



GLOBAL PLASTICS LETTER

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“A World of Plastics Information”

AUGUST 2010

Dear Colleague:

Double dipping deep recession...or reaching recovery? Reports from some of our industry's manufacturers and distributors are indicating a continuing climb back to pre-2009 levels, although overall global economic activity has stalled and the outlook is uncertain at this point. Typical summer lulls, in the Northern Hemisphere, help ameliorate this current concern, although all should be watching the late 3Q and early 4Q results to be on alert to possible deflationary pressures. More and more, global economic conditions are looking like Japan in the 90's...a quick study of those years could provide insight and strategic guidance to all.

In North America, in general, a mixed bag for manufacturing for the rest of this year with strong export growth helping, although the U.S. market for imports remains tentative. In Europe the threat of a European Union debt default still hangs over this economy...notably Greece and Spain whose shaky economies may drive the euro down.

As global demand for petroleum continues to increase in the short term, conflicts among nations over rights to undersea reservoirs will intensify off the coasts of Africa, the U.K., Norway, the Arctic Ocean and of course in the Gulf of Mexico. A new oil pipeline from Canada to Texas is expected later this year, which will reduce dependence on Venezuela and eventually Saudi Arabia. Meanwhile the movement to further alternative fuel cars cannot be reversed and will create new technological industries with batteries leading the way.

Demand for smart phones and other electronics is gaining momentum and the electronic components industry is working at capacity as this market presents new potential for our industry. A novel solar roofing system utilizing shingles with solar chips, produced by Dow Chemical, is typical of an emerging technology that is resultant from our most recent global economic shift.

Broadband will also be expanded...transforming communications techniques in a shrinking globe on a macro economic basis.

Look for businesses to start dipping more freely into their stored up cash...business investment in equipment and software is growing at a 22% annualized rate in 2Q and with lenders opening up their capital coffers, making borrowing easier, look for a renewed 4Q real growth in plastics.

TRENDS: SABIC IP subsidiary Exatec is teaming up with Ulvac, a vacuum technology firm, to produce Lexan® PC auto windows, thus achieving significant weight savings over glass and thus reducing energy expended and CO2 emissions. Biodegradable PC is being developed under a new U.S. patent...uses at least one plant derived component and can be recycled. Inflation in the second quarter for the plastic resins and materials sector, based on the Producer Price Index as reported by the U.S. Bureau of Labor statistics indicates an 18% increase 2Q year over year and 8% 2Q 2010 over 1Q 2010...only lumber, plywood and particleboard sectors were close – most others held steady or were lower. London's 2012 Olympics are to be major users of plastics sheet and pipe, with sustainability efforts across most sites.

Is the phone call dead? Surveys indicate that more than 20% of all voice mail messages are never listened to and that texting, social networking, video chats by smartphone, and of course email have supplanted the inefficient (if I suddenly decide I want to dial you up, I have no way of knowing whether you're busy and you have no idea why I'm calling) phone call. Many more companies are using Linked In as a communication device. The 2010 Industry Week list of Best Manufacturing Companies has just been released at: <http://www.industryweek.com> - good prospect list for new applications for those in our industry.

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

Up to 1.3 million vuvuzelas were produced for the World Cup and now will be recycled, maybe into buckets or park benches, so if you think the water in the bucket is making that buzzing sound you will know where the plastics came from!!! Australia, with its first woman Prime Minister is now in election mode with August 21 the date. The election promises from both main parties totaling in excess of \$A6 billion, the plastics industry will benefit over the next year. The mining industry continues to grow exponentially and is quite important for companies offering Engineering Plastics. Mulford Plastics have opened their branch at Broadmeadows, a suburb of Newcastle, which gives them direct access to the mining industry. Tekra Corp has appointed Mulford International their exclusive distributor for their films throughout Asia. BASF Chairman Jurgen Hambrecht who was Chairman of the Asia Pacific Committee of German businesses met recently with Premier Wan Jiabao in Xian China and expressed concerns about Chinese Government policies that put Foreign Companies at a business disadvantage. Plastics recycling has given Guanwei Recycling the highest return of all Chinese listed companies in the US. Activity in China by Sabic Innovative Plastics has and will continue to increase...these include a \$US885 million deal with polymers signed at the Shanghai World Expo with eight Chinese firms. Plans to add an R&D centre to its Technology centre in Pudong, Shanghai and plans for more projects with Sinopec in Tianjin. In China plastics growth has built some wonderful businesses but it is interesting to note Haitan Group have added Real Estate to their business portfolio. In Chennai India Japans JSP Ltd, an expanded PS manufacturer, is developing a new plant as well as an increase in capacity in Guangdong China. Expansions are expected to complete in 2011. India has imposed an anti dumping levy on imported PVC Flex Film from China. These products are widely used in the advertising, signage and billboard markets. Indian exporters have been seeking Government support as the effects of the GFC continue to negatively sales into markets in Europe and the US. The 1400 delegates at the APIC conference in Mumbai heard the MD of Reliance Industries predict that Asia will take the lead in shaping the future of the plastics industry during this century. With sales of KIA Motors growing in the USA, Korean plastics manufacturers are following this market by setting up operations in the USA also; Hanil E-Hwa will create over a 3 year period over 150 jobs in Georgia. Japanese plastics suppliers Kyoraku Co and Nagase are doing the same following Honda into Indiana. South Korea's Honan Petrochemical Corp has made an unconditional takeover offer for Malaysia's Titan Chemical...the deal should be completed by November. Products include PE, PP, PET, and PC.

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

July surprised many with exceptionally strong sales. The Fed tells us (month after month) that the economic expansion is cooling. Well, fortunately our Industry is not listening. The Commerce Department claims that orders for durable manufactured goods fell in June for a second straight month although they acknowledge that capital spending continues to rise. Commerce reported that the economy grew at a 2.5% annual rate in Q2 but we all experienced much higher than that. They also predict that the second half of 2010 will see a roughly 3% growth. Since they can't slow us down from the robust 2010 Economic Recovery they continue to predict moderate growth into 2011.

Kydex has hired John Martino as their new Western Regional Sales Manager based in Sacramento, CA. **Palram Americas** has hired John Biehl as its new Market Manager for the commercial, industrial and agricultural groups. **Penn Fibre Plastics** recently introduced a thermoformable 14 - 25' long glass fiber polyolefin based composite sheet with thicknesses ranging from .040" up to .125" that is targeted at lower volume automotive production for equipment such as golf carts, mobile homes, motorcycles, recreational vehicles, snowmobiles, etc. **Primex** announced a price increase for their ABS products citing short supply. **Quadrant EPP** has introduced a new polyimide (Duratron D7000) and a modified PEEK (Semitron MP370). **Simona America** has announced the promotion of Stephan Henne as its Northwest Regional Sales Representative covering the states of WA, OR, ID, MT, WY, AK, northern CA and the Canadian Provinces of Alberta and British Columbia. He will be relocating to San Mateo, CA.

PRICING: In a word...*trending upward* for most polymers as demand steadily increases with the return towards more capacity utilization by manufacturers globally.

MANUFACTURER/DISTRIBUTOR BRIEFS: SABIC IP develops some new EP applications:

Carbon fiber filled Ultem for aircraft interiors and non-halogenated Noryl for FR wire harness insulation tubing- World Cup featured stadium roof containing 14,000 sq. meters of SABIC IP's Lexan PC sheet...also reports tripling of profit for first half results. Bayer MaterialScience introduces PC film for digital color laser printing. Fujifilm offers PP removable wall graphic film as green solution to printers. DuPont Vespel® SCP featured in many aircraft parts at Farnborough International Airshow in the U.K. in July. Newest PC resin producer Styron (formerly part of Dow Chemical) introduces high quality resin for optical media market and sets up HQ in Philadelphia. A.M. Castle unit Total Plastics reports 2Q 2010 results...sales up more than 15% over 1Q and over 25% 2Q year over year on strength in POP display and life sciences applications. St. Gobain Performance Plastics adds large clamps to its Pure-Fit tubing line for food and beverage applications. Lucite International appoints famous designer to judge Lucite handbag competition celebrating the 75th anniversary of Lucite.

MERGERS, ACQUISITIONS, ALLIANCES, DIVESTITURES AND EXPANSIONS:

Agfa Graphics acquires Harold M.Pitman Co. supplier of printing products. Editor's Note: In our July 2010 issue we stated that Quadrant EPP formed a partnership with Solidur in Brazil...in fact Quadrant acquired Poly Hi Solidur in 2004 but the company they are allied with in Brazil was not part of Poly Hi Solidur but were allowed to use the name. We regret the error.

INDUSTRY INTERVIEWS: continuing our interview with **Ricardo Levy Dosualdo, Commercial Manager, North America, Braskem**. Ricardo runs Braskem America, responsible for the company's exports to North America. He joined Braskem's R&D operation in Sao Paulo in 1997 and advanced to manage sales in Brazil in excess of \$180 million per year before his current assignment. He holds masters degrees in engineering and science as well as a recent MBA from Wharton School in Pennsylvania. We interviewed Ricardo at his Houston, Texas office.

Q. What is the meaning of the announcement just made regarding PVC expansion?

A. This investment reflects our confidence in the solid growth of the Brazilian market and our commitment to supply all its needs. In the first quarter of 2010, Braskem's PVC sales grew 60% when compared to the first quarter of 2009, when the crisis was at its worst. Brazilian economy recovered quickly and we expect Brazil to grow up to 7% this year; and a large share of this growth will come from the construction and infrastructure industries that are heavy users of PVC. As you can see, the \$500 million investment in PVC is an interesting project.

Q. What are the high priority projects just announced?

A. Our top priorities right now are the integration of our last acquisitions, namely Sunoco Chemicals in the US and Quattor in Brazil. We have a lot of value to capture during these integration processes, and we have to be prepared for new potential acquisition opportunities that may arise in North America.

Q. How do you see your strategic positioning in the UHMW market globally?

A. We are an important player in this market and we want to grow our business together with our partners in this industry. Braskem has the world's largest facility to produce UHMW-PE, and the only one fully integrated with the ethylene cracker. UTEC is the highest end product in our portfolio; therefore, a very good allocation for our ethylene. We believe we understand our client's needs and we work together with them to improve their business. Although we do not have production facilities close to the users, we are fully committed to our clients and we have sales offices and inventories in the US and Europe, giving us the ability to play as a local supplier.

Q. How do you compete, if at all, with SABIC; Ticona; Dow; DuPont and others?

A. We compete with other UHMW players in most of the segments. We are certainly a very strong player in the sheets and profiles industry. Our UTEC product line, production capacity and inventory locations allow us to supply all our clients' needs. So far, we have experienced nothing but growth and positive feedback from the market, since we entered this market in 2002.

Q. When will Braskem be the major specialty and/or resin producer globally...and how?

A. At this moment, Braskem is focused in accomplishing its vision of ranking among the top five petrochemical companies in the world by 2020. Once we achieve this target, we will certainly look for new challenges.

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

A. Professionally, my last two years have been extremely intense. We faced one of the most difficult recessions ever and we managed to sustain and grow the business in North America. On the top of that, I decided to undertake an MBA at Wharton and had to manage family, work and school all together during two non-stop years. But I believe my biggest accomplishments are still to come; I hope that the future will continue to bring new and exciting challenges.

Q. If you arrived in Sao Paulo today, what or who would you like to be?

A. If I was living in Brazil, I would like to have the opportunity to contribute to the country's growth, generate jobs, and give something back to society. I hope that Braskem's move to North America can work toward an even better integration between North and South America.

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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