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MEXICO CHEMICALS 2025

Economy - Chemicals - Petrochemicals
Crop Protection - Specialty Chemicals
Distribution & Logistics
Paints and Coatings

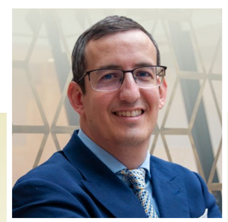
Dear Readers,

Trade, tariffs and Trump have pervaded discussions among chemical industry executives in Mexico lately. Political change in Mexico and the United States dominated public and private discourse in 2024 and set the standard for 2025. The election of Claudia Sheinbaum in Mexico marks a continuation of the Presidency of Andrés Manuel López Obrador (AMLO) and of the Morena party, though perhaps with a more technocratic consolidation. To the north, the re-election of Donald Trump has profound implications for Mexico, as the tariffs war is already unfolding, within North America and globally.

On the domestic scene, Sheinbaum's election has cemented the Morena party's power. As her presidency looks to build the 'second floor' of its 'fourth transformation' of the country, it has released a list of 100 commitments that are fundamental to its vision of a transformed Mexico, including various points of significance to the nation's chemical industry, like growing the scale of renewable energy in the country and increasing the national production of petrochemicals and fertilizers, two points which the chemical industry has highlighted as promising news for the sector.

Throughout GBR's interviews with leading executives across the chemical industry's value chain, a common theme when discussing the Sheinbaum government is that private-public dialogue has improved markedly, and companies are cautiously optimistic about future collaboration on substantive issues, cutting across logistics, agriculture and petrochemicals.

It is in this context that we are pleased to present our *Mexico Chemicals 2025* industry guide, including insights from associations, producers, distributors, logistics providers and service companies, spanning across petrochemicals, specialty chemicals and crop protection, among others. We are grateful to our interviewees for their valuable contribution. To all our readers, we encourage your feedback and interest in participating in future reports.



Alfonso Tejerina
Director and General Manager
Global Business Reports (GBR)

MEXICO CHEMICALS 2025
GBR SERIES

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Mexico Chemicals 2025

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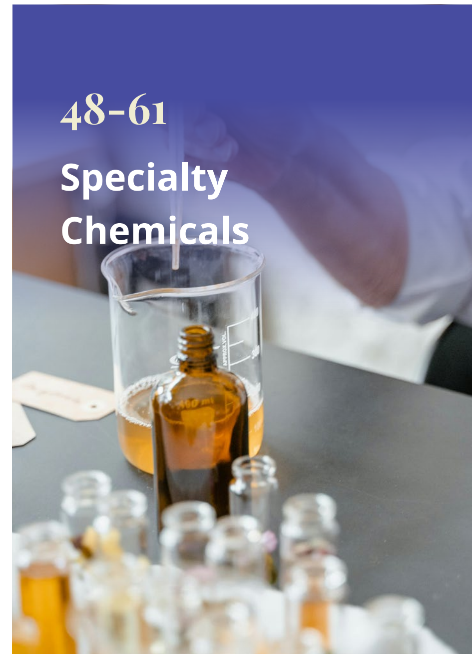

INTRODUCTION TO MEXICO

"Securing a stable and competitive supply of feedstocks is key; it would allow us to grow the industry and be an important supplier of materials for other sectors that want to invest in the country."

Miguel Benedetto
Managing Director
ANIQ

Image by Genaro Servín at Pexels

Private and Public Sectors Grow Closer Together

Elections rock North America and increase uncertainty

Political change in Mexico and the United States has dominated public and private discourse in 2024 and set the standard for 2025. The election of Claudia Sheinbaum in Mexico marks a continuation of the Presidency of Andrés Manuel López Obrador (AMLO) and the Morena party, though perhaps with a more technocratic consolidation. To the north, the re-election of Donald Trump has profound implications for Mexico, and his threats to impose 25% tariffs on any goods imported from Mexico have put him on a collision course with the Mexican government, which has threatened retaliation. On the domestic scene, Sheinbaum's election has cemented the Morena party's power across the legislative and judicial facets of government. Implementing the 'fourth transformation' of Mexico includes federal judicial reform; the government will fire all 7,000 judges, magistrates and ministers of the Supreme Court and open up these appointments to popular vote, which makes businesses nervous about the rule of law and the impartiality of judges. The Wall Street Journal reported that foreign firms are holding back some US$35 billion in investment projects due to such radical reforms.

As the Sheinbaum presidency looks to build the 'second floor' of its 'fourth transformation' of the country, it has released a list of 100 commitments that are fundamental to its vision of a transformed Mexico. In addition to judicial reform and measures to combat economic inequality, these include various points of significant significance to the nation's chemical industry. While doubling down on the roles of PEMEX & the CFE (Federal Commission of Electricity) in the country's energy policy, the list includes commitments to grow the scale of renewable energy in the country and to increase the national production of petrochemicals and fertilizers, two points which the chemical industry has highlighted as promising news for the sector.

Indeed, some of these commitments are already materializing, and in mid-2024, PEMEX contracted Mota-Engil to build a US$1.2 billion-dollar fertilizer plant in the state of Veracruz, expanding national ammonium production. These political changes and the shadow of uncertainty surrounding them hang in the background of an economic scenario in Mexico that is having profound impacts on the country's chemical industry. Throughout GBR's interviews with leading executives across the chemical industry's value chain, a common theme when discussing the new government is that private-public dialogue has improved markedly, and companies are cautiously optimistic about future collaboration on substantive issues. José Escalante de la Hidalga, the new president of UMFFAAC, Mexico's leading domestic crop protection industry association, said: "The new government has shown through its appointment of new, technocratic charges at key ministries and regulatory bodies that it is serious about engagement with industry."

Evidence of this outreach to the private sector was evident at ANIQ's annual forum in October 2024, where leading industry executives came together to discuss the sector's performance and the challenges it faces. The forum was also attended by Altagracia Goméz, chair of President Sheinbaum's Business Advisory Council, and widely regarded as the principal link between the Presidency and private industry.

Regulatory obstacles to development are a long-standing gripe of industry executives in Mexico, who often feel that new rules are implemented without consultation or warning, driving costs up and causing a scramble for legal compliance to ensue. Another regulatory issue stifling growth, according to Erasmo Vázquez Almedárez, CEO of Vazal Corporativo Jurídico, a leading law firm for chemical sector companies, is the ability of the regulatory bodies to enforce the new rules they set. Almedárez commented: "Cofepris and Semarnat play crucial roles in regulating industries like chemicals, but issues relate to their ability to act promptly. The law sets clear response timelines, which are not always adhered to, leading to significant delays in critical operations... These institutions must become more agile and efficient, ensuring that companies receive timely responses to their requests and comply with environmental standards without unnecessary hindrances."

The legislative agenda of the current and previous governments towards the Mexican mining sector, a key consumer of chemical products, is causing some uncertainty among industry leaders. Minerals such as lithium have been nationalized, and the time to build a new mine continues to grow longer, potentially deterring investment. As such, companies like CyPlus Idesa, a market leader in providing key chemical products for the mining industry, are diversifying out of Mexico and extending their reach into Central America. Luis del Barrio, the company's managing director, commented on this trend: "The great challenge in Mexico is the regulatory framework; the mining industry needs greater agility and certainty in the processes for opening new mines."

In addition, echoing a view shared by many chemical industry executives, del Barrio added: "The industry is still too reliant on imports of basic chemicals, and the efforts to increase local supply have been isolated and driven by private initiatives."

The manufacturing sector continues its upward trajectory, spurred on by the 'nearshoring' wave of regionalized supply chains directed towards the US market. Figures from the National Institute of Statistics and Geography (INEGI) indicate that between January and September of 2024, the total value of Mexico's exports was over US$455 billion, a 3.2% increase in comparison to the same period in 2023. These figures have been buoyed by strong manufacturing and automotive export figures and an agricultural trade that continues to grow yearly despite several challenges. Mexico's trade figures continue to be dominated by the United States, but other countries are showing interest in Mexico, particularly China. Data from freight analytics firm Xeneta shows China to Mexico container trade increased by 26.2% from January to July 2024. Chinese firms have found Mexico is a hub to export to the US market and evade tariffs on Chinese goods. Though increased Chinese investments have brought economic benefits to the country, it is also a point of tension and poses growing risks to the Mexico/US relationship; 2025 will be the defining year for this showdown.

Despite strong export growth, FDI figures in 2024 do not paint as positive a picture, though bright spots remain, primarily in the automotive industry.

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Image by Mark Flying at Pexels

MEXICO AT A GLANCE

Source: IMF, data for 2024

CAPITAL
Mexico City

HEAD OF STATE
Claudia Sheinbaum Pardo

GDP
US$ 1.91 trillion

GDP GROWTH
1.3%

TOTAL INVESTMENT (% OF GDP)
21.9%

GROSS NATIONAL SAVINGS (% OF GDP)
18%

CURRENT ACCOUNT BALANCE (% OF GDP)
-0.9%

DEMOGRAPHIC DATA

Source: IMF, data for 2024

POPULATION
133.4 MILLION

UNEMPLOYMENT RATE
3.3%

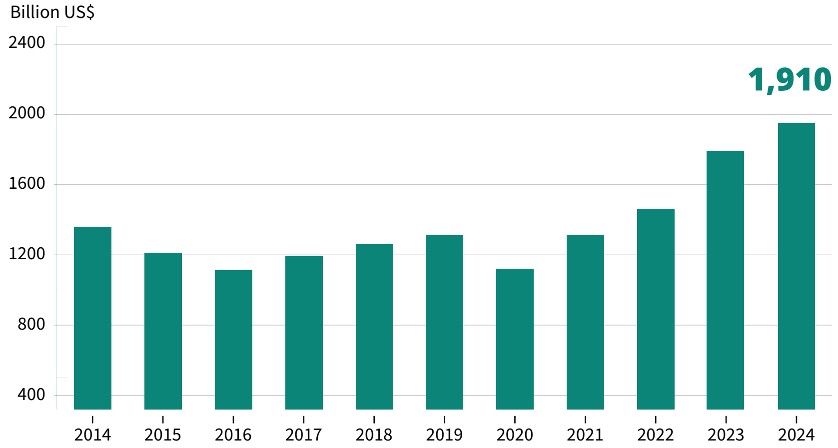
GDP PER CAPITA
US$13,630

GDP PER CAPITA (PPP)
US$25,560

INFLATION RATE
3.8%

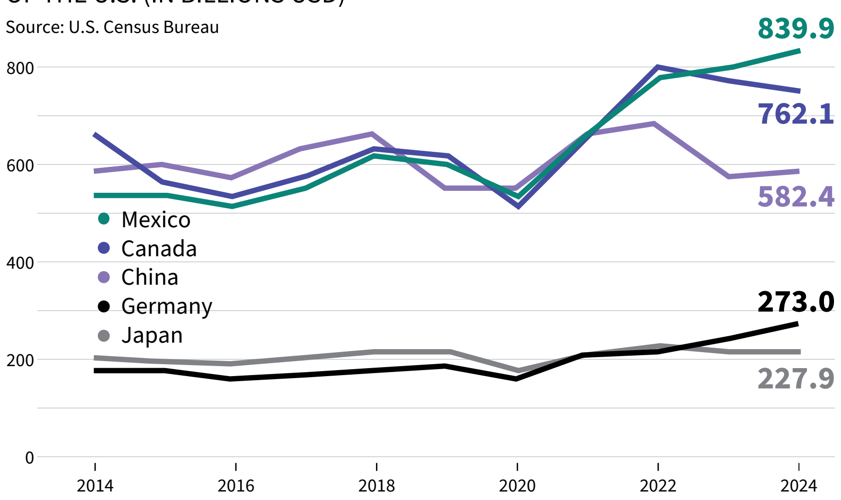
GDP EVOLUTION

Source: IMF 2024



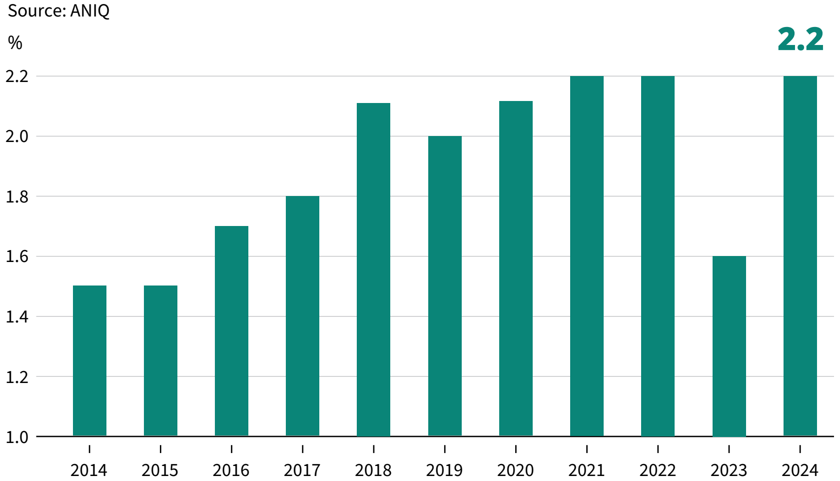
VOLUME OF GOODS TRADE WITH THE BIGGEST TRADING PARTNERS OF THE U.S. (IN BILLIONS USD)

Source: U.S. Census Bureau



% PARTICIPATION OF THE CHEMICAL INDUSTRY IN THE GDP

Source: ANIQ



Miguel Benedetto

Managing Director

ANIQ

> Given the right conditions, our industry can double its size in the next 15 years.

Can you discuss ANIQ's most significant milestones over the past year?

In 2024, we celebrated ANIQ's 65th anniversary, consolidating the association's role as the leading representative of the chemical industry in Mexico. Our main function is to create conditions that allow the chemical industry to be competitive and attract investment to the country. Mexico has a great opportunity to attract investment, not only in the chemical industry but also in many other industrial sectors. Securing a stable and competitive supply of feedstocks for our industry is key; it would allow us to grow the industry and be an important supplier of materials for other industries that want to invest in the country. Given the right conditions, our industry can double its size in the next 15 years.

Our industry produces around US$22 billion/y of petrochemicals, contributing over 2% of our country's GDP. Because of the feedstock situation in Mexico, any growth has been due to imports of petrochemicals from the US, which supplies over 60% of our imported supply. We are highly integrated and believe we can continue collaborating for the benefit of the region and companies on both sides of the border. Through investment in the industry, we want to reduce imports gradually. We are optimistic on this front, given that the new government has stated that increased production of petrochemicals is one of its key objectives.

How has ANIQ's experience been in dialogue with the new government?

We have been able to have meetings with the Ministry of Economy and the Ministry of Energy. Our interactions with their teams in the transitional period have been fruitful, as we have communicated our industry's priorities and developed good relations. It is fundamental today to make known the relevance of the chemical industry in the world and the megatrends that are shaping the world today. In all of them, the chemical industry plays an important role, such as the energy transition. We also need competitive supply and an industrial policy that materializes advances in infrastructure. The country must invest in port, rail and road infrastructure, and we must work to optimize border crossings and customs checks. Our industry represents over US$55 billion of trade, so this point is very important; we want to see advanced technologies introduced and implemented to make the trading process more agile.

What are the chemical industry's priorities regarding energy policy?

There are two fundamental issues: raw materials and access to electricity. We must encourage more domestic natural gas production through PEMEX to spur the development of the chemical industry.

The electricity issue is more complicated. The government remains firm on its commitment to having the CFE supply 54% of the country's electricity needs, which limits private investment. We need to grow the supply of electricity and must invest in sufficient transmission infrastructure. Because of the government's commitment to the CFE, these investments will rely on the public sector. Another important point is to increase the generation of electricity through renewable energy. Having a green electricity matrix will be a great competitive advantage for our industry and our country's export potential.

Can you discuss the importance of the USMCA for the chemical industry?

The upcoming review of the USMCA in 2025 will be of enormous importance to the chemical industry. We are working with our counterparts in Canada and the US to ensure conditions that will permit our sector to continue trading, that our regulations are aligned with science, and that we can build a globally competitive integrated energy and petrochemical market. Our supply chains are incredibly integrated, and the government recognizes that our industry is essential, which has invited us to be part of the negotiation table.

What are ANIQ's priorities for 2025?

We will keep highlighting the importance of the chemical industry for our economy and the need for a competitive and reliable feedstock supply to implement the energy transition in Mexico and generate the proper conditions for nearshoring. We are optimistic about the future of the chemical industry, and our agenda reflects this; we will continue to work hard to find more convergence with the present administration as we all share the same ultimate objective, which is to make the country more prosperous. ■

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They include Volvo's intention to invest over US$700 million in a new car factory in Monterrey, and plans for a US$1 billion factory built by MG in Nuevo Léon. Inward FDI figures for the first half of 2024 totaled US$31 billion, however, the vast majority of this figure can be attributed to investments made by companies already present in the country; federal government data for the January-June period of 2024 indicates that of the US$10.6 billion in FDI coming from the US, US$10.4 billion were reinvestments of earnings. The lack of new investments reflects the uncertainty that political change in Mexico and the US has cast on the Mexican economy.

Will tariff talks trump trade?

The pillar of US/Mexico commerce is the USMCA (United States-Mexico-Canada Agreement), a free trade deal that built on the success of previous deals such as NAFTA. Mexico has been a significant beneficiary of reduced trade barriers, finally surpassing China as the primary commercial partner of the US. Research from BBVA indicated that the total trade value between the countries reached US$745.6 billion in 2023. Increased activity at the Port Laredo border crossing made it the number one port of entry in the United States, handling over US$320 billion in total trade in 2023.

Recent back and forth between the Trump and Sheinbaum administrations and the threat of a blanket 25% tariff imposition on all Mexican and Canadian goods imported into the US has caused some concern among business leaders in Mexico, though perhaps not to the extent that one would expect. Their underlying confidence in Mexico's business fundamentals, including competitive labor costs and its network of free trade agreements around the world, means many in the private sector believe any tariff talk and imposition will only be a temporary setback. In addition, leaders understand that tariff costs will cut both ways, as Maggie Gómez-Rábago, managing director of Charlotte Chemical, explained: "If tariffs are imposed on Mexico or Canada, the added costs will likely impact American consumers through increased logistics costs or tariffs. This would lead to less consumer spending due to higher prices."

Mexican businesses can find opportunities to diversify, explained José Luis Urrutia Segura, president of CANACINTRA in the state of Mexico, Mexico's most significant industrial body that counts membership from many sectors of the economy: "The tariff debate has clarified that organizations must explore new markets and ensure their inclusion in global supply chains to remain competitive. Additionally, businesses must focus on adopting new technologies and embracing innovation, as these elements will be key in positioning themselves within evolving supply chains and markets."

The USMCA trade deal's importance cuts both ways; it has spurred a boom in manufacturing activity and export growth for manufacturing and agriculture, but it is also essential for Mexico's imports of essential goods. The country depends heavily on imported American energy and petrochemical products. Cross-border chemical trade neared

US$60 billion dollars in 2023, and the industry in Mexico depends on US imports to make up for the lack of petrochemical feedstocks produced in the country. This situation means that chemical companies rely on ease of trade to remain competitive. Miguel Benedetto, managing director of ANIQ, said: "Because of the feedstock situation in Mexico, any growth has been due to imports of petrochemicals from the US, which supplies over 60% of our imported supply."

ANIQ has laid out a vision for the chemical industry, proposing that with the right policies from the government, it could double its size in the next 15 years. Growing domestic production of petrochemical feedstocks is key to this, as is building a more sophisticated and greener electricity supply, which will ultimately help Mexican exporters market their products as more sustainable. Benedetto commented: "It is important point to increase the generation of electricity through renewable energy. This is the government's stated aim and something that private industry also demands; if we look at Europe and the CIBAM (Carbon Border Adjustment Mechanism), having a green electricity matrix will be a great competitive advantage for our industry and our country's export potential."

In addition to importing feedstock, the dependence on imported energy is equally pronounced. Data from the International Energy Agency (IEA) shows that in 2023, 52.3% of Mexico's total gas supply was imported; between 2000 and 2023, demand for gas imports increased by 1,543%. US exports of natural gas to Mexico have been crucial for the chemical industry, which has not been able to tap into cheap domestic production of natural gas due to a historic lack of investment and exploitation of the country's shale gas deposits, the sixth-largest in the world.

Given the dependence on US export markets and energy, all facilitated by the USMCA trade deal, Mexico is looking hard at the upcoming review of the agreement in 2026 and the potential fallout from a Trump administration. The automotive sector is the focus of attention for the three member states; the rules stipulated on country of origin specifications for the auto industry have become a point of contention, especially as Chinese automakers establish production in Mexico to circumvent US import tariffs. Mexico was the seventh largest automotive producer in the world in 2023, and the auto parts market is equally significant. According to data from the National Association of Auto Parts (INA), the total value of the auto parts market in 2023 was over US$121 billion, and in 2024, that market was valued at over US$124 billion by the same association, a clear sign of the sector's steady growth.

Specialty chemicals and paints and coatings companies have tapped into this industry's impressive growth and will be watching closely how the USMCA's review and potential renegotiation play out. Discussing this topic, Angel Sánchez, managing director, Chemetall Mexicana (BASF), said: "Nearshoring is another factor, and we expect it will continue to grow, although a potential USMCA renegotiation in 2026 could introduce additional challenges." ■

> This situation underscores the need to seek new business opportunities through proactive market diversification.

José Luis Urrutia Segura

President

CANACINTRA

What key updates does CANACINTRA have for 2024 and 2025?

The macroeconomic data for 2024, shows that expectations were not fully met. This reflects the uncertainty that has characterized the Mexican market, influenced mainly by political and economic transitions.

At CANACINTRA ESTADO DE MÉXICO, we are committed to implementing seven key objectives of the 2030 Agenda. The active participation of our members has been essential in reaffirming our initiatives, which focus on water conservation, energy efficiency, economic development, innovation, education, strategic alliances, inclusion, and the creation of business networks.

In 2025, we will organize a key forum on water, where essential topics such as efficient use and reuse of this resource in the industry will be addressed. Through this commitment, we have identified five key priorities for the industrial sector: energy, water, talent, security, and infrastructure. Strengthening connections within the business community will allow us to drive economic growth at the state and national levels. Our goal is clear: to enhance the competitiveness of our members through strategic alliances, knowledge exchange, and the adoption of sustainable business practices.

Has business confidence increased under the new government?

Every new government brings expectations of positive change, and there is typically a general sense of optimism during leadership transitions. However, among our members, there are notable concerns, particularly regarding judicial reform and its potential implications for the rule of law in Mexico. Despite these uncertainties, the industrial sector must operate independent of political shifts. Our sector's resilience is rooted in its ability to identify opportunities and evolve in response to external challenges.

This administration has shown a greater interest in engaging with economic stakeholders, as evidenced by its public discourse and media coverage. Each government sets its priorities and tone, and we have observed a clear willingness to listen to a broader range of sectors. We welcome this approach and look forward to establishing structured dialogues where the manufacturing sector, particularly SMEs, is seriously considered.

What are Mexico and North America's most important commercial and trade challenges?

The most pressing issue at the moment is tariffs. President Trump's commercial policy, which includes a proposed 25% tariff on Canada and Mexico, is a significant concern that has many businesses engaged in discussions about its potential impact. Regardless of the outcome, this situation underscores the need to seek new business opportunities through proactive market diversification. Integration into global value and supply chains is now more crucial than ever. Additionally, businesses must focus on adopting new technologies and embracing innovation, as these elements will be key in positioning themselves within evolving supply chains and markets.

What efforts is CANACINTRA making in the areas of innovation and sustainability?

Sustainability has been one of the central themes of our administration. Through forums, discussions, and various initiatives, we have worked to bring technological advancements closer to businesses—especially SMEs. While large industries in Mexico and globally operate under different dynamics, the main challenge lies in enabling SMEs to access existing innovations in water treatment, energy efficiency, and other sustainability-related areas. We aim to help these companies become more competitive and sustainable, fostering a virtuous cycle in which sustainability enhances overall competitiveness.

What are your expectations for the coming two years?

Despite economic forecasts suggesting that Mexico's economy may not experience significant growth, the pressing need for enhanced competitiveness remains. This competitiveness is driven by two main factors: innovation—developing new products and services—and cost reduction to improve operational efficiency. Many industries are now concentrating on these areas to ensure they remain competitive. The challenge for Mexican SMEs is maintaining their global competitiveness, independent of the political climate in the US and Canada.

We have several key events planned for 2025, which we will promote through our social media and communication channels. One of our most significant events is the Forum on Water Efficiency and Rational Use, titled 'Present and Future of Water.' We are also organizing an Energy Efficiency Forum, and in the last quarter of the year we will host a high-level business networking event. These initiatives align with the needs of our members, who seek more excellent connectivity within the business ecosystem to uncover new opportunities. ■

Erasmo Vázquez Almendárez

CEO

VAZAL CORPORATIVO

> Mexico's regulatory environment can be seen as a challenge, but clear regulations provide companies with a solid foundation for growth.

Can you introduce Vazal Corporativo?

We focus on specialized legal and technical services for the chemical and mining industries, which are highly specialized sectors in Mexico, among other consulting services tailored to the needs of other industries. We have identified a significant niche and successfully supported companies aligning with the country's regulatory framework. Our firm has offices in San Luis Potosí, Mexico City, Guadalajara and Monterrey.

The chemical industry is complex, and its value chain is integral to nearly every other industry. As a firm specializing in this sector, we have learned the importance of understanding the operational and legal intricacies governing the industry. Our approach ensures that our clients are well-informed and compliant with local regulations to ensure sustainable growth. Mexico's regulatory environment can be seen as a challenge, but clear regulations provide companies with a solid foundation for growth. Contrary to some perceptions, Mexico's rules, although stricter compared to other countries in Latin America, are clear and facilitate long-term business stability.

How does Mexico's legal framework impact companies?

Mexico's legal framework, especially about the chemical industry, is influenced by its proximity to the US and the strong economic ties between the two countries. While some companies consider the regulations complex, they are an opportunity. Clear and robust regulatory structures protect the environment and public health, and help companies grow within a well-defined legal boundary. Many industries, especially the chemical sector, rely heavily on US regulations, and while this can seem burdensome at times, it also ensures that businesses operate at an internationally recognized standard. Despite some concerns about the complexity of these rules, this regulatory environment will ultimately lead to more significant growth and stability for Mexican businesses.

What challenges does the Mexican government face in regulating the chemical industry?

There is no doubt that Mexico's government needs to adjust its public policies to support the growth of the chemical industry better. In the past few years, we have seen an increase in regulations and some paralysis in the public sector regarding implementation, particularly with policies that mix environmental concerns with economic development. For example, some rules are well-meaning but can be overly cautious or unclear, creating delays in business operations and sometimes even stalling investments due to the lack of timely permits. To foster long-term growth in the chemical sector, policies must be more adaptable and well-supported by the private sector. Better coordination between the public and private sectors could help the chemical industry in Mexico grow exponentially over the next decade.

What are companies' main regulatory challenges with institutions like Cofepris?

Cofepris and Semarnat play crucial roles in regulating industries like chemicals, but issues relate to their ability to act promptly. The law sets clear response timelines, which are not always adhered to, leading to significant delays in critical operations. These institutions must become more agile and efficient, ensuring that companies receive timely responses to their requests and comply with environmental standards without unnecessary hindrances.

How have recent legal reforms impacted the chemical industry?

Recent judicial reforms in Mexico, particularly in the legal framework, cause concern. While changes in the law are generally beneficial, the way they are being implemented has created a sense of legal uncertainty. This uncertainty can prevent companies from making informed decisions about their operations, as they are unsure how new laws will affect them. This legal ambiguity is especially problematic in the chemical industry, where regulatory clarity is vital for businesses to comply with legal standards. ■

SUSTAINABILITY

> Mexico really has a great environment for the production of renewable hydrogen, including wind and solar sources.

Raphael de Montfort
Managing Director
AIR LIQUIDE MEXICO

Image by Pixabay at Pexels

Sustainability

Mexico's hydrogen economy takes shape

Mexico's green energy potential is unmatched; endless coastlines, over 300 days of sunshine, and wind power potential make it an ideal place to establish and expand renewable energy projects, including hydrogen, which is making headways in the country, with multiple companies investing in hydrogen projects. The industrial gas sector has been at the forefront of this progress. Industry executives were keen to show off progress on multiple initiatives across the country and emphasized their desire for more state support, regulatory or otherwise, to promote the nascent sector's development and establish Mexico as a leading hydrogen producer. Despite its potential, many obstacles lie in its path, including high energy costs and irregular government interventions that have shaken business confidence.

A strong and dependable renewable energy network is key to these ambitions, especially if green hydrogen is to be pursued and made commercially viable. Though still in the early stages, companies are taking note, and Iberdrola's multi-billion-dollar investments in a network of solar and wind farms have set the stage for further development.

Private investments form an important part of the picture, though in Mexico, given the government's historic role in energy policy and generation, public spending and initiatives deserve closer attention. The Sheinbaum government's National Energy Plan 2024-2030, launched in late 2024, commits the state to developing renewable energy projects across the country, including green hydrogen, wind power and geothermal energy. According to the CFE, it will receive some $23.4 billion from the state over the 2024-2030 period strengthening Mexico's power grid.

Securing state interest will be crucial moving forward, especially as the energy industry is led by PEMEX, a key consumer and producer of hydrogen. Topsoe, the world's leader in industrial-process catalyst production, has been working with PEMEX to support energy production in Mexico. Florencia Vitelleschi, Mexico country manager at Topsoe, commented: "In Mexico, we see substantial opportunities, especially with Pemex, the leading producer and consumer of hydrogen. Currently, Pemex produces 100% of its hydrogen conventionally from natural gas, presenting a significant opportunity to transition to low-carbon hydrogen, which we call blue hydrogen."

Vitelleschi has high hopes for this potential transition to low-carbon hydrogen production and commented: "Many clients have approached us expressing a willingness to invest in more advanced catalysts, as they recognize that while the initial cost may be higher, the long-term savings on energy consumption will justify the investment."

HDF Energy entered the Mexican market in 2019 and is developing the Los Cabos hydrogen-integrated solar park in Baja California Sur. Cristina Martín González laid out the company's plans for Mexico: "HDF has announced a US$2.5 billion development portfolio in the country and has noted an increased openness toward private investment in renewable energy, which is expected to accelerate project development in the region... The company specializes in developing hydrogen infrastructure; our Renewable plants produce green hydrogen from renewable energy sources such as solar and wind, storing it in compression tanks, and convert it into electricity using fuel cells."

For Linde, drawing on examples from other successful hydrogen-developing nations is crucial. Hugo Villarreal Salas, VP of energy and engineering at Linde, commented: "Government support is essential for developing new technologies. In countries like the US we have seen substantial incentives and funding for decarbonization concepts, and similar support would benefit Mexico's transition."

Linde has invested in hydrogen vehicle technology, and Salas highlighted the potential for Mexico to become a green hydrogen exporter in the future, given the right mix of policy and financial incentives. Nevertheless, there is work to be done on the green hydrogen front, as Salas pointed out: "Green Hydrogen is currently expensive because the cost of electricity in Mexico is twice as high as in the US, which makes it uncompetitive, though it is an area of opportunity that will surely be solved in a short time."

The Mexican Association of Hydrogen has identified more than 21 hydrogen related infrastructure projects underway in the country. Among the industrial gas producers, Air Liquide has also been moving in this direction. Raphael de Montfort, managing director of Air Liquide Mexico said: "On an operational level, the greatest achievement this year was the commissioning of a new hydrogen plant in our industrial basin of Nuevo León."

Air Liquide has been investing in new production capacity to meet consumer demand in the region. Despite facing a challenging 2024, when the AMLO government expropriated one of its hydrogen plants in Tula, shaking international investor confidence, the company has forged ahead. De Montfort added: "In industrial gases, we continue to see a steady growth in demand while medical gases are more stable. Overall, the Mexican gas market is of paramount importance in Latin America for Air Liquide."

They are not the only company making investments in production capacity, a sign of the underlying strength of the Mexican industrial sector. Cryoinfra, part of Grupo Infra, has also been investing in new operating plants. Speaking to GBR, Dieter Femfert, commercial director of Cryoinfra, said: "We are constructing a new air separation plant in Monterrey with a capacity of over 2,000 tons per day, producing oxygen, nitrogen and argon."

The new plant will serve the booming northern state of Nuevo León, the heart of Mexico's industrial base. Femfert continued: "The industrial gas market in Mexico is experiencing growth in several sectors, including steel, automotive, electronics, mining, pharmaceuticals and food industries." ■

Image by Appreciateat Adobe Stock

Hugo Villarreal Salas

VP of Energy and Engineering

LINDE

> We see a future shaped by energy transition, mainly through the growth of electricity generation with natural gas and renewable energies.

Could you discuss gas market demand trends in Mexico and other Latin American regions?

The Mexican market for industrial gases is robust, serving sectors like chemicals, steel, glass, manufacturing and health. These industries continue to show healthy growth. We also expect to see the energy sector grow as Pemex ramps up efforts to reach 1.8 million barrels daily. Collaborations with Pemex on gas applications are key to helping them meet this target, and we are seeing similar opportunities in steel and glass. As manufacturing operations expand, the manufacturing sector demands more gases, particularly for the automotive sector and infrastructure. Overall, we are optimistic about growth across North America, with the US remaining a strong trade partner. We see a future shaped by energy transition, mainly through the growth of electricity generation with natural gas and renewable energies. We need to support new companies with the necessary energy services.

How do you view the role of hydrogen in Mexico's transition to cleaner energy?

Blue hydrogen, which includes capturing CO_2 emissions, could be a practical intermediary step before moving fully to green hydrogen. Mexico has significant potential for CO_2 capture, like Texas, where CO_2 capture projects are already underway. With Linde's technology, we can support the country's decarbonization efforts. The roadmap involves progressing from fossil fuels to natural gas, capturing CO_2 emissions, and ultimately moving to green hydrogen production using wind, solar and hydropower. This energy can also produce green ammonia and methanol for various industrial applications, positioning Mexico as a potential green energy supplier for Asian markets. There is growing interest in climate-friendly energy, particularly green hydrogen, produced using renewable energy sources. However, green hydrogen remains costly because the cost of electricity in Mexico is twice as high as in the USA, which makes it uncompetitive, and it is an area of opportunity that will surely be solved in a short time. The government could support this transition, but as technology providers, we also focus on making capital expenditures efficient and improving security standards. Linde has invested heavily in hydrogen vehicle technology. We are expanding our electric vehicle fleet, and hydrogen trucks and buses are on our radar.

How is Linde supporting client competitiveness and decarbonization efforts?

Linde's commitment to helping our clients remain competitive while decarbonizing is central to our strategy. As for hydrogen's role in the automotive sector, including passenger vehicles, it is still in its early stages. From my experience working in Korea on hydrogen initiatives, I see that governmental support is crucial for the success of hydrogen-based transportation. This support often encompasses CapEx and OpEx, enabling a smoother transition to alternative energy. In terms of efficiency, hydrogen trucks for passenger transport tend to have an advantage due to lighter battery requirements, while electric vehicles appear more efficient for smaller cars. Even with EVs, decarbonization remains elusive if the electricity is sourced from fossil fuels.

Government support is essential for developing new technologies. In countries like the US, we have seen substantial incentives and funding for decarbonization concepts, and similar support would benefit Mexico's transition. The political dynamics in Mexico around energy policies are complex, but the government could consider increasing incentives for green energy. We hope our ongoing efforts in Mexico will yield results, and we might see progress as associations like the Hydrogen Association and other committees push for this transition.

Could you share Linde's sustainability targets?

Linde remains committed to sustainability. Our "35 by 35" target focuses on reducing CO_2 emissions by 35% by 2035, and to reach net-zero emissions by 2050. We are already making strides by transitioning to solar and wind energy, contributing to a balanced green energy portfolio. We have an upcoming green project that we aim to launch in 2025. Linde has invested heavily in hydrogen and electric vehicle technology.

What are Linde's expectations and priorities for the coming year?

We are optimistic; all our project proposals submitted to the Board have been approved, signalling confidence in our strategy. We will continue to focus on cost efficiency and maximizing resources. Many of our long-term projects, some initiated two to three years ago, are set to materialize next year, which we expect will position us well in the region. ■

INTERVIEW

Dieter Femfert

Commercial Director

CRYOINFRA

What has been the latest developments for Cryoinfra this year?

We are constructing a new air separation plant in Monterrey, located in the state of Nuevo León, with a capacity of over 2,000 t/d, producing oxygen, nitrogen and argon. Additionally, we are building a CO_2 recovery plant with a more than 700 t/d capacity. We are very pleased with these new investments, and our shareholders continue to have faith in Mexico. Cryoinfra operates over 30 plants across the country to ensure we are close to our customers.

Can you discuss the evolving role of hydrogen in Mexico?

Mexico's advantage lies in its abundant renewable energy sources, such as solar and wind power, which can be harnessed to produce hydrogen. However, the government needs to focus on renewable energy generation policies to leverage this potential and make the hydrogen industry successful. Government incentives are crucial in promoting green hydrogen production.

How is Mexico's industrial gas market performing?

The industrial gas market in Mexico is experiencing growth in several sectors, including steel, automotive, electronics, mining, pharmaceuticals, and food industries. These sectors increasingly rely on gases such as oxygen, nitrogen, argon and others for their operations. However, the growth has slowed down somewhat due to uncertainties surrounding political changes and judicial reforms.

How is Cryoinfra addressing sustainability and energy transition?

We are building two green hydrogen plants in Mexico to contribute to the reduction of greenhouse gas emissions. Cryoinfra has years of experience producing, commercializing and distributing hydrogen. We have invested heavily in developing new applications using oxygen and green hydrogen to assist our clients in reducing greenhouse gases. ■

Florencia Vitelleschi

Country Manager

TOPSOE

Can you tell us about Topsoe's activities over the past year?

We are modernizing our production facilities, specifically in Houston and Denmark, to enhance energy efficiency and meet the increasing demand for sustainable solutions. We are focusing on producing sustainable aviation fuel (SAF), which is gaining traction in the market. In Denmark, we are nearing the completion of our plant to produce electrolyzers, which are essential for generating green hydrogen.

What are your thoughts on hydrogen's potential and its role in the energy transition?

While attending the Expo Electromovilidad in Mexico City, it became evident that while there is a strong push toward electrification, hydrogen is essential for decarbonizing sectors that cannot rely solely on electricity. In Mexico, we see substantial opportunities, especially with Pemex, the leading producer and consumer of hydrogen. Currently, Pemex produces 100% of its hydrogen conventionally from natural gas, presenting a significant opportunity to transition to low-carbon hydrogen, which we call blue hydrogen. This can be achieved using more efficient reforming technologies, including carbon capture and storage.

How are companies prioritizing energy efficiency?

In Mexico, the volatility of fossil fuel prices, especially natural gas, has made energy costs a significant concern for the industry. In this context, energy efficiency is paramount. For instance, catalysts are critical in enhancing energy efficiency because they reduce the energy required for chemical reactions. Many clients have approached us expressing a willingness to invest in more advanced catalysts, as they recognize that while the initial cost may be higher, the long-term savings on energy consumption will justify the investment. ■

Raphael de Montfort

Managing Director

AIR LIQUIDE MEXICO

Can you update us on Air Liquide's activities in the past year?

On an operational level, the greatest achievement this year was the commissioning of a new hydrogen plant in our industrial basin of Nuevo León. Overall, the Mexican gas market is of paramount importance in Latin America for Air Liquide. There are structural reasons driving this, including of course nearshoring, the proximity with the US, the skilled workforce available in Mexico and the different trade agreements, including the USCMA.

What is your perspective on the hydrogen market in Mexico?

The hydrogen market is critical to manage an energy transition globally, reduce emissions and our carbon footprint. Mexico really has a great environment for the production of renewable hydrogen, including wind and solar sources. However, the cost of production of renewable hydrogen is still high and we still have some challenges to address to reinforce its production cost competitiveness locally. I think that one of the key points to promote renewable hydrogen is fostering partnerships between the private and public sectors.

Can you discuss the role of ESG and innovation at Air Liquide?

Our ESG policy at Air Liquide is built around three core dimensions: abatement of CO_2 emissions, Care for our customers and patients and Trust to build a best-in-class in governance. These are closely intertwined with our innovation capacities and I am very proud of the unique solutions which we propose, for instance for carbon capture and low-carbon solutions. This is key to reach our ambition to reduce our scope 1 and 2 emissions but also to support our customers to reach their own sustainability commitments and increase energy efficiency.

What are your priorities for the coming year?

We are transforming our organization to be more agile: This will offer new opportunities for growth for all our people, where everyone can grow, learn and have an impact. ■

Cristina Martín González

Vice President LATAM

HDF ENERGY

Can you introduce us to HDF Energy?

The company specializes in developing hydrogen infrastructure. Our plants produce green hydrogen from renewable energy sources such as solar and wind, storing it in compression tanks, and converting it into electricity using fuel cells. HDF Energy also focuses on industries that produce hydrogen as a by-product, such as the petrochemical industry, by installing fuel cells to convert this hydrogen into electricity. In 2021, we went public on the Euronext Paris stock exchange. The company manages the entire value chain of its projects, from conceptualization, design, and permitting to project construction, although it partners with selected constructors.

For Latin America, the primary office is in Mexico City, where the company's regional operations are managed. We focus on providing electricity to isolated grids; our reliable and continuous power generation technology is well-suited for such areas. Our innovation lies in integrating existing technologies like solar panels, electrolyzers and fuel cells. Additionally, we have innovated in project financing by structuring our projects like conventional thermal plants, which helps secure funding through project finance mechanisms. These plants can also benefit from green financing, as they produce zero emissions and use recycled water for cooling, promoting sustainability and a circular economy.

What projects is HDF Energy developing in Mexico?

HDF Energy began its operations in Mexico in 2019, with its first project being in Baja California Sur. The Los Cabos project is a 160 MW solar park integrated with a hydrogen production chain, which includes electrolyzers, storage tanks, and fuel cells. The project aims to provide 24/7 clean, firm electricity to Baja California Sur's isolated grid, which currently relies heavily on diesel for its energy needs. This project is in the advanced development phase, with financial closure expected by mid-2025. HDF has announced a US$2.5 billion development portfolio in the country and has noted an increased openness toward private investment in renewable energy. ■

Carlos Boone de Nova

Supply Chain and Purchasing Director

ÉNESTAS

> "I see the growth of competition in this sector as a positive thing, as it drives innovation and development in how raw materials and fuels are delivered, particularly to underserved regions."

Can you discuss Énestas' updates in 2024?

Mexico is in a strong position to become a significant player in LNG. We have been involved with LNG since 2017, and what we anticipated back then is now becoming a reality. Exporting LNG to Europe is certainly an opportunity but ensuring that some of the gas stays in Mexico is just as important to help develop our national industry. For that, we need to continue building more infrastructure here. Even though we have an extensive natural gas pipeline network in Mexico, large industrial areas still lack access to gas, so we focus on delivering gas to remote regions through alternative solutions, like virtual pipelines.

How has Énestas evolved in terms of supply chain management?

We have made great strides in securing our own supply of liquefied natural gas within Mexico. When we first started, most of our products had to be imported, which introduced complications with customs and transportation. Most of our gas is produced and purchased domestically, making our distribution process much smoother and more reliable. I see the growth of competition in this sector as a positive thing, as it drives innovation and development in how raw materials and fuels are delivered, particularly to underserved regions. This competition encourages more investment and improvements in logistics, helping us reach areas that have traditionally been difficult to serve.

A good example would be our work with a company in Ramos Arizpe. This company needed to be as close as possible to the border to keep logistics costs down for exporting their products to the U.S. However, they needed help finding a suitable industrial park with access to natural gas, which was crucial for their operations. That is where we came in. We developed a tailored solution to deliver natural gas directly to their chosen location, without them having to alter their project plans or make expensive infrastructure adjustments. Had they chosen a different location, they would have faced significant additional costs, such as building a pipeline or dealing with permits that could take years to process. By offering this solution, we allowed them to stay on schedule and within budget. This kind of flexible service is what sets us apart.

What are some of the key risks in material distribution in Mexico?

In addition to infrastructure challenges, road insecurity is one of the most significant risks we face in material distribution. Delays and increased costs—whether for hiring security or adjusting prices due to the danger of travelling on certain routes—ultimately impact the end customer. The transport companies are struggling with this pressure, and we have seen some go out of business because of the mounting costs.

For example, vehicles transporting fuels that are susceptible to theft, such as LP gas, face greater risk on the roads. In contrast, natural gas cannot be easily stolen or commercialized, significantly reducing its appeal to criminal groups.

What opportunities do you see related to the Nearshoring trend in Mexico?

Mexico is uniquely positioned to benefit from nearshoring, however, we must move faster regarding government commitments and infrastructure advancements, particularly in ports. Since the Navy took a more prominent role in the ports, we have seen greater openness to developing projects that make Mexico's ports more attractive to the global market. Businesses looking to invest want certainty in supplies, security and infrastructure, and Mexico needs to provide this quickly. Nearshoring is a major opportunity for us because we can offer integral solutions to companies looking to establish operations in Mexico. We provide everything from raw materials and fuel to designing and building logistics and operating plants.

What are Énestas' goals and expectations for 2025?

By 2025, we aim to further consolidate our position in the Mexican market. We want to have operations in every state across the country, focusing on expanding in southern Mexico. We also plan to extend our services to Central America. We aim to offer a more comprehensive range of services, including distribution, logistics and supply chain solutions for chemicals and raw materials. Logistics is a critical element in delivering products, and we are constantly working on innovative solutions to improve this aspect of the business. ■

PETROCHEMICALS

“We see great opportunities that can be leveraged from the synergies between the government, the state-owned company Petróleos Mexicanos (PEMEX) and the private sector.”

Isabel Figueiredo
CEO
BRASKEM IDESA

Image courtesy of Celanese

Petrochemicals

Is there light at the end of the feedstock shortage tunnel?

Mexico's domestic petrochemical industry still finds itself in challenging times. Capacity utilization rates continue their downward trajectory, electricity prices are relatively uncompetitive, and given the difficulties faced by PEMEX, which has not been able to produce the necessary feedstocks for a competitive petrochemical industry in the country to flourish, Mexico remains a net importer of petrochemical products. Regulatory controls on shale gas and private energy development in Mexico, compounded by stringent import controls introduced in 2024 to protect national producers of lubricants and other fuel products, further challenged the industry.

ANIQ's figures for the period January-September 2024 show that the chemical industry's trade balance presented a deficit of over US$22 billion, a figure 13.2% lower than in 2023; chemical imports were just over US$30 billion, while exports increased by 0.1% annually to US$7.5 billion. Furthermore, while Mexico registered chemical trade deficits with North America, Europe and Asia, it has maintained a trade surplus in chemical goods with Central and South America. Uncompetitive industrial electricity prices in Mexico are an important factor limiting the establishment and expansion of more petrochemical products. Comparing average monthly prices for medium voltage users in August 2024 in Mexico with May 2024 in Texas and Louisiana, the petrochemical heartlands of the US, ANIQ found incredible discrepancies, with US$13.71 cents per kilowatt hour in Mexico and US$6.28 in the US. In addition, power outages in northern Mexico during the summer of 2024 compounded the problem and underlines the unreliability of Mexico's power grid in comparison to its northern neighbor.

PEMEX's troubles are well known but are worth re-exploring. The state-owned oil giant's over US$100 billion debt pile has forced the government into a situation where it has to transfer funds to the company to service its debt continually; Reuters reported that in 2025, the central government would transfer US$6.69 billion to PEMEX, to service due debt. The Sheinbaum presidency, following in the footsteps of her predecessor, has been adamant that the role of PEMEX in the national oil sector is secure, just as it has been firm about its commitment to the CFE (Federal Commission on Electricity) and the monopoly that company maintains over the national power sector. Throughout the year, there were bouts of positive news regarding reported feedstock production figures. PEMEX announced that in the second quarter of 2024, petrochemicals production increased by 15.7% compared to the same period in 2023.

In addition to these national challenges, executives pointed out that larger global trends are putting pressure on the sector.

Image courtesy of Braskem Idesa

Despite these challenges, the bright spot for the petrochemical sector remains the fact that with the new Sheinbaum administration, the government's proximity to private industry and dialogue has improved, and leadership changes at the top of these troubled state enterprises have elicited some hope among chemical industry executives that ideology is on the way out, and practical, empirically based management decisions are on the way in. Examples include the new head of the CFE, Emilia Calleja, a trained engineer with a long career inside the CFE, governor of Veracruz, a key petrochemical region, Rocio Nahle, who is a trained petrochemical engineer, and Victor Rodriguez, CEO of PEMEX, previously an energy economics scholar at UNAM.

This year is key for Mexico's petrochemical industry, as Braskem Idesa's ethane import terminal will come online, the result of a US$450 million investment and partnership with Advario, solidifying Braskem Idesa's leadership in the polyethylene market. Isabel Figueiredo, the company's CEO, discussed how the terminal would allow it to strengthen its role in plastic resins nationally and regionally.

The performance of Mexico's plastic market has been a source of relief. Sergio Paredes Castañeda, CEO of Resirene, Mexico's leading polystyrene producer said: "By the second half of 2024, we began seeing signs of recovery in the demand for polystyrene in certain market segments."

Castañeda's optimism for polystyrene demand is underpinned by a belief that the industry, which has come under scrutiny in the past for its waste profile, is now being re-vindicated. Resirene doubled its sales of recycled material products in 2024 and has ambitious targets to triple sales of these products in 2025. Castañeda added: "We see promising trends in countries like Sweden, where there is growing recognition that alternative materials like cardboard and paper may be less environmentally effective."

In the lubricants market, strong industrial demand has had to contend with regulatory import controls introduced by the last administration, which limited import quantities and drove up legal and compliance costs for companies that are heavily dependent on imported lubricants to meet demand. José Guzmán, managing director of Castrol in Mexico, stated that despite advances in EV adoption, in Mexico, the lubricants market remains traditional, and EV adoption is a long way off. Guzmán also commented on the import controls, saying: "The Mexican government has recently implemented regulations intended to increase oversight, particularly within the fuel sector, and it is currently applying similar controls to lubricants."

Though these restrictions caused an upset among importers, some local producers benefit, including Schutz Industrial Lubricants and Specialties, a producer of lubricants and chemical specialties for the automotive, personal care, energy, and other sectors. Bernardo Gómez-Rábago, the company's CEO, said: "The new import controls for lubricants have had an impact, but they also emphasize the importance of having a local supplier. A local supplier ensures consistent quality and timely deliveries, which are crucial for businesses." ■

Isabel Figueiredo

CEO

BRASKEM IDESA

"The raw material import terminal will be a very important achievement for Braskem Idesa, allowing us to strengthen our presence in the plastic resin market both regionally and locally."

Can you update us on Braskem Idesa's activities in the last two quarters, and what your priorities as new leader of the company encompasses?

In December 2024, I received an invitation to become the new CEO of Braskem Idesa. I was very enthusiastic about this challenge, which for me means leading an operation in a highly competitive region where North American producers have increased their capacities in recent years and Braskem has managed to position itself as a leader in polypropylene in the US and Braskem Idesa in polyethylene in Mexico.

Braskem Idesa's main priority has been to advance the development of the raw material import terminal project with the aim of increasing our operating rate and strengthening our supply capacity to the domestic market, which is made up of 75 to 80% imports, offering a very attractive scenario in the local plastics industry.

Braskem Idesa is a very competitive player, benefiting from its gas-based production, its location in the Gulf of Mexico, which allows it to access logistics routes in North America, Central Mexico and South America, as well as very competitive energy costs derived from the shale gas boom in the United States.

What trends in demand is Braskem Idesa observing across its product portfolio?

The petrochemical industry around the world has been facing a highly volatile environment and a very prolonged down cycle that has been further stressed by a tense geopolitical environment. In 2024, we saw some recovery in margins that allowed Braskem Idesa to close with a solid 3Q and 4Q, standing out from naphtha producers, which are less competitive compared to gas producers

Locally, through ANIQ, we have maintained a very productive dialogue with the Government seeking to look after synergies with other industries on priorities such as increasing national content, greater competitiveness and stability of the national electricity grid, increasing the availability of renewable energy and raw materials, as well as the generation of legislation that promotes higher rates of collection of plastic waste to be recycled.

In parallel, we have made progress in our sustainability initiatives in the industry with post-consumer recycled resins (PCR), which allow us to move on in mitigating plastic pollution and where we have been advancing in FDA (Food and Drug Administration) certification to provide confidence to Brand Owners who also seek to increase the incorporation of recycled plastics in everyday consumer products.

How will Braskem Idesa's new import terminal impact the Mexican chemical landscape, and Braskem Idesa's position in the market?

The raw material import terminal will be a very important achievement for Braskem Idesa, allowing us to strengthen our presence in the plastic resin market both regionally and locally.

With potential trade conflicts within North America and a new government in Mexico, how important is private-public collaboration and dialogue to strengthen the chemical industry?

The year 2024 was guided by elections in both Mexico and the United States. Braskem Idesa collaborates with the National Association of the Chemical Industry (ANIQ) seeking to contribute with our vision to the public policies of the Mexican government.

North America is a highly integrated commercial region, both in terms of logistics chains and product exchange. In 2024, Mexico was the United States' main trading partner with trade worth US$800 billion, surpassing Canada and China.

Trade within the United States-Mexico-Canada Agreement (USMCA) free trade zone has made us the most competitive region in the world, and we trust that our governments will continue to promote productive, efficient and integrated trade that strengthens the region's companies that generate development for our countries.

What Is the company's outlook for the coming 12 months?

Our pillars this year will be focused on increasing the stability of our operation, ensuring reliability and competitiveness in the supply of raw materials, where the start-up of the terminal in 2Q 2025 will play a crucial role; we will also have our ethane cracker first major maintenance turnaround in 2Q after our start-up of operations in 2016, which we will do with a complete focus on operational safety and, finally, a cross-cutting priority for the teams will be customer service. We are getting prepared not only to run our PE plants at full capacity, but also to deliver our products with quality and logistics reliability to our customers. ■

Sergio Paredes Castañeda

CEO

RESIRENE

Can you update us on Resirene's activities in 2024?

Although post-pandemic demand had dropped, it started improving again in the second semester of 2024. Segments like household products or appliances are showing recovery after a sharp decline in 2023. We can confidently say that the market has reached its lowest point and is now showing signs of recovery. We adapted our processes and production capacities, making our services more flexible to meet customer needs.

Could you provide insights into the performance of Resirene's target markets?

Domestically, approximately 45-50% of our production serves the local market, with the remainder exported. In 2024, market conditions were generally balanced across regions. The main challenge lies in Food Service applications, especially food packaging, which faces significant environmental scrutiny.

Our focus has been on finding solutions that balance the benefits of polystyrene—such as cost, lightness and hygiene—with improved recycling. We have made progress in incorporating recycled content into our products, achieving up to 25% in commercial lines and up to 40% through technological innovations. While starting from a small base, we tripled our sales of recycled-content products in 2024 compared to 2023, and we aim to triple them again in 2025. This segment presents both the greatest challenges and opportunities for us.

How do you view political change impacting the chemical industry?

With the new administration in Mexico, we have noticed more openness and a better understanding of issues critical to the chemical and petrochemical industries, with a strong focus on sustainability, particularly regarding water conservation and waste management. We hope these initiatives will pave the way for clearer regulations that will allow for a more coordinated approach across all stakeholders in the plastic industry. There are still uncertainties, such as potential tariffs and other political measures, but overall, the environment seems conducive to growth and stability. ■

David Coindreau

Managing Director

POLIOLES

Where do you see the best opportunities for growth?

There are two macro trends impacting everyone - competitiveness and sustainability. We have to provide solutions that are increasingly agile and competitive, as well as more sustainable. We also pay close attention to the geopolitical situation, as the impact on our industry is very relevant.

How might recent changes in government impact the petrochemical industry?

We are positive about recent government changes and their willingness to engage in dialogue with the private industry. Changes at PEMEX are very important. The government has appointed new people with technical expertise.

What are the primary energy challenges in Mexico?

Energy and water are fundamental for any manufacturing operation, particularly the chemical industry. On the energy side, we have become very dependent on gas imports from the US. The production of local natural gas in Mexico has fallen significantly. The government's approach to electricity will be crucial. The grid desperately needs investments in generation and infrastructure. Support from the private industry is required to increase generation capacity and complement it with more sustainable solutions in order to stabilize the system.

What are the company's sustainability objectives?

We aim to reduce our emissions companywide in line with the guidance of our shareholders. In the long term, we aspire to reach net-zero emissions. In addition to our work on emissions, we are taking a close look at our integral solutions, and we support the development of more sustainable solutions and products. The industry has to contend with unreliable water supply; this year, various industrial plants in Altamira had to suspend operations due to lack of water. That is going to be a more common factor. We all have to think about efficient, sustainable operations. ■

José Guzmán

Managing Director

CASTROL MEXICO

> "Our approach in Mexico has been to develop direct partnerships with the major Asian brands leading the push for hybrid and electric vehicles."

Can you update us on Castrol's activities in the past year?
One of the most significant recently implemented changes is a complete brand image update. We call this project 'Reignite.' This global initiative is designed to make our products appear more attractive to consumers with more precise, dynamic and simplified packaging that enhances readability and consistency. Additionally, we achieved another milestone as the first brand to offer synthetic lubricants specifically designed for hybrid vehicles. Lastly, we have consolidated our diesel product line, providing a comprehensive portfolio for trucks and transport vehicles that require diesel lubricants. This initiative was launched last year and has grown significantly, positioning us well for continued success in 2025.

How is Castrol adapting to the growing trend toward hybrid and electric vehicles?
Mexico's hybrid and electric vehicle landscape differs from the US and Europe, but we are prepared for this long-term trend. Currently, most electric vehicles in Mexico are still under dealership management, meaning they are serviced directly through manufacturers rather than independent repair shops. Our approach in Mexico has been to develop direct partnerships with the major Asian brands leading the push for hybrid and electric vehicles. We have established collaborations with several companies, including BYD and Changan, and are working on additional partnerships. Our collaboration goes beyond simply supplying lubricants; we work closely with these manufacturers to develop technology specifically tailored to their vehicles, especially in China. We aim to ensure that Castrol remains a leading brand as hybrid and electric vehicles gain traction in Mexico.

Could you discuss the importance of prolonging the lifespan of older transport fleets?
For transport operators, lubricants are an essential cost factor for keeping vehicles on the road. Unlike individual car owners who change their oil every 10,000 or 15,000 kilometres, fleet operators depend on extended maintenance intervals to reduce downtime and costs. High-quality lubricants contribute to longer intervals between changes, saving not only the oil itself but also labor and vehicle downtime. Castrol has recently expanded its portfolio with products like the Teton line to meet the diverse needs of Mexico's trucking industry, including newer and ageing vehicles.

How is Castrol adapting to regulatory and political risks?
The Mexican government has recently implemented regulations intended to increase oversight, particularly within the fuel sector, and it is currently applying similar controls to lubricants. Unfortunately, this approach does not entirely suit our industry, as lubricants and fuels are imported and distributed differently. For example, fuel is typically imported in large volumes and stored in bulk tanks, while lubricants arrive in small, pre-packaged containers. Changing the way lubricants are distributed would not be cost-effective. The government's intentions for control and accountability are understandable, and we are aligned with them. However, they must adjust their regulatory requirements better to accommodate the unique characteristics of the lubricant industry. Despite these challenges, Castrol fully complies with these regulations and has successfully renewed permits, ensuring our products remain available in Mexico.

The short-term outlook is somewhat uncertain, particularly with currency volatility and US trade policies. The current strength of nearshoring trends, where industries move closer to consumer markets, benefits Mexico, but it faces potential disruption if new tariffs are imposed. While there may be short-term volatility, the medium- and long-term outlook is positive.

How is Castrol incorporating artificial intelligence to improve operational efficiency?
Castrol is deeply invested in leveraging artificial intelligence, particularly in data management. Our main goal is to use AI to streamline access to information, allowing us to make real-time decisions easily. For example, managers can now instantly view sales performance, productivity metrics, and client data from mobile devices. AI enables us to respond swiftly to customer needs, both internally and externally.

What are Castrol's goals for the upcoming year?
Growth remains our foremost priority. Castrol has been experiencing double-digit growth rates post-pandemic, and we plan to continue this trajectory. The Mexican lubricant market is expanding, which aligns well with our objectives. In addition to strengthening our presence in the transport sector, we are also seeing tremendous growth in the motorcycle market, where demand has increased significantly. Next year, we will focus on further growth across all sectors, with special attention to the motorcycle segment and sustainable practices to help extend vehicle life and reduce environmental impact. ■

Bernardo Gómez-Rábago

CEO

SCHUTZ INDUSTRIAL LUBRICANTS AND SPECIALTIES

How do you view the regulatory landscape in Mexico for the chemical industry?
The new government seems open to listening to the needs of various industries, including the chemical sector, which is crucial to the country's development. However, doing business in Mexico has become increasingly complex due to the regulatory environment. One recent change involved the introduction of a permit system for importing raw materials, which adds layers of bureaucracy and complexity.

The new import controls for lubricants introduced earlier this year have had an impact, but they also emphasize the importance of having a local supplier. A local supplier ensures consistent quality and timely deliveries, which are crucial for businesses. At Schutz, we offer solutions like inventory management systems for our customers, including on-site tanks and a real-time monitoring app that tracks inventory levels.

What challenges is the company facing and how are you addressing them?
One major issue is the insufficient energy supply from power industries, which affects our production capacity. Another challenge is infrastructure, particularly the condition of roads and highways, as well as the security concerns surrounding them. We address these challenges by proactively planning for delays and ensuring we have the necessary governmental permits.

Can you talk about Schutz's quality and sustainability certifications?
Our certifications are essential for maintaining high standards to support our brand promise. We are certified with ISO 9001 and ISO 14001 and are in the process of obtaining IATF 16949, particularly for the automotive sector. This is a robust system that serves all industries well. Additionally, we hold EcoVadis certification, which is highly regarded in sustainability and corporate responsibility. We also have certifications such as Kosher and Halal for certain products, as well as ethical certifications like SMETA, which focuses on business ethics. ■

Luis del Barrio

Managing Director

CYPLUS IDESA

Can you discuss CyPlus Idesa's diversification strategy?
We have expanded with the idea of making ourselves more resilient for our stakeholders by extending our reach to Central America, which has given us more diversification to manage any decelerating condition in Mexico, as the timeline for opening new mines has gotten longer because of the changes in the regulatory framework.

What are the chemical industry's priorities with the new government?
The main priorities are the introduction of policies and regulatory changes that make the industry more agile and the need to have a clear plan for increasing the production of basic chemicals in the country, such as ammonium, to assure that local supply can support the growing demand of the industry. The industry is still too reliant on imports of basic chemicals and the efforts to increase local supply have been isolated and driven by private initiatives, but a sustained effort is necessary at a government level to increase production of raw materials and provide sufficient electricity and gas generation for the industry to be competitive. The priorities of the new administration suggest that it will view the chemical and petrochemical industry as a fundamental pillar for its projects and objectives which should be seen with optimism. Changes at Pemex and CFE sent a message that the situation could improve to seek efficiency and productivity.The government needs to be open to relying on private capital to address its infrastructure investment requirements using Public-Private partnership models.

Can you discuss the company's outlook for 2025?
We are cautiously optimistic. The current challenges the mining industry faces will make growth very modest in mining activity in México. But we are ready and expect a better 2025 than 2024. ■

CROP PROTECTION

> We are more optimistic because there has been a more open dialogue compared with previous years. We hope the voice of the agricultural industry will be heard more.

Nery Echeverría
Business Lead North LATAM, Seeds & Crop Protection
BAYER CROP SCIENCE

Image courtesy of AMVAC

Image courtesy of AMVAC

Crop Protection

Industry focuses on collaboration to face climate challenges

Agriculture continues to be a key pillar of the Mexican economy, and agricultural exports from Mexico have continued to increase despite the challenges faced by agricultural producers across the country. Between January and June of 2024, Mexico exported over US$19.381 billion worth of produce, an increase of 8.84% compared to the same period in 2023, according to the Ministry of Agriculture and Rural Development (SADER). A change in government, droughts and water accessibility issues, in addition to the ongoing debate and temporary postponement of the federal government's ban on glyphosates, were key issues on the minds of crop protection industry executives interviewed for our report this year. Mexico reported record import volumes of fertilizers in the first trimester of 2024.

The government's re-engagement with private industry, a key theme of this year's interviews across the chemical industry, was evidenced at the annual Crop Protection Convention in October 2024, a joint event hosted by UMFFAAC & PROCCYT, the principal industry associations. For the first time in over six years, a high-level government delegation, led by newly appointed Minister of Agriculture Dr. Julio Berdegué Sacristán, attended the event. The Minister stated that the government's approach to agriculture was centered around four key priorities: food sovereignty, environmental and worker well-being, and water.

Ministerial attendance at industry events is a clear sign of the federal government's willingness to re-engage with private industry, and its legislative agenda also shows some promising signs. Among them is a temporary pause on the prohibition of glyphosate products. In the first half of 2024, despite previous promises to do so, the government postponed its glyphosate ban, citing a lack of alternatives as the reason. José Escalante de la Hidalga, president of the Mexican Union of Agrochemicals Manufacturers and Formulators (UMFFAAC), commented on this postponement, saying: "Things have changed from one government to the next. During the previous government, our priority was to combat misinformation about glyphosate and communicate its benefits. Fortunately, our government has decided the product will continue to be used in Mexico."

Eduardo Mesinas Cruz
Managing Director
GRUPO LUCAVA

> "2024 has been a challenging year for the sector, mainly due to adverse climate conditions. Many key agricultural regions, such as Sinaloa, Sonora, and Chihuahua, have faced severe water shortages."

The leading industry associations have been centrally focused on re-engagement with the authorities. In addition to renewed contact with the Ministry of Agriculture, Luis Osorio, executive director of the Association of Crop Protection, Science and Technology (PROCCYT), said: "We want to encourage science-based decision-making and have made significant advances with COFEPRIS, the primary regulator. We are re-establishing dialogue at a ministerial level with COFEPRIS, SENASICA and SADER."

A critical element of PROCCYT & UMFFAAC's work in Mexico includes running not-for-profit training and safety programs across the country's central agricultural regions. Some of these programs include Amocali, a joint plastic recycling initiative, and Proccyt's CuidAgro, an educational program around safe agrochemical product use. Osorio expressed a desire to expand this program by bringing in the government: "We train up to 100,000 farmers annually and seek the government's collaboration to enhance it. We are also expanding our collaborations with regional agricultural associations in important regions like Sinaloa, Jalisco and Veracruz."

This feeling of re-engagement is not just expressed by the leading associations but has trickled down to the commercial level too. Companies expect that under the current administration some headway will be made to unlock innovation in the sector. Marco Salcedo, managing director of AMVAC, said: "There are signs of improvement at COFEPRIS, and hopefully the product registration process

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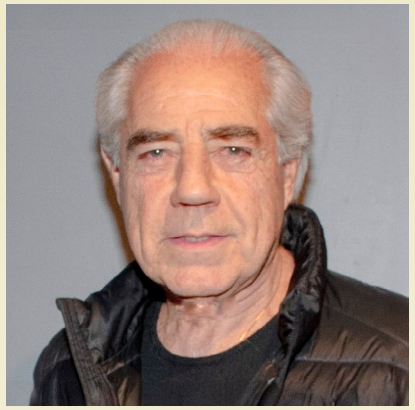


José Escalante de la Hidalga

President

UMFFAAC

> "The most important role of our association is to communicate the technical and scientific advances of new products, dispelling notions of toxicity or harmful effects on people and the environment."

Can you brief us on UMFFAAC's activities in 2024?

We have had many changes this year, including the rotation of the presidency, which I assumed on January 1. The most significant change has been the change in government. This new government has demonstrated through the appointment of new technocratic positions in key ministries and regulatory bodies, that it is serious about engaging with the industry. They have chosen well-qualified officials and we are confident that a good team will deliver positive results for the crop protection industry. As such, our main priority this year has been engagement with the new government, encouraging science-based policy making.

Fundamentally, the most important role of our association is to communicate the technical and scientific advances of new products and also important advances in biorational products, dispelling notions of toxicity or harmful effects on people and the environment. The key to this is the proper application and use of our products; the poor application of them is what causes toxic effects.

Can you give us an update on the development of UMFFAAC's programs?

ATOX is an important program that combats accidental or voluntary poisoning anywhere in our beloved country. We work in partnership with the Autonomous University of Nuevo Leon; we have a medical service available 24 hours a day, 365 days a year. We have saved lives thanks to this program, which is complemented by the Pura program, which trains day laborers and farmers to use our products properly. Every year we receive fewer calls thanks to the training given to laborers and agricultural producers in the proper use of phytosanitary products.

Campo Limpio is a program that we founded in collaboration with Proccyt. It focuses on collecting and recycling plastic waste in our fields. The collection centers have been set up by SADER, all shipping costs are paid by UMFFAAC and Proccyt. Only Brazil and Mexico have achieved this in Latin America, with domestic and global companies joining together to collect and recycle empty pesticide containers, which demonstrates the level of cooperation in our sector. Collecting containers from all companies shows us the large amount of piracy that exists. We combat this by reporting it.

What factors drive the export competitiveness of the agricultural sector?

Mexico's agricultural sector has grown steadily in importance and competitiveness, moving away from its subsistence model and becoming an export power, which is crucial for the economy in general. Mexico has a diverse climate, which allows us to produce all kinds of crops. Between October and March, we produce a variety of vegetables and fruits that are extremely popular in the US market and cannot be grown there due to the climate, and this is the period when consumption of crop protection products skyrockets. In the northwest, the agricultural sector benefits from many dams that have been built to be able to irrigate crops. We have ideal conditions to export our vegetables and fruits to the US and we have a huge competitive advantage in this space.

What impact does climate change have on Mexico's agricultural sector?

The first half of 2024 was challenging, as prolonged droughts meant insufficient water. Sinaloa, Sonora and Baja California were hit hard and are critical agricultural states. They will not be able to grow grains. Increasingly, authorities must choose where the water goes: to the cities or to the fields, although that is not the crux of the matter; the biggest problem is waste. On the other hand, heavy rains in the second half of the year have also been a challenge. These regions must adapt their agricultural composition and stop growing corn and other water-consuming grains. We must focus more on intensive agriculture, such as fruits, vegetables and flowers. This provides more employment and is our competitive advantage. Our industry is also working hard to develop products that increase resistance to water scarcity.

What are your association's priorities for the coming year?

One of our main goals is to change the legal definitions of our products from pesticides or insecticides to crop protection products. They are crop protection products; their purpose is to control invasive species and pests, not to eliminate them. We want to reduce the number of insects that grow on a crop so that we can make it profitable and commercially successful. ■

> "We need intelligent regulation with a focus on safety and the development of industry so that the benefits can be maximized."

Luis Osorio

Executive Director

PROCCYT

Can you update us on PROCCYT's activities in the last year?

PROCCYT represents the crop protection industry, including biotechnology companies in Mexico. We promote technology based on the best international practices and scientific methodologies. We sustain productivity in the field. We have conducted an analysis indicating that the crop protection products have resulted in a 46% increase in productivity in the field, equivalent to 137 million more t/y of food production, ensuring food security and a booming export business.

This new government has discussed the importance of food security and self-sufficiency; we are in alignment and are working to increase dialogue and communicate the needs of our industry to the different regulators. We want to be very close with the new authorities to understand how public policy will be shaped. We need intelligent regulation with a focus on safety and the development of industry so that the benefits can be maximized. By 2050, the population is projected to grow about 25% to 10 billion people. This will require a 60% increase in food production. This cannot be conceived any other way than with technology.

How important is public-private collaboration in the face of climatic challenges for agriculture?

Climate change is a clear and present challenge. One of the effects in Mexico has been the change in temperatures and rainfall conditions, leading to droughts and heavy rains. The water recovery levels have not recovered to levels we were at a decade ago. The problem persists. Seasons have changed, which changes the traditional cultivation system, with implications for productivity. It has also had an impact on plague routes and severity. Environmental risks can appear suddenly. These risks demand innovation; unfortunately, in the past six years, we had a paralysis in the approval of technological innovation.

This is a key focus of our association with the new government. We want to encourage science-based decision-making and have made significant advances with COFEPRIS, the primary regulator. We are re-establishing that dialogue at a ministerial level with COFEPRIS, SENASICA and SADER. Through collaboration, we can reach new agreements, but above all, new advances. We have seen the new government appoint capable people in important positions, which is positive. This gives us confidence to have a mutual dialogue with people who understand the issues and opens up many possibilities. Some easy wins can help producers and consumers, especially small and medium farmers. Our industry can help reduce poverty in the agricultural sector, which is a key objective of the government.

Can you discuss the trend towards sustainable products?

There is a significant investment in new technologies that are safer and with lower toxicity levels, in addition to the trend towards biological and biorational products. Among our member companies, a large part of their portfolios is dedicated to biological products. They are constantly developing them and complementing existing products. Integrated pest management solutions involve chemical and biological strands, biorationals and biotechnology. All can be complementary for a common goal. Taking a more integrated approach delivers more significant environmental and safety benefits.

There is also much investment in artificial intelligence, satellite monitoring and precision agriculture using drones. We are working with the authorities on these issues to communicate the importance of updating legislation that no longer fits the purpose, such as aerial spray regulation, which is now outdated due to the introduction of drones and precision spraying. This technique is more selective and environmentally friendly. Smart regulation is key.

What are PROCCYT's priorities for 2025?

The main priority is to continue in this dialogue with the authorities, organizing events that bring together industry and government to explain new trends and our industry's priorities. In addition, we will continue expanding our programs, such as CuidAgro, training farmers in good agricultural practices of agrochemicals. We train up to 100,000 farmers annually and seek the government's collaboration to enhance it. We are also expanding our collaborations with regional agricultural associations in important regions like Sinaloa, Jalisco and Veracruz.

SINTOX, our program that tackles accidental intoxication due to improper use of products, continues to be a priority. This year, we imported antidotes to combat poisoning from organophosphates and distributed them freely. We are expanding Amocali, our joint program with UMFFAAC, to collect and recycle plastic waste in the field. Finally, we continue working to combat the use of illegal agrochemical products. ■

Fernando Vera

CEO

GRUPO VERSA

> The challenge for companies is to invest in more technical support and encourage farmers to adopt them.

Can you update us on recent news from Grupo Versa since 2023?

In recent years, we have been working on the development of formulations and molecules with lower environmental impact and reduced toxicity. On the biological side, we have been developing and registering new products based on microorganisms, biological extracts and biostimulant agents. We have been involved in the seed market for more than 30 years, and the alfalfa sector is important to us. Every year we organize an event, the 'Alfalfa Expo Innovación', which brings together local farmers, distributors and technical experts on topics that may be of interest to growers and introduces innovative methods of irrigation, crop protection and nutrition to achieve higher yields. This year was the third time we held the event. We held one here in the city of Torreon and another in Chihuahua.

We want to be closer to producers and have almost 100 people in the field throughout the country, bringing them technical knowledge that can contribute to agricultural management and yields.

Can you discuss the trends in demand for agrochemicals in Mexico?

These last few years have been complicated worldwide for agriculture due to climatic problems that have significantly affected crops. Last year we had a major problem with droughts, and this has been the second year of dry conditions. Fortunately, due to the La Niña weather pattern, we have had a decent amount of rain later in 2024, although not across the country, and significant agricultural states such as Sinaloa and Chihuahua are still very dry.

How might the change in government affect the Phytosanitary industry?

There is some uncertainty about how the new government will approach the vision of crop protection alternatives that are on the market, but we are optimistic given the scientific background of the new President, and hope that there will be rational decision making. As an example, there is glyphosate, which has been defamed for years, while there is nothing conclusive that says it is harmful, and there is no commercial substitute for it. This has already been seen in Europe, where despite the intention to ban the product, they have already returned to accepting its use. The new Mexican government could have a different perspective and recognize that the phytosanitary industry will play a great role to increase the production of our agricultural sector.

It is important to consider that any decision to ban phytosanitary products could have a great impact on farmers, especially small ones, as they are more sensitive to costs and vulnerable to changes. Authorities must make decisions on this issue based on science and realize the consequences if they do not act accordingly.

Can you discuss the sector's development of biologically based products?

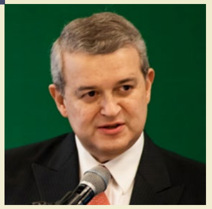
This is a growing market in Mexico and the world, although these products are more difficult for farmers to adopt and require a lot of technical support from suppliers. Chemical molecules continue to offer better and faster performance, and it seems that a total natural solution for crops is complicated to achieve at the moment. For now, I believe that the best option is to use biorational products as part of an integrated pest management, and looking to decrease the chemical load on crops.

At Versa we are developing new biorational alternatives, looking for integrated solutions for different crops and pests. We search for new microorganisms, plant extracts and other organic materials, which act as pest controllers, biostimulants, products for abiotic stress and resistance inducers, and we have been pleasantly surprised by the results that we achieve so far with this type of products. The challenge for companies is to invest in more technical support and encourage farmers to adopt them. In addition, there must be a commercial incentive in the price of organic crops, so that more growers adopt these new alternatives. Many farmers have already adopted the technology, but there is still a long way to go.

Can you discuss Grupo Versa's priorities for 2025?

Our main goals for 2025 will be to increase our production capacity for biorational products, invest more in research and development, and continue with our registration and expansion plan outside Mexico. We will also work hard to develop our staff and increase our technical assistance capacity so that we can help more farmers to improve their yields. ■

JC



RE

Javier del Castillo and Roberto Escalante

JC: CEO

RE: Managing Director

ISQUISA & FERTISQUISA

Could you share the history and trajectory of ISQUISA and Fertisquisa?

JC: ISQUISA was founded in 1993 as part of the industrial business unit. We began by producing and distributing about seven products, focusing on the regional and local sectors. Over the years, we have expanded to offer more than 50 developed products, with many others in development. We owe our progress to strong partnerships with national and international suppliers, manufacturers, and clients, which include major global and transnational players. Our logistics network is strengthened by our sister company, AutoQuímicos, which operates a modern fleet of over 100 transport units and 200 trailers, ensuring high-quality services. Furthermore, a significant investment is our new distribution center in Tepeji del Río, Hidalgo state.

RE: Fertisquisa has been a key player in the food chain in Mexico. Currently, we focus on fertilizers, offering a range of granular, liquid-soluble and specialty products combined with direct field support for farmers. Our ambition is to expand solutions offered to the farmers incorporating crop protection and biological solutions. We have strategically located distribution centers and plants, especially near key ports like Veracruz and Manzanillo, ensuring efficient bulk imports. Our "go to market" strategy allow us to reach the customer quickly and effectively.

What actions is Fertisquisa prioritizing to address agricultural challenges?

RE: Our priority in the agricultural sector is to innovate in ways that align with sustainable practices while enhancing crop yields. This includes addressing environmental regulations, supply chain resilience, and evolving customer expectations. The agricultural sector faces significant challenges, including climate change, regulatory risks, severe droughts and devastating floods in some areas. On the regulatory side, there is a threat of banning certain crop protection products deemed highly hazardous. If such bans were enacted, they could reduce agricultural productivity by 40–50%, according to FAO estimates. Despite these challenges, agriculture remains one of Mexico's fastest-growing sectors, particularly in exports, and the country's third-largest source of foreign income.

How does ISQUISA manage risks in the chemical sector?

JC: One significant risk is regulatory compliance, especially with chemicals like hydrochloric and sulfuric acids, which are classified as drug precursors. We ensure compliance with regulations, emphasize industrial safety, and maintain transparent logistics to mitigate exposure. Another critical challenge is Mexico's logistics infrastructure, including road conditions and lack of skilled truck drivers. We have implemented driver training programs focusing on technical skills, personal values, and adherence to drug-free standards, aligning with our commitment to safety and operational efficiency. Additionally, recent government actions, such as combating synthetic drugs, improving security, and addressing migration, create a more favorable investment environment. These measures reduce risks and enhance Mexico's attractiveness for businesses. We are optimistic that these changes will positively impact our industry and the country, encouraging further investment and growth.

How does ISQUISA approach talent development and retention?

JC: We have built strong partnerships with institutions like IPADE and ICAM, where many of our executives and employees have undergone advanced management training and professional development programs. Additionally, we have a long-standing collaboration with Universidad de Anáhuac, where I serve on the advisory board. These alliances help us align academic offerings with our business needs, enabling us to train employees across all levels, from sales and operations to leadership, and ensure we retain top talent through a culture of growth and learning.

What are ISQUISA and Fertisquisa's expectations for 2025?

RE: We do believe Fertisquisa will play an even more important role as a key player in the agriculture in Mexico. Therefore, we are emphasizing portfolio expansion and investing in infrastructure, such as our new plant in Hidalgo, to strengthen our position in Mexico's chemical and agricultural markets. Fertisquisa is committed to advancing sustainable agriculture by introducing innovative bio products and incorporating technologies like artificial intelligence and precision, regenerative agriculture. These innovations enable us to enhance efficiency, promote soil health, and address environmental challenges. By supporting small and large farmers we are boosting productivity, ensuring food security, and redefining ourselves as a holistic provider of agricultural solutions. ■

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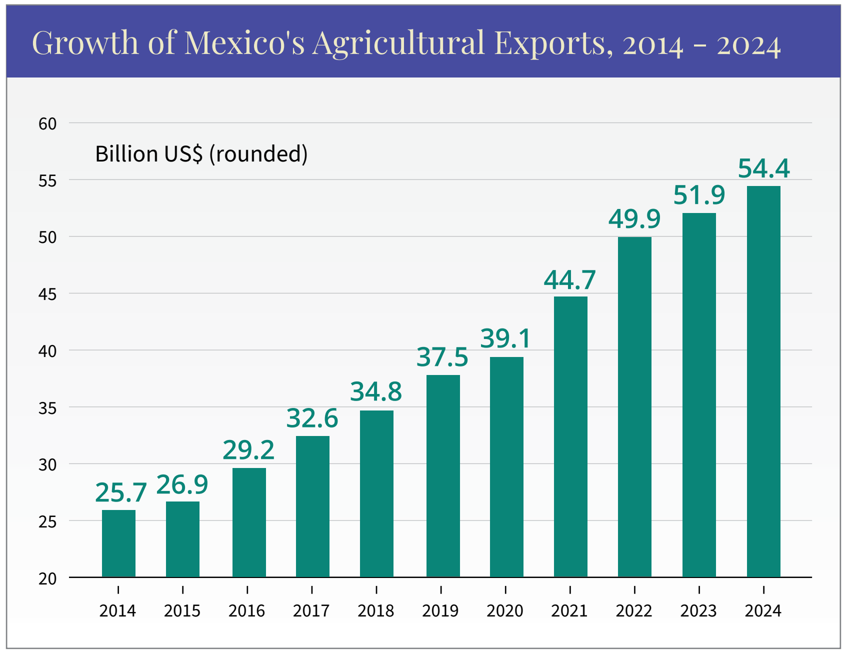
can be made more efficient because it stifles innovation."

Years of bureaucratic indecision, slow product approval times, and the looming threat of the glyphosate ban all contributed to creating a sizeable illicit market for crop protection products, the prevalence of which has led to detrimental health and environmental outcomes. If the government is serious about re-engaging with the private sector, it will also have to get tough on illegal goods, which have distorted the market for years. Francisco Ortiz, CEO of Altiara, said: "Unregistered products remain a significant issue in Mexico, making up roughly 25-30% of the market's value."

Collaboration with the government is crucial in the face of serious difficulties. The principal climate-related challenge facing the country's farmers is drought conditions, making access to water harder and pushing the country's water infrastructure to the brink. According to data from Conagua, the Mexican National Association for Water, Mexico's agricultural sector consumes over 75% of the country's water. The agency's drought monitoring center indicates that the north of the country continues to suffer from extreme to exceptional drought conditions across parts of the country that are key to Mexico's agricultural export success.

Historically, low water levels have disproportionately affected some of Mexico's most critical agricultural regions, forcing farmers to change their cultivated crops. This shift echoes sentiments proposed by industry executives for years, especially concerning cultivating water-intensive corn. Altiara's CEO Ortiz said, "Water shortages have posed a severe challenge, particularly in regions like Sonora, Sinaloa, and Baja California, which are key markets for us. The lack of water has reduced cultivated acreage considerably—affecting around 50% of vegetable production."



Source: SIAP, Bank of Mexico

Looking at Mexico's northern neighbor, a more sophisticated agricultural infrastructure support network has allowed US growers to weather irregular weather more resiliently. Cristian García, Ag business relationship director for LATAM for Gowan Company, which offers crop protection products, has seed and fertilizer businesses, and a port facility in Guaymas, Sonora, said: "Mexico's agricultural sector could learn from our northern neighbor. The availability and use of water are key differentiators... The US agricultural sector benefits from significant subsidies, open credit lines, low interest rates, and accessible financial instruments."

The water crisis distorts agricultural patterns in Mexico, causing regions traditionally competitive in certain crops to lose out. Many executives we spoke to insisted that agricultural growing patterns in the country must change, but cultural and regulatory resistance to such change persist. Sergio Aburto, vice president of North Latam for Acadian Plant Health, said: "The government prioritized water for urban areas over agriculture, which resulted in insufficient irrigation for crops like corn, wheat and beans."

Acadian Plant Health recently announced a global partnership with BASF. Aburto said: "This collaboration enables us to leverage BASF's extensive global presence while combining our expertise in marine algae-based technology to create innovative products that meet the growing demand for sustainable agriculture."

Droughts are not the only climate-related risk in Mexico, however. With the rainy season becoming more irregular and, in places, more intense, the prevalence and behavior of pests in some regions have also changed. Luis Eduardo González Cepeda, commercial director at Dragon, one of Mexico's leading domestic crop protection companies, said: "Dragon is investing in new molecules and further insecticide developments to combat the evolving pest dynamics caused by climate change."

Grupo Versa's strategy to deal with climate challenges has been getting closer to its farming customers better to understand their needs, vulnerabilities and requirements. Fernando Vera, Grupo Versa's CEO, said: "A relevant strategy to combat this has been to promote our brand and increase the proximity to customers with our technical teams. In the last three years, we practically doubled the number of people in the field."

Crop protection companies are developing alternative methods to retain client loyalty, promote brand awareness, and help their customer base survive the current difficulties. Companies across the crop protection spectrum, from Altiara to UPL, have turned to rural financing initiatives, extending credit lines to customers. UPL's 'Shakti' rural financing model, which it practices worldwide, incentivizes farmers to purchase more sustainably produced and environmentally beneficial crop protection products. At the local level, Altiara has identified farming customers particularly affected by severe droughts in the past year and extended credit lines to them so that they can secure crucial crop protection products for their harvests.

Like other sectors, Mexico's agricultural producers could be exposed to punitive tariffs imposed by the US, the leading destination for the bulk of Mexican export crops. Like many companies in the sector, Grupo Lucava has taken steps to diversify its export markets. Counting on export markets in the Caribbean and Central America, it recently launched a new line of patented, sustainable crop protection products that the company thinks could help them reach European markets too.

Considering the size of the agricultural sector and its export competitiveness, it is no surprise that multinationals are committing resources to research and develop new products and methods for their Mexican customer base. The Indian agrochemical giant UPL has been present in Mexico for decades, and Himanshu Panwar, business head of Mexico & Cuba at the company, was keen to share UPL's commitment to R&D in-country, commenting: "One notable achievement is establishing a global center for biological product innovation in Coahuila. This facility, a US$15 million investment, focusing on R&D, delivering organic and natural agricultural solutions."

Similarly, for Bayer, Mexico has been key to developing new agricultural tools and products. Nery Echeverría, business lead North LATAM, seeds & crop protection at Bayer Crop Science, said: "Short corn was a development that started globally in Mexico. We have Mexico's most important seeds research center, which has world-class infrastructure... On the digital technology side, in Q4 2024 we launched FieldView' in Sinaloa, a digital tool we have been developing for over four years."

Another multinational that is investing in its R&D capacity in Mexico is FMC Corporation, which has fostered relationships with research institutions to jointly develop innovative products with university faculties, a common practice in Mexico. According to Juan Francisco Ortiz Diaz, business director Latam North, FMC annually invests over US$350 million in R&D globally. In Mexico, FMC has gone back to class; "A particular product that stands out is one we developed in collaboration with the National Autonomous University of Mexico (UNAM), which uses an exclusive strain of beneficial organisms."

For Albaugh, the world's largest privately owned off-patent supplier of crop protection products, Mexico has been a key driver of growth since 2003, and R&D investments locally have followed. The company's offices in Guadalajara manage the Mexican market, which is its largest in the north Latam region. Albaugh is investing in the development of a biorational product portfolio for Mexico, and Carlos Saavedra, Mexico & LATAM North president, said: "In Mexico alone, we will invest over US$2.5 million in innovation, which involves the development of products."

Regulatory and social pressures on glyphosates and chemically based crop protection products have, in recent years, spurred development and investment in organically derived substitutes, which are becoming increasingly prominent in the Mexican market. Valent de México, a subsidiary of Sumitomo Chemical, has been moving in this direction for years. César Parada, managing director of Valent de México, said: "Additionally, we are investing in the biocontrol market. This sector represents a US$104 million market in Mexico, with biological fungicides, insecticides and growth regulators (PGRs) taking precedence."

Despite these challenges, the agricultural market remains attractive enough for new entrants to make a mark. Fertisquisa, part of the Isquisa group, has been expanding its fertilizer business, and Roberto Escalante, the company's managing director, said: "Our ambition is to expand the solutions offered to the farmers incorporating crop protection and biological solutions." ■

Carlos Saavedra

Mexico & LATAM North President

ALBAUGH

> "Technology for the field has been evolving towards products that are more friendly to the environment, with faster degradation, more specific impacts and targets, and without collateral damage."

Can you introduce us to Albaugh?

Albaugh is the largest privately held global supplier of crop protection products, that specializes in off-patent product commercialization. It was born in the United States in 1979, in the state of Iowa. Today, Albaugh operates in all world regions with a combined portfolio of herbicides, insecticides, fungicides, and bio-stimulants. We have a very diversified product portfolio.

Can you discuss Albaugh's coverage of the North LATAM region, including Mexico?

We have two main offices in the region, Guadalajara and Bogotá. Mexico is our largest business in this region. After that comes Colombia. We have a plant in Chihuahua, which we plan to expand to formulate other products in addition to what it produces now. The relevance of the Mexican market for the agricultural sector is its proximity to the US. Unlike Argentina, Brazil, and the US, this region produces mostly fresh food, such as fruits and vegetables. The greenhouse sector is growing, and investments are very high. The rest of our region continues to grow, but fundamentally, Mexico is growing much faster because of its high-value, export-oriented agriculture market.

What factors differentiate Albaugh from the competition?

The company was born as an off-patent alternative for farmers; off-patent products need to be high quality to generate credibility for the company and give farmers the security to trust and use these products, in addition to the lower cost benefit. Our slogan is 'your alternative'. So, it is to be an alternative so that farmers can access this world of off-patent with a good product cost and ensure quality. Innovation is very important for us because today, up to 85% of the molecules on the market are off-patent. We reimagine molecules and see how they can be mixed to generate differentiated products.

What are the main challenges faced by agriculture in the country?

The climate issue is impacting us, and it is difficult to predict the future as most agriculture here in Mexico and the region is not irrigation agriculture; it is open-field agriculture. The sector is being impacted by the diversion of water to cities, which is a growing dilemma for the government. It is a complex challenge for agriculture and the country. The government must pour more resources into the water collection system and agricultural inventories. Open-field agriculture is more at risk.

Technology for the field has been evolving towards products that are more friendly to the environment, with faster degradation, more specific impacts and targets, and without collateral damage. However, the regulatory bodies have also constantly ramped up this pressure to demand better products. This is a natural evolution, but development takes time and resources. Authorities need to keep this in mind. Most of the products used in the field are chemically based; in the case of widespread outlawing of products, it will be an absolute disaster for the farmers. The case of Sri Lanka is a textbook example of the consequences of such actions. The industry is transitioning and working on biorationals based on organic extracts and similar to serve as crop protection goods. Everyone is moving in that direction, but it cannot be forced beyond a logic of large investments and capabilities that require time to become real alternatives.

Can you discuss Albaugh's recently released Sustainability report?

This is our first sustainability report ever published, which is a milestone for the company. It forms part of our core objectives: to measure and mitigate any environmental impact we might have. In addition, the company has decided that five molecules will no longer be included in our portfolio and sold to customers. The main point is to measure our impact and take action to improve.

What are Albaugh's main objectives in the region for 2025?

We are investing in R&D and a new portfolio of products. We want a more robust portfolio for our farmers. We recently signed an agreement with a company dedicated to biorationals. We are doing a lot of work, specifically in Mexico and Peru, to test these biorational products, which work in other markets, with good results. ■

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Luis Eduardo González Cepeda

Commercial Director

DRAGON

What trends are you seeing in Mexico's agricultural sector?

In recent years, there has been a global trend towards reducing the ecological impact of agricultural products by minimizing or eliminating residual effects, toxicity, and persistence. Dragon has been working on this for some time, and the company has eliminated all red-band products, which represent the highest level of toxicity, from its portfolio. Dragon is moving as many products as possible into the green band, which indicates the lowest toxicity.

Could you talk about the fungicides you are developing and how they help farmers?

Dragon is focused on developing fungicides that offer solutions through multiple modes of action. Instead of creating particular products, the company is formulating fungicides that tackle problems with a single application or product. Dragon is also investing in new molecules and further insecticide developments to combat the evolving pest dynamics caused by climate change.

Looking ahead to 2025, what are Grupo Dragón's priorities?

Dragon plans to launch 14 new solutions in the coming years. Dragon is also looking to support Mexico's agricultural exports. ■

Marco Salcedo

Managing Director

AMVAC MÉXICO

Can you update us on AMVAC's activities in the past year?

The last couple of years have been challenging for agriculture. There is much pressure in terms of prices and the ability of farmers to buy. We have also had a complicated year, though AMVAC in Mexico outperformed some other regions where AMVAC operates.

Can you discuss AMVAC's ongoing collaboration with Solena AG?

AMVAC and Solena AG have been working together developing SmartSoil, which puts together a group of products to protect the root of the plant better, and with that, promotes productivity. We are helping to lower the incidence of diseases, even when the disease is present on the ground. We have been able to improve our stress resistance. We have been able to take advantage of nutrition issues. With all of that, this collaboration with Solena, we help us understand better the impact on the plant, and what benefits it has for the producer.

What can the new government do to support the agricultural sector?

We hope this government is open to dialogue, seeking accommodations and working together. There needs to be an appreciation of the importance of the agricultural sector for the Mexican economy. ■

Cristian García

Ag Business Relationship Director LATAM

GOWAN COMPANY

Can you discuss Gowan's presence in Mexico?

In addition to crop protection products, our operations in Mexico include seed and fertilizer businesses and a port facility in Guaymas, Sonora. The Guaymas port operation, Cortés Transfer, handles fertilizers distribution and storage.

What trends and challenges are you observing in the Mexican agriculture market?

The agriculture market in Mexico has been under significant stress due to climatic and public policy factors. The market faces several uncertainties, but there are glimmers of hope.

How does public policy affect the agricultural sector in Mexico?

Despite challenges, agriculture has remained productive, although restrictive policies and proposals to ban essential products have further complicated the situation. Mexico's agricultural sector could learn from our northern neighbor. The availability and use of water are key differentiators. In the US, water infrastructure is impressive, with extensive networks of canals and underground distribution systems. Irrigation is highly technical and often automated, ensuring precise water distribution. The U.S. agricultural sector benefits from significant subsidies, open credit lines, low interest rates, and accessible financial instruments. ■

César Parada

Managing Director

VALENT DE MÉXICO

> "By fostering educational interactions with clients and distributors, we aim to grow awareness and market presence."

Can you discuss Valent de México's recent news?

Our core focus is on sustaining food production within Mexico and promoting sustainable practices through strategic alliances and training programs for field technicians. Plant intelligence is one of our core divisions, which provides premium, high-profit products sourced primarily from third-party suppliers. Additionally, we are investing in the biocontrol market. This sector represents a US$104 million market in Mexico, with biological fungicides, insecticides, and growth regulators (PGRs) taking precedence. We hold a 17.6% market share, mainly in PGRs and insecticides. We are developing nine new products, expected by 2029, to drive additional growth. Some recent releases are being registered, with more in development in the US under FBSciences, a company we acquired.

Where does Valent see growth opportunities?

In 2023, our revenue grew by 12%, establishing Valent as the fastest-growing company in Mexico's agriculture sector. The next closest competitor recorded around 4-5% growth, while the overall market remained stagnant. This growth is a testament to our practical business model and strategic initiatives. Our primary growth area lies in high-value crops with promising profit margins. Specifically, we are focusing on the 'Big Three' vegetables: cauliflower, broccoli and peppers, as well as tomatoes and strawberries. Our efforts extend to crops like watermelon, cucumber and various leafy greens, with strategic emphasis on table grapes and potatoes through our PGR products. A standout product, "retain," has become key in several regions. Our strategy prioritizes sustainable agricultural solutions and relies heavily on partnerships with large-scale producers and distributors to enhance efficiency and align with global trends. By fostering educational interactions with clients and distributors, we aim to grow awareness and market presence.

What challenges do you foresee for the agrochemical sector?

The Mexican government has adopted stringent regulations on crop protection products over the past six years. These restrictions often necessitate legal action, as we face rejections for product registrations or renewals. Fortunately, Valent de México has maintained a 100% success rate in securing protection rulings, which helps us stay aligned with our sustainability and product development goals, though it comes at a high cost. Recently, a government official suggested reverting to manual agricultural practices, which we consider unfeasible. Such a shift would reduce industry competitiveness by 40%, impacting businesses of all sizes. Drought is another pressing issue, as it directly affects productivity. Our role at Valent is to push for innovative product solutions that are both efficient and environmentally compliant, supporting food production in Mexico and beyond.

How does innovation help Valent tackle sustainability challenges?

Innovation offers boundless potential. Valent dedicates approximately 2% of our budget in Mexico to research and development, but our goal is to reach 6%. We specialize in offering biorational and biological products, including differentiated growth regulators that maximize crop protection and agricultural production while minimizing environmental impact, which is essential given the challenges of climate change. This commitment reinforces Valent de México's leadership in making agriculture more efficient and sustainable.

Sustainability guides our demand creation strategies. We work directly with distributors, technicians and influencers in key agricultural regions, promoting products and educating them on their applications. Demonstrative sessions allow us to show growers firsthand the impact of our products. This approach has led to significant sales increases, helping us recover from an initial drop in the first five months of our fiscal year. We recouped roughly 18% of prior losses by September, positioning us for growth. Considering security, regulatory and drought challenges, we also offer extended credit terms to our loyal distributors. This empowers them to be more assertive in promoting our products, ensuring crops get the necessary protection instead of relying on minimal intervention, which limits crop health and productivity. We aim to foster a culture of responsible, sustainable agricultural practices that contribute to Mexico's food production.

What are Valent de México's strategic priorities for the coming year?

Our primary goals include ensuring sustainable processes, exploring strategic partnerships with key distributors to retain and grow market share, executing impactful marketing programs, and optimizing resources. On the demand side, we are building solid relationships with distributors and producers to support our premium portfolio and conventional brands. Staying ahead of market trends and anticipating challenges allows us to respond better to industry demands, including regulatory shifts and climate-related challenges. ■

Sergio Aburto

Vice President North Latam

ACADIAN PLANT HEALTH

> "In the coming year, our company is focusing its energy on developing and bringing to the market our seed treatment technology as well as our abiotic stress technologies."

Can you share some updates on the agricultural sector and the company in the past year?

2023 and 2024 have been atypical years for Mexican agriculture. We faced significant setbacks due to climatic factors. The first four months of this year were devastating; nearly everything that was planted failed due to the lack of water. The government prioritized water for urban areas over agriculture, which resulted in insufficient irrigation for crops like corn, wheat and beans. While certain regions have experienced good rain and dams are filling up, areas like Sinaloa, Sonora and Chihuahua continue to suffer from severe drought. This ongoing drought means that areas for wheat, corn and beans may be reduced significantly next year. This will undoubtedly increase imports and further strain the agricultural sector.

Additionally, international crop prices further complicated matters. The Mexican government tends to align payment rates with global prices, leading to an over-reliance on imports. This year, we are importing over half of the corn needed for food. It is alarming because local producers are not receiving the support they deserve. High-value crops initially struggled with low prices and yields, but some, like tomatoes and avocados, have started to recover recently. Conversely, agave prices have plummeted due to oversupply, contrasting with the rising prices of tequila.

Recently, we announced a comprehensive partnership with BASF that enables us to leverage BASF's extensive global presence while combining our expertise in marine algae-based technology to create innovative products that meet the growing demand for a sustainable agriculture.

How important is Mexico to Acadian Plant Health?

Mexico is crucial for our business, contributing around 98% of our revenue in the region. We have a strong market penetration here, especially in high-value crops, with over 50% in the seaweed market and around 35% in bio stimulation. Compared to other Latin American countries, Mexico's agriculture landscape presents unique opportunities, particularly in citrus and sugarcane, which are currently experiencing high demand. The importance of sustainable agriculture solutions is increasingly recognized. Producers and authorities are aware of the need for more environmentally friendly practices. Acadian Plant Health focuses on scientific based technologies and aims to maintain a leading position in the seaweed sector. However, the market is competitive, with many claiming similar benefits. Our differentiator lies in our rigorous scientific support for our products. As the demand for bio stimulants continues to grow, especially compared to traditional crop protection methods, we see a significant opportunity in this segment.

What are the agricultural sector's greatest non-climatic challenges?

There is significant competition for labor. The agricultural sector is struggling to attract qualified workers, as other industries often pay more and offer better benefits. Many workers prefer industrial jobs due to higher wages and social security, although the government has made efforts to improve conditions in agriculture. Addressing the regulatory challenges around product registration is essential. However, the demand for organic and environmentally safe products is on the rise, creating new opportunities. Our focus will remain on developing innovative and tailored made solutions to the specific needs of each market, emphasizing sustainability and productivity with scientific support.

Can you discuss Acadian Plant Health's approach to innovation and algae cultivation?

The seaweed we use, Ascophyllum nodosum, is a natural resource. We have a specific department that oversees looking after it for us to be able to provide it for many more years. None the less relying merely on algae will eventually prevent you from meeting the market's demand for higher yields. Therefore, the new technological combinations that we are developing will lead to three product lines that are expected to be launched in the coming years. These are focused on seed treatment directly and on abiotic stress, drought resilience, water uptake and efficiency, and abiotic stress for extreme temperatures. Besides these we have some granular products that are anticipated to hit the market within the coming years.

What are Acadian Plant Health's priorities for the coming year?

In the coming year, our company is focusing its energy on developing and bringing to the market our seed treatment technology as well as our abiotic stress technologies. Seed treatment is crucial because it sets the foundation for the entire crop. There is a significant collaboration with BASF on both aspects, which is promising for the future. ■

Himanshu Panwar

Business Head Mexico & Cuba

UPL

Can you discuss UPL's key developments in Mexico in recent years?

One achievement is establishing a global center for biological product innovation in Coahuila State, north of Mexico, which focuses on R&D, delivering organic and natural agricultural solutions. Mexico was chosen for this investment due to its talent pool in research. We have experienced significant growth in market share in Mexico, moving from 8-9% to over 13-14% in two years. This required a focus on developing products from natural origins, such as seaweed and plant extracts, under our Natural Plant Protection (NPP) business unit. We also launched the Mexico Sustainability Council, which involves farmers, distribution networks, state governments and industry associations to address issues such as water conservation, reduced chemical usage, and opening new markets for Mexican agriculture.

UPL also offers a digital platform called UPLive, which provides satellite and sensor-driven insights to optimize resource allocation and improve productivity.

What are UPL's expectations for 2025?

UPL aims to combine sustainable products with technology to improve agricultural productivity and is making significant investments in startups, digital technologies, and natural plant products across Mexico and globally. ■

Juan Francisco Ortiz

Business Director Latam North

FMC CORPORATION

What trends do you see in Mexican agriculture?

Mexico is moving toward vegetables, fruits, and other high-value crops that maximize resource efficiency. Despite market pressures, traditional crops remain, driven by strong cultural ties.

What are your thoughts on the processes surrounding approving new products?

The current approval process for patents and new products is lengthy and a faster and less bureaucratic approach would benefit the sector. Agrochemicals have faced scrutiny, sometimes unjustly.

Can you share more about FMC's sustainable products?

A particular product that stands out is one we developed in collaboration with the National Autonomous University of Mexico (UNAM), which uses an exclusive strain of beneficial organisms. FMC acquired a pheromone company a few years ago, and I believe pheromones represent a promising future in pest control. These products enable us to control pest populations without outright eliminating them, which is a more balanced approach to managing agricultural ecosystems.

In Mexico, we will continue to adapt to the changes in agriculture, focusing on the crops that hold promise for the country's future. ■

Nery Echeverría

Business Lead North LATAM, Seeds & Crop Protection

BAYER CROP SCIENCE

Can you discuss how Bayer Crop Science offers an integrated solution for producers?

Our strategy is to offer an integral solution. We are very strong in seeds and agrochemicals. Today, we offer farmers a completely integrated solution for corn, cotton, and sorghum in the Latin American North region, specifically in Mexico. On the digital technology side, in Q4 2024, we launched FieldView in Sinaloa; a digital tool we've been developing for over 4 years. In 2024, we will reach 400 farmers with the commercial version to be able to add more value to agricultural producers so they can make more informed decisions.

We have also developed the short corn plant one meter lower than conventional hybrids.

What are your R&D capabilities in Mexico?

We have the most important seeds research center in Mexico, which has world-class infrastructure. The only thing lacking is the biotech division, which is outlawed due to regulation.

What are the company's objectives for the coming year?

Commercially, we are scaling the short corn and 'FieldView' offerings, which are very important for us in Mexico. ■

SPECIALTY CHEMICALS

> We are witnessing significant growth driven by the expansion of our clients here, alongside a wave of new companies investing under the framework of nearshoring, despite ongoing discussions around tariffs and geopolitics.

Martín Toscano
President
EVONIK MEXICO

Image by Mart Production at Pexels

Specialty Chemicals

Buoyed by strong auto sector, companies continue to diversify

Mexico's specialty chemicals market is dynamic and competitive and continues to attract international attention, confronting any challenges the wider economy might throw at it. Buoyed by strong demand from the automotive sector and its continuous transition towards more sophisticated production and EV adoption, underpinned by US demand and competitive Mexican labor costs, specialty chemicals companies have ridden the nearshoring wave to its height. In addition, 2024 was a historic year for the sector, marked by the Abu Dhabi National Oil Company's (ADNOC) US$12 billion purchase of Covestro, the German specialty chemicals giant. Sustainability and circular economy initiatives, R&D advancements and investments, and the specter of a US-Mexico trade conflict were all on the minds of executives interviewed for this year's report.

ADNOC's purchase of Covestro has implications for the company worldwide and includes a pledge to retain the management and, therefore, the strategic direction of Covestro's operations and its circular economy commitments. Speaking about ADNOC's takeover, Arturo Molino, managing director of Covestro in Mexico, commented that this injection of fresh capital would allow the company to weather better the cyclical nature of the chemical sector and poise the company for future growth. Molino reiterated Covestro's goal to become a fully circular company by 2035: "Last year, we invested over €374 million in R&D, with a significant portion focused solely on circularity."

Global R&D and infrastructure investments to improve Covestro's sustainability metrics and get closer to the circularity objective have also reached Mexico. Molino added: "In Mexico, we have upgraded the cooling towers at our Santa Clara facility, making them 30% more energy-efficient, significantly reducing energy usage for our cooling needs."

In 2024, Arkema also made a significant global acquisition with implications for Mexico. The company's three principal business segments in Mexico include coating solutions, adhesive solutions and advanced materials. Salvador Soria, president of Mexico, Central America and Andean Region at Arkema, said: "A key development for 2024 is acquiring a business in Toluca, Mexico, focusing on flexible lamination, a specialty chemical segment, which came with Arkema's US$250 million global acquisition of Dow's flexible packaging laminating adhesives business."

Arkema operates five facilities in Mexico, including the newly acquired Toluca plant and facilities in Naucalpan and Querétaro. At the Naucalpan plant alone, Arkema has announced more than a US$10 million investment to upgrade and expand productive capacity, with an eye to the US export market. Like much of the specialty sector, Arkema has watched the automotive industry closely. Soria claimed that the growing role of electric mobility in that industry, mainly for export out of Mexico, was well aligned with Arkema's research spend and alignment with industry megatrends.

he Mexican auto industry set records in 2024 for total production and export of vehicles. Figures from INEGI showed a 5.6% increase in production compared to 2023, with a 5.4% increase in exports of cars. Mexico now ranks as the planet's 4th largest producer of automobiles, 95% of which are light passenger vehicles. Forecasts for the sector's performance in 2025 by Prodensa indicate that it could grow by around 2.7%, as the sector becomes impacted by trade and tariff uncertainty stemming from the United States. In addition to these figures, domestic sales of light vehicles rose by 9.8%. Eduardo Cortés, Latin America general manager at Momentive, said: "As vehicles become more sophisticated and lighter with more technology and plastic components, the demand for specialty materials will continue to increase."

Momentive has recently opened new offices in Mexico City and is exploring the viability of establishing a business support hub for the Americas. Momentive has invested in its sustainability track record and was recently awarded the EcoVadis Gold award.

The auto industry's impressive growth means there is enough cake for all. Celanese, which in 2024 acquired Dupont's mobility & materials division, has also doubled down on Mexico and the future of its automobile sector. In addition to an acetylene production site in Cangrejera and US$600 million in annual sales in Mexico, the company has recently established a business solution center for cus-

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Image courtesy of Reacciones Químicas

Maggie Gómez-Rábago

Managing Director

CHARLOTTE CHEMICAL

> This new government has the potential to foster growth and innovation within the industry, especially if it focuses on facilitating international trade and addressing logistical challenges.

Can you tell us about the past year at Charlotte Chemical?

The past year marked the fifth consecutive year of sustained growth in sales and profits for our company. It has also been a year full of challenges, but one major accomplishment was consolidating the implementation of an enterprise resource planning (ERP) system. This has professionalized our team further, enabling better analysis, clearer information, and more actionable insights through the ERP's data and alerts. Although the process took three challenging years, it has significantly improved our efficiency and decision-making. Our focus remains on sustaining growth by maintaining high service levels and consistently delivering value to our clients. 2024's significant step was establishing a Strategic Sourcing department, which includes marketing and market intelligence. This allows us to understand better market trends, price movements, and availability issues, many of which are impacted by global geopolitical dynamics. To address these issues, we have prioritized securing alternative, more sustainable solutions that lower costs, reduce carbon footprints, and minimize health impacts. We have seen particular success in flame retardants, offering clients eco-friendly and more cost-effective options alongside traditional products.

What progress has been made on your goals to expand in the plastics industry?

In plastics, our focus has been on flame retardants, both traditional and newer, more sustainable solutions. While we have grown our market share, there is still significant room for expansion. Internationally, we have sourced sustainable, low-VOC, and natural-origin products that substitute petroleum-based solutions. These products meet or exceed performance standards while reducing environmental impact. For example, we have introduced a low-VOC coalescing agent based on citric acid that benefits the environment and provides economic advantages by reducing waste.

Sustainability does not always equate to higher costs. While the local Mexican market often prioritizes price, the global market increasingly values sustainability. For instance, products with lower carbon footprints can sell more quickly in markets like Germany, even if they are slightly more expensive. Nearshoring and export opportunities also play a role. Mexican manufacturers focus more on external markets, where buyers appreciate sustainable, high-quality products.

What challenges has the chemical industry faced in the past year?

The industry has faced geopolitical pressures, rising raw material costs, and logistical challenges. However, we have adapted by focusing on market intelligence, strategic sourcing, and sustainability. Tariff threats from the US are a potential headwind. If tariffs are imposed on Mexico or Canada, the added costs will likely impact American consumers through increased logistics costs or tariffs. This would lead to less consumer spending due to higher prices. Much of the rhetoric is for negotiation purposes, and Mexico is better prepared to negotiate firmly. Mexico's free trade agreements with 48 countries also open vast opportunities to explore other economies. Diversifying our focus can yield significant results even in markets often overlooked by others.

I feel optimistic about the new administration under Claudia Sheinbaum's leadership. She is a highly educated, scientifically minded individual who understands high-tech concepts. This shift gives me hope for improved dialogue and collaboration with the government, lacking in the previous administration. The chemical industry is critical for Mexico's economic strength, supporting numerous industries and creating substantial direct and indirect employment. This new government has the potential to foster growth and innovation within the industry, especially if it focuses on facilitating international trade and addressing logistical challenges.

How is Charlotte Chemical using new technologies to improve processes?

Our ERP system implementation took two years, and we were determined to complete it in 2024 to avoid further delays. We identified opportunities that might have been overlooked by teams working within routine processes. For instance, we automated data entry for import processes using AI, eliminating manual input tasks like entering customs declaration details. This ERP system has enabled numerous advancements, including alerts for unmoving or soon-to-expire products, notifications for cost fluctuations, and tools for better decision-making. It has also integrated human capital management, improving connectivity across our operations. Being directly involved in the implementation process was also critical, as it helped uncover hidden opportunities for improvement. Our ERP system has become a strong foundation for further enhancements. ■

Rafael Méndez

Regional Vice President

CRODA LATAM

> When we analyze the local market, we see an active consumer sector eager for new product launches.

Can you update us on Croda's global and regional activities?

We are celebrating our 100 years' anniversary and the opening of several new operations globally. We are launching a new site in US focused on biotech and actives technologies. We are expanding some of our pharma and consumer care facilities in UK, and we are reinforcing our operations with new sites in India and China. In Latin America, we have an important footprint for innovation: In Brazil, we have our Global Innovation Center for the Agrochemical Market, which supports the region and the global business. In addition to this, we also have laboratories dedicated to personal care in Brazil and Mexico and fragrance laboratories and facilities in Mexico, Colombia and Brazil.

How have demand trends in Mexico and the region evolved recently?

When we analyze the local market, we see an active consumer sector eager for new product launches. There is a clear trend towards more niche products with greater segmentation. For instance, we observe a strong interest in products targeting curly hair care in the cosmetics sector. Similarly, we see a growing demand for high-tech skincare solutions in the personal care space. We also notice a growing interest among some clients in shifting manufacturing to Mexico. This is a consequence of the nearshoring trend, as companies seek to bring production closer to the North American market. As a result, we have several partners working on plant expansions or establishing new facilities. Some of them are centralizing their manufacturing in Mexico rather than spreading operations across regions outside the Americas. This trend is driving increased manufacturing activity in the country for the domestic market and exports.

How vital is sustainable product development for Croda?

We were one of the first chemical companies in the world to sign the ESG agreement. We have achieved a Platinum sustainability ranking by EcoVadis. Our ambition is to become the most sustainable ingredients company in the world by 2030, and we are making excellent progress toward this goal. Around 65% of the raw materials we use at Croda come from natural and renewable sources, so this provides us with a strong foundation to achieve our sustainability objectives. Today, we apply green chemistry principles in both product design and manufacturing. We avoid launching any non-sustainable products, nor do we scale up manufacturing for products that do not meet our sustainability standards. Instead of having a separate sustainable portfolio, sustainability is now embedded in everything we do. Every new product we develop, manufacture and sell incorporates a significant sustainability component.

What are Croda's main priorities in Latin America?

Bringing more capabilities to the region in manufacturing and innovation is crucial to responding more quickly to local market demands. We need to strengthen our regional capabilities, and this is our priority. ■

José María Bermudez
CEO
VIAKEM

"As we navigate the complexities of 2025, we anticipate some residual market volatility. To mitigate this, our supply chain must remain agile, responsive, and reliable, enabling us to adeptly address unexpected demand shifts."

Carlos Tamayo Nava
Sales Manager Mexico
CALUMET

"There are growth opportunities across our product portfolio. We are focusing on key and emerging markets, as well as megatrend industries like energy, food, mining, oilfield and agricultural segments."

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tomer experience in Mexico City, which will serve Celanese clients across the Americas.

Other sectors continue to attract interest too. Archroma, which also has the EcoVadis Gold certification, operates

three plants in Mexico and serves the textiles and packaging industries. Jeniffer Uribe Porteny, business director Mexico, Andean Region & Central America at Archroma, commented: "The packaging and paper segments are experiencing significant growth driven by shifts from plastic to sustainable materials and the rise of e-commerce... The textile market faces challenges due to high import volumes from China and low tariffs in Mexico, leading to slow growth despite expectations of a nearshoring boom."

A change in management at Pilot Chemical Company – Órgano Síntesis is giving the company a new direction, targeting new markets and diversifying its Mexican portfolio. The new managing director, Bernardo Frisbie, said: "My vision is to guide the organization toward specialty chemicals, personal care, cosmeceuticals, and start collaborating with the pharmaceutical industry, research-driven innovation, and sustainable development."

The personal care and pharmaceutical markets in Mexico grow year on year. Stepan is also targeting these sectors together with its agricultural, industrial and construction portfolio. The company counts on two production plants in the country following the acquisition of a BASF Mexicana plant. Juan S. Agraz, country manager in Mexico for Stepan, said: "We have recently invested in new laboratories and equipment for the consumer and functional industries in Ecatepec, Mexico."

Demand in this sector has attracted the attention of Viakem, a CDMO with a sprawling manufacturing base in Nuevo León. José María Bermudez, CEO of Viakem, said: "Viakem is diversifying into sectors like personal care, household products, electronics and vehicle electrification. There is a growing pressure to decide between in-house manufacturing and outsourcing, with many companies re-evaluating their supply chains and the competitiveness of their cost structures." ■

Martín Toscano
President
EVONIK

"Mexico will need significant investments in the areas of security and transport infrastructure to be able to keep up with the growth we expect to see in manufacturing and exports."

Can you provide an update on Evonik's operations in Mexico over the last year?
Mexico provides an active and diverse base of industries that give us continuous space to grow in. Nearshoring is nothing new to Mexico, where for many years, Tier 1 and Tier 2 companies especially in the automotive and aerospace sectors established a presence in Mexico. The difference now is the level of sophistication and tech-driven facilities being built across a wider range of industries, from automotive and aerospace to electronics, personal care, and home care. The USMCA (The United States-Mexico-Canada Agreement), but also geopolitics and the pandemic, pushed for a rethinking in the organization of supply chains, and Mexico stands out as an attractive destination.

What are the main trends that Evonik is witnessing in the specialty chemicals space?
Current market conditions are an opportunity to develop new technologies and applications with additional competitive edges sought after by our customers, including savings improvements and sustainability properties.

What changes in energy policy would benefit the country?
The growth agenda for the chemical industry in Mexico starts with a sustainable increase and expansion of the availability and supply chain of key raw materials originated by natural gas and downstream such as ethane, ammonia, propylene and ethylene oxide. The offer of natural gas and petrochemicals in Mexico is not sufficient to support the whole market, so we end up importing our needs.

Currently, the industry imports almost 70% of the petrochemical requirements. Our proposal as chemical industry in Mexico is to increase the local production of natural gas and petrochemicals in the south and southeast region, to increase the capacity of gas natural separation to guarantee the supply of key raw materials such as ammonia, ethane, propylene and ethylene oxide. Also, to promote the modernization and further development of the infrastructure in the country such as land transportation, rail, ocean ports and customs.

How can Mexico best take advantage of growth driven by regionalization trends?
There is no free lunch with nearshoring. Mexico will need significant investments in the areas of security and transport infrastructure to be able to keep up with the growth we expect to see in manufacturing and exports. More industrial parks and warehousing capacity are also needed.

A more clear and robust agenda for the energy matrix transition is also key element of the strategy, with the right regulatory, and obviously the raw material supply security for the chemical industry, as well as the further development of the talent pipeline in the country to keep pace with the extraordinary growth expected. Nearshoring would keep us busy the next 10 to 15 years.

Can you discuss Evonik's approach to community responsibility, including the ANIQ 2023 Excellence Award?
At Evonik, we go beyond chemistry to make life a little better every day. We aim to have a direct, positive impact on everyone's life by enhancing the properties of our customers' products. In Mexico, we have to keep improving our product offerings and services, because we understand the challenges and come up with superior solutions time and again. By harnessing our creative impetus and unbiased thinking, we create sustainable products as they are more efficient to manufacture and have longer useful lives. We must be ready for the ongoing trends and the future by teaming up with our customers in Mexico, co-creating with them and play a key role in the energy transition while securing the sustainability goals of our ecosystems.

What is Evonik's strategy for the next two years?
Evonik is a leader in innovation. The combination of innovative prowess and customer proximity is a critical success factor for Evonik and a driver of profitable growth. In the growth engines with relevance for us - Specialty Additives, Animal Nutrition, Smart Materials, and Health & Care - we have identified promising innovation growth fields in very attractive markets with exceedingly high growth rates and are leveraging these to achieve our ambitious goals.

The aim is to generate more than €1 billion in additional sales in these areas by 2025. The six growth fields focus on highly attractive markets which Evonik can optimally serve with new products and solutions based on its core competencies, while we are leading beyond chemistry. ■

Juan S. Agraz

Country Manager Mexico

STEPAN

Can you introduce us to Stepan and the company's presence in Mexico?

Stepan is a global specialty and intermediate chemical manufacturer. Today, Stepan is a US$2.3 billion revenue company with 2,393 employees worldwide. We are a leading merchant producer of surfactants which are key ingredients for personal care, home, institutional and industrial cleaning, as well as for the agricultural, oilfield and construction markets. Stepan also offers polyurethane polyols and high-purity esters, fats, and oils for the pharmaceutical, medical nutrition, and dietary supplement industries. Stepan has 22 manufacturing sites in 12 countries, including Mexico, where we started in 1988 with the acquisition of a facility in Matamoros, and in 2018, with BASF Mexicana plant acquisition, bringing us more than 50,000 t/y of capacity and 124,000 square feet of warehousing, laboratory and office space. This acquisition supports our market position and supply capabilities in the consumer and functional markets in Latin America. Today we have over 230 employees in Mexico.

We have recently invested in new laboratories and equipment for the consumer and functional industries in Ecatepec, Mexico. As we deliver solutions, we will expand our product portfolio with chemistries that benefit the environment, promote human well-being, and meet the needs of a growing population.

What is Stepan's approach to sustainability and innovation?

We innovate to offer products that enable a safer, cleaner, and more energy-efficient world. We continue to work on scale-up for fermentation technologies that will diversify the markets in which we participate. We have expanded our investments in clean energy and we now source more than 50% of our electricity from renewable sources, reducing our carbon footprint. We implemented wastewater reduction and resource efficiency projects. In 2023, we achieved a 42% reduction of water withdrawn for sites we have been tracking since 2016, and we worked to find opportunities to reuse resources and reduce waste. ■

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Bernardo Frisbie and Federico Soto

BF: Managing Director

FS: Outgoing Managing Director

PILOT CHEMICAL COMPANY – ÓRGANO SÍNTESIS

Can you provide an overview of the past year at Órgano Síntesis?

FS: 2024 marked a recovery for the chemical industry. The inventory overstocking was finally cleared, allowing demand for our products to normalize. This normalization brought our sales and production levels closer to pre-pandemic figures, signaling a much-needed stabilization in our business. One key challenge this year was the intense price competition, particularly from aggressive Chinese competitors looking to maximize their production capacities. Despite this pressure, we have maintained our position in critical markets thanks to our commitment to regulatory compliance and high-quality standards. Mexico's strategic advantage in nearshoring has played a vital role in strengthening our exports, especially to North America. We have also expanded our reach in highly regulated markets such as Japan. Our dual-plant model—one dedicated to industrial products and the other to GMP-certified products—has been key, allowing us to serve diverse and high value markets.

Can you share your views on opportunities in the pharmaceutical industry?

BF: My vision is to guide the organization toward specialty chemicals, personal care, cosmeceuticals, and start collaborating with the pharmaceutical industry, research-driven innovation, and sustainable development. Mexico's pharmaceutical industry offers tremendous opportunities due to its strategic location and competitive advantages. With the talent and capacity to compete with global leaders like India and China, we can offer superior quality and integrate research and production seamlessly.

What are the main challenges faced by the chemical industry?

FS: Overcapacity from China is one of the most significant global challenges in the chemical industry. However, Mexico has a unique opportunity, especially with the current government's focus on competitiveness and infrastructure. The administration must prioritize improving energy supply, transportation infrastructure, and customs processes.

What are Órgano Síntesis's main objectives for 2025?

BF: One of our key objectives is developing more sustainable products. ■

Jeniffer Uribe

Business Director Noram, Mexico, Andean Region & Central America,

ARCHROMA

Could you introduce us to Archroma?

Archroma has two business units: Textile Effects, which plays a key role throughout the entire textile supply chain, with special chemicals for pretreatment, dyeing, printing and finishing, and Packaging Technologies, which provides expertise in the management of whiteness, coloration, coatings and strength for all kinds of applications such as packaging & paper, paint, adhesive and construction. This was bolstered by the acquisition of Huntsman's Textile Effects business, completed in February 2023 and significantly strengthening Archroma's portfolio.

In Mexico, we operate three plants: Santa Clara produces water-based emulsions for the packaging and construction markets, Salvatierra plant with a chemical plant, a sulfur dye plant, and an indigo plant for denim production, and the Atotonilquillo plant.

What is your outlook on textiles and packaging markets?

The textile market faces challenges due to high import volumes from China and low tariffs in Mexico, leading to slow growth despite expectations of a nearshoring boom. Conversely, the packaging and paper segments are experiencing significant growth driven by shifts from plastic to sustainable materials and the rise of e-commerce. ■

Arturo Molina

Managing Director

COVESTRO

Can you discuss Covestro's activities in the past year?

Covestro and ADNOC have signed a historic agreement, allowing ADNOC to invest in Covestro, thus enhancing our capital for advancing circularity goals. ADNOC is investing nearly €12 billion, adding considerably to Covestro's capital. Our long-term goal to become fully circular by 2035 remains unchanged. We are accelerating our efforts, with 80% of our investments directed towards circularity by 2025—whether in raw materials, processes, or new applications. Last year, we invested over €374 million in R&D, with a significant portion focused solely on circularity. We are developing products with renewable energy sources, and many European sites are now nearly or fully operating on green energy. We are also pioneering biomass-based aniline production, an essential chemical component, and a chlorine production process that uses 30% less energy.

What actions is Covestro taking in Mexico in relation to circularity?

In Mexico, we have upgraded the cooling towers at our Santa Clara facility, making them 30% more energy efficient. During the previous administration, renewable energy projects were delayed. However, we are now re-engaging with suppliers to secure renewable electricity sources. ■

David Isunza

Mexico and Central America Unit Leader

EASTMAN

Can you elaborate on Eastman's product portfolio and recent market trends in demand?

The markets we serve in the region—automotive, construction, and consumer goods—maintain steady demand, are balanced. In addition to construction and automotive, a key area for us is plastics, particularly molecular recycling technology in the US, which allows us to produce virgin-like plastics from plastic waste.

How does Eastman integrate sustainability and innovation into its strategy?

We already have a molecular recycling plant in Kingsport, Tennessee, and plan to expand with a second facility in Texas. We also announced a similar project in France. In Mexico, we work with organizations like EcoVadis to ensure sustainability in raw materials and transformation processes. Additionally, we prioritize renewable energy partnerships to enhance sustainability across our operations further.

As more brands recognize environmental responsibility, we continue developing solutions that align with this shift. In Latin America we see this transition gradually. We are shifting from high-volume, commodity-based products to specialized, high-performance solutions with sustainability benefits. ■

Eduardo Cortés

Latin America General Manager

MOMENTIVE

> Mexico is a hub for multinationals who are increasingly demanding that the companies they work with have carbon footprint reduction goals, environmental targets, and measurements to track progress.

Can you update us on Momentive's activities in Mexico since 2023?

Mexico is an important market for Momentive. We are very interested in continuing to invest within the Latin American region. This includes establishing a regional shared service hub in Mexico. There are multiple benefits to doing so: efficiency and competitiveness, time zone, and proximity to the United States. We have a shared service hub in India that has been very successful serving customers in the Asia Pacific region and beyond. Mexico, with its proximity to the United States, its competitive labor market, and its mind for technology, is the ideal location to host another shared services hub to serve clients in the Americas region. We opened our new office in Mexico City this year and are committed to attracting great talent with a comfortable and flexible work environment and professional growth opportunities.

Can you discuss some of Momentive's projects across the LATAM region?

We have been working on a sustainability project at our regional flagship production plant in Brazil. Brazil is a country that is quite advanced in environmental issues and benefits from connections to European exports, making it an essential location for us. We have made great progress in enhancing the site's sustainability, from reducing energy consumption and emissions, to leveraging clean energy, to educating and including our employees, their families, and the local community in the process. Not only do we believe this is important, our customers are asking for this. We want our facility in Brazil to be a global reference in the sustainability space, to demonstrate we can help protect the planet while still operating efficiently, costing competitively, and developing cutting-edge products and processes.

Can you discuss your outlook on the Mexican automotive sector?

The market in Mexico has been slower recently as people anticipate potential government actions. There's been a lot of back and forth with global automotive manufacture companies to invest in Mexico, and as vehicles become more sophisticated and lighter, with more technology and plastic components, the demand for specialty materials will continue to increase. At Momentive, we are increasingly specializing our products, customizing materials to produce less friction. In addition, the more automated the cars get, the greater the need for specialized silicone technology.

How might political change in the US affect Mexico's trade relationships?

Regardless of any political changes, Momentive will continue to enhance how we serve our customers throughout the Americas and beyond. Our investment strategy focuses on expanding our capacity in the region for the region to offer our customers the best service. That is undoubtedly our strategy in Latin America, extending our footprint to future-proof customer relationships.

What is the significance of Momentive's recent EcoVadis Gold recognition?

Receiving the EcoVadis Gold recognition is extremely important for Momentive regionally and globally. Mexico is a hub for multinationals who are increasingly demanding that the companies they work with have carbon footprint reduction goals, environmental targets, and measurements to track progress.The EcoVadis certification measures and proves the steps we are taking and validates Momentive's customers' trust. Momentive is constantly working to develop new technologies and materials that are more sustainable. This includes products used in agriculture, beauty and personal care, and electronics and beyond.

What is the company's priority for the coming year?

Our tagline is "Solutions for a Sustainable World"TM, and everything we do centers on this. In Mexico, we will continue to deliver on the regional shared service customer hub and continue to enhance how we serve our customers throughout the Americas. We are actively expanding our team here, and estimate that within the next three years, our team may triple in size. Momentive's growth in Mexico will continue to help increase our manufacturing footprint, and serve customer, as we say, "in region, for region." ■

Flavors and Fragrances

Companies get a taste for regionalisation

Experiencing new and exciting tastes and smells drives a dynamic flavors and fragrances market in Mexico for domestic and export consumption. The country is a hub for multinational F&F companies looking to branch out throughout the region, introduce Mexican tastes to the United States, or penetrate the large and growing domestic Mexican market, with its growing middle class and distinct preferences. The opportunities in this sector abound, but its dependence on some chemical products has entangled this sector in the net of the ongoing drug use crisis across the US and Mexico, and the Mexican government's imposition of strict import controls for essential ingredients labelled drug precursors has driven up costs unnecessarily. In a sense, this sector is collateral damage of the War on Drugs.

Nevertheless, F&F companies have kept growing, dealing with import restrictions to forge ahead. José Arias, CEO of AZ Fine Chemicals, a key distributor in this sector, summarized what companies deal with: "In addition to supply chain disruptions, regulatory challenges, particularly from COFEPRIS, have created significant hurdles. Importing and producing regulated chemicals has become more complex, with processes now taking up to 10 months, accompanied by high costs."

Arias explained how these controls were impacting prices, adding: "For example, Phenyl ethyl alcohol, which costs US$3.30 per kg internationally, is priced between US$7 and US$8 per kg in Mexico due to regulatory delays."

Some companies have turned the regulatory environment in Mexico to their advantage. Since 2019, Mexican law has mandated that products high in fat, sugar, salt and other elements be clearly labeled to deter consumers. Christophe Enice, managing director of Mexico & Latam North from Robertet, discussed how, whilst the Mexican consumer market is yet to fully embrace natural and organic products to the extent of the US or Europe, a result of higher cost sensitivity, the company still has a lot to offer: "Robertet is well-positioned to support clients seeking to reduce these health labels on their products, as we offer solutions for reducing sugar, salt and fat content."

Regulatory constraints are not the only challenges impacting the segment. F&F companies are also exposed to the same difficulties that the agricultural sector has been affected by. Marianella Méndez, sales director Latam North for DSM Firmenich, which has plants in Toluca, Monterrey and Jalisco, explained: "Water scarcity, exacerbated by recent droughts, is a significant concern, impacting operations and resource management. The company is also affected by infrastructure challenges, such as logistical and distribution inefficiencies and security concerns that may impact operational continuity."

Despite these difficulties, the Mexican market is too enticing to pass on. Eric Vergier, country manager in Mexico of Iberchem, the Spanish F&F player owned by Croda, explained: "Mexico is a unique market where flavors dominate locally and as a manufacturing hub for the US and beyond. This demand for bold, Mexican-inspired flavors is growing, especially in the US, where Latino and non-Latino consumers embrace these tastes."

In addition to international companies, the growth in demand for Mexican flavors and fragrances is creating opportunities for homegrown companies to expand beyond the Mexican market. Frallier, a homegrown F&F company, is aggressively pursuing US growth. Francisco Palafox, Frallier's CEO, said: "We are expanding in the US market, mainly through our facility in Houston... In the US we see high demand for natural ingredients in flavors, which contrasts with the Mexican market, where natural options are more limited due to higher costs."

Reiterating that sentiment, Cecilia Paredes, country managing director of Bell Flavors & Fragrances, said: "Our operations in Mexico are an integral part of our global network, serving local markets and acting as a key hub for Latin America." ■

Image by popout at Adobe Stock

Eric Vergier

Country Manager Mexico

IBERCHEM

Can you introduce us to Iberchem, and the company's footprint in Mexico?
Mexico functions as a hub for this region, while our presence in Colombia focuses on the Andean countries, and Brazil caters to the South American market. In Mexico, we operate two facilities: one for fragrances and another for flavors. Our local team counts on over 40 employees, allowing us to have a robust setup with both divisions manufacturing locally. This infrastructure ensures we meet the demands of the local and regional markets efficiently.

A major milestone was in 2020 when Croda fully acquired Iberchem. Acquiring Iberchem made sense for Croda as it completed their sensory ingredient portfolio. Organizationally, it enhanced the global perspective and integration into an international framework, aligning both companies' expertise and strengths without disrupting operations.

Which opportunities is Iberchem pursuing in the Mexican market?
The market here is unique due to its strong presence of international competitors. This makes it a challenging landscape but one with ample growth opportunities. Mexico is a unique market where flavors dominate locally and as a manufacturing hub for the US and beyond. This demand for bold, Mexican-inspired flavors is growing, especially in the US. In terms of fragrances, the market in Mexico is atypical compared to other regions. Functional and personal care products hold significant potential, which aligns well with our expertise and experience.

What are the primary challenges associated with the Mexican market?
The primary challenge has been adapting to local tastes and market demands.

Could you explain Iberchem's innovation and sustainability focus?
We were among the first companies to launch a biodegradable encapsulation technology for instance. Additionally, our Wavemotion program scientifically measures the emotional impact of fragrances, linking sensory experiences to specific brain responses.■

José Arias

CEO

AZ FINE CHEMICALS

Can you update us on AZ Fine Chemicals' recent activities?
In 2023, AZ Fine Chemicals faced challenges driven by global market shifts and post-pandemic dynamics. To adapt, we expanded our portfolio to include more natural and sustainable products, such as essential oils and bio-based ingredients, aligning with the growing consumer demand for eco-friendly options. We also strengthened our partnerships with international suppliers. In Mexico, we noticed a clear trend toward natural, sustainable and certified products, which led us to prioritize naturally sourced, certified ingredients that meet rigorous sustainability standards.

Could you elaborate on AZ Fine Chemicals' sustainability initiatives?
The company has achieved carbon neutral status, partly through initiatives like integrating hybrid vehicles, installing solar panels, and reducing emissions by updating operational practices. Additionally, AZ has ensured sustainable sourcing by auditing suppliers to verify that they adhere to eco-friendly practices. Through certifications like EcoVadis, we align with the environmental standards required by global clients, reassuring them that we meet their rigorous sustainability expectations.

What are the primary challenges affecting the industry?
In addition to supply chain disruptions, regulatory challenges, particularly from COFEPRIS, have created significant hurdles. Importing and producing regulated chemicals has become more complex, with processes now taking up to 10 months, accompanied by high costs. For example, Phenyl ethyl alcohol, which costs US$3.30/kg internationally, is priced between US$7 to US$8/kg in Mexico due to regulatory delays. This price discrepancy forces us to pass additional costs down the supply chain, negatively affecting our margins and increasing customer costs. Politically, while the previous administration facilitated some collaboration with regulatory bodies, recent years have seen reduced communication and stricter enforcement, including fines and suspensions. ■

Christophe Enice

Managing Director Mexico & Latam North

ROBERTET

Can you provide us with an update on Robertet's developments over the past year?
Over the past year, we have experienced substantial growth in the fragrance division, where we are seeing a growth rate above 25% compared to last year. One of the most relevant updates is that we are finally expanding our production capacity and moving our laboratories into a new state of the art Creation center.

In Mexico, our primary focus in the fragrance division is fine fragrances and personal care. This is where most of our growth has come from over the past year. However, we have also been aggressively expanding into the home care and laundry care segments.

Can you discuss the regulatory landscape in Mexico?
Regulatory challenges, particularly regarding health labels are ongoing in Mexico. Robertet is well-positioned to support clients seeking to reduce these health labels on their products, as we offer solutions for reducing sugar, salt and fat content.

What are Robertet's goals for 2025 and beyond?
We have great expectations, especially with the expansion of our production facilities and our new creative center in Mexico City. We want this center to be a flagship for Robertet in Latin America. ■

Cecilia Paredes

Country Managing Director

BELL FLAVORS & FRAGRANCES

What are some of the major trends you see in the flavor and fragrance industry?
We track the trends through our platform "Spark©". One of the major trends we are noticing is a focus on physical and emotional well-being. Well-being products, including fortified products with vitamins, nutritional beverages, and other health-related items are increasing in the market. We see a trend towards energetic or relaxing scents in the fragrance sector. Another significant trend is localism & nostalgia, consumers reconnecting with flavors that remind them of their cultural roots. Additionally, plant-based alternatives are gaining traction, and we have developed solutions to improve the flavors and palatability for products like plant-based chicken nuggets that taste like real chicken but are made from pea protein.

What are your goals for the coming year in Mexico?
We have an ambitious project to enhance our service offerings, setting us apart from competitors. As we continue to innovate and respond to new consumer demands, our goal is to solidify our position as a leader in Mexico's flavors and fragrances sector. The future looks promising as we aim to grow alongside emerging trends and shifting consumer preferences. ■

Francisco Palafox

CEO

FRALLIER

What can you tell us about Frallier's recent expansion efforts in the US market?
For flavors, there is a strong emphasis on Latin flavors, where we have a distinct advantage due to our deep cultural knowledge. This niche market has enormous potential, especially considering the large Latino population in the country. In the US, we see high demand for natural ingredients in flavors, which contrasts with the Mexican market, where natural options are more limited due to higher costs.

Our production facility is strategically located in Lerma, Mexico State, offering a geographic advantage. The US market, about thirty times the size of Mexico's, presents significant opportunities.

What are Frallier's goals for 2025?
To remain competitive, we continually innovate and differentiate ourselves significantly as multinationals now acquire smaller companies but keep them operational, supplying them with advanced technology and financial support. This means we compete not only with the large brands but also with its smaller, tech-enabled subsidiary. Our approach to this challenge includes focusing on creativity, efficiency, and service quality. We have built a robust creative center that allows us to compete globally, providing high-performance and cost-efficient solutions. ■

PAINTS AND COATINGS

> On the regulatory side, the judicial reforms proposed by the current government are a source of concern for investors and businesses.

Gerardo Victal
Marketing and NBD Director Latam
ALLNEX

Image by Anna Efetova at Adobe Stock

Image courtesy of Akzo Nobel

Paints and Coatings

Public spending does not paint a pretty picture

The Mexican paints and coatings sector accounts for nearly 15% of the chemical industry's total GDP and is responsible for over 17,000 direct jobs, according to figures from ANAFAPYT (National Association of Paints & Inks Manufacturers), the leading industry body in Mexico. Architectural coatings continue to dominate the total value of this market, though the printing ink segment has seen considerable growth in the past year, and automotive coatings are another critical source of demand.

According to research from Mordor Intelligence, architectural coatings make up approximately 50% of the total value of Mexico's paints and coatings market. Driven by demand for residential and commercial construction activities, this sub-sector is a great gauge to test the health of the wider Mexican economy, as it sits at the intersection of government spending on public projects, and private capacity and appetite to design, build and renovate residences and workplaces.

The industry is bracing for trade frictions between the United States and Mexico, and despite recording healthy growth during the past year, challenges remain. Though questions on tariffs in Mexico center so wholly on intra-NAFTA commerce, many in the Mexican chemical industry, including paints and coatings producers, have long argued that some trade barriers should be erected to protect Mexican companies from competitor producers in Asia, which have been able to offer low prices and undercut the domestic market in Mexico. As the Mexican government continues to adapt policy to placate the Trump administration's outlook on China and unfair trade practices, Mexican producers might receive a windfall as protective measures are taken to restrict access of third-country producers to Mexico.

ANAFAPYT celebrated its 80th anniversary in 2024 and hosted its biannual LACS (Latin American Coatings Show) in Mexico City, alongside other technical seminars and workshops. Flor de María González, general manager of ANAFAPYT, mentioned the association's work partnering with the UK's Lead Exposure Elimination Project (LEEP) alongside the Tanzania Bureau of Standards and Vietnam's Research Center in 2024. She also pointed out how new technologies are transforming the industry and what ANAFAPYT is doing to support this transformation, saying: "At LACS, we had an Architectural Panel that focused on using AI-driven factory modeling. Many manufacturers are already implementing these technologies, and by the next edition of LACS, we expect to showcase concrete case studies demonstrating the benefits of these innovations, including improvements in efficiency and sustainability."

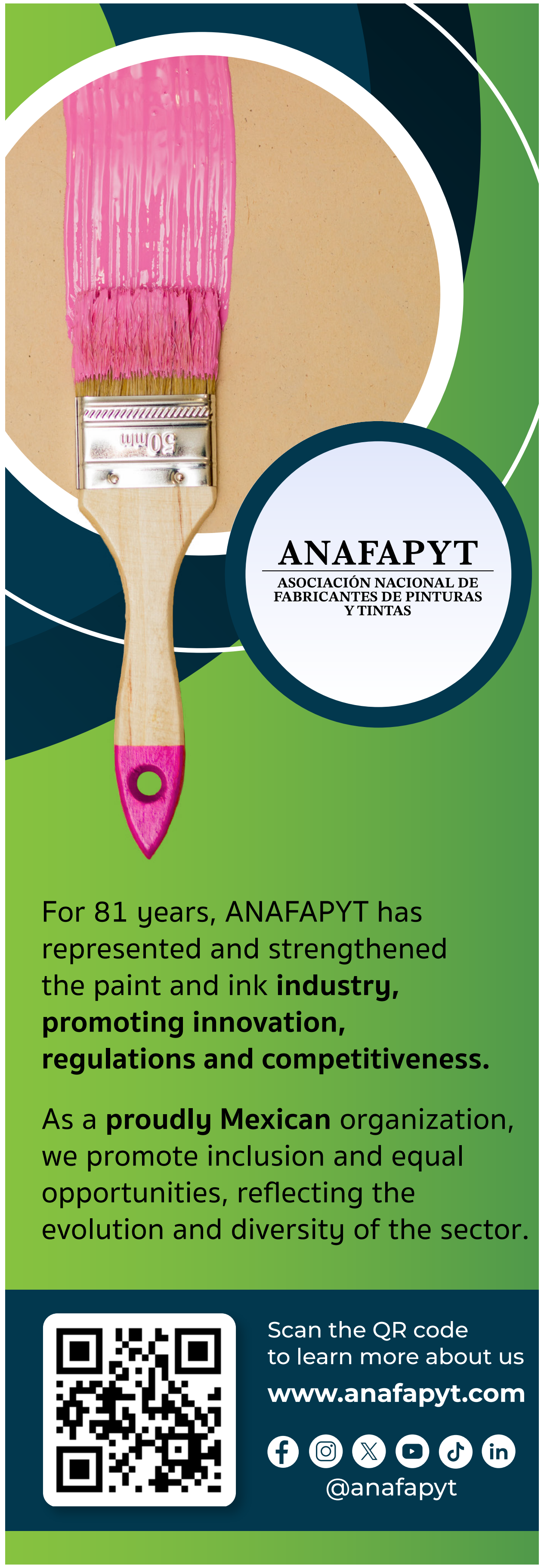
Beyond automation, paints & coatings manufacturers are keen to improve their sustainability metrics, supported by ANAFAPYT initiatives that bring local companies and global experts together at technical seminars. As González commented: "Many manufacturers in Mexico are adopting sustainable practices, such as creating VOC-free coatings and improving production processes to be more environmentally efficient."

Among the companies adopting these practices is Interadi, a Mexican manufacturer that celebrated its 40th anniversary in the industry in 2024. Héctor Jiménez Landa, Interadi's managing director, said: "We have developed an eco-friendly additive used in resins that significantly reduces VOC emissions in the final product."

Innovation in the sector is not limited to reducing VOC content or automating processes. One Mexican company, Quimix, identified several macro trends in Mexico, such as growing urbanization rates and changing climate-induced pest patterns, and developed a uniquely homegrown product. According to Marco Torres Hallal, Quimix's managing director: "We offer the only COFEPRIS-approved product in Mexico, which integrates microencapsulated insecticides that kill pests on contact and protect for up to two years."

This innovative product has made Quimix a market leader in the urban pest control market, and the company places a high value on further innovative development. Nevertheless, regulatory challenges abound, as Ernesto Bächtold, associate director of Quimix, explained: "In Mexico, registering new products is notably slow and complex, often taking several years. This delay significantly impacts businesses, as registrations are critical assets in our industry."

In the US, Interadi recently received FDA accreditation and is gaining its EPA certifications, which is part of a strategy to diversify away from Mexico. Landa commented on this shift: "We have seen considerable growth in Central Ameri-



ca, exporting larger volumes, which is a major achievement. At the end of 2024, we began sending product samples to the US, specifically to Texas."

Interadi is not the only Mexican company that has sought greener pastures abroad. Pyosa Industrias, a historical manufacturer in Mexico that celebrated 85 years in business recently, offers a diversified portfolio, with the paints segment accounting for 50% of its sales and plastics and other sectors making up the rest. With exports currently making up some 20% of the company's annual sales, Moisés Silva, commercial director, believes in the potential to grow this share: "The paint industry in Mexico has experienced a downturn, though the repaint segment is growing. This opening with the US, Canada and Central America has helped us compensate a little for the downturn in Mexico."

Examples of Mexican paints and coatings companies looking abroad to diversify their markets and insulate themselves from potential domestic shocks is also an example of how Mexico, with one foot south and the other north, is evolving as a regional hub. The narrative on this usually favors multinational companies that establish themselves in Mexico to take advantage of this location, but Mexican companies are also reaping the benefits, as technological knowledge and capital investments continue to flow inwards.

Nevertheless, the coatings segment in Mexico had a lackluster 2024. With demand for architectural coatings driven in large part by public spending on large infrastructure projects, the past 12 months have seen a downturn in demand. Public spending on infrastructure is also a signal that the economy is performing well, and the recent changes at the top of government in Mexico, which led to a freeze

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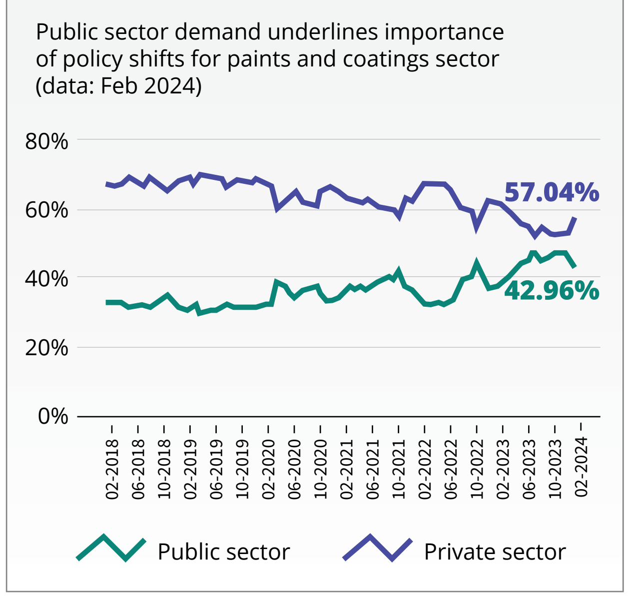
Construction: Value of Public vs Private Sector



Source: GF BASE, INEGI

> "The Mexican paints and coatings industry has grown significantly, contributing 14.46% of the chemical sector's GDP and creating over 17,000 direct jobs in 2023-2024."

Flor de María González

General Manager
ANAFAPYT

Could you tell us about ANAFAPYT's events, seminars and activities over 2024?

Last year was incredibly significant for ANAFAPYT as we celebrated our 80th anniversary, marking a major milestone since our founding in 1944. A highlight was the 2024 Latin American Coatings Show (LACS), which saw substantial growth, with 8,500 visitors from 34 countries and 167 exhibitors across 408 stands. We also launched the first-ever Women's Forum in the Paints and Coatings industry, which attracted 250 women professionals. Another key achievement was partnering with the Lead Exposure Elimination Project (LEEP), a UK-based organization. Our Fire Prevention Program is focused on enhancing safety across the coatings industry. While ANAFAPYT cannot issue certifications, we offer pre-inspections of factories to assess their fire safety. Certified fire protection experts conduct these assessments to help companies identify potential risks and improve safety measures.

ANAFAPYT organized 14 specialized webinars that covered the latest trends in raw materials and application techniques. We also maintained our educational commitment with the long-standing Diploma in Paint Technology in collaboration with UNAM. We offered the Managerial Skills Diploma with Tecnológico de Monterrey where two generations graduated and launched a new Circular Economy and Environmental Management Diploma with ANIQ. Additionally, our Jornadas Técnicas (Technical Seminars) event was key, attracting 340 specialists specifically focused on formulators and technical professionals. We also hosted workshops on lead-free paint formulation and Artificial Intelligence (AI) in paint formulation, showcasing the growing role of AI tools like Python in our industry.

How has the Mexican paints and coatings industry evolved over the past year?

The Mexican paints and coatings industry has grown significantly, contributing 14.46% of the chemical sector's GDP and creating over 17,000 direct jobs in 2023-2024. The architectural coatings segment is now the largest, representing 60% of the total market value, which stands at 38.46 billion pesos, with an estimated consumption of 768,000 thousand of liters. This translates into an average annual per capita paint consumption of 6-8 liters. The printing ink segment has also seen positive growth, with a 15.6% increase in market value and a 7% increase in volume. However, the sector still faces challenges, especially regarding raw material access and evolving regulatory requirements. Digitalization and new technologies are crucial in the industry's development.

What is the current government's regulatory approach to the industry?

We maintain open channels of communication with the new government, working closely to advocate for regulatory updates that reflect the current needs of the industry. We are focused on modernizing outdated regulations like NOM-003 (labeling of paints and inks) and NOM-123 (VOC limits in paints), which date back to 2006 and 1998. In collaboration with CONAMER and SEMARNAT, we are pushing to harmonize environmental regulations and improve industry competitiveness. Additionally, we participated in the SME Dialogue of the USMCA in Canada, highlighting the need for clear, supportive regulations for small and medium-sized enterprises (SMEs) in the coatings supply chain.

Can you discuss sustainability initiatives in the industry?

Sustainability is a key focus for ANAFAPYT, and we continuously bring global experts to educate our members on the latest developments in smart coatings, sustainable formulations, and biological technologies. These practices not only benefit the environment but also improve the global competitiveness of the Mexican coatings industry. Some Mexican SMEs manufacturers are now successfully exporting to strict markets like France, demonstrating their ability to meet international sustainability standards.

What are ANAFAPYT's initiatives for 2025?

Looking ahead to 2025, we are expanding the Women's Forum, launching a mentorship program to connect industry veterans with emerging female professionals, helping them develop their careers. Another key initiative is our "Adopt an SDG" program, which encourages our member companies to integrate UN Sustainable Development Goals into their business strategies. We also have an upcoming Ciclo de Tintas (Inks Cycle) event at the Spanish Chamber of Commerce, will host the XLII biannual Convention in Cancun and our Jornadas Técnicas in Monterrey, and will continue our focus on education, regulatory advocacy and empowering women in the coatings industry. With these efforts, ANAFAPYT remains committed to fostering innovation and ensuring the competitiveness of Mexico's coatings sector.. ■

Héctor Jiménez Landa

Managing Director

INTERADI

> We will continue to develop more products with new, sustainable molecules to solidify our position in the markets where we are present.

Can you update us on Interadi's activities in the last two years?

The most significant milestone for Interadi is that in 2025, we will celebrate 40 years since we began operations in 1985. First and foremost, we would like to express our gratitude and recognition to Eng. Rubén Ramírez De La O., the founder of INTERADI, who, through both mistakes and successes, always believed in the development of our products, many of which we still sell today. Together, we have faced difficult times, including devaluations, hyperinflation, border closures, raw material shortages, and more. But, with his guidance, trust in Mexico, and the dedication of the team that has worked with us for so many years, we are celebrating our first 40 years with great pride. We also want to thank our clients and suppliers for their trust and the synergies we've built over the years. We are proud to be a 100% Mexican company, and we continue to lead in several industries we serve, such as the concrete additives sector. In the paints, adhesives, and inks industries, we have expanded our product range, especially biocides with more sustainable molecules and excellent results.

This year, we will recertify under ISO 9001 and 14001. Regarding the US market, a key achievement is that we have been approved by the FDA, obtaining certification as a company by this institution, and we are currently in the same process with the EPA. On the operational side, we have increased our production capacity, and in 2024, our sales volume grew by 15% compared to 2023.

Can you discuss Interadi's growth in and out of Mexico?

Our facilities in Mexico City include offices, laboratories, and a production plant. We also have a network of distributors and subsidiaries in Monterrey, Guadalajara and Mérida. In South America, we have expanded our product offerings and have been gradually reaching new customers.

We have seen considerable growth in Central America, exporting larger volumes, which is a major achievement for us. At the end of 2024, we began sending product samples to the United States, specifically to Texas. We are confident that, in 2025, we will gradually make inroads into this important market.

What opportunities exist in Mexico due to nearshoring?

The opportunities are clear. Mexico remains competitive in terms of costs, and we offer excellent quality products across all sectors, including petrochemicals. We have a great opportunity for growth, especially by leveraging the USMCA (T-MEC) and nearshoring with the US and Canada.

Can you discuss Interadi's approach to sustainability?

We have focused on automation and operational efficiency, not just in our production plant but also in our sales team. Our people are our most valuable asset. Everyone contributes to the growth of the company. We have become more efficient in order to remain competitive in the US. In Texas, we are entering the concrete additives market, selling to manufacturers. This is the first stage. The second stage will involve entering the paints and inks market, but we must do this gradually to ensure we consolidate these areas properly. We have developed an eco-friendly additive used in resins that significantly reduces VOC (volatile organic compounds) emissions in the final product. This product has been well received by our clients in Mexico, and we believe it can be highly beneficial in the US and Latin America as well.

'Modo Responsible' (Responsible Mode) is our sustainable initiative, promoting products with environmentally friendly production processes related to materials, water savings, paper use, energy conservation and more sustainable practices for our planet. Our goal for 2024 was to achieve a 4% reduction in electricity consumption and a 6% reduction in paper use. Thanks to everyone's efforts, we reached an 8% reduction in electricity consumption and a 12% reduction in paper use. Most importantly, we are committed to continuing to develop products that are gentler on the environment, and we remain dedicated to investing in innovation to bring more sustainable products to market.

What are your main goals for next year?

Our main objectives for next year are to grow and expand our market share in terms of both sales and volume. We will continue to develop more products with new, sustainable molecules to solidify our position in the markets where we are present. ■

Gerardo Victal

Marketing and NBD Director Latam

ALLNEX

> The cost of a service center in Mexico is lower than anywhere else in America.

Can you update us on Allnex's activities in Mexico in the past year?

We continue with our strategic plan to take advantage of the nearshoring trend. We recently established a tolling arrangement to produce goods for export to the US and, further down the line, for the domestic and North LATAM markets. We are growing in Mexico across many sectors, mainly thanks to demand from the automotive industry. There has also been interesting growth in electronics and our composites business. Until last year, we were only focused on coatings; this year, our company's strategy has changed and we have a complete segment for composites, adhesives and other businesses that have to do with car tires and additives. We built a large division for additives in the company.

We continue with solid growth in our liquid resin portfolio, which is part of what we are doing with the automotive industry. Our crosslinkers also perform well in the packaging, metallurgical, and industrial sectors. We also sell powder resin for painting and construction applications and metal goods coatings. We also plan to establish a service center in Guadalajara, a technology hub in the country, to focus on the Americas and complement our global service hub in Riga. Mexico is a strategic country; it is cost-competitive and has well-qualified human capital. The cost of a service center in Mexico is lower than anywhere else in America.

Can you discuss the main challenges that investors are concerned about in Mexico?

Mexico is not without risk. There is an issue with security and criminal activity, which can impact companies through extortion and theft. It also presents logistical challenges, making transporting goods less safe and more costly. Many companies have to turn to security companies to guarantee delivery which is an added cost. The issue of insecurity is not the same everywhere, however, and some states stand out, particularly Sinaloa and Michoacán. On the regulatory side, the judicial reforms proposed by the current government are a source of concern for investors and businesses. Many feel that they're effectively changing the rules mid-way through the game, which could be troublesome by watering down the juridical security needed for businesses to operate. Incoming FDI flows have stagnated in the past year.

How is the Mexican automotive sector developing?

Many different investments are coming into the automotive industry in Mexico, from Nissan to BMW, and many Chinese carmakers, including BYD. As electromobility and EVs become increasingly important, our business will surely benefit. The more sophisticated and higher quality the car is, the more specialty products and elaborate paints and coatings it will require to be produced which is where we come in. Premium automakers demand paints with higher solid content and more sagging control. We are specialists in this and have patented products. Leading automakers are also looking for sustainability, which is integral to our growth strategy. Circularity for us is very important.

Can you discuss Allnex's approach to sustainability?

One of our key sustainability goals is ensuring emissions and sustainability targets are being met across the value chain, including by our clients and suppliers. We recently launched a new product called the EBECRYL 8466 for the textiles and leather segments, which is a new venture for us. We are expanding, but sustainable growth is essential. Our current owner, PTT Global Chemical, is a highly sustainable company, and has led the Dow Jones Sustainability Indices for several years. All the companies that make up the group have a very high level of sustainability, and we are pleased to have been awarded the platinum EcoVadis recognition. Our product design revolves around sustainability. We are investing in new designs that use less solvents and less water. It is an integral part of innovation and developing new products at Allnex. The market guides this trend. All our multinational clients have sustainability criteria that don't depend on one single country; they depend on companywide directives.

What is your outlook for 2025?

We want to keep growing above GDP in Mexico, taking advantage of the strategies and the synergies we have created across the automotive, packaging and wood industries. We will continue pursuing these synergies, bringing sustainable products to our markets. ■

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of some spending, had a negative effect on the industry. This downturn in public spending tends to coincide with election years however, and Silva from Pyosa was cautiously optimistic about recent changes in federally administered organizations, saying: "With the change of government in Mexico, there is some optimism, with more technical appointments in the CFE and PEMEX, but we will have to wait and see."

Others were not as optimistic. Reflecting the skepticism of many on state-financed infrastructure projects, Francisco Rubio, CEO of Kemikals, a distributor of coatings and building materials, said: "Construction activity has been slow, and infrastructure budgets remain limited. Projects and promises like the Mexico-Querétaro train look promising on paper but have yet to materialize."

Though there has been a shift towards dialogue with the Sheinbaum administration, unease about radical policy reforms has not abated. The most polemic of those policies, judicial reform, is causing concern across the Mexican economy, including the chemical industry. Gerardo Victal, marketing and NBD director Latam at Allnex, summarized a commonly held view among industry executives, commenting: "On the regulatory side, the judicial reforms proposed by the current government are a source of concern for investors and businesses."

Nevertheless, Allnex is powering on with its plans for Mexico, underpinned by the automotive industry, which continues to deliver results. Victal elaborated on how Allnex is devoting resources to produce more specialized products for the auto industry, which has increasingly sophisticated needs. In addition, sustainability is a key factor. Victal said, "We recently launched a new product called EBECRYL 8466 for the textiles and leather segments, which is a new venture for us. We are expanding, but sustainable growth is essential."

Rubio from Kemikals also pointed out that despite improvements, the government faces a backlog of serious challenges that hamper growth: "Logistical challenges like rising costs, road congestion, and security issues demand proximity to clients."

Among the challenges faced by established players in the sector is a dependence on imports of raw materials. Sun Chemical, which has an ink manufacturing plant in Naucalpan, is a leader in the national ink market, counting on a global R&D budget of over US$100 million, which allows it to introduce innovative products. Armando Castillejos Carmero, general manager of Sun Chemical in Mexico, reported annual sales of over US$140 million in Mexico alone, highlighting the market's importance for Sun Chemical. In addition, Carmero said: "One major challenge is that the chemical sector in Mexico relies heavily on imports for raw materials, such as resins, solvents, and pigments, as there is limited domestic production capacity."

Inflammatory rhetoric in North America seems to have thrown cold water on any future, warm revision and renegotiation of the USMCA trade deal, though time is yet to tell. The impact on multinational companies which have chosen Mexico as a hub for manufacturing is yet to be seen, but going into the future, the calculus on Mexico's attractiveness as a nearshoring destination for production might change. Inbound FDI data from the Mexican government shows that the paints, coatings and adhesives manufacturing sector in the country received $US 30.3 million in the period January-December 2024.

Despite apparent logistical challenges and the potential for reduced US-Mexico trade in the coming four years due to political disturbances, multinationals continue investing in production capacity in Mexico. AkzoNobel, the global paints and performance coatings manufacturer, recently announced sizeable investments in the country. Manoel Torres Rodrigues, vice president of Americas at Akzonobel, said: "Recently, we invested US$3.6 million in the Garcia facility to increase our production capacity by 35% and meet customer expectations regarding growth." ■

Armando Castillejos

General Manager

SUN CHEMICAL

Can you introduce us to Sun Chemical?

Sun Chemical is a leading global player with locations in 11 Latin American countries, over 1,300 employees in the region, and eight dedicated color centers.

With over 500 employees in the country as of December, Sun Chemical is the second-largest ink supplier in Mexico and the leader in packaging inks, with annual sales of US$140 million. Sun Chemical Mexico operates primarily out of its ink manufacturing facility in Naucalpan. Additionally, we have branches in Monterrey, Guadalajara and Querétaro. The company works closely with customers through a system of in-plants and small-scale operations within their facilities. Currently, there are 30 in-plants across Mexico.

Can you elaborate on Sun Chemical's portfolio and the industries it serves?

Sun Chemical is a leading producer of packaging and graphic solutions, color and display technologies, functional products, electronic materials, and products for the automotive and healthcare industries.

Our packaging and graphic solutions include a comprehensive portfolio of printing inks, functional materials, lamination adhesives, varnishes and coatings for various applications, as well as digital color management services. Our portfolio encompasses a wide range of technologies, such as water- and solvent-based inks, energy-curing UV and EB inks, and digital and screen-printing inks.

What is Sun Chemical's approach to sustainability and innovation?

Sun Chemical invests over US$100 million globally in R&D annually. Sustainability is a core focus, mainly driven by global packaging trends and consumer preferences, such as reducing the use of plastics and promoting recyclability. Examples include de-inkable inks that are designed to wash off film and paper substrates during recycling processes, therefore improving the quality of the recyclate; coatings that contribute to lightweighting of packaging structures; and film replacement coatings to enable plastic reduction and recyclability of certain fiber-based products such as beverage cups. ■

Image by Cassidy Muir at Pexels

Francisco Rubio

CEO

KEMIKALS

> Mexico's deep cultural and economic ties with the US and Canada transcend individual governments. While challenges like stricter customs regulations remain, the overall trajectory is positive.

Can you update us on Kemikals' activities in 2024?

We are a chemical specialty distributor focused on two main segments: coatings and building materials. This focus has been a key advantage, as we avoid spreading ourselves too thin across various industries and products. Over the last few years, we have worked to strengthen our position in coatings, aiming to become a relevant player in the industry. In 2024, our participation in the southeastern market grew significantly, and we are optimistic about our continued efforts in this region.

The past year has been stable for our industry after the volatility caused by the pandemic. Despite currency fluctuations, we have seen good growth and launched long-term projects that transcend annual planning. Sustainability remains a priority; we aim to position ourselves as a provider of sustainable solutions, including products, technology and technical support. This year, the market has started pulling toward sustainability, which validates our efforts. We also made a significant impact at LACS (Latin American Coatings Show) with our conferences and proposals, and we hired a new technical director for coatings to reinforce our expertise.

How are you differentiating Kemikals in the market?

We are deeply committed to being specialists rather than generalists. For instance, we have dedicated laboratories for coatings in Querétaro and for building materials in Monterrey, each staffed with experts. Additionally, we opened a new warehouse in Mexico City to improve logistics and customer service. Logistical challenges like rising costs, road congestion, and security issues demand proximity to clients.

In addition, our success stems from the incredible team we have built. At Kemikals, we focus on creating an elite team. It is not just about having skilled individuals but ensuring the right tools, technology and relationships support them. We prioritize a strong company culture, and the team embodies that culture. Our company culture plays a pivotal role. Employees want to feel valued and supported. When visitors, clients, or suppliers remark on the positive atmosphere in our offices, it reaffirms that our culture is genuine.

What role does technology play in addressing logistical challenges?

Technology is essential to our strategy, but we use it to support our people rather than replace them. We are increasingly integrating digital tools and exploring artificial intelligence. We have invested in digital tools, including robust CRM and supply chain management systems, to improve planning and efficiency. These tools allow us to enhance communication with clients and suppliers, ensuring better visibility and quicker responses to changes. Effective planning is essential when managing inventory for six months instead of one, and our digital solutions have been instrumental in navigating these complexities.

How do you view the impact of Mexico's new government on economic activity?

I am optimistic by nature. Over the long term, Mexico continues to grow, attract foreign investment, and strengthen its international presence. However, the next six months will likely be turbulent due to policy adjustments and external factors like US relations under the new administration. Mexico's deep cultural and economic ties with the US and Canada transcend individual governments. While challenges like stricter customs regulations remain, the overall trajectory is positive.

Construction activity has been slow, and infrastructure budgets remain limited. Projects like the Mexico-Querétaro train look promising on paper but have yet to materialize. Housing is the key driver of our industry, and a lack of new housing projects limits growth. We hope for greater activity in housing, as it has a multiplier effect on related industries like paints, waterproofing, and flooring. While there is growing interest in areas like Mérida and the southeast, most industrial activity remains concentrated in the central and northern regions. These areas continue to dominate in terms of production and construction projects. The southeast has potential but needs more development to match the activity levels of other regions.

Do you have any final thoughts or priorities for 2025?

Our primary focus remains on our people and the tools that empower them. We aim to strengthen our elite team further by investing in their development and providing the conditions they need to thrive. As we look to the future, incorporating advanced digital tools and artificial intelligence will be crucial, but always with a human touch. It is about building on our achievements and ensuring that our people remain at the heart of Kemikals' success. ■

Moisés Silva

Commercial Director

PYOSA INDUSTRIAS

Can you update us on Pyosa's activities in the past year?

We have grown and implemented a strategy of outward-looking growth. Today, we have an important business in the United States. And we just opened an office this year in Guatemala and El Salvador, where we also manage distribution.

Today, we have a complete product line that is not only based on color. We complement it with these other lines of products that we have for the different markets that we serve. Our primary market is paints, accounting for around 50% of clients. The remaining 25% is for plastics, and the other 25% is for our remaining markets.

Can you discuss Pyosa's international strategy?

We currently export 20% of our sales. And we believe that the potential may be higher. The paint industry in Mexico has experienced a downturn, though the repaint segment is growing. This opening with the United States, Canada, and Central America has helped us compensate a little for the downturn in Mexico. We have compensated a lot. It is going to be the axis of our growth.

What are the biggest challenges to the industry right now?

The biggest bottlenecks on the operational side are access to capital and talent. Everything is delayed without access to talent. Today it is challenging to find the right people. Newer generations think differently and want to keep changing jobs every couple of years, which complicates thing for us. It is an industry-wide problem. There are not so many people who stay in the same role for 30 years.

How is Pyosa implementing sustainable business practices?

On the operational side, we are not great resource consumers, but we have a water management system to maximize conservation. Our main priority is searching for sustainable suppliers, finding suppliers of non-petroleum-based paint resins to complement our portfolio. ■

MTH

EB

Marco Torres Hallal and Ernesto Bächtold

MT: Managing Director

EB: Associate Director

QUIMIX

Could you introduce us to Quimix?

MT: Quimix offers around 140 products, addressing multiple segments within urban pest control, including consumer markets, veterinary solutions, and public health initiatives. Another critical area of growth has been the control of flying insects through misting systems, which are commonly used in tropical areas to combat mosquitoes.

Quimix tackles public health challenges, particularly insect-borne diseases, through innovations like our insecticidal paint, Paintshield. We offer the only COFEPRIS-approved product in Mexico, which integrates microencapsulated insecticides that kill pests on contact and protect for up to two years. It has proven effective in reducing disease transmission in schools and other environments, offering a low-maintenance solution. Public health has been a cornerstone of our operations for nearly 15 years through our dedicated division, CodeQuim. This subsidiary focuses solely on public health initiatives, supplying products for government campaigns at both federal and state levels.

What infrastructure supports Quimix's operations?

MT: Quimix operates a state-of-the-art manufacturing plant in the industrial park of Atitalaquia, Hidalgo. It complies fully with all regulatory and operational standards.

Can you discuss the regulatory environment in Mexico?

EB: In Mexico, registering new products is notably slow and complex, often taking several years. This delay significantly impacts businesses, as registrations are critical assets in our industry. This delay also contributes to the proliferation of unregistered products, undermining formal businesses that comply with regulations.

How is climate change encouraging innovation in the sector?

EB: Climate change has expanded the range of pests like mosquitoes, increasing disease risks in urban areas. For instance, dengue-carrying mosquitoes, once absent in Guadalajara, now thrive there. ■

Angel Sánchez

Managing Director
CHEMETALL MEXICANA (BASF)

Could you share updates on any new developments at Chemetall Mexicana?
In Mexico, we have witnessed a substantial influx of investment, especially from Asian players, who have established operations here with impressive speed. This trend is particularly noticeable in sectors like automotive and aerospace, crucial to the Mexican economy and our company.

Our products are crucial in preparing materials, mainly steel, plastics and glass, for subsequent processes such as painting or galvanizing. Our chemicals are integral to helping clients meet strict corrosion resistance specifications across various industries. Customers are increasingly requesting sustainable solutions. They look for products with lower volatile organic compounds content, lower temperatures for processing, and smaller operational footprints. Products that minimize water use are particularly relevant in Mexico due to water scarcity concerns. We are developing technologies that respond to these demands, including chromium-free products. Aerospace is a key segment.

How do you view the automotive sector in Mexico?
Treating steel and aluminum for automotive components is our core business. Mexico remains a significant global production hub, and recent investments show that the sector is a vital economic driver. Automotive production growth has stabilized this past year, and the automotive components sector has also slowed.

How is Chemetall incorporating innovation to address current market challenges?
We use AI to streamline procurement and logistics to maintain required stock levels while optimizing costs. Additionally, we have begun employing robotic solutions for maintenance to reduce human exposure to hazardous environments, performing preventive maintenance in difficult-to-access areas.

What are Chemetall's expectations for 2025?
Within BASF's coatings division, we aim to be the preferred provider of sustainable surface treatments. We strive to produce functional coatings and contribute to creating a more beautiful world, as expressed by our global mission. Being the first choice for our customers is our driving ambition, and we are committed to achieving this in 2025 and beyond. ■

Manoel Torres Rodrigues

Vice President Americas
AKZONOBEL

Can you introduce us to AkzoNobel's metal coating business in the Americas?
Our American metal coatings business encompasses several industries, including building and construction, HVAC, domestic appliances and garage doors. We manufacture and sell pre-painted coil coatings, which are a core part of our business. Our coil coatings, together with packaging coatings fall under the metal Industrial Coatings business. That is the largest business unit in AkzoNobel.
North America has three sites and one R&D center for the metal coatings business unit. We have two production sites and our R&D center in Ohio. In Mexico, we have a plant in Garcia, next to Monterrey.

Our business in Mexico has been growing double digits over the last three years because of our solid supply chain. Recently, we invested US$3.6 million in the Garcia facility to increase our production capacity by 35%.

What's the key challenge facing the industry?
The biggest challenge is being able to accommodate all the growth that is happening with sufficient infrastructure; supply chains are strained. We are anticipating this growth by investing in our production capacity. We work very closely with our customers and their customers to understand their needs and ensure our organization is built to grow as they grow. We work as a partnership. The result was fantastic growth in the last three years for our business in Mexico.

What are your expectations for 2025?
We have ambitious growth expectations in Mexico and the US. These two markets will continue to complement each other. We will continue investing in Mexico and Latin America to support customers' growth ambitions and demand. Our customers appreciate our manufacturing footprint across these two countries and across Brazil and Argentina. Where we will continue to strengthen these links. ■

Carlos Rivas

Managing Director
ION SPECIALTIES

"2024 was a year of significant changes in Mexico, and we capitalized on high demand to introduce more sustainable products."

Can you introduce us to ION Specialties?
ION Specialties is a new chemical distribution company. We have operated for almost two years and are involved in various sectors like paints, plastics, inks, and coatings. We have distribution centers in Monterrey, Mexico City, and Guadalajara, with a sales force covering the entire country. Our main objective is to become Mexico's leading specialty chemicals distributor.

Can you describe the company's portfolio and trends in demand across different sectors?
One of our main strengths is having a broad portfolio for the paint, ink, and plastics markets. We are working on securing more commercial partners in these markets to provide a more complete portfolio to our clients. We are also considering adding other sectors like food, pharma and water treatment. We are focused on pigments, resins, additives and minerals - everything necessary for the markets we are involved in. Some of the brands that we represent include Ineos, the market leader in titanium, Orion for carbon blacks and Sudarshan, the world's largest manufacturer of pigments. We work with suppliers worldwide, including Europe, the United States, Asia, and even South America. Our focus is primarily on Mexico, but we have a business plan for the coming years, including expanding into South America. Additionally, we plan to enter the US market in the very near future.

What challenges have you faced setting up a new company and expanding nationally?
Alfredo and I have significant experience implementing new businesses, so our biggest challenge has been rapid growth and establishing a team focused on this growth. We are working on developing a team capable of taking the company from its current position to became the market leader within the next three to four years. Expanding into new territories, diversifying products, and targeting more markets are key to achieving these goals. Our strength lies in our solid governance and well-established growth strategy. We focus on analyzing our weaknesses and strengths and working to address any gaps. The trust we have earned from our suppliers and clients has been crucial to our success. We make sure to deliver on what we promise, and this has helped us grow quickly. Over the coming years, we target to expand our portfolio, enter new markets, and strengthen our distribution channels.

Our main challenge is internal: if we cannot execute our growth strategy effectively, it will be difficult to achieve our objectives. Mexico's market has shown sustainable growth, but the key challenge will be establishing a strong team and sticking to our strategic plan. Regarding risks, we are mindful of external factors, such as the US economy, that may affect us. However, the biggest challenge will be maintaining consistent growth while sticking to our well-defined strategy.

What market trends and changes did you observe in 2024?
2024 was a year of significant changes in Mexico, and we capitalized on high demand to introduce more sustainable products. Many of our clients have been asking for these types of materials, and we are working closely with our suppliers to offer new and innovative products that provide our clients with a competitive advantage in their markets. Sustainability will continue to be a major focus in 2025, emphasizing renewable products and reducing carbon footprints. Our main objective for 2025 is to offer products from our suppliers with these sustainable characteristics.

Our R&D laboratory plays an important role in developing products that meet our clients' sustainability needs. We focus on products with lower carbon footprints, recyclable materials, and better environmental impact, and we collaborate with our suppliers to bring these products to market.

What is ION Specialties' strategy for 2025?
Our primary goal for 2025 is to continue growing and become one of the leading distributors in the industry. We aim for double-digit growth and a broader presence in all markets. Our strategy involves expanding our product offerings, improving our distribution networks, and ensuring that our suppliers and customers are satisfied. We are committed to this strategy and will continue working diligently to reach our goals. In the long term, we want to expand into markets such as food, animal feed, and water treatment sectors. These sectors are spread throughout the country. We will increase our sales force to double to archive the objectives in 2025. ■

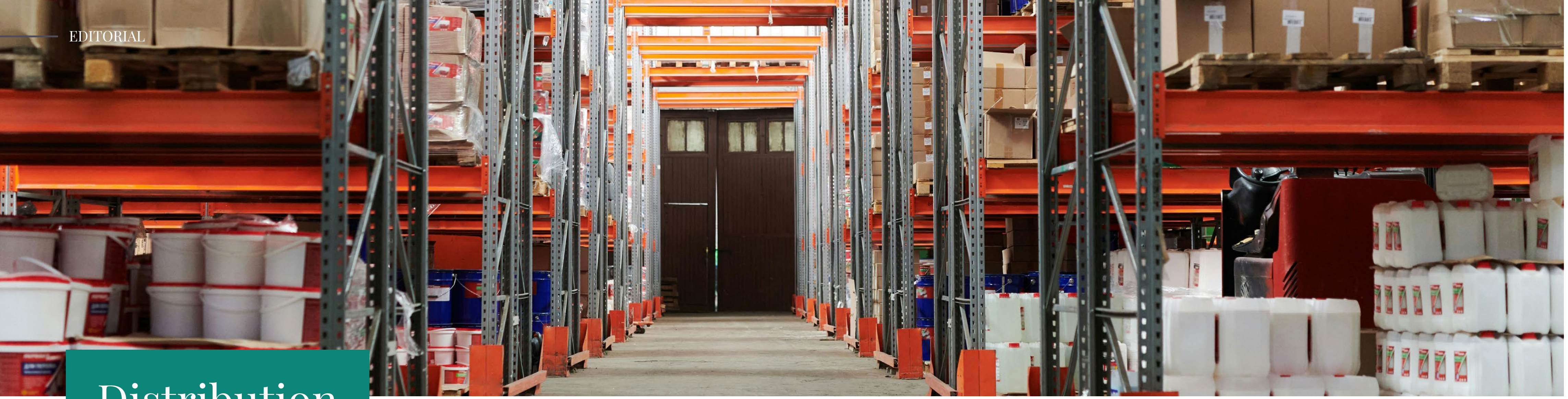
DISTRIBUTION

“Mexico benefits from a good number of trade deals across the world –this gives us competitive access to raw materials that can incentivize manufacturing in the country.”

Arturo Hoyo
Managing Director
IMCD MÉXICO

GBR Series • MEXICO CHEMICALS 2025

Image by Marcin Jozwiak at Pexels



Distribution

Consolidation and new entrants in a lucrative market

Mexico's chemical distribution sector enjoyed a prosperous 2024, driven by demand for increasingly specialist chemical products, sustainable alternatives, and high-level acquisitions of local companies by foreign players. M&A activity, which has been on the rise in recent years, is a sign of the robustness of Mexico's distributors. Continuing challenges in the domestic petrochemical sector, which has limited national production of chemical products, continue to present an opportunity for distribution companies to fill the gap created by inconsistent government policy surrounding petrochemical production.

In the first half of 2024, Brenntag acquired Quimica Delta, a leading distributor with over 50 years of history, further consolidating the industry. Distribution companies have been on a shopping spree, trying to rapidly penetrate new sectors and expand their geographic footprint within Mexico and the wider region, including Central and South America. Another notable acquisition in 2024 was made by IMCD, which has been on an acquisition spree in recent years. Arturo Hoyo, managing director of IMCD Mexico, commented: "In the first half of 2024, we acquired Grupo Bretano, headquartered in Costa Rica with a strong presence and reputation in Central America and with a solid presence in Mexico that makes us expand our product offering in the food and nutrition space."

Mexico's increasing trade relationship with the United States, solid industrial performance, and economic diversification, underpinned by the USMCA trade deal, has attracted foreign distributors to the country, seeing it as a crucial market with its regional reach that extends into the US as well as Central and South America. Opportunity comes hand in hand with legitimate risks for companies trying to enter the Mexican market; opaque regulation, creaking infrastructure, and insecurity can seriously disrupt new entrants. As such, local partnerships are key.

In late 2023, Suministro de Especialidades (SDE) was purchased by Formerra, an American performance materials distributor. This acquisition has helped SDE expand its product offering and leverage Formerra's global reach. Eric Aguilar, country manager in Mexico, said: "This partnership gives us access to a global network, improving our market position and enabling us to deliver advanced products and services... Local knowledge is crucial for overcoming Mexico's logistical challenges."

Alliances between Mexican and foreign distributors indicate the increasing attractiveness of the chemical distribution market in Mexico, and the entrance and consolidation of new players is yet another. One such new distributor is ION Specialties, founded in 2022, focusing on paints, plastics, inks and coatings. Carlos Rivas, the company's managing director, said: "Our strategy involves expanding our product offerings, improving our distribution networks, and ensuring that our suppliers and customers are satisfied."

GreenChem Industries, a US distributor with a portfolio of over 500 products to supply the paint, food and cosmetic industries, has been operating in Mexico since 2022. The company reaffirmed its commitment to the Mexican market in mid-2024, establishing a physical office in Mexico City to complement its network of warehouses in Guadalajara, Monterrey, and the capital city. Discussing why GreenChem has decided to focus on Mexico, Francisco Martínez, GreenChem's managing director in Mexico, said: "GreenChem sees substantial growth potential in northern Mexico. This region is a hub for manufacturing and automotive industries, which continue to grow despite economic challenges."

As a relatively new player in the sector, the company has had to be creative about driving growth and demand, especially in an increasingly consolidating industry where many multinationals might already be catered for. Martínez said: "We serve clients of all sizes, including micro, small, and medium enterprises, which constitute over 90% of businesses in Mexico."

In such a competitive and challenging market, chemical distribution companies are aggressively innovating, cutting costs, forging alliances with new suppliers, and re-jigging their operational methods to survive and thrive. Among local distributors, First Quality Chemicals is such an example. Sergio Chiñas, CEO of First Quality Chemicals, said: "Recently, we signed a distribution agreement with Baerlocher, a German multinational. They are well-established globally, especially in Europe, where they are number one in plastic additives, specifically heat stabilizers for PVC, lubricants and processing aids, and other stabilizers."

Catering to Mexico's oil industry, Quimi Corp, a PEMEX supplier for decades, has been exploring diversifying its business, penetrating new segments such as health and nutrition. The company has recently partnered with Rezel, a Chinese catalyst producer, and is the unique distributor in Mexico. Óthon Canales, Quimi Corp's CEO, said: "Strategic alliances are critical to our business. The Mexican oil industry is highly complicated, but this partnership has allowed us to introduce new products."

Regarding the complications in the Mexican oil industry, Canales further discussed the structural challenges the state-owned oil giant PEMEX faced and how supplier companies downwind of it have come under increasing scrutiny and face high hurdles in accessing traditional finance, hence Quimi Corp's need for diversification. Canales said: "PEMEX owes approximately U$20 billion to suppliers and carries over U$100 billion in debt. The private banking system's reluctance to deal with Pemex is deeply concerning."

Indeed, despite a competitive and growing distribution segment, this sector is not immune from some of the broader challenges faced by Mexico's chemical industry and the economy at large. Global chemical markets have had to deal with Chinese oversupply of key petrochemical products, and Mexico is no different. Humberto Elizalde Mendoza, CEO of ICS Group, echoed the sentiment of many in the industry, saying: "Product oversupply from China poses a significant challenge, particularly in the context of this year's elections, which typically stall foreign investments."

ICS Group is the leading organic peroxide distributor in the country. Mendoza commented on the company's per-

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Image by Tiger Lily at Pexels

> We face challenges, and I hope the new administration will make decisions that foster a better environment for business.

Sergio Chiñas

CEO

FIRST QUALITY CHEMICALS

Can you provide us with updates about First Quality Chemicals?

We are a distributor in Mexico of specialty chemicals, sourcing materials from around the globe. We store these materials in three warehouses in Mexico: in Estado de Mexico and Monterrey city. We supply customers nationwide, primarily in coatings, adhesives, plastics, polyurethane, inks, resins and personal care. Additionally, we have an application laboratory in Estado de Mexico. Recently, we signed a distribution agreement with Baerlocher, a German multinational company producing plastic additives, specifically heat stabilizers for PVC, lubricants and processing aids and other stabilizers.

We have participated in and organized several events for our customers. We held technical events called Circo del Color and Circo del Plastico, which were full-day conferences featuring technical presentations for our customers. We were also present at the Latin American Coatings Show to discuss our existing materials and introduce new offerings to our customers. Additionally, we participated in Expo Cosmetica and attended Jornadas Técnicas in Guadalajara.

What differentiates First Quality Chemicals from its competitors?

We are very attractive to many companies due to our strong position in the Mexican market and our established relationships. For instance, Evonik is the number one company globally in specialty chemicals, and we are their sole distributor in Mexico for two business lines. Similarly, we represent other leading companies, including Shell. This puts us in a strong position to innovate continuously and bring new materials to the Mexican market.

The importance of our culture cannot be overstated. Our employees are our greatest asset. If we have the best people, we will be significantly more successful. Therefore, our rigorous hiring process includes multiple interviews and psychometric assessments. Once we bring in the best talent, we challenge them to grow and provide numerous training opportunities.

Can you share your perspective on the current opportunities in the chemical industry?

Currently, we are seeing promising opportunities in various sectors. We expect a considerable increase in the personal care industry, as we have a range of innovative materials for diverse applications. Additionally, we anticipate strong growth in the paper and corrugated industry thanks to a product from our principal, Borregaard, designed to enhance the adhesive performance in that sector. We also focus on expanding our lubricants and waxes business and exploring thermoplastic polyurethane opportunities. Furthermore, we are discussing how to grow our persulfate business and also are promoting exciting materials from our principal Sukano that promote plastic recycling. This is vital for our sustainability initiatives, and we are committed to reducing global warming by participating in the recycling of plastics and circular economy. Additionally, we offer antioxidants and UV stabilizers that extend the lifespan of plastics, further supporting sustainability efforts. We also witness significant growth in the flame-retardant business.

What are your thoughts on the business environment in Mexico?

Mexico's economy has gone through some challenging times. Over the last six years, our GDP growth has been less than 1 % per year, which is quite concerning. We face challenges, and I hope the new administration will make decisions that foster a better environment for business. Companies must know that their investments are secure, particularly regarding legal frameworks. We are competing against countries such as India, Malaysia, Indonesia and Vietnam for foreign investment, and if Mexico wants to attract investment, we must improve our infrastructure—roads, trains, ports—as our current ports are saturated, and also our power energy capacity. Reducing bureaucracy and creating a more investor-friendly environment is crucial. I hope the new president recognizes the value of expert advice and makes informed decisions to enhance our country's attractiveness to investors.

How does First Quality Chemicals plan to adapt and grow into the coming year?

Resilience, adaptability and innovation are at the core of our strategy, as we aim to introduce a broad range of new materials to help our customers enhance their performance and product lines. Listening closely to our customers allows us to find opportunities that benefit them and us. We also prioritize providing excellent technical service, leveraging our application laboratory to develop custom formulations tailored to our customers' needs. Partnering with the best global suppliers enhances our capacity to deliver great value. We are confident that with our strategic focus and dedication to innovation, 2025 will be a promising year filled with growth opportunities. ■

> The growth of infrastructure and allocation of state budgets over the last several administrations have spurred significant growth in newly industrialized areas.

Leon Freiman

CEO

CHEMLOGIS

Can you introduce us to Chemlogis?

Chemlogis was founded over 35 years ago, initially focusing on the distribution of raw materials, with an emphasis on the colorants market. Over the last 15 years, the company has diversified into importing and distributing specialty materials, targeting high-value, triple-A clients across various industrial verticals in the country. This diversification strategy has been crucial to our growth. While the company's early success was rooted in serving the textile industry—we were a dominant player for dyes at the time—industry consolidation and evolving market dynamics drove us to expand beyond our initial niche. The textile industry has evolved significantly over the past 25 years, following NAFTA. This compelled us to explore other avenues for growth. Today, the company takes a flexible, opportunity-driven approach, allocating resources to markets and products demonstrating strong demand and growth potential.

Can you describe Chemlogis' physical presence and infrastructure in Mexico?

Chemlogis operates from its central office and warehouses near Mexico City. Given the high-value, low-volume nature of the specialty products trade, our company benefits from centralized distribution while maintaining bonded inventories at ports of entry and border locations. In addition, Chemlogis also offers value-added services, including inventory management, product formulation and packaging tailored to client needs, and we are able to handle liquids, powders and complex blend products.

What are your observations about the industrial growth in southern Mexico?

The growth of infrastructure and allocation of state budgets over the last several administrations have spurred significant growth in newly industrialized areas. Southern Mexico will experience continued industrial growth, driven by infrastructure investments and state-led initiatives that are promoting the region's development. New production facilities are emerging in non-traditional regions like Tabasco, Chiapas, Oaxaca and the Yucatán Peninsula. These developments provide access to a fresh workforce compared to saturated industrial hubs like Nuevo León, Chihuahua and Coahuila. The trend supports regional economic growth, technical skill development and expanded manufacturing capacity.

What factors drive your decision to pursue a particular market or opportunity?

At Chemlogis, we prioritize value creation over sheer volume. The company selectively enters markets where we know we can deliver meaningful impact and add value to our clients, adapting to an ever-changing business landscape marked by volatility and complexity in supply chains. With a focus on agility, Chemlogis allocates resources based on market demand and operates as a bridge between suppliers and end users. Our flexible model ensures that clients benefit from the most competitive supplier options without being tied to a specific manufacturer.

How does Chemlogis address the challenges of importing products into Mexico?

Regulation is necessary for societal well-being, and every country, including Mexico, has its own set of rules. Chemlogis emphasizes the importance of regulatory compliance while advocating for streamlined processes. Mexico has rationalized its regulatory approach significantly when mitigating health risks. However, there is room for improvement in streamlining processes. As a long-standing, compliant operator, we believe that the country could benefit from the implementation of measures like a "green card" system to facilitate smoother trade for trusted entities with a track record of importation. We also highlight the importance and need for regulatory stability, improved coordination between industry and authorities, and access to essential resources such as energy, water and skilled labor. A robust legal framework is essential to fostering investor confidence and enabling sustained growth in Mexico.

How does Chemlogis integrate sustainability into its operations?

Sustainability is central to our company's operations, which is underpinned by our certifications with EcoVadis, Corporate Social Responsibility and maintaining ISO standards. These frameworks ensure a transparent and sustainable supply chain and ensure that our efforts are focused on carbon footprint optimization, packaging recovery and community engagement. These initiatives build trust with our clients and commercial partners, reinforcing Chemlogis' commitment to responsible business practices.

What are your expectations for the coming year?

With our company's adaptable business model, we remain optimistic about leveraging emerging opportunities and delivering value to our clients in a dynamic geographic and economic environment. ■

> Where applicable, Pochteca aims to replicate regional strengths in particular sectors to other regions.

Eugenio Manzano

Executive Director

POCHTECA

What trends in demand is Pochteca observing across its product portfolio?

We've observed a growing trend among customers and suppliers to partner with responsible distributors like Pochteca for their raw materials, ingredients, chemical products, and industrial solutions needs. This shift is largely driven by the extensive range of value-added services we offer, combined with our broad geographical presence across 11 countries.

Our value-added services are diverse, including specialized logistics, advanced inventory management systems, efficient small order processing, technical support, product application development, training programs, customized product packaging and blending, waste management solutions, and other environmentally conscious offerings.

What opportunities is Pochteca pursuing in the market?

For now, we are focusing our efforts on replicating success and materializing synergies between our business units and countries. Where applicable, Pochteca aims to replicate regional strengths in particular sectors to other regions. In mining, for example, we are very strong in Chile and Peru. But there is also a lot of mining in Brazil, Argentina and Mexico. We just started up a mining lab in San Luis Potosi, in the heart of Mexico, to replicate what we have in Santiago, Chile. In food ingredients, we aim to replicate Pochteca´s strength in Mexico and Central America to the Andean region. For oilfield chemicals, we are working on replicating our success in Brazil and Mexico to Ecuador, Peru and Colombia. This is a very big project because we serve more than 40 industrial sectors, from food to mining to oil and gas, and everything in between.

Can you discuss the role of Diversity & Inclusion initiatives in Pochteca?

Pochteca´s commitment is clear: we do not discriminate against anyone based on gender, ethnicity, religion, social status, age, sex, disability, or other characteristics. We believe that diversity enriches the company´s culture and fosters growth. Our hiring policy focuses on skills and experience, actively promoting diversity and inclusion. We seek internal promotion and local recruitment in all our hiring processes. Additionally, we strive to ensure equal pay between men and women, based on employee performance, without distinctions.

What are your expectations for 2025?

We believe that chemical distribution will continue to grow in 2025 and beyond and is gaining share from direct business between manufacturers and customers as they realize the value of doing business through distribution. In this context, we will continue to play an important role in Latin America´s chemical supply chain, demonstrating our ability to drive growth and competitiveness. Our value proposition goes beyond simple distribution; we provide value-added services, gather market information, and simplify complexities for manufacturers and customers along the value chain.

Our firm commitment is to consistently create value for customers and suppliers, enter new sectors, acquire new clients, expand into untapped regions, replicate our successes across various countries, and capitalize on emerging trends that manufacturers might miss or find challenging to understand on their own.

Leveraging our extensive geographic presence in Latin America, we serve hundreds of cities with thousands of manufacturing enterprises. Our reach spans over 40 diverse business segments, including food processing, home and personal care, paints and coatings, mining, oil and gas, the automotive industry, and various other chemical-consuming industries. Directly serving these segments would be very expensive for manufacturers due to geographic dispersion and the complexity of cultural differences and local nuances.

We are currently implementing a comprehensive digital transformation strategy, named "Proyecto Cacao," aimed at enhancing our existing operations and revolutionizing the experiences of our customers, employee, and suppliers.

This strategy includes a wide range of initiatives across our business landscape, such as process improvements, the implementation of cutting-edge ERP systems, e-commerce solutions, and inventory management systems. Our commitment to digital transformation is based on the understanding that it is an ongoing journey characterized by continuous improvement and innovation.

Additionally, within our IT ecosystem, we integrate a suite of essential tools, artificial intelligence, robotics, and software solutions, enabling us to streamline data processing, automate workflows, and reduce operational costs. This integrated approach results in a more cost-efficient service model for our suppliers and a lower total cost of ownership for our clients, reinforcing our commitment to delivering value at every contact point.

Executing our strategy with world-class ESG standards is a key pillar and success factor moving forward. ■

> We are observing a notable influx of Asian companies, including Taiwanese and Japanese firms, establishing large operations in Mérida.

Humberto Elizalde Mendoza

CEO

ICS GROUP

Can you give an overview of ICS Group's progress over the past year?

The past year has been challenging for ICS Group, requiring us to adapt. Despite difficulties, we made significant progress in forging new relationships with national and international suppliers in the Mexican market. This has led to better production costs for our clients while maintaining product quality, especially for resins, polyester, and fiberglass. We also introduced two new release agent lines for thermoplastics and thermosets. Our debut at an international composites trade show in the US opened doors to the US market and attracted interest from suppliers in Europe, North America and Asia. Additionally, we are nearing completion on our ISO 9001:2015 certification processes, with certification expected in the first half of 2025. Despite a complex sales environment, ICS Group matched its 2023 sales by the third quarter. We have enhanced our brand positioning, solidifying our leadership in organic peroxides across Latin America.

ICS Group operates within the specialized organic peroxides market, which has faced significant demand shifts this year. Organic peroxide national sales declined in 2024 due to a fall in the market of high polymers like polyethene and polypropylene production. Factors such as a water shortage in Tampico halted industrial activities for several weeks, further impacting peroxide consumption. Despite government-imposed tariffs on Chinese imports, polyester resins faced challenges from imports, particularly from China, Turkey and India. However, domestic production saw a boost as some companies focusing on US exports maintained stable output. We remain competitive due to the chemical nature of peroxides, which affects import logistics and costs, allowing us to sustain sales in Mexico and Latin America.

How do you foresee regulatory changes affecting the industry?

Regulatory changes in labor laws are significantly impacting the industry. Companies are adapting to new policies that increase wages, extend vacation time, and shorten the workweek, which are part of the implications for the Mexico-Canada-US Trade Agreement. Additionally, government investments in education are beneficial, but the push for professionalization affects the availability of skilled labor in manufacturing and production. To address this, we plan to improve our product lines to advanced technology, which requires substantial capital, expert advisors, and robust financing options. The upcoming year will be crucial because Mexican companies must balance growth with these operational changes while modernizing to maintain competitiveness.

Can you discuss the growth of industry in the south and its impact on Mexico?

We are observing a notable influx of Asian companies, including Taiwanese and Japanese firms, establishing large operations in Mérida, mainly due to economic incentives from the local government. These companies are setting up facilities that employ two to three thousand people and are focusing on producing materials for the automotive industry. Initially, they will produce precisely as they do in Asia, but they will soon seek local suppliers if prices in Mexico are competitive with those in Asia. This scenario underscores the need for international and local suppliers to adapt to avoid potential commercial tensions.

How does ICS Group differentiate itself and maintain competitive?

ICS Group differentiates itself by recognizing that the traditional buying and selling model is no longer sustainable in a competitive landscape dominated by national and international companies. We focus on providing technical services, operational support, and value addition throughout our processes. We aim to deliver comprehensive solutions that include technical advice and immediate product delivery tailored to our client's needs. We have developed our materials under the brand 'Corpol' to help clients optimize operations by improving production speed, reducing waste, and enhancing productivity.

What are ICS Group's plans for 2025?

For the upcoming year, our strategy involves forming key alliances with local and foreign companies, alongside strengthening our delivery service. Training and developing our personnel across all levels is a priority; we are creating our training courses and collaborating with suppliers for training on new materials. Furthermore, we aim to integrate technology into fiberglass and polyester resin processes to enhance production speed and quality. Compliance with legal regulations in the chemical industry is vital to ensure we handle products safely while maintaining a solid market position. Ultimately, the ICS Group is an important filter between large suppliers foreign and the local market, delivering cost-effective options and functionally viable solutions for the industry. ■

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formance in 2024, discussing its challenging year. Among the reasons why organic peroxide demand was low, Mendoza said: "Factors such as a water shortage in Tampico halted industrial activities for several weeks, further impacting peroxide consumption."

Northern Mexico, the focus of industrial and manufacturing activity in the country and the region that has attracted much of the nearshoring investments in recent years, is facing water-related challenges. Kindall Sununtnsuk, commercial director, LATAM & IM/EX at Nexeo Plastics, said: "In northern Mexico, we hear from many of our customers that they have power outages quite regularly, especially in the summer months. Water and electricity are crucial for Mexico to capitalize on foreign investment."

Another challenge hampering the region's development and potentially curtailing industrial activity and, thus, chemical orders is infrastructure constraints and access to energy. DAXX, a chemical distribution company operating in Mexico for over 17 years, has extensive operations in the north of Mexico, handling storage and bulk material for paints, agrochemicals, oil, gas and water treatment industries. Jorge Hernández, commercial director in Mexico at DAXX, said: "The lack of natural gas supply for production plants is a key vulnerability in the north."

Regulatory controls on shale gas and private energy development in Mexico, compounded by stringent import controls introduced in 2024 to protect domestic producers of lubricant and petrochemical products, have forced chemical distributors to invest more in legal and compliance teams and stock inventory. Leon Freiman, CEO of Chemlogis, a raw materials distributor explained: "As a long-standing, compliant operator, we believe that the country could benefit from implementing measures like a 'green card' system to facilitate smoother trade for trusted entities with a track record of importation."

Jorge Hernández
Commercial Director Mexico
DAXX

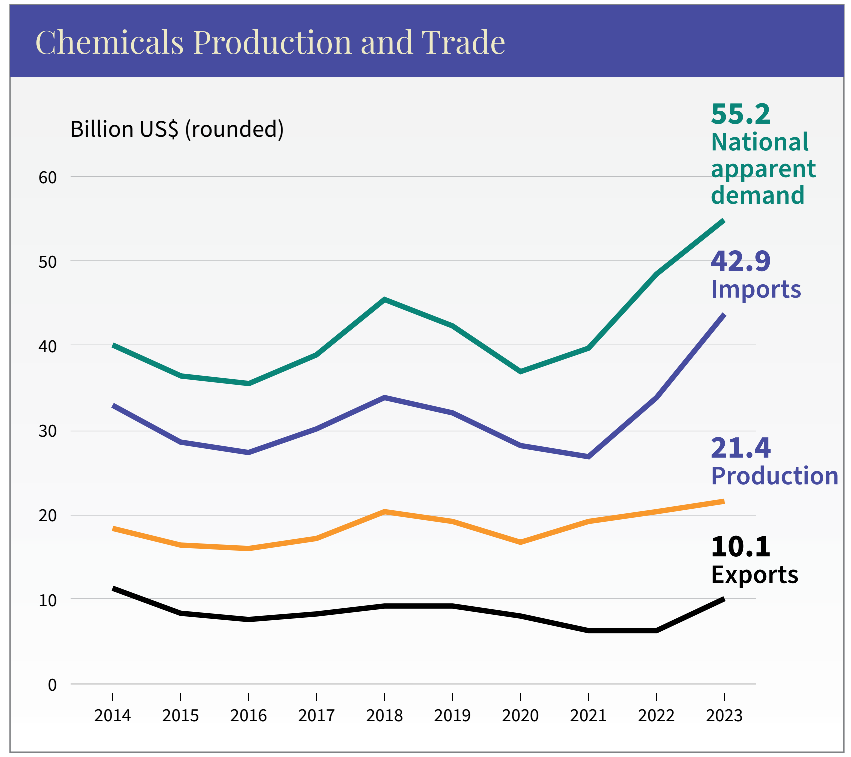
"When there is a change in government the investment outlook becomes uncertain."

Freiman's views echo those of many in the chemical industry, particularly the distribution sector. Regulatory controls and high standards are crucial for the industry and paramount for Mexico if it wants to continue strengthening its trade and commercial relations with advanced economies like the US. Nevertheless, predictability and legal certainty are crucial, and introducing new controls or judicial reform without prior consent and warning can shake investor confidence in the country. Alejandro Prieto, Koprimo's founder and managing director of Koprimo, a raw materials distributor, said: "Importing products in Mexico is challenging due to bureaucratic processes and the complex regulations surrounding imports."

In addition, Koprimo's mining business is challenged by Mexico's insecurity crisis. Prieto mentioned how transporting input materials for mining production, such as zinc, was becoming increasingly difficult. Mining operations are often found in remote and isolated parts of the country, where road and transport robberies are common. Finding drivers willing to make those perilous journeys has become increasingly challenging and expensive.

Logistical challenges for distributors include congested, underfunded roadways and navigating traffic and security issues. Data compiled by Statista showed that in 2023, Mexico City, a hub for the chemical industry, was the second most congested city in Latin America. On the safety front, data compiled by ANIQ on transport robberies for chemical products during the past few years shows a worrying trend of increased frequency in road robberies of vehicles carrying chemical loads. From the 2023 to 2024, the number of robberies doubled.

Nevertheless, challenges also present opportunities for Mexico's chemical distributors. Mexico's water crisis, which affects everything from industrial activity to agricultural output, has been identified as one such opportunity. Koprimo is expanding its product portfolio for water treatment. ■



Source: ANIQ

Image by Tiger Lily at Pexels

N. Adriana Ramírez Millán

Chemical Sales Director

HELM DE MEXICO

> Mexico recognizes its geographic advantage with the US as a primary trading partner. Despite tariff challenges, the two countries maintain a strong, interdependent supply chain, especially in chemicals.

Could you provide us an overview of Helm de Mexico's activities in 2024?

Over the past two to three years, we have solidified our presence in Mexico as part of HELM's team in the Americas. Within our chemicals division regionally, we have significant interactions with the US and Brazil divisions, but my responsibility is focused solely on Mexico. We handle both imported materials and locally sourced products. In 2024, we faced challenges such as the impact of elections, both in Mexico and the US, which influenced the market's caution around operations and inventories. Despite this, our volumes continued to grow due to strong synergies with clients and suppliers, as well as the robust international backing of the company. The key focus remains on optimizing costs and resources to create value for the market without accumulating unnecessary stock.

2024 was a challenging year, though it presents a certain normalization compared to other post-pandemic years. The uncertainty caused by elections in Mexico and the US kept the market cautious. However, we achieved volume growth and maintained solid synergies with our clients and suppliers. Our emphasis on value creation, rather than just expanding stock, and our meticulous approach to resource optimization allowed us to maintain stability. While external factors presented challenges, the company stayed focused on strategic innovation and maintaining strong, value-driven products.

Can you elaborate on how Helm de México approaches innovation and sustainability?

For us, innovation is not just about creating new things but improving processes and maximizing existing resources. A major focus has been measuring and optimizing operations, including transportation and warehouse management, with a preference for sustainable partners. For example, we look for certifications like 'industria limpia' and enquire about environmental practices. We have also begun carbon footprint tracking and internal awareness campaigns to align with global sustainability strategies. For all of our key products we are in the process of developing strategies to reduce our carbon intensity. By 2030, we aim to advance significantly in these areas. Innovation and sustainability are now integral to our operations, reflecting the company's commitment to adding value to the supply chain.

In which sectors or verticals did you see the most growth in 2024?

We have seen growth across our portfolio, but the paints and resins sector experienced particularly strong demand. The automotive sector also continues to expand in Mexico, and we have benefitted from ever closer collaborations with Tier 1 and Tier 2 suppliers. While we have faced some challenges from global manufacturing shifts, especially in China, these industries remain promising. Our focus is on strategic and targeted growth, ensuring we allocate resources effectively.

What is your perspective on the new Mexican government's approach to the chemical industry?

It is still early to see significant changes under the new government, as they have only been in power for a few months. So far, the policies and processes we follow remain consistent. We are monitoring any potential changes in permits, tariffs, or national production initiatives. There has been more openness to dialogue recently, as seen in various chemical forums in 2024. However, despite increased communication, the responses have not always been favorable. ANIQ (National Association of the Chemical Industry) continues to play a vital role in voicing industry concerns, such as ensuring that economic and regulatory processes are not overly burdensome for businesses.

How does the global political climate, particularly under the Trump administration in the US, affect Mexico's chemical industry?

Mexico recognizes its geographic advantage with the US as a primary trading partner. Despite tariff challenges, the two countries maintain a strong, interdependent supply chain, especially in chemicals. However, Mexico must balance protecting its local production while allowing imports of materials not produced domestically. We hope for policies that support local producers while maintaining healthy trade relations, as this benefits the entire supply chain and strengthens the economy.

What are your expectations for 2025?

We feel cautiously optimistic about 2025, but the same external challenges remain. The new governments in both Mexico and the US will influence the industry. Mexico's synergy with the US will continue to play a significant role in production, maquilas, and trade exchanges. As a global

Arturo Hoyo

Managing Director

IMCD MÉXICO

> There are some specific trends in some segments where our value proposition of being part of the design and formulation differentiates ourselves.

Can you discuss IMCD's activities in the past year?

IMCD is a global specialty chemical distributor with 26 years track record of continuous growth trajectory. We operate in over 60 countries around the globe, and we entered Mexico in 2019 with the acquisition of DSC Pharma. Since then, the company has grown exponentially in the country where we are currently serving over 3,000 customers. 2025 marks our fifth anniversary in Mexico and we are very proud to say that we have our eight global business units operating in Mexico, not only preserving the legacy and strong reputation from the six companies that we have acquired, but expanding our value proposition to our principals and customers. Our eight business groups are Advanced Materials, Food and Nutrition, Pharma, Beauty and Personal Care, Home Care and Institutional, Industrial Solutions, Lubricants, Energy and Coatings, and Construction.

After taking a break in 2023 to consolidate and integrate our businesses, in the first half of 2024 we acquired Grupo Bretano, headquartered in Costa Rica with a strong presence and reputation in Central America and with a solid presence in Mexico that make us expand our product offering in the Food and Nutrition space. This expansion brings relevant synergies in the product portfolio in the benefit of the food processors.

Can you discuss the plastics segment in Mexico?

The plastics business, as other industry segments, are still managing the challenges of 'the perfect storm'. The transition from an overstocked value chain, the rapid decline of pricing in several chemistries and the increased competition from Asian supply not only on raw materials but finished goods have forced us reinvent ourselves to excel and diversify, pursue opportunities in untapped segments and specialty chemistries that have made us overcome some of the challenges successfully.

What opportunities is IMCD pursuing in the various sectors it covers?

There are some specific trends in some segments where our value proposition of being part of the design and formulation differentiates ourselves. Let me give an example, in Beauty and Personal Care, which is a very fragmented market, there is a growing demand for personalized and boutique brands and a hyper-personalization of products where, through our laboratories in Mexico, we can bring speed to the development customized solutions.

In the pharmaceutical sector, we continue adding new products to our portfolio to service the private and government sector in the synthesis, APIs and excipients fields. This is another good example where technology and digitization allow us to share data and leverage our global presence.

What challenges can you see on the horizon for Mexico?

I believe that the value chain built via the USMCA agreement across Canada, USA and Mexico is one of the most solid in the world, and it will be complicated for political actions to destroy it. It genuinely has solid foundations and works well. The US continues to be the most relevant consumer market in the world. One challenge we must address in Mexico is the chemical industry's increasing dependence on imports. Mexico benefits from a great deal of trade deals across the world that give us competitive access to raw materials that can incentivize manufacturing in the country. The nearshoring wave is a reality that can be observed across different metrics, such as the availability of warehousing space. A great deal of investment has been made here and is here to stay. Global supply chains are also vulnerable and threatened by climate and man-made disruptions. Mexico should also be wary of competition from Southeast Asia, which is also enjoying a booming trade with the US; in my opinion, that region will be our principal competitor going forward. In a nutshell, the distribution channels will become more relevant and that brings good opportunities for IMCD in the future.

What is IMCD's outlook for 2025?

We are focused on continuing our growth path in Mexico and we have based our plan on three pillars: commercial excellence, operational excellence, and people. Our people are the most valuable resource for our transformation journey to make IMCD a greater company in a great country. At this time, we continue our commitment to sustainability and being a responsible actor in our communities. The best is yet to come for IMCD Mexico.■

Francisco Martínez

Managing Director

GREENCHEM INDUSTRIES

> The chemical distribution industry is growing faster than the overall economy, with global distribution expanding at approximately 7% annually. Mexico's growth rate is expected to outpace that average.

Can you provide an overview of GreenChem Industries and its operations?

GreenChem has 41 physical locations, including warehouses, transfer centers, tanks and stations, primarily in North America and Mexico. The company's portfolio comprises over 500 chemical products, catering to almost all industrial segments, from paint manufacturing to food and cosmetics.

GreenChem entered the Mexican market in June 2024 as part of its plan to grow in Latin America. The decision was driven by demand from US customers seeking products in Mexico. GreenChem now has three warehouses in Mexico located in Guadalajara, Monterrey and Mexico City, with local inventory to serve customers efficiently. The operation has grown rapidly. We serve customers of all sizes, including micro, small, and medium enterprises, which constitute over 90% of businesses in Mexico.

What industries and regions in Mexico present significant growth opportunities?

The chemical distribution industry is growing faster than the overall economy, with global distribution expanding at approximately 7% annually. In North America, including Mexico, the market is projected to grow from US$38 billion in 2023 to US$58 billion by 2030. Mexico's growth rate is expected to outpace that average. There are more than 750,000 end-users, meaning the market has ample room for players. In Mexico under the current administration, the government has shown more openness to engaging with the industry.

GreenChem sees substantial growth potential in northern Mexico. This region is a hub for manufacturing and automotive industries, which continue to grow despite economic challenges. Our diverse portfolio supports industries such as automotive, with a focus on paints, coatings, and specialized products. Additionally, the personal care and home care sectors have shown resilience and growth. The food industry, not only for human consumption but also for pets and livestock, is expanding significantly due to rising trends. Additionally, the pharmaceutical sector is another standout. It includes the manufacturing of active ingredients and the production of medicines and medical supplies.

What challenges have GreenChem Industries faced, and how have you managed them?

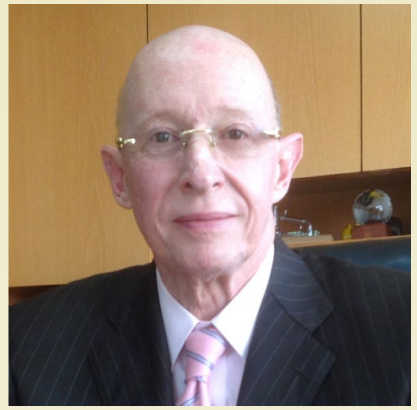
Regulation is a significant challenge in the chemical industry. While regulation is necessary, Mexico is on the extreme side of overregulation. For example, obtaining permits for importing certain products can take up to six months, requiring over 400 forms and interactions with multiple government agencies. This is particularly challenging given Mexico's increasing reliance on imports as domestic petrochemical production declines. Despite these hurdles, the best approach is understanding and working with the process. For instance, we began some of our import permits six months ago and are now starting to receive approvals. I also recommend working closely with industry associations like ANIQ and engaging consultants to navigate the system effectively. Infrastructure is another major issue. Mexico has underinvested in ports like Manzanillo, Lázaro Cárdenas and Veracruz, which are now overwhelmed. Poor road conditions exacerbate the problem, with critical routes like Mexico–Querétaro and Mexico–Veracruz becoming almost impassable sometimes. Security is also a concern, with chemical cargo being a frequent target for theft. For instance, it is not uncommon for three trucks, each carrying 20 to 40 tons of chemicals, to be stolen in a single day. To mitigate these issues, we have adopted protocols like double GPS tracking and hired monitoring companies, which increases costs, ultimately impacting the price of finished goods.

How do you view sustainability trends in Mexico's chemical industry?

Sustainability in Mexico still has a long way to go. While there are trends toward green and bio-based products, they remain niche. One of the biggest challenges is that many distribution companies in Mexico are not meeting basic regulatory and safety standards. Of around 350 distributors, only 80 are part of ANIQ, and even fewer—about 20%—have certifications like Responsible Care. It is difficult to talk about green products when fundamental compliance issues persist. At GreenChem, we are committed to sustainability. We are ANIQ members working to obtain SARI certification in Mexico by April next year. Globally, we are certified by EcoVadis. We believe the industry must focus on reducing emissions, improving logistics efficiency, adopting responsible practices, and exploring green products.

What are your expectations for the coming year?

Although Mexico's economic growth is expected to be low, I remain optimistic due to the resilience of Mexican businesses and the opportunities presented by the North American market. ■



Othón Canales

CEO

QUIMI CORP

> Our strategic focus for the coming years is on consolidating projects related to nutritional supplements and continuing to work on reducing our dependency on Pemex.

What are the latest updates on Quimi Corp's projects and business direction?

A significant development has been our alliance with Chinese company Rezel, which manufactures catalysts. We are now promoting these catalysts in the Mexican market, particularly for the oil industry. In addition, we continue our work trying to commercialize a line of bioreactors developed by or Polish partners Ekoinwentyka. It has proven to be far more complicated than initially anticipated. In Mexico, there needs to be clear legislation regarding bioreactors.

How is Quimi Corp expanding into the health and nutrition sector?

We have ventured into an entirely new area for us: health and nutrition, specifically with a project focused on micronutrients for diabetic patients. While it is a challenging shift, we have already secured two promising projects in this area.

What are your thoughts on the future of Pemex under the new administration?

The new administration has made a positive move by appointing technical experts to lead Pemex's operational entities. These appointments offer a breath of fresh air, as the people now in charge understand the industry. However, they face considerable challenges. Pemex owes approximately US$20 billion to suppliers and carries over US$100 billion in debt. The private banking system's reluctance to deal with Pemex is deeply concerning. In any case, we are seeing positive changes, like the government's recent investment in a US$1.2 billion fertilizer plant.

How is the chemical industry positioned in terms of nearshoring?

The chemical industry is well-positioned for nearshoring because the necessary infrastructure already exists. However, the main challenge we face is the availability of electricity and feedstock; the challenge remains that the Mexican market itself is undersupplied, primarily because Pemex is not operating efficiently, so there is not much surplus product for export. The Mexican government has reiterated that 54% of electricity must be produced by the Federal Electricity Commission (CFE), leaving only 46% to the private sector. This creates uncertainty, and investors are cautious until more explicit rules are established. Additionally, issues like the lack of adequate infrastructure—such as railways, highways, and water treatment plants—are critical barriers to attracting more investment to Mexico.

Can you elaborate on your company's strategic priorities for 2025?

Our strategic focus for the coming years is on consolidating projects related to nutritional supplements and continuing to work on reducing our dependency on Pemex. ■

Eric Aguilar

Country Manager Mexico

SUMINISTRO DE ESPECIALIDADES - FORMERRA

> The trend of nearshoring and Mexico's proximity to the US and Canada continues to drive growth.

Can you introduce us to Suministro de Especialidades and its history?

Suministro de Especialidades (SDE) is a leading distributor of high-performance materials specializing in rubber, plastics and adhesives. With over 35 years in the Mexican market, the company has developed a strong reputation locally. In late 2023, Suministro de Especialidades joined the Formerra family, combining our local expertise with Formerra's global network. This strategic partnership enhances our ability to serve customers across Mexico and Central America. We operate three in-country warehouses and maintain offices and commercial resources in key locations including Mexico City, Monterrey, Querétaro and Guadalajara. Our lab in Mexico City offers vital services to our customers, including expert consulting, batch testing and the development of custom formulations. This is particularly important for industries like automotive, where precision and quality are critical. Our lab ensures that the products we develop meet customer-specific requirements while adhering to all safety and quality standards. This service differentiates us in the market, allowing us to tailor solutions to each client's unique needs.

By combining local expertise with Formerra's global resources, we have expanded our portfolio from 1,000 SKUs to 5,000, allowing us to serve a broader range of industries and ensuring that we remain competitive in a market of increasingly demanding global standards. This partnership gives us access to a global network, improving our market position and enabling us to deliver advanced products and services. It also enhances our technical services, including custom formulations and batch testing in our lab. The combined resources allow us to invest more in infrastructure and ensure a customer-centric approach. As we solidify our current portfolio, we aim to explore new verticals and expand into additional industries, leveraging Formerra's global reach to support our growth.

How do you view the Mexican economy and its prospects for 2025?

The Mexican economy, particularly in the automotive sector, shows strong growth prospects for 2025. The trend of nearshoring and Mexico's proximity to the US and Canada continues to drive growth. Many of our customers are increasing their investments, reflecting confidence in Mexico's economy and its strong trade relations with the US, Europe and other regions. We offer various materials, from standard natural rubber to premium materials like Teflon and Viton. Additionally, we supply advanced adhesives like Cilbond, used in applications such as brake pads and have strong relationships with key suppliers.

Can you discuss the role of sustainability in and how it affects SDE's offerings?

We can offer eco-friendly materials, including those with recycled content or designed for a circular economy. As the industry increasingly prioritizes sustainability, we continuously seek new ways to meet these demands, such as exploring biodegradable polymers and innovative materials that minimize our carbon footprint. In collaboration with Formerra, we are working with suppliers to offer materials that support sustainability goals. This includes products with recycled content, such as post-consumer recycled (PCR) and ocean-bound plastics (OBPs). We are also exploring biopolymers derived from plant-based sources and recycling processes.

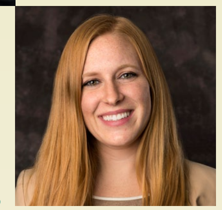
Can you discuss the importance of having local partners when operating in Mexico?

A strong local presence is critical for understanding the unique needs of the Mexican market and providing fast, reliable services. Our deep knowledge of local conditions allows us to react quickly to market changes and maintain strong relationships with suppliers and customers. With our deep understanding of Mexico's infrastructure—ports, railroads, and warehouses—we are well-positioned to navigate the complexities of product distribution across the country.

How does SDE view its position in the market for 2025?

Looking ahead to 2025, we are optimistic about our growth prospects. As part of the Formerra family, we expect to expand our product portfolio, strengthen our partnerships, and increase our service offerings. We will focus on improving operational efficiencies and enhancing our ability to meet the growing demand for specialty materials. Through innovation and a continued commitment to sustainability, we aim to remain a leader in the market and continue providing excellent service to our customers. While the automotive sector will remain a significant part of our business, we are exploring opportunities in consumer products and other industries. Continued investment in facilities and logistics will increase our capacity to serve a broader range of customers. ■

MS



KS

Mauricio Soberón and Kindall Sununtnasuk

MS: Regional Sales Director LATAM - Engineering Thermoplastics

KS: Commercial Director, LATAM & IM/EX

NEXEO PLASTICS

Can you update us on Nexeo Plastics' activities in the past year?

MS: We currently have 35 suppliers that cover almost every plastic resin, from commodities to high-performance grades.

KS: We have invested in the consumer and packaging market. It's a strategic sector for us to grow, diversify and stay relevant. Flexible and rigid packaging are areas of opportunity. In flexible packaging, we see opportunities in stretch film pouches, standup pouches, and flat pouches.

Can you discuss the importance and evolution of the MyNexeo platform?

KS: Developing the platform stemmed from a need to stay relevant in a growing marketplace that is becoming more digital every day. In addition, the reality is that new generations are coming on board and working for companies, and they are more digital-friendly, so we needed a platform that provided them an easy way to go shopping for their resin needs. We are still working on many optimizations, primarily on the logistics side. Given logistics and distribution challenges in Mexico, easy access to information can be a great advantage and benefit.

MS: Our clients save time and reduce bureaucracy, making the process of buying more efficient. We are also expanding a MyNexeo Green section alongside it, which prioritizes a sustainable portfolio.

What is Nexeo Plastics' outlook for 2025 in the region?

MS: We are exploring new markets, including aerospace, sophisticated electronics and complex packaging. In Mexico, our priority is to start relationships with companies coming to the country, serving as first-class partner who can guide them along the way to be successful in a complex but profitable market. We have extensive experience in operations, logistics, market and technical support. We will improve logistics, inventory efficiency, materials selection process and use powerful platforms such as MyNexeo, our e-commerce and resource hub. ■

Alejandro Prieto

Managing Director

KOPRIMO

Can you introduce Koprimo?

Koprimo is a distributor of raw materials and chemicals for various industries. Our physical infrastructure includes distribution centers in Toluca, Monterrey, Mexicali, Guadalajara, and Salamanca, with our headquarters in Mexico City.

Can you elaborate on the portfolio of raw materials you distribute?

We are the main distributor of soda ash in Mexico. We also distribute sodium bicarbonate, boric acid, zinc powder and various other chemicals, some imported in bulk by rail, while others come pre-packed.

In 2025, we are focusing on new products like sodium percarbonate, which is used as a natural bleach in detergents. We are also bringing in activated carbon for water treatment, sourced from Sri Lanka, as part of our expansion into the water treatment sector. Mexico is facing significant water scarcity, and the treatment and recovery of water are critical. Our expectation is that the water treatment sector in Mexico will grow exponentially over the coming years, driven by these challenges, and we want to become a supplier of choice for this critical industry.

What are the challenges you face in importing raw materials, and what needs to improve in Mexico to make the sector more competitive?

Importing products in Mexico is challenging due to bureaucratic processes and the complex regulations surrounding imports. Logistical challenges are unavoidable. We conduct 80 to 100 imports monthly, and the infrastructure at ports like Manzanillo and Lázaro Cárdenas is often saturated, which causes delays. The transportation sector is also impacted by security issues, raising costs, particularly when transporting goods to areas affected by crime. For example, transporting materials to remote mining sites often presents difficulties, as some zones are increasingly dangerous, and drivers will refuse to go there. The government needs to prioritize security to improve safety and streamline import procedures to make the sector more efficient and competitive. ■

LOGISTICS

“In Mexico, the new administration has declared the goal of increasing the movement of goods by rail. We are working with this new administration to determine how to increase those volumes.”

Oscar del Cueto
President
CPKC DE MÉXICO

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Image courtesy of FR Terminales

Logistics

Private spending tries to make up for public shortfalls

Private infrastructure spending and laggard public investments have characterized the Mexican logistical sector in the past 12 months. The Dos Bocas refinery, PEMEX's US$20 billion flagship in Tabasco state, is yet fully operational, and the Mexican Chamber of the Construction Industry (CMIC) has stated that public investments in infrastructure during 2024 contracted by 30%, directly impacting sales of paints and coating necessary for the construction industry. The government transition was likely a factor in this drawdown in spending, which has also impacted incoming FDI figures for 2024. Carlos Boone de Nova, supply chain and purchasing director at Énestas, a natural gas and raw materials distributor, said: "Every time there is a change in government, it slows things down temporarily as we all wait for new policies and directions."

Though these figures are disappointing in a country where the state remains a key player in the logistics and infrastructure sector, there are positive signs in private capital spending, reflecting the economy's underlying strengths.

Mexico's railway network is a critical material transporter for the chemical industry, and as US-Mexico trade has ramped up in recent years, railway connections between the two countries have deepened, and private investments to expand capacity have taken place. CPKC, North America's largest transnational rail company, which connects Canada, the US and Mexico across a 20,000-mile rail network, has invested in Mexico to meet the growing demand. In February 2025, at the Nuevo Laredo border crossing, the company completed the construction of a second railway bridge connecting the two countries and significantly expanded capacity for increased rail freight. Oscar del Cueto, president of CPKC de México, mentioned how this investment would be able to double freight capacity in Nuevo Laredo. Discussing CPKC's chemical portfolio, Angel Apunte-Aguirre, senior sales manager, said: "From January to October of 2024, we have grown 6.4% in import, export and businesses inside of Mexico on the chemical side."

A key factor driving the competitiveness of Mexico's rail operators is safety; Mexico's roads are increasingly dangerous, and highway robberies of transport trucks are rising. ANIQ's figures on road robberies are a microcosm of the larger story, and it reports that in 2024, there was a 100% rise in reported robberies of transports carrying chemical products. Rail, when available, presents a safer alternative, though more can be done. Oscar del Cueto commented on CPKC's collaboration with the Sheinbaum government on safety and security measures: "The National Guard is developing an important approach to security in the country, launching new information gathering and collection programs to better map spots of insecurity and appropriately respond. We are engaging with them on this front, providing data that we gather on the key points in the entire railway network."

Gabriel Sánchez Bredée
Regional Director
YOKOGAWA

"We are participating in a collaborative effort called Open Process Automation, aimed at creating a standard communication protocol among different systems, essential for seamless integration."

Image courtesy of CKPC

Union Pacific, another key rail operator, has also observed an uptick in chemical industry-related trade across the US/Mexico border and announced a series of private infrastructure investments across the two countries in 2024 that amounted to over US$3.4 billion, according to Beto Vargas, vice president Mexico for Union Pacific. Mexico accounts for more than 11% of the company's total volume. Vargas commented: "In 2024, demand for chemical products, plastics, and energy-related goods continues to rise as Mexico imports raw materials and exports higher-value goods."

The uptick in chemical trade is reverberating across the logistical sector. Bulkmatic de Mexico, the country's biggest trans loader, which operates 15 rail terminals across the country, is continuing to expand its infrastructure to accommodate an increased volume of incoming plastics, according to Alejandro Doria Lopez, president of Bulkmatic de Mexico. Lopez commented on the opportunities for logistics companies to expand their plastic resins portfolio and Bulkmatic's infrastructure expansions in 2024, saying: "We have significantly invested in developing logistics infrastructure, such as rail terminals, and completed the second phase of our fuel storage facility in Salinas Victoria, which required an investment of US$50 million."

Nuevo León state, where Salinas Victoria is located, continues to grow as a manufacturing and logistical hub for the country. On the Gulf coast, however, significant investments and infrastructure improvements are taking place too, underlining the region's significance as a petrochemical hub and major port of entry and exit for Mexican and foreign goods at Altamira port. FR Terminales, a specialist chemicals and plastic resins terminal operator, has invested considerably in expanding capacity at its Tuxpan terminal in Veracruz; the expansion was completed in late 2024. Ramón Islas, CEO of FR Terminales, commented: "The tank capacity was increased by about 40%, and the loading and unloading capacity, from tanks to trucks, was increased by approximately 60%."

Confirming an industry-wide uptick in chemical demand, Islas commented: "A significant portion of our growth originates from increasing volumes of dry cargo, including plastic resins and specialty products."

Shipping and non-shipping transport activity continues to pick up pace in Mexico, which has prompted MSC, the world's largest container shipping company, to recently establish sizable new offices in the heart of Mexico City, overseeing MSC's operations across nine significant ports in Mexico. Data from freight analytics firm Xeneta shows China to Mexico container trade was up by 26.2% from January to July 2024, after growing by 33% in 2023. MSC has been able to capitalize on this trade, expanding its services from traditional shipping, as Victor Monroy Vollmer, CEO of MSC Mexico, explained: "MSC began air transport services in early 2023, operating five Boeing 777 aircraft and providing four weekly flights from China to Mexico. Our new office reflects MSC's confidence and vision for Mexico."

The air freight market is growing due to demand for specialized products and pharmaceutical goods. Leshcaco Mexicana has capitalized on this trend. Francisco Gálvez, managing director of Leschaco Mexicana, said: "This year we saw growth in air freight, with over 40% growth compared to 2023."

Altamira's significance as a petrochemical hub was reiterated by Adonay Navarro, managing director of Altamira Terminal Portuaria (ATP), one of the leading terminal operators in the port, handling between 450-500,000 TEU'sTEUs annually. The operator exclusively handles dry cargo and is undergoing capacity upgrades to extend the size of its berth and handle more cargo. Navarro said: "The region's petrochemical industry contributes strongly to exports, especially plastics. Altamira continues to attract industries importing goods and exporting finished products, supported by the region's robust industrial base."

Navarro also commented on the changing nature of trade at the Altamira port: "Over time, imports have grown significantly. Today, six of 10 full containers are imports, while four are exports. Petrochemicals account for 40% of our export containers." ■

Francisco Gálvez

Managing Director

LESCHACO MEXICANA

"We continue to face challenges due to congestion at ports, [but] the new government seems more open to address logistical issues."

Can you update us on Leschaco Mexicana's activities in the past year?

Our global services, including air and sea freight, warehousing, and distribution, remain the foundation of our business. This year we saw growth in air freight, with over 40% growth compared to 2023. We also focus on expanding cross-border trade, especially along the northern US border, with new entry points like Matamoros, which serves the chemical industry. We are also targeting growth in the pharmaceutical industry. Mexico plays a crucial role in importing and exporting pharmaceuticals, and we see significant potential in the medical equipment sector. We focus on air freight for pharmaceutical and automotive industries, often requiring urgent and time-sensitive shipments.

What are the leading logistics challenges in Mexico?

Security is a concern, but it has not been a significant direct issue for us. Our company has an extremely low rate of theft, around 0.01%. Transportation providers face security challenges, which impact insurance premiums and service costs. Regarding infrastructure, we continue to face challenges due to congestion at ports. For example, Manzanillo's new northern entrance has already saturated despite recent investments. In Veracruz, the issue lies in insufficient customs operations. Currently, customs work only from 9 AM to 6 PM; extending customs hours to 24 hours would double the capacity for clearing goods and make a significant difference. The government is listening more to the industry now, and I hope these issues can be addressed. The biggest challenge at the U.S.-Mexico border is the need for more operators.

How do you view the new government's approach to the logistics sector?

The new government in Mexico seems more open to addressing logistical issues. They are more willing to listen and engage with the industry, especially in the chemical sector. The government seems willing to act, which is a positive sign. However, infrastructure investments, like expanding ports, take years, and sometimes the pace of industry growth outpaces the investments. Rail logistics in Mexico is an interesting development. There has been a shift in how rail companies handle their operations, particularly with an increasing focus on working with third-party logistics providers like us. There has been significant investment in rail infrastructure, and we are now seeing services more aligned with other transport modes like air and sea freight. This creates an excellent opportunity for logistics providers, as rail can offer cost-effective and environmentally sustainable options. However, the main issue is that Mexico's rail infrastructure still needs to be developed.

How do you approach sustainability in your logistics operations?

We are actively working on offering more sustainable solutions to our clients, such as exploring electric transport options, although these are still in the early stages. We are also looking at increasing our use of rail transport, which is slower but more sustainable. Additionally, we are focusing on offering multimodal transport options, which combine the strengths of different transport methods. These services help reduce costs and improve sustainability, particularly in terms of emissions. We aim to offer flexible solutions based on whether our clients prioritize cost or speed.

Can you elaborate on the 4PL/LLP platform's rollout in Mexico?

The 4PL/LLP platform is a global solution that provides visibility throughout the entire supply chain, from the initial purchase order to delivery at the destination. It tracks shipments with real-time alerts, ensuring everything is on track and meets the required standards. What is crucial is the handling of big data—using that data not just to track shipments but also to offer logistical improvements. In Latin America, where we have strong growth, the platform is helping logistics directors make better decisions across the region by providing detailed insights and facilitating more efficient distribution. It is not about inventing something new but about offering a practical, efficient solution that leverages data for improvements.

What are your expectations for 2025?

We expect 2025 to be a challenging year due to a complex macroeconomic environment, but we are optimistic about finding opportunities. We will continue the growth of air freight and strengthening our business with the United States, where we are seeing substantial development. Additionally, we will continue developing our relationships in Asia. Ultimately, we are committed to supporting our clients by moving their logistics and ensuring we remain adaptable to the changing dynamics of global trade. ■

OC

AA

Oscar Del Cueto and Angel Apunte-Aguirre

OC: President

AA: Senior Sales Manager

CPKC DE MÉXICO

Can you introduce us to CPKC?

OC: CPKC resulted from a merger between Canada Pacific and Kansas City in 2023. It allowed us to create a unique company that connects the United States of America, Mexico and Canada, with over 32,000 km of track, over 20,000 employees, and the capacity to serve more than 12 seaports in North America. In Mexico, we manage over 4,251 km of track and employ 4,239 people. We serve the Lázaro Cárdenas, Tampico and Veracruz ports and two border crossings: Nuevo Laredo and Matamoros. In Mexico, we can serve chemicals, cement, steel, and intermodal container transport for domestic and international trade.

In 2024 and 2025, we are making important investments in connectivity to facilitate the nearshoring wave and encourage the movement of goods through rail. At the Nuevo Laredo border crossing, we are building a railway bridge that we started two years ago, and we will be able to double freight capacity. We are investing $542,702,481 pesos connecting Lázaro Cárdenas, the city of Celaya and the eastern seaboard of the US. The idea is to offer a fast service that can compete with the Los Angeles and Long Beach ports.

In addition, CPKC has made important infrastructure investments in the Monterrey area and Pesquería, working alongside another major rail operator. In San Luis Potosí, we are also increasing our capacity and improving connectivity between Aguascalientes and Tampico, allowing us to flow faster through the country's center.

Can you discuss the importance of the energy, chemicals and plastics portfolio for CPKC?

AA: From January to October of 2024, we have grown 6.4% in import, export and businesses inside of Mexico on the chemical side. Also, gas transport is also crucial. We move LP gas from Canada and the United States to Mexico, which is critical for the country to continue growing its industrial base. ■

Beto Vargas

Vice President Mexico

UNION PACIFIC

Can you update us on Union Pacific's Mexico operations?

Union Pacific views Mexico as a key growth engine, leveraging access to all six US-Mexico railway border crossings: Calexico, Nogales, El Paso, Eagle Pass, Laredo, and Brownsville. This access allows us to partner with Ferromex and Canadian National Railway, enabling us to handle about 7% of trade between the US and Mexico.

We have made over US$3.4 billion in investments in 2024 to improve and replace rail infrastructure to support growth and enhance operational efficiency. These upgrades will expand capacity, particularly in key areas connected to Mexico, enabling us to meet the growing cross-border trade and logistics demand.

What are the new government's transportation and logistics priorities?

President Sheinbaum has set an ambitious goal to double the volume of freight transported by rail as part of her initial 100-day plan. This is a significant opportunity for the rail industry, and Union Pacific is actively working to support this objective, which aligns with our broader strategy to enhance North American integration and promote initiatives like nearshoring.

Can you discuss Union Pacific's intermodal initiatives?

Union Pacific sees significant growth potential in intermodal transportation, particularly with the increase in cross-border trade. With 18,000 trucks crossing daily at the port of Nuevo Laredo, there is a huge opportunity to move cargo through containers, expanding intermodal services. We have experienced double-digit growth in cross-border intermodal trade in Mexico, with Falcon Premium being a key offering. Falcon Premium provides the fastest intermodal connection between Mexico, the US Midwest and Canada, and is expanding to regions like the southeastern US, Monterrey and the Bajío area.

A major advantage of Falcon Premium is its transit times, comparable to trucking, making it a highly efficient and reliable option. We are the only railroad offering daily, consistent transit times; something trucking struggles with due to operator shortages, limited availability, and border congestion. ■

Ramón Isla

CEO

FR TERMINALES

> There is a clear development trend in the chemical sector. As a result, there is significant potential for the ports in our country.

Could you please provide us with an update on the activities at the Terminals since 2023?
The expansion capacity project was completed, and our operations at the terminal in Tuxpan began in 2024. The tank capacity was increased by about 40%, and the loading and unloading capacity, from tanks to trucks, was increased by approximately 60%. The terminal is now up and running, which will strengthen our market presence, particularly in the maritime sector. Regarding the rail terminals, the number of new tanks installed at various facilities has increased. There are also plans to expand the handling capacity of dry cargo. Our warehouse capacity is growing, particularly in Monterrey. Our business has been growing across the board, with an approximate annual growth rate of 10%.

We provide services to a significant number of operators in the chemical industry, including petrochemicals, monomer producers, specialty products, inorganic products, resins, and minerals. There is a clear development trend in this sector, and we believe this growth will continue in the country. As a result, there is significant potential for the ports in our country. Ideally, the railway in Tuxpan should be expanded, as this would provide a competitive advantage.

Could you please share with us the focus of FR Terminales this year?
This year has presented several challenges: weather conditions, global conflicts and new regulations have all contributed to supply chain disruptions, which have directly impacted the economy. Fortunately, many members of our industry have developed a degree of resilience since the pandemic, and they are now keeping larger inventories compared to before. This allows them to better shield themselves from external factors. The just-in-time model, which was the standard practice in the past, is gradually disappearing. As a result, our services have become critical for our customers in achieving their goals.

What do you think of nearshoring in Mexico in terms of development?
A significant portion of our growth originates from increasing volumes of dry cargo, including plastic resins and specialty products. These products are being used in industries like automotive, personal care, and electronics, all of which are highly connected to nearshoring activities. If you visit Monterrey, it's clear that development is underway.

A significant amount of investment in the automotive industry depends on the government delivering essential infrastructure and services for incoming companies. If the government does not fulfill this role, these companies may look elsewhere. Security is another critical factor to consider.

The two most important external factors related to nearshoring moving forward are those actions to be taken by the US administration, which will affect Mexico. The chemical industry involves long-term planning and depends on supply chains that span across North America. It would be impacted by any changes made to the USMCA (T-MEC) Treaty.

How are you adapting to increasing regulatory requirements?
The regulatory environment will continue to become more stringent over time, so we must adapt to this new reality. Other countries with higher regulatory burdens have made it work successfully. We have reinforced and invested in our legal compliance capabilities to ensure we stay ahead of the curve and can effectively manage any regulatory changes. This is also a differentiating factor and will be crucial in determining which companies will win or lose market share in the future.

Can you tell us more about FR Terminales' approach to talent development?
It is critical for us to work with key stakeholders in the chemical industry in Mexico, providing services that will help them handle their chemicals more efficiently. To do this, we need a workforce with specialized expertise. Internally, we always prioritize this. We keep ourselves legally updated and have the best systems, facilities and training available for our staff.

We are focused on retaining and training our personnel. Our main focus is on safety for the products we handle, but we also place significant emphasis on operational excellence.

Do you have a closing message?
There is a great deal of uncertainty ahead regarding US-Mexico relations and the next steps of the Mexican government. However, our company will continue to grow, providing high-quality services and investing in infrastructure, human capital and digital capabilities. ■

Alejandro Doria López

President

BULKMATIC DE MEXICO

Can you update us on Bulkmatic's developments in Mexico over the past two years?
We have significantly invested in developing logistics infrastructure, such as rail terminals, and completed the second phase of our fuel storage facility in Salinas Victoria, which now has a capacity of 690,000 barrels. Additionally, we have acquired 100 hectares of land in Pesquería, where we plan to develop one of the largest facilities for receiving unit trains for various commodities like plastic pellets, chemicals, fertilizers and minerals, with construction expected to begin in the first quarter of 2025. Earlier this year, we also opened a high-speed packaging facility for plastic resins in San Luis Potosí.

Can you discuss the importance of the plastic resins for Bulkmatic?
Plastic resins continue to be one of our top commodities, representing 50% of our total volume, which is 35,000 rail cars annually. Chemicals represent a smaller volume in comparison. The ongoing expansions in the Gulf region by companies like Shell, Dow, and Exxon highlight the growing demand for plastic resins, especially as US markets reach capacity. ■

Víctor Monroy Vollmer

CEO

MSC MEXICO

Can you provide a brief introduction to MSC globally and in Mexico?
MSC has grown to become the world's largest container transport shipping company, with a global presence covering 520 ports in 155 countries. The company operates a fleet of over 800 vessels, with a capacity of six million TEUs. In Mexico, MSC has 11 offices across the country, employing approximately 665 people. In addition to maritime services, MSC began air transport services in early 2023, operating five Boeing 777 aircraft and providing four weekly flights from China to Mexico.

Could you discuss the current state of Mexico's infrastructure?
The maritime logistics infrastructure is nearing its limits, leading to congestion at ports. This congestion is mainly attributed to a surge in imports. It is vital that there is a comprehensive infrastructure growth plan, potentially considering additional terminals or ports. It is also crucial to optimize security, customs and clearance processes to ensure efficient cargo flow. We also believe that Mexico's railway system needs further development, as it represents the future of intermodal transport in the country. ■

Adonay Navarro Saad

Managing Director

ALTAMIRA TERMINAL PORTUARIA (ATP)

Can you introduce Altamira Terminal Portuaria (ATP)?
We are a privately-owned terminal. Our primary activity is container handling. We also manage automobile exports and occasional imports through specialized car carrier vessels. Our workforce consists of approximately 1,500 employees across corporate and field operations. We handle 300,000 to 350,000 containers annually, equivalent to 450,000 to 500,000 TEUs.

The two container terminals in Altamira collectively manage nearly 1 million TEUs per year. Currently, the port has a depth of 14.5 m, but additional development will focus on more than 150 m of new channels with depths ranging from 10 to 14 m. This is part of expanding the port's capacity.

What challenges do you face regarding infrastructure and logistics?
The biggest challenge lies in the limited competitiveness of rail transport for dry cargo. Over 90% of dry cargo is moved by truck due to faster transit times.

Customs processing adds time. While terminals validate cargo electronically with customs, an additional step involves moving the cargo six kilometers from the port to the customs facility, which can take one to three hours. ■

COMPANY DIRECTORY

COMPANY	WEBSITE
Acadian Plant Health	https://acadianplanthealth.com/
Air Liquide	https://mx.airliquide.com/
Akzonobel	https://www.akzonobel.com/
Albaugh	https://www.albaugh.com/
Allnex	https://allnex.com/en
Altamira Terminal Portuaria ATP	https://www.atpaltamira.com.mx/
Altiara	https://www.altiara.mx/
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First Quality Chemicals	https://www.firstqualitychemicals.com/en/
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