



# GLOBAL PLASTICS LETTER

E-mail: [mettenson@globalplasticsletter.com](mailto:mettenson@globalplasticsletter.com)  
Website: [www.globalplasticsletter.com](http://www.globalplasticsletter.com)

DECEMBER 2000

Dear Colleague:

Entering the end of this first year of the twenty first century ( some would say we will enter the new millennium next month), some Plastic Prognostications are in order:

- World consumption of Plastics between now and 2020 will grow at a 5% average annual rate of growth (aarg)
- Engineering Plastics will grow at a 6.5% aarg
- Commodity Plastics will grow at 4.8% aarg
- HPM Plastics will grow at 9.5% aarg and Composites will grow at 10% aarg
- Petroleum as the primary raw material for producing plastics will be replaced by renewable sources produced by microorganisms and plants.
- ICI will develop strains of bacteria capable of producing plastics with variant degrees of elasticity – 100% biodegradable
- Monsanto will have a plastic-producing factory by 2003 – based on inserting a plastic-making gene into a mustard plant, transforming it into a plastics factory, as was shown in 1993 at Carnegie Institution's plant biology dept.

As for the economic outlook for 2001 for our industry; at this writing the horizon is murky – there are signs of a recession beginning to set in as the economic indicators are calling for a “soft landing” which may turn out to be a “bumpy landing”. If the Fed doesn't lower interest rates for fear of inflation, the prospects for a downturn in our industry are evident. Prices have been escalating causing uncertainty in buying.

When coupled with the impact that the internet has made, since the last recession almost 10 years ago, this economic cycle is certain to be charting new territory. To wit, the efficiencies the internet offers the industrial buyer in comparing prices worldwide and collecting information and participating in auctions – causing prices to come down. If concurrently, there is no sales increase caused by new applications and/or increased consumption, then the recessionary pressures are created.

Much has been written and discussed about the effect of e-commerce on our industry. It now appears that any successes to date have mostly been a shift in the buying model from traditional telephone to internet. Whether this will change remains to be seen – in order to be successful, the new business created by worldwide instant exposure of seller to buyers must take place in 2001 or e-commerce will be another EDI! One only has to look at the difference this holiday season versus the last to see how e-tailers are now dominated by bricks and mortar rather than dot coms.

How this will play out in plastic shapes should become clearer in 2001.

TRENDS: E-commerce initiatives abound but no company has done more than GE, whose effect on shapes is still untested, since their entry is only half complete – Commercial Plastics not in the fold as of this writing in early December. However with GE’s announcement of Jeff Immelt succeeding Jack Welch as CEO, Jeff’s extensive background with GE Plastics (13 of his 18 years with GE) is certain to continue GE’s march to achieving a dominant position in worldwide plastics markets – now in Plastic Shapes (as their new distribution division is named on internal flow charts) and through e-commerce.

TheBuyersNet.com launched its WorldWidePlastics.com marketplace which electronically offers shapes to buyers who can quickly purchase products on line from suppliers in this alliance – to date the following companies are participating: Manufacturers are CYRO, Poly Hi Solidur, Thermoplastic Processes and R&R Plastics. Distributors are Piedmont and Olson. We will watch the progress of this “experiment” in altering the shape of distributing plastic shapes.

Other sites are gearing up to compete with this – PlasticLink.com, Plasticsonline.cc, and PlasticsPDS.com are among these others. In addition many other manufacturers and distributors are poised to offer products for sale on-line.

To judge how successful this approach can be, it would be well worth examining how a consumer products company such as Nestle is using the web to: Take orders (cutting processing costs by 90% !); buy ingredients; manufacture their product; cut inventories and market their products - see Business Week story on Nestle – Dec 11, 2000 issue or [www.ebiz.businessweek.com](http://www.ebiz.businessweek.com). This all applies to industrial products such as plastic shapes! In fact the NAW has identified 187 ways of reducing costs by use of the internet in industrial wholesaling – lowering transaction costs from \$55 per order with a traditional purchase order to \$3 per order on line. This is the crux of all of this activity. However, the newest potential contribution to the bottom line is in E-sales – for maximizing this function it is best to bring in a software company called an application service provider (ASP).

PRICING FORECASTS: Higher energy prices continue to send a shock wave through manufacturing, where they can account for from 6% to 16% of the costs of basic material such as steel. Natural gas prices have shot up over 100% which results in higher prices for those plastics that use it for feedstock (such as acetal). Thus, similar to the effect of a tax increase lowering disposable income, we now see falling demand for some products such as PP and PS, which have dropped 1-2 cents per pound in November. However the pressure of higher costs will tend to maintain those higher prices on most resins through 1Q 2001. One cannot underestimate the effect of new Iraqi policy to stop exports of oil and the new Saudi policy to support OPEC at the risk of alienating the US. Tough months ahead to balance political pressure vs economic forces – much uncertainty and turmoil looms in plastic markets.

Solutia (formerly Monsanto) raises prices 10 cents per pound on nylon 6/6 effective Jan. 1, 2001 – expect a flurry of price increases at that time. Meanwhile Dow hiked prices of ABS and PC on November 1, 2000. Dupont and Ticona had previously raised prices on ETP products. This year which started out with a stable pricing structure and brisk demand is closing with clouds of recession – all signs beginning to show within the last 30 days – the US election results seemed to trigger a series of events which have dried up investment capital for new innovation. Coupled with interest rates designed to curtail inflation which almost always begins with spikes in oil prices, pricing trends and the concomitant business cycle are probably more uncertain today than they have been in the last 8 years. We hope to have a clearer picture for you next month.

MERGERS, ACQUISITIONS, ALLIANCES AND EXPANSIONS: Klockner bought by WCM Germany who will spinoff non-plastic businesses and concentrate on sheet and film. Centrotec Hochleistungskunststoffe AG continues to expand its shapes business and claims a 12% market share in Germany and 8% in Europe. Aristech's PP business bought by Sunoco – acrylic sheet (continuous cast) business remains with Mitsubishi. GE is talking about closing on its Commercial buy-out sometime in December, although October and November closing dates have come and gone. Trouble with this one? January will tell the tale. This has been the quietest period for this area of our industry all year.

NEW PRODUCTS: Dow announces a new high performance resin processing technology designed for pultrusion fabrication, known as Fulcrum, based on Isoplast. This is the first thermoplastic application of pultrusion allowing thermoforming and recycling – not possible in traditional thermoset composites.

Ticona unveils new electrically conductive grades of Fortron PPS, with the semiconductor industry being targeted for applications. They also opened the first Topas (cyclo-olefin copolymer) plant to produce this transparent ETP made with a metallocene catalyst. New also from Ticona is Vectran – high aromatic LCP headed for high performance film applications.

IDES of Laramie WY introduces Prospector Desktop which contains data on over 37,000 plastic materials accessible by property and/or application over the internet at www.ides.com.

Lustran (Bayer) ABS sheet with Centrex cap formed to produce housing for Mosquito Magnet, a new machine to repel insects. Spartech supplied the sheets to thermoformer, Universal Plastics.

Victrex PEEK used in sanitary flow-through conductivity sensors – combination of FDA approved material with outstanding chemical properties was the clincher on this one.

Ineos introduces Lucite CPX, a new higher molecular weight extruded acrylic sheet – said to heat and line bend better with greater resistance to crazing – an advantage for display applications.

DISTRIBUTOR/MANUFACTURER BRIEFS: Plastic Suppliers expands its biaxially oriented PS film and sheet plant in Columbus, Ohio adding to its lines of PE, PP and PVC, giving it annual sales of \$38 million in sheet and film. Pilcher Hamilton added Hostaphan brand WO series polyester film to its product offerings. Plastics USA/2001, co-sponsored by SPI and SPE is set for Oct 2-4, 2001 at McCormick Place North in Chicago, with North American exhibitors predominating. Atoglas joining CYRO in targeting MMA to replace PC for DVDs – now has annual capacity of 500 million pounds of MMA and acrylic sheet. Dupont Teijin expands PET film capacity in the Far East, adding 22 million pounds of annual capacity to its current worldwide nameplate of 660 million pounds per year. SPI launches interactive economic database containing comprehensive marketing and economic information on the plastics industry. Cadillac Plastic's website has been named one of the “e-businesses to watch” on the InfoWorld 100 best list – the award was jointly presented to Concept Five Technologies who developed and architected the site. Sumitomo Bakelite will start producing phenolic resin in China in 2002. GE Plastics completed a 29,000 metric ton expansion for Noryl PPO at its Selkirk, NY plant. Barlo Plastics Europe NV purchased PSC, a Slovakian extruded acrylic sheet plant, thus adding 13 million pounds of sheet to its existing European acrylic network as well as its PS sheet plant.

PERSONNEL: GE names Jeffrey Immelt to replace Jack Welch as CEO – has similar background, having spent 13 of his 18 years with GE in the Plastics Business.

Randy Martin of Spartech becomes Exec V.P. – Acrylic Products, responsible for Uniroyal and Polycast newly acquired businesses.

*INDUSTRY INTERVIEWS: Chip Whitfield, Vice President, Piedmont Plastics joined the company in 1982 at its Charlotte, N.C. headquarters. An accounting major at University of North Carolina, Chapel Hill, Chip joined Coopers Lybrand's audit group upon graduation from UNC and accepted a position at Piedmont which led to his current top management appointment.*

We interviewed him by phone and fax from his offices in Charlotte.

GLOBAL PLASTICS LETTER (GPL): How do you see the business climate in 2001 for our industry?

CHIP WHITFIELD(CW): *We sense some slowness in the economy.*

GPL: How will the entry of GE into the shapes distribution business (with the acquisition of Cadillac and eventually Commercial) change the strategy of independent distributors such as Piedmont?

CW: *There will be some realignment of partnerships between manufacturers and distributors that will affect our strategy. Other than that, we have to continue to get better.*

GPL: What is your strategy for e-commerce? How is your alliance with [worldwideplastics.com](http://worldwideplastics.com) working?

CW: *We are active in several cases. First and foremost we have our initiatives that will allow us to do business on the web. We have programs with four other companies that will give us different types of exposure on the web.*

GPL: When, if at all, will e-commerce change the way you do business?

CW: *E-commerce will not change the way we do business. It simply adds another way for our customers to do business with us and gives us another channel to reach our market.*

GPL: Will anyone (manufacturer or distributor) ever make a profit selling on the web? If so, when?

CW: *I think we will all figure how to do it – as to when, that is a good question!!*

GPL: Some of the general line distributors, i.e. Grainger, McMaster, MSC, who have been active in plastic shapes, have been leading the way in e-commerce – do you see that as a trend that will impact you?

CW: *Yes – we are surprised by the number of times we find McMaster Carr at our customers.*

GPL: Some have said that the traditional plastic sheet distributor will be relegated to providing only cut-to-size and local pick-up service – do you agree and would you do this if the market went in that direction?

CW: *We disagree with that statement.*

GPL: Thank you Chip.

A Holiday comment: We would like to thank our subscribers for helping us complete our first year of publication – we wish you all the best of Holiday seasons and a healthy, prosperous and happy 2001 – in that order, and all combined, not one wish without the others.

*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.*

MEL ETTENSON'S GLOBAL PLASTICS LETTER™  
is published monthly by Lucitron Corporation,  
P.O. Box 250235, Franklin, Michigan 48025,  
USA. Postage paid at Royal Oak, Michigan. \$175 for 12 issues.

Subscription or Editorial Information: 248/258-5657  
Fax Number: 248/258-0851  
E-mail: [mettenson@globalplasticsletter.com](mailto:mettenson@globalplasticsletter.com)  
Website: [www.globalplasticsletter.com](http://www.globalplasticsletter.com)