



**TARNELL**

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## Spotlight on **Spotlight**

As you know, **Spotlight** provides a weekly assessment of selected subject company business activity in three distinct levels of detail. One section of the information addresses, for a period of approximately 60 days, an area of current and topical relevance selected by Tarnell analysts based on our own research as well as input from **Spotlight** subscribers. “Spotlight on **Spotlight**” will provide a summary analysis of the topical data and describe the new focus for the upcoming 60-day period, as well as highlighting any other insights that the collective **Spotlight** data may provide.

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### **Increases in transportation costs are having widespread impact, but processors have opted to limit the pass-through to customers**

For the last 9 weeks, the topical focus of **Spotlight** has explored the impact of transportation and freight cost increases, and the extent to which such increases have been passed on to customers.

Of the 162 companies that have been the subject of **Spotlight** in that time, 50% indicate that they have experienced an increase in transportation and/or freight costs. The extent of the impact varies considerably. Among those who shared the details of the impact:

- 32% said that the cost increase was under 5%;
- 35% said it was between 5-10%;
- 12% said it was between 11-20%
- Only 3% indicated the increase was over 20%
- An additional 18% said that the increase came in the form of a per load surcharge, with the majority (73%) indicating a surcharge of \$100 per load.

Despite these increases, processors – so far, at least – have opted to limit the extent to which they are passing these additional costs through to customers, with only 25% indicating that they have done so. (60% said that they had not increased their charges to cover the

transportation cost increases; the remaining 15% were either unable or unwilling to provide the information). Indeed, even among those who have opted to pass through the cost increases, the rate of increase is quite low:

- 40% said they had increased their price to customers by less than 5%
- 25% said the increase was between 5-10%
- 2% said the increase was between 11-20%
- 3% said that the increase was over 20% - with every respondent in this category saying that they had passed on 100% of the transportation cost increases to their customers.

### **Market Outlook Continues to be Favorable**

Of the 162 companies that have been the focus of **Spotlight** over the last nine weeks, 158 provided indications of their resin forecast for the next 12 months. 67% of them say that their resin consumption will increase, 31% say their consumption will remain stable, while only 2% forecast a decline in consumption. (This compares to 56%, 43% and 1% for the equivalent categories indicated by companies during the first nine weeks of Spotlight output).

The companies that forecast an increase in consumption – 64% are custom processors, 13% are proprietary processors with the remaining 23% undertaking both custom and proprietary work – were responsible for almost \$200M worth (\$193,814,000) of materials consumption over the last 12 months, purchasing well over 700M lbs of material (752,106,950 lbs), making their average spend \$1.9M and their average consumption 7.4M lbs.

Interestingly, the profile and expenditures of those processors who are forecasting that their consumption will remain stable (52% of which are custom processors, 10% proprietary, and 38% doing both custom and proprietary work) is somewhat different – in the same period, they spent considerably less (\$62,829,000, or \$1.3M on average) on significantly greater quantities of materials 542,606,00 lbs (11.5M lbs average).

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### **Automotive Industry Production Changes**

As one of the major markets for plastics, the health and production velocity of the automotive industry is a major concern. This week's announcements of plant closures and associated shifts in production orientation by GM, and the implication of similar action by Ford will undoubtedly have an impact on resin consumption. Our topical focus for the next 10 weeks will be to establish the extent of that impact.

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### **Future Topics**

If you have any suggestions for the focus of future topical subjects that you'd like to propose, please send them to us here: [Spotlight@tarnell.com](mailto:Spotlight@tarnell.com).