



GROWING PAINS

Though growth rates remain high in Asia, there are some key challenges on the horizon before the region can become a truly global surfactants superpower.



Neil Burns, CEO, P2 Science Inc.

"I started working in surfactants in 1991 - so 28 years of experience. I started and ran the first US subsidiaries for VVF (of India) and Oxiteno (of Brazil). Today I co-produce the surfactants conference series with ICIS and I'm the CEO of P2 Science, a renewable chemistry company."

By Cameron Roberts

Asia has long been considered to have the highest potential for growth in the surfactants space. With an emerging economy and a solid foundation of feedstocks, the region is well placed to make the leap to become a global presence in the surfactants industry.

While the pieces are in place for the region to make this move there are several roadblocks

along the way which it must counteract. There are also opportunities for Asia to increase its already considerable potential for expansion and innovation.

To find out more about where the industry is placed in today's landscape, I spoke to Neil Burns, CEO of P2 Science Inc and co-producer of the ICIS Asian Surfactants Conference 2019.

"Asia's prominence is a

simple matter of economics and demographics, in a lot of emerging markets like Asia the growth rate is very high in a lot of areas, not just surfactants. This market has exhibited this high growth for a long-while now, it does not show any signs of slowing down for the surfactant industry, with growth rates higher than average and more complex products being brought to ►►

market,” he said.

“Even outside of cleaning, the food industry and the construction industries are also booming in the continent – which are other big drivers for surfactants production and consumption.”

The next big thing

Asia’s capacity for growth is well known, but what are the specific advantages the market has that the surfactants industry should be leveraging for success?

As with many emerging markets, Asia’s changing economic stature is a key driver for consumer change – as more financial freedom is afforded to buyers of finished-products, said buyers will start to demand more variety and quality in the product ranges.

“Clearly the region is seeing a growing middle class. In economies like China, Malaysia, Indonesia and other countries – as this class grows people end up using more surfactants. Personal care products become more common, things like shower gel and shampoo are available in a greater variety, with an expanded

range of household cleaning products also contributing to this growth.”

While consumer freedom is a result of a growing economy, one advantage that Asia has over its competing markets is the availability of palm kernel oil, a key feedstock for a variety of surfactants products.

“Palm kernel oil is the key starting feedstock for the surfactant industry. The palm oil industry is highly concentrated, with over 90% of palm oil globally being produced in Malaysia and Indonesia.

“Cornering this key feedstock has helped palm plantation

companies integrate with downstream products like fatty acids, fatty alcohols and surfactants. Palm oil

producers like Wilmar and KLK are now becoming more prominent in the process of producing surfactants as well as the raw feedstocks.”

The problem with palm

This specific regional propensity towards palm kernel oil is a great boon to surfactant and feedstock producers in the space, but it is

not without its drawbacks.

“The market’s biggest threat is clearly the European attitude to Palm Oil – I think there are a lot of misguided opinions about the product. Misinformation surrounding rainforests and world ecology have led to other markets even boycotting palm oil, or at the very least severely restricting its use.

“Palm kernel oil gets dragged into this debate, so end users of surfactants are often looking to get away from palm oil derived products. This is not only a threat to the palm industry but also the market’s ability to supply feedstocks into the surfactants value chain.”

Burns’ position is that there is not a viable alternative to palm oil and that, if it is done right, the farming of the feedstock can be sustainable and eco-friendly. I asked him why the European Market was mistaken in its vilification of palm oil.

“The misconception is that it destroys jungles and reduces biological diversity in order to grow a single crop. To the extent that you’re replacing jungle with a single crop, this is true, however you must look at the alternatives.

“If you don’t use palm oil then you must use some other vegetable oil, and palm oil is an incredibly efficient crop in terms of



yield per acre planted. If you were to replace palm oil with rapeseed or soybean oil then you're going to have to devote even more acreage to agriculture, which won't address the problem that many in Europe have.

"From my perspective it's just a question of barriers to trade, I think there's a self-interest on the part of Europe to use rapeseed oil which is grown and produced in Europe even though the argument could be made that it's more ecologically harmful than palm oil.

"Having said all that, I think the palm industry has responded extremely well to instances of irresponsible palm oil farming by forming the Roundtable on Sustainable Palm Oil. Which has introduced standards for the industry and enabled crop certification to promote

sustainable farming.

"In the medium to long term there really isn't a viable alternative for palm oil, all of the other options are not as good for the environment and ecological diversity, it's just a case of educating the market to this fact."

Room to grow

While challenges surrounding palm oil and an emerging economy may be hurdles for the Asian market to overcome, the current climate does present opportunities for advancements for companies and countries willing to take advantage.

"I think the market lags behind its competitors in respect to applications technology and innovation. Europe is very strong in these areas, meaning European companies can drive innovation in end user markets

very easily.

"The Asian market is a little behind in this regard, although the cosmetics industries in Japan and Korea are trend-setters and these markets are starting to have an impact on the markets globally.

"This area for improvement can mostly be attributed to the fact that many of the economies in Asia are still emerging ones, in comparison to the maturity of North America and Europe.

"The opportunity there is to customise products and services for the regional markets, we are seeing this from the multinationals in the region particularly in Singapore and China.

"I think you're going to see the region become more of a locus of innovation as more assets are directed towards this function in the near-future."

The 9th ICIS **ASIAN** Surfactants Conference



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