



*“A World of Plastics Information”*

**Part news. Part views.**

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Dear Colleague:

Recalcitrant recovery, rolling revenues roil rebound. With 4Q 2015 just ahead, we all need to analyze the data closely in order to predict this calendar years results as well as beginning to forecast for 2016. We've looked at some usually reliable economist's analysis and believe we'll see the following: GDP will be 2.5 % for the year. Interest rates should be at 2.3% (U.S. 10 year T-notes). Business spending should increase by 4% in 2015 vs. 5% in 2014. Inflation should be at 1.4% vs 0.8% in 2014. Crude oil expected to trade at \$40-\$45/bbl. into 2016.

#### TRENDS:

Coming soon: Computer chips that mimic the brain, can solve complex problems...among top uses are speech recognition, robotics and driverless cars. Also expect to find more choices in affordable software for years to come. Look for India to provide 7.5% GDP growth this year and into next...supplanting China as business opportunities abound. Plastic Pioneers Association has a useful "History of Plastics" condensed publication. 3D printing continues to grow exponentially...in 2014 alone, the University of Michigan 3D lab printed 4500 items. Businesses of all sizes are taking a fresh look at their phone plans. Some key economic outlooks (courtesy of *Kiplinger*): GDP at 2.7% for second-half; Inflation at 1.4% for 2015; business spending at 4% in 2015 vs 4% in 2014.

#### OUTLOOK EUROPE: ... by Ralph Ammann, our EuroZone correspondent in Germany

The holidays are over and European companies are ready for a busy autumn campaign. One of the highlights will be the trade show Fakuma 2015 in Friedrichshafen, Germany. Beside big manufacturers like Evonik Industries, BASF and other companies in the semi-finished shapes business will show their products there. One Sample is Victrex Europe. The focus will be on striving to help customers reach the top of their game by differentiation and exploiting new market opportunities faster. Fundamental to this is Victrex's continuous development as a provider of polyaryletherketone (PAEK)-based complete solutions that address market and application challenges. To address specific market challenges, the company is working with its customers and improving future performance through innovation in polyaryletherketone (PAEK) materials. These include the Victrex PEEK family as well as downstream areas such as APTIV® films, Victrex® Pipes and tapes and medical technology components, or advanced options in the case of gears. A major theme at Fakuma is achieving greater production efficiency – including parts consolidation – in processes such as the advanced hybrid-moulding process. According to the company this allows engineers to combine the strength of continuous fibre-reinforced Victrex PAEK composites with the design flexibility of PEEK injection-moulding solutions. Hybrid moulding enables the more cost-efficient production of a component in minutes, whereas the process for metal or thermosetting solutions can take hours.

The company also announced last month to have successfully commissioned the first production stream of its £90 million third Polyaryletherketone (PAEK) manufacturing plant as it focuses on offering even greater security of supply to customers, as well as delivering complete solutions. The capacity increase is also a further foundation to progress Victrex's pipeline of future opportunities, including seven mega programmes, which will help grow the company over the coming years. Recent investments increase Victrex's production capacity by 70 per cent to over 7,000 tonnes per year. Alongside its PAEK resin capacity, the worldwide leading PAEK producer has also continued its downstream investment in APTIV® films, pipe, tape and now medical components, enabling the company to differentiate from competitors by supplying complete solutions to customers rather than simply manufacturing materials. The new PAEK plant in the North West of the UK serves as the backbone to develop core growth and future opportunities. Victrex recently identified the overall market potential for the high-performing thermoplastic PAEK as being over 80,000 tonnes.

Another exhibitor in Friedrichshafen will be German based Nordmann Rassmann, showing for the first time in Europe a new member of the well-known "Genestar" portfolio which was developed together with Japanese company Kuraray. According to the company the new TS-373 reaches new temperature heights up to 230°C. Additionally, long term tests showed excellent resistance against heat and chemicals without compromising mechanical properties.

A world premier announced also German-based Gehr. The manufacturer has once more extended his portfolio of POM –C round rods. As part of the continued expansion of the stock merchandise, the company added in January 2015 new round rods in 400 and 500 mm thickness in black, available in stock. Now they have gone another step and extruded round rods in 600 mm diameter with a length of 1.000 mm. These new products were first shown at the trade show SPE Offshore Europe in Aberdeen, Scotland.

Last but not least German manufacturer Röchling announced changes to the organisation and management of the High-Performance Plastics division. With effect from September 1st, 2015 Rüdiger Keinberger was appointed to the Board of Management of Röchling Engineering Plastics SE & Co. KG, Haren/Germany. With this position, he will take over the responsibility for the Business Units Machined Components and Composites. Up to this point, he has held the position of Managing Director of the Austrian subsidiary Röchling Leripa Papertech GmbH & Co. KG, Oepping, and Director of the Business Unit Machined Components. His tasks in the Business Unit will be taken over by Heinz Dirksen as Director Sales and Marketing and Dietmar Telgenkämper as Director Production and Engineering. Peter Eckerstorfer will become the Managing Director of Röchling Leripa Papertech.

Furthermore, Lewis H. Carter assumed the position of Director Business Unit Medical Plastics, on September 1st, 2015. Röchling is taking this step to promote the development of the strategically important field of Life Science Industry. Lewis H. Carter is transferring his responsibility for the production and sales of thermoplastic semi-finished products in North America to the Business Unit Thermoplastics. This means, starting on 1 January 2016, Röchling will be bringing together all activities concerning thermoplastic semi-finished products in a single Business Unit managed by Franz Lübbers as Director Sales and Marketing and Ludger Vehring, Director Production and Engineering. Mustafa Altintas is responsible for the production of high-performance plastics of Röchling Sustaplast as Business Unit Director Production and Engineering.

#### **OUTLOOK ASIA...by Mal Binnie, our Pacific Rim correspondent in Australia.**

Currencies in the Pacific have been mostly steady during the last month. Chinese currency maintains its levels with \$US and \$AUS but the PMI now down to 47 in September has shown real pressure on the Plastics industry. Fiscal measures undertaken by the Chinese Central Government have yet to be effective. In Australia the PMI has stayed steady even with the governmental and leadership confusion in the ruling party. Reports from the market indicate that the Blackfriars companies Dotmar and Amari are growing in market share. Amari are reported to have acquired the AST WA branch.

The Mining Show in Sydney was well attended but there are real issues arising for mining companies due to worldwide concerns. The stock market in Australia took a hammering at the end of September with the \$A

continuing just below \$US0.70. Reports have been received that Andrew Fitzgerald is profit centre manager for Dotmar Melbourne. Also Dotmar Rochling were congratulated by key customers for their trip to Europe. Solvay started up its third China plant for the production of fluoroelastomers. Eva Precision Holdings, China's largest molder and moldmaker, is building its first factory in Vietnam to add to its seven in China. China's growth numbers continue to suffer but remain just under 7% year over year. The domestic market for plastics distribution continues to benefit from Government activity with applications such as airlines, building and construction and transport continuing to grow. While the overall domestic manufacturing activity continues at low levels, many firms are confirming their growth plans with overseas investments. Investments are reported in North America with extrusion plants, compounding, auto parts and recycling adding to the Chinese plants. Expansions from China are also reported from Mexico and Middle Eastern countries such as Iran which recently held Iran Plast. Sinopec has also announced plans to invest into Russian petrochemical major Sibur. The country is currently lifting economic sanctions and rising demand for plastics is expected. Reports from China's "Made in China 2025" campaign indicate that it will take some months for positive results to be revealed. Chinese component manufactures are still critical to the automotive industry in Europe and North America. Various analysts continue to consider South East Asia as the next plastics factory for the world. The South East Asian Nations Blocks continues to develop. Asia including China continues to provide a plastics market approximately 75% of Europe / America. Medplast Inc. is opening its fourth plant in China Suzhou this year. Charles Ross & Sons has added over three thousand square meters of manufacturing in Wuxi. Indiapack 2015 is currently being held at the Bombay Exhibition Centre Mumbai on the 8th - 11th October. Malaysia's BP Plastics Holding is continuing its expansion of stretch film capacity as it predicts both recovery and growth for packaging materials. Foxcom announced recently it will add a new e-Commerce platform in India, which adds to its plans for 10/12 factories and a new data centre.

#### PRICING:

PP, PS prices trend upward then rise single digits, while PE and PVC stay flat. HPM resin prices, especially PC, dependent on benzene as usual, still remain stable even though benzene prices have fluctuated rapidly. North America is a net importer of benzene and so the price volatility continues to affect PC but supply demand makes it unlikely that PC will rise at all for the balance of 2015.

#### MANUFACTURER/DISTRIBUTOR BRIEFS:

SABIC PolymerShapes to resell Agilight's LED product line. Covestro now marketing Hygard PC sheet as shielding system at Alaskan drilling site.

Laird Plastics/Port Plastics/Blackfriars Group announce combining of Port and Laird in new headquarters in Dallas, TX, occasioned by retirement of Keith Eitzen. Mark Kramer to run both companies. Solvay announces sheet made from ECTFE resin used as durable photovoltaic applications in solar energy industry. DuPont is featured in "Telling the story of nylon" by Frank Esposito, as recounted in Plastics News, September 29, 2015 issue. Amazon rolls out same day delivery by utilising ride-sharing system...called Amazon Flex. Ensinger Tecapeek shapes increasingly utilized as back up rings in oil and gas environment. Also announces Modern Plastics "premier distributor" for HPM and medical grade applications. Vycom's Thermax provides clean room furniture applications with FM approvals. Fun factoid: Detroit Lions QB practice jerseys made from recycled PET bottles!

#### MERGERS, ACQUISITIONS, ALLIANCES, EXPANSIONS AND DIVESTITURES:

Covestro spun off from Bayer MaterialScience...shares priced at €24.00, listing 62.5 million shares, valuing it at €4 bn...appoints Supervisory Board, led by Patrick Thomas. Simona posts 12% sales increase to €185 in half-year sales...63% increase in U.S (due to Boltaron acquisition). Profits rose globally to top €16m. Ranking season is upon us...Top 25 Film and Sheet Manufacturers include Inteplast Group; DuPont; Klockner; PolyOne; Primex; and Plaskolite, with sales ranging from \$341m to \$2.7b. As for Industrial Distributors (who include Plastics in their offerings), Wolseley, Grainger, HD Supply, WESCO, Motion Industries, Applied Industrial and MSC top the list with sales ranges from \$2.46b to \$21.3b. PolyOne closes Quebec, Canada plant, shifts production to Ohio. Evonik still seeking buyer or partner for MMA business...could Plaskolite be interested? Rowmark buys Laserbits, distributor of laserable sheet.

## INDUSTRY INTERVIEWS:

### **Interview with Nick Kraguljac, Director, Zell-Metall GmbH.**

**Q. Known for its brand names Zellamid®, ZL® and Senosan® the Klepsch-Group is one of the world's biggest manufacturers of extruded semi-finished engineering thermoplastics. How did you fare in 2014?**

A. In total we manufactured 48.000 metric tons of stock shapes last year, so you are right that we are one of the largest players in this market. If you take Zell-Metall alone, there is a huge quantity gap between the Big Three and us, but we see us as agile submarine and them as large sedate battleships. We think we are a strong global Number Four, when it comes to service and quality definitely Number One. Our Distributors also love to deal with the same people over decades, which make us a unique supplier. Our growth in 2014 came mainly out of NAFTA and Asia. Europe has been stale. Our overall success I attribute to our people, who are great team-players.

**Q. Which expectations do you have for the second half of 2015?**

A. The PA, POM and PET business will grow, mainly in NAFTA and Asia. Our industry expects for Europe a very moderate growth, if any.

**Q. Who do they see as your # 1 competitor & why? In Europe, in North America and in the Far East?**

A. This question is not easy to answer. Which type of # 1 do you mean? In service, availability, quality, R&D, critical size and others? If you mean low price, there are several "cheap" # 1s, which sell by the Dollar, but they do not compete when it comes to excellent products, depth of product portfolio, availability or short turnaround times. In Quality we are definitely #1!

**Q. As a company working around the whole world how important is the European market for you?**

A. There are almost hundred companies world-wide which have the ability to make engineering plastics rods and plates, but there are only four which have such a broad spectrum on products and are able to compete no matter where. Worldwide we partner up with Distributors in 56 countries situated in all of the continents. The EU accounts for about 50% of our revenue.

**Q. How do you expect the European market to develop within the next five years?**

A. Europe is a mature market. When it comes to PA, POM, PET almost 40% of the world-wide demand is generated on this continent. Today the members of the European Unions face structural problems as our social systems are way too expensive and national debts are soaring. Therefore I see the next 5 years no real growth potential when it comes to quantity. Looking at the last 20 years the plastic industry grew on average 3 times the growth of the GDPs. I doubt that we will have such growth in the coming years.

**Q. Which industries are the most important for the sales of the company?**

A. Manufacturers of machinery are the back-bone of our success. But also trains, planes, the marine and mining industries are big users. We have clustered the markets into five groups and try to develop with OEMs new or improved applications.

**Q. Do you see interesting trends in one of these industries?**

A. Definitely we see a return of manufacturing from Far East back to Europe and USA. It helps us that many OEMs are disenchanted with the Asian suppliers not being able to sustain quality levels or live up to their supply promises. Another big trend in the Plastics Industry is more and more regulations and demand on batch testing. Especially in the food processing industries there is a new EU regulation which demands migration tests of all materials which are in contact with foodstuff.

**Q. If so, how do you react to them?**

A. We try to anticipate and react quickly to such new challenges. Once you can survive this bureaucracy in Europe, these trends will actually help to separate the wheat from the chaff. Without full traceability, testing specimen made from stock shapes instead of using the property values from the raw material suppliers, being able to submit batch testing and adhere to the regulatory rules it will be hard to survive. This is also why I am a supporter of TTIP as it will harmonise a lot of specifications within our European and US-Market and therefore setting up World-Leadership when it comes to compare products made in USA or the EU with suppliers from other regions of the world.

**...to be continued in the November-December 2015 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.*

**Q. Concerning the World market, do you plan to extend this part with new acquisitions or mergers in the near future?**

A. We are the only company in our Industry which still is owned and run by the same family. We believe in organic growth, sustainable profitability and low bank-financing. Buying companies is not our thing. In the 66 years we exist, we have acquired less than a handful of companies. We are currently looking to Asia to set up a plant there.

**Q. So far you are specialised on extruded semi-finished thermoplastics due to Zellamid®. Will you stay on this in the near future or try to extend the product portfolio with other types of semi-finished products?**

A. This year we celebrate 60 years of manufacturing engineering stock shapes. We then were worldwide the fifth company to extrude Nylon rods. The stock shape business has been good to us and we believe a cobbler should stick to his last. Notwithstanding we are extruding more and more different Polymers. I also think that special-performance stock-shapes, which are crafted for a special application will be driving us market leaders.

**Q. Which of the segments rods, sheets and precision tubes is the most important for you?**

A. One cannot exist without the other, all are important. Sheets and round stock-shapes are approximately half and half.

**Q. What future growth plans have generally been discussed for Zell-Metall in terms of new products & offerings?**

A. The growth clusters we see are the Medical, Food, Energy and Aerospace industries. We have started to make implantable materials, introduced for food-processing equipment a metal-detectable polymer which is also killing germs, are approved suppliers for wind-mills and are currently making the base plates for EADS satellites.

**Q. Do you plan to invest in new or existing production facilities within the next 2 years?**

A. We are currently planning to build a new plant for Zell-Metall in Austria, as the premises we are in are becoming way too small. Our ZLs in the USA are also investing into well-planned growth.

**Q. How much do you spend each year for research and development?**

A. The Klepsch-Group has its own R&D Company, which employs 16 people, most of them with a college or University degree. In this Think-Tank company we develop not only new material combinations but also new extrusion technology on how to better output and homogeneity of crafted products. We also own a speciality machine shop, which transform our ideas into real machines..

**Q. As semi-finished shapes are usually extruded or compression moulded, why do you use injection mouldings?**

A. As you know our stock-shapes are machined into parts for which injection moulding is technically not doable, because the part is too large, has varying wall-thicknesses, configurations and design, very close tolerances, prototypes, pilot lots etc., or is commercially not feasible because of low quantities, which do not warrant the investment of a mould. After all, only 6-8% of all plastic granules and resin produced is transformed into stock shapes, so this technology is vital to have if you lose your stock shape sales due to the switch from machined parts to injection moulded ones. Injection Moulding is not done by Zell-Metall, but by a specialized Injection Moulding entity within our group.

**Q. Please tell us a little bit about your business and personal background. How did you get to the industry?**

A. When you grow up with parents who instead of narrating good-night stories tell you about how the business day went, instead about Peter Pan Neverland you hear about the realm of molecules in the Polymer chains and the names of the fairies are identical with the chemical expressions for Plastics your career is somehow set.