



“A World of Plastics Information”

APRIL 2011
12TH YEAR

Dear Colleague:

Middle East muddle means more recession...the terrible turmoil we have talked about could have arrived and thrust our industry into uncertainty and price instability. However, most manufacturers and distributors are reporting exceedingly high sales and profits and are returning to pre-2007-8 recession levels and then some. Outlook is good for this year amid persistent price increases which add to inflation.

In the meantime, expansion resumes and mergers and acquisitions resume (see below)...indicates optimism and availability of capital.

In general, as we assess the global economy, business confidence is climbing at both big and small businesses... backing that up: more durable goods orders such as aircraft and defense goods purchases.

Robust spending indicates investments will climb as confidence is restored and productivity resumes its gradual uptick. Meanwhile, a return of moderate inflation caused by rising oil prices (affecting polymer building blocks such as ethylene which is up 75% from 2009 levels and halfway back to the 2008 peak). Look for a return to \$4.00/gallon U.S. gasoline prices as the summer driving season approaches. Oil isn't the only resource causing concerns...global grain prices are rising sharply, indicating pressure on corn which increasingly is used to produce biofuels and some new polymers – could affect our industry's costs in new markets.

Commodity prices, especially metals, keep rising...again opening up new applications for engineering plastics replacing traditional materials. Military and defense spending will rise with global geopolitical turmoil. These are growth industries for some tried and true applications that our industry has participated in. The sealed bid procurement process is revived and followed by both manufacturers and distributors.

TRENDS: Watch for shifting alliances between manufacturers and distributors (see Piedmont/Sheffield story below), as recession lessons are learned in this tentative recovery period. Look for more trademark and branding by manufacturers, and some distributors...a handy guide is *Acronymia*, published by SPI. *Modern Plastics Worldwide* and *Injection Molding* magazines end print editions. Half of Japan's olefin and polyolefin chain affected by quake and tsunami (see below).

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

Last month I expressed our sympathy and support for the people of Christchurch NZ who are still recovering from their earthquake and after shocks. But to follow this with the massive March 11 earthquake, tsunami and now nuclear power plant issues in Japan is almost beyond belief. The reports I have received from friends in the Japanese plastics industry confirm that tremors still continue and electricity shortages occur with blackouts regularly affecting residents all over Japan. Food supplies have also been affected. TO ALL JAPANESE PEOPLE WE WISH A SPEEDY RECOVERY.

Many Japanese industries have been disrupted and with automotive parts shortages now occurring it is estimated that the Global automotive market may be reduced by up to 30%. This could significantly affect suppliers of plastics to the auto markets. Chinese auto makers who were already predicting significant growth may benefit from the problems in Japan and could nearly double their output in 5-10 years. Other disruptions in Japan include transport and shipping. Some plastics plants were affected, but not badly, as most of the industry is located south of the badly damaged areas. Mitsubishi Rayon plants for acrylic production, also located in southern parts, are reported not affected. Teijin DuPont has restarted operations at its Ibaraki plant but another PET plant at Utsunomiya may remain closed to the end of the month. Major concerns for the Japanese Plastics industry are the logistics of supply and increased competition from China, Taiwan and South Korea. BASF gained approval for its 400,000tonne/yr MDI plant in Chongqing. Shanghai Chlor-Alkali Chemical Co is reported to have developed its own CPVC technology and its 10,000 ton plant. Corning formally announced the opening of its fourth plant and single largest investment for Composites for the China market.

A report in PRA magazine demonstrated the growth in the Indian Plastics industry with exhibitions such as Plastivision growing by 60% and many Companies in India doubling output, facilities and product range and capacity. Vapi Products Ind. have joined with Vertellus Specialities, UK to manufacture and distribute speciality chemicals. Bayer Material Sciences new building near New Delhi is its first emission neutral building in Asia. It draws all its electricity from a photo voltaic plant and needs half the power for comparable buildings. India Oils Haldia refinery was awarded the Golden Peacock award for OH&S in 2010. Plastindia Foundation is planning to set up a University at Dunga, near Vapi, for knowledge dissemination on technology and innovation in the fields of polymers and plastics. The PU sector in India is reported growing at 18-22% annually nearly twice the GDP of 9%.

Solutia Inc, St Louis USA, which makes Flexvue films intends to acquire Aimcore Technology, Hsinchu Taiwan a conductive film manufacturer. This will expand their capacity for high technology electronic films for touch screens, e readers and solar applications. At the Singapore plant of DuPont Performance Plastics production has been doubled for its Vespel CR parts. BASF continues its expansion in Asia with further growth of its engineering plastics plant in South Korea.

OUTLOOK EUROPE: by Ralph Ammann, our European correspondent reporting from Germany.

The Wavin-Group, producer of plastic tubes seems to have crossed the trough. When introducing last year's results, the company published sound results. In comparison to 2010, sales rose by 6.2% to 1.23billion Euros. Net profits sky-rocketed from 1.8million Euros to 7million Euros despite increasing commodity prices which burdened the business. EBITDA, however, sank by 5.7% to 104.1million Euros. According to Henk ten Hove, 2010 had been a year of transition. The company regained a status of stability after two weak years influenced by the financial crisis. For the year 2011 the Wavin-Group is slightly optimistic. Although the European market shows signs of stability, recovery will differ from country to country. Despite this insecurity and the expected price rises in raw materials, sales are expected to rise though.

The English company Plysolene published outstanding results for 2010. The extruder of PIB sheeting, according to its own information, reached 4million GBP and thus a record in sales after entering the market for impact-resistant polystyrenes three years ago. The Austrian ‘AGRU Kunststofftechnik’ enlarged their range of semi-finished products. Since the beginning of the year 2011 the producer of plastic tubes and plastic tube materials has been offering chemically foamed panels made of polypropylene. According to the company’s information these panels are characterized by their fine and closed cellular structure which means that despite the weight reduction the mechanical properties of the PP raw material can mainly be obtained. The foamed PP panels offer compact and structured surfaces on both sides and are produced in the co-extruding procedure. Both surface layers are made of a PP material which meets the requirements for use in the food sector. Foamed panels can be processed as standard PP panels. In contrast to unfoamed panels those offer significant advantages for designated applications. The most important advantages according to the company’s information are its low density as well as its superb insulation properties. Due to its special properties it is suitable for various uses in packaging industry, automotive industry and furniture industry.

PRICING: PE prices are rising single digits in North America in April, with PP and PVC unchanged. Nylon PA and acetal POM are trending upward. Evonik and Altuglas have announced PMMA increases in Europe and North America. Zell Metall hikes semi-finished shapes in Europe. We expect these trends to continue with most feedstocks increasing manufacturers’ costs which are passed along.

Ticona takes UHMW prices up single digits per pound effective this month. Daikin and Solvay advise that PTFE resin supplies are tightening for unspecified reasons...can a price increase be imminent?

MANUFACTURER/DISTRIBUTOR BRIEFS: In a major tactical move in the industry, Piedmont Plastics announces it has shifted its PC sheet and film supplier from SABIC IP’s Lexan® to Bayer’s Makrolon® produced by Sheffield. States that “Bayer is a leading manufacturer that best serves the long term interest of Piedmont and its customers”. Total Plastics reports through its parent, AM Castle, 2010 sales up 19% versus 2009 at \$102.6 million. SABIC IP provides 43,000 square meters of PC multiwall sheet for Stadium in Poland. EMP SA appoints Kurt Glaser its Managing Director of CO-EX Corporation.

MERGERS, ACQUISITIONS, ALLIANCES AND DIVESTITURES: Inteplas Group, U.S. and Taiwan, buys Matraplast (multiwall sheet) of Canada. Solvay acquires Rhodia for 3.4 billion Euros in a friendly deal. DuPont doubles VespeI® capacity in Singapore.

PEOPLE: In Memorium: Alex Lozada Director, Plastiglas de Mexico. Peter Zacher plastics industry publishing executive.

INDUSTRY INTERVIEWS: ...**Rich Cort, Market Development Manager, KYDEX, LLC.**

Rich Cort has been selling and marketing plastic sheet and film for over 25 years. He started his plastics journey in 1983 as a field sales representative in the Midwest for a cast acrylic sheet manufacturer. Rich first joined KYDEX, LLC in 1990 as their Marketing Development Manager for Building Products, responsible for developing the KYDEX® protective wall covering product line and market. Rich departed in 2000 for American Renolit Corporation to serve in the capacity of North American Product Manager, until returning to KYDEX, LLC in 2004 as their Market Development Manager for all market segment areas. Rich is married to his high school sweetheart Cheryl and resides in Belvidere, NJ. A graduate of Colgate University, he enjoys reading, golf, and playing basketball weekly at the YMCA.

We interviewed Rich by phone and email at his office in Bloomsburg, Pennsylvania.

Q. What's the history of Kydex, from its Rohm and Haas roots? When started?

A. KYDEX® thermoplastic sheet has a long and storied history. Rohm & Haas, the founders of Plexiglas®, introduced KYDEX® in 1965. We still have the original first purchase order from United Airlines and we've been very involved with aircraft interiors ever since. KYDEX is an alloy of acrylic and PVC polymers providing a unique combination of characteristics including low flame spread when burning, excellent chemical resistance, and extreme toughness. As a result, KYDEX found a home in abusive environments such as transportation interiors, hospitals, nursing homes, schools and retail stores. They all require some level of fire code compliance, ease of cleaning, and durability. Aircraft seats, including the trays and parts facing the aisle, wall covering in healthcare environments to protect the walls from wheelchairs and medical carts, and imaging devices such as MRI's and CT Scans, all became popular applications for KYDEX sheet. The original product was KYDEX 100.

KYDEX sheet was another way for R&H to vertically sell more acrylic modifier into the market. But in 1987, two R&H executives, Jerry Brock and Mike Mossman, envisioned more potential for KYDEX and purchased the product line and brand name from R&H. For the first 3 years, R&H continued to manufacture KYDEX sheet on two extrusion lines in their Bristol, PA plant. This allowed the newly formed Kleerdex Company, LLC to locate and set up a manufacturing site. Kleerdex's corporate office was established in Mt. Laurel, NJ, not too far from the R&H Bristol facility across the Delaware River. A Sales and Customer Service office was established in Aiken, SC to facilitate sales transactions. Aiken was the anticipated locale for the new Kleerdex manufacturing facility. Ironically, the owners of Kleerdex decided ultimately to set up manufacturing in Bloomsburg, PA in an empty building where mobile homes had previously been built. The wide expanses within the building provided room for the incoming extrusion lines and local electricity was comparatively inexpensive.

It was at this time, early 1990, when Sekisui Chemical Co., LTD purchased Kleerdex Company, LLC from Jerry Brock and Mike Mossman. It was a little worrisome for me at the time because I had just joined Kleerdex just a few months earlier. I recall picking up the Sekisui executives at Philadelphia International Airport and driving them to Bloomsburg to visit the recently acquired building and land which would become the new KYDEX manufacturing site. When we entered the building, there was masking tape on the floors where the extruders were planned and the new Maintenance Manager, Tony Magrone, took us for a tour. Little did I know at the time that we were looking at the very beginning of what eventually would become a 150,000 sqft facility with six extrusion lines, employing 160 employees, and capable of manufacturing 30 different types of KYDEX thermoplastic sheet that we are selling to thirty nine countries. In 2009, we changed our name from Kleerdex Company, LLC to KYDEX, LLC.

Q. What's the ownership structure today? Is Sekisui of Japan the majority owner still?

A. KYDEX, LLC is a wholly owned subsidiary of Sekisui Chemical Co., LTD based in Tokyo. We just celebrated our 20th Year Anniversary operating under Sekisui ownership in 2010. Sekisui is one of the largest home builders in Japan and basically is a holding company with almost 200 companies in its portfolio. In 2007, we were recognized as their top performing company worldwide and KYDEX, LLC was presented with the Premium Management Award.

Q. How does your product get to market? What percent distribution? Contract?

A. A significant percentage of our product is sold through distributors and a significant percentage is sold direct on a contract basis. Distributors play a particularly valuable role when logistical support is required for immediate product access locally. Most of our contract business is with companies having heavy gauge thermoforming capability because many OEM's purchase parts and components made from KYDEX sheet and not the sheet itself. Our wall covering sales are entirely through wall protection distributors because of the wide range of colors and accessories that are required.

...to be continued in the May 2011 issue.

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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