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Dear Distributor

As a major manufacturer of fluorochemicals globally, Mexichem would like to keep its customers informed of the market dynamics affecting both availability of key products and pricing projections into 2011.

During the later part of 2009 and through 2010, global demand for refrigerants such as R134a and R410A increased significantly. This increase in demand was attributed to economic recovery in some market segments, economic growth, particularly in Asia and with the final phase out of HCFC 22 in Europe.

Global supply of the key raw materials to manufacture these refrigerants was insufficient to cope with increasing demand. The raw material building blocks including fluorspar, hydrofluoric acid, trichloroethylene and perchlorethylene were in short supply through 2010 and are set to remain so during 2011. As a result costs for these materials has escalated attracting a significantly higher manufacturing cost base for refrigerants.

As you are aware refrigerant prices doubled during 2010 as a consequence of these raw material shortages and cost increases. The same market dynamics are set to continue through 2011. Supply of products such as R125, R143a, R32, R134a remain short globally and with further strong demand we need to prepare our customers for further significant refrigerant price increases over the coming weeks and months.

We appreciate your continued support and your local representative will keep you informed of the supply constraints and price expectations in a market that will continue to be very dynamic.

Yours truly,

Sarah Hughes
European Commercial Director