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### Dear Reader,

Global Business Reports (GBR) is delighted to present the 2023 edition of its annual guide to Mexico's chemical and petrochemical industries. For this report, we interviewed business leaders and industry representatives throughout the complete chemical value chain, including associations, producers, distributors, logistics providers, and service companies. The report covers the various sub-segments of the chemical industry, ranging from crop protection to specialty chemicals.

Over the first ten months of 2022, Mexico exported 20% more products to the United States than it did during the same period the year before. The global trend towards regionalization is lifting the entire Mexican industrial sector, but for the chemical industry in particular, 2022 was a year of nearshoring-driven growth.

However, the persistent shortage of raw materials that constrained the industry over the past several years remains a challenge. Continuing logistics challenges and burdensome government regulation exacerbated the feedstock insufficiencies. The proposed electricity reform, which will raise energy costs, and reform to the General Health Law, which will ban vital crop protection products, remain an ongoing threat.

The trend observed across the industry has been a focus on ensuring adaptability and flexibility through strengthened processes. Companies invested in the incorporation of digital technologies, the regionalization and diversification of supply chains, and investment in improved energy efficiency and resource management. 2022 was a year of transition, during which companies all along the industry value chain implemented new systems in response to the difficult lessons of the previous two years. As a result, Mexico's chemical sector in 2023 is technologically advanced and significantly more sustainable. After the intensive investment in operational agility implemented over the past year, the Mexican chemical industry is prepared to jump upon new investment that will continue to flow into Mexico as nearshoring gains momentum.

This report is the culmination of over 90 interviews conducted with key decision-makers, providing a holistic view of the opportunities and challenges shaping the industry today in 'Mexico Chemicals 2023'.

We thank all our interviewees who 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 Director and General Manager Global business Reports (GBR)



#### **MEXICO CHEMICALS 2023**

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This research has been conducted by Mariolga Guyon, Maeve Flaherty, Esteban Camarena, Carola Gómez and Natalia Preciado.

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Chemicals

#### **Introduction to Mexico**

- 8 Introduction to Mexico
- 12 Interview with ANIQ
- 13 Interview with Evonik

#### **Sustainability**

- 16 Sustainability
- 8 Interview with Ecolab
- 19 Interview with SNF Floerger
- 20 Interviews with Solenis and with Polaguimia
- 21 Interviews with UPL and with Asfertglobal

#### **Petrochemicals**

- 24 Petrochemicals
- 26 Interview with Braskem Idesa
- 27 Interview with Plastiglas
- 28 Interviews with Grupo Petroquímico Beta and with Polioles
- 29 Interviews with Castrol, Lub-Line and with Polylubex

#### Agrochemicals

- 32 Agrochemicals
- 4 Interview with UMFFAAC
- 35 Interview with PROCCYT
- 36 Interview with Grupo Versa
- 37 Interview with Valent de México
- 8 Interview with Mezfer Crown
- Agrochemicals General Health LawInterview with Acadian Plant Health
- 2 Interviews with FMC and with AMVAC
- 43 Interview with Syngenta
- 44 Interviews with Bayer CropScience and with Viakem
- 45 Industry Insights: Innovative approaches to crop protection

### **Specialty Chemicals**

- 48 Specialty Chemicals
- 50 Interview with Charlotte Chemical
- Interview with Sekisui Specialty Chemicals
- 52 Interview with Croda
- 53 Interview with Lanxess
- 54 Innovative Technologies
- 56 Interviews with Covestro and with IMCD Mexico

- 57 Interviews with Órgano Síntesis and with DVA
- 58 Industry Insights: Specialty companies look ahead
- 59 Flavors and Fragrances
- 60 Interview with ANFPA
- 61 Interviews with Robertet de México, AZ Fine Chemicals and with Frallier

#### **Paints and Coatings**

- 64 Paints and Coatings
- 65 Interview with ANAFAPYT
- 66 Interview with Reacciones Ouímicas
- 67 Interview with INTERADI
- 68 Colorful and Sustainable
- 69 Interview with Kemikals

#### Distribution

- 74 Chemical Distributors
- 76 Interview with Pochteca
- 77 Interview with Química Delta
- 78 Interview with First Quality Chemicals
- 79 Interview with Nexeo Plastics
- 80 New Technology Trends
- 81 Interview with Caldic
- 82 Interview with Trade Chemicals and Products
- 83 Interviews with Quimisor, Possehl and with Kigo Chemicals

### **Logistics and Services**

- 86 Logistics
- 88 Interview with Leschaco
- 89 Interview with Euromex Logística
- 90 Interviews with ED Forwarding and with Bolloré
- 91 Interview with FR Terminales
- 92 Interviews with Logística Integral and with Katoen Natie
- 93 Services
- 94 Interviews with Linde and with Air Liquide
- 95 Interviews with Topsoe and with Énestas
- 96 Interviews with IPP, LCEC and with Grupo Stin
- 97 Industry insights: Services
- 98 Industry Insights: The chemical sector in the digital age
- 100 Company Directory



### Introduction

An overview of the main challenges for Mexico's chemical industry, and the opportunities of nearshoring.

8-13



### **Agrochemicals**

An examination of recent innovations in crop science technologies, and the risks and challenges presented by burdensome regulation and hostile legislation.

32-45



### **Specialty chemicals**

An overview of niches in the specialty chemicals segment that experienced excellent growth in 2022.

48-61





## INTRODUCTION

"We need the infrastructure and regulatory conditions to exploit the shift to regionalization and welcome regional trade partners to Mexico. Important industries, such as chip producers and automotive companies, require a viable chemical industry."

Miguel Benedetto, Managing Director, ANIQ **GBR SERIES • MEXICO CHEMICALS 2023** 

Image courtesy of Rafael Guajardo from Pexels



Image courtesy of Victor Armas from Pexels

Despite a challenging macroeconomic landscape, in 2022 the Mexican chemical and petrochemical industries not only grew but positioned themselves to take advantage of a future defined by reshoring and nearshoring. Macroeconomic shocks including the Russia/Ukraine War, US-China political instability, and the combination of high inflation and dramatic interest rate rises compounded pre-existing logistics and supply chain challenges. For Mexican chemical and petrochemical companies, however, these challenges provided an opportunity to rethink how they do business. The visible trend among Mexican chemical and petrochemical companies in 2022 was an investment in operational efficiency and flexibility: diversifying supply chains, digitalizing processes, and prioritizing sustainability at all points along the value chain.

Behind this success is the strong position of the Mexican economy exiting the pandemic. At the end of 2022, the index of global real economic activity recorded a growth rate of 4.7%, and, according to the IMF's World Economic Output, Mexico's GDP grew 2.1% in real terms. Many companies experienced net gains throughout 2020 and 2021 due to the increase of demand in individual-use plastics and personal care products that have continued to benefit from protracted demand.

While this upward trend indicates relative progress and the overall resiliency of the Mexican economy, a closer analysis of the economic indicators contributing to the growth reveals a complex situation. Upsurges have varied across economic sectors. For instance, Mexico's agricultural sector and industrial activities, which account for a significant portion of the GDP, have both grown throughout 2022. In contrast, the services and construction sectors have yet to recover to pre-pandemic levels.

According to Miguel Benedetto, director general of the Chemical Association of Mexico (ANIQ), the chemical and petrochemical sector has seen a growth in revenues, but this is not reflected in the production output across the entire sector. While higher prices may translate to higher revenues, production costs, inflation and the threat of recession in 2023 have limited Mexico's production capacity and impeded the industry from operating at its full potential. In October 2022, data from INEGI showed the annual

Despite a challenging macroeconomic landscape, in 2022 inflation rate stood at 8.4%, while data from ANIQ indicated the Mexican chemical and petrochemical industries not only grew but positioned themselves to take advantage of a future defined by reshoring and nearshoring. Macroeco-

The insufficient supply of basic petrochemicals such as ethane, propylene and ethylene oxide from PEMEX, the country's main supplier of chemical raw materials, remains an issue. "The government has focused on the refining and production of petroleum at the expense of producing basic petrochemicals," explained Benedetto.

Mexico imported over 7 million tons (t) of petrochemicals in 2021, which still falls short of the national demand. According to Dr. Adrián Duhalt, research scholar at Columbia University's Center on Global Energy Policy, to stimulate the growth of the chemical and petrochemical sector, PEMEX must invest in critical infrastructure, and private companies must be allowed to fully participate in the downstream sector of the economy.

While PEMEX has been slow to respond to market demands, there have been developments towards modernizing the industry as reflected by plans by Braskem Idesa to build an ethane import terminal in Laguna de Pajaritos in Coatzacoalcos, Veracruz in partnership with PEMEX and other stakeholders. Braskem Idesa has indicated this joint venture between PEMEX, the Interoceanic Corridor of the Isthmus of Tehuantepec (CIIT) and the Port Administration of Coatzacoalcos is an investment worth US\$400 million and will be operational in the second half of 2024. "This is an important development for the infrastructure needs of the petrochemical sector because it has the potential to provide ethane to various industries down the supply chain and stimulate economic growth in the region," stated Duhalt.

Work on that terminal is continuing apace. As of February 2023, Stefan Lepecki, CEO of Braskem Idesa, stated: "30% of the EPC is completed. We have already purchased the required long-lead items and completed 80% of the engineering. Construction has started, currently focused on the foundations."

In June of 2022, Advario, a subsidiary of Oiltanking, purchased a 50% stake in the project, leading to the establishment of a joint-venture company called TQPM.

Even once the terminal is operational, gaps will remain in the supply chain and many chemical and petrochemical companies will continue to face feedstock shortfalls. This is a missed opportunity for the country: Mexico's industrial sector depends on chemical imports at a much higher rate, 28% of the total demand, than comparative industrial economies, according to a report by McKinsey & Co.

Despite these challenges, Mexico demonstrates tremendous potential given its geographical location, human capital, and market growth opportunities. McKinsey & Co. estimates that sustained investment in the chemical industry could add 4% growth to the country's GDP and double chemical production output by 2035.

Among the many steps required to facilitate this growth is a greater focus on innovation. In the past decade, Mexico has lagged behind other countries in chemicals patent applications. Compared to Brazil, for example, the country is far behind, submitting 15% of the number of patent submissions. However, Mexico has a talented, young, and well-educated workforce that is primed and ready to drive innovation and advance the field with the support of intentional investment.

This forward momentum is particularly visible in digitalization. Over 2022, many major Mexican companies across the value chain introduced new digital technologies including CRMs, sales platforms, digitalization of internal processes, and, particularly in the agricultural sector, new technologies for data collection. The possibilities that artificial intelligence, cloud computing, and the digitalization of systems offer to the chemical industry are near limitless.

Digitalization will be vital for the industry to achieve its sustainability goals, explained Lepecki: "To counter climate change, digitalization and automation are essential for us. Carbon neutrality is our target, and we must use digital infrastructure to reduce our emissions."

Multiple companies we interviewed for this report announced STEM partnerships with local universities in 2022, demonstrating the role the chemical industry can play in facilitating and supporting the digital prowess of Mexico's population through educational collaboration. The opportunities for increased efficiencies provided by new technologies will contribute to continued growth within the industry and create technological spillover effect benefitting the entire Mexican economy.

### Nearshoring: A shift from globalization to regionalization

In response to supply chain challenges and global inflation, the chemical industry has begun to pivot towards sourcing raw materials from regional partners, restructuring logistical strategies, and adopting new technologies to maximize efficiency and minimize operational costs. The regionalization of markets gained traction in 2020. Mexico is an increasingly attractive investment destination for companies seeking to regionalize, and has 13 Free Trade Agreements with 50 countries, such as the United States-Mexico-Canada Agreement (USMCA), which gives the country a competitive advantage as more than 80% of its exports are destined for the US market.



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■ EDITORIAL Global Business Reports GBR Series FACTSHEET .

There needs to be more collaborations between the government and the private sector. The Puerto Mexico Chemical Terminal is an example of both the government and the private sector working towards the common goal of updating the nation's industrial apparatus.

Adrián Duhalt, Research scholar at Columbia University's Center on Global Energy Policy, **Baker Institute** 

Martín Toscano, President of Evonik Mexico, similarly emphasized the importance of seizing the possibilities opportunity for Mexico, but supply and regulatory issues must be addressed to take advantage of the possibility."

The industry is burdened by excessive regulation. Discussing product approvals, José María Bermúdez, CEO of Viakem, explained: "One of our core challenges is legal certainty in our regulatory and environmental approaches. We need to understand the rules of the game to implement them, and those rules should be based on science and not ideology."

Excessive and constantly changing regulation is hostile to investment, impacting not just the chemical sector but tinue developing nearshoring.

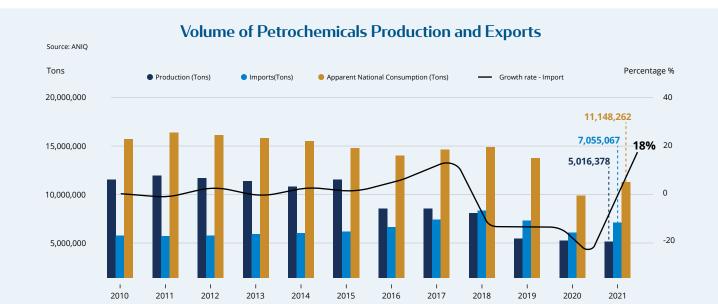
upstream and downstream players, and particularly the energy sector. Discussing Mexico's renewable energy opportunities, Toscano said: "International and local investors need a legal framework to invest. The technology is available, and international and local players are ready to invest in these fields, but we still need a clear regulatory and political player."

Energy is an area where President Andrés Manuel López Obrador (AMLO) has encouraged particularly challenging regulations. His decision in 2021 to present a constitutional reform of the electricity sector, reversing the 2014 energy reform that allowed private investment, has the potential to be extremely burdensome to the chemical and petrochemical industry.

However, the industry remains positive about the counprovided by nearshoring: "Nearshoring is a significant try's potential. At ANIO's Annual Chemical Industry Forum in October 2022, nearshoring and the modernization of industry were the foremost topics. Benedetto highlighted the global realities that will benefit Mexico, stating: "The pandemic demonstrated that globalization is unsustainable for the continuity of the supply chain."

> This is a moment of momentum for Mexico's chemical industry, with all the factors in place for transformative growth. "Nearshoring is an opportunity to reinforce the competitiveness of Mexico's industrial sector," said Lepecki. "We have all the conditions in North America to con-



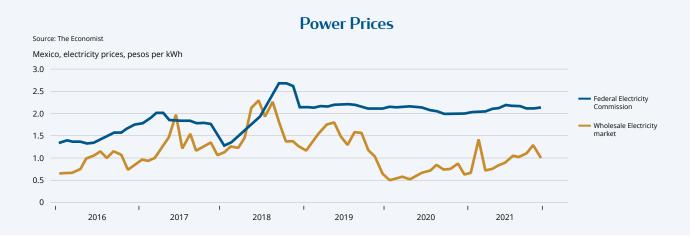


### Chemicals Innovation in Mexico is Low Compared to Other Countries

Source: McKinsey & Company

Global chemicals patent applications by location of inventor, 2011–20

		China	United States	Japan	European Union	India	Brazil	Saudi Arabia	Mexico
Population, millions		1,410	332	126	447	1,390	214	35	130
Yearly patent	2011–14, avg	111,633	97,043	81,144	9,180	3,957	1,310	417	568
pplications	2015-19, avg	212,639	96,216	79,344	10,736	3,565	1,332	904	482
	Growth, %	90	-1	-2	17	-10	2	117	-15
echnology focus of nemical patent 2011–20	Water								
	Petroleum								
	Glass								
	Cement								
	Biochemistry								
	Adhesives								
	Coatings								
	Agriculture								



MEXICO CHEMICALS 2023 MEXICO CHEMICALS 2023 10 Global Business Reports 11



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Sourcing locally produced raw materials will galvanize the chemicals and petrochemicals industry in Mexico.



### Miguel Benedetto

Managing Director NATIONAL CHEMICAL INDUSTRY ASSOCIATION (ANIQ)

### What is the current state of the chemical industry in Mexico? The economy and size of the market

contracted between 2020 and 2021. Since prices have increased worldwide, we are seeing larger revenues, but this is not reflected in our production output. According to ANIO's monthly report released in July 2022, we saw a contraction in petrochemicals, while industrial gases and fertilizers saw an increase in production. As of 2021 industrial gases count for 43% of the chemicals produced in Mexico, and agrochemicals a smaller portion of 8.6%, yet both these sectors show great growth potential. We are working with the government to find strategies that will promote the growth of these sectors, especially regarding sourcing raw materials to maximize production. Unfortunately, there is a deficit of ethane, propylene, ethylene oxide, ammonia, and sulfur, which are base materials for many other chemical products. In fact, production capacity has been around 70% in 2022. Nonetheless, we know that if producers had consistent access to raw materials, they would maximize production capacity. Therefore, sourcing locally-produced raw materials will galvanize the chemicals and petrochemicals industry in Mexico.

### What are strategies that the government could implement to increase the production of raw materials in

PEMEX is responsible for the production of basic petrochemicals, so if their production of raw materials remains inadequate, companies will have to continue importing, which is unsustainable for all stakeholders. To confront this, we are working with the government to determine how to best allocate resources to PEMEX to maximize production. In October 2022, PEMEX announced plans to increase gas production by 400 million cubic feet per year. However, the demand in Mexico is around 8 billion cubic feet (bcf) per year. The government has focused on refining and production of petroleum at the expense of producing basic petrochemicals, so we are looking for strategies to uniformly invest in producing raw materials in Mexico.

Mexico imports close to US\$30 billion of raw materials to compensate for the lack of local production, and we view this as a window of opportunity for real collaboration between the industry, tify the production conditions.

What macroeconomic factors are affecting the development of the chemical and petrochemical industry?

The pandemic demonstrated that globalization, in many aspects, is unsustainable for the continuity of the supply chain. As a result, many companies are shifting to source raw materials from regional partners, which is often referred to nearshoring.

We need to have the infrastructure and regulatory conditions to exploit the shift to regionalization and welcome regional trade partners to Mexico. Important industries, such as chip producers and automobile companies, require a viable chemical industry, so we are working with the government and the members of ANIO to make Mexico an attractive environment to relocate.

#### How should the Mexican chemical industry move towards a more sustainable business model?

We are taking a variety of steps to improve the chemical industry's sustainability metrics. On an industry-wide level, we are promoting carbon neutral industries. Individual businesses are working to recycle, to reduce energy use, and manage natural resources more efficiently, especially water. In addition to the carbon market, we are promoting higher standards and participating with the government to improve business conditions. Since 2018, businesses must certify their emissions and those emissions must be verified by an accredited agency like ANIQ. In these ways, we assist businesses in pursuing their sustainability and environmental goals.

### What are strategies to continue growing the domestic chemical industry?

The first factor we need to address is the domestic production of primary materials. Secondly, the private and public sector must invest in infrastructure, such as ports, highways, and railroad. Thirdly, we need to manage prices through the supply chain and insulate the industry from price hikes. Fourth, we should promote collaboration between industry and universities to promote careers in STEM (science, technology, engineering, and technology). And lastly, we need to continue innovating consumers, and the government to rec- and developing green technologies that minimize their impact on the environment. These are important initiatives not only for the chemical industry, but for Mexico at large, and ANIQ wants to be at the forefront of these initiatives.



**>>** 

We need to reimagine the chemical industry in Mexico to support an existing **US\$40** billion market with enormous growth potential to benefit from the geographical position of the country.



### Martín Toscano

**PRESIDENT EVONIK** 

### How can the Mexican chemical indus- a regional and global export platform if try meet growing demand?

Demand remains strong in Mexico because the chemical industry is a key player in every manufacturing sector in the country. However, the lack of raw material supply from petrochemicals, the high energy prices, the much needed investments in infrastructure i.e. for natural gas transportation and supply chains, the challenges to increase funds for RD&I to co-create more value along the chemical industry and the lack of the right legal framework and a more business friendly environment are causing significant uncertainty and additional challenges to the industry.

We need to reimagine the chemical industry in Mexico to support an existing US\$40 billion market with enormous growth potential to benefit from the geographical position of the country.

### Will the chemical industry move towards more sustainable energy sources?

Mexico has a unique position and opportunity for renewable energy, with the availability of wind and solar, among others. Natural resources and technology are available, and international and local players are ready to invest in these fields. For example, wind and renewable energy could be a significant opportunity, particularly for economic development in the south of Mexico.

Mexico can only sustain its position as for customer-focused solutions.

the energy systems are sufficient, sustainable and competitive.

### How will digitalization transform the chemical industry?

Digitalization is not just about how a company interacts with and collaborates with its customers but also how it optimizes its internal processes and systems. Internal digitalization is not iust about production and manufacturing but also areas such as financial services, business management and RD&I with stakeholders in the market. We are seeing the potential for automation and digital processes across the business. The other side of digitalization is the company's services to its customers, including e-learning platforms and applied technology solutions for specialty chemicals. Digitalization is critical for innovation and enabling a more collaborative approach with our customers.

For example, exploring AI for Evonik represents new opportunities to innovate processes, products, services and business models by the use of artificial intelligence, or digital sales channels that are becoming increasingly important in the chemical industry, thus, group-wide strategic approaches for e-commerce solutions are being tested, further developed and scaled. Understanding the customer journey and improved interaction through digital marketing creates the foundation

And increasing efficiency in production and technology help us on seamless connectivity, immersive technologies, advanced analytics and autonomous processes to drive production and technology forward, making processes safer, more efficient and faster.

### Are biosurfactants an area of growth

Within our division Nutrition & Care. Evonik Care Solutions is a sustainable specialties partner to companies that develop and market products for beauty, personal care, cleaning and other similar applications. Following substantial investment to build a new biosurfactant plant in Europe, Evonik has launched the sustainable rhamnolipid Rewoferm® RL 100, which meets demand from the cleaning solutions market, is produced from locally sourced, renewable feedstocks and is fully biodegradable while providing excellent cleaning performance. With our wellestablished biosurfactant portfolio, we firmly cement our position as sustainable specialties partner, while also further strengthening our broad technology platform for NextGen products and services.

### What is Evonik's strategy in Mexico

The Mexican chemical industry requires several vehicles to overcome existing challenges and to inspire the industry growth such as regulatory affairs, modernization and renewal of the existing petrochemical base in the country, co creation and further collaboration between private and public sectors, more RD&I, aim for incentives and investments as well as infrastructure and further development of the local talent pipeline. And on top, as we do today, we accept responsibility for our business, our employees, the environment and the society. For us, responsible action and economic success belong inseparably together supporting our Evonik Next Generation Solutions (NGSs), an increasing number of selected products and solutions with a clearly positive sustainability profile. Consequently, we will continue supporting the increasing R&D&I and Applied Technology journey in Mexico as customers expect us to bring value in innovation and technology. In addition, Evonik in Mexico will continue supporting the global strategy of our 15 business lines active in-country, operating close to their markets and customers and with a distinctive degree of entrepreneurial drive, while we are leading beyond chemistry ■

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# SUSTAINABILITY

"Particularly in the post-pandemic era, sustainability is a major reputational issue for businesses and a concern for stakeholders. Companies that already have robust sustainability plans only want to carry out business with companies that are also operating sustainably.."

Esteban Guáqueta, LATAM Marketing Director for Nalco Water , Ecolab Latam **GBR SERIES • MEXICO CHEMICALS 2023** 

Image courtesy of UPL



Image courtesy of Grupo Versa

Mexico has historically lagged behind other countries in its prioritization of sustainability, but that tendency is going through a rapid and broad shift. However, the new focus on sustainen not by government investment. In- related reasons. stead, the private sector, including the chemical and petrochemical industry, is dragging Mexico into a more sustainable future.

4,005% longer, leading to 34% longer agricultural droughts. In addition, extreme weather events and sea level rise will have society-wide destructive impacts, and Mexico could lose up to able and renewable practices is driv- 1.97% of its GDP by 2050 for climate-

Shifting the mentality in Mexico is challenging in a difficult economic moment. Gregory Plak, CEO of Polaguimia, a specialty chemicals company that According to the G20 Climate Risk is at the forefront of using nanotech-Atlas, if Mexico follows a high-emis- nology to create a more sustainable sion pathway, heatwaves could last chemical industry, said: "It is chal-

lenging to shift consumer mentality towards more sustainable products, which can be up to three times more expensive, during unfavorable market conditions. The growing rate of inflation and the high cost of products is dissuading consumers from purchasing ecologically friendly products."

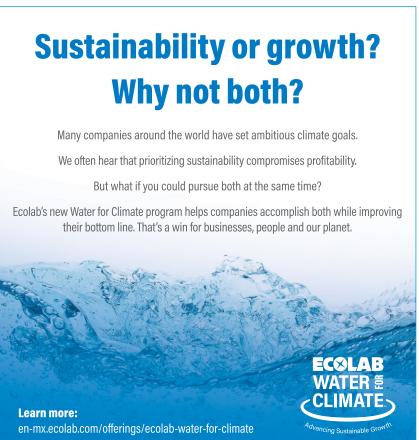
Many chemical and petrochemical companies are implementing internal and external strategies to reach Environmental, Social, and Governance (ESG) goals, not only to minimize environmental impacts and reduce operational costs, but also to bolster the company's competitive advantage in a global economy that continuously gravitates towards sustainable products and practices.

The challenge here is transitioning to sustainability and renewable energy without hampering economic growth, especially as the global economy is still recovering from the pandemic and supply chain issues. How-

### ever, investment and innovation in new chemicals, particularly in water treatment that improves sustainability metrics at a lower cost, provide a reason for enthusiasm in Mexico.

### Assigning numerical value to water management

The chemical industry uses water throughout the production process for heating and cooling, steam production, and other steps, however, the industry has not always prioritized sustainable resource usage. Esteban Guáqueta, marketing manager at Ecolab LATAM, explained: "Historically, the chemical industry has struggled to assign real value to water, and it is only when we set a numeral value to a resource that we begin to prioritize its management."



of resource management, but one that must be incorporated into the chemical industry at all points on the value in quantity by the specific regions in which it can be grown. chain if a tangible change is to occur.

Innovation that maximizes water usage is an essential component of changing long-held practices. Companies have invested significant resources to develop chemical products that maximize water use, especially for heavy industries. Ecolab, for example, aims to help its clients save over 300 billion gallons of water by 2030. Solenis, a specialty chemicals company, also focuses on developing products for water management. "In terms of sustainability, we aim to efficiently manage water resources using specialty chemicals, which has garnered the support of big companies," stated Ángel M. Pedraza, business director at Solenis México.

Effective water management ultimately requires specialty chemicals that can minimize the use of water as well as repurpose water for other applications. SNF Floerger is an industry leader in providing specialty chemicals for water management. Julio Rubio, general manager at SNF Floerger, said: "We have seen a growing demand for these products, especially as water scarcity and the need to repurpose water become more relevant."

#### Agricultural biologicals take off

The agrochemical segment, in particular, is an area where sustainable technology is at the forefront of innovation. In 2022, the global market for agricultural biologicals was valued at US\$12.9 billion, and the industry is expected to grow at a CAGR of 13.7%, according to Markets and Markets. A combination of consumer demand for safer, certified foods and increasingly strict regulation and sustainable agricultural targets drives this desire for bio-based solutions.

In November 2022, an EU Commission law to simplify approval processes for biological crop protection products became effective, as part of the EU's Farm-to-Fork Strategy. To maintain its position as a major exporter, the Mexican agriculture sector must take advantage of the possibilities this can offer.

Mexico has two different markets with two different approaches to internal agrochemical regulation. Farmers producing high-value crops for export desire biological solutions, but those producing for internal consumption prefer cheaper chemical products. The Mexican government pays far less attention to regulating the internal market. Paulo Iria Antunes, COO of Asertglobal, a company that offers biological solutions for the agrochemical industry, explained: "It has resulted in two agricultural segments in Mexico: one that is regulated, and one that is not."

In Mexico, this opening to agricultural biologicals is driven less by a focus on sustainability within the country but by multinationals with global sustainability targets and by Mexican companies with export-driven priorities. For example, Asfertglobal expects the biofertilizer market to continue growing. Iria Antunes said: "The closeness of Mexico to the US is an opportunity, but there are strict regulations for exporting agriculture to the US."

The crop protection industry is meeting demand through investment in innovation. Acadian Plant Health produces

Setting a numerical value to water is a radical rethinking plant stress reduction products based on a seaweed called Ascophyllum nodosum. However, this seaweed is limited Therefore, limiting harvesting to only what is replenishable puts pressure on supply. Sergio Aburto, director Latam North for Acadian Plant Health, said: "We are continually improving our technology and innovating to make more products utilizing the same Ascophillum."

> Mexico has the potential to be at the forefront of agriculture innovation. "Our biosolutions are 100% developed by Mexican research, with 100% natural content," Roberto Escalante, director general of UPL, stated. "Last year, our focus on innovation and R&D motivated the construction of two new research centers in Mexico that create solutions for Mexico and worldwide. In addition, we plan to build a new plant for biosolutions, and we are expanding our other plants."

> According to Aburto, Mexican farmers are still learning about the benefits of bio-based products. Speaking specifically of biostimulants, he explained: "There is a misconception that biostimulant products are extras rather than critical contributors to crop health."

> This misconception is being combated not just by new offerings on the market, but by the investments of Mexican crop protection associations and companies involved in the segment to educate Mexican farmers on the benefits of sustainable farming. In 2023, the market for biobased solutions in Mexico is poised to explode



**>>** 

Esteban Guáqueta

LATAM Marketing Director for Nalco Water

**ECOLAB LATAM** 

This focus on sustainability at all points on the value chain provides an opportunity for Ecolab.



their processes. We also offer ECO-LAB3D, a digital platform that enables companies to see how their processes are doing in real-time, provides performance benchmarks, and offers a forecast of future performance. Through our digital platforms, we provide data for business leaders to make decisions.

#### What is the greatest challenge Ecolab is currently facing?

The global macroeconomic situation, with the conflict in Europe, is our most significant challenge overall. We are dealing with high inflation and supply chain shortages. For example, our focus on digitalization requires a substantial investment in microchips and the global chip shortage impacts our ability to carry out our digitalization activities.

### energy efficiency goals?

Ecolab supports government watainable water management.

### Can you tell us about your work with Siemens?

with Siemens, announced in 2022, to house gas emissions by improving their water efficiency. It is yet another example of the importance of digitalicombine our analytical platforms and expertise of Siemens to help our clients meet their sustainability goals. We are always looking for innovative ways to enable our clients to improve their effi-

### How is Ecolab supporting Mexico's

ter management efforts with all the tools at our disposal. 8% to 10% of water consumption in Mexico comes from the industrial sector, and we are highly focused on lowering industrial water consumption. However, we also assist government investment in municipal water management and digitalization. In Mexico, 40% of water is lost via leaks before even reaching the consumer. I believe we will achieve our national goals set out in the Paris Accords, but they are ambitious. It is essential to ensure that we see a significant return from each investment. and Ecolab provides the expertise to support Mexico's drive toward sus-

We are very proud of our collaboration help companies reduce their greenzation. This collaboration allows us to Digitalization is the key to water man- broad portfolio of solutions with the ciency and productivity through better



### Julio Rubio

Managing Director **SNF FLOERGER** 

What is SNF Floerger's production capacity in Mexico? We have a manufacturing plant in Toluca where we produce three types of chemicals: dispersants, which are used in various industries such as personal care, home care, and mining; we also produce chemicals for paper production, such as sizing agents, and lastly, dry strength resins and antifoamers. The personal care and home care industries are a very important market for us, accounting for approximately 25% of our sales, followed by chemicals for water treatment, which accounts for 40% of sales. The remaining 35% of our sales go to a variety of different in-

dustries such as mining, agriculture, and construction.

### market. What are the strategies behind this positioning? We have two divisions within our product portfolio. One consists of products based on acrylamide and the other of organic coagulants. The latter does not consist of acryl-

amide, but they incorporate some products made with acrylamide. Regarding the acrylamide and organic coagulants market, SNF Floerger accounts for 75% and 85% of the market in Mexico, respectively.

Chemicals for paper production have increased substantially throughout 2022, resulting from consumers transitioning from plastic to paper products. Another factor is the growth of e-commerce, particularly in board and paper packaging. The chemicals that we produce for paper manufacturing are acrylamide based, which has allowed us to further grow in that market.

Where does SNF Floerger identify opportunities for expansion in the Mexican market?



In 2023, growth will be largely driven by the expansion of the Mexican market and our focus on bolstering the paper, mining, and agriculture sectors...



INTERVIEW ■

We see a huge opportunity in the agricultural sector. We are in the development stages of products aimed at helping farmers use less water in the fields, as well as reuse residual water for their crops. Additionally, we are developing highly absorbent polymers that can be used in the fields to retain more water and avoid waste.

In addition, we want to continue growing in the mining sector given the electricity transition and the increased demand for lithium, copper and nickel to produce electric vehicles. In 2023, we anticipate growing our market reach by double-digits and developing new products, which will be largely driven by the growth of population and expansion of the Mexican market, as well as our focus on bolstering the paper, mining, and agriculture sector through the use of our products



### market?

ence in over 170 countries, and we operate in more than 40 industries in both the industrial and institutional sectors. Ecolab provides services for heavy industries, such as the petrochemicals and energy industries, and as an area of investment. Businesses light industries, such as the food and understand that their overall sustainbeverages and pulp and paper industries. Within Mexico and the larger Latin American region, Ecolab has very significant operations in the food and beverage industry, in addition to the ness with companies that are also pulp and paper industry and the petrochemical industry, among others.

### How does Ecolab serve the petrochemical and chemical industries?

Our customers are starting to recognize that water management is directly connected to the efficiency of the industrial process and that they need to focus on improving their water usage efficiency. Water management has many parts: capture, use, reuse, reprocessing, and so on. Within the system, we obtain the water, process it, use it as efficiently as we can, reuse it, and ensure that the water is as water management and that demclose to its original form as possible at onstrates possible improvements to resource management.

Can you describe Ecolab's activithe end of the process. In the chemities globally and within the Mexico cal and petrochemical industries, water purification will continue to be a We are a global company with a pressignificant area of operation for us.

### Has there been a shift in perspectives on water management within the industrial sector?

Water is no longer seen as a cost but ability metrics are linked to their water management metrics. Companies that already have robust sustainability plans only want to carry out busioperating sustainably. This focus on sustainability at all points on the value chain provides an opportunity for Ecolab. We are investing US\$200 million in innovation to achieve our goal of helping our customers save 300 billion gallons of water by 2030.

### How is Ecolab focusing on digitali-

agement. Ecolab has a platform called the Smart Water Navigator that helps companies identify what other companies are doing to implement better



### Ángel M. Pedraza

**Business Director SOLENIS** 

### To what extent is Solenis' goods and We are currently seeing a trend tomarket?

water treatment in heavy industries, paper production, chemical and refining process industries, metals, mining and mineral processing power, and biorepolymers used in the separation of solids from liquids for mineral processing. Regarding the petrochemicals industry, we have an extensive portfolio to treat water for utilities that the plants have. Actually, in terms of sustainability, we aim to efficiently manage water resources using specialty chemicals which has garnered the support of big companies. We are excited to have been selected as the water treatment provider for Braskem-Idesa organically, and we are positioning plant in Coatzacoalcos, Veracruz.

what are market trends and demands the company has identified?

services present in the Mexican wards sustainable management of resources and environmentally friendly Solenis provides specialty chemicals for chemicals. Clients are increasingly interested and invested in minimizing their carbon footprint and efficient water management because ultimately this will improve their bottom line. fining mainly. A large percentage of our For instance, we are developing prodportfolio is dedicated to the paper and ucts to minimize energy consumption mining industries. In mining, for example, and save water. A lot of the products we develop chemical products to control we are developing have an emphasis scaling problems in the solutions used in on sustainability and maximizing effithe extraction of minerals. We also have ciency of the application of chemicals with control and automation, particularly with our philosophy "Performance Base Control" (PBC), which seeks to use strictly the minimum amount of chemicals needed to get the performance that we are looking for.

#### What are Solenis' objectives and vision for 2023?

Solenis has grown organically and inourselves to expand our portfolio and our production capacity in Mexico and Based on Solenis' large portfolio, Latin America. Solenis recently acquired Clearon, which is a company that aligned with the sustainability goals of Solenis.



### Roberto **Escalante**

Managing Director UPL

### What is the history of UPL globally and in Mexico?

producer of red phosphorus. We have expanded to more than 130 countries and are the 5th largest crop protection and agricultural solutions provider globally. UPL opened in Mexico in 1994, and we now provide solutions for over 50 crops, covering the entire country, and have over 500 clients. We produce biosolutions for the agricultural industry in Mexico. Our biosolutions are time. This also protects the environ-100% developed by Mexican research, with 100% natural content. This line has grown significantly because of the increased demand for high-quality and environmentally friendly products.

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

R&D motivated the construction of two new research centers in Mexico, both creating solutions not just for Mexico but also worldwide. In addition, we plan to build a new plant for biosolutions, and we are expanding our other plants.

We also offer innovative and advanced digital solutions. Typically, other UPL was founded in 1969 in India as a companies provide prognostics for forthcoming weather issues or diseases. We offer a system that can tell the grower which areas of their crops lack hydrogen or minerals or if there is a disease. This technology allows the grower to lower their costs because they can apply the treatment only to the suffering part of the field, enabling the grower to use less product and save money and ment by reducing the chemicals in use.

### How will the new pesticide prohibitions in the General Law of Health reform impact Mexico?

The authorities have proposed prohibiting 180 molecules. If this law passes, it has been estimated that production Last year, our focus on innovation and in Mexico will fall by 40%. Those who will suffer the most if this law passes are the poorest population in Mexico.

> UPL focuses on ensuring that Mexican crops produce higher yields and safer food through promoting sustainable agriculture and protecting our environment.



### **Gregory** Polak

CEO **POLAQUIMIA-GRUPO POLAK** 

### What factors have contributed to Po- ture, which can subsequently be used tween 2021 to 2022?

sustainable, contribute to the circular economy, and are effective and reduce We have expanded to approximately 14 new markets within the last couple of to market demands.

#### Can you elaborate on the molecular innovations that are being developed at Polaquimia?

We are concentrating much of our research on nanotechnology conducive to the circular economy, such as molecules that can alter metabolic pathways of chemicals to produce materials that can be used in other applications. Basically, we are developing products that are biodegradable, in the sense that we are using nanotechnologies that contribute their elemental compounds within na- erational costs.

laquimia's double-digit growth be- for other products. We are bringing new solutions to many of the waste problems We have been working extensively to within a variety of industries. For examdevelop new molecules that are more ple, we are introducing carpet cleaning products with an enzyme that breaks down organic materials into smaller elethe operational costs of our customers. ments that will help penetrate deep into the fibers and better clean carpets for homes and automobiles. In agriculture, years. We have been able to do this by we are making auxiliary products that having a strong research and develop- reduce the usage of agrochemicals and ment division, implementing new mar- ultimately cut the producer's operationketing strategies, and staying attuned al costs. These products also help minimize the use of water, further contributing to our sustainability goals.

### What are the barriers to Polaquimia's market expansion?

It is challenging to shift consumer mentality towards more sustainable products, which can be up to three times more expensive, during unfavorable market conditions. The growing rate of inflation and the high cost of products is dissuading consumers from purchasing ecologically friendly products, even though they will be better in the long to the decomposition of products to term for the environment and their op-



### Paulo Iria **Antunes**

000**ASFERTGLOBAL** 

### Can you provide an overview of Asfertglobal's presence in Mexico?

Asfertglobal is a Portuguese business that will celebrate its 2nd year in Mexico in March of 2023. We ofaround sustainability and the reduction of contamination in agriculture exports worldwide. We produce biostimulants, biocontrol products, and regional focus going forward? avocadoes and berries, among other high-value crops. Asfertglobal provides a differentiated service by offerpurely a commercial transaction to a transaction involving expertise and support.

#### **Is the market united in seeking out** a presence in Colombia, Peru, and we sustainable solutions?

In Mexico we observe a noticeable desire for biological solutions in the high-value exportation segment, also priorities for growth. Asfertglobwhich is highly regulated. However, al will continuously invest in research there is a second group, producers who are producing agriculture for in-

ternal consumption, which does not. Unfortunately, there is minimal control for crops intended for internal consumption. It has resulted in two agricultural segments in Mexico: one fer biological products for high-value that is regulated, and one that is not. agriculture. Our business is centered The government needs to be focusing on this second group.

### What is Asfertglobal's strategic and

biofertilizers. We are very strong in Asfertglobal's strategic approach is called Plan 2025. Two years ago, we decided that we needed to enter the American market – both the North and ing technical organic solutions to the the South. Currently, we have an esgrower, turning the interaction from tablished presence in the US and Mexico. We are now focused on entering Central America and the Caribbean. Our priority is a strong penetration of the South American market. We have have contacts in Brazil, but we want to strengthen our regional network. Growth in Asia and South Africa are to create new biological products and offerings for our customers.

MEXICO CHEMICALS 2023 MEXICO CHEMICALS 2023 20 Global Business Reports 21





# **PETROCHEMICALS**

"As a society, we need to use plastic more responsibly, and recycling is already in a strong position in Mexico. There is a multi-decade tradition of working in PT recycling, which has included polyethylene in the past ten years."

Stefan Lepecki, CEO, Braskem Idesa **GBR SERIES • MEXICO CHEMICALS 2023** 

Image courtesy of Braskem Idesa



Image courtesy of Polioles

Mexico's petrochemical sector is a vital link in the country's economic chain, with a wide number of petrochemical companies that benefit from Mexico's rich natural resources and a strong services sector. The growth of the sector is hampered, however, by an insufficient supply of raw materials and the government's short-sighted prioritization of fuel production over petrochemical feedstocks.

David Coindreau, general director of Polioles, divided the petrochemical industry's challenges into four parts: "Macroeconomic outlook uncertainty (including inflation); logistical bottlenecks; uncertain Pemex investments in the petrochemical sector to recover basic petrochemical production and the geopolitical outlook."

All four issues will continue to hamper the petrochemical industry in 2023, although positive trends in inflation reduction provide one bright spot.

Petrochemical products behave much like commodities, experiencing cycles of rising and falling demand, and periods of overcapacity. Stefan Lepecki, CEO of Braskem Idesa, stated: "Last year, we had a perfect storm in the global petrochemi-

near-recession, and issues in the Chinese and US economies. In the petrochemical business, we used to have overcapacity in production due to the new project and a considerable increase in energy prices due to the war in Europe. As a result, the petrochemical business faced a squeeze in the margins." However, Lepecki added, "The growth of the petrochemical and polyethylene products has been positive compared to the general economic growth rates in Mexico and Brazil. Therefore, we expect this downcycle to be shorter than in previous years."

Discussing the industry's recent growth, Baltazar Manfro, CEO of Plastiglas, described an increase in sales which allowed for positive revenues overall, but explained, "Plastiglas still did not experience record profit due to high costs. It's not that the market is growing continuously, but that we are returning to a normal trajectory of the market, before the pandemic."

In 2021, the US International Trade Administration ranked Mexico the 12th major crude oil producer globally, 21st in crude oil reserves, 16th in refined capac-

cal industry. We had strong inflation, a ity, and 5th in logistics infrastructure. Estimates for 2022 indicate a 0.05% growth in total local production, making it the fourth largest producer in the Americas after the US, Canada and Brazil. Mexico should, and in earlier years could, be more than able to supply the needs of its petrochemical industry. That petrochemical feedstocks remain lacking is a story of persistent government neglect of petrochemical infrastructure.

> Government investment in Pemex, although insufficient, has nonetheless led to the July, 2022 opening of the Dos Bocas refinery. AMLO, a fervent resource nationalist, opened the refinery with significant fanfare despite the refinery being far from completion. It is not expected to begin producing motor fuels until 2023. Experts believe it will not be operational at full capacity until approximately 2025, when Dos Bocas will be Pemex's largest refinery with a processing capacity of up to 340,000 barrels per day.

> However, there was little enthusiasm about the project among the industry leaders interviewed for this report. Pemex is dedicating too significant a portion of its resources and attention to

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the project at the expense of modernizing and improving other areas. The refinery, though bolstering the nation's petroleum production, will not provide feedstocks for the petrochemical sector, and as such does not solve the larger feedstock shortages issue.

Mexico currently suffers from a deficit of many key feedstocks, including ethane, propylene, ethylene oxide, ammonia, and sulfur, among others, with production capacity for the industry at approximately 70% in 2022. Coindreau explained: "Ethane production has declined 55% over the last six years, placing continuing pressure on our industry and forcing us to outsource and focus investment elsewhere."

The insufficient and unreliable supply has led to a trade imbalance at Mexico's expense, with nearly US\$30 billion in raw materials imported per year.

This will cause a long-term shift in the industry. Raúl Baz Harvill, CEO of Grupo Petroquímico Beta, stated: "In my opinion, the lack of ethylene oxide will lead to a consolidation of the industry. Access to raw materials, particularly ethylene oxide, is always a significant problem. Indeed, some companies are looking to shift their focus entirely."

Harvill explained that Grupo Petroquímico is looking for products that contain less or no ethylene oxide: "We are moving into that type of production because your supply is more secure, ensuring fewer ups and downs in production and headaches due to supply issues."

In addition to a lack of feedstock production, the government's paltry investment in petrochemicals has resulted in aging infrastructure and poor training. Accidents are a noticeable risk in Mexico, as demonstrated by a pipeline explosion on November 30, 2022, in Veracruz that injured 19 people and temporarily halted access to ethylene oxide.

Pemex is currently experiencing a generational change that is transforming the company's capacity. The experienced employees who have the necessary expertise are retiring, and those who remain do not have the experience and abilities to carry out the complicated operations.

There are some signs of progress. In October of 2022, Pemex announced that it will increase gas production by up to 400 million cubic feet. This number, however, still falls short of Mexico's demand for 8 billion cubic feet per year. "We know that if producers had consistent access



We participate in waste management and recycling programs in collaboration with municipalities. It is necessary to publicize the fact that waste can be recycled if we want to sustain the plastics industry.



Alexander Torres. Sustainability Manager for the Northern Region, Carvajal Empaques

to raw materials, they would maximize production capacity," Benedetto stated. "Therefore, sourcing locally produced raw materials will galvanize the chemicals and petrochemicals industry in Mexico."

Braskem Idesa and Advario's jointventure Puerto México Terminal will also relieve pressure on the industry, and is the result of some awareness on the side of the government of how important the petrochemical industry is. The agreement to build the ethane-import terminal, signed with Pemex and the Mexican government in 2021, demonstrated some commitment. Lepecki said, "The government supported us by defining the best location, providing access to the right-ofways that pass through land belonging to Pemex, and facilitating permits."

With construction actively in progress, the terminal is expected to begin operations in 2024. Speaking of the petrochemical industry as a whole, Benedetto of ANIQ said: "We view this as a window of opportunity for real collaboration between the industry, consumers, and the government to rectify the production conditions."

A positive outlook was consistent among those interviewed. Lepecki explained, "Things are better at the moment. The energy prices are much lower, particularly in natural gas and methane, and there is a trend of increased polyethylene prices worldwide. This is a complex moment, but I am optimistic."

### Mexico at the intersection of chemical and mechanical recycling

Moving towards a more sustainable petrochemical sector will not come cheap. Coindreau explained: "Sustainable products often have higher production costs, translating into higher consumer prices. As such, it is difficult to persuade end consumers to purchase these products, particularly during economic fluctuations."

However, Mexican companies in the petrochemical space are investing heavily in approaches to facilitate reuse and recycling. "Plastic has applications that are difficult to replace, and it is less expensive than other materials. Therefore, at Carvajal Empagues we have focused on the implementation of circular economy programs to close the loop of plastic packaging," explained Alexander Torres, sustainability manager for the Northern Region at Carvajal Empagues.

This reflects the increased demand for recycled products, both mechanical and chemical recycling, seen worldwide. The trend is only increasing. More than 80 multinationals across the CPG, packaging, and retail industries have committed to utilizing 15 to 50% recycled products in their packaging by 2025, according to McKinsey. In the advanced recycling area, the plastics industry is looking at the possibility of year-over-year growth of up to 20% through 2030.

Recycling is a priority for companies operating in Mexico. "Sustainability and ESG are essential to Plastiglas, and we have always focused on the environment," Manfro said. "For more than 45 years, we have had a recycling program for acrylic sheets. Last year, we launched a product called EcoGreen, which is made of 100% recycled material."

Braskem Idesa is likewise involved in plastics recycling, partnering with the Mexican recycling company Alcamare to produce products based on recycled materials. "There is a multi-decade tradition here of working in PET recycling, which has included polyethylene in the past 10 years," said Lepecki. After decades of investment, Mexico has an excellent PET recycling rate of 56% of all PET plastic consumed within Mexico, ranking just behind the European Union.

Although various Mexican companies, particularly in the specialties space, are actively working on developing advanced recycling products, Mexico's particular strength remains mechanical recycling. Increased investment in chemical recycling products, in combination with the existing mechanical recycling expertise, will allow Mexico to be a world-leader in the advancement towards a circular economy.



MEXICO CHEMICALS 2023 MEXICO CHEMICALS 2023 Global Business Reports



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It is only possible to talk about competitiveness with a clear approach to sustainability and energy, which is crucial to a nearshoring strategy.



### Stefan Lepecki

CFO **BRASKEM IDESA** 

### vario support the Puerto Mexico Ter- original investment of US\$5.2 billion, minal project?

In 2021, we signed an agreement with Pemex and the Mexican government to help us build an ethane import terminal. The government supported us nities and offer jobs. Coatzacoalcos is a by defining the best location, providing access to the right of ways that pass- we understood that to build the comthrough land belonging to Pemex, and pany, we needed to have open meetfacilitating permits.

We are not a terminal operator, and it was very important to have a partner with experience building and operating this type of terminal. After a long process, we selected Advario, a subsidiary of Oiltanking Group. We decided to create a joint-venture company called TQPM. As of February 2023, the com-state of the art in terms of technology vide investors' confidence. We have all pany has been created, and we are in the final stage of the deal. Advario has already onboarded us, and the project is established, independent of final adjustments to the agreement. Progress is proceeding apace, with 30% of the EPC completed. We have already purchased the required long-lead items and com- 2) fighting climate change, understandpleted 80% of the engineering. Construction has started, currently focused on the foundations. Partnering with Advario was an excellent strategic decision for Braskem Idesa, and we expect the terminal to start operations in 2024.

What steps does Braskem Idesa take to work with the local communities?

**How does your partnership with Ad-** Since we built our complex, with an we have maintained a strong relationship with the local community. We structured many programs to facilitate clear communication with the commupoor region with significant needs, and ings with the community to establish solutions with the community.

### How does Braskem Idesa prioritize

Regarding digitalization, we have two focuses: process efficiency and sustainability. Our industrial complex is and innovation. We continue to pursue more efficient and safer operations Mexico to continue developing nearthrough partnerships like our partnership with Honeywell.

We are also doing important work in sustainability. This has three pillars: 1) 2024? a commitment to reduce plastic waste; ing that we have a power plant and a cracker and we aim to achieve neutrality by 2050; and 3) we have a commitment to social responsibility, especially in our relationship with the local communities. In climate change, digitalization and automation are essential for us. We had a partnership with Emerson to implement in the plastic waste initiative and our solutions and controls to reduce our CO2 emissions reduction.

emissions, and we achieved significant milestones in the last two years.

#### Can you explain Braskem Idesa's participation in plastics recycling?

To reduce single-use plastic and enhance recycling and reutilization of plastics is part of the strategy of the industry – work that must be done with government, society, our clients, producers, and so on.

In Mexico, recycling is already in a strong position. There are two types of recycling: chemical and mechanical. In Mexico, Braskem Idesa focused on investing in mechanical recycling. There is a multi-decade tradition here of working in PT recycling, which has included polyethylene in the past 10 years. The critical issue is collection waste must be collected efficiently, and then it must be sorted and cleaned efficiently. We have an essential partnership with one of the most important recycling companies in Mexico, Alcamare, which has 16 recycling systems worldwide, and together we produce high-quality materials.

#### How can nearshoring benefit Mexico?

Nearshoring is an opportunity to reinforce the company's competitiveness and the competitiveness of Mexico's industrial sector. We have considerable requirements in terms of green energy. It is only possible to talk about competitiveness with a clear approach to sustainability and energy, which is crucial to a nearshoring strategy. The ongoing free trade discussions require all the entities - private companies, institutions, and governments - to define how to do this more competitively and establish clear policies and rules to prothe conditions in North America and shoring more competitively.

### What are your priorities for 2023 and

Our priority is to conclude our terminal project, the last major movement in our feedstock strategy. We have also initiated contracts with some Asian companies to construct two ships Braskem Idesa will use exclusively. To transport ethane, you must have special vessels. Another critical focus is sustainability, increasing our presence



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This year, we can grow in **Europe with our EcoGreen** line due to the European preoccupation with sustainability.



### **Baltazar Manfro**

CFO **PLASTIGLAS** 

Plastiglas joined Unigel Group, a Brazilian group founded in 1964, in 2006. Unigel was founded as a company producing sheets acrylics in Brazil. In 2008, Unigel replicated its business in Mexico with a close relationship with Pemex, which began to supply raw materials. This relationship continued until 2016, when Pemex suspended the supply of raw materials. Since then, we have worked with different suppliers.

Today, our business is focused on cell-cast acrylic sheets, which we sell to clients in the US. Canada and export to other countries. We have two our principal plant with a capacity of 14,000 tons per year. We also have a plant in San Luis Potosi that produces 6,000 tons per year.

We export 70% of our acrylic sheets to the US, Canada, Central and South 40% of the market in the US and Canducer to importer.

**What is the history of Plastiglas in** ada, and 60% of the Mexican market. Last year, we reached our production and sales record.

### **How have high fuel costs been both** of 2022 and January 2023, we have a challenge and an opportunity?

The fuel prices in the US, the lack of drivers in the US and Mexico, and inflation have increased our prices. However, the cost to transport between Asia and the US has significantly increased, which has contributed to Plastiglas having a record in sales as a more attractive supplier. Plastiglas still did not experience record profit due to high costs. It's not that the market is growing continuously, but that we are plants, including one in Ocoyoacac, returning to the normal trajectory of the market before the pandemic.

### How have you supplied raw materi-Plastiglas in 2016?

What were your sales metrics for After Pemex stopped supplying raw materials to produce MMA (methyl methacrylate), our main raw material, Plastiglas started importing the America. Today, Unigel Mexico has raw material from different sources revenues of US\$170 million, with partokeep the production. In the end, we ticipation in acrylic sheets covering switch our condition from local pro-

#### Did the challenging energy landscape in Mexico impact production in 2022?

We have supply contracts of electric energy and natural gas. At the beginning of last year, we had a problem with energy due to the freeze in Texas, which reduced the gas supply and increased the prices of natural gas for our plants. The following month, the prices stabilized. Our relationship with CFE and Pemex is excellent, and we have not had problems with the electric energy supply. We understand that occasionally, there simply is no natural gas to supply, and in this case, we use other fuels so substitute the gas when necessary. Fuel as diesel is not economically viable in the long-term, but it allows us to continue production in the short term. We are planning investing in renewable energies to power our plants.

#### Could you discuss your EcoGreen line and sustainability activities?

Sustainability and ESG are essential to Plastiglas, and we have always focused on the environment. For more than 45 years, we have had a recycling program for acrylics sheets. Last year, we launched a product called EcoGreen, which is made of 100% recycled material. In addition, at the end focused on improving our usage and re-usage of water at our plants, introducing a new production process that will allow us to use less and reduce the water temperature.

### What is your strategy for the next

We stand out because we offer a wide range of technical and other services that enable us to provide clients with the support they need. We aim to maintain and expand our market share as the leader in Canada and the US and increase our market share in Mexico. We also want to conals since Pemex stopped supplying tinue growing in Central and South America. Last, we want to enter the European market. We have minimal sales there, and we want to develop a real presence. This year, we can grow in Europe with our EcoGreen line due to the European preoccupation with sustainability. We will maintain our timeliness and quality to position ourselves as a global player.



### Raúl Baz Harvill

CEO **GRUPO PETROQUÍMICO BFTA** 

### Can you describe Grupo Petroquími- can produce very efficient and effecco Beta's history and operations?

Grupo Petroquímico Beta was founded to manufacture a specific specialty What major challenges are you facing? well as we thought because we were manufacture specialties.

### we come out of the pandemic?

Personal care is a high-value-added product area. When the economic cvbiodegradable products, making them products and can manufacture nearly anything related to ethoxilation. In addition, we design our own reactors, many companies do not take. How-

tive machines.

chemical, HEC. It did not perform as On the petrochemical side, access to raw materials, particularly ethylene manufacturing a high-quality product oxide, is always a significant problem. at a very high cost. In 2008, I redirect- And there are accidents all the time ed the company's energies towards for example, a pipeline explosion in the petrochemical side, exclusively to mid-November completely stopped our access to ethylene oxide.

#### What trends are you observing as What is Grupo Petroquímico Beta's outlook and strategy for the coming few years?

We are looking for products that contain cle goes down, personal care products less or no ethylene oxide than stereates. go up. Home care is also doing very We are moving into that type of producwell because people are looking for tion because supply is more secure, ensuring fewer ups and downs in promore expensive. We have a long list of duction and headaches due to supply issues. That being said, our work with Pemex provides access to ethylene oxide, which many other companies do not which is uncommon in the industry have, allowing us to do things that other because we are liable for them, a risk companies do not. In my opinion, the lack of ethylene oxide will lead to a conever, we have the expertise and our solidation of the industry. We are wellproprietary reactor technology and positioned to grow during this process.



### **David** Coindreau

Managing Director **POLICIES** 

#### What is Polioles' history and its pro- capacity to serve the different indusduction capacity in Mexico?

Polioles was established in 1965 as a producer of glycols and polyols through What are the factors that are limitthe development of different chemical processes, notably alkoxylations with ethylene oxide and propylene oxide. We transform these raw materials to home and personal care, automotive, oil & gas, pharmaceutical, food, metal working, agriculture, and many more.

to grow into relevant segments, such as polyurethanes and expandable polystyrene; to the point of seeing the latter emerge to an independent company (100% owned by ALPEK) and becoming the second largest worldwide. Today, we focus on a portfolio tries where we operate.

### ing Polioles' growth in the chemicals sector?

The main challenge in our industry is the access to competitive and reliable generate a diverse portfolio of prod- raw materials. The most important ucts that target many industries like: raw material for ethoxylators is ethylene oxide, which requires ethylene (that comes from ethane) and oxygen, both of which are produced nation-We have evolved over time by leverally given that currently ethylene oxide aging the strengths of our partners cannot be imported due to its chemical ALPEK and BASF, which allowed us properties. However, ethane production has declined 55% over the last six years, placing continuing pressure to our industry and forcing to outsource and focus investment elsewhere.

#### What is Polioles' strategy in 2023?

We are focused on strengthening our that comprises industrial and spe- supply chain to mitigate the limited cialty chemicals to meet the growing domestic supply of raw materials. In and evolving needs of our clients in addition, we are fostering strategic Mexico and around the world. Our partnerships with clients and suppliproduction plant is located in 45 km ers to further strengthen our producwest of Mexico City and has a flexible tion capacity and product offering.



### José Guzmán

CEO **CASTROL** 

#### What were the main activities of Castrol in 2022?

We launched a new range of lubricants for new cars and we redesigned the presentation of our products to make them more attractive.

Castrol also continued to work on the training of our mechanics. We introduced the Garage Castrol training events for our customers. These events took place in several cities across the country.

#### Can you talk about the main trends in the oil and lubricants market?

In 2022, we experienced recovery in demand for our products in the passenger car sector after the pandemic, with a growth of 10% from 2021. In recent months, the market share of our products for motorcycles has increased significantly. This market grew by 15% in 2021 and by about 35% in 2022.

#### What were the main challenges for Castrol in 2022?

Most of the lubricants and additives industry began the year with a shortage of raw materials. Raw material prices increased by about 30%, usually, the increase per year is about 5%, so this was an unprecedented situation.

#### Can you tell us about your goals for 2023?

First, we are focused on financial growth in the long term. Second, we aim to recapture our market share and position Castrol as the leading brand for consumers in the various sectors where we operate.



### Luis González

CEO **LUB-LINE** 

#### Where are you seeing growth potential?

The agricultural sector is the segment with the best growth opportunities. We have a portfolio of oils used by the agrochemical industry, and we are pushing this area strongly.

### What new products are you bringing to market?

In the agricultural segment, Lub-Line developing a new product that we will introduce in the Mexican market as a fungicide and insecticide. It is currently being tested, and we intend to bring it to market next year. We are also developing a dielectric vegetable oil. An essential part of our innovation for next year is focusing on solutions for the recycling industry that enable the reuse of plastics, including polyethylene and unicel. In this way, we contribute to cleaning the environment.

This year, we introduced PAO's (polyalfhaolefins), and for 2023, we aim to double our sales in this segment. We anticipate that synthetic oils will grow exponentially over the next few years, and it is a business area in which we expect to see excellent sales.

For Lub-Line, innovation is a crucial focus. 2023 is our 20th year in Mexico, and our focus will be on continuing to develop. We want to bring in new talent with new ideas and experiences who will help us continue innovating and expanding. ■



### Héctor Sánchez Rivera

**Executive Director POLILUBEX** 

#### What is the history of Polylubex in Mexico?

Polylubex was founded in 2012 and focused primarily on the urethane specialty chemicals market. We grew from specialty chemicals in the urethane space into the synthetic lubricants market. Right now, we are introducing plastics antioxidants. We have been working with these for about a year and a half, aiming to develop these antioxidants for the food and plastics markets.

How did the shortages of raw materials impact your business? In the last two years, there have been severe shortages of raw materials in the urethane industry. We found new sources for materials and replaced our conventional materials with new suppliers.

#### What is your strategy for the next three years?

Polylubex hopes to double in size in 10 years and significantly increase our market share. We intend to continue being a leader in the urethane market, continue working with synthetic lubricants, and develop our market share in antioxidants. Next year, we are excited about introducing a new product for the shoe sole industry. Over the next two to three years, we plan to expand into South America. Polylubex has many opportunities in Mexico, and I foresee a very successful next two to three years in the chemical industry





# **AGROCHEMICALS**

"There are 22,000 cultivated hectares in Mexico, and it is impossible to increase the amount of farmland, so it is necessar to increase the productivity of the existing farmland. As an industry, we provide the potential for the agricultural sector to improve and satisfy increasing demand."

Luis Osorio, Executive Director, PROCCyT **GBR SERIES • MEXICO CHEMICALS 2023** 

Image courtesy of UPL



Mesoamericans in southern Mexico were the first to cultivate corn, tomatoes, avocados, cacao, and other foods now considered kitchen staples worldwide. Today, the agricultural sector in Mexico has evolved to become one of the most prominent globally as it continues to benefit from resource-rich land, ideal weather conditions, and relatively low production costs.

According to 2022 data from the US International Trade Administration (USITA), Mexico is the 11th largest agricultural producer in the world, exporting 70% of its produce to the US. Luis Eduardo González, president of the Mexi-

can Union of Agrochemicals Manufacturers and Formulators (UMFFAAC), stated: "Mexico produces an important range of products given its vast tropical regions, and it is strategically located to meet global market demands."

Agricultural exports from Mexico to the US totaled US\$39 billion in 2021. In the first quarter of 2022, the agricultural sector had already grown by 2.7%, and it is expected to continue growing throughout 2023. González highlights the role the crop protection industry plays in that success, stating: "In 2021, the crop protection industry had revenues of US\$17 billion, with continuous growth in 2022."

#### Inflation and illegal fertilizers: a pernicious circle

A significant challenge for the Mexican agricultural sector is record-high inflation, which was reported at 8.7% towards the end of 2022, and increased consumer prices. To tackle inflation, Mexico's President, Andrés Manuel López Obrador (AMLO), launched its Anti-Inflation and Deficit Plan (PACIC) in May 2022 to combat food prices and insulate the agricultural sector from inflation by suspending import tariffs on certain products. While industry leaders gave the plan mixed reviews, inflation rates have begun to decrease despite the ongoing macroeconomic issues in Europe and China. According to Carlos Jurado, Latin American North business director of FMC: "These issues have been exacerbated by the war in Ukraine, which directly affected the fertilizer market and thus increased the production costs of many crops."

The high cost of fertilizers and, consequently, higher production costs impact the entire agricultural sector, especially small-scale farmers. It has also contributed to the increased use of illegal pesticides. González of UMFFAAC referred to a report indicating that there is currently more than US\$400 million worth of illegal pesticides in the market, which is a considerable risk for the industry. He said: "The issue continues to grow because of the government's inadequate monitoring and response."

Illegal fertilizer use is not just a financial concern for the industry, but a major risk to the health and safety of the Mexican consumer and farmer. Illegal fertilizers are significantly less expensive, but also less effective. When a prod-



GBR Series EDITORIAL .

more – and when farmers start to dramatically increase high-value crop that is also very labor intensive. So having the quantities of an illegal fertilizer, the toxicity can seri- high-quality labor is very important to taking advantage of ously harm the user and the consumer.

The illegal fertilizer market is established and organized. When people think about cross-border smuggling lization also bodes well for the future. "Digitalization imin Mexico, they typically think of the narcotics trade. However, the borders are also the site of significant smuggling of fertilizers into Mexico, particularly across the border with Guatemala.

Dr. César Parada, general director of Valent de México, erations in areas such as water management." said: "As an industry, we are lobbying the Senate of the Republic, seeking greater control over regulations to prevent contamination by illegal products. These products are primarily imported from China, and we are working cluding the Secretariat of the Economy, who have control and resources." over imports."

to impact the crop protection industry throughout 2023.

#### **Unexpected growth opportunities**

Given the stength of the Mexican agrochemical industry and the country's competitive advantages, Mexico will continue being a leading agricultural producer worldwide. Labor, in particular, is a major competitive advantage for the country. Rafael Iriarte, marketing manager Latam enable the industry to meet growing demand and sustainfor Isk Biosciences explained: "One of the more attrac- ably increase yields. •

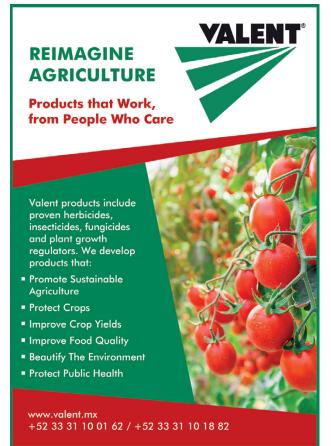
uct does not work as desired, the tendency is to simply use tive crops right now is the berries segment, and that's a those sorts of opportunities."

The industry's focus on technical innovation and digitaproves the value of our production processes," says Nery Echeverría, head of sales Mexico at Bayer CropScience. "We use drones and other forms of technology in the field to ensure that our data is precise and to improve our op-

Javier Valdés, CEO of Syngenta, is likewise proud of Syngenta's CropWise program. "The platform uses satellite imagery to provide information on the specific area of the crop with pest or disease problems, allowing techwith various players within the government sector, in- nicians to focus solely on the affected area, saving time

"This industry is highly technologically advanced," af-Unfortunately, the illegal fertilizer market will continue firmed Luis Osorio, executive director of the industry association Protection of Crops, Science, and Technology (PROCCyT). "When I speak of technology, I am not just referring to drones or tractors in the fields but to the technology and rigorous scientific process required to develop a single tomato that is more resistant to environmental stresses."

From the seed onward, improved digital processes will



MEXICO CHEMICALS 2023





### **>>**

Along with our partners, we advocate very strongly for the proper use of pesticides, to meet not only national safety standards, but also international regulations.



### Luis Eduardo González Cepeda

President

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

### in Mexico?

The agrochemical industry, specifically crop protection, grew between 3-6%, depending on the market conditions. Regarding the fertilizer industry, the market conditions have been affected by international events. In 2021, we had revenues of US\$17 billion, with continuous growth in 2022. Mexico produces an important range of agricultural products given its vast tropical regions, and it is strategically located to meet the market demands mainly to the US.

### in place to continue contributing to the growth of the industry?

to contribute to the growth and development of the agricultural industry through high-quality products and practices, so we are constantly searching for ways to modernize the industry according with our clients demands. We look for ways to educate our partners on state-of-theart products that are appropriate to their geographies and crops. We also look for economically sustainable products in agreement with the international food safety regulatory frameworks. UMFFAAC also has national campaigns to train our members and farmers on the proper use

What factors have contributed to the of pesticides. Lastly, we focus on advo**growth of the agrochemical industry** cating for common sense of policies and regulations of the agricultural sector at the national level to stimulate agricultural economic growth while meeting international regulatory requirements.

### What are the current conditions concerning the use of illegal pesticides in

There have not been many improvements on this front, and the issue continues to grow because of the government's inadequate monitoring and response. A recent report showed that there are currently more than US\$200 million What are projects that UMFFAAC has per year of illegal pesticides used in the Mexican market, which is a huge risk for the country and the agricultural sector. One of the core missions of UMFFAAC is Illegal pesticides are unregulated and often have erroneous labeling, which can lead to farmers misusing the product and causing irreparable damage to their products, consumers and markets. Besides the domestic presence of illegal pesticides, there is the influx of illegal products from Central America, the US and Asia, which further exacerbates the problem. There is also the issue of pesticide theft during transportation with inappropriate care of the product, which is later sold in the black market without proper labeling, further destabilizing the legitimate pesticide market.

As an organization, we have designed national education campaigns to target not only mass producers, but also small-scale farmers to learn about the consequences of the use of illegal pesticides, focusing on the ability to sell their products domestically and abroad. The campaigns include community forums in partnership with state governments. We are proud to reach these small communities because changes begin at the community level.

#### How has the conflict between Russia and Ukraine affected the agrochemical industry?

The situation in Europe has had a tremendous impact on the industry. Imports from Russia stalled, which caused the price of fertilizer to increase up to 300%, and there was also limited availability of fertilizer. Consequently, the cost of production increased by 40-50%. Many farmers restricted the use of fertilizer, which can lead to a dangerous cycle where there is a decrease of production of various crops that will ultimately lead to loss of profits across the supply chain. Unfortunately, the domestic fertilizer industry has not grown in Mexico, which makes us dependent of other countries. The conflict in Ukraine has showed us the need to invest in this area.

#### What are the necessary factors to modernize the agrochemical industry in Mexico?

One important factor is facilitating the government bureaucratic processes for the production and use of agrochemicals. It is important to modernize its registration and regulatory processes to better meet the market demands. We advocate very strongly our partners to the proper use of pesticides, to meet not only national safety standards, but also international regulations so farmers can provide products that meet the consumer demand with right levels of safety and innocuity. In this sense, there have been cases where products shipped to the US were denied entry or had to be burned due to a chemical analysis revealing the use of an inappropriate pesticide, with negative economic consequences for our farmers. Additionally, it is important to implement state-of-the-art technologies in the production of pesticides and fertilizers to continue being an agricultural leader in the international market.



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As an association, we will continue with our various social and technological programs, but our foremost priority for the year is to continue our work in the regulatory arena.



### Luis Osorio

**Executive Director** 

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

### in the crop protection industry?

PROCCYT stands for Crop Protection, Science, and Technology. We are an association that represents 70% of the agricultural protection industry in Mexico. Our members include more than 85 companies dedicated to developing, manufacturing, and distributing crop protection products. We represent their interests in different ways. We focus on developing favorable public politics on the governmental and legislative side. We also represent and assist with the development and diffusion of technological development for the large crop protection sector. It can take up to 10 years to develop a single molecule, and there is a rigorous and extensive regulatory process. PROCCYT doesn't just represent the industry's political interests but also runs various social development programs to stay at the frontline of all the needs of the industry.

#### What programs does PROCCYT offer?

We carry out programs that demonstrate the development of the sector like our training program CuidAgro, through which we provide and help farmers on issues of good agricultural practices, protection of pollinators and proper disposal of empty pesticide containers. We bring together professionals from across

Could you summarize PROCCYT's role es" for the industry, improving not just the technical side but education about usage and so on. Last year, we worked with 50,000 farmers across the country. Our programs help prevent toxic use. For example, "SINTOX", toxicology information service, provides information with a specialized center that operates 24 hours a day, 365 days a year, to avoid toxic usage. We have another important program: "Campo Limpio", through which the collection of empty pesticide containers is planned and implemented.

#### How important is technological innovation?

The incorporation of advanced technology is crucial in the development of improved crops. We utilize various advanced technologies within the different fungicides, insecticides, bactericides, and other products our members offer. Today in Mexico, we are also focused on improving our capacity to apply crop protection products and developing new and innovative tools for application.

### What is PROCCYT doing to respond to illegal fertilizer use?

Unfortunately, the usage of illegal fertilizers has increased. We have conducted studies in conjunction with the National Citizen's Laboratory (ONC), which demonstrated that 15% of agricultural products the country and develop "good practic- sold utilized illegal fertilizers in the growth

process. We are working to improve sanitary registrations. A significant element in this challenge is the increasing robberies of crop protection products. Ensuring the physical security of our products in transport is vital. Thefts constitute an important issue not just financially but because some of these products can be dangerous and must be transported securely. We are hoping for improved regulatory restrictions and security on the roads to improve the situation.

### How does current government regulation impact the industry?

The industry constantly struggles with slow approvals and prohibitions from the government. With the new administration, we have had different people at the head of the regulatory system over the past few years, and the regulatory situation is always in flux. In the General Law of Health, one of the initiatives they speak of is a transition from agrochemicals to biological products. When the government classifies a product as "dangerous," the purpose of that classification is to direct more attention to ensuring its proper use. Such a classification is not a reason to prohibit the product entirely. It has been complicated to explain that "dangerous" doesn't necessarily represent a risk to public health and safety and often provides significant benefits.

#### What is your priority as an association for the coming year?

Much of our agenda for this year focuses on the regulatory agenda. Intelligent regulation in this country requires an understanding that not all products that can be risky are dangerous. PROC-CYT's priority for this year is advancing a scientific approach to regulation. Many other countries use the products that this government is prohibiting safely. The reality is that this government prohibits products that don't necessarily represent a significant risk. These products offer major benefits to all of Mexico because they provide the country and the farmers with the ability to satisfy the demand for agricultural products. As an association, we will continue with our various social and technological programs, but our foremost priority for the year is to continue our work in the regulatory arena. ■



### **>>**

The main challenge of the transition to biorational solutions is to change the farmer's mindset, as these products work in a completely different way than traditional pesticides and require more technical training.



### Fernando Vera

Managing Director **GRUPO VERSA** 

### **How has Grupo Versa evolved dur-** General Health Law aims to eliminate ing 2022?

gic divisions; seeds, crop protection products, biorational, (botanical and microbial pesticides, and other organic products for pest control and diseases that have low toxicity and minimal environmental impact). We also have an urban area that focuses co's agricultural productive sector. on household and industrial pest control products. We are currently in the process of registering our materials 2022, we have been consolidating our portfolio to maximize our potential, which has been an ongoing process. In addition, we have been working on building closer partnerships with farmers through technical assistance and providing training on the applica-

### How would the proposed General and regulation of bio-inputs affects the agricultural industry?

tion of our products.

major changes, it would have a great impact on agriculture and would require a strong reconfiguration of the entire crop protection industry. The disruptions in the food supply chain.

the use of so-called highly hazard-Grupo Versa is comprised of strate- ous pesticides (HHP). Although the objective of sustainable agriculture is agreed on by all, the proposed law plans to eliminate the products without making a risk assessment on a scientific basis and measuring the impact that this decision could have on Mexi-

The Law, as proposed, is too sudden and prohibits a significant number of the real solutions that farmers use to in other countries, and throughout control pests in their fields. The most affected parties would be small growers, as they would have to replace many of the materials in use with more small farmers are the base of the agri- reduces energy consumption. cultural sector in Mexico.

The government has not really calculated the implications of the law, so it Should this law be approved without that would be affected by the law. In addition, the agricultural sector would need an appropriate time to implement the proposed changes to avoid

Due to disruptions in the global supply chain, there has been a growth in the use of illegal pesticides. How has Grupo Versa addressed this problem? One of the logical consequences of the proposed law would be an increase in the demand for illegal pesticides, because formal suppliers would stop selling the banned products, but the informal sector would try to offer them without any restrictions.

It is estimated that just over 12% of the pesticides being used in agriculture in Mexico are unregistered products; this is a serious issue for the entire agricultural sector as it affects not only the producers, but more importantly, it can affect the health of the final consumer of the crops. We have been working closely with our association UMFFAAC to facilitate educational forums at the community level to provide farmers with the proper training to make more informed decisions about the products they use in the fields.

### What new technologies is Grupo Versa developing to address climate change?

We have invested in our R&D department to develop more sustainable products. An example of this is our biorational materials, which plan to be a strong alternative for organic farming, as well as to be used alongside chemical options as integrated pest management. The main challenge of the transition to biorational solutions is to change the farmer's mindset, as these products work in a completely different way than traditional pesticides and require more technical training. Grupo Versa is also implementing sustainabilexpensive pesticides. Consequently, ity in its operations, as we are investing the increase in operating costs would to upgrade our plants with new techhave a huge impact on the industry, as nology that maximizes efficiency and

### Where does Grupo Versa see expansion opportunities in 2023?

Health Law regarding pesticides is important to conduct more scientific Mexico is our most important market research and to continue the dialogue given the vitality of the agricultural between all of the interested parties sector, so we want to continue to grow within this market. However, we are working to develop commercial partnerships in Central and South America, and we see a future potential for growth in the US. ■



### **>>**

Our current focus in the Valent Group Companies, is the acquisition and production of biorational pesticides and biostimulants that support the organic growth of our portfolio and be therefore aligned with Sumitomo Chemical sustainability goals.

### César Parada

Managing Director VALENT DE MÉXICO

#### Where do you see opportunities for growth?

The growth in value terms of the Agrochemical Industry is driven by price increases caused by the world wide issues with production, transportation and distri- bution of ingredients and raw materials. What is a fact is that not all growers are willing to, or in good shape for accepting this price increases in their production in- puts, so the use of illegal and cheaper 'un- known source' products can come into the market and cause low yields, bad quality and then less profitable crops.

#### Do you have any star products in México?

Valent's star products are well positioned as specialty options for export crops. Insecticides and plant growth regulators are the top five: Venom (Dinotefuran) for sucking pests in crops like tomato, peppers and cucumbers; Pleo (Pyridalyl) against Lepidoptera sp in cole crops and strawberries; Tetrasan (Etoxazole) with major use in berries against early stages of mites; Protone (ABA) growth regulator used in red varieties of table grapes for enhancing color; Xentari (Bacillus thuringiensis var. aisawai) for Lep's in vegetables and crucifers. In 6th and 7th place we have another two PGR's, Retain (AVG) which help apple growers to manage the harvest while maintaining the fruits on the tree with high quality conditions; and Progibb (Gibberellic Acid 3) used in table grapes for size enhancing and quality.

### Have you observed any major shifts in industry priorities?

Historically, the development of products for soil regeneration was not a major focus of agrochemical players in Mexico. However, in the past years, industry groups such as UMFFAAC and PROCCYT have fostered the development of a new culture of biodegradable products that protect the soil and ensure sustainable food production for the future.

### What is Valent de México doing to combat the usage of illegal pesti-

As an industry, we are lobbying the Senate of the Republic, seeking greater control over regulations to prevent the entrance of illegal products. These products are primarily imported from China, and we are working with various players within the government sector, including the Secretariat of the Economy, who have control over imports. Outside of our work with the government, we are communicating with all distribution network and farmers mentioning that these unregulated and illegal products can affect their crops, harm the soil conditions reducing their long-term productivity, but very important, can cause several health problems to growers, applicators, all the people involved in distribution and of course to the families as end consumers of food treated with illegal products.

### Has the difficult geopolitical situation impacted your operations?

The war between Ukraine and Russia has made the importation of feedstocks significantly more complicated. Valent has experienced real supply challenges globally, particularly in supplying our plants in the US. Our inability to import sufficient raw materials impacts production at a global level and therefore distribution to places like Mexico.

### What specific challenges do you see facing the Mexican agrochemical in-

One of the major challenges in this industry are the cost increases in almost every manufacturing input, as the last part of the chain this increases affect mainly the end user of ag-chemicals, the grower, and at the end what we face are higher prices of fruits, vegetables, grains and the food in general for the society diet. The growth in value terms of the Agrochemical Industry is driven by price increases caused by the world wide issues with production, transportation and distribution of ingredients and raw materials. What is a fact is that not all growers are willing to, or in good shape for accepting this price increases in their production inputs, so the use of illegal and cheaper 'unknown source' products can come into the market and cause low yields, bad quality and then less profitable crops.

### Is innovation a priority for Valent de

Yes, innovation is a priority for the group and is our philosophy as a Sumitomo Chemical subsidiary, innovation as new uses, new niches and of course research in new alternatives for crop protection and crop production. Last year, we were ranked 13th in companies carrying out R&D, and this year we were ranked tenth. In one or two years, our goal is to reach number seven.

### Looking ahead over the next year, how do you expect to grow Valent de

Recently we initiated a project for potential growth via acquisitions in addition to our focus on organic growth and pipeline, this could potentially allow us to double our sales in a short term. We are also pursuing a partnership with a foreign company that has presence in Mexico, which would grant us to improve distribution of our products nationally.

■ INTERVIEW Global Business Reports



### Luis Enrique Miranda Arredondo

Managing Director **MF7FFR CROWN** 

### What is Mezfer Crown's background in the agrochemical industry in Mexico?

Mezfer Crown has over 35 years of experience in the agrochemical industry, and we specialize in producing fertilizers and crop support chemicals. We started with one type of fertilizer product and now have expanded our portfolio to nearly



100 products that are used for the cultivation of various crops grown in different topographies in Mexico and other regions of the world. We now have a staff of about 1,000 people, which has allowed us to grow not only in the research and development of new products, but also allowed us to establish our distribution centers to ensure that our clients receive highquality products for the sustainable cultivation of agriculture. We have customers in North, Central and South America.

#### What are the market trends that Mezfer Crown has seen throughout 2022?

We pride ourselves in developing products tailored to the farmer's needs, and typically provide a customized base fertilizer accompanied by matching chemical products that will assist with the protection and growth of the specific crop. The price of fertilizers increased significantly in 2022 due to the war in Ukraine. This, together with the lack of inventories and supplies, has allowed us to increase our sales by 30-35%. The demand for fertilizers is predicted to remain high, so we have invested in our production and storage capacity to ensure that we can provide our products at market prices.

At the same time, the demand for fertilizers nationwide has caused a saturation of illegal fertilizers in the market that are not registered with the Federal Commission for the Protection against Sanitary Risk (COFEPRIS), which is extremely dangerous for public health and the agricultural sector in Mexico.

#### How is Mezfer Crown contributing to the modernization of agriculture in Mexico?

Mezfer Crown has a subsidiary dedicated to the production of sustainable and biorational products aimed at maximizing the use of scarce resources such as water and minimizing the environmental impact. We are shifting from using volatile organic compounds (VOC) to more environmentally friendly chemicals that are equally effective in the fields. In addition, Biokrone, a subsidiary of Mezfer Crown, is dedicated to producing biorational products commonly used in organic produce, which is a growing market demand. In five years, we anticipate having a portfolio that is close to 100% sustainable and environmentally friendly.

### How has Mezfer Crown benefited from the United States Mexico Canada Agreement?

The US and Canada have strict regulatory regimes in terms of agricultural products, so this has driven us to refine our products to ensure that they meet the regulations of each country. The trade agreement also expands our client portfolio and strengthens business ties with our trade partners.

#### What growth opportunities has Mezfer Crown identified for 2023?

We are focusing on expanding our client base in the US and exporting high-quality products to our regional partners. Currently, our products are used in seven US states, and we want to expand that to ten states, including California and Florida, which have a tremendous market potential for Mezfer Crown. In addition, we want to grow our reach in Latin America, with a particular focus on Brazil. The sheer scale of the agricultural industry in Brazil shows great potential to expand the reach of our goods and services, and we are investing resources in developing strategic partnerships with Brazilian producers. Lastly, we want to enhance our distribution capacity in Mexico and ensure delivery within 72 hours.



Image courtesy of UPL

The threat of new government regulations has been the industry that is coming not from scientific research, but dominant topic of conversation within the crop protection community throughout 2022. The proposed General Health Law, intended to eliminate highly hazardous pesticides (HHP), has the potential to dramatically reshape the agricultural sector and the economy as a whole in Mexico - for the worse. Fernando Vera, CEO of Grupo Versa, explained: "The law, as proposed, is too sudden and prohibits a significant number of the real solutions that farmers use to control pests in their fields. The most affected parties would be small growers who are the base of the agricultural sector in Mexico."

One need only look to Sri Lanka, a recent test case for sudden bans on agrochemicals, to see the potential for economic devastation. President Gotabaya Rajapaksa implemented an unexpected ban on chemical fertilizers in 2021. The extensive ramifications of the bill were felt nationwide in 2022, leading to widespread unrest. Sri Lanka experienced a reduction in rice yields to 2.92 million tons in 2021- 2022 from 2020-2021's 3.39 million; every crop that depends on pesticides has also been impacted, with production losses across the Sri Lankan agricultural sector. Rajith Keerthi Tennakoon, former governor of the important agricultural district Rajanganaya, commented on the law in The Guardian, stating: "We are a tropical country full of rice paddies and banana plantations, but because of this stupid fertilizer ban, now we don't even have enough food to feed ourselves."

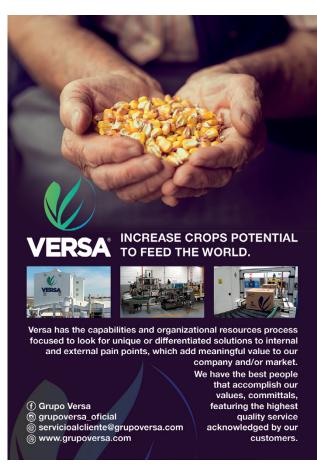
The backlash was so intense that President Rajapaksa was forced to backtrack and repeal the law.

Under the proposed law, Mexico would see similarly dramatic production losses. Gad Ben Joseph, CEO of Koor Intercomercial, explained: "We are talking about a potential 50% drop in production from the same land."

Marco Salcedo, director of AMVAC, is one of many who identified ideological perspectives outweighing scientific approaches, saying: "There is significant pressure on the

rather from beliefs and ideology."

This is not to say the Mexican government should not regulate the crop protection industry. However, regulation must be designed in a scientific and purposeful manner. Ben Joseph said: "The long-term goal as an industry is to



respond to public and government pressure to make products less toxic and ensure that they leave less residue. To do this, we need established targets - for example, a goal to reduce the toxicity of a particular product by an exact amount by a specific date."

The increased ideological opposition to agrochemicals within the government has not just been felt in the threat of the General Health Law, but through the difficulty companies experience obtaining approvals for new products, which can take upwards of four to five years. Bernardo Gómez, director of Cuprosa, identified registering products as the most significant problem for the company in Mexico, stating: "Although it is not a new problem, the situation has worsened due to a general misunderstanding about agrochemicals."

"Right now, it is easier to register a product in Europe because even if obtaining the registration is a complex and challenging process, the European administrations will follow their own rules. You might not like the response you get, but it will come," elaborated José Fueyo, director of operations of Sifatec. "In Mexico, on the other hand, the government pushes you off and gives you no information."

The inability to obtain approvals for new products only exacerbates the problem of the potential General Health Law. The agrochemical industry invests heavily in innovative technologies and new products that increase crop yields and improve effectiveness while simultaneously bettering sustainability outcomes. Still, companies

struggle to bring these new products to market. Salcedo said: "Other countries do not place the same burden on their agricultural industries. How can you ban products and not approve anything new to replace them? It doesn't make sense."

Among the industry leaders we interviewed, there was agreement that, although the law will dramatically impact the crop protection industry, the priority is the harm this new ban will do to the Mexican population. Daniel Travers, general manager of ANASAC International, said: "It is the farmer who is hurt the most, not the major multinational, and it is the customer who will suffer from high food prices due to insufficient crops."

UMFFAAC and PROCCyT are both dedicating significant energy to address the political situation. When asked about PROCCyT's priorities for 2023, Osorio stated: "Much of our agenda for this year focuses on the regulatory agenda. PROCCyT's priority for this year is advancing a scientific approach to regulation."

Again and again, in interviews with GBR, industry leaders encouraged regulation to reduce illegal fertilizer use, affirmed the need for rigorous testing to ensure that new products are safe, and highlighted efforts to improve sustainability outcomes. The agrochemical industry consistently strives to innovate. But, when it comes to feeding the world, Mexico's crop protection companies need the government to step out of the way and let them do their jobs.





**>>** 

Mexican agriculture is devoted to high-value crops, our exact market niche. Additionally, sustainability is critical to businesses today.



### Sergio Aburto

Director Latin America North **ACADIAN PLANT HEALTH** 

### duction to Acadian Plant Health?

Acadian Plant Health is over 38 years old and is based in Halifax, Nova Scotia, with commercial operations in 62 different countries. Here in Mexico, we have a solid, extremely well-trained team with a deep understanding of sustainability. It is essential for us to be present in the field and ensure the correct usage of the products.

#### How do your products help plants produce better crops?

Our product is based on a seaweed called Ascophyllum nodosum, naturally grown in Nova Scotia Canada shore, the world's best-known seaweed that offers the greatest benefits and uses. This technology provides benefits to improve the biostimulation of the plants, improving the crop's ability to resist stress. Crops are stressed by everything, including wind, temperature, dust, pests, diseases, weeds, etc. Therefore, for a crop to express the maximum potential, every element of the agricultural process needs to be done correctly and stress control.

We focus on reducing plant stress. In particular, our products enable plants

**Can you provide us with an intro**- nutrients and resources around them to resist low or high temperature, as well as water & salinity stress better. Our products activate key genes, improving the plant's ability to react to and resist stressors. For example, our products can tell a plant's stomata to close or open based on the amount of water available, or signal to the plant to speed foliage production level in response to a loss of foliage due to hail or other issues.

> A market that is booming is agave. Agave is currently in a great position; we believe it will last for another six or seven years, and then the market for agave will steady. So, these are great markets for us right now. Regarding product trends, growers will continue using traditional fertilizers for the foreseeable future. Still, more and more, we are seeing a growth in liquid fertilizers, which are more useful and efficient.

### What is your greatest challenge?

Our major challenge is the cost of fertilizers, which has skyrocketed recently due to macroeconomic issues. Growers tend to prioritize fertilizers fertilization, irrigation, pest control, over other products. After fertilizers, they prioritize agrochemicals, and everything related to pest, weeds & diseases control. It is only after they have to maximize their absorption of the purchased those that they invest in ties to handle stress.

bio-stimulants. There is a misconception that biostimulant products are extras rather than critical contributors to crop health. Even when the farmers know that the results are excellent and will improve harvests, they decide to cut back on biostimulants when fertilizer costs are high. Therefore, the fertilizer costs caused by the Ukraine war are a real challenge for us as the Mexican market invests a higher share of its money in fertilizers at the expense of biostimulants.

### How will you meet growing de-

We harvest our Ascophillum manually to maintain the seaweed beds, as machine-harvesting damages the seaweed. The availability of seaweed compared to demand is a significant challenge because the areas where the Ascophillum is grown are very limited—primarily in Canada, Ireland, and Scotland. These are the only areas on the world where Ascophillum is naturally grown due to climate conditions.

This does put pressure on our growth. However, we are continually improving our technology and innovating to make more products utilizing the same Ascophillum. We prioritize improving the performance and additional benefits for the growers. Over the next few years, we look forward to bringing new products to the market.

#### What makes you optimistic about your growth trajectory?

As a country, Mexico is the most important market after the United States for Acadian's operations worldwide, even more significant than Brazil. Mexican agriculture is devoted to highvalue crops, our exact market niche. Additionally, sustainability is critical to businesses today. They are consistently looking for safe products that do not have residue problems, and our product is entirely organic. The focus on sustainability positions us to take advantage of the current demand for biological products. We firmly believe this is a great time to continue improving the position of Acadian Plant Health. On a scientific level, we will continue innovating and improving crops' abili-



### Carlos **Jurado**

Latin American North Business Director **FMC** 

### Can you provide an overview of tivities in Mexico?

FMC is keen on developing state-of-theart technologies that will address the demand and trends from the agricultural sector. For example, we have a strong insecticide portfolio that has made us a leader in the insecticides market, which represents about 80% of our sales. To expand our production capacity, FMC acquired BioPhero in 2022, which adds advanced pheromone technology to our pest control portfolio. We want to continue expanding our portfolio, especially in herbicides and fungicides, by developing new technologies centered on biological products that will help us use of illegal pesticides in Mexico? reach our sustainable agriculture goals.

### agrochemical sector in 2022?

spite seeing an increase in sales, the market for some agrochemicals has contracted, especially for crops that require duction of open-field crops compared to transportation and security costs. ■

greenhouse-cultivated crops, which tend **FMC's production capacity and ac-** to demand more advanced technology to cultivate. Another important factor that skewed data in 2022 is that commodities increased their value by up to four times their average worth, such as glyphosate, atrazine, and ametryn. These issues have been exacerbated by the war in Ukraine, which directly affected the fertilizer market and thus increased the production costs of many crops.

> Many crop protection and distribution companies, including FMC, began to increase their inventories to continue supplying our clients with products.

### What are FMC's strategies against the

The pesticide black market is one of the greatest challenges to the growth What was the market outlook of the of the agricultural sector. Not only have we seen an increase in illegally 2022 was complicated to interpret. De- imported pesticides, but we have also seen an increase in thefts of pesticides during transportation. As an example, last year we had three cargo more complex technologies to grow. For thefts, and unfortunately in 2022, we instance, there was a growth in the pro- had eight, which is resulting in higher



### Marco Salcedo

Director **AMVAC** 

### **AMVAC in Mexico?**

most 25 years. In 2017, the company SIMPAS has significant traction, and acquired Bromacil from DuPont and we are analyzing how to implement it the product lines of Gesapax and the Bravo fungicides from Syngenta. Over the past four years, our sales have grown to over US\$40 million. We re- and regulation impacting the incently acquired Agrinos, a twenty- dustry? year-old company with a Production is to keep looking for chemical options for the grower and add more biological products to grow our portfolio.

#### How have you enabled this growth?

to enable our significant growth this that still need to be approved. year is to expand our market access. We have reinforced our distribution What is your strategy for the coming partners in Mexico.

continue developing our business part- related to our strategic, essential prodnerships and acquisitions to add to our ucts. We prioritize working with the end portfolio. In the US, we are developing a new application system, SIMPAS, which is gaining significant attention to maintain open communication.

What is the history and trajectory of from growers and competitors. Farmers want to join because it is a closed AMVAC has operated in Mexico for alseystem that provides many benefits. in Mexico.

### How are government bureaucracy

There is significant pressure on the in-Plant in Mexico and three biological dustry that is coming not from scienproducts. My vision for the company tific research, but rather from beliefs and ideology. Mexico's position as a significant export country is no longer certain because the government pressure endangers the industry's productivity. We currently have registrations One of the key actions we have taken submitted two and a half years ago

### year?

We are looking to see how we can Our strategy is to focus on key crops users, and we have an internal team that communicates closely with our growers



### **Javier** Valdés

Territory Head Latam North **SYNGENTA** 

#### Can you introduce us to SYNGENTA?

SYNGENTA was formed in 2000 from the merger of ASTRA-ZENECA and NOVARTIS, and is focused on the research and development of technologies that help farmers produce better food. We are present in the north of Mexico with technologies for protected agriculture for export, serving agricultural areas including fruit trees. In the south, we work primarily with subsistence crops, including corn and vegetables. We have three business units: corn seeds, vegetable seeds, and crop protection. In Mexico, we have an agrochemicals production facility in San Luis Potosi, a vegetable research facility in Culiacan, and corn research centers in Puerto Vallarta, Poncitlan, and Guanajuato.

We just launched a black tomato with high antioxidant content called Yoom, for which we have received awards for innovation. We are also building a platform for growing corn for grain, as we aim to be a leader in this area as well.

#### What are the biggest challenges facing the industry?

The biggest challenges for farmers include production costs and climate change. To cope with climatic uncertainties, we use biological strategies to improve seed genetics and make crops resistant to temperature fluctuations and pests, mainly through biocontrols and biostimulants.

#### What is your approach to sustainability?

We have been working to reduce chemical exposure to crops and implement sustainability on several fronts. One of our sustainable projects is Operation Pollinator. We plant strips that attract pollinating insects and help crops thrive more naturally.

#### How have SYNGENTA implemented digitization?

Digitization enables farmers to work more cost-effectively. Syngenta has developed Cropwise, a platform that uses satellite imagery to provide information on the specific area of the crop with pest or disease problems, allowing technicians to focus solely on the affected area, saving time and resources.



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### Nery **Echeverría**

Head of Sales – Mexico **BAYER CROPSCIENCE** 

### What are Bayer Crop Science's main in export crops like vegetables, avocaactivities in Mexico?

for which we import most products but also have a local assembly plant.

### tion to increase the sustainability chemical industry? and yield of crops?

brids sold in our country.

### of Mexico's agriculture industry in recent years?

does, and berries for which we have We are in three business lines: seeds, favorable weather conditions, and the agrochemicals, and digital agriculture. technology the farmers have adopted Within those business areas we have in the last years is world-class. This has seed research centers in Mexico, seed created a surplus for Mexico: in 2020 we production for Mexico and the north exported almost US\$40 billion in the of Latin-America, and agrochemicals, food industry, and imported US\$27 billion, equaling a US\$12.3 billion surplus.

### What would you say are the biggest How does the company use innova- challenges facing Mexico's agro-

The two biggest challenges are, first, First, global level seed research is regulatory: making sure there is legal made on parental lines looking for certainty for permits, registrations and tolerance or resistance to some pests renewals. The second challenge is that and diseases. When those are identi- over 15% of the agrochemicals used fied, we cross them with local mother in Mexico are estimated to be illegal, seeds so they can settle with the hy-representing over US\$200 million per year. This seriously harms the farmers' productivity, the whole industry chain, **How would you describe the growth** the environment and the consumer.

Another challenge is the cost of financing. While in Mexico farmers get The food industry is the sector with financing in the range of 13% to 18%, the highest growth in recent years in farmers from other countries like the Mexico. The country has specialized US can get financing at 2% or 3% rates. ■



### José María Bermúdez

CEO VIAKEM

### current operations of Viakem?

chemical industry by providing high (CMO) to global companies since early 90's, when we opened our first plant in San Nicolas de los Garza, Nuevo Leon, at that time as part of PYOSA group.

In its current form and under the name Viakem the company was Global Private Equity Fund Advent International in 2016. Under current ownership the company has experienced an accelerated growth journey primarily serving the agrochemical industry as well as industrial markets such as personal care, electronic marently have one site in San Nicolás de tions and corporate offices and has 18 manufacturing facilities serving CMO needs in the Americas primordially.

### What challenges have you faced

The biggest challenge was our ability to launches requiring a CMO strategy.

**Can you describe the history and** cope with a strong demand by our customers while managing supply chain Viakem has been serving the fine disruptions across many of our value chains. Reliability of our asset base and quality, safe and competitive custom a smart inventory management was and contract manufacturing solutions key to neutralize these ups and downs in the market and being able to successfully capture this market growth.

### Where do you foresee growth?

The agricultural chemical sector will continue with solid demand regarding founded in 2014 and acquired by the CMO projects as new molecules and regulations continue driving significant change in our customers portfolio. In addition, significant Asia derisking sourcing strategies by many players in the industry are presenting a very good opportunity for our company to increase our share in the herterial and specialty chemicals. We curbicides, fungicides and insecticides markets with projects of all sizes belos Garza, NL that houses our opera- ing evaluated in both intermediate & active ingredient molecules.

> Performance chemicals are a small part of our portfolio. Still, we participate in high-growth areas, including personal care and electronic materials, with high dynamics and new product

### **Innovative Approaches to Crop Protection**



"At Sifatec, we are trying to develop new alternatives to existing products that are more environmentally friendly. Two primary ways of making products more environmentally friendly are changing the active ingredient or moving towards greener products in the surfactants and solvents used inside the products."

José Fueyo, Director of Operations - Sifatec

"We are committed to implementing sustainable practices in our operations. The copper tools we produce are licensed in many parts of the world, and are used in organic or predominantly organic growing areas. The stigmatization of the agrochemical industry is an obstacle to the exploitation of the country's agricultural potential."



Bernardo Gómez, Director - Cuprosa



"We are actively engaged in the global movement to reduce toxicity in agrochemicals. For example, we are very proud of an organic, copper-based product that we import from Norway, which has had significant success in the Mexican market. It is based on minerals and, therefore, organic."

Gad Ben Joseph, CEO - Koor Intercomercial

"Our scientists receive information from farmers and initiate the process to develop formulations, field trials, preparation of dossiers, etc. We focus on innovation in the sector of fruit agricultural exports. Agrochemicals will always be relevant for ANASAC, but we are beginning to develop biopesticides and soil health products."



**Daniel Traverso, CEO - ANASAC** 



"Our efforts are focused on bringing new technology to solve emerging issues and be at the forefront of trends, like the need for more environmentally friendly products. Our products are different, and sometimes authorities do not know or have reference on how to evaluate cutting-edge products. We deal with constant uncertainty because, as an R&D company, we constantly create new innovative products."

Rafael Iriarte, Marketing Manager Latam - ISK Biosciences

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"After a price spike caused by the Ukraine war, prices dropped due to lower demand for chemicals. Indeed, the industry in general is slowing down: there is more product available, and that is pushing prices down."

Maggie Gómez-Rábago, Managing Director, Charlotte Chemical

# SPECIALTY CHEMICALS

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Image courtesy of Polioles

# Specialty Chemicals The industry pivot towards specialty chemicals gains momentum

The Mexican chemicals industry increased its participation in the specialties market despite ongoing feedstock challenges. The high-value, low-volume nature of specialty chemicals requires technical expertise that enables the highly developed Mexican chemical industry to shine. As of September 2022, the global market size for specialty chemicals was estimated at US\$807 billion, and is expected to grow to US\$1,151.32 billion by 2030, indicating that Mexico could benefit from the manager of Lanxess Mexico. projected growth.

A common theme that has emerged from the industry leaders interviewed for this report is that a lack of domestically produced raw materials is the main challenge to

developing the industry; however, many companies have adapted to market fluctuations and gained traction in the specialties space worldwide.

For instance, Lanxess has focused its strategy on developing high-quality products with high added value, margins, and consumer impact. "We have been able to diversify our portfolio and have expanded our presence in the global market," stated Miguel Ángel Rodríguez, general

Like many specialty chemical companies, Lanxess has adapted to market shortfalls and has identified opportunities for expansion, particularly in sustainability and the circular economy.

nies. Gabriel Londono, managing director of Omya, said: "We had a hard time supplying the market during the pandemic due to low production capacity. In 2022, however, the market started to grow again, and mass consumption increased. As some companies had insufficient inventory to meet the needs, they demanded more from us."

the chemicals industry is the supply of basic raw materials such as ethane and natural gas. This reality was emphasized at ANIQ's Chemical Industry National Forum, where data from McKinsey and Company indicated a 35% decline in domestic refining between 2000 and 2021. Eduardo Aguiñaga, general director of Viscofan, stated: "We have been particularly affected by shortages of polyamides and glycerins. To overcome these issues, we sought to negotiate with suppliers to double or triple our stock levels of these key raw materials."

The global logistics crisis compounded the raw materials shortage. Sekisui Specialty Chemicals adapted to this challenge by increasing its production capacity, expanding its storage capacity, and shifting its sourcing to more regional partners. "While logistical challenges have interrupted supply chains, we see a great opportunity for expansion in regional markets," stated Antonio Félix Fernández, commercial manager for Sekisui LATAM.

Specialties companies have reacted to these challenges by diversifying and strengthening supply chains. Jorge David Saldaña, chief strategy officer of Wyn de México, identified supply chain disruptions as the most significant challenge, saying: "We learned the importance of creating alliances with logistical experts and building strategic partnerships with companies across the entire supply chain."

Nonetheless, specialty chemicals companies have not been as exposed to logistics challenges as other chemical industry segments. Maggie Gómez-Rábago, director general of Charlotte Chemical, said: "As a specialty chemicals company, we do not move huge volumes, so we are less exposed to logistics issues than other chemical players."

Despite these challenges, the specialties space performed well. Gómez-Rábago stated, "We have continued

2022 was, indeed, a year of growth for many compagrowing during 2022; not like in 2021, when growth was spectacular, but still double-digit growth (15%). This is excellent considering that prices have been going down recently, so we need to sell more tonnage that last year to maintain good numbers."

"We are seeing signs that Pemex will begin to manage of combination of solutions to improve the situation," said In Mexico, the predominant challenge to the growth of Luis del Barrio Molina, supply chain director Latam North and Central of Cyplus Idesa, emphasizing a positive outlook. "The government's position in certain areas is improving, and there is a possibility of a greater partnership with the private sector. We do not expect this until 2024, but it is a point of opportunity."





MEXICO CHEMICALS 2023 MEXICO CHEMICALS 2023



### **>>**

One of our strategies is to closely monitor market prices and future trends based on several factors such as weather, natural phenomena around the world, geopolitical situations, and other topics that changes prices and availability.



### Maggie Gómez-Rábago

Managing Director CHARLOTTE CHEMICAL

### formed recently, and what is your strategies is to closely monitor market current strategy?

2022; not like in 2021, when growth was spectacular, but still doubledigit growth (15%). This is excellent considering that prices have been going down recently, so we need to Have you been directly impacted by sell more tonnage than last year to maintain good numbers. Today, we have five flagship products, and we have a strategy to continue expanding market share in those. During the other chemical players. Also, the globpandemic, we learnt that a crisis can be an opportunity. Suppliers stopped providing credit and had tight supply of product, so we decided to invest in increasing our inventories, and that meant we had much better product sive as the product. availability than our competitors. This has helped increase our clients' loyalty to Charlotte Chemical.

After a price spike caused by the Ukraine war, prices dropped due to lower demand for chemicals. Indeed, the industry in general is slowing down: there is more product available, and that is pushing prices down. We are facing new challenges every year, and this year, we need to maintain prices competitive in spite of we are facing a new regional priority; future for the years to come.

How has Charlotte Chemical per- everyday changes. Thus, one of our prices and future trends based on sev-We have continued growing during eral factors such as weather, natural phenomena around the world, geopolitical situations, and other topics that changes prices and availability.

### the Ukraine war?

As a specialty chemicals company, we do not move huge volumes, so we are less exposed to logistics issues than al situation is better than two years ago, when we had major supply chain disruptions. This said, logistics costs continue to be high to the point that sometimes the shipping is as expen-

### Which industry segments are demonstrating the most resilience in the face of a potential global recession?

The market has been slow in general, but the automotive industry has continued growing. Due to the supply chain issues over the last two years, automotive production in Mexico and the USA has increased, helping our artificial leather business. Besides,

that means that producers in a region rather look for a supplier in their region, to minimize logistic risks and have what they need whenever they

We have a potential recession in Europe and the USA and we need to be prepared for that. We need to improve our cost structure and efficiency. To that end, we have been improving our IT systems with ERP implementation.

### As a specialty chemicals player, how important is it to have longterm relationships with clients?

We focus on forging alliances with our clients and we regularly communicate with them about how we can better serve their needs. For example, we build tanks or silos at customers facilities, which is a win-win solution. It significantly reduces logistics costs, thereby improving prices for the client, and it is also more sustainable because we can use fewer drums and do less trips. Besides, this gives you a winwin long term relation with customers.

### How are your products becoming more environmentally friendly?

The transition towards eco-friendly products is driven by both regulation and cultural change. These days, nobody dares to ask for a straw when ordering a drink. In this context, we need to keep up to date with new product developments in the market: products that are more sustainable, that emit less VOCs and that are more environmentally friendly. In the plasticizers industry, for example, there have been many new developments including silver-based biocides, which expand the plastics life cycle from 10 years to up to 30 years. A longer product life means a lower product use, and hence is more sustainable. Using less drums and sacs is another way of decreasing carbon footprint, and that is one of the reasons to work with our clients for better and cleaner ways of delivering the products to them.

In 2023 Charlotte Chemical will celebrate our first 35 years in the market. This will be a good opportunity to think on all milestones we have passed, but more important, to start building our



### **>>**

We are evaluating increasing our production and storage capacity in North America and strengthening our distribution strategy based on the lessons we gleaned from the pandemic.



### Antonio Félix Fernández

Commercial Manager LATAM **SEKISUI SPECIALTY CHEMICALS** 

### Sekisui's presence in Mexico?

Sekisui is a Japanese company with over US\$10 billion in revenue. The company has three divisions: housing, urban infrastructure and highperformance polymers. Housing is the largest division and focuses on the commercialization of pre-built houses. This business line has as strong em- es have interrupted supply chains, we use self-generated electricity and rain recycled water, among other characteristics. The urban infrastructure division covers piping and drainage solutions. Lastly, we have a division in high performance polymers that have applications in mobility, construction, and electronics. In Mexico, we are focused on the distribution of specialty chemicals such as polyvinyl alcohol (PVOH), expandable microspheres and polyvinyl butyral (PVB) resins. One of our sister companies has a plant in Cuernavaca that produces PVB film with state-of-the-art technology. Sekisui Specialty Chemicals was formed after the acquisition of Celanese's polyvinyl alcohol (PVOH) business 13 years ago since PVOH is the main ingredient in the production of PVB. Currently, Sekisui S-LEC manufactures films that are used as protective barriers for windshields and windowpanes. This product adds

Can you give us a brief overview of glass impact-absorbent, noise-cancelling, and also saves energy as they are temperature retaining.

### What market trends are driving and to make Mexico more attractive business for Sekisui globally?

Sekisui announced it would increase its production capacity of PVOH by 25% globally. While logistical challengphasis on sustainability as the houses see a great opportunity for expansion in regional markets. During 2022, market prices of PVOH have substantially increased due to a tremendous overdemand post Covid.

> Mexico continues to be a strategic market for us, because it serves as a hub for sales across Latin America, which amount for about 10% of our sales worldwide. The market trends that drive our business are the shift to safe and environmentally acceptable products, growth in critical businesslike electronics and mobility solutions, and replacement of hazardous chemicals in construction applications.

### What strategies underpin the company's growth projections?

The last two years were challenging, and we lost some market share due to unforeseen contingencies like the winter storm in Texas in 2021 that resulted in the closure of PVOH and VAM safety and comfort because they make production plants across the state. and for our stakeholders.

Resuming business was slow because of shortages of spare parts and declaration of force majeure by major raw material suppliers. We are aware that this may happen again and we are investing in updating our production plants worldwide to make them more resistant to extreme weather patterns. In addition, we are evaluating our logistical and manufacturing strategy to provide a more reliable service to our customer base. We are evaluating increasing our production and storage capacity in North America and strengthening our distribution strategy based on the lessons we gleaned from the pandemic.

### What factors limit Mexico's potential as a destination for investments in chemical production?

Mexico offers attractive competitive advantages such as lower labor costs and a growing market. Nonetheless, many companies are establishing production sites in the US due to the consistent availability of raw materials. PVOH production plants are expensive, for investments it is important to establish consistent sources of raw materials such as ethylene and VAM. For example, the main material for PVOH production is vinyl acetate, and Mexico stopped producing this chemical several years ago. In addition, Mexico needs to implement legal frameworks that protect investments for long-term projects to come into fruition.

### What are Sekisui's main objectives

We are committed to reaching our 2030 vision, which is based on ESG goals. We are planning to launch new product lines that are biodegradable and contribute to the circular economy. We are also mindful of the social impact of our business and aim to help with the development of communities through the products we provide as well as through employment and a better quality of life. Based on our strategic goals and the market environment in Mexico and around the world, we plan on doubling our sales by 2030, providing solutions that are good for society, for the environment



### **>>**

In the last years, Croda has made very important acquisitions in the life sciences sector to consolidate its presence in the pharma and agro markets.



### Rafael Méndez

Managing Director - LATAM Northern & Southern Tiers **CRODA** 

#### How has Croda's business model changed over the past two years?

In the past, we operated in three areas: the industrial area, including petrochemicals, mining, plastic coatings, and lubricants; life sciences, including healthcare & pharmaceuticals and agriculture; and last and most important, consumer care, including personal and homecare businesses. Last year, we divested our industrial business and sold the industrial platform to Cargill. The intention behind this decision was to reinvest those resources in the other two areas. Among the moves we made in the last two years was acquiring a global fragrance company, Iberchem, based in Spain. By adding this portfolio to our own, we have become a very key player in the consumer care sector. In the last years, Croda has made also very important acquisitions in the life sciences sector to consolidate its presence in the pharma and agro markets.

### sales within Mexico?

In terms of our overall business, personal care is still our most significant business in Mexico. Our expectation for this sector is that it will continue to perform strongly. However, very

from our pharma and agro divisions.

The global nearshoring trend is evident in all these markets, with many companies starting to increase their investment levels in Mexico as it is a crucial supplier to the US. This is a result of the country's significant competitive advantages: cheaper labor costs than China, mature manufacturing capabilities and very well-connected with the US. Mexico is definitely an excellent region to attract foreign investment. Based on this, we expect that a strong demand will continue in all the segments where we play: personal and home care, health and agriculture.

### Did the global logistics crisis impact your operations?

Supply chain issues impacted us significantly, as the recent logistics situation was extremely challenging. Our operations in the US supply a significant amount of the portfolio we commercialize in Mexico, so we are less dependent on supply from other regions. Therefore, Where do you see the most robust we were able to manage the supply situation relatively well and we avoided disrupting any customers too significantly.

### How does Croda center sustainability in its operations?

Our vision is to become the most susstrong growth is also expected to come tainable specialized chemicals compa-

ny by 2030. Compared to other chemical companies, we have an excellent starting benchmark. Over 65% of our raw materials today are biobased, and we are confident that we can achieve a minimum of 75% by 2030. We are in the process of executing decarbonization projects for every single one of our manufacturing and commercial sites. Croda has created an entire corporate sustainability structure led by a global Chief Sustainability Officer that will help us to ensure the execution and advances of our sustainability strategy.

In Mexico, there is significant room to improve sustainability metrics within the agrochemical, the personal and the home care areas. Mexico is a major agricultural and manufacturer exporter, and we need to ensure and support sustainable solutions to these markets.

### What market trends do you foresee within the Mexican chemical industry for the next five years?

The most exciting trend in the markets where we play is nearshoring and the investment and relocation of R&D and production activities to Mexico. We are also observing very positive investments trends in the pharmaceutical space, with a growing consumer health segment supporting a large internal market in Mexico.

### What is Croda's strategy for the

On a global level, our strategy is focused in both organic and inorganic growth. Some years ago, we created a global structure to support and reinforce our inorganic growth strategy and it has been working and delivering very well, incorporating high value acquisitions to our organization.

Within Mexico, we are now focusing in the life sciences sector. Starting with some investments in the seed enhancement segment, a strong priority for us, and in the pharma segment with an increasing collaboration on technological innovation for pharmaceuticals. We are working closely with customers, universities and institutes in Mexico to support new technologies development such as local vaccines and others.

Innovation and sustainability are driving everything we do. ■





### Miguel Ángel Rodríguez & Pedro Bojacá

MR: Managing Director Mexico, Lanxess Mexico PB: Senior Manager M&A and Projects HR, Lanxess **IANXESS** 

### position in the Mexican market? PB: Our strategy has been to specialize

in products that offer high value-added. high margins, and high impact. By offering high-quality specialty chemicals, agility, and excellent customer service, we have been able to diversify our portfolio and have expanded our presence in the global market through multiple lateral acquisitions. After we acquired Chemtura, we saw more growth opportunities and were able to expand our portfolio, beginning with Virkon, a Chemours disinfecting product that is used across multiple industries. Additionally, we acguired Emerald Kalama Chemicals (EKC), which was dedicated to the preservation and intermediary chemistry. With this acquisition, we entered the flavor and fragrances market. Lastly, in 2022 we finalized the acquisition of International Flavors and Chemicals, Lanxess' largest acquisition yet, which significantly expanded our portfolio of biocides. conservatives and preservatives. This strategy is rooted in our mantra of "Energizing Chemistry," which, to us, means being able to provide chemical solutions fast and efficiently to our clients.

### What is Lanxess' regional reach in Mexico?

PB: In Mexico, we do not have production capacity, but we have a high distritional in January 2023.

**How has Lanxess achieved its strong** bution capacity of specialty chemicals that serve many of the country's industries. We carry strong inventories to navigate potential logistical challenges and seek to have a strong line of communication with our clients. Mexico serves as a strategic distribution hub for our clients throughout Latin America.

### Which industries does Lanxess see potential growth in?

PB: Our division of advanced industrial intermediate products, such as raw materials for herbicides and pesticides, is geared mainly towards agriculture, where we see a growing demand for agricultural goods. Our specialty additives division produces products such as flame retardants and plasticizers, which are commonly used in construction, and also demonstrate a demand due to the need for housing worldwide. There is also growth in our lubricant additives division, which is focused on providing products to aviation, automotive and manufacturing companies. We have a line of engineering plastics such as polymers that are in high demand in the automotive industry, and we are finalizing a deal to form a new company specializing in engineering plastics – we anticipate this new company to be fully opera-

Finally, we want to grow our presence in the segment of consumer protection. This segment involves biocides and microbicides, where there is a market trend that favors the use of less toxic materials. The acquisition of EKC complements this trend well, as we are focused on expanding into the food and beverages industry by providing food preservatives that are safe for consumption.

### What strategies is Lanxess implementing to reach its sustainability goals?

PB: Lanxess is committed to reaching climate neutrality by 2050, with a strong emphasis on the efficient management of water and developing products conducive to the circular economy. We see three sustainability trends towards water conservation, consumer products, and the energy transition. Regarding water conservation, we have projects in Italy and India, for example, where we are developing strategies to recycle water and thus minimize the use of this resource at our production sites worldwide. We also are planning to increase our capacity to provide products that are derived from renewable resources instead of petrochemicals.

MR: We seek to be a leader in sustainability, which will require the active participation of the government, specifically in terms of regulations, and the participation of the public. It is important to change the mentality of the consumer so that they become familiar with chemical products and willing to demand and pay for environmentally responsible products. This shift has been moderate in the Mexican market, but we have implemented educational campaigns to stimulate the paradigm shift to more sustainable products.

### What are the main objectives for Lanxess going into 2023?

MR: We want to expand our reach to Central and South America, by using Mexico as a strategic distribution hub. We are also focused on consolidating our recent acquisitions. Despite unfavorable economic forecasts, we plan on strengthening our portfolio in biocides, engineering plastics, and fragrances & flavors. ■



Profound shifts towards regionalization, as well as market demands for more sustainable products, are crucial elements conducive to the growth of the specialty chemicals sector in Mexico. Gómez-Rábago explained: "The transition towards eco-friendly products is driven by both regulation and cultural change. In this context, we need to keep up with new product developments in the market."

Nanotechnology is one such bright spot. Proquipusa has integrated nanotechnology into its products to develop recycled resins. "Ultimately, integrating nanotechnology into chemical products allows higher efficiency in

the material's performance, which contributes to the circular economy by repurposing chemicals and minimizing waste," stated Luis Espinoza Rueda, Proquipusa's general manager.

Indeed, nanotechnology is experiencing a noticeable boom. Gregory Polak, CEO of Polaguimia - Grupo Polak, said: "We are developing products that are biodegradable, in the sense that we are using nanotechnologies that contribute to the decomposition of products to their elemental compounds within nature, which can subsequently be used for other products."

These advancements in nanotechnology directly contribute to the push for a circular economy, and nanotechnology will continue to be an area of innovation in the industry in 2023 and beyond.

Nanotechnology is only one of the various sustainability pushes in the Mexican chemical space. "Sojitz and Braskem Idesa recently collaborated on a new project to bring BioMEG to the market. The project is part of our larger work towards 100% Biomass PET," said Taishiro Nohara, director of Soiitz Mexicana.

"Technology allows for raw materials and manufacturing routes to be more environmentally friendly. For example, some surfactants can arrive through fermentation and other nat-

ural processes," Danielson Piovesan, managing director of Pulcra Chemicals stated. "In this sense, technology allows us to deliver products with a better sustainability record - even when clients cannot see it."

The investment in innovation is directed at a wide variety of new technologies as the industry pushes advancement across multiple frontiers. What unites these companies is a willingness to dedicate profits to the common pursuit of more sustainable chemicals. Alonzo Autrey, managing director health & nutrition (LATAM) of DVA stated: "Product development is a day-to-day focus of our R&D team. We are focused on innovative solutions for our key markets."

### Niches made new: small segments with excellent growth

Nearshoring will lift the entire Mexican industrial sector, but it will have a particular impact on niche segments of the chemical industry, providing unique opportunities for specialties producers to respond to demand in previously small markets. "We expect to see a greater focus on 'nearshoring', meaning producing close to the end markets or where primary materials are available. This will lead to industry growth in regions that are traditionally less popular," explained Arturo Molina, managing director of Covestro Mexico.

This shift towards small quantity prices and availability."

making this a solid niche for us."

Rafael Mendez, managing director for LATAM Northern & Southern Tier of Croda, explained that personal care is Croda's most significant business, and he expects to see continued growth in that area: "The global nearshoring trend is evident in the personal care space, with many companies entering the Mexico market as it is a crucial supplier."

Some trends instigated by the pandemic are here to stay. Miguel Ruiseñor, general director of IMCD Mexico, observed: "Interestingly, consumers have become more aware of the importance of hygiene and the use of sanitizers, so the demand for these products has remained stable since 2020."

Moreover, the demand for cleaning supplies comes not just from private consumers. Eugenio Escamilla, marketing director of Key Química, noted: "In chemicals, tourism has led to a recovery in demand for chemical products used in hotels and restaurants, which require more specialty cleaning products."

The unexpected opportunities of the post-pandemic specialties landscape

reflect Mexico's comparative advantages. Federico Soto, general director of Órgano Síntesis, stated: "The main advantages of Mexico are its strategic geographic location with access to two oceans and its proximity to the US, one of the largest markets in the world."

As more companies come to Mexico, this position of strength will only increase. Danielson Pievesan, managing director of Pulcra Chemicals, emphasized: "Nearshoring is a key topic, and we notice clients are readapting their sourcing strategies and looking for cost-effective alternatives."

Despite the ongoing global challenges exacerbated by the pandemic and geopolitical conflicts, Mexico is well-positioned to capture market trends toward sustainable products and regionalization. However, to seize economic opportunities in the specialty chemicals space and jump on increased demand in previously small segments, Mexico must tackle its feedstock shortfalls by modernizing the nation's infrastructure and strengthening regional partnerships.

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### **Arturo Molina**

Managing Director - Mexico **COVESTRO** 

### **Could you provide a brief corporate** Our vision as a global company is to be profile of Covestro in Mexico?

Santa Clara, Ecatepec, where we have around 300 employees. We are growing in a variety of industries including automotive, household appliances, footwear, cosmetics, and paints.

### Covestro?

due to its location and the breadth of free trade agreements. We have a very competitive workforce in terms of demographics, costs, education, and capacity. Current geopolitical issues and the container crisis of recent years have led to an increasing desire to produce locally, and we expect to see a greater focus on 'nearshoring'. Mexico is Covestro's fourth largest market because it is close to existing supply chains.

How are you addressing sustainability in your operations?

completely circular by 2035 by using al-In Mexico, our production site is in ternative raw materials, green energy and renewable steam. We are already working with clients and other external business to survey our recycling, with the intent that all our products be reintegrated and reused. We are already selling polycarbonates, which are used What makes Mexico a strategic in everything from cell phones to cars, **country in which to do business for** that have up to 50% recycled content. We are also analyzing systems such as Mexico is a strategic country, both chemolysis, in which primary materials are decomposed into their basic molecules, which are then reusable. In terms of energy, Covestro is moving towards 100% clean energy usage.

> Last year, Covestro acquired RFM, a former division of Royal DSM, which produces resins and is known for its sustainable products. Even before the acquisition, Covestro produced aniline with a lower energy consumption process, and some of our primary materials are now obtained out of biomass products. We saw that the RFM's portfolio was a good match in terms of our sustainability goals and vision.



### **Federico** Soto

Managing Director **ÓRGANO SINTESIS (PILOT)** 

#### Can vou introduce Órgano Síntesis?

Órgano Síntesis was founded in Mexico the production of specialty chemicals for different markets, particularly for the personal care, cosmetics, disinfection, and water treatment markets. Over the past 56 years, we have expanded our product portfolio and have produced more than 120 different products synthesized in our plant located in the municipality of Santiago Tianguistenco. We produce industrial actives — mainly biocides and surfactants — in our multipurpose units. We also have a GMP plant where we manufacture GMP- and USP-quality products United States, and the PMDA in Japan. During the span of the last 40 years, we have exported our products to more than 30 countries, and today our market is mainly in the United States, lapan, and some Latin American countries. Órgano Síntesis was acquired by Pilot Chemical Company in 2019. The acquisition has synergized Órgano Síntesis' technological and commercial strengths, including the expansion of

our production of various quaternary ammonium compounds in the Mason in 1966. The company has focused on and Maquat product lines. In 2022, we launched benzethonium chloride, which Pilot Chemical sells under two brand names, Nobac and Enhansys. We also launched benzalkonium chloride, under the brand name Nobac BKC USP, and more recently, chlorphenesin. under the brand name Enhansys CPH. These new products are GMP certified and have significantly expanded Pilot Chemical's portfolio and strengthened its production line in Mexico. Our main business is high-quality GMP products, especially USP-grade benzalkonium chloride, USP-grade benzethonium registered under the FDA and EPA in the chloride, and the recently launched chlorphenesin. There are few other manufacturers of these products in North America. At Órgano Síntesis, we do not manufacture mass-produced products, but rather specialized products; in our laboratory, we can develop products for customers who have more specific needs. In addition, many companies turn to our company to acquire customized production due to our strategic geographic location. ■



### Miguel Ruiseñor

Managing Director **IMCD MEXICO** 

### What is the history of the expansion of IMCD in the Mexican market?

IMCD entered the Mexican market in tified throughout 2022? 2019 with the acquisition of DCS Pharma. After operating for a year as IMCD Mexico, Milikan and Banner Química were acquired in 2020, which expanded IMCD's distribution capacity. As a result of these acquisitions, IMCD Mexico entered the home care, food and nutrition, and hygiene markets. With the determination of solidifying its presence in the Mexican market, IMCD procured more acquisitions, including Maquimex, to expand its portfolio in home care and hygiene products, as well as industrial solutions. At Maguimex, operations were focused on specialty chemicals for water treatment, lubricants, pharmaceuticals, and household, industrial & institutional (HI&I), among other industries. In 2022, IMCD acquired Promaplast, a leading plastics distribution company, which further solidified the company's multi-sector presence in the acquired over 16 companies in Latin America due to the potential that Mexico and the region have.

### What market trends and demands have Maquimex/IMCD Mexico iden-

Consumers have become more aware of the importance of hygiene and the use of sanitizers, so the demand for these products has remained stable since 2020. There is also a strong demand for sustainable plastic products, so this is a great expansion opportunity for IMCD.

### What are IMCD Mexico's objectives

in 2023? We are continuously developing and improvising our products to meet consumer demands because we strongly believe in fostering relationships with our clients and providing our expert industry knowledge. In 2023, IMCD Mexico plans on growing organically and inorganically. First by fostering growth within the companies that we have acquired, and secondly by continuing to scope other companies that complement IMCD's international portfolio. Equally impor-Mexican market. Since 2020, IMCD has tant, we want to implement new digital technologies that will maximize our efficiency, strengthen our cybersecurity, and better serve our clients.



### **Alonzo Autrey**

Managing Director Health & Nutrition (LATAM) DVA

### **How does DVA support the Mexican** lution for our customers rather than chemical industry?

DVA began as a distribution company, initially just for the pharmaceutical industry. Since then, we have added different business units, including food, industrial and consumer specialties, engineering plastics, etc. During the last seven years, DVA has been pushing to move into the film coating business in pharmaceuticals and coating systems for food. We constantly focus on utilizing our technical services to add value for our customers.

In Mexico, we have three warehouses. Our main distribution center is a 20,000 square meter center with a factory, three warehouses, a factory for pharma, and a factory for food. We also have two application laboratories, one for pharmaceuticals and one for food.

#### Where do you see the best sales?

DVA's excipient business was recently certified by ExiPact, which allows us to export to the US and any highly regulated market.

Our most popular product is our EasyCoat line. It is a tailor-made so-

a one size fits all model. We use four main polymers to manufacture film coatings. We also have a unique product called EasyCoat SP, which helps customers increase the proportion of solids in their formulation and is resistant to oil media. This product increases productivity.

#### How do you plan to grow?

Latin America constitutes 90% of our business, and since 2018 we have focused on improving our presence within Latin America and strengthening our relationship with our agricultural unit. In countries where we already had an agricultural unit, we also added the health and nutrition business units.

DVA focuses on creating more products to add value for our customers, and product development is a day-today focus of our R&D team. We are also pushing to expand our distribution side. An essential part of our value add is the expertise of our people, who solve complex problems for our customers.

MEXICO CHEMICALS 2023 MEXICO CHEMICALS 2023 Global Business Reports

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### Specialty Chemicals Companies Look Ahead



"We focus on identifying niches where there is no significant competition and where we can offer our products and diversify our commercial operations, which will continue to be our priority for this year. We are looking to increase our presence in chocolates and confectionary and to move into flavors for animal nutrition. The aquaculture industry is also growing, particularly in shrimp and tilapia, and we expect our presence in this area to grow."

José Arturo Paulín, Managing Director - Dresen Química

"In terms of organic growth, we are in discussions with OXXO, Cemex, and H-E-B to form commercial partnerships and expand our client base here in Mexico. We also want to expand our product portfolio and markets, such as the non-woven fabrics industries, so we are in the process of registering several products with the goal of increasing our sales by double digits."



Luis Espinoza Rueda, Managing Director - Proquipusa



"In 2021, we acquired Devan, a Belgian company dedicated to textiles, that has at its core specialty applications. For instance, they develop encapsulated probiotics with the property to reduce allergens in bed sheets. They also contribute to high performance in technical textiles, such as giving durable water-repellent properties. The company is now fully integrated into our processes, and we are proactively looking for technologies that deliver added value for our clients."

Danielson Piovesan, Managing Director, Pulcra Chemicals

"We are constantly looking for innovations, new technologies, and partners to develop new products. Currently, we are focused on improving products for cleaning and disinfection, floor treatment, and degreasing agents. We have a technological development center. We are now focusing on consolidating Key Química as a major manufacturer of chemical products in Mexico by establishing distribution centers in smaller cities to broaden our presence."



Eugenio Escamilla, Marketing Director, Key Química



"There is a trend toward consolidation in the Americas. First, it was the big producers buying up smaller producers, and now it is the big distributors. Omya intends to stay active and adaptable. We will focus on organic growth while remaining open to any strategic acquisition opportunities the company identifies. Innovation products will continue to be our most important focus for this year. Among our focuses regarding supporting our clients' operational processes will include helping them reduce their energy consumption"

Gabriel Londoño, Managing Director - Omya



poised for growth, benefiting from the constant and growing demand for food products and a continued consumer desire for cleaning and wellness products. Precedence Research forecasts the global industry to be worth US\$44.18 billion by 2030. With its excellent talent base and access to materials, the Mexican industry is buoyed by this global trend.

Multinationals dominate this success. A few major players control the Mexican flavors and fragrances industry, and it can sometimes be difficult for local Mexican companies to compete. Francisco Palafox, director general of Frallier, explained: "Globalization is a challenge for smaller firms in Mexico because the largest manufacturers use the same two or three providers worldwide. It is almost impossible to gain business from these major global manufacturers, and these few major players control the market."

Excessive controls and regulations of aromatic chemicals add another layer of complication to raw material access. Regulation for aromatic chemicals that are considered precursors to drugs, including phenolic alcohol, are highly burdensome. Palafox stated: "We are the only country in the world that both-

The flavors and fragrances industry is ers to control phenolic alcohol because the process to turn it into a drug is extremely complex and requires intensive laboratory resources. Mexico has significantly stricter regulations than other countries, and those regulations need to be clarified and simplified."

> However, the industry's adaptability during the pandemic demonstrated its strength. Ana María Urrea, president of the National Association of Producers of Aromatic Products (ANFPA), explained: "We saw a slowdown in sales of the flavors used for gums and sweets. However, our products benefited from the home cooking trend. It was an interesting shift in consumer behavior, and we feel lucky as an industry to have found lots of opportunities in the chaos."

> The industry experienced excellent sales in everything related to cleaning and sanitization. Palafox said: "There was a boom in personal care products in the pandemic, but it has returned a bit to the original level."

> Perfumes, too, had a market change, as people could no longer afford expensive imported perfumes and turned to providers with lower overheads. José Arias, CEO of AZ Fine Chemicals stated: "This provided an opportunity for the local industry, and in particular direct

sales companies such as Avon and Mary Kay, to record high sales."

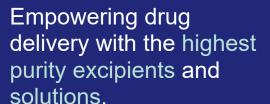
#### The future is natural

All interviewees identified growing demand for natural products in the flavors and fragrances industry. "The consumer is continuously more conscious of their health and more attentive to the ingredients they are consuming," Cristophe Enise Barroso, general director of Robertet de México, explained, continuing: "Government regulation of products is increasingly strict."

Fragrances are normally produced with synthetic chemicals, but the segment is now experiencing demand for more natural materials. For example, consumers want to sleep on sheets washed with natural rather than synthetic softeners. Arias stated: "We are moving away from petrochemicalbased products to more natural products such as patchouli, citronella, and other products from nature. We have significantly grown in natural oils."

The industry sources a vast amount of its raw materials directly from nature. As such, the industry stands out among the chemical segment for the intentionality it brings to sustainability. This year, ANFPA created a sustainability and social responsibility committee. The new committee reflects the fundamental belief, as emphasized by Urrea, that: "While we have lots of technologies that mimic nature, and we make the best use of technology, our biggest source of beautiful raw materials is nature. We have inherited the responsibility to be kind to our planet."

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**>>** 

**Recent trends have** continued and people are more conscious about their wellbeing in a holistic way. These trends provide opportunities in both flavors and fragrances.



### Ana María Urrea

President

NATIONAL ASSOCIATION OF MANUFACTURERS OF **AROMATIC PRODUCTS (ANFPA)** 

### cos (ANFPA) support its members?

We were formed 53 years ago to represent the fragrance and flavors industry. The association is proud of how we work. While all of our members are competitors, they behave ethically. The association works to defend the desired more cleaning and disinfection industry's interests, share technical information, and promote the best interests of the companies that are members here in Mexico.

### What are the association's priorities?

One of our main priorities is frequently communicating with the Mexican authorities in a professional and respon- candies, such as gum and sweets. On sible manner. It is crucial to help them the other hand, our products benefited understand how we contribute to the from the home cooking and healthier local economy and how important our products are in consumers' daily lives. As an industry, we supply the home, lucky to have found lots of opportunipersonal care business contributing ties in the chaos as an industry. to our consumers' wellbeing. Plus, we participate as essential suppliers of the Mexican food industry. Most of public in Mexico.

What shifts in demand did you observe during the pandemic?

**How does the Asociación Nacional de** We have observed different things for Fabricantes de Productos Aromáti- both industries. On the fragrance side, we saw at first a slowdown in the fine fragrance segment, as people became less social. Fragrances have a lot to do with our social interaction. On the other hand, the home care sector experienced booming demand as people benefits from home care products. They looked for anti-bacterial benefits from soaps, detergents and softeners, and the use of anti-bacterial gel showed a considerable increase too.

> On the flavors side, the industry experienced an initial slowdown in sales of the flavors used for sweet snacks and lifestyles trend. It was an interesting shift in consumer behavior, and we feel

#### Has the market normalized?

The bubble of unusual consumer beour members offer superior technolo- havior has burst as we return to norgies that contribute to the health of the mal life, a normalized new reality. However, recent trends have continued, such as the focus on wellbeing. People are more conscious about their wellbeing in a holistic way. Those trends con- innovation that improve their lives. ■

tinue to provide opportunities in both flavors and fragrances.

#### How does the association support innovation?

One of our pillars is the technical committee. Representatives from our member companies share their main knowledge about regulations and new policies that may impact the industry. They agree on how to manage these and collaborate with the local authorities responsibly to regulate what needs to be regulated. The committee also brings scientific information to inform members about the right use and safety of our products.

### How is the flavors and fragrances industry becoming more sustainable?

Our most significant source of beautiful raw materials, for both flavors and fragrances, is nature. We have inherited the responsibility to be kind to our planet and act responsibly.

Our industry has been a pioneer of sustainable business practices for many years. Most of our members have global sustainability initiatives and targets, published in their own sustainability reports.

### What is the association's focus for the next year?

We aim to be responsible and transparent about the way that we work. ANFPA recently launched its presence on social media. You can find ANFPA on LinkedIn, Instagram, and Facebook. We communicate on those platforms, sharing knowledge about what we do and who we are.

Our products are present in the daily life of consumers. The first contact a person has when they wake up is with products that include some flavors and fragrances - in their breakfast, the morning showers, shampoo, and aftershave. We are in the food the consumer eats at lunch and dinner, and when they go to bed, we make them feel comfortable and happy in sheets that smell nice. So we have an essential role in the daily life of consumers, which we love and feel passionate about. We constantly strive to bring the consumer technologies and



### Christophe **Enice Barroso**

Managing Director ROBERTET DE MÉXICO

#### What role does Robertet de México play in the company's global operations?

Robertet de México is both a center of production and one of our global Creative Centers. Our Mexico operations manufacture approximately 500 tons a year of fragrances and 1,000 tons a year of flavors. We import all our natural extracts from France. Our flavors and fragrances are specific to each project and client, created from over 2,000 possible ingredients. Every month, we sell approximately 500 different formulations.

### Where are you seeing increased demand?

There is a clear demand for natural products in the flavor market. The consumer is continuously more conscious of their health and more attentive to the ingredients they are consuming, while government regulation of products is increasingly strict. Another notable area where we are seeing growth in the Mexico market is fragrances for room aromatization and flavors for food supplements.

### What growth opportunities do you see in the coming year?

We have a new CEO as of June 2022. His growth plan is very clear, incorporating both organic growth and acquisitions. All our acquisitions are in line with our DNA as the world leader in natural ingredients for flavors and fragrances ■



### José **Arias**

**Managing Director** A7 FINE CHEMICALS

#### When did AZ Fine Chemicals enter the market, and whyt?

AZ Fine Chemicals was founded 15 years ago. The company was founded during a period of shortages of petrochemicals due to the dismantling of major plants to take advantage of this opening in the market, with the idea of offering a business model where we worked first as a logistical partner for the major businesses in the Mexican flavors and fragrances industry. This allowed us to grow into a leader of the distribution of raw materials for the industry.

### What trends do you observe in the industry?

From my perspective, there is a notable necessity for biodegradable, sustainable, safe products. The customer is significantly more concerned about the impact of what they eat and smell.

### What is your strategic focus for the next year?

The flavors and fragrances industry has been redefined by a spate of acquisitions and integrations. For us, as distributors, it is vital that we move forward with the market, because it is always a concern that our clients will decide to move their raw materials operations in-house. ■



### Francisco **Palafox**

Managing Director **FRAILIFR** 

### What trends do you observe in the flavors and fragrances mar-

The current trend across the board is a move towards natural products. This is a complicated shift because natural products are more expensive, yield less product, and are more unstable. Simultaneously, however, the consumer wants low prices.

### Can you discuss the impacts of Mexico's regulatory approach controlled aromatic chemicals? We see real challenges with materials access when it comes to controlled aromatic chemicals. There are aromatic chemicals that are considered precursors to drugs. such as phenolic alcohol. Mexico has significantly stricter regulations than other countries, and those regulations need to be clari-

### What is your approach for 2023? Our focus is maintaining our close relationship with our clients, offering them support and fulfilling their

fied and simplified.

needs. On an infrastructural basis, we are expanding our plant, which will enable further growth. Frallier will also release a new product, Inolvidable. This is the result of the continued investment and effort we put into innovation, and we will continue centering innovation in our operations. Our last and major priority is building upon our strong presence in the US and expanding our market share.





# PAINTS & COATINGS

"The industry is broad and diversified, and demand trends vary by sector. In general, however, we have seen an increase in demand for paints and coatings during the pandemic, because many people have decided to renovate their properties. Infrastructure work, which accounts for some of the demand for paints, has recently been reactivated."

Flor de María González, ANAFAPYT **GBR SERIES • MEXICO CHEMICALS 2023** 

Image courtesy of ANAFAPYT

INTERVIEW .



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### Paints and Coatings

The regionalization of supply chains facilitates growth

The paints and coatings industry overcame supply chain bottlenecks and a host of pandemic-related challenges by adapting to logistical issues and sourcing raw materials from alternative markets. Demand for paints and coatings remained relatively high throughout 2020 and 2021, benefiting from pandemic-related trends, including increased home and office renovation due to the move towards remote work and greater print production in the coatings segment.

The paints and coatings industry adapted to unstable market conditions by gravitating towards regionalization, strengthening its logistical capacity, and expanding its portfolio to include more sustainable products. Arias Zúñiga Lara, former president of the National Association of Manufacturers of Paints and Coatings (ANAFAPYT) during 2022, stated: "One of the most remarkable aspects of the industry is that, unlike most other industries, there have been no company closures, and ANAFAPYT has even increased its number of partners."

Data from ANIQ on the paints and coatings sector indicates that, between 2020 and 2021, exports increased by 20%. The paints and coatings industry accounts for 7.2 % of the GDP of the chemicals sector, and it is expected to grow partly because of domestic automobile manufacturing. Zúñiga Lara said: "The market in Mexico is large, with a per capita consumption of 9.22 liters." The sector contributes noticeably to the larger economy, with well over 200 companies employing more than 12,000 people.

Like other segments of the industry, supply chain issues and logistical challenges were some of the main inhibitors for growth in paints and coatings. Many companies responded by actively procuring raw materials from regional partners. Moises Silva Pérez, business manager of Pyosa, explained: "We have implemented a regional strategy to source as many materials as possible from regional clients."

For Pyosa, the logistics challenges have been equally an opportunity. Silva Pérez said, "Our growth in sales was largely driven by shortfalls in the supply chain. For example, when there was a shortage of pigments, we were able to quickly supply that."

The trend towards regionalizing markets has pushed companies to strengthen business ties with trade partners in North America and LATAM. The strategy has insulated the industry, to an extent, from high prices. Jorge David Saldaña, chief strategy officer at Wyn, said: "International trade with the US and LATAM has allowed us to continue growing and has stabilized prices here in Mexico."

This regional approach to supply and trade must, however, come with support from the government. This is a strategy the industry is actively engaged in advocating for on a national level. In conversation with the Secretary of Foreign Relations, ANAFA-PYT discussed a variety of ways to address global volatility. Flor de María González Mariblanca, general director of ANAFAPYT, explained, "One of the main strategies discussed was the unbundling of trade relations through international agreements to reduce dependence on a small number of suppliers."



### Flor de María González & Arius Zúñiga Lara

FM: General Director AZ: Former President (Until January 2023)

**MEXICO'S NATIONAL ASSOCIATION OF PAINTS AND INKS MANUFACTURERS (ANAFAPYT)** 

#### Can you introduce ANAFAPYT?

AZ: We represent about 80% of the national paint and coatings industry in Mexico. Annual sales of our members amount to 9,754 million Mexican pesos and represent about 7.24% of the total annual production of the chemical sector. Specifically, we represent about 229 companies that employ over 12,000 people. The market in Mexico is large, with a per capita consumption of 9.22 liters. In terms of global scale, I consider the Mexican industry to be medium-sized.

Today, ANAFAPYT is considered the mouthpiece of the national paint and coatings industry. We are mediators between the industry and the government, as well as the various associations of the sector. We are responsible for finding appropriate responses to the needs of the industry in terms of supply chains, standards, and permits for the use of regulated substances that are critical to the industry. ANAFAPYT represents the interests of the industry in the face of excessive government regulation.

### What do you consider the top revenuegenerating areas in the industry?

FM: The industry is broad and diversified, and demand trends vary by sector. In gen-

in demand for paints and coatings during the pandemic, because many people have decided to renovate their properties. Infrastructure work has only recently been reactivated. In the automotive sector, there has been growth despite the shortage of microchips. In coatings, demand grew exponentially because print production increased during the pandemic. In general, the industry has remained active.

AZ: One of the most remarkable aspects of the industry is that, unlike most other industries, there have been no company closures, and ANAFAPYT has even increased its number of partners.

#### What is the relationship between **ANAFAPYT** and the government?

AZ: Our relationship with the government is mainly through the chambers and associations. We are a politically neutral association that tries to build positive relationships with the public sector, intending to create beneficial agreements for our partners and the industry in general.

FM: ANAFAPYT proactively participates in the regulatory process of the sector through COTENNAREC (Technical Committee for National Standardization of Paints, Barnes, Coatings, and Inks for Printing). COTENNAREC is eral, however, we have seen an increase — a space for technical consensus where — and organizations of the industry. ■

the needs of the industry are represented. There are several working groups, each representing a different standard. These groups meet with the Ministry of Economy and study the draft laws regarding the industry, and we represent the manufacturers there.

### Can you talk about LACS and upcoming events?

FM: The event grew from 2,700 square meters to 7,500 square meters and we broke attendance records, with more than 7,000 visitors. We had exhibitors from all over the world. Mexico is starting to position itself as an attractive market for foreign investment. We had two panel discussions: a sustainability panel, in which the general director of Norms participated, and an economic reactivation panel, in which the presidents of CANA-CINTRA, CONCAMIT, ANIQ, and SEDECO participated. Numerous manufacturers and suppliers were able to close deals and contracts during the event. In 2022, we also held technical workshops in Monterrey, an event focused on intensive training for workers that was attended by 330 technicians, with a record turnout.

In 2023 we will repeat the technical workshops in Monterrey, and we will host the ANAFAPYT Convention, which has not been held since 2019, where we will mainly discuss the international trade relations of the industry. We will also celebrate Earth Day on April 27 and host the first Female Industry Leaders Panel, which reflects the fact that number of women in the industry has increased significantly.

AZ: The Female Industry Leaders Panel is a very important event. We aim to provide space for women in the industry to contribute and share their perspectives on all the boards and commissions of ANAFAPYT.

### What are the main objectives of ANA-**FAPYT in 2023?**

FM: One of the main goals of ANAFAPYT is to increase service standards. We are expanding representation services, and we want to collaborate with other industries to create more business opportunities. At the 2022 LACS congress we generated business for suppliers, now we want to expand opportunities for manufacturers with the 2023 ANA-FAPYT Convention. We aim to ensure that more people work with us and are aware of us in the different chambers



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We want to continue strategically sourcing raw materials from regional partners and continue to develop high-quality products.



### Pablo Cueva

Strategic Development Director **REACCIONES QUÍMICAS** 

### **during 2022?**

Reacciones Ouímicas has been growing to the extent that demand outpaces our production capacity. Since the pandemic, we have been adapting strategically to overcome logistical hurdles that many in the industry have faced. There have been new regulatory developments, and we are investing time and money assuring we can meet these requirements and guide our clients through these new processes. We work closely with our clientele to ensure they can deliver products to the market that they feel satisfied with.

### What products are driving growth?

Alkyds, which are coating resins, continue to grow due to continued foreign demand. In terms of product development, we are expanding our portfolio of sustainable products. First, we introduced three different resins dedicated to paint manufacturing that meet all environmental regulations. Second, we are developing coating resins that use recycled material. Third, we are making a big effort to use more sustainable raw materials. Environmental stewardship is at the core of the products that we are developing at Reacciones Químicas.

### ed to supply chain challenges?

These last two years have been very complex. However, because we have been forging strong partnerships with What is the rationale behind the goal develop high-quality products.

**How has Reacciones Químicas grown** suppliers since 2013, we have been able to navigate the storm well. Good relationships have meant that we have not faced production challenges related to sourcing. We prefer to build supply chains that are regional, which has guided our future investments and sourcing.

### What factors contribute to Reaccioplace to work?

tification to distinguish ourselves within the industry and to find new areas of improvement. Starting in 2019, we made a concerted effort to grow the involvement of our employees in decision-making. In 2020, we created a new division dedicated to employee welfare, which has the aim of improving employee experience. We seek to understand their problems and communicate to them how their jobs are important.

### **How does Reacciones Químicas work** with universities?

We have two types of collaborations with the University of Nuevo León, where we collaborate in research and development. We also have a trainee program with the university, and we work closely with students to give them on-site train-How has Reacciones Químicas reacting. The relationship we have with universities makes us more competitive and allows us to give back to communities.

#### to reduce the use of volatile organic compounds (VOCs)?

The global market is heading towards reduced VOC content in products. We notice this requirement from our clients in the US and, although it has not been written in law here in Mexico, we are sure that regulation domestically points that way as well. We believe in furthering sustainability objectives and focus on the development of ecologically friendly products. Our clients want to improve the experience of consumers; therefore, we must be ready to supply any need that might arise in the paint industry.

### How is your client portfolio composed and what markets are driving growth?

75% of sales are still in Mexico, but this percentage is decreasing given our expansion in the US market. Our goal in 2023 is to increase our production capacity by 15%, which is driven by demand from the Mexican and the US market combined.

### What are the top initiatives at Reacciones Químicas dedicated to sustainability?

Nuevo León suffered from water scarcity in 2022 and that made water manage**nes Químicas' recognition as a great** ment a key topic in the company. 90% of our electricity is derived from renew-Three years ago, we applied for this cerable energies, solar and wind. 10% of our energy comes from in-house panels, and we also purchase solar energy. Optimizing processes is another way in which we approach sustainability objectives. We are improving our processes and simultaneously producing quality resins in less time. We believe in maximizing efficiency while minimizing our environmental impact.

### Where do you envision Reacciones Químicas during 2023 and what is your final message?

We are focused on delivering sustainable growth that does not jeopardize the company financially. Therefore, our focus is to train our personnel to give them the tools to make this possible. Reacciones Ouímicas is a reliable business partner, given our ability to meet client demands while meeting our sustainability goals. We want to continue strategically sourcing raw materials from regional partners and continue to



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We are replacing molecules that were used long ago, such as mercury, chlorine and sulfur, with safer and more environmentally friendly molecules.



### Héctor Jiménez Landa

Managing Director INTERADI

#### Can you tell us about INTERADI?

INTERADI is a Mexican company founded in 1985. We manufacture bactericides, fungicides, dispersants and defoamers for the paint, coatings, water proofing, concrete additives and tanning industries. We export our products to Central and South America and the Caribbean. INTERADI has branches in the main cities of Mexico, such as Monterrey, Guadalajara, and Mérida, and distributors in Colombia, Chile and Puerto Rico. We are the only company in Mexico certified according to ISO 9001:2015 and ISO 14001:2015. INTERADI is currently developing more environmentally friendly products to meet market demand with competitive prices and high-quality products.

### How does INTERADI prioritize innovation?

We have a microbiology laboratory staffed by highly qualified personnel for each of the industries in which we operate, where products are constantly being developed to provide a broader range of products to meet the needs of our customers. In our laboratory, we perform microbiologiwater, and finished products at no cost to our customers.

dits to our customers, in which qualified personnel examine the machines, piping, tanks, raw materials, etc. These audits aim to identify, from a microbiological perspective, what the conditions are like in their plants and how we can help them cost-effectively solve their problems.

### What are the biggest challenges facing the chemical industry in Mexico?

I would like to see Mexico develop the petrochemical industry more so that we no longer have to import as many raw materials. So far, we can get almost everything we need, sometimes at very high prices, but unfortunately, the vast majority of products are imported. At INTERADI, we try to utilize products produced in Mexico as much as possible, although it is sometimes challenging to obtain them.

### ed the supply chain?

It is important to us not to let our customers down, whether commodity prices rise or fall, and we have not let them down. We are always looking for alternatives in our supply chain cal analyses of raw materials, process because we cannot substitute ingredients for our formulations in response to shortages. We are the only Mexican We also offer free plants hygiene au- producer of this type of additive with activities. ■

SMC certified quality. We work with large national companies, so we cannot change our formulations at will. We can work with new raw materials. test them and develop a new formulation, but we cannot just replace one material with another overnight.

#### Is sustainability a priority for IN-**TERADI?**

Yes, of course, sustainability and safety are important, but they are just some of the many considerations our customers make. At INTERADI, we are replacing molecules that were used long ago, such as mercury, chlorine and sulfur, with safer and more environmentally friendly molecules. However, since these molecules are more expensive, we have had problems selling them in some Latin American countries, because in these markets there are still many factories that want good, efficient and cheap products, no matter how toxic they are.

We intend to collaborate more and more with sustainability and environmental benefits concerning VOCs. At INTERADI we have developed an emulsifier for solvent-based paints that allows us to add up to 40% water instead of solvents, reducing the amounts of VOCs that go directly into the atmosphere. This is not only an advantage for the environment, but also for the manufacturer itself.

#### What is your most important goal for 2023?

We are finalizing the projects we already have in our laboratory, and we intend to bring them to market in 2023. In our biocides, we will introduce new molecules that are much more sustainable. We want them to have competitive prices in the market so that this is not a barrier for customers, How have these challenges impact- and they can switch to these types of molecules. In addition, INTERADI continues to pursue the goal of saving at least 4% in electricity consumption and 6% in paper consumption. Another important issue is ensuring that our employees work in a pleasant and safe environment. We are continuing the campaign to conduct safety courses and other workforce development



Reacciones Químicas S.A. de C.V. has

international certifications such as

ISO9001:2015, ISO14001:2015, and

recognized as well as a Great Place to

Work for third year in a row.



### Minimizing environmental impacts while maximizing efficiency

Image courtesy of ANAFAPYT

**>>** We have capitalized on the supply chain issues and provided many companies in Mexico with our specialty chemicals; in fact, the Mexican market counts for nearly 80% of our sales. Our growth in sales was largely driven by shortfalls in the supply chain.



Moisés Silva Perez, Business Manager, Pyosa

Given the fears of climate change and a new generation of consumers, an increasingly global demand for sustainable products has the potential to stimulate growth in the paints and chemicals industry, and many companies are heeding the call.

"Traditionally, paints and coatings use a nitrocellulose base which is known to be a high VOC producer, but many paint companies are transitioning to water-based chemicals that are safer to use," said Saldaña of Wyn. He continued, "You see this trend across the board, where companies that would normally use VOCs in their product are now operating to use safer, water-based paints and coatings."

This is not just about sustainability, explained Rubio, saying, "Of course, a

paint must be environmentally friendly and odor-free, but it is even more crucial that the product is safe for the worker in the plant and the painter." With a focus on sustainable products, Kemikals partnered with Nouryon to bring their environmentally-friendly surfactant products to the Mexican market, and began working with biobased technologies.

It has been challenging in Mexico and Latin America to change consumers' habits toward purchasing. "In Mexico, the consumer has been slower than its counterparts in Europe and the United States to gravitate towards sustainability," said Silva Pérez.

Interadi, which has focused on developing more sustainable products, offers an emulsifier for solvent-based



**>>** 

Every year, our percentage of sales of sustainable products has grown, and we expect it to grow exponentially.

### Francisco Rubio

President **KEMIKALS** 

#### Could you provide a brief history of situation has been complicated logisti-Kemikals?

Kemikals was founded in 2010 to satisfy a growing need to distribute highperformance special additives paired with technical support and local service. Our offerings always prioritize sustainability, environmental friendliness and user health.

### What is the source of Kemikals' strength in the Mexican market?

The number one focus of our business is our team. We consider ourselves an elite group; our customers and partners share that view. Over the last year, we have worked to integrate more team members with advanced degrees, experience and high qualifications. Our laboratory is staffed by a technical team that can perform evaluations of viscosity, adhesion, and all the properties that we know are important to the paint and dry mix mortar industry.

### Can you describe the impact of the recent logistics challenges on the **Kemikals?**

With good communication, planning, and strategic partnerships, we have handled the challenging logistics issues of the past few years. In the year's second half, we have seen a greater market opening in China. Now we observe excellent rates of inventory, contractions in demand, and excess supply. It is an unusual moment because the global

cally, but our clients have the perception that everything has stabilized.

The Ukraine-Russia war has been complicated for us. We import 90% of our products from Europe, and the conflict increased uncertainty. However, there has consistently been sufficient supply. The macroeconomic signals are constantly in flux and highly contradictory, which has led to a challenging year for the industry.

#### How has Kemikals positioned itself to serve the chemicals industry?

Kemikals continuously expands and complements our portfolio with hightech, green products. Unlike our competitors, we have our own research laboratory, which allows us to provide our customers with advanced support and products of the highest caliber. Last year, we partnered with Nouryon

to bring their environmentally-friendly surfactant products to the Mexican market. We have also started working with bio-based technologies, and our portfolio in this area is continuously growing. However, commercializing these lines is challenging because of their higher price point.

### What is the Mexican consumer's attitude towards sustainable products? The trend to use green products with

low-VOC was very active before 2020. However, the pandemic caused a regres- to the region. ■

sion in the prioritization of sustainability and the consumer's willingness to focus on environmental priorities. The consumer was focusing on survival. However, the situation is stabilizing, and clients are again interested in green, healthy technologies. Sometimes, the growing interest comes from external pressure because the client must comply with social pressures or increased regulation. In Mexico, environmental standards do not currently drive demand, but we expect the implementation of more government regulations that will push the customer toward green products. Separate from regulation, the underlying interest and general awareness of the need for more environmentally friendly products are already in the market. Every year, our percentage of sales of sustainable products has grown, and we expect it to grow exponentially. Sustainable products have added value beyond their low environmental impacts, such as deeper color or more result per amount of product. Although the price of environmentally-friendly products is high, the benefits exceed the costs when the products are evaluated comprehensively.

#### How does Mexico's regional position benefit the chemical industry?

The biggest advantage for Mexico is its geographic position next to the US. The economic integration of the North American countries is a significant strength, and the markets are reacting positively to the trends they see in Mexico.

At Kemikals, we constantly think about how to move further into the US market. We see a real opportunity in the additives and specialties segments. Our providers have approached us and asked if we will enter the US, particularly the southern states, and it is something that we are seriously considering.

### What are your main objectives for

One of our main objectives is to position our new product lines. We will also continue to work on our value-added, sustainable product lines, which I am convinced will capture a more prominent market share segment in a few years. We want to offer the best sustainable alternatives in Mexico because these efforts align with our company values and our deep commitment

Despite the unpredictability in Mexico resulting from the drastic changes that can occur in between politically opposite administrations, Mexico continues to be a good place to do business.



Jorge David Saldaña, **Chief Strategy Officer,** Wyn de México

paints that reduces VOCs by allowing them to add up to 40% more water instead of solvents. has observed a lesser prioritization of low-VOC products. Jiménez Landa, general director of Interadi, has observed a lesser prioritization of low-VOC products, saying: "Since these molecules are more expensive, we have had problems selling them in some Latin American countries because in these markets there are still many factories that want good, efficient, and cheap products, no matter how toxic they are."

Part of the slower move towards sustainable paints and coatings is caused by a lack of regulatory focus in Mexico. The United States has a significantly stricter regulatory framework around the classification and labeling of paints and coatings, the Hazard Communication Standard (HCS).



The EU, likewise, utilizes the European Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) framework, strictly defining which chemical inputs can be present in products sold in Europe. These are established and detailed regulations that shape the requirements for paints and coatings in major markets.

On a national level, countries across the world are implementing stricter paints and coatings regulations, or have regulations moving through the ratification process. This is leading to a much tighter regulatory environment globally. However, the intensity of some regulation has led to concern. Strict regulation of biocides, for example, although necessary to ensure safe usage, could potentially impede the ability of the industry to participate in the circular economy by making it more challenging to recycle leftover paint.

Compared to other parts of the world, many governments in Latin America have limited or no laws regarding VOC use, making these products readily available to consumers. This is expected to change in Mexico. Silva Perez stated, "In Mexico, the government is shifting towards regulating VOCs in consumer products, and we are prepared to meet these regulations." The expectation of forthcoming regulation, paired with a market trend towards sustainability, is driving this shift even before the Mexican paints and coatings industry experiences strict regulation.

As an important player in Mexico's chemical industry, it is essential that the paints and coatings industry be a part of those discussions. The segment offers vital solutions, from pipe coatings that reduce water waste to products that protect the food system. Regulation that offers clarity is necessary, but it must not be unduly burdensome.

This is only made more challenging by the shifting winds within the government. "We have had to adapt to the policies that emanate from different administrations," noted Saldaña. However, he explained, "Despite the unpredictability in Mexico resulting from the drastic changes that can occur in between politically opposite administrations, Mexico continues to be a good place to do business."

Fortunately, the industry is unified around this focus. Arius Zúñiga Lara, former president of ANAFAPYT, stated, "ANAFAPYT represents the interests of the industry in the face of excessive government regulation." Indeed, ANAFA-PYT actively engages with the government through COTEN-NAREC (Technical Committee for National Standardization of Paints, Varnishes, Coatings, and Inks), which is made up of many working groups that meet with the Ministry of Economy to participate in the drafting of laws. When it comes to engaging with the government, the situation calls for all hands on deck.

Increased sustainability requires companies to rethink not just their products, but their operations. Many companies are also implementing sustainability within their production facilities to minimize environmental impacts and maximize efficiency. Reacciones Químicas has made sustainability and environmentally conscious practices a bedrock of their strategic planning. Pablo Cueva, strategic development director at Reacciones Químicas, said: "Nuevo León suffered from water scarcity in 2022, and that made

water management a key topic in the company. Also, 90% of our electricity is derived from renewable energies, solar and wind."

Wyn is likewise focused on sustainable operations. "In April 2022, we partnered with POWEN and inaugurated a chemical plant that is completely run on solar energy in the state of Querétaro. This solar project is considered one of the largest of its kind in Mexico." This is only one of their sustainability initiatives: In addition, we are water self- sufficient and are developing projects to better manage this resource. We are collaborating with ANIQ's ESG program to enroll in SARI (Integral Responsibility Management System), which seeks to reduce gas emissions, improve working conditions, and foster better relationships with the local communities."

ANIQ's leadership is central to this sustainability drive. Miguel Benedetto explained, "We are taking a variety of steps to improve the chemical industry's sustainability metrics. On an industry-wide level, we are promoting carbon neutral industries. Individual businesses are working to recycle, to reduce energy use, and manage natural resources more efficiently. In addition to the carbon market, we are promoting higher standards and participating with the government to improve business conditions. costs and environmental impact, reflecting their confidence Since 2018, businesses must certify their emissions and those emissions must be verified by an accredited agency like ANIO.

market for paints and coatings shifts. For example, demands for powder coatings are growing due to higher profit margins resulting from product effectiveness, sustainable qualities, low VOC emissions, and higher transfer ed CAGR of 6.2% between 2021 and 2028, the market for 2028, according to Fortune Business Insights.

Companies continue to invest in their production capacity and modernize their technological systems to minimize



Image courtesy of ANAFAPY

in the Mexican market. In August 2022, PPG announced that it would invest US\$11 million to double the production capacity of its powder coatings plant in San Juan del Río, These sustainability concerns will only increase as the Mexico, which is expected to be completed by mid-2023. The Mexican paints and coatings industry is poised to benefit from global demand for sustainable products.

Demand will only increase as the consumer recognizes that sustainable products have utility beyond their enviefficiency than liquid coating technology. With an expect- ronmental metrics. "Sustainable products have added value beyond their low environmental impacts, such as powder coatings is expected to grow to US\$18.95 billion by deeper color or more result per amount of product," stated Rubio. "Although the price of environmentally-friendly products is high, the benefits exceed the costs when the products are evaluated comprehensively."



MEXICO CHEMICALS 2023 **70** 71 MEXICO CHEMICALS 2023





# DISTRIBUTION

"These past few years have been good for almost all the distributors I know. The skyrocketing costs of raw materials make distributors have very profitable years. When the market is so tight, what you have, you sell."

Alejandro Iniestra, Managing Director , Kigo Chemical

**GBR SERIES • MEXICO CHEMICALS 2023** 

Image courtesy of Pochteca

Mexico's chemical distribution industry experienced an outstanding 2022, with skyrocketing raw materials prices providing distributors with excellent profits and sustained demand for products. Utilizing their sophisticated logistics, ample storage, and highly technical services, distribution companies flourished in a year that was challenging for the rest of the industry in various ways. The Mexican market is complex, and navigating the logistics and regulatory landscape is greatly facilitated by local partners with the relevant expertise. For major international companies, working closely with skilled distributors was the best way to increase profits in a difficult period.

This strong market demand for distribution services magnified Mexico's specific advantages in trade and location. Alfredo Ison, executive president of Química Delta, explained: "Given the high volatility of prices, it is more logical to source products from the US. Free trade agreements certainly help us bring in products with low import rates, so the USMCA gives us a huge logistical advantage."

Across the entire value chain, companies are gravitating towards strengthening trade with regional partners. Over the

DELTA

Generating

Our company stands out as one of

products and base oils in Mexico.

We serve a variety of industrial

markets including adhesives,

the largest distributors of chemical

lubricants, paints, home & personal

Our ISO 9001 and Responsible Care

certifications give our customers the confidence that we will be able to

protocols to guarantee quality, safety

care, pharmochemicals, printing,

resins, sealants, among others.

supply them under the strictest

and environmental protection in

each delivery.

shared

value

next several years, demand for chemical products in Mexico will provide continued opportunities in the country. "Mexico is a strategic provider to the US in every single industry that requires specialty solutions: food, pharma, paints and coatings, construction, etc. Mexico is also the country with the largest number of free trade agreements across the world," said Mauricio Cárdenas, country manager cluster Mexico at Caldic.

Ien Riley-Brady, vice president international of M. Holland. identified specific areas of growing demand for the company, explaining: "Automotive and packaging are the areas that are evolving the quickest, much of it tied back to reshoring. We are seeing the growth in those verticals commensurate with the reshoring activities over the past few years."

Pandemic-related market trends also contributed to the distribution industry's growth. Ison said: "There was a demand for paints, household and personal care products, which we were able to supply. After the pandemic, we modified the portfolio again to adapt to the needs of our clients."

Francisco Rubio, CEO of Kemikals, also identified high demand in paints, with opportunities in new areas: "Construction

contacto@qdelta.com.mx +52 55 5899 9400 www.qdelta.com.mx paints and cement mortars are also products we want to sell, because the paint industry is starting to produce them."

GBR Series

Sustainable products are growing for distributors. "We will also continue to work on our value-added and sustainable product lines, which I am convinced will capture a bigger segment of our market share in a few years," continued Rubio.

Distributors had to be agile in the face of logistics challenges which, although bringing them greater business, were nonetheless an operational challenge. However, the extent of supply chain disruptions in the shipping sector was regional in nature: "This year, we had a reduction in the number of ships that were serving between Mexico and the US Gulf, causing shipments to be delayed from 15 to 30 days from the time an order was placed. On the other hand, the conflict in Europe has helped us as some ships that were operating there are now operating in the Americas," said Ison.

Logistics is central to a functioning distribution industry, "We have a center of excellence in Mexico City; our International Logistics Group, a team that focuses solely on our logistics issues worldwide," explained Riley-Brady. "The logistics crisis has created a different market space in Mexico. There is more value-add and concentration in these geographies because many of the arbitrage opportunities on material cost are based on the domestic US market space."

Government policies across the globe often cause price disruptions, and 2022 was no different. "China changes its export policies for certain chemicals regularly; recently, it changed its policies for agrochemicals, which changed the market in Mexico and the pricing, which was a significant disruption. I believe we will continue to see price disruptions," said Javier Cortina, CEO of Possehl.

Strengthening processes is only more critical as the high prices are beginning to fall. "Covid-19 harmed the supply chain, and, during the second half of the year, there was a drop in demand, so we had excess inventory," said Francisco Rubio, CEO of Kemikals. He continued: "Our strategy was focused on building strategic partnerships. We decided to prioritize longterm customers over spot sales because we wanted to protect our partnership relationship with our clients."

The price shifts have been dramatic. "In December 2022, the prices were at their lowest point for some time," explained Javier González, director of Grupo Quimisor, continuing: "Prices are now improving because the producers are reducing their production and are operating at a lower capacity."

For 2023, these challenges are expected to abate. Sergio Chiñas, general manager of First Quality Chemicals, stated: "The manufacturing companies have been able to catch up, and now previously scarce materials are available, and competition is returning to normal, pre-pandemic levels. There are still some cases of continuing scarcity, but overall, the market is normalizing."

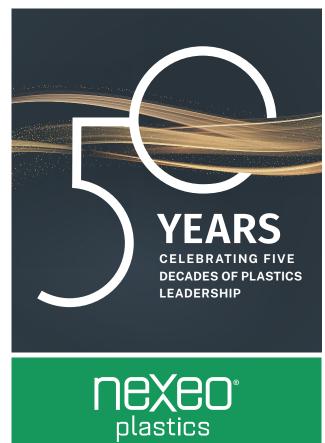
This is particularly the case in the specialty chemicals sector, Chiñas noted, saying: "We are getting to a new stage in which commodities are decreasing in price and some specialty chemicals are also beginning to drop in price due to increased competition."

Cortina described the impact this has on pricing: "Rates and prices have been coming down in some areas closer to what we saw three years ago. We believe there is a move towards more stability in prices and rates, but the ability to plan is still a challenge."

High prices and low supply benefit distributors, as companies turn to them to fulfill their supply needs. "The shortages allowed us to capture an excellent part of the market. Now, we are helping our clients develop and utilize new products from our comprehensive and growing portfolio. It is better for us as a distribution company for the Mexican market to be experiencing shortages than not," said Miguel Valdivia, general manager of Trade Chemicals & Products.

Consolidation remains a consistent theme in the industry. The distribution industry is made up of three groups: major companies with significant resources and large teams, midsized companies, and extremely small and specialized companies with as few as three employees. The industry is beginning to separate into two levels, big companies and very small companies, as consolidation continues. Larger companies primarily target mid-sized companies which already have significant assets and established organizational structures, as these are and Mexico's location makes it a logistics hub for distributors. easier to incorporate, while extremely small companies require a significant degree of professionalization and capacity-building to fit into the established organizations of large companies.

> With the high profits of the distribution segment over the past year, distribution companies have significant reserves, providing them with the resources for purchases. Many of the companies interviewed expressed interest in growing through acquisitions. Cárdenas explained that both organic growth and growth via acquisitions are priorities for Caldic, saying: "Any M&A activity has to be strategic, meaning we need to find companies that complement our business. We are currently looking for opportunities in Mexico, and we expect 20% to 25% of our growth to come from acquisitions."





**>>** 

We believe that the successful chemical distributor of the future needs to be truly digital and Pochteca is investing heavily to be at the forefront of this trend.



# Eugenio Manzano

**Executive Director POCHTECA** 

in 10 countries in Latin America. What is the role and importance of Mexico within Pochteca's regional operations?

Mexico represents around 50% of our sales and it's where our headquarters and corporate staff are base.

### have observed within the Mexican chemical industry in 2022?

In most of the more than 40 industrial segments that we serve, we observe that customers and suppliers increasingly prefer to turn to distributors such as Pochteca as partners in the supply of their raw materials, chemical products and ingredients. Distributors reduce the total cost of ownership for customers and the cost to serve for manufacturers. Some of the value-added services that distinguish us in Mexico are turning to Pochteca to guarare specialized logistics, inventory management systems, efficient small-order processing, technical support, application development, training, product packaging and blending, waste management, and other environmental solutions.

Digital transformation is also a key trend. Pochteca is continuously innovating with new tools.

rent concern. Therefore distributors like Pochteca are focused on developing environmental awareness and participating in the circular economy. We are investing

**Pochteca has a significant presence** environmentally friendly solutions, waste management and introducing environmentally friendly and healthy products to our portfolio.

#### Nearshoring and reshoring is reshaping the Mexican chemical industry. How are you taking advantage of the influx of business?

What are the primary trends that you Mexico offers attractive opportunities to North American companies for their nearshoring and reshoring strategies. Our privileged geographical location close to the United States, Central and South America, availability of natural resources, skilled labor, and multiple free trade agreements offer a competitive and reliable manufacturing base for multinational and Mexican companies. Many industrial customers that are expanding their operations or building new facilities antee a reliable supply of the chemicals, raw materials and ingredients that will be used in their plants.

> Pochteca has 15 quality and application laboratories in Mexico alone. What is your approach to innovation? Our labs add value to our customers and

suppliers in two key areas: optimization Caring for the environment is a cur- and innovation. Our application labs in food, oil and gas, mining, coatings and household and personal care work with our upstream and downstream partners in the supply chain to make applications

also to test new products that can substitute current ones and lower costs, reduce carbon footprint or contribute to health and safety. We optimize formulations, extend product shelf life, improve appearance or texture and help our clients comply with new legislation.

#### How have you continued digitalizing over the past year and what do you see as the future of technology in the distribution sector?

Pochteca is transforming its digital ecosystem optimizing current operations and innovating in the way we interact with our stakeholders. Artificial Intelligence, big data analytics, cloud based systems and integrated software applications that retrieve information from the same data lakes in an efficient way are key in order to optimize end to end processes and improve decision making.

We believe that the successful chemical distributor of the future needs to be truly digital and Pochteca is investing heavily to be at the forefront of this trend.

#### Pochteca was recently recognized for best practices in Comprehensive Waste Management. Could you elaborate on your approach to sustainability?

ANIQ recognizes companies that comply in an outstanding way with the execution of the institutional SARI (Sistema de Administración de Responsabilidad Integral) program with awards to Best Practices in Responsible Care/Responsible Distribution. These are also closely related to the new sustainable development goals promoted by the United Nations, in addition to other initiatives such as the circular economy.

In 2022 we had the honor of winning the recognition of for comprehensive waste management due to our results in the Sustainable Solvent Recovery System which focuses on the recovery and recycling of dirty solvents generated by industries that can be used again in the same or other production processes.

In addition to the solvent recovery business unit, Pochteca's environmental solutions division offers customers comprehensive waste management, zero-waste-to landfill and coprocessing

We believe that as a chemical distributor we can contribute to the reduction of the environmental impact of the chemical in personnel and infrastructure to offer of current products more efficient and value chain with programs like these.



**>>** 

We are a leading company because we have an enormous capacity to adapt to market conditions.



### Alfredo Ison

**Executive President QUÍMICA DELTA** 

### main accomplishments in 2022?

Over the past few years, we have strengthened our competitive advantage that is based on scale and volume. As the leading distribution company in Mexico, we move more volume than other companies, which allows us to reduce our operational costs and maximizing efficiency. Our strategy is also based on having longterm partnerships with suppliers and clients. Química Delta has also focused on increasing access to different markets; for example, we expanded our market share in the glycol and alcohol market and the combination of these has allowed us to grow more than 10% in volume this year.

#### What are the most noticeable demand trends that Ouímica Delta has seen throughout 2022?

In the past four years Química Delta has increased its storage capacity, which allows us to be flexible and adapt to different market trends. We have a total of 40,000 cubic meters of installed capacity in port terminals.

During the pandemic we had to modify and adapt the portfolio of products that were being distributed, which allowed us to grow. There was a demand for paints, household and personal care products, which we were time an order was placed. On the our services. ■

What have been Química Delta's able to supply. After the pandemic, we modified the portafolio again to adapt to the needs of our clients. With this flexibility, we have been able to continue to maintain our growth path.

#### How have free trade agreements and the diversification of markets impacted Química Delta?

According to the ANIQ, the production of petrochemicals in Mexico has decreased from 10.7 million t/y in 2012 to 4.1 million t/y in 2021. This has forced companies to import supplies from other countries. The fact that Mexico is adjacent to the US helps us maintain a supply of products from that country, especially petrochemicals, and given the volatility of prices, it is more logical to source products from the US. Free trade agreements certainly help us bring in products with low import rates, so the USMCA gives us a huge logistical advantage.

#### What are challenges that Química Delta faces in maximizing the services and supply chain?

The first challenge we have seen are logistical issues. This year we had a reduction in the number of ships that were serving between Mexico and the US Gulf, causing shipments to be delayed from 15 to 30 days from the

other hand, the conflict in Europe has helped us as some ships that were operating there are now operating in the Americas.

The second challenge is the supply of raw materials. These conditions have started to stabilize, but we had to adapt to those conditions.

#### What have been the repercussions of high inflation and an increase of petroleum prices?

As a distributor, we are forced to pass on costs to our customers when the price of oil rises. However, in October 2022, the price of oil started to stabilize, which means that the price of other products also started to decrease. For example, the price of aromatics, which normally ranges between US\$800 and US\$900 a tonne, reached US\$2,100 in July 2022, but is now returning to normal prices. Some players are lowering their prices for consumers, while others are keeping them high, which unfortunately fuels inflation.

High inflation rates will affect the entire value chain because companies may delay investment in new production capacity. This may lead to a situation where demand outstrips available supply, and we expect this to happen in the coming years.

#### What are Química Delta's main objectives for 2023?

Química Delta plans to consolidate its leadership as a distribution company in Mexico through its strategic alliances and competitive advantages. We established a subsidiary company called Ion Specialties to sell specialty chemicals and fill a market gap that we had identified. We also expanded our total storage capacity in Teoloyucan by 15%. This expansion will be for base oils and glycols with a clean room to serve the USP market in central Mexico.

Internally, we are upgrading our CRM systems to better serve our clients and improve the efficiency of our services. We are a leading company because we have an enormous capacity to adapt to market conditions and we have built strategic alliances based on mutual trust, product availability, fair prices and the quality of



#### **>>**

If you provide your customers with innovative materials that offer better performance, lower costs, and enable them to develop new materials and markets. you will grow regardless of stagnation in the market.



# Sergio Chiñas

Managing Director FIRST OUALITY CHEMICALS

#### **How does First Quality Chemicals** serve the Mexican chemical market?

First Quality Chemicals is celebrating its 25th anniversary this year as a leading specialty chemicals distributor. We are a Mexican company that imports materials from Asia, Europe and the US. Regarding infrastructure, we have two warehouses in the Mexiand we use these as bases to supply the national chemical industry. 95% of our market is in Mexico, and we also export to Central America, Brazil, and sometimes to the US. Our main markets are paints, coatings, adhesives, resins, plastics, polyurethane, and personal care products.

# **Quality Chemicals?**

In 2019, we won first place in Mexico as a Great Place to Work out of companies with between 50 and 100 employees. First Quality Chemicals focuses on creating leaders out of our cant training and workforce develop- we expect 15% growth in 2022. ment, with weekly training sessions. These sessions are not only on the technical side of our employees' jobs

ship, strategy, marketing, innovation, creativity, sales, positive psychology, personal development and emotional intelligence. Recognition is essential in creating this positive workplace environment, and we incorporate acknowledgment and praise into our daily operations as motivation of our team is extremely important. We aim co City area and another in Monterrey, to empower our people to become decision-makers.

#### How has First Quality Chemicals performed in 2022, and what do you expect for 2023?

Our revenue for 2022 will be close to US\$45 million. In terms of the distribution of specialty chemicals, that is a substantial figure as these are ad-**Can you describe the culture at First** ditives, not commodities. We are one of the largest distributors of specialty chemicals in Mexico, with principals including Evonik, Lanxess, Covestro, Songwon, AkzoNobel, Shamrock Technologies, Sukano, Borregaard, Kum Yang and other major players. In team members. We provide signifi- 2021 our revenues grew by 33%, and

There is a recession predicted for 2023, which we expect to impact Mexico. However, if you provide your but also cover topics such as leader- customers with innovative materials tributor in Mexico.

that offer better performance, lower their costs, and enable them to develop new materials and enter new markets, you will grow regardless of stagnation in the market.

#### Have supply chain disruptions been an area of opportunity for you?

The supply chain disruptions we experienced, particularly in 2021 and at the beginning of 2022, have abated. Demand in Mexico and the US has mildly decreased, and many companies have large stockpiles. The manufacturing companies have been able to catch up, and now previously scarce materials are available, and competition is returning to normal, pre-pandemic levels.

2022 was a period of opportunity for us. We are very flexible and fast and can adapt and ensure we have the right stock for our customers. Often, when clients needed help to obtain materials from their usual sources, we could step in and provide them.

#### How are you approaching your strategy for next year?

Our workforce will grow next year, as it has every year as our operations have grown in complexity. We ensure that we maintain a strategic approach to growth at all levels of the company. We have what we call "zoom in - zoom out" meetings. At First Quality Chemicals, everybody is very busy with their daily responsibilities, and we do not want our vision to shrink to the immediate future. Once a week, we "zoom out" and have a company meeting where we take a 30,000-foot view of the company. We analyze what we need to start doing to innovate, change, disrupt and move the company forward. We strive to excel and be the best in the industry, and we are proud that our customers highly recommend us. One of the key strategies we have is our applications lab, where we help our customers develop custom formulations to solve their problems, improve their performance, and develop new materials; on the other hand, at First Quality Chemicals we only hire the best talent and this ensures that we will continue being the best specialty chemicals dis-



**>>** 

We have invested significantly in our team to provide services not just within Mexico but to be sufficiently agile in the international import and export businesses.



# **Arturo Hoyo**

Vice President Product Line Management North America **NEXEO PLASTICS** 

#### What is the history of Nexeo Plastics In June 2022, we launched our new digin Mexico?

Nexeo will be celebrating its 50th anniversary in 2023. In 2019, Nexeo Plastics was purchased by One Rock Capital, and since then we are a 100% plastics focused global distributor. We have been present in Mexico since 2011, and we began our operations with a focus on specialties and have since expanded our markets and our portfolio of prodwithin Mexico but to be sufficiently agile businesses. Mexico represents approximately 10% of North America operations, and 2022 was a year of significant growth for Nexeo Plastics in Mexico.

#### Did the Ukraine war impact your operations?

We have a significant European presence, representing about 30% of our global operations. The political issues there are difficult for everyone. Like many international companies, we operated in Russia before the war. We decided to close our business there and redirected our people to other activities in our European operations.

#### How is Nexeo Plastics Mexico investing in digitalization?

ital platform, MyNexeo. We designed our new platform to be a tool for our customers so that they can not only place orders, but also search and compare products, view monthly offerings and the latest promotions, and track their orders in real-time.

MyNexeo also allows customers to view their bills, see quality certificates. and find all necessary information. We ucts. We have invested significantly in have exceeded our goals in terms of the our team to provide services not just number of users and received excellent feedback from our customers and supin the international import and export pliers. MyNexeo is a tool that incorporates elements of artificial intelligence to provide us with more data about our clients and more information about what our clients are looking for while improving our clients' experiences and access to our services. However, we are dedicated to maintaining a personal relationship with the client, so our chat is operated by real people providing our clients with one-on-one customer service. We will be launching MyNexeo in Europe in 2023.

# distributors?

Our clients have operations worldwide, and we need to be right there next to them. Our technical competence, digital platforms and our people are their operations.

key differentiators in the distribution space. Nexeo Plastics is developing a team with a global scope, and this differentiates us from other distributors. We position the company as a global player through an intense focus on developing our team. We aspire to be a destination employer for talented professionals in this country. Our hiring process is focused on fostering diversity of thought, multicultural perspectives, regional diversity, and multilingual expertise. Distribution is a people-driven business, not an assetdriven one. People are our primary business, and we are investing in our team to be more agile in this international business landscape.

#### **How is Nexeo Plastics incorporating** sustainability in its operations?

When it comes to sustainability, we have two focuses. Our first sustainability focus is education. We are creating content for our clients and prospective clients to clarify and explain the environmental situation and help them determine what they want in terms of sustainable products. Our second focus as a business is on sustainability within our portfolio of products, providing biodegradable, compostable, recycled products, and so on. The reality is that the world wants greener products at the same cost, which is the great challenge we are facing as an industry how to provide our clients with more sustainable products at a competitive price. Nexeo Plastics is a global player in these sustainability conversations.

#### What is your strategy for the coming year in Latin America?

We are growing organically in Latin America, and we have plans to continue fostering this regional growth. Costa Rica, for example, is a significant center of industry in Latin America, with many companies active in the country. Nexeo Plastics recently invested in a new distribution center in Costa Rica to support those clients. To facilitate greater agility, we are investing in bringing our products closer to our clients. Nexeo Plastics What differentiates you from other has 50 years of expertise, with a longterm focus on technical capacity. This expertise and our highly qualified team enable us to help our clients accelerate their product launches and facilitate

### The chemical distribution industries exits the pandemic with a new digital focus

The shift to remote work during the pandemic demonstrated the possibilities that digital tools provide, giving companies across the chemical industry an impetus to invest in technological development. "Technology has always had a wide careity of applications in our market. We see a shift towards a more digital industry, and we are acting," said Valdivia. "Digitalization benefits companies by lowering costs and improv-

ing communication, as it is important to be close to the client."

A 2021 survey of distributors worldwide by Sage Group Plc in partnership with Kaleido Insights found that North American companies were ahead of other regions in their usage of cloud-computing applications, with 47% of North American distributors using cloud applications for ERP and 44% for customer relationship management. Increased investment in the area is a growing trend among distributors worldwide: 79% of distributors polled had a strategy for digital transformation and ecommerce.

Digitalization of the distribution industry has multiple parts: the standardization of information through the adoption of ERP systems; the digitalization of revenue generation through the move into e-commerce; and various specific advances that comprise the Internet of Things (IOT). Many Mexican companies are introducing advanced technological systems to oversee precise supply volumes, minimize waste, and reduce operational costs. "We are professionalizing our CRM systems to better serve our clients and improve the efficiency of our services," said Ison.

Investment in improved CRMs enables significantly improves internal efficiency. Digitalizing internal processes utilizing tools such as advanced analytics and the cloud, and developing comprehensive digital customer interaction platforms allows distributors to serve their clients effectively and efficiently. The move towards e-commerce sites and digital platforms for customer interaction is visible in the Mexican chemical distribution industry.

In June 2022, Nexeo Plastics launched its revamped MyNexeo customer site, which provides customers with access to more than 15,000 products. Arturo Hoyo, vice president line

There is more value-add and concentration in Mexico because many of the arbitrage opportunities on material cost are based on the domestic US market space." Jen Riley-Brady,



Image courtesy of Química Delta

Vice-President International, M Holland

management North America at Nexeo Plastics elaborated: "We already had an online portal, but the portal was primarily for handling orders. We designed our new platform to be a tool like Amazon—the customers can not only place orders but also search and compare products, view monthly offerings and the latest promotions, and track their orders in real-time."

Digitalization is central to the DNA of Kigo Chemical, which launched during the pandemic. "We were born during the pandemic, and we faced serious questions about how we could start in a business that is oriented around people without access to people," Alejandro Iniestra, managing director, said. "We decided to see the pandemic as an opportunity and launched our ERP with Microsoft."

Mexico is, however, a country with a culture known for amiability and sociability. In the cultural context of the country, it is unlikely that systems will be completely digitized, or that front-facing human interaction will cease to be an expectation. "We are not planning to substitute everything for digital because the human element is crucial, particularly in Mexico, where we have a warmer interpersonal culture," said Valdivia.

The value a distributor creates is through their ability to turn physical products into cash. Historically, a distributor's local knowledge and local infrastructure was their value-add. Digitalization will allow distributors to add value not just by using information to improve decisions related to inventory. but also to leverage information and analytics to understand market trends, foresee future demand with greater accuracy, and identify and meet the specific needs of different clients.

Printing & Packaging

Rubber



#### It's Caldic time in Mexico!

Caldic is a global leader in specialty ingredients and raw material distribution with presence in Europa, North America, Asia-Pacific and most recently in Latin

With the fully integration and rebranding of GTM into Caldic, the company expands its reach and leverages its portfolio and value-added services even further, focusing on bringing innovative solutions to the market.

#### We offer solutions for several markets:

- Agroindustry
- Coatings
- Food O Home Care
- Lubricants Personal Care O Pharma Plastics



GBR Series



**>>** 

There is room to grow at double-digit rates in specialties in Mexico over the next five years, and that is our goal.



### Mauricio Cárdenas

Country Manager Cluster Mexico **CALDIC** 

Caldic mean for the Mexican market? Caldic has a very strong presence in life sciences, which is aligned with our focus on growing our specialty business in Mexico. Industrial chemicals is part of our day to day and we want to continue growing in that area, but our current focus is really on specialties. is going to make a difference.

We are very strong in paints and coatings, and we are working to consolidate our growth in the food and pharma segments. This requires certain levels of investment by us and the brands we represent. The merger with Caldic has resulted in some changes to our portfolio. We would like our principals to see us as their logistics arm in the country, as a strategic partner to reach those clients that large manufacturers cannot directly reach. Additionally, through the merger of Caldic with Connell, which is subject to final approvals, we will expand our capacity to bring more brands and products from Asia.

Are you focusing on new talent acquisition as you shift towards specialties?

What does the merger of GTM and Before, we had sales people that dealt with both industrial chemicals and specialties, but that has changed. We no longer have mere sales people, we have technical teams that add value to clients through knowledge and product development. Clients should not knock on our door for spot trades. Rather, This is where our merger with Caldic we aim to build longer-term relation- advantage for both our clients and ships with our clients.

#### What opportunities do you see in Mexico for distribution?

Mexico is a strategic provider to the US in every single industry that requires specialty solutions: food, pharma, paints and coatings, construction, etc. Mexico is also the country with the largest number of free trade agreements across the world, so there are great opportunities to do business with other nations. Moreover, the process of nearshoring is putting Mexico in the spotlight as one of the largest receivre-regionalize.

While Brazil is overall a larger market, the opportunity to grow in the distribution segment is somewhat bigger in come from acquisitions.

Mexico than in Brazil. There is room to grow at double digit rates in specialties in Mexico over the next five years, and that is our goal.

INTERVIEW .

#### How is your product portfolio becoming more sustainable?

We have a team permanently looking for new products, and as part of this process we constantly look at reducing the use of synthetic products or replacing those products altogether with the use of ecological raw materials. As a company, we have a commitment to reach zero emissions by 2024. Through our 'New Product Introduction Platform', we identify opportunities for new products in terms of how we can generate solutions for particular industries and clients. For example, we represent a company from Finland, FP Pigments, that has a product that reduces the usage of titanium dioxide in resins. This has a cost reduction implication, but also allows for lower emissions.

#### Logistics is a key element for a distributor. What are your strengths in this area?

Logistics is one of the greatest strengths of Caldic. We have a Houston office dedicated to logistics, and we have a strong position when it comes to negotiating shipping rates and better itineraries thanks to the large volumes we handle -that is an our principals. All this said, while we are a very large company with Caldic, and will be even bigger with Connell, we are still a very agile company in Latin America.

#### What are the prospects for the company in the years to come?

We aim at having sustainable growth and being recognized for adding value across all our business lines. We belong to an investment fund, and the idea is to continue growing. This can be achieved via organic growth and via acquisitions. Any M&A activity has to be strategic, meaning we need to ers of investment as supply chains find companies that complement our business. We are currently looking for opportunities in Mexico, and we expect 20% to 25% of our growth to ■ INTERVIEW Global Business Reports GBR Series



# Miguel Valdivia

Managing Director **TRADE CHEMICALS & PRODUCTS** 

### How does Trade Chemicals & Products support the Mexican chemicals industry?

Trade Chemicals & Products (TCP) was founded 23 years ago to serve as a distributor for our principal market, silicone emulsions. As of 2023, we have been growing our



strength in silicones, with a presence in industries such as food-grade chemicals and defoamers. Regarding food-grade silicone emulsions, we focus on sweets, bread and tortillas. We serve paints, textile processes and water treatments in the defoamer area. And we are involved in yogurt, tequila, juice, etc. TCP has continued growing in different commodities and we continue exploring and diversifying our presence in specialty chemicals.

Our main base is over 5,000 square meters, consisting of a production area, a warehouse, and areas for industrial products and food products. We have another warehouse close to the Benito Juarez International Airport and a warehouse in Mérida, which serves the southeast region. TCP also has an in-house transport team with a fleet of trucks. Our operations cover all of Mexico, from Baja California to Quintana Roo.

#### Where have you experienced growth in 2022?

In 2022, we grew significantly on the chemicals side. We have directed our forces in the Bajio region and Sinaloa and Jalisco. We have expanded our presence in chemical products such as fertilizers. We want to improve our portfolio in the agricultural sector. TCP has grown 20% in this sector, and in 2023, we expect to continue this success. We also intend to direct energy into the cosmetics, food and detergents industries.

### How have raw materials shortages impacted your operations?

In 2022, the industry experienced shortages, but these shortages benefited TCP. Our clients needed to look for different products, and we were able to help them find what they needed. Sometimes we already had it, and sometimes we helped them find substitutes. The shortages allowed us to capture an excellent part of the market. It is better for us as a distribution company for the Mexican market to be experiencing shortages than not. However, the cost of containers coming from China has significantly dropped in the past year, allowing us to lower costs and increase offerings. As a result, we expect the shortages to end and a return to pre-pandemic prices in most areas. For 2023, I foresee a normalization of prices.

#### How does TCP incorporate sustainability?

We are focusing on improving our sustainability metrics. We work with Polaquimia and Stepan to ensure that our products are better for the environment. Energy is also a priority for sustainability, and TCP is working to shift to solar energy. In the office, we don't use paper; almost all our information is digital to reduce paper waste. A sustainable approach is fundamental to TCP.

#### What makes TCP a partner of choice for your clients?

Our principal strength is that we can formulate, making us more competitive compared to other companies. We are also successful due to our portfolio – we carry what the client needs daily. We ensure that we have the most significant quantities of high-quality products possible. We are present and timely in our operations, with reasonable prices. Another strength is that we have our own transportation team, which allows us to get the products to their destination quickly and securely.



# Javier González

Director **QUIMISOR** 

### How has Grupo Quimisor grown since its founding?

Grupo Quimisor began as a seller of polyethylene and has grown to over 100 employees, moving polyethylene, polyporpylene, PVC, PET, and polystyrene. We are divided into three companies. Our core business, Grupo Quimisor, is based in Guadalajara and serves as a distributor of raw materials. We also have a logistics company, Bagsack, that receives products by railcar. Finally, we have a transportation company called Servicios Profesionales SOR. In Guadalajara and Aguascalientes we have distribution centers with railway tracks in both locations. Our bagging capabilities include machinery for PET, PE, PP and PS.

On the transport logistics side, we have vehicles from bulk trucks to mid-size trucks. Grupo Quimisor is integrated from reception of railcars, bulk deliveries, bagging equipment and warehousing. Our involvement at all levels of the process differentiates us from our competitors, many of whom use third parties for their logistics and storage.

### What is your strategy for the coming year?

One of our major priorities is to diversify our overall business and strengthen our logistics side, including expanding our logistics center in the state of Aguascalientes, Mexico.

In Mexico, there needs to be more rail infrastructure available for industrial use, so we see significant opportunities to grow and develop these other businesses •



# Javier Cortina

CEO **POSSEHL** 

### What is Possehl's history in the Mexican market?

We are 100% Mexican and distribute raw materials to thirteen industries. Our primary market is Mexico, but we also have sales and marketing offices to service the South American markets. We have warehouses across Mexico, including Monterrey, Altamira, and Mexico City, among others, with a team of over 100.

# How can improving infrastructure be prioritized in Mexico?

Mexico has incredible opportunities, but the infrastructure is a major challenge. The most critical infrastructure is ports and inland roads. The ports have an excellent opportunity to expand, but decisions on the government side are prolonged.

# How has Possehl positioned itself for success in the coming year?

We have, on one side, a high-value technical service, which provides after-sale support. Our second focus is maintaining agility in the decision-making process. We had an excellent year last year, so our objective is to have an even better year this year. We want to grow our market share and move into areas where we are newer, including the food and beverage sectors and the ceramics and glass industries.



# Alejandro Iniestra

Managing Director **KIGO CHEMICALS** 

# Kigo Chemicals is new to the market. Can you discuss your past two years?

We launched Kigo Chemicals in 2020 and are proud to be a digital company with different digital platforms. In January of 2023, we launched Kigo Connect. This platform lets our customers have a 360-degree visibility of our business—they can place orders, ask for quotes, check inventory, and so on. Our digital approach differentiates us from the traditional distributor.

Our ability to make blends also differentiates us from our competitors. We have three laboratories on-site in our park in Mexico City, with on-site formulation capacities. We can store more than 2 million kilograms, which is a good amount of storage capacity for a specialty distributor.

### What is the strategy for Kigo Chemicals in 2023?

These past few years have been good for all the distributors I know. The skyrocketing costs of raw materials make distributors lots of money. This year, things are going to change. The supply chain is improving, and there is more product in the market, so the main challenge is to keep growing while the prices of some raw materials fall.





"All major companies, including those in the chemical industry, have sustainability targets requiring significant power usage shifts. In Mexico, sustainability will be driven by the private sector rather than the public."

Salvador Urbina, Vice President , Linde Energy & Engineering

# LOGISTICS AND SERVICES

**GBR SERIES • MEXICO CHEMICALS 2023** 

Image courtesy of FR Terminales



Despite seeing significant growth and many opportunities due to the ongoing nearshoring trend, the Mexican logistics sector grappled with security challenges in 2022. According to ANIQ, in 2022 there were 2,854 incidences of road robberies in the chemical industry, of which 2,478 qualified as violent. Of those, 53% occurred in Mexico State.

The impact of violence on chemical industry logistics is not merely an issue of random or small scale criminals. The strength of cartels and organized narcotics crime is a direct threat to the industry. Jorge Pedroza, director general of ED Forwarding, explained: "There are certain towns where the rail passes or junctions are located where there is significant violence due to narcotics crime. There are substantial issues when the syndicates completely close down rail lines."

2023 was thrown into sharp relief by the extensive violence following the arrest of drug lord Olividio Guzmán-

Lopez, the son of Joaquín "El Chapo" Guzmán. The cartel's reaction included blocking roads, burning vehicles, and shooting at planes at the local airport, shutting down the movement of goods near Culiacán in Sinaloa.

Rail blockages and stoppages are not just the result of organized criminal activity. A common tactic of protesters is to shut down transit routes. "I argue that blocking rail tracks is a federal crime and should be prohibited," stated Humberto Siller, CEO of Logística Integral. "We have asked the government to guarantee free transit, an established right in the Mexican constitution. Free movement is not just about the free movement of people, but also commerce."

The logistics sector supports the rights of the general populace to protest and free speech, however, the government must balance the right to protest with the right to The danger that narcotics crime will continue to play in free movement. At the moment, the government is far too deferential to protesters at the expense of the logistical needs of Mexican industry and the population at large.



EDITORIAL .

The lack of government investment in Mexico's infrastructure leaves the country unprepared to meet future demand. Santiago Carús, CEO of Euromex Logística, highlighted the Port of Manzanillo as insufficient. He said: "A ried out by people." serious issue for the industry is the capacity of the Port cantly outstrips the capacity of the port."

mand. "It is impossible to maintain commerce between the largest economy in the world and Mexico with only two-lane highways," said Siller. The incapacity of the roadalso more accidents on the road.

This was only exacerbated by a significant shortage of drivers on both sides of the border. Martin Sack, Regional Head Americas of Leschaco Group, stated, "In Mexico, the a problem which will continue in 2023." According to the International Road Transport Union, the shortage of drivers 87,500 drivers, while Mexico's national chamber of trucking (Canacar) identified a shortage of 50,000 drivers.

Despite these limitations, 2022 offered noticeable opsector. In March of 2022, the Felipe Ángeles International Airport opened in Mexico City, relieving pressure on air infrastructure at the existing international airport. Additionally, the Tehuantepec Isthmus Interoceanic Corridor project, which will allow for the movement of 1.4 million containers annually at the narrowest point between the two oceans, is expected to begin operations in 2023.

Private investment, too, is an area of opportunity, and individual businesses have stepped up to fill the infrastructure gap. For example, in late October 2022, Kansas City Southern (KCS) broke ground on its new International Railroad Bridge, which will cross the Rio Grande from Nuevo Laredo, Tamaulipas, to Laredo, Texas. At the groundbreaking, KCS president and CEO Patrick J. Ottensmeyer stated: "The bridge will make this vital USMCA trade corridor safer, more fluid and secure, and relieve traffic congestion in Laredo and Nuevo Laredo."

Rodrigo Ordoñez, CEO of Mexico for Katoen Natie, highlighted investment in the logistics sector, stating: "Mexico is a significant market for Katoen Natie, and we invested US\$41 million in the country. In the coming years, Katoen Natie is expanding our rail terminals."

FR Terminals, a company with over 20,000 meters of railway tracks, is also investing significantly in Mexico. Ramón Isla Gómez, general manager, said: "Currently, our most important expansion project is in the seaport terminal in Tuxpan, which will increase our storage capacity by 30%."

Demonstrating a similar commitment to the country, Leschaco Group is strengthening its presence in Mexico. "Over the next 4-5 years, we expect to open one additional warehouse per year in Mexico," stated Sack. On the services side, they will open a regional control tower in the country in 2023, demonstrating the trend towards digita-

Infrastructure: The Private Sector Steps Up to the Plate lization. Francisco Gálvez, Managing Director of Leschaco Mexicana, said, "The control tower will offer our customers import and export order management, adding technology and visibility tools to a process that is currently largely car-

Bordering the United States, with access to both the Paof Manzanillo. The quantity of cargo being handled significial cific and the Atlantic, and easy access to Central and Latin America, Mexico is exceptionally well positioned to attract Roads and rail, too, need to be improved to meet degrowth and investment. Alfredo Maldonado, director of sales of Bolloré Logistics México, praised the country's geographic position, which allows for just-in-time delivery, saying: "Many goods from China arrive only after ways to carry the necessary volume of vehicles not only major delays, which costs significant money, whereas in leads to significant delays as goods are stuck in traffic, but Mexico, goods can be transported to any city in the US within 24 hours."

Leschaco is betting on the value of this geographic position. Sack said, "We want to re-open our own operation in Laredo, Texas, a joint project between Leschaco Mexicana main concern was the shortage of trucks and truck drivers, and Leschaco, Inc., as we expect a strong growth in the cross-border business between the US and Mexico."

It is the industry's hard investment in infrastructure that in Mexico grew by 175% in 2021, resulting in a shortage of stands out in 2023. A collaborative approach to private sector investment in the logistics industry demonstrates the sector's determination to take advantage of the bright future provided by regionalization. Siller explained: "At portunities to celebrate public investment in the logistics Logística Integral, we are always focused on collaborating with our competitors. All the companies in the industry know each other very well, and we are all interested in achieving the same goals."



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www.frterminales.com contacto@frterminales.com



# Martin Sack & Francisco Gálvez

MS: Regional Head Americas, Leschaco Group FG: Managing Director, Leschaco Mexicana **LESCHACO** 

#### What is Leschaco's current vision on How has Leschaco Mexicana pera global and regional level?

MS: In 2022, we have launched the Leschaco Big Picture 2030, an ambitious strategy plan which strives for fast growth on a regional and global level. Leschaco's Big Picture is to unite all our employees, customers and business partners behind the same values, the same strategy, the same purpose strength and well-being of our people. We already have initiated 8 strategic initiatives which build the core pillars of our Big Picture 2030.

### workforce?

MS: In Mexico we have always invested MS: The economy started to slow down, heavily in young talent by partnering with local universities. We hire 10 to 12 young apprentices yearly who get approximately two years of training in addition to their university studies, the various global political turbulences. and we plan to double this number by next year. Our model successfully finds capable employees for the organization at an early stage. We are looking to export talent developed and trained in Mexico to other markets, such like Latin America, or even to our headquarters in Germany.

### formed in 2022?

FG: 2022 was a good year for us and for the entire logistics industry, with a growth rate in in the double digits. All our products contributed positively to this growth. We were facing a lot of verticals, such as automotive, health challenges due to the overall logistics and home care, as well as minerals. disruption. In Mexico the main concern was the shortage of trucks and and the same vision, while relying truck drivers, a problem which will on who we are and focusing on the continue in 2023. We currently have to open one additional warehouse around 220 people in Mexico, and we are using Mexico more and more as a re-open our own operation in Laredo, regional service center.

#### How has the challenging macroeco-How do you develop talent for your nomic situation impacted your operations?

and we have seen a clear drop in orders at the end of 2022. The general outlook for 2023 is challenging due to high inflation rates, slow economic growth, and At the same time, we have seen significlear recovery during the second half- since the pandemic.

year of 2023. Despite of the concerning environment, we see good chances to grow our market share through aggressive sales campaigns and innovative products.

#### What is Leschaco doing to digitize its processes?

FG: In 2023, we will continue with the global implementation of a new transport management system and expect to provide productivity gains between 20% and 25%, once fully implemented. We are also proud to announce that we will install a regional control tower for our customers in the first quarter of 2023, which will be located in Mexico. This control tower will offer our customers import and export order management, adding technology and visibility tools to a process that is currently largely carried out by people. This control tower will utilize technology provided by our sister company, Logward, who is focused on digitized supply chain solutions.

#### What is your overarching strategy for next year?

MS: One of our main targets is diversifying our participation in different industries. We aim to grow in various We also strive to further increase our market share with the chemical industry. Over the next 4-5 years, we expect per year in Mexico. We also want to Texas. On regional level, we want to further grow our geographic footprint in the Americas region. As part of this strategy, we already opened in 2022 new companies in Peru and Colombia.

#### How are you planning to celebrate your 25th anniversary?

FG: We are incredibly excited to celebrate 25 years in Mexico, sharing that milestone with our employees, customers, and business partners. cant improvement related to logistics It will be a year-long celebration, not disruption. The transport sector is sta- just one event. The highlight will be bilizing more and more, and the freight our 25th-anniversary celebration in rates in the main markets are decreas- October. We will also organizing again ing. We expect a difficult first half-year our own logistics symposium in Mexi-2023 with stagnating volumes, and a co City in May 2023, for the first time



**>>** 

We are one of the a few companies in Mexico to offer both flexitanks and isotanks for bulk liquid transportation by ocean.



# Santiago Carús

CFO **EUROMEX LOGÍSTICA** 

### **Could you discuss the history and** for chemicals from Asia. Due to this,

2000 as a logistics business specifically serving the tequila industry, and we have since expanded into other areas. We offer flexitank and isotank transport. Over 20 years later, the tequila business remains strong. There has been a real boom in tequila, particularly after the pandemic, during which the consumption of alcohol increased worldwide by double digits. Accordingly, Euromex Logística has experienced incredible growth over the last two years. From 2020 to 2022, our tequila operations grew by 200%. In the area of flexitanks, we have also experienced significant growth. The pandemic led to an increase in home cooking and, therefore, an increase in the consumption of vegetable oils transported by flexitanks. Teguila and flexitanks are the two areas with the most remarkable growth. We also have an isotanks business segment for transporting dangerous chemicals. Now that China has reopened for

**recent growth of Euromex Logística?** our isotanks business grew by 50%. Euromex Logística was founded in We are one of the a few companies in Mexico to offer both flexitanks and isotanks for bulk liquid transportation by ocean.

#### How does Euromex Logística serve the chemical industry?

Euromex Logística uses isotanks to export and import a wide variety of products for the chemical industry. We receive the product in Mexico, deliver to the factories and return the empty tanks, to continue the cycle. On the other hand, we have worked with a petrochemical client exporting plasticizers for over 15 years. We also export resins for the paint industry with our flexitanks. In addition, we can transport a wide variety of specialized products, working with companies such as Grupo Delta to transport specialized chemicals from Asia.

# growth in the flexitanks industry?

Flexitank usage is growing faster than business, there is significant demand isotank usage because flexitanks are everyday operations.

used to transport non-dangerous liquids. A flexitank is the cheapest option for transporting a bulk liquid. For example, it costs US\$6,000 to bring a liquid from Mexico to Europe in an isotank, but only US\$2,400 to bring the same liquid in a flexitank. It's an unbelievable price difference, and more businesses are shifting to flexitanks every day. We expect this growth to continue. We are positioned exceptionally well in the Mexican market and are very content with the quality of our service. In 2023, we will open an office in Guatemala for flexitanks and isotanks in addition to our pre-existing operations in Brazil and Argentina.

#### What is the greatest challenge facing the Mexican logistics industry?

A serious issue for the industry is the capacity of the Port of Manzanillo. Manzanillo is the largest port in Mexico in terms of the number of shipping containers processed, but it is the smallest port in terms of physical size. The quantity of cargo being handled significantly outstrips the capacity of the port. Due to the location's geographic limitations, increasing the port's capacity will be challenging.

# Can you describe your focus for the

We are in an excellent position right now, experiencing significant growth. Our primary objective is to stabilize and organize ourselves to continue meeting the current workload and then to continue growing our market in Latin and Central America bit by bit. We have plenty of business right now, so we are focused on ensuring that our foundation remains strong and, from that position of strength, continuing to expand.

Our growth strategy mirrors the growth of our clients, and we expand to new areas based on the needs of our clients. For example, we have increased our business partners in Spain, because we have clients who need services between What has caused the significant Mexico and Spain. We expect to continue prioritizing our clients' needs in our expansion strategy and our



# **Jorge** Pedroza

Managing Director **ED FOWARDING** 

#### How does ED Forwarding serve the was not caused by the pandemic but Mexican chemical industry?

company, but we have partnerships that allow us to diversify our operations. ED Forwarding has offices in the airport, Queretaro, Puebla, and Guadalajara, and we will soon open an office in Monterrey. It has been an excellent year for freight forwarding with significant expansion.

### What infrastructural investments uation?

transport by rail and road. Additionally, in flux, and we need improved certainty for customs approvals. Ports and airports significantly larger ports and airports.

Regarding rail, the need for more investment in the rail system limits what double its rail infrastructure to serve the

### infrastructure?

The real problem with delays at the port growth in our market.

rather by staff shortages at the ports We are a non-asset freight-forwarding and airports. They have quit not just because of low salaries but also because of challenging hours.

#### How have violence and crime impacted the Mexican logistics sector?

There are certain towns where the rail passes or where you can transfer the railcars, where there is significant violence due to narcotics crime. The chemwould improve Mexico's logistics sit- ical industry has suffered from high rates of robberies during rail transit. There are significant issues with safety in There are also substantial issues when the syndicates completely close down customs regulations are complicated and rail lines. Another issue is fuel robbery, which happens all over the country.

#### are collapsing, and as a country, we need Why is Mexico an excellent place to do business?

The youth and the energy we have in Mexico are incredible. If we can support the industry can do. Mexico needs to those youth with more modern universities, this population will continue to volume of Mexican industrial production. be a major benefit. To take advantage of the benefits Mexico offers, we have How have you managed insufficient three focuses: investment in technology, the education of our team, and



# **Alfredo** Maldonado

Director of Sales BOLLORÉ

#### Can you provide a summary of the ac- costs significant money, whereas, in tivities of Bolloré Logistics in Mexico?

seeing growth across Latin America as vantage of this new demand. a whole.

#### How does Bolloré Logistics México ity within your operations? support the chemical and petrochemical industries?

We offer the assembly and disassembly of plants and processes for the petrochemical industry, ranging from fertilizer plants to ethylene cracker plants. providers, ensuring that we operate sus-Our unique expertise is in assembly and tainably within our operations at all levels. rigging. We have the capacity to move We are also driving innovation to improve entire plants. We disassemble, transport, and assemble them again.

#### Where do you see areas of growth in LNG, which is cheaper and generates sig-Mexico?

We see significant opportunities in the automotive industry in Mexico. Mexico is now highly positioned in the eyes of businesses worldwide. Many goods from Chi-

Mexico, goods can be transported to any In Mexico, the majority of our traffic is city in the US within 24 hours. Additionto the US. We transport approximately ally, the cost of land transport is dramati-100,000 trailer boxes every day. Bolloré cally lower than that of maritime transit. Logistics México is seeing significant We just decided to open an Automotive growth within the country, and we are Competence Center in Mexico to take ad-

# How do you incorporate sustainabil-

We monitor our carbon output closely and produce detailed reports, which we offer to our clients so they can use them for their certifications and their own carbon footprint monitoring. We audit our the carbon footprint of the logistics sector. Together with the entire logistics industry, Bollore is pushing for ships adapted to use nificantly fewer carbon emissions.

#### Is poor infrastructure in Mexico a challenge for Bolloré Logistics México?

No, the infrastructure that we have in na arrive only after major delays, which Mexico allows us to import quite easily.



**>>** 

We have increased storage capacity of specialty chemicals to feed the auto and houseware industry, which is largely concentrated in the northern part of Mexico.



### Ramón Isla Gómez

Managing Director **FR TERMINALES** 

#### **Terminales and its presence in the** have several certifications, such as ISO-Mexican market?

FR Terminales is a Mexican company that has over 25 years of experience in the chemical sector. We focus on the storage and transloading services of chemicals, grains, minerals and plastic resins, as well as tolling and mixture of products. We can provide our services throughout the whole country through nine railway and one seaport terminals. Our objective as a company is to strengthen the supply chain of our customers, guaranteeing the security of our cargo and personnel, while also meeting all regulatory demands and necessary permits for the proper handling of the products we manage in our facilities.

#### **How has FR Terminales contributed** to the growth of the chemicals industry in 2022?

The chemical industry accounts for ap-

**Can you provide an overview of FR** nel undergo rigorous training, and we 9001:2015. Also, we form part of ANIO's Responsible Care Management System (SARI), which sets ESG standards for chemical and petrochemical companies that operate in Mexico.

Our ability to specialize in the safe handling of chemicals has allowed us to expand our customer base and thus contributed to the growth of the chemicals industry in Mexico.

#### What were important lessons learned from the tight supply chain over the last two years?

We faced operational challenges that required us to quickly adapt to our customer's needs, so we had to learn how to make our strategies more efficient and responsive to the different chemical products that we handle. One of the most important lessons we learned is The entire supply chain suffered from the need to invest in technologies and setbacks in production costs and lo-training of our staff to be as effective gistics in 2021, so the role of logistic via remote work as in person. We are oriented companies such as FR Termi- still seeing disruptions to the supply nales was essential to meet the market chain because of the ongoing geopolitidemands of our clients nationwide. cal issues and the lingering effects of the pandemic. Our biggest challenge now is proximately 90% of our portfolio, and attuning to the logistical problems in we are specialized in handling different Mexico, where investments are needed chemicals. To do this well, our person- in terms of infrastructure and operation better serve our clients. ■

capacity. While we are being cautious about making large investments due to a potential global recession, we are still expanding our customer base and improving our systems. For example, we increased our installed capacity to be able to stockpile high-demand products and be able to maintain the supply chain active. We have seen trends toward specialty chemicals to feed the auto and houseware industry, which is largely concentrated in the northern part of the country, so we have increased the storage capacity of these chemicals.

We also learned to strengthen our relationships with our regional trade partners, given that 80% of the products we receive in our terminals come from the US and Canada.

#### How has FR Terminales adapted to the increase in the cost of petroleum?

We have implemented a series of initiatives to optimize the use of energy, which have allowed us to significantly reduce operational costs. We have also improved our procurement strategies. Additionally, we have invested in stateof-the-art equipment and proper personnel training to make our operations more environmentally friendly. Many of these changes have also been driven by our customers, as they are also opting to minimize their environmental impact. In fact, many of our customers opt to use our railways systems because of the minimal carbon emissions and high quantity delivery.

#### What is FR Terminales objectives in 2023?

We are a company that prides itself in meeting the needs of our more than 180 customers. Currently, our most important expansion project is in the seaport terminal in Tuxpan, which will increase our storage capacity by 30%. At the same time, we are diversifying our portfolio and expanding our knowledge on the safe and efficient handling of specialty chemicals that are in demand. Our focus is to support our domestic and international customers and open Mexico to more companies. The chemical industry is essential for the growth of the Mexican economy, and we want to expand our services and expertise to

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# Humberto Siller

CEO LOGÍSTICA INTEGRAL

#### What infrastructure does Logística The government needs to provide legal **Integral have in Mexico?**

and was the company that obtained the third permit from the SCT-Secretary of Communications and Transportation of the Federal Government to invest, build and install a cargo railway port, aiming to serve the general public, particularly the industrial sector. As a result, Logística Integral became a leader in developing several terminals in Mexico and USA. Our terminals are situated in the network of Kansas City Southern. We have 250 employees, three terminals owned and operated for our company located in San Luis Potosí, Queretaro and Mexico City (Toluca).

#### How do you serve the chemical industry?

In 2002 Logística Integral began to offer services to the petrochemical and chemical industries, particularly in plastic resins. Since then, we have provided rail logistics services for the plastic res- tric cars in San Luis Potosi, while TESLA will ins industry.

logistics sector?

certainty for rail transit. As the president Logística Integral was founded in 2000 of the logistics cluster of San Luis, I argue that blocking rail tracks is a federal crime and should be prohibited. Protests must be allowed, and free speech is vital, but that should not impact national transit routes - not just rail tracks but also roads. We have asked the government to guarantee free transit, an established right in the Mexican constitution. Free movement is not just about the free movement of people, but also commerce. The Mexican government has greatly improved its performance on this issue and we have had two years without blockades due to protests on the country's railways.

### How can nearshoring drive growth in

Nearshoring is bringing significant opportunities. The president of Mexico announced BMW's interest in constructing the largest manufacturing plant for elecbuild an electric car manufacturer plant in Monterrey. Despite the coming downturn, What impact do protests have on the nearshoring could enable Mexico to maintain a solid economic footing.



# Rodrigo Ordoñez

Managing Director México **KATOEN NATIE** 

#### What is your presence in Mexico?

Our operations in Mexico are 100% logistics-focused. We offer logistics sochemicals, and other areas, and we US by rail. use our significant technical expertise to support our clients through supply chain engineering. We have operated in Mexico since 2003, celebrating 20 years in 2023. We have 250 employees, offering both on-site and off-site operations. We also have three terminals of our own, serving multiple clients, including Dow, ExxonMobil, Braskem Idesa, Sabic, LyondellBasell, Amsty, among others. We do real-time logistics, carrying out all parts, including packaging, storage value added services and distribution.

#### Why are railroads a key feature in the **Mexican logistics landscape?**

In Mexico, the most important form We participate in the global Operaof freight transport is rail hoppers. We have capacity to handle 1,100 rail hoppers in our terminals.

The market for plastic resins is approximately 7 million tons, and it is largely imported. Almost 70% of the volume we transport comes from the US. The rail market is critical for our operation tion in this program.

because it is the best way to transport these materials in a safe manner. Containers are much more expensive, and lutions for petrochemicals, specialized it is much quicker to get products to the

#### What value add do you offer in comparison to the competition?

The company is highly focused on our process-engineering side, and we are constantly focusing on optimizing a process. For example, we developed high speed packaging machines to maintain the flow. We have the operational knowledge to handle complicated tasks and innovate and improve processes.

#### How does Katoen Natie prioritize sustainability?

We work to reduce plastic contamination of oceans and water resources. tion CleanSweep partnership with petrochemical companies, focusing on proper recycling. We work with ANIPAC in Mexico, which has a similar program called Cero Perdida de Pellets. Katoen Natie is the only logistics company in Mexico with the Blue Badge certifica-



Image courtesy of Airliquide

As multinational corporations and the chemical sector at cesses, and equipment systems contributes to the circular large have increased their demands for sustainability along economy. Loveman stated: "We take a piece of equipment or the value chain, the services sector is seeing growth in pro- a plant from one manufacturer and offer it to another that cesses that improve sustainability metrics. The prioritization can be repurposed or reused, so we are ultimately a recycler of sustainability has included investment in the move towards a circular economy, a focus on improved efficiencies through digital solutions, and a continuing desire for afford- A green hydrogen revolution led by the private sector able renewable energy.

José María Bermúdez, CEO of Viakem, which provides custom and contract manufacturing solutions, sees growth in the agrochemical and performance chemicals sectors, where sustainability is increasingly a major priority. He stated, "A from the private sector. significant amount of our participation is in high-growth essential value chains."

Assisting the chemical industry to improve efficiency in processes is central to the support the services companies provide. As Astrid González, chemical industry manager of Endress+Hauser México, explained: "The question for the chemical and petrochemical industries is how to modernize and digitalize in transformative ways. In the past, there often wouldn't even be Wi-Fi in the industrial section of a plant."

Connecting the processes from beginning to end in a technologically advanced way enables growth for the industry. This shift, however, requires chemical companies to prioritize talent and recruitment, said José Ruiz, CEO of Alder Koten IMD. "In order for companies to be part of the Fourth Industrial Revolution (Industry 4.0), they need to attract skilled workers to help them manage modern operating systems."

#### The second life of plants and processes

An area of notable success for sustainability in the services industry is Engineering, Procurement, and Construction (EPC) firms that operate primarily by reselling used processes, plants, and machinery. By selling high-quality used machinery and processes at a lower price, the industry enables mid and small-size Mexican companies to compete while still being an essential partner for more prominent players.

Mexico is an excellent place to do business for this subset of the EPC industry. Pedro Schlaefli, executive director Latin America sales and engineering at LCEC, noted: "There is no regulation on second-hand equipment. In comparison to cess to plenty of carbon-based products, but insufficient Brazil, for example, Mexico is a significantly easier country in terms of importing machinery."

And in many cases, Mexican companies prefer secondhand equipment they trust to newer equipment of potentially lower quality. "A factor in the industry's success is the quality of the used equipment build in the US and Germany," said Pedro Schlaefli, executive director Latin America sales and than cheaper, new equipment from China."

Tony Loveman, director of business development Latin America for IPP, explained that reusing retired plants, pro-

of the industry."

The word on everybody's lips, it seems, is hydrogen. Although the gas provides only one part of the larger sustainable energy matrix required for Mexico to complete a green transition, it is the subject of conversation and notable investment

Salvador Urbina, vice president of Linde North Latam Energy & Engineering, explained: "The government has not emphasized green hydrogen, but the move towards clear gases will continue to happen in Mexico because the private sector will focus on it regardless of government investment."

To facilitate interest in green hydrogen, a unified and clear regulatory approach is necessary. The industry is building a united approach to advocacy: the recently formed Mexican Association of Hydrogen hosted a well-attended conference in 2022. Florencia Vitelleschi, country manager of Topsoe and an attendee of the conference, explained: "To develop the market, on the one hand, we need legislation, and on the other, we need investment. The legislation will have to come first."

There is a visible move not just towards hydrogen but a further focus on more expensive low-carbon hydrogen and green hydrogen, which is entirely carbon neutral. Caio Zapata, CEO of Énestas, noted multiple shifts towards more sustainable energy in the Mexican energy sector: "When we founded the company, our goal was to improve the environmental impact of the industry in Mexico by substituting natural gas for diesel and propane, which produce more greenhouse gases. Now that we have the infrastructure, it is simple to substitute renewable gas for natural gas."

The industrial gases segment, in particular, is an area for which Mexico is well-positioned for growth as an exporter. "Mexico has an excellent position for exporting products to the Asia Pacific," Salvador Urbina, vice president of Linde North Latam Energy & Engineering, explained. "Asia has acgreen products and therefore requires significant imports."

The recent signings of the Bipartisan Infrastructure Law and the Inflation Reduction Act have significantly lowered the cost of hydrogen production in the US, making it more challenging for Mexican companies to compete. Jorge Hinojosa, business development lead at Hinicio, nonetheless sees room for positivity: "We expect that Mexico could benefit from these engineering. "Mexican companies would rather buy more exbills in some ways, such as technological spillover from the pensive, second-hand equipment from the US and Germany United States enabling Mexican companies to utilize cuttingedge hydrogen technology within a shorter timeframe. These incentives are already changing the game, but that does not necessarily mean there won't be opportunities in Mexico."



# **Salvador Urbina**

Vice President **LINDE NORTH LATAM FNFRGY & FNGINFFRING** 

#### **Could you describe Linde's footprint** is extremely useful, as it can be an enwithin Mexico?

all states of Mexico, with more than 60 plants and more than 300 locations in the country, including distribution sites such as depots. We have on-site plants, pipelines in the main industrial complexes, and merchant capabilities. The company is fully integrated, managing its own production, distribution, and commercialization.

of the project, we can execute the project entirely in Mexico with our local engineering team, or when needed, we can utilize the resources of our global company.

#### Where do you see success?

producing hydrogen (green, blue, and grey) involving CO2 capture. When a company uses hydrogen, it can lower its CO2 emissions compared to natural gas, even if it is not green hydrogen. We produce other green products such

ergy carrier, while green methanol also Linde has a complete footprint within lowers emissions. With these capabilities, even though 2022 has been challenging due to the macroeconomic environment and geopolitical situation, Linde has remained resilient.

#### What opportunities are you seeing for your operations in Mexico?

Mexico has an excellent geographic position for exporting products to the Linde has been active in Mexico for Asia Pacific. Asia has access to plenty many years, and depending on the size of carbon-based products but insufficient green products and therefore requires significant imports. Aside from clean energy, we see many opportunities for near-shoring US growth.

#### What is your strategy for Mexico for the next five years?

One of Linde's major businesses is Some local and global macro-economic uncertainty will continue but Linde's business model and high-performance culture will continue to support our customers' growth, productivity, and clean energy initiatives, as well as US nearshoring opportunities, acceleratas ammonia and methanol. Ammonia ing that growth in Mexico.



# **Florencia** Vitelleschi

Country Manager TOPSOE

### Mexico?

years ago and it is a critical market for us. Mexico has a large industrial sector with significant opportunities in both the refining and renewable fuels segments. There is potential for very low-cost renewable energy here, and our technologies will help Mexico take advantage of that potential.

#### What products and services do you offer for the chemical industry?

We provide excellent catalysts, which are extremely important for chemical production. In terms of technology, we offer Hydroflex, which enables the production of renewable fuels, including renewable jet fuels. Instead of fossil feedstocks, you can use renewable feedstocks such as garbage and animal fat oils. We also offer PureStep, a technology that enables companies to produce plastics from other liquid feedstocks, including low-grade mixed waste. These products play an essential role in the circular economy.

What role will green hydrogen play us from our competitors, and we will conin the energy transition?

What is the history of Topsoe in We have been working for the last 15 years to develop electrolyser cells that We started operating in Mexico twenty operate at high temperatures and are highly efficient at enabling the production of green hydrogen. We are building a plant to provide these electrolysers that will be ready in two years. The plant will produce SOEC electrolyzers and will be the world's largest, with 500-megawatt capacity per year, with an option to expand to 5 gigawatts.

> We are also active in the production of green and blue ammonia.

### Is Mexico a good market for green

To develop the market we need legislation and we need investment. The legislation will have to come first. Nevertheless, with the low renewable energy costs in Mexico, there is an excellent opportunity for hydrogen.

### How will you continue growing in

Our position on the cutting edge of new technology and innovation differentiate tinue building on this strength.



# Raphael de

**Montfort** 

Managing Director **AIR LIQUIDE** 

#### What is the history and footprint of ward renewable energy. Air Liquide México?

In terms of physical infrastructure, we 
Are you participating in the global started in Monclova, Coahuila where **move towards hydrogen?** ciency of helium operations.

#### How has Air Liquide México performed this year?

Air Liquide México recorded strong performance in 2022 in both financial and non-financial areas. Automotive and steel are performing exceptionally well, and as a result, there is substantial demand for our products in those industries. We have also increased our activity with new customers, primarily in food dependency on uncertain supply chains. and pharma, aerospace, medical.

strongly involved to reduce our carbon México in 2023?

we built the largest Air Separation Unit Air Liquide Group plans to invest 8 bilin Mexico. Our newest plant opened in lion euros in the low-carbon hydrogen 2021 in Apodaca, Nuevo Leon. Unique supply chain by 2035, working upin the north of the country, it is a state- stream with electricity providers and of-the-art helium transfill plant in re- downstream with our customers. Air sponse to the high demand and effi- Liquide in Europe has been involved in this hydrogen innovation and we are seeing new opportunities in the field, particularly in the mobility sector.

#### Is the current logistics and supply chain crisis an area of opportunity for you?

The logistics challenges have helped us and benefited Mexico because the crisis has led to opportunities for nearshoring. We see extensive new investment by our customers as they seek to reduce their

### On the operational side, we are What are the goals for Air Liquide

emissions. As an example, Air Liquide We aim to increase our diversity. In México finalized the installation of so- Mexico, our workforce is 29% female, lar panels at our Apodaca, Nuevo Leon and our goal is to reach 35% female as part of our company-wide shift to- managers and professionals by 2025. ■



Caio **Z**apata

> CFO ÉNESTAS

#### **What service does Énestas provide** or not there is a pipeline. It allows them in Mexico?

Énestas was founded in 2017 to bring more environmentally friendly gas. natural gas to Mexico, and since then, we have grown to a team of over 300. The company is divided into three sectors: terminals, stations, and trading. The terminals business depends on regularity because billions of dollars of the size of the company or the group of companies for whom we build and operate a terminal. The stations go directly to the customers' sites. And for ing raw materials shortages. the trading arm, we sell raw materials or fuel. We build the stations at the Is Mexico's poor infrastructure an customer's site and supply the LNG. The business that requires the most cause the market changes daily.

Is innovation a priority for Énestas?

We develop much of our technology and trucks instead of diesel, and our mobile station enables companies to have a fu-

to fuel their trucks with cheaper and

# Where do you expect to see invest-

Big terminals will not be built with great investment are rare. However, smaller terminals, the segment in which we operate, will see growth due to the exist-

### area of opportunity for Énestas?

We are trying to provide a solution people is the terminal business, but to the current lack of infrastructure the most dynamic one is trading be- in Mexico. For example, we provide small-scale LNG for any company that is not connected to a pipeline. We use new technologies to provide the raw materials and fuel needs for innovation in-house. For example, we companies that are just getting esdeveloped a mobile fueling station for tablished and struggling because the trucks. We are focusing on having LNG infrastructure is not yet there. Our business enables companies to set up operations in a country that has yet to eling station wherever they are, whether develop infrastructure fully.

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# Tony Loveman

Director of Business
Development – Latin America
INTERNATIONAL PROCESS
PLANTS (IPP)

#### Could you provide a brief overview of IPP's history and operations?

We focus on various process industries, including specialty and fine chemicals, agrochemicals, petrochemicals, and oil and gas refining, biotech, pharmaceutical, among others. IPP's business has three pillars. First, we acquire and sell complete manufacturing plants, including land, buildings, equipment, documents, and intellectual property, etc. In this area, we have about 16 plants. Second, we acquire and sell manufacturing processes without the real estate. For example, we have purchased such processes as an ammonia process and methanol process; we currently have 115 of these types of processes that we can relocate to where our customer require. And third, we acquire and sell manufacturing systems such as reactors, heat exchangers, etc.

# In Mexico, and where do you see an opportunity for IPP?

We can immediately offer used equipment at a 50% lower cost because it is already in inventory and can be rapidly delivered to clients in Mexico. We save both costs and lead time.



# Pedro Schlaefli

Executive Director Latin America
Sales and Engineering
LOUISIANA CHEMICAL
EQUIPMENT
CORPORATION (LCEC)

### Can you describe the operations and growth of LCEC?

Louisiana Chemical Equipment Corporation (LCEC) sells second-hand equipment for the chemical and oil industry throughout the US and, subsequently, Latin America and Europe. We are in an excellent position in Mexico because 90% of the Mexican petrochemical infrastructure is built using second-hand equipment. Mexico is our most important customer in Latin America due to its robust petrochemical industry.

It is easier and quicker to start a new facility or plant using second-hand machines because it is cheaper and faster to obtain materials and build the plant. Our business helps small and medium petrochemical companies to compete with larger petrochemical companies, equalizing the industry and leveling the playing field. Mexican companies would rather buy more expensive, second-hand equipment from the US and Germany than cheaper, new equipment from China.

# How does LCEC participate in the circular economy?

LCEC helps companies reuse, repair, renovate, and recycle equipment and significantly extends machines' use. ■



# Dario Belmonte

Business Development Manager for Latam GRUPO STIN

# Can you explain the history and current operations of Grupo Stin?

In Mexico, we offer integrated services, including scaffolding, insulation and industrial painting, as well as assistance with regulatory planning and approvals. In the services of scaffolding our knowhow is not only the rental of the material, but also grupo STIN offers our clients the assembling and disassembling with the specialized certified manpower.

# Can you describe significant projects you have recently carried out in Mexico?

We are currently working for Pemex on the project of constructing a refinery at Dos Bocas. We have worked with Shell, Braskem Idesa, and others.

### Where do you see growth opportunities?

In Mexico, energy is the area with most significant growth. There are many new energy projects. With renewable and green energies in the country, the energy sector provides a substantial area to expand our services.

# How will you serve the chemical industry over the next several years?

We are interested in establishing ourselves more deeply in the chemical industry in maintenance. ■

# The Chemical Sector in the Digital Age



"We are seeing many companies in the United States recruit people from Mexico to work remotely, leaving a shortage of talent in the country due to the competitive advantage that the US can offer to employees. Chemical companies in Mexico are competing for talent with companies in the US that offer higher salaries, resulting in a shortage of workers, particularly in tech positions that can be performed remotely."

José Ruiz, CEO, Alder Koten

"We work in cybersecurity, helping our clients strengthen the protections of their assets and systems. We recently bought a company in Holland to expand our presence in cybersecurity. As was made public, Pemex has been attacked several times, including a few years ago. We were not involved in that, but it is an example of the prevalence of attacks."



**Eckhard Hinrichsen, Country Manager- DNV Energy Systems Mexico** 



"Digitalization is also crucial for ensuring the security and control of a plant. At Endress+Hauser México, our engineering and atomization teams work hand in hand with our IT teams. Now, for example, all our flow measurement instruments have internet ports, allowing us to connect the instrument to any computer, run diagnostics, and carry out other procedures."

Astrid González, Chemical Industry Manager – Endress + Hauser México

"We introduce new and innovative products to meet changing and challenging requirements for reliability and efficiency. Leveraging machine learning, John Crane Sense Turbo allows customers to assess the health of dry gas seals installed in turbomachinery and understand how to optimize the reliability, performance and therefore total cost of ownership of their rotating equipment. It uses a unique set of sensors embedded directly into a compressor's dry gas seal to deliver continuous, real-time insight to identify potential issues and ensure corrective actions are taken to extend the useful life of the seal."



Moisés Martínez Flores, Non-O&G Sales Manager - John Crane

MEXICO CHEMICALS 2023 96 GBR Series Global Business Reports 97 MEXICO CHEMICALS 2023

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# Concluding Thoughts: Managing Burdensome Regulation

Over the course of our research, we spoke to business leaders throughout the industry about the current state of the Mexican chemicals industry. Our interviews cover a wide variety of topics, providing us with a broad understanding of the challenges the industry is handling today. In these pages, we have selected quotations that dive deep into one of the greatest challenges facing the Mexican chemical industry: onerous regulation and regulatory uncertainty. This challenge is exacerbated by extreme delays in product approvals.

#### On regulation in the flavors and fragrances industry:

"We see real challenges with materials access when it comes to controlled aromatic chemicals. There are aromatic chemicals that are considered precursors to drugs, such as phenolic alcohol. We are the only country in the world that bothers to control phenolic alcohol because the process to turn it into a drug is extremely complex and requires intensive laboratory resources. Other countries do not view these regulations as necessary. The controls do not do anything to reduce access to drugs. Instead, the regulations complicate importation, sales, and the use of products for legitimate business. Mexico has significantly stricter regulations than other countries, and those regulations need to be clarified and simplified."

- Francisco Palafox, Director General - Frallier

#### On crop protection prohibitions:

"The industry constantly struggles with slow approvals and prohibitions from the government. With the new administration, we have had different people at the head of the regulatory system over the past few years, and the regulatory situations is always in flux. In the General Law of Health, one of the initiatives they speak of is a transition from agrochemicals to biological products. When the government classifies a product as "dangerous," the purpose of that classification is to direct more attention to ensuring its proper use. Such a classification is not a reason to prohibit the product entirely. Many other countries use the products that this government is prohibiting safely. The reality is that this government prohibits products that don't necessarily represent a significant risk."

- Luis Osorio, Executive Director - PROCCyT

#### On the General Health Law:

"Our work to push back against this law began over a year ago. For this sector, if the initiative is approved, the future is one of survival rather than growth. It is reasonable to have more regulation because the Mexican market has many products that are altered or don't have registrations. The government does nothing about that. If the government focused its energy on that aspect, it would be beneficial, but this law would be a disaster not just for agriculture but for the whole population in terms of lower levels of food supply and increased costs."

- Roberto Escalante, Director General, UPL

#### On managing political risk:

"The complicated political situation in Mexico is a real challenge, and we are always strategic in managing our approach to working on public projects to avoid the associated risk. We take advantage of the significant private investment in Mexico, particularly in the food industry, where there is significant growth. Across the board, we focus on not depending on existing project to project but on having projects across the country and a strong and stable base of multi-year maintenance contracts. These long-term contracts and focusing on private investment are how we manage political risks, but they are a consideration for all businesses operating in Mexico."

- Dario Belmonte, Business Development Manager, Grupo Stin

#### On regulation of pharmaceutical chemicals:

"We require an import license for most APIs, so we have to work with the Mexican Ministry of Health. However, the time it takes for us to get approvals is extremely slow, delaying how quickly a product can enter Mexico. Many APIs come to Mexico by air because they are so expensive. Importing them is very challenging because they must be approved by a part of customs called Tactical Points, which double-checks almost everything that enters the country. Most pharmaceutical products are white powders, which subjects them to extra examination. We have had cases where products sit at customs for two to three months before they come through."

- Alonzo Autrey, Managing Director Health & Nutrition (LATAM), DVA

#### On product approvals:

"A big issue for us is that this government needs to be faster at approving new formulations, which slows down our production rate. We are trying to improve the yields and effectivity of the molecules we are already allowed to use, and we are continuing to pursue as many new approvals as possible. With challenges come opportunities, and we are seizing all potential opportunities.

Right now, it is easier to register a product in Europe because even if obtaining the registration is a complex and challenging process, the European administrations will follow their own rules. In Mexico, on the other hand, the government pushes you off and gives you no information."

- José Fueyo, Director of Operations, Sifatec

#### On slow energy permitting:

"What we hear most in the energy sector is that it is difficult to get power generation permits and get plants to the stage of producing energy. That's a challenge for green hydrogen because the primary input is renewable energy, along with water. When you talk to companies in Mexico, they agree in that the country has sufficient energy, and our analyses corroborate that. However, regulatory and permitting uncertainty is slowing down the willingness of companies to jump into the development of projects, particularly for transnational companies which can prioritize other geographies with more favorable conditions."

- Jorge Hinojosa, Business Development Lead, Hinicio

MEXICO CHEMICALS 2023 98 GDDal Business Reports 99 MEXICO CHEMICALS 2023

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# **Production and Management Team**

Senior Project Director: Mariolga Guyon
Project Coordinators: Mariolga Guyon, Carola Gómez
Journalists: Maeve Flaherty, Esteban Camarena, Natalia Preciado

Executive Editor: Mungo Smith
Operations Director: Miguel Pérez-Solero
Graphic Design: Kaori Asato, Özgür Ergüney
Cover Design: Gonzalo da Cunha
General Manager: Alfonso Tejerina

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For more information please contact:
Guillermo Miller
Information and International Trade Vicepresident.
gmiller@aniq.org.mx / 55 5230 5152



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