

# More paint price hikes expected for 2008

Shipyards and ship operators are braced for further paint price hikes as the cost of raw materials continue to spiral upwards. Biocidal anti-fouling is expected to bear the brunt of the cost increases as this type of coating contains copper, the price of which jumped in February to its highest level since May 2006.

The BEAMA MCI (Marine Coatings Index) rose by 12 basis points (1/100th of a percentage point) in the last 12 months and 43 basis points in the last 24 months. This increase has been predominantly caused by the increasing cost of hull coatings, specifically copper-containing antifoulings.

Copper costs have quadrupled in recent times. For example between 2003 and 2006 when copper prices increased steadily, suppliers carried out a series of antifouling price increases.

## Spikes

A spokesman for UK based International Paint (IP) told SW&S: 'A price spike in mid-2006 was impossible to effectively manage with price increases and the cost to us of making antifouling paint rose suddenly and by a huge amount. We therefore implemented a copper surcharge of \$2.50 per litre in July 2006 for our biocidal antifouling product range. The intention was not to increase profits. The surcharge was simply a necessary mechanism to pass some of the extra cost of copper that we faced onto the end user. The reason a surcharge was used was that it could be implemented immediately and be effective across all sales in a uniform manner. Also, we believed it to be fairer to our customers than heavy price increasing, since if the copper price fell as we hoped it would, we could immediately remove the surcharge and our customers could quickly return to their pre-surcharge price level.'

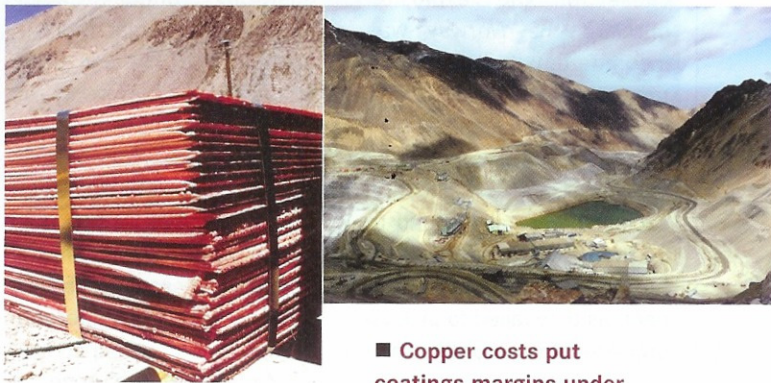
Copper prices did slip in the last half of 2006 but continued on their upward trend throughout 2007 while demand remained strong, especially in China which last year saw a 9% increase in demand, with a further 11% increase forecast for 2008. Despite China heavily investing in local copper mines, IP believes global supply is not increasing significantly enough and, due to strike action at various mines and ports in South America, demand is likely to remain high.

'During 2007 we stopped surcharging and put the \$2.50 onto the selling price. In February 2008, copper jumped to its highest level since May 2006. Future antifouling price rises remain a possibility if the current trend of rising copper costs continues,' says the spokesman.

IP's non-biocidal foul release coatings, Intersleek 700 and Intersleek 900 will remain unaffected by these price hikes. However, the cost of epoxy-based coatings could increase. In the last 12 months BEAMA reports that these products have increased by 11 basis points and some analysts expect the trend to continue by a further 10% in 2008.

Decreased demand for aluminium, another coatings constituent, drove costs down during 2004, but, strong demand in China is forecast for 2008 with analysts predicting a 22% price

Demand, copper costs and a weak dollar could place a premium on biocidal antifoulings



increase. Continuing high energy costs will also help sustain the price in the coming months and this will continue to impact heavily on coatings such as anti-corrosive primers.

■ Copper costs put coatings margins under pressure. Pictured are copper sheets at Los Bronces copper mine, Chile (also pictured). Courtesy of Vismedia