



GLOBAL PLASTICS LETTER

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“A World of Plastics Information”

Part news. Part views.

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14th Year

Dear Colleague:

Steady, slow synergies signify second quarter growth that continues from late last year. Single digit increases in revenues and profits profligate our industry as 2Q 2013 begins. With economic growth picking up steam, businesses are restocking, albeit cautiously, after selling down inventories in 4Q 2012...this uptick promises a spurt in economic growth into 3Q this year as inventories need to be rebuilt. There's obviously plenty of cash to finance it, although competition will limit profit margins. Global GDP growth is expected to be 1.75-2% for this year, with most of the momentum coming the second half. The EuroZone will lag most of the globe. On the energy front, look for stability in natural gas prices, as increasing shale gas production in North America has its effect on supply. Crude oil should stay below \$100/barrel this year. Truck lines and railroads will benefit from lower prices and pass on to shippers in a new period of energy stability and thus non-inflationary pressures. Watch for continued concern about cyber attacks...we are entering an era of need for more security protection on a global basis as well as individual companies. Another need for continued growing focus on IT departments.

TRENDS:

The global market for ETP's is headed for a compounded annual growth of between 5-9% by 2020, hitting 29 million tones (\$114 billion), according to a recent study from Research & Markets Ltd. Leaders are expected to be Arkema, BASF and Bayer MaterialScience, as new metal replacement applications proliferate. The slide in precious metals prices is continuing. Meanwhile propane prices continue to rise as demand increases. At last, using the Internet for voice calls (VOIP) has arrived in a big way for most companies...Cisco, Juniper and Broadcomm are major service providers...shop around.

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

The economies in the Pacific continue to rely on the strength of the Chinese economy and as it continues to recover so do the Regions business levels improve. The \$Aust continues to convert to 1.04 to the \$US making it difficult for exports to remain competitive but import prices continue to be lower. The mining industry has lost both income and market share due to the strength of the \$A and unfortunately industrial products are unable to offset these reductions. The Australian Industry Groups Performance of Manufacturing Index (PMI) dropped 1.2 points in March to a level of only 44.4. Australian manufacturers would benefit from lower interest rates but the Reserve Bank at its April 2 meeting held rates at the current level. The political scene in Australia continues to indicate a major swing against the current ruling party. When this occurs changes to the energy policies will take place and the plastics industry will regain some of its competitive position.

Visual Impact Image Expo is scheduled for 21-25 May 2013 at the Melbourne Convention and Exhibition Centre. One loss for the plastics industry is the cancellation of the Australian International Motor Show originally scheduled for Melbourne in June. Sign and Display companies will be affected by this decision.

Monash University, Melbourne is promoting “Green Chemistry” to ensure that chemicals of the future are able to breakdown harmlessly after they have been used and disposed of. Plastics recycling continues to grow in Australia with new plants and methods being used. Rather than “chuck it” or export it waste is being cleaned and reused with Visy Industries a leader in the field.

Investment in China continues to grow, evidence is illustrated by the growth of plastic machinery exports from foreign machinery companies who have started manufacturing in China making the industry more competitive and gaining share in the local market. Relocation of manufacturers continues to include Japanese and Taiwanese companies. Generally however the plastics industry is still struggling to regain its growth of earlier years. Continued growth in the sales of automobiles has made Asia Pacific a market for nearly half of the total consumption of plastics in the world for autos with China continuing to grow rapidly. Growth is in electronics and under the bonnet engineering applications. Lanxess Greater China reported a 10% increase in sales in Asia Pacific. It is predicted that the Chinese Government ban on expanded PS takeaway containers will be ended before the mid year mark. Lego Group has targeted Asia as a rapidly growing market for its products and has plans to set up manufacturing of its building blocks in Jiaxing, China.

Songwon Ind.Co Ltd Ulsan South Korea is setting up a new plant in Houston USA. Toyobo Osaka, Japan has taken a 15% interest in SKC High Tech Plastics in China. Asahi Kasei has invested \$US5million in its operations in Detroit USA. Toyoda Gosei Co Ltd has announced its expansion into Brazil. Thailand continues to attract investors with Rapak opening a new plant for bag in box packaging. Combined with Bio plastics Thailand continues to assist in developing the plastics film industry. Bio based polymers continue to grow in Asia with both an encouraging political background and a ready availability of feedstocks. Bio Polymer production is expected to treble in the next 5 years, this is a significantly greater growth rate than overall polymer products but it is still only 1.5% of total polymer production.

OUTLOOK EUROPE: by Ralph Ammann, our special EuroZone correspondent in Germany, who also conducted this month’s Industry Interview of Steffen Oellers of Simona and EPDA (please see below)

Leading Semi-finished products manufacturer Quadrant Engineering Plastic Products (EPP) has updated its range of food grade Plastics in line with the new European Union Regulation (EU) 10/2011. The move makes the company the first and only engineering plastics’ manufacturer to offer such a broad and fully-tested range of thermoplastic stock shapes complying with the regulation. The portfolio of certified materials, covering PE through to PEEK, gives food producers the assurance of fulfilling the highest safety and quality levels for their food and beverage production systems. New Regulation (EU) 10/2011 is a further development of Directive 2002/72/EC for plastics materials in contact with food, and specifies much stricter test conditions for migration. Within the EU, compliance is required for all food contact materials. All of the company’s food grade semi-finished stock shapes and customized finished parts are processed and handled according to the new regulation and to the consistent quality control guidelines of Good Manufacturing Practice (GMP).

Elsewhere, German plant engineering specialist Uhde Inventa-Fischer and JSC Grodno Azot PTC Khimvolokno of Belarus have successfully commissioned a plant for the production of polyamide 6. The multiline plant is located in Grodno, Western Belarus. According to the company it has a capacity of 91,000 tonnes per year and replaces seven lines that have been closed down. The new plant is said to have enabled the customer to almost double its production capacity at the site from 140 to 260 tonnes per day. The majority of the pellets produced at the plant are processed to high-quality tyre cord and carpet yarn at the spinning mill attached to the plant. The technological highlight of the plant is the cost-effective, feedstock-saving Overproportional Refeeding Process (OPRP) developed by the German company. This process allows the caprolactam extract that accumulates on all production lines to be fed back to a single line for the polymerisation of high-quality polyamide 6.

Additionally, EMS Group, globally active in the business areas High Performance Polymers and Specialty Chemicals and with its companies combined in EMS-Chemie Holding AG, will take over the other 50% share in a joint venture from Czech partner D Plast to hold sole control of the EFTEC business in Central and Eastern Europe. With this take-over it is intended to further increase business in the growth markets of Central and Eastern Europe and to strengthen its leading market position as global automotive supplier. The joint venture EFTEC, operates four production locations in Eastern Europe. In 2012 it generated net sales of 82 million CHF

with a workforce of 211 employees. The purchasing price amounts to CHF 60 million and can be smoothly financed from own resources.

INDIA TODAY: by S. Radhakrishnan, Group Editor, Popular Plastics and Packaging, Mumbai, India

The Indian composites industry could grow at 10-15% during this period. Current Indian production of composites is estimated at about 3 lakh tonnes, about 3 per cent of global volumes and 33% of present volumes in China. The current level of composite production is around 320,000MT and the market size is approximately Rs 15000 crores, revealed Mr. Pradip Thakkar, Chairman, International Conference and Exhibition on Reinforced Plastics (ICERP). The growth will be seen mostly in the automobile Sector, (defence) tanks, transportation, wind energy and infrastructure, he said. The present per capita consumption of composites in India hovers around 0.25 kg compared to that of USA which is 10 kg. Currently around 35000 different articles are made with composites in India. This 6th Mega Event - ICERP 2013 on 4-6 March 2013 is the second largest event on composites in Asia and the largest in South Asia.

Global pipe maker Aliaxis SA has bought a majority stake in one of India's largest plastic pipe and fittings makers, Ashirvad Pipes Pvt. Ltd., expanding its business in the fast-growing Indian market. Terms were not disclosed but the companies said in a Feb. 20 announcement that the Poddar family, which founded Bangalore-based Ashirvad Pipes in 1998, will retain a significant ownership stake and will run the joint venture. Ashirvad expects to achieve sales of 1,000 crore rupees (US\$186.3 million) in the year ending March 31, the statement said. Ashirvad mainly manufactures PVC pipes and fittings in the building, plumbing and agricultural markets. It also developed PVC column pipes that are used in submersible boreholes to a depth of 1,000 feet. The company has production capacity of 70,000 metric tons a year, with more than 2,000 employees and a network of 1,200 distributors and 14,000 dealers.

Hindustan Petroleum Corporation (HPCL), a, has entered into a memorandum of understanding (MoU) with the government of Indian state Rajasthan, in order to establish a refinery-cum-petrochemical complex in Barmer. HPCL will execute the project in association with Rajasthan State Refinery (RSRL) and other equity partners. This Barmer refinery project will be the first one to produce petrochemicals from indigenous crude.

Mahindra Reva Electric Vehicles Pvt. Ltd. has launched its long-awaited Mahindra e20 on March 18. The model, which weighs about 830 kilograms, uses about 80 kilograms of plastic. "About 50 percent of the weight has been reduced with use of plastic compared to the sheet metal," said Rajan Wadhwa, head of technology, product development & sourcing. In addition to the instrument panel, fenders, front and rear bumper, the model is clad in a plastic body.

PRICING:

North American PVC resin prices climb upward in March, for the second month in a row, while PP slides after a February spike...both single digit cents/pound. PE continues its moderate rise. PS stays flat as do most commodity ETP's – some exceptions such as PC and MMA which exhibited moderate price increases both in resin and sheet. Lucite International took up acrylic sheet prices in Europe at press time.

MANUFACTURER/DISTRIBUTOR BRIEFS:

Bayer MaterialScience's Makrolon® 15 PC sheet selected as anti vandalism glazing in police center in B.C., Canada. Victrex PEEK Aptiv™ film in diamond mesh expanded industrial filtration products of Dexmet. Arkema unveils Altuglas® Composite acrylic resins for use in thermoformed transportation applications. Dow Chemical to build new plants along U.S. Gulf Coast to utilize shale gas to produce polyolefins. Curbell Plastics' new American Plastics division presents its orthotic and prosthetic products at an O&P industry event. Solvay integrated Rhodia into its operating structure. SABIC's Lexan™ Margard PC sheet being used in logging industry for equipment windshields and windows. Lubrizol expands uses of its Flowguard™ CPVC pipe in bendable applications, replacing copper in water service lines.

MERGERS, ACQUISITIONS, ALLIANCES, EXPANSIONS AND DIVESTITURES:

Saint-Gobain Performance Plastics acquires Applied Bioprocess Containers, a supplier of containers and fluid systems for the biopharmaceutical industry. Saint-Gobain's CertainTeed PVC Pipe business is sold to Westlake Chemical for \$175 million. MSC's buyout of Barnes Distribution gives them market penetration in Canada... includes their line of semi finished plastics shapes. Vita Sheet Ltd plans to enter India market.

INDUSTRY INTERVIEWS: STEFFEN OELLERS, EUROPEAN PLASTICS DISTRIBUTORS ASSOC. (EPDA)...by Ralph Ammann.

Steffen, since Jan. 2013, Head Piping Systems Business Unit, SIMONA AG, Kirn, Germany. Prior to that he was with Quadrant and Klockner Pentaplast in various management positions. He has an MSc from Federal Institute of Technology, Zurich, Switzerland and an MBA from University of Michigan, Ann Arbor, Michigan. Steffen lives in Zurich with his wife and son, and Kirn, where he was interviewed by phone and email.

Q. On the occasion of the 40th anniversary of the EPDA this year, when were you aware of EPDA and when did you join?

A. I personally joined EPDA in 2007. My employer at that time was a member company. Since then I have been actively engaged with EPDA, recently as Board Member and President from 2010 to 2012. SIMONA, I am working for today, is also a longstanding member of the association. EPDA is a great forum to understand trends and developments in the industry. In addition, it provides an excellent platform to see within two days in one place the major actors within our industry.

Q. Who and how many members are there in the EPDA? How many distributors and how many manufacturers?

A. EPDA has currently 68 members of which 36 are distributors and 32 are manufacturers.

Q. Are there any other categories?

A. Not at the moment. Discussions, however, are ongoing. We always look at the value chain as a whole and therefore we review which is the best composition for EPDA from which members can profit most.

Q. When and where is your next annual meeting? What are some of the topics to be discussed?

A. The next EPDA Annual Conference will take place in Florence, Italy from 23 May to 25 May. Besides celebrating the associations 40th anniversary there are multiple interesting topics. Alan Beaulieu, President of ITR Economics™, will take a look at what is going on in markets that impact our industry. He will present an economic outlook for the global economy. In addition, Daniel Stricker, Head Market Research at PIE, will review developments in European Plastic Markets. This year EPDA created a Distributor and a Manufacturing Council Panel where the specific market players will review market trends. As within recent years there will be a session dedicated to applications and solutions EPDA member companies can provide to their customer community. And of course there will be a lot of space and time to network and talk about issues which are of common concern.

Q. Why do people attend?

A. People attend because the Association and the Conference provide a forum where they can share their view and opinion about trends and developments in the plastics distribution world and in the plastics industry in general. All our members are facing similar challenges. EPDA provides an environment where members can discuss how to tackle those challenges.

...to be continued in the May 2013 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.