



GLOBAL PLASTICS LETTER

E-mail: mettenson@globalplasticsletter.com
Website: www.globalplasticsletter.com

“A World of Plastics Information”

APRIL 2010

Dear Colleague:

Snapback signs signaling success in 2010. All indications are pointing to the reality of many of the businesses in our industry recovering in the last half of 2010. In the wholesale sector of industrial distribution, specifically plastic shapes, revenues in January were up 1.3% from December 2009 and 10.5% from January 2009. Inventories stayed level to lower by less than 1%. In the manufacturing sector, all indications are low double digit growth year over year in January.

Usually reliable economists forecasts are for 2010 global GDP growth to be 3.3%, ranging from 1.1% in the Euro Zone to 9.3% in China...U.S. and Canada estimated at 3%. With a halting recovery in the European economies, caused by Greece, Spain and Portugal's debt woes, euro zone countries, as well as the U.K. will affect U.S. exports...capital equipment and IT slowing.

Meanwhile China is still creating demand for medical equipment and heavy machinery, despite efforts to slow its economy...dumping of steel, aluminum, glass continues – plastics next?

Energy remains a changing economic indicator, especially oil...Iraq could be the third largest global oil producer (behind Saudi Arabia and Russia) in this next decade, helping keep a lid on oil prices. However in the short term, look for oil prices to rise 10% by July to \$90/barrel. Natural gas pricing, affecting some plastics prices, should stay steady during these next few months.

More mergers and acquisitions are in the cards for this year...the dollar amount of deals will rise double digits this year and next – less financing and more cash deals are certain as many acquiring companies expand locations and/or fill in gaps in their business model. Productivity is also certain to slow as employers are pressured to add workers, ending the 7.3% gain in 2009.

In summary, as we enter 2Q 2010, an obvious upturn in the activity of our industry, both manufacturer and distributor sector is ahead...this will be on a global basis, with some soft spots.

We are hearing this optimism from all sections of the industry in our informal surveys.

TRENDS: Watch for a new and improved generation of robots, driven by advances in microprocessors, software and materials...will affect many industrial plants – among the manufacturers are Robosoft; Mobile Robots and ReadyBot. Crude oil prices hit 19 month high this month...averaging US\$81 per barrel. However it appears that OPEC plans to hold at that level for the balance of 2010 – stable oil prices should affect commodity plastics accordingly.

PC and nylon growth is slowing amid concerns about butadiene feedstock for nylon 6/6 and negative publicity regarding bisphenol A. Meanwhile demand for nylon 6 is still growing by single digits, especially in China.

Belgium Plastics Industry (Federplast.be) is cautiously optimistic about 2010...resuming growth after a 13% decline in 2009. LLDPE markets expect significant growth this year – had been fastest growing grade of PE resin, despite a significant decline last year. Some suppliers in North America are reporting spot shortages of HDPE, with Dow Chemical going to “demand management.” Butadiene shortages have impacted ABS resin with BASF declaring “force majeure.” Canada will institute plastic bills for its currency in mid-2011, replacing cotton paper...enhanced security against counterfeiting is stated reason. Heat insulating transparent PVC sheet, to replace glass, is patented by Nan Ya Plastics, Taiwan.

New tools for business by the use of bite-sized, downloadable software applications (“apps”) are growing alongside the proliferation of smart phones...fostering communications, enhancing customer relationships and improving productivity. QuickOffice Mobile Office Suite is one example of this new technology trend as is Mobile Roadie.

During economic recovery, treat your customers like new customers...especially communicating 10 things your top customers may not know about you that can help them: First among ten is what you do best! Tell it to your customer!

OUTLOOK ASIA: by Mal Binnie, our correspondent stationed in Australia

In Hongkong some recent legal findings include an Executive Remuneration guideline released by the HK Monetary Authority, a finding in favour of the Equal Opportunity Commission and the first Minimum Wage should be set by July 2010. Two of the biggest shows in 2010 are back to back in Shanghai, China. Firstly Chinaplas 19 – 22 April which is claimed to be the largest ever held followed by the 2010 Shanghai World Expo with the theme “Better City, Better Life”. Plastics companies such as BASF will exhibit in both. Visitors to both shows will include many Australian and NZ executives. China markets continue to drive growth in Asia. For Taiwan more than 60% of petrochemical production is exported to China, this is 22% of China imports. Also China imports 23% from Korea, 15% from Japan and 4% from Singapore. With PVC prices increasing in China Xinjiang Chemical Co, Urumqi is aiming for production of 820,000 tonnes this year and over 1million in 2011. Distribution markets in ANZ continue to strengthen in volume but pricing continues soft. Mulford reports the addition of 5 new sales representatives and AST have made management changes in NSW with Bill Novak leading their sales team. The result of the charity yacht race was a win to Mulfords on Holy Cow leaving Cut to Size team in their wake. Next years challenge may include more plastics teams. Sign Sheet Distributors have been actively promoting acrylic sheet from Asia Poly in ANZ. Scott Bain NSW Mgr Halifax Vogel announced the appointment of Barbe Dolan to the position of Account Mgr – Specification NSW. Toray Ind Inc Tokyo has launched production of PET film for LCD screens and is also increasing its manufacturing capacity for this film in Sth Korea. India’s small and medium plastics producers are reported to be upgrading their capabilities so they can be globally competitive over the next few years. India continues to grow its export activity with Kavari Ind. Offering its product range including UHMW PE to markets in ANZ. In addition R&D facilities continue to grow in India with Dow India naming Dr Surendra Kulkarni Technology Director with a team of 150 scientists based in Pune. Popular Plastics Magazine, March had a very useful article on “Failure Analysis of Plastic Products”. For details email kbaughman@microbac.com.

OUTLOOK NORTH AMERICA by Bill Shields, our correspondent stationed in the U.S.

North Carolina based **Holzma Saws** has announced that they are hosting a Plastic Fabrication Seminar & Open House on May 19 at their Gastonia, NC facility.....Florida based **King Plastics** has announced the addition of Keith Watterson as their Marketing Manager..... Florida based **Nytec Plastics** has announced Anna Lopez as the Site Manager of their Whittier, CA sales office and warehouse facility..... Pennsylvania based **Nylacast** has announced their product brochures are now available in German, French, Italian, & Portuguese languages.....North Carolina based **Rochling** has added a new line of metric sized sheets in UHMW-PE..... Massachusetts based **Sheffield Plastics** has had a management change with the departure of Kurt Glaser (Vice President, Sales & Marketing). Bill Kistler, Vice President of Manufacturing, has added Sales & Marketing to his responsibilities.

PRICING: Higher prices for most commodity resins prevail...PE, PP and PS are all up this month, although some of the monomer feedstock prices started to recede as we went to press, indicating a slight downward trend late this month and into May. ETP's and clear products remain stable with some selective increases coming. PVC and ABS prices are up in April.

DISTRIBUTOR/MANUFACTURER BRIEFS: E & T Plastics opens newest location in Teterboro, New Jersey ...corporate offices remain in N.Y. but fabrication moves.

Victrex's PEEK replaces stainless steel valves in beverage bottling machines. Newell Rubbermaid switches from PC to PETG in order to eliminate Bpa in its line of houseware products. Westlake Plastics undergoes sweeping management changes...Ed Westlake, Jr. and Gary King leave. Spartech Plastics reports 1Q profit compared to loss year over year and consolidates a compounding plant facility and expands a sheet plant in Kansas to consolidate Texas production. DuPont Performance Polymers launches Zytel Plus®, a new family of nylon products with improved properties targeted at automotive industry...withstands long term exposure to heat and chemicals. Uvalam Technology Co. Ltd., Chinese supplier of solvent-based acrylic adhesive, offers long term storage (12-24 months) capability. Wolseley (Europe based) and its subsidiary Ferguson (U.S.), major PVF distributors, reported most recent half-year sales and profits declined by double digits... similar results in the Euro Zone. DOS (Dzerzhinsk Orgsteklo), Russian acrylic sheet manufacturer is again fully operational with its 22,500 tpa MMA plant funded by customers and government sources...producing extruded sheet.

Bayer MaterialScience reports sales and profits slip for 2009 by double digits but improving this year. Bayer also developed medical grade Makrolon® PC resin with improved flow and releases well as new grade for LED optic applications...allows for high productivity in 30mm optic lens.

Kuraray Co Ltd will enter the acrylic TPE business with a plant in Nigita, Japan in 2011.

Two new PP manufacturers have emerged from the recent industry chaos – Braskem and Conoco Phillips have joined the fray as PP producers proliferate and stable PP pricing should result.

A.M. Castle announces 2009 year-end results for its Total Plastics unit – sales of US\$86.4 million were 25.6% lower than 2008. Profits were not broken out but parent sustained a 64% higher loss on a 54% drop in revenue year over year. Seems typical for the metals and plastics distribution industry in 2009. Being one of the only public companies in our industry, provides rare insight.

ThyssenKrupp posts significantly improved results for 1Q 2010, reflecting bounce back in metals manufacturing but not necessarily in distribution of metals and plastics. Quantum Polymers announces new modified PEEK stock shapes called AvaSpire® from Solvay – FDA compliant.

SPE Thermoforming Board names new Chairman and Board Members...represent large users of thermoplastic sheet products including Rowmark's PMC and Speck Plastics. Arkema's Kynar® showcased at International Congress on Plastic Materials in Plant Engineering in Munich, GY.

New flexible nylon 610 from Rhodia Engineering Plastics attracts new interest for fuel line applications – is derived primarily from castor oil and thus is biobased plastic after 50 years.

Shanghai Houde Rubber and Plastic Material Ltd becomes latest UHMW PE producer.

MERGERS, ACQUISITIONS, ALLIANCES, EXPANSIONS AND DIVESTITURES:

Reliance Industries' (India) bid to buy LyondellBasell Industries (Netherlands) out of bankruptcy has been rejected – they were rebuffed by GE Plastics in 2006-7 when SABIC was the successful acquirer. A.L.P. Lighting Components Inc. installs its third rotary thermoformer in Mississippi, using U.S. stimulus funds. PCI Plastics, Milwaukee, Wisconsin fabricator and Piedmont Plastics have entered into a joint supply agreement. Braskem signs multi-billion dollar PE plant deal in Mexico with Pemex...to build ethylene cracker and polymerization units to produce PE. Bioplastics plant, based on corn sugar polyhydroxyalkanoate (PHA) resin, opened by Archer Daniels Midland in Iowa – is a jv with Metabolix and second large commercial bioplastics

plant in the U.S. Trade named Mirel and used for packaging and other applications, it is biodegradable. RP Manufacturing, Canadian PU molder will acquire Teflon shapes molder and fabricator Protef Polymers... also processes nylon, phenolic and PP. Egyptian firm Orascom Construction Industries, buys DSM's melamine resin business, perhaps changing the make up of that mature product line...now Egypt joins Saudi Arabia as an influence on the feed stocks of our industry.

Mitsubishi-Bayer-Kyowa alliance targets PC auto glazing – an idea whose time has come. Celanese and SABIC start jv for manufacturing acetal resin in Saudi Arabia.

PEOPLE: Roy Weikert, Chairman of General Films, actively running this Ohio film extruder at the age of 96! Ron Chioffe named manager of E & T Plastics new branch in New Jersey.

Janet Mann permanently named Senior Vice President, Custom Sheet and Rollstock for Spartech Plastics. Plastifab Industries adds Sean Whelan as Marketing Specialist and Boon Richards as Manufacturer Rep. for selected Southwest states, including TX.

INDUSTRY INTERVIEWS: ...concluding our interview with Arnold Mouw, COO Mulford Plastic Pty, Ltd.

Q. Which will be some of the most innovative products in the next decade? Markets?

A. Certainly Biodegradable and recycled products will have more emphasis. We already manufacture some injection moulded parts for in-ground applications that will dissolve over time after they have finished their functionality. We also see markets such as mass transportation which have needs for strong light weight products. In addition, food and beverage and obviously healthcare with an ageing population are opportunities.

Q. On a personal note, what do you consider your greatest accomplishment?

A. Having survived in this industry and still enjoying every day when I go to work. It is not so much about what I have accomplished but all the great opportunities afforded to me by companies such as Cadillac, Laird and Mulford Plastics. I have been able to travel the world in my job and meet and make many lifetime friends.

Now...if I had just been able to beat some of my friends at Laird, ZL and Plaskolite in golf (they know who they are) I might be able to say I achieved something, but alas...they spend much more time on the course than I do!!!

Q. If you could return to Australia as someone else, who would it be?

A. No one in particular...I would be happy to do it all over again, but I have more to do.

Thank you

Information contained in this newsletter has been taken from trade and statistical sources that we consider reliable but we cannot assure its accuracy or completeness. Any opinions expressed reflect our judgement as of this date and are subject to change.

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Fax Number: 248/258-0851
E-mail: mettenson@globalplasticsletter.com
Website: www.globalplasticsletter.com