



“A World of Plastics Information”

Part news. Part views.

AUGUST 2013

15TH YEAR

Dear Colleague:

Second stage of 2013 starts stutteringly ...single digit revenue and profit growth seem endemic.

Anemic and sluggish (single digit) growth seems to be in store for both manufacturing and distribution sectors in our industry for the second half of this year, continuing the 2Q 2013 trend (see the AM Castle/Total Plastics financial results below in Manufacturer/Distributor Briefs). Despite raking in robust profits and sitting on cash, big corporations and financial institutions are reluctant to lend and their customers are reluctant to spend. Therein lies the dilemma of the next 12-18 months in the global economic picture...an era akin to Japan's lost decade could be ushered in for the U.S. and Europe. Pernicious recession, stagnant growth – even stagflation could await us. However, the scenario is just entering an optimistic stage, with many executives in our industry (87% in a recent NAW survey) sounding upbeat about the next 12 months growth prospects. China's booming economy has reached a crossroads and GDP growth continues to slow...expect 7.0-7.5% for the balance of this year. Demand for commodities and capital goods will be reduced and exports to China from the U.S. will be affected. In Brazil, a similar slowdown...to 2.7% GDP growth – looks like emphasis on **BRIC** growth has become **RI**.

Profit margins for many bigs are setting records as they hold down hiring and other expenses...sales are still slow to grow. Capital investments have to climb to spur increased R&D, new products and applications and thus longer term growth...not happening yet.

Output of natural gas liquids (NGL) is surging, which is a boon for the petrochemical industry...uses NGL to extract ethylene to produce much of our thermoplastic resins. Its butane component, when blended with crude oil, effectively boosts daily oil production for motor fuel.

TRENDS:

MSC Industrial Supply Direct (plastic shapes a growing part of their product line) reported at a recent ISA conference, that online commerce accounted for approximately 40% of their total sales of \$2.36 billion in 2012. Reported that customers use a combination of catalogs, sales reps and the MSC website. Declining global military spending will result in leaner times for the defense industry and it's contractors. Within 5 years look for 3-D printing using a wide variety of plastic sheet and film to produce complex products...see story on 3D Systems' Visijet® SL below in Manufacturer/Distributor Briefs. Expect relief from high price spirals for some metals such as aluminum, copper and zinc...affects metal prices and thus impacts on plastic replacement applications.

OUTLOOK EUROPE: by Ralph Ammann, our European correspondent in Germany

Victrex, the world's leading manufacturer of these polymer solutions, announced that Victrex PEEK 450G has been successfully specified in an EGC Critical Components self-actuated sealing solution in one of the most performance-critical industries, nuclear energy generation. The material selection and design of this application was created for a first-to-market OEM supplier requiring an abeyance seal to manage potential reactor coolant leaks during an emergency shut down scenario. German distributor Dreyplas has taken over responsibility for the distribution on the European market of PEEK (polyether ether ketone) plastics produced by the Chinese company Jilin Zhong Yan High Performance Plastic Co.Ltd. (Zhong Yan). According to the company the range covers PEEK powder and granules with high, medium and low viscosity as well as glass and carbon fibre-reinforced

PEEK materials in standard grades for direct processing and compounding. The material from Zhong Yan is noted for its relatively light inherent colour and consistently high quality. Typical applications include components used in the aerospace industry as a substitute for aluminium and other metals, automotive parts for the engine compartment, insulating components in the electrical and electronics segment, and corrosion-resistant parts for chemical apparatus and systems in the food industry.

Evonik Industries began operating a pilot plant for w-amino lauric acid (ALS) in Slovenska Lupca, Slovakia. The effort represents Evonik's next step forward in the production of sustainable high-performance plastics. The biobased w-amino-lauric acid is an alternative to petroleum-based laurin lactam (LL). ALS replaces the monomer LL in the manufacture of sustainable high-performance plastics and yields an identical compound polyamide 12 (PA 12). The pilot plant is the result of intensive research and advances the process development effort to an industrial scale. Over the long run, the entirely new process has the potential to complement the butadiene-based production of PA12. BASF is building a new Ultramid polymerization plant with a capacity of 100,000 metric tons per year in Shanghai, China. The new plant is planned to start up in 2015. The line of products include Ultramid® B (polyamide 6), Ultramid® C (polyamide 6/6.6 copolymer) and Ultramid® A (polyamide 6.6). At the same location, BASF also has production plants for polytetrahydrofuran (PolyTHF®) and polyisocyanate (Basonat) for the coatings and furniture finishing industry and precious metal solutions for automotive catalysts.

OUTLOOK ASIA: by Mal Binnie, our Pacific Rim correspondent reporting from Australia

The \$Aus has reached lows of 89.00 to the \$US making imports significantly more expensive but local manufacturers more competitive. The mining industry has slowed and even with the low \$A, local manufacturers are unable to pick up the slack. We now have a date for the Federal election of 7th September. The current opposition has indicated one of its aims would be to revitalise the plastics industry.

Many Australians will be visiting the KShow and we have received advise that Ken Girdlestone, Plastral will also be visiting suppliers such as Simona and Ensinger. Plastral will also be exhibiting at AIMEX 20-23 August supported by Marc Liesenfeld, Simona and Jan van Schaik, Enginger. The Australian distribution market continues to be very competitive and reports indicate reduction in staff numbers in some firms. Futuris a user of plastics for the Automotive trade was expanding into Asia in July and appears to have been sold in August. The PMI for Australia showed a further slowdown last month to 42.00. This is the 25th monthly decline in output. For the display industry the Visual Impact Show 12-14 September at Sydney Showground is a must to visit. PlastiANZ founded by Trevor Walton announced their Plastic Industry Achievement Awards open for nominations. They also announced the launch of a new group to promote the plastics industry and improve its viability, this group is called the Plastics Industry Development Group. Mulford Plastics have continued their Bronze sponsorship of the Digital and Screen Print Awards for 2013, to be announced 12 October. Blast Movement Tech, produces plastic balls that help miners track down lost gold when blasting. 14000 balls have been produced and used in mines in Ghana, Tanzania, Canada and Peru. A new web site will assist suppliers to the mining industry and plastic suppliers can go to <Ferret.com.au> and look under plastic and moulding - already listed are All Plastics Engineering, CBC and others.

Reports indicate that China is losing its manufacturing advantages against other countries with the continued rise in labour costs. However the further growth in its population and increases in wealth will continue to provide Chinese manufacturers with a strong locally based market. The middle class in Asia is predicted to reach 1 billion by 2015. The PMI for China was reported as 47.7 for July, an 11 month low however the Chinese Government will continue to protect its stated 7.5% growth rate with stimulus if necessary. A continued improvement will be the growth in automated machinery. The medical devices market in China continues to show outstanding growth with 20% predicted for this year Bayer Material Science announced in July the appointment of Wolfgang Miebach as President of BMS China. BASF will open its 220million pound resin plant to produce Ultramid brand nylon. Solvay Specialty Polymers continue to expand in China with expansion at its Changsu plant and additional warehouses. Avian Shanghai are reported to be planning expansion into the US. Avian was originally founded in Australia in 1982 and transferred to China 15 years later. Chinas "Green Fence" is recognised as the most effective campaign in slowing the trade in illegal plastic scrap. Italian auto component manufacturer. With reports that Automotive plastics demand will reach \$50billion in 5 Years both China and India will be major players in this growth In China opportunities will continue to grow for plastics suppliers, JVs and branch openings continue including Faurecia SA, and Plastic Omnium. Teijin and Bayer are both developing a new PC for in mold decorating allowing for higher productivity and lighter mobile devices.

INDIA TODAY: by S. Radhakrishnan, Group Editor, *Popular Plastics & Packaging*

Organization Of Plastics Processors Of India (OPPI) will partner with Haryana State Industrial and Infrastructure Development Corporation (HSIIDC) in the development of Plastic City in Panipat as downstream Industry for IOCL Refinery. Panipat Industrial Area developed by HSIIDC has Indian Oil Corporation Refinery from where it is possible to take the piped supply of Plastic Polymers to the Plastic Processor factory. All benefits accruing from Government of India and other agencies will be passed on to the Plastic City through HSIIDC. The incentives as applicable in terms of Industrial & Investment Policy-2011 of Govt. of Haryana will also be applicable to the Plastic City being developed. Industrial & Investment Policy-2011 of Government of Haryana is available on their Website. According to the IFC-RICS the Indian Public sector unit, will invest close to Rs. 1,028-crore for its new 500 tonnes per day (tpd) methanol plant and 200-tpd acetic acid plant. APL is presently producing 100-tpd methanol and 125-tpd of formaldehyde, which is sold in Eastern and Northern India besides being exported to Nepal, Bhutan and Bangladesh. The new integrated methanol-acetic acid plant will place APL as the biggest natural gas based petrochemical complex in the entire North-Eastern region. Presently 60 per cent of methanol and acetic acid demands of India were being met by imports. Assam Petro-Chemicals is the first entity to manufacture petrochemicals in India using natural gas as feedstock. The Kerala State Industrial Development Corporation (KSIDC) is planning to set up a petrochemical park on 500 acres of land adjacent to the the Integrated Refinery Expansion Project of BPCL- Kochi Refinery site at Ambalamugal in Kochi. The petrochemical park will have a Small Scale Industries (SSI) park with focus on MSME sector. Seven companies have already expressed interest in starting units in the park. It is estimated that projects worth Rs 8,000 crore is in the pipeline in connection with the refinery expansion project. The projects will catalyse downstream investment in small and medium scale manufacturing units in the petrochemical industry. The proposed petrochemical complex will produce 5 lakh tonnes of propylene and 75,000 tonnes of ethylene, which will make the raw material for the downstream products. By the end of 2013, BASF SE will begin production on a pair of new PU semi finished products. Royal DSM has signed a memorandum of understanding with the Electrical Research & Development Association (ERDA) in India to conduct research in the field of electrical applications.

PRICING: Commodity resin prices are generally steady, although Dow Europe has just taken PE up. Nylon prices are trending higher for now. All other ETP's are starting to trend upward due to stable capacity in the face of increasing demand. Monomers appear to be headed in the same upward direction in 3Q-4Q 2013.

MANUFACTURER/DISTRIBUTOR BRIEFS: A.M. Castle's Total Plastics unit reports 2Q 2013 results... sales up 5.6% year over year, to \$34 million, but 1.1% lower than 1Q 2013. Gross material margins in 2Q were 26.3%, compared to 25% in 1Q 2013 and 26.9% in 2Q 2012, for A.M. Castle's consolidated results. 3D Systems announced Visijet® SL Hi Impact thermoplastic for use in 3D printers. Plastifab, Canada, appoints Andrea Hermann Market Development Mgr.

Comco Plastics announced its separation from Nytec Plastics (see below at Mergers, Acquisitions etc) and its expansion plans. United Laminations continues despite the Westlake Plastics ownership change, with Herb Perry still heading up the compression molded sheet operation, at 95 years young! Speaking of longevity, Aetna Plastics (founded in 1946!) relocates to new facility in Valley View, Ohio, after 36 years in Cleveland. Georg Fischer cuts 700 jobs in Europe...its piping division however increased sales by 3% to £468 million. DuPont's Vespel® parts recently unveiled at Paris Air Show for use in aviation fan blade strips to provide superior wear life. Victrex will feature new applications for PEEK, PAEK and Aptiv® films at K 2013.

Curbell moves its Texas branch and names DuPont its Supplier of the Year. Europe's leading rigid film and sheet producers include: Klockner; Paccor; Groupe Guillin; Vitasheet; Quinn; Holdco and I.L.P.A. PolyOne reports improved 2Q earnings due to sale of some of its sheet operations (Spartech- see below). Styron appoints Velox its European distributor for PC and ABS medical grade resins. Dreyplas, German distributor take on PEEK product line made by Jilin Zhong Yan High Performance Plastic, of China. Interstate Plastics has been approved as major PVC supplier to NOAA (National Oceanic and Atmosphere Admin.), for autonomous reef monitoring materials. EPSE (European PC sheet extruders) announce that multiwall PC sheet can now be marketed using the "CE" approval for construction use...solid PC sheet will follow.

Quadrant EPP obtains approval by Norwegian petroleum industry (NORSOK M-710 compliance) for its PEEK shapes. Bayer MaterialScience receives award by International Credit Card Industry Association for its Makrofol® PC film for credit card overlay laser security applications.

MERGERS, ACQUISITIONS, ALLIANCES, DIVESTITURES AND EXPANSIONS:

Eastman Chemical will be completing a major expansion of its Tritan® copolyester resin in 2014, adding 35 million pounds to a 125 million pound existing capacity. Also it wins lawsuit over untrue claims by competitors that it contains BPA caused estrogenic activity – although PC does.

Comco Plastics announces its separation from NYTEF Group which was sold to Polymer Industries (see below), and its expansion specializing in machining of PEEK. Polyone closing six former Spartech sheet extrusion plants in the U.S., including Warsaw IN; Portage WI and Cape Girardeau, MO. DuPont considering sale of its Performance Chemicals unit, including all Teflon® manufacturing. Polymer Industries, AL buys NYTEF Group, including its Nytec Plastics manufacturing plant in PA; two distribution centers and Transportation Protection Systems, manufacturer of hurricane shutters. Craig Hampton stays on as V.P. and General Manager. Vention Medical, producer of catheter tubing products buys RiverTech Medical, producer of polyimide tubing. Thermoformers Penda and Fabri-Form have merged...combined sales said to be \$185 million.

INDUSTRY INTERVIEWS: ...Tim Butler, V.P. Sales, Comco Plastics

Tim started his career with Dayton Plastics, then went on to various sales management positions with Cadillac Plastics, Laird Plastics, and Nytec Plastics before being appointed V.P. Sales, Comco Plastics in January 2012. Tim lives in rural western Ohio with his wife and family. We interviewed him by phone and email at his office in NYC.

Q. With the recent announcement that Polymer Industries has acquired Nytec Plastics, which did not include Comco Plastics, is your company now “out of the nest”?

A. We are no longer required to purchase most of our products from Nytec and are free to build relationships with other manufacturers that may further enhance our capabilities and reduce our lead times.

Q. What’s the history of Comco Plastics? Why wasn’t it part of the GE acquisition of Commercial and Cadillac?

A. Comco Plastics was founded in 1956 by Mort French Senior after seeing the need to provide precision fabricated parts held to tight tolerances at a time when most of our competitors were just supplying stock material and simple cut-to-size blanks. Comco is a Value Added Supplier offering World Class Service and Tight Tolerance Machined Parts and we did not want this to be turned into a commodity of sorts.

Q. Where are you located? Describe the physical facilities. Employee size?

A. We currently have our main location in NY with Sales Offices in New York, Ohio, Pennsylvania, Massachusetts and Texas with plans to expand our warehouse location Q4 2013 and Q1 2014 as we expand into ISO 13485 for Medical Devices.

Q. What is Comco’s future direction? Who comprises the management?

A. We are expanding our Distribution, Fabrication & Machining Capabilities and are in the process of finalizing ISO 13485. Michael French - CEO & President, Tim Butler – Vice President of Sales, Chris Parlante – Operations Manager, Saf Samad – Engineering Manager.

Q. Who are your key suppliers? Will that change without Nytec?

A. We currently purchase from many of the Industries Top Manufacturers and are keeping our options open depending on our needs and the programs being offered.

Q. Who are your major competitors? How do you rank in revenue size with other Fabricators?

A. We have several competitors in the market and based on Industry information would rank in the Top 10 with our competitors.

...to be continued in the September 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.