

ETHYLENE SHORTAGE REDUCES ANTIFREEZE SUPPLY

The basic principle of supply and demand has hit the ethylene market, a vital ingredient in many plastic products and antifreeze. A shortage of ethylene, a product made from oil and natural gas, is causing makers of antifreeze, videotapes and polyester fiber to scramble for the shrinking supply of ethylene glycol, a byproduct of ethylene. Also in heavy demand is polyethylene, another ethylene derivative. Hundreds of plastic products including plastic bags and milk bottles are made from polyethylene.

NAPA continues to work with suppliers to obtain antifreeze. To compound the efforts, the number of antifreeze suppliers has also been reduced from about eight or nine to five, with only four who sell to the aftermarket.

A number of reasons have led to the depletion of ethylene. During the 1970s, a glut in the industry caused many companies to close their production plants. Over the years as demand and usage increased, companies that continued to produce ethylene boosted their capacity in an effort to supply the manufacturers of such ethylene products as videotapes, polyester fabric blends and plastic for packaging. These products showed greater profit margins than antifreeze; some manufacturers opted to focus output on these more profitable items. Demand for ethylene to produce the higher end items may last from six months to four years.

Ethylene production suffered another blow during the spring of this year when major ethylene plants shut down due to malfunction or accident. An Amoco plant closed for nearly a month due to compressor failure. An explosion halted production at two Shell ethylene refining plants. The two refineries produced 60 percent of the ethylene for Shell, the world's largest producer. One unit is operational; the other remains inactive. Fire in a compressor of a Texaco facility temporarily closed a plant.

When antifreeze is available, its delivery has been delayed due to the drought. Normally shipped in mass quantity by barge, suppliers sought such alternative means as railways and trucks when the water level became too low to use barge

transportation. However, transporting by rail or truck meant that smaller shipments were delivered.

New plant construction has been scheduled to ease the demand. Relief with increased ethylene production from new facilities will not occur for three to four years—the time required for bringing a plant on line from ground up.

Competition for the ethylene supply extends across the Atlantic. An explosion at a Belgium plant significantly reduced the volume of ethylene. In Europe, price brokers are paying as much as 70 cents a pound for raw ethylene glycol, which sells for 40 to 45 cents per pound in the United States. Far Eastern nations have also experienced an increased demand for ethylene.

NAPA Antifreeze is matching antifreeze shipments from 1987, thereby assuring NAPA of at least an equivalent quantity to last year. In addition, Prestone Antifreeze has made a supply available this year. However, there are more requests for high quality NAPA antifreeze. In anticipation of a shortage, many suppliers have experienced brisk sales from April through June, a traditionally slow period. Industry analysts do not foresee a short-term solution. But NAPA continues to evaluate the antifreeze supply and availability on a regular basis to best serve NAPA AUTO PARTS stores from coast to coast.

