Wake up glassmakers!

By Carlo Ratto, Owner of fused_cast@technologist.com

As the end of 2009 approaches, we are increasingly being told that overall the Western economies are easing and the recession is coming to an end. Still, in the last few months we have learnt that glassmakers are shutting down furnaces to match capacity with market demand and refractory producers are also downsizing manufacturing capacity with structural operations. Only specialty niche markets such as FPD glass (LCD, plasma and a few others) have definitely changed direction, showing how much the major players have got to struggle to protect their market share in the capacity revamping process.

Yes, the recession will eventually come to an end and the market will ramp up (hopefully) to pre-recession volumes, but it will be a very bumpy ride: major glass consumers such as the building, automotive and container industries will start demanding more glass from companies that have structurally downsized by shutting down furnaces and are subject to a strict financial regime, postponing major furnace repairs, taking risks and decreasing the reliability of operational units. The strict financial control of the Western companies, with a few exceptions, has called for the downsizing of technical and technological services as well as R&D departments, also making it more difficult to rapidly ramp up manufacturing capacity.

But when customers eventually ask for more glass, capacity will have to be rapidly restored, technical departments will have to be re-staffed and, most importantly, reaction time will be a key factor in keeping and possibly increasing market share.

Further down the customer-supplier chain the same thing will happen to refractory makers; huge Western refractory players have been consolidating and trying to control the global market and, for the first time ever, a global crisis has simultaneously hit most of the high volume areas such as steel, cement and glass. These big, mostly financially-driven corporations have reacted the same way as glassmakers by shutting down furnaces, product lines and factories, and dismissing technicians and technologists.

The end of the recession in the glass and refractory market, therefore, will create ‘energy’ for a very big positive wave that, with a simultaneous ‘new start’, will determine the market cycle for several years to come.

For the same reasons refractory makers, particularly in the West, will also have difficulty in ramping up capacity to pre-recession levels and this will give glassmakers the need to explore unknown territories in fused cast refractory procurement. But talking of unknown territories, what has been going on, during this crisis, in areas such as China? In fact China has been able to maintain a double-digit overall growth in industrial output, in spite of the dramatic drop in exports, thanks to a very large internal stimulus package that, in several cases, has allowed manufacturers to place export capacity on the internal market which, although less financially reliable, allows plants and technical services to keep working. Additionally the less stringent financial control of Chinese refractory companies has allowed them to survive in situations where Western companies, for instance, could have been shut down.

So, when glassmakers are desperately looking for refractory to restart furnaces, low cost sources will take advantage of a huge over-capacity and will be ready to supply, happily switching capacity back from domestic to export; it will be a very exotic business environment, with plenty of companies at very different quality levels, and newly-formed trading agents with very low technical content.

During the current economic crisis, several Chinese refractory makers have managed with variable results to develop a rudimentary global sales organisation, and several Chinese trading companies have started channeling fused cast refractory through existing generic networks. Glassmakers will need help to understand what is going on, separating trading from manufacturing, understanding the real quality level of refractory and services offered and, ultimately, understanding the risk/advantage ratio of any option.

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