



**WATER
TREATMENT**

NEWS

Volume 21

Summer 2005

Why Are My Water Treatment Chemical Prices Going Up?

This is a question facilities managers and owners are asking with increasing frequency. The cost of almost everything facilities personnel purchase has risen in recent years, and water treatment chemicals are no exception.

There are a number of reasons chemical prices are rising faster than they have in years. An obvious factor is the cost of oil, which has increased 25% over the past year. This impacts chemical prices directly, as many water treatment chemicals are petroleum derivatives. The cost of amines used in boiler condensate return line treatments has increased by over 25% in the past year. Polymers and phosphonates have incurred similar increases.

Energy prices also impact the cost of production and transportation of all manufactured goods. Even the cost of chemical containers has increased steeply. Ten years ago, drum cost had a relatively minor impact on the total price of a water treatment chemical product. Today, however, with drum prices having risen almost 30% over the past 16 months, container cost is now a significant factor in the overall product price.

By far the most dramatic price increases have occurred in molybdenum-based treatment products. Molybdenum is used as a corrosion inhibitor and tracer for testing purposes in many cooling, closed loop and boiler water treatments. Prices for molybdenum treatment products have risen steadily over the past five years, with precipitous increases during the past 24 months. The price of molybdenum has increased 700% over the five-year period, and continues to rise as this is written.

The driving force behind the huge jump in the price of molybdenum is skyrocketing demand, primarily from China. Molybdenum is a critical component in the production of steel, and China's vast, rapidly expanding market is gobbling up the world's supply of molybdenum to feed its need for steel to make buildings, cars and other durable goods. Despite an increase in overall world molybdenum production, demand has far outstripped supply, and will continue to do so for the foreseeable future. This outlook suggests continued high molybdenum prices.

Some water treatment companies have taken steps to dampen the effect of increased

“We had to do something to control product costs.”

Lynn Shaw
Chemtex Technical Director

raw material costs on the prices of their finished products. For example, International Chemtex Corporation, a Lakeville, MN producer of water treatment chemicals, reduced the level of molybdenum in all their products in which molybdenum is used only as a tracer. Lynn Shaw, Chemtex Technical Director, says that this change enabled the company to avoid increasing the price of these products to their customers, while having no effect on the quality or performance of the products. “We had to do something to control product costs,” says Shaw. “Even in the tracer products, where the molybdenum is only a small percentage of the total ingredients, it now accounts for 2/3 the total cost of the product.”

(Continued on back...)

This Newsletter courtesy of:

CHEMTEX
INTERNATIONAL CHEMTEX CORPORATION

8287 - 214th Street West
Lakeville, MN. 55044
(952) 469-4965

“One thing we won’t compromise on is product quality and performance.”

He adds that in the products in which molybdenum is the primary corrosion inhibitor, the percent of total product cost contributed by the molybdenum has risen to as much as 90%.

Shaw says that another way Chemtex is keeping product costs down is by using organic corrosion inhibitors as replacements for molybdenum in some cooling tower and closed loop products. “One thing we won’t compromise on is product quality and

performance,” Shaw states. He says that the new organic inhibitors provide corrosion protection equal to or better than that of molybdenum.

The only problem, Shaw says, is testing. “The test for molybdenum is easy and accurate,” he notes. “Testing for organic inhibitors is more difficult.” But, he adds, they are working on improved testing methods for the new inhibitors that promise to be easy and accurate.

The outlook for chemical prices is uncertain. If the factors driving the current increases – high energy prices and heavy demand for fuel and raw materials from developing

economic powers like China and India – remain in effect, prices seem certain to continue rising. It’s probably a safe bet that chemical prices won’t decrease anytime soon.

The smart facilities manager will plan his budget accordingly. He or she should also evaluate his current water treatment company to assure they are providing value in terms of service, quality products and results commensurate with the price of the chemical program.

If your water treatment company isn’t Chemtex, are you getting your money’s worth?

Contact your Chemtex Water Treatment Representative today for a free evaluation of your current program....