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MEXICO CHEMICALS 2024



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Dear Readers,

In 2023, the United States imported more from Mexico than from China for the first time in decades. As businesses focus on securing their supply chains after a period of logistics challenges and amid continued geopolitical upheaval, Mexico is poised to benefit. The country is well positioned for economic growth, with several new infrastructure projects such as the Interoceanic Corridor of the Isthmus of Tehuantepec. The chemical industry is a core player in a stronger Mexican industrial sector.

Nonetheless, 2023 was a challenging year for Mexico's chemical industry. Prices across the chemical and petrochemical industry were depressed globally. Locally, feedstock shortages continued to hamper growth, with Pemex remaining an unreliable source of raw material. New government regulation, including a ban of glyphosates and stringent restrictions on drug precursors, have complicated operational planning.

In a complex political and economic landscape, the Mexican chemical industry has tried to develop a unified approach to policy and government relations. The country's diverse array of chemicals businesses focused on incorporating advanced technologies and implementing their ambitious sustainability agendas. A focus on operational efficiencies led to investment in capacity building and innovation. The Mexican chemical industry is in a good position for growth in 2024.

This is the macroeconomic picture in which Global Business Reports (GBR) is pleased to present the 2024 edition of its guide to Mexico's chemical and petrochemical industries. To compile this report, we interviewed more than 90 business leaders and representatives across the complete value chain of the chemical industry, including associations, producers, distributors, logistics providers, and service companies. The report provides an in-depth look at key sub-segments of the industry including specialty chemicals, crop protection, and petrochemicals.

We are grateful to our interviewees who have taken the time to give their valuable perspectives. To all our readers, we encourage your feedback and welcome interest in participating in our future reports.



Alfonso Tejerina
Director and General Manager
Global Business Reports



Mexico

- International Boundary
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- ★ National Capital
- State Capital

MEXICO CHEMICALS 2024

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Global Business Reports

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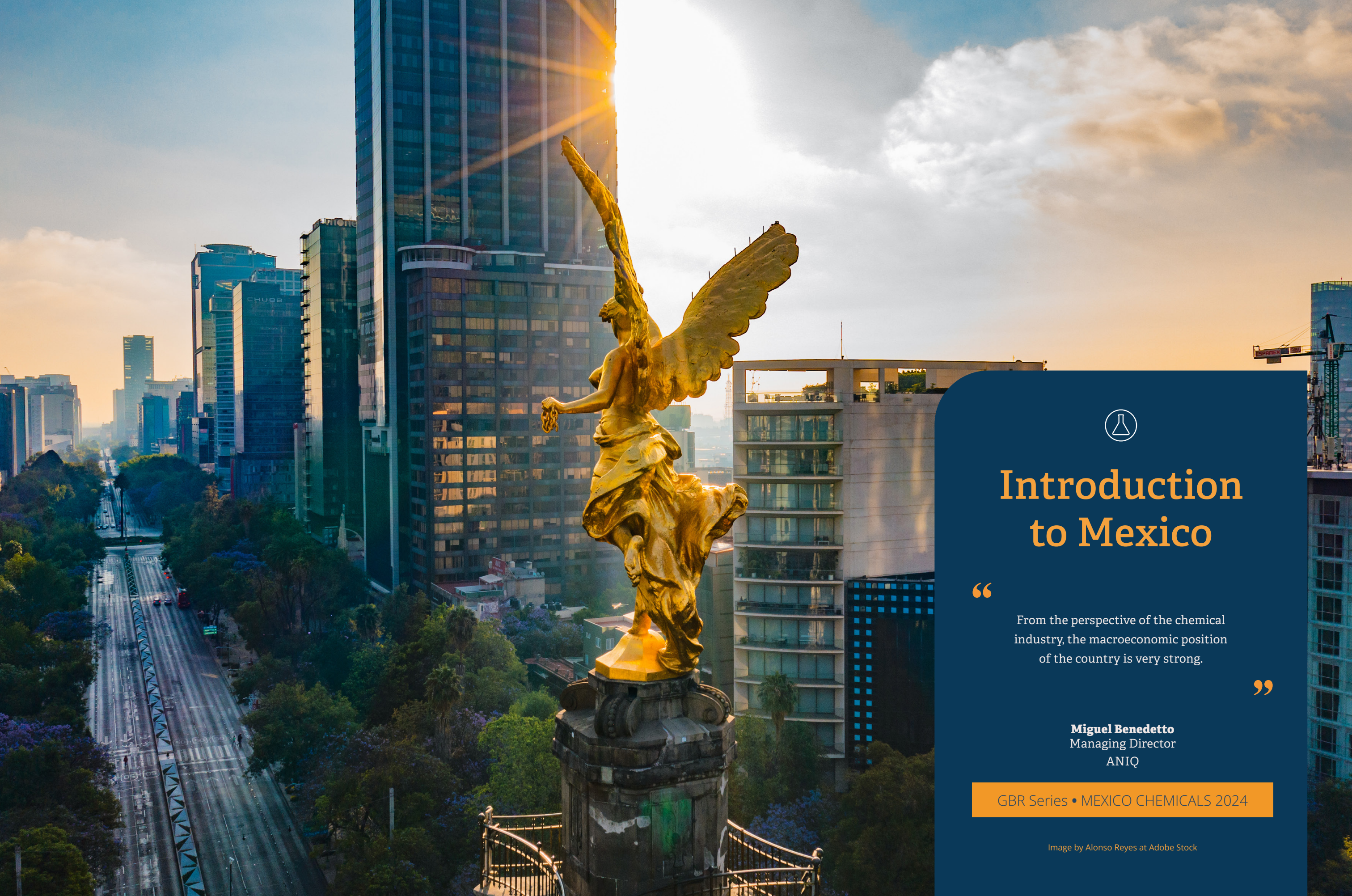
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Introduction to Mexico

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From the perspective of the chemical industry, the macroeconomic position of the country is very strong.

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Miguel Benedetto
Managing Director
ANIQ

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Making the Most of Strategic Location

Mexico competes for foreign capital

August 2023 was the first month in which Mexico was the main exporting commercial partner of the US, a major victory for the country over China. Commerce between the US and Mexico is currently valued at US\$779 billion/y. Since 2018, nearshoring has been the word on everybody's lips, and as it continues to take off it will carry the Mexican chemical industry with it.

According to World Bank data, the value of FDI investment in Mexico has not changed significantly since 2018.

However, 2023 data has shown more profit reinvestment. Interestingly, the sources of the FDI are diversifying, demonstrating a recognition of Mexico's benefits at a global level. In 2018, almost 53% of FDI in Mexico came from the US, while in 2022, that percentage was only 43%, although the amount of investment in dollars remained similar.

Mexico is expected to attract US\$40 billion in FDI in 2024. One factor is the comparatively low cost of labor. In 2023, the average US salary was US\$28/h, while Mexico's average sala-

ry was only US\$12/h. That status quo has, however, changed. On January 1, 2024, the national minimum wage was raised by 20% to US\$14.50/h. Miguel Valdivia, commercial director of Trade Chemicals, commented: "Political issues in Mexico have six-year time frames, and in the previous term, we were worried about gasoline and raw material supply, but in this six-year term, I think labor is the most relevant."

Cheap labor, no longer a guarantee, is nonetheless not the most important factor companies take into consideration when making nearshoring and reshoring decisions. Productive labor is equally critical, requiring a serious investment in the development of specialized technicians and English-language proficiency, both of which the country currently lacks.

According to the Mexican Institute for Competitiveness (IMCO), out of 43 economies studied, Mexico is currently ranked at 37th in competitiveness. This is the lowest the country has ever been ranked, following a decline in results since 2018. Mexico ranked well for labor and employment, but low rankings in health, quality of education, and the state of law, among other factors, weakened the country's position.

Mexico compensates for these challenges with its favorable position in relation to the US – not just geographically, but also in terms of trade. The United States-Mexico-Canada Agreement (USMCA) is a driver of the Mexican economy. However, the agreement will be revisited in 2026, and its future in its current form is by no means secure.

A variety of factors including economic nationalism in the US, the radicalization of the Mexican government, and complicated domestic dynamics put the USMCA's position in some doubt. However, the trade relationship between the US and Mexico is secure, bolstered by logistics crises that have driven companies to secure their supply chains to the US by basing themselves in Mexico.

The US is not, however, the only core player when it comes to nearshoring. Leschaco, the global logistics provider, has observed an increase in the Asia-Mexico chemical trade. Francisco Gálvez, managing director of Leschaco, said, "Historically, northern Europe was the global hub of chemical production, but Asia is becoming the new core of

this market, and companies from that region are establishing operations in Mexico."

For the chemical industry, which is extremely capital-intensive, the establishment of new operating units is difficult, with companies entrenched in other locations. The choice for a major chemical producer to enter Mexico can only be made with a long-term supply chain strategy in mind. "The decisions that global companies make regarding moving chemical plants from other parts of the world to Mexico are truly complex and are decisions that normally take years," said José Luis Urrutia Segura, president of the industry association CANACINTRA. "One of the greatest challenges for the chemical industry in Mexico is how to insert itself into these positive nearshoring trends as a capital-intensive industry."

Energy in the eye of the electorate

Globally and nationally, the coming years will be years of political change and electoral uncertainty, which will shape the economic situation and investment climate nationally and regionally. The US, for example, will have a pivotal presidential election in 2024 with ramifications for the Mexican economy. Esteban Guáqueta, LATAM marketing director for Nalco Water, an Ecolab subsidiary, noted: "Globally, approximately 50 countries will have elections. That will impact the industrial sector."

Mexico will be among them, and Mexicans will head to the polls on the 2nd of June 2024 to elect a new president. The incumbent, President Andrés Manuel López Obrador (AMLO), is barred from a second six-year term due to a one-term constitutional limit. The upcoming election has two frontrunners: The governing, left-wing party Morena's candidate, Claudia Sheinbaum, a former scientist and mayor of Mexico City widely touted as the current President's prodigy, and opposition candidate Xóchitl Gálvez, a self-made businesswoman and politician with indigenous roots who will represent the National Action Party (PAN). Polling data suggest that the Morena coalition will retain the presidency in 2024.

Since the nationalization of Mexico's energy sector in 1938 and the creation of the state-owned oil giant PEMEX, energy policy has been a political battleground for

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Inorganic chemicals
Logistics and environmental solutions
Lubricants
Oil & gas
Solvents and blends



53 BRANCHES

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right and left. The Mexican state relies on PEMEX, championed by resource nationalist AMLO, to generate billions of dollars in revenue annually. However, a US\$100 billion debt pile and chronic underinvestment in PEMEX facilities, where refinery utilization rates have declined yearly, has left the chemical industry in a challenging position. Given the energy-intensive chemical industry's need for low energy prices and dependence on petrochemical feedstocks supplied by PEMEX, the industry's fortunes are tied to political developments in energy policy.

Structural inefficiencies in the energy market extend beyond PEMEX. The electricity market is dominated by the Federal Commission of Electricity (CFE), which generates most of the electricity for the country and is reliant on natural gas imports from the US. This presents a core challenge to the industry's competitiveness, according to Miguel Benedetto, managing director of ANIQ: "When looking at natural gas, we are competitive, with much the same price that Houston has, plus distribution costs. When looking at electricity, however, we have a huge differential. Electricity costs are between 25% to 30% higher compared to the Houston area."

These elections could define the chemical industry's future. Gálvez's energy policies are reminiscent of the Nieto era: Reforming PEMEX, encouraging private energy sector investments, and promoting green energy investments in hydrogen and solar power capacity. She has proposed creating a new state energy company, Energías Mexicanas, which would focus its operations on renewable energies.

By contrast, Sheinbaum's statements suggest an approach similar to AMLO's, stressing energy sovereignty and the role of PEMEX. Both candidates have highlighted the importance of green energy and the transition towards renewable energy sources. However, the candidates differ in the methods. One favors private investment, while the other supports state intervention.

These elections will impact the future of renewable energy in Mexico. The country has incredible renewable energy resources, but the current government, to protect PEMEX, has not provided support or approvals for a significant investment in renewable energy. Of the lack of renewable energy policy, Dieter Femfert, commercial director of Cryo-infra, said: "In the long-term, this will disadvantage us in front of other countries."

Hugo Villareal, VP of energy and engineering at Linde, described decarbonizing industrial processes as Mexico's most pressing political challenge. "The government has to promote this wind and solar power industry," he said, adding: "Regulators have to catch up."

Government investment in energy will be critical to making Mexico attractive for nearshoring. "Electricity prices are relatively high in Mexico compared to the US," said Patricio Gutiérrez, chairman of the board of Grupo Idesa. "If we cannot lower these energy costs and promote a renewable energy matrix, there is a risk that our industry will become uncompetitive and unable to meet the environmental demands of clients." ■



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MEXICO AT A GLANCE
Source: IMF 2023



CAPITAL
Mexico City

HEAD OF STATE
President Andrés Manuel López Obrador

GDP
US\$ 1.81 trillion

TOTAL INVESTMENT (% OF GDP)
21.3%

GENERAL GOVERNMENT NET LENDING/BORROWING (% OF GDP)
-3.9%

CURRENT ACCOUNT BALANCE
-US\$ 26.62 billion

DEMOGRAPHIC DATA
Source: IMF 2023

POPULATION
131.2 MILLION

UNEMPLOYMENT
2.9%

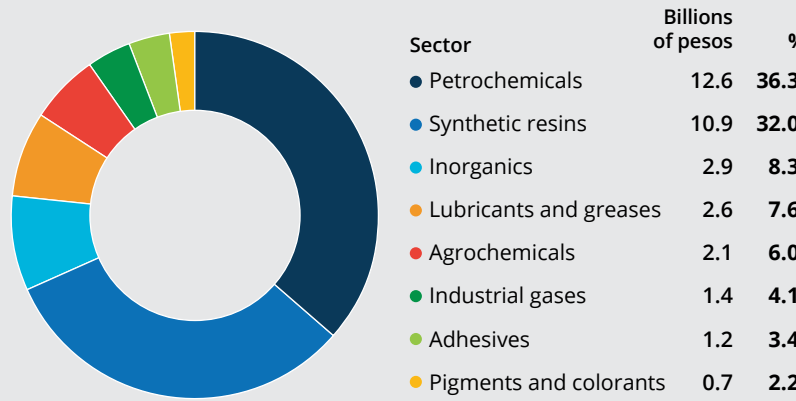


GDP PER CAPITA
US\$ 13,800

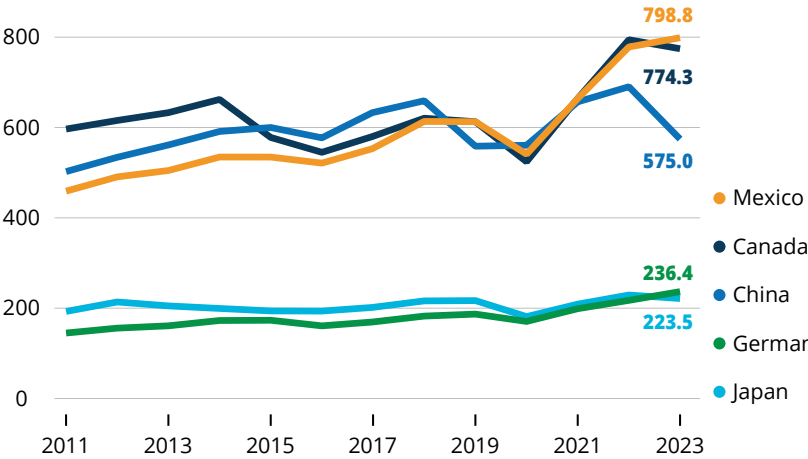
GDP PER CAPITA (PPP)
US\$ 24,980

INFLATION RATE, AVERAGE CONSUMER PRICES
5.5%

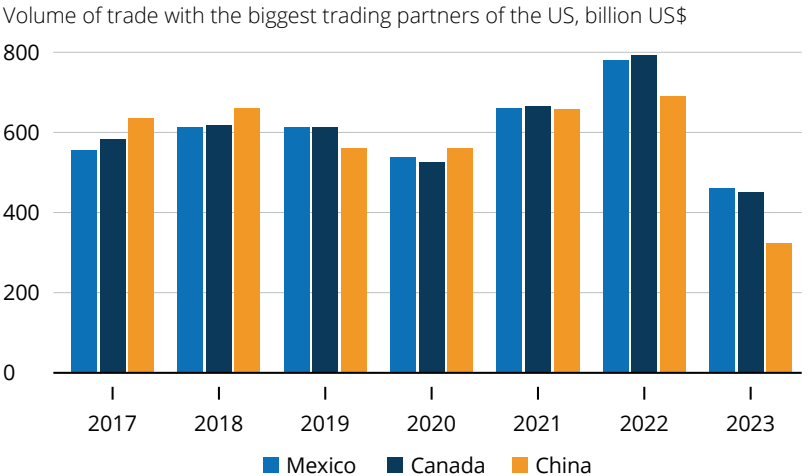
MEXICAN CHEMICAL INDUSTRY PRODUCTION (DEC 2023)
Source: ANIQ, INEGI



VOLUME OF GOODS TRADE WITH THE BIGGEST TRADING PARTNERS OF THE U.S. (IN BILLION U.S. DOLLARS)
Source: U.S. Census Bureau



US TRADING PARTNERS BY VOLUME
Source: Census Bureau





“

We are working with the government to help the development of the south, focused on three needs: Raw materials supply, development of talent, and infrastructure.

”

Miguel Benedetto

Managing Director
NATIONAL CHEMICAL INDUSTRY ASSOCIATION (ANIQ)

Can you update us on your recent operations?

ANIQ represents 95% of the chemical and distribution companies established in Mexico. This year, some of our core activities are related to energy efficiency, trying to help companies work towards the energy transition. We are working with the Ministry of the Environment on defining the objectives and goals of the chemical industry related to emissions reductions.

Another core focus of this year is raw materials supply. At the moment, 60% of chemical imports are coming from the US, and 67% to 70% of energy, with intensive natural gas imports. We are working with Pemex and the federal government to improve the production of natural gas and, consequently, ethane and other derivatives, to increase competitiveness and reduce imports from the US.

Additionally, we have federal elections next year in Mexico. ANIQ is working with the authorities in the present government, as well as with teams that will be candidates in the election, showing them the benefits of a strong chemical industry for the country.

What is the situation in regard to energy?

A core challenge is energy prices. When looking at natural gas, we are competitive, with much the same price that Houston has, plus distribution costs. When looking at electricity, however, we have a huge differential. Electricity costs are between 25% to 30% higher compared to the Houston area.

Additionally, we would like to have more energy generated from renewable sources.

How can infrastructure be improved?

Infrastructure has long been a challenge for us, but we believe that we have major opportunities. The Long Beach Port in California is completely saturated, with no possibility of increasing cargo capacity. We have two ports on the Pacific, Manzanillo and Lazaro Cardenas, and the distance between Manzanillo and Lazaro Cardenas and Houston is shorter than the distance from Long Beach to Houston. We could be an excellent hub, not just for the chemical industry, but for many other industries.

What is your perspective on the larger economic situation?

From the perspective of the chemical industry, the macroeconomic position of the country is very strong. We continue to grow the levels of investment. This year, for example, between January and September foreign investment was up 30%, with last year reaching US\$45 billion.

How can the chemical industry support underdeveloped regions in the country?

When you analyze the country, you will find two Mexicos. From Mexico City to the north, there is significant infrastructure, a long history of industrialization, and factories and support to implement investments. The south, on the other hand, has not received as much investment. Partially, this is because it is lacking in infrastructure. Additionally, talent is not well developed.

The chemical industry is one of the only industries settled in the south. When you analyze the south,

the industries are agriculture and chemicals. Coatzacoalcos is the largest hubs for the chemical industry in Mexico, and it is where Pemex infrastructure is based. The industry could provide more benefits to the south. ANIQ is making a strong effort to communicate to the government that if they would like to develop this region, an industry to start with is ours. We have been there for a long time, we have trained people, and we have worked with universities to prepare students to work in our plants. We believe that we could provide this development.

We have not invested in the last several years in Coatzacoalcos because our capacity is underutilized. We utilize only 69% of the capacity in Coatzacoalcos, so it is challenging to make an investment. We are working with the government to help the development of the south, focused on three needs: Raw materials supply, development of talent, and infrastructure.

What are ANIQ's upcoming activities?

ANIQ continues to be very focused on training, with our own training institute. We will be training close to 6,000 people in the different areas I have mentioned, and we are developing 12 different diplomas. Our Sistema de Becarios, which is the training that we provide to students, is increasing, with more than 2,000 students allocated across different companies.

ANIQ has six conferences annually. In May, we will host our general convention. We will also host our conferences on foreign trade, logistics, environmental security, labor, and our Annual Foro. ■

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The main problem of the chemical industry when it comes to offshoring is that it is a capital-intensive industry and the establishment of new operating units is very complex.

”

José Luis Urrutia Segura

President
CANACINTRA



How does CANACINTRA serve the Mexican industrial sector?

CANACINTRA is one of the oldest chambers in Mexico, and was founded with the mission of representing the interests of the industrial sector. CANACINTRA is a national chamber of the processing industry, with a headquarters that brings together 76 different delegations from all over Mexico. We are the State of Mexico delegation and we are located in Toluca. One of our strengths is that we have visibility throughout the national territory through 12 sectors, including the food sector, the plastic sector, the automotive sector, the metalworking sector and the chemical sector, among others.

The services we offer can be divided into four main parts: being an interlocutor with the authorities, business linking, information generators and strategies to improve competitiveness.

What are your priorities in terms of government relations?

The 76 delegations are represented by a national president, who has a particular agenda with the federal authorities regarding priority issues of the industry. At the local level, we help companies in managing the procedures that are necessary for their state and municipal operations.

Why is the capital-intensive structure of the industry a challenge in the context of nearshoring?

The main problem of the chemical industry when it comes to offshoring is that it is a capital-intensive industry and the establishment of new operating units is very complex. The

decisions made by global companies regarding the transfer of chemical plants from other parts of the world to Mexico are truly complex and are decisions that normally take years. Many of these players are rooted in plants in China, India or the US. The decision to move to Mexico has to be a long-term supply chain issue. In this sense, one of the biggest challenges for the chemical industry in Mexico is how to insert itself into these positive nearshoring trends as a capital-intensive industry.

It is important to note that when an industry is capital intensive, it requires access to credit on preferential terms. Not all industries, especially those in Mexico, have access to credit conditions that offer an opportunity to compete.

What is needed for a better national energy matrix?

Mexico needs to invest much more in transmission lines and energy generation. For example, today, transmission generates real bottlenecks that lead to blackouts in some areas of the country. It is not strange to find Industrial Parks or companies in some industrial areas that require more energy than what is currently supplied.

Another priority is the generation of much cleaner energy. We know that many companies are very focused on meeting the SDGs and are increasingly seeking access to clean energy sources. Mexico's energy matrix depends on natural gas coming from the shale gas in the US; Mexico has taken advantage of the shale gas boom in the region, and a lot of pipes have

been constructed and are currently in construction; but a lot of investment will also be required in other energy sources, such as solar, wind, etc. and technologies that can support to manage its intermittency, such as storage with new generation batteries.

I believe we will see a lot of investments related to energy in Mexico in the upcoming decades; the industry will need more competitive access to energy, and the solution to this equation is genuinely complex. I think the solution lies in the combination of current energy sources and new technologies currently being developed/implemented worldwide. The path to the zero-emission goals will not be as quick and absolute as thought.

What are CANACINTRA's priorities for 2024?

We are working to achieve the objectives of our 2030 agenda. This year we will inaugurate our Energy Efficiency Club, introducing our members to technologies and good practices to help them implement and achieve greater energy efficiency. We are doing similar work with water efficiency. One of our beliefs is that the more informed the industrial sector is, the better decisions it will make, and providing that information is one of CANACINTRA's central functions.

Overall, our goal is to continue strengthening our membership base to gain greater representation. The other core focus is to stay close to our members, continue to build the tools and channels to understand what they need and generate those needs. ■



Sustainability

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The industrial sector has a fundamental role in providing tools and facilitating investment to create the infrastructure for a more sustainable future.

”

Esteban Guáqueta

LATAM Marketing Director for Nalco Water
ECOLAB

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Sustainability

Metrics rather than 'greenwashing'

In recent years, concerns about 'greenwashing' have led to greater expectations for sustainability reporting and a need for companies to take tangible steps to reduce their resource usage and carbon footprint. "We have noted that environmental and societal concerns are more genuine now and taken seriously," said Oscar Saco, managing director of SGS. "Greenwashing will not disappear, but many companies are genuinely concerned and investing in technology to reduce things like their water usage."

SGS, a testing, inspection and certification company, offers services that allow the general industry to measure its footprint and resource consumption.

SGS has seen greater demand from clients for assistance determining where a company currently stands, and what steps can be taken to improve its sustainability. As sustainability certificates become more of an expectation, there is greater focus on data collection and measurement of key sustainability metrics such as water usage.

To accomplish this, there has been a surge in demand for innovation-driven solutions, companies seeking cutting-edge technological advancements to address their needs. The future of sustainability is at the heart of this global focus on R&D, with niche segments becoming areas of major opportunity for

specialty chemicals providers. Arkema, for example, offers a variety of sustainability solutions, and recognizes opportunity in specialty chemical solutions for construction. "We are looking to exploit some of the global megatrends in decarbonizing the built environment (the so-called 'cool surfaces' technology)," said Manuel García, president of coating solutions for Mexico, Central America, and the Andean region.

For Cemex, materials for construction and urbanization solutions are ripe for sustainable innovation. The company, which focuses on cement, concrete and aggregates production, is using innovative additives to reduce CO2 emissions. These additives demonstrate the potential of chemical innovation to decarbonize the construction sector and improve buildings' energy efficiency. The company's Vertua line of lower carbon products has a 30% reduction in CO2 content compared to traditional cement and concrete. Vicente Saisó, vice president

global sustainability at CEMEX, said: "Using additives creatively to reduce CO2 emissions is our key focus and will determine the future profitability of our industry."

The company's target was that 50% of the company's total sales by 2025 be lower-carbon products, but demand has been such it they reached the threshold at the end of 2023. The construction industry is conservative about adopting new formulations, but these types of solutions can be the future of sustainable development. There are, however, regulatory inhibitions slowing the growth of these products. Saisó explained: "In some markets, local building codes or regulations have not yet accepted lower carbon products."

Tecnoindustries produces materials for bricks and other housebuilding tools, with a large carbonates division. Each of the company's divisions has its own sustainability targets. Javier García, director of operations at Tecnoindustries, said: "We have benefitted from large multinational clients with stringent environmental standards, which they have passed down so we can do business with them. We are doing the same further down the value chain, creating a virtuous cycle."

For Arkema, investing in sustainable solutions is at the core of meeting future demand. Salvador Soria, president of Mexico, Central America and the Andean region for Arkema, stated: "There is a rising demand for eco-friendly, sustainable alternatives that minimize ecological footprints and support responsible practices."

Biological products for a more sustainable food system

Consumers are now more focused on the safety of the food they consume and the impact of growing techniques on the land. In response, the crop protection industry has been investing heavily in sustainable alternatives to traditional agrochemicals. This is an industry-wide trend, as Luis Eduardo González Cepeda, former president of the Mexican agrochemical industry association UMFFAAC, explained: "There is a growth in the registration of new organic and biological products. It is now part of the fabric of the companies we represent."

Acadian Plant Health produces products from a seaweed called *Ascophyllum nodosum*, which is grown in the North Atlantic. The company, which recently launched a product called TOGGLE to enable grains, cereals and industrial crops to be more resilient against abiotic stress, supports its clients in the agricultural sector in increasing yields sustainably. Sergio Aburto, director Latin America North for the company, explained: "Our Canadian seaweed has a high concentration of bioactive compounds, providing a high bio-stimulant technology that helps the crop's abiotic stress resistance."

There is immense potential for the biostimulants market in Mexico across several segments. Sugar cane prices are rising, so sugar cane producers are more willing to spend money on products to sustainably improve yields. Demand for agave, driven by tequila and mezcal, is also continuing to rise. Additionally, Mexico is strong in high-value crops such as berries and vegetables, and some specialty crops like walnuts, all of which have the money to invest in advanced biological technologies.

Delayed permitting approvals have been a challenge to navigate, and there is no positive end in sight. Companies wait years for product approvals, dramatically slowing the

pace with which the industry can bring innovations to market. AMVAC, for example, has 14 registration applications waiting for a response, and another 15 for which COFEPRIS needs to review the information, some of which are as old as 2018. "We are trying to work with the authorities, developing products with greener technology and trying to comply with their demand to develop alternatives to agrochemicals," said Marco Salcedo, director of AMVAC. "If they want to have better, greener technology, they must speed up the process of registrations."

There is great opportunity for technological innovation in developing more sustainable crop protection products. FMC, for example, is in the process of bringing its new BioPhero pheromone technology to Mexico, currently working with the government to gain approvals. Carlos Jurado, Latin America North business director at FMC, stated: "BioPhero developed the technology to replace expensive synthetic pheromones using highly specialized pheromones in smaller volumes, which will significantly reduce operational costs for farmers."

In the coming year, development of advanced, natural crop protection products will continue to be a priority across the industry. The trend towards sustainable and biological products is irreversible, pushed both by strict regulation and consumer demand. Looking forward at 2024, Luis Osorio, executive director of industry association PROCCyT, said: "This year's mission is vital: To support the development and investment in sustainable practices, new products and technologies, such as biotechnologies that support this transition."

>> 21

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Oscar Saco
Managing Director
SGS MEXICO

“

We have seen there is a trend towards circular economies in the extractive industries.

”

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acadianplanthealth.com



“

We harvest our *Ascophyllum nodosum* manually to maintain the seaweed beds, as machine-harvesting may damage the seaweed.

”

Sergio Aburto

Director Latin America North
ACADIAN PLANT HEALTH

How do Acadian Plant Health's products reduce plant stress?

Our products and extracts are unique, coming from a seaweed called *Ascophyllum nodosum* which is naturally grown in the North Atlantic Sea in Canada. It is the world's best-known seaweed, offering the greatest benefits and uses. Although Ireland and Scotland have *Ascophyllum*, our Canadian seaweed has a higher concentration of bioactive compounds providing a high bio-stimulant technology that help plants thrive, improving the crops abiotic stress resistance. 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 – fertilization, irrigation, pest control, and stress control.

How has drought impacted agricultural activities?

It has been a very challenging year due to extreme drought. The northern regions have suffered the most. The climate situation will particularly impact cereals, including corn, wheat and sorghum. The government tends to prioritize the people when there is insufficient water for both (population and agriculture). However, Acadian Plant Health's most hardy market is specialty crops: Berries, avocados, tomatoes, agave, and other vegetables. These crops have irrigation systems, so they are not impacted by drought to the same degree.

Can you discuss your perspective on the politics around GMOs?

This government claims that genetically modified corn is dangerous and harmful for people's health, but that is a flawed perspective. Genetically modified corn is not prohibited in the US, Canada, Europe, Brazil, or Argentina, all of which are major corn producers. None of those areas view GMO corn to be harmful to health. It is unclear what evidence the Mexican government will provide to support its claims when tons of studies outside the country show that genetically modified corn is safe.

The problem of genetically modified corn in Mexico is political. The current government seeks to reactivate certain economic sectors of the country. Agriculture is an essential segment in this project, given that agriculture is an industry in which people have the least resources. The government wants to reactivate production in other

areas. Still, if they pull people with low economic resources to produce corn, they will produce it only in small, subsistence-level quantities. Without GMOs these farmers will not have access to improved plant varieties that produce yields sufficient to survive and generate profits. The issue is more complex than the government imagines.

Where is Acadian Plant Health seeing growth?

The company has been very strong in vegetable crop bio-stimulation products for quite some time. Acadian has also launched a new product this year, TOGGLE. This new product was designed to target grains, cereals and industrial crops, allowing crops such as wheat, corn, cotton, sugar cane and others to be more resilient against abiotic stress, helping producers to gain higher yields in a more sustainable manner as well.

Sugar cane is also experiencing a prosperous growth, with prices increasing. Sugar cane producers are investing in technology that will increase their quality and productivity, and using our technology has been a high point for them due to the benefits they are able to gain.

Agave has also been a key crop for the past three years. The market continues to grow. We expect that agave will be one of our most important markets in the next two years. Finally, walnut trees are another specialty crop in which APH sees potential growth here in Mexico.

Can you discuss the company's approach to sustainable harvesting?

Sustainability is one of Acadian's essential foundations, part of the company's day-to-day business.

We harvest our *Ascophyllum nodosum* manually to maintain the seaweed beds, as machine-harvesting may damage the seaweed. The availability of seaweed compared to its demand is a significant challenge, so we have a dedicated department in Halifax that manages our harvesting to ensure that we are looking after the seaweed properly, allowing us to supply our clients demands.

What is Acadian's process of innovation?

Innovation is key for our business. If you get stuck or delayed, you will lose your market. To ensure we stay ahead, we work simultaneously on three product lines, ensuring that we have at least one ready to launch to the market each year. ■



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The perception of the value of water is something that we must change so that we are appropriately valuing the resource.

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Esteban Guáqueta

LATAM Marketing Director for Nalco Water
ECOLAB

What are Ecolab's recent updates?

Ecolab is a global leader in health, hygiene and water services. We are active in more than 170 countries, and we are proud of our strong presence in Mexico. The company has two large segments: Institutional and industrial.

For everyone in the industry, 2023 was a challenging year. However, Ecolab is proud of the 2023 acquisition of Flottec by Nalco Water, an Ecolab company. This acquisition will supplement our portfolio of mineral processing and flotation solutions with important new technologies. Flottec allows us to expand our horizons in mining, particularly in the extraction of gold and copper, which are instrumental in Mexico and Latin America overall.

How do Ecolab's digital tools enable better water management?

When thinking about the value ascribed to water, water seems to be a very cheap resource – on average, it costs a Mexican national \$250 pesos per month per cubic meter. For the industry, water costs are comparatively minimal. The perception of the value of water is something that we must change so that we are appropriately valuing the resource.

For example, if a company discharges a cubic meter of liquid into a river, they may contaminate four cubic meters of water. If nothing is done, the impact can be extremely high. And this is where the issue of perception comes into play. In Mexico, almost 50% of people think that companies are not doing much to save water or be more sustainable, but if you go to the companies, it is clear that companies are doing far more than people perceive. That disconnect is where Ecolab can provide solutions.

Our offering ECOLAB3D places all the operations systems on one platform, continuously measuring a company's industrial processes. This allows the client to understand how they are managing their water and how their current water management aligns with their continuous improvement plans in terms of sustainability. The solution uses AI to predict how a system will perform in the future and guides actions to prevent deviations. ECO-LAB3D allows us to convert sustainability ideas into measurable, actionable plans that can be implemented on the client's sites.

Can you describe what the company observed at COP28?

COP28 was an interesting meeting because it was held in a region where crude oil dominates. Ecolab participated in the meeting, and we observed a clear evolution in the expectations for corporate sustainability. The change in expectations for corporate sustainability has been noticeable since COVID, and was apparent at COP28. The private and industrial sector has a fundamental role in providing tools and facilitating investment to create the infrastructure for a more sustainable future. The governments, on the other hand, play a facilitation role.

How do you expect macroeconomic forces to shape the industry in the short term?

In the short-term, inflationary issues are a challenge, but at Ecolab are focused on longer-term priorities. I predict that the currency will remain more or less stable during 2024, which will provide our clients' operations with peace and allow us to better help them to focus on providing services and products that positively affect the planet. The next two years are going to be marked by political change. Globally, approximately 50 countries will have elections. That will impact the industrial sector.

What are the company's priorities for the coming two years?

In Mexico and Latam North there is a definite increase in investment in technology. Companies have a greater appetite for investing in technological issues and sustainability. Ecolab is no different – we continue to invest US\$200 million annually in innovation and sustainability. Ecolab as 11,200 active patents today, and we will continue investing in R&D.

Internally, Ecolab will continue improving our operations and digitalizing operations at our plants. As a sustainability company, it is crucial that we provide an example of sustainable internal operations. The company intends to advance on our sustainability goals, lowering our greenhouse gas emissions across our operations. We will not take our foot off the accelerator. Ecolab will continue improving operations and investing in strengthening our structure and innovation. ■



Javier García
CEO
TECNOINDUSTRIES

Could you introduce our readers to TecnoIndustries?

We have five major divisions. Our brick, mineral and cement divisions have a considerable market presence in the US. Our products are used to produce mainly construction materials but are also used in other industries, like the chemical and energy markets. The minerals division is particularly large; it includes ceramic minerals. Our logistics wing (TecnoLogistics) is a vital division that adds much value to our service. It provides the foundational supply chain that drives all the other divisions forward. We operate our own transportation units to serve our clients across the US and Mexico speedily and efficiently.

What trends in demand are you witnessing?

The petrochemical industry is undergoing fundamental changes. As the transition towards electrification continues, demand for petroleum as a combustible fuel will decline. This transition will be an excellent opportunity, with a greater abundance of petrochemicals, and new applications for petrochemical products will be developed.

Demand for our carbonate products has been robust this year, as our carbonates service numerous industries, including paints and plastics, masterbatch and in the energy industry. Another area of strong demand has been from the petrochemical industry, where we see innovations in the application of petrochemical products and plastics in engineering works.

What are some significant challenges that Mexico's chemical sector and economy face?

There is an increasing amount of friction at the US-Mexico border. Political issues and a state of insecurity have resulted in ever-longer waiting times for transports. The situation in the north of Mexico is troubling, and nearshoring opportunities could be derailed by the realities of congested borders, insecurity, and inadequate infrastructure.

What are the company's priorities for the coming year?

Although our core business remains in Mexico and the US, we will keep growing our presence in Central and South America and the Caribbean. ■



Vicente Saisó
VP Global Sustainability
CEMEX

Can you give us an overview of CEMEX?

CEMEX is a materials company, and our core businesses are cement, concrete and aggregates production. In addition, we offer urbanization solutions, such as admixtures. We are finding attractive opportunities to reduce emissions using additives creatively to reduce CO2 emissions. Decarbonizing our operations is our key focus and will determine the future profitability of our industry. There are two main emission types in cement production: combustion and process emissions. Process emissions are roughly 60% of our direct emissions, and combustion emissions are 40%. We are offering new cement blends and concrete solutions with special attributes and using admixtures proactively to offer the market lower carbon products.

Could you comment on the VERTUA line of concrete solutions and its benefits?

Our lower carbon products have at least 30% reduction of CO2 content compared to traditional cement or concrete. VERTUA is helping develop-

ers reduce the overall embodied CO2 in their construction projects. It has achieved a very high customer adoption rate in developed and developing markets. Our target is for lower-carbon products like VERTUA to represent at least 50% of our total sales by 2025. By the closing of 2023, we will reach the 50% threshold in cement, two years ahead of schedule.

What are the greatest challenges to decarbonization in the industry?

In some markets, local building codes or regulations have not yet accepted lower carbon products, and the construction sector is conservative in adopting new formulations. One of the key levers we are implementing is using alternative fuels, using waste from other activities or industries such as non-recyclable municipal waste, as a fuel substitute for our kilns. In 2022, 35% of our fuels were alternative, but there is still room to grow, which depends on developed waste policies; in some of our European facilities, we have alternative fuel substitution rates of 70 to 90%. ■

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The industrial gas sector gears up for green hydrogen

A cheaper and greener energy sector is the holy grail for Mexico's entire industrial sector, but the path forward is winding. For industrial gas producers seeking to provide low carbon gas, the lack of access to electricity from a renewable source is a major inhibitor. In the long-term, a greener energy matrix in Mexico will require energy production from a wide variety of renewable sources, including wind and solar.

Even in the past three years, the interest in developing a green hydrogen segment in Mexico has grown dramatically. Cryoinfra, a Mexican company, has a strong presence in hydrogen, and in 2024 the company will open another hydrogen plant in San Luis Potosí. Hydrogen, in all its forms, is currently seen as potentially the future for decarbonizing many industries, with many companies in Mexico looking into blue hydrogen, with the focus on reducing the carbon intensity of hydrogen.

Green hydrogen will be important in the future, but there is currently no market because of the high costs and lack of legal security. Dieter Femfert, the commercial director of Cryoinfra, is also vice president of the Mexican Hydrogen Association, which works with the government to support green hydrogen projects. Femfert stated: "Other countries are beginning to use green hydrogen for mobility, such as cars, trains, ships and planes, and we need to move in the same direction."

Energy and gas providers in Mexico are focusing more closely on the country's green hydrogen potential. The potential for solar, wind and water energy generation would allow for the production of a fully green hydrogen. Industrial gas producer Air Liquide's team participated in a study of the potential for green hydrogen in Nuevo León. Raphael de Montfort, general director of the company in Mexico, explained: "There were several core conclusions: The most important point is that the interest of all key stakeholders was confirmed and we see the progressive emergence of an ecosystem to promote green hydrogen."

Topsoe has, likewise, witnessed interest in the country's green hydrogen potential. The company always participates in the hydrogen exposition in Monterrey. Florencia Vitelleschi, general manager Mexico at Topsoe, explained: "We are starting an industry that currently does not exist in Mexico from scratch, but Mexico has a very large automotive sector and strong industrial sector, so the markets exist."

Mexico's position next to the US also positions it well to benefit from green subsidies the US is giving out through the IRA. "I was at a US embassy event the other day, and they were demonstrating the incentives there are to carry out projects in Mexico," said Vitelleschi. "The US is well-positioned for hydrogen, and Mexico will benefit."

To overcome the high-startup costs for green hydrogen projects, there is a need for subsidies at the beginning of green hydrogen projects to ensure their viability. This call for financial support was mirrored by a larger call among the executives interviewed for this report for investment in infrastructure to provide renewable power, allowing the country to produce green hydrogen at a competitive price. This requires a collaborative effort between the government, industry and the citizenry.

The demand for green hydrogen is driven by sustainability priorities, but to develop a green hydrogen industry would

be a smart economic move for a country with as much renewable energy potential as Mexico has. This energy potential, combined with the country's privileged geographic position, positions it to supply green hydrogen to markets such as Korea and Japan. "Mexico has an excellent opportunity to become a hydrogen producer and supplier to these Asian markets, where there is lots of industry but no indigenous energy base," said Hugo Villareal, vice president of energy and engineering at Linde. "There needs to be a collective stakeholder effort to jumpstart this industry and incentivize capital to make it a reality."

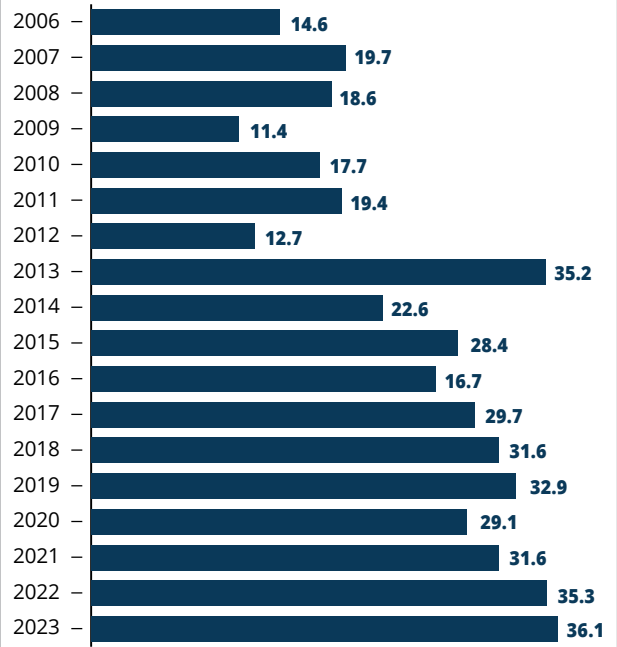
Despite positive signals, an active green hydrogen production segment is still a long way away for the country. Currently, green hydrogen technologies are not economically viable in Mexico, and so liquid natural gas (LNG) will continue to be central to the country's energy matrix. Carlos Boone, director of business intelligence and corporate affairs at Enestas, said: "There are other, greener energies in play, but in Mexico public policy has not yet encouraged the transition to those alternative sources and we are not actively developing it."

From Boone's perspective, LNG is both the present and the future. Infrastructure for natural gas has increased across Latin America, but particularly in Mexico, including investments in terminals. Boone explained: "Natural gas is often thought of as a transition fuel, but with everything that is happening in the world, including the war in Russia and trade issues between China and the US, natural gas took over. Today, LNG is being imported to any country that can receive it." ■

FDI IN MEXICO
(Figures as of Q4 each year)

Source: Ministry of Economy

USD Billions





Dieter Femfert

Commercial Director
CRYOINFRA

Can you provide us with an update on Cryoinfra's operations?

Last year, we opened a new cryogenic plant in Ciudad Juárez. We inaugurated our second plant in San Luis Potosí to supply the area's steel and growing electric & automotive sectors. Cryoinfra has more than 30 plants throughout the republic.

What trends in demand have you observed in the chemical sector?

Fortunately, we have experienced growing demand for all of our products. I see exciting growth in the industry, but growth will depend significantly on the energy policy and political situations.

Right now, Mexico power policy is not significantly focused on renewable energy. In the long-term, this will also disadvantage us in front of other countries.

Can you elaborate on Cryoinfra's use of green fuels?

Green hydrogen lowers emissions when utilized in different ways, including mixing green hydrogen with

natural gas or using solely hydrogen in some processes. We strongly focus on hydrogen, and at the beginning of 2024, we will open another hydrogen plant in San Luis Potosí.

What differentiates Cryoinfra?

First, we are differentiated by our many locations, which puts us closer to our clients. We have solid logistics and personal customer service, not just where we are but on-site, where our customers have operations. Additionally, Cryoinfra has a technological development area with a large group of specialist engineers in different industrial sectors such as automotive, aerospace, electronics, food, beverage, petrochemicals, and chemicals. Our highly trained specialists allow us to support our clients and help them solve their problems. Cryoinfra is highly innovative, and we have many patents across different industries, working with our clients to meet their needs.

This year, we are focused on strengthening these relationships and providing services at our consistent standard of excellence. ■



Hugo Villarreal

Vice President of Energy and Engineering
LINDE

What is the Mexican energy industry's biggest challenge?

The most pressing challenge for Mexican industry is decarbonizing industrial processes and developing suitable clean energy solutions.

We are helping companies to decarbonize with alternative energy solutions and carbon capture technologies. Linde has lots of experience and knowledge of carbon capture technologies and the processing of CO2.

What does Mexico need to do to strengthen and promote green hydrogen?

We are privileged with the right weather conditions and land to build solar and wind parks nationwide. The principal challenge to making green hydrogen competitive is economic; we need to invest heavily in infrastructure.

The government has to promote this wind and solar power industry. Regulators have to catch up. Mexico has an excellent opportunity to become a hydrogen producer and supplier to Asian markets, where there is lots of industry but no indigenous

energy base. There needs to be a collective stakeholder effort to jumpstart this industry and incentivize capital to make it a reality.

What is Linde's commercial strategy for the coming year?

Our company strategy is straightforward: To keep our clients competitive in their markets. To do this, we will keep reinvesting into new research and development for technical solutions and applications. The market constantly changes, and we want to remain in front of it so our clients can thrive. Linde is implementing sustainable practices to achieve our 2030 and 2050 net zero and zero waste targets. Making our energy consumption green, reducing the company's carbon footprint, and reforestation and recycling programs we participate in are crucial.

Helping our customers reduce their carbon emissions and our own is vital to this strategy. Linde remains committed to developing green technologies and updating existing processes to make them more environmentally friendly and operationally efficient. ■



Florencia Vitelleschi

General Manager Mexico
TOPSOE

Can you update us on your recent operations?

This year, Topsoe has continued to position itself in the refining and petrochemical sector in Mexico. We offer catalysts and technologies to produce low sulfur fuels, ammonia, methanol, and hydrogen. We also offer catalyst to reduce and mitigate sulfur emissions. We are well-positioned in several crucial areas, including the production of sustainable fuel for aviation.

What is the state of the energy transition in Mexico?

Mexico has excellent solar and wind potential, positioned in a good place with great renewable potential. The challenge is the delay in electricity generation permits for this type of energy.

Can you discuss green hydrogen?

There are several companies in Mexico, particularly in the steel and cement industries, that are looking into blue hydrogen. Green hydrogen will be important in the future, but there is currently no market. The costs for green hydrogen are very high, and there is a lack of legal security.

What are your priorities?

We are very strong in Mexico, and what Topsoe is doing in Mexico will be replicated throughout Latin America. We seek to position Topsoe as a technology expert for the production of low-carbon hydrogen. ■



Carlos Boone

Director of Business Intelligence and Corporate Affairs
ÉNESTAS

What trends do you observe in energy generation?

Natural gas is the future. It is often thought of as a transition fuel, but with everything that is happening in the world, including the war in Russia and trade issues between China and the US, natural gas took over. Today, LNG is being imported to any country that can receive it. I see a trend in increasing infrastructure for natural gas, including investments in terminals. We are seeing it in Mexico, but also through Latin America.

What is the relationship between the US and Mexico in terms of energy?

We import most of our gas from the US. However, it is complicated because what happened with Texas during the ice storm could happen again. The US will always prioritize its internal demand, and then send the natural gas that is left over out for export. This places us in a vulnerable position. That is why we must start developing infrastructure in Mexico to produce LNG.

What are your priorities?

Our priority is Mexico. We are in nineteen states, and we are focused on give coverage to all the country. In the long term, we are also interested in Guatemala and Panama, with the potential to open to the rest of Central America. ■



Raphaël de Montfort

Managing Director
AIR LIQUIDE

What trends in demand for industrial and medicinal gases have you observed?

The first trend is a confirmation of the nearshoring momentum in Mexico, and its positive impact for our industry. The second trend is the importance of the energy transition. I had increasing numbers of meetings with our clients this year to assess how we can help them lower their emissions.

What are the most important challenges facing industrial gas producers in Mexico?

The first challenge is access to electricity from a renewable source. It is of utmost importance as otherwise we cannot produce low carbon gas.

What is Mexico's green hydrogen potential?

It has a significant potential, as Mexico benefits from all utilities which are required such as solar, wind and water. This year our team participated in a study of the potential for green hydrogen in Nuevo León. There were several core conclusions: the most important point is that the interest of all key stakeholders was confirmed, and we see the progressive emergence of an ecosystem to promote green hydrogen. However, we also identified two barriers: regulatory issues and financial issues. Indeed, producing green hydrogen will require subsidies at the beginning to ensure the viability of the projects. ■



Petrochemicals

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When it comes to demand, there are some concerns marks around the US and Asian economies, but we are seeing signs of recovery.

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Stefan Lepecki
CEO
BRASKEM IDESA

GBR Series • MEXICO CHEMICALS 2024

Image courtesy of Braskem Idesa

Petrochemicals

A difficult year with stabilization in sight

2023 was an extremely challenging period for the petrochemical industry, with margins squeezed due to oversupply. "We have seen new capacity across the world, especially in the US and China, combined with less strong demand in strategic regions such as the US, Europe and Asia," said Braskem Idesa CEO Stefan Lepecki. "In this sense, the petrochemical business in general suffered significantly in 2023."

According to figures from the Chemical Industry Association of Mexico (ANIQ), production of petrochemicals in the country has plummeted from a 2018 volume of 8,068,099 t/y to 4,549,787 t/y in 2022. After years of underinvestment, PEMEX lacks the infrastructure to turn excess gas from oil wells into chemical feedstocks, making Mexico the 7th highest gas burner on the planet. Instead, the industry has turned to imports from the US, and pipeline imports have increased 400% since 2011, according to the US Energy Information Administration, driving costs higher and exposing Mexican chemical industry players to global price fluctuations.

In the long-term, the energy transition will reshape the petrochemical industry. Refineries face peak demand for refined products and as the renewable energy transition takes off, oil and gas companies must begin making decisions on what they will do with their billions of dollars of assets. A much larger portion of each barrel of crude oil of the future will be dedicated to olefins and aromatics, reshaping the petrochemical landscape.

Mexico is feedstock constrained,

with a continuous insufficiency of raw materials production to meet the needs of the chemical industry. The core cause has been the perilous drop in production by Pemex. Aging infrastructure and lack of investment in the country's petrochemical complexes has been a scourge to industry development. Production only continues to drop. "Pemex will stop production of ethylene oxide in December of 2023, and will overhaul the Morelos plant, which is the youngest of the plants," Raúl Baz Harvill, CEO of Grupo Petroquímico Beta stated. "They have cleared a platform to import ethane, which will guarantee year-round supply. However, the government will not construct another cryogenic plant."

AMLO's government has ignored the needs of the petrochemical industry, continuously underappreciating its role in Mexico's supply chain. Baz Harvill explained: "This government changed parties, and they decided to prioritize the refinery at Dos Bocas, reorienting all the resources around that project. The industry suffered tremendously as a result."

One alternative is to build stronger supply chains with the United States and Canada, the latter of which is in a constant state of ethane oversupply. From a regional supply viewpoint, the North American oil and gas outlook is positive, driven by rising basic hydrocarbons production in the US and Canada. David Coindreau, general director of Polioles, explained: "The boom in the US of natural gas and ethane production has led to the development of the segment of the Mex-

ican industry dependent on imports."

This has wounded domestic production. "On the other hand, segments of the chemical industry in Mexico that depend on local production have been declining," stated Coindreau. "There has been significant growth in the distribution industry to compensate for the lack of supply."

The situation was exacerbated by the October 23, 2023, decision of the Mexican government to restrict the import of over 60 refined petrochemical and petroleum products. The decree had immediate effect, with the government blocking two railcars of aromatics (ARO 150) shipping from Houston on the 24th, according to S&P. The government stated that their intention was to reduce fuel theft and clamp down on the black market of stolen fuel. The move was seen by some as a potential gambit by Pemex to monopolize petroleum and petrochemical imports.

The result was an abrupt halt to imports for impacted companies, throwing their supply chains in disarray. These companies spent the end of 2023 and beginning of 2024 scrambling to gather and translate thousands of pages of highly complex information to submit to the government in desperate pursuit of rapid import permit approvals. Waiting for those approvals left the affected companies at a complete stand-still in parts of their operations.

Although the decree was disastrous for chemical companies that used the banned products as inputs, many in the petroleum industry were pleased by the policy change. According to the Mexican government, Mexico's illegal

fuels market was approximately 47 million barrels in 2022. Indeed, according to the government, 80% of the fuel in Mexico is potentially adulterated. For companies operating lawfully, competition from the illegal products is fierce.

The October 2023 decision built upon a December 2022 regulation that focused on LDA permits at the port. Fuels at terminals at the port require volumetric controls, ensuring that every liter that enters is recorded by the authorities. The new regulation extended the need for volumetric controls to petrochemical products, requiring challenging to obtain permits. Alfredo Ison, president of distributor Química Delta, stated: "The benefit is that those of us who do receive the permits gain a greater market share. Nonetheless, the policy increases the complexity of importing petrochemicals."

70% of petrochemicals enter the country through the Altamira port. Blockages at the port had an outsized impact on the larger petrochemicals sector. Speaking of the impact of the initial policy during 2023, Ison said: "In May of 2023, we were able to resolve the situation, but it generated a supply problem in the market and made it challenging to import products into the national territory. This was particularly challenging because petrochemical production in Mexico has continued to shrink, which means that distributors must import more products to compensate."

There are, however, some important steps forward, primarily due to private investment. Braskem Idesa, which has been in the process of constructing Terminal Química Puerto México, the company's future ethane

import terminal, owned and operated in a joint-venture with Advorio.

The terminal was 50% constructed as of January 2024. The company expects to begin operations in Q1 2025, drastically reshaping the country's petrochemical industry. The future of the terminal was secured in late 2023. Lepecki explained, "In November 2023, we concluded our project financing, which was a success during a challenging moment for the industry. That financing was around US\$408 million, representing 70% of the total investment including CapEx interests and working capital."

The outlook for the petrochemical industry in 2024 is positive, if only slightly. There will be no new capacity coming online in 2024 or 2025, and less new capacity coming into operations in Asia than last year. The US and Asian economies both have some question marks, but there are some signs of recovery. "I expect that we will continue in a downcycle, but with better margins and better prices than in 2023," said Lepecki. "The supply-demand dynamics will be more balanced globally, with a slow increase in price."

Patricio Gutiérrez, chairman of the board of Grupo Idesa, agreed that there are positive signals. The Mexican economy grew by 3.5% in 2023, which could have been higher but was acceptable, and there was acceptable growth in the United States. Gutiérrez said: "I am cautiously optimistic for the Mexican economy and our industry. The global economy has been stabilizing and returning to a relative sense of normality despite ongoing crises because we are getting used and dealing with them."

Automotive growth drives lubricant sales

The lubricants segment is moving in lockstep with the larger automotive industry, which has recovered to pre-pandemic levels. On some levels, such as the number of trucks sold, the automotive industry is exceeding pre-pandemic levels. According to INEGI data, in 2023 Mexican auto production increased by 14%, domestic auto sales by 24%, and exports by 15%. "The sector does not suffer from the supply issues with steel and semiconductors that were the case not too long ago, so supply chains are func-

tioning, internal consumption is rising in Mexico, and exporting volumes go from strength to strength," said José Luis Gúzman of Castrol.

In 2020, the automotive sector accounted for 62% of the Mexico's lubricant consumption, making the automotive industry a particularly crucial end market (Mordor Intelligence). XXX of Castrol explained: "The lubricants market will grow 3-5% in 2023, in line with the industry, and we think this will be the case for the next 10 years, after which the Mexican market will have been adapting to electric and hybrid models, and there will be changes to market growth."

In 2024, automotive production in Mexico is expected to grow by 8% according to the industry group AMIA, with production of over 4,100,000 vehicles. In a press conference, AMIA head Odracir Barquera stated: "We have a really positive outlook on this year."

The automotive industry has long been a driver of the larger chemicals segment, and lubricants in particular, but other industries provide room for expansion. The global wind power industry, for example, requires high-performance lubricants, and it is a growth industry in Mexico for lubricants players such as Castrol. ■



Carlos Turquie
CEO
PLASTI PIGMENTOS

“There needs to be a stronger culture regarding recycling, which is exacerbated by infrastructure gaps in collection and correct disposal.”



“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

CEO
BRASKEM IDESA

How does your partnership with Advorio support the Puerto Mexico Terminal 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 by defining the best location, providing access to the right of ways that pass transit land belonging to Pemex, and facilitating 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 Advorio, a subsidiary of Oiltanking Group. We decided to create a joint-venture company called TQPM. As of February 2023, the company has been created. Advorio has already onboarded us. Progress is proceeding apace, with 30% of the EPC completed. We have already purchased the required long-lead items and completed 80% of the engineering. Construction has started, currently focused on the foundations. Partnering with Advorio 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?

Since we built our complex, with an original investment of US\$5.2 billion, we have maintained a strong relationship with the local community. We structured many programs to facilitate clear communication with the communities and offer jobs. Coatzacoalcas is a poor region with significant needs, and we understood that to build the company, we needed to have open meet-

ings with the community to establish solutions with the community.

How does Braskem Idesa prioritize digitalization?

Regarding digitalization, we have two focuses: Process efficiency and sustainability. Our industrial complex is state of the art in terms of technology and innovation. We continue to pursue more efficient and safer operations through partnerships like our partnership with Honeywell.

We are also doing important work in sustainability. This has three pillars. The first is a commitment to reduce plastic waste; secondly fighting climate change, understanding that we have a power plant and a cracker and we aim to achieve neutrality by 2050; and lastly, we have a commitment to social responsibility, especially in our relationship with the local communities. To combat climate change digitalization and automation are essential for us. We had a partnership with Emerson to implement solutions and controls to reduce our 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 provide investors' confidence. We have all the conditions in North America and Mexico to continue developing nearshoring more competitively.

What are your priorities for 2024?

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 in the plastic waste initiative and our CO2 emissions reduction. ■



“A strong Pemex benefits the entire chemical industry and nation. Investments in maintenance should come first, then into new capacity.”

Patricio Gutiérrez

Chairman of the Board and CEO
GRUPO IDESA

Could you update us on Grupo Idesa's operations and activities in 2023?

Grupo Idesa has three divisions and two joint ventures (Braskem Idesa & CyPlus Idesa). Our petrochemical division is where the company's origins lie, and we have four production plants across industrial sites in Mexico. There is also a distribution division ALVEG with nine branches across Mexico that commercializes chemical and petrochemical products, including fuels for the automobile industry. Finally, we have the logistics division with two operating terminals, one at the port of Veracruz and an inland terminal in Tlaxcala. CyPlus Idesa joint venture produces sodium cyanide focused on the mining industry, while the Braskem Idesa joint venture produces polyethylene. 2023 was a challenging year for the company, with varying demand levels from different sectors. There was also an uptick in competition from Asia and North America in the first half of 2023, as excess capacity abroad usually finds its way to Mexico.

What is your perspective on the trajectory of the Mexican economy?

I am cautiously optimistic for the Mexican economy and our industry. The economy grew by 3.5% in 2023, which should be higher but is still acceptable, and there was decent growth in the US. The global economy has been stabilizing and returning to a relative sense of normality despite ongoing global crises because we are getting used to and dealing with them. The same can be said for raw material costs here, which remain high but are not exploding in price, so there is a sense of stability.

From which sectors is the chemical sector seeing the most robust demand?

Our country's major consumers of chemical products include the automotive industry, which is growing rapidly and is an excellent market for chemical companies, agriculture and electronics. There is also the personal care sector. Unfortunately, growth in construction, a crucial sector for chemical companies, has been sluggish.

What are the major risks and opportunities associated with nearshoring?

Being neighbors with the world's biggest economy is an enormous opportunity. Mexico has abundant natural resources that we should be taking advantage of and a well-trained and competitive workforce. However, our infrastructure is the most significant obstacle. There is a critical need for more investment in highways. The major north-south roadways are saturated and must be expanded. In addition, there should be investments in our rail system to alleviate pressure from the roads. Demand for chemical goods outpaces domestic production and makes us reliant on imports, and the lack of infrastructure is another vulnerability point at our ports and border crossings.

What do you think is the chemical industry's greatest challenge?

Electricity prices are relatively high in Mexico compared to the US. If we cannot lower these energy costs and promote a renewable energy matrix, there is a risk that our industry will become uncompetitive and unable to meet the environmental demands of clients. The

supply of raw materials is another issue, and the country must adequately invest in Pemex and look for strategic alliances with the private industry to capture the potential the industry has. A strong Pemex benefits the entire chemical industry and nation. Investments in maintenance should come first, then into new capacity.

How does Grupo Idesa incorporate advanced digital technologies into its operations?

Our policy on digital tools is to gradually adopt tools that are proven to work and can improve our operations. Our production plants are vanguards in this sense and implement state-of-the-art technology. The strategy is to increasingly digitize our processes to automate more functions. Grupo Idesa has also launched pilot projects exploring using generative AI to produce relevant information and make decision-making processes faster.

What are the company's sustainability priorities?

2023 is our third year publishing an in-house ESG report. As an industry with the leadership of ANIQ, we have implemented the Responsible Care policy for many years, which has served as the core of the industry's sustainability efforts. We are always searching for new ways to reduce energy consumption and become more efficient. Social and Governance topics also are within our top priorities.

What will Grupo Idesa's strategy be in the next two years?

We have completed a lengthy corporate restructuring process and will consolidate this new structure in 2024. ■

Circular Economy on the Global Stage

Strategies to tackle plastic waste

In April 2024, UN member states will gather for the fourth round of treaty talks for a global treaty to end plastic pollution. The efforts are in response to worldwide calls for a legally binding treaty to strengthen regulations for eliminating plastic waste and pollution, driven by developing nations that are currently drowning in the waste of developed nations.

According to OECD data, only 9% of plastic gets recycled. With plastic production doubling between 2000 and 2019, the percentage of waste currently recycled is nowhere near enough to make a dent on the reality. The challenge will only increase; by 2060, plastic waste production is expected to triple, according to OECD data, of which 50% is destined for landfills.

The third round of negotiations in Kenya in November were unsuccessful, with no agreement to develop a first draft or commitments for inter-sessional work. The April negotiations, therefore, are crucial to developing a first draft of the final text. Member states have committed to signing a treaty by the end of 2024.

Miguel Ramírez, general manager of Avient, noted that in Mexico, the private sector and society are ahead of the government when it comes to waste management and sustainability. In the packaging industry, for

example, Ramírez described strong demand for biosolutions. "Mexican regulation still needs to catch up with the global shift towards environmentally friendly practices," he said.

Pentac, a German company developed to meet the need for recycled compound materials, has recently expanded in Mexico. Production at their second production plant in Mexico, in Queretaro, is expected to start in Q2 2024. The company, which primarily serves the automotive industry, received support from the Secretariat of Sustainable Development as part of the domestic and global push for more sustainable plastics production.

Manuel Iglesias, CEO of Pentac, identified both public pressure and government regulations as driving a global demand to reduce carbon emissions. In Mexico, the regulations are less strict, but automotive producers must operate in line with global expectations. The plastics industry is a major contributor to the greenhouse gas emissions of the world: indeed, by 2040, greenhouse gas emissions from the plastic system have the potential to grow by 63%.

This has led to an opening for Pentac, which produces recycled compounds that combine recycled and virgin materials. Iglesias stated: "Our

materials, when recycled, significantly reduce carbon dioxide generation per the manufacture of each kilo of materials."

Government investment in the infrastructure for recycling is crucial, as there are significant infrastructure gaps in collection and correct disposal. Government engagement is necessary to make recycling plastics more accessible. Carlos Turque, CEO of Plasti Pigmentos, noted, "Biodegradable products are part of the solution, but they still carry contaminating traces, so reusing plastics is the most logical path, as it adds the most value to the economy and our clients' products."

With growing demands from the public to proactively address the issue of plastic waste, the petrochemicals industry is actively seeking new technologies and formulations to support plastics recycling and waste reduction. 2024 will be a pivotal year in shaping the future of global plastics production and driving the development of a more functional circular economy. "The main challenge for the plastics industry is to focus on sustainable solutions to increase recyclability," said Ramírez of Avient. "There is a historically negative public perception of our industry; now, we can turn it around." ■



Miguel Ramírez

RBL Latam
AVIENT

Can you introduce us to Avient?

Avient is a global company formerly known as PolyOne. Over the years, we have dedicated ourselves towards the specialty chemicals segment, and in 2020, we acquired Clariant's global color concentrates business. The last three years have been particularly dynamic for the company, as we also acquired DSM's protective materials unit, thus adding top-quality super fibers to our portfolio. We have two production facilities in Mexico, in Toluca and Mexico City.

What is Avient's approach to sustainability?

This year, we were awarded the Gold Ecovadis certification, which is awarded to only 6% of firms worldwide, reflecting our company's commitment to sustainable practice and innovation. We have an annual 3% waste reduction target and are on track to meet our 55% carbon reduction target for 2030.

Avient's portfolio of sustainable polymers is significant to the company, and over a third of our solutions are now sustainable. Plastics are an

excellent material, but we are not taking full advantage of their use. That is why our focus is on recyclability and reducing carbon footprints. For example, one of our additives is used to make PET plastic bottles and has the benefit of reducing the manufacturing process temperature, resulting in lower energy consumption and a lower carbon footprint. Our foam agents, such as Hidrocerol, replace part of the plastic structure with air, reducing weight. Avient is working extensively on using and developing post-consumer resins to reduce the industry's dependency on virgin resins.

What challenges confront the plastics industry?

Mexican regulation still needs to catch up with the global shift towards environmentally friendly practices. Society and the private sector are ahead of the government for now, but it is a matter of time. Another challenge is that we need to recognize that recycling is an additional process that requires an additional cost. There needs to be a change in mentality to consider this. ■



David Coindreau

Managing Director
POLIOLES

What is your perspective on the state of the chemical industry in Mexico?

The chemical manufacturing industry has become progressively dependent on raw materials imported from the US or elsewhere. The boom of natural gas and ethane production in the US has led to the growth and development of a strong petrochemical industry, which used to be dependent on imports. On the other hand, segments of the chemical industry in Mexico that depend on local production have been declining and, as a result, there has been significant growth in the distribution industry to compensate for the lack of local supply.

What is your perspective on relations between the government and the industry?

As an industry, we must partner with the government to have a more competitive Pemex. A strong, efficient Pemex would be transformational for the Mexican chemical industry, and we must support in developing the conditions to do so. The chemical in-

dustry offers immense potential for economic development, particularly in the southern regions of the country which translates in better paying jobs and long-term stability.

How does Polioles focus on safety?

Safety is a core pillar for the company. We have not had an accident in over a year. We seek to promote good behavior among our collaborators and contractors. In the end, you can have the most advanced processes and equipment, but the people involved in the operation are the ones who make decisions. We are constantly training people and giving them the right tools to ensure they are focused on the importance of safety. At the end of the day, we want our team to go safely back home to their families.

What is your strategy for the coming year?

We will continue to adapt to the changing circumstances of our industry and broaden our product and service offering to give the best solutions to our clients. ■



Sergio Paredes

CEO
RESIRENE

What is the history of Resirene?

Our primary business is polystyrene production, although we have some other lines of business in the production of technical compounds, sustainable solutions and petrochemical distribution. The company has a single production site in Tlaxcala. Half of our products are exported.

Can you discuss your sustainable offerings with UBQ?

A few years ago, we started collaborating with UBQ, creating a high-impact polystyrene composite. This product can be used for a variety of applications that do not come in to contact with food, such as gardening and a wide range of consumer products. The first advantage of our offering was to demonstrate that with an additive we had developed, polystyrene could be compatible with the UBQ product. The product has a near-zero carbon footprint with the benefit of recovering organic waste in conjunction with a polymer. More recently, we have introduced our

polystyrene with post-consumer recycled content that we have named Q-rPS®; which stands for "Quality Recycled Polystyrene". We are very proud of this achievement because it represents a big step forward towards circularity regarding the use of Polystyrene. This product can be used for food contact applications being certified by the SCS and FDA approved for food contact.

How did the market perform in 2023?

2023 was a year of correction. That was true for polystyrene too. Compared to previous years, demand decreased throughout the value chain. In early 2024, we think that it will remain at similar levels, and expect that near the second half of the year we will see an improvement in general prices through to 2025. Demand in the market will increase, with improvement first seen in the US and then moving out to the surrounding regions, and we are very attentive to the North American market. ■



Raúl Baz

CEO
GRUPO PETROQUÍMICO
BETA

What is the history of Grupo Petroquímico Beta?

Grupo Petroquímico Beta was originally established to manufacture a specialty product. We transitioned away from that to manufacturing other high specialty ethylene oxide products. For which we have become very successful, and now we have an excellent EO specialty plant. The company also has our own chemists and laboratory. How much ethylene oxide we can produce depends on how much we are supplied by Pemex. Last year, we were better supplied than many in Mexico because we were willing to make a higher bid to Pemex.

What caused the petrochemical sector's raw materials access decline?

Ethylene oxide, which is the basic chemical we use, has been in very short supply. The lion share of the ethane was being given to Braskem IDESA. Prior to Braskem entering Mexico, there was more ethane than the petrochemical industry in Mexico could use, so the price was be-

low the price of natural gas here in Mexico due to supply and demand. Braskem observed the situation and decided to invest in a large plastic manufacturer in Mexico. The minute that the company entered Mexico, the excess of ethane became a deficit, and the petrochemical industry at large suffered. For next year Pemex is going to import ethane and we expect that the supply of EO will meet the demand.

What are your expectations for the production of ethylene oxide in 2023?

With ethylene oxide, what happens in the industry depends on the government's priorities. Right now, the government is overhauling some plants of which EO has priority. They will stop production of ethylene oxide in December of 2023, and will overhaul the Morelos plant, which is the major supplier of EO. They as previously mentioned they have cleared a platform to import ethene, which will guarantee year-round supply. Pemex is taking tangible steps to remedy the supply issue. ■



Manuel Iglesias

CEO
PENTAC DE MÉXICO

What is the purpose of opening a plant in Mexico?

Originally, Pentac was deciding between opening a plant in Mexico and the US. We determined that based on the location of our current and potential clients, the best location was Querétaro. Querétaro has had excellent growth in a variety of industries, but particularly in the automotive industry. Additionally, it is on Highway 57, which goes from Queretaro up to Laredo and, therefore, the US. The idea is to be on the path to supplying the US market.

What is Pentac's strategy in Mexico?

In Mexico, we have a complete database of the potential clients in the country due to our extensive knowledge and understanding of the market, particularly the automotive market. Our short-term priority is to prioritize clients who have been slowed down by delays waiting for products to arrive from Europe. To carry out this strategy, we have developed and trained an internal sales

team who will focus on those clients and seek collaboration with some distribution companies to strengthen our brand in Mexico. Through partnerships with distributors, our own sales force benefits from the sales force of the distributors, as well as their work in activities such as digital marketing. For a Mexican company to achieve deep penetration of the market, the key is a strong sales force.

Pentac is also focused on the US market. Currently, we supply some customers in the US from Germany, but now that we have the production facility in Mexico, it is our target to increase our footprint there.

We are focused on managing a variety of new developments, particularly the development of materials with colors, with different percentages of recycled material, with different additives and reinforced materials in order to attend not only the automotive industry, but also other industries, opening up the possibility of diversifying our market. ■

What trends have you observed in the Mexican automotive and industrial sectors?

The automotive industry in Mexico has recovered to pre-pandemic levels, and some metrics, such as the number of trucks sold, are exceeding pre-pandemic levels. The lubricants market will grow 3-5% in 2023, in line with the industry, and we think this will be the case for the next 10 years, after which the Mexican market will have been adapting to electric and hybrid models, and there will be changes to market growth.

Besides the auto industry, we have a strong presence in the industrial sector with our metalworking fluids and high-performance lubricants, which are indispensable to industrial processes. Castrol is also becoming increasingly present in the Mexican and global wind power industry.

What obstacles to growth do you observe in Mexico?

We need to be more agile as a country and open to investment. The government must invest in basic infrastructure and consider our regulatory envi-

ronment closely because there is much international competition investments, and timing is crucial. We need to be more open to outside investments.

Additionally, the energy system in Mexico needs to be updated and strengthened. The obsolescence of much of the grid will present a challenge not only to outside investment opportunities but also to increasing sustainable practices. There needs to be more investment and modernization of power systems.

What changes are taking place in the industry due to sustainability initiatives?

Hybrid and electric vehicles are becoming increasingly relevant, especially as governments focus on sustainability. We are going to adapt to these changes, and we are working globally to develop new types of lubricants for this market. We now boast a complete portfolio of lubricants, coolants, and transmission fluids serving the hybrid and electric markets. In Mexico, we have yet to have this portfolio on offer simply because the hybrid and electric market here is yet to be significant. ■



Agrochemicals

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Consumers are increasingly aware of topics related to food safety and security. They want food that is produced in a sustainable way.

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Javier Valdés
Territory Head LATAM North
SYNGENTA

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Image courtesy of Syngenta

Agrochemicals

The opportunity of new technologies

Mexico's agricultural sector employs more than 5 million people, providing the nation with tens of billions of dollars in annual exports. Behind recent export growth has been Mexico's innovative crop protection industry. Recently, strong demand for Mexican beverages such as tequila and mezcal, has given this industry an added boost. Luis Eduardo González, former president of the Mexican Union of Agrochemicals Manufacturers and For-

mulators (UMFFAAC), stated: "There is still untapped potential. About 60% of our agriculture is small and subsistence farming, so there is much potential for this segment to be better trained and equipped, introduced to technological farming methods, and to diversify the crops in cultivation."

By some measures, the agricultural sector has performed strongly; according to the Ministry for Agriculture and Rural Development (SADER),

the Mexican agricultural trade in the first nine months of 2023 was worth US\$72.4 billion, with an agricultural trade surplus of US\$6.09 billion.

However, overall the agrochemical market was challenging in 2023, with low demand and low prices. Companies had to be highly disciplined about managing inventory and cost structure. "There has been a correction within the agrochemical industry, especially in inventories in the

major agricultural markets such as Brazil and the US," said José María Bermudez, CEO of Viakem, a contract and development manufacturing company. "We observed a significant drop in demand, not due to any structural cause, but because of the ups and downs after the pandemic and the volatility created along the value chain."

Climate disasters and regulatory headwinds have both stifled the industry's growth prospects. Regulation, in particular, has been a central challenge. Throughout the interviews held for this report, executives in the crop protection space emphasized the burden imposed by regulation that is excessive and, at times, illogical. Dr. César Parada, Valent de México's general director, said: "For many crops, the decisions made by the Mexican government look more political than based on technology and science."

Climate Risks: Drought

If 2023 will be remembered for one thing by Mexico's farming community, it will be for the lack of rain. Rain shortfalls represent a growing threat to Mexico's agricultural industry. Javier Valdés, CEO of Syngenta, said: "2023 has been a very challenging year in Mexico in terms of rainfall, the driest year in the last thirty. Mexico has suffered from some extreme temperatures. The dams are at their lowest point in years, and we have had many crop losses."

According to data from Conagua, the Mexican National Association for Water, moderate to extreme drought conditions increased by 8.45% in

2023, and in June 2023, rainfall levels were 61% lower than the 1991-2020 average for the same month. These climatic challenges have impacted Mexico's food production, dropping the country from 9th to 10th on the list of largest global food producers in 2023.

Mexico's agricultural sector consumes 75% of the country's water, according to Conagua, though there are competing demands for access to water as Mexico's population and economy grow. Booming cities in the north, such as Monterrey, exacerbate this problem. The lack of rainfall has been impactful and has social implications, setting the stage for competition over water between rural and urban areas. The dry season has impacted sales of certain agrochemical products in the country. According to Nery Echeverría, head of sales in Mexico at Bayer Crop Science: "We have had lower demand throughout the industry for weeds control products because this year has had less rain, and less rain means less weeds."

In addition to dry weather conditions, the sector confronted other climatic risks in 2023, including storms. In October 2023, Hurricane Otis devastated Guerrero state's coastline, causing catastrophic damage to the city of Acapulco and inundating crops across the region. Climate cycles are becoming less predictable, introducing new risks. Luis Osorio, executive director of the industry association Protection of Crops, Science, and Technology (PROCCYT), stated: "The global population is growing, yet agriculture faces multiple challenges: Climate change, natural disasters, and regulatory challenges."

The government has taken steps to mitigate the water stress caused by the lack of rainfall and intense competition for water between rural and urban areas, including restricting water access to the industrial sector in some affected regions such as Jalisco, Michoacán, Nuevo Leon, and Tamaulipas, among others. The government is also incentivizing changes, promoting crops such as rapeseed, which need far less irrigation than many of the fruits and vegetables commonly planted, while discouraging corn production. ■



Protección de Cultivos, Ciencia y Tecnología (PROCCYT) represents more than 70 percent of the crop protection industry, including R&D companies, Formulation, Distribution, agriculture enterprises and producers

PROCCYT is part of the CropLife LatinAmerica Network of 25 associations across 18 Countries, and part of International forums such as the NAFTA Technical Group For Pesticides.

Our ambition is to promote sustainable practices in agriculture that contribute to food safety, protection of human health, biodiversity and the environment, by helping farmers transition towards a more sustainable agriculture.





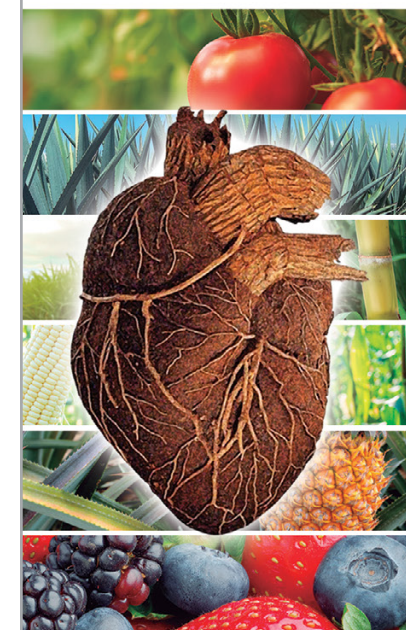

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Luis Eduardo González

Former President
MEXICAN UNION OF AGROCHEMICALS MANUFACTURERS
AND FORMULATORS (UMFFAAC)

Could you update us on UMFFAAC's activities in the past year?

The association has worked intensely in 2023 to support the country's crop protection and pesticide industries and to communicate to the public and the authorities its relevance to the food production. Under the current government, there has been an unfortunate misrepresentation of the agrochemical industry, and they have tried to prohibit agrochemical products without a proper scientific basis. UMFFAAC is dedicated to consistent dialogue and communication with the authorities, Congress, Senators, and environmental regulators to promote our industry as healthy, safe, and indispensable to the country's food production. Without the crop protection industry, food would become more challenging to grow, scarcer, and therefore more expensive, affecting the lives of every person in the country. In terms of events, in addition to these information campaigns organized in defense of the industry, we have also conducted training programs for the safe and proper utilization of pesticides to farmers and regional bodies that form the core of our calendar every year.

Could you comment on UMFFAAC's safety programs?

In 2023, UMFFAAC delivered training sessions to over 25,000 farmers on

“Under the current government, there has been an unfortunate misrepresentation of the agrochemical industry, and they have tried to prohibit agrochemical products without a proper scientific basis.”

the safe and proper handling of agrochemical products. In addition, we distribute first aid kits for people harmed by agrochemicals and work closely in the attention InTOXications (ATOX) by pesticides, program which is attended by specialized medical personnel of the Universidad Autónoma de Nuevo León, providing service through a free telephone line to the society, including doctors on how to recognize and care for the symptoms of poisoning by agrochemicals. This program is free of charge 365 days a year, 24 hours a day.

What are UMFFAAC's priorities in dialogue with the authorities?

Our relationship with the government has been strained recently. In the past, we had fruitful interactions with regulators, health bodies, and state governments. These interactions have been closed, and they have made consequential decisions for the agrochemical and agricultural industries at large without adequately consulting the industry or even farmers.

What are some significant challenges facing Mexican agriculture today?

The proliferation of illegal fertilizer and agrochemical products in the market it's a serious problem that expose farmers, environment and consumers. The responsible authori-

ties have been ignoring this problem, and we see it, as there is no proper application and enforcement of existing laws. Thankfully, agricultural exporters are more vigilant about the agrochemicals they consume and have high standards for exporting to international markets. For domestic consumption, there is a very big issue with these products, and it is negatively affecting our consumers' health and safety.

Meanwhile, approval waiting times for new products have grown considerably. In the past, you would wait an average of 18 months, and we now face 36-month long periods and, in some cases, indefinite waiting times. The authorities often give absurd excuses for these time delays, including reasons without legal basis.

How are sustainable practices being implemented in the industry?

Consumers are conscious of the food they consume, and our industry is looking continually for the sustainable alternatives they can provide. There is a growth in the registration of new organic and biological products. It is now part of the fabric of the companies we represent.

There are promising advances in the technological applications of pesticides. New regulations intend to prohibit aerial fumigation methods within 4,000 m of a populated area, which has will limit the use of this method in most of the country. There are also new fertilizers in development that will improve the health of farming soil, reducing environmental impacts and water usage, improving yields, and generally improving the health of the soil.

What is the association's priority for the coming year?

Our priorities are consistent with what we have done in the past year. We will keep communication channels with the authorities and society open and keep stressing the importance of our industry, arguing against unsubstantiated prohibitions of products, which will have wide-ranging repercussions for our farmers and food production. Our industry is vital for society, and crop protection is crucial for the economy, as it keeps people fed. ■



Luis Osorio

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

Could you update us on PROCCYT's objectives and primary purpose?

PROCCYT is the leading industry association representing the agrochemical, crop protection and biotechnology industries. We have 85 members representing the entire agrochemical value chain, including companies that develop new technologies, distributors and associate members that are agricultural producers. Our mission is clear: To promote and support Mexican agriculture, helping the industry grow its yields so that our country and the world have a reliable source of food, while ensuring that these crops are grown sustainably and offer health benefits to the end consumer.

Agriculture faces multiple challenges: Climate change, natural disasters and regulatory challenges. We focus on transmitting technology to the field where it is most needed while keeping a very close dialogue with regulatory authorities, Congress, and the federal government to communicate the needs and priorities of our industry to the state.

PROCCYT is part of Crop Life, an international organization of crop protection associations, and are part of the Latin American, North American, and international chapters. This organization is an excellent forum for open dialogue. It allows us to share and interchange experiences with the region and globally, which is imperative given the global nature of so many challenges we face in Mexico.

“Due to the regulatory backlog of approval, innovation in Mexico has paused in the past five years.”

Can you discuss some of PROCCYT's safety programs?

We have developed numerous programs to promote agrochemical products' safe and responsible use. CuidAgro is a system of certifications that helps agricultural producers correctly identify agrochemical products and how to manage them safely. In the past year, we have certified over 30,000 people on proper management of agrochemicals. We work with federal and state authorities on this issue.

Another example is Syntox, a 24/7 medical helpline available to anyone who has been harmed by an agrochemical product. We also work closely with local health authorities in agricultural regions to get newly qualified doctors trained and aware of agrochemicals and their hazards. Lastly, CampoLimpio is a nationwide plastics recycling campaign.

What is the state of agrochemical regulation in Mexico?

Mexico is a highly regulated agricultural and agrochemical market by international standards. Due to the regulatory backlog of approval, innovation in Mexico has paused in the past five years. For example, the average approval time for new agrochemical products is 11 years from submittal, during which a new product will undergo over 120 analytical tests. The sector is highly scrutinized, comparable to the pharmaceutical industry. Mexico is one

of the world's greatest producers and exporters of food products, such as avocados, berries, and tomatoes, and being highly regulated is part of this success story, as our goods are internationally recognized.

Nevertheless, regulation should not be purely prohibitive and needs to be smarter. That is why PROCCYT works closely with regulatory bodies to communicate the challenges the field faces and how collaboration can alleviate them.

How important are trade deals for the Mexican agricultural industry?

The USMCA trade deal has been significant for Mexican agriculture, given that more than 80% of our business is oriented towards North America. USMCA is key to keeping Mexico a global agricultural exporting leader. It is not just an interchange of trade, but also science and technology. PROCCYT led a Mexican industry delegation in Canada this year as part of the trilateral commission on pesticides, and we worked closely with our North American partners to explore the homogenization and alignment of regional regulatory frameworks. Mexico and the region could benefit significantly from such an alignment.

What trends in the industry have you observed?

There is an irreversible trend towards sustainable and biological products in the industry. The export boom is also driving demand for innovative solutions, such as using drones to spray agrochemicals or geolocation software.

What are PROCCYT's main priorities for the coming year?

This year's mission is vital: To support the development and investment into sustainable practices, new products, and technologies, such as biotechnologies that support this transition. Although approvals are slow, we will maintain close and open dialogue with regulatory authorities to promote technological innovation. The sector has great opportunities and risks, such as climate change, which can be managed through innovation and development. That is why we are focused on a public communications campaign with all the necessary stakeholders. ■



Marco Salcedo

Director
AMVAC

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2023 has been a tough year for several industries, including the agrochemical industry in Mexico.

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Can you update us on your recent operations?

For AMVAC, we focus on ways to increase our field presence looking to offer better support for the farmers. We have recently launched several new products and are consolidating some concepts that we launched four years ago. Most importantly, we have a solid team, including a strong group of salespeople.

What is the state of the agrochemical industry at the moment?

2023 has been a tough year for several industries, including the agrochemical industry. Recently, at the PROCCYT meeting of R&D-based companies in Cancun, most of the companies described a challenging year. The super peso is not helping because it is challenging for expenses and exports. Most of the farmers that are exporting their products are looking to reduce their expenses and costs. Additionally, the year was challenging regarding weather, with severe conditions across the country – droughts in some regions in Mexico and floods in others, including the hurricane Norma in Sinaloa, which destroyed the first stage of the vegetable season or Otis in Guerrero. However, the storms did not reach the mountains, and the dams are at less than 50%. The fourth quarter will be critical, as we are hearing about a 50% reduction in vegetables and 70 to 80% in corn, beans, and other crops.

What are the benefits of your star offering SmartSoil?

The first time we brought SmartSoil into the conversation, nobody in the industry talked about soil health and the benefits of taking care of soil. Now, there is a lot of enthusiasm and discussion around soil health. I am proud that we started with an idea everyone now sees as widely important. It is the base of the investment and a crucial part of our industry. We are working with the farmer to benefit the root system and have a robust microbiome supporting the plant's performance. We started our SmartSoil offering working with agave and expanded to potatoes. Now, we are working on vegetables and berries. The benefit of SmartSoil is that it improves the farmer's productivity with better yields at better costs solving in addition a specific important problem.

How are slow registration processes impacting AMVAC?

In this industry, we need to present significant information for approvals for every product we want to launch. So to then, after getting the approval, have the authorities say a product is not safe is ridiculous. The Mexican government is putting intense pressure on glyphosate and other products.

At the same time, you do not get new approvals. We are trying to work with the authorities, developing products with greener technology, trying to comply with their demand to develop alternatives to agrochemicals. Today, AMVAC has submitted 14 registrations, for which we have not received any response or information. We have 15 other pending registrations for which we have received a note saying that we need to review the information, and we will be approved. After answering the demands, we are still waiting to hear back from Cofepris. Some of these are from 2018. If they want to have better, greener technology, they must speed up the process of registrations. Approving advanced registrations would support the government's strategy.

What is your strategy for the coming year?

AMVAC has two primary areas of focus. On the one hand, we are looking for internal growth. We are determining how to maintain our franchise products that are still extremely important for the grower. We continue growing in our core offerings in the marketplace. Additionally, we keep looking for new technologies and products that can be developed directly by AMVAC or acquired through third-party alliances. We continue looking for partners to work with or acquire.

At AMVAC, we know that the tools we develop will benefit our principal customer, the farmer, and our final customer, the consumer. We are working to increase our biological offering through BioAmvac. AMVAC is currently waiting for the registration of new products that we acquired in Central America. One of the products in this new line is an offering that increases sugar cane production. AMVAC will keep looking for concepts that increase the field's productivity and continue searching for new concepts to add to our portfolio. ■



Government Involvement

The dual perils of prohibition and approval times

In addition to persistent climate challenges, the agrochemical sector continues to confront an uncertain and complicated regulatory framework. Mexico's agrochemical industry is highly regulated, and the scale and complexity of this regulatory challenge have only increased during the presidential term of Andres Manuel Lopez Obrador (AMLO).

The principal regulatory challenges inhibiting the crop protection industry are time-consuming regulatory approval processes, prohibitory legislation, and the long-standing anti-GMO stance of the Mexican government. Eduardo Mesinas, managing director of Grupo Lucava, commented: "The twin regulatory challenges for the industry are these: On the one hand, slow approvals of new products, and on the other, the outlawing of products without rigorous scientific examination."

Mexican agrochemical players face incoming legislation in 2024 by Presidential decree which will outlaw glyphosate products in the country. The prohibition will impact a large portion of the agrochemical market and could exacerbate the problematic use of illegal pesticides in the country as farmers turn to the black market. The primary alternative to glyphosate, glufosinate herbicide, works more slowly and is more expensive. Francisco Ortiz, president and CEO of Altiara, said: "There is real concern among some in the industry that once the glyphosate ban kicks in they will be permanently shut out of the market."

A common interpretation from industry heads is that the Mexican government's regulation of the agrochemical industry is not scientific and does not comply with global standards. Regarding the glyphosate ban, Bayer Crop Science's Nery Echeverría said: "The European Union recently



Francisco Ortiz
President and CEO
ALTIARA

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Agriculture is one of the four pillars of the Mexican economy. Therefore, any governmentt should give us appropriate support.

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renewed its registration for another 10 years due to the hundreds of studies reinforcing that it is a safe product."

Marco Salcedo, director of AMVAC, reiterated the dual pressure that the government is putting on companies by outlawing glyphosates but not speedily approving alternative products: "The Mexican government is putting intense pressure on glyphosate and other products. At the same time, you do not get new approvals."

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Juan Francisco Ortiz

Business Director Latin America North
FMC

Can you provide GBR with an overview of 2023?

For the industry as a whole, 2023 proved to be a challenging year. Despite this, FMC performed well mainly in Mexico and Colombia. The exchange rate posed difficulties, impacting the value of our farmers' exports to the US and adding complexity to our negotiations. Another significant challenge was water scarcity. For instance, Sinaloa experienced water levels at just 30% of the normal capacity.

However, for FMC it was a positive year during which we strategically focused on developing a business model centered around building deeper relationships with our farmers and distributors.

How important is sustainability to the modern crop protection industry?

We are proud to offer products like Coragen or Benevia, known for their minimal toxicity to bees. Additionally, our plant health division is actively developing biological products. A year ago, we acquired a pheromones company, and the future of crop protection using pheromones for insect control appears promising. Our

goal is to create an environmentally friendly chemical portfolio, providing new and sustainable options for our farmers.

What must the industry do to reduce illegal pesticide use?

In Mexico the illegal crop protection market is very large. We must continue fighting to reduce falsification and proliferation of toxic products. It is essential to communicate to the farmers that it is better in the long-term to purchase safe products from legal sources.

What are the benefits of FMC's ARC technology?

The technology uses real-time data from in-field sensors and predictive modeling to determine the optimal moment to spray a product, identifying how to optimize crop yields while reducing product waste. The key is to use product at the right moment. We started by offering ARC for corn, sugarcane, and rice crops, but we will continue developing it for other crops. This technology combined with our new pheromones technology will be transformative. ■



Javier Valdés

Territory Head LATAM North
SYNGENTA

Can you update us on the past year?

2023 has been a very challenging year in Mexico in terms of rainfall, the driest year in the last thirty. We offer technologies for crops that enable them to be more resilient. In the case of beans, one of the strategic crops for Mexico, our solutions, which include biostimulants, enable the plant to have greater root volume, tolerate high and low temperatures, and be more efficient in water usage. Syngenta provides growers with comprehensive solutions to make agriculture more resilient and productive achieving the food security that the world needs.

What new solutions have you recently brought to market?

We have recently launched three innovative technologies: ADEPIDYN, PLINAZOLIN and TIMYRIUM, which are already in some North Latin American countries, which are complemented by our extensive portfolio of biologicals and allow the farmer and the entire chain to produce with higher quality.

How are biological products selling?

We have seen exponential growth in the last five years in biological products. At Syngenta, we have a wide portfolio of biological insecticides and fungicides, as well as bio stimulants, but above all, we believe in complementarity. We know that there are no single solutions for all the challenges that the farmer faces. Plagues and pests do not only have biological solutions. We have to complement our portfolios and, therefore, seek a balance of comprehensive solutions that provide greater profitability to the farmer but, at the same time, take care of the environment by reducing the chemical load and developing more technologies to have more biological solutions within the crops.

What differentiates Syngenta?

Syngenta has research centers in Mexico in both the crop protection and seed areas. We work with hundreds of thousands of products each year to come up with two products to launch in the market. ■

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Climate risks will inevitably worsen in the near future, and growing conditions will become more complex. However, without a pipeline of new, alternative agrochemical products entering the market, farmers will increasingly struggle to maintain and increase their crop yields.

Regulatory obstacles are not new to the industry, and dealings with regulatory bodies such as COFEPRIS (Federal Commission for the Protection against Sanitary Risk) have been a persistent challenge for the industry under the current administration. Under AMLO, COFEPRIS has been increasingly hostile to the agrochemical industry, and rejections and delays are common. Fernando Vera, CEO of Grupo Versa, mentioned: "The phytosanitary industry is highly regulated, and our ability to obtain new registrations in a timely manner depends on COFEPRIS approvals."

The implications for the sector's innovative capacity are far-reaching, leaving R&D departments in a state of limbo. According to Luis Osorio, executive director of PROCCYT: "Due to the regulatory backlog of approval, innovation in Mexico has paused for the past five years. For example, the average approval time for new agrochemical products is 11 years from submittal, during which a new product will undergo over 120 analytical tests."

The scale of regulatory approval backlogs is daunting, especially when considering incoming legislation that will outlaw glyphosate products. Eduardo Mesinas, Grupo Lucava's managing director, stated: "We have over 100 products awaiting approval." ■

Image courtesy of Syngenta



The Mexican Union of Agrochemicals Manufacturers and Formulators A.C. (UMFFAAC) is pleased to announce the following accomplishment and award:

Premio Nacional Agroalimentario 2023

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Nery Echeverría

Head of Sales Mexico
BAYER CROP SCIENCE

What new products has Bayer Crop Science brought to the Mexican market?

Every year we launch new seed hybrids on the market, including for corn and sorghum. We also launch new hybrids and/or varieties of vegetable every year that adapts to the different microclimates in Mexico. We launched in 2023 Luna Sensation, a fungicide which controls diseases for crops such as citrus, watermelon, tomato, chili, etc. We have many launches planned for the coming year, including a new biological insecticide, which is pending registration. All our launches over the next few years have a sustainability approach.

What trends in demand for crop protection products have you observed in 2023?

We have had lower demand throughout the industry for weeds control products because this year has had less rain, and less rain means less weeds. Many plant diseases come hand-in-hand with high rainfall, so we have seen less demand for products

related to common diseases. However, we have seen greater demand for insecticides and pest reduction.

On a more long-term level, we have seen a trend of producers trying to utilize more sustainable products, agrochemicals with the least degree of toxicity. This has been driven by consumer demand from export countries such as the US. At Bayer, we have also observed a degree of transition towards more sustainable agricultural management practices, although there is still room to improve.

What is your perspective on regulatory issues?

The decree banning glyphosate enters implementation as of March 31st, 2024, and it will have a serious impact to farmers. It is the most used agrochemical in the world, approved in over 100 countries. Other crop protection products to do the same task are less effective and more expensive, and this ban will put pressure on the agricultural sector in terms of costs, and it will also impact costs for the end consumer. ■



César Parada

Managing Director
VALENT DE MÉXICO

Can you discuss the importance of biorationals?

Valent de México's portfolio has grown with several new biological products that include specialty active ingredients. Our current focus is the production of biorational pesticides and biostimulants that support the growth of organic products, but also are very helpful if used in conventional crops. We see significant growth opportunities in sustainable products such as biological insecticides XenTari and DiPel.

How does Valent prioritize sustainability?

Historically, developing products for soil regeneration was not a significant focus of agrochemical players in Mexico. However, in the past five to six years, industry groups such as PROCYT and UMFFAAC have fostered the development of a new culture of biodegradable products that protect the soil and ensure sustainable food production for the future. This new culture is increasingly prevalent in businesses

affiliated with these organizations. Valent de México is part of this culture, and we follow all the principles of sustainable actions to protect the earth.

What is the influence of the US on the Mexican agrochemical sector?

The influence of the US can be seen in two different areas. First, as the primary export commodities market, the US has noticeable impacts on the agrochemical sector by defining crops, season production, technology investment levels, and yield quality. Second, the US defends policy approaches to agrochemicals and GMOs in crops such as corn that can influence the Mexican agrochemical sector. For many crops, the decisions made by the Mexican government look more political than based on technology and science. At Valent de México, we believe that more US government pressure for GMOs and pesticides and a balanced approach to sustainability will promote the reinforcement of agreements in a way that benefits both sides. ■



Fernando Vera

General Director
GRUPO VERSA

What are the recent updates at GrupoVersa?

Grupo Versa is continuously developing and launching new products. We are focusing on several main product lines: insecticides, fungicides, and herbicides, plant nutrition and biostimulants. In these categories, over the past few years, we have introduced new solutions and others are in the registration process. The phytosanitary industry is highly regulated, and our ability to obtain new registrations in a timely manner depends on COFEPRIS approvals.

We seek for an integrated pest management and organic agriculture. We have a seeds business and additionally, Grupo Versa offers products for household and Pest Control Operators, and recently, we have launched new products in each of these business lines.

Can you discuss growth in organic crop protection products?

Biorational and organic products are continuously evolving, and more and more alternatives are being de-

veloped to complement or replace chemical solutions. In the future it is expected that the Mexican authorities will privilege the registration of biological products more quickly, but I think that is important that they also focus in the quality of the materials being approved. I believe that in the future we will see global stricter regulation of biorational and biological products to ensure quality and biosafety.

What is the government's current perspective on agrochemicals?

It is very important that any decision by government authorities related to the issue of agrochemicals is based on science. Globally, there is a lot of data and studies that support the safety of the products involved in the current ban. Also, it is important to consider how these products could be substituted, and if the decision is to cancel some of them, it is important to have a gradual phase-out, so that the companies can register new alternatives and farmers can adapt to the changes. ■



José María Bermudez

CEO
VIAKEM

Can you update us on your recent operations?

Viakem continues to be a global player in contract and development manufacturing (CDM). We primarily serve the agribusiness and agrochemical markets, but we also serve industries such as personal care, adhesives and specialty chemicals. Our manufacturing is based at our complex in Nuevo Leon, and we have more than 18 plants serving the needs of our customers. Although we are based in Mexico, a significant portion of our presence, revenues, and volume is outside of Mexico.

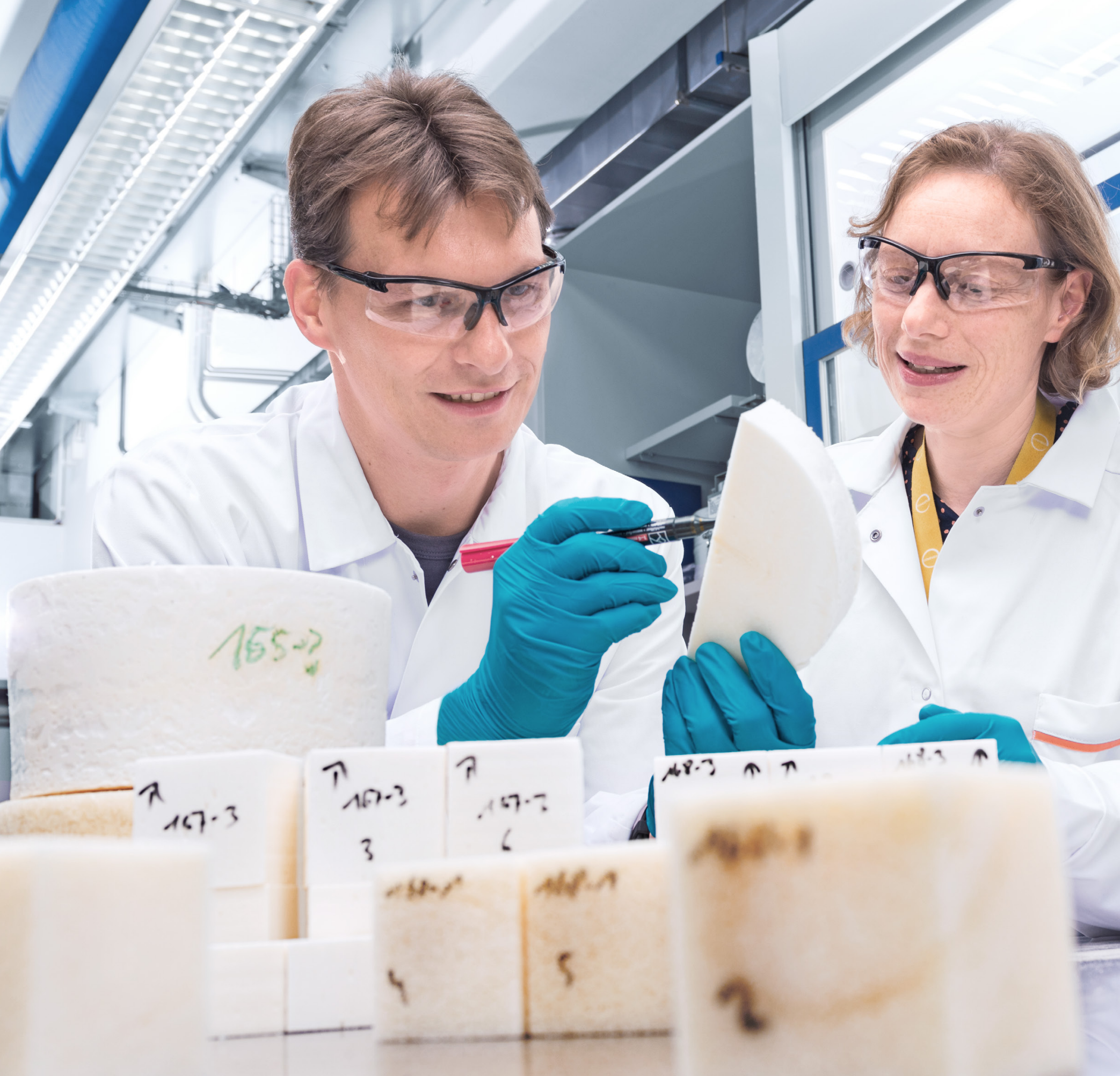
How has the chemical sector changed in 2023?

There has been a correction within the agrochemical industry, especially in inventories in the major agricultural markets. We observed a significant drop in demand, not due to any structural cause, but because of the ups and downs after the pandemic and the volatility in created along the value chain. In 2023, we had to tighten

the belt and be very disciplined, managing inventory and cost structure.

What is your strategy looking forward?

For Viakem, we will continue to focus on CDM, contract manufacturing, and this is our clear strategic intention at the board level. We are not interested into moving to other types of operations, but rather taking our operations and expertise to other industries. We want to continue serving the agrochemical and agricultural industry, but to consolidate a second pillar in the industrial area composed of two or three large, high-growth markets. It is crucial to have two core pillars generating growth. This will protect us from volatility in the market. I am not worried about the quantity of projects, but rather the discipline in the execution of CapEx. All projects we work on have significant capex, whether greenfield or an upgrade, and this focus on execution capacity is the grand strategic challenge. We will continue finding new opportunities to grow in the CDM industry. ■



Specialty Chemicals

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The growth agenda for the chemical industry in Mexico starts with a sustainable increase and expansion of the availability and supply chain of key raw materials.

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Martín Toscano
President
EVONIK INDUSTRIES MEXICO

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Image courtesy of Covestro

Specialty Chemicals

As commodities prices have plummeted, the existing trend of companies reorienting towards the specialty chemicals market has accelerated. Throughout GBR's interviews with industry executives, we heard about companies expanding their offerings of innovative, small volume products to meet demand in specific growing niches. The post-pandemic specialty chemicals industry is one marked by increasing re-

gionalization of supply chains, innovation in processes, and a focus on trends specific to the Mexican market.

Some niches are doing better than others. During the pandemic, there was a major boom in demand for personal care products such as disinfectants, and that demand has continued even as Covid has become less of a concern. The habits inculcated by the pandemic in terms of both personal

and industrial disinfection have continued. Federico Soto, general director of Órgano Síntesis, said: "For those of us in the personal care market for disinfection and water treatment, the rebound began in October 2023, so we expect that in 2024 we will see pre-pandemic levels of sales."

Proquipusa is another company in the personal care and disinfectants market, offering specialty products ranging from detergent products for the automotive industry to specialty creams for cosmetics. The company's new detergent for the automotive industry cleans and maintains metallic machinery parts with a new application that saves automakers three distinct cleaning phases. Luis Espinosa Rueda, general manager of Proquipusa, said: "We want to keep growing in some of the new markets we have identified as targets, such as detergents with nanotechnology properties."

The personal care sector is one in which Mexico is experiencing noticeable growth. According to Statista, the Mexican personal care market is expected to reach a market volume of US\$4.14 billion in 2024. This has led to tangible investment, with companies seeking to take advantage of Mexico's geographic position and large market. "Mexico has a very mature and experienced manufacturing industry and has the competitive advantages to become the first supplier for various markets in the US, and we believe that the consumer and life sciences markets are some of them," said Rafael Méndez, vice president of Croda LATAM.

Although the market for specialty chemicals for personal care has



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Luis Espinosa Rueda
Managing Director
PROQUIPUSA

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There is a trend in Mexico of regionalizing supply chains, which drives innovation in the sector.

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grown rapidly during and after the pandemic, the automotive industry remains Mexico's perennial engine of growth and a crucial segment for specialty chemicals producers. The automotive industry uses plastics, coatings, and a variety of other chemicals, but it also drives chemical demand through the income it provides to the country. Maggie Gómez-Rábago, CEO of Charlotte Chemical, said: "As the automotive industry grows, people have money to spend on goods and on building houses, further driving the demand for specialty chemicals."

Covestro, a German company that produces polyurethane and products for coatings and adhesives, offers products primarily used in the automotive industry. The company, which has two sites and a team of over 300 in Mexico, has experienced growth in the automotive area. To continue that growth, Covestro has prioritized R&D in areas such as coatings. "For the automotive industry, lowering weight is essential because the weight of the car is a key factor in the car's energy consumption," stated Arturo Molina, managing director of Covestro. "In Covestro's coatings section we offer products that require a thinner layer of paint but simultaneously reflect more energy and consumption."

Momentive, a silicone producer, is investing in its presence in the automotive industry. "One of Mexico's strongholds has always been the automotive industry," said Eduardo Cortés, CEO of Momentive. "It is one of our key segments, and we are envisioning ways to support the future with new electric and autonomous vehicles."

Supply chain regionalization drives strategy

With stricter demand from consumers for sustainable products, managing supply chains has become crucial. For some companies, the most effective way to manage supply chains is to develop the raw materials themselves. Dresen Química, a manufacturer of animal and human nutrition products, now produces its own raw materials for its natural antioxidants. For example, the company cultivates the rosemary for rosemary extracts. José Arturo Paulín, CEO of Dresen Química, said: "We have brought the whole supply

chain in-house, which allows us to better monitor it and make sure that things are being done responsibly."

For Mexican companies, the prioritization of local supply is more intense than ever. "There is a trend in Mexico of regionalizing supply chains, which drives innovation in the sector," said Espinosa Rueda, director of Proquipusa.

Supply chain management is not just a matter of sustainability, but also a practical concern. With a lack of dependable supply from Pemex, companies have had to decrease their dependence on domestic production of raw materials. Química Blantex, for example, a Mexican company that produces products for paint, construction, pulp and paper, textile, and adhesive markets, imports 60% of the company's raw materials. Elena Torres, CEO, said: "The amount we import depends on the government, not on us – our primary focus is reducing the impact of government activities on our production."

Indeed, a more productive Pemex is not only more cost-effective, but it is also more secure from disruption. For consistent production and growth, the chemical industry must have a secure domestic supply chain. "Regulatory constraints have lengthened our supply chains, making them costlier and more vulnerable to disruption," said Luis del Barrio Molina, supply chain director LATAM North and Central at sodium cyanide producer Cyplus Idesa. "If we can promote the production of raw materials in Mexico, we will be able to integrate the chemical supply chain with-

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Mexico has become a country that will be a priority for us and we are looking to reinforce our strategy and look for opportunities for growth.

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Rafael Méndez

Vice President
CRODA LATAM

Can you update us on your recent operations?

In recent years, Croda has invested heavily in our life sciences and consumer care businesses. We have acquired very important companies in the pharmaceutical and biological spaces that manufacture adjuvants for vaccines, lipids for biological formulations, and a variety of new technologies for pharmaceuticals products. We have also made important acquisitions in the consumer care area. In 2020 we acquired a recognized global company in Fragrances and Flavors called Iberchem, with headquarters in Spain, and in 2023 we acquired a biological company based in South Korea called Solus Biotech, which has a specialized portfolio of ceramides and phospholipids for the consumer and pharma markets. Our vision is to continue reinforcing our presence in the consumer and life sciences markets with a main focus on innovative and sustainable solutions for our customers.

What opportunities do you see from nearshoring?

We see a huge opportunity for Mexico in relation to this topic. Mexico as a country has a very matured and experienced manufacturing industry and has the right competitive advantages to become the first supplier for various markets in the US, and we believe that the consumer and life sciences markets are some of them. Mexico has become a country that will be a priority for us in the next years and we are looking to reinforce our strategy and look for op-

portunities for growth. We are currently reinforcing our capabilities to attend our customers' expectations and growth plans, where currently some of them are also increasing their local activity based on the nearshoring opportunities.

What is Croda's approach to innovation?

We have in general three different ways to approach to innovation: internal innovation; open Innovation, where we collaborate with other companies, customers or institutions focusing on specific projects; and technology investment, where we continually look for acquisitions of new technologies. In the case of LATAM we have workstreams focused on these three areas and with a key focus on sustainable technologies and biologicals for the consumer and life sciences markets.

How does Croda prioritize sustainability?

Croda has a strong net-zero goal, and every one of our sites worldwide has established a very strict decarbonization plan. We have been making excellent progress that has been published in our annual sustainability report, and fortunately, we are moving faster versus our initial targets. The steps we are taking to decarbonize are specific to each site. In Brazil, for example, we are replacing the fuel we use for boilers and different equipment with green fuels. In other Latam sites in Argentina and Brazil we have incorporated solar panels as an energy source, and also, we have been incor-

porating hybrids and electrical cars to or vehicle fleet in Latam.

What are Mexico's strengths?

I believe that Mexico has very strong competitive advantages to play a very significant role in the manufacturing space in the Americas and across the globe. It is a mature and experienced country in the manufacturing sectors and has highly competitive manufacturing costs. It is a very opened economy with numerous free trade agreement and it is located beside the largest consumer market in the world, the US. It has a great potential to become the "China of the Americas".

What are Croda's goals for territorial growth?

We have an ambitious growth plan in LATAM. Our plan is to continue investing heavily in Brazil in all of our key markets in the consumer and life sciences spaces. Mexico is becoming also a key priority, and we intend to increase our activity and potentially our footprint here. Nearshoring provides a window of opportunity, and our customers see high value in having a local supply for our key specialized technologies. We see a very promising future also for our business in North Latam.

As a company, and on top of our strategy and key pillars: Innovation, Sustainability and Growth, I would say that our big differentiator is our entrepreneurial spirit, where we are continually adapting our value proposition to bring high value and differentiated solutions to our customers in the different regions and markets that we serve. ■



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Growth in the country is driven by the automotive sector, with the industry using plastics, coatings, and a variety of chemicals.

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Maggie Gómez-Rábago

Managing Director
CHARLOTTE CHEMICAL

How does Charlotte Chemical serve the Mexican chemical industry?

Charlotte Chemical is dedicated to the distribution of specialty chemicals and certain commodities. The majority of what we sell comes from imports. A differentiating factor of Charlotte Chemical is that we look for products that are not manufactured in Mexico. Approximately 70% of the products we sell are sold through representation, in which we represent top quality companies, directly delivering products to customers at their plants or from our warehouses.

Can you discuss Charlotte Chemical's performance in 2023?

Overall, 2023 was a good year for Charlotte Chemical. From a margins point of view, it was not as good as the previous two years, as 2023 was a complicated period with significant movement of prices. We had to respond to these price fluctuations with creativity, ensuring that we could offer products in the most competitive way. In terms of volume, Charlotte Chemical grew by 13%. Regarding imports, the company experienced a 25% growth, bringing in far more shipments than in previous years. Our staff has grown to meet the challenges these changes have entailed.

What steps has Charlotte Chemical taken to digitalize operations?

Charlotte Chemical wanted to become more agile, so we decided to invest in an ERP. We spent six months analyzing options, and then we selected one and started on implementation. One of the challenges at first was convincing our team that

the ERP would help us achieve better results. We are more efficient when our people are analyzing information rather than working on something a machine or software can do better. Dedicating our entire team to strategic tasks allows us to develop markets more quickly and optimize our processes. This year, a change in mentality and change in organizational culture began. It is taking work, but we are making progress and gaining more control over our processes.

How will nearshoring benefit the chemical industry?

Nearshoring seems magical, but it is not. Attracting investment requires a lot of work, and we are seeing cases in industries such as the automotive industry where companies ultimately moved to Canada rather than Mexico. The chemical industry, like the automotive assembly industry, is not labor intensive, so labor is not what is making the difference. We must focus on other attractions, on being more competitive and flexible. Mexicans have speed and flexibility of mind, and these values help us.

Growth in the country is driven by the automotive industry, with the industry using plastics, coatings, and a variety of chemicals. As the automotive industry grows, people have money to spend on goods and on building houses, further driving the demand for specialty chemicals. When it comes to chemical demand, as the global automotive industry raises standards and demands more certifications, the chemical industry must respond with better, more technical products.

Can you discuss the state of feedstock supply?

The most significant difficulty facing the chemical industry is the low production of basic petrochemical products. Some years ago, Mexico was a leader in agrochemicals made from ethylene oxide. Today, we do not have enough ethylene oxide, and it is a dangerous product to import from long distances, so that industry is shrinking. For raw materials that are underproduced but are less dangerous to move, the issue is that transportation from across the world is expensive and those logistics costs reduce our competitiveness.

The country is nowadays more interested in producing gasolines than all the petrochemical range of products, which would bring added value and more jobs in Mexico. The more knowledge of chemical industries and its importance for contributing to GNP in the government, the more the benefit to the country. The challenge for nearshoring is being able to obtain the raw materials to supply the markets and attend to industry needs.

What is Charlotte Chemical's strategy for the next two years and its main objectives?

First, we are working on expanding our business in the plastic industry, with an interesting portfolio of specialized plastic additives. Second, we aim to improve our communication and information systems, allowing us to penetrate other Latin American markets with the products in which we are leaders. Third, Charlotte Chemical intends to continue growing our market share in the products in which we are already leaders. ■

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in Mexico, which is currently disintegrated as there are insufficient inputs for the industry to stabilize and grow.” For specialty chemicals manufacturers, how a product is made is a core part of how sustainable the product is. DVA prioritizes sustainability both in its specialty chemicals manufacturing and in its distribution business,

in recognition of the trend among consumers to spend more for more sustainable products. Alonzo Autrey, managing director health and nutrition LATAM at DVA, said: “In Mexico’s manufacturing plant close to half the energy we use is solar, which has helped us decrease our carbon footprint.” ■



Elena Torres
CEO
QUÍMICA BLANTEX

“ In the next five years, chemical industry growth will be excellent because of the global situation with the United States and China. ”



Claudia Márquez
Global Commercial Director Mining Solutions
DRASLOVKA

“ The combination of insufficient access to raw materials and high energy prices have reduced the country’s industrial utilization. ”

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“ The growth of the automotive, aerospace, and electronics markets has ultimately helped our business, allowing us to provide added value in more areas. ”

Eduardo Cortés
Latin America General Manager
MOMENTIVE

Can you update us on your recent operations?

Momentive is a premier global advanced materials company with a cutting-edge focus on silicone and specialty products. We have a global footprint that includes more than 40 locations in more than 20 countries. Mexico is a uniquely centralized location for our advanced silicones and specialty business, with a notable market share. Momentive has elevated its presence in Latin America and it is an essential location for us.

Our global presence expanded after we were acquired by KCC Corporation, a Korean-based conglomerate. Joining KCC has allowed for increased synergies within the personal care, construction, and industrial segments. Our strategy has been to move from commodities to specialties where we can offer value to the market. We have participated in practically all the core sectors in Mexico and, more specifically, the personal care and agriculture segments continue to be among the largest businesses in this region.

What markets are of interest?

One of Mexico’s most prolific markets has always been the automotive industry. For Momentive, it is one of our key segments. And we are envisioning ways to support the future with new electric and autonomous vehicles.

Another crucial market for us is agriculture. The exports have been growing tremendously even beyond crude oil exports.

Lastly, we are very active in the personal care market; in particular, products like hair treatments, creams, deodorants, and cosmetics. Fifteen years ago in Mexico, the market was even more industrial, and our products were focused on industrial uses. Now, the market has expanded and is much more specialized including electronic and aerospace. The growth of the automotive, aerospace, and electronics markets has ultimately helped our business, allowing us to provide added value in more areas.

How can companies transition into the specialty chemicals space?

When a company like Momentive changes its strategy to focus on specialties, there is more to it than just launching a catalog of products. We have had to change the structure of the company, focusing on developing a team with specialized personnel, high skill levels, and market knowledge, which adds value in this industry. Transforming a company in this way takes time and intention. There must be well-trained technical support, specialized commercial employees, and an understanding of the current and future needs of this inno-

vative business including the ability to follow the Macrotrends.

Here in Mexico, what I continue to do is attract specialized talent. It is not useful to have generalists. Instead, I focus on specialists in each area and a solid structure around them. Without a strong base structure, regardless of the quality of products, a company will not be able to add significant value.

What is your approach to R&D?

Momentive has research centers in several countries including Germany, Japan, India, and the United States. In those locations, we are working on modifying our innovation in ways that support our sustainability goals. For example, our team is promoting a new line in personal care, called Harmonie™ that is derived from natural ingredients. Also, we have products that align with microplastics regulations, and we continue to develop more biodegradable options.

What are Momentive’s strategic priorities?

In our region, we currently have four important pillars. The most significant is operational excellence. We want our plants to operate according to an elevated standard of safety and excellence. Our plant in Brazil uses purposefully designed best practices, and we are focused on continuing to use new technologies, such as automation, as a global benchmark for effectiveness and efficiency.

Our second pillar is business transformation. Momentive has a solid presence in Mexico, and looking at the trends, it is the right time to continue investing in operations here. We see Mexico as a point of reference within the region, because of its proximity to the US.

The third pillar is expanding regionally, within Brazil and Mexico and beyond. We are searching for opportunities for regional growth, cherry picking the markets and determining which segments make the most sense for investment. The last pillar is related to that commitment to expansion. We are carrying out a mapping process of the entire region, and making investments in personnel, creating opportunities for mergers and acquisitions in the region. ■



Arturo Molina

Managing Director
COVESTRO

Can you update us on your recent operations?

Covestro is a German company and in Mexico we have two sites, one in Mexico city, and a production site in Santa Clara. Our team in Mexico is approximately 300, of which two thirds are based at the production site. Covestro produces polyurethane and some products for coatings and adhesives. We market everything related to polymers and polycarbonates.

What is Covestro's approach to innovation?

Polyurethane, in particular, has many uses. For example, it is necessary in insulation, both for noise and temperature. Our products enable our customers to use less energy to maintain temperatures, and so we help our customers lower their carbon footprints. This is one of the ways in which we are ecofriendly. We help people maintain their standard of living while using less resources.

For the automotive industry, lowering weight is essential because the weight of the car is a key factor in the car's energy consumption. In Covestro's coatings section, we offer products that require a smaller layer of paint but simultaneously reflect more energy and consumption. These are only some examples of the applications we offer. ■



José Arturo Paulin

CEO
CFS DRESEN

What synergies were unlocked by Camlin Fine Sciences acquisition of CFS Dresen?

Camlin Fine Sciences' acquisition of CFS Dresen has been very beneficial and the synergies continue to multiply. We gained an edge in procurement. Previously we sourced our raw materials from the open market, like our competitors. Since the integration into Camlin Fine Sciences we have benefitted enormously from an in-house supply chain. We have greater purchasing power now. Although CFS Dresen was international before the acquisition, we are now truly global. This gives us a competitive advantage here in Mexico and abroad.

What is CFS Dresen's focus for the coming year?

We are going to keep growing our market share by introducing innovative new products to the market. One important focus of the company is to keep growing the service portfolio that we offer to our clients, services that are based on the expertise that we have developed in this field. We want to offer more consulting services, to help solve those problems that our clients may have and that we have already faced and overcome. By offering this holistic package of products and services, we are becoming more than just an industry supplier. ■



Jaime García

President
EPOXEMEX

Could you introduce us to Epoxemex and your history in Mexico?

Epoxemex is an epoxy resin manufacturer and distributor. We have over 30 years of history in the industry and are the only epoxy resin manufacturer in Mexico. We have a commercial presence across the entire Mexican Republic, including sales offices and warehouses in Guadalajara, Monterrey, Guanajuato, Tijuana, and Bajío. We also have a warehouse in southern Mexico. In addition to our nationwide coverage, we are exporters and have sales in the US and Central and South America. Epoxemex is ISO 9001 certified and is currently in the process of getting the ISO 14000 certification, an environmental management credential. We are already certified by the government's environmental agency. Our products do not include solvents, and we are committed to responsibly disposing of our industrial waste and developing products with softer impact to the environment.

How important is innovation at Epoxemex?

The company is committed to growing its specialty chemicals business so that we can reduce our exposure to commodities and compete on more than just price. We are developing our own line of raw materials for adhesives, paints, coatings, and composites to enter new sectors. ■



Martín Toscano

President
EVONIK INDUSTRIES MEXICO

“Nearshoring is nothing new to Mexico, where for many years Tier 1 and Tier 2 companies, especially in the automotive and aerospace sectors, established a presence in Mexico.

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Can you provide an update on Evonik's operations in Mexico over the last year?

In Mexico we see opportunities to expand across all our 15 business lines, from feed and food to healthcare, personal care, home care, automotive, aerospace, construction, and others. Mexico provides an active and diverse base of industries that give us continuous space to grow in. Nearshoring is nothing new to Mexico, where for many years Tier 1 and Tier 2 companies, especially in the automotive and aerospace sectors, established a presence in Mexico. The difference now is the level of sophistication and tech-driven facilities being built. The USMCA, but also geopolitics and the pandemic, pushed for a rethinking in the organization of supply chains, and Mexico stands out as an attractive destination.

What are the main trends that Evonik is witnessing in the specialty chemicals space?

Current market conditions are an opportunity to develop new technologies and applications with additional competitive edges sought after by our customers, including savings improvements and sustainability properties. In times like these, we see a greater need to co-create with our customers and together work towards the defossilization of society, and safeguard the necessary energy transition.

What are the greatest challenge facing Mexico's chemical industry in 2024?

The growth agenda for the chemical industry in Mexico starts with a sustainable increase and expansion of the availability of key raw materials originated by natural gas and downstream such as ethane, ammonia, propylene and ethylene oxide. The offer of natural gas and petrochemicals in Mexico is not sufficient to support the whole market, so we end up importing our needs.

Currently, the industry imports almost 70% of the petrochemical requirements. Our proposal as chemical industry in Mexico is to increase the local production of natural gas and petrochemicals in the south and southeast region, and to promote the modernization and further development of the infrastructure in the country such as land transportation, rail, ocean ports and customs. To aim for cabotage ocean transportation with international carriers, either on the pacific side or the Atlantic/Caribbean coast.

How can Mexico best take advantage of growth driven by regionalization trends?

There is no free lunch with nearshoring. Mexico will need significant investments in the areas of security and transport infrastructure to be able to

keep up with the growth we expect to see in manufacturing and exports. More industrial parks and warehousing capacity are also needed.

A more clear and robust agenda for the energy matrix transition is also key element of the strategy, with the right regulatory, and obviously the raw material supply security for the chemical industry, as well as the further development of the talent pipeline in the country to keep pace with the extraordinary growth expected. Nearshoring would keep us busy the next 10 to 15 years. We are about to design the future of the Mexican economy and society in the next 20 years.

Can you discuss Evonik's approach to community responsibility, including the ANIQ 2023 Excellence Award?

In Mexico, we have to keep improving our product offerings and services. By harnessing our creative impetus and unbiased thinking, we create sustainable products as they are more efficient to manufacture and have longer useful lives. We will be ready for the ongoing trends and the future by teaming up with our customers in Mexico, co-creating with them. We aim to play a key role in the energy transition while securing the sustainability goals of our ecosystems.

What is Evonik's strategy for the next two years?

Evonik is a leader in innovation. The combination of innovative prowess and customer proximity is a critical success factor for Evonik and a driver of profitable growth. In the growth engines with relevance for us - specialty additives, animal nutrition, smart materials, and health & care - we have identified promising innovation growth fields in very attractive markets with exceedingly high growth rates and are leveraging these to achieve our ambitious goals.

The aim is to generate more than €1 billion in additional sales in these areas by 2025. The six growth fields focus on highly attractive markets which Evonik can optimally serve with new products and solutions based on its core competencies, while we are leading beyond chemistry. ■



Federico Soto

Managing Director
ÓRGANO SÍNTESIS

Can you update us on the company's recent operations?

Our Mexican operations have been focused on increasing our presence in the poultry and livestock farms disinfection markets through our quaternary ammonium compound portfolio. We also expanded the market for our cGMP products in Asia, Europe, and Latin America.

Additionally, we advanced significantly in innovation and the development of chemical specialties — particularly biocides — for different applications.

Lastly, we have remained focused on our Good Manufacturing Practices to increase our portfolio in this segment. A significant focus of our market research was on expanding our presence in Latin America, recognizing that there are many new, entrepreneurial companies that are emerging in the space.

What trends in demand have you observed?

During the pandemic, there was a boom in the disinfection area. That

trend has continued, even as the risk of Covid has abated.

What are the greatest challenges facing the industry?

In 2023, the greatest challenge was the low demand for chemical products. The industry had an excess of inventory and low demand for many chemicals, forcing companies globally to adjust their estimates and budgets to make it to the end of the year.

The challenge of low demand has been exacerbated by the tendency for many companies to be more aggressive in the market, lowering their prices practically to the level of cost. This has obviously made for fierce competition. However, this curve is flattening, and a rebound in demand is expected for chemical products at a general level in all market niches. For those of us in the personal care market for disinfection and water treatment, the rebound began in October 2023, so we expect that in 2024 we will see pre-pandemic levels of sales. This is excellent news for Órgano Síntesis. ■

acquisition of Polimeros Especiales. We have expanded our footprint with four strategically located sites across Monterrey, Naucalpan, Coatzacoalcos, and now Queretaro.

Could you elaborate on the acquisition?

MG: The acquisition and integration of Polimeros Especiales has given Arkema critical mass in the industry in Mexico, and has created an enhanced entry point for Arkema solutions into the local market. It provides an excellent logistics platform, channel to market, and an expanded customer service and technical service capabilities. We have leveraged this channel to bring the broader portfolio of sustainable solutions from Arkema into the market in Mexico. For example: performance material solutions for low volatile organic compounds (VOC) and lower carbon technologies for the coatings and CASE (construction, adhesives, sealants, elastomers) markets.

What trends in demand have you observed?

MG: There has been a palpable surge in the demand for innovation-driven solutions across various industries.

Another prominent trend is the amplified focus on sustainability, resulting in a rising demand for eco-friendly, sustainable alternatives that minimize ecological footprints and support responsible practices.

Moreover, we have observed a notable upswing in the nearshoring trend, which is presenting significant opportunities in the market. In addition, we are looking to exploit some of the global megatrends in decarbonizing the built environment (the so-called "cool surfaces" technology). ■



SS



MG

Salvador Soria & Manuel García

SS: President

MG: President Coating Solutions
ARKEMA

Can you update us on your recent operations?

SS: Arkema is a global leader in specialty materials designed to address the ever-growing demand for innovative and sustainable materials, driven by the challenges of new energies, new technologies, the depletion of resources, new mobility, and increasing urbanization.

Our operations in Mexico have seen significant growth. For example, Arkema has solidified its presence through the



Luis Del Barrio

Managing Director
CYPLUS IDESA

Can you give us an overview of Cyplus Idesa's operations in Mexico?

We are currently the only local producer of sodium cyanide and are the partner of choice for many Mexican companies. Our local roots mean a supply chain that is safe, local and secure.

Why is Mexico so slow in adopting alternative energies?

There has been an acute lack of investment in green energies during the last five years. Government investment in infrastructure, energy and gas production has declined as a percentage of GDP in the last 10 years limiting the supply to keep up with the local demand. The country needs to make up for lost time, so more investment in energy is urgently needed to enable PEMEX to increase their plants utilization rates and production. Our country's chemical industry has enormous potential, which such a focus would unlock. The sector could double in size within 10 years if the proper steps are taken.

How are digital tools used to maximize the efficiency of your operations?

Our production plant in Coatzacoalcos was designed with the latest technologies, incorporating automation and safe and secure operations. It is highly efficient and can operate with a great level of agility. We monitor our operations digitally to guarantee safety in our daily activities having a highly committed team. Our company culture stresses safety and interdependence of operations, and the plant was designed to reuse all resources possible to reduce our carbon footprint.

What is Cyplus Idesa's strategy for the next two years?

Our short-term strategy is to continue maturing the company's ESG model, focusing on sustainability, resilience, and being socially and environmentally proactive. We intend to continue optimizing supply chains, reducing imports, and improving the automation and digitalization of our operations, as well as constantly upskilling our employees to continue as the partner of choice in the market. ■



Alonzo Autrey

Managing Director, Health & Nutrition LATAM
DVA

Can you update us on DVA's operations in the last year?

DVA's focus over the last couple of years has been promoting our specialty chemicals business, manufacturing solutions for our customers in our pharmaceutical excipients and food product plants. We are very proud of our star products, Easy-Coat® film coatings for the pharmaceutical sector and Appenmix® functional systems for the food industry. An important milestone for us has been getting the EXCiPACT certification for our pharmaceutical plant, which allows us to export to highly regulated markets.

What are the biggest challenges facing pharmaceutical companies in the country?

Regulation in Mexico can be quite challenging. Changes in the regulatory body COFEPRIS have drastically slowed response times. Most of our products require import licenses. Additionally, there are macroeconomic risks. Since the pandemic, volumes have decreased as customers have reduced their stockpiles, and there has been a reduction in prices across the

industry. Falling volumes and prices, combined with changes in the exchange rate that have driven up costs across the industry made this year very challenging for us all.

What opportunities is DVA pursuing in Mexico?

There are always many opportunities in Mexico that could impact most of our business units. One example could be in the food industry, where big companies with capacity in Mexico are exporting high-value products to the US. They are seeking solutions to improve their cost position in these products, which opens up an opportunity for us to capture new projects and businesses. Our main focus is the meat segment, which represents half of our food business, followed by the beverage and bakery sectors. The entire industry is looking for solutions to reduce the final cost for consumers. Our products can help producers reduce their packaging costs, enhance shelf life, and some other attributes that drive down costs to make their offering more competitive for the consumer. ■

Flavors and Fragrances

Nostalgia and indulgence: Emotions drive growth

Flavors and fragrances have an emotional resonance for consumers and are among the most personal of chemical products, with consumers coming into contact with the products in everything from shampoos to snacks. For many in Mexico, there has been a desire for comfort driving sales. "A major trend, accelerated by the pandemic, has been demand from consumers in Mexico for products based on traditional Mexican food and drink culture," said Cecilia Paredes, country managing director for Bell Flavors & Fragrances. "People are embracing their heritage, and there is a strong demand for traditional flavors such as tamarind and hibiscus."

The demand for plant-based products is part of a global shift towards more sustainable and environmentally friendly living. It is having a dramatic impact on the industry, with growing demand for natural products. Robertet, a global supplier of natural products that con-

siders Latin America and Southeast Asia as its main growth targets, is involved in the entire sourcing process 'from seed to sent' (as the company's slogan proclaims). Cristophe Enice, managing director of Robertet, explained: "There is a global consumer trend towards healthier products, so our technologies and natural products are in high demand."

Robertet has seen success in its expanded flavor enhancers line, benefiting in part from government regulation driving healthier food. "Our sweetener enhancers, salt reduction and fat reduction technologies are doing very well," said Enice. "It has been three years since the Mexican government introduced a new labelling regime on products with salt, sugars and fats, which has been a boon for the industry as producers look to reduce the levels of them in their products."

Both globally and domestically, fragrances and flavors regulation has

become stricter. The International Fragrance Association, which regulates ingredients used in the industry, updated its code of practice. The changed regulations have increased the number of ingredients classified as allergenic from 26 to more than 86 ingredients.

Within Mexico, COFEPRIS' regulations on drug precursors has been challenging to manage. Industry players support the government's efforts to handle the issue and are working with the associations to develop more flexible arrangements regarding controls. "Most of the materials that we use to produce legitimate products are designated as precursor materials for the production of illegal goods, which complicates and slows down their importation, warehousing and approvals," explained José Arias, CEO of AZ Fine Chemicals, a supplier of raw materials to the flavors and fragrances industry. "This has been time-consuming and costly." ■



Christophe Enice

Managing Director
ROBERTET

Can you update us on Robertet's operations in the last year?

Robertet is a French company with over 170 years of history in the flavors and fragrances industry. Our global and Mexican operations have performed well in the last year. Our flavors division in particular, as we continue to expand our line of flavor enhancers. Our sweetener enhancers, salt reduction and fat reduction technologies are doing very well. It has been three years since the Mexican government introduced a new labelling regime on products with salt, sugars and fats, which has been a boon for the industry as producers look to reduce the levels of them in their products.

Can you comment on Robertet's Mexico strategy for 2024?

We have plans for our flavor division to enter the Mexican pet food flavors market. This market is large and promising and would be a completely new venture, so it is very exciting. We will keep developing new technologies and products to grow our market share across the various sectors we are present in. Our fragrance division is making interesting developments in the personal care categories, home care and laundry products, a notoriously tricky market given the low-price competition and high consumer expectations. ■



Cecilia Paredes

Country Managing Director
BELL FLAVORS & FRAGRANCES

Can you give us an overview of Bell Flavors & Fragrances' presence in Mexico?

Our presence in Mexico includes production, offices and research centers in Guadalajara and laboratories and commercial offices in Mexico City.

What are some significant trends in the flavors and fragrances segment?

The pandemic has changed some consumer mindsets that impact developments in the flavors and fragrances market. Most relevant has been the growth of the health and wellbeing sector. Another major trend has been the demand from consumers in Mexico for products based on traditional Mexican food and drink culture. People are embracing their heritage, and there is a strong demand for traditional flavors such as tamarind horchata and hibiscus, as well as spicy notes and alcoholic flavors like tequila and mezcal.

What is the greatest challenge facing the industry in Mexico?

The principal challenge that this industry faces is regulatory. Many chemical products we use to formulate goods are categorized as controlled substances by the regulator COFEPRIS. This government department has become increasingly bureaucratic and waiting times for permits have grown considerably. ■



José Arias

CEO
AZ FINE CHEMICALS

How does regulation affect the flavors & fragrances industry in Mexico?

The flavors & fragrances industry in Mexico is in many ways self-regulated. As active members of the International Fragrances Association, practically all the ingredients that go into our perfumes are approved by this international organization, giving our products absolute credibility at a global level. One area of legislation that has proven somewhat challenging for the industry has been the increasingly strict measures that COFEPRIS is introducing in order to stem the production of illicit drugs.

Some of the materials that we use to produce legitimate products are classified as pre-cursors for the production of illegal drugs, which complicates and slows down their importation, warehousing, and approvals.

Could you comment on AZ Fine Chemical's plans for next year in Mexico?

We have weathered a sustained period of crises but believe these are in the past and the future looks promising. Attending various trade shows this year strengthened our views on this matter. We predict prices will continue to rise, because of some geopolitical challenges in the world, but demand will also increase. The Mexican economy is growing so we will continue to consolidate our line of natural products and keep diversifying. ■

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Paints and Coatings

“

Fixing the scarcity of raw materials should be a national priority for Mexico and will necessitate reforms and sustained investments.

”

Ángel Sánchez
Managing Director
CHEMETALL MEXICANA (BASE)

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Image courtesy of ANAFAPYT

Paints and Coatings

Nearshoring boosts the construction and automotive segments

As nearshoring drives growth in the Mexican industrial sector, paints and coatings will reap the benefits. According to Mordor Intelligence, the Mexican paints and coatings market was worth approximately US\$3.42 billion as of 2023, projected to grow to US\$4.32 billion by 2028. That growth will be driven in large part by the construction sector, with urbanization sweeping the country, while expansion in the

automotive sector will also be a boon. In a period marked by technological advancements, sustainability provides a bright point of opportunity for Mexican paints and coatings producers and distributors.

The industrial coatings segment will continue to grow as nearshoring develops Mexico's industrial sector and demand for industrial coatings rises. Innovative material coatings have consistently been in high demand, particularly antibacterial products and those that provide better corrosion and drag resistance. Industry experts spoke about recent trends including demand for coatings utilizing nano particle technology and demand for coatings comprised of raw materials with biodegradable components.

Carboline is a distributor offering high-performance coatings for any material at risk from corrosion, fire or chemicals, such as water treatment infrastructure, electric pipes, and so on, with a particular strength in the petrochemical and rail industries in Mexico. The company, cognizant of the complexity of its offerings, has staff working inside or supervising petrochemical applications. Ernesto Goepfert, Latam director at Carboline, said: "There has been strong growth in the OEM (original equipment manufacturing) area. Mexico hosts several global companies with needs that are difficult to meet, and global suppliers like Carboline are the companies able to meet those global organizations' standards."

Demand has moved away from solventborne technologies to waterborne technologies. Jorge Saldaña, commercial director of Wyn de México, said: "Particularly in the industrial coatings segment, many customers are moving away from harmful chemicals and VOCs and are looking for alternatives through waterborne systems."

Reacciones Químicas, which offers synthetic resins for coatings for structural industries, has also experienced this demand. The company's clients are under increasing regulatory and commercial pressure to offer sustainable products. "We have launched low-VOC products to support environmental requirements," stated Pablo Cueva, director of strategic development at Reacciones Químicas.

Chemetall, a subsidiary of BASF, offers a variety of specialty chemicals including industrial coatings solutions, and is also working to offer more environmentally friendly products, offering a new coating technology, VIANT, which helps customers reduce their energy consumption and requires customers to apply only one product rather than three or four. Ángel Sánchez, managing director of Chemetall, said: "Our primary focus is to develop products that reduce energy consumption in the automotive industry."

Francisco Rubio, president of the paints and coatings distributor Kemikals, said: "There is a strong tendency towards sustainable products that are environmentally friendly and healthy for end users and workers in the production line. This includes both finished products and the inputs used to produce final goods."

The sustainability agenda drives regulation

Regulation has a major impact on the paints and coatings segment. That regulation is not just at the Mexican, but also at the regional and global levels. Canada, California, and the European Union are leaders in terms of developing new and stricter regulation, with other US states falling behind these players.

The Biden administration has made PFAS regulation a priority, publishing an Annual Progress Report under the 2021 PFAS Strategic Roadmap. In October 2023, the EPA published a rule confirming reporting and recordkeeping requirements for PFAS. More regulation on PFAS, manufactured fluorinated chemicals found in many industrial coatings, will take effect during 2024 and will have a major effect on product offerings. The regulation of PFAS is a major topic of conversation within the industry. "We are looking for some solutions with polymer technologies that work at least similarly to PFAS; PFAS products are excellent in terms of performance, but have some serious limitations and regulations," said Jorge Saldaña, commercial director of Wyn. "New regulations are pushing new ways of formulating coatings."

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ANAFAPYT
ASOCIACIÓN NACIONAL DE
FABRICANTES DE PINTURAS
Y TINTAS

ANAFAPYT'S YEAR: Achievements, Challenges, and Future Initiatives.

The National Association of Paint and Ink Manufacturers (ANAFAPYT) reflects on a successful 2023, regulatory priorities, industry trends, challenges, sustainability efforts, and the role of digital technologies.

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“We will continue supporting sustainable raw materials production and the development of new alternatives.”

Flor de María González

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

Can you provide an overview of ANAFAPYT's activities over the past year?

ANAFAPYT had a very fruitful 2023. We already had active participation with the American Chamber of Commerce, and we are representing our sector in relations with the government, focusing on business and investments in the country. ANAFAPYT has also engaged with the government in issues in customs and imports.

Our association is allies with the Mexican chamber of the construction industry, and we were present at the round table of global associations for material protection and performance in Denver. This was ANAFAPYT's first time participating.

What are ANAFAPYT's regulatory priorities?

Just yesterday, we were at the Ministry of Economy to ask that all the regulations for lead control be formally accredited. We are engaged in addressing the permissible limit for lead, and we are preparing a proposal for a conformity assessment procedure to modify the standard with the objective of presenting this proposal to COFEPRIS.

As an association, we have been proactive about the various provisions in the federal law for the control of essential chemical drug precursors published on May 3. We have participated in activities targeted at COFEPRIS and are focused on collaborating with the government to help them understand the issues. A focus for ANAFAPYT is asking that the federal commission to protect the industry in front of COFEPRIS, ensuring that they keep the official standards.

What trends have you observed?

Innovative material coatings are al-

ways in high demand, particularly antibacterial products and those that provide better quality and performance with resistance to corrosion and minimal drag resistance. High-tech solutions that optimize processes will always be in demand.

Lately, there has been a new focus on utilizing raw materials that have biodegradable components or reduce the manufacturing of microplastics. In this scenario, Europe is ahead of us in organic matters, so we are establishing links with ASEFAPI and UNE (Spanish Association for Standardization) seeking to emulate their practices and processes in these areas as well as in normalization and standardization.

Some other interesting trends I have observed in the paints and coatings segment include demand for self-repairing paints that restore painted surfaces to an original state, for glow in the dark pigments that emit light after exposure to a light source, and for nano particle technology which translates to greater performance and absorption of ultraviolet light.

What major challenges are facing the industry?

There have been significant disruptions in supply in recent years, as well as an increase in utility prices. The super peso has also affected us quite a bit, but we hope to see recovery or maintenance of the peso against the dollar next year.

The presence of armed forces in customs is a difficulty because they have a lack of knowledge about commercial issues which has created bottlenecks. With the presence of the armed forces in ports, there are slower processes and slower compliance of procedures.

However, we are working with COFEPRIS to provide training and information to help make those procedures more agile for our members.

How does the association support sustainable development?

ANAFAPYT actively participates in continuous communication of the sustainable objectives of the UN SDGs, always contributing to achieving Mexico's goals in international treaties. Among the steps we have taken is offering training seminars that raise awareness of lead in paints and coatings, which is aligned with the SDG on health and well-being. Another focus of ours is continuing education.

What are ANAFAPYT's priorities for the coming year?

The association is already 80 years old, and it is a reference in the industry, seeking to support innovation and provide information to help develop Latin American countries and open new paths to Europe and the United States.

In 2024, we will host a variety of educational activities including a technological diploma course and trainings on circular economy issues. We will also have technical sessions in Guadalajara, Jalisco. Additionally, we will continue supporting sustainable raw materials production and the development of new alternatives.

At the Latin American Coatings Show, we will have four forums: the architectural forum, the repainting forum, the regulatory specialists forum, and for the first time, a forum on women in the industry. The intention is to formalize a committee of female industry leaders to share experiences and provide a path for the next generation. ■



“Besides offering environmentally friendly products, we are now using recycled raw materials.”

Pablo Cueva

Director of Strategic Development
REACCIONES QUÍMICAS

Can you update us on your recent operations?

Reacciones Químicas is over forty years old, and we have dedicated ourselves to offer synthetic resins for two industry segments. One of our main categories is coating resins, and the second is unsaturated polyester resins (UPR). 2023 was a complicated year for the industry, but it was a good year for Reacciones Químicas. During 2023, we had the opportunity to make a major acquisition. This gave us a new plant, enabling 14,000 t/y more capacity, that will increase as we continue the integration process.

What is Reacciones Químicas' approach to workplace safety?

Reacciones Químicas was awarded the Distintivo TRe by the government of the State of Nuevo León, which is where our Monterrey plant is based. The award certified our completion of all the legal requirements for environment and workplace safety. Additionally, we have been working to get the Clean Energy Certification. This has been a long path, and right now we are in the last phase of the process, expecting to receive this certification during 2024.

Can you summarize the market in 2023?

The supply chain suffered less disruptions than 2022. However, market prices were down. Additionally, with the dollar depreciation margins were impacted in companies like ours. We had to face fast decreasing prices due to the dollar's fall.

Another challenge during 2023 was the modifications on the import regu-

lations. These will impact our operations, driving us to examine those changes to be able to adapt to the new situation and keep operating as the market demands.

What trends have you observed?

There are continuously more environmental requirements for our clients' products, and we are doing everything we can to help them meet those requirements. A very important part of that is based on raw materials. We have launched low-VOC products to support environmental requirements. For example, we offer products that use less solvents and more water. This trend shows a market opportunity, and we are focused to offer the same quality while using new, more environmentally friendly technologies.

Coatings are growing significantly. Historically, we have seen in Mexico a lot of local companies specialized on specific coatings, a few global ones, and the rest are based in certain regions. Nowadays, we are observing that those companies have grown much more than expected. Guadalajara is a region, for example, where traditional clients are surprising us with significant development and are looking for new providers outside from Mexico City to get more opportunities in other markets. Guadalajara is very attractive market to target.

How does Reacciones Químicas prioritize sustainability?

Besides offering environmentally friendly products, we are now using recycled raw materials. This has several benefits, both in terms of environmental sustainability and lower cost. We have developed innovation in

our manufacturing processes, reducing the amount of water we require, and understanding that Mexico has a major problem with water scarcity, we are focused on making our plants as efficient as possible.

What is the importance of digital technologies?

RQ is focused on its development in the national and international market as well, and its necessary to use digital technologies to automatize manufacturing processes, ensuring that our processes operate independently with the same high-quality standards. Additionally, as an international company we need to communicate and promote through digital channels our products and services available to our actual and potential clients.

What are the company's priorities for 2024?

RQ sees great opportunities in the US market, and our objective is to channel our efforts to take advantage of these opportunities. Central America and the Caribbean markets are very attractive to us and we are evaluating the possibility to participate into new markets in the next couple of years.

Finally, last year the plant in Monterrey was operating at full capacity, with a high demand of products, resulting in significant operation pressures for the company. With the new plant, we hope to meet the demand while still having room to grow. As a company, we have never had to manage two plants, so the core focus for the year is to accomplish a successful integration process. That will give us the opportunity to offer more products with a better service to our clients. ■



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PFAS are not the only area with regulatory changes. At a domestic level, lead coatings regulations are concerning the industry. At the end of 2023, ANAFAPYT met with the Ministry of the Economy to ask that regulations for lead control be formally accredited. Flor de María González, GM of ANAFAPYT, the industry association, stated: "We are engaged in addressing the permissible limit of lead, and we are preparing a proposal for a conformity assessment procedure to modify the standard with the objective of presenting this proposal to COFEPRIS."

ANAFAPYT is celebrating its 80th anniversary as a reference in the industry and has a slate of activities planned for 2024. The association, in addition to offering networking and educational offerings, will continue to prioritize government communication. One such area that continues to be a priority is communicating with the government regarding the federal law for the control of essential chemical drug precursors, which was published on May 3, 2023.

The law places controls on a variety of inputs for the paints and coatings industry, increasing the regulatory burden on the sector. González said: "We have participated in activities targeted at COFEPRIS and are fo-

cused on collaborating with the government to help them understand the issues."

Adaptability to regulatory change allows paints and coatings companies to find success. As regulation changes, those companies that offer alternatives for controlled and banned products benefit. Kemikals, for example, has seen a jump in demand for specific products due to regulatory changes. Rubio said: "There is currently a coalescent agent in our product portfolio that is being widely adopted in the Mexican market due to local regulatory changes; although it has been part of our portfolio for a while now, the conditions are right today."

Companies in the Mexican paints and coatings industry have a history of adaptability and agility. With nearshoring picking up steam, the sector will benefit from the growing industrial sector and greater demand for its products. Nearshoring will bring significant economic benefits for the sector, but also demand agility. "There will also be an increase in competition with all this incoming business, and local companies will benefit from being adaptable and responsive," said Rubio. "Preparation for this transformative period is essential." ■

Image courtesy of ANAFAPYT



Francisco Rubio

President
KEMIKALS

“The super peso has been a major challenge for importers and exporters. However, paints manufacturers have benefitted from relatively lower raw material costs.”

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adaptable and responsive. Preparation for this transformative period is essential.

What significant challenges have distributors faced in 2023?

The super peso has been a major challenge for importers and exporters. However, paints manufacturers have benefitted from relatively lower raw material costs, as this exchange rate was not expected when budgets were drawn up in the previous fiscal year. Inflation, though slowing, remains a legitimate concern.

How is Kemikals implementing its sustainability agenda?

Our day-to-day carbon footprint as a distributor is comparatively miniscule, and we make a greater difference in the sustainability agenda through the innovative products and technology we bring to the Mexican market. We have very high standards, and our products are ethically sourced, environmentally friendly, and safe. We are very transparent about their properties and will not promote products that do not align with our values, even if they are allowed under current legislation in Mexico. Kemikals is thriving at a critical moment for the sustainability agenda in Mexico. Many companies have set clear targets and deadlines for 2025, and we are seeing urgent activity across the industrial sector as these companies strive to meet those goals.

What are the company's commercial objectives for the next two years?

Given our efforts, Kemikals has a concrete objective of 30% growth in revenue in the next two years, which is a realistic target. We aim to broaden the scope of our relationships with clients and keep specializing in the coatings and construction industries, offering our clients more cutting-edge solutions. Many distributors attempt to cover as many segments as possible, but we have decided to focus on our areas of expertise. This includes increasing our value-added, sustainable specialty chemicals lineup. Our client's priorities and concerns are foremost on our minds. ■

Can you update us on Kemikals' operations in 2023?

2023 was a challenging year for the industry due to an unfavorable dollar/peso exchange rate, and all companies that import and export materials were affected by the volatility. Despite this, we achieved record sales this year due to our commercial strategy, which has focused on providing value-added products and solutions to the market. Cost competitiveness is crucial to so many of our clients. We stress that there is a cost/benefit analysis that should be considered, and we want to be able to offer our clients the most competitive and beneficial products. That is where we can add value.

There is a strong tendency towards sustainable products that are environmentally friendly and healthy for end users and workers in the production line. This includes both finished products and the inputs used to produce final goods. We have oriented our company around sustainability, and our high standards and ethical focus allow our clients to successfully navigate the complexities of these products.

What is the process of introducing new products in the Mexican market?

Many of our suppliers are based in Europe and operate within highly complex and regulated markets. As the exclusive brand representative of their products in Mexico, we are more than

simply distributors. Our partnerships with suppliers are extensive and deep because products and technology from Europe or Asia have to be adapted to the specific market conditions of Mexico. We help them to 'tropicalize' their products for local needs. We have a dedicated commercial director and technical team in constant communication with our suppliers, working closely with them to adapt their products to the Mexican market. For example, there is currently a coalescent agent in our product portfolio that is being widely adopted in the Mexican market due to local regulatory changes; although it has been part of our portfolio for a while now, the conditions are right today.

How can Mexico take advantage of nearshoring investment opportunities?

Nearshoring in Mexico is an excellent opportunity, giving our country an international spotlight and bringing the significant economic benefits. Global companies have the appetite to set up production here and gain superior access to the US market. Nevertheless, there are several challenges that we must overcome to take full advantage. Structural limits to our energy and water infrastructure capacity could cap the number of companies that can realistically base themselves here. There will also be an increase in competition with all this incoming business, and local companies will benefit from being



Jorge Saldaña

Commercial Director
WYN DE MÉXICO

What are the recent activities of Wyn de México?

Recently, we have been primarily growing geographically as well as in terms of product portfolio. Our exports have grown significantly. Our primary clients are in the architectural coatings business, and our second core area is industrial coatings, including everything that goes over steel. The company also has important clients in graphic arts.

The key trend driving Wyn's operations is nearshoring. We have observed many US and Canadian companies opening up to sourcing their polymers from Mexico and other Latin American companies. We have responded to this through a shift to focusing on North America as a strategic region, rather than just Mexico as our natural market and Latin America as our export market.

What are the greatest challenges facing the Mexican chemicals industry?

Twenty years ago, we could source

90% of our inputs from Mexico and Pemex, but now we source almost nothing from Mexico. Most of our surfactants, all of our monomers, and most of our additives are produced in North America (excluding Mexico) or they come in from Europe or Asia. Now, everything is imported either by our suppliers or by us, and we are paying high prices for the logistics. It means that we suffer when lead times expand or when there are supply chain disruptions such as the Texas freeze or the turmoil in the Red Sea. For Mexican producers, logistics remains one of our most challenging factors.

At WYN, our main raw material is water. Water has been scarce in several regions worldwide, and Mexico is one of them. Wyn is fortunate to have our own water well. However, water is a concern for the industry and the country itself. For example, last year in Monterrey there was a significant crisis with water scarcity. This impacted us as part of this supply chain. ■



Gerardo Victal G.

Marketing Development
LATAM
ALLNEX

Could you give an overview of Allnex's history in Mexico?

Allnex was established after the private equity firm Advent International acquired the Coating Resins Division as a divestiture from Cytec Industries. Our main offices are in Guadalajara, where Cytec was based. Over the years, we have acquired companies like Nuplex and a subdivision of Bayer, expanding our reach worldwide. In 2021, Allnex was acquired by the Thai multinational chemical company PTT Global Chemical. Allnex operates as a subsidiary of Allnex United States and has a distribution center in the country, but no manufacturing operations yet. We are actively looking for opportunities to manufacture in Mexico.

What has been Allnex's performance in the last two years?

These last two years have been very positive for Allnex, particularly in Mexico, due to near shoring. Many of our clients are shifting production to Mexico to prepare for growth in automotive, aerospace, and infrastructure sectors. This benefits us

directly by increasing our supply of raw materials.

Could you provide an overview of the products offered by Allnex and comment on the demand trends you are observing?

We operate in four main types of resins and additives. Firstly, our largest portfolio segment comprises liquid resins and additives. We offer a variety of liquid resins, including alkyd, polyurethane, and acrylic, along with a wide range of additives, such as color dispersants, drying agents, levelers, and flow aids. Our second business line focuses on powder resins, which are experiencing significant growth, especially in the powder coating sector. The third segment includes crosslinkers, featuring our renowned brand Cymel, widely used in applications such as can coating, original automotive resins, and the tire industry. Finally, we have resins that cure through UV or electron beam, experiencing high demand in graphic printing, wood treatment, and innovative applications. ■



Ángel Sánchez

Managing Director
CHEMETALL MEXICANA
(BASF)

Can you introduce us to Chemetall's presence in Mexico?

Chemetall is a German company that researches, produces and distributes chemical products globally. In Mexico, we have a facility and laboratories for quality control and analytical testing. These labs serve customers based in and out of Mexico and provide technical assistance to clients. We provide chemicals used in the paints and coatings process. Our products serve the steel manufacturing, automotive and aerospace industries.

What opportunities for growth have you identified in Mexico?

Mexico is a global automotive industry manufacturing hub, so there is a strong demand for Chemetall products here. The need for specialized products used in automobiles is increasing. New plants are being built in the country, and new players from Asia are now entering the market, further increasing demand for auto components. Due to growing demand, we are positioning ourselves to be ready and have production capacity to supply our customers quickly, which is very important for

car manufacturers. Our localized presence makes us very competitive in this regard. We are located in Queretaro, which sits in the middle of Mexico. It is a logistics hub for the country and is close to major auto and aerospace manufacturing facilities.

Which challenges are most pressing for the Mexican chemical industry?

A major challenge for chemical producers here is the availability of raw materials, which impacts our cost competitiveness. The scarcity of raw materials creates competition among different sectors and segments of the chemical industry, as everybody is trying to get their hands on them. Fixing this should be a national priority for Mexico and will necessitate reforms and sustained investments.

How does Chemetall focus on sustainability?

We use solar panels in all our Mexican facilities. We also have closed water systems, so it is all recycled. Our primary focus is to develop products that reduce energy consumption in the automotive industry. ■



Ernesto Goepfert

Latam Director
CARBOLINE

Can you tell us about Carboline's operations in Mexico?

In Mexico, we carry out technical and commercial activities, supporting our clients in selecting and utilizing the best product for their needs. 95% of our products are imported from the US. The Mexico branch of Carboline takes care of logistics, marketing, and everything related to getting our product to the customer here in Mexico, and our technicians support all their needs on shop or job site.

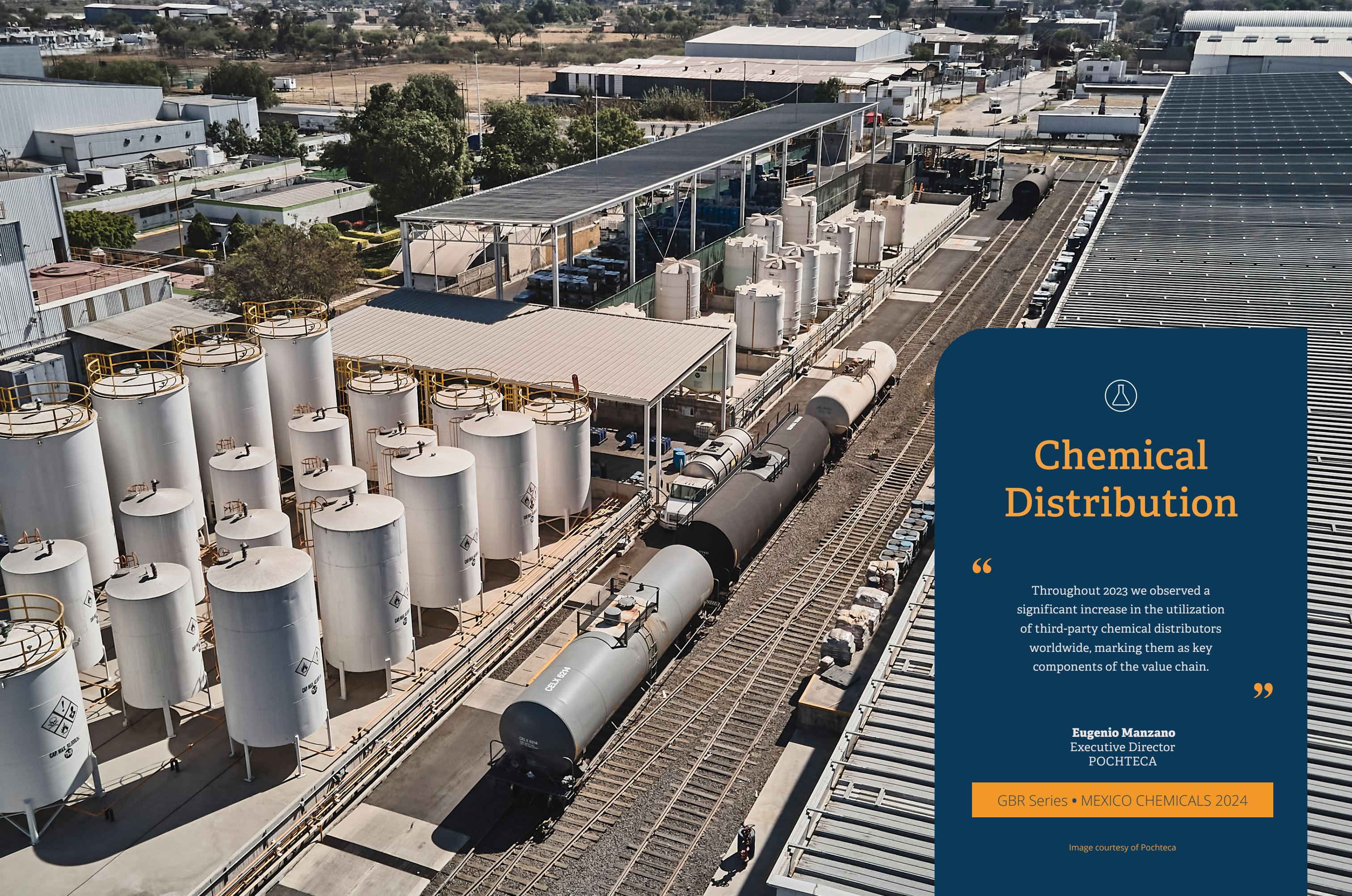
Carboline provides high-performance coatings, and there are several sectors in which we are particularly strong, such as petrochemicals and the rail industry. Carboline is, also, worldwide leader in passive fire protection. Additionally, we are active in the power generation market, providing paint for the customer's specifications. In general, we could say, Carboline offers coatings for any material where corrosion, fire, or high chemical attacks are possible, such as water treatment infrastructure, pipes, electrics, and so on. This provides us with coverage of almost all industries within Mexico.

What is your perspective on the future of logistics prices?

We are seeing a correction in logistics prices, with logistics costs decreasing. However, it is still a problem. We continue to have supply problems in the US. It remains challenging to obtain materials on time because even in good weather the ports in the US are strangled.

How does Carboline center customer needs?

Fostering strong relationships with our customers is fundamental to our work in Mexico. Our customers have day-to-day needs, and our people are highly technically prepared, with answers for any detail or questions. For example, at a rail plant, we have people on the floor within the workshop, supporting the production people on a day-to-day basis. Our coatings have a high degree of specialization, so we have people working inside or supervising petrochemical applications. ■



Chemical Distribution

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Throughout 2023 we observed a significant increase in the utilization of third-party chemical distributors worldwide, marking them as key components of the value chain.

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Eugenio Manzano
Executive Director
POCHTECA

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Image courtesy of Pochteca

Chemical Distributors

The supreme challenge of the 'super peso'

2023 was a year of contraction in the industry after several previous years in which distributors raked in profits due to supply bottlenecks and high prices. Due to oversupply, prices dropped in 2023, and distributors experienced significantly lower demand. Overstocking created a downward pressure on pricing. "There has been

some erosion of margins across the industry," explained Sergio Chiñas, CEO of specialty chemicals distributor First Quality Chemicals, adding, "However, the reduction in demand is worldwide, not specific to Mexico, and I expect it to be temporary."

"The chemical industry faces a variety of challenges ranging from dis-

ruptions caused by natural disasters to trade conflicts, political instability, and unexpected events such as the COVID-19 pandemic," said Alejandro Iniestra, general manager of Kigo Chemical, a Mexican distribution company. "These disruptions can lead to shortages, price volatility, and logistical challenges, significantly impacting the operations of chemical distribution companies and their ability to meet customer demands."

The situation was not helped by a challenging exchange rate, with an overpowered peso putting pressure on companies. Miguel Ruiseñor, managing director for Mexico at global distributor IMCD, stated: "The exchange rate in Mexico has created a complicated situation. The 'Super Peso' has impacted the distribution industry as

every day we see the value of the dollar decreasing."

This was an issue for the populace as much as it was for the industry. Mexico receives US\$60 billion annually in remittances, largely from the US, so remittances are a crucial part of household spending. By July 2023, the peso had increased by 14%

against the dollar, reducing the value of those dollars. "Unusual economic situations with remittances, high inflation, and the exchange rate all occurred in conjunction, generating uncertainty," said Adriana Ramírez, commercial director at Helm de Méxi-

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Arturo Hoyo
Vice President Global Corporate Accounts
NEXEO PLASTICS

“ In distribution, adapt rapidly to a fast-paced environment is vital, is in our DNA to maintain and nurture relationships with our key principals at the time we continue adding value to our over 10,000 customers. ”

30th Anniversary

VPM
vinmar plastichech méxico

Distributing Solutions to the Plastics Industry

a Vinmar Group Company










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Vinmar facilitates the commercialization of plastic resins and chemical products for global producers in Mexico.

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Alejandro Aguirre

General Manager
VINMAR PLASTICHEM MEXICO

Could you introduce us to Vinmar and your presence in Mexico?

We are one of the biggest non-Mexican distributors in the plastic resins market. Vinmar facilitates the commercialization of plastic resins and chemical products for global producers in Mexico. We have over 30 partnerships with first-class manufacturers, and we ease their entry into the Mexican market through our commercial, logistics, distribution, and technical service, ensuring our clients in the country have access to a great variety of products from around the world. With 25 warehouse and logistics points nationwide, our coverage of Mexico is extensive. Vinmar Mexico was the first subsidiary outside of the US, so it has always been a very important asset.

What benefits does the Vinmar portfolio bring to its Mexican clients?

Our focus in Mexico is the distribution of polyolefins, styrenics, and engineering resins. We have accumulated several meaningful relationships globally, so we can offer many products to the market and give our clients multiple options. Clients can buy products at the border and handle logistics by themselves, or we can deliver what they need directly to their facilities. The ease of access to products that are complicated to reach and / or import makes our clients' lives easier, and as part of our value to our clients, we also offer exceptional technical support.

What are the most significant obstacles to growth for Mexican industry?

There are always things that could be improved. I have worked in the plastics and chemicals industry for many years and have traveled extensively. Mexico has lots to offer. Mexicans are hard-working and well-trained; our country is rich in natural resources and has a large labor pool. The quality of our products is on par with the most developed industrial countries, but we need to invest more in industry. We rely on imports of raw materials that should be produced at home, which hurts our global cost competitiveness. The national transport grid needs upgrades, and though the north-center transport channel is well-developed, it needs better maintenance. Transport fleets should be modernized, and more parts of the country connected through road and rail. We are privileged to have Atlantic and Pacific coastlines and could benefit from expanding our Pacific ports. A comprehensive trade agreement like the USMCA is a great advantage for us. Our country stands to benefit as global supply chains become more regionalized to insulate them from exogenous shocks.

What is Vinmar's sustainability agenda?

Our sustainability agenda is well developed because this topic is urgent in the plastics and chemicals industry. There is a continuous need to make operations more efficient and environmentally sustainable to support the global sustainability drive. We are adamant about collaborating with suppliers committed to this global vision and implementing new modes of

production that reduce their carbon footprints, including shutting down old plants and investing in cleaner and updated production methods. In the US, we have a relationship with a bio-resins producer and distribute this product. We are directing our efforts to expand our suite of sustainable products so that they can make up an ever-greater share of our volumes across Vinmar's global operations. This includes minimizing the impact of plastic and encouraging recycling and reuse. We have built new relations with companies in India, Spain, and the US, and incorporated them into Vinmar Group, developing extensive recycling operations as part of our long-term global sustainability agenda.

What are Vinmar's goals in Mexico?

Our knowledge and presence in this country have expanded and are now extensive and well-developed, having built a reputation as an important, reliable supplier and distributor. In Mexico, our objective is to keep growing at pace by expanding our diverse line of products and solutions for our clients, and to be a supplier of choice for the industry. We are re-investing in our employees and increasing the size of our team here. We started with two people 30 years ago, and now have over 60 employees. Longevity in the market is our ultimate objective, and we always consider this when making investment decisions. We do not just offer products, we offer services and complete solutions to the market, and we will keep working at it. ■



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In the past, we diversified into the fuel market with a company called Exxia. Today, we have the new specialties company, Ion.

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Alfredo Ison

President
QUÍMICA DELTA

Can you update us on Química Delta's activities over the past year?

In 2024 we will have our Química Delta's 50th anniversary. It will be an important year because it highlighted how we have consolidated ourselves as the largest distributor in Mexico in petrochemicals, chemicals, and lubricants. We have been through a lot over the past 50 years. In 2016, Química Delta hired a general director who has helped to organize the company in a more professional and institutional way, enabling us to grow our market share. Another focus this year has been increasing the safety of our operations. We have been working together with a multidisciplinary team to reinforce our internal safety culture, including modifying processes and reducing operational risks within the plant.

Química Delta also launched a new company dedicated to the sale of specialty chemicals called Ion Specialties.

How has regulation been a challenge this year?

The most significant challenge this year was a new regulation which took effect in December 2022, which has to do with LDA permits at the ports where we operate. The government tried to block everything to do with the entrance of illegal fuels into the country, with the intention of ensuring that fuels do not avoid taxes. For fuels, a terminal requires volumetric controls, which ensure that every liter that enters and leaves is notified to the authorities, similar to an electronic invoice. This year, the government decided that many petrochemical products

required volumetric controls. These caused complications for the importation of products. It was challenging to obtain the permits. The benefit is that those of us who do receive the permits gain market share. Nonetheless, the policy increases the complexity of importing petrochemicals.

In May of this year, we were able to resolve the situation, but it generated a supply problem in the market and made it challenging to import products into the national territory.

How have petrochemicals performed in terms of price?

There was a disruption in supply chains after COVID. With the start of the war in Ukraine, the prices of petrochemicals went through the roof, which provided us with excellent revenues. However, inventories have increased, so now petrochemicals are selling at a lower price. Another issue is that clients, worried about the shortage of production and supply chains, had built up too much inventory, and now they are trying to reduce inventories which has led to a reduction of sales. However, lubricants are growing at the same pace as the Mexican economy, which has been growing in recent years.

What sectors are growing?

We see growth in the automotive sector. It has had a boom in recent years, and in recent months we have broken production records. Tesla is coming to Mexico, and other brands will come and consolidate themselves here in the Mexican market. We are the country with the largest number of free trade agreements, facilitating exports

from Mexico to these countries. The construction sector is mildly impacted by high interest rates, but success in the automotive area is compensating for this slowdown.

What are Química Delta's priorities?

A major focus of ours is diversification and consolidation. In the past, we diversified into the fuel market with a company called Exxia. Today, we have the new specialties company, Ion. And then, of course, we have Química Delta. These companies serve the same markets where we have expertise. For example, Ion and Delta both have the same markets in terms of rubber, plastic, paints and inks, but with completely different product offerings. Besides our diversification in terms of products, we have diversified our culture to attend markets in a different way, developing completely new but complementary businesses to consolidate our competitive position.

Química Delta is strengthening our footprint in the north because we foresee an important growth with our new companies in that region. We are already present in Monterrey, Guadalajara, and in Mexico City. I also expect a boom for the south east of the country once the Interoceanic Corridor opens. The Panama Canal is having significant challenges with a lack of fresh water, generating tremendous queues of ships waiting to cross. Eventually, companies are going to set up in the south of Mexico where the new logistics corridor will be. We are looking in that direction to capture the opportunities that arise in the region. ■



Eugenio Manzano

Executive Director
POCHTECA

Can you provide an update on Pochteca's recent activities and how it serves the chemical industry in Mexico and Latin America?

Our distinguishing value-added services encompass a wide spectrum, including specialized logistics, sophisticated inventory management systems, efficient processing of small orders, technical support, product application development, training programs, customized product packaging and blending, waste management solutions, and other environmentally conscious offerings.

Furthermore, the ongoing digital transformation is a pivotal trend in our industry. We remain at the forefront of innovation, constantly refining our digital tools and platforms, enhancing existing software functionalities, optimizing our online storefronts and web interfaces to enhance user experiences, and implementing upgrades to our CRM, supplier portal, WMS, big data analytics, and process automation systems. These initiatives are all geared towards enhancing operational efficiency, meeting our clients' evolving needs, reducing environmental impact, and lowering the cost to serve.

Given the heightened focus on environmental stewardship, we are intensifying efforts to engage in circular economy initiatives. We are committed to investing in both personnel and infrastructure to deliver environmentally sustainable solutions, including advanced waste management practices and the integration of eco-friendly and health-conscious products into our product portfolio.

“Deficient performance is less tolerated, with the possibility of manufacturers readily switching distributors if expectations are not met.”

How did the distribution segment perform in 2023, and what are your expectations for 2024?

Throughout 2023 we observed a significant increase in the utilization of third-party chemical distributors worldwide, marking them as key components of the value chain. Alongside this trend, there is a heightened emphasis on performance standards, with offerings extending beyond cost management to include sustainability considerations.

Many chemical manufacturers foresee an increasing reliance on third-party distributors. They acknowledge the role distributors play in expanding their geographical reach and serving smaller customers, thereby allowing them to concentrate on their core operations.

While manufacturers are increasingly entrusting their distributor networks, they expect exceptional performance in return. Key performance expectations for distributors include meeting sales targets, addressing financial matters such as payment terms, delivering high-quality services and overcoming market challenges. Deficient performance is less tolerated, with the possibility of manufacturers readily switching distributors if expectations are not met. This trend of distributor swapping due to dissatisfaction is on the rise across all regions.

Moreover, sustainability considerations have emerged as a significant factor in chemical distribution, prompting distributors to adjust their portfolios to align with evolving environmental priorities.

In terms of supply sources, the importance of Asian imports to Western markets is on the rise.

What is Pochteca's strategy for the next two years?

Our unwavering commitment lies in continually generating value to customers and suppliers, penetrating new sectors, acquiring new customers, expanding into untapped territories, replicating success across the various countries where we participate and capitalizing on emerging trends that manufacturers might overlook or struggle to grasp independently.

Drawing upon our extensive geographic reach in Latin America and the southern US, we serve hundreds of cities housing thousands of manufacturing enterprises. Our reach spans over 40 diverse business segments, including food processing, home and personal care, paints and coatings, mining, oil and gas, auto industry, and various other chemical-consuming industries. Servicing these segments directly would be prohibitively costly for manufacturers, considering the geographic dispersion and the complexity of cultural differences and local idiosyncrasies.

We are currently executing a comprehensive digital transformation strategy, code-named “Proyecto Cacao”, aimed at enhancing our existing operations and revolutionizing the experiences of our customers, employees and suppliers. This strategy encompasses a wide range of initiatives across our business landscape, ranging from process improvement, implementation of cutting-edge ERP, e-commerce solutions and inventory management systems.

Our commitment to digital transformation is rooted in the understanding that it is an ongoing journey characterized by continuous improvement and innovation. By leveraging increasingly intelligent and automated sales and operations planning tools, we are bolstering our capacity to forecast demand accurately and orchestrating inventory management with precision, thereby ensuring a consistently high fill rate to meet customer demands effectively.

Furthermore, within our IT ecosystem, we integrate a suite of essential tools, artificial intelligence, robotics, and software solutions, enabling us to streamline data processing, automate workflows, and drive down operational costs. This integrated approach translates into a more cost-efficient service model for our suppliers and a reduced total cost of ownership for our clients, reinforcing our commitment to delivering value at every touchpoint.

Executing our strategy with world class ESG standards is a key pillar and success factor going forward. ■



Arturo Hoyo

Vice President Global Corporate
Accounts
NEXEO PLASTICS

Can you update us on your recent operations?

We continue to strengthen our portfolio of specialties to deliver our value proposition in key growing end markets such as healthcare, mobility and electronics. We have continue investing in our digital platform MyNexeo, providing a tool to our customers to simplify their ordering process and have access to our entire portfolio of products, documents and tracking of their shipments.

What are your priorities for the coming year?

In 2023, we carried out a separation of our businesses into plastics and commodities, we believe “where we focus, we win” and Mexico continues to be a growth engine for Nexeo. We have successfully entered the packaging sector, which has been growing for us, and we are focusing on other key end markets such as healthcare, electronics and mobility to capitalize on the Nearshoring activity and, last but not least, we will continue investing in our most valuable asset which is our people.

What is the situation in Mexico regarding logistics and transport?

The country continues to have infrastructure challenges. Security on highways, the transition of Customs to be managed by the military and the overcapacity in many 3PL providers are creating bottlenecks that the industry need to tackle day by day. ■



Miguel Ruiseñor

Managing Director
IMCD MÉXICO

What do you identify as the most significant challenges facing the distribution sector?

We all started the year with high inventories and those inventories were expensive because prices were decreasing. In particular, the exchange rate in Mexico has created a complicated situation. The “Super Peso” has impacted the distribution industry as every day, we see the value of the dollar decreasing.

The outcome of the election next year is also a concern for the industry. The key for 2024 will be stability.

A regularization of chemicals prices is also expected. Last year, the prices started very high and then dropped and dropped and dropped. From my perspective, the key for 2024 will be stability, and if we achieve that, then we will be able to keep moving and grow.

How do you support your clients in the personal care area?

In our labs, we make formulation prototypes to advise the industry, particularly small and medium players. We can help them with new trends by using the global marketing power of IMCD. IMCD also presents formulations that are already the basic formulation for a local producer so that they only need to add their flavor or color. Personal care sales are based on marketing. When launching new products into the market for personal care, what we are really launching is trends that the market may follow. ■



Othón Canales

CEO
QUIMI CORP

Could you update us on Quimi Corp's activities?

The last few years have been challenging; a perfect storm brewed due to complications from the pandemic as well supply issues. We were not receiving payments on time, and we had to pay to our suppliers, so the company was in a challenging position.

What has Quimi Corp done to recover its position in the market?

We aim to diversify to insulate ourselves from shocks like in recent years. Petrochemicals are our bread and butter, and we are looking at getting into the crude oil production market, as well as increasing our presence in the refineries. We have two particular targets: Sustainable technologies and nutrition.

We are venturing out of our comfort zone with these two developments but are very excited for their prospects.

What is Quimi Corp's strategy for 2024?

Our strategy for the coming year is to commercialize the bioreactor technology and diabetic supplements. We want to keep consolidating our position in the petrochemical market, maintain our relationship with Pemex and identify niche areas within oil & gas that we can target. ■



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co. “We were unsure month to month what would happen, if prices would rise or decrease.”

Several factors have contributed to the super peso: First, the Mexican economy's exports rose by 17% in 2022, increasing the dollars entering the country; second, the autonomy of the Bank of Mexico has enabled it to take steps to preserve the peso's purchasing power regardless of political pressures; third, there has been an increasing difference across the border in terms of interest rates, with interest rates staying much higher in the US over 2023, incentivizing international investors to buy more profitable government bonds in Mexico; and fourth, nearshoring has driven FDI to Mexico, particularly in a landscape of greater risk appetite on the part of investors.

The fluctuations in the exchange rate were not bad news for everyone. Miguel Valdivia, CEO of Trade Chemicals, said: “We were able to resolve the debts we have in dollars at a lower exchange rate, and that allowed us to have greater competitiveness in price for imported products, providing a benefit to our client.”

Low demand for chemical products, meanwhile, has been driven not just by slower demand in the US and globally, but also by Mexico-specific factors. In 2023, access to qualified labor was an issue for chemical companies, constraining their ability to keep plants running at full capacity. “Finding qualified workers to operate the plants has been challenging, and many of our clients can't operate two or three shifts a day because they simply do not have the people,” said Arturo Hoyo Vargas, vice president product line management North America at Nexeo Plastics, adding, “This has contributed to low demand.”



**Miguel Angel Marin
de la Parra
CEO
INDUSTRIAS SINTOQUIM**

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The personal care market has grown considerably in recent years and is counter-cyclical, meaning its performance is less affected by crises than other segments.

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Indeed, there is a shortage of labor at all levels of the industry. A scarcity of truck drivers has been a challenge for distributors, and there is no end in sight. Truck drivers can do the same job for better pay in the US, and the country continues to bleed drivers. Humberto Elizalde Mendoza, CEO of organic peroxide distributor ICS Group, said: “We have taken steps to mitigate this issue by investing in our human capital; due to the nature of their cargo, we offer our drivers specialty training and competi-

tive salaries. Unlike Canada and the US, there is not an abundance of people in this country that are trained to handle such specialty products, so retaining staff is very important for us.”

The challenges are myriad, but for distributors, a return to better days is predicted. Pricing is expected to stabilize in 2024 after the extreme drop over 2023, providing opportunity for growth. d'Artigues of Naseda said: “2024 should be a more stable year for the industry as inflation and costs have somewhat normalized, and consumer confidence is pretty strong due to factors such as salary increases.”

For new distributors trying to enter the market, it can be difficult to break through. It is not enough to just have trucks and warehouses – a distributor must understand the security situation and know which highways are safe, etc. Ruben Ilitzky, CFO of Telch, said: “There is more competition as Asian distributors try to enter the Mexican market, but there are high barriers to entry.”

Nearshoring is driving growth for the chemical industry, but it is not an unlimited positive. “While everybody mentions the upsides of nearshoring, there will also be an increase in competition as more foreign companies enter the market. Some companies are coming in from markets with high production but relatively low domestic consumption, driving them to seek markets like Mexico to dump their goods in,” explained Luis Urquijo, sales director at Disan, a distributor of solutions for the home and



**Mayra Dartigues
President
NASEDA**

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The distribution market is heavily saturated now, and there is much competition.

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personal goods, industrial goods, pharmaceuticals, and human nutrition sectors.

Alejandro Aguirre, general manager of Vinmar Plásticos Mexico, a plastic resins distributor, elaborated on Mexico's strengths: “A comprehensive trade agreement like the USCMA is a great advantage for us. Our country stands to benefit as global supply chains become more regionalized to insulate them from exogenous shocks.”



**50 ANIVERSARIO
DELTA**

In this 2024, we proudly celebrate our
50th anniversary

commemorating not only the achievements attained but also the valuable partnerships and the family we have built with our suppliers, clients, and collaborators. Their dedication and professionalism are essential to maintaining excellence in our products and services.

As one of the leading distributors of chemical products and base oils in Mexico, we understand that this celebration signifies a commitment to our clients. We will continue working under the strictest protocols to ensure quality, safety, and environmental protection in every delivery.

With five decades of experience, we proudly serve multiple industrial markets through our business division: Lubricants, Industrial and Personal and Home Care. Additionally, we hold prestigious certifications such as ISO 9001, Great Place To Work, and Responsible Care, demonstrating our commitment to quality, health, safety, environmental, and our people.

Pemex underproduction is a challenge and an opportunity

Lack of productivity at Pemex has had a knock-on effect all the way to the distribution section. Miguel Ruiseñor, managing director of IMCD, called for investment in improving efficiencies at the state-owned company, citing knock-on impacts of the companies' operational inefficiencies. Recently, the company has failed to pay suppliers on time. Ruiseñor said: "If they do not pay the companies serving them, those services cannot move. If the service providers cannot move, the distribution companies selling to these actors are also at a standstill."

Pemex's challenges are top of mind for distributors. The chronic supply issues and Mexico's position of dependency has had a negative impact on the industry at large. Mexico has, due to lack of investment, sat on the sidelines for transformative opportunities. The natural gas boom due to fracking in Texas, for example, could have easily occurred in Mexico; there are reserves present on both sides of the border. For Othón Canales, CEO of Quimi Corp, these problems date back to Pemex's founding: "The issue with the Mexican petrochemical industry is that it had a bad birth, so to speak, with a badly fractured supply chain."

With Pemex underproducing, distributors play a crucial role in providing the industry with raw materials. To ensure this can continue at the pace and quantity necessary, the distribution sector must work with the government to ensure a more efficient customs and regulatory process. Access to materials is a political and economic issue for the entire industrial sector. Mendoza of ICS Group explained:



"We have had issues with the flow of raw materials needed for the chemical industry; increasing demand in Asia and Europe has diverted some flows that traditionally came to Mexico and driven up costs. That is why we need to develop these capabilities locally."

Helm de México is a global distributor that specialized in moving large volumes, bringing raw materials into Mexico to supply the industrial sector. Adriana Ramírez, commercial director of Helm de México, said: "We are seeing some challenges in regulatory restrictions and tariffs, and the country must be focused on ensuring continued access to goods."

Nonetheless, with logistics smoother than in previous years and more supply available, petrochemical feedstocks will continue to flow into the country. There is more access to supply for products such as polyethylene, polypropylene and polystyrene. According to Ruben Ilitzky, CFO of Telch, supply availability should continue to improve, with good material availability if the US economy does not start growing significantly faster: "A new Shell facility in the Northeast and investments in capacity at existing plants will secure supply for the future, and demand is growing but at a stable pace. There are also plants in Asia offering material."

Although this glut in supply has depressed prices, not all the petrochemical sector has been such a challenge for distributors. Growth in the automotive sector over the course of 2023 is expected to continue in 2024, increasing demand for plastics, paints and coatings, lubricants, and other products. Alfredo Ison, president of Química Delta, stated: "Lubricants are growing at the same pace as the Mexican economy, which has been growing in recent years."

Although 2023 was more challenging than the boom year that preceded it, it was a year that provided distributors with the motivation to improve their processes and strategic focuses. "Attending the multifaceted challenges confronting the chemical industry requires a proactive approach, strategic planning, and collaboration across the industry," said Maria Iniestra, director of Kigo Chemical. "Chemical distribution companies should consider diversifying their supply chains, embracing sustainable practices, integrating digital technologies, and fostering a culture of innovation to efficiently navigate the growing landscape and preserve a competitive position in the market." ■



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Humberto Elizalde Mendoza

CEO
ICS GROUP

“ Fortunately for Mexico, nearshoring trends have resulted in an inflow of manufacturing from abroad, which has shaped our post-pandemic recovery. ”

age and transport organic peroxides. Internally, our employees are extensively trained, and can thus deliver technical support to our customers.

Could you elaborate on some of the major challenges facing the Mexican chemical industry?

There is a shortage of truck drivers in Mexico. We have taken steps to mitigate this issue by investing in our human capital; due to the nature of their cargo, we offer our drivers specialty training and competitive salaries. Thanks to this, we have a low turnover of drivers.

This shortage is part of a wider personnel issue, a growing shortage of labor for industry. Additionally, we've had issues with the flow of raw materials; increasing demand in Asia and Europe has diverted some flows that traditionally came to Mexico and driven up costs. That is why we need to develop these capabilities locally.

What differentiates ICS Group from your competitors?

As opposed to many of our competitors who serve only specific market sectors, ICS Group serves the entire plastics market. We manage more than 60 different types of organic peroxides that are used across the value chain, from automobiles to medicinal products. We have also invested in our R&D capabilities and can design specific products for niche needs in the market. This has allowed us to cultivate strategic, long term relationships with industry actors.

What are your objectives for the next two years?

We expect to be ISO 90001 certified in the coming year. This certification is increasingly in demand, especially from the big automobile manufacturers. So far, we have relied on our suppliers' certifications, but we look forward to being independently certified and thus being able to standardize certain processes. Within Mexico, our footprint covers the entire country with the exception of the South, so we are looking to expand southwards. We have exported products to Guatemala and Honduras, where we find closely related markets, and hope to grow our exporting capabilities in the coming years. ■

Can you introduce us to ICS Group?

We are a Mexican chemicals distribution company founded in 2011. Our core business is the distribution of organic peroxides, which are hazardous materials. Organic peroxides make up around 1% of any plastic product, so we offer niche but critical products at small volumes. ICS Group maintains its own fleet of trucks and has six different subsidiaries across Mexico and our headquarter in Mexico City. We also provide technical support for our clients. Our customer base has steadily grown, and we are practically present across the entire plastics market in Mexico; thermoplastics, rubber, fiberglass, polyester resins. We are Nouryon's sole supplier. In Mexico, we are pioneers in organic peroxides distribution.

What is the state of the plastics market in Mexico?

Post-pandemic, there was slowing demand across many markets. Fortunately for Mexico, nearshoring trends have resulted in an inflow of manufacturing from abroad, which has shaped our post-pandemic recovery. As a result, ICS Group had a solid year with increased sales in 2021. In 2022, we had to deal with increasing costs like everyone else, but manufacturing has continued to grow in the country and the organic peroxides and

the polymers market has performed quite well.

In what areas of the market do you see the best opportunities for growth?

ICS Group is well diversified across the entire plastics sector, so we observe industry-wide trends. The fiberglass market is performing because of its strong links to the automotive industry, as is rubber for car tires and the polymers for packaging. The automotive industry is also driving strong demand for automatic injection molding, and I expect it to grow further once Tesla's Gigafactory in Monterrey becomes operational. There is also a growing market for resins used in acrylic, paints and vinyl, and our sales reflect this.

How does ICS Group manage and transport dangerous substances?

There is an extensive list of regulatory requirements that the warehousing, usage and transport of dangerous chemical substances requires. ICS Group offers bespoke training and technical support to our customers on how to handle these materials, so that they are well prepared in case of emergencies. We have delivered hundreds of training sessions to thousands of our client's employees, instructing them on how to safely man-



Alejandro Iniestra

General Manager
KIGO CHEMICAL

Can you update us on Kigo Chemical's activities in 2023?

In 2023, the chemical industry faced notable challenges, prompting a shift in dynamics. Previous years benefited distributors due to supply bottlenecks and high prices, but the landscape has evolved. Recognizing the need for innovation, Kigo Chemical has adapted by introducing new products to maintain competitiveness amid the current oversupply and low prices. Our investment in digital capabilities has proven pivotal with KigoConnect, our customer access platform, and a new supplier platform. KigoConnect, our customer access platform, has seen substantial growth, and a new supplier platform has streamlined administrative tasks, showcasing our commitment to technological advancements. Furthermore, we have introduced a real-time sample ordering feature to enhance customer experience.

How important is innovation at Kigo Chemical?

Beyond being distributors, we proudly boast over five registered brands with products carefully formulated in our cutting-edge laboratories. Our manufacturing facilities are strategically divided, with one serving the food market and the other serving the industrial segment. The achievement of FSC2200 certification underscores our commitment to quality, which is particularly evident in our focus on supplying additives for the food industry. On the industrial side, our collaboration with strategic partners has led to the formulation of added value products, reflect-

“Our investment in digital capabilities has proven pivotal with KigoConnect, our customer access platform, and a new supplier platform.”

ing our commitment to offering solutions to our customers.

How does a young company like Kigo Chemical differentiate itself from the competition?

Our differentiation strategy lies, among other things, in our commitment to certifications as a cornerstone of our business approach. As we strive for industry prominence, our current FSC2200 certification and ongoing pursuit of ISO9001 certification by March 2024 showcase our dedication to operational excellence. We have achieved recognition with awards such as Best Place to Work, alongside a bronze ECOVADIS medal, emphasizing our unique commitment to sustainability. Unlike conventional approaches, where certifications are obtained after achieving growth, we have proactively embedded ISO 9001 compliance in our operations and culture from the beginning. This approach ensures that good practices are set, enabling us to seamlessly adapt and scale while avoiding the need for extensive employee re-training associated with later certifications.

What are some important challenges facing the chemical industry?

The chemical industry faces a variety of challenges, ranging from disruptions caused by natural disasters to trade conflicts, political instability, and unexpected events such as the COVID-19 pandemic. These disruptions can lead to shortages, price volatility, and logistical challenges, significantly impacting the operations of chemical distribution companies and their ability to meet customer demands.

Certainly, digital transformation and the emerge of e-commerce are reshaping industries worldwide, and the chemical sector, including distribution, is no exception. Moreover, chemical distribution companies are expected to align their operations with sustainable practices. This includes adopting responsible sourcing, implementing waste reduction measures, initiating recycling programs, offering eco-friendly and sustainable products, providing comprehensive product information, and ensuring product quality and reliability.

Attending the complex challenges facing the chemical industry requires a proactive approach, strategic planning, and collaboration across the industry. Chemical distribution companies should consider diversifying their supply chains, embracing sustainable practices, integrating digital technologies, and fostering a culture of innovation to efficiently navigate the growing landscape and preserve a competitive position in the market.

Where do you think the best opportunities in the market are?

The consolidation of the industry continues with multinational players absorbing local distributors. Amidst this landscape, Kigo Chemical, as a dynamic and ambitious company, stands out. We perceive numerous opportunities in the market and are strategically directing our efforts towards the specialty chemicals segment, emphasizing our branded product portfolio and our agile approach. Our main interest lies in the food and personal care sectors, which offer more stable, less volatile, and constant growing markets.

What is Kigo Chemical strategy for 2024?

In 2024, Kigo Chemical is ready for growth, with a primary focus on expanding our presence in Mexico. Despite industry consolidation, we remain committed in our interest of opportunities within niche markets, where larger companies may redirect their focus. Our growth strategy includes organic growth without ruling outgrowth through some niche acquisition. An integral part of our expansion plan involves seeking strategic partnerships in search of reliable distribution channels in Mexico. Leveraging the expertise of our newly established digital marketing team, we are actively creating targeted campaigns to enhance our visibility in specific niche segments of the market. ■



Sergio Chiñas

CEO
FIRST QUALITY CHEMICALS

“I want to preserve the fantastic work culture that we have built here over the years. Keeping this culture intact would be our priority in any M&A deal.”

Could you update us on First Quality Chemical's activities in 2023?

This year has been particularly exciting, as we participated in many trade shows: UTECH, a polyurethane industry event, Expo Cosmetica for personal care, Plastimagen, and of course the ANIQ Forum. We also sponsored the ANAFAPYT convention.

As part of our anniversary celebrations, we hosted an event in Mexico City called 'Circo del Color'. We invited our customers and brought technical experts from around the world who gave technical presentations about innovative materials, trends and new technologies. They offered innovative technical advice for our customers on how they can improve their performance, develop new materials, solve technical issues and also formulations to reduce costs.

What is the importance of innovation at First Quality Chemicals?

Innovation is crucial for us, and we experiment with many materials to stay ahead of the industry. Our partners are some of the best companies in the world, investing significantly in R&D and developing new materials. At First Quality, we always want to be the first to bring those materials into the Mexican market. Our applications lab works with our customers to understand their needs; identify their pain points and determine how our labora-

tory can develop custom formulations to help them to achieve their goals. Innovative solutions are at the core of our growth model. To give you an example, we recently got a new material from Shell. We discovered a new application for this material that allowed our customers to reduce the consumption by 50%.

What trends in demand are you witnessing?

Our customers are interested in new materials to differentiate themselves from their competitors. There is strong demand across our entire product suite; coatings, inks, plastics, polyurethane, adhesives and personal care. There is also demand for environmentally sustainable products, so we also offer UV stabilizers, antioxidants, and other kinds of materials that increase the longevity of plastics. We also offer compatibilizer materials that augment the recyclability of materials.

What kind of challenges do specialty chemical distributors face?

Specialty chemicals tend to become commodities over time, as they are diffused across the industry and lose their novelty and uniqueness. Therefore, we are always looking for new, innovative materials that can disrupt the market. The timeless challenge for distributors is to keep changing, to find and commercialize these new materials.

What is the greatest challenge facing the chemical industry?

In 2022, the industry faced logistics challenges, and many companies were desperate to get their hands on the necessary raw materials. As a result, there has been some overstocking across the industry. This has created a downward pressure on pricing and demand over 2023, as many warehouses are full. There has been some erosion of margins across the industry. However, the reduction in demand is worldwide, not specific to Mexico, and I expect it to be temporary.

What differentiates First Quality Chemicals from its competitors?

Our number one success factor is our people. They are our most precious resource. Our hiring process is very careful and extensive, with psychometric assessments, multiple interviews and references required. We hire great chemists and chemical engineers who work in our labs and provide technical support to our customers. At First Quality Chemicals, we have built an exceptional work culture, with ample opportunity for progression. We work hard to develop our employees, so that they are happy and successful at their work. We offer many opportunities for training in areas such as marketing, leadership, negotiation, innovation, emotional intelligence, positive psychology as well as lots of technical training. To avoid repeating past mistakes, we implement fool proofing strong systems and procedures. More than anything, we love to celebrate our people and our achievements, which has built a beautiful rapport within the firm.

What is First Quality's strategy for the coming years?

Our priority has always been organic growth, and we have been very successful in continually expanding our sales across many sectors. Looking to the future, if we want to grow more in Mexico and internationally, we are going to start looking at potential mergers and acquisitions. More than anything, I want to preserve the fantastic work culture that we have built here over the years. Keeping this culture intact would be our priority in any M&A deal. ■



“Mexico is full of opportunities—there are always new factories and new clients.”

Miguel Valdivia
Commercial Director
TRADE CHEMICALS & PRODUCTS

Can you update us on Trade Chemicals & Products' recent operations?
In 2023, Trade Chemicals & Products doubled our production and storage capacity. We now have over 5,000 square m2. At our plant near the airport, we are now at 6,000 m2. We have invested in new tanks, new offices, and a new laboratory. At the beginning of 2024 we hope to sign a contract that will allow us greater market penetration. Manufacturers are looking for stable allies, and we have the coverage to provide that.

What trends have you observed for silicone prices?
After the pandemic, prices stabilized until they reached what they are now, which are the normal market prices. This has allowed us to regularize our production and fully supply client demand.

Where do you see high demand?
A core market for Trade Chemicals is the detergent market, everything related to the manufacture of cleaning products. There, our anti-foaming agents and silicone emulsions are in high demand. Three years ago, we launched a raw material for fabric softeners, and we have had a great success with this product. This year, it grew almost 100% and we have almost doubled production. The demand for this product grew close to 100%, so we have almost doubled production. This is one of the products that has allowed us to double the size of our plant, since we had enough machinery. It is our star product in terms of technology and profit.
The depreciation of the dollar has resulted in a challenging year. Cus-

tomers get nervous when the exchange rate starts to increase, and they order less material to try to protect themselves. The exchange rate was very stable all the year. Six months ago, it dropped. This was good because the debts that we have in dollars we were able to resolve at a lower exchange rate, and that allowed us to have greater competitiveness in price for imported products, providing a benefit to our clients.

What is the greatest challenge facing the Mexican chemical industry?
The political issue is a major factor, particularly because of movement in the labor area. This year we will have a 20% increase in the minimum wage. This will have an impact on our costs, as the new minimum wage will force companies to increase salaries. Therefore, we will have higher labor costs than in previous years. We must pass on that cost to the customers, and so it will continue generating inflation. Political issues in Mexico have six-year time frames, and in the previous term, we were worried about gasoline and supplies, but in this six-year term, I think labor is the most relevant.

How does Trade Chemicals & Products incorporate advanced technology?
We have been using a digital tool for many years; a search engine that we developed for our buyers. Trade Chemicals uses this tool to distribute requests among sellers in an agile way, enabling the seller to quickly communicate with the person requesting the product. That versatility and speed is enabled by cloud computing. A seller can send a quote within minutes of a

shopper looking for a product. Tools like those have allowed us to support our customers.

What are your sustainability priorities?
In the agricultural area, we now offer products that are kinder to the environment than traditional fertilizers. We seek organic products that can replace chemical ones. Obviously, that is challenging, particularly due to the difference in price, but we are working hand-in-hand with many companies that are equally concerned about the sustainability of the planet. At Trade Chemicals, we want to contribute however we can.

What are your priorities for 2024?
Mexico is full of opportunities—there are always new factories and new clients. The circumstances of the pandemic inspired us to expand our operations, and we have developed from a small company 24 years ago to a stable name in the market today.
This year, due to the decrease in prices, Trade Chemicals grew in volume by 15% until November, but in terms of revenue, we dropped by 15%. This means that we have had a price difference of 30% from the prices last year to those today, lowering our profits. Our core strategy for the coming year is to reduce our focus on commodities and increase our attention on manufacturing specialties to compensate for the issue of profit utility. We want to have more profits with the same or less volume, rather than this year's less profits with more volume. Our salespeople are training to refocus their efforts on products that will give us a greater advantage. ■



Adriana Ramírez
Commercial Director
HELM DE MÉXICO

Can you update us on your recent operations?
HELM is a distributor that specializes in moving large volumes, bringing raw materials into Mexico to supply the industrial sector. We specialize in tank truck deliveries. Our focus continues to be on distribution in conjunction with terminals and other suppliers, making strategic alliances on the product supply side. improvement.

How can Mexico take advantage of the nearshoring?
What Mexico as a country does well is provide high-quality materials and inputs to the local industrial sector, which has enabled our growth and expansion in the market. Ensuring this access to materials is a political issue that we must focus on. We are seeing some challenges in regulatory restrictions and tariffs, and the country must be focused on ensuring continued access to goods.
The automotive industry has good momentum, with growth moving together with the larger nearshoring opportunity that is transforming Mexico.

What trends in demand have you observed recently?
The automotive industry has good momentum, with growth moving hand-in-hand with the larger nearshoring opportunity that is transforming Mexico. This growth in the automotive sector is positive for HELM because we provide significant raw materials for the industry.
HELM supplies companies that make resins. There is strong demand in that area, and the key focus is on-time delivery. For a raw material for resins, there are maybe five options total, but the one that is offered to customers is the one that is available to be delivered on time.
Glycol is a core product for the company on a global basis. Rather than an maintaining an overly-extensive portfolio of chemical products, we are oriented towards moving specific glycol products in large volumes in all major regions of the world. We take advantage of our presence in different countries and our collaborative approach to add value in this area. ■



Luis Urquijo
Sales Director
DISAN

Can you update us on your recent operations?
This year, Disan celebrates 19 years in Mexico. We distribute, market, develop and mix chemical solutions for the wide variety of segments. Among the most important industries for us are personal care, home and industrial care, pharmaceuticals, and food & beverages. Our goal is to add value and transmit expertise, supporting a sustainable industry. We have a wide variety of clients including major multinationals. We offer them complete services in design, financing, logistics, technology, products and a strong technical value proposition. What our clients receive depends on exactly what they need.
Currently, we have sales of more than US\$30 million in Mexico per year. 2023 was a difficult year for the entire industry due to the drop in prices, but we were able to maintain the same sales numbers, which is the result of a significant growth in volume. The company expects to triple in size by 2030. Within Mexico, in particular, Disan is growing. The compa-

ny has had excellent organic growth in the country.
How has the logistics situation shifted?
In past years, the increases in price were tied to logistics restrictions. Now, prices are down, but we have a logistics restriction in the Suez. Ships do not want to travel through the conflict area. That is increasing transit times by almost three weeks, and freight rates are going through the roof.
What differentiates Disan?
Manufacturers always want to use fewer distributors, and clients want to have fewer suppliers. Distributors must do their work so excellently that the client and manufacturer both want to expand the relationship. At Disan, we have a broad portfolio, where clients can find everything they need. Another differentiator is the technical support and advice for the development of new products and the improvement of their formulations that we provide. ■



Logistics and Services

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The challenges of 2023 were global; political crises around the world impacted global supply chains and shipping. We expect 2024 to be similar, so adapting and staying aware of global risks remains imperative.

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Francisco Gálvez
Managing Director
LESCHACO MEXICANA

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Image courtesy of FR Terminales

Logistics

Increasing connectivity in North America

In an increasingly regionalized world, logistics players in Mexico seek to lift the North American region through increasing interconnectedness. Currently, communication routes between the US and Mexico are inefficient in large part because Mexico has not modernized logistics paths from production centers to the main borders. To strengthen Mexico's attractiveness as a destination for near-shoring, a domestic policy that supports infrastructure development is critical.

The key, according to industry executives, is to change a nationalist perspective in favor of regional priorities. Logistics companies serving the chemical industry are a crucial part of this.

Logística Integral en Transportación, for example, participates in ALCAN, the association of logistics clusters and supply chains for North America, working with the body as it helps legislators understand the needs of the logistics sector. Humberto Siller, CEO of Logística Integral en Transportación, stated: "The countries of North America have a common interest and must work together to develop the region to compete against others. To meet this goal, we must prioritize reducing inefficiencies in the supply chain between the US, Mexico and Canada."

In a global landscape marked by constant logistics disruptions, this regional

perspective is even more important. The latter half of 2023 has been a challenge due to disruptions at two major transit points: First, the Panama Canal has been impacted by low water levels, reducing the movement of ships across; second, the outbreak of war in the Middle East has reduced movement through the Suez Canal. Many shipping companies are now moving freight around the horn of Africa rather than risk going through a route impacted by Houthi fire.

Changes in routes can lead to surcharges on shipping lines, and in February of 2024, surcharges increased between Mexico and Europe. "If we continue having issues with global wars like



José Antonio Perea Perches
Managing Director
GLOBAL GATE GROUP

“We think that there is still a lack of knowledge across the country in regard to the safe and proper way of handling, transporting, and packaging hazardous materials.”

the ones in the Middle East, we will need to keep the current alteration of the routes for the long-term,” said Paul Cuevas, sales director of ED Forwarding. “That would be a challenging situation because a lot of shipping companies transport out of different hubs such as Busan, Panama, or Singapore, and if the vessels do not arrive on time, the cargo will not make the connections.”

Some in Mexico believe the Panama Canal's challenges provide a window of opportunity for Mexico to become a central logistics provider through the Interoceanic Corridor of the Isthmus of Tehuantepec, a rail corridor going from Salina Cruz to Coatzacoalcos. The recently inaugurated US\$2.8 billion project was developed with the intention to connect the two oceans by rail and serve as competition for the Panama Canal, with the project involving the expansion of the ports at each endpoint and investment in industrial parks and improved highways. In late December 2023, operations at the Interoceanic Railroad began, with President Andrés Manuel López Obrador inaugurating the line and then making the journey on the first train to Coatzacoalcos.

It is one part of a larger investment in rail in the country. In the future, the Interoceanic Railroad will be connected with the new Maya Train, running through five states and across the Yucatan peninsula. The Maya Train, which was a pet project of the president, was also inaugurated in December 2023 with great pomp and circumstance.

Cuevas of ED Forwarding views the excitement about the Interoceanic Corridor as overblown because getting two different ships to each end of the corridor to meet at the right time is extremely complicated. “I don't think that we have the technology and infrastructure to make that movement from ship to train to ship again quickly,” he stated. “Vessels arrive with 15,000 tons, and the capacity of the train is 300 to 400 tons. It will be impossible to move everything from one side to the other quickly.”

Managing intermodal transport is a complex endeavor. Particularly in this landscape of transport disruptions and geopolitical shifts, companies are investing in technology to facilitate and organize the various pieces of the logistics process. Log-



Rodrigo Ordoñez
Country Manager Mexico
KATOEN NATIE

“The petrochemical industry in this country consumes approximately 7 million tons of plastic resins per year, of which almost 4 million tons are imported, primarily by rail.”

ward, a German company, has grown in Mexico by providing software with functionalities including transport management, logistics procurement and order management to allow companies to digitalize their procedures and have greater control over the movement of goods. Jonas Krumland, CEO of Logward, explained: “In logistics, there are so many variations of the service

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“

Mexico is an important logistical hub in the Americas, and investments must keep pace.

”

Francisco Gálvez

Managing Director
LESCHACO MEXICANA

Can you provide us with an update on Leschaco's operations in 2023?

This year, our maritime operations in the Veracruz, Manzanillo and Altamira ports were very successful. We diversified our imported products suite and expanded our exports to Latin America. The energy crisis in Europe has resulted in a booming trade of chemicals imports from Asia and exports to Latin America. There was also an expansion of our onshore logistics trade across the US-Mexico border, and in Q4 2023, we expanded our services southwards into Central America.

Are nearshoring investments materializing in the country?

Nearshoring is a tremendous opportunity for Mexico and is already taking shape. There needs to be more investment in essential services to accommodate increased investment. The trucker shortage is a challenge, too. US-Mexico chemical goods traffic is considerable, but we have also observed an impressive increase in the Asia-Mexico chemical trade. Companies from Asia are establishing operations in Mexico. We are also targeting the petrochemical trade with the US in central and southeast Mexico. We have a long history and extensive presence in southern US petrochemical and gas hubs. The automotive industry is also greatly benefiting from nearshoring investments. The chemical industry will reap the rewards from the auto industry's growth.

How can the country develop better logistics infrastructure?

2024 will be a decisive year, and Mexico must make major decisions to take full advantage of this historic opportunity.

The security situation must be improved. Major highways can be unsafe, which is a cost to businesses. Security inside the ports is good, but once goods get out into the cities and roads in Veracruz and other places, problems arise.

Infrastructure must be improved and expanded. Mexico has a good base of road, air and maritime infrastructure, though maintenance needs to increase and there is not enough capacity to accommodate new entrants to the market. Expanding our port capacity could significantly increase investments from Asia. Investments in rail capacity could be beneficial, as our railways are already heavily saturated with commercial traffic. Substantial infrastructure investments are taking place, including the Isthmus channel development, but more is needed. As a logistics company, we see the country's infrastructure shortfalls firsthand. Mexico is an important logistical hub in the Americas, and investments must keep pace.

What are Leschaco's environmental and social commitments?

We have set out a holistic growth and ESG strategy called 'Big Picture 2030'. This strategy incorporates social and environmental objectives into our global growth and development goals, including expanding our presence to 30 countries by 2030 and our Road to Zero, which will significantly reduce our carbon footprint. It is a global directive being implemented by all of our regional representatives. Leschaco has aligned this strategy with the UN's global development goals, and as an example, we are investing in education locally, committing to long-

term projects such as the construction and funding of schools and the provision of school equipment. We have reimagined our CSR commitments and want them to be sustainable and long-term, not just isolated acts of charity and donations.

Why was Leschaco named a Top Employer in Mexico for a second consecutive year?

Like many others, we suffered from staff turnover during the pandemic, so we now prioritize talent retention. We prioritize our employees' health, training, and work balance with our In Balance program, which encourages a healthy work-life balance and includes new healthcare plans and an in-house doctor available to our colleagues. We ensure that our workplaces are well maintained and are pleasant places to work in.

What are the company's priorities for the next year?

Leschaco's priority is to keep diversifying our product and service portfolio. Our maritime presence in Mexico is robust, and we are investing in expanding our air and land logistical solutions. Leschaco is not a simple forwarder of goods but provides integrated logistics solutions. That includes digital tools such as our Lighthouse platform, which is being rolled out on a regional basis in Mexico and allows our clients to unlock efficiencies through its automated order management functions. Our company is also committed to diversifying our verticals, and we are pushing into the pharmaceuticals industry, where we find many similarities with the chemicals industry and can add much value. ■



“

The Tuxpan terminal in Veracruz is arriving at a very opportune time, with solid demand, and we have already had conversations with various clients.

”

Ramón Isla

CEO
FR TERMINALES

Can you update us on your recent operations?

RI: Our primary update is the development of the Tuxpan terminal in Veracruz. We have practically finished the work, significantly growing our infrastructure. Some details of the project are still being finalized, and we are working with the port administration authorities to have the necessary permits to start the operations that we must receive to initiate operations. The terminal is arriving at a very opportune time, with solid demand, and we have already had conversations with various clients. The port of Tuxpan is the closest to the Valley of Mexico, and it is the beginning of the supply chain that starts in the center and reaches the United States.

DL: In 2023, we have had a growth of approximately 9% in sales. This industry continues to develop and grow. In particular, growth has exploded in the northern area, and we intend to take immediate development steps to increase our presence there. The strategy of many companies has changed from minimum inventories to assure operation continuity for manufacturing plants, this change is impacting in a positive way the demand of our services.

What is the company's approach to training?

DL: Job training is a constant focus. We have training programs that we run all year round. For us, safety is a critical factor, and it is something that we must constantly reinforce within our work teams. Additionally, it is essential to have the appropriate termi-

nals and facilities equipped to handle hazardous chemicals. In the unlikely scenario that something terrible happens, the team must have the capacity to respond quickly and decisively.

Can you discuss the most significant challenges facing Mexico?

RI: Security is a delicate challenge in the country. We have not been affected at FR Terminals, but we have heard of many negative situations. It is something that both the government and private sector must collaborate on to improve the security conditions. Another crucial focus for the country is developing our infrastructure, as Mexico has a bottleneck in infrastructure, particularly in the southeast.

Lastly, labor is a significant challenge. In cities like Monterrey, everybody demands more personnel, even for positions that do not require high qualifications. And that pressure will increase – for example, when Tesla arrives there will be even more personnel requirements.

What is the situation regarding trade between Mexico, the US and Canada?

DL: Mexico's growth goes hand in hand with the development in the US. Increasingly, foreign companies are entering Mexico to export to the US and Canada. The US elections next year will be crucial, as there are currently energy-related issues on the table, and a favorable resolution will be essential for the industry.

This government should focus on strengthening trade agreements with the US and Canada and other mar-

kets such as Central and South America, Europe, and even Asia. Mexico has excellent opportunities, and the challenge is to generate confidence in investors to allow for development. Mexico's chemical industry is well-positioned because, close to the Gulf, it is close to the most important production centers in the world and final customers.

What factors differentiate FR Terminales?

RI: The value we provide is our reliability. FR Terminales has supported our clients for more than three decades. We have been in the terminal business for 30 years and have proven ourselves to be a reliable service provider for our customers. The company was founded in the chemical space, and our long-term experience managing chemicals has generated a significant level of expertise.

In particular, we have a long history of support for the specialties segment. Specialty chemicals differ significantly from commodities, which can be handled in significant volumes. Specialty chemicals, on the other hand, need particular care and special storage conditions. Our capacity to provide this makes us stand out in the sector. We have over 100 clients and handle over 250 products in our terminals. The diversity in our portfolio – serving chemicals companies in manufacturing, health care, construction, and other areas – has given us a secure portfolio. Our greatest strength is our ability to support and maintain the trust of our clients, and this has been a very positive time. ■

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and no standard in defining the pricing structure. The lack of standards makes the industry extremely complicated, and the role of industry experts is in interpreting the situation.”

Alexander Shöps, MD of Leschaco, which is launching a 4PL product called Lighthouse using Logward technology, said: “The challenge is to manage supply chains using data in an effective way, which has not happened yet.”

Companies moving hazardous goods for the chemical industry must abide by strict dangerous goods guidelines set by the UN and, for air transport, by aviation authorities including the IATA. Mexico’s policies are aligned with global guidelines, and generally well-integrated with the global system. However, according to José Antonio Perea Perches, managing director of Global Gate Mexico, the lack of knowledge on the part of companies about global, regional and domestic regulation has ramifications: “This means that a lot of goods are turned away at customs points for improper documentation or packaging.”

Chaos at the ports

The port system is, by all accounts, a mess. With insufficient staff across the various ports, including a severe lack of customs agents, and an inability to handle the sheer volumes coming into Mexican ports, delays are a major issue.

According to industry players, Contecon port Manzanillo is having major problems due to lack of space and infrastructure despite the company’s top-notch technology and container control. One logistics provider described a situation in which clients ask to move shipments with shipping lines that offer arrivals at other terminals. However, major shipping

lines cannot guarantee where they will arrive, making it challenging to avoid Contecon. The source said, “Contecon is the biggest terminal, but it is having the most problems.”

Demand for a smoother logistics process is driving investment in terminals across the country. FR Terminales, for example, is in the final stages of development of the Tuxpan terminal in Veracruz, with operations expected to start in December 2024. The details of the project are being finalized, and the company is working with the port administration to receive the necessary permits to begin operations. “The terminal is arriving at a very opportune time with solid demand,” said Ramón Isla, CEO of FR Terminales. “The port of Tuxpan is the closest to the Valley of Mexico, and it is the beginning of the supply chain that starts in the center and reaches the US.”

A rail system in need of investment

The rail system, although crucial to the country’s growth and a core piece of the national logistics matrix, is increasingly hampered by chaos at the borders. With two primary operators in the country, disruption to either from strikes, boycotts, accidents, or other problems has a knock-on effect on industry across the country. At the US border, the migrant crisis is a particular issue complicating the movement of goods and disrupting rail travel, as migrants move across the country on trains. “Unfortunately, there is no clear policy guideline on either side of the border,” said Rodrigo Ordoñez, country manager for Mexico at Katoen Natie. “The consequences for rail transport have been grave, as trains cannot enter the US due to the fear of migrants stowed onboard.”

The impact of the migrant crisis at the US border on the rail system is complex. Union Pacific was impacted at the end of 2023, with the US customs authority temporarily shutting down the Eagle Pass and El Paso gateways to reallocate human resources to process the influx of migrants. The issue was not the presence of migrants on the trains, but rather the sheer lack of customs officials to handle both the surge in migrants and normal cross-border trade and movement of people and goods. To allow for the smooth movement of trade, the US must urgently increase staffing levels.

Rail providers work closely with the US government to handle the issue. Union Pacific, which uses all six existing rail gateways to cross the border and owns a 26% stake in Ferromex, has developed new systems to improve the efficiency of crossings, allowing crossings to move more quickly and arrival times to be more precisely anticipated. “At the Eagle Pass/Piedras Negras gateway, we have developed infrastructure alongside the Mexican and US authorities, such as the co-location center, where customs officers from both sides will scan trains for irregularities simultaneously,” said Beto Vargas, vice president Mexico at Union Pacific. “Before this, trains would have to be inspected and processed on both sides of the border.”

A reliable rail system is crucial to supporting growth in Mexico. To grow rail infrastructure, however, the government must be actively involved. Trains that run in the US and Canada can easily operate in Mexico, but there are connectivity challenges, requiring the government to participate to connect more areas to rail tracks.

Isla of FR Terminales identified a bottleneck in infrastructure in the southeast, and said: “The most effective way to create more infrastructure will be through partnerships between the authorities and private initiatives.” ■





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“There are many opportunities for the chemical industry to support the development of better communication and efficiency across borders, fostering common regional interest.”

Humberto Siller

CEO
LOGISTICA INTEGRAL EN TRANSPORTACIÓN

Can you update us on your recent operations?

Logistica Integral en Transportación (LIT GROUP) has had a solid year, developing more Rail Cargo Terminals infrastructure for our clients. This includes new rail tracks, more warehouse space, transloading equipment, and transportation equipment. Our company not only has rail cargo terminals in Mexico, we also offer complete logistic for the entire supply chain, as 4PL company for petrochemicals and plastic resin industry.

We offer complete rail services for our clients, delivering their products and raw materials throughout Mexico. LIT GROUP has a philosophy oriented around continues improvement, involving constant monitoring and information. Or real-time monitoring allows customers to keep track of the inventories of their operations, in line with the larger trend towards digitalization that is sweeping the industry.

What do you see as the most significant challenges facing logistics for chemicals?

Unfortunately, communication routes between the US and Mexico are inefficient because Mexico has not modernized communication routes from production centers to the main borders. Additionally, it is challenging because most of the trade between the US and Mexico is concentrated at a few border crossing points. There are

many opportunities for the chemical industry to support the development of better communication and efficiency across borders, fostering common regional interest.

What can industry groups do?

The USMCA gives us the platform and the international trade structure to be more efficient. However, certain issues do not apply to the USMCA because the parties have not reached an agreement. It is essential that the chemical industry and logistics providers participate more on these issues.

Where in Mexico do you see the greatest opportunities?

Border cities continue to have serious safety problems, but the northern states will benefit from nearshoring. States such as Nuevo Leon, Tamaulipas, Coahuila, Sonora, and Baja California, are the states in the north of Mexico as well as San Luis Potosí, Queretaro, Aguascalientes, and Guanajuato for the center. From my point of view, those areas are where nearshoring is focused and where there are significant opportunities and challenges for logistics and transit companies.

How can Mexico develop better infrastructure?

Mexico government has big challenges in improving education, safety, health systems and developing a bet-

ter administration of resources. Some of the big investments made in this administration could have been made for public or private companies. The government must focus on and invest in the necessary communications infrastructure for the country, including airports, highways and seaports. It is not that difficult if the Mexican government collaborates with the private sector. Mexico does not have the funds to make the necessary investments, and those investments must be made soon, so it is crucial that we establish functional public-private investment for long terms.

How does GRUPO LIT ensure safety of goods in transport?

Our group of companies continues to take steps forward, and we are proud to be carrying out, in a safe way, approximately an average or 8,000 full truck load annual deliveries to our customers. For this year, we did not experience any theft of merchandise in transit, and in 2022 we did not have a single robbery. GRUPO LIT carries out intensive investigations in areas such as personnel selection for truck operators, ensuring reliable employees. Additionally, we have developed one of the largest and most effective monitoring centers for transportation companies in Mexico, which includes GPS tracking licenses, developing a concept called “Virtual Traffic Control”. We also have regulations ensuring that transport cannot be stopped in unauthorized places.

What differentiates GRUPO LIT?

One of the main advantages of GRUPO LIT is that we are a Mexican company offering multi-modal logistics services in Mexico at international standards-level. We have local and deep knowledge of the areas we cover, and our mission is to exceed the expectations of our clients. We focus on always increasing the gap between us and our competitors. The fact that we are part of a larger group of companies allows us to develop sufficient infrastructure and investment to keep at the cutting edge in logistics services. Our goals for next year are to continue our growth, continue with digitization of information, and improve reliability in service. ■



Beto Vargas

Vice President Mexico
UNION PACIFIC

Could you provide an overview of Union Pacific's operations in Mexico?

Most of the business is related to finished vehicles, auto parts, and intermodal truckloads, followed by bulk shipping of commodities like grains and industrial products. We are the only railroad that connects through all six of Mexico's rail gateways going from west to east: Calexico, Nogales, El Paso, and Eagle Pass. At those gateways, we interchange with Ferromex, to the northeast through Laredo and Brownsville.

In the past year, we launched the Falcon Premium Service, which connects major Mexican production centers with Canadian markets. We also launched the new domestic intermodal service connecting industrial markets of Mexico with areas of high demand in the Southeastern US.

Can you discuss the potential of intermodal transport for cross-border trade?

Rail transportation across the border represents about 15% of total border trade value. There is much space to grow. Intermodal shipping is an at-

tractive and efficient transportation alternative; customers can avoid congestion at the border, reduce costs, and lower transportation emissions.

How do companies manage border control demands and ensure security across the border?

US Customs and Border Patrol (CBP) temporarily shut down the Eagle Pass and El Paso gateways to reallocate their resources for processing the influx of migrants. Migrants are not crossing the border on trains, and it is essential that we maintain efficient cross-border rail operations between both countries for the benefit of bilateral trade.

Union Pacific continues to work closely with its law enforcement partners and CBP and we have invested US\$50 million on security measures at the border. At the Eagle Pass/Piedras Negras gateway, we developed infrastructure that allows customs officers from both countries to scan trains for irregularities, including people and contraband. The system enhances crossing efficiencies and arrival times can be more precisely anticipated. ■



JK



AS

Jonas Krumland & Alexander Schöps

JK: CEO

LOGWARD

MG: Head of Global LLP & 4PL

LESCHACO

How does Logward serve the logistics sector?

JK: Logward was founded in 2018 as a corporate venture to build feasible and usable logistics technology. When we talk to our clients, everybody wants to digitize their supply chain but nobody has the resources. That was our starting point.

Over the last six years, we have grown to almost 100 employees worldwide, with offices in India and the Unit-

ed States. We can offer logistics services as software with functionalities such as transport management, logistics procurement and order management.

For Leschaco, what are the benefits of using Logward?

AS: Leschaco uses the Logward software to automate data in the transport system, allowing some dates and events to be transmitted automatically from system to system or backwards to Leschaco's own transport management system. Logward software is a place where data is united and in most of the cases the platform is also feeding the customers system with updates as well.

In Mexico, Leschaco has launched a product called Lighthouse, which uses Logward technology. Lighthouse is a 4PL product, which is separate from the original business just being the freight forwarder. Lighthouse puts Leschaco on a different level, using technology to provide end-to-end order management to the customer, that allows the customer to focus on the core business rather than sending 25 emails a day to logistics providers.

What are Logward's priorities?

JK: Disruptions such as the Panama canal running dry and Houthi attacks in the Red Sea are no longer unusual – they will happen more and more. It is crucial that we support our clients in being as flexible and adaptable as possible. For example, if a chemical company decided tomorrow to change their entire supplier landscape, then we as software providers must be able to provide the software to do that painlessly. ■



Services

The services sector is reaping the benefits of FDI, with companies such as Tesla building factories and requiring a variety of industrial services. To meet growing demand, companies have been exploring technological advancements to reduce manpower and improve processes. Mexico has, generally, been behind Europe and the US in technological adoption, but in recent years the openness to advanced technologies such as AI has increased.

For Western States Machine Company, a company with over 80 years of presence in the chemical industry manufacturing centrifuges, equipment and parts, Mexico is an area of opportunity. Angel Proaño, director of sales and marketing, said: "We are currently committed to improving our software packages... We have a program next year implementing AI in our operations. We need to understand how this is going to help us and how we can use it to help our customers."

AspenTech, a global company focused on industrial process optimization, is bringing AI solutions to Mexican markets. For AspenTech, which has 4,000 employees across Latin America, Mexico is a key market, and it has benefited from deep penetration in Mexico's petrochemical sector, bringing advanced technologies. "Artificial intelligence is a major area of growth and absorbs the data we generate at a scale that is impossible for a human," said Alex Muro, vice president of LATAM sales at AspenTech.

The challenge for many companies in the industry is handling disparate systems and tools so that digital technologies are useful and manageable. Yokogawa, a Japanese company with a long history in the metering and control industry, takes a holistic approach to developing control solutions and analytics products that coordinate all areas into a single digitalization effort. Gabriel

Sánchez Bredée, general manager at Yokogawa, stated: "All this data can get integrated. You can manage logistics, inventory, production control, efficiency and power usage all together to make your organization's operations smoother... Yokogawa believes that the plant of the future will be autonomous. Facilities will gradually automate to the point that there are no people onsite."

In Mexico, where the cost of labor has been low, there is some resistance to complete automation and digitalization. Grupo Stin, a company offering scaffolding, painting and insulation services, sees a potential for automation in the industrial painting area using robots. "The idea is to optimize the process to make it more competitive," explained Darío Belmonte, CEO of Grupo Stin. "The technology is still new, but in a few years, it will be able to operate at sufficient volume to replace scaffolding." ■

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Gabriel
Sánchez
Bredée

General Manager
YOKOGAWA

Can you introduce our readers to Yokogawa?

Yokogawa provides advanced solutions in the areas of measurement, control, and information to customers across a broad range of industries, including energy, chemicals, materials, pharmaceuticals, and food. Yokogawa addresses customer issues regarding the optimization of production, assets, and the supply chain with the effective application of digital technologies, enabling the transition to autonomous operations.

Founded in Tokyo in 1915, Yokogawa continues to work toward a sustainable society through its 17,000+ employees in a global network of 129 companies spanning 60 countries.

How can technological advances address labor shortages in the chemical industry?

Yokogawa envisions the future of industrial plants as autonomous entities. In this context, picture robots seamlessly conducting maintenance rounds and executing repairs. Gradually, facilities will evolve to a state where human presence onsite becomes unnecessary. However, this doesn't imply a reduction in employment opportunities; instead, individuals will operate either remotely or from offices, focusing on optimizing and maintaining the intricate controls of these highly automated environments. ■



Alex
Muro

Vice President of LATAM Sales
ASPENTECH

How important is Mexico for Aspen-Tech?

Mexico is a very important base for us because we have a product development center in Mexico that serves the wider region. Mexico is the main office in Latin America, with a few hundred employees. In addition to Brazil, the petrochemical market in Mexico is one of the most important in Latin America, and we have deep penetration in the Mexican petrochemical sector.

Can you describe the impact of digitalization on the industry?

Digitalization is focused on improving efficiency and sustainability, precisely addressing the challenges of the market. For asset-intensive industries, digitalization improves the reliability of assets and decreases unplanned stoppages and accidents so that plants are more productive for longer.

Where do you see potential for development?

The refining market, due to its complexity, already has a high degree of automation and optimization. The specialty chemicals industry, which is an industry that is more process-based, digitalization could significantly improve production scheduling and the automation of factories.

The Mexico office is one of our global knowledge clusters, and we are investing significantly in acquiring new talents to support our main business – solutions for asset optimization. ■



Darío
Belmonte

LATAM MANAGER
GRUPO STIN

Can you update us on your recent operations?

Grupo Stin offers scaffolding, painting and insulation services. We are continuing to work on the Dos Bocas project. We are in the last phase of implementation, having carried out two contracts with Samsung and one with Voltrak dealing with the electric part of the refinery.

In Mexico, there are many energy projects. There are nine combined cycle power plant projects currently in development, and we do not have the capacity to work on all nine at once. Grupo Stin is positioned in practically all the energy projects currently in development.

We are adding painting services to these energy projects. The demand for our varied services gives us a volume of work in the energy sector.

What services are experiencing the most significant demand in Mexico?

There is a tremendous workload in thermal and acoustic insulation. Our scaffolding business has a synergy with our thermal insulation business because to install thermal insulation, the company must install scaffolding. We have integrated our three primary services to be more competitive for our clients. There are few companies in Mexico that can offer scaffolding, painting and insulation. ■

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