In a true 19th century global sourcing initiative, whaling vessels from southeastern Massachusetts would travel the world’s oceans in search of their prized catch. During the harvesting process small boats of fisherman would engage the whales and be quickly dragged far and wide by the great mammals in what was known as a “Nantucket Sleigh Ride.” Once the whale was tired out and the chase complete the more mundane shipboard tasks took over.

The chemical industry went through its own global version of a Nantucket Sleigh Ride in the past few years with natural disasters and a cavernous economic recession causing record high, then low, chemicals demand and pricing, with the addition of uncertain supply and a host of major suppliers in turmoil. While the waters have calmed somewhat recently, chemical buyers are expressing concern about post-recession uncertainty in the chemical supply market, especially around extended leadtimes, capacity ramp-ups and future pricing trends for commodity and specialty chemicals.

One thing is for certain, however: the global chemical supply base has matured and there seems to be little, if any, separation between domestic and international suppliers relative to quality and customer support. Chemical buyers want the right material at the right cost, whether it comes from Texas or Tunisia. “Buyers are frequently using the competitive bid process globally for commodity chemicals and focusing on pricing rather than supplier relationships,” says Erik Halbert, a manager who follows the petrochemical industry for the Wellesley, Mass.-based supply chain economics firm Boston Strategies International. “We see that the spot market prices for chemicals are down and inventory is adequate.”

Specifically, Halbert sees the specialty chemical mar-
Owen is proud of Ashland’s long term supplier relationships and project-based supplier collaboration. “We don’t jump around from supplier to supplier,” says Owen. “It is important for our business that our suppliers meet our standards and that we identify and solve performance issues. We are constantly communicating with them.”

Global sourcing of specialty chemicals is at the heart of Texas-based Huntsman Corp.’s supply chain strategy. “While we treat our feedstock chemical purchases on a commodity basis, sourcing of our specialty chemical purchases can be quite complicated,” says Brian Ridd, Huntsman’s senior vice president of purchasing. “We buy thousands of items and have to manage through the ‘long tail’ process of buying small quantities of sometimes hard-to-find items.”

Ridd’s organization of more than 300 transportation, logistics and purchasing pros takes a global approach to sourcing. “We use category managers as buying experts and transactional buyers to manage the purchases,” says Ridd. “We source on a local, regional, and global basis.” Huntsman also includes analysts on staff to assist the buyers.

Ridd categorizes the chemical markets today as somewhat volatile. “We have seen some increases in the short term but there has been some slippage recently,” says Ridd, who uses the price of crude oil as their market forecasting benchmark. “But in some cases the price increases have stuck, especially in products in short supply like benzene.”

Ridd says supplier inventories are at rock bottom levels, and like Owen and Halbert, forecasts capacity constrained shortages and extended lead times when the market does begin to pick up. “We keep a very close eye on our own inventories.”

Supply chain collaboration is a challenge, though, as Ridd’s team manages five distinct supply chains for various business units. “And a couple of these chains offer some challenges when it comes to communication, especially from the supplier side,” he says. “We need to stay close to the plant operations of our suppliers and that is an ongoing effort. In some cases our suppliers are slow to advise on changes in their business or in their own supply chain.” Huntsman’s team has regular meetings with key suppliers and pays especially careful attention to those suppliers who, as Ridd says, go off the plan.

Even though Ridd sees pricing volatility in the chemicals market, he takes an aggressive approach to suppliers trying to increase prices. “I keep pressure on my suppliers not to increase prices, and when they do I require that they submit a complete justification for the increases,” says Ridd. “When we ask for that justification half of them just drop the increase.”