



GLOBAL PLASTICS LETTER

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“Forecasts for Plastics Management Decisionmaking”

DECEMBER 2001

Dear Colleague:

Returning from the 45th Annual IAPD Convention in Nashville, Tennessee, USA, (postponed from the original dates of Sept 11-16), we found that despite the fall-off in attendance, reflecting the drop in all travel, - the convention originally estimated at 460 delegates (down from 520 in 2000), 350 delegates came this year.

The mood was clearly optimistic, although rife with caution. There is a definite change at industry meetings this fall – we have been at two recently. It is not surprising in light of the extreme economic changes coming in tandem since September – the arrival of a true recession coupled with the war on terrorism. Commensurate with these events has been a shift in how manufacturers and distributors, now called the supply chain or channel, evaluate their partners.

The IAPD annual convention, while down somewhat in attendance, produced some comments that were not heard for 8 years – manufacturers and distributors were talking about people being more selective today in their relationships, forcing them to get out of their eight year comfort zone and make some new decisions about partnerships. Most are beginning to limit the number of companies they partner with and yet market share and revenue are still drivers – even with limited resources. Managing these resources, whether it’s inventory, cash, or key relationships with vendors, distributors, employees and customers will determine when we all see the upside in the business cycle, earlier or later in 2002.

Once again we are very wary of the effect of a possible disruption in the global oil supply and its effect on our industry specifically. We have been observing that the apparent slow recovery sometime in 2002 is predicated on oil being plentiful and reasonably priced – any degradation of that scenario will cause a long, hard recovery; well into 2003. We must be realistic about the current war on terrorism and not be lulled into thinking it will be short-lived and successful early.

The conflict is unlike any in the world’s experience – it is different because, among many other reasons, the primary enemy is not a state nor an insurrection against a state but a stateless conspiracy motivated by grandiose religious nihilism; because that enemy commandeers the materials and fluidity of modern civilization (think commercial jet airliners) for use against modern civilization itself. The enemy’s nature precludes either negotiation or deterrence and because the essential aim of the conflict has the support of almost every government in the world and the means by which the campaign must be conducted include unprecedented kinds of police, financial, and public health work as well as military action, global financial resources will be strained. Defeat is unthinkable and victory difficult to define. Trillions of dollars will be spent – draining global economies. That is why we must be uncertain in forecasting – yet prepared for the best. Open that new sales territory you have been thinking about, expand your product focus, resume your business and personal travel schedule and be resolved to return to business as usual.

TRENDS: The next expansion will have new sources of strength – growth will likely come from sectors such as: security devices (luggage bomb detecting device manufacturers, of which there needs to be more than the current two, are an example); biotech and medical care. Six months ago very few of us would have focused in on some of these industries, which now are clearly targets for wise marketers. Likewise, the keys to the “new”, new economy are probably not on most radar screens currently. Change is still the certainty for changing.

There’s still time to save on your business taxes this year (in the U.S.). Assets bought before year end get an extra break on depreciation – excluding buildings, can be figured for six months of ’01, even if you buy a lot of assets at year end. Stimulus by government to boost buying.

Calculate best year to count income...shift to best year taxwise. To lower ’01 income, delay bill collections until next year. Opposite works to boost income in ’01. Closely held corporations can pick best year for issuing dividends.

Plastic Prognostications: Expect more job losses on horizon; energy costs to stabilize; bargains in office space in ’02; biz spending to continue to be weak; expect price run-up for aluminum in ’02; Argentina’s weak economy will affect Brazil; India’s economy continues expansion; China will weather economic storms; insurance costs to soar; business loans easier to get; e-commerce to grow slowly (more on this below); worldwide demand for plastics and polymers will continue over the next ten years to grow at above average rates – 5.5% annually to 260 million tonnes.

Among the first significant auctions of plastic sheet – GE Polymers shapes uses the Chematch web site to auction off \$1 million US of PC, MMA, PVC foam sheet (all Crystalite brand) and PTFE rod to other distributors...initial indications are that there was a weak response. Whether or not this was to adjust inventories or a new marketing initiative is uncertain at press time. However, watch for this to repeat in ’02.

MERGERS, ACQUISITIONS, ALLIANCES AND EXPANSIONS: Sustatec LLC, a member of the Sustaplast Group of companies, announces the opening of its first U.S. manufacturing plant in Exton, Pa. The new 25,000 square foot plant is designed for production of custom and HPM stock shapes for use in machining parts such as PEEK, Ultem, PPS, and other high performance highly engineered materials - the only U.S. manufacturer dedicated solely to this product line.
(We will feature an interview with Ken Schwartz of Sustatec in a forthcoming issue).

Klockner Pentaplast buys Witt Plastics, the Ohio sheet and film extruder of PS and PP, founded in 1972 and consisting of 76 people running five extrusion lines with annual sales of \$25 million US. Witt’s Florida facility is renamed Coral Plastics with \$6 million sales annually and remains under Witt ownership. Separately, European regulators are reviewing an October deal calling for the private equity firm of Cinven Ltd of London to acquire the U.S. and European sheet operations of Klockner Werke AG of Germany (which will now include Witt and the rest of Klockner Pentaplast of America as well as Gemany) for 925 million euros. Unconfirmed at press time, it appears that Kawaski Steel is selling LNP, its engineering plastics compounder to GE Plastics, giving it nylon resin capabilities it lost in the GE-Honeywell aborted deal. Kawaski bought LNP from ICI in 1991 in a deal valued at \$100 million US.

Solvay of Belgium is in talks with Italy’s Montedison in regards to the purchase of Ausimont, (U.S.), a major global producer of PVDF resins, which would boost Solvay’s flouropolyers business by \$675 million US.

Dor Chemicals, Haifa, Israel to acquire Basell's Moplefan PP film unit, with plants in Italy and Belgium. Harkness Industries of CT (US), a producer of PU, is being sold by its founder (in 1981) Alamin Hoodbhoy to a private organization – it employs 25 in a 30,000 square foot plant. GE Plastics' Structured Products unit has been granted an exclusive worldwide license to make, use and sell Visgard, coated film and sheet products. Film Specialties Inc. (FSI) developed the formable, clear, anti-fog and abrasion resistant coating solution and granted the license.

Spartech completed the purchase of Pro-Form, extruder of sheet and profiles. Separately, British Vita postponed its sale of 46% of its interest in Spartech, citing economic conditions.

DISTRIBUTOR/MANUFACTURER BRIEFS: Degussa, AG's Rohm Methacrylate business unit closed a PMMA casting line in Darmstadt, Germany producing Plexiglas sheet as well as a molding compound pellet plant. Rohm continues to make cast acrylic sheet in Austria, Portugal and Wiederstadt, Germany, as well as in the U.S. via CYRO. Teijin will build a new plant in Japan to produce high-porosity UHMW PE film developed by DSM's Solutech division.

Tenax, producer of HDPE netting and fencing has doubled its manufacturing plant in MD (US).

Dow Chemical launches additional PS resin line at its plant in Brazil with a 287 million pound capacity for HIPS and crystal grades. GE Plastics delays launch of its second PC plant in Spain, until the second half of 2003. JPVS, a new company offering PVC, acetal, and PET rod and sheet from a plant in Yugoslavia, opens in IL (US).

PRICING: PS and PVC prices drop – others are stable as demand continues to be slow into '02.

As we head into the price increase announcement season, some disposition of inventories, coupled with pent-up demand could create some spot tightness in selected materials and result in some price increases.

PEOPLE: Eastman Chemical names J. Brian Ferguson Chairman and CEO replacing Earnest J. Davenport who is retiring. Sustatech LLC, a new unit of Sustaplant, appoints Ken Schwartz V.P. Sales and Marketing. Honeywell names Nance Katherine Dicciani President and CEO of its Specialty Materials business. Plastics Plus Ltd appoints Stuart White Managing Director; Barry White moves up to Chairman. King Plastic adds Rick Butler as its marine products sales manager and appoints Rick Rice as industrial products sales manager.

WEBSITES OF INTEREST: www.plasticsrendevous.com is a new site devoted to one-stop shopping for shapes as well as a technical data base that includes a matrix for identifying plastics. www.polymerplace.com is a good information site. www.manaonline.org is a good source for information on manufacturers reps.

NEW PRODUCTS: Gyricon Media and E Ink offer electronic store display signs that change with just a few keystrokes – could revolutionize plastic sign industry. GE Plastics provides its new SOLLX film to the new Segway Human Transporter – offers paint free surface. Xenoy, Noryl GTX, Cycloxy PC/ABS, Ultem and Valox are also used in many applications for this innovative electric powered, dynamic self-balancing new form of transportation.

PEEK tubing used on new medical device designed to be inserted down a patient's throat to relieve acid reflux by cauterization. Medefab is the producer using Victrex resin.

Tivar H.O.T. UHMW from Poly-Hi Solidur offers properties at 55C higher than standard formulations.

INDUSTRY INTERVIEWS: ...continuing our interview with Mitch Grindley, V.P. Marketing and Sales, Plaskolite Corp., Columbus, Ohio, where we interviewed him by phone and fax.

Q. What is your strategy for e-commerce?

A. Plaskolite believes that e-commerce will continue to grow. We do, however, have a balanced view that e-commerce is a tool with which to do business, not the end all. We have just finished a \$3 million dollar improvement project in our Information Services area so that we can handle all our customer's present and future needs.

Q. Do you see existing distributors off sheet changing their model to do business on the Internet?

A. We definitely see more attention to the Internet movement by our distributors, although the dot-com collapse has slowed that momentum.

Q. Will the traditional acrylic sheet distributor be relegated to providing only cut-to-size and local pick-up service? Will you need as many in 2010 as you need now?

A. While I am not sure how you are defining "traditional" distributor, I do believe that the day of offering the customer what you have, and not what they need, is quickly coming to an end.

Technology is making the customer better educated on their choices for products and suppliers. While I believe consolidation will continue in our industry, our goal is to strengthen our relationships with our existing distribution base, to help increase the growth and profitability of both our businesses.

Q. What advice would you give a plastics marketing and sales person starting out in today's business?

A. Know your competition; anticipating their moves is a big advantage.

Q. What do you consider your greatest accomplishment?

A. I have never been big on individual accomplishments. On a personal note, I would like to thank everyone in the industry for their cards and letters, and especially their prayers, during my recent health problems and recovery.

Thank you.

Our Best Wishes to all our readers for a Safe and Happy Holiday Season.
May next year bring Good Health and Greater Prosperity and Peace to the Globe!

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.

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