



2ND EDITION

Prepared by

CONTRACT MANUFACTURING OUTLOOK

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ACKNOWLEDGEMENTS

SOCMA extends its gratitude to the Advisory Committee members whose leadership and expertise have been instrumental in shaping this year's report.

- **Jose Maria Bermudez**, Chief Executive Officer, Viakem & SOCMA Board Member
- **Jeff Barnes**, President & CEO, NASi & SOCMA Board Member
- **Chelsea Burlan**, Director of Global Strategic Sourcing, W.R. Grace
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ABOUT SOCMA

The Society of Chemical Manufacturers & Affiliates® (SOCMA) is the only U.S.-based trade association dedicated to batch manufacturing in the specialty and fine chemicals industry. Our members play an indispensable role in the global chemical supply chain, providing specialty materials to companies in markets ranging from consumer products and electronics to pharmaceuticals and agriculture.

Founded in 1921, SOCMA supports and fosters growth within the specialty chemical industry by delivering legislative and regulatory advocacy, promoting the highest levels of safety, and strengthening business intelligence and manufacturing operations.

ABOUT THE OUTLOOK REPORT

The Society of Chemical Manufacturers & Affiliates® (SOCMA) produces the **Contract Manufacturing Outlook Report** to provide a forward-looking projection on demands and availabilities for the coming year. This comprehensive report covers:

- High-demand chemistries and technologies
- Available industry capacities
- Labor and investment trends

The accompanying survey delves into key topics such as onshoring, workforce dynamics, and emerging business trends, offering a valuable snapshot of the industry's direction.

ABOUT SOCMA'S COMMERCIAL SERVICES

SOCMA's 2025 Contract Manufacturing Outlook is a component of the association's robust commercial services and industry intelligence resources program, including the SOCMA Show and Lead Sheet Service. SOCMA's Commercial Services support business leaders by helping them understand and anticipate trends and drivers transforming the specialty chemical industry.

SOCMA is uniquely positioned to compile and customize industry data for the specialty and fine chemicals market. In addition to the Contract Manufacturing Outlook Report, SOCMA gathers intelligence through quarterly pulse polls to capture industry sentiment and metrics on timely issues. The data is aggregated and shared through commercial communications and includes further analysis on topics and activities across the specialty and fine chemicals value chain.

SURVEY METHODOLOGY

The 2025 SOCMA Contract Manufacturing Outlook Survey, conducted by Vault Consulting, LLC, reached 187 companies through email distribution and social media outreach to members and non-members. The survey achieved a 24% response rate, with participation from over 40% of SOCMA manufacturer members. Non-member participation increased by 20% from 2024.

Vault's research team validated all submissions, addressing quality concerns and data gaps through direct participant follow-up. Verified data corrections were incorporated into the final database and report.

DEFINITIONS

SOCMA: Society of Chemical Manufacturers & Affiliates is the sole U.S. trade association representing batch manufacturers in the specialty and fine chemicals supply chain.

Specialty chemicals: Materials manufactured because of their performance or function. They can be single chemical entities or formulations whose composition influences the performance and processing of the end-use product. These high-value chemicals are used in products vital to consumers and industry and, subsequently, serve a range of important markets, including performance chemicals, agrochemicals, pharmaceutical intermediates, coatings and adhesives, and automotive and aerospace materials, to name a few.

The companies who manufacture specialty chemicals are looked at in two key areas for the purpose of this survey – contract manufacturers/“tollers” and proprietary chemical “customers”. A company can operate in one or both arenas.

Here’s how we define these companies throughout the survey:

Contract Manufacturer/Toller: A company that sells its services, which can include R&D capabilities or manufacturing capabilities or provides support on any scale for development, piloting and scale-up or commercial production designed for an individual customer. For purposes of this report, we refer to this group as “tollers.”

Proprietary Chemical Product Owner/Customer: A company or entity that developed and holds exclusive rights to the intellectual property associated with the chemical products they produce. This typically includes patents, trademarks, copyrights, and trade secrets related to the formulation, production processes, and branding of their chemical products. For the purposes of this report, these chemical producers often outsource manufacturing to tollers, and we reference these chemical producers as “customers.”

EXECUTIVE SUMMARY

The 2025 SOCMA Contract Manufacturing Outlook Survey reveals significant trends and insights into the contract manufacturing landscape. It reflects a year of cautious growth, regional expansion, and evolving market priorities. Comparing 2025 survey data with 2024 survey data shows stable core industry markets, with notable shifts in chemistry capabilities and operational strategies.

Operating Environment

For North American specialty chemical manufacturers, the past 12 months have been marked by significant economic pressures driven by rising inflation, fluctuating raw material costs, and supply chain disruptions. These factors have increased production costs and heightened scrutiny over operation efficiency, with companies taking a more conservative approach to capital investments.

- **Unemployment:** The unemployment rate has fluctuated over the last year, with initial declines in the chemical manufacturing sector as demand picked up post-pandemic. With the industry reporting flat or slow business in late 2024, companies retain and offer incentives to skilled workers to improve efficiencies as they prepare to expand into new markets.
- **Political Environment:** While government policy has remained unchanged over the past 3 years, 2024 has brought an unprecedented political landscape into play, leading to an uncertain business and regulatory climate. Many chemical manufacturers have delayed projects and decision-making as they awaited post-election clarity.
- **Inventory Status:** Market conditions showed early promise in 2024 as destocking trends normalized, but specialty and fine chemical manufacturers experienced flattening demand as the year progressed.
- **Reshoring:** Despite post-pandemic optimism for strengthening North American manufacturing through reshoring initiatives, progress on regional partnerships has been more measured than anticipated.

Future Projections

Capital Expenditures (Capex) for 2025 focus on growth and maintenance with a conservative approach to new product innovation. Companies are increasingly cautious about onshoring efforts, with economic challenges and regulatory hurdles remaining significant barriers. AI and digitization are emerging as tools for operational improvement, though most companies are in the early stages of exploring their potential.

EXECUTIVE SUMMARY (CONT.)

The survey highlights the demand for contract/toll manufacturing partners with specific chemistry and equipment capabilities, including esterification, ethoxylation, hydrogenation, and distillation. This slightly differs from the previous year's survey, which yielded polymerization, hydrogenation, and distillation as the most in-demand chemistries.

These capabilities align with the most-requested project types identified through SOCMA's Lead Sheet Service. Customers continue to face difficulties finding contract/toll manufacturing partners with regulatory expertise in Process Safety Management (PSM) and Risk Management Program (RMP) facilities and those qualified to work within the Food and Drug Administration (FDA) program, such as Good Manufacturing Practices (GMP).

Logistic costs rank relatively low on customers' priority lists, while challenges like long-term strategy timelines and U.S. regulations complicate reshoring efforts.

Companies continue to have meaningful business conversations, according to **48% of respondents**, with potential partners on hard-to-source projects through **SOCMA's Lead Sheet Service**.

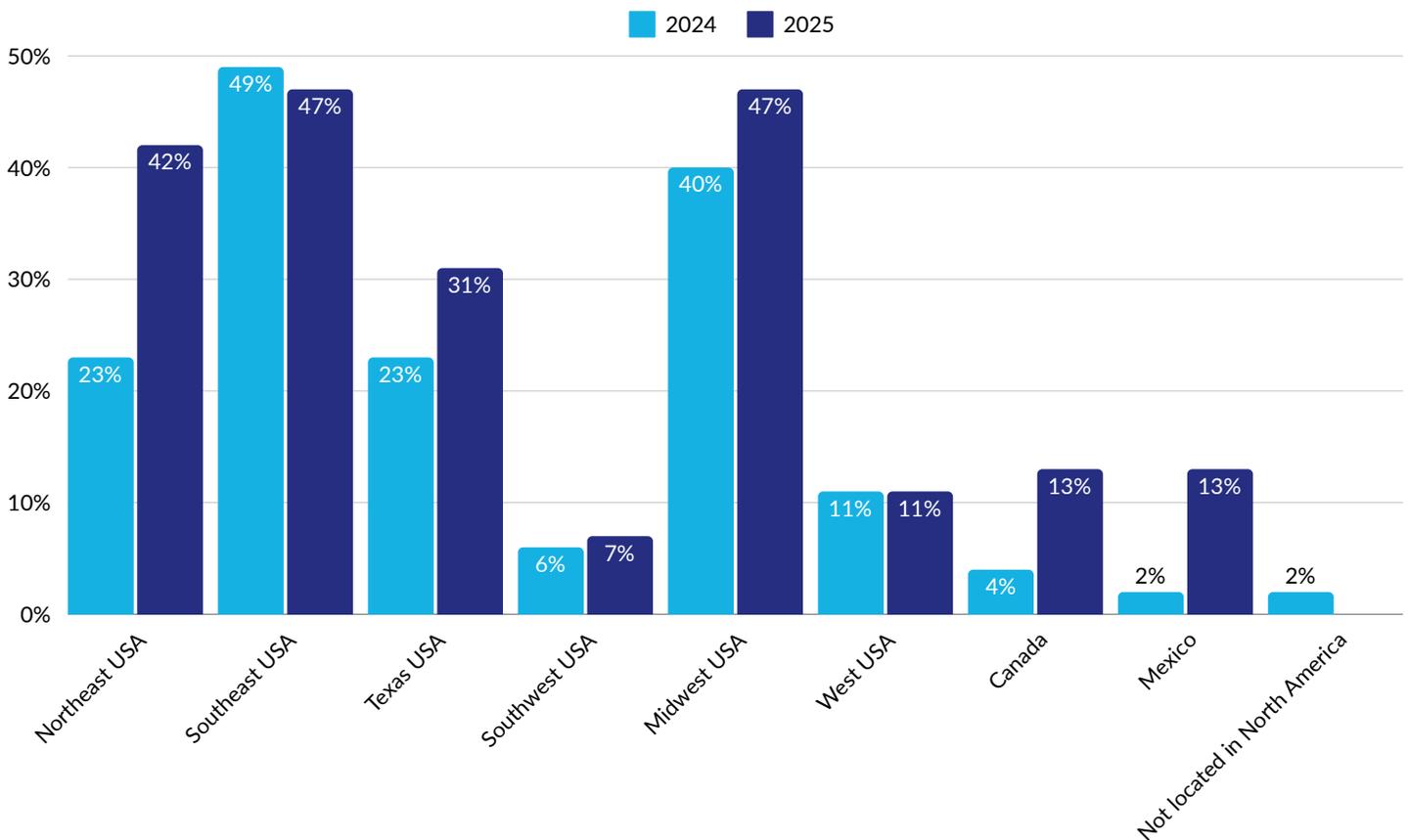
Overall, the 2025 survey highlights a stable yet evolving industry landscape, with companies managing risks, expanding growth through increased efficiencies, exploring new markets and adapting to ongoing challenges related to supply chains, regulatory compliance, and technological advancements.

DEMOGRAPHICS



IN WHAT REGION IS YOUR PRIMARY BUSINESS OPERATION LOCATED IN NORTH AMERICA?

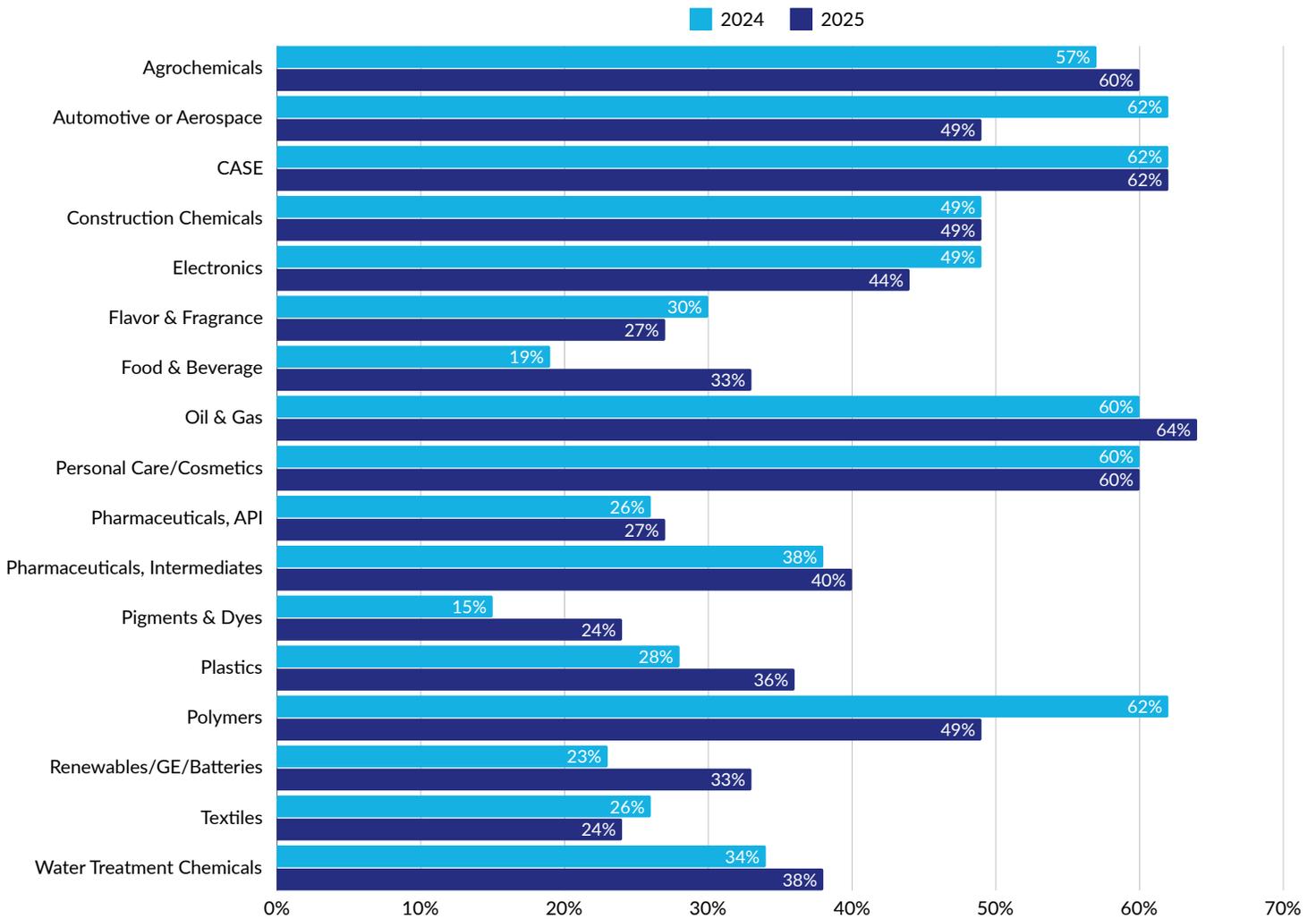
The 2025 survey questions remained largely unchanged from last year to generate consistency in trending results over time. Our working group explored several topics to measure the reality and extent to which the industry is engaging. These deep dive topics focus on the use of AI and technology and the size and scale of onshoring within North America.



The 2025 Contract Manufacturing Outlook Survey captured a more diverse perspective, with expanded participation across U.S. regions and increased responses from Canada and Mexico. This broader geographic representation stems from widening the survey's target audience beyond the previous year's focus on Presidents and CEOs to include business development and sales professionals.



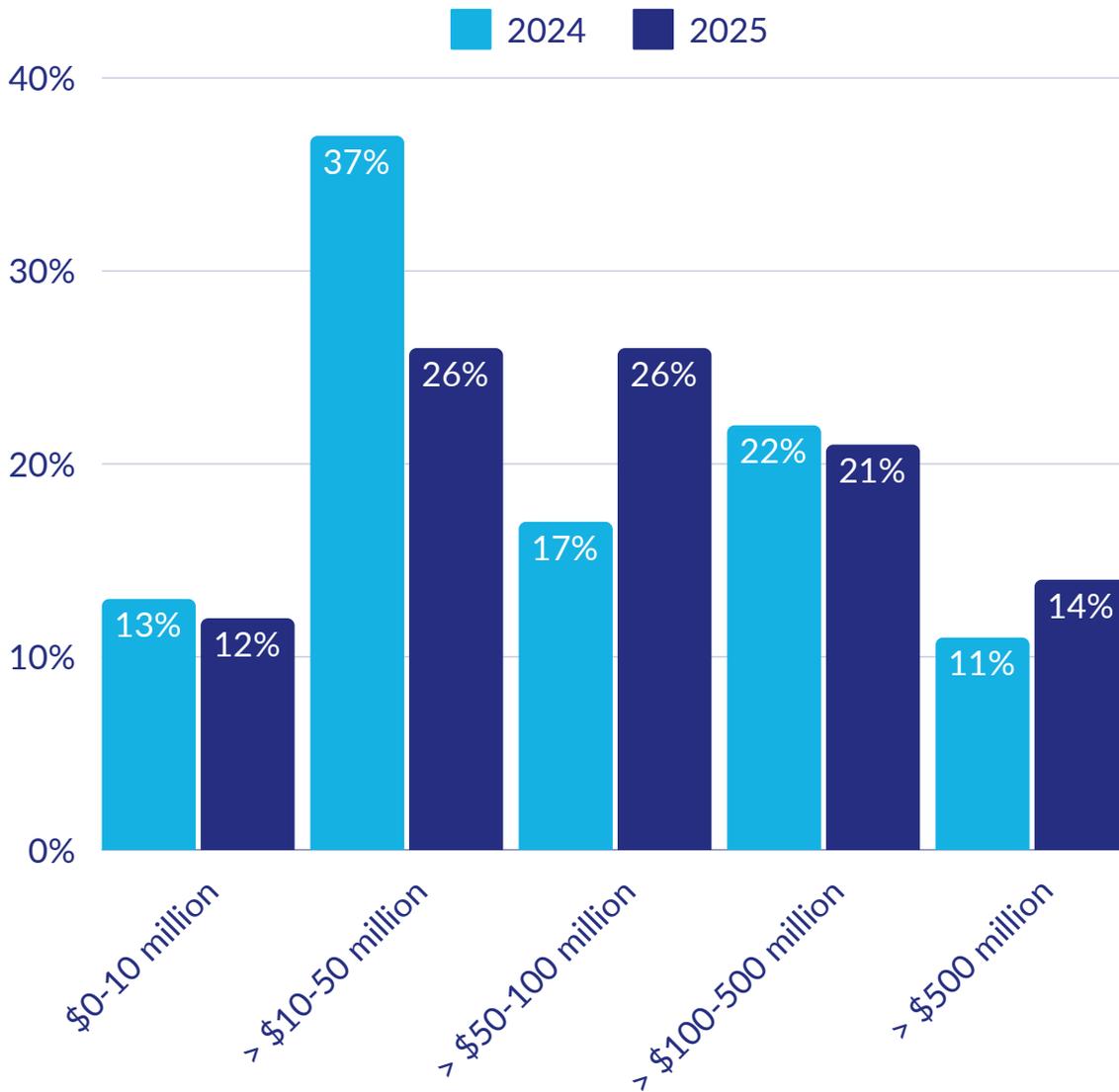
WHICH MARKETS IN THE CHEMICAL INDUSTRY DOES YOUR COMPANY PARTICIPATE IN?



Industry market participation remained largely consistent with the previous year's survey, with notable differences stemming from the inclusion of SOCMA's Lead Generation program users in the expanded target audience.



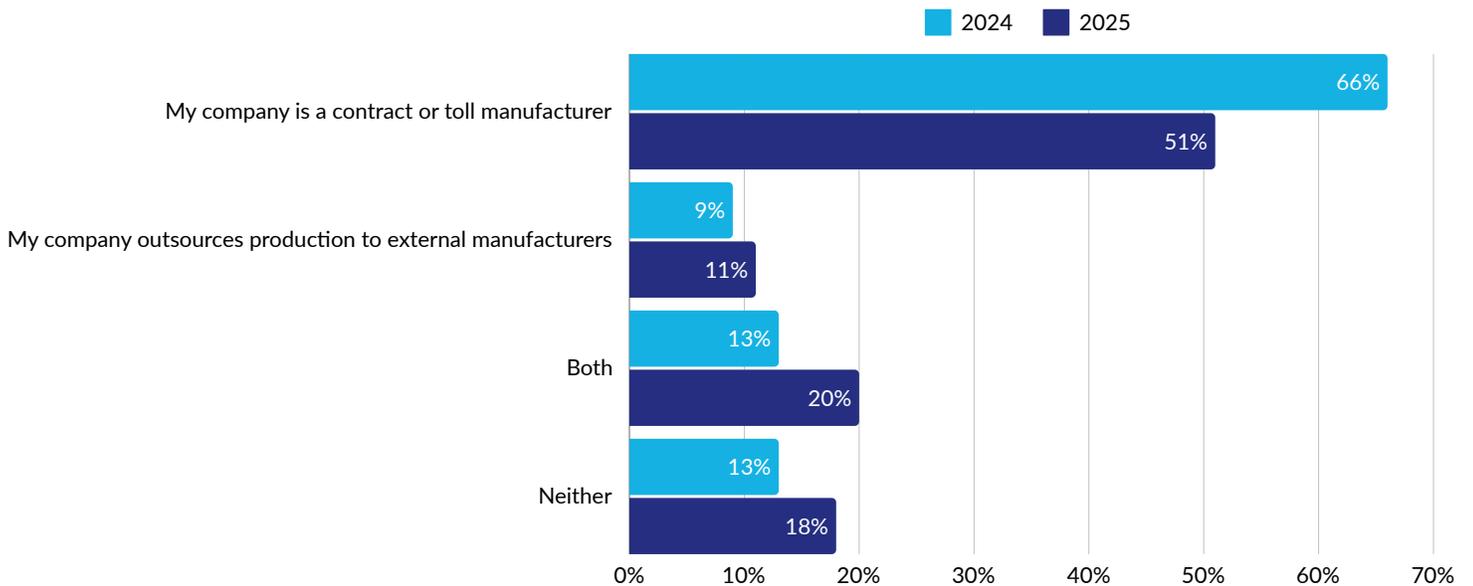
WHAT WAS YOUR NORTH AMERICAN REVENUE FOR 2023 OR THE MOST RECENTLY COMPLETED FISCAL YEAR?



There was an increase in survey participation from mid-size and larger organizations, contributing to a more balanced distribution of customer and manufacturer representation in the survey results. This rebalancing ensures a normal distribution of participation across the specialty chemical sector and enables a more accurate and comprehensive outlook for the industry.



WHICH OF THE FOLLOWING BEST DESCRIBES YOUR BUSINESS?



The 2025 survey data shows a notable shift in participant composition, with an increase in organizations that either exclusively outsource manufacturing or employ a hybrid approach of in-house and outsourced production. While participation from contract manufacturers decreased, there was a corresponding rise in organizations seeking manufacturing partners. This realignment in participation validates SOCMA's decision to broaden its target audience, resulting in a more representative dataset.

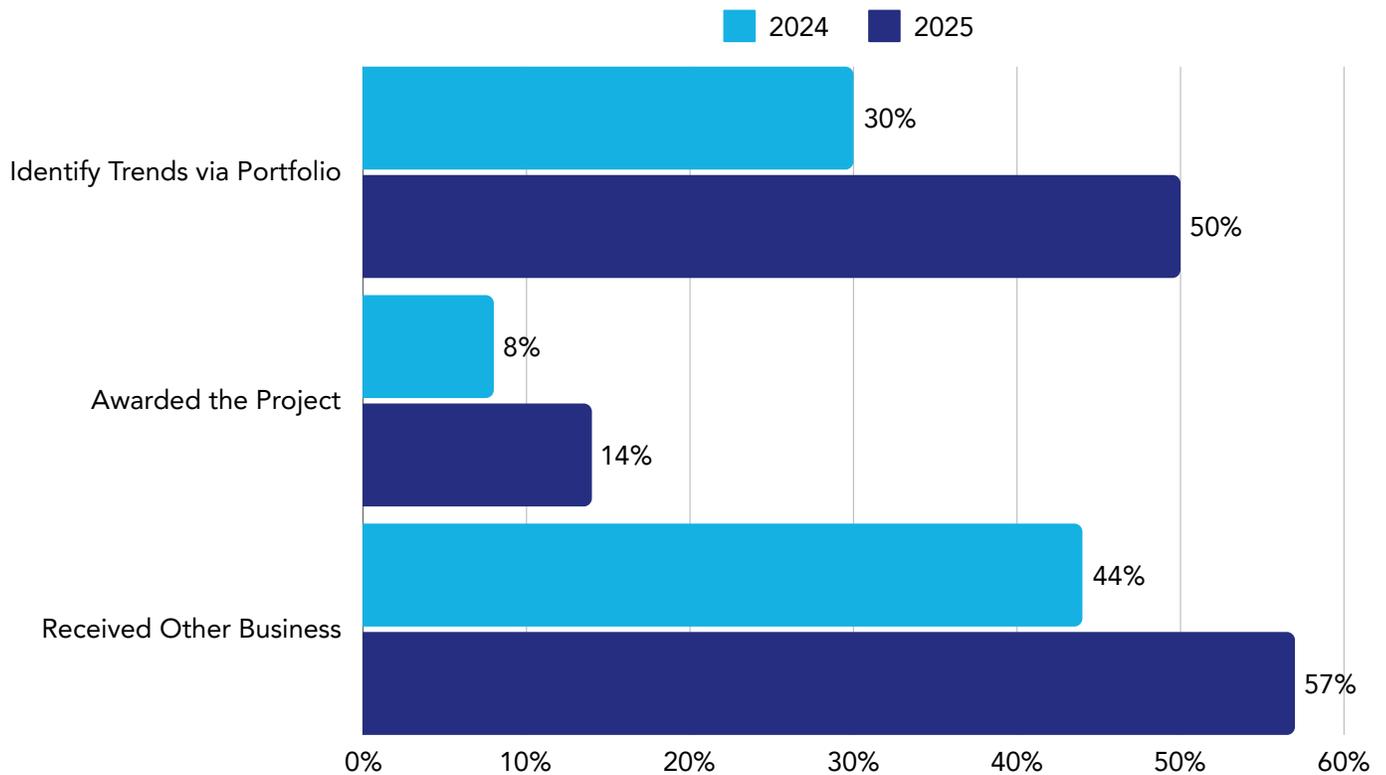


HOW HAVE YOU BENEFITED FROM USING SOCMA'S LEAD SHEET PROGRAM?

SOCMA's Lead Sheet program serves as a mechanism for facilitating difficult-to-source projects by providing an alternative B2B channel, enhancing exposure to these projects among SOCMA Member Companies.

This program continues to foster meaningful conversations and has demonstrated success, as evidenced by an incremental increase in the number of new projects awarded.

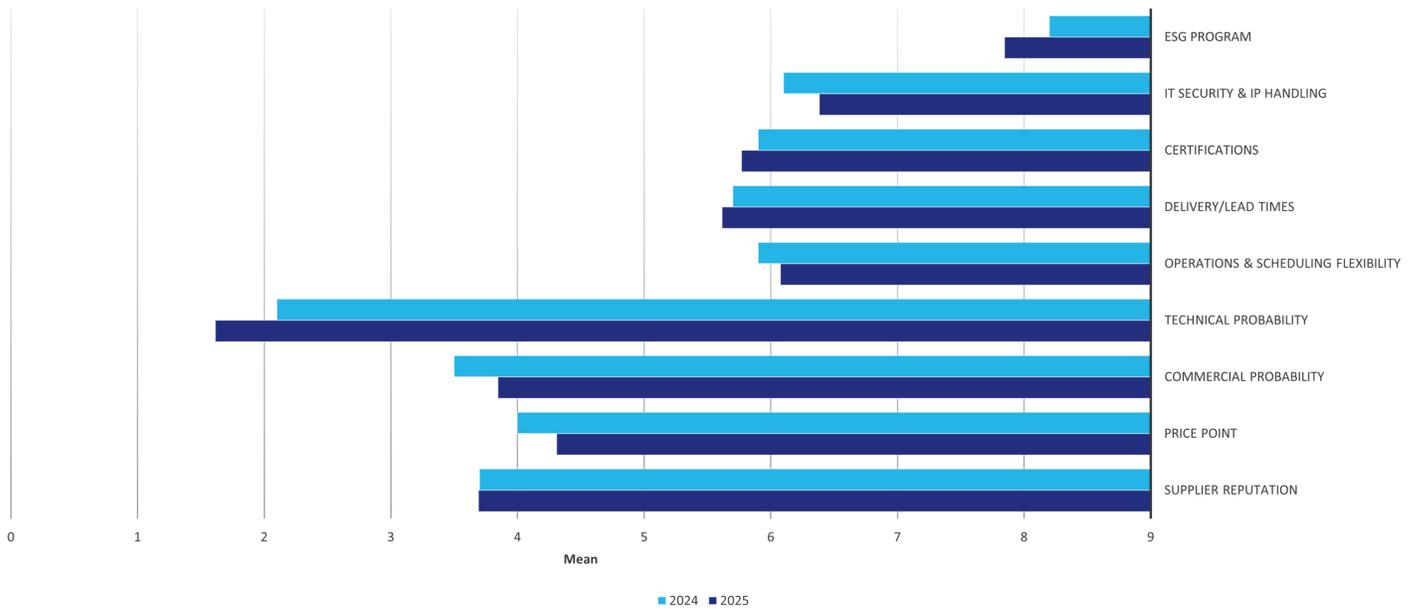
There are several factors playing into the increase of awarded business through the program. As the number of Lead Sheets coming through the system increase, the projects continue to fall into the hard to source bucket, but are also aligned with SOCMA member capabilities, leading to additional business opportunities either for the received project or through additional exposure.



CUSTOMERS

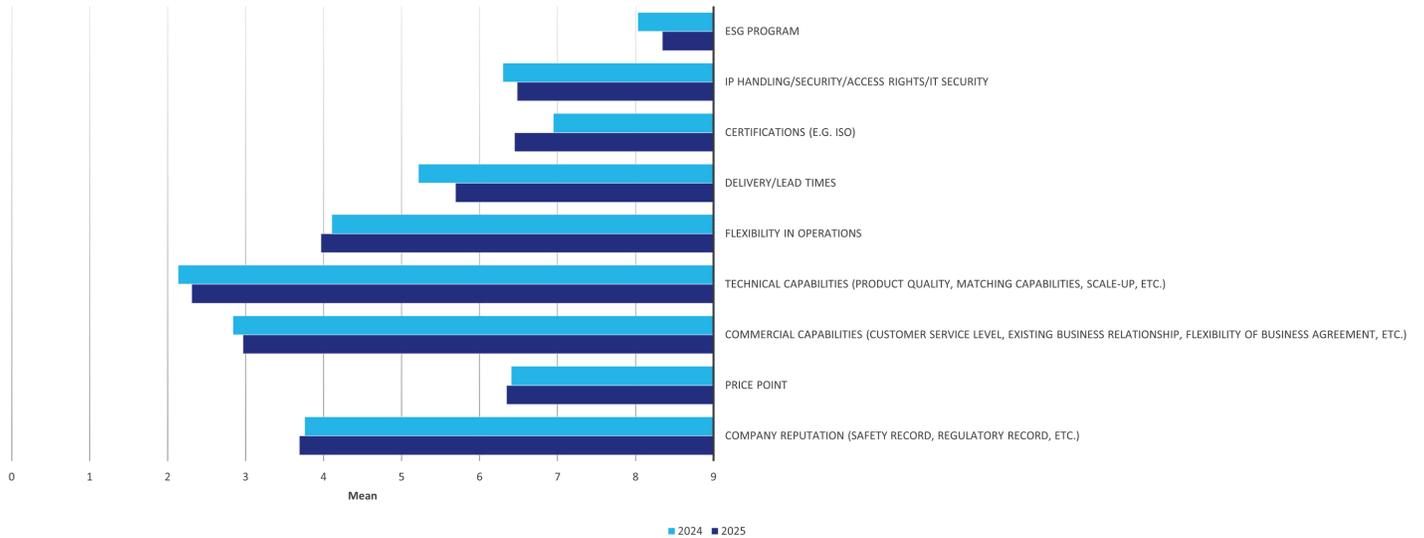
When outsourcing a project to an external manufacturer, which of the following do you consider important when evaluating potential project partners?

When selecting an external manufacturing partner, various factors are considered. Notably, technical capability is the dominant consideration, while supplier reputation also plays a significant role in the decision-making process. Additionally, the current manufacturing and supply chain landscape significantly influences these choices, but customers remain dedicated to suppliers with excellent reputations with product delivery, safety and an overall high level of customer service.



TOLLERS

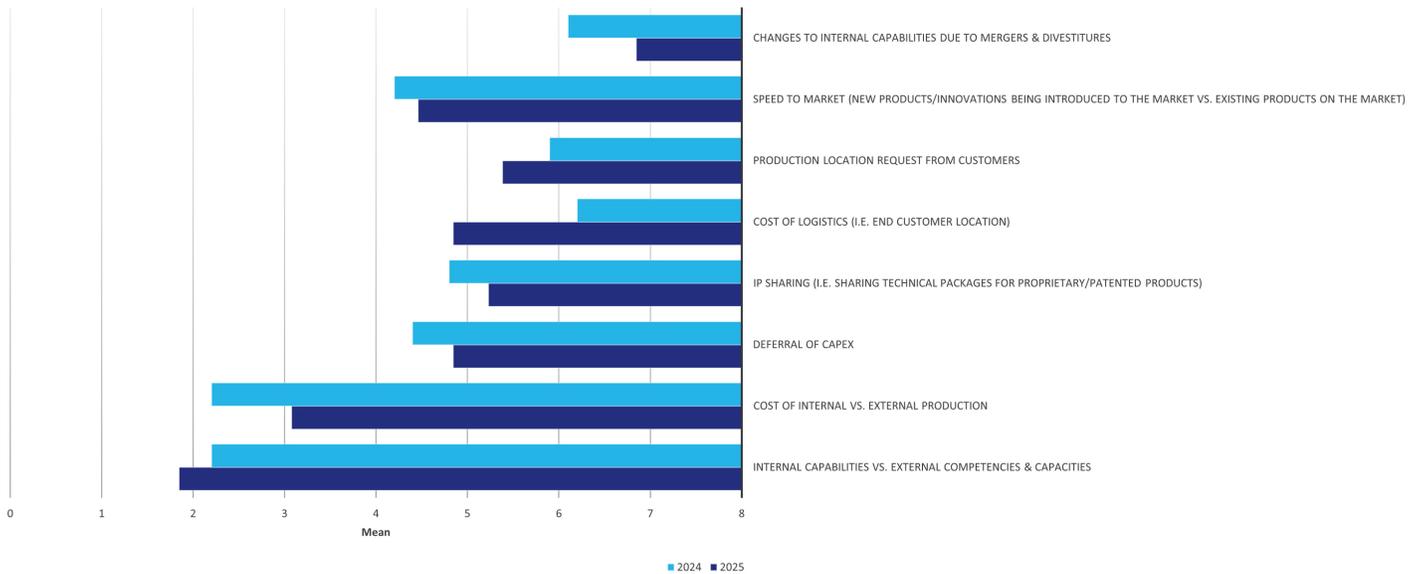
As a contract of toll manufacturer, which of the following do you highlight as your company's unique value proposition when bidding on a project?



While flexibility and reputation remain vital pillars for manufacturers, technical and commercial viability are the fundamental drivers that power growth and sustain market competitiveness.

CUSTOMERS

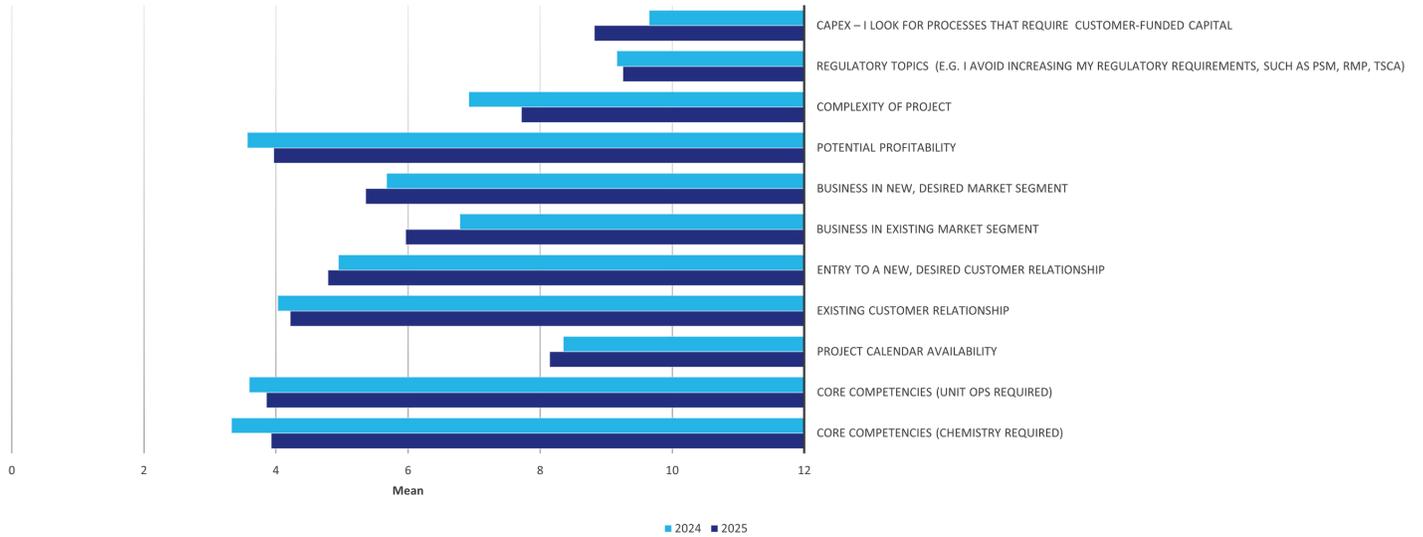
When outsourcing projects to a toller, what do you consider when determining which project(s) to outsource from your portfolio?



When evaluating outsourcing decisions, customers primarily assess internal capabilities against external competencies, weigh internal versus external production costs, and consider speed to market impacts. These key factors drive industry-wide decisions aimed at maximizing operational efficiency and profitability.

TOLLERS

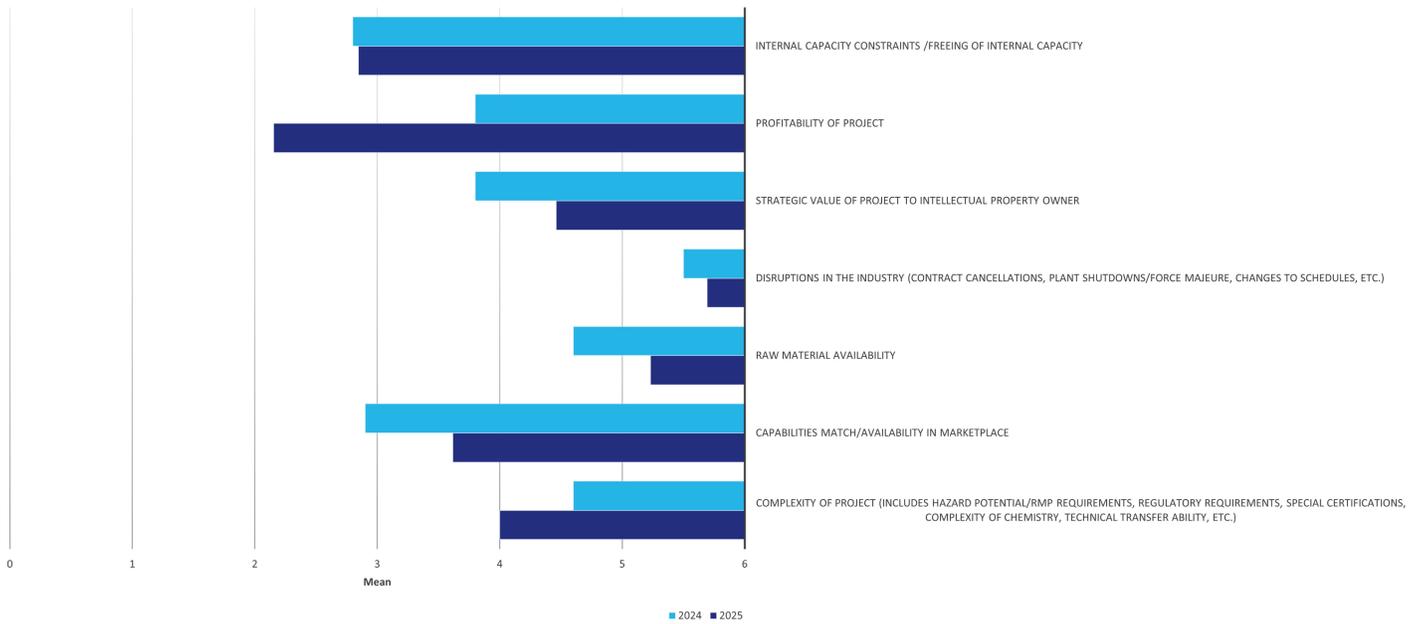
When looking for new business as a contract or toll manufacturer, which project characteristics are attractive to include in your pipeline of business?



This graph showcases the key traits manufacturers prioritize when pursuing new business opportunities. While leveraging existing relationships remains a vital growth strategy, the greatest success comes from honing core competencies in unit operations and chemistries.

CUSTOMERS

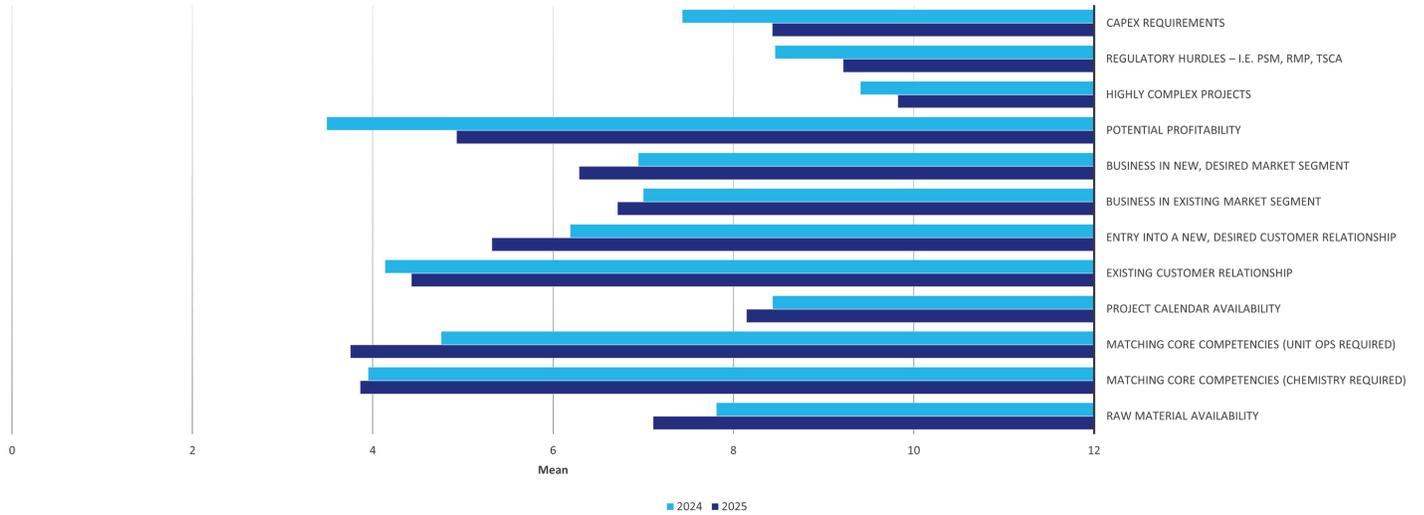
When outsourcing to an external manufacturer, how do you determine which projects in your portfolio to prioritize?



Project profitability has become the dominant factor in outsourcing decisions, showing increased importance from last year, followed by internal capacity limitations and capability alignment. This heightened focus on profitability reflects customers' need to maximize cost-effective opportunities amid continued economic uncertainty.

TOLLERS

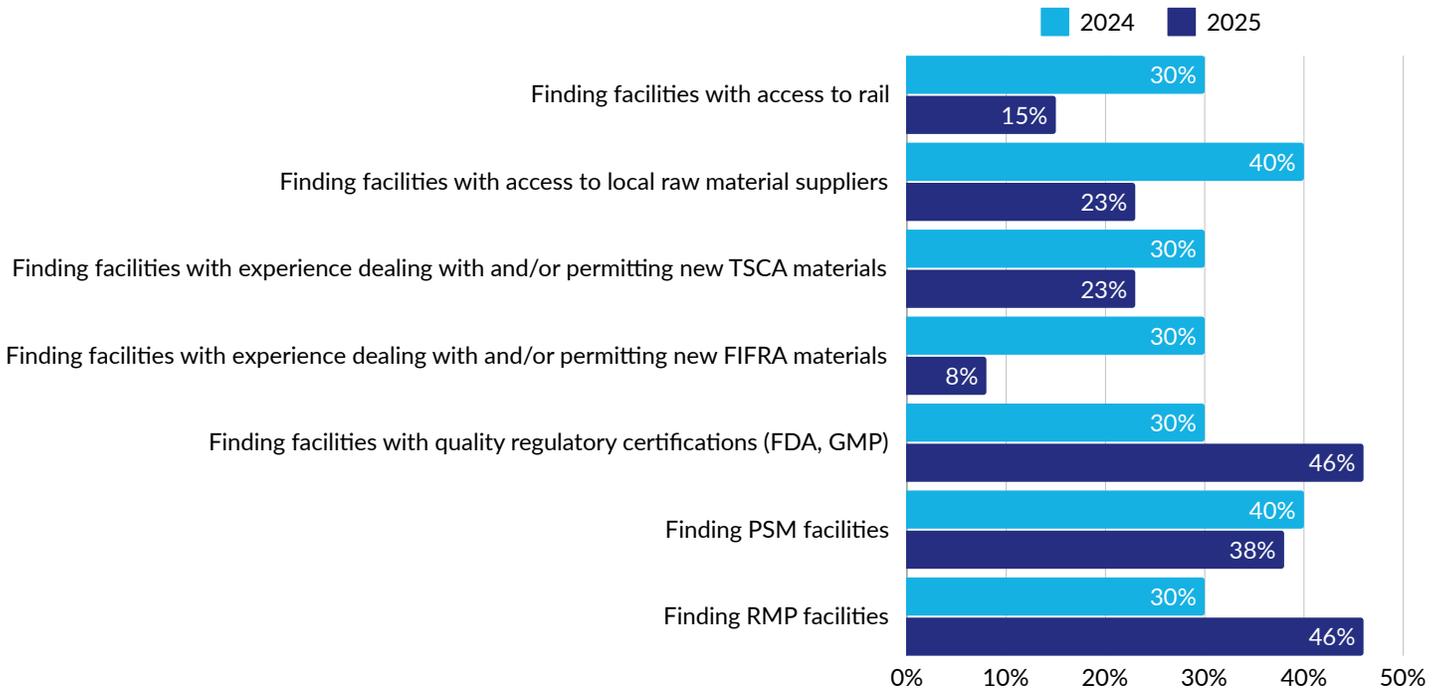
When looking for new business as a contract or toll manufacturer, how do you determine which projects to prioritize in your pipeline?



When looking for new business, manufacturers are aligning opportunities with their core competencies to continue strengthening their brand and reputation. According to this year’s survey, there is a decreased focus on profitability, which could indicate the need to bring in projects to keep the pots and pans full and operations running. On the other hand, this may also be a long-term strategy to build relationships with new customers.

CUSTOMERS

When outsourcing projects, what hurdles do you face when searching for external manufacturers?

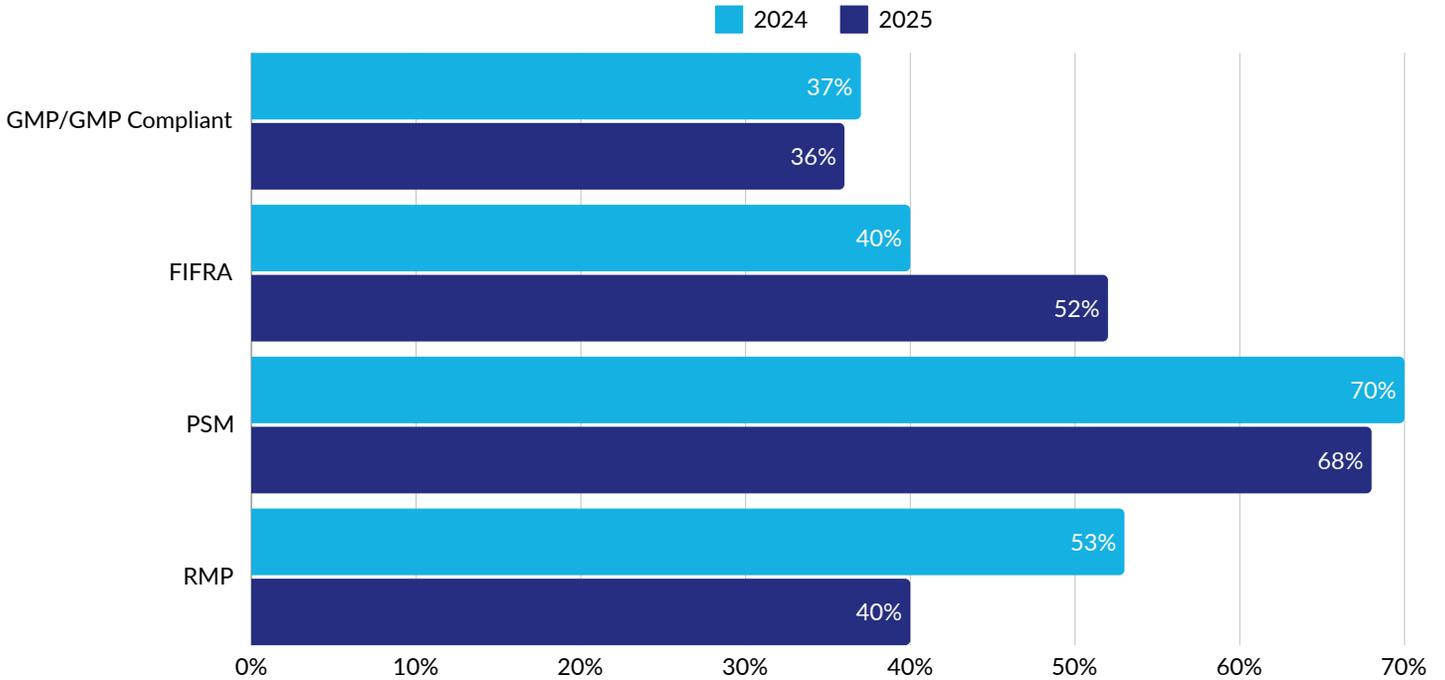


The survey data above highlights the challenges of identifying manufacturers with strong regulatory certifications and the capability to comply with stringent standards, such as OSHA, PSM, and EPA’s RMP rules.

In today’s complex regulatory environment, customers increasingly seek manufacturing partners adept at managing these demands. This expertise not only ensures compliance but also supports larger production volumes and drives overall cost efficiencies.

TOLLERS

Are you subject to any of the following regulations?



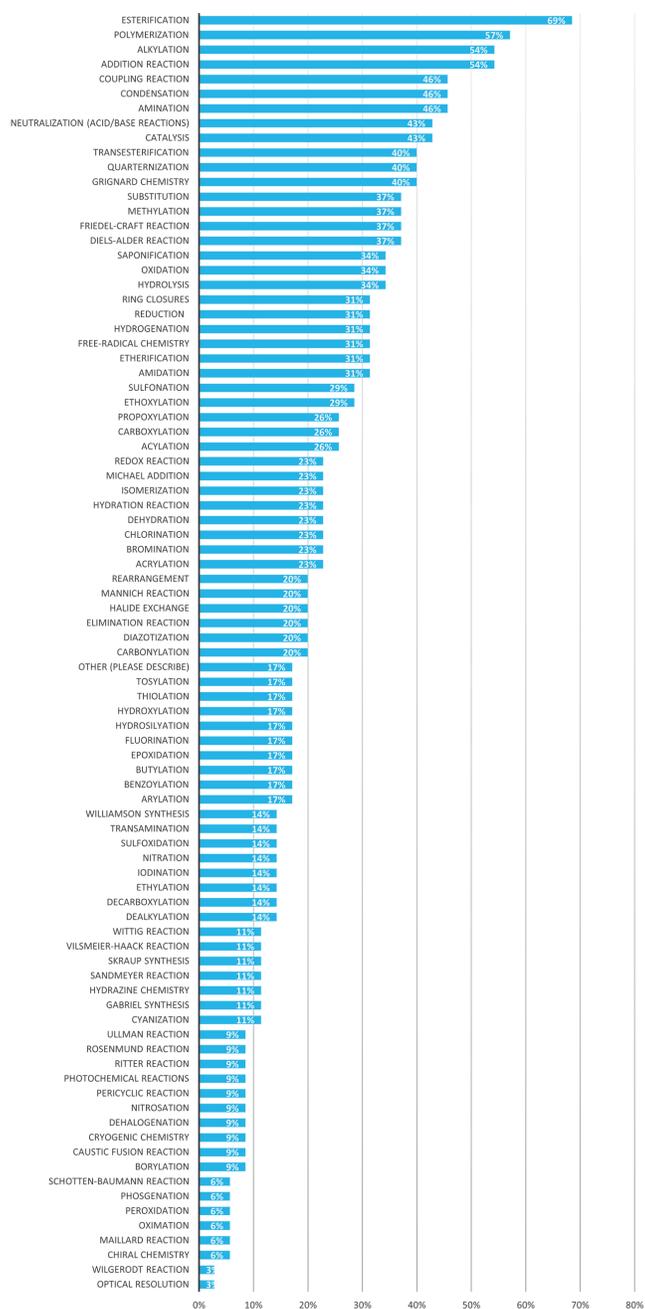
The survey data reveals a notable gap between regulatory requirements customers seek and those manufacturers currently maintain. While manufacturers often leverage regulatory compliance to establish market differentiation and specialization, this misalignment suggests untapped opportunities in meeting customer demand for specific regulatory certifications.

TOLLERS

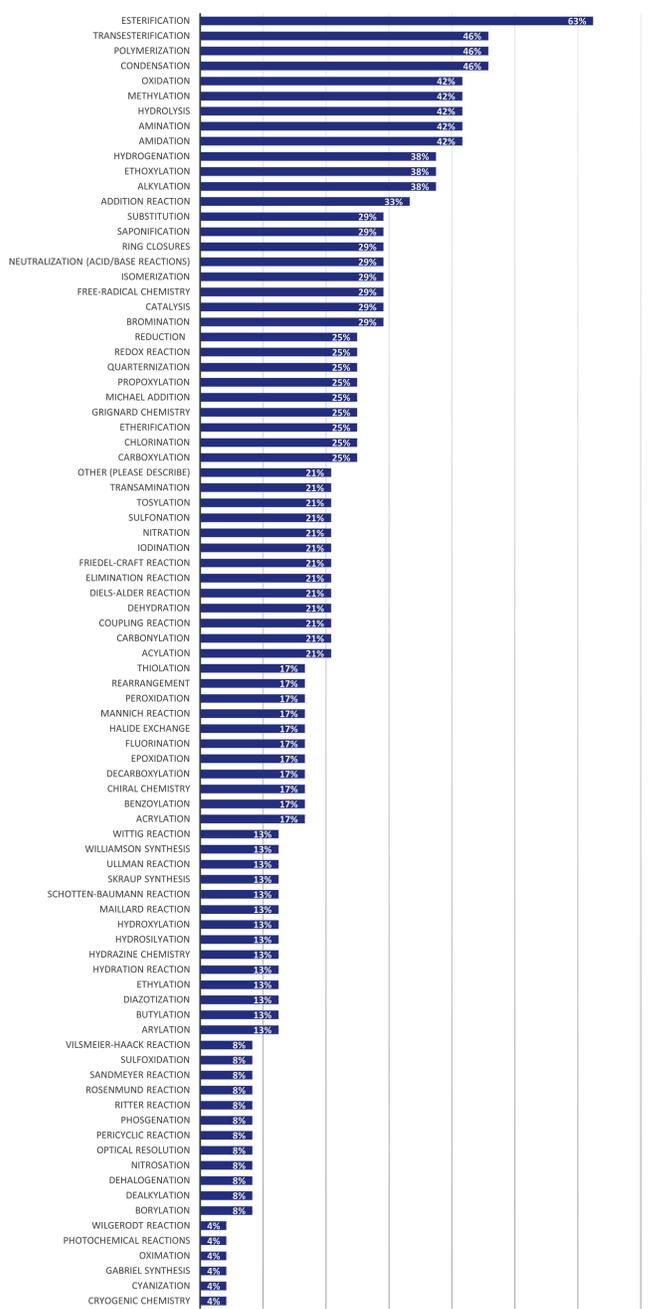
As a contract or toll manufacturer, which chemistry capacities do you anticipate will be available at your site during the year?

The comparison of available chemistry capabilities for 2024 and 2025 showcases consistent patterns, marked by only minor shifts over time. This data reflects a stable outlook, highlighting the industry's steady progression and sustained alignment in chemical capabilities from one year to the next.

2024



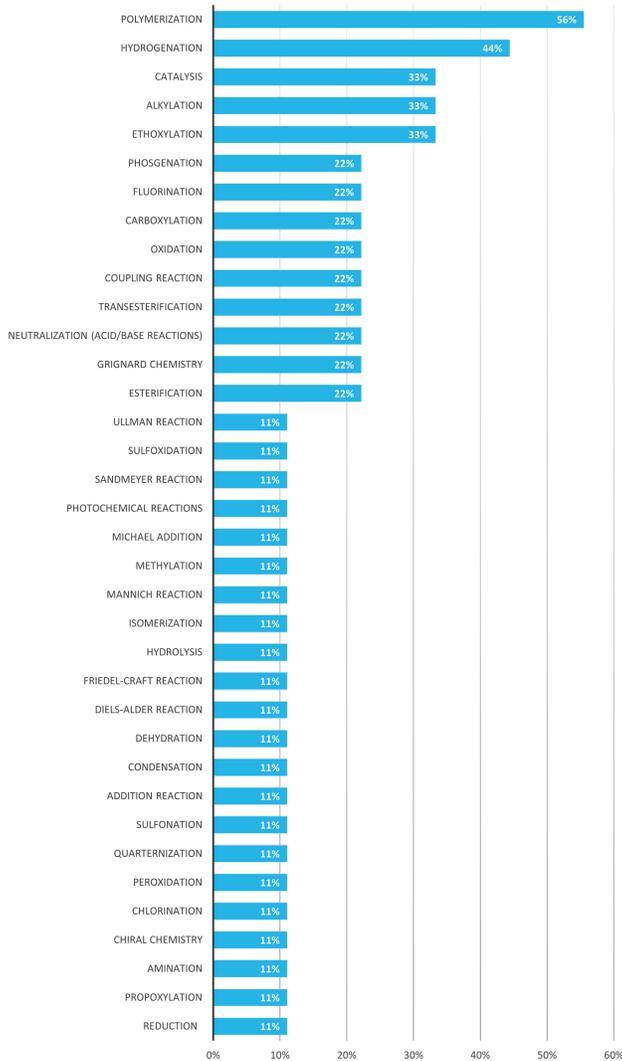
2025



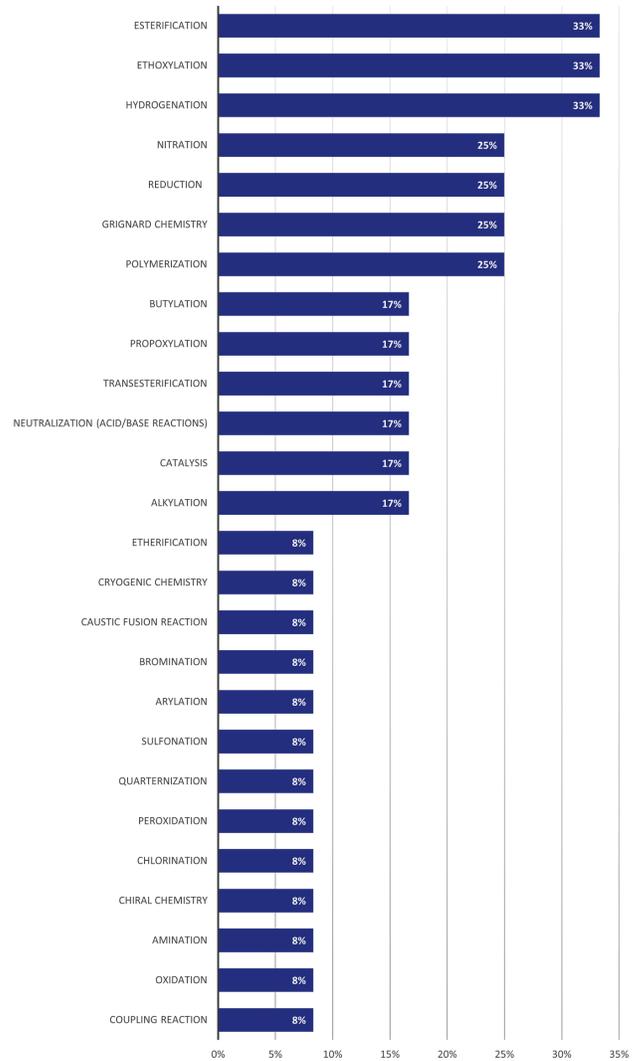
CUSTOMERS

As someone who outsources projects to external manufacturers, which chemistry capabilities do you anticipate looking for through the end of the year?

2024



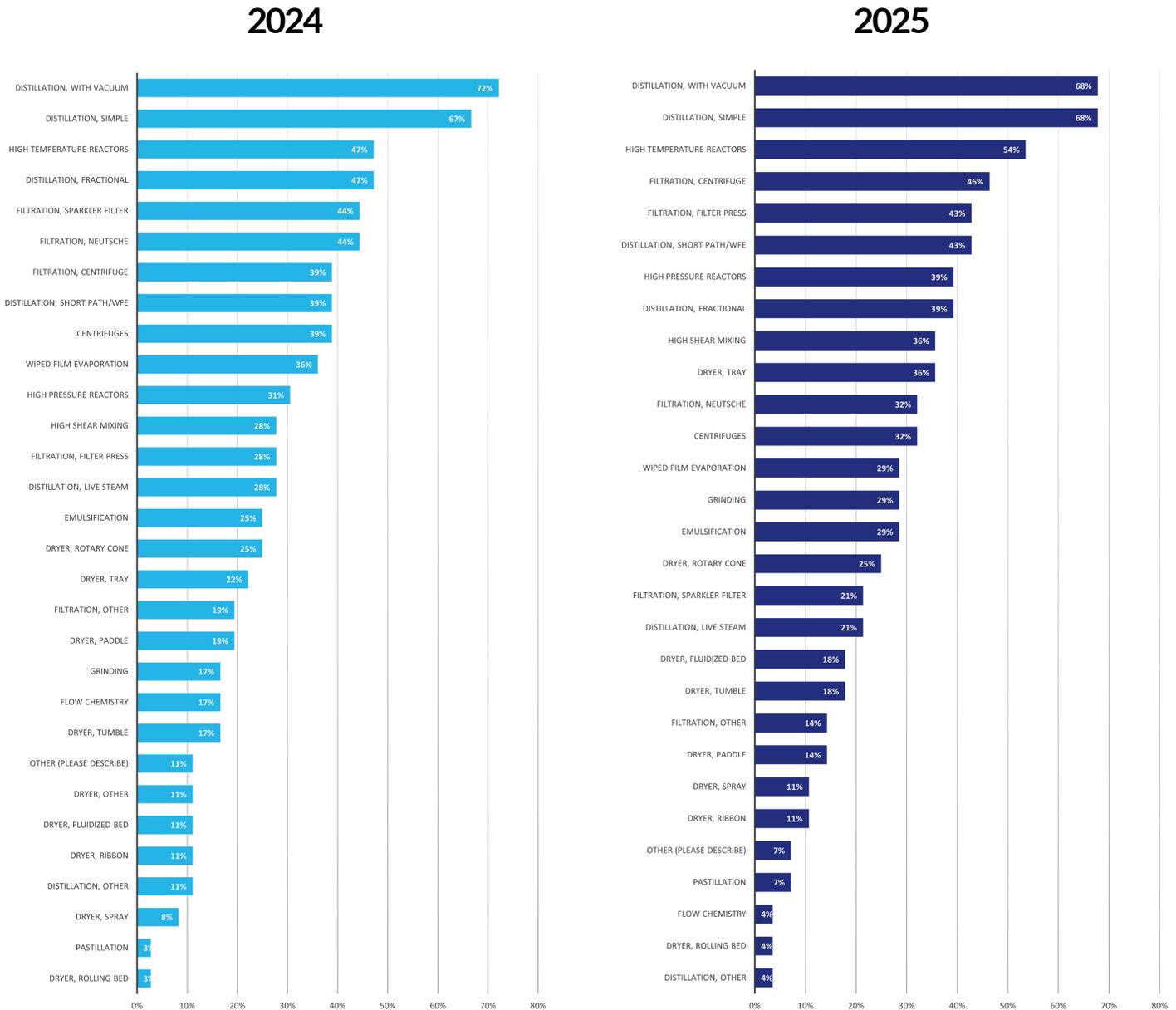
2025



The evolution of chemistry capabilities from 2024 to 2025 reveals several notable shifts, with hydrogenation standing out as a persistent high-priority focus. Despite advances in other areas, hydrogenation remains a significant technical challenge. This gap can be attributed to multiple factors: the complexity of managing high-temperature and high-pressure conditions, combined with the inherent safety risks of handling hydrogen gas.

TOLLERS

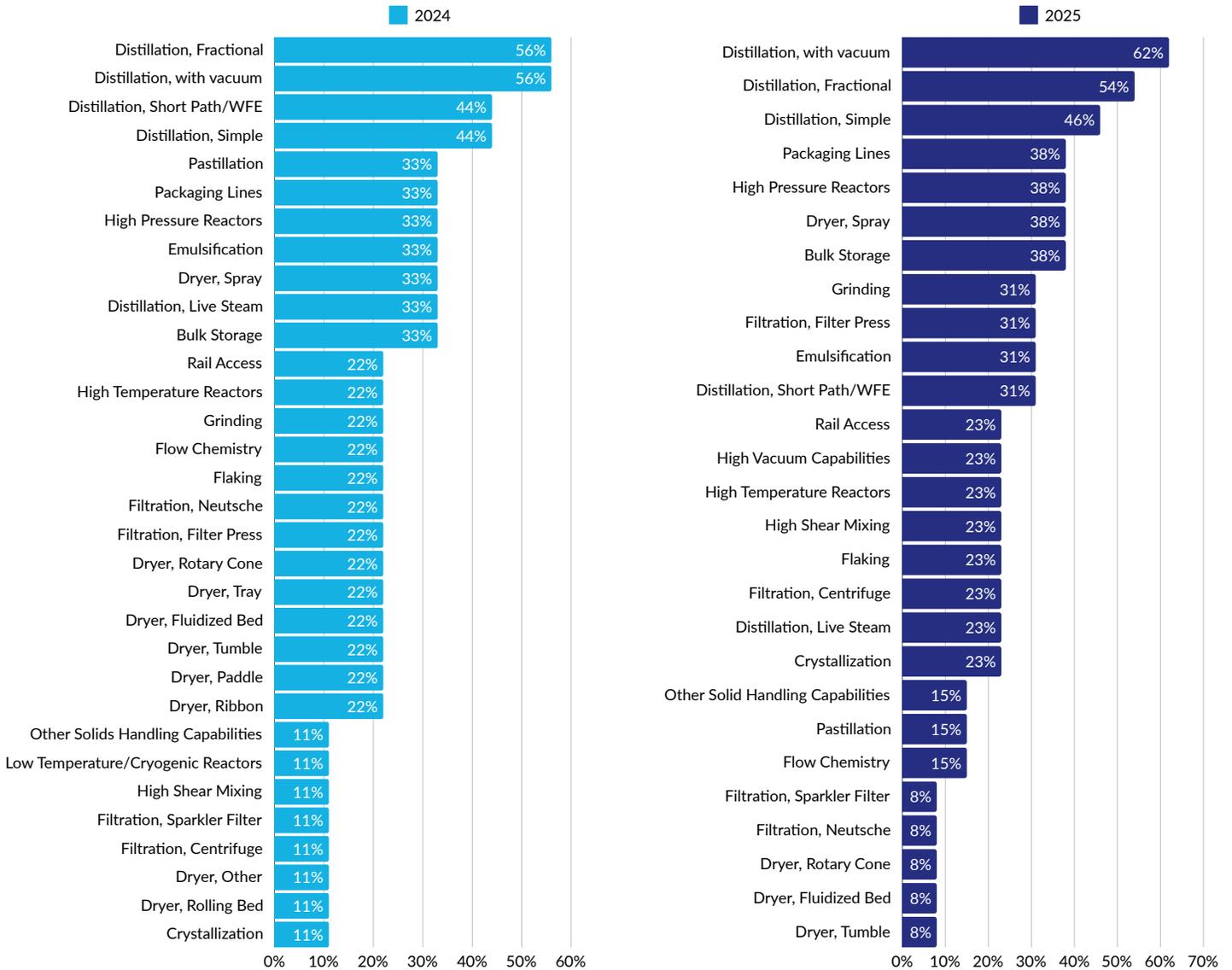
As a contract or toll manufacturer, which unit operations capacities do you anticipate will be available at your site during the year?



A comparison of unit operations between 2024 and 2025 reveals remarkable consistency, with only minor variations emerging year over year. This stability reflects the mature state of industrial unit operations, where established processes form a robust foundation. Rather than dramatic shifts, the field is characterized by careful, incremental refinements that build upon proven methodologies and existing infrastructure.

CUSTOMERS

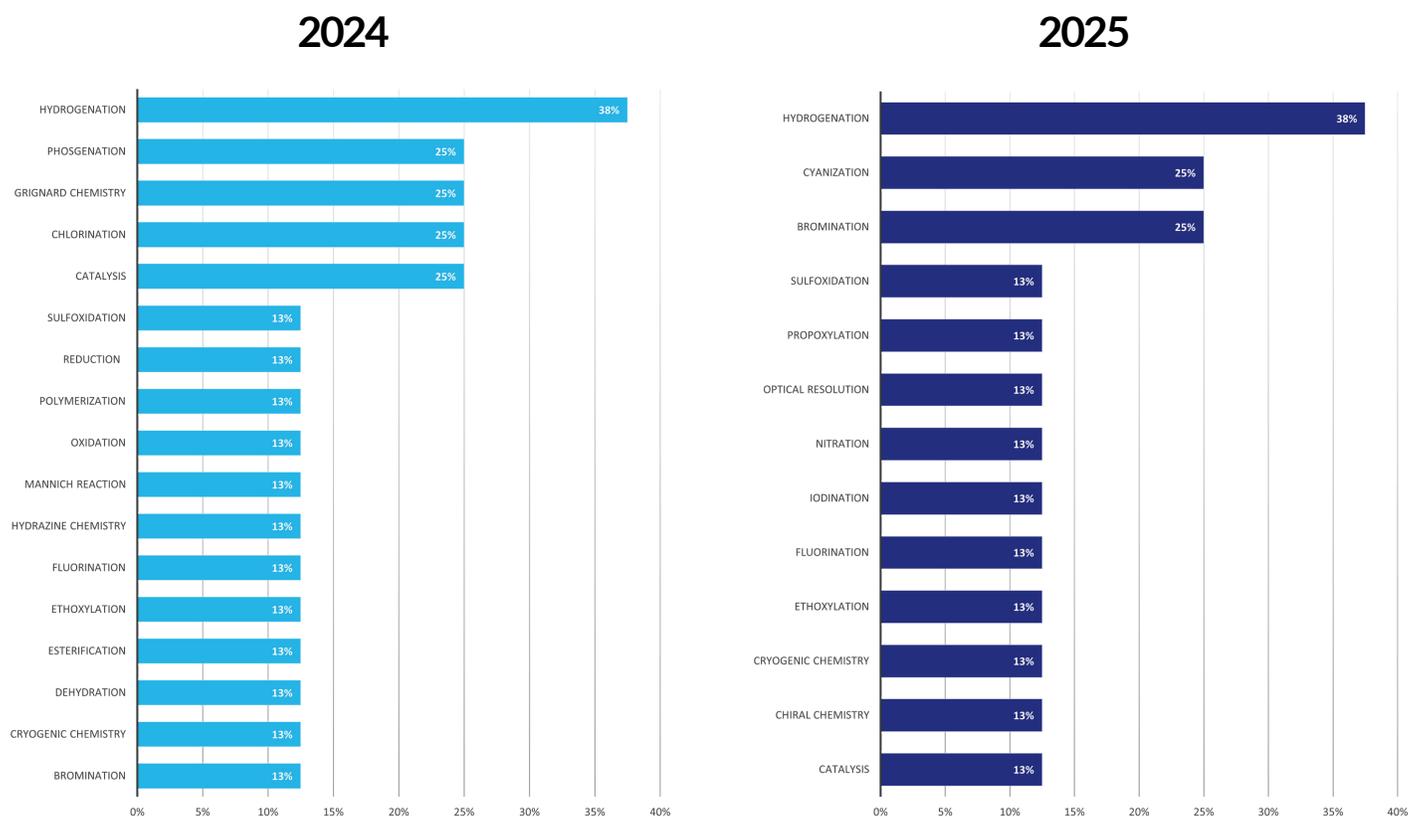
As someone who outsources projects to external manufacturers, which unit operations do you anticipate looking for through the end of the year?



An analysis of customer-required unit operations across 2024 and 2025 demonstrates stable demand patterns, marked by subtle year-over-year shifts. Distillation processes, in their various forms, continue to dominate customer requirements, underscoring their fundamental role in industrial operations. This sustained emphasis on traditional separation methods, coupled with minor adjustments in operational priorities, reflects an industry that values proven technologies while remaining responsive to evolving customer needs.

CUSTOMERS

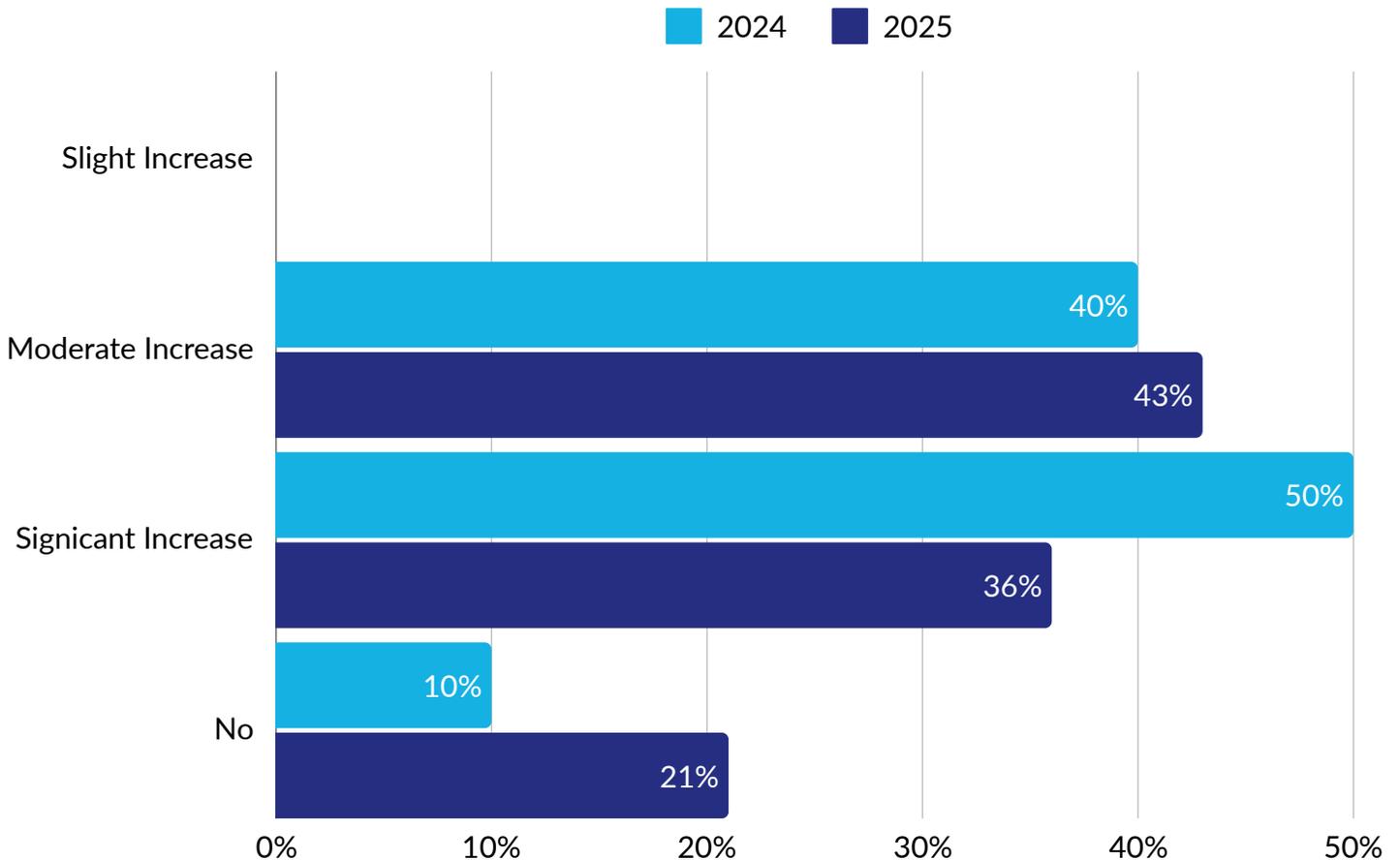
While looking for project partners, what technology gaps have you experienced in the marketplace in North America over the last three years?



A comparative analysis of chemical manufacturing technology gaps between 2024 and 2025 reveals shifting priorities in the industry. While hydrogenation continues to represent a critical technological need, the landscape has evolved with marked increases in cyanization and bromination demands.

CUSTOMERS

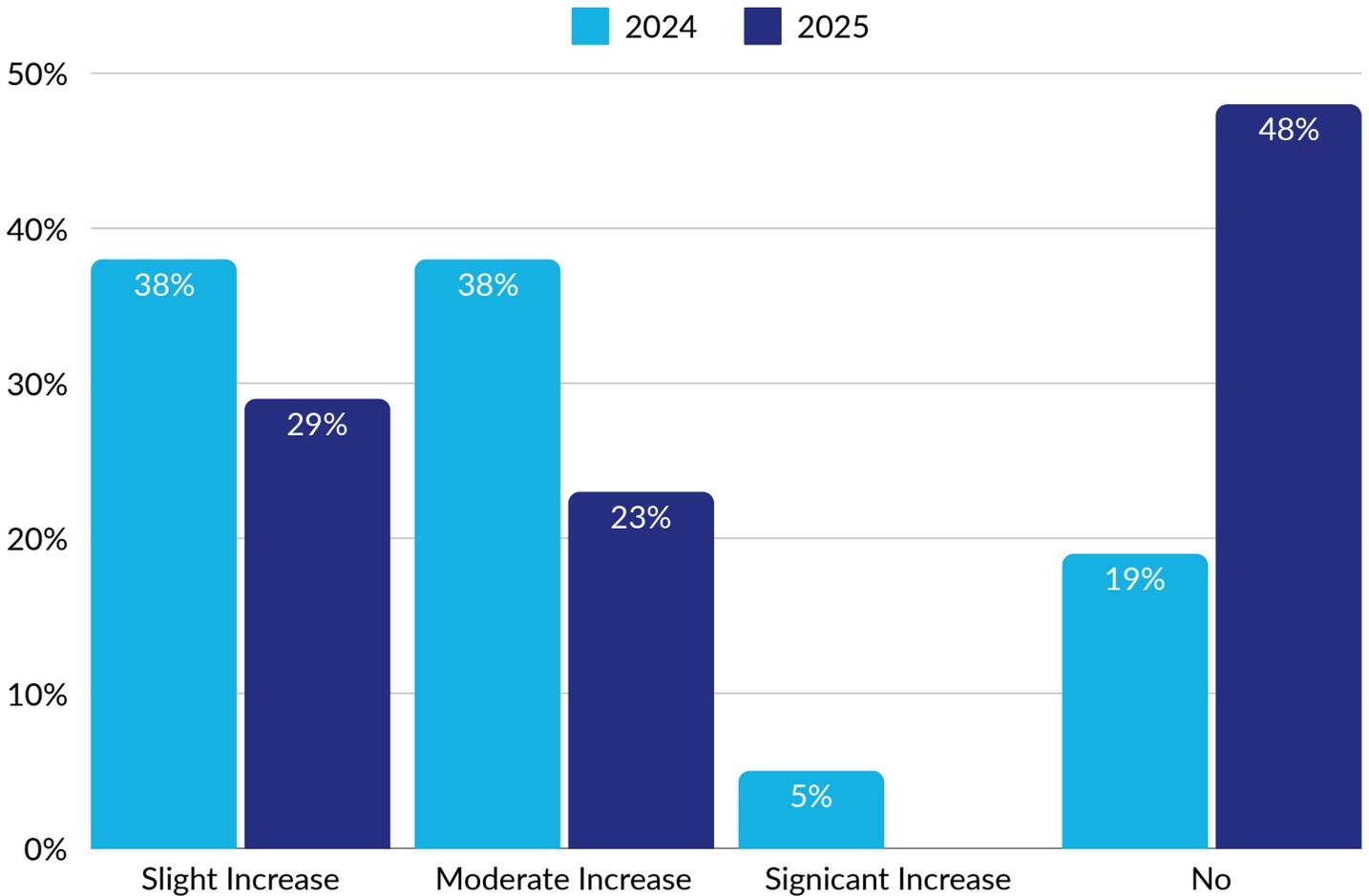
Has the supply chain reshoring strategy led to an increased number of contract manufacturing partnerships in North America for your company?



The momentum for reshoring within the chemical sector has not been as robust as anticipated. Contributing factors include the use of alternative terminology - such as regionalization or localization - creating notable variations in perception and reporting. Beyond semantics, significant hurdles like regulatory complexities and the economic pressures of establishing domestic supply chains continue to impede widespread adoption. These multifaceted challenges underscore the nuanced dynamics of reshoring efforts within this highly regulated and cost-sensitive industry.

TOLLERS

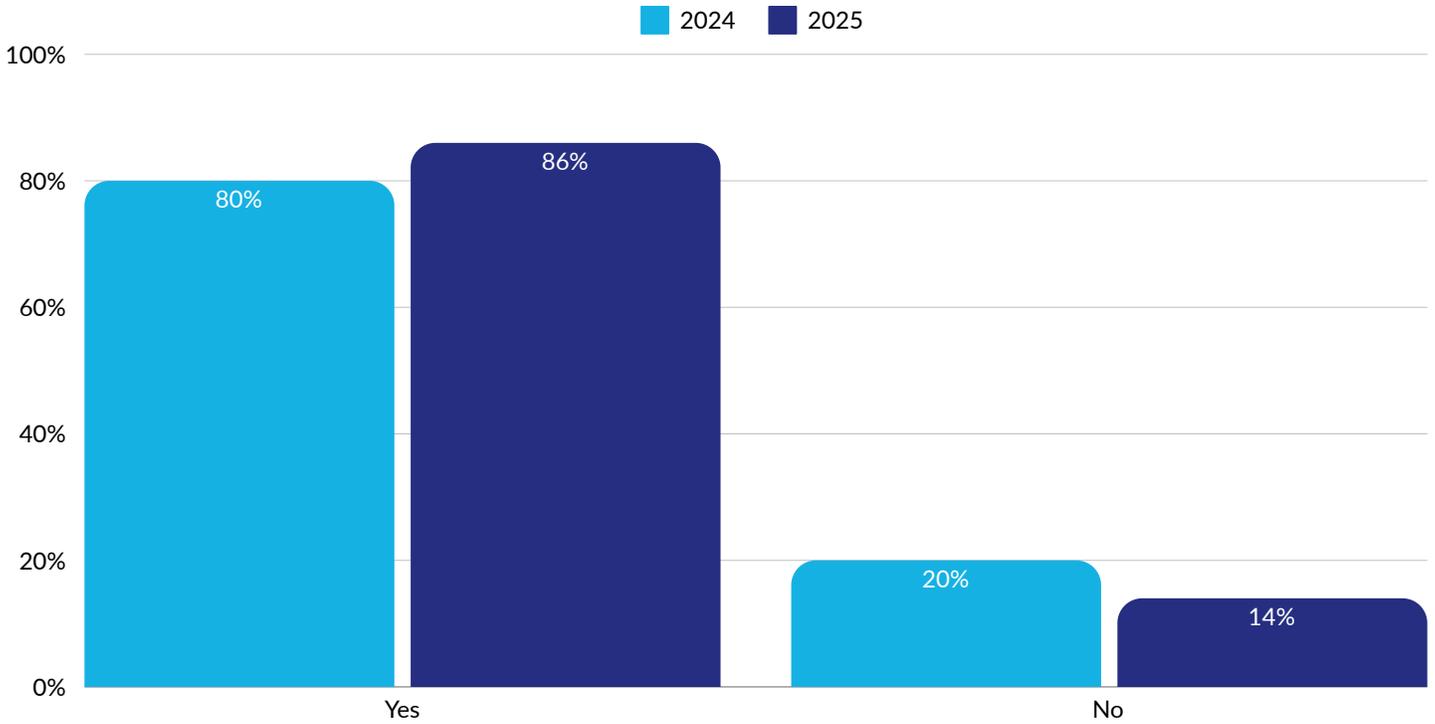
Has the supply chain reshoring movement led to an increase number of new projects from North American customers?



Analysis reveals that manufacturers in the chemical sector are not experiencing a significant increase in reshoring-related projects, suggesting a more modest impact than anticipated. One potential explanation lies in the evolving terminology, where terms like regionalization or localization may indicate a shift in strategic focus rather than a true decline in reshoring initiatives. Manufacturers continue to navigate substantial challenges, including regulatory complexities and the economic pressures inherent in developing domestic supply chains. These factors underscore the intricate balance companies must strike between global and localized production strategies within the industry.

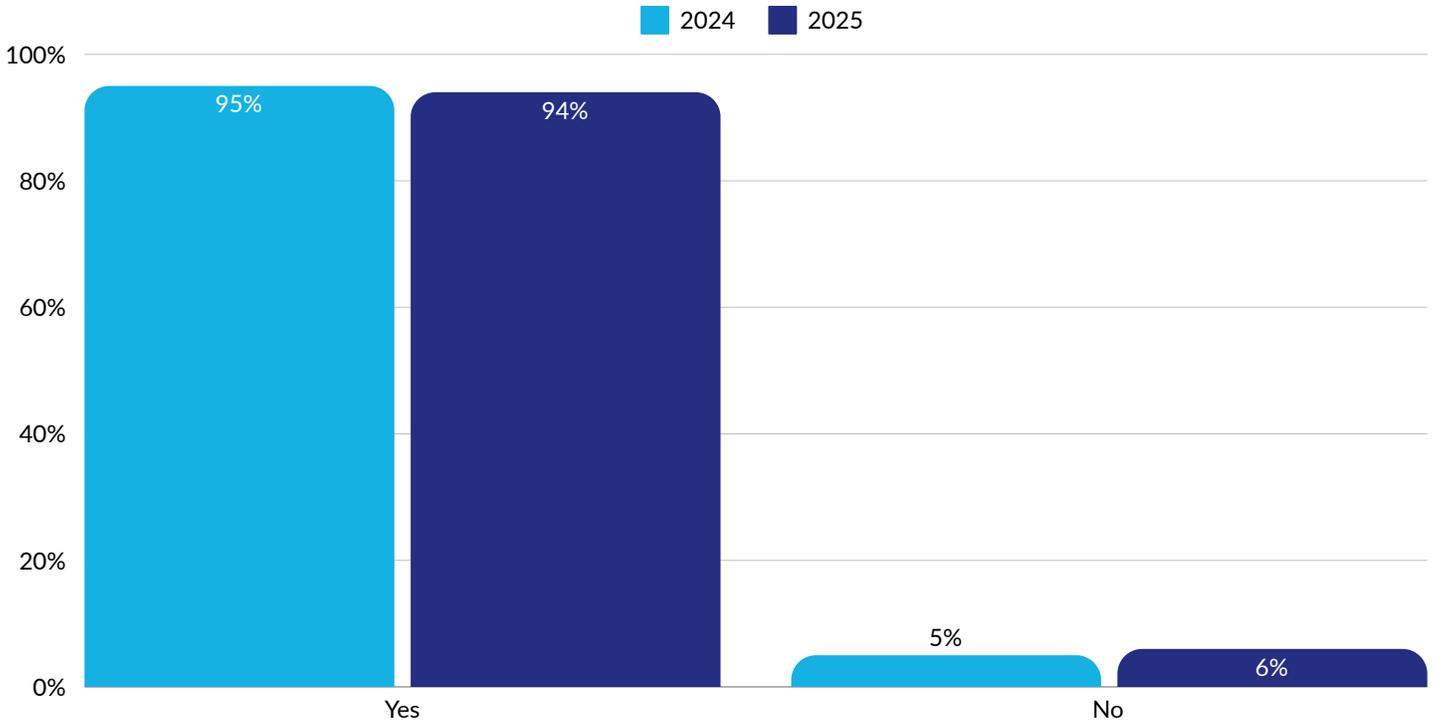
CUSTOMERS

Does your facility's 2025 budget include capital expenditures?



TOLLERS

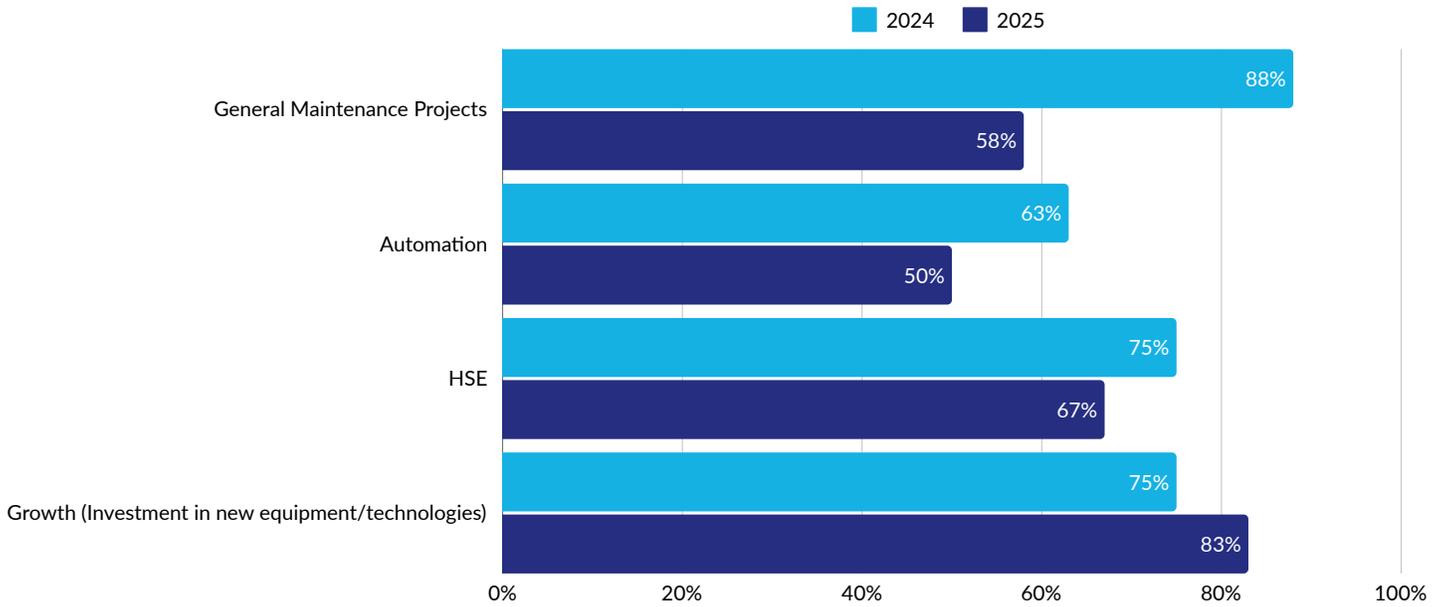
Does your 2025 budget include capital expenditures?



A year-over-year comparison of capital expenditure (CapEx) budget trends for both manufacturers and their customers reveals only subtle shifts. The consistency in spending levels, with no significant decreases, signals a sense of cautious optimism as the industry approaches 2025. This stability reflects strategic confidence in maintaining investment levels while navigating economic uncertainties—a key indicator of resilience within the chemical sector.

CUSTOMERS

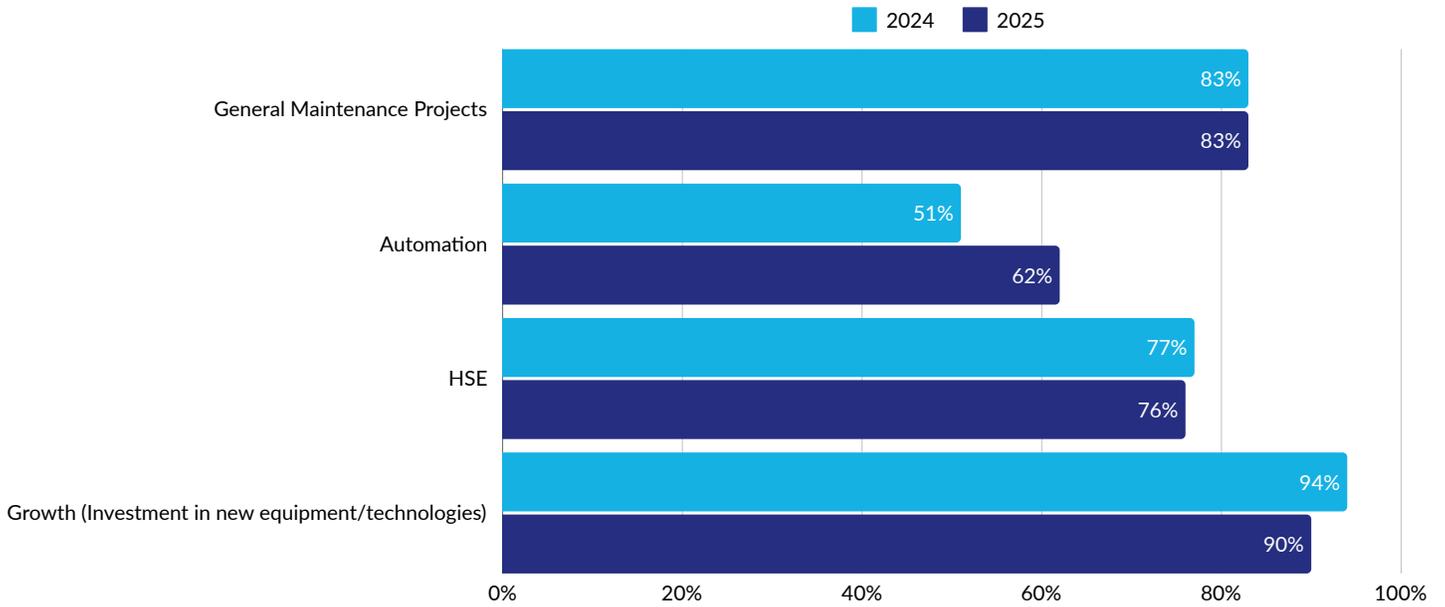
What type of CapEx will be included in your 2025 budget?



The 2025 customer CapEx budgets reveal a clear emphasis on growth-oriented investments, signaling a forward-looking approach within the chemical sector. This shift is reflected in reduced allocations for general maintenance and automation projects, which may indicate that many of these needs for 2025 have already been addressed in the current year. This strategic redirection underscores the industry's focus on expansion and innovation, aligning resources toward initiatives that enhance competitiveness and market presence.

TOLLERS

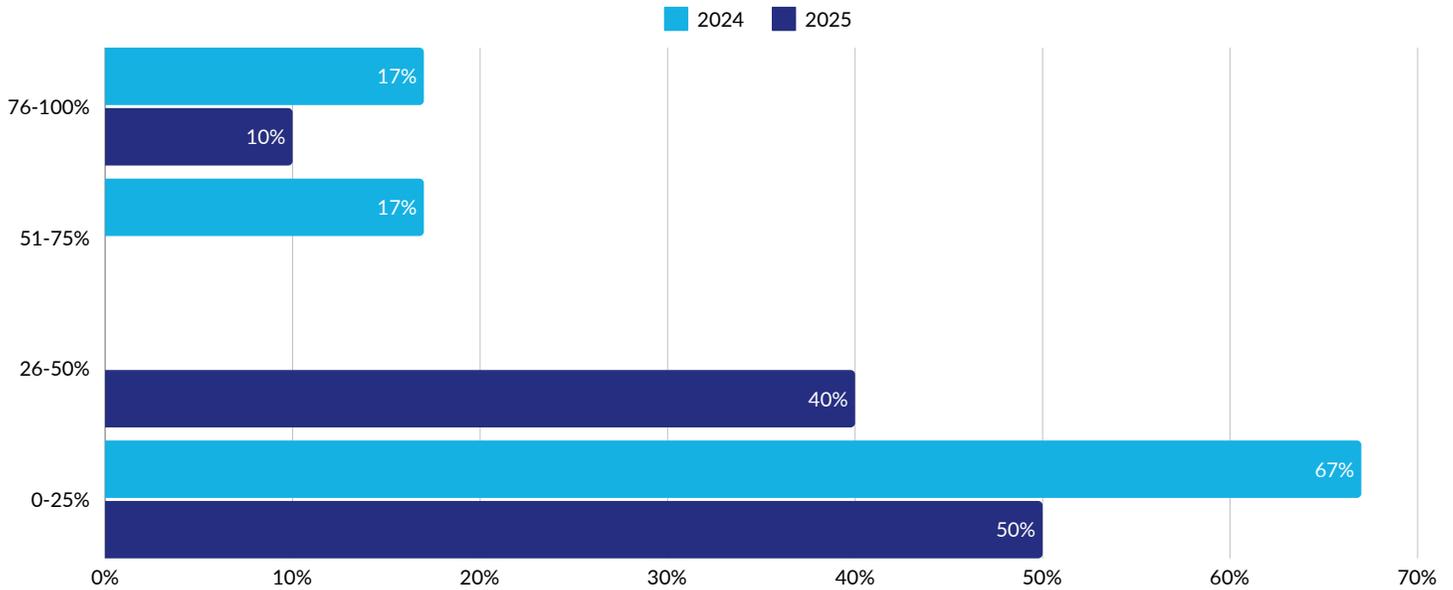
What type of CapEx will be included in your 2025 budget?



The 2025 toll manufacturing CapEx budgets highlight a significant shift toward growth-driven investments in automation. This strategic focus underscores the industry's commitment to enhancing operational efficiency as a catalyst for growth and expansion into new market segments. By prioritizing automation, manufacturers aim to streamline processes, reduce costs, and position themselves competitively in an evolving marketplace.

CUSTOMERS

As a specialty chemical producer, what percentage of your company's growth CapEx is for new product innovations?

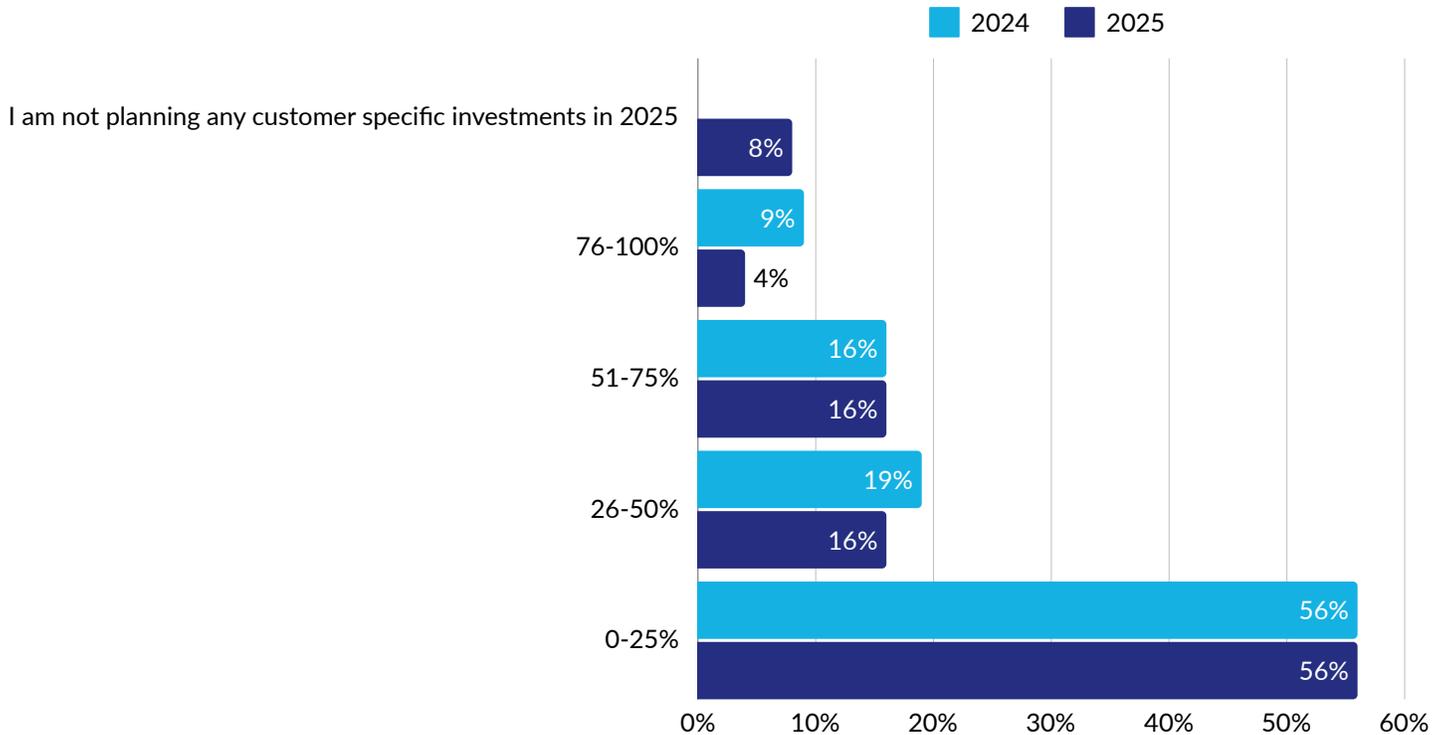


X axis: Budget Y axis: Product Innovation

Customer Capex behavior shows notable shifts, with general maintenance experiencing the most pronounced decline. This trend aligns with industry feedback indicating that companies made substantial maintenance investments during the post-pandemic slowdown. Innovation spending also appears to be cooling in 2025, with a significant shift in allocation patterns. While 34% of respondents reported dedicating over 51% of their Capex to innovation in 2024, this year's data shows the majority of innovation spending falling below the 50% threshold. This reallocation suggests a more conservative approach to innovation investment in the current business climate.

TOLLERS

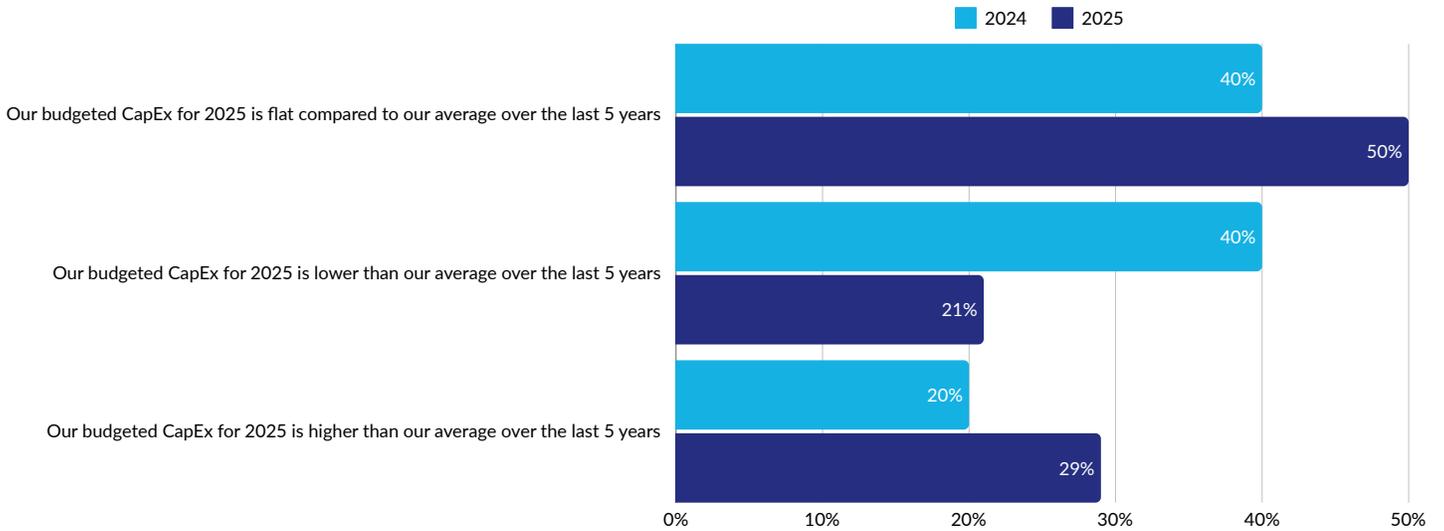
What percentage of your company’s growth CapEx in 2025 is allocated for customer specific investments?



Toll manufacturers are showing a slight shift away from projects reliant on customer-specific funding, reflecting a strategic pivot toward enhancing operational efficiency and exploring new markets for existing products. This trend may also be influenced by changes in the surveyed audience, which could shape reported priorities. In the chemical sector, such adjustments highlight a growing emphasis on flexibility and market diversification, key factors for maintaining competitiveness in a dynamic industry landscape.

CUSTOMERS

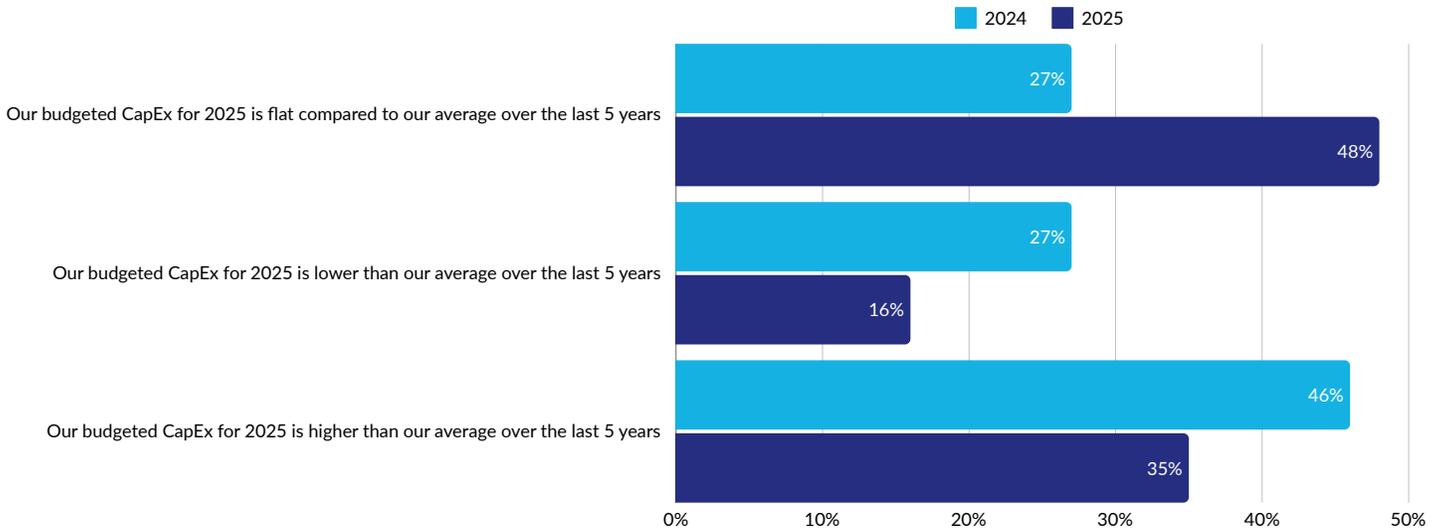
Ignoring the impact of COVID, what is your YOY CapEx trend going into 2025?



The graph above suggests there is a healthy level of optimism moving into 2025, but that optimism doesn't appear to include a significant amount of innovation. CapEx budgets are primarily holding steady moving into 2025. Customers are more optimistic about 2025 due to a continued focus on increasing efficiency and expanding current product lines into new markets.

TOLLERS

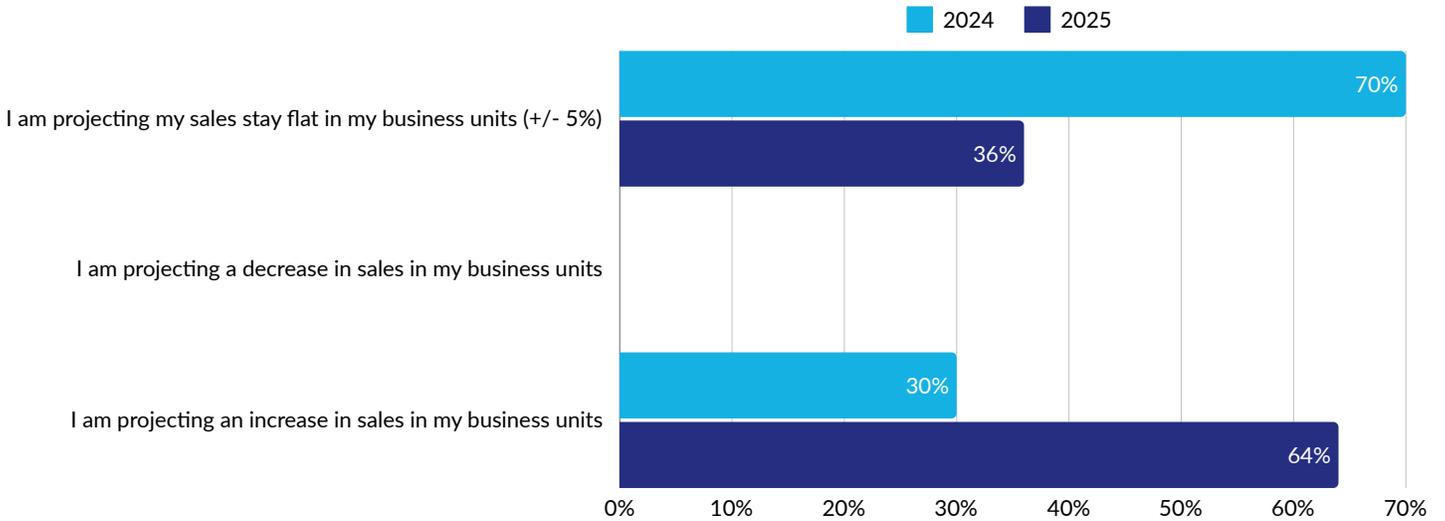
Ignoring the impact of COVID, what is your YOY CapEx trend going into 2025?



As a chemical manufacturer, understanding how CapEx is allocated across the industry can be valuable information and provide insight on opportunities that may not previously have been realized. These measurements can also serve as a benchmark for understanding how others are doing in the marketplace. The data confirms many organizations will remain flat on spending initiatives, and they will utilize other mechanisms to increase growth.

CUSTOMERS

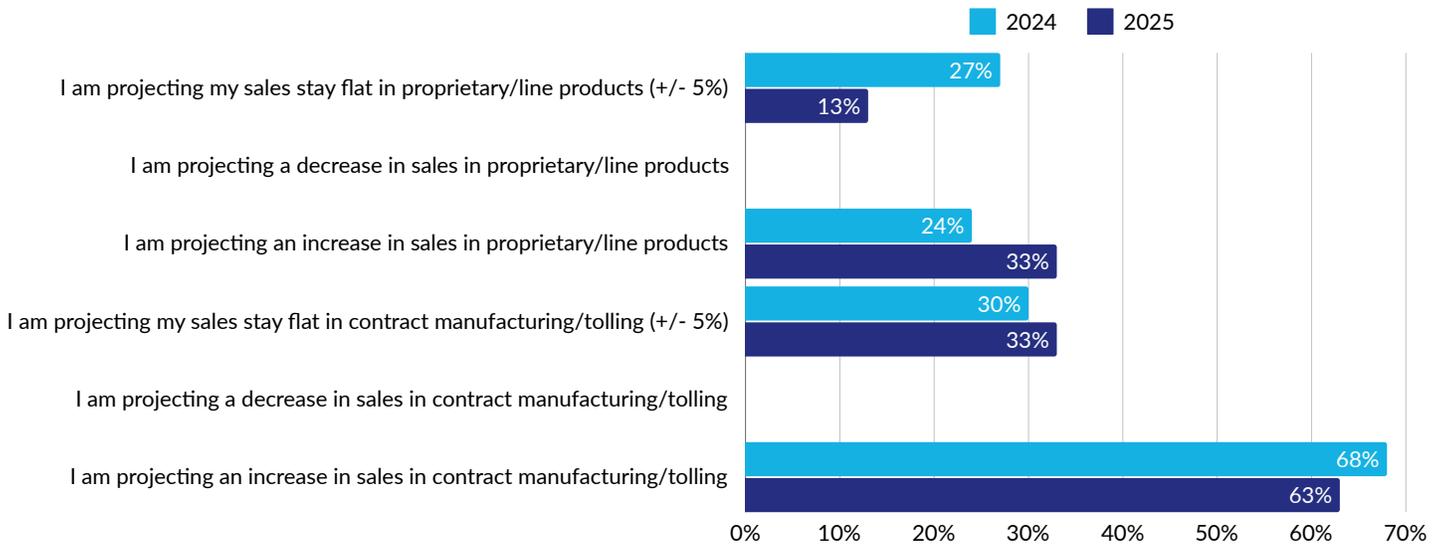
What assumptions are you making in your budget for 2025?



Analysis suggests customers are anticipating a positive shift in sales, with the industry maintaining a strong level of cautious optimism for 2025. This outlook is partly driven by an increased focus on expanding efficiencies and penetrating new markets with existing products—strategic approaches that should help accelerate the pace of growth.

TOLLERS

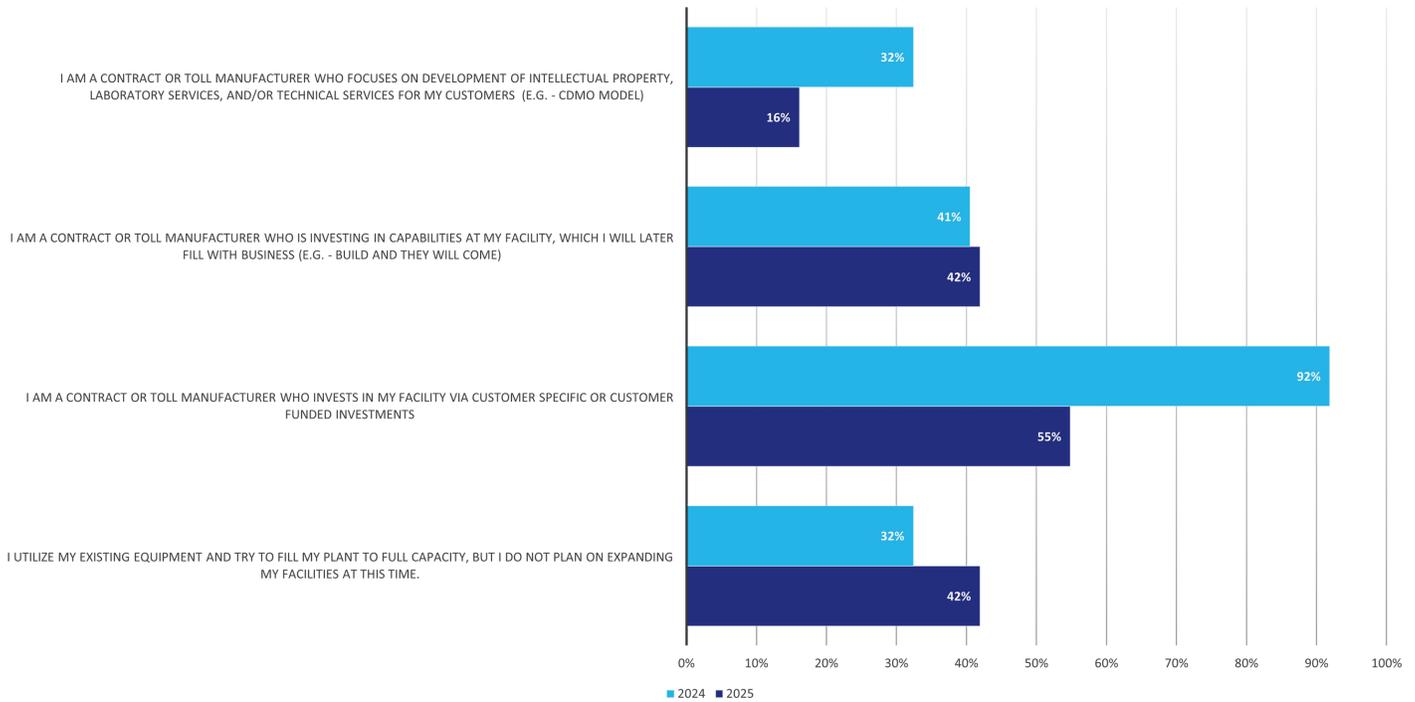
What assumptions are you making in your budget for 2025?



Manufacturers share customers' cautious optimism for 2025, driven by strategies to boost profitability through operational efficiency and market expansion with existing chemical portfolios.

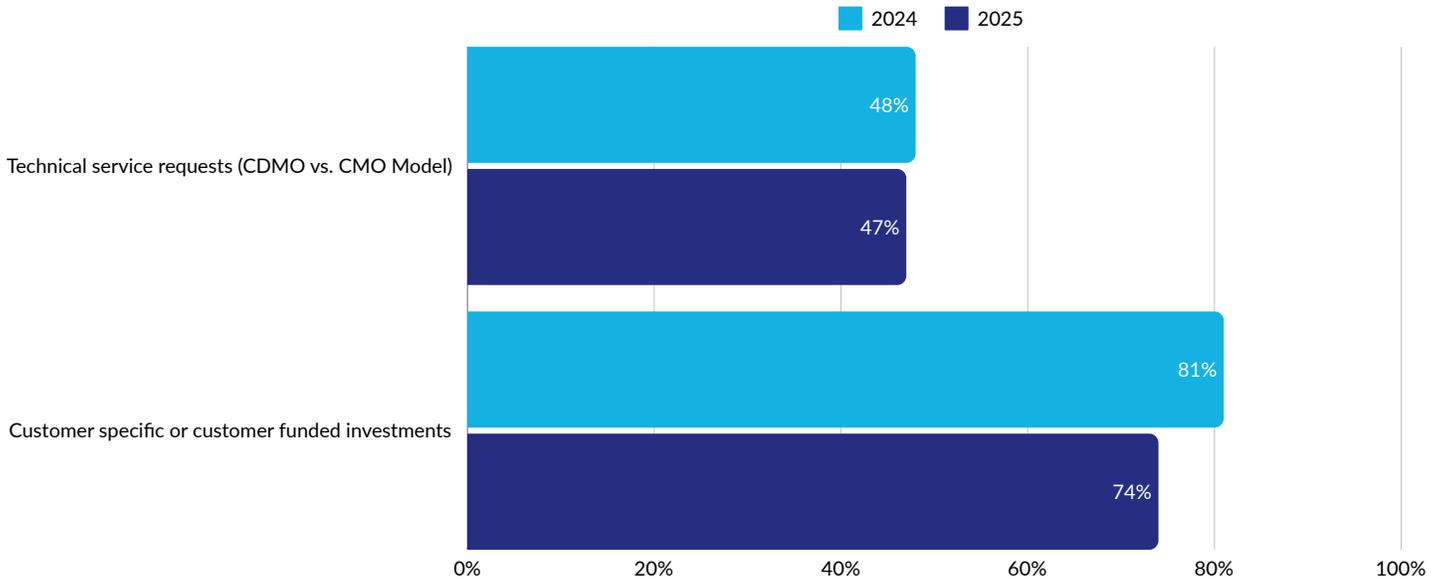
TOLLERS

Which of the following business models does your company prefer to follow?



TOLLERS

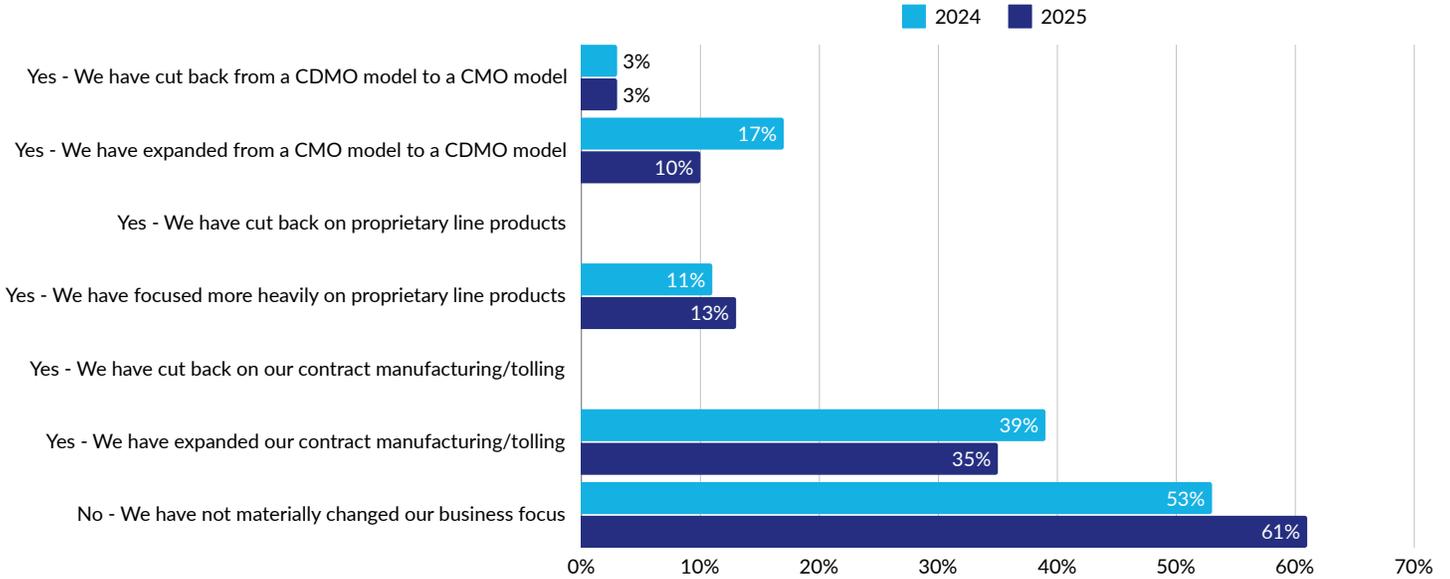
Have you recently experienced an increase in any of the following business models relative to 2020, based on customers requests?



This data reinforces previous survey findings that fewer toll manufacturers are relying on customer-specific funding for projects. It underscores the growing trend within the chemical sector where the primary focus for toll manufacturers is shifting toward driving growth through improved operational efficiency. By prioritizing streamlined processes and cost-effective operations, manufacturers are positioning themselves to remain competitive while adapting to evolving market demands.

TOLLERS

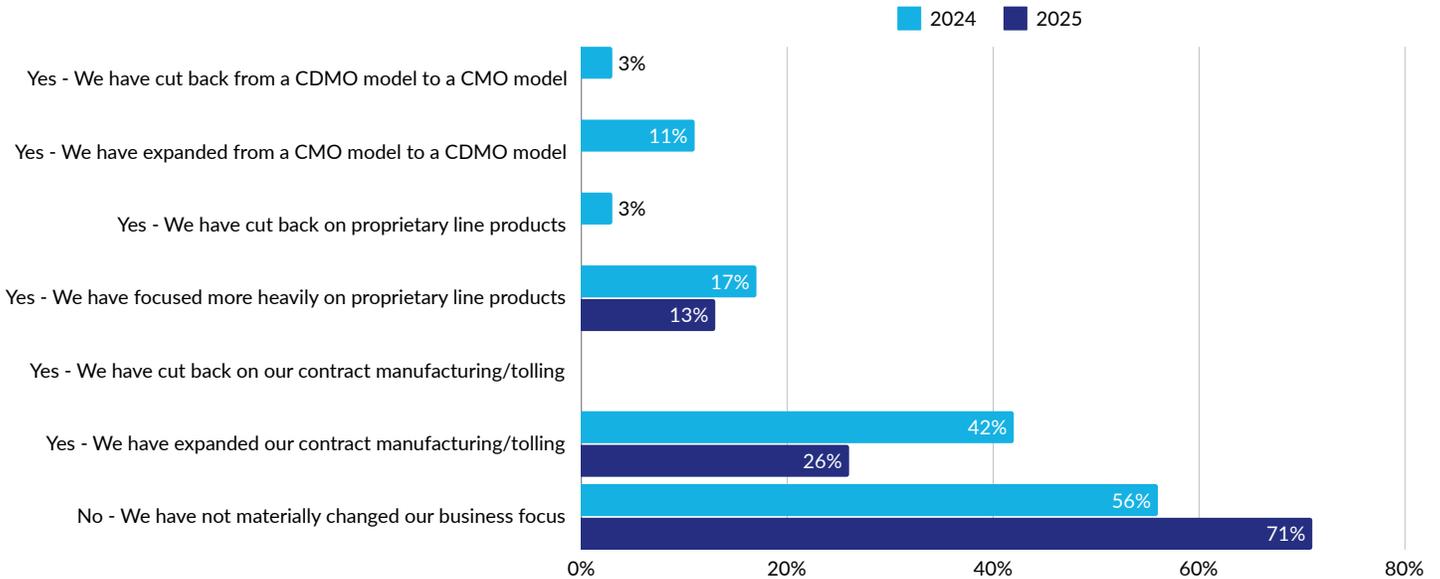
Due to impacts of COVID, the supply chain reshoring movement, and conditions of a variable market, have you changed your business focus over the past 3 years relative to 2020?



Over the past five years, there have been some minor shifts in business focus, but these changes have since stabilized, with toll manufacturers now firmly entrenched in their niche. This trend reflects the industry's maturation, as manufacturers hone their specialization and prioritize efficiencies within their established markets. In the chemical sector, this stability allows toll manufacturers to refine their operational strategies and strengthen their competitive position in an increasingly complex landscape.

TOLLERS

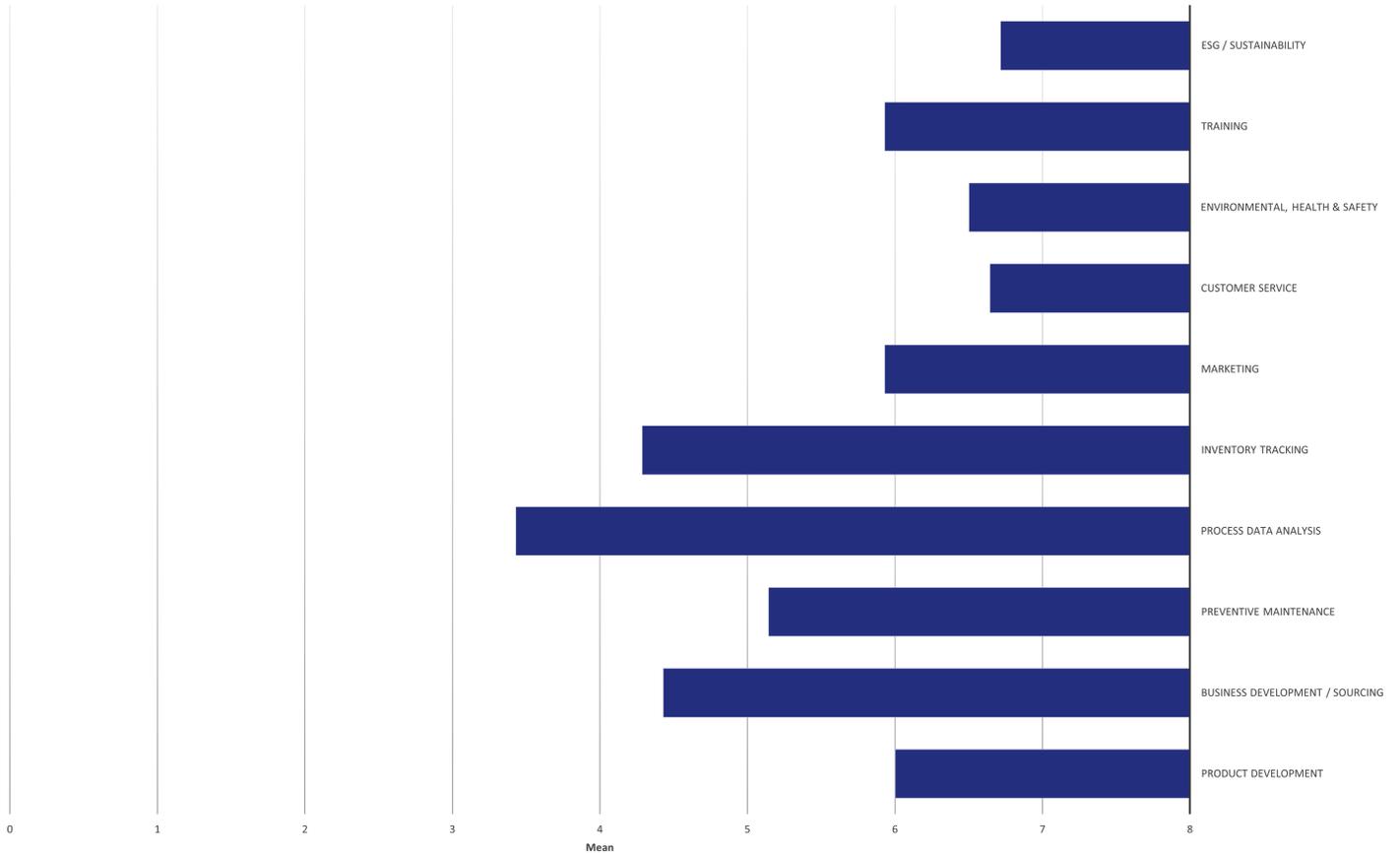
Do you plan to change your business focus going into 2025?



The past few years have witnessed shifts in business models, yet companies have now largely settled into their chosen niches and are focusing on strengthening their core capabilities. While some adjustments may still occur, many companies have already completed their planned organizational changes, indicating a move toward operational stability.

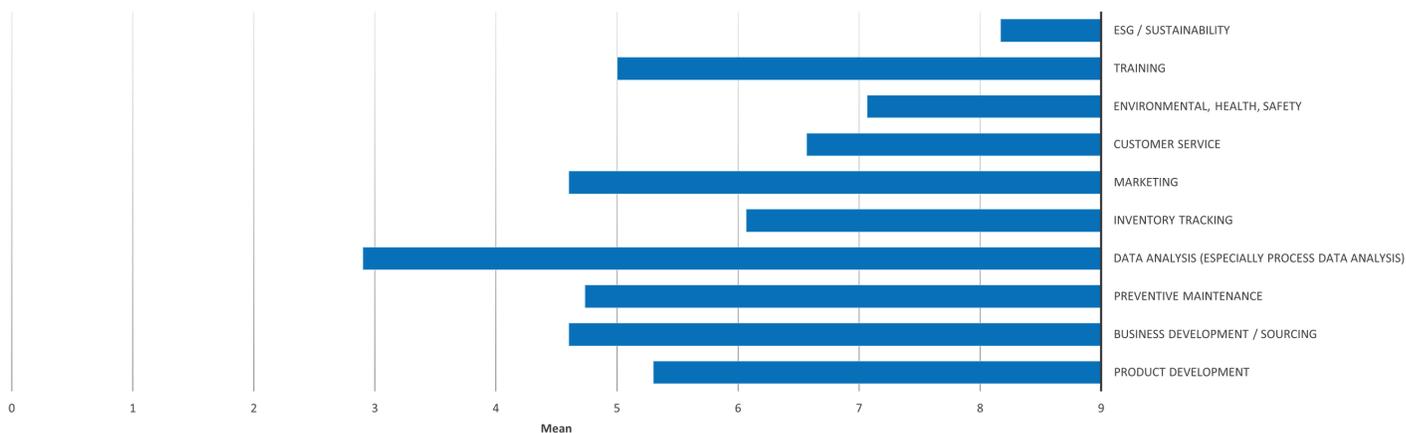
CUSTOMERS

Which among the following AI applications do you think could yield the most significant benefits for your company?



TOLLERS

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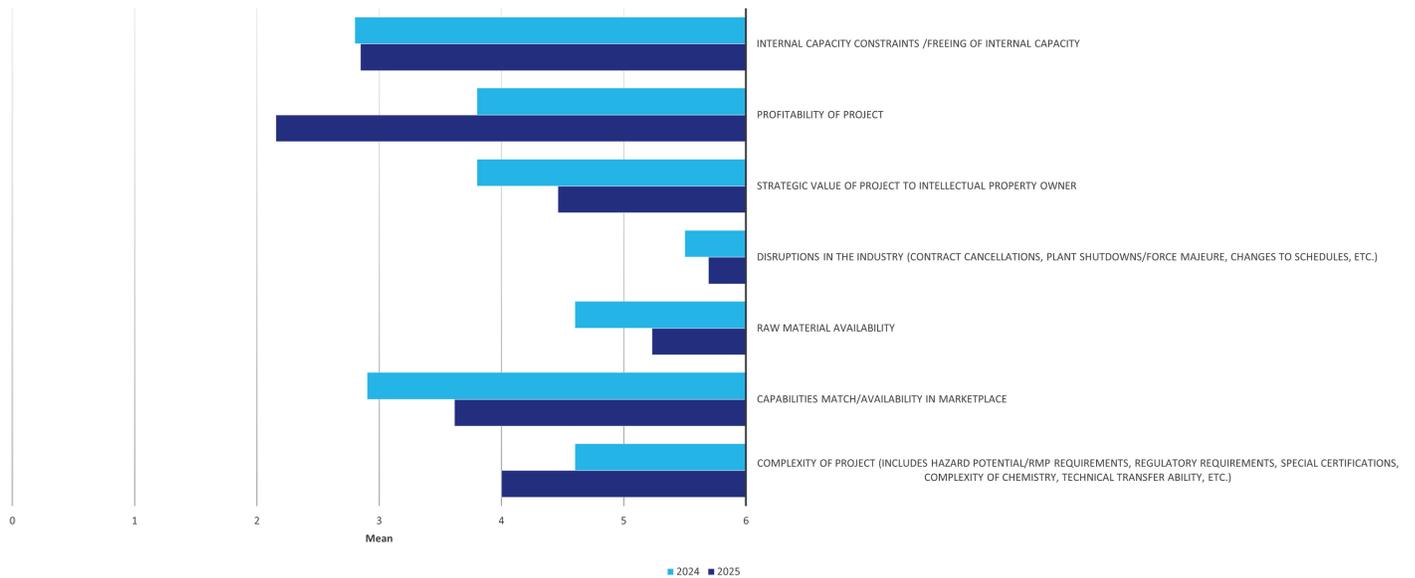


Many organizations had previously focused efforts to implement control systems to boost efficiency, control quality, etc. Because these systems have been a standard for decades, it's understandable that approximately 80% of respondents have already implemented and are looking for the highest impact areas to make change. However, Industry 4.0 is leading the way with advanced technology, including sophisticated robotics and other AI technologies. Because these technologies are so new to the market, there is a lack of understanding regarding which technology to use and how to best implement the system. As these technologies rapidly evolve, it will become more apparent how they can be used to create better and more sustainable chemistry over time. That said, the industry believes AI will be most impactful when being used for data analysis due to its shear speed of scanning information. The process, paired with talented chemists, has the potential to change and increase the speed of chemical manufacturing.

CUSTOMER OUTSOURCING

TOLLERS

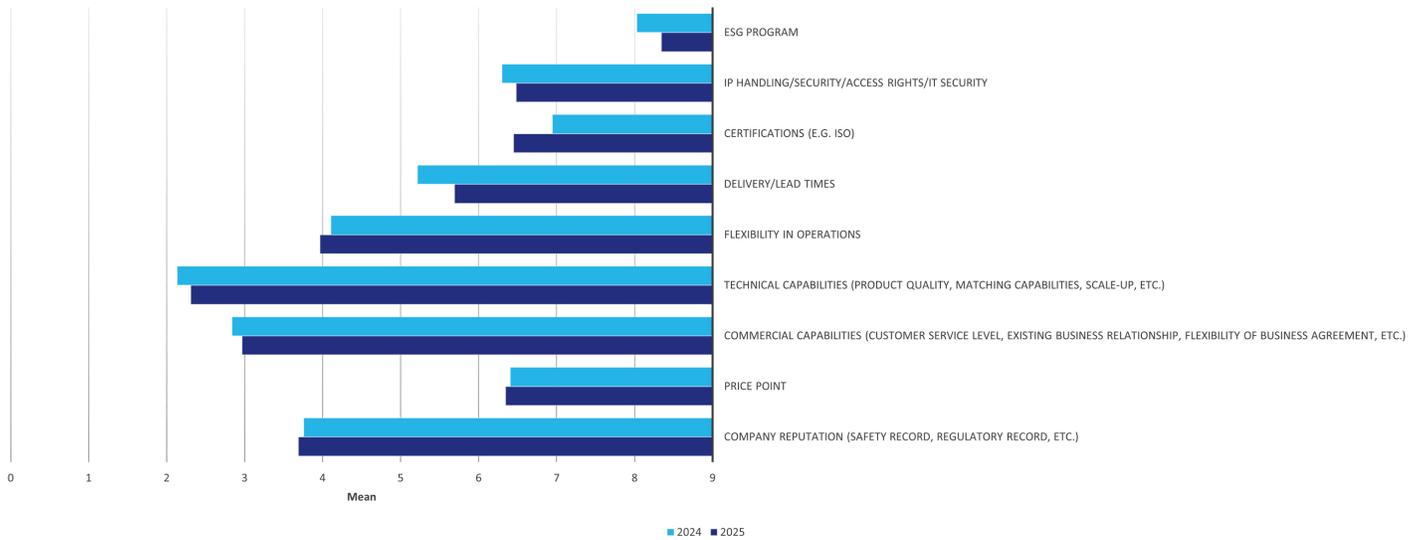
When outsourcing projects to a toller, what do you consider when determining which project(s) to outsource from your portfolio?



Customer outsourcing decisions are guided by several key considerations. Leading factors include a comparison of internal capabilities versus external competencies, followed closely by the cost of internal versus external production. Speed to market remains highlighted as a significant factor, as these elements play crucial roles in manufacturing and sales processes. This indicates that customers are strategically utilizing these factors to continue driving efficiency to increase profitability across the industry.

TOLLERS

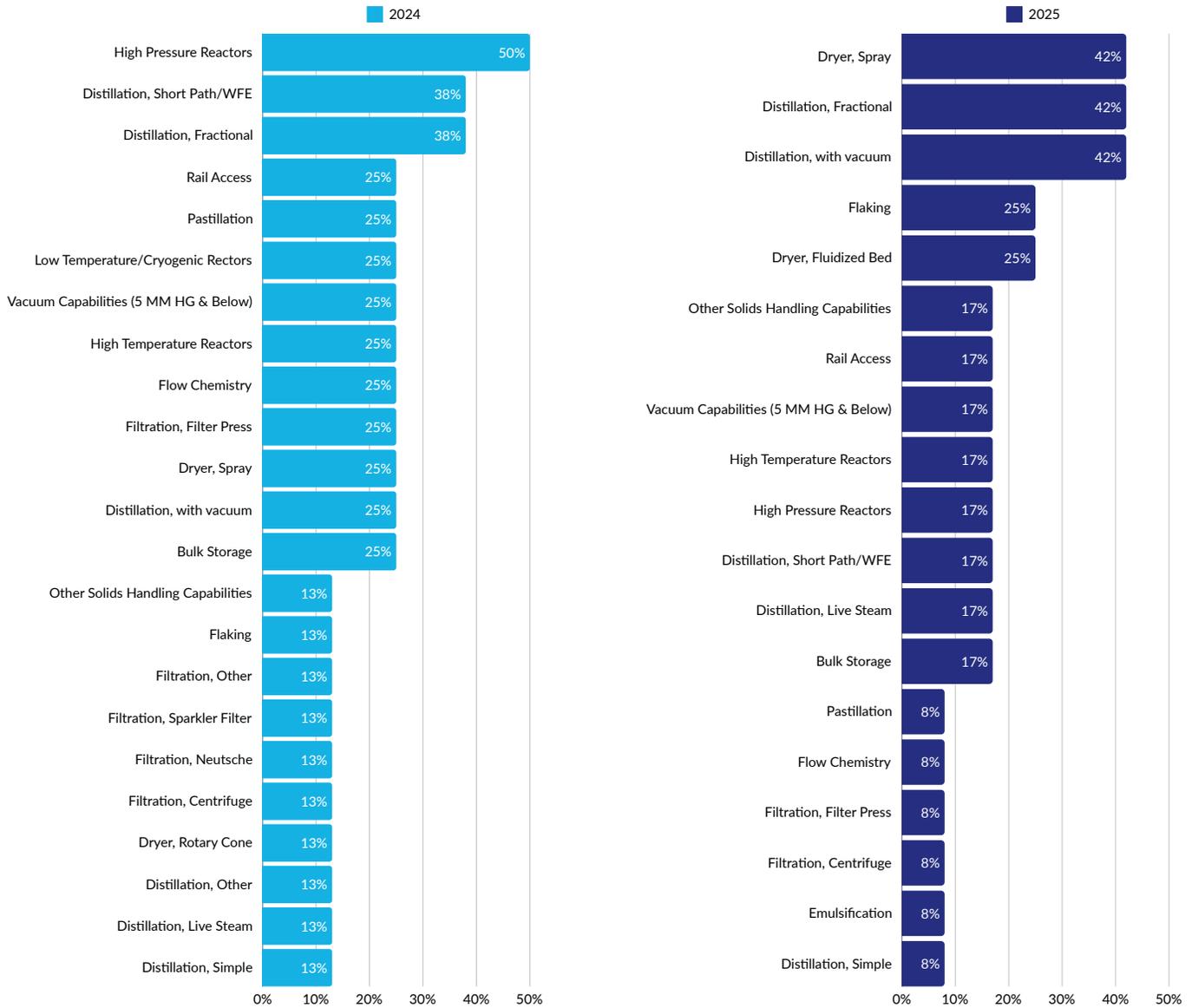
As a contract or toll manufacturer, which of the following do you highlight as your company's unique value proposition when bidding on a project?



Contract and toll manufacturers prioritize technical capabilities, reputation, and operational flexibility as their core value drivers, leveraging these strengths to sustain growth.

CUSTOMERS

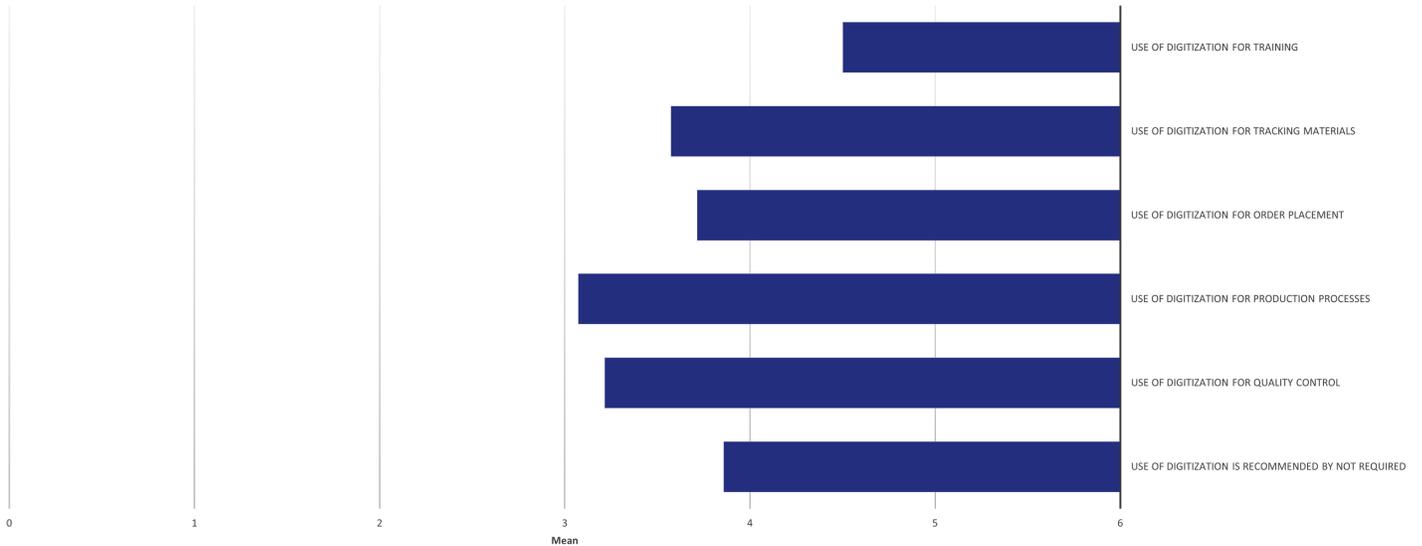
When looking for project partners, what unit operations gaps have you experienced in the marketplace over the past three years?



The survey highlights persistent challenges in the manufacturing sector, revealing that key operational gaps have remained largely unchanged despite minor shifts over recent years. This consistency underscores the enduring complexities within the chemical sector as manufacturers work to enhance operational efficiency, optimize supply chains, and leverage technology to meet customer needs.

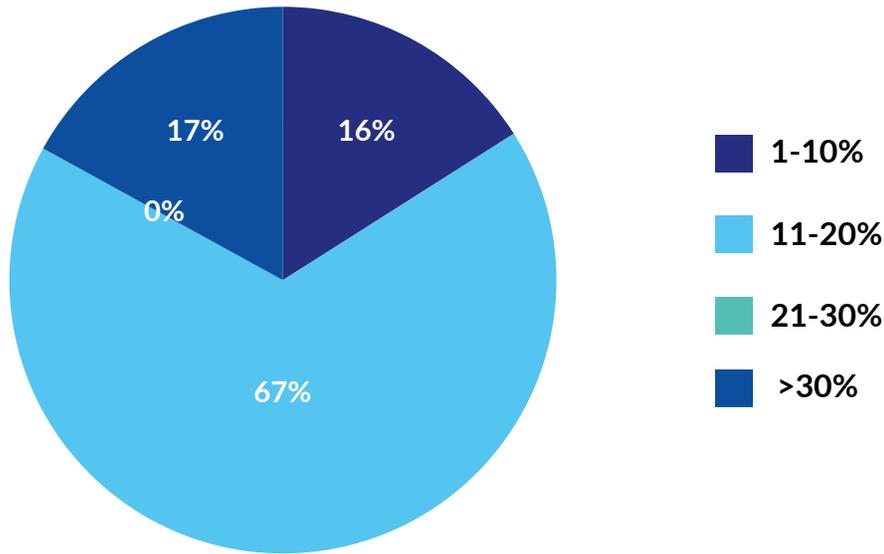
CUSTOMERS

When looking for a toller, how critical are the following Industry 3.0 aspects during your decision-making process?



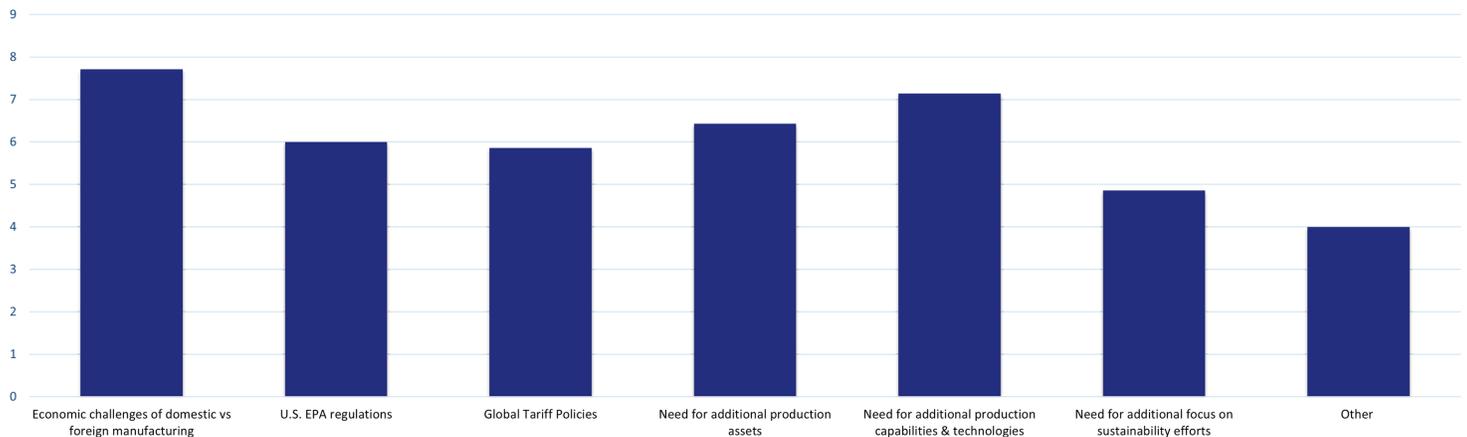
A closer look at established technologies like PLC control systems reveals nuanced industry adoption patterns. With mean responses falling between 3-4, these technologies are considered highly important, and their use confers competitive advantages. However, they aren't viewed as absolutely critical to operations. This measured approach reflects the reality of the specialty chemical industry, where manual processes continue to play a significant role in manufacturing operations.

NORTH AMERICAN ONSHORING



The Contract Manufacturing Outlook Survey particularly sought to identify the level of onshoring taking place across the specialty chemical industry. Is onshoring just talk, or is there a true movement to reestablish North American production of products previously moved overseas? Naturally, the customer is a key driver to the success of onshoring efforts. The survey revealed that half of the customers participating in the survey are pushing forward projects of this nature, but there hasn't been significant success to date. Terminology may be playing into the perceived success rate as we've heard some call onshoring by other names such as localization and regionalization.

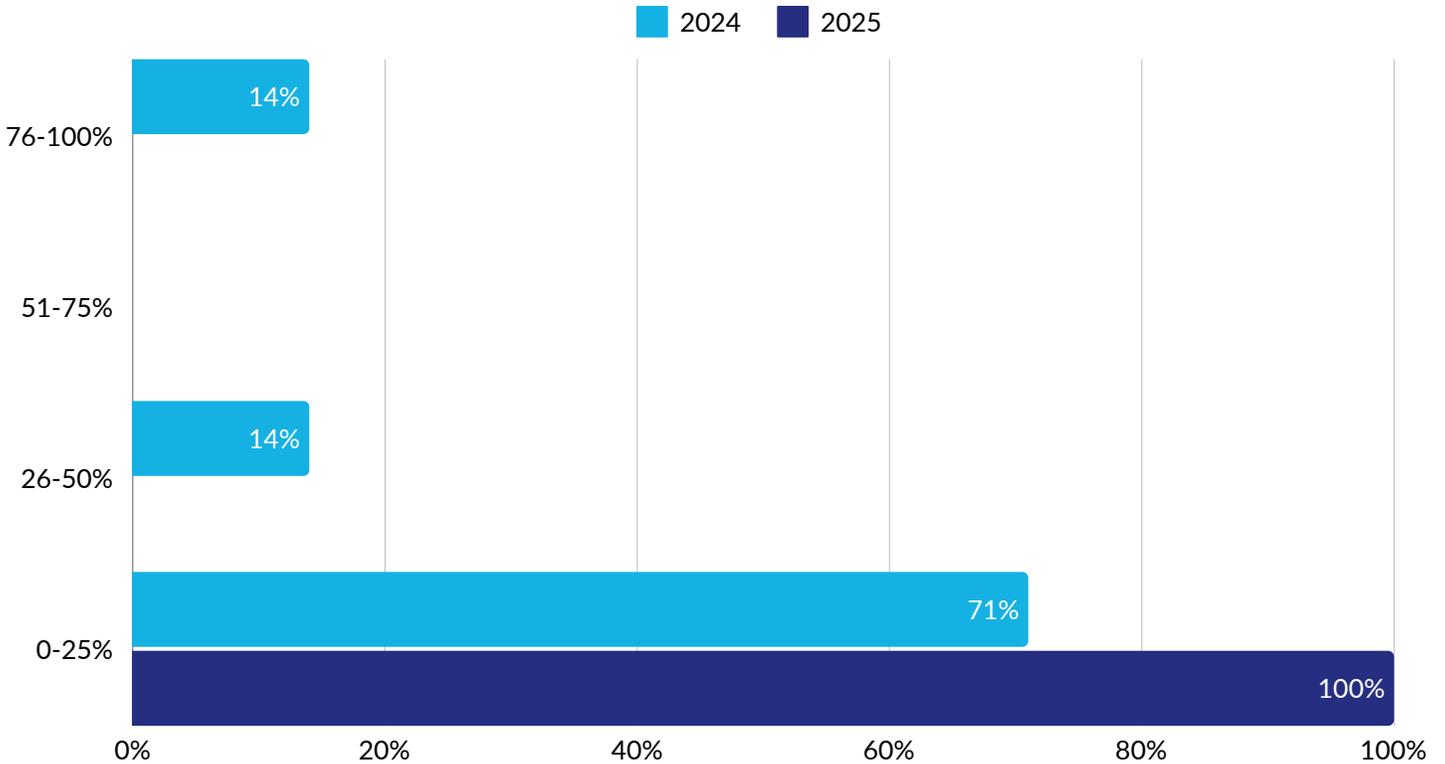
Focusing strictly on onshoring projects, what are the primary factors that cause these projects to be unsuccessful for your business?



Customers have a multitude of strong reasons to drive onshoring projects, such as economic challenges of domestic vs. foreign supply, the need for additional production capabilities and technologies, among others indicated in the charts above. North America provides a safe haven for the industry when analyzing supply chain risk. However, North America also has challenges to overcome. The current regulatory environment continues to plague the industry and tips the scale toward offshoring production. This regulatory barrier continues to be the epicenter for stifling innovation.

CUSTOMERS

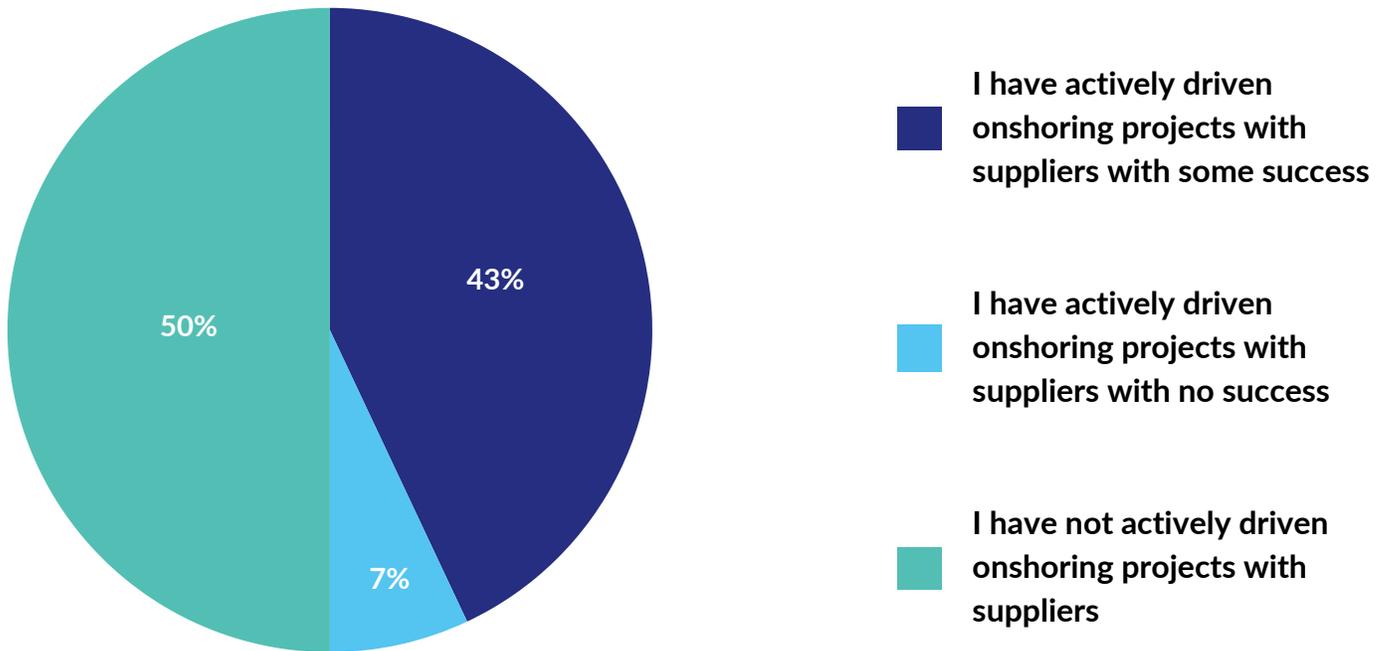
As a specialty chemical producer, what percentage of your company's capex is for reshoring projects?



This question was designed to assess the extent to which customers are driving the reshoring movement. The results indicate that 100% of respondents have allocated only 0-25% of their budgets to reshoring efforts. The challenges highlighted earlier in this report, including regulatory complexities, economic pressures, and supply chain constraints, play a significant role in shaping these limited budget allocations. In the chemical sector, these factors contribute to a cautious approach toward reshoring, as manufacturers balance the benefits of localizing production with the inherent risks and costs.

CUSTOMERS

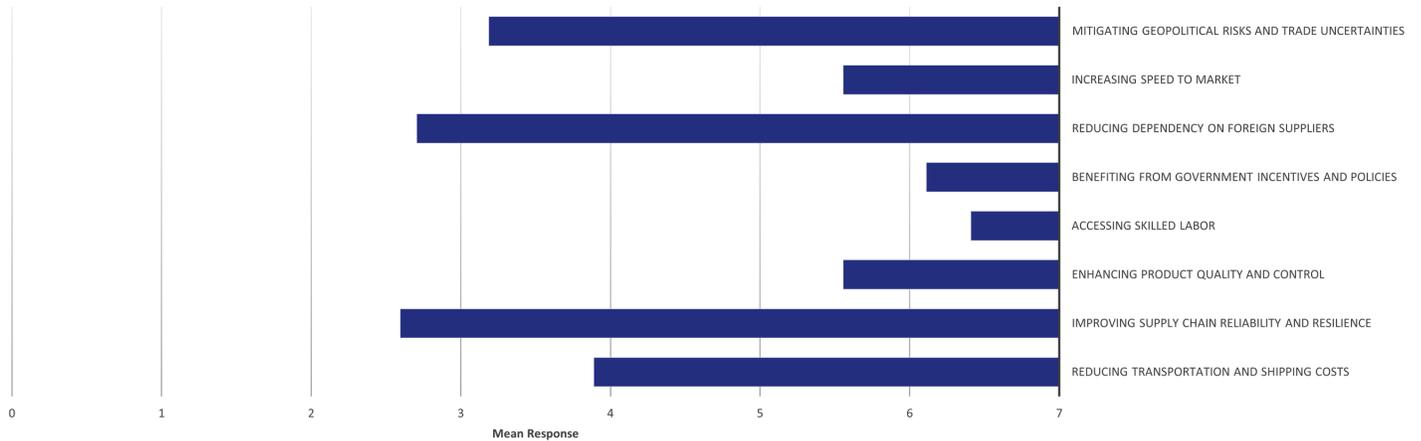
Focusing strictly on onshoring projects, have you made efforts to drive these projects to North American manufacturers?



To gain a deeper understanding of reshoring efforts, customers were asked whether they are actively pursuing reshoring projects and, if so, the level of success they have achieved. The data reveals that while half of the respondents are driving reshoring initiatives, only 43% report limited success. This suggests that, while reshoring remains a priority for many, challenges such as cost, infrastructure, and regulatory hurdles continue to hinder widespread success, particularly in the chemical sector, where complex supply chains and high capital investments are key considerations.

TOLLERS

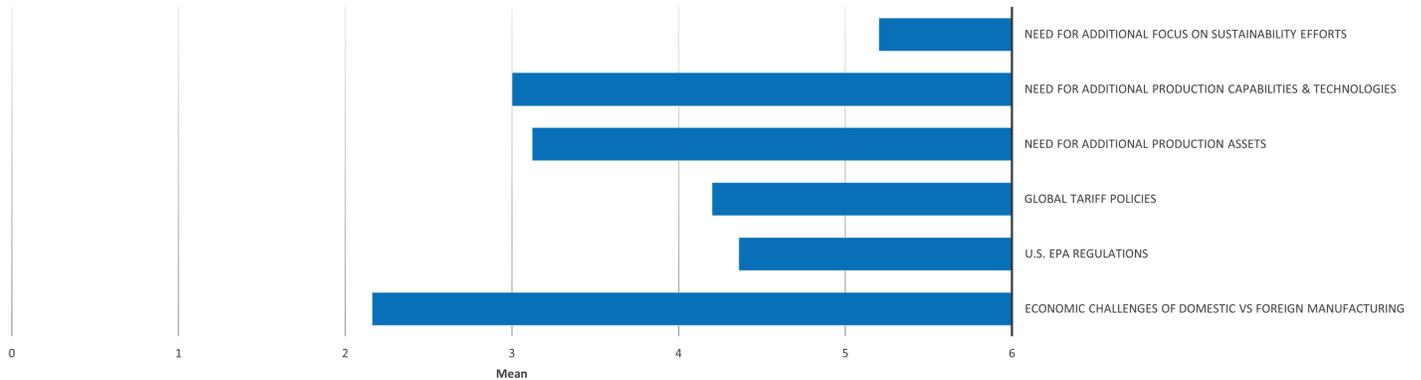
What are the primary reasons you hear from customers about why they are onshoring manufacturing operations to North America?



To provide a balanced perspective on onshoring efforts, toll manufacturers were asked about the reasons customers are advocating for domestic supply of materials. Manufacturers reported that customers cite the need to reduce risks associated with global supply chains, driven by factors such as geopolitical uncertainties, supply disruptions, and regulatory challenges. In the chemical sector, this shift toward domestic sourcing reflects growing concerns over resilience and the desire for greater control over production timelines, quality, and compliance.

TOLLERS

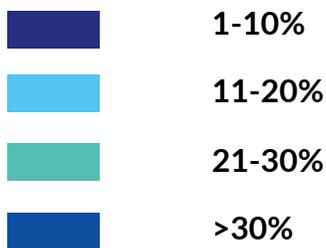
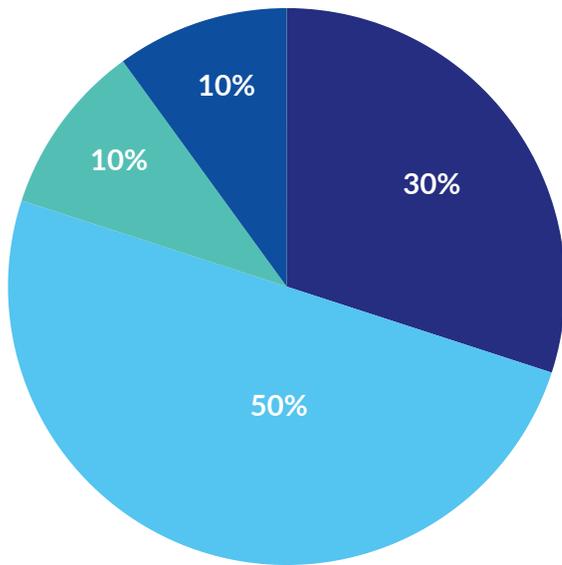
Focusing strictly on onshoring projects that have not been successful, what are the primary factors that would cause you to lose the project?



This section of the survey evaluated onshoring efforts across the industry, seeking to identify both their prevalence and implementation progress. According to manufacturers, while extensive conversations are taking place, actual onshoring progress has been relatively slow, with data suggesting approximately 10% of efforts leading to successful outcomes. Economic challenges continue to be the leading hurdle, with U.S. EPA regulations serving as a primary driver of these financial barriers. The deliberate pace of onshoring is further influenced by North America's need for additional production capabilities, technologies, and assets.

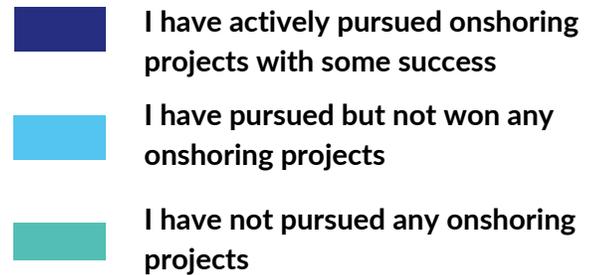
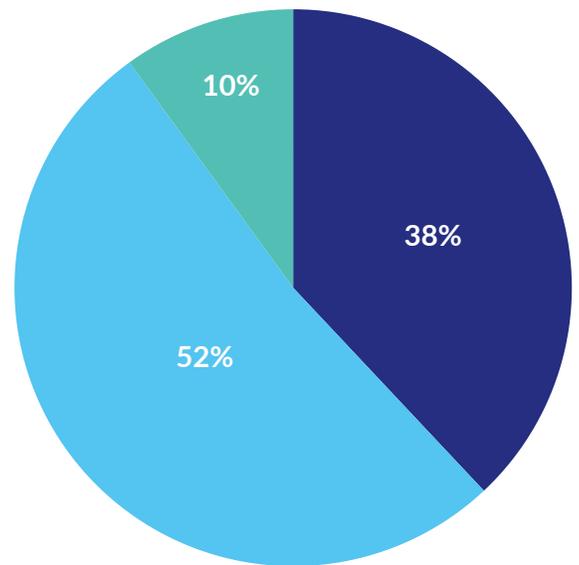
TOLLERS

What is your success rate with winning onshoring projects?



TOLLERS

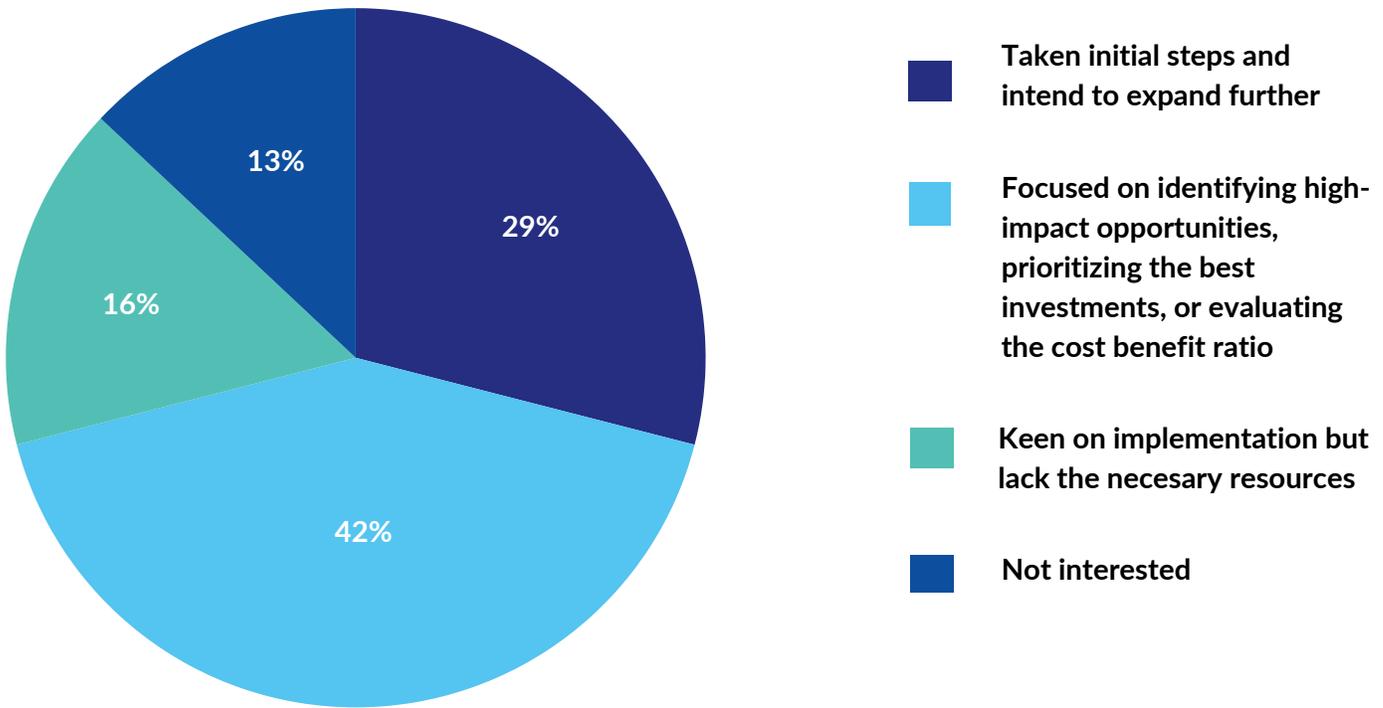
Focusing strictly on onshoring projects, please describe your experience with winning projects?



Toll manufacturers were asked about their efforts to pursue onshoring projects and the level of success these initiatives have achieved. The overwhelming majority reported pursuing such projects, but the success rate has been notably low. Several external factors, including the current regulatory environment and economic pressures, are major contributors to these challenges. In the chemical sector, these factors reduce the competitiveness of domestic supply, making it difficult for onshoring projects to gain significant traction despite growing interest.

TOLLERS

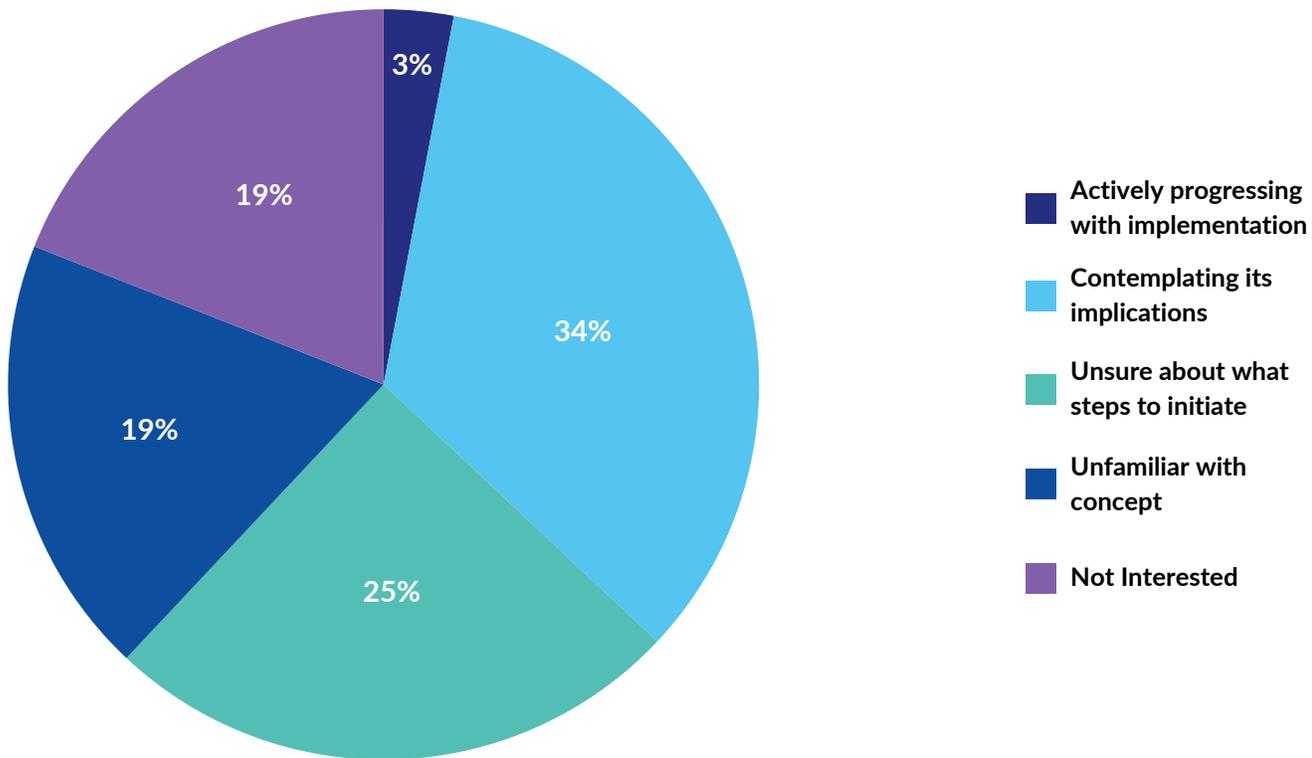
What is your company's standpoint on Industry 3.0, specifically regarding digitalization of manufacturing operations?



Toll manufacturers were asked about their perspectives on Industry 3.0, with a specific focus on the digitization of manufacturing operations. Given that Industry 3.0 technologies, such as PLC control systems, have been in use for decades, the majority of manufacturers have already implemented these key technologies to enhance efficiency and mitigate risks. Over time, the adoption of these controls has played a crucial role in helping manufacturers meet customer demands, particularly in the chemical sector, where precision, safety, and operational efficiency are essential for maintaining competitiveness and regulatory compliance.

TOLLERS

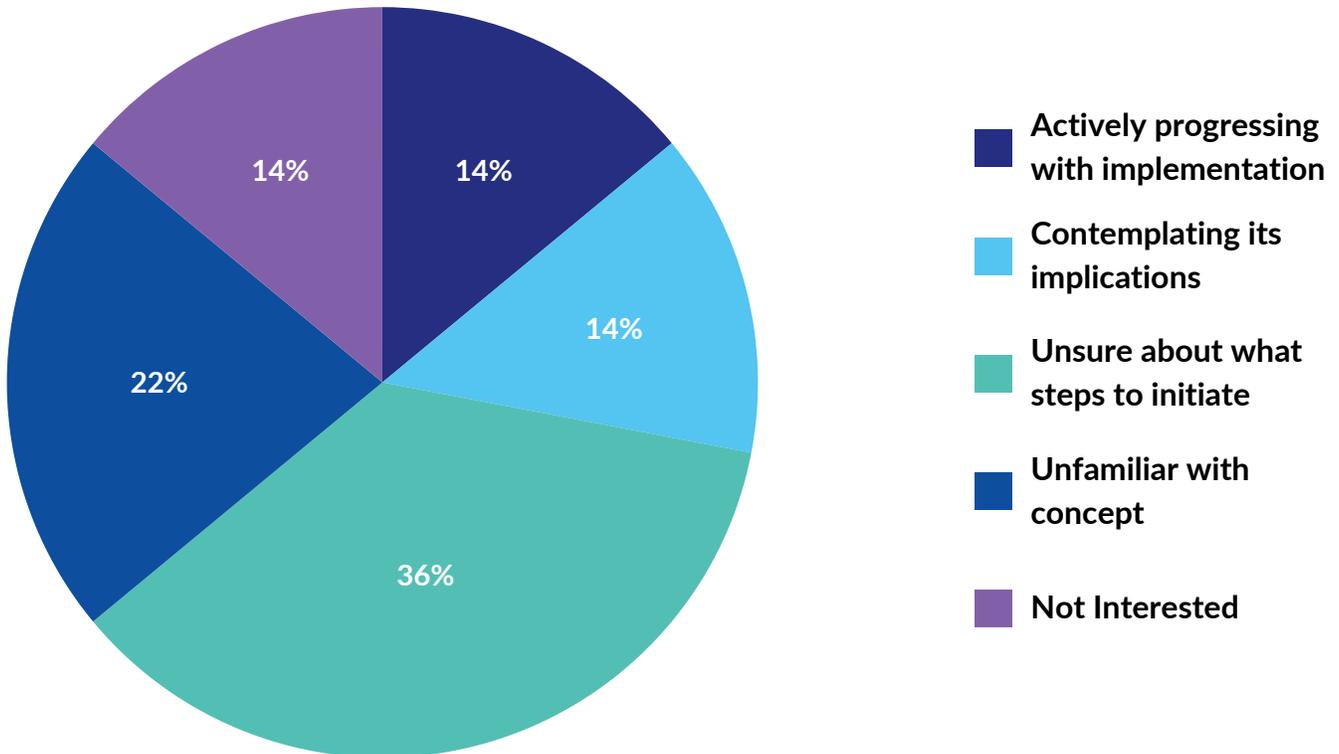
How much consideration have you given to Industry 4.0 and the impact of intelligent machines on your enterprise?



Toll manufacturers were asked about their views on Industry 4.0, specifically regarding the impact of intelligent machines on manufacturing operations. As this technology is still relatively new, only a limited number of early adopters have fully embraced it. While there is significant interest in these advancements, many manufacturers are still exploring how to effectively integrate and leverage this technology within their operations. Understanding the full benefits of intelligent machines remains a challenge. However, over time, it is expected that more companies will adapt and implement these innovations. That said, the rapid pace of technological change may slow the widespread adoption of Industry 4.0, as manufacturers navigate the complexities of keeping up with continual advancements. In the chemical sector, this technology holds promise for enhancing operational efficiency, safety, and precision, though its full potential will unfold as companies gain a clearer understanding of its applications.

CUSTOMERS

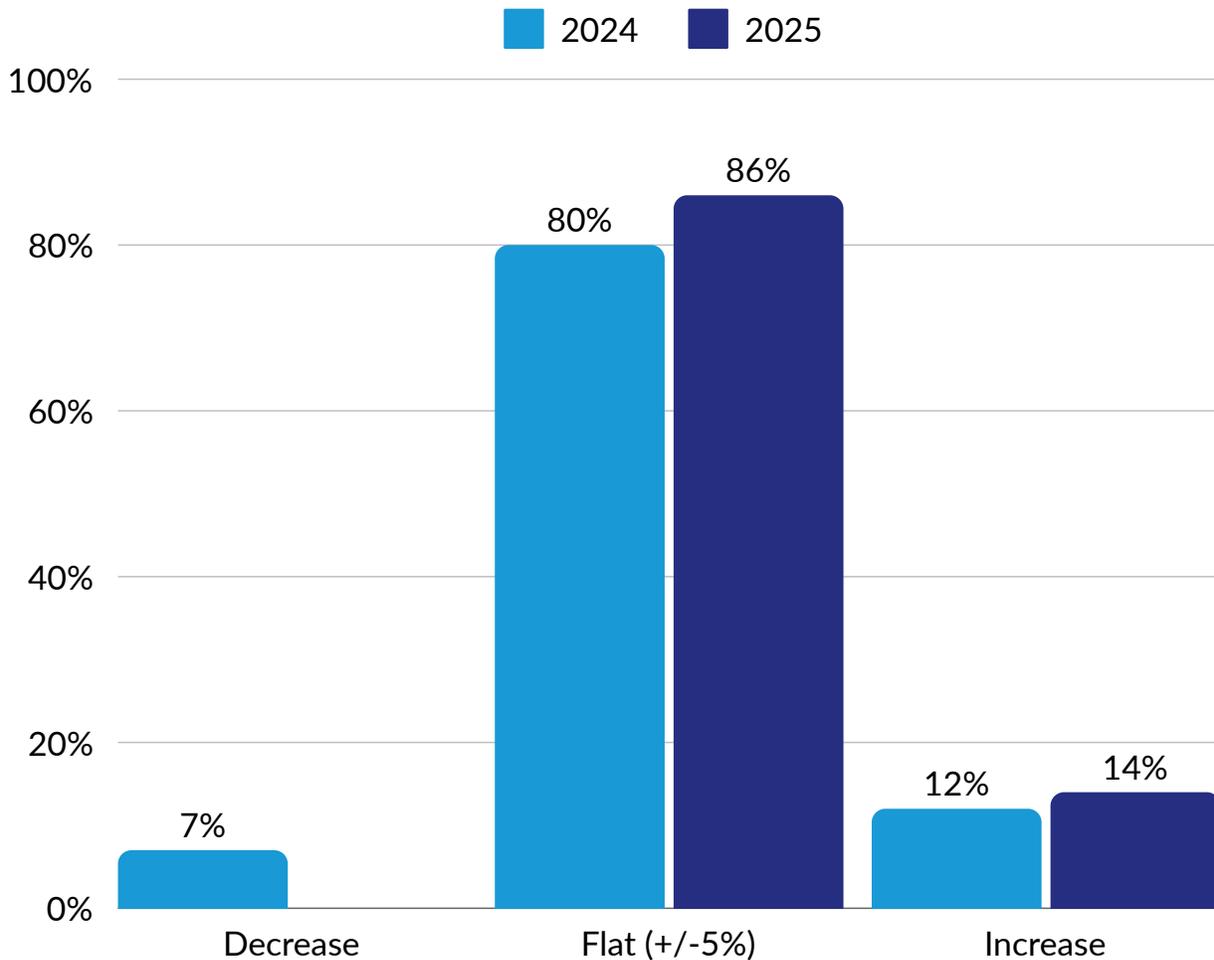
How much consideration have you given to Industry 4.0 and the impacts of intelligent machines on your enterprise?



Since the industry has a strong focus on increasing efficiency, understanding how various types of digitization platforms are used to evaluate data is key to its utilization. In the charts above, it is evident there is an understanding of how the platforms can be leveraged to help progress efficiency within the manufacturing process through data analysis. Because this technology is so new, the majority of respondents are evaluating how to best use the tools. Although, 14% of customers shared they are actively pursuing these technologies and implementing them to drive forward.



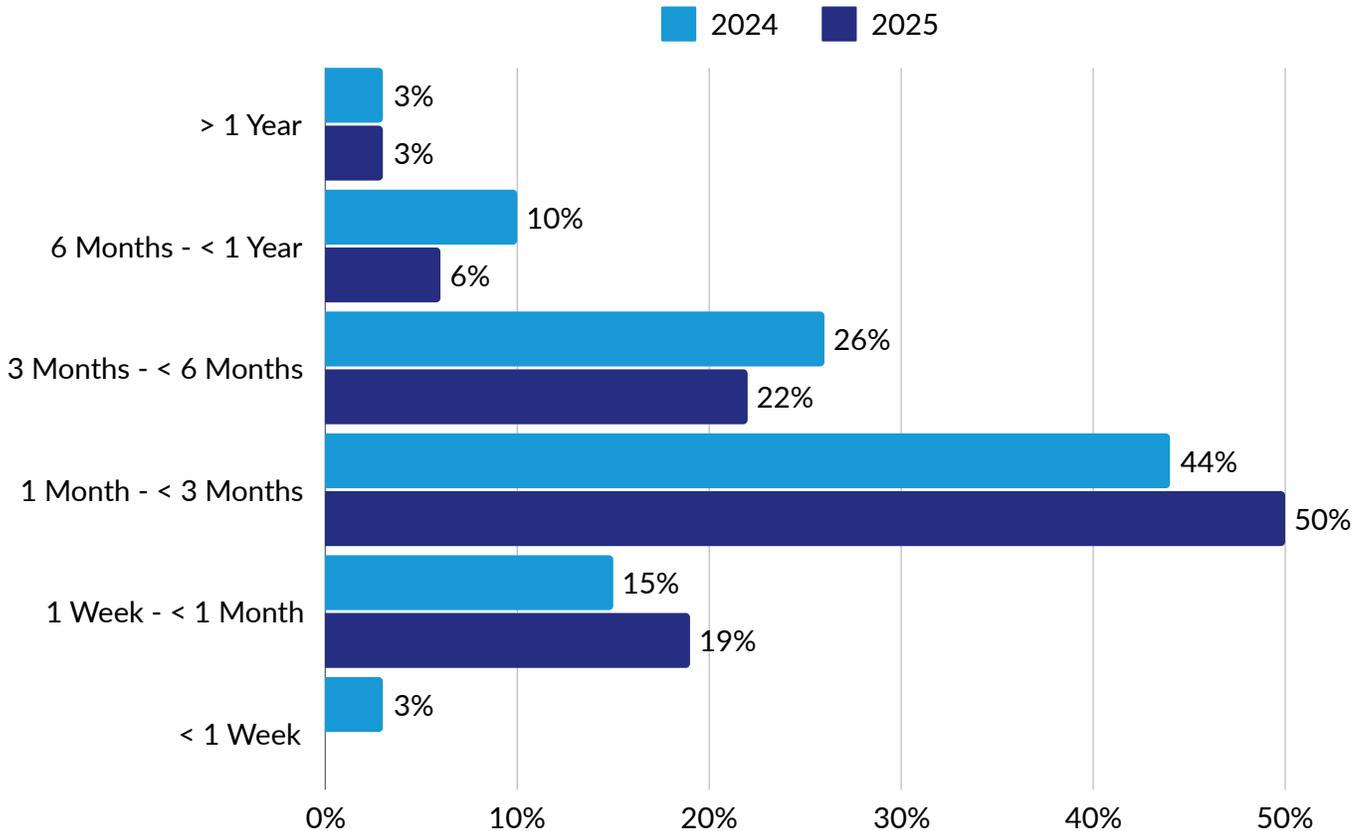
DO YOU ANTICIPATE ANY HEADCOUNT OR STAFFING CHANGES AT YOUR COMPANY?



As workforce challenges persist into the coming year, most companies are forecasting stable headcount levels, with a few anticipating modest increases. With a growing focus on operational efficiency, manufacturers are adapting their strategies to mitigate workforce constraints, making headcount less of a limiting factor in production and on-time delivery. In the chemical sector, this shift highlights the industry's emphasis on automation and streamlined processes to maintain productivity and meet customer demands despite staffing challenges.



IN THE PAST 12 MONTHS, ON AVERAGE, HOW LONG HAS YOUR COMPANY HELD INVENTORY?



After years of inventory volatility - from severe shortages to overstocking and subsequent drawdowns - the market shows signs of stabilization. Data from September indicates 81% of companies maintain at least 4 weeks of inventory, suggesting a return to normal supply-demand dynamics. While stability is expected near-term, potential disruptions like longshoreman strikes could impact supply chains in early 2025.



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