Sigma Commercial Bag of CA & TX

Corona, California & Houston, Texas
(800) 852-BAGS www.sigmacommercialbag.com
(800) 852-2247

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March 5, 2026
Dear valued customer,

Recent geopolitical tensions in the Middle East have caused significant supply disruptions affecting global polyethylene markets. As a result, the market is rapidly rebalancing supply, leading to a sharp and immediate increase in pricing for North American-produced polyethylene. Our resin suppliers have announced a substantial price increase that is expected to be implemented this month.

In response to this March resin increase, Sigma Commercial Bag will implement an increase of 10% effective with all new orders placed on or after March 23, 2026. All orders must call for immediate delivery. Based on current lead times and resin availability, Sigma Commercial Bag can only accept a limited number of new orders. Sigma Commercial Bag reserves the right to accept or decline all orders for any reason.

Your Sigma Commercial Bag sales representative will be in contact with you to answer any of your questions and advise you about changing market conditions. Thank you for your continued support and we value your business.

Sincerely,

Steve
Stephen N. Schroeder - President, Sigma Commercial Bag of CA & TX
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CHEMICAL MARKET ANALYTICS

Iran Conflict- Implications on PE PP

Kaushik Mitra : Executive Director Polyolefin EMEA
Fabrizio Galie : Associate Director Polypropylene EMEA
Pankhi Srivastava : Senior Research Analyst II
Sudhir Kumar : Senior Research Analyst I

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Iran attacks scenarios for polyolefins

Major Risks:

- **Physical Damage**: There is no report of any plant damage so far. In Iran, energy infrastructure has been damaged causing blackouts, power supply to plants was cut to <60%. A drone related incident in Ras Tanura (Saudi Arabia) forced the refinery to shut down, impacting supply of feedstock to Sadara. **Risk: Low (so far)**
- **Supply Chain Disruption**: Shipments through the Strait of Hormuz have virtually stopped. Major shipping companies suspended transit through Red Sea and Suez canal. Risk premium, war premiums are getting suspended. Middle East bound ships are discharging and idling in nearby ports (India, Sri Lanka, Asia). Zero shipments from Iran, Eastern Saudi, Kuwait, Qatar. Oman ports have shut down, one hit by drone. Shipping via land is affected by high risk and cost. Asia/ Europe shipments are already being rerouted via Cape of Good Hope adding 10-15 days to transit time. **Risk: Huge**
- **Feedstock/ Utility Price Shock**: Shipment of crude oil and natural gas practically nil from Iran and Gulf Cooperation Council countries (GCC). Spike in Natural Gas prices in Europe. 20% of world oil/ liquids pass through the area. **Risk: Huge**

Impact On PE/ PP Region & Global:

- **Production:** Production is not impacted directly except in Iran due to black out. A major PE producer has dropped production to 60% due to Ras Tanura shutdown. Further production cuts will be driven by high inventory pressure on local producers.
- **Shipments**: Goods movements have continued at a slow pace from plant to producer warehouses but have been completely suspended to ports and inland. All Eastern ports (Iran, Kuwait, Saudi, UAE, Oman) suspended activity. There was physical damage in Jabel Ali and Duqm container export terminal.
- **Inventory pressure:** Plants in the region are on edge, inventory is rising fast, warehouses filling up, domestic and export business both hit. Land freight more than tripled, export shipments virtually stalled. Major producers will start cutting production starting tomorrow 3 March. If the war and shipment issues continue then production likely to halt in next seven days. Rerouting via land transportation to Western Kingdom of Saudia Arabia (KSA) port is not feasible now because of cost and freeze by shipping companies.
- **Trade**: 15% of global PE/PP production is virtually affected. More than 30% of the world trade volume comes from the Middle East. This volume is recoverable if other regions ramp-up quickly, but supply chain will need time to adjust, so the potential for short-term volatility is very high and cost inflation potential is significant.

Total polypropylene production potentially at risk contributes to 10% of global demand

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PP Capacity

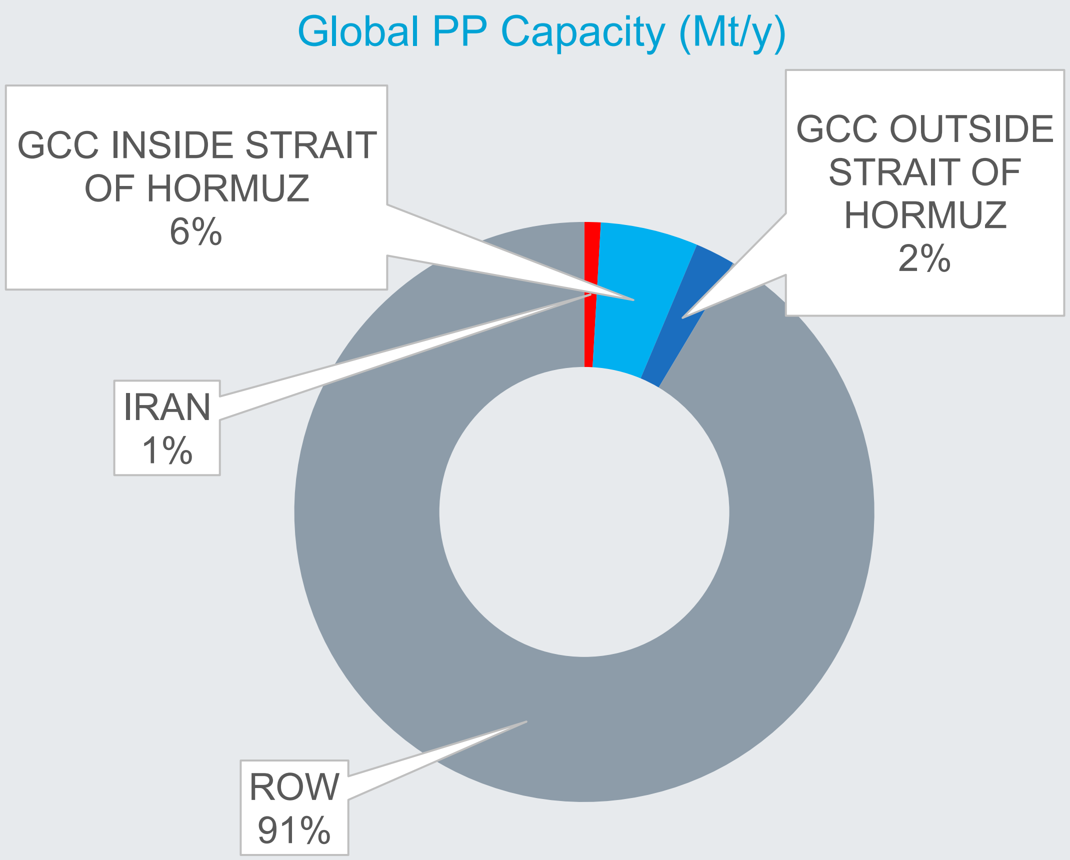
9% of total world's PP capacity affected

PP Production

9 Mt output at risk

PP Net Export

6,7 Mt (max) net-export volumes from Iran+GCC potentially affected



Source: Chemical Market Analytics by OPIS

Total polyethylene production potentially at risk contributes to 6% of global demand

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PE Capacity

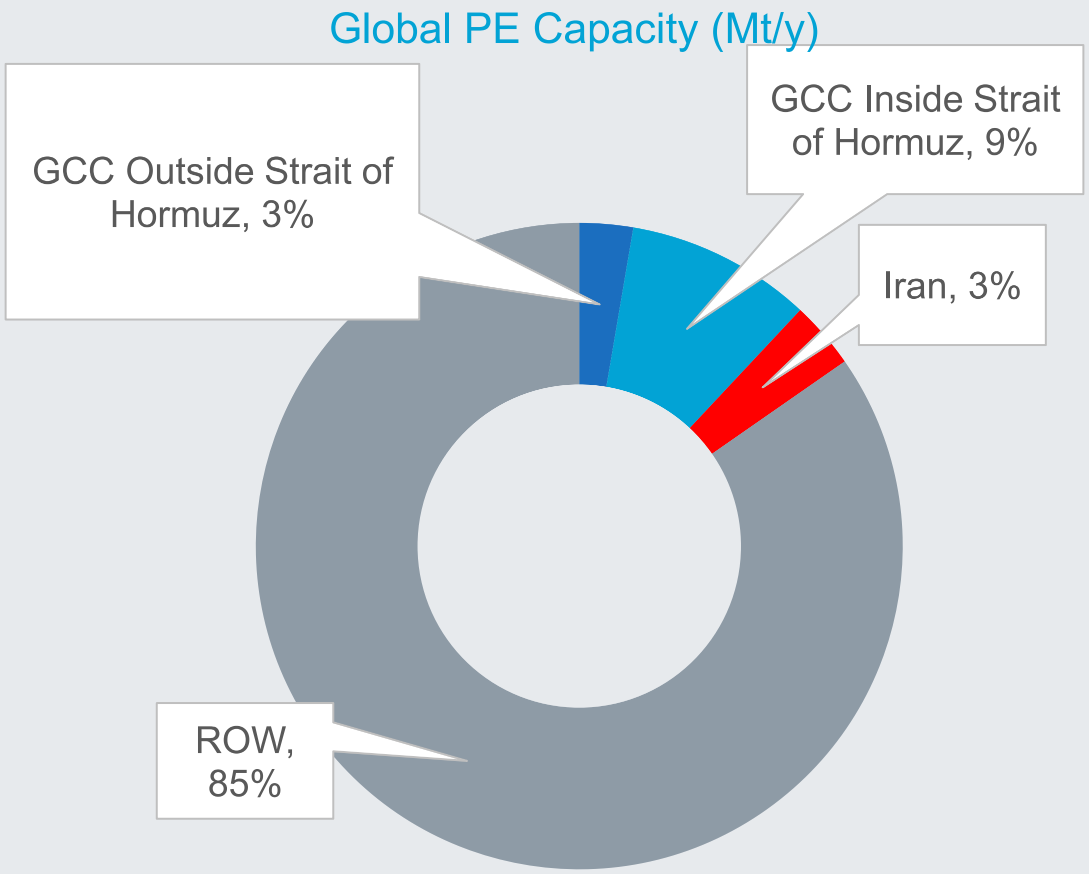
15% of total world's PE capacity affected

PE Production

19 Mt output at risk

PE Net Export

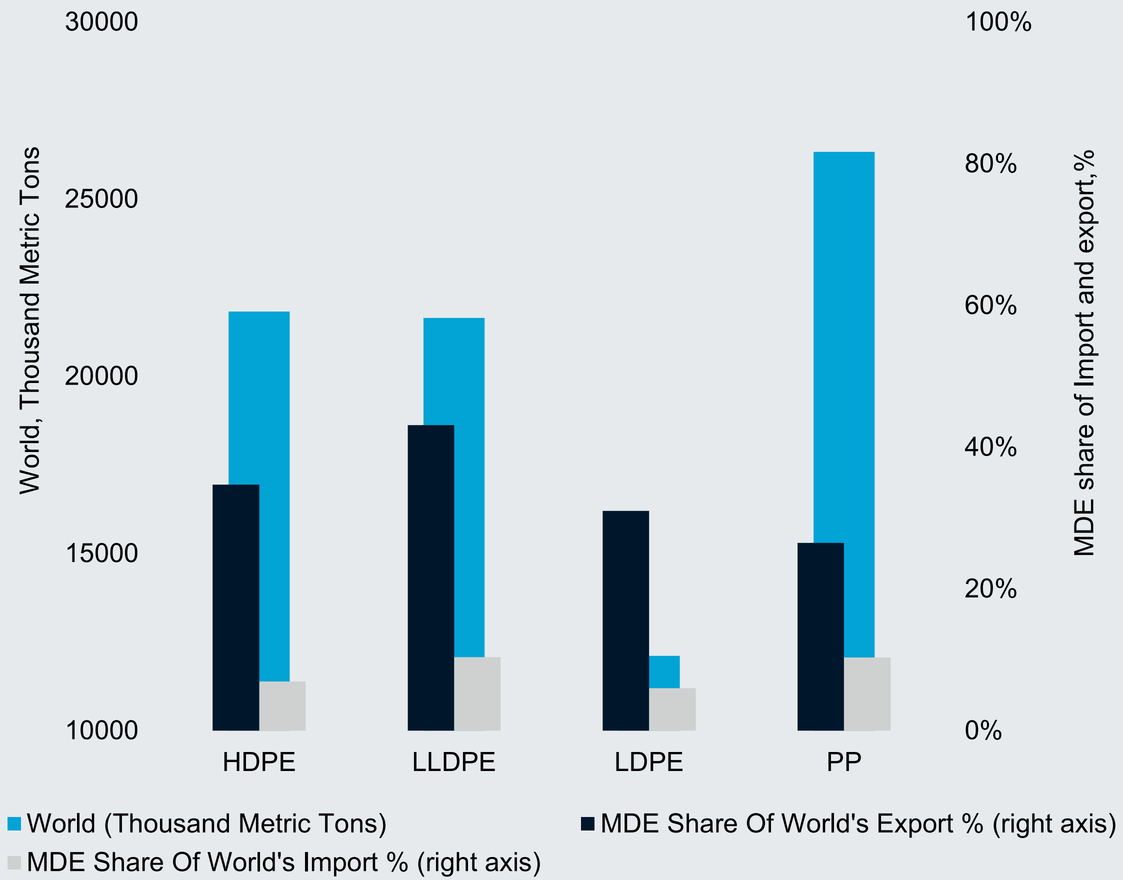
13 Mt (max) net-export volumes from Iran+GCC potentially affected



Source: Chemical Market Analytics by OPIS

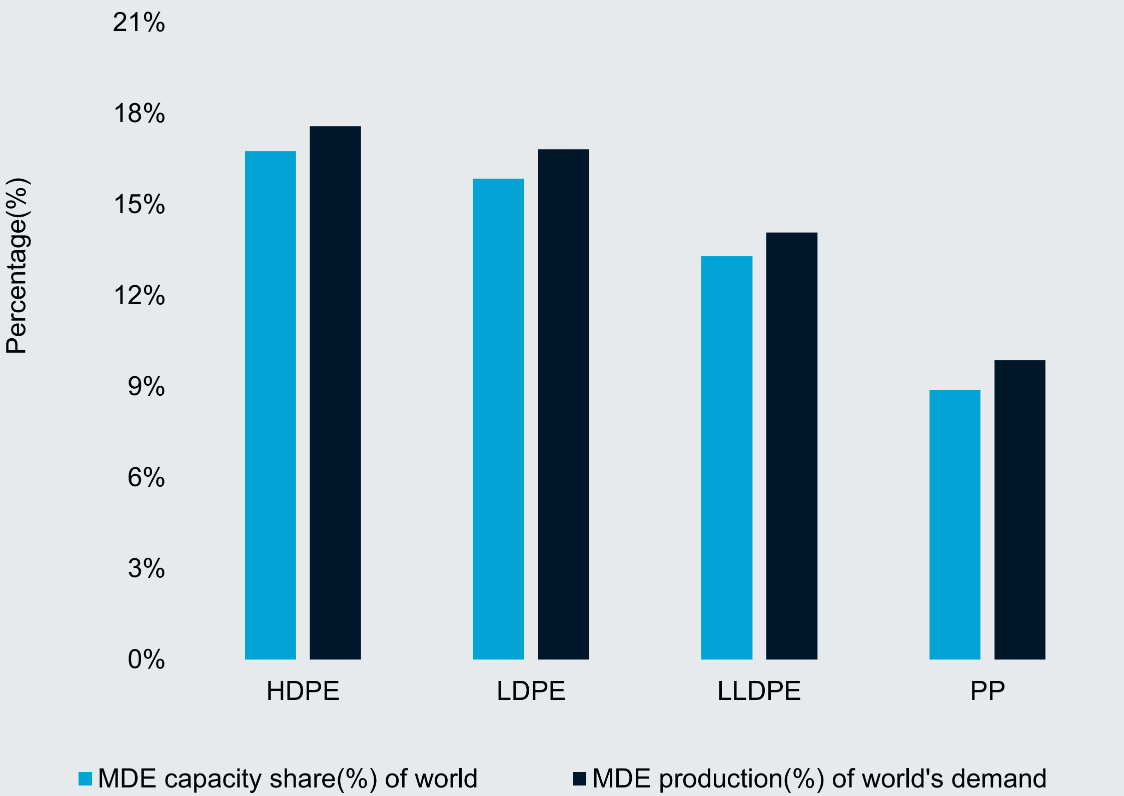
Affected PE and PP plants are major suppliers to the global markets

MDE Share of World’s Polyolefins Trade



Source: Chemical Market Analytics by OPIS

MDE Share of World’s Polyolefins Capacity and Demand



Source: Chemical Market Analytics by OPIS

Major implications expected on polyolefins global prices and trade flow

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BY OPIS, A DOW JONES COMPANY

Blue Boxes for PE
Black Boxes for PP

USA/ Canada

- US/ Canada can fill the gap partially (100 kt of the 1500 kt) given the run rate is already 90%
- Export demand expected to lift domestic prices.
- US suppliers are quoting +€50-80 already in Europe. Domestic prices expected to rise in line with higher export prices.

- US / Canada can fill the gap partially
- Operating rates currently in the mid-70%s leave room for larger push and exports
- Output increase in these countries may only cover up to 20-25% of Middle East total net-export in theory

Europe

- Europe is sitting on 100 kt spare capacity
- So theoretically the Middle East shortage can be bridged partially but prices need to go up to support increased production
- If prices do not rise, then EU producers will not run harder.
- Buyers will have to rely on US supplies.
- We estimate domestic prices will rise €50-130 per mt

- Europe could produce half million tons extra or above if prices would increase and propylene is available
- Cannot replace all PP imports from Middle East with local production
- Extra supply will be needed, possibly from US and Canada, Northeast Asia, and part from other Asian origins

NE Asia

- NEA PE spare capacity can only absorb part of the loss of potential supply (300 kt at maximum) by running harder
- However, the domestic prices likely need to rise to incentivize the production increase. Based on cost inflation a rise of $50 per mt could be realistic, but depends on how long the war extends

- Mainland China can cover widely shortfalls in PP production in the Middle East
- Each 1% increase in the country operating rate corresponds to half million PP output
- However, product portfolios may be misaligned
- South Korea can cover additional volumes and Japan to a lessen extent

Middle East

- Potential loss of PE production per month: 1500 kt (900 kt to Asia, 400 kt to Europe)
- It can reach as high as 2000 kt if wider areas are hit.

- Potential loss of PP production per month: 750 K mt (of which ~ 0.3 kt to Asia, including India)
- Huge supply shortage in Turkey needs to be covered (Russia, mainland China, Southeast Asia, India, other origins to fill)

PE Key Takeaways

- Middle East potential supply disruption can have a huge impact on global trade flow, prices. For the existing spare capacity to absorb the loss of Middle East production, prices must go up significantly, however, such a scenario would depend on how long the war extends

PP Key Takeaways

- Middle East supply disruption is potentially huge in international markets
- Current level of inventories in key markets including Turkey leave some relief in the short term, but sellers are pushing for hikes
- Long duration of the conflict will generate tightness and escalate prices quickly

Scenarios Highlights

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Factor	Scenario 1: Narrow Impact	Scenario 2: Wider impact, pronlonged impasse	Scenario 3: Rapid De-escalation
Geopolitical Trigger	Conflict remains "contained" to Iran; naval escorts begin for GCC tankers.	Conflict spreads to Red Sea (Houthi/proxy) or direct hits on KSA/UAE plants.	Diplomatic ceasefire mediated by Oman/Qatar within 7 days.
Logistics & Freight	Cape of Good Hope Rerouting. +14-20 days transit. Surcharges of $2k-$4k/FEU(forty-foot equivalent container unit).	Total Blockade. Both Hormuz and Red Sea (Yanbu) restricted. Port closures in Jebel Ali.	Backlog Clearance. 150+ "trapped" vessels flood the market; port congestion spikes.
PE Impact (LDPE/LLDPE/HDPE)	Supply Tightness: GCC material (15% global capacity) delayed. USGC (US Gulf Coast) origins command a $100 premium.	Critical Deficit: Force Majeure on Saudi/UAE/Omani exports. Global supply gap of ~2m tons/month.	Price Correction: Delayed shipments arrive alongside new orders. Buyers pause to wait for lower prices.
PP Impact (Homo/Copo)	Margin Squeeze: High oil ($85+) hits Asian/EU margins. GCC PP remains "low cost" but unreachable.	Market Shock: Direct hits on Jubail/Yanbu complexes. European PP prices skyrocket on energy costs.	Volatility: Rapid sell-off of "panic" longs. Focus returns to weak global consumer demand.
Pricing Outlook	Bullish: PE/PP prices rise +$120–180/mt driven strictly by freight and delay premiums.	Parabolic: Prices spike Brent Crude tests above $100/bbl.	Bearish: Initial spike is erased by mid-April as the "War Premium" evaporates.

Iran Attacks: Key Takeaways

Direct impact of the attack	So far, no news of PE/ PP plants coming under direct fire. But energy infrastructure impacted heavily causing power blackout in Iran. Refinery shutdown in Saudi resulting in production cuts in a PE plant
Shipment & Logistics	Major shipping companies freeze operations in the ports around Hormuz and transit through Red Sea and Suez canal. Risk premiums rise sharply, war insurance suspended. Some ports (Duqm, Shuiba, Jabel Ali reported damage). Land freight escalates. Heavy demand on land transportation but limitation on fleet. Rerouting via Western Saudi ports (Rabigh, Jeddah) not feasible now due to shipping companies freezing activities for now
Cost Inflation	Feedstock and utility prices spike. Oil, naphtha up sharply. Natural gas prices up 50% in Europe. Cost escalation putting pressure on margin. Sellers aim to recover cost inflation plus risk associated with transportation
Inventory rise	Freeze of shipment (export and domestic) is already causing pile up of inventory. Soon the physical space will fill out and resins will have to be kept in the open raising risk of degradation. Plants in the Middle East are actively considering production cuts to manage inventory levels.
Scenarios	If entire production around Hormuz area is lost, the gap will be significant. The spare capacity in the world is enough to fill the void, but the prices have to rise significantly to incentivize the lift in production. The supply chain will have to realign to accommodate the new increase in trade flows (US to Europe, Asia to Europe). But the dislocation in the supply chain will cause logistical bottlenecks and structural change in the risk premium for the medium term.

High impact   Mid impact

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Customer Service
support@chemicalmarketanalytics.com
North America: +1 888.301.2645 (toll-free within the U.S.)
https://www.opisnet.com/contact/contact-us/