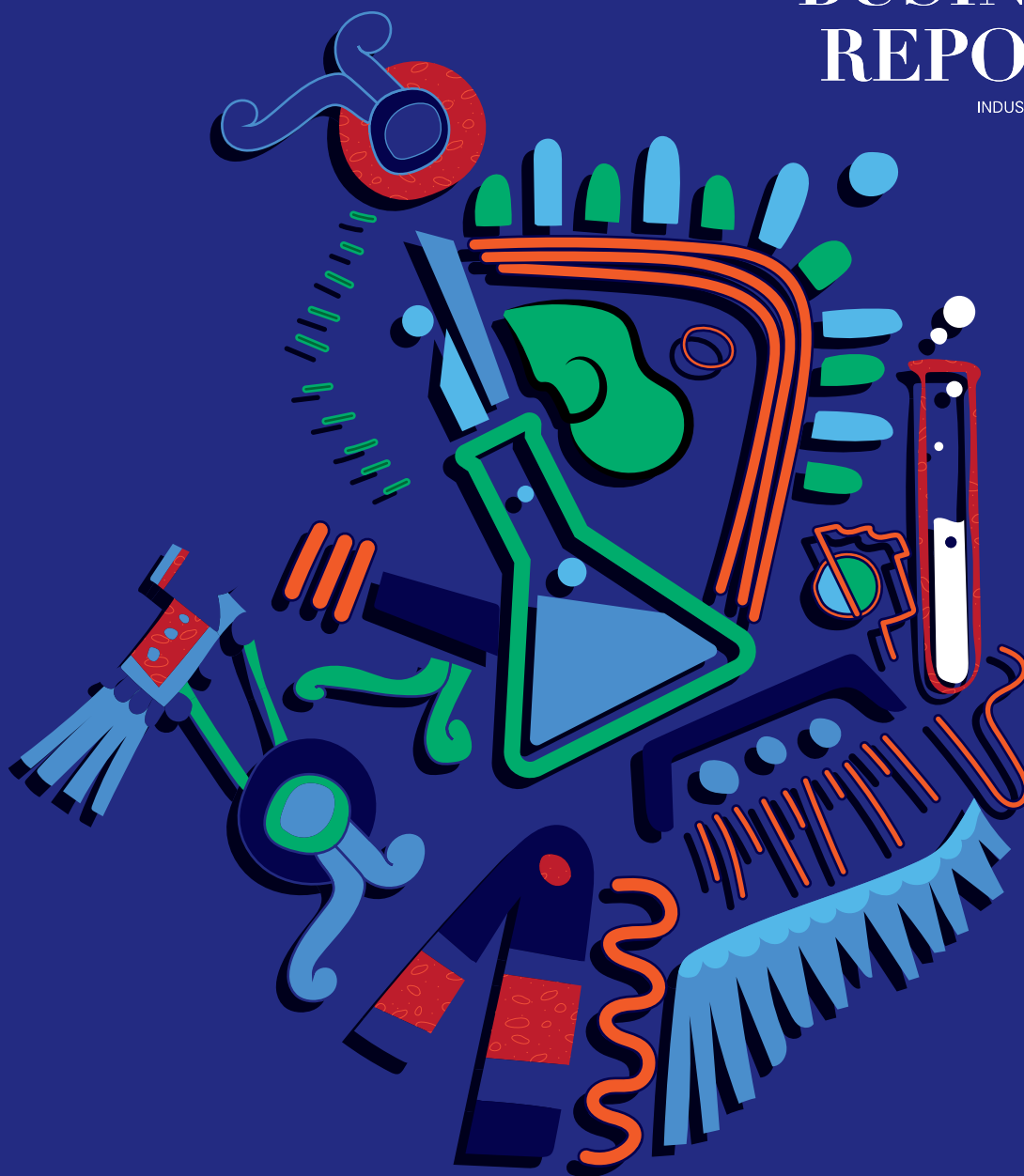


# GLOBAL BUSINESS REPORTS

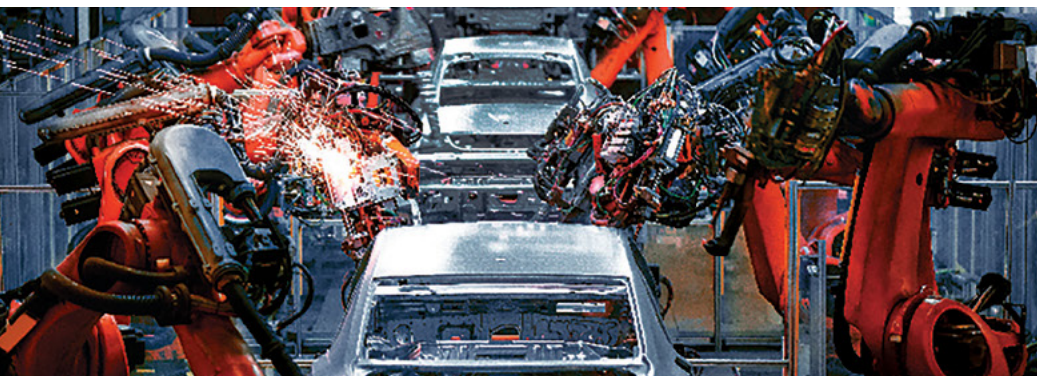
INDUSTRY EXPLORATIONS



## MEXICO CHEMICALS AND PETROCHEMICALS 2021



Economy - Covid-19 - Chemicals - Petrochemicals - Agrochemicals  
Specialty Chemicals - Paints and Coatings - Distribution & Logistics



**CASTROL, IN PARTNERSHIP WITH  
THEIR AUTHORIZED DISTRIBUTOR,  
POCHTECA, NOW UNITED TO MEET  
THE NEEDS OF INDUSTRIAL  
LUBRICANTS IN MEXICO.**

**We have the lubricants and greases that  
the transport and industry sectors need.**



## Dear Reader,

Global Business Reports (GBR) is delighted to present the 2021 edition of its guide to Mexico's chemical and petrochemical industries. The report pays attention to the main players that make up the full chemical value chain, including associations, producers, distributors, logistics providers and service companies. We also cover the different sub-segments of the chemical industry, including specialty chemicals and agrochemicals.

Economic turmoil in Mexico mirrored the Covid health tragedy in 2020, as GDP in Latin America's second-biggest economy fell by 8.5%, its sharpest annual contraction since the Great Depression in 1932. However, certain segments of Mexico's economy offer rays of hope, including its chemical industry, deemed essential by the government because it supplies raw materials to over 30 different sectors.

To fully take advantage of Mexico's vast domestic potential for growth and position as a global manufacturing hub for the export market, the country must first iron out structural issues that have held it back. The AMLO government's policies, embodied by the issues surrounding Pemex, have resulted in a lack of feedstock for the country's chemical industry.

Despite the challenges, chemical supply to the pharmaceutical industry, sanitization products and raw materials for healthcare, agricultural products and packaging for the food industry have all remained strong throughout the crisis, achieving above or close to double-digit growth in 2020. These industries, and the expected rebound on the infrastructure market, will play a fundamental role in Mexico's economic growth in 2021, estimated by the World Bank to be in region of 3.7%.

The following pages are the culmination of over 50 interviews conducted with key decision makers, to provide a holistic view of the companies and themes shaping the industry today. The result is the production and distribution of '*Mexico Chemicals and Petrochemicals 2021*'. We would like to thank all our interviewees that have taken the time to provide their valuable insights. To all our readers, we encourage your feedback, and welcome interest in being interviewed for future reports.



**Alfonso Tejerina**  
General Manager and Director  
GBR





Introduction to Mexico

- 8. Introduction to Mexico
- 11. Interview with the National Association of the Chemical Industry (ANIQ)
- 12. Sustainability
- 13. Interview with Evonik Industries
- 14. Interview with Honeywell Performance Materials and Technologies
- 15. Interviews with Linde and with Industria Química del Istmo (IQISA)

Petrochemicals

- 18. Petrochemicals
- 20. Interview with Unigel
- 21. Interviews with Braskem Idesa and with Alveg (Grupo Idesa)
- 22. Interview with Grupo Petroquímico Beta (GPB)

Agrochemicals

- 26. Agrochemicals
- 28. Interview with UMFFAAC
- 29. Interview with PROCYT
- 31. Interview with Agricultura Nacional (Grupo Dragon)
- 32. Interview with AMVAC
- 33. Interview with FMC
- 35. Interviews with Acadian Plant Health and with Agri Star

Specialty Chemicals

- 38. Specialty Chemicals
- 40. Interview with Charlotte Chemical
- 41. Interview with Croda
- 42. Interview with Grupo INFRA
- 44. Interview with Órgano Síntesis
- 45. Interviews with Key Química and with Lanxess
- 46. Interviews with Castrol and with Lubrizol
- 47. Interviews with EUCLID Chemical and with SNF Floerger

Paints and Coatings

- 50. Paints and Coatings
- 52. Interview with ANAFAPYT
- 53. Interview with Reacciones Químicas
- 54. Interview with Kemikals
- 55. Interview with WYN

Distribution

- 58. Distribution
- 60. Interview with Pochteca
- 61. Interview with Química Delta
- 62. Interview with Nexeo Plastics
- 63. Interviews with DVA and with PromaPlast

Logistics, Services and Technology

- 66. Logistics
- 68. Interview with Leschaco
- 69. Interview with Cryoinfra
- 70. Interview with Marie Tecnimont
- 71. Interviews with Wittmann Battenfeld and with Haitian

- 74. Concluding Thoughts

MEXICO CHEMICALS AND  
PETROCHEMICALS 2021  
Industry Explorations  
Global Business Reports

This research has been conducted by  
Ben Cherrington, Mariolga Guyon,  
Maria Filippova and Jason Spizer  
Edited by Mungo Smith  
Graphic design by Gonzalo Da Cunha

A Global Business Reports Publication  
For updated industry news from our  
on-the-ground teams around the world,  
please visit our website at [gbreports.com](https://gbreports.com),  
subscribe to our newsletter by signing up  
to our VIP list through our website,  
or follow us on Twitter @GBReports and  
LinkedIn (gbreports)

Introduction  
to Mexico

The impact of Covid-19, how Mexico's chemical industry can boost the economy, and the importance of sustainability

8, 9, 10, 12



Agrochemicals

A booming industry offers opportunity both domestically and in the export market. We speak with the main players in Mexico.

26, 27, 30, 34



Specialty  
Chemicals

Adding value to specialized and complex industrial sectors. We analyse the performance of different market segments.

38, 39, 43







# INTRODUCTION TO MEXICO

"The chemical industry was named as essential by the government, as it supplies raw materials for more than 30 sectors. Chemical supply to the pharmaceutical industry, sanitization products and raw materials for healthcare, as well as agricultural products and packaging for the food industry, have all remained strong. In fact, each of these sub-sectors achieved close to or above double-digit growth in 2020."

- **Miguel Benedetto,**  
Director General,  
**ANIQ**  
(NATIONAL ASSOCIATION OF THE CHEMICAL INDUSTRY)





# Introduction to Mexico

## MEXICO'S CHEMICAL INDUSTRY CAN HELP ITS ECONOMY REBOUND IN 2021, BUT STRUCTURAL ISSUES NEED TO BE ADDRESSED

Economic turmoil in Mexico mirrored personal tragedy in 2020, as GDP in Latin America's second-biggest economy fell by 8.5% in seasonally adjusted terms, according to the estimate issued by national statistics agency INEGI. This was the sharpest annual contraction in Mexico since the Great Depression in 1932, and compounded the misery for a country mourning over 210,000 official Covid-19 deaths by April 2021.

In reality, Mexico's Covid body count is even more sobering. A revised report issued by Mexico's health ministry showed that, by the end of the sixth week of 2021, there had been 294,287 deaths "associated with Covid-19" - up from the 182,301 confirmed figure given previously. This equates to a rate of excess deaths during the pandemic well above the only three countries with more recorded fatalities - the US, India and Brazil, all of which have far larger populations than Mexico. Furthermore, the financial burden lockdown restrictions have placed on a 58% informal workforce (per INEGI estimate) has curtailed consumer spending.

Despite the somber backdrop, certain segments of Mexico's economy offer rays of hope for a country in dire need of a rebound. Its chemical industry, deemed essential by the government because it supplies raw materials to over 30 different sectors, will play a fundamental role in Mexico's economic growth in 2021, estimated by the World

Bank to be in region of 3.7%. "Chemical supply to the pharmaceutical industry, sanitization products and raw materials for healthcare, and agricultural products and packaging for the food industry have all remained strong. In fact, each of these sub-sectors have achieved close to or above double-digit growth in 2020," revealed Miguel Benedetto, director general of ANIQ (Asociación Nacional de la Industria Química).

In the first quarter of 2021, the rebound of sectors that suffered in 2020, such as construction, infrastructure and the auto industry, in addition to the success of vaccine rollouts in countries such as the UK and Israel, signify light at the end of the tunnel and a roadmap for reopening economies throughout the year.

Mexico's growing role as an international manufacturing hub, its strategic position as the gateway between North and Latin America, and its large domestic market with room for middle-class expansion, offer its chemical industry ample opportunity for significant growth. However, to fulfil its potential, the country will have to address a number of structural issues that go beyond Covid. Benedetto suggested that Mexico's chemical industry could achieve pre-pandemic levels of production by the end of 2021, but 2019 was also a challenging year. Low petrochemical prices have put pressure on margins, and a lack of feedstock, a persistent problem in Mexico, has forced some producers, including Braskem Idesa, to rely on imports to maintain their projected levels of output. Protectionist policies implemented by the Lopez Obrador (otherwise known as AMLO) government have contributed to sluggish economic growth and a lack of foreign investment. The issues surrounding NOC Petroleos Mexicanos (Pemex) are emblematic of the challenges facing Mexico and its chemical sector, with the industry unable to go beyond a 70% utilization rate due to the limitations of its heavily indebted state oil company. A shortage of natural gas, methane and ethane resulted in Mexico importing US\$32 billion in petrochemicals to feed the chemical industry value chain in 2019, as well as an additional 7 billion cubic feet per day of natural gas. This has nega-

tively impacted the competitiveness of Mexico's chemical industry and many downstream industrial segments. The country's ability to address the issue will be key to its progress in the years ahead.

### A Global Manufacturing Hub

"So far from God, so close to the USA." The famous quote attributed to former Mexican president, Porfirio Diaz is a rueful reflection on proximity to a powerful, expansionist neighbor. However, this proximity also has its benefits. Indeed, AMLO offered a new spin on the Diaz quote: "Lucky Mexico, so close to God and not too far from the United States." Speaking at the Mexico-US summit on March 1st, 2021, in his first official meeting with new US president Biden, the Mexican president was keen to "reaffirm an enduring partnership" with his country's biggest trading partner.

The USMCA (United States-Mexico-Canada Agreement), often referred to as the "New NAFTA", came into effect on July 2nd, 2020, and adds continuity to a trade deal that has transformed Mexico into an international hub for manufacturing and exportation. Although the country's domestic market has suffered in recent years, its chemical exports have risen incrementally. "The implementation of the USMCA certainly helps us from an export point of view," reflected Miguel Benedetto, who mentioned that during discussions to create the agreement there were three main factors ANIQ focused on, which have all been implemented.

Firstly, there are now more ways to fulfil the requirements of rules of origin; secondly, there is a level playing field for legislation; and finally, an investment chapter has been incorporated into the agreement to recognize private sector investment by American and Canadian companies in Mexico - "A point that was excluded in the 1994 NAFTA because the energy sector was restricted to Pemex (this was opened up in 2013, and has been included in the USMCA)," added Benedetto.

"Mexico is becoming more of a powerhouse for global exports platforms," stated Martín Toscano, managing di-

rector of Evonik Industries' Mexican division, citing that an open business mindset and more than 50 free trade agreements gives the country access to over 60% to 70% of global GDP.

The automotive industry was the front-runner in this respect, but in recent years, other sectors have followed the same strategy of establishing global manufacturing facilities in Mexico due to its logistics network throughout the Americas, proximity to North America, cheap labor and running costs, and a favorable regulatory framework for foreign trade.

An example of Mexico's growing presence as an international manufacturer is Apotex, a private pharmaceutical company with products present in 115 countries. Apotex has three manufacturing sites in Mexico, two for APIs in Toluca and Cuernavaca, and one for finesse dosages in Mexico City. Américo García, managing director of Apotex's Latam operations, said: "Despite

healthcare sales to the government decreasing in 2020, from a long-term perspective, Mexico offers opportunity for growth for multinationals, due to the size of the country and its population, as well as its strategic position between the US and Latin America".

Abraham Klip Moshinsky, director general of Plastiglas, the Mexican subsidiary of Unigel, cited the company's export business of acrylic sheets as being one of the key drivers which contributed to a record breaking year in terms of volume sold. In Q4 2020, Unigel finished building a new US\$8 million plant in Mexico to produce extruded sheets to complement Plastiglas' production of cell cast acrylic sheets and production started in December. "As the market for this is small in Mexico, it is a product we are looking to export. The demand for acrylics for schools, offices and the health sector in the US is increasing, and we believe this is a growth area in the coming years," said Moshinsky. ■



*Because of the size of the country and its population, as well as its strategic position between the US and Latin America, Mexico is an important market to be in. There is uncertainty right now with the current administration, but from a long-term perspective, the country offers opportunity for growth for multinationals.*

**- Américo García,  
Managing Director -  
Latam,  
Apotex**



**If you want to stay at the top, You have to keep improving**

We contribute to sustainable development and growth. Evonik has been involved in the Carbon Disclosure Project (CDP).

**Evonik Industries de Mexico SA de CV**

[www.evonik.com](http://www.evonik.com)



**EVONIK**  
Leading Beyond Chemistry



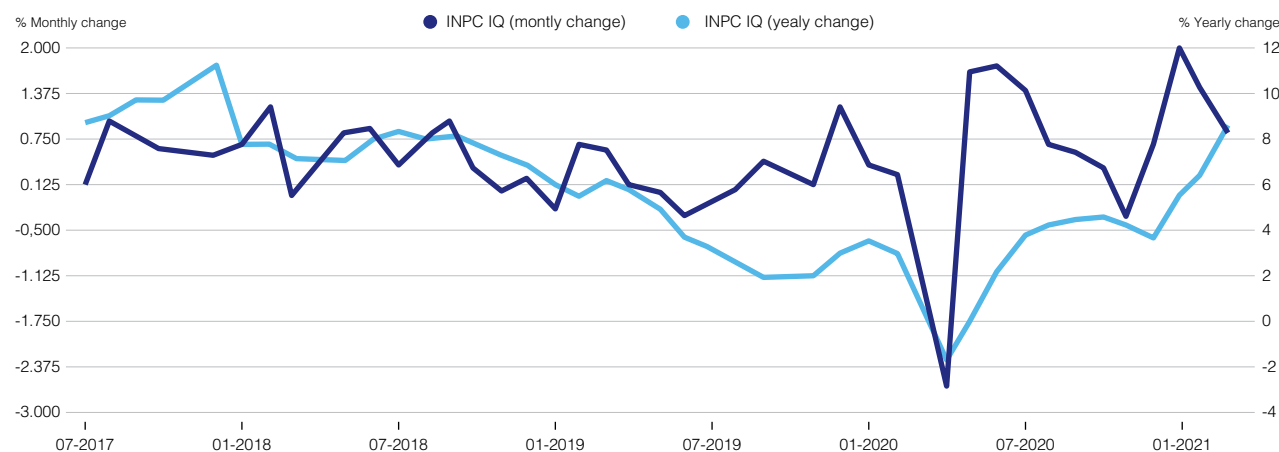
## Installed Chemical Industry Capacity in Mexico

Source: ANIQ



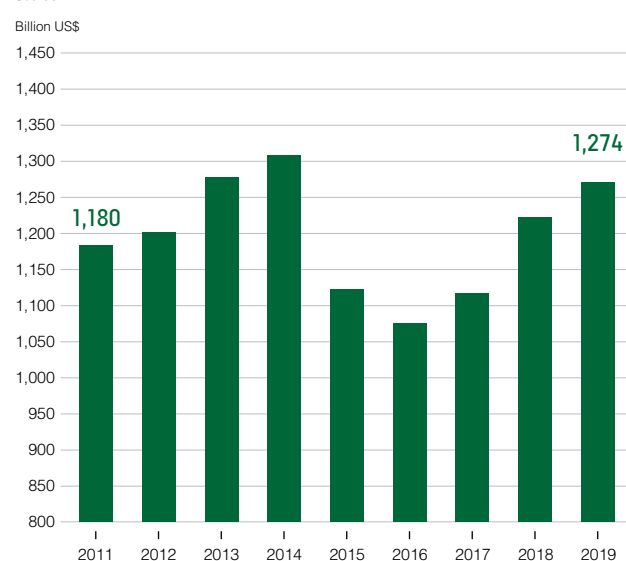
## National Consumer Price Index (INPC) of the Chemical Industry [% variation]

Sources: ANIQ/INEGI



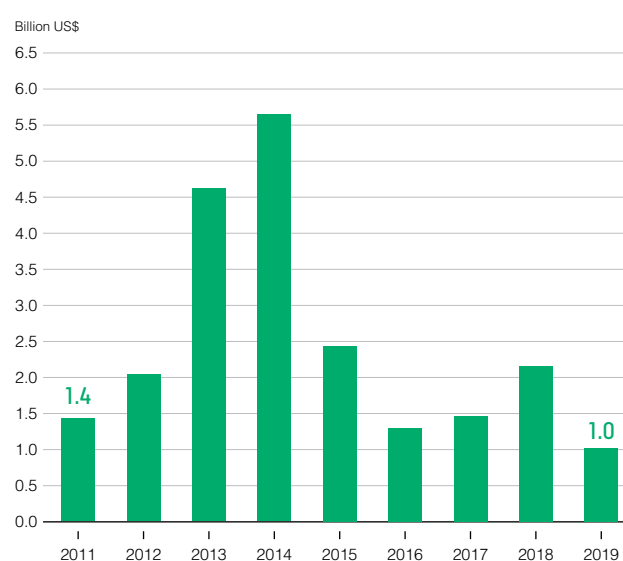
## GDP Evolution in US Dollar Value

Source: IMF



## Chemical Industry Investment

Source: ANIQ



## Miguel Benedetto

Director General  
ANIQ  
(NATIONAL ASSOCIATION OF THE  
CHEMICAL INDUSTRY)

**To what extent has the situation for Mexico's chemical industry improved in the second half of 2020, and which sub-sectors have performed well?**

The chemical industry was named as essential by the government as it supplies raw materials for more than 30 sectors. As many of these sectors reopened in Q3 this year, the second half of 2020 has improved. Furthermore, exports from the chemical industry directly and indirectly to the US rebounded. The pandemic reduced sales from January to August by 9.5%, so it was had a significant impact. However, the sector's recovery in Q3, combined with an improved economic outlook, has restored optimism.

Chemical supply to the pharmaceutical industry, sanitization products and raw materials for healthcare, and agricultural products and packaging for the food industry have all remained strong. In fact, each of these sub-sectors have achieved close to or above double-digit growth in 2020. Construction, infrastructure and the auto industry have struggled in 2020 and were the sectors most impacted by the lockdown. However, they have rebounded in Q3, and we expect this to continue in 2021.

**Considering the shortage of feedstock for Mexico's chemicals industry, where is raw material sourced from, and how is ANIQ working with industry and government to address this?**

In energy and national gas, 90% of Mexico's imports come from the US. In 2020, the Valley Crossing Submarine pipeline from Houston to Mexico was completed, which is providing a lot of energy. With regard to raw materials and petrochemical products, 60-70% come from US. Europe and Asia supply from 10-12% each, with the rest coming from Latin America. Latam represents 50% of our exports, with Brazil, Colombia and Argentina being the key markets in this region.

ANIQ is working between industry and government to develop joint projects in the energy sector to ensure a more reliable source of feedstock coming from Pemex. We would like industry to be able to invest in Pemex facilities, either to make inputs and create infrastructure, or to invest into Pemex assets that have been left idle due to a lack of government resources.

**Who do you think the implementation of the USMCA will boost Mexican exports to the US and Canada?**

The implementation of the USMCA, or T-MEC (Tratado entre México, Estados Unidos y Canadá), certainly helps us from an export point of view. During discussions to create the T-MEC, there were three main factors we were working on, which I am glad to say have all been implemented. Firstly, rules of origin – there are now more ways to fulfil the requirements. Secondly, a level playing field for legislation. Finally, to incorporate an investment chapter in the agreement to recognise private sector investment by American and Canadian companies in Mexico – a point that was excluded in the 1994 NAFTA because the energy sector was restricted to Pemex (this was opened up in 2013, and has been included in the T-MEC).

**ANIQ has set targets for recycling in 2020, 2030 and 2040. What steps are you taking to achieve these?**

The 2020 objective is that producers, transformers, distributors and transportation companies should waste zero pellets. In December, we will be conducting the first survey where every company can let us know the actions they have taken and the results they have achieved. By February 2021, all the companies that are manufacturing or producing resins will have to establish the percentage of recycling they will incorporate each year. Looking further ahead, by 2030 the industry's packaging must be 80% recycled, and by 2040, 100% of all plastics and packaging should be recycled.

**Where would you like to see the industry by the end of 2021?**

We would like to have all the energy and raw materials we require as an industry. We also need to define which companies are interested in investing in the Pemex infrastructure in order to increase the raw materials Mexico's chemical industry needs. In 2021, the pandemic will still have an impact, but we are forecasting a recovery of 2% to 5%. By 2022, we want to achieve pre-pandemic levels. Finally, we intend to show that the environmental commitments we have made for 2020 were achieved, and the legislation needed to conform with T-MEC is on its way. ■

ANIQ is working between industry and government to develop joint projects together in the energy sector to ensure a more reliable source of feedstock coming from Pemex.



# Sustainability

## 'THE GREEN RESET' IS ACCELERATING SUSTAINABLE INITIATIVES

There was a school of thought that considered, in the wake of the financial destruction brought on by Covid-19, sustainable initiatives would take a back seat as governments look to reignite broken economies through cheap fossil fuel energy. In fact, the opposite has happened, as what is being called 'the great reset' has seen government policy shaped by environmental concerns. "Biden's economic agenda is his climate agenda; his climate agenda is his economic agenda," commented Sam Ricketts, co-founder of the climate policy group Evergreen.

In Mexico's chemical industry, ANIQ has set ambitious targets for recycling in 2020, 2030 and 2040. The 2020 objective was that producers, transformers, distributors and transportation companies should waste zero pellets, outlined ANIQ's director general, Miguel Benedetto, who added that the association is also working with the government to incorporate the management plans companies are making to achieve their recycling goals. "Looking further ahead, by 2030 the industry's packaging must be 80% recycled, and by 2040, 100% of all plastics and packaging should be recycled."

José Magalhães Fernandes, vice president for the Latin America region at Honeywell Performance Materials & Technologies (PMT), affirmed that sustainability is the step change in the strategy of the company's PMT division. He gave the example of Honeywell UOP's Ecofining technology, which is developed to hydrotreat vegetable oil,

animal fat or cooking oil and transform it into 100% 'green diesel' or 'green jet fuel'. He elaborated: "This is a drop-in type of product, meaning you can substitute the fossil fuel diesel for 100% green diesel, and the engine will work exactly the same."

Another key focus area for Honeywell PMT is circularity, and the company has developed a process to convert wasted plastics into a polymer oil that can be used in the petrochemical industry. Furthermore, Honeywell's Solstice product line of reduced and low global-warming-products (GWP) based on HFO technology has resulted in the reduction of more than 210 million metric tons of greenhouse gases to date, equal to eliminating emissions from more than 44 million cars, detailed Fernandes.

Sergio Paredes, CEO of Resirene, spoke of how the pandemic has highlighted the importance of plastics for its sanitary benefits, but acknowledged the industry faces challenges from a waste disposal standpoint. To counter this, Resirene has launched Biorene, a product line of biodegradable packaging that allows clients to benefit from a component of thermoplastic starch with polystyrene or propylene. "This helps balance environmental impact, and can substitute polystyrene in some processes. Consumer habits have evolved and the market is looking for recycled products. We began development of technology at pilot stages to increase the use of recycled material, and 30% is our target," explained Paredes.

For multinational corporation, Linde, which merged with Praxair in 2018, environmental commitments extend across jurisdictions and go beyond what is required by regulatory frameworks, according to Salvador Urbina, VP business development and marketing for Linde's Latam North division. "One such target is producing nitrogen through clean methods from clean energy sources such as wind and solar instead of fossil fuels. This green nitrogen is important for mobility and for the production of other gases such as methanol," he said, adding that the company has invested heavily in infrastructure for the construction of solid oxide electrolyzer cells and filling stations.

Sustainable initiatives are not only the realm of multinational corporations. 10 years ago, Mexican entrepreneur Ana Laborde, created BioSolutions Mexico, which had started as a school project while she was studying for a masters in innovation at Monterrey Tech University. At the time, most biomaterials were made out of food, such as potatoes or corn, to extract cellulose and starches, but Laborde wanted to create something similar without using a food source, which led BioSolutions to the agave fibers found in tequila. After developing a technology which allowed the company to create bio-based composites that are composed of a resin with a cellulose in order to create a material, BioSolutions' received its first patent in 2015, and in 2018 received a contract with Heineken to make bio-based plastic cups used at music festivals and sports arenas. During the pandemic, BioSolutions donated some of its PolyAgave injection materials for the production of face visors. "In the last two years, we have seen an interest from a lot of companies to learn about biomaterials. The market now seems ready for this type of technology," concluded Laborde. ■



*We have clients that have mentioned that if they do not use environmentally-friendly products they are at risk of being taken off the shelf at Walmart. New generations are willing to pay a bit more for sustainable products.*

**- Ana Laborde,  
CEO & Founder,  
BioSolutions Mexico**



# Martin Toscano

Managing Director  
**EVONIK INDUSTRIES (MEXICO)**



## How has Evonik performed in Mexico in 2020, and to what extent has the pandemic impacted the company's operations?

In 2020 Evonik will actually achieve higher sales in Mexico than in 2019, for both, turnover and volume. A diverse and resilient product portfolio of specialty chemicals is the main reason behind this performance. Evonik Industries is well represented in Mexico through all its business lines, which allows us to reach sectors which are heavily involved in local manufacturing for regional and global markets.

## Why do you think Mexico is a strategic country for world manufacturers in many industries?

First of all, Mexico's open business mindset, with over 50 free trade agreements, gives the country access to over 60% to 70% of global GDP. Investment has continued to flow into various segments in Mexico, with the automotive industry being a frontrunner, but in recent years other sectors have followed the same strategy of establishing global manufacturing facilities here. Mexico's proximity to the US and logistics network through the Americas, labor and running costs, and a favorable regulatory framework for foreign trade make the country an attractive base for multinationals and for the further expansion of Mexican companies.

## Can you explain how Evonik is accelerating the 'time to market' aspect of innovation?

We believe not only in the innovation fields that Evonik develops globally, but also in the increasing trend of following

the innovation of our customers along the value chain. This involves engaging with different stakeholders to get a broader view of how solutions can be developed and brought to the market quickly. Evonik also engages with venture capital organizations in investments into start-ups and SMEs who are doing earlier stage work with new technologies that can benefit our right to play in different industries in the future.

## The food industry has gone from strength to strength regardless of macro conditions. What involvement does Evonik have in this segment?

Mexico has become a net exporter of animal protein, especially for beef and pork, to markets including the US and Asia. In the agricultural business we have seen 6-7% growth per year in the fruit and vegetables segment. An increase in demand for organic products from retailers in the region has been key to this growth for Mexican famers. Additionally, the recent renewal of the free trade agreement between Mexico and Europe has increased our participation in food markets.

## Do you think sustainable initiatives will be incentivized under the 'green reset', or will challenging economic conditions mean the cheapest products will be favored?

Overall, the strong sustainability agenda of the private sector is aligned with governments around the world. This will continue to drive the way we do business. Covid-19 was a good reminder that this is the right path. In 2020, most governments and companies have been focused on fire-fighting to mitigate

health risks and then resolving logistics bottlenecks to make sure products were supplied to customers.

## What do you think are the biggest challenges facing Mexico's chemical industry?

One of the biggest challenges we have is the lack of access to competitive raw materials coming from the downstream of the petrochemical industry. Also, a lack of infrastructure for transportation and energy holds us back. I think that Mexico enjoys a very good position with young talent in our social pyramid to develop business domestically, but what is missing is a clear agenda with the public sector in order to get the necessary support that incentivizes further investments in the country. Today the chemical industry is running at a lower rate than the installed capacity, so the potential to grow is there.

## Will Evonik be looking to grow organically or through acquisitions in Mexico in the coming years?

As part of Evonik's North American operations that include the US and Canada, Mexico benefits from M&A activity made by the group in this region. Typically, we feel the benefit from acquisitions made in the US, and this has been the case in the last five years. Right now we are in the integration process to incorporate these new businesses. On top of this, there are increasing local and regional accounts in Mexico within Evonik's business lines which are contributing to organic growth, which mirrors the company's global strategy to grow through a diversified portfolio of specialty chemicals. ■



# José Magalhães Fernandes

Vice-President– Latin America Region  
**HONEYWELL PERFORMANCE MATERIALS & TECHNOLOGIES**



## How significant is Honeywell's presence in Mexico and its relevance to the company's global footprint?

Honeywell has been present in Mexico for more than 80 years. Today, Mexico has Honeywell's largest employee base outside of the US, with over 12,000 employees working in more than 20 facilities in five states, underlying Mexico's importance for us from a supply chain perspective. All four of Honeywell's strategic business groups are represented in Mexico: performance materials and technologies (PMT); aerospace; building technologies; and solutions for safety and productivity solutions. In 2020, PMT sales were US\$9.4 billion globally. Mexico City is the newest of Honeywell's four global technology hubs, with the others located in China, India and Czech Republic. We have over 470 engineers based at the CDMX Techno Park location, with a clear objective to find the most effective solutions for our customers most important problems.

## Can you illustrate the importance of innovation to Honeywell?

Innovation is part of our DNA at Honeywell. For example, Honeywell UOP (which stands for Universal Oil Products) has more than 3,000 global patents in this division alone. UOP developed most of the technologies in use today and more than 60% of the gasoline and diesel refined in the world is based on Honeywell technologies. 90% of all biodegradable detergents made in the world are based on our technology. Our innovation process starts by being close to customers and understanding their specific needs and challenges. We

address these challenges by creating new solutions at our tech hubs, using a combination of tools such as data analytics and AI to augment our engineering knowledge and accelerate results.

## What would you say are some of the characteristics of the Mexican market that are similar or different to other Latam markets?

Mexico has a demanding group of customers which looks for cutting-edge technologies, so we require a lot of expertise and talent in country to address these needs. One of the similarities across the Latam region is the way of doing business. Personal relationships with clients in Latin countries are vital to build rapport, I would say much more than in Anglo-Saxon countries.

## Can you provide examples of Honeywell's products that contribute to a green economy?

Sustainability is one of the key pillars at Honeywell, and in the PMT division it is the step change in our strategy. Honeywell UOP's *Ecofining* technology is developed to hydrotreat vegetable oil, animal fat or cooking oil and transform it into 100% 'green diesel' or 'green jet fuel'. This is a drop-in type of product, meaning you can substitute the fossil fuel diesel for 100% green diesel, and the engine will work exactly the same. We already have two customers who are working on these projects to build up these plants in Latin America. Plastic circularity is also a key focus area. Honeywell has developed a process to efficiently convert wasted plastics into a polymer oil, which can be used in the

petrochemical industry. Biodegradable detergents and blue hydrogen – the conversion of gas into hydrogen by using system methane reform – are two other important products for our markets. We have also developed a low global warming refrigerant called Solstice. Our Solstice product line is based on Honeywell's breakthrough HFO technology. These solutions are used in various applications, including refrigerants for supermarkets, air conditioning for cars and trucks, blowing agents for insulation, propellants for personal and household care and solvents for cleaning solutions. Worldwide adoption of Solstice products has resulted in the reduction of more than 210 million metric tons of greenhouse gases to date; equal to eliminating emissions from more than 44 million cars.

## What are the key themes that Honeywell hopes to address in the next two years?

The aforementioned sustainability projects Honeywell is executing will offer a lot of opportunities, such as Ecofining, and I would like to see them developed in the next two years. Surrounding this strategy, we aim to help customers become more connected and efficient by supporting digital transformation through Honeywell's automation and remote operations portfolio. This helps customers optimize operations, maximize their opportunities and minimize human error. Through all of this, we hope to address the fundamental challenges affecting us across the globe: reduce greenhouse gases, minimize waste, and maximize efficiency. ■

# Salvador Urbina

VP Business Development & Marketing – Latam North  
**LINDE**



## What are the main product lines Linde works with in Mexico, and which have been performing well in the last two years?

Linde's market segmentation is broad: not one line represents more than 15% of the company's total. The resilient sectors have been health, food and beverages, and the environment – the denominated "special gases" are very significant for this last sector. Linde owns the biggest lab in Latin America for special gases and has a myriad of mixes from which to produce components. For example, we have verification centers for the automobile industry where we use products to test sustainability parameters and the car gas emissions. Additionally, we supply the majority of steel companies in the country as well as manufacturers in the automobile, aerospace and electronics industries. Linde also has important contracts with the energy sector – both private and public. Finally, we supply hospitals and healthcare centers with gases that are important for therapeutics such as oxygen, hydrogen and nitrogen – Linde is the only producer of nitrous oxide in Mexico.

## How do Linde's products contribute to a sustainable economy?

One such initiative is producing nitrogen through clean methods, from clean energy sources such as wind and solar instead of fossil fuels. This green nitrogen is important for mobility and for the production of other gases such as methanol. The company has invested heavily in the necessary infrastructure in the construction of solid oxide electrolyzer cells and filling stations. Two thirds of the applications Linde promotes help towards sustainability and the reduction of greenhouse gas emissions.

## Do you have a final message for Mexican's chemical industry?

Integration will continue to be an important industry-wide target and as an industry, we must work independently of incentives or legislation. Uniting in projects that have matching ambitions and strategic visions will ensure that the Mexican chemicals industry will remain stable and its supply chain will recover satisfactorily. ■

# Jesús García Saíd

Director General  
**INDUSTRIA QUÍMICA DEL ISTMO, S.A. DE C.V. (IQUISA)**



## Can you introduce IQUISA's and explain the company's focus?

IQUISA belongs to the chemical division of Grupo CYDSA. We are a company dedicated to the production of chloride, caustic soda (sodium hydroxide), sodium hypochlorite and hydrochloric acid. We have five operating plants: three of them produce hydrochloric acid, chloride and caustic soda, and two converter plants that produce bottled chloride and sodium hypochlorite.

## How do the supply and demand dynamics of caustic soda impact IQUISA?

The Mexican industry in general has high consumption levels of caustic soda. IQUISA's growth has benefited from a deficit in the supply of soda in our country. Mexico currently imports between 250,000 and 350,000 tons of caustic soda. As long as we can increase the production capacities of IQUISA's plants, we have guaranteed purchases.

## Can you elaborate on the US\$120 million investment approved last year for the expansion of IQUISA's caustic soda plant in Coatzacoalcos?

Coatzacoalcos is IQUISA's biggest plant and has been operating for over 60 years. The plant was engineered for caustic soda production through the means of electrolysis and mercury cells. However, due to the technology's age, the plant is less efficient than membrane technology and consumes more energy. At the same time, mercury has fallen out of preference due to its health risks. Although we worked carefully to reduce mercury exposure, we were conscious of the need to do without it completely. Our intention is to reform the plant to produce caustic soda cleanly through soda membrane technology only.

This latest project comes as a complement to the transformations that we have already undertaken such as those in our Santa Clara and Monterrey plants. IQUISA's intention is to always press forward in production capacity and efficiency. ■





# PETRO- CHEMICALS

"Mexico has the potential capacity to supply more raw materials to its chemical industry. Along with ANIQ, we have been talking to the government, insisting that the industry is ready and willing to cooperate with Pemex."

- Abraham Klip Moshinsky,  
Director General,  
Unigel Mexico





# Petrochemicals

## WILL THE PRIVATE SECTOR BE ALLOWED TO HELP REVIVE PEMEX?

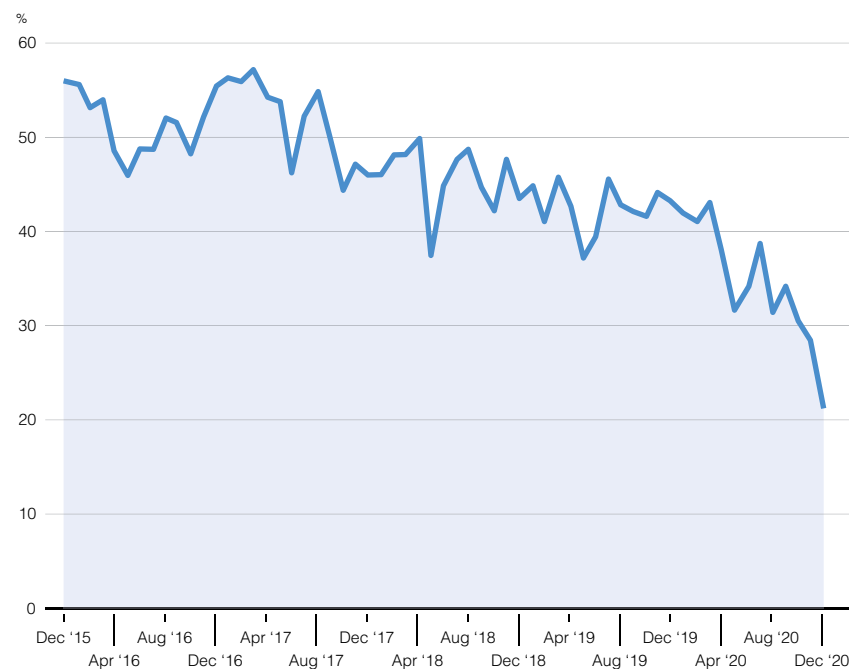
On February 19<sup>th</sup> 2021, the Mexican government granted new fiscal support worth 73.28 billion pesos (US\$3.54 billion) to Pemex to help alleviate the firm's finances. The stimulus is the latest in a long line of tax breaks made in an effort to reignite the failing national champion, a top priority for the AMLO administration.

In addition to tax breaks, the government has planned to modernize Pemex's refineries and infrastructure, announcing a number of important projects where private industry will be investing or co-investing, revealed Eugenio Manzano, executive director of chemical distributor, Pochteca. "Chemical plants in southeastern Mexico are operating at low operating rates and with higher costs than their counterparts in other countries, which has generated many inefficiencies downstream and a commercial deficit of more than US\$25 billion per year," observed Manzano. "We need a strong and efficient Pemex, where key raw materials originate as well as public policy that fosters investment by the private sector in the energy and petrochemical industries."

Miguel Benedetto commented that ANIQ has been working between industry and government to develop joint projects that would ensure a more reliable source of feedstock coming from Pemex. "We would like industry to be able to invest in Pemex facilities, either to make inputs and create infra-

## UTILIZATION PERCENTAGE OF PETROCHEMICAL CAPACITY IN MEXICO

Source: ANIQ



structure, or to invest into Pemex assets that have been left idle due to a lack of government resources".

"Availability of raw materials is everything in the chemical industry, and you have to build your plants as close to the source as possible," reflected Abraham Klip Moshinsky, noting that Mexico has the potential capacity, but industry must find a way to cooperate with Pemex.

Moshinsky revealed that Unigel and ANIQ have been in correspondence with the government, insisting that the industry is ready and willing to cooperate with Pemex on the issue of investment into infrastructure, plant maintenance and new facilities. "If this issue is not resolved, companies will have to keep importing feedstock, and more companies will continue investing in the US rather than Mexico," he said. Indeed, Unigel used to have an agreement with Pemex to produce propy-

lene, from which Plastiglas obtained a co-product used to produce methyl methacrylate for acrylic sheets. However, this stopped in 2017 due to a lack of raw materials from Pemex and, ever since, Unigel has had to import feedstock from Brazil.

Jesús García Saíd, director general of IQUISA, a Mexican producer of chloride, caustic soda (sodium hydroxide), sodium hypochlorite and hydrochloric acid, mirrored the sentiment that a lack of feedstock was the biggest challenge facing Mexico's chemical sector: "The country should look to encourage domestic ethanol production and domestic methane gas production to boost the Mexican petrochemicals industry." Perhaps the standout example of Mexico's lack of feedstock revolves around a dispute between Pemex and Braskem Idesa, the joint venture between Braskem and Grupo Idesa. In December 2020, Mexico's natural gas

control center Cenagas refused to renew a contract to transport natural gas supplied by Pemex to Braskem Idesa's Etileno XXI polyethylene complex in Veracruz state. An apparent refusal by Braskem Idesa to change the terms of a 2010 agreement with Pemex, under which Pemex would sell 66,000 bpd of ethane to Braskem Idesa at a discounted price, is at the crux of the issue for AMLO, who believes the deal was shrouded in corruption and unfair on Pemex.

Since the deal was struck, Pemex's ethane production has steadily declined and Mexico's state oil company has failed to meet the supply commitment in recent months. In January 2021, Braskem Idea partially resumed production at its Etileno XXI complex, applying an experimental business model to get the plant up and running, although it did not state the utilization level of the unit under the new scheme. Speaking in 2020, Stefan Lepecki, CEO of Braskem Idesa, elaborated how

the company is complementing Pemex's ethane supply with imports to increase utilization rates: "At Etileno XXI we have a production capacity of 1,000,050 metric tons of polyethylene per year (mt/y). To reach that rate, we need 66,000 bpd of ethane. Previously, we were only receiving 74% of that amount from Pemex, so in 2020 we started a temporary 'fast-track' initiative to import ethane."

Lepecki went on to explain that the ethane arrives in a cryogenic ship to a temporary facility in the port of Coatzacoalcos, before being transferred to a carousel of trucks between the harbor and the Braskem Idesa facility. "Because Pemex's recovery will take time, the long-term solution should be a large-scale import terminal, and we expect to implement this in 2.5 years. Through ANIQ, we maintain a dialogue with the government and with Pemex to design structural solutions like this for the country's petrochemicals industry."

Although the ongoing dispute between Pemex and Braskem Idesa continues to negatively impact the country's chemical industry as a whole, it has benefitted some of Braskem Idesa's competitors. Raúl Baz, director general of Grupo Petroquímico Beta (GPB), elaborated: "Although the ethylene oxide market has been tough, the government's decision to cut back on the ethane they were giving to Braskem Idesa has benefited GPB substantially."

Baz is referring to a new bidding process in place that has granted GPB access to be the first bidders on excess ethylene oxide, allowing for stability with clients. However, he mentioned that other solutions which the government have decided not to take, such as making use of ships which liquify ethane, dropping the amount going into the maintenance of plants, and struggling to start the crackers in Canigrejera, has created a large deficit of ethylene oxide in the country. ■



### CONTRIBUTING TO A BETTER LIFE

We are one of the largest chemical companies in Brazil, with industrial plants located in Brazil and Mexico, with a dominant position in Latin America as a producer of styrene – polystyrene, acrylics and fertilizers, with a broad portfolio of products to supply diversified markets.

Currently, Plastiglas has the largest installed capacity in North America for the manufacture of cell cast acrylic sheets, being the regional leader in manufacturing and marketing.

Plastiglas is aware that our responsibility to the planet is to create a sustainable future. We are fully dedicated to contributing a better life.

[www.unigel.com.br](http://www.unigel.com.br) / [www.plastiglas.com.mx](http://www.plastiglas.com.mx)  
 Abraham Klip, CEO, Unigel Mexico Tel: +52 722 279 6800







## Abraham Klip Moshinsky

Director General  
UNIGEL MEXICO

### How has the pandemic impacted Unigel's performance in Mexico in 2020?

We are one of the lucky ones, as there is a need worldwide for acrylics used for visors and face guards. It is a simple acrylic, not a specialty grade, that we have had to produce in huge volumes. In March, we were uneasy about the prospect of having to reduce production at one of our plants in Mexico, in Toluca or San Luis Potosí. However, in April we started to receive many orders, especially for exports to the US and Canada. The Mexican market picked up later. We actually had to hire more workers to keep up with the demand at one point, and overall, 2020 has been a record-breaking year for us in terms of volume sold.

### Can you explain how Unigel has vertically integrated its production of acrylic sheets via its Plastiglas subsidiary in Mexico?

We used to have an agreement with Pemex to produce acrylonitrile for which the main raw material is propylene, which comes from refineries. From there, we obtained a co-product used to produce methyl methacrylate – which is used to make acrylic sheets. However, this stopped in 2017 due to a lack of raw materials from Pemex. Therefore, we had to import feedstock from Brazil, which has kept Unigel vertically integrated in the production of acrylic sheets.

### How do you think the Mexican chemical industry could resolve its issue of a lack of feedstock?

Availability of raw materials is everything in the chemical industry, and you have to build your plants as close to the source as possible. Mexico has the potential capacity, but industry must find a way to cooperate with Pemex. Along with ANIQ, we have been talking to the government, insisting that the industry is ready and willing to cooperate with Pemex. However, there needs to be investment into infrastructure to supply raw materials, as well as investment into maintenance on current plants or new plants for Pemex. If this issue is not

resolved, companies will have to keep importing feedstock, and more companies will continue investing in the US rather than Mexico.

### To what extent has the strong gold and silver market bolstered Unigel's sodium cyanide business?

Unigel has been producing a lot of sodium cyanide in Brazil, and we have a project to produce more, for which we are analysing location options. The gold and silver markets in Mexico are bigger than in Brazil, so ideally we would produce here to reduce logistics costs. However, this comes down to securing raw material contracts for ammonia and natural gas, to ensure the investment is worthwhile.

### Why did Unigel decide to build a new plant in Mexico to produce extruded sheets?

We have just finished building a new US\$8 million plant in Mexico to produce extruded sheets, to complement Plastiglas' production of cell cast acrylic sheets. Start-up testing has commenced, with production due to start in December 2020. As the market for this is small in Mexico, it is a product we are looking to export. The demand for acrylics for schools, offices and the health sector in the US is increasing, and we believe this is a growth area in the coming years.

### What are the company's main focus areas in Mexico for 2021?

Unigel is focusing its time, money and R&D efforts on specialty grade and solid surface products, rather than trying to compete in the commodity product market. We intend to start producing coloured and impact grade products in Mexico, for both our extruded and cell cast lines. We will also be producing an autoclave to produce laminated sheets. We have the largest distribution network throughout the US and Mexico, and want to maintain our reputation for delivering "just in time" products. We have achieved this by sending small volumes of many different products to customers, making Unigel the company with the most flexibility in the market. ■

We actually had to hire more workers to keep up with the demand at one point, and overall, 2020 has been a record-breaking year for us in terms of volume sold.

## Stefan Lepecki

CEO  
BRASKEM IDESA

Interviewed as part of GBR's collaboration with APLA.



### What was the state of the polyethylene market before COVID-19?

Before COVID-19, we were already experiencing a low cycle in the petrochemicals industry due to a large amount of new investments, mainly in the USA and Asia. Globally, new capacity growth during 2019 was higher than demand growth, so that narrowed the spreads between ethane prices and polyethylene prices, directly impacting our business. Luckily, Braskem Idesa is a very competitive player; we are a low cost producer with a world-scale complex, and we have flexibility to take advantage of Mexico's strategic location and its free trade agreements with other countries. We export to more than 40 countries and, as of August 2020, polyethylene prices have already recovered, increasing price spreads as well.

### How are you complementing Pemex's ethane supply with imports to increase utilization rates?

At Etileno XXI we have a production capacity of 1,000,050 metric tons of polyethylene per year (mt/y). To reach that rate, we need 66,000 barrels per day of ethane (bpd). Previously, we were only receiving 74% of that amount from Pemex, so this year we started a temporary 'fast-track' initiative to import ethane. The ethane arrives in a cryogenic ship to a temporary facility in the port of Coatzacoalcas and we transfer the ethane to a carousel of trucks between the harbor and the Braskem Idesa facility. We are now importing 10,000 bpd and we plan to increase that to reach full capacity at the plant. Because Pemex's recovery will take time, the long-term solution should be a large-scale import terminal, and we expect to implement this in 2.5 years. Through ANIQ, we maintain a dialogue with the government and with Pemex to design structural solutions like this for the country's petrochemicals industry. ■

## Bernardo Álvarez Certucha

Executive President  
ALVEG (GRUPO IDESA)

Interviewed as part of GBR's collaboration with APLA.



### Do you think the public perception of the chemical industry has improved with the pandemic?

The pandemic has brought a new perception of the chemical sector. As an industry, we have been behind the great effort to combat the virus; we are behind the creation of vaccines, health treatments, safety packaging and diverse hygiene materials. We must continue to educate current and future generations in the benefits of our products and the responsibility we have for the environment.

### Mexico's chemical industry has suffered a lack of feedstock for years. What can be done about it?

Mexico needs a strong Pemex, which is not the case today. Pemex' economic and operational situations are quite delicate, so we support the government's efforts to revitalize the company. Unfortunately, Pemex alone cannot meet all the demand for raw materials that Mexico has. A long-term, sustainable solution would be a combination between State and private sector initiatives, as per the previous energy reforms.

### How could the country reactivate investment in the construction segment?

The construction segment has been one of the hardest hit during the Covid-19 pandemic. Given the nature of the activities, keeping a safe distance and hygiene measures has become a challenge for the different actors within this industry. The infrastructure sector stopped activities for several months given the combination of uncertainty in the face of Covid-19 and the global economic crisis we are facing. Fortunately, the country has announced new infrastructure projects to develop in the following years. ■





## Raúl Baz

Director General  
GRUPO PETROQUÍMICO BETA (GPB)

Products that have a higher standard with respect to manufacturing are more favored in the market, and over the last two years, GPB has devoted its energies to obtaining certifications for different areas of manufacturing.

### Can you explain how Grupo Petroquímico Beta (GPB) has evolved in recent years?

The original objective of Grupo Petroquímico Beta (GPB) was to be a manufacturer of the specialty chemical Hydroxy Ethyl Cellulose (HEC). This is one of the more valuable chemicals you can manufacture with ethylene oxide and we invested a significant amount of energy into developing HEC intended for shale gas drilling. We managed to successfully manufacture the molecule and stood out from other similar products. In 2008, the demand for drilling of shale gas collapsed and we decided to seek other ventures in different commodity ranges. Things started to change for us when the Braskem Idesa project started. At that time, ethane was still valued below the cost of gas, as Mexico had a surplus of ethane. With major ethylene oxide projects, including Pemex, there was suddenly not enough ethane for the manufacturing of polyethylene and ethylene oxide. It was then decided that ethylene oxide would be sold under the basis of quotas which were up for bid. At first, there was no penalty for not taking what you bid on, which resulted in the prices of ethylene oxide increasing significantly. The next year, a 25% penalty on all the ethylene oxide assigned in the bid, but not taken, was imposed. This caused demand for ethylene oxide to shrink. Currently there is a new bidding process in place and, by following the rules of the contract, GPB has been able to achieve second place, which grants access to be the first bidders on excess ethylene oxide. This allows us stability with clients plus growth.

### How did supply and demand dynamics for ethylene oxide impact GPB's business in 2020?

The last four months of 2020 were really catastrophic in the supply of ethylene oxide, and we had a tough time retaining clients in the middle of a change in the philosophy of our company towards high specialty chemicals. Products that have a higher standard with respect to manufacturing are more favored in the market, and over the last two years, GPB has devoted its energies to obtaining certifications for different areas of manu-

facturing. We currently are certified in Good Manufacturing Practices. We can manufacture NF grade, Kosher and pharma level certified, and we are working on the certification for food grade products by 2022. We are now in a market that pays more, substitutes imports, and provides more export opportunities. The leading chemical multinationals, and we too, manufacture for major multinational corporations which only use companies that meet the highest standards.

### Which government actions have affected the market?

Although the ethylene oxide market has been tough, the government decision to make available ethane for the production of ethylene oxide has benefited GPB substantially. There are however other possible solutions, for example, making use of ships which liquify ethane.

### Why has GPB decided to focus on high-end specialty chemicals?

If you go up in the quality of the products you are manufacturing, you become a strategic supplier to important industries. With deficits in ethylene oxide, it becomes difficult to properly serve clients. In times of depression, personal care products tend to go up in demand as people want to feel better about themselves. With respect to personal care products, quality and traceability is paramount. GPB is certified and has good manufacturing practices (GMP's) which gives us an advantage in the market. We have been approved for the manufacturing of products for major multinational companies, clients which only accept the highest quality and service.

### How important is the export market to GPB's business, and which areas do you see as having high potential for growth?

GPB either exports, or substitute imports for approximately 80% of its products. Some of the commodities that we manufacture go to Central America, and we manufacture for a third party which in turn sells a substantial amount to the US, Brazil, Argentina, and Chile. We are thus very diversified in terms of export markets. ■

## MAJOR PETROCHEMICAL COMPLEXES







# AGRO- CHEMICALS

"The Mexican agrochemical industry has an approximate value of 20 billion pesos and an annual investment of over US\$7 billion to develop increasingly innovative and efficient products in the fight against pests and plant diseases. This represents an increase of more than 60% since 2001."

**- Cristian García,**  
**Executive Director,**  
**PROCCYT**  
**(Association of Crop Protection, Science and Technology)**





# Agrochemicals

## THE BEST PERFORMING SUB-SECTOR OF THE CHEMICAL INDUSTRY GOES FROM STRENGTH TO STRENGTH

Mexico is privileged when it comes to food, and this goes beyond its wonderful cuisine. It is the 11th largest food producer in the world, and one of the leading food exporters globally. According to Cristian García, executive director of association PROCYT (Protección de Cultivos, Ciencia y Tecnología): "Mexico has 12 free trade agreements with 46 countries, representing a potential market of 1.4 billion people. This encourages the search for new opportunities and better conditions for the sale of agricultural products from Mexico."

The factors contributing to Mexico's advantageous agricultural setting are primarily weather conditions and geography. In the north, Mexico has cold conditions, while the south has a tropical climate. This variability of condi-

tions allows Mexico to produce a wide diversity of crops.

UMFFAAC, the Mexican Union of Agrochemical Manufacturers and Formulators, revealed that by November 2020, Mexico's agricultural sector had recorded a US\$11.4 billion surplus, or a 43.2% growth year on year. "Our slogan has been "the field cannot stop", and indeed it has not stopped for a single minute," stated Luis Eduardo González, UMFFAAC's president, who noted growth across a variety of crops, including avocados, peppers, tomatoes and berries, beer and tequila, with exports up by nearly 5%.

Mexico's largest domestic agrochemical producer, Agricultura Nacional, part of the Dragón Group, has been in operation for over 85 years. The company has two plants, in Puebla and Le-

rma, with annual production capacities above 50 million liters, and offers solutions for crop protection including fungicides, insecticides, and products for plant physiology. Martín Fueyo, director general of Agricultura Nacional, explained that the company follows a set of principles during its vertically integrated product design processes that can take between five to seven years before commercialization. "In the first place, we look to reduce the product's chemical demand and maximize the advantages it offers the crop producer. This means reducing environmental impact and improving control," said Fueyo.

Mexico's agricultural GDP is growing and contributed US\$10 billion in 2020. Nevertheless, there are a multitude of challenges facing growers throughout Mexico. Soil health, drought, pest resistance issues and greater pressure to use greener solutions are all forces impacting the industry. This means crop protection and technological adoption are essential if Mexico is to maintain its status as a leading food producer.

### The challenge of modernization

The agrochemical industry plays a fundamental role in supporting agriculture in order to increase production. One of the issues, however, is that certain areas of the country are far behind

in their adoption of new agricultural technologies. Javier Valdés, territory head Latam North at Syngenta, explained: "There is a big opportunity for Mexico to increase technification across the country. Particularly in the center and south where farmers tend to be less advanced in their production techniques. We have demonstrated success in the southern part of Mexico many times, helping our tropical fruit producing partners increase their profitability."

Santiago Vera, general director at Grupo Versa, a company specialized in formulating products for crop protection, expressed a similar view, noting: "The agricultural market is supported by resource-poor farmers who need training and a healthy environment. We want people in field development continually promoting and developing our products."

Field development has been more difficult during the pandemic, but fortunately, thanks to technologies such



*The agricultural market is supported by resource-poor farmers who need training and a healthy environment. We want people in field development continually promoting and developing our products.*

**- Santiago Vera,  
Director General,  
Grupo Versa**

as Zoom, companies were able to still communicate with clients despite not being able to meet in person. "This is not a technified sector and it remains very traditional as people prefer in-person communication," observed Gad Ben Joseph, managing director of Koor Intercomercial S.A.

Jorge Casas, director general of commercialization and marketing at Agri Star México, commented that distributors can play a role by facilitating

and leading technology transfers, but warned that there are steep challenges to technology dissemination due to demographics, such as rurality and poor schooling. "We need to elevate the profile of food producers in Mexico and ensure farmers provide an added value," said Casas, adding that Mexico needs an agricultural policy that recognizes the sector's strategic importance to the country, such as was done many years ago in Brazil with great success. ■

**85**  
ANNIVERSARY  
**DRAGON**

**DRAGON**

ISO 9001 SGS  
ISO 14001 SGS  
ISO 45001 SGS

**www.dragon.com.mx**  
Contact: Victor Pérez - vperez@dragon.com.mx

**We offer tooling services, which include:**

- Formulation
- Primary packaging (filling of containers) and final packaging (labels and boxes)
- Storage
- Legal advice regarding crop protection products registrations
- Certified lab for GLP studies (PhysChem properties)

The service includes raw materials, packaging (primary and final), Thermo-shrinkable and self-adherent label, PET and natural polyethylene containers or co-extruded polyethylene containers.

**AMVAC**<sup>®</sup>  
An American Vanguard Company

As a vanguard company we are strengthening our portfolio of biological solutions with:

**Agrinos**<sup>®</sup>

**BioAmin** **MayaMagic 2001** **BioQuitina**

**www.amvac.com**





## Luis Eduardo González

President  
**UMFFAAC**  
(THE MEXICAN UNION OF  
AGROCHEMICALS MANUFACTURERS  
AND FORMULATORS)

Crop protection as a precision agriculture tool brings a notable increase in the improvement of crop yield. It allows for the development of more efficient, innovative and safe agricultural processes at lower costs.

### What is UMFFAAC's mandate, and how was the industry affected by the pandemic?

UMFFAAC is the Mexican Union of Agrochemical Manufacturers and Formulators, whose members are primarily companies involved in post-patent products. UMFFAAC's vision and mission is to defend the interests of the crop protection industry in terms of its relationship with the authorities and, working within the framework of regulations, to support food production in a safely manner.

With Covid-19, people stayed at home and looked at healthy options for their meals. In this respect, the agricultural sector had much better results than initially expected. Until November 2020, it had recorded a US\$11.4 billion surplus, or a 43.2% growth year on year. Our slogan has been "the field cannot stop", and indeed it has not stopped for a single minute. Mexico's great advantage is that our fields are outdoors, therefore, we could continue operating.

We grew significantly in a variety of sectors, from avocados, peppers, tomatoes and berries to beer and tequila. Until November 2020, exports of agricultural products had also increased by nearly 5%. We are happy that the free-trade agreement will continue to be a central component of trade in North America under the new US government. We are very enthusiastic about the growth levels we can achieve once the pandemic is over.

### What are the main concerns of UMFFAAC's members at the moment?

Currently, the main concern is that the government is not valuing the private sector's opinion when defining public policies. In November 2019, SEMARNAT unilaterally suspended the import permits for glyphosate raw materials. Glyphosate is the most economic herbicide solution, and it is very important for countries like Mexico that has tropical and subtropical climates. As a result of this, there was a shortage of glyphosate and prices went up by 30 to 40%.

In Mexico, over 60% of agriculture producers work in small properties of less than five hectares. Those farmers do not have money to buy a tractor, so they need glyphosate, demonstrated to be economic and highly effective with low toxicity.

### Could you tell us about the Campo Limpio initiative to avoid packaging waste at farms?

Campo Limpio is an initiative by Amocali, a joint association between UMFFAAC and PROCCYT that looks at the responsible disposal of empty packaging of agrochemicals. In this respect, we have set up collection centers and we are constantly campaigning and training farmers and agrochemical producers to raise awareness. In Mexico there are 75 CATs (temporary collection centers), of which 15 are managed by Amocali, and we also support with our transport capacity the other 60 centers. Over the first three quarters of 2020, we collected 1,667 metric tons of packaging.

### In what other areas can food production become more sustainable?

The crop protection business is evolving, as agriculture moves toward a low-impact and zero-waste activity. We want organic agriculture to be part of the matrix, but it is still a long road ahead. We look at the sustainable development of the sector, and the crop protection business has to be part of that evolution. We have worked with the authorities and already eliminated those products that have shown toxicity. Moreover, as an association we need to educate food producers on what to use and how to use it in their farms.

The knowledge that we can bring to the table is very valuable. Of the 15,000 people employed by UMFFAAC members, nearly 5,000 are engineers. As the world grows and requires more food (the estimate for 2050 is a population of 9.5 billion people), the issue is not just how to produce more food, but to have better food. We have obesity and diabetes, diseases caused by a bad diet, that affect poor people in particular. So, we need to contribute to a better diet. Finally, we need to promote the formal sector. In Mexico, probably 30% of the market is in hands of pirate products (non-regulated products on the market) with no registration, and that is dangerous because that can have a great impact of the credibility of our country as a food producer. ■



## Cristian García

Executive Director  
**PROCCYT**  
(ASSOCIATION OF CROP PROTECTION,  
SCIENCE AND TECHNOLOGY)

Mexico is the ninth largest producer and the eighth largest exporter of food in the world. The estimated amount of exports for 2020 will be over US\$39 billion.

### What are some of PROCCYT's achievements and what are the current initiatives of the organization?

For more than five decades, PROCCYT has represented the crop protection industry. We support farmers by offering them access to innovative technologies that allow for increased productivity, in addition to training. Our mission improves quality of life for the families of Mexican producers and farmers and secondly, helps Mexico achieve a level of food security that benefits millions of families. Our association represents 70% of the crop protection industry and we are made up of 65 research, development, formulation, distribution, agricultural companies and producer associations.

We are also part of the Crop Life Latin America network, which is made up of more than 20 associations in eighteen countries in the region. We promote the adoption of continuous improvement processes in the handling, control, use, distribution, trade, labeling, packaging, storage and final disposal of agrochemical containers under the guidelines and the International Code of Conduct for Pesticide Management of FAO.

One achievement we are very proud of is the toxicology information service, better known as SINTOX. This service provides specialized and free medical attention for the diagnosis and care of pesticide poisoning. We also take pride in our training program-Care, through which we provide training to both farmers and agricultural professionals on issues of good agricultural practices, protection of pollinators and proper disposal of empty pesticide containers. In 2019 we managed to reach more than 50,000 producers and agricultural professionals and in 2020, despite the conditions imposed by the pandemic, we will exceed this number.

### How important is the agrochemical business to the overall Mexican economy?

Our industry has an approximate value of 20 billion pesos and an annual investment of over US\$7 billion to develop increasingly innovative and efficient products in the fight against pests and plant diseases. This represents an increase of more than 60% since 2001. Before reaching the field, our products typically undergo extensive research for 11 years with more than 100 safety and efficacy studies.

Mexico is also the ninth largest producer and the eighth largest exporter of food in the world. The estimated amount of exports for 2020 will be over US\$39 billion. Among the main export products, we export close to US\$820 million of avocado, 28.6% more than last year. Tomatoes also generate US\$780 million, increasing 13% versus the previous year, and berries brought in US\$620 million, an increase of 4.7% from last year.

Agricultural activity faces various challenges however. Climate change is a global concern that increases uncertainty in terms of production and plant disease. We are seeing crop diseases that are attacking geographies that did not exist before and lastly, there has been an increase in pests that has had a big impact on the agro-industrial sector.

### To what extent does the Mexican government support the agrochemical industry? What policies have the most in business?

Unfortunately, for a couple of years our industry has faced a strong onslaught by groups whose dogmatic vision painted us as an enemy. On the contrary, we are allies of the producers committed to achieving the goal set by the president to achieve food security in our country. Different groups have implemented media disinformation campaigns, fostering fear.

The precautionary principle is being misinterpreted in our country, which inhibits innovation and the development of new technologies. It must be supported by scientific evidence to reduce risk.

This lack of support will seriously affect the producers on whom the food of the country depends. Since 2015, we have entered more than 1,000 procedures, out of which 800 have expired. There is a lag in accordance with the terms stipulated for resolution. In the period from 2015 to 2019, this lag represents an economic loss due to the lack of commercialization of the companies' products.

### What is your vision for the future of the agrochemical industry in Mexico?

Crop protection as a precision agriculture tool brings a notable increase in the improvement of crop yield. It allows for the development of more efficient, innovative and safe agricultural processes at lower costs. ■



# Sustainability drives evolution in crop protection

There are 292 crops dependent on agrochemicals in Mexico, making the crop protection industry worth US\$1.3 billion. Companies see the area as awash with growth possibilities, thus making it primed for deal flow. AMVAC México approaches the market by acquiring, developing and manufacturing a group of agricultural products, specialty non-crop products and application technologies that enhance agricultural productivity. On the back of this strategy, AMVAC's Mexican revenue grew from US\$17 million in 2017 to US\$33 million in 2020. The company's latest push is into the biologics space with its acquisition of Agrinos. Marco Salcedo, director of AMVAC México, said: "The market is growing because the technology is getting

better. Agrinos invested US\$200 million in the biological space over the last 10 years and their technology is excellent. As technology for biological solutions increases, it becomes more competitive with chemicals." For FMC, a global leader in crop protection, the last five years have marked rapid growth in the Mexican and Latam markets. This includes a number of acquisitions, such as Cheminova, which expanded FMC's stake in the fungicide and insecticide markets, and the 2018 acquisition of a share of Dupont's portfolio. "This array of products amounts to over US\$30 million in revenue and sets FMC as industry leaders in the Mexican crop protection segment," explained Carlos Jurado, FMC's Latin American North business director.

J. Robert Gonzalez, partner at AM-AG, related how, for many years, people focused on farming without paying proper attention to the soil as a living organism. In 2018, AM-AG merged with US-based Sigma AgriScience, and operates as their marketing arm in Mexico. "Sigma Biosphere products make use of a range of soil and crop appropriate combinations of magnesium, calcium, sulfur and micronutrients in season-long form to augment NPK blends to maximise crop production across a variety of growing environments and crop rotations," said Gonzales. Acadian Plant Health's products are based on organic seaweed from Nova Scotia. Mexico represents the biggest market for Acadian in Latin America where it provides bio-stimulation solutions for plant growth. Sergio Aburto, Acadian's Latin America director, expanded: "Every crop has different requirements and Acadian's products are designed to enhance the transportation of the right nutrients for each situation."



**umffaac**  
Por una industria comprometida con el campo  
Unión Mexicana de Fabricantes y Formuladores de Agroquímicos, A.C.

**Production of healthy food, a priority for Mexico.**

UMFFAAC has worked for more than 45 years to promote and drive the development of the crop protection and plant nutrients industry, to provide farmers with high quality products complying with the current regulatory framework, in accordance with the farmers requirements, as well as for other users besides those of the agricultural sector.

Today it is necessary to involve all the actors in the agri-food supply chain, to achieve synergies and thus, the mexican agriculture sector will remain in the forefront of the global trade with a supply of healthy and safe food for international markets.

Join the agri-food chain, improve the human well-being as well as a healthy food production system.

**Unión Mexicana de Fabricantes y Formuladores de Agroquímicos A.C.**









@umffaac   umffaac   comunicacion@umffaac.org.mx

## Martín Fueyo

Director General  
AGRICULTURA NACIONAL S.A. DE C.V. (DRAGÓN)



**Can you introduce Agricultura Nacional and describe the company's presence in Mexico today?**

Agricultura Nacional is a 100% Mexican family company with over 85 years of history, which is part of Grupo Dragón. Our purpose is to contribute to better nutrition in Mexico and we have a large team of professionals, agro specialists and chemical engineers working to achieve this. We have two plants, in Puebla and Lerma, with capacities above 50 million liters. The organization employs over 900 people, commercializes over 100 brands and has filed over 200 product health records.

**Can you explain the company's range of agrochemical products?**

We offer solutions for crop protection such as fungicides, insecticides, and products for plant physiology. In recent years, in accordance with developments within Mexican agriculture, we launched our biologically-made repellent, Bio-Dragón. Our commitment is providing the best and most optimized solutions for processes. For this reason, the company is focused on laboratory research and constantly searching for improvements and opportunities. Dragón follows a set of principles in our product design processes. In the first place, we look to reduce the product's chemical demand and maximize the advantages it offers the crop producer. This means reducing environmental impact and improving control.

**How does Agricultura Nacional penetrate international markets through the Dragón brand?**

We work very closely with distribution chains as well as crop producers. We

monitor very closely the quality requirements for exporters - which allows us to support them from a technical angle.

**Can you explain the process of product formulation through to distribution and commercialization?**

The vertical process of product examination is long. It takes between five and seven years and ensures that the Mexican agricultural industry has an offer of products characterized by excellence. Examination includes identifying the challenge and evaluating the benefits and drawbacks of ingredients. There is a back and forth dynamic that tests efficiency; our scientists conduct experiments across a variety of climates, crops and conditions to ensure that product efficacy is validated. The rigor of these processes contributes to the country's reputation as an excellent agricultural exporter.

**Dragón won the Premio Nacional Agroalimentario 2020. What was this for, and what is its significance?**

As part of a process of institutionalization, we began participating in programs such as ISO 9001 and 18001, and certifications such as the Premio Nacional Agroalimentario 2020. This contest focuses specifically in our segment and is directed by the CAN (Consejo Nacional Agropecuario). Our candidacy required an auditing of the company and we were awarded a distinction for corporate excellence across benchmarks.

**Agriculture is one of the few industries that grew during the pandemic. How did Covid impact your business?**

Agriculture was labeled an essential industry, which was a blessing; in comparison to other businesses, Dragon performed well.

Far from having to reduce our workforce, we expanded hiring and contributed to the welfare of communities.

**Can you elaborate on the company's focus on sustainability?**

Crop production has progressed immensely but there are still challenges surrounding it. For example, how to feed the future global population given land constraints? For this reason, we seek to make farming increasingly more efficient, while protecting health and the environment. We must be very conscious of these two points and formulate solutions that are built on long-term strategies.

**What are Agricultura Nacional's objectives for the next two years and strategy for growth?**

Our strategic plan is to increase the company's market presence to 10%. The mechanism required includes portfolio development, extending closer support to clients and assisting producers in technical matters. In order for this to be successful, the human capital of our collaborators has to be excellent. For this reason, human resources are an important focus in 2021.

**Do you have a final message for the audience of Chemical Week about the potential of the Mexican agriculture market?**

Mexico has proven its potential for food production. Dragon is very honored to belong to this production chain and to contribute to the nourishment of people in Mexico and abroad. We will continue demonstrating what we have to offer and thank Global Business Reports for highlighting our company and Mexico's potential. ■





## Marco Salcedo

Director  
AMVAC MÉXICO

**We have grown our biologic portfolio from US\$250,000 in 2017 to US\$1.8 million in 2020 and, with new concepts and acquisitions, we are targeting to reach US\$3.5 million of revenue generated from new products in our portfolio this year.**

### Can you provide an overview of AMVAC and its operations around the world?

AMVAC celebrated its 50<sup>th</sup> anniversary in 2019 and we have 12 operating companies around the world with a strong presence in Mexico and Central America. We do approximately US\$500 million in sales per year and we trade on the New York Stock Exchange under ticker AVD. Our business model is to acquire, develop, manufacture and market a diverse group of agricultural products, specialty non-crop products, and application technologies that enhance agricultural productivity and safeguard public health. We want to be a technology solutions provider and we are looking to grow our portfolio through acquisitions.

### What is the importance of Mexico to AMVAC's broader business?

AMVAC has been present in Mexico for 20 years and our focus is on acquired technology that is well known and appreciated by growers. Two years ago, we redefined how we wanted to position ourselves from a strategic standpoint and started an intense process to introduce greener technologies that will help us to offer an improved service to our customers, complement our portfolio and eventually better face regulatory challenges from authorities. The second priority we defined pertained to the structure of AMVAC México where we defined the proper profile we are looking for to join our team and added new functions to be closer to our customers. We are motivated to improve our market presence and grow both the chemical part of our business as well as our biological portfolio.

As part of our restructuring in Mexico, we now have not only sales people working directly for us, we also have a group that helps us to develop our concepts in the field. We have grown from three new projects in 2018 to 36 new concepts we are analyzing this year. We also grew revenue from US\$17 million in 2017 to a 2020 target of US\$33 million. Furthermore, we have grown our biologic portfolio from US\$250,000 to US\$1.8 million in 2020 and, with all new concepts and the acquisitions that we have been making at AMVAC Mexico, we are targeting this year to reach US\$3.5 million of revenue generated from new products in our portfolio.

### What factors are driving growth in biologics in Mexico?

One of the strongest factors encouraging the development of biologics has been a push from government authorities that have very strong ecological protection interests. They are applying a lot of pressure on the market to ban certain products and to reduce the use of chemicals. As a result, there has been a big push for biological fertilizers and other concepts as well.

It is also being driven by the consumer and to a large extent, the large global companies in the industry, such as Bimbo, Chiquita, Dole and some initiatives like the Rainforest Alliance. The market is growing because the technology is getting better and, if you look at our recent Agrinos acquisition, they have invested US\$200 million in the biological space over the last 10 years. As technology for biological solutions increases, it then becomes increasingly more competitive with chemicals.

One of the other drivers is in the area of soil and plant health. The more we do intensive farming, the more we wear out the soil. At AMVAC we want to provide solutions that regenerate the soil. The general interest in microbial solutions is growing rapidly, which basically increase the microbial health of the soil again improving the uptake of nutrients. This is where our SIMPAS Closed Delivery System, which will launch in 2021, comes into play. Both the Agrinos products and SIMPAS together provide a solution to the grower that builds the biomass in the soil, while also measuring, validating and documenting it. That is our niche, because no other companies offer the combination of both technologies.

### What has been the impact of USMCA on the agrochemical business in Mexico?

Overall, NAFTA and now USMCA is a net positive, because the grower is forced to learn how to better produce specific crops like avocados, berries, lemons and tomatoes. That is why asparagus production is growing rapidly in Mexico and berry production has exploded in certain areas. My feeling is that the USMCA is helping to improve the quality of the products as well as the technology applied in the regions. ■

## Carlos Jurado

Latin American North Business Director  
FMC



### How has FMC's presence in Mexico evolved over the last five years?

In five years, we have undergone a large transformation and grown our market participation. We transacted important acquisitions such as Cheminova – which expanded our stake in the fungicide and insecticide markets. In 2018, the company acquired a share of Dupont's portfolio. This array of products amounts to over US\$30 million in revenue and sets FMC as industry leaders in the Mexican crop protection segment. An important strategy of our business development is focusing on products with benign ecological profiles: low toxicity and a guaranteed quality in food production. Our business development model prioritizes research and is geared towards sustainability. By 2025 we will introduce three new biologic products with almost similar performance to a traditional or current chemical and with this we will strengthen our plant health strategy in a solid way.

### To what extent has the company's performance been impacted by the pandemic?

The Mexican agricultural industry is essential across the production chain, and, as such, the pandemic did not result in interruptions. Nevertheless, some processes have become more burdensome with increased oversight and bureaucracy, which has impacted product-to-market speed. We were expecting drastic damage but our business has remained stable. Sales increased 3% in 2020, and this was in spite of the price hikes we took on board and the Mexican peso depreciating in almost 25% in Q2. Our largest priority was setting the mechanisms to ensure business remained uninterrupted while ensuring worker safety. The restructuring of the company since the pandemic has greatly increased efficiencies and spurred innovation.

### Which of FMC's products and solutions have been driving business growth this year?

The acquisition of DuPont products has galvanized the company's growth. We grew FMC's leading product Coragen over 30% since we gained ownership. FMC's other two landmark products, Beleaf, Benevia and Verimark, have increased considerably. We continue to strengthen the market penetration of these products and products aimed at preventing vegetable viruses. We expect to double sales in only three

years. Finally, we are introducing two new biological products, including a fungicide. These will play a central part in the transformation of our product portfolio.

### Why do you think Mexico has become such a strategic hub for manufacturing and distribution in recent years?

Agricultural exports have been an important source of stability for Mexico. The Crop Protection Sector amounts to US\$1.4 billion annually and, although we had modest growth rates in 2020, we have avoided the sharp drops experienced elsewhere. Our farmers are very export-oriented and are very sensitive to the market's demands. We are also focused on increasing production with land constraints through the use of technology and increased productivity. The goal is to grow safer and more efficient products.

### Can you provide examples of how the topic of sustainability influences FMC's R&D?

FMC's business model requires a careful assessment across all topics related to sustainability. Products are assessed according to their environmental impact, degradability, effects on fauna, time-to-market speed and cost. FMC's outlook is to grow from its current market size of US\$4.7 billion to US\$5.5 billion by 2023, mainly through its new portfolio of sustainable products (two new bio-fungicides, a new insecticide and a new herbicide). FMC Corp is proud to announce the discovery of a herbicide with a new mode of action. The last one discovered by this industry is about 15 years old.

### What are FMC's main objectives in Mexico for the next 12 months?

FMC restructured the sales, marketing and operations of its commercial operation during a very complicated stage of the pandemic, which was a major challenge. In the past, our focus was on sales, while we are now more interested in accelerating exit by better accompanying our distributors and reducing their stock. Our goal is to bring our customers' inventory levels below 35%. Increasing our field displacement capabilities is fundamental. We want to expand our market size in Mexico from US\$120 million to US\$150 million through more efficient displacement. To accomplish this, we are focusing on the preparedness of our workforce, technology and in our agility to do business. ■



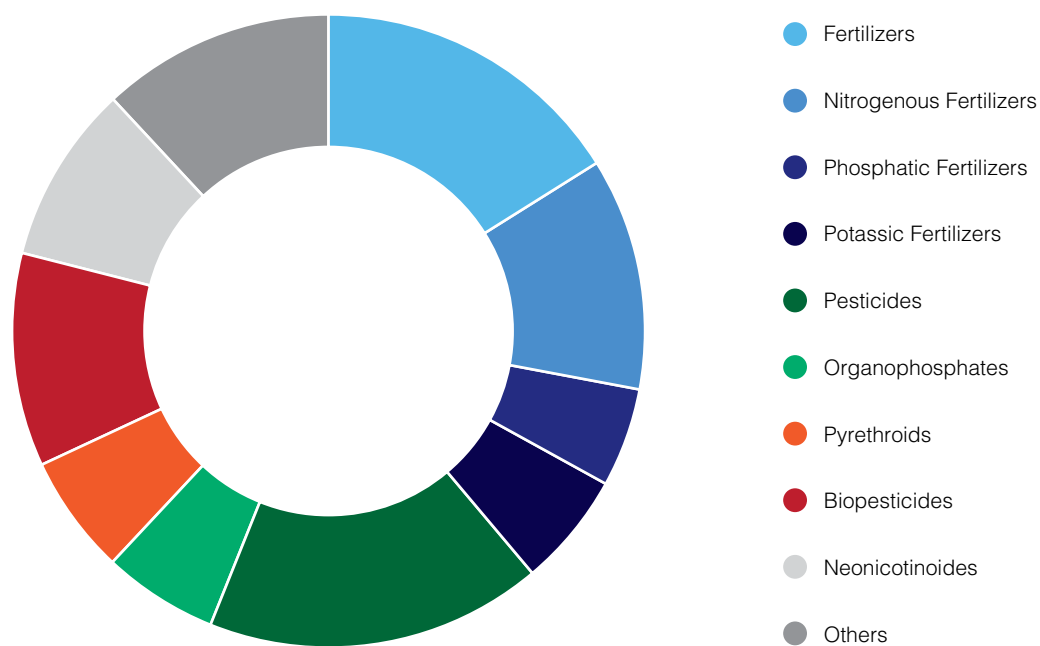
## Global Agrochemical Market Size in USD billion (2018-2025)

Source: Source: Market Research Reports



## Sub-segments of the Global Chemical Market

Source: GosReports



## Sergio Aburto

Latin America Director  
**ACADIAN PLANT HEALTH**



### Can you provide an overview of Acadian's presence in Mexico and range of crop care solutions?

Acadian Plant Health has been working in Mexico for close to 18 years. We are mainly devoted to the seaweed industry, specialized in providing bio-stimulation solutions for plant growth. Acadian focuses on working with the four main areas of stress that impact a plant – water, temperature, salinity and phytotoxicity. The products are all based from brown *Ascophyllum nodosum* seaweed, and as such are all 100% organic.

### How has the pandemic impacted Acadian's business in Mexico in 2020?

In the beginning of the pandemic we did not feel any major impact, as agriculture is an essential industry, and the only sector in Mexico that will see 3% growth or above this year. However, as 80% of horticultural products in Mexico are exported to the US, the border closure has meant logistics have become slower and therefore more costly. This has caused the price of these products to reduce in Mexico, as availability is high. On the other hand, sales of papayas are up significantly, and organic fruit continues to achieve double digit growth every year.

### Can you explain how seaweed sustainability is fundamental to Acadian's business?

All of Acadian's products are based on seaweed from Nova Scotia in northeast Canada. To put it simply, if this seaweed disappears, our business disappears. Therefore, sustainability is our main concern. We have a team of scientists to make seaweed sustainability better every year, to the extent that the volume of this seaweed has been increasing in Canada. Acadian's work in this regard has been recognized by nations such as France, Scotland and Ireland where seaweed banks are being exhausted, as they look to regenerate and replenish seaweed reserves using our science. Today, Acadian is creating a new line of four products based on *Ascophyllum nodosum* seaweed which will make plants much more efficient in a number of ways, including avoiding stress and salinity, and improving yield and nutrient intake even further. ■

## Jorge Alfredo Casas

General Director -  
Commercialization and Marketing  
**AGRI STAR MÉXICO**



### Can you introduce Agri Star and explain the company's focus?

Agri Star is part of a global company dedicated to agricultural and agrochemical products, Albaugh. The company decided to invest in Mexico 15 years ago by purchasing a distribution channel. Since then, we have expanded the company's reach and our portfolio of services, and today we specialize in the agro-industrial sector and offer products for crop protection, bio control products and nutrition; such as specialized fertilizers, seeds and products for post-harvest. Agri Star has a domestic presence across 28 Mexican states and a client network that includes distributors, macro dealers and retailers and over 20 strategic alliances with our suppliers.

### What are the main themes impacting Mexico's agriculture sector in 2021?

Some players within agriculture were acutely hurt during 2020; the small farmer was severely affected. They are more exposed to the market, do not have access to credit and unfortunately did not receive sufficient government support. The government program Sembrando Vida was not rolled out as envisioned. Because production costs are in pesos and due to positive developments in free trade agreement negotiations, export crops performed positively. In general, matters of cash flow took center stage during 2020.

There are steep challenges to technology dissemination due to rurality and poor schooling, for example. We need to contribute with our service supporting the development of farmers in Mexico, mainly those who lack technology or resources and ensure that they provide added value in their products, improve their marketing channels and, with our strategic partners, identify new technologies and support the transfer of best agricultural practices in Mexico. ■





# SPECIALTY CHEMICALS

"We actually achieved higher sales in Mexico in 2020 than in 2019, for both turnover and volume. A diverse and resilient product portfolio of specialty chemicals has been the main reason behind this performance."

- **Martín Toscano,**  
**Managing Director,**  
**Evonik Industries (Mexico)**





# Specialty Chemicals

## ADDING VALUE TO SPECIALIZED AND COMPLEX INDUSTRIAL SECTORS

As margins for commodity chemicals shrunk over the years, companies have increasingly turned to specialty chemicals as a solution to the challenging quest for profitability. From multinationals to domestic producers and distributors, the market for specialties has grown on the back of increasingly specialized and complex industrial sectors. Despite the economic woes inflicted by the pandemic in 2020, various segments of the specialty chemicals sector have experienced growth, particularly those receiving strong export demand. Martín Toscano, managing director of Evonik Industries Mexico, revealed that Evonik achieved higher sales in Mexico in 2020 than in 2019, for both turnover and volume. "A diverse and resilient product portfolio of specialty chemicals has been the main reason behind this performance," he said, adding that the representation of all Evonik's business lines in Mexico allows the company to reach sectors which are involved in

manufacturing for regional and global markets, "because Mexico is becoming more of a powerhouse for global exports platforms."

### Healthcare and personal care

Healthcare and personal care were two of the sectors to achieve growth in 2020, despite the challenging macro conditions. Rafael Méndez, regional director Latam Northern Tier for British specialty chemicals company Croda International, commented that healthcare was one of the segments the company had been investing most in, including the acquisition of a US-based company called Avanti Polar Lipids, which complements Croda's excipients business for vaccines. "We have been participating in a lot of vaccine projects globally, including with Pfizer to supply specialty chemicals for the final formula," said Méndez, adding that Croda had also been working on R&D projects with other companies, such as Oxford-AstraZeneca.

This past year was also particularly notable for Órgano Síntesis (OSSA). US-based Pilot Chemical acquired the company in early 2020 as part of its strategy to expand into new technologies and increase manufacturing capabilities. OSSA proceeded to perform very well throughout the year, given its focus on biocide production, which, as a result of the pandemic, saw demand increase drastically in a short time. According to

OSSA director general Federico Soto: "In a few months, demand had doubled or increased fourfold with respects to regular levels. The challenge was not just on the production side. It was difficult to obtain enough raw materials from different countries to meet demand in our plant. We are competing with manufacturers all over the world for the same raw materials and demand in Europe and America has been very high."

Within their biocide catalogue, benzenonium chloride is of distinct strength. It is a cGMP product produced in accordance with FDA and PMDA regulations. Consequently, the company is increasing its plant capacity aggressively as it expects to grow production by around 88% in 2021, and by 30% in subsequent years. If there is a theme that links both healthcare and personal care, particularly since the start of the pandemic, it has been the increasing importance of sanitary diligence and rigorous use of cleaning products. For companies such as Key Química, which focus on the janitorial side of specialty chemicals, this has presented a lot of opportunity. Today, Key Química has a network 76 distribution centers in 53 cities throughout Mexico, with a specialty chemical manufacturing business, CYAN, which exports to 17 countries across the Americas.

Jaime Herrera, Key's director general, believes that strict sanitary protocols will continue even after Covid is under control: "Even before the pandemic, the

main cause of infections spread in hospitals came from lack of hand cleaning, accounting for 50%," he said, adding that hand cleaning is one of Key's principal R&D areas. "If Covid-19 has taught us anything, it is that cleanliness and hygiene is a necessity and should be a priority for all businesses," he added.

### Covid's impact on the auto industry

The automotive industry, a key component of Mexico's economy, was one of the worst affected sectors in 2020, as the pandemic and work-from-home orders grounded transport to a halt. Global sales of automobiles fell to 64 million units in 2020, down from a peak of almost 80 million units in 2017. However, a rebound in Q4 2020, fueled in part by many commuters looking to avoid public transport, has painted a slightly brighter picture for 2021.

"The state of the automobile sector can be measured by the sales of new vehicles. These figures suffered a 64% drop in

Q2 – a historic record. It rebounded in Q3 and Q4, but is still 25 to 30% down from 2019 figures," related José Luis Guzmán, director general of Castrol México, which is involved in the market for lubricants for cars, trucks, motorcycles, airplanes and industrial applications.

Guzmán went on to say that the indicators for 2021 and 2022 forecast a challenging landscape because there will be a vacuum of cars that would have otherwise been in circulation. Despite the challenging context, Guzmán mentioned that Castrol's sales in Mexico were back to 95% of pre-pandemic levels by the end of 2020, and the company is forecasting business to rebound and grow 30% in 2021 in comparison to 2020. Guzmán cited Castrol Fleet technology, launched in September 2020, which encompasses a full array of products for big and medium sized trucks, as a key growth driver. Meanwhile, multinational company Lubrizol noticed a large decrease in demand at the beginning of the pandemic, but this gradually picked up as more cars re-

turned to the streets. The multinational company makes additives for lubricants, of which the vast majority goes to vehicles. Wagner Sa, Lubrizol's vice president for Latin America, explained why Mexico remained an important market for Lubrizol: "Although Mexico currently has a lower production of cars, there are still a lot of old vehicles running, and this played to our advantage. There is a greater demand for lubricants for old cars which have old technology engines compared to newly manufactured cars." The automotive industry has also been an instrumental driver for Cologne based Lanxess. Pedro Bojacá, director general of Lanxess, pointed to the signing of the USMCA as being a key factor influencing the uptick in business. "We are part of the supply chain of automotive companies in Europe and Asia and, being in the new USMCA market, we have promising growth prospects in producing plastics and specialty products for the rubber industry, which is linked to the automotive industry," Bojacá explained. ■



**PILOT** CHEMICAL COMPANY & **OSSA** ORGANO SÍNTESIS, S.A. DE C.V.

**We're going further Together**

**Nearly 70 years of experience making specialty chemicals**

In 2019, Pilot Chemical Company acquired Órgano Síntesis (OSSA) to help further expand our biocide capabilities. Together, we are working hard to supply the cleaning and disinfecting products necessary to overcome this unprecedented pandemic. To meet this challenge, Pilot Chemical is significantly expanding our capacity at OSSA facilities to produce chemicals approved for combating Covid-19 and future emerging pathogens.

Our products serve a wide variety of industries including: Oil & Gas, Personal Care, Metal Working Lubrication, and Pharmaceuticals. Contact us today to learn more about how we're going further together.

Pilotchemical.com / Organosintesis.com



**CCI** Charlotte Chemical Inc.

**Our Products Make the Difference**

Charlotte Chemical® has been a leader in the distribution of specialty chemicals for more than 30 years, with a solid infrastructure, high quality standards and constantly seeking new alliances for product innovation in the Mexican market.

- Logistics Intelligence**: With a logistics strategy involving air, maritime, and inland logistics as well as warehouses in strategic locations, we ensure delivery from anywhere in the world to your door with the best efficiency.
- Innovation**: Together with our customers, we are in constant search of products that meet the needs of the industry.
- Market**: We have a broad and solid portfolio of customers from different industries and we are recognized as a reliable company. We constantly research the needs of the market.
- Service**: Our high standards of quality and processes guarantee the best customer service.
- Sustainability and Quality**: We are certified by ISO 9001:2015, Responsible Care, ECOVADIS, guaranteeing quality, respect for the environment and the community in all our processes.
- Competitiveness**: We create strategic alliances with commercial partners to be competitive in the Mexican market.
- Technical Support**: We have a team of professionals constantly trained to advise and provide innovative solutions to our customers.

**MEXICO:** Blvd. M. Avila Camacho 118-602, Lomas de Chapultepec, CDMX 11000 **Ph:** +52 55 72527200  
**USA:** 9901 I-10 West Suite 800, San Antonio, TX 78230 **Ph:** +1 713 775 5546  
**ventas@charlotte.com.mx** **www.charlottechemical.com**





## Maggie Gómez Rábago

Director General  
CHARLOTTE CHEMICAL

### How has Charlotte Chemical evolved over the last five years?

We expanded in size, but we have also specialized more in some areas of the business. We currently represent several additional specialty chemical companies and, as a result, we have identified challenges in different areas. One is in sales, where we have had to learn quickly in order to be able to help our customers understand how to use new and innovative products that are more environmentally friendly. Our job is to help them get through the testing and trials to the point where they can put the product into use. Another challenge we had is that with the growth our business experienced, we needed to reorganize our supply chain. We are now much more solid in this area. We have a full team that analyzes the most efficient and cost effective way to bring a product from overseas, as we often import products from Europe, China or India. We have also made great progress in becoming a more professional team; today we have our own distribution center in Mexico City. In 2015, we still were not certified by Responsible Care (RI). Since last year we received our certification with 97% of accomplishment, well in excess of the requirements. All the while, we remain an ISO 9000 company and we distinguish ourselves through quality assurance. It is embedded into the values of Charlotte Chemical.

Lastly, in 2018 we started working with the labeling of GHS (General Harmonized System) for Mexico, which is a classification standard for chemical products all over the world, where you need to label all your products in order to transport them all over the country and to warehouse them. We were the first chemical distributor in the country to achieve this requirement.

### How would you assess the state of the PVC and Coatings markets?

PVC is a solid market because even though the public is punishing the plastics industry in general, PVC is perceived in a more positive light. This is largely because it is different from other plastics because the major application of it is in long term usage products rather than single use. The market for PVC has continued its growth and it has changed

over the years, because every year you see more sustainable products, green plasticizers, and other additives. Gradually demand of halogen free and less aggressive flame retardants and smoke suppressants that are safer for everyday life and effective in an eventual fire.

In coatings, the industry has also changed, specifically due to the new regulations on VOC's. Consequently, there is higher demand for more green products that meet the new standards. Companies are now looking for new ways of plasticizing films without toxic products or with the least solvents possible. Therefore, we are helping our customers develop more environmentally friendly coatings and introducing to them greener plasticizers, coalescents, and other additives.

### How has the pandemic affected Charlotte Chemical's sales?

In April, when everything was shutdown, many of the industries we work in were allowed to continue because they were deemed essential by the government. Our sales dropped by about 30% in the beginning of the pandemic. However, our business has seen a strong recovery over the ensuing months because we have a strong team of leaders with innovative and creative ideas for rapidly developing better value propositions to our customers. Thus, our sales for 2020 will be about the same as they were in 2019, which in my point of view is a great success.

### What goals does Charlotte Chemical seek to achieve in the next three years?

This year we have defined three new goals: get a stronger portfolio of chemical specialties, increase our market share, and establish our own distribution center in Mexico City.

We have added products from three European specialty producers to our portfolio, and we are negotiating some others in the near future. We are looking to increase our sales talent in order to assist more customers to achieve a larger share of the market. Our new distribution center is the first of three that we plan to open around the country. In addition to the one in Mexico City, we plan to open a second facility in Monterrey and a third one in the West. ■

Our new distribution center is the first of three that we plan to open around the country. In addition to the one in Mexico City, we plan to open a second facility in Monterrey and a third one in the West.



## Rafael Méndez

Regional Director – Latam  
Northern Tier  
CRODA

### To what extent has the pandemic impacted Croda's operations in Mexico?

The impact of the pandemic on Croda has not been dramatic. In Mexico, we have a commercial and supply-based operation without manufacturing, so the real impact has been on the way we work. We had a contingency plan in March to give employees all the tools to operate 100% from home, which we have done successfully. Demand from some business segments has decreased, particularly in the second quarter. However, Q3 showed good recovery, reaching the levels of Q1. While Q4 has been a bit variable, the overall picture has been encouraging.

### Can you elaborate on the contract Croda won with Pfizer to supply components for the Covid-19 vaccine?

Healthcare is one of the segments we have been investing most in 2020. Croda acquired a US-based company called Avanti Polar Lipids, which complements our excipients business for vaccines. We have been participating in a lot of vaccine projects globally, including with Pfizer to supply specialty chemicals for the final formula. We are also working on R&D projects with other companies, such as Oxford-AstraZeneca in England, and hope these collaborations will play a big role in combating the pandemic in 2021.

### How important is the personal care sector for Croda?

Personal care is Croda's strongest business sector in Mexico in terms of sales, and one of our strongest sectors globally. We have a diverse portfolio of products in this segment, with three business units: active, effect and formulation. To bolster our personal care offering, Croda made the acquisition of Spanish flavor and fragrance company, Iberchem, in November 2020.

### What synergies are there between Croda's operations in Mexico and the US?

Mexico is in the top 10 operations Croda has globally, and it has strong synergy with our operation in the US, which is in the top three globally. In Mexico, we have a very strong logistics and storage/warehousing operation, which helps us take advantage of the free trade zone and Croda's four manufacturing facilities in the US. At one of these facilities, Croda invested in a new

plant for eco-surfactants, which is one of the company's largest investments in our portfolio of green products.

### What is Croda's approach to innovation?

Croda has three pillars for innovation. Firstly, innovation we can make internally through our global innovation centers. In the case of Latam, we have an innovation center in Brazil and an R&D operation in Mexico. Secondly, open innovation: to define and execute innovation projects with universities and innovation centers. Finally, technology acquisitions of companies with value added technology, and in this regard Croda has appointed a president for acquisitions. We used to make one or two acquisitions per year, but this has increased to four to five per year, and is a key part of the company's growth strategy.

### Can you explain the company's focus and targets related to sustainability?

The company's first ever product, lanolin, was a bio-based product made from sheep's wool, so we started on a sustainable footing. Today, our goal is to become the most sustainable supplier of specialty chemicals in the world. Croda's vision for 2030 is to become climate, land and people positive, aligning our strategy with the UN sustainability goals, and a president for sustainability has been appointed to the company's board. We are already strong from a sustainability perspective, with 65% of our raw material coming from bio-based resources, a figure we want to increase to 75%.

### Which markets do you see as having high potential for growth in Mexico moving forward?

We see a lot of potential in Mexico in all the business sectors, but especially in the coating and polymer segment in the industrial market, as regulations evolve to require greener products. In the consumer market, the homecare and personal care segments hold a lot of opportunity, as consumers are demanding more sustainable products. Healthcare is a segment which is growing each year, with a trend for dietary supplements and vitamins. In crop care, greener products with less toxicity are in high demand, which involve formulations that are a bit more complex in terms of active ingredients. ■







## Jesús Cabrera

Vice President  
GRUPO INFRA

### Grupo INFRA has a long history. How has the company evolved from its founding to today?

Grupo INFRA was founded over 100 years ago and we are leaders in the gas and welding businesses. Our areas of expertise are in providing gases for healthcare, industrial gases, gases for petrochemicals and special gases used in the aerospace industry. We are present throughout Latin America, with a couple of partners and in Mexico. We are part of Infra Group, which is divided into several companies including CRYOINFRA. Grupo INFRA's role is to oversee the medical market, plus the industrial market in small volumes. We are the leader in distribution in Mexico and one of the big lessons we learned in 2020 was the importance of the gas industry in the health business. Oxygen is now the principal medicine around the world being used to combat COVID. As a result, our hospital and homecare businesses have grown rapidly in 2020, as they played an important role in conquering the disease.

### Looking beyond COVID, do you see potential for growth in Mexico's healthcare sector?

The health infrastructure has been greatly improved in 2020 from where it was in 2019 due to COVID. Because this better infrastructure is now in place, it means that there will be more doctors, more beds and more demand for medical supplies like oxygen and gas. In Monterrey, during the initial COVID wave, demand for oxygen increased more than six times. There are many other examples of demand for oxygen increasing exponentially and in response, we worked 24/7 to produce and deliver oxygen on time. Because of all the hard work we put in throughout the pandemic, Grupo INFRA is now very well positioned to help hospitals meet their supply requirements well into the future.

### Is the Mexican economy well positioned to rebound after two years of slowdown?

There are big differences in the regional economies between the southern and northern parts of Mexico. The north is

the most industrial part of the country. Whereas the south is reliant on the petrochemical industry and tourism. There are some promising developments however. The USMCA went into effect in July of 2020 and it is expected that this will create many new opportunities for Mexican businesses. Additionally, many US companies are turning away from China and looking to create maquiladora factories in Mexico that export to the US. These companies will be mostly located in the north of the country near the border, so it will have an outsized influence on the border area economies. The south will likely be much slower to recover because it is unlikely petrochemicals will bounce back in 2021.

### What have been the keys to Grupo INFRA's longevity as a company?

One key factor is that many years ago we decided to be an integrated company. A second is that we defined that we should go directly to the end users and not use distributors in an important way. We want to ensure that we represent the best option for our customers. This means that we may not be the cheapest, but it means that we have close customer relationships and that we are able to listen and solve problems. The difference between Grupo INFRA and its competitors is that we prioritize safety over everything.

### Looking into the future where do you see opportunities coming from in Mexico?

Over the next five years Mexico will be an important producer of many things in the petrochemical and chemical industry. I see Mexico being a big producer of medicines, chemical soap products and most of all in food production. Mexico exports food to many different places and you need gases to extend the life of the product. There is also a lot of promise in the automotive industry with the manufacturing of electric cars. These cars use batteries that require a lot of chemicals so it could be a real positive for our industry. Lastly, the new technologies in LCD screens require chemical gases in their production, so this is another promising area. ■

I see Mexico being a big producer of medicines, chemical soap products and, most of all, a big producer in food production.

## Construction & Infrastructure

Although construction was deemed an essential industry in Mexico, many large projects were put on hold during the pandemic and the economic recession stunted the development of new properties and infrastructure. However, with governments looking to revive economies in the wake of the pandemic, infrastructure projects will represent significant opportunity for specialty chemicals producers and distributors.

EUCLID, the specialty chemicals arm of the RPM Group, sees Latin American infrastructure projects as a key growth area, according to its VP Latin America, Marcela Ruge: "In this segment, chemical additives for concrete are one of our most important products. We are currently experiencing high demand for products such as coatings and anti-bacterial floor cleaners due to the pandemic." Daniel Dueñas, CEO of EUCOMEX, EUCLID's Mexican subsidiary, noted that the company has been participating in some of the most important infrastructure projects for the Mexican government, including working at the Dos Bocas Refinery, the Santa Lucía airport and the construction of the Maya train.



*In general, Mexican buyers always try to get the cheapest options, but sometimes by spending slightly more per unit, you get more product per lb, and this is something we have been working to educate the market about.*



- Antonio Tapia,  
Country Manager – Mexico,  
Coral Chemical Company

If infrastructure spending does pick up in the wake of the pandemic, companies such as US-based Coral Chemical Company look set to benefit. Coral is dedicated mostly to pretreatment chemistry for metals processes, including chemistry for raw materials such as de-rusting products, lubricants for extrusions or metal transformation, cleaning, coating, banding and assembling, according to its country manager for Mexico, Antonio Tapia. Tapia went on to explain that Coral looks to add value in a price per pound approach by having a high concentration of products delivered. "For instance, if a barrel or drum of iron phosphate from our competitors weighs 375 lb and costs US\$500, we can offer a 500 lb drum for US\$600, which reduces the footprint necessary at a warehouse, and reduces the amount of water required."

Infrastructure projects are not the only positive after-effect of Covid, as Gabriel Londoño, managing director of Omya Mexico, explained how an increase in domestic construction impacted the chemical market from Q3 2020 onwards: "The main positive factor was renewed interest in home improvements. Because Mexicans were ordered to stay at home, the market for house renovations grew, which was good for the sales of paint and coating." ■



INFRA Group with more than 100 years of experience in the production and supply of industrial gases, specialty gases, and specialty gas mixtures contributes to improve chemical companies' productivity and emissions control.

We understand the chemical reactions, kinetics, mixing, and mass transfer issues your company faces, and we can help identify cost effective solutions to optimize your productivity.

We support the achievement of the Chemical Industry safety and clean operation goals tough gas applications such as: Inerting / Blanketing, Catalyst Regeneration, Hydrogenation, Oxygen Enrichment, Particle Size Reduction, Cooling Process, VOC recovery, Sparging, Striping, Supercritical CO<sub>2</sub> Extraction and Wastewater Biological Treatment.

[www.grupoinfra.com](http://www.grupoinfra.com)





## Federico Soto

Director General  
ÓRGANO SÍNTESIS

### Can you provide an introduction to Órgano Síntesis and its operations in Mexico?

Founded in 1966, Órgano Síntesis is a chemical company whose mission is to produce chemical specialties for various different markets. Our expertise is in personal care, water treatment, disinfection and cleaning products. We have a strong focus on biocides and we export our different products to countries all over the world including the USA and Japan. We are a medium sized company with around 110 employees and we have managed to grow in 2020 despite the challenges of the pandemic. 2020 has been a very successful year for Órgano Síntesis and, as a result, we are increasing our production.

### Órgano Síntesis was recently acquired by Pilot Chemical. How does Órgano Síntesis fit into Pilot's strategy?

The acquisition with Pilot was a nice process because we found that we are very similar companies that share an entrepreneurial history and family culture. We also share similarities in terms of the kinds of products that we produce and market in the US and Mexico. Pilot and Órgano Síntesis are very well known businesses as a result of having served our local markets for over 60 years. That means we bring a lot of expertise and knowledge to the markets we operate in. We will play a critical role in enabling Pilot Chemical's strategy to increase growth and innovation, while providing international diversification and a platform for Latin American growth.

### In the past Organo Síntesis generated about 35% of its revenue from toll manufacturing. Have these percentages changed since the merger?

Today our revenue percentages are very different. We are still doing some toll manufacturing for international companies, but producing biocides is an increasingly important part of what we do and we are also producing Mason brand products from Pilot. We produce them here in Mexico for export to the American market.

Within our biocide catalogue, benzethonium chloride is one of our strengths and it is used in the industrial market and for personal care products. This is a cGMP

product and we are producing these kinds of products in accordance with FDA and PMDA regulations. We produce them in Mexico to be exported to the US and Japan.

### How has 2020 played out for Órgano Síntesis?

As a result of the pandemic, demand for biocides increased drastically in a short time. In a few months, demand was two to four times regular levels. The challenge was not just on the production side. It was difficult to obtain enough raw materials from different countries to meet demand in our plant. We are competing with manufacturers all over the world for the same raw materials and demand in Europe and America has been very high.

We think that the challenge for the next few years and in the coming months will be to have enough biocide production and to obtain enough raw materials to meet all the demand from our customers around the world. In particular, our biocides have been in high demand because people are very concerned about cleanliness and disease prevention and therefore hand sanitizers, disinfectants and cleaning products are playing an important role in creating a safer home and workplace environment. Even into 2021, we are anticipating the biocides market will continue to grow.

### What are some of the key objectives Órgano Síntesis is working to reach in the coming years?

We are increasing our plant capacity every year and we want to grow our capacity by a large percentage in the next three years. We will be growing our production by around 88% in 2021 and in subsequent years we plan to produce 30% more each year. Additionally, we do not just want to attend to the local market, we want to work with businesses around the world and to increase our production of Pilot Chemical's products in Mexico. Our challenge is not only to grow our technical capacity, but also to foster the growth and development of our human talent, which will improve the efficiency and effectiveness of our business. We are investing heavily in our people to offer our customers the best quality in the market always keeping the safety of our people and facilities in the first place of our priorities. ■

We are still doing some toll manufacturing for international companies, but producing biocides is an increasingly important part of what we do and we are also producing Mason brand products from Pilot.

## Jaime Herrera

Director General  
KEY QUÍMICA



### Can you explain how Key Química evolved to focus on the janitorial side of specialty chemicals?

Key Química was created in 1969, starting in the specialty chemicals business with a waterless hand cleaner made for heavy-duty cleaning in the industrial sectors. Then we started moving towards the janitorial side of the cleaning segment, developing hard floor cleaners and compounds. When Mexico joined the General Agreement of Tariffs and Trade (now the World Trade Organization) in 1987, one of the first things we did was join the Specialty Chemical Manufacturers Association in the US, as well as the International Sanitary Supply Association (ISSA), and we started to understand the dynamics of the janitorial market. We found that the center of the industry is the distributor, and at that time there were no distributors in this space in Mexico, so we anticipated an opportunity here and reshaped the business.

### What is the company's footprint and focus today?

Key Química has a network 76 distribution centers in 53 cities throughout Mexico,

working as a last-mile distribution service for the industrial and institutional markets. We do chemicals for food safety, food processing and high-level disinfection for hospitals with professional laundry. Most of the specialty chemicals we sell are manufactured in our own plant, but we also represent international companies such as Procter & Gamble. Our specialty chemical manufacturing business, CYAN, is a separate entity to Key, and now exports to 17 countries across the Americas. Hydrocon is our water treatment and services company and represents 18% of Key's total business. Hydrocon does all the pre-treatment for Braskem, and we also work on desalination and waste water processes.

### Which markets do you see as having high potential for expansion?

We are willing to expand within the USMCA, and are considering moving a manufacturing facility to the USA, as there is a lot of opportunity across North America. On the other hand, as Mexicans in Latam we feel we have an advantage as the competition is less fierce. ■

## Pedro Bojacá

Director General  
LANXESS



### What role does Mexico play in Lanxess's global operations?

Here in Mexico, all Lanxess business units are present and work either through local distribution or direct sourcing from our sites abroad. We supply all these industries with technical support and laboratories. In Mexico we have three sites, one in Mexico City, which is the location of our corporate office. Another in León, where we have a laboratory that does biocide testing, and leather, which was recently sold to TFL. We also have a production plant in Altamira where we make lubricant and rubber additives for the automotive industry.

### In 2020, what have been some of the most popular product offerings?

The automotive industry has been one of the key stars for growth at Lanxess Mexico. Disinfectants have seen a lot of growth, as has our agrobusiness.

### How has 2020 played out versus expectations?

At the beginning of the year we anticipated a growth rate of 15% year over year, but

now the expectation is to for growth to be flat. Fortunately, from June 2020 through the end of the year, we have seen a very strong recovery.

### What is Lanxess' approach to sustainability in Mexico?

We have been listed on the Dow Jones sustainability index for a long time and we are ranked number 1 on the Dow Jones list of sustainable companies in Europe in the Chemicals category. In terms of programs, we launched a Climate Neutral project last year, which establishes the goal of making our business climate neutral by 2040.

### Why is Lanxess a good company to invest in today and into the future?

We are innovating at a fast past. One of the most exciting things for shareholders is that Lanxess has now started its digitalization journey and we established a company that is called CheMondis. It has developed an ecommerce marketplace platform where the buyer and supplier can trade chemicals in line with regulations. ■



## José Luis Guzmán

Director General  
CASTROL MÉXICO (BP)



**Can you tell us about Castrol's presence in Mexico?**

Mexico is one of the biggest Latin American markets as well as one of the countries with the largest vehicle fleet: this means that within the global brand, Mexico is categorized as a growth market rather than an emerging market. This factor contributes immensely to our development capacities because it grants us larger access to funding.

**How has Covid-19 impacted Castrol in Mexico?**

We were heavily impacted by the pandemic and both our sales and client relations were affected. A reduction in consumer demand strained supply and production chains. While our annual results will not meet the projections set out in January, it is comforting to notice a marked improvement across key indicators. Q2 was decisively the most difficult period, but Q3 and Q4 have shown strong recoveries, with our monthly sales and client business back up to 95% of pre-pandemic levels.

**What are the benefits of the company's new Castrol Fleet product line?**

Castrol Fleet, launched in September, encompasses a full array of products for big and medium sized trucks. Some of the products include engine oil as well as auxiliaries. This campaign has been fascinating because, unlike car owners, vehicle drivers see their truck as a work tool rather than a means of transport. For this reason, our service extends beyond the lubricant to analysis software, monitoring of efficiencies and profitability.

**The automotive industry has suffered in 2020. What is your forecast for a market rebound in 2021?**

The indicators for 2021 and 2022 forecast a challenging landscape because there will be an enormous gap of cars that would have otherwise been in circulation. A silver lining is that mobility can be expected to improve because private modes of transport such as cars are preferred over public transportation as the population looks to avoid person-to-person contact. Our forecast is for business to rebound and grow 30% in 2021, in comparison to 2020. ■

## Marcela Ruge & Daniel Dueñas

MR: VP Latin America  
EUCLID CHEMICAL  
DD: CEO  
EUCLID CHEMICAL EUCOMEX



MR



DD

**Can you provide an overview of the presence of EUCLID and EUCOMEX in Latin America?**

MR: EUCLID is present in all Latin American countries, including Mexico, Central American countries, Colombia, Ecuador, Chile, Peru and other countries (with a special licenses), and Brazil, which has its own division. We also attend markets in the southern part of the continent. EUCLID works on a business model of plants and distribution centers, from where we attend to clients directly. We also attend to clients through distributors, for example in the case of Chile, where it is difficult due to the long shape of the country.

**Which industries does the company serve, and what range of products do you offer?**

MR: As EUCLID, we mainly work in the construction industry with chemical products: we have different lines of chemicals as additives, mortar, coatings, waterproofing solutions, curing compounds, decorative finishes and

coatings with chemical resistance for any industry.

**Can you explain how EUCLID is committed to develop sustainable, environmentally friendly solutions?**

DD: We have eliminated products with solvents, and we are promoting an extensive portfolio of products with a low CO2 emission impact. EUCLID's objective is to manufacture products locally to reduce CO2 levels. We also understand sustainability in terms of our business, meaning it is important to guarantee employment, wellbeing, and pay taxes.

**Which of the markets EUCOMEX supplies to do you see as having high potential for growth?**

DD: EUCOMEX started off as a company dedicated to concrete. Therefore, our growth potential is in the segments where we have only recently started: in infrastructure, where we have an interesting portfolio of products and solutions; and in industry, including floors, ceilings, and fireproofing systems. ■

## Wagner Sa

Vice President Latin America  
LUBRIZOL



**How important is the Mexican market for Lubrizol?**

Lubrizol has had a presence in Mexico for over 70 years. Our operations in Mexico deliver the second largest income for the company in Latin America, with Latam representing 7% of our global business. We serve approximately 700 clients directly from Lubrizol Mexico, not counting the clients who are served through our distributors.

**Can you provide an overview of the company's different business lines?**

In 1928, Lubrizol started with additives for lubricants and today, this is still our core business. We serve the additive industry and supply lubricant technologies to address a wide variety of machinery needs. The company also has an advanced materials segment which is geared to improve the performance, compatibility, reliability, and efficacy in products. We leverage our core polymer and surface-active chemistries and formulations to create proprietary, high-performance materials for a wide range of industries. Our advanced materials product line includes CPVC piping systems,

engineered polymers, beauty, health and homecare, and performance coatings.

**How is Lubrizol preparing for the growing wave of vehicle electrification?**

Lubrizol already participates in several areas of the electric vehicle industry, including coatings for the painting of the vehicles. We are also developing ideas in terms of how we can participate in the area of battery cells. This is an area of potential growth for the company, and we believe that we will gain a greater share in electrified vehicles than what we have today.

**With respect to sustainability, Lubrizol launched the "Move Cleaner, Create Smarter, and Live Better" mission in 2020. What does this signify?**

Our "Move Cleaner" mission aims to remove 50% of vehicle emissions by 2040; the "Create Smarter" goal is to improve the circularity of our products by 25% by 2028; and finally, "Live Better" represents our aim to improve at least 2 billion lives by 2028 through health and personal care solutions. ■

## Julio Rubio Padilla

Director General  
SNF FLOERGER

**Can you explain SNF's evolution in the last five years and business philosophy?**

SNF has been growing in the specialties segment in recent years. Out traditional markets are water treatment, mining, paper and oil and gas, but in the last five years we have been working to diversify as a company. In that time, we have improved sales in personal care, home care, construction, agriculture and paper (on the wet end), which have contributed to significant growth.

The company has a flat organization, and we work in businesses that demand a lot of technical support. SNF is a private company relying on organic growth; this is focused on putting investment back into the business rather than paying dividends to shareholders.

**What are your views on the current demand dynamics for the polyacrylamide market?**

In previous years, the demand for polyacrylamide came from the oil industry, but

investment in many new oil sites has been put on hold as the market is depressed. However, as economies recover, we have started to see a recovery, something which we think will increase in the next two to three years. Mexico is by far the biggest market for polyacrylamide in Latin America; maybe four times bigger than Brazil. Globally, in 2019 SNF committed to invest US\$1.2 billion over three years to meet polyacrylamide demand, so it is still a strategic area for the company despite the challenges of 2020.

**How important is the municipal water treatment business for SNF in Mexico?**

SNF is present in most of the municipal water treatment facilities nationwide, with particular strength from the northwest to the northeast of Mexico. Overall, we have an 80% market share in this market. This side of the business is important in terms of volume rather than turnover or profit for SNF, because prices are not so high, but it still represents a large source of value for SNF worldwide. ■





# PAINTS & COATINGS

"Sustainability means meeting the needs of the current generations, while respecting the needs of the future ones. So, we are working on more water-based and less solvent-based products and also reducing lead content levels."

- Arius Enrique Zúñiga Lara,  
President,  
Anafapyt  
(National Association of Manufacturers of Paints and Inks)





# Paints & Coatings

## A LACK OF INDUSTRIAL SPENDING IN 2020 WAS OFFSET BY ROBUST RETAIL DEMAND

With the global paints and coatings market forecast to grow at 6.3% CAGR, from US\$154 billion to US\$250 billion in 2027, opportunities abound for players in the Mexican market. Low interest rates around the world will drive growth those looking to renovate and build new homes or purchase new vehicles benefit from cheap loans. Despite the broader economy experiencing its sharpest contraction since the Great Depression of the 1930s, companies have learned to stay flexible and adaptable with regard to the segments of the paints and coatings market that present the most opportunity.

Arius Enrique Zúñiga Lara, president of Anafapyt, Mexico's National Association of Manufacturers of Paints and Inks, related that, although the construction industry was heavily impacted by the pandemic, the retail segment saw an increase of between 10 to 15%. "Lockdown meant that people were keen on improving their households, and at Anafapyt we promoted a 'Stay at Home' campaign, as part of which our member companies launched special offers." Even the suffering automotive industry presented opportunities for manufacturers of special-purpose paints. "There was an increase for automotive repair paints, as people decided to fix their car, rather than buy a new one," said Lara, as the do-it-yourself segment saw an increase in sales during the pandemic.

### New Areas of Opportunity

The pandemic has heightened the importance of being able to adapt to a rapidly evolving market, as segments that have been traditionally strong, such as the OEM market, have struggled, while other areas have flourished. One company that has illustrated a capacity for adaptation is Charlotte Chemical, which managed to open a new distribution center in Mexico City during the pandemic. The company is continuing expansion plans with a second facility in Monterrey and a third one in the west. Maggie Gómez Rábago, director general of Charlotte Chemical, reflected: "Even though a slowdown from some of our regular customers decreased our sales, we found new opportunities to offset them." One of these new opportunity areas has been related to producing more environmentally friendly chemicals due to Mexico's volatile organic compound (VOC) regulations for architectural coatings. These regulations will be finalized in 2021. "There is higher demand for green products that meet the new standards. Consequently, we are helping our customers develop greener plasticizers, coalescents, and other additives," affirmed Rábago.

Similarly, Patricio Cueva, general director of Reacciones Químicas, which offers a range of products for the coatings and composites industry, noted the impact new VOC regulations will have on the industry. "We have been working for several years to develop products that comply and exceed these new regulatory requirements," said Cueva. When questioned on the extent of the burden these new regulations pose, Cueva is optimistic that the regulations will benefit Mexican companies in the long run. "The legislation is more about placing Mexico's regulatory requirements on par with other parts of the world. It is an opportunity because developing higher quality products pushes our R&D team and generates more knowledge that helps prepare us for the future."

To help its members meet the needs of increasingly stringent environment standards, Anafapyt has been holding monthly 'Anafapyt dialogues', to share knowledge and exchange experiences, such as the discussion to produce more water-based and less solvent-based products, and also reducing lead content levels. "Our biggest challenge is how we imple-



*The coatings industry has changed due to the new regulations on VOCs. Consequently, there is higher demand for more green products that meet the new standards. Companies are now looking for new ways of plasticizing films without toxic products or with the least solvents possible, and that can work anywhere, even in the toughest weather conditions.*



**- Maggie Gómez Rábago,  
Director General,  
Charlotte Chemical**



ment the sustainability initiatives across all members, not just multinational players, but also SMEs," stated Arius Enrique Zúñiga Lara, president of Anafapyt, who acknowledged the challenges that SMEs face in achieving the same levels of compliance as multinationals, but with far smaller budgets. Hedging on Housing

Another key area to watch in 2021 will be the strength of the housing market and construction around new infrastructure projects. Jorge David Saldaña, chief strategy officer of WYN de México, a company involved in the commercialization of emulsion polymers produced in batch reactors, sees reason for caution in assessing the growth of construction in Mexico. He asserts that construction projects initiated during pre-Covid times have been accelerated, however, there are worries that this source of business will dry up due to the economic contraction. "Our concern, along with many of our

customers in the coatings and housing industry, is that there is a lack of new projects. There are no new developments nor big plans in the pipeline," Saldaña observed. "The main question is: Where will we sell in 2021 and 2022 if there are no investments for the near future?"

The approach Reacciones Químicas is taking to ensure protection against any slowdown in construction investment is to stay well diversified across a variety of markets, the hope being that a pullback affecting architecture related sales will be assuaged by continued growth in the industrial and car refinishing areas of the business. "We see that the housing market could be affected because of the current economic conditions, but other markets have shown strength in the last months and look well for the foreseeable future," Cueva remarked.

Francisco Rubio, managing director of Mexican chemical distributor Kemikals, mentioned that the coatings industry was not as affected by the pandemic as he had feared and, by June 2020, orders even exceeded pre-pandemic levels. "This was because lockdown brought renewed interest to matters of home improvement. In general, our distribution strategy during 2020 had to be constantly monitored and updated," he related.

When looking at which sub-segments of the industry have high potential in the coming years, Anafapyt's Lara expects positive growth with the development of infrastructure projects, but warned that growth will not be achieved without government support. "The country needs foreign direct investment, so authorities need to attract interested parties to fund projects in Mexico, while also simplifying the bureaucracy for those foreign investors. For instance, anyone willing to set up a plant here needs to go through no less than 11 bureaucratic processes, which could make things harder." Topics such as growth opportunities, including panels on sustainability and industry leadership, will be discussed at the first virtual edition of Anafapyt's Latin American Coatings Show, from July 14th to 15th, 2021. ■



**Kemikals**

**Committed to sustainable innovation**

Kemikals serves an increasingly dynamic market for distribution of chemical products and representation of multinational companies. We are dedicated to adding value and satisfying the needs of manufacturers of paints and dry mix mortars.

kemikals.com.mx contact@kemikals.com.mx  
Phone: +52 (442) 218-0464  
Corporate Whatsapp: +52 (442) 790-6628



**Reacciones QUÍMICAS**

**INNOVATING SUSTAINABLE AND PROFITABLE SOLUTIONS FOR A BETTER FUTURE**

**Specialists in Solventborne Coatings Resins, UPR and Gelcoat**

- Alkyds
- Monomer Modified Alkyds
- Epoxy Esters
- Polyester Polyols
- Acrylic Polyols
- Unsaturated Polyester Resins
- Vinyl Esters
- Gelcoats

**REACCIONES QUÍMICAS S.A. DE C.V.**

<b>Plant &amp; Office:</b> Carretera a Saltillo Km 7, Colonia Industrial el Obispo, C.P. 66359, Santa Catarina N.L. Tel: +52 81 8151 0200	<b>Guadalajara Branch</b> Calle I No. 3568 Esq. Calle Caña Col. Nohalera Guadalajara Jal. 44470 Tel: +52 (33) 3666 0705 +52 (33) 3666 0931	<b>Mexico Branch</b> Cerrada de Tejocotes No. 4 Bodega #1 Fraccionamiento Industrial San Martín Obispo Cuautitlán Izcalli, Edo. De México 54769 Tel: +52 (55) 5819 9064 +52 (55) 5819 9068
---	---	---

[www.reacciones.com](http://www.reacciones.com)  
[ventas@reacciones.com](mailto:ventas@reacciones.com)





## Arius Enrique Zúñiga Lara

President  
ANAFAPYT  
(NATIONAL ASSOCIATION OF  
MANUFACTURERS OF PAINTS  
AND INKS)

### Can you introduce Anafapyt and tell us about the milestones achieved by the association in recent years?

The organization was established in 1944 and today, we have 185 members including manufacturers and raw material providers. The main goal is to defend the interests of our members and the wider industry, both at the national and international levels. We were the founders of COTENNAREC, the Technical Committee for Paints, Varnishes, Coatings and Inks for printing. This is the only institution authorized by the federal government to implement and revise norms. Another issue we handle is the lead content in paints. We are one of the first groups to have signed an agreement with the UN and the WHO to reduce lead content to 90 parts per million or less in all sorts of coatings, not only in those that are in contact with children. We are also an intermediary body to qualify which companies are eligible to receive the non-refundable SME funds from the government and we are founding members of the LATINPIN regional federation of associations, which we currently preside.

### How was the paints and coatings industry in Mexico impacted by the Covid-19 pandemic in 2020, and what is the outlook for 2021?

The impact was different depending on the segment. We have several categories of paints: architectural paints for houses and buildings, and for original equipment manufacturers (OEMs), such as automotive or for boats, as well as special-purpose paints, like solvents, inks and powder paints, to name a few.

In architectural paints, the main clients are the construction industry and the retail segment. The construction industry was heavily impacted by the pandemic and all activities had to shut down. However, the retail segment saw an increase of between 10 to 15% during the pandemic. Lockdown meant that people were keen on improving their households, and at Anafapyt we promoted a 'Stay at Home' campaign, as part of which our member companies launched special offers. The OEM segment also suffered, with the downturn of the automotive and shipbuilding segments. However, in special-purpose paints there was an increase for automotive repair paints, as people de-

cided to fix their car, rather than buying a new one. Also the do-it-yourself segment saw an increase in sales during the pandemic.

### There has been a push to produce more environmentally friendly chemicals due to Mexico's organic compound (VOC) regulations for architectural coatings. What challenges or opportunities does this present to your member companies?

We have three strategic pillars: The responsible development of industry norms; the representation of industry members, so they are well informed and they can defend their interests; and, of course, sustainability. We are convinced of the need to produce environmentally-friendly products. Sustainability means meeting the needs of the current generations, while respecting the needs of the future ones. So, we are working on more water-based and less solvent-based products and also reducing lead content levels. As part of this effort, every month we hold the 'Anafapyt dialogues', to share knowledge and exchange experiences.

### Can you tell us about the 2021 edition of Anafapyt's Latin American Coatings Show, and how the virtual format will work?

Due to the pandemic, we had to cancel our 2020 edition of LACS and the one correspondent to 2021 will be held in virtual edition. The event will provide access to our members at no cost, but also there will be spaces for companies to share their vision, because this will allow us to meet our objectives as Anafapyt.

### Which sub-segments of the industry do you see as having high potential for growth in the next years?

We expect positive growth with the development of infrastructure projects, but growth will not be achieved without government support. The country needs foreign direct investment, so authorities need to attract interested parties to fund projects in Mexico, while also simplifying the bureaucracy for those foreign investors. For instance, anyone willing to set up a plant here needs to go through no less than 11 bureaucratic processes, which could make things harder. ■

We expect positive growth with the development of infrastructure projects, but growth will not be achieved without government support.



## Patricio Cueva

General Director  
REACCIONES QUÍMICAS

### How has Reacciones Químicas evolved as a business?

Reacciones Químicas was founded in 1981 with the purpose of manufacturing solvent borne resins for the Coatings market. In 1995, we signed a joint venture with Cook Composites and Polymers, which, over the years, helped us drive our growth with technology transfer and infrastructure investments. Since 2011, we have been operating as an independent Mexican company. Recently there have been several legislative changes being proposed for coatings in Mexico and, in 2021, we expect to have new legislation that will restrict the amount of VOC's in coatings. This will have a direct effect on our business, and for that reason we have been working for several years to develop products that comply and exceed these new regulatory requirements. We are introducing new products with green raw materials, exempt solvents, and different formulations in order to be ready for these changes in the Mexican market and also to compete in international markets.

### Do you view these legislative changes as a hindrance or an opportunity for Reacciones Químicas?

The legislation is more about placing Mexico's regulatory requirements on par with other parts of the world. It is an opportunity because it pushes our R&D team to develop products that meet and exceed the new requirements; it generates more knowledge and helps us prepare for the future. We will be working with our customers to help them develop their products to comply with the new regulation. Several of them are already on trials with the new products and we have seen good results. Associations like ANAFAPYT participated in the development of the legislation, as did many other coatings manufacturers, so I think it is a well-known piece of legislation where there was input from industry. At least in the first step of the legislation, government has given the industry time to prepare and be ready for the new changes.

### Do you anticipate a slowdown coming in the Mexican housing market as some are predicting? Are there other business lines that could make up for a slowdown in this area?

For the Mexican market, we specialize on the production of solvent borne resins. We are involved in several markets including architectural, industrial, car refinishing, traffic, amongst others. Therefore, we are diversified to an extent. We see that the housing market could be affected because of the current economic conditions, but other markets have shown strength in the last months and the foreseeable future.

### Can you provide us with a recap of how Reacciones Químicas has managed through 2020?

2020 has been a difficult year for everyone with the pandemic which affected everyone's lives. Reacciones took action from the beginning by complying with the recommendations, establishing social distancing, having many people work from home and taking care of all of our employees. When the shutdowns and restrictions on mobility were implemented, we saw a slowdown in orders and we had to adjust in order to meet what customers requested at the time. Thankfully, that lasted only three months: March, April and May. Since June, we have seen demand pickup. In the end, 2020 will not be as bad as it looked early in the year.

### Does Reacciones Químicas have plans for expansion?

At the moment, we are expanding capacity in the plant and we expect to have the new reactor online by the end of the first quarter of 2021. We are preparing to better serve our customers and meet their needs for the next several years.

### What goals does Reacciones Químicas have moving forward?

We have a clear purpose as a company: To innovate in the finding of profitable and sustainable solutions. That is why our first objective is to finish the development of the new low VOC product lines that will meet and exceed the requirements of the new legislation. Secondly, we want to complete our plans of expansion. We are actively looking to expand into the US and other markets. Finally, we want to remain a stable company that is good for our customers and our employees. ■

We are introducing new products with green raw materials, exempt solvents, and different formulations to be ready for these changes in the Mexican market and also to compete in international markets.



# Francisco Rubio

President  
KEMIKALS



**Can you provide an overview of Kemikals, including the companies you represent and the products you distribute?**

Kemikals is a company producing high-tech products for the Mexican market. We represent world-class companies including Celanese, Nouryon, CFF, Berolan, Sili-coni, Seqenz among others. Our portfolio include redispersable powders, cellulose ethers, rheology modifiers, cellulose fibers, defoamers and coalescent agents, among others.

**The Covid-19 pandemic has been challenging for distributors, particularly from a costs and logistics standpoint. How has Kemikals dealt with this?**

As importers, we had to take care of many logistical challenges with the pandemic. Our lead times stretched to as long as four months. A lot of our customers were calling to reduce their purchases from months to weeks given the uncertainty that they might be ordered to lock-down, for example. In the meantime, our orders kept flowing and we ran the risk of incurring an inventory surplus. Establishing clear communication with our clients and providers was of paramount importance in order to find a middle ground.

The pandemic also created challenges due to currency fluctuations. During the onset of the pandemic, the dollar appreciated to almost 25 pesos per dollar. This complicates our business because we sell in pesos and fulfill our commitment to distributors in dollars and euros, which represented challenges in liquidity and also logistically in terms of inventory. To our surprise, the coatings industry was not as affected by the pandemic as we feared at

one point. In fact, by June 2020 orders had recovered and even exceeded pre-pandemic levels. This was because lock-down brought renewed interest to matters of home improvement. In general, our distribution strategy during 2020 had to be constantly monitored and updated.

**As well as a distributor, Kemikals is a technology provider focused on adding value to customers and suppliers. How does the company add value in this regard?**

Adding value is at the forefront of our company's purpose. Technology-wise, we are among the few distributors to have our own laboratories as well as in-house employees to support our providers and customers domestically directly. Distributors with international scopes can be slow in responding to clients. Having technical and local support capacities allows Kemikals to go beyond being just a broker. Understanding the needs of our clients is key for Kemikals because it allows us to be more proactive and cognizant of market trends.

**The chemical distribution market in Mexico is competitive. How do you stand out from the crowd?**

Kemikals is a customer-oriented company in all aspects. We are commercial partners to our distributors and clients and make an effort to understand what their needs and challenges are in order to provide the best solution. Big distributors tend to lose agility and the capacity to attend to clients individually. Therefore, we have focused on our attention to the client. Additionally, we have focused in bringing products that are innovative. This has

meant getting away from commodities and focusing on additives that are functional and specialized products with a clear differentiator.

**Looking forward, what would you say is the company's main focus for the next two years?**

We are firmly committed to supplying the industry with innovative products geared for environmental sustainability. Last year, we presented ourselves to the industry with a new slogan "Nos aplicamos con innovación sustentable" (We are committed to sustainable innovation). This is part of our campaign to bring non-polluting products from European distributors. Unfortunately, the onset of the Coronavirus threw us and the entire industry into survival mode, which took the spotlight away from our campaigns for greener supplies. However, we are committed to regaining that focus because sustainability differentiates us as distributors and makes a difference across the production chain for manufacturers and users. Additionally, during the upcoming years, we want to grow our sales and market presence. Diverging from commodities and focusing on specialized products is aligned with that ambition.

**Do you have a final message for our readers?**

Kemikals is a young and upcoming company that is committed to the industry and serious about the needs of our clients. We want to add value and help the industry progress in the right direction. We see the Mexican chemicals industry as an ensemble and are focused on doing our part in its betterment. ■



# Jorge David Saldaña

Chief Strategy Officer  
WYN DE MÉXICO

**Our concern, along with a lot of customers in the coatings and housing industry, is that there is a lack of new projects going on and few new developments or big plans in the pipeline.**

**How has WYN developed its business since its founding?**

WYN is a family-owned business founded in 1964 as a textile auxiliary and additives producer. Our plant is based in Querétaro, 125 miles north from Mexico City, where we previously had our facilities. Throughout the years, we shifted our strategy to produce polymers for different applications. Today, our main customers belong to the following industries: Coatings, Construction, Adhesives and Graphic Arts. Above 95% percent of our sales involve the commercialization of emulsion polymers produced in batch reactors. The main raw materials used in our production processes include acrylic and methacrylic monomers, vinyl acetate, styrene, and surfactants. We continue growing geographically and developing new applications for our products in the Mexican market, as well as international markets.

**How would you characterize the competitiveness of Mexico's chemical industry?**

We are part of one of the multiple value chains present in the Mexican chemical industry and we have been part of huge changes that it has had throughout the last decades. Today, we import pretty much all our chemical raw materials, which were produced initially in Mexico. We no longer have this production available in Mexico. Regarding the emulsion polymer business, we have national and international competitors in the market, and the supply-demand is quite balanced.

**How has COVID-19 affected WYN's business?**

The policy followed by the Mexican authorities has not been as tight as in other countries and regions around the globe. April, May and June were our worst months and we ran at about 50-60% of our regular operations. But then, since the end of June, we started seeing a pickup. Demand rose steadily, and today we are selling very close to what we budgeted. Another important development that the pandemic has brought is the quick adoption of new technologies and digital tools to fulfill our daily activities. Our plant has been constantly updated and improved, so we are no longer as labour-intensive as we used to be, which has helped us

in the implementation of social distancing policies.

**What is WYN's edge over competitors?**

We have two kinds of competitors – global conglomerates, who compete with us in the local and international markets, and we have local Mexican competitors. The main advantage against large global companies is our capability to produce tailor-made products; we are also more flexible in our terms because of our size, financials and fixed costs, which are much lower. Against the national competitors, which have the same cost structure, same infrastructure and same financial capabilities, we offer superior quality, performance, and more specialized products than most of these companies. We also invest a lot in technical sales and post sales. As you can realize, we try to position ourselves in the middle of the industry map.

**What are your projections for future demand for paints and coatings sales?**

Currently, many of the construction projects that were initiated in pre-Covid times are being accelerated in order to finish them and have their cash flow back. However, our concern, along with a lot of customers in the coatings and housing industry, is that there is a lack of new projects going on and few new developments or big plans in the pipeline. We do not expect a downturn to come this year, but the next two years may be quite a challenge for our sector.

**What is WYN's long-term strategy?**

Our first objective is to find new markets to grow, because we know that the construction industry may be slowing in the next couple of years. Therefore, we are considering expanding into the Packaging market, which is in a boom right now because of the new trends. We expect to build out our capabilities and grow in this area moving forward towards the adhesive, the graphic arts, and the pressure-sensitive adhesive markets.

Our second objective is to increase our sales into the US since this hedges us against political and economic risks associated with being overly reliant on Mexico. Finally, our third objective is to overcome exchange rate losses by selling more of our products, even in Mexico, in external currency. ■





# DISTRIBUTION

"Distributors continue to grow their share in the supply chain from chemical manufacturers to more than 40 industrial segments that use chemicals and raw materials. This trend is because the best distributors add value and lower cost to serve for manufacturers and total cost of ownership for customers."

- **Eugenio Manzano,**  
Executive Director,  
Pochteca





# Distribution

Before the pandemic, the chemical distribution market in Mexico had been growing at twice the rate of GDP for over 15 years, representing annual growth of around 5% per year. Although the impact of Covid-19 disturbed the market considerably due to factors such as longer lead times on imported products, the outlook for one of the global chemical industry's growth segments remains robust. In Mexico, a net deficit of domestic chemical production means the role of the distributor is particularly pronounced.

"Distributors continue to grow their share in the supply chain from chemical manufacturers to more than 40 industrial segments that use chemicals and raw materials," said Eugenio Manzano, executive director of Pochteca, who explained that this trend is because distributors add value and lower cost to serve for manufacturers and total cost of ownership for customers.

The distribution space has also expanded to include value added services including specialized logistics, packaging, blending, inventory management systems, technical support and training, product application development, waste management and efficient small-order processing, as customers

look for a one-stop-shop service rather than a traditional sales agent and distributor.

Another of the key trends in the distribution sector is digitalization, which Manzano affirmed is here to stay in all its forms. He emphasized that Pochteca is constantly adding new software and tools, as well as developing new features to its existing ones, including: "More functional web pages where access to valuable information is just a few clicks away, on line stores and B2B portals, CRM, supplier portal, WMS and barcoding, routing systems to lower emissions and reduce cost to serve, analytics and big data analysis and process automation programs."

Francisco Rubio, president, of Mexican distributor Kemikals, also underlined the importance of technological solutions to add value to clients. Commenting that his company is among the few distributors to have its own laboratories as well as in-house employees to support providers and customers domestically directly, Rubio added: "Distributors with international scopes can be slow in responding to clients. Having technical and local support capacities allows Kemikals to go beyond being just a broker."

Indeed, local support has been especially pertinent during the pandemic, with travel restrictions meaning distributors of international products had to be assertive in dealing with domestic clients that were experiencing delayed delivery. "Our lead times stretched to as long as four months and we were

having to make decisions in Mexico with clients as quickly as within 24 hours," explained Rubio, who revealed that customers were calling to reduce their purchases from months to weeks given the uncertainty that they might be ordered to lock-down.

## Consolidation and Diversification

Continuing the trend of the past five years, consolidation continues to play a crucial role in shaping the industry value chain. Alfredo Ison, executive president of Química Delta, explained: "There has been intense M&A activity in the distribution segment, with purchases of national players by transnational companies. This has caused the market to stabilize, with six or seven large, and other medium-sized players." Nexeo Plastics is emblematic of this trend. Prior to 2018 the business was a segment of Nexeo Solutions until it was acquired by Univar. About two years later, in 2020, the plastics distribution business (Nexeo Plastics) sold to One Rock Capital Partners, a private equity firm based in New York. Now, Nexeo Plastics is an independent, privately owned company. "One of the advantages of this change is we now have a singular focus: to grow our plastics business. Compared to our previous corporate makeup where we shared resources with several business units; today, all investments, campaigns and training focus on our core business," Arturo Hoyo, managing director of Nexeo Plastics stated.

Hoyo continued, by highlighting that distribution in Mexico is a highly fragmented market space. In his view, there is much more room for consolidation in the industry and significant opportunity to continue to add value to supplier partners and his company's highly fragmented customer base made up of multinational, heavily export oriented enterprises and family-owned businesses that service the local market.

Beyond M&A, 2020 exaggerated the need for diversification amongst distributors. Química Delta for example, observed wildly disparate outcomes with some markets dropping 20% while others saw demand skyrocket up to 600%. "the ability to react and adapt quickly to the new market conditions was essential," Ison asserted.

Similarly, Ricardo Méndez, director general of PromaPlast observed: "2020 in particular, being a diversified business helped us to weather the storm." The company is well balanced regionally, with branch offices throughout the country, nine warehouses and a healthy split between market segments. Méndez continued: "As much as we suffered from our footwear segment this year, we continue to be strong in packaging and consumer, which were segments that were not as badly impacted."

Alonzo Autrey, managing director of DVA Mexicana also experienced the hot and cold demand COVID-19 brought. "due to the pandemic, we have seen that our organic sales decrease in non-COVID products but on the other hand we have increased focus on products that support COVID-19 treatment, like rocuronium bromide, which is used as an anesthetic for patients that need to be put in ventilator. This segment tripled in size this year," Autrey disclosed. ■



**Química Delta**  
Generating Shared Value

**The largest distributor of chemicals and base oils in Mexico.**

With over 45 years serving a great variety of industrial markets.

- Terminals locations strategically located.
- Strategic Alliances with the World's main companies in the industry.

[contact@qdelta.com.mx](mailto:contact@qdelta.com.mx)

**pochteca**

**CHEMICAL AND RAW MATERIALS SOLUTIONS FOR COMPETITIVENESS**



## BUSINESS SEGMENTS

Food ingredients, additives and specialties

Inorganic chemicals

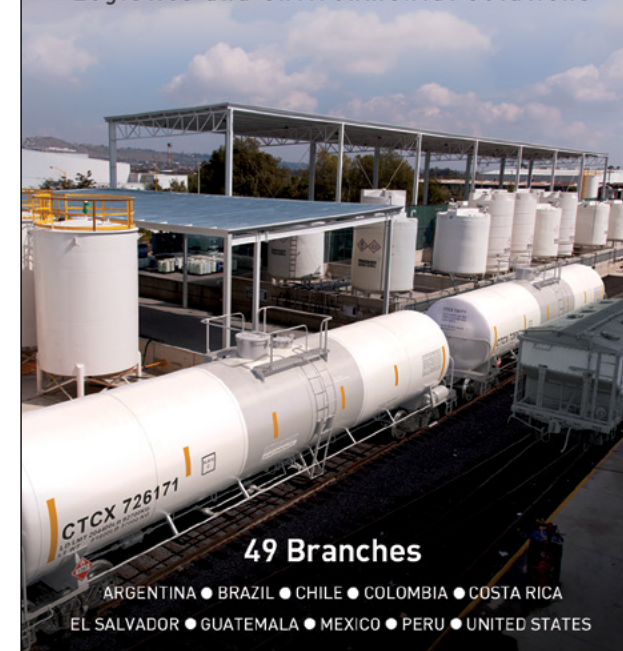
Solvents and blends

Lubricants

Oil and gas

Home care and personal care

Logistics and environmental solutions



## 49 Branches

ARGENTINA • BRAZIL • CHILE • COLOMBIA • COSTA RICA  
EL SALVADOR • GUATEMALA • MEXICO • PERU • UNITED STATES

+52 (55) 5278-5900 / 800-8383-729 (Mexico)  
[www.pochteca.net](http://www.pochteca.net)



# Eugenio Manzano

Executive Director  
POCHTECA

## What are the main trends in Mexico's chemical distribution segment that have been prevalent in 2020?

Distributors continue to grow their share in the supply chain from chemical manufacturers to more than 40 industrial segments that use chemicals and raw materials. This trend is because distributors like Pochteca add value and lower costs. Value added services that we offer include specialized logistics, packaging, blending, inventory management systems, technical support and training, product application development, waste management and efficient small-order processing.

Digitalization is here to stay in all its forms. Pochteca is constantly adding new software and tools, as well as developing new features to our existing ones: more functional web pages, on line stores and B2B portals, CRM, supplier portal, WMS and barcoding, routing systems to lower emissions and reduce cost to serve, analytics and big data analysis and process automation programs. Concern for developing a circular economy and environmental consciousness is also gaining strength in Mexico. Pochteca is investing in people and infrastructure to offer our customers waste and environmental services and introducing environmentally friendly and healthy products to our portfolio.

The industry will continue to consolidate because it is still very fragmented, so we can expect more mergers and acquisitions.

## Can you provide examples of some of the sustainability initiatives undertaken by Pochteca?

We are proud to have received the 2019 Excellence Award in Responsabilidad Integral from ANIQ. Our logistics infrastructure, including warehouses and trucks, has all

the certifications and licenses necessary to handle and store industrial waste. Aside from operating with a reduced environmental impact, our products and services allow companies to improve their efficiencies and savings. In 2019, we launched a new division offering integrated environmental solutions to our customers, including recycling, co-processing, zero waste to landfill programs and responsible confinement/disposal of industrial waste. We go as far as contributing our own personnel working in-plant at our customers' operations. We continue to invest in our solvent recycling facility, incorporating additional equipment that allows us to process an even broader range of used solvents.

## How do you think Mexico could address its shortage of raw materials to improve its chemical industry?

The shortage of natural gas, methane and ethane has negatively impacted the competitiveness of our chemical industry. Chemical plants in southeastern Mexico are operating at low operating rates and with higher costs than their counterparts in other countries, which has generated many inefficiencies downstream and a large commercial deficit of more than US\$25 billion per year. We need a strong and efficient Pemex, where key raw materials originate, as well as public policy that fosters investment by the private sector in the energy and petrochemical industries. The government is making a significant effort in modernizing Pemex's refineries and other infrastructure and has announced some important projects where private industry will be investing or co-investing. We feel confident that these investments will bear fruit and will improve the competitiveness of our industry.



## What kind of technologies has Pochteca implemented at its terminal in Guadalajara, and how can these help clients from a logistical standpoint?

Our Guadalajara facility is strategically located to serve the western and northwestern regions of Mexico, receiving bulk and container cargo from Asia, North America and Mexico. Its layout is designed for efficient bulk to drum and IBC packaging, low turnaround times for incoming and outgoing cargo and state of the art routing, warehouse and inventory management systems. Our team in this hub is equipped with the rest of our business intelligence and software tools that allow more efficient information processing for decision making, improved customer service, ecommerce and connectivity for remote work.

## What are Pochteca's main areas of focus in 2021, and where would you like to see the company by 2022?

In October 2020, we acquired Ixom's Latam operation in Chile, Argentina, Peru, Colombia and Brazil, and opened operations in the southern United States. With these strategic steps, Pochteca is now present in 10 countries in the Americas and able to serve regional customers and suppliers with our 47 distribution facilities across the continent. Besides adding new countries to our scope, the Ixom acquisition brings additional expertise and lab capabilities for the mining and construction industries, as well as complimentary portfolios in other existing segments.

In 2021 we will focus on integrating these new operations and realizing the significant product, service, supplier, customer and operational synergies that the acquisition brings with it. ■



# Alfredo Ison

Executive President  
QUÍMICA DELTA

## How has Química Delta evolved over the last five years?

Química Delta has followed a growth trend over the last years, with a 50% increase in volumes since 2014. We achieved this by diversifying our markets and our product range. We put a lot of effort into lubricants and personal & home care markets, then two years ago we entered the fuel business. With the Energy Reform we decided to open a new division and a new company under the Exxia brand. Now we represent two large fuel producers. We also invested a lot to professionalize and institutionalize the company.

In the last five years there has been intense M&A activity in the distribution segment, with purchases of national players by transnational companies. This has caused the market to stabilize, with six or seven large players in the market now, and other medium-sized players.

## Which demand trends did you see in 2020, and what are your expectations for 2021?

Until February 2020, before the pandemic, things were going quite well with the entire range of products we handle. Unfortunately, when the pandemic started, the government closed industrial activity, and that dramatically affected sales in some of our product lines. Other products saw sales increase significantly. Supplies for disinfectants and soaps grew exponentially, as we had an explosive demand from the domestic and the US markets. Even though the economy was greatly affected, our company has managed to increase sales volumes with respect to last year.

## What steps did you undertake to adapt to the pandemic?

The first fear we faced was potential liquidity problems due to the fall in demand for certain products, so our first reaction was to really take care of the cash flow, because we did not know how the banks would respond to this crisis.

We had to adapt our logistics chains –the ability to react and adapt quickly to the new market conditions was essential. Besides, we adopted home office for the entire organization, and this made us incorporate new systems to carry out operations electronically instead of on paper. Today, the satisfaction rate among our employees has increased.

## What has been the effect of shale production in the US on Mexico's petrochemicals industry?

There has been a dramatic change since shale gas and shale oil began to be produced in the US, as many of the production chains had moved out to other countries. An example is methanol that began to be produced in South America or in the Caribbean. With shale gas, production began to return to the US together with many other chains such as polypropylene. Today, the US is Mexico's largest trading partner and a very important supplier, not only in petrochemicals, but also in lubricants and fuels. The US will continue to be very competitive and the petrochemicals industry will continue to develop there.

## What government policies and trade agreements are helping or preventing the industry from reaching its full potential?

The new North American free trade agreement is a relief for Mexico because it builds on the foundations we had since NAFTA in 1994. The only problem we see is with energy, as the US is concerned by Mexican efforts to protect its energy industry, most notably Pemex. Industry leaders are afraid that protectionist policies by the current administration will affect North American investment into Mexico. Meanwhile, with the pandemic, the Mexican government has not supported companies directly, unlike other countries. Mexican business owners have had to fend for themselves.

## What are your plans for the medium term at Química Delta?

With the pandemic, it is essential to adapt very quickly to the new environment. This includes digitalization. We are going to have to accelerate the digital transformation in our sector to improve customer service. There are tools available now to connect us with customers in a more efficient and transparent manner. Preserving cash liquidity will also be very important, especially as market uncertainty continues. Finally, diversification will also be essential, and with this comes developing agile logistics systems, especially to move fuels around.

As a summary, we want to consolidate the fuel business, because it is a new, huge market for us. We also want to consolidate our logistics. In parallel to this, we will continue diversifying our products, markets and geographies. ■

Diversification will be essential, and with this comes developing agile logistics systems, especially to move fuels around.



# Arturo Hoyo Vargas



Vice President -  
Commercial Sales North America  
**NEXEO PLASTICS**

**Nexeo Plastics recently became an independent entity from Nexeo Solutions. What are the benefits of being a single entity?**

In 2018, Univar acquired Nexeo Solutions, combining companies to become Univar Solutions. Prior to the acquisition, Nexeo Solutions had three lines of business: plastics, chemicals and environmental services. The revenue of Nexeo Solutions was US\$4 billion, with half of it coming from plastics. Soon after the completion of Univar/Nexeo Solutions deal, the plastics business was sold to One Rock Capital Partners, a private equity firm based in New York. Now, Nexeo Plastics is an independent, privately owned company with no further connections to Univar Solutions.

An advantage of this change is we now have a singular focus: to grow our plastics business. Everything we do today is aligned to our core strengths in plastic distribution. With the backing of new ownership and a fresh corporate perspective, we are making every effort to accelerate growth and gain market share. Distribution in Mexico is a highly fragmented market space. There is a lot of room for consolidation and significant opportunity to add value to supplier partners and for our highly fragmented customer base, which is mixed between multinational, heavily export oriented enterprises and family owned businesses that service the local market.

**Are there specific opportunities that you are finding promising?**

We have learned a lot in the last few months since COVID-19 began. Mexico has a strong maquiladora industry and these companies are typically located along the border or inland Mexico. That industry continues to grow and I believe the trade war between the US and China over the past 18 months is a big benefit to Mexico. We are observing a trend of reshoring manufacturing from China into Mexico. That trend has created new demand in the chemicals and plastics arena and we are seeing the benefit of that. COVID-19 has given us the opportunity to grow in new markets, such as healthcare, which even before the pandemic was seeing increased activity in Tijuana and Reynosa.

Our business was heavily impacted in the second quarter of 2020. Sales in Mexico were down because of an automotive industry downturn. This is a large part of our business. Fortunately, we were able to offset that slowdown with growth in demand for plastics with healthcare applications.

**How has Nexeo Plastics partnered in the past with companies bringing more sustainable solutions to market?**

Since our origination as a company in 1973, we have built our business and reputation on the strong relationships we hold with key global suppliers. We are not a trading company; our business is stock distribution. We add value to our partner-suppliers by understanding the needs of their business. We have been working with several companies with strong sustainable solutions product lines. We dig in to understand the value and find the right spots to deliver that value to the market. Those solutions could be moving to a "green" product like recycled content or biopolymer, or it could also mean finding ways to make the part thinner to reduce plastic weight, or even working with the customer to optimize their production line, saving energy and reducing scrap.

**What is your final message as to why companies should work with Nexeo Plastics and should consider Nexeo Plastics as a potential partner?**

Products and materials is just the beginning with us. Our ability and expertise from a technical standpoint adds tremendous value to customers and suppliers alike. We have a robust technical group that understands customers' goals and we help them innovate and launch projects. Additionally, we're committed to unparalleled service at every point along the transaction and relationship. From sales to customer service to trucking and delivery, we're leading the way in instilling confidence in plastics distribution. ■

**nexeo**  
plastics

**DRIVE EFFICIENCY  
IN YOUR OPERATIONS**

Access our broad line card of thermoplastic resins, supply chain solutions and technical expertise that can help with material selection and optimizing your production processes.

Tel: 833.44.NEXEO  
(833.446.3936)  
nexeoplastics.com

# Alonzo Autrey

Managing Director  
**DVA MEXICANA**



**How has DVA Mexicana evolved in the last five years?**

Our pharma and food business remains the biggest business units for DVA Mexicana, but today in Mexico we have a different setup. We stopped working in the animal health segment a couple of years ago and consolidated the specialty and industrial chemicals businesses into a new unit called industrial and consumer specialties. Finally, DVA has completed the construction of a manufacturing complex in Mexico with two production units where we produce pharmaceutical film coatings, and in our functional systems units, we produce stabilizers, texture and flavor enhancers as well as emulsifiers for the food industry.

**How does DVA Mexicana maintain a competitive margin when sourcing products from abroad?**

Our main focus is on products that solve customer-specific needs, so we can add value to the market. On the other hand, in our organic market, it has been a challenge to maintain the margins. In pharma, the government is always pushing for

lower prices and pharmaceutical companies have demanded lower prices in response. In the food segment, we source most of our products in US dollars, our customers transform them into products that are sold in local currency, and due to the exchange rate fluctuation in 2020 the need for lower costs was also a constant.

**Which business units have you identified as having high potential in the next two years?**

The main focus of our company is to develop DVA developed products. In pharma, we have our EasyCoat® brand, which we believe can become a market standard because of its performance, cost and quality. DVA has also acquired a surfactants company in Argentina to advance product development in this area. With offices in more than 20 countries, a strong footprint for procurement in China and India, while being as close as possible to the customer and providing the best technical support to be a solution provider, we believe if we can help the customer develop better products, this will increase success for both parties. ■

# Ricardo Méndez

Director General  
**PROMAPLAST**



**What is the history behind PromaPlast and how is the company currently structured?**

From our founding until today, it has been in the DNA of PromaPlast to move sophisticated products that no one else is moving. We have been able to grow and expand into a US\$60 million revenue company. About 20-25% of our sales go into footwear, 15% into packaging, 15% automotive and, to a smaller degree, construction. We also have a strong presence in appliances and consumer goods. We are well split between different regions, with branch offices all over the country, nine warehouses and a healthy split between market segments.

**Within Mexico, which regions are experiencing the fastest growth?**

Growth in Mexico continues to be very strongly based in Mexico City. It is a very important hub due to the number of small companies that process plastics. The corridor that goes up from Mexico City,

through Querétaro and up to Monterrey, passing through Guanajuato is important for aerospace and automotive manufacturing. And then you have Guadalajara, which continues to have a big presence in packaging and consumer goods. The Maquiladora region has suffered because of violence and instability, but the part going from Chihuahua to Tijuana continues to be critical for medical and consumer goods. Puebla is also important due to the presence of Volkswagen. In the case of PromaPlast, Leon is at the center of what we do because it is the footwear capital.

**What are some of the most promising sectors you are evaluating to grow PromaPlast?**

In terms of market segments, packaging would be the area where we want to grow rapidly in. Recently, we entered into agreements with two new suppliers who will complement our product range nicely. This will enable us to become a major player in packaging. ■





# LOGISTICS, SERVICES & TECHNOLOGY

"More than ever, logistics has become a people business. In normal times everything flows nicely, but now you need to do something else to add value and really take care of every single container and shipment. Close and personalized contact with customers is core in these challenging times."

- Martin Sack,  
Regional Head – Americas,  
Leschaco





# Logistics

## INNOVATION TO TACKLE THE LOGISTICS DEFICIT AND RISING FREIGHT COSTS

Mexico, like the rest of Latin America, suffers from a considerable logistics deficit. However, out of chaos comes opportunity, and the value of logistics providers is heightened in a challenging context. From a logistics point of view, 2020 represented the biggest challenge to international trade in living memory, as border closures and travel restrictions disrupted the globalized economy.

"During the fourth quarter, freight prices increased dramatically, especially from Asia. At an average cost of US\$8,000 per freight, prices are 6.5 times more than what they were a year ago. This is a concern for all of us because Asia is the main supplier in the commodities and specialty segments; the market prices in Mexico are suffering dramatically," observed Gabriel Londoño, managing director of Omya Mexico.

Martin Sack, regional head of the Americas for Leschaco, reflected that, in normal times, everything flows nicely, but because of Covid-19 logistics providers need to do something else to add value and take care of every single container. "Staying in closer contact with customers to tackle freight and space issues to make sure cargo is delivered and received on time required a lot of fine tuning and personalized engagement in 2020."

Specifically to Mexico, Sack cited the cross border business with the US as a key area for Leschaco and, in 2020, the company focused on developing products which need further growth, such as air freight, contract logistics and 4PL (fourth-party logistics) solutions. "The new USMCA agreement should increase trade between Mexico, US and Canada, and due to the sheer size of the country, there is always room for us to grow within Mexico by doing things better than the competition," he added.

### Mitigating Risks

One of the biggest challenges for logistics providers in Mexico is the tenuous security situation along supply routes. According to Jaime Merlos, executive manager at Accel: "The entire logistics industry is greatly affected by this problem as it makes logistics more expensive. The cost of insurance of the goods is raised, and it has become necessary to travel with custodians since you cannot travel at certain times."

All of this increases expenses for companies at a time when they are looking to generate savings. Meanwhile, companies are becoming increasingly diligent about taking the necessary precautions to minimize the risk. One risk mitigation tactic that has evolved in recent years is visibility and traceability. Santiago Carús, CEO of Euromex Logistics explained: "You cannot just move a product from point A to point B any longer. Now customers want to access information in an app or online." In response, Euromex has built out the infrastructure to provide customers with up-to-date technology.

Another development in risk mitigation has been the increased security in the trucks in use. Quality standards have risen significantly, and truck drivers have to meet more stringent requirements. "The Mexican Government modified the driving hours to increase the health of drivers and assure security on the roads. Following these rules and adopting a GPS tracking system for all of our trucks 24/7, we have decreased trucking accidents and delays," Carús confirmed.

### EPC Services

Although many new investments into new chemical and petrochemical facilities were put on hold in 2020, those involved in the EPC side of existing projects managed to retain business share. For instance, after executing the construction of Braskem Idesa's landmark Etileno XXI facility, Maire Tecnimont was contracted to provide engineering support for three years after the project was completed, according to Maximo Roberto Pepe, Maire Tecnimont's managing director and area manager for Latin America.

Pepe also related that, in 2020, Maire Tecnimont finished the fabrication, delivery and dispatch of 22 modularized units for a petrochemical project in Baytown, USA, with the units manufactured at a yard in Mexico. Other Mexican activity in 2020 included winning a contract for the engineering and supply of the furnaces for the Delay Coker unit at the Dos Bocas new refinery project in Tabasco, as well as finishing a second contract for the Amistad wind farm.

### Technology

The need for efficiency and competitiveness has done nothing but accelerate during the Covid-19 pandemic, however, a lack of feedstock in Mexico and complex logistics have driven up costs for chemical producers and distributors. To counter these challenges, the role of technology to modernize processes and boost productivity has become paramount.

Mexico, and the Latin American market in general, lags behind North America, Europe and Asia when it comes to technology adoption, but this represents opportunity for providers of innovation to gain market share in the coming years.

Yokogawa is an automation-focused Japanese multinational established over 100 years ago, and was the first company to introduce the Distributed Control System (DCS) into the market in the 1970s. Yokogawa Mexico was established 15 years ago and today, the chemical and petrochemical industries represent its biggest client base. "We



*You cannot just move a product from point A to point B any longer. You must give visibility and traceability to the customers. Now customers want to access information in an app or online.*

**- Santiago Carús, CEO, Euromex Logistics**



have two main divisions in Mexico; one is dedicated to the provision of automation solutions that include computers, controllers, fire and gas shutdown solutions; and the other handles field instruments, which have greater penetration in the Mexican market," explained Gabriel Sánchez, director general of Yokogawa's Mexican office.

Another multinational from Asia, Chinese company Haitian, started operations in Mexico in Querétaro in 1999 to service the automotive, packaging, electronics, toys and medical industries. Haitian is the world's largest manufacturer of plastic injection machines, producing over 30,000 units annually and exporting to over 130 countries, related José Antonio Barroso, deputy general manager of Haitian Mexico. Barroso spoke of how the adoption of fully electric machines has evolved in recent years: "The multinational companies located near the US border were the early adopters of this technology, when approximately 5% of our sales

came from fully electric machines. Today, this figure has risen to 30%, as the wider market understands the value of these products and how they can help companies remain competitive."

David Rodrigo Muñoz Barrera, president of Wittmann Battenfeld's Mexico office, commented that the Austrian company opened its eighth global manufacturing facility in Mexico, producing a full range of auxiliaries and molding machines for the plastic industry. Barrera mentioned that hybrid machines are popular in the transition away from traditional equipment, but the transition to fully electric will not happen overnight. "Mexican customers are concerned with power consumption, which is reduced with a fully electric machine, and also maintenance can be performed more easily than on a hydraulic machine," he said, highlighting that the company is focused on training customers to get the most out of its machines as they have a different operational method to traditional equipment. ■



**LESCHACO**

Forwarding is our passion. Since 1879.

**Your Specialist for Supply Chain Solutions**

We offer integrated, intercontinental logistics with responsible care for the chemical industry.



Sea Freight



Air Freight



Tank Container



Contract Logistics



Overland Transport



Customs Clearance

www.leschaco.com



(52) 55.5955 0000 | region.americas@leschaco.com



# Martin Sack & Francisco Gálvez

MS: Regional Head – Americas  
FG: Managing Director – Mexico  
**LESCHACO**



MS



FG

Leschaco has a positive outlook for 2021 due to the expected economic recovery, but also due to increased infrastructure, product focus and new salespeople we have brought on board.

## Why did Leschaco decide to implement a new regional structure at the beginning of 2020?

**MS:** Leschaco is growing on a global scale and, due to this growth, we needed a new structure for better customer orientation. We have implemented two new layers in the organization – the first being a regional set up, which divides the company into three regions: the Americas; EMEA (Europe, Middle East and India); and APAC. On top of this we decided to include a matrix, which means we have deeper management through the different products we manage globally. This new structure is intended to give Leschaco's board of directors more time to focus on strategy and how to take the company to the next level of growth.

## Which of the company's business lines have been performing well this year?

**MS:** Traditionally, Leschaco has always had a very strong ocean freight business, covering FCL (Full Container Loads) and LCL (Less than Container Loads), as well as an own tank container fleet which we operate by sea. All in all, we were very satisfied with the business development, despite the challenging environment caused by the pandemic. In 2020 we have focused on developing products which need further growth, like air freight and contract logistics. 4PL (fourth-party logistics) solutions and added value of all kind are also becoming increasingly relevant, as customers require end-to-end solution under one umbrella. Especially in Mexico, the cross-border business with the US is another key focus area where we are growing since many years.

## To what extent has the pandemic impacted Leschaco's operations in Mexico and the Americas?

**MS:** Covid caused a temporary decrease in volumes in most of the countries where Leschaco operates. Particularly between April and August, we noticed negative impacts in our key markets such as the US, Brazil and Mexico. However, from the beginning of Q4 2020 we have seen volumes recovering month by month, which has given us a positive outlook for 2021. As global trade recovered strongly in Q3, particularly the ocean freight sector is recently suffering from a lack of space, sailings, port congestion and container equipment availability, which is something that affects almost all major trades and countries.

**FG:** In Mexico, the impact peaked around July, not only due to the challenging economic scenario, but also because investments were being put on hold. Since October, things have started to rebound. Volatile freight rates, especially for products coming from Asia, are another challenge for our customers. Despite of these challenges, Mexico has been a solid market for Leschaco for many years. This has helped us to manage the crisis effectively.

## How do you view Mexico's potential for growth compared to the wider region?

**FG:** Even before Covid, Mexico was not in an easy macroeconomic situation, with no GDP growth in 2019. Therefore, it will be difficult for Mexico to pull itself out of this scenario in the short term. On the other hand, when it comes to Leschaco's business, we see a lot of good opportunities to grow in Mexico's chemical sector, but also in other industries. The new USMCA agreement should increase trade between Mexico, the US and Canada, and due to the sheer size of the country, there is always room for us to grow within the Mexican market.

## Where would you like to see Leschaco by the end of 2021?

**MS:** I would expect that we have a vaccine that brings us back to a more normal environment. Overall, Leschaco has a positive outlook for 2021 due to the expected economic recovery, but also due to increased infrastructure, product focus and new salespeople we have brought on board. In 2021, Leschaco will invest in a new organization in Latin America, so we have a lot of projects in place to grow in the region. ■

# Dieter Femfert

Commercial Director  
**CRYOINFRA (GRUPO INFRA)**



## What products of Cryoinfra's business are currently most in demand?

The pandemic and the interruption of non-essential sectors such as the mining or automotive industry had a great impact on our company. It meant a drop in the demand of many of our products including nitrogen, argon and hydrogen. However, oxygen became extremely important to treat Covid-19 patients, and its supply to hospitals and homes increased by almost 400%. We had to ask for oxygen cuts from our industrial clients in order to favor hospitals and continue saving lives. Despite the huge increase in the demand of oxygen, this did not manage to compensate for the low demand in the other products. Therefore, even though our company was not as affected by the pandemic as other industrial sectors, it still had a big impact. 2021 will continue to be challenging in terms of economic and health conditions, but we are making a great effort to keep supplying our clients.

## Are there case studies you can point to that demonstrate the capabilities and benefits of working with Cryoinfra?

Our shareholders continue to have great interest in Mexico despite the challenging conditions. In 2020, we opened two plants in Mexicali, and in February 2021, we inaugurated a new argon, nitrogen and oxygen plant in Ciudad Juárez for the northern part of Mexico. In March 2021, we will open another plant in Aguascalientes, and in September, another one in San Luis Potosí, located strategically to supply oxygen, nitrogen and argon via oxygen ducts and nitrogen ducts, and

via our own oxygen, nitrogen and argon pipes. We are also currently opening a new plant in Guadalajara.

## How has Cryoinfra gone about integrating new technology into its business?

We make sure to include the most innovative solutions in our productive plants, in our distribution systems, logistics, products, as well as in the applications of industrial gasses. We have a specific area for technological development, where we work hand in hand with our clients from different sectors such as the steel, glass, petrochemical or the food and beverage industry.

## What do you think the government could do better to support the country's chemical industry?

Mexico is becoming an increasingly important actor in the global context, but to really be successful and competitive at the global level, there needs to be a collaboration between the private and the public sector. Our government needs to ensure that we have the necessary raw materials and guarantee a reliable supply of electric energy, natural gas, ethane, ammonia, ethylene oxide, etc at a competitive price.

## Are there any areas that you anticipate will experience fast growth?

We are confident that the chemical sector will experience fast growth as we have very qualified workers and the necessary technology. We also believe that the electronic sector, pharmaceuticals, food & beverages and the mining sector will grow considerably. The automotive

and aerospace sector, which has been severely impacted by the crisis, will keep supplying parts at an international level when the situation normalizes.

## Can you elaborate on the company's sustainability policies?

We produce our products with the least possible amount of CO2 emissions, and we are working to transport these products more sustainably. We work hand in hand with our clients to develop these sustainable solutions.

## What is your vision for growing Cryoinfra over the next 2-3 years?

We aim to keep growing our productive capacity, which is why we have built five plants in the past two years. We also intend to strengthen our distribution channels to be able to reach our clients with a greater amount of product and in better security conditions, with better costs and more technical processes that help us keep better administrative control.

## Do you have a final message?

Cryoinfra has great production capacity and our plants are as close as possible to our clients. In addition, our personnel provide good-quality attention, 365 days a year and 24 hours a day, to give our clients the products and services that they need. We do not only supply the necessary products on time and with the required quality, but we also provide them with support for technological development. We work hand in hand with our clients, helping them to solve problems related with costs, security, production and environment. ■



# Maximo Roberto Pepe

Managing Director & Area Manager – Latin America  
**MAIRE TECNIMONT**



**Can you explain how Maire Tecnimont has evolved in the last five years, including the creation of the company's NextChem subsidiary?**

Maire Tecnimont is a leader in the natural resources processing sector, in plant engineering, oil and gas downstream, fertilizers, refining and petrochemicals. EPC is the biggest activity of the Group with respect to the amount of revenue and project backlog. The company has a strong technology orientation and we also guarantee leadership to execute lump sum, turnkey projects for the clients.

In 2018, the company decided to create a new subsidiary called NextChem, our new arm in the energy transition. NextChem has developed, industrialized and commercialized a portfolio of technological initiatives that contribute to the industrialization of green chemistry and the circular economy, including upcycle polymers. We also develop solutions through strategic alliances with well-known technology companies for different applications complementary with our own technologies. Finally, Maire Tecnimont's Green Green innovative area is focused on finding oil substitutes to produce chemical intermediate fuels and plastic from renewable sources.

**What are some of the standout Mexican projects the company has been involved in in recent years?**

Braskem Idesa's Etileño XXI was a landmark for Maire Tecnimont and, after the successful execution of the project, the client requested an extended presence of part of our team to provide engineer-

ing support for three years after the project was completed. In 2020, we finished the fabrication, delivery and dispatch of 22 modularized units for a petrochemical project in Baytown, USA, with the units manufactured at a yard in Mexico. Also in 2020, we were awarded a contract for the engineering and supply of the furnaces for the Delay Coker unit at the Dos Bocas new refinery project in Tabasco. On the renewable energy side, last year we finished a second large contract for the Amistad wind farm project in northern Mexico.

**What are your views on the issues surrounding Mexico's downstream business, such as the lack of feedstock for the country's chemical industry and energy limitations?**

Mexico faces a particular situation if we analyze the facts (rather than opinions). To meet its domestic demand for fuel, the country has to import around 80% of its total demand. To satisfy demand for natural gas, the import figure is around 65%, both coming mainly from the USA. The Mexican petrochemical industry has been driven by the private sector in recent years, and I do not think this energy situation will change in the near term. Although this is a challenge, it presents opportunities for the development of private initiatives that allow added value and to monetize the natural gas molecules, such as ammonia, fertilizers and petrochemicals.

Curiously, the latest edition of Mexico's PRODESEN (National Electricity System Development Program) released by the Energy Secretary outlines that Mexico

aims to contribute 2% of the global energy matrix for hydrogen by 2024. I believe that a mix of green and blue hydrogen blended in the gas, to reduce CO2 emissions, will be a key component of this.

**Can you elaborate on Maire Tecnimont's approach to R&D?**

Through Maire Tecnimont's network of international engineering centers, including our HQ in Milan, as well as hubs in Rome, Sittard, Moscow and Mumbai, we provide services and know-how ranging from conceptual studies to technology selection and process engineering, design and execution. Maire Tecnimont owns over 120 patent families, with over 1,500 individual patents, which shows we are working in R&D all the time and we are able to fill the gap between the lab and the industrial scale. Innovation is built into all of our processes, and it is something that does not stop.

The group has over 70 projects in green acceleration initiatives, which link to the direction the management of the company has set out, aligned with the energy transition and a circular economy. These technologies aim to reduce environmental impact of industrial processes, as well as the development of new sustainable technologies. To differentiate itself in the market as an EPC contractor, Maire Tecnimont sees two fundamental pillars for growth. Technology is one pillar, and the other one is to develop tangible business cases through a project development approach and coordinate all different aspects of the venture, including full EPC execution. ■

# David Rodrigo Muñoz Barrera

President – Mexico  
**WITTMANN BATTENFELD**



**Can you introduce Wittmann Battenfeld's Mexican operations?**

Wittmann Battenfeld is headquartered in Austria and we produce hi-tech machines for the plastics industry. We have three main product lines – molding machines, auxiliaries and cooling equipment, with products that include injection molding machines, robots, driers, temperature controllers, chillers and water-flow regulators. The products are manufactured in eight locations worldwide, including Mexico. The Mexican office started in Querétaro in 1999, and services the automotive, packaging, electronics, toys and medical industries.

**What investments have been made into the company's Mexican operations in recent years?**

In 2018, we expanded our Mexican HQ in Querétaro to a capacity of over 3,000 square feet, adding a new training center, equipped with a servo-hydraulic SmartPower and an all-electric EcoPower machine. Wittmann Battenfeld now has seven offices in throughout Mexico.

**Can you elaborate on the collaboration between Wittmann Battenfeld and Zeroplast regarding sustainable products?**

In 2019, we started a partnership with Zeroplast, developing a bio-based natural material which is recyclable, bio-compatible, free of genetically modified organisms and chemical additives, but also fulfills all the requirements of industrial customers. Zeroplast produces materials coming from different types of products, such as potatoes, lettuce and sand, for instance.

**Which markets do you see as having the highest potential for growth in Mexico in the next two years?**

The food packaging market in Mexico has been growing at least 7% per year. Secondly, the medical space has a growth area in micro-molding for small parts. ■

# José Antonio Barroso

Deputy General Manager  
**HAITIAN MEXICO**



**Can you introduce Haitian and explain its presence in Mexico?**

Haitian is a Chinese multinational that is the world's largest manufacturer of plastic injection machines. In Mexico, we had been distributors for Haitian since 1999, and in 2015 they decided to have a direct structure here, merging with us to establish a subsidiary. This gave us added financial and technical strength. In 2018, Haitian announced they would build a factory to manufacture machines in Mexico, which is currently under construction near Guadalajara and will open in mid-2021.

**Why has Haitian chosen Mexico?**

The original plan was to build the factory in the US, however, after the trade war started between China and the US, many multinationals had to review their plans. Mexico is a strategic country because of its access to the US and Canada under the new USMCA, but also as the gateway to Latin America. Haitian's projected capacity for the Guadalajara plant is 1,000 plastic injection machines per year. We will focus on our best seller, the Mars series, which is the world's best-selling injection molding machine. In Mexico, we currently sell around 300 of these units per year, so the remaining 700 will be exported to the US, Canada and Latam region. ■





# CONCLUDING THOUGHTS

After over 50 interviews with the leading voices in Mexico's chemical industry, we have chosen the quotes that best summarize the challenges and opportunities in the years ahead.





*During our research, we speak to business leaders across the value chain to gain a qualitative understanding of the state of the chemical and petrochemical industries based on their experiences. Through what amounts to several hundreds of conversations, we compile a database of valuable knowledge on a range of important topics. In these pages, please find a brief selection of quotations that we feel best summarize some of the challenges the chemical business community should expect to encounter going forward, the opportunities to find success, and also thoughts we found to be motivational. Thank you to all of the individuals that took the time to share their insights with us, and we look forward to continuing to learn from you in the years to come.*

"Chemical plants in southeastern Mexico are operating at low operating rates and with higher costs than their counterparts in other countries, which has generated many inefficiencies downstream and a large commercial deficit of more than US\$25 billion per year. We need a strong and efficient Pemex, where key raw materials originate as well as public policy that fosters investment by the private sector in the energy and petrochemical industries."

**- Eugenio Manzano, Executive Director,  
Pochteca**

"We need to define which companies are interested in investing in the Pemex infrastructure in order to increase production of the raw materials Mexico's chemical industry needs. In 2021, the pandemic will still have an impact, but we are forecasting a recovery of 2% to 5%. By 2022, we want to achieve pre-pandemic levels."

**- Miguel Benedetto, Director General,  
ANIQ**

"Availability of raw materials is everything in the chemical industry, and you have to build your plants as close to the source as possible. There needs to be investment into infrastructure to supply raw materials, as well as investment into maintenance on current plants or new plants for Pemex. If this issue is not resolved, companies will have to keep importing feedstock and more companies will continue investing in the US rather than Mexico."

**- Abraham Klip Moshinsky, Director General,  
Unigel Mexico**



"The Mexican petrochemical industry has been driven by the private sector in recent past years, and I do not think this energy situation will change in the near term. Although this is a challenge, it presents opportunities for the development of private initiatives to add value and monetize the natural gas molecules, such as ammonia, fertilizers and petrochemicals."

**- Maximo Roberto Pepe,  
Managing Director & Area Manager – Latin America,  
Maire Tecnimont**

"Agriculture is a very important industry. With Covid-19, people stayed at home and looked at healthy options for their meals. In this respect, the agricultural sector had much better results than initially expected. Our slogan has been "the field cannot stop", and indeed it has not stopped for a single minute. Mexico's great advantage is that our fields are outdoors, therefore, we could continue operating."

**- Luis Eduardo González,  
President,  
UMFFAAC**

"Crop production has progressed immensely but there are still challenges surrounding it. For example, how to feed the future global population given land constraints? For this reason, we seek to make farming increasingly more efficient, while protecting health and the environment. We must be very conscious of these two points and formulate solutions that are built on long-term strategies."

**- Martín Fueyo,  
Director General,  
Agricultura Nacional S.A. de C.V. (Dragón)**

"As Winston Churchill said, "never let a good crisis go to waste," and we need to make sure the products and technologies designed today will be aligned with the customers of our customers in the future. This is a discussion which should happen now, and we have to make sure that we understand our "right to play" in the future as well."

**- Martín Toscano,  
Managing Director,  
Evonik Industries (Mexico)**





## COMPANY

**Acadian Plant Health**  
www.acadianplanthealth.com

**Accel Logistica**  
www.accellogistica.com.mx

**Agri Star**  
agristar.com.mx

**Agroindustria Nacional S.A de C.V (Dragon)**  
www.dragon.com.mx

**AMVAC**  
www.amvac.com.mx

**Asociación Nacional de Fabricantes de Pinturas y Tintas A.C. (ANAFAPYT)**  
www.anafapyt.com

**Asociación Nacional de la Industria Química (ANIQ)**  
aniq.org.mx

**APOTEX**  
www1.apotex.com/mx/es

**Bio Solutions**  
www.biosolutions.mx

**Braskem Idesa**  
www.braskemidesa.com.mx/

**CASTROL**  
www.castrol.com/es\_mx/mexico/home.html

**Charlotte Chemicals**  
charlottechemical.com

**Coral Chemicals**  
coral.com

**CRODA**  
www.croda.com

**DVA**  
www.dva.mx

**EUCOMEX**  
www.eucomex.com.mx

**Euromex Logística Internacional**  
www.euromex-li.com

**Evonik**  
central-south-america.evonik.com/es

**FMC**  
www.fmcagroquimica.com.mx

**Grupo Idesa**  
www.grupoidesa.com

**Grupo Infra**  
grupoinfra.com

**Grupo Petroquímico Beta**  
www.gpb.com.mx

**Grupo Versa**  
www.grupoversa.com

**Haitian Mexico**  
www.haitianmexico.com

**Honeywell**  
www.honeywell.com/mx/es

**IQUISA**  
www.iquisa.com

## COMPANY

**Kemikals**  
www.kemikals.com.mx

**Key Soluciones**  
key.com.mx

**Koor Intercomercial**  
www.koor.com.mx

**Lanxess**  
lanxess.mx

**LESCHACO**  
https://www.leschaco.com/jp/global-presence/americas/mexico/leschaco-mexicana-sa-de-cv.html

**Linde**  
www.linde.mx

**Lubrizol**  
espanol.lubrizol.com

**Maire Tecnimont**  
www.mairetecnimont.com

**Nexeo Plastics**  
www.nexeoplastics.com

**OMYA**  
www.omya.com/ES-ES

**Organo Síntesis S.A de C.V**  
organosintesis.com

**Plastiglas (Unigel mex)**  
www.plastiglas.com.mx

**POCHTECA**  
mexico.pochteca.net

**Promaplast**  
www.promaplast.com/es/

**Protección de Cultivos, Ciencia y Tecnología, A.C. (PROCCYT)**  
www.proccyt.org.mx

**Química Delta**  
www.quidelta.com.mx

**Reacciones Químicas**  
www.reacciones.com

**Resirene**  
www.resirene.com.mx/es/acerca-de/quienes-somos/

**Sigma Agri Science (AM-AG)**  
am-ag.com

**SNF Floerger**  
www.snmex.mx

**Syngenta**  
www.syngenta.com.mx

**Unión Mexicana de Fabricantes y Formuladores de Agroquímicos A.C.**  
umffaac.org.mx

**Wittmann Group**  
www.wittmann-group.com/en/mexico

**Wyn de México Productos Químicos S.A. de C.V.**  
wyndemexico.com.mx/inicio/

**Yokogawa**  
www.yokogawa.com/mx/





## Editorial and Management Team

**Senior Project Director:** Ben Cherrington (bcherrington@gbreports.com)

**Project Coordinators:** Mariolga Guyon (mguyon@gbreports.com),  
Maria Filippova (mfilippova@gbreports.com)

**Journalists:** Ben Cherrington, Jason Spizer (jspizer@gbreports.com)

**Executive Editor:** Mungo Smith (mungo@gbreports.com)

**Operations Director:** Miguel Pérez-Solero (mperezsolero@gbreports.com)

**Graphic Design:** Gonzalo Da Cunha (gonidc@gmail.com)

**Graphic Design (ads):** Ozgür & Deniz (ozgur@gbreports.com)

**General Manager:** Alfonso Tejerina (alfonso@gbreports.com)

Your opinion is important to us,  
please be in touch to share your comments on this report!

For updated industry news from our on-the-ground teams around the world,  
please visit our website at [gbreports.com](http://gbreports.com),  
subscribe to our newsletter through our website,  
and follow us on Twitter (@GBReports) and LinkedIn (gbreports)

## Thank you

We would like to thank all the executives and authorities  
that took the time to meet with us.

Also, special thanks to:

**ANIQ**

[aniq.org.mx](http://aniq.org.mx)

**UMFFAAC**

[umffaac.org.mx](http://umffaac.org.mx)

**PROCCYT**

[www.proccyt.org.mx](http://www.proccyt.org.mx)

**ANAFAPYT**

[anafapyt.com](http://anafapyt.com)

**APLA**

[www.apla.lat](http://www.apla.lat)

# GBR

GLOBAL BUSINESS REPORTS

From research and analysis  
to print and digital distribution,  
GBR acquires, delivers and diffuses

# Business Intelligence.

CHEMICALS  
PHARMACEUTICALS  
MINING AND METALS  
OIL AND GAS  
POWER  
AEROSPACE  
AUTOMOTIVE

If you are organizing an event or are the leader of a trade association or chamber of commerce,  
GBR can produce your official, industry-specific report according to the highest standards of quality.  
Contact [info@gbreports.com](mailto:info@gbreports.com) for more details.

[gbreports.com](http://gbreports.com)





**Unión Mexicana de Fabricantes y  
Formuladores de Agroquímicos, A.C.**