC ACID

	April 2010		*Jan-Apr 10*	*Jan-Apr 09*
	Tons	*$/Ton*	*Tons*	*Tons*
United States	33,888	577	134,049	105,699
Norway	162	687	999	1,338
Russia	2,946	454	18,426	12,766
Serbia	4,843	499	20,196	10,026
Ukraine	2,733	481	7,124	9,560
Iran	-	-	1,234	1,282
Saudi Arabia	3,005	445	10,105	-
Singapore	8,331	618	20,397	-
China	2,256	607	15,987	40
Others	65	918	578	897
Total	58,229		229,095	141,608

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EUROPEAN UNION IMPORTS
ACETIC ACID
(1,000 Metric Tons)

Month	*2008*	*2009*	*2010*	*2009*	*2010*
				$/ton	*$/ton*
Jan	53.1	24.1	52.2	595	549
Feb	33.9	35.0	59.3	477	526
Mar	42.9	37.7	59.3	495	547
Apr	41.7	44.9	58.2	467	561
May	29.1	39.9	-	490	-
Jun	33.4	35.4	-	477	-
Jul	48.9	39.8	-	475	-
Aug	20.1	15.7	-	484	-
Sep	34.5	12.0	-	544	-
Oct	45.9	44.5	-	499	-
Nov	34.5	52.3	-	562	-
Dec	25.3	40.8	-	539	-
Jan-Apr	171.6	141.6	229.1	499	546
% Change	(9.6)	(17.5)	61.8	(37.6)	9.4
Jan-Dec	443.3	422.0			
% Change	(7.7)	(4.8)			

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$/ton figures are calculated from customs data and may not reflect market prices

China

The domestic acetic acid market prices were Rmb100-200/ton lower at the end of July compared to late June due to a quiet derivative demand. Many of the major acetic acid plants were running normally in July, and as a result, supplies were ample. The overall acetic acid market in July was quiet, and market participants were not confident that the August market would show much recovery.

Summer is the off-season for many derivative products, but also the chemical industry in China was still suffering from poor economics. The downstream demand was very weak, which meant that operating rates for vinyl acetate monomer, ester solvents and acetic anhydride were relatively low. The downstream users do not to build stock levels as they have before, so they have decided to hesitate on buying too much acetic acid until they have determined which way the market will go in August and September.

Acetic acid production in June was 315,000 tons, an increase of 20% year-on-year. The production from January to June was 1.95 million tons, and increase of 41% from the same period in 2009. The higher production total reflected stronger downstream demand during the first half of the year, but also much lower import volumes.

At the end of July, acetic acid prices were quoted at Rmb2650-2850/ton ex tank in East China, and Rmb2850-2950/ton ex tank in South China. Market prices in North China were at Rmb2650-2750/ton and Rmb2800-2900/ton in Northeast China.

Ex work offers from Jiangsu Sopo in late July were at Rmb2800-2900/ton; Rmb2700-2800/ton from Shanghai Wujing; Rmb2900/ton delivered from Shandong Yankuang Cathay; and Rmb2800-2850/ton delivered from Hebei Zhongxin Chemical. Methanol prices increased slightly (Rmb50-100/ton) during the last week of July, however, it's still wasn't strong enough to pull up the acetic acid prices

Acetic acid import prices were quoted at $340-370/ton cfr China Main Port in late July. The domestic supply was ample and prices were much lower during the month, and demand in overseas markets decreased. The import price that the Chinese buyers said they could accept decreased. It was understood that other acetic acid plants outside of China were running at relative lower operating rates or were shut down due to the weak market. Export offers were at around $370-390/ton fob China. China exported 28,009 tons of acetic acid in June, an increase of 31.37% from May. The exports from January-June 2010 were in total 114,153 tons, while in 2009 the total was only 17,616 tons. The import volume in June was 10,399 tons. The total imports from January-June were 44,791 tons, a decrease of 74% year-on-year. The exports have been largely increased as China is the biggest acetic acid producer and there is excessive capacity that needed to be consumed by the outside market.

BP YPC Acetyls Co (BYACO), a 50:50 joint venture between BP and Sinopec, confirmed 3 August that its had started test runs at the 500,000 tpa plant at Nanjing, and expect first volumes of acetic acid in the first half of August. The company confirmed that test runs started in late July after they received carbon monoxide from their supplier, Sinopec Yangzi Petrochemical Co. The plant was first scheduled to begin operations in Q2 2009, but a combination of poor market conditions and delays associated with the CO supply pushed the start-up time back by more than a year.

Although market participants have been anticipating the start-up of this plant for many months, it remains to be seen how this new plant will affect the thinking of other producers as they evaluate future expansions in this market. The China acetic acid market is over-supplied at the current time, and the presence of another world-scale, low-cost producer certainly could alter the market dynamics. A spokesman for BP YPC said the start-up of their plant should not affect the market prices at this time.

Jiangsu Sopo shut its 600,000 tpa unit on 12 July due to the problem at the adjoining air separation facility, but restarted the plant on 17 July. On July 29, Sopo had to decrease operating rates as a result of a problem at the upstream methanol plant, but company sources said the unit was expected to return to normal operations in early August. There is some inventory for the sales. The existing 600,000 tpa acetic acid unit is scheduled to expand to 1.20 million tpa at the end of this year or early 2011.

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CHINESE IMPORTS
ACETIC ACID

	May 2010		*Jan-May 10*	*Jan-May 09*
	Tons	*$/Ton*	*Tons*	*Tons*
Malaysia	-	-	-	40,204
Singapore	-	-	-	61,845
South Korea	2	1,306	7	23,752
Taiwan	65	1,972	264	9,913
Others	1	-	42	703
Total	68		313	136,417

$/ton figures are calculated from customs data and may not reflect market prices

CHINESE IMPORTS
ACETIC ACID

(1,000 Metric Tons)

Month	*2008*	*2009*	*2010*	*2009 $/ton*	*2010 $/ton*
Jan	16.2	4.4	0.1	420	1,865
Feb	22.0	33.8	0.1	337	1,827
Mar	26.8	38.4	-	322	2,362
Apr	23.2	18.9	0.1	338	2,172
May	25.1	41.0	0.1	429	1,995
Jun	24.8	33.7	-	417	-
Jul	40.7	39.9	-	422	-
Aug	28.5	33.6	-	384	-
Sep	29.1	21.7	-	397	-
Oct	43.7	17.3	-	402	-
Nov	9.8	7.5	-	394	-
Dec	15.1	8.4	-	410	-
Jan-May	113.2	136.4	0.3	363	1,984
% Change	(62.6)	20.5	(99.8)	(42.4)	446.6
Jan-Dec	305.0	298.5			
% Change	(39.0)	(2.1)			

$/ton figures are calculated from customs data and may not reflect market prices

Shanghai Wujing was running its 550,000 tpa unit at 70%-80% in July. The 200,000 tpa ethyl acetate unit was closed in July and the restart time is not clear yet.

Shandong Hualu Hengsheng was operating its 350,000 tpa unit at 1100-1200 tpd in July, and the company reportedly has normal inventory levels. The company has plans to expand the 350,000 tpa acetic acid unit to 800,000 tpa in 2011.

Shandong Yankuang Cathay restarted the 300,000 tpa unit in early July. The total 600,000 tpa unit was running 1600 tpd at the end of July, and there is normal inventory in the plant.

Henan Shunda Chemical restarted its 200,000 tpa on 12 July, after shutting the unit on 5 June for maintenance. The operation was gradually increased to normal one week following the restart. The feedstock methanol in this company is normally purchased from North China.

The 500,000 tpa unit at Hebei Zhongxin Chemical was running normally in July at 1000-1100 tpd. The sales were mainly restricted in the neighbouring areas. Shaanxi Yulin Zhuoyue Energy was running its 150,000 tpa unit at 50% in July. The sales were limited in Northwest and North China.

It is understood that Tianjin Soda Plant will start-up normal operations at its 200,000 tpa acetic acid unit and the 500,000 tpa methanol plant in September. The start-up of those units originally was scheduled for August, but the actions were postponed for a short time.

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Asia

Acetic acid market participants have been watching the ongoing situation at Formosa Petrochemical Co in Taiwan very closely, even though it appears one of the worst-case scenarios has been avoided with the news that the company has delayed a cracker turnaround. Acetic acid producers were concerned that an already shaky vinyl acetate monomer market could have been affected by potential ethylene shortages. However, there was also talk that acetic acid production on Taiwan has been affected by issues related to Formosa, but this was not confirmed.

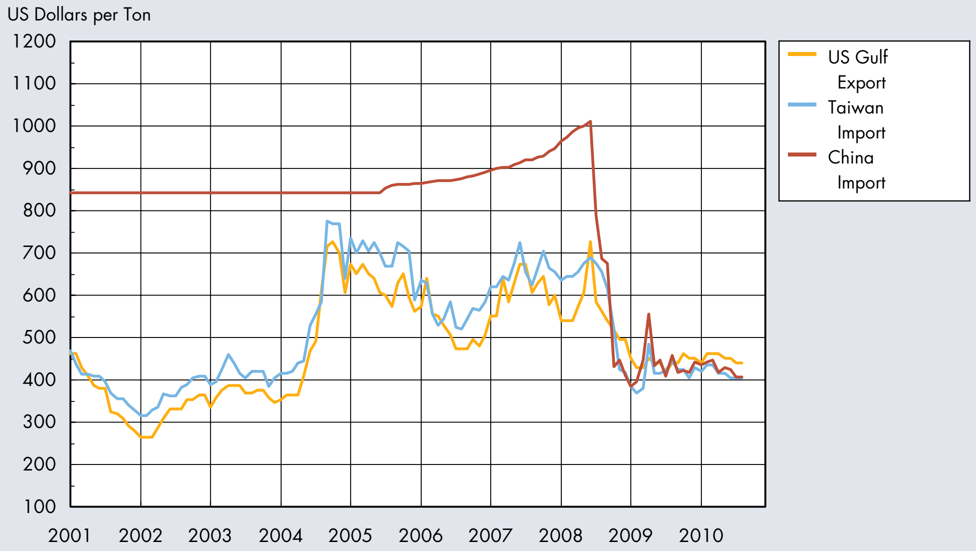
BP Petronas reportedly will restart its 550,000 tpa acetic acid plant at Kerteh, Malaysia, in early August, slightly later than scheduled according to market participants. The plant was shut in late June in order to control inventories, market sources said, and it was thought the plant would restart in late July. BP did not comment directly about the operations in Malaysia.

Spot acetic acid prices were modestly higher in July compared to June, and some market participants said they believe acetic acid prices will continue strengthening during H2 2010. This is not a view shared by everyone in the market, however, as the topic of the market's general over-supply (when taking into account the huge capacities in China) was never far down the list of talking points.

The upside potential for acetic acid depends on downstream markets providing enough demand to keep burgeoning supply levels under control, or producers could be forced to reduce utilisation rates on a regular basis. Also, methanol prices have been sticky recently, with production outages providing the basis for a level market.

Spot acetic acid prices in Southeast Asia were talked at $390-400/ton cfr in late July, up about $20-30/ton from the previous month. Potential sellers were looking for prices above $400/ton in August. The spot price in India was up to $370-380/ton cfr West India, with market sources adding that prices at $370/ton or lower were not achievable in late July.

UNITED STATES & ASIA
ACETIC ACID PRICES



Source: Tecnon OrbiChem

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TAIWANESE EXPORTS
ACETIC ACID

	April 2010		*Jan-Apr 10*	*Jan-Apr 09*
	Tons	*$/Ton*	*Tons*	*Tons*
Peru	222	643	544	464
Australia	144	640	586	562
Bangladesh	222	616	852	1,237
Pakistan	379	568	2,040	3,266
Vietnam	294	679	1,472	1,965
China	131	1,116	641	3,456
Others	525	641	3,224	3,284
Total	1,917		9,359	14,234

$/ton figures are calculated from customs data and may not reflect market prices

TAIWANESE EXPORTS
ACETIC ACID

(1,000 Metric Tons)

Month	*2008*	*2009*	*2010*	*2009 $/ton*	*2010 $/ton*
Jan	2.8	1.8	2.3	588	651
Feb	8.5	3.9	2.3	512	624
Mar	11.9	6.5	2.9	446	646
Apr	7.8	2.0	1.9	598	662
May	8.4	8.6	-	473	-
Jun	5.0	6.1	-	522	-
Jul	8.5	7.1	-	485	-
Aug	5.9	8.3	-	454	-
Sep	8.0	11.4	-	486	-
Oct	7.6	6.0	-	530	-
Nov	2.3	2.4	-	624	-
Dec	1.5	2.1	-	631	-
Jan-Apr	31.0	14.2	9.4	504	645
% Change	(20.6)	(54.1)	(34.2)	(29.2)	28.0
Jan-Dec	78.2	66.1			
% Change	2.3	(15.5)			

$/ton figures are calculated from customs data and may not reflect market prices

TAIWANESE IMPORTS
ACETIC ACID

	April 2010		*Jan-Apr 10*	*Jan-Apr 09*
	Tons	*$/Ton*	*Tons*	*Tons*
United States	2,880	426	9,047	3,633
Saudi Arabia	3,841	436	6,341	-
South Africa	502	406	2,602	-
Malaysia	5,711	442	23,688	5,901
Singapore	1,887	430	11,675	6,695
China	-	-	7,908	2,868
Japan	2,074	439	4,009	114
Others	24	1,551	92	87
Total	16,919		65,362	19,298

$/ton figures are calculated from customs data and may not reflect market prices

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TAIWANESE IMPORTS
ACETIC ACID
(1,000 Metric Tons)

Month	*2008*	*2009*	*2010*	*2009 $/ton*	*2010 $/ton*
Jan	18.1	1.1	8.9	418	418
Feb	19.2	5.7	17.1	441	419
Mar	34.1	7.5	22.5	349	434
Apr	27.0	4.9	16.9	414	437
May	17.6	18.1	-	404	-
Jun	16.0	11.4	-	422	-
Jul	5.6	8.9	-	431	-
Aug	25.1	11.5	-	414	-
Sep	8.1	8.9	-	432	-
Oct	10.7	19.7	-	443	-
Nov	4.5	11.0	-	445	-
Dec	2.7	10.1	-	416	-
Jan-Apr	98.4	19.3	65.4	397	429
% Change	29.8	(80.4)	238.7	(36.0)	8.1
Jan-Dec	188.9	119.0			
% Change	(9.1)	(37.0)			

$/ton figures are calculated from customs data and may not reflect market prices

SOUTH KOREAN IMPORTS
ACETIC ACID

	April 2010		*Jan-Apr 10*	*Jan-Apr 09*
	Tons	*$/Ton*	*Tons*	*Tons*
Malaysia	-	-	2,999	-
Singapore	456	468	4,570	4,956
China	2,827	456	4,727	3,892
Japan	1,501	451	7,654	4,532
Others	33	959	135	19
Total	4,817		20,085	13,399

$/ton figures are calculated from customs data and may not reflect market prices

SOUTH KOREAN EXPORTS
ACETIC ACID

	April 2010		*Jan-Apr 10*	*Jan-Apr 09*
	Tons	*$/Ton*	*Tons*	*Tons*
Chile	137	690	374	40
Peru	341	612	865	2
Jordan	101	632	181	20
Bangladesh	161	649	563	178
Pakistan	524	588	1,593	-
Philippines	500	391	1,701	1,202
China	2	1,736	1,505	15,949
Taiwan	-	-	1	2,850
Japan	6,511	430	14,012	10,474
Others	477	627	3,081	546
Total	8,754		23,876	31,261

$/ton figures are calculated from customs data and may not reflect market prices

Japan

Acetic acid production in Japan increased noticeably during the period of January-May 2010 when compared to the previous year. Total production during the first five months was almost 175,500 tons, an increase of 25.8% over 2009.

PTA production in Japan has been recovering significantly compared with 2009. As PTA producers have restructured their PTA capacity in Japan, the PTA plant utilisation is now over 100%. PTA production up to May this year increased nearly 30% over the same period of 2009.

In addition to good demand for PTA, production of acetic anhydride is rapidly recovering in 2010 due to recovering demand for cellulose acetate, notably tri-acetate film for LCD panels, and also due to recovering demand for liquid crystal polymer. Production of acetic anhydride for the first five months of 2010 was about 92,000 tons, up 44% on the same period of 2009. The captive consumption as well as sales was up 40-50% on 2009. Thus, acetic anhydride demand in Japan is rapidly recovering, but it is still roughly 20% lower than the pre-crisis level in 2008.

Japanese Supply of Acetic Acid (Metric Tons)

	May 10	% Change (10/09)	Jan-May 10	% Change (10/09)
Production	31,494	25.8	175,459	25.8
Shipment	31,715	57.1	177,257	22.3
Inventory	3,607	-39.8	**	**

Source: METI (In the above numbers, only virgin acetic acid is included.)

JAPANESE IMPORTS ACETIC ACID

	April 2010 Tons	April 2010 $/Ton	Jan-Apr 10 Tons	Jan-Apr 09 Tons
Malaysia	2,852	525	17,331	5,558
Singapore	-	-	-	2,616
South Korea	2,140	478	5,819	10,469
Others	2	3,622	6	2
Total	4,994		23,156	18,645

$/ton figures are calculated from customs data and may not reflect market prices

JAPANESE EXPORTS ACETIC ACID

	April 2010 Tons	April 2010 $/Ton	Jan-Apr 10 Tons	Jan-Apr 09 Tons
Malaysia	-	-	-	2,088
Thailand	999	394	2,003	7,047
South Korea	2,002	403	4,455	5,532
Taiwan	2,590	375	4,040	97
Others	5	2,279	22	622
Total	5,596		10,520	15,386

$/ton figures are calculated from customs data and may not reflect market prices

VINYL ACETATE MONOMER

United States

The US vinyl acetate monomer market was suffering through a period of tight market supplies during the early stages of the third quarter, although market participants said the situation should improve in August. The supply/demand picture was not so tight that consumers were scrambling to find sufficient volumes, but producers said extra volumes simply were not available.

In late July, US suppliers reported receiving inquiries from Asian companies looking for spot parcels following the aftermath of the Formosa Petrochemical Co cracker outage in Taiwan. US producers reportedly could not supply material due to tight supplies, as well as the fact that buyers were asking for prices of $800/ton cfr Northeast Asia. Market participants said the netback was in the low $700s/ton range, which was simply not interesting to US Gulf Coast producers. There was talk heard that US producers would not be interested in exporting to Asia for prices below $850/ton fob US Gulf Coast, depending on availability.

It was understood that recent production problems affecting one US Gulf Coast producer had been solved. Another producer reportedly had a scheduled turnaround during the June/July period, but had resumed normal operations, market participants said.

US producers are becoming slightly more interested in Europe as prices there are moving up and the US dollar has weakened against the Euro. At one point, the Euro had dropped to 1.20 versus the dollar, but the trend has reversed and the Euro has gained strength in recent weeks. In early August, the Euro was back above 1.30 against the dollar and rising.

UNITED STATES EXPORTS
VAM

	April 2010		Jan-Apr 10	Jan-Apr 09
	Tons	$/Ton	Tons	Tons
Canada	5,462	852	17,287	12,925
Mexico	8,462	758	27,075	15,128
Argentina	357	890	3,069	1,356
Brazil	4,473	738	16,562	8,854
Chile	300	830	2,868	2,985
Colombia	1,298	846	6,674	4,598
Costa Rica	160	915	330	199
Ecuador	628	878	2,184	1,569
Guatemala	200	875	940	301
Peru	511	886	3,222	2,837
Venezuela	1,706	850	3,285	1,520
Belgium	16,064	832	35,409	34,019
Germany	-	-	5,200	6,177
Italy	1,290	806	4,646	7,369
Spain	-	-	1,676	1,168
Egypt	-	-	1,900	4,408
Israel	138	792	521	99
Saudi Arabia	1,000	827	1,994	4,038
South Africa	-	-	1,523	1,176
Turkey	2,183	739	5,019	7,924
UAE	-	-	943	7,849
India	-	-	-	2,676
Singapore	-	-	8,422	1,000
China	1,028	784	4,643	6,414
Taiwan	2,100	800	2,100	-
Others	26	800	868	63
Total	47,386		158,360	136,652

$/ton figures are calculated from customs data and may not reflect market prices

In the domestic market, some downstream derivatives continued to improve in terms of demand, but concerns remained firmly rooted in the housing and construction sectors. Demand for polyvinyl acetate, EVA, PVOH and co-polymers was very strong, and producers were pleased with the ongoing resurgence of these markets. Producers of adhesives and sealants also experienced strong recovery in demand during H1 2010, although there was still some concern about the US economy moving forward.

Consumers of PVOH reportedly were running at full rates in Q3, continuing a trend that started at the end of 2009. The US and Latin American markets for PVOH reportedly are balanced, with some high viscosity grades seen as tight, according to market sources.

In early August, there was still no word on US ethylene contract price settlements for July. At one point in late July, market participants were anticipating a decrease, but no settlement was forthcoming as the newsletter was completed. Market participants said they did not expect to see major swings in the VAM prices in one way or another no matter what happens with ethylene at this point. With supplies still tight across the board, it would probably take a major decrease in raw materials to shift the VAM pricing balance downward, and that is not expected. Therefore, the domestic prices have been left unchanged in the Price Monitor.

VAM exports from the US during the period of January-May 2010 were virtually identical to the same period in 2009, although the market evolution toward the countries in Latin America becoming larger consumers was becoming clear. The biggest change involves China, which was the destination for 7.6 kt of US VAM during the first five months of 2010, compared to 27.9 kt during the same period in 2009. Exports to South American and Central America were higher across the board, making up for the lost business in China. Volumes to Brazil and Mexico were both more than 50% higher in 2010. August delivery VAM cargoes to South America were talked either side of $900/ton cfr

Europe

Ineos lifted the force majeure declaration on its VAM supplies from Hull, UK, on 12 July, but the European VAM supplies remained restricted throughout the month. Ineos reportedly had little or no inventory upon restarting the plant, and market participants said it would take several weeks for them to rebuild adequate stocks.

The Ineos outage lasted almost two months, and imports during that time were limited by production problems in the US Gulf and the weaker Euro. As a result, some VAM market participants said the European market was very tight. However, some consumers commented that they had no problems finding VAM and weren't feeling any supply pinch. But, market participants did agree that spot volumes are limited as a result of the production problems.

The Euro fell against the US dollar during the first half of 2010, which made it less attractive for VAM producers in the US Gulf Coast to ship extra volumes to Europe. The lack of usual USG volumes, combined with the Ineos outage, reportedly drew down inventories to very low levels.

Celanese issued a price increase of Euro150/ton for VAM, and other suppliers said they were also looking for price increases during Q3. Market participants said spot VAM offers increased by around Euro100/ton during July, pushing prices toward the Euro1000/ton FD level. The prices hikes associated with contract buyers, however, were not as clear. Many accounts reportedly had not been settled during July, and there was a chance that holidays across Europe would keep many other negotiations open until early September. Therefore, the Q2 contract price range of Euro755-805/ton was still being shown in the Price Monitor.

Ethylene contract prices were marginally lower in July-August, but not enough to offset the effect of limited spot supplies.

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EUROPEAN UNION EXPORTS
VAM

	April 2010		*Jan-Apr 10*	*Jan-Apr 09*
	Tons	*$/Ton*	*Tons*	*Tons*
Switzerland	736	919	2,765	2,255
Algeria	-	-	1,336	782
Jordan	-	-	1,350	1,046
Morocco	1,244	946	3,302	1,609
Turkey	2,074	798	5,175	9,638
UAE	4	-	10	1,000
South Korea	-	-	-	1,019
Others	73	3,811	977	1,591
Total	4,131		14,915	18,940

The figures in this table are the total, summed over all 27 EU countries, of trade with countries outside the EU. Readers should note, however, that some EU countries may have suppressed data if trade for this product is commercially sensitive, so it is possible that there is under-reporting in the above figures.
$/ton figures are calculated from customs data and may not reflect market prices

EUROPEAN UNION IMPORTS
VAM

	April 2010		*Jan-Apr 10*	*Jan-Apr 09*
	Tons	*$/Ton*	*Tons*	*Tons*
United States	7,554	795	39,071	38,408
Russia	355	759	604	3,236
Saudi Arabia	3,702	783	19,868	-
Japan	-	-	-	2,803
Others	90	1,096	459	247
Total	11,701		60,002	44,694

The figures in this table are the total, summed over all 27 EU countries, of trade with countries outside the EU. Readers should note, however, that some EU countries may have suppressed data if trade for this product is commercially sensitive, so it is possible that there is under-reporting in the above figures.
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EUROPEAN UNION IMPORTS
VAM

(1,000 Metric Tons)

Month	*2008*	*2009*	*2010*	*2009 $/ton*	*2010 $/ton*
Jan	23.2	12.6	15.1	1,034	707
Feb	17.5	8.7	12.7	870	752
Mar	24.4	9.2	20.5	897	765
Apr	23.5	14.3	11.7	767	792
May	14.9	19.6	-	700	-
Jun	13.7	9.8	-	662	-
Jul	26.6	13.0	-	724	-
Aug	20.1	4.3	-	680	-
Sep	11.2	18.1	-	642	-
Oct	26.1	17.1	-	640	-
Nov	7.3	19.5	-	806	-
Dec	9.9	15.6	-	715	-
Jan-Apr	88.5	44.7	60.0	889	753
% Change	23.7	(49.5)	34.3	(32.3)	(15.3)
Jan-Dec	218.5	161.6			
% Change	0.5	(26.0)			

The figures in this table are the total, summed over all 27 EU countries, of trade with countries outside the EU. Readers should note, however, that some EU countries may have suppressed data if trade for this product is commercially sensitive, so it is possible that there is under-reporting in the above figures.
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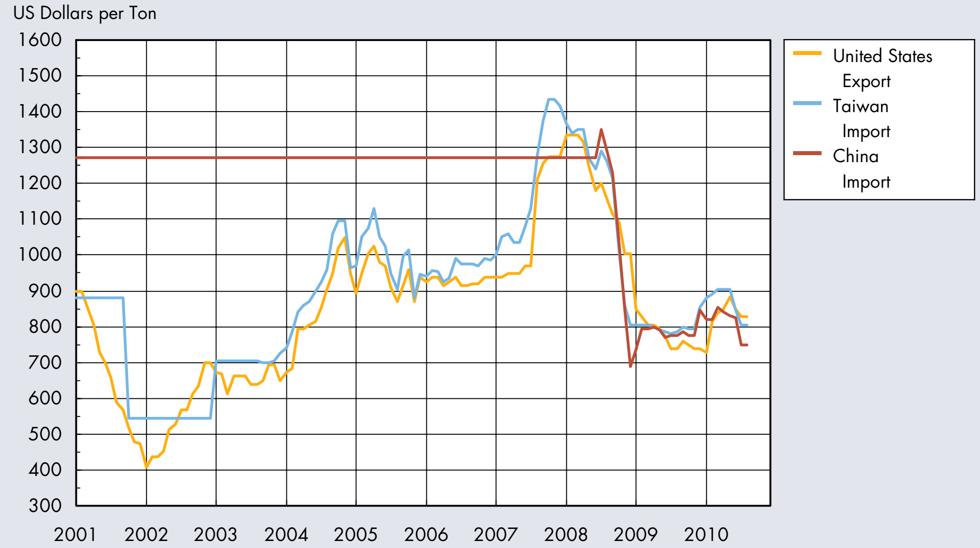

Source: Tecnon OrbiChem

China

The vinyl acetate import offers were quoted at $760-780/ton cfr China Main Port in late July, however, the price that the buyers want to accept is at around $730-750/ton. Market participants said that it might be possible to conclude business for August at a price of $740-760/ton, but no deals were heard done within that range as this report was being finalised.

The imports in July were estimated to be similar to that in June due to the weak domestic market and the ample inventories. China imported 14,741 tons of VAM in June, a decrease of 42% from May. The total imports in the first half of this year were 121,981 tons, an increase of 19.7% year-on-year. Taiwan, the United States and Saudi Arabia accounted for a majority of the imports, with Saudi Arabia showing the largest year-on-year increase.

The domestic VAM market in July remained almost same as June, and the major vinyl acetate producers were running normally in July. Sinopec Shanghai shut one of its units in late July. Together with the previous imports, the market supply was ample. In the downstream markets, PVOH plants were running at a relative lower rate of around 65%-68% as the demand from this product was slow and weak. The other downstream products were also not satisfactory. At the last week of July, the market price saw a slight increase of Rmb50/ton on news of a maintenance outage. In July, the average operating rate for the major VAM producers was at around 70%.

In late July, the market prices for VAM in East China were quoted at Rmb6450-6700/ton ex-tank; prices in South China at Rmb6700-6800/ton ex tank; market prices in North China were Rmb6500-6600/ton delivered; and in Southwest China were Rmb6600-6700/ton.

PVOH prices increased by Rmb200-300/ton in July as a result of tighter market supplies caused by further decreased operating rates. The PVOH market price was quoted at Rmb12600-14500/ton depending on different grades. The export offer was quoted at $1800-2000/ton.

The 180,000 tpa VAM unit in Beijing Organic Chemical was running normally in July and the old 90,000 tpa unit will shut down in early August for maintenance for around five days. Most of the VAM is captively used for PVOH, EVA and VAE production, the rest is mainly delivered in North China.

CHINESE IMPORTS
VAM

	May 2010 Tons	May 2010 $/Ton	Jan-May 10 Tons	Jan-May 09 Tons
United States	1,573	830	26,986	4,178
Saudi Arabia	3,998	830	17,757	-
Singapore	-	-	-	6,030
South Korea	2,000	788	10,608	12,111
Taiwan	17,725	884	49,952	48,476
Japan	-	-	1,912	9,846
Others	-	-	24	-
Total	25,296		107,239	80,641

$/ton figures are calculated from customs data and may not reflect market prices

CHINESE IMPORTS
VAM
(1,000 Metric Tons)

Month	2008	2009	2010	2009 $/ton	2010 $/ton
Jan	22.8	3.6	22.4	651	811
Feb	28.9	12.7	16.4	781	813
Mar	31.3	17.9	38.0	746	832
Apr	21.6	23.8	5.1	761	858
May	25.3	22.7	25.3	829	865
Jun	35.2	21.2	-	787	-
Jul	20.9	36.5	-	764	-
Aug	20.0	25.1	-	757	-
Sep	16.9	27.7	-	771	-
Oct	18.1	27.6	-	765	-
Nov	10.9	20.9	-	776	-
Dec	3.0	16.4	-	758	-
Jan-May	129.9	80.6	107.2	775	834
% Change	1.9	(37.9)	33.0	(40.4)	7.6
Jan-Dec	255.0	256.1			
% Change	(8.6)	0.4			

$/ton figures are calculated from customs data and may not reflect market prices

Sinopec Shanghai's smaller 30,000 tpa VAM unit was shut in late July, but the other 100,000 tpa unit was running normally in July. The larger unit will be shut for about 10 days in August for maintenance. The 65,000 tpa PVOH unit in this company is running normally.

Celanese reportedly was operating its 300,000 tpa unit at Nanjing normally in July. Sichuan Vinylon Works was running its 200,000 tpa VAM normally in July. The company's new 300,000 tpa plant was still under construction and scheduled to come on stream in Q4. It's understood that the VAM in this company uses natural-gas based acetylene as feedstock.

The other Vinylon companies were running the vinyl acetate units at an average rate of 65%-70%, with the VAM produced used for captive downstream production. Some of the Vinylon companies still need to purchase VAM from the merchant market.

Asia

There was a lot of attention focused on the situation in Taiwan with regard to the issues facing Formosa Petrochemicals Co, and the knock-on effects to petrochemicals markets – including vinyl acetate monomer. Dairen, the largest VAM producer in Asia, receives ethylene feedstock from Formosa, although Dairen reportedly has more than one supply source.

The concern arose after two separate incidents at the Formosa complex at Mailiao during July. In early July, a fire at the 700,000 tpa No 1 cracker led to the shutdown of that unit, and it is now clear that the plant will not restart until late September.

Then, in late July, a fire and explosion at Formosa's Mailiao refinery, caused the whole refinery complex to be shut down.

Formosa originally had a scheduled outage at its 1 million tpa No 2 cracker scheduled for H2 August, and market participants were worried that the impact on olefins and derivatives markets would be serious if the company was not authorized by the Taiwan government to postpone the cracker turnaround.

It is now understood that the turnaround of the No 2 cracker has been postpone until late September, and that the No 1 cracker should return to operations at about that same time. The situation was still developing at the time this newsletter was being prepared.

In relation to acetyls market, market participants said the impact on VAM would be minimal while the No.1 cracker was shut. The problem would become greater for petchems producers in general, including Dairen (600,000 tpa of VAM) if both crackers were down simultaneously for any length of time.

TAISWANESE EXPORTS

VAM

	April 2010		*Jan-Apr 10*	*Jan-Apr 09*
	Tons	*$/Ton*	*Tons*	*Tons*
Nigeria	152	1,021	714	1,231
Bangladesh	198	989	456	486
India	152	899	274	916
Malaysia	2,220	848	9,054	6,766
Pakistan	578	1,008	2,508	3,222
Thailand	199	904	589	1,144
Vietnam	510	837	1,027	1,356
China	69	1,172	31,213	32,993
Others	209	1,280	1,996	1,228
Total	4,287		47,831	49,342

$/ton figures are calculated from customs data and may not reflect market prices

TAIWANESE EXPORTS

VAM

(1,000 Metric Tons)

Month	*2008*	*2009*	*2010*	*2009 $/ton*	*2010 $/ton*
Jan	15.6	2.0	22.4	828	826
Feb	18.8	14.1	4.0	705	861
Mar	25.5	20.3	17.1	751	867
Apr	16.5	13.0	4.3	761	912
May	32.7	22.5	-	763	-
Jun	18.2	14.8	-	752	-
Jul	14.6	16.0	-	742	-
Aug	18.5	10.1	-	760	-
Sep	20.2	22.4	-	769	-
Oct	5.9	17.2	-	785	-
Nov	5.4	11.8	-	801	-
Dec	7.2	8.9	-	811	-
Jan-Apr	76.5	49.3	47.8	744	851
% Change	3.8	(35.5)	(3.1)	(39.0)	14.4
Jan-Dec	199.1	173.0			
% Change	6.2	(13.1)			

$/ton figures are calculated from customs data and may not reflect market prices

SOUTH KOREAN EXPORTS
VAM

	April 2010		*Jan-Apr 10*	*Jan-Apr 09*
	Tons	*$/Ton*	*Tons*	*Tons*
Australia	-	-	1,900	2,661
India	1,000	805	1,000	1,000
Indonesia	2,300	783	5,291	3,846
Singapore	2,850	782	6,395	2,911
Thailand	650	763	2,225	1,788
China	4,006	801	7,807	10,607
Japan	761	838	1,311	-
Others	139	728	2,218	1,902
Total	11,706		28,147	24,715

$/ton figures are calculated from customs data and may not reflect market prices

SOUTH KOREAN IMPORTS
VAM

	April 2010		*Jan-Apr 10*	*Jan-Apr 09*
	Tons	*$/Ton*	*Tons*	*Tons*
United States	-	-	1,760	-
Saudi Arabia	1,702	782	2,947	-
Singapore	250	888	1,883	5,657
China	600	895	600	-
Japan	-	-	803	1,834
Total	2,552		7,993	7,491

As a result of Formosa's status, it was understood that various companies made inquiries regarding spot VAM and ethylene in late July. US VAM producers reported receiving inquires from Asian companies willing to pay $800/ton cfr NE Asia for prompt August cargoes. One US producer said it declined to sell at those levels, while other reported very tight availability in the US market.

VAM producers in Asia were not running at full rates in July due to weak market conditions, and prices sagged as a result of poor demand, market participants said. It is understood that some producers were operating at around 60%, while others across the region were operating at slightly higher rates. Other major producers in Northeast/Southeast Asia include Celanese, Asia Acetyls (BP-Dow joint venture), and the Japanese producers (JVP, Showa Denko, Nippon Goshei, DKK and Kuraray).

Japan

A similar trend as June continued in the Japanese VAM market in July. VAM consumption for PVOH and EVA resin remained very strong in July, and VAM consumption for emulsions was also recovering close to levels seen before the recession (pre-crisis) in 2008.

EVA resin production up to May 2010 has already reached nearly 100,000 tons, up 22% and 7% on the same period of 2009 and 2008, respectively. As EVA resin exports have decreased in 2010, this implies that increased EVA resin production is attributable to increased domestic EVA resin demand for solar cells and other industrial applications. This appears to be encouraging for Japanese VAM producers. Thus, the present VAM demand is supported primarily by PVOH and EVA resin.

On the supply side, annual maintenance shutdowns of Denka and JVP already have been concluded, and there is basically no problem with VAM availability. VAM imports from Korea have recovered this year, although the volume was still not so big.

The most serious problem area for Japan's VAM producers remained the export business. While Japan exported roughly 140,000 tons of VAM in 2007, the export volume has been since declining substantially. Especially, VAM export business out of Japan remains seriously depressed this year. The volume in the first half of 2010 was only 15,600 tons. In particular, VAM export business to China has been at a standstill for the past several months.

According to market participants, current VAM export prices to China were below $800/ton cfr and it was difficult for Japanese VAM producers to meet such prices. Appreciation of the Japanese currency has not helped this situation at all. Export business to Southeast Asia is not very active either, with limited business to Singapore, Indonesia and other locations. Driven by weakening prices to China, export prices to Southeast Asia are also weakening to low $800s/ton recently. This seems to be making life more and more difficult for Japanese VAM producers.

While the reasons for the above difficulty were multi-faceted, the competitive environment for VAM in Asia has totally changed and this change seems to be critical to Japanese VAM producers. In this connection, the present plight for Japanese producers is not cyclical but structural. Although VAM demand for industrial uses such as PVAc emulsion is not particularly active across Asia, supply capability of VAM into Asia has fundamentally changed due to capacity expansions in Asia (especially in China) and the Middle East. In summary, it seems as if competitiveness of Japan's VAM is seriously deteriorating in the Asian VAM markets. As this is also related to the fundamental issue of competitiveness of Japan's petrochemical products, typically cost competitiveness of ethylene and moreover that of acetic acid, there is not much in the way of a straightforward approach to cope with the problem.

VAM Production and Shipment (Japan)
(1,000 Metric Tons)

	Jan-May 10	*% Change (10/09)*
Production	247.6	20.6
Inventory	30.8	-2.3
Shipment for		
PVOH	180.7	40.6
PVAc Emulsion	16.3	16.0
EVA	36.7	36.5
Other	3.9	96.1
Exports	**11.3**	**-62.7**
Total	**248.9**	**23.4**

Source: VAM/PVOH Industry Association

PVOH Production and Shipment (Japan)
(1,000 Metric Tons)

	Jan-May 10	*% Change (10/09)*
Production	102.6	42.7
Inventory	44.4	-1.8
Shipment for		
Vinylon Fibre	27.3	40.7
Textile Sizing	1.6	3.5
Paper Coating	6.4	20.0
Film	1.8	24.8
Adhesive	9.4	36.8
Other	13.0	12.9
Exports	39.9	52.4
Total	**99.5**	**37.4**

Source: VAM/PVOH Industry Association

JAPANESE IMPORTS
VAM

	April 2010		*Jan-Apr 10*	*Jan-Apr 09*
	Tons	*$/Ton*	*Tons*	*Tons*
Others	-	-	1,057	20
Total	-		1,057	20

$/ton figures are calculated from customs data and may not reflect market prices

JAPANESE EXPORTS
VAM

	April 2010 Tons	*April 2010* $/Ton	*Jan-Apr 10* Tons	*Jan-Apr 09* Tons
Indonesia	-	-	2,807	5,322
Malaysia	-	-	-	3,288
Philippines	-	-	995	1,476
Singapore	-	-	3,898	9,074
Thailand	-	-	815	1,897
China	-	-	958	7,157
South Korea	-	-	-	4,147
Taiwan	523	843	523	1,155
Total	523		9,996	33,516

$/ton figures are calculated from customs data and may not reflect market prices

ETHYL ACETATE

United States

The US ethyl acetate market was seen as stable in late July in terms of pricing and supply/demand patterns. The slow season has started for coatings, although it is understood that demand for packaging and inks has been steady.

Import and export volumes were down sharply during the period of January-May 2010, when compared to 2009 – which was not the best year for the petrochemical market by any means. Exports of ethyl acetate from the US were 11.2 kt during the period, a decrease of 26% from the same period in 2009. Imports of ethyl acetate were 18.3 kt, a decrease of 14% from the same period in 2009.

UNITED STATES EXPORTS
ETHYL ACETATE

	April 2010 Tons	*April 2010* $/Ton	*Jan-Apr 10* Tons	*Jan-Apr 09* Tons
Canada	658	1,440	2,692	2,066
Mexico	577	1,218	1,029	896
Brazil	267	803	271	313
Ecuador	315	1,072	1,123	922
Venezuela	150	1,081	331	27
France	-	-	-	1,543
Spain	-	-	2,999	4,648
Turkey	-	-	750	1,770
Others	80	1,174	943	895
Total	2,047		10,138	13,080

$/ton figures are calculated from customs data and may not reflect market prices

UNITED STATES IMPORTS
ETHYL ACETATE

	April 2010 Tons	*April 2010* $/Ton	*Jan-Apr 10* Tons	*Jan-Apr 09* Tons
Mexico	2,320	960	9,879	13,743
Brazil	280	998	1,380	1,400
South Africa	844	910	3,608	2,081
India	126	974	147	-
Others	35	2,714	399	112
Total	3,605		15,413	17,336

$/ton figures are calculated from customs data and may not reflect market prices

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Total capacity to produce ethyl acetate in the United States is 84,000 tpa. Based on the import/export figures above, and allowing for 90% utilisation rates, the US had apparent consumption of 38.5 kt of ethyl acetate during the first five months of 2010. Total US apparent consumption, therefore, projects to around 90,000 tons in 2010, providing that current import/export rates and demand continue without significant changes. However, ethyl acetate consumption normally dips in Q4, so it is likely that US consumption will be below that figure.

Europe

Ethyl acetate prices in Europe have been under pressure since June, and market sources reported that the decreases continued through July. Demand has been stable in some European countries, and this apparently has been enough to turn the tide against price erosion in August..

The prices at the end of July were pegged at Euro820-840/ton FD in Northwest Europe (Belgium, Netherlands, Germany), but there was talk of deals as low as Euro815/ton FD. Prices in Italy also were heard at Euro820-830/ton FD. Truck prices in France and Spain were talked at Euro860/ton FD for late July/early August.

When asked about the root causes of the price erosion during June/July, market participants said they were having problems finding reasons for the decreases. It is undestood that demand into the ink and packaging sectors has been steady so far during 2010. Some market participants said downstream demand in personal care products has been steady as well. Other ester solvents, primarily butyl acetate, have seen very strong demand. Butyl acetate producers continued to face balanced-to-tight feedstock situations with regard to butanol, and butyl acetate producers have been limited in output are various points during the year.

Spot market prices rose quickly during H1 2010 as a result of plant outages, and supplies were snug through the first several months of the year. It has been suggested that the price decreases during June/July represented a market correction, although this view was not universally acknowledged.

There was a Euro50/ton price increase on the table for contract prices, effective 1 July, but it was too early to determine if contract prices had increased. It was understood that accounts would not settle until later in the quarter. Based on the trends in the spot truck market, producers were facing an uphill struggle to push through the price increase. Feedstock prices were not helping, either.

Ethylene contracts decreaced in August, although by modest amounts, and acetic acid prices were still flat. Market participants said they were expecting further downside in ethylene moving through Q3, but along modest levels. Acetic acid prices were expected to remain flat during Q3, but there may be moderate increases in spot figures due to upcoming plant turnarounds and the general lack of spot availability, sources said.

EUROPEAN UNION IMPORTS
ETHYL ACETATE

	April 2010		*Jan-Apr 10*	*Jan-Apr 09*
	Tons	*$/Ton*	*Tons*	*Tons*
Mexico	5,054	986	23,753	16,397
United States	36	1,193	42	3,145
Brazil	2,100	997	9,999	10,631
Russia	179	1,044	605	15
Ukraine	1,040	1,156	3,888	2,624
South Africa	1,591	1,039	4,570	7,014
Turkey	276	1,290	872	76
India	2,329	1,004	9,146	6,153
China	1,502	1,004	3,396	996
Others	50	990	1,718	315
Total	14,157		57,989	47,366

The figures in this table are the total, summed over all 27 EU countries, of trade with countries outside the EU. Readers should note, however, that some EU countries may have suppressed data if trade for this product is commercially sensitive, so it is possible that there is under-reporting in the above figures.
$/ton figures are calculated from customs data and may not reflect market prices

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PRICE MONITOR

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Ethylene

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VINYL ACETATE MONOMER
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ETHYL ACETATE
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EUROPEAN UNION IMPORTS
ETHYL ACETATE
(1,000 Metric Tons)

Month	*2008*	*2009*	*2010*	*2009 $/ton*	*2010 $/ton*
Jan	14.7	11.8	17.1	907	871
Feb	9.4	12.2	9.9	837	883
Mar	14.8	10.0	16.9	761	1,006
Apr	20.0	13.4	14.2	786	1,018
May	13.5	5.3	-	758	-
Jun	15.9	18.9	-	816	-
Jul	16.1	9.6	-	798	-
Aug	12.8	17.6	-	935	-
Sep	13.5	16.4	-	863	-
Oct	16.0	12.6	-	911	-
Nov	13.9	17.4	-	900	-
Dec	16.2	10.0	-	875	-
Jan-Apr	59.0	47.4	58.0	824	948
% Change	11.7	(19.7)	22.4	(24.7)	15.0
Jan-Dec	176.9	155.1			
% Change	8.6	(12.3)			

The figures in this table are the total, summed over all 27 EU countries, of trade with countries outside the EU. Readers should note, however, that some EU countries may have suppressed data if trade for this product is commercially sensitive, so it is possible that there is under-reporting in the above figures.
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In production news, Ineos will take a scheduled turnaround on its 250,000 tpa plant at Hull, UK, beginning in early September. The outage is expected to last for 6-8 weeks. Ineos currently is building stocks ahead of the scheduled outage.

Asia

Sipchem has signed an agreement with Rhodia to build an ethyl acetate plant at Jubail, the company said in a press statement on 4 August. The plant will have capacity to produce 100,000 tpa of ethyl acetate. As the news was breaking while this newsletter was being completed, information regarding cost and timing of the project were not available. It is undestood that Rhodia will provide the technology for the plant. Rhodia also produces ethyl acetate in Brazil.

TAIWANESE IMPORTS
ETHYL ACETATE

	April 2010		*Jan-Apr 10*	*Jan-Apr 09*
	Tons	*$/Ton*	*Tons*	*Tons*
Singapore	900	924	2,745	1,903
China	2,989	906	14,259	7,887
Japan	-	-	1,764	2,029
Others	7	3,894	52	32
Total	3,896		18,820	11,851

$/ton figures are calculated from customs data and may not reflect market prices

TAIWANESE EXPORTS
ETHYL ACETATE

	April 2010		*Jan-Apr 10*	*Jan-Apr 09*
	Tons	*$/Ton*	*Tons*	*Tons*
Vietnam	176	1,072	912	811
Others	111	1,163	326	497
Total	287		1,238	1,308

$/ton figures are calculated from customs data and may not reflect market prices

TAIWANESE IMPORTS
ETHYL ACETATE
(1,000 Metric Tons)

Month	*2008*	*2009*	*2010*	*2009 $/ton*	*2010 $/ton*
Jan	4.5	1.9	6.4	700	881
Feb	4.8	2.9	5.1	691	880
Mar	5.4	3.6	3.4	728	895
Apr	6.1	3.4	3.9	745	916
May	1.8	3.5	-	816	-
Jun	5.0	2.6	-	762	-
Jul	3.7	1.6	-	808	-
Aug	6.3	8.2	-	760	-
Sep	5.2	3.2	-	774	-
Oct	3.6	5.3	-	807	-
Nov	1.6	4.7	-	793	-
Dec	0.6	1.6	-	800	-
Jan-Apr	20.8	11.9	18.8	719	891
% Change	25.9	(43.1)	58.8	(31.6)	23.9
Jan-Dec	48.6	42.6			
% Change	(9.2)	(12.3)			

$/ton figures are calculated from customs data and may not reflect market prices

TAIWANESE EXPORTS
ETHYL ACETATE
(1,000 Metric Tons)

Month	*2008*	*2009*	*2010*	*2009 $/ton*	*2010 $/ton*
Jan	1.4	0.1	0.4	859	1,032
Feb	0.1	0.3	0.2	897	1,008
Mar	0.4	0.4	0.3	934	1,062
Apr	0.3	0.5	0.3	944	1,107
May	0.9	0.6	-	1,017	-
Jun	1.1	0.8	-	1,023	-
Jul	0.8	0.3	-	1,154	-
Aug	0.8	0.3	-	1,019	-
Sep	0.3	0.6	-	1,051	-
Oct	0.3	0.3	-	913	-
Nov	0.5	0.4	-	1,044	-
Dec	0.4	0.3	-	942	-
Jan-Apr	2.2	1.3	1.2	923	1,052
% Change	(48.3)	(40.7)	(5.4)	(28.9)	14.0
Jan-Dec	7.2	4.9			
% Change	(49.9)	(32.6)			

China

Ethyl acetate prices in late July saw a further drop of Rmb200/ton from end of June. The market situation in July was described very weak in China as the inventory in most of the plants was ample while the downstream demand was very soft. Summer is off-season for the paints and coatings markets, and the downstream users purchase according to their requirements.

Also, prices for acetic acid continued to fall in July, and ethanol remained weak at the end of the month. Neither market could help support the ethyl acetate prices. By the end of July, ethanol prices had increased slightly by around Rmb20-50/ton from mid July due to the tight supply of tapioca from Vietnam and Thailand. Some market participants believe there could be a slight increase for ethyl acetate as a result of higher ethanol prices. Some downstream users in South China in late July began to stock some ethyl acetate in case the prices start ticking higher in August, but other market participants don't think the market will turn better in a short run. The average operating rate for ethyl acetate plants in July was at around 46%-50%.

CHINESE IMPORTS
ETHYL ACETATE

	May 2010 Tons	May 2010 $/Ton	Jan-May 10 Tons	Jan-May 09 Tons
Others	113	1,265	279	210
Total	113		279	210

CHINESE IMPORTS
ETHYL ACETATE
(1,000 Metric Tons)

Month	2008	2009	2010	2009 $/ton	2010 $/ton
Jan	0.1	-	-	1,929	3,600
Feb	0.1	0.1	-	1,924	2,117
Mar	0.1	-	0.1	1,050	3,068
Apr	0.2	0.1	-	1,605	3,282
May	0.1	-	0.1	1,823	1,262
Jun	0.1	0.1	-	1,547	-
Jul	0.1	0.1	-	1,605	-
Aug	0.1	0.1	-	2,182	-
Sep	0.1	0.1	-	1,856	-
Oct	-	-	-	1,261	-
Nov	-	0.1	-	1,518	-
Dec	-	-	-	3,632	-
Jan-May	0.6	0.2	0.3	1,651	2,327
% Change	(87.3)	(65.5)	32.6	7.1	40.9
Jan-Dec	1.1	0.7			
% Change	(85.5)	(39.9)			

$/ton figures are calculated from customs data and may not reflect market prices

Exports for ethyl acetate were quoted at $790-800/ton FOB China Main Port at the end of July, a decrease of around $30/ton compared to end of June. Demand from off-shore companies has declined, and coupled with the stagnant domestic market, buyers were reluctant to purchase in current conditions. According to the domestic exporters, the export volume in July decreased sharply. China exported 19,184 tons of ethyl acetate in June, according to the custom statistics, a drop of 44.25% from May. However, the total export in H1 2010 is much better than the same period in 2009 with 144,312 tons exported, which was 65% higher year-on-year.

Ethanol prices at the end of July werr quoted at Rmb5750-5850/ton in East China, Rmb5900-6100/ton in South China and Rmb5700-5800/ton in Northeast China. The average operating rate for ethanol in July was at around 48%.

By the end of July, the market price for ethyl acetate was quoted at Rmb5700-5800/ton ex tank in East China and Rmb5800-6000/ton ex tank in South China. The prices were quoted at Rmb5700-5800/ton delivered in North China.

Ex-work offers in late July were at Rmb5800-5900/ton from Jiangsu Sopo; Rmb5900-6000/ton from Shanghai Wujing; Rmb5700-5900/ton delivered from Shandong Jinyimeng;Rmb5900-6000/ton from Jiangmen Handsome.

Jiangsu Sopo shut down its 250,000 tpa ethyl acetate unit on 12 July as a result of an outage at the upstream acetic acid, but it was restarted on 17 July. The unit was operating normally in late July. Jiangsu Sopo plants to expand the 250,000 tpa unit to produce 400,000 tpa in 2011.

Shanghai Wujing's 200,000 tpa ethyl acetate unit was shut on 17 June due to weak market conditions, and the unit remained closed in late July. There were no details available regarding the restart time.

Jiangmen Handsome was operating its 300,000 tpa esters unit at around 70%, and the company said inventory levels were normal. Taixing Jinjiang shut down one 50,000 tpa unit in mid July, as the 80,000 tpa ethanol unit was shut at the same time for maintenance. There was not enough ethanol inventory on site to keep the ethyl acetate plant operating, the company said.

Guangzhou Solvent Plant was running its 40,000 tpa ethyl acetate unit at reduced rates due to the weak market. The 30,000 tpa butyl acetate unit was running at normal rates, the company said.

CHINESE EXPORTS
ETHYL ACETATE

	May 2010		*Jan-May 10*	*Jan-May 09*
	Tons	*$/Ton*	*Tons*	*Tons*
Peru	101	978	144	-
Belgium	-	-	2,032	-
Italy	1,505	826	2,506	-
Netherlands	1,470	860	4,666	3
Egypt	1,710	871	3,245	994
Jordan	1,042	870	1,057	-
Turkey	-	-	3,002	1,493
UAE	1,602	837	5,567	2,365
India	994	820	2,989	5,968
Indonesia	7	1,800	1,304	1,010
Malaysia	1,674	841	5,055	1,984
Pakistan	850	1,005	1,354	418
Philippines	-	-	5,459	2,920
Singapore	768	820	3,822	2,012
Thailand	521	809	4,059	1,963
Vietnam	985	826	6,815	4,609
South Korea	7,818	850	21,747	11,920
Taiwan	5,039	814	19,267	8,913
Japan	7,949	855	28,533	13,312
Others	377	971	2,506	2,233
Total	34,412		125,129	62,117

$/ton figures are calculated from customs data and may not reflect market prices

CHINESE EXPORTS
ETHYL ACETATE

(1,000 Metric Tons)

Month	*2008*	*2009*	*2010*	*2009 $/ton*	*2010 $/ton*
Jan	10.5	3.6	19.2	742	794
Feb	17.4	11.4	22.7	645	804
Mar	15.1	15.4	21.5	675	821
Apr	16.4	20.3	27.3	708	833
May	13.1	11.3	34.4	725	849
Jun	14.6	25.2	-	712	-
Jul	13.5	19.1	-	722	-
Aug	18.2	30.0	-	713	-
Sep	21.2	25.7	-	727	-
Oct	19.1	25.1	-	746	-
Nov	15.4	28.2	-	733	-
Dec	9.3	14.2	-	795	-
Jan-May	72.5	62.1	125.1	693	824
% Change	42.4	(14.3)	101.4	(25.4)	18.9
Jan-Dec	183.9	229.5			
% Change	34.2	24.8			

$/ton figures are calculated from customs data and may not reflect market prices

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ACCESS TECNON ORBICHEM ONLINE

Guangxi Jinyuan Biochemical was operating its 60,000 tpa unit at around 40%-50% in July. The 140,000 tpa ethanol unit in this company was running normally.

The 100,000tpa ethyl acetate unit at Jiangxi Nanchang Ganjiang Solvent Plant was still closed due to the weak market, and has been down since 10 June. Company sources indicated that the plant wouldn't restart in the short-term due to the weak market.

Japan

Ethyl acetate consumption in Japan was slightly weaker in July compared to the previous month, according to market participants. While demand for LCD panels remained quite active, consumption for other applications, in particular gravure ink, was not good.

As a result of the permanent closure of Showa Denko's Tokuyama plant, ethyl acetate production in Japan has been shrinking this year. In sharp contrast with the domestic production, imports of ethyl acetate have been increasing quickly. The total imports in the first half of 2010 reached nearly 50,000 tons, with monthly imports of over 10,000 tons in May and June. This trend is expected to continue in the second half of the year because of weakening ethyl acetate prices in Asia and the continued appreciating of Yen. Current export prices are reportedly $820-830/ton fob China, down $40-50/ton on a month earlier.

On the other hand, exports of ethyl acetate out of Japan have been almost completely stopped with the total exports in the first half of the year being only 1,300 tons. Thus, while the domestic consumption is understood to be recovering, the supply structure has completely changed.

According to preliminary estimates, the annual demand for ethyl acetate in Japan is expected to be around 240,000 tons in 2010, up about 8% on 2009. The market size of 240,000 tons per year is still 8% or so lower compared with the peak levels of 260,000 tons per year in 2006-2007.

Ethyl Acetate Import into Japan (2008-2010)
(1,000 Metric Tons)

	2008	*2009*	*2010*	*% Change (10/09)*
Jan	4.4	5.8	4.4	-24.3
Feb	3.7	2.8	6.1	116.0
Mar	6.9	6.1	9.9	61.8
Apr	5.1	6.2	8.0	29.1
May	6.1	3.3	10.8	229.3
Jun	7.5	6.3	10.3	63.5
Jul	5.9	8.0		
Aug	5.8	7.5		
Sep	7.7	6.9		
Oct	8.8	9.7		
Nov	7.2	8.0		
Dec	5.2	6.6		
Total	74.3	77.3		
% Change	55.1	4.0		
Jan-Jun	33.7	30.6	49.4	
% Change	42.4	-9.2	61.8	

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Japan

VINYL ACETATE MONOMER
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ETHYL ACETATE
United States
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Japan

ACETIC ANHYDRIDE
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Japanese Supply of Ethyl Acetate (1,000 Metric Tons)

	2006	*2007*	*2008*	*2009*	*2010*
Jan	22	21	20	12	14
Feb	21	16	14	9	13
Mar	15	21	15	13	6
Apr	18	24	21	14	5
May	23	21	17	13	10
Jun	21	24	15	14	
Jul	24	23	17	16	
Aug	21	22	16	14	
Sep	17	22	13	11	
Oct	17	24	11	14	
Nov	23	24	17	14	
Dec		22	22	9	13
Total	244	261	187	158	
% Change	-7.8	7.1	-28.4	-12.1	
Jan-Jun	120	128	103	75	48
% Change	-4.9	7.3	-19.7	-27.1	-21.3

ACETIC ANHYDRIDE

United States

Conditions within the US acetic anhydride market were similar to the conditions described for the acetic acid market– stable demand and steady pricing. Suppliers noted that they are seeing an ongoing build-up in demand for acetic anhydride from a cross-section of derivative markets. The steady increase in demand was mentioned for both external and internal customers, according to market participants.

As was previously reported, Celanese experienced an extended outage at its Narrows, Virginia, plant during Q1. However, the company reported increased sales and earnings in its Consumer Specialties business segment as a result of the resumption of normal operations at the plant.

Third-quarter contract prices reportedly were not fully settled in late July, so the Price Monitor has remained unchanged. There were no official price increases announced for the US market, so producers have been working to keep prices steady compared to Q2. Methanol prices have been slightly higher than expected during Q3, and that may aide producers attempts to achieve a rollover for the quarter.

Europe

The acetic anhydride market was steady during the early stages of Q3, but it is understood that consumers are pushing back on the price increases put forth by producers.

Celanese issued a price increase of Euro90/ton for its acetic anhydride sales in Europe, effective 1 July. There was no consensus heard with regard to a full settlement by the end of July, so the Price Monitor will remain unchanged pending further confirmation by market participants.

Acetic anhydride demand reportedly was mixed depending on the downstream market. It is understood that demand for detergents and personal care items has been steady and agrochemicals applications also are strong. Acetate tow demand remained stable as well, and cigarette manufacturers reported improved profits during H1 2010 compared to the previous year.

Market participants acknowledged that there has been some contraction in downstream business during the past 12-18 months. Tecnon OrbiChem has noted the closure of anhydride consuming plants in the UK and Italy in recent months, and there is ongoing speculation regarding the future of other European consumers as well. Market participants remain concerned about the influx of imported anhydride derivatives from China.

Celanese reported during in its Q2 results that it had completed formal talks with employees and their representatives regarding the potential closure of its Spondon, UK, acetate flake and tow plant at in 2011. No formal plan has been announced, however.

China

The acetic anhydride market price continued to come under pressure during July, with a further drop of Rmb200-400/ton from June reported by market participants. Feedstock such as acetic acid and methanol remained weak, but even more damaging was that the downstream demand was soft like other derivatives.

There are two new acetic anhydride projects either online or due to start operations soon and the increased supply could further weaken the market. Some producers had to cut prices in order to reduce inventory. The anhydride production in June was 34,400 tons, an increase of 14% from May. From January to June 2010, China imported 9,260 tons of acetic anhydride, up 87% year-on-year, while the exports are reported 1,885 tons, a 50% drop year-on-year.

At the end of July, the domestic market price for anhydride in East China was Rmb5100-5300/ton; Rmb5300-5500/ton delivered in Central China; and Rmb5300-5500/ton delivered in North China. Jiangsu Danhua was offering at Rmb5400/ton in late July, and Shanghai Coking quoted at Rmb5100/ton.

Jiangsu Danhua's 80,000 tpa anhydride unit was running at 150 tpd in July, or about 65% of normal rates. The 50,000 tpa anhydride unit at Shandong Jinyimeng was running at around 110 tpd, or about 75% of normal rates. Shanghai Coking is running its 20,000 tpa anhydride unit at 50 tpd, or about 85% of normal rates.

Petrochina Jilin Chemical has kept its 60,000 tpa anhydride unit shut since early March, and the plant was still closed in July. A company spokesman said that they wouldn't restart either the acetic acid unit or the anhydride unit in the short-term due to the weak market and their high production cost.

Shandong Hualu Hengsheng started up the 30,000 tpa anhydride unit in early July, and the unit was running smoothly at 80 tpd. The company is planning to expand the 30,000 tpa unit to 80,000 tpa in the future.

Anhui Wanwei was testing its new 50,000 tpa acetic anhydride unit in July, and the company is expecting to bring the unit onstream in August. This unit will use methyl acetate carbonylation technology.

Shandong Yankuang Lunan Fertilizer is still testing its 100,000 tpa anhydride unit, and it is understood that the plant will have commercial product available in August. The company also is using methyl acetate carbonylation technology to produce acetic anhydride.

COMPANY NEWS

DuPont reported Q2 2010 consolidated net sales of $8.6 billion, or 26% higher than the same period in 2009, reflecting 21% higher volume, 5% higher local selling prices, a 1% positive impact from currency exchange rates and a 1% reduction from portfolio changes. Net income attributable to DuPont for Q2 2010 was $1.2 billion versus $400 million in 2009. Excluding significant items in both years, net income attributable to DuPont of $1.1 billion increased $514 million, or 92%, from $558 million in Q2 2009. The increase principally reflects significantly higher sales volume, higher local selling prices, increased manufacturing capacity utilization and a lower tax rate. The increases were partly offset by lower Pharmaceuticals income and higher fixed costs. Raw material, energy and transportation costs were 3% higher than Q2 2009 after adjusting for volume and currency impacts. DuPont increased its full-year earnings outlook to a range of $2.90-$3.05/share, excluding significant items, from its previous range of $2.50-$2.70/share. DuPont said the outlook increase reflects strong second-quarter results and expected continuation of year-over-year gains from higher sales, further strengthening of mid-cycle businesses such as Safety & Protection, and ongoing productivity improvement.

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VINYL ACETATE MONOMER
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ETHYL ACETATE
United States
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ACETIC ANHYDRIDE
United States
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Celanese reported Q2 2010 net sales of $1.5 billion, a 22% increase from the same period last year. Net earnings for the quarter were $160 million compared to $109 million for Q2 2009. For the first half of 2010, net earnings were $174 million, compared to $94 million during H1 2009. Celanese said net sales increases were driven by significantly higher volumes across its business lines. Net sales in the quarter also benefited from higher pricing in the Acetyl Intermediates and Industrial Specialties businesses. Acetyl Intermediates had net sales of $782 million compared with $622 million in the same period last year, as improved global demand drove increased volumes and sustained operating margins throughout the acetyl chain. Pricing improved across all major acetyl derivative products on stronger global demand and higher raw material costs compared with the prior year. Operating profit improved to $68 million from $39 million in the same period last year. Advanced Engineered Materials division saw its net sales for Q2 2010 increase to $282 million compared with $184 million in Q2 2009.

BP reported 27 July a massive **second quarter replacement cost loss** of $16.9 billion, including a pre-tax charge of $32.2 billion related to the cost of cleaning up the Gulf of Mexico oil spill. This includes $2.9 billion which has been charged for costs incurred to 30 June 2010, the company said in reporting its financial results. One year ago, BP reported profits of $3.1 billion during the second quarter. For the half year, replacement cost loss was $11.375 billion compared with a profit of $5.5 billion a year ago. BP Refining & Marketing's second-quarter profits climbed to $2.08 billion compared with a $680 million profit in the same period last year on better performance in fuels and stronger margins in lubricants and petrochemicals. Chemicals production increased to 3.92 million tons in the quarter from 2.83 million in the Q2 2009 and 3.81 million tons in Q1 2010. To pay for the mounting costs of the spill created by the explosion on the Deepwater Horizon rig on 20 April, BP said it planned to sell $30 billion worth of assets – predominantly oil and gas fields – over the next 18 months. Also, BP confirmed that CEO Tony Hayward will resign his post in October and leave the board of directors in November. Hayward has been heavily criticized for the company's handling of the oil spill.

Solutia Inc reported net income from continuing operations of $24 million for Q2 2010, including a special charge of $29 million, compared to $24 million for the same period in 2009. After adjusting for these items, income from continuing operations was $53 million in Q2 2010, an increase of 66% versus Q2 2009. Solutia said the year-over-year earnings improvement was primarily due to increased sales volumes across all reporting segments, partially offset by higher raw material costs and higher interest expense. Adjusted EBITDA for the second quarter increased to $134 million from $96 million compared to the same period in 2009. The Advanced Interlayers segment reported Q2 2010 net sales of $208 million, an increase of $48 million or 30% from the same period in 2009. Adjusted EBITDA increased $5 million to $44 million for the second quarter of 2010 compared to the prior year period. Solutia said the increase was primarily due to strong organic volume recovery supplemented by the acquisition of the Vista solar business from Etimex Holdings (which post-closing is now referred to as Vistasolar), which more than offset higher raw material costs and incentive compensation expense. In addition, sales increased $22 million, or 12%, compared to the first quarter in 2010.

Solutia has made a series of moves recently to strengthen its position in the **rapidly expanding photovoltaic/solar energy market.** On 19 July, the company said it plans to expand its operations in China to include the production of "Vistasolar" ethylene vinyl acetate encapsulant at its Suzhou, China facility. Solutia said it will construct a new building capable of housing several new EVA production lines and will provide the infrastructure for additional future capacity. The lines will be capable of manufacturing 2.35 meter wide sheets, with the first production line scheduled to be completed by June 2011. According to Solutia, the Suzhou plant currently serves as a manufacturing site for the company's "Saflex" polyvinyl butyral interlayers for laminated glass. In June, Solutia announced the completion of its acquisition of Etimex Solar's "Vistasolar" EVA product line. In April, Solutia announced the addition of a second PVB manufacturing line within the existing footprint of the Suzhou plant, featuring enhanced capabilities to serve the architectural, photovoltaic and automotive markets in China and the broader Asia Pacific region.

Sipchem has released its financial results for Q2 2010, which show increased profits compared to Q2 2009 due to higher production and sales of methanol and butanediol, and increases in prices in its chemical portfolio. In addition, Sipchem said it continued the implementation of its plan to improve its operations and regulate expenditures. Net profit for the second quarter was Riyals 87.7 million ($23.3 million) against Riyals 510,600 ($136,148) for the corresponding quarter of last year and against Riyals 81.2 million ($21.6 million) for Q1 2010. The total net profit for the first half of 2010 was Riyals 168.9 million ($45 million) compared to Riyals 29.7 million ($7.9 million) during the first half of 2009.

ECONOMIC NEWS

The **US Department of Energy** lowered its forecast for oil pricing for the rest of the year in a report published during July. The Department lowered its spot price for benchmark West Texas intermediate crude to an average of $79/bbl for 2010, $5 less than June's forecast. The DOE forecasts an average of $83/bbl for 2011. The lower forecast was based on expectations of slower growth in Europe and China. The Department did not change its forecast for natural gas which is expected to average $4.49/MMBtu for 2010.

A leading indicator for manufacturing activity, the **purchasing managers' index** (PMI), is forecasting a cooling in manufacturing for many countries. The PMI in China for June declined to 50.4 from 52.7 in May. A reading below 50 indicates a contraction in manufacturing activity. PMI's in Korea and Taiwan also registered significant declines. The Japanese PMI fell to 53.9 from 54.7 the previous month and the index in India declined from a 27 month high reading in May (59.0) to 57.3 in June. The composite PMI for eurozone countries declined to 56 from 56.4 in May. Only the export oriented German manufacturing sector was able to register a slight gain for the month. In the US the PMI declined in June to 56.2 from 59.7 in May as new orders for manufactured products declined

China announced a change in its two year policy of pegging the value of its currency to the US dollar. After announcing the policy change, the Renminbi appreciated modestly (0.43%) during the first day of trading as the Chinese central bank kept trading in a narrow range and announced that a substantial appreciation in the Renminbi was not in China's interest and that the exchange rate would remain stable. Nevertheless, many Chinese manufacturers were happy to see the dollar peg policy being eliminated as they argued for an even weaker currency because the rapid decline in the Euro had effectively eliminated their export opportunities to Europe.

The Chinese government has issued a revised estimate for its GDP in 2010 increasing growth to 9.1% from its previous expectations of 8.7%.

Although the **European Central Bank** (ECB) has raised its GDP forecast for eurozone countries in 2010 from 0.8 to 1.0%, the Bank lowered its outlook for 2011 dropping its GDP forecast from 1.5 to 1.2% as concerns about the financial system increase. The ECB kept its main policy interest rate unchanged at 1%. The Bank of England also left its interest rate unchanged at the low 0.5%.

US unemployment figures were mixed in June, according to the Bureau of Labor Statistics. Total nonfarm payroll employment declined by 125,000 in June, but the unemployment rate edged down to 9.5% from 9.7% in May. The decline in payroll employment reflected a decrease (225,000) in the number of temporary employees working on Census 2010. Private sector jobs were increased by 83,000 for the month.

Recent data released for May by the **European Automobiles Manufacturer's Association** showed that new registrations for passenger vehicles in the EU dropped for the second consecutive month in a row. Registrations were down by 9.3% when compared to May 2009. Earlier data had shown a 7.4% drop in April. Many of the government incentive schemes have now ended. Some countries recorded some growth with both the UK and Spain registering increases in the yearly comparison. Germany recorded the largest drop with its registrations down by 35.1%.

In comparison, new commercial vehicle registrations increased in May by 7.7%. Most markets saw an improvement with the only exception being France which recorded a decline of 3.5% during the month.

US automobile sales for June showed an improvement of 13% when compared to the same month in 2009. A combined total of 777,558 vehicle sales were recorded by the top six sellers. Annual sales are still running well below those seen pre-recession but this latest gain is clearly welcome news for the industry.

Production levels in Brazil have continued to climb. Recent data shows that production of industrial chemicals increased by 13.12% in the first five months of the year. Sales were also up in the same period by almost 11%. Operating rates were running at 82% which is much improved on the 76% seen in the same period in 2009.

Deutsche Bank's Global Economics Team has recently revised its real GDP estimates for the years 2010 and 2011. For the US, the bank is estimating growth rates of 3.4% and 3.5% for 2010 and 2011, respectively. The estimates for Euroland are 1.0% for both years. China's GDP estimates are 9.8% and 9.3% for 2010 and 2011. Other GDP estimates include Japan at 2.8% and 0.3%; G7 countries at 2.7% and 2.4%; Asia ex-Japan at 8.5% and 7.7%; and Global at 4.5% and 4.1%.

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