



# GLOBAL PLASTICS LETTER

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*“A World of Plastics Information”*

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Dear Colleague:

The economic outlook brightens even more, doubtless a December brimming with optimism... with business spending playing a large role. Many managers are now firmly convinced that the recovery is real... though they remain concerned about terrorism and inflation. There is a downside – rising business costs, as growth in demand outpaces increases in supply of some key materials. Higher metals prices (about 10%, especially aluminum, where China's soaring expansion is demanding more of this important metal) in 2004 are certain. Of course this paves the way for more plastics penetration in traditional metal applications, providing there is no extreme upward spike in plastics prices. We do not expect this to happen, although natural gas prices will remain at historically high levels, negating the current stability of oil prices for some of the more common resins in our industry.

How will 2004 begin? – the least robust quarter will be 1Q 2004; but soon followed by a 10% rise in investment spending by businesses versus 2% this year. With increased spending on rebuilding inventories, 2Q 2004 appears to be the beginning of a protracted rise in sales and profits for our plastic shapes industry. We should also see the positive effects of more free trade as the global economy picks up steam, led by China and India.

For Europe's economy, no interest rate cuts are expected and so growth will be sluggish – Canada's economy will pick up, despite their stronger dollar and Mexico will also show better than average growth. For the major economies of the world and our plastics industry embedded in it, continued terrorism brings uncertainty but short of another 9/11, it won't hurt global recovery. Rather, the real threat of the return of inflation, now being forecast by the run-up in gold prices; the weakness of the US dollar and the impending US deficits, should be of concern for those watching the business cycle. Our boom and bust times bear continuous monitoring as our industry emerges from a protracted repressed condition and attempts to capitalize on real growth that looms.

TRENDS: Collaborating with business colleagues online will get easier as new software becomes more common – will allow businesspeople in the plastics shapes industry to view, discuss and edit documents in real time with instant messaging that will save time and money.

Already available with Microsoft's Office 2003 suite.

"Talking" computers can raise warehouse and factory productivity. For a few thousand dollars, you can buy Vocollect's Talkman system, which translates orders on computers into instructions sent to headsets worn by workers – the investment can pay off within a year, since workers needn't stop to enter data manually and shipping and production orders are minimized.

The 2004 US national forecast for revenue growth by wholesale distribution is estimated at 5.6%, for an industry that consists of over 300,000 companies employing nearly 5% of all US workers.

A complete copy of the NAW Economic Forecast 2004 is available at [www.nawpubs.org](http://www.nawpubs.org).

All distribution industry indices were up in October and November over previous months, foretelling the upbeat forecasts for next year.

An interesting trend in PC growth comes from a recent interview with Jeff Immelt, CEO of GE, and former VP and general manager of GE Plastics Americas, in USA Today: "the polycarbonate market in China is as big today as the US market. Five or 10 years ago, China may have been 10% the size of the US, and it's a pretty good indicator of where the manufacturing base is and its just a staggering change in a decade."

For further insight into PC's future, the book *Polycarbonate* by Dr. Gupta Veriag can be ordered at [www.gak.de](http://www.gak.de) at a cost of EUR 19.90 it is published both in German and English.

Demand for MMA has slowed this year in Europe, with demand falling to 2.5% a year to 2007 compared to a 3.8% consumption increase this year and 6.1% in 2002, according to a recent survey – prices have remained fairly flat as supply is plentiful.

Another casualty of the dotcom bust is affecting our industry – although coming late in the cycle, just when a renaissance in e-commerce is upon us. Omnexus, the premier online site for plastic resin e-commerce and one that promised shapes were next, has shut down and will abandon its transactional website which was a dotcom marketplace to sell resin. It's 14 shareholding, resin manufacturers decided not to continue funding Omnexus any longer and are seeking buyers for its e-marketing and advertising services. One of the few remaining sites is ChemConnect which serves buyers of chemicals and feedstocks more than resin buyers. Obviously the e-commerce transactional marketplace initiative for plastic shapes is an idea whose time has not come yet.

The use of Pre-employment tests, called psychometric tests, has been increasing as businesses look for ways to winnow the rising pool of candidates in this job market and cut the cost of employee turnover. Some of the most successful companies in our industry have long recognized the value of measuring psychological attributes in order to predict new employee performance.

The Association of Test Publishers is a good starting point to investigate this service.

PRICING: Ticona raises UHMW PE price by 20%, while PE and PP producers are seeking a 4 cent per pound increase – PE and PP are now up 15-25% this year with natural gas prices being blamed. PVC and PS will soon follow this upward price spiral. We would not be surprised to see double digit annual price hikes to continue into 2004.

A word on plastic sheet pricing ... we invite our readers to guess what year saw list prices on 1/8 thick clear cast acrylic sheet at .79/square foot for case lots of paper masked sheet. Was it 2000, 1990, 1980, 1970 or 1960? The first correct answer emailed to: [prices@globalplasticsletter.com](mailto:prices@globalplasticsletter.com), will receive a desktop calculator and pen. (We will announce the correct price and winner's name in our January 2004 issue.)

DISTRIBUTOR/MANUFACTURER BRIEFS: Bayer Film Americas and Sheffield Plastics, a Bayer

subsidiary have formed a single marketing and sales unit for all film and sheet in the NAFTA area. Bayer also breaks ground for a new PC plant in China with a capacity of 200,000 metric tons per year beginning in 2006. The International Plastics Fabricators Association closes after three years, attracting only 50 members out of 20,000 companies in the industry.

DuPont sells its fibers business to Koch Industries which will supply adipic acid and hexamethylenediamine, which are raw materials for the nylon 6/6 resin business, but retains its polyester and nylon resins units – a new 30 million pound nylon 6/6 plant is set to open in 2004. Also cuts jobs at its Teflon brand flouropolymers plant in W.Va.

Plexiglas Edge-Color and Clear-Edge Frosted acrylic sheet are newest entries by Atoglas for the display and POP markets.

Brett Martin introduces Foamalux and Foamalux Xtra PVC sheet with a dark core and white substrate, said to be ideal for signage and display applications.

Cabot Corporation launches Nanogel, a translucent aerogel insulation to be added in granule form to GE Plastics' multiwall PC sheet for added thermal properties and insulation benefits while remaining mildew resistant and translucent – it is poured into the flutes of the structured sheet.

The two companies will jointly market a Lexan Thermoclear multiwall sheet filled with aerogel.

Quadrant Engineering Plastics cast nylon track plates of specially modified nylon for use in outdoor construction equipment tractor treads.

Plastribution, a resins distribution operation in the UK, adds Japanese resins to its product offerings. IDES, a plastics data management services company now provides monthly access to 47,517 data sheets of most plastics resin specifications and properties, with side-by-side comparisons – more information available at [www.ides.com](http://www.ides.com).

#### MERGERS, ACQUISITIONS, ALLIANCES, DIVESTITURES AND EXPANSIONS:

Bayer AG announces spin off of its Bayer Polymers business, including ABS, nylon, PBT and semi-crystalline polyimide businesses. It will however retain its PC resin, sheet and film product lines as well as PU resins and coatings, which will be folded into a new entity called Bayer Materials Science.

We expect more changes in the management and organization of these entities in early 2004.

Barlo Plastics management team raises its buyout offer by 30% for its upcoming LBO.

Dow Chemical and Celanese AG have announced an agreement for Dow to purchase the acrylics business of Celanese.

GE Plastics will expand into Ultem resin at its Cartagena, Spain plant, primarily devoted to PC.

**BREAKING NEWS:** HPG acquired by Simona AG. Plans to move some manufacturing from Germany to Pennsylvania (US).

**PEOPLE:** Jim McCormick leaves Alcan Composites, citing a mutual decision as part of the acquisition and integration process connected with the recent Foam-Core business of Nevamar.

(see Industry Interviews below)

Jay Wynne becomes VP Sales, Alcan Composites USA – came from the Nevamar group.

Bill Lowman named President and CEO of CYRO Industries.

*In Memoriam:* Richard J. (Dick) Jacob, co-founder of Cadillac Plastic and Chemical Co, which became a Dayco company and subsequently was sold to GE and is now known as GE Polymershapes...passed away at the age of 84 in Dayton, Ohio. Dick, with his brother Bob is generally recognized as one of the pioneers of the plastic sheet, rod, tube and film distribution industry which began in the late 1940's in Detroit, Michigan and is now a multi billion dollar global business.

INDUSTRY INTERVIEWS: ...continuing our interview with Jim McCormick, former Senior Group Vice President, Sales at Alcan Composites USA Inc.

*Q. What logistic adjustments will you and your distributors have to make to accommodate the growth of new board products?*

A. Our focus will be to optimize our logistical procedures for the channel, and to make doing business with us as easy, effective, and profitable as possible. Our key mid term milestone is to allow our partners to call one customer service number, enter one purchase order, then quickly receive any combination of our products on one full truckload, receive one shipment, and one invoice. Currently with four production plants, this will be a challenge, but it remains our goal.

*Q. What percentage of the typical plastic shapes distributor's sales do you believe are represented by your basket of products? How has this changed over the past 10 years?*

A. I estimate it ranges from 5% up to 25% for plastics distributors, even higher for specialty distributors focusing on Display, Signage, and Graphic Arts markets. I believe this at least double what it was 10 years ago.

*Q. How successful has your Sintra Top product line been?*

A. As an alternative to acrylic in non-see through applications, or foamed PVC in exterior applications, it has had wide appeal, and sales continue to grow. It is still produced in Europe, though, and exchange rates and the weak dollar have hurt it. Also affecting sales of SintraTop has been the roller-coaster ride we have seen acrylic prices take in the last 12 months.

*Q. How, if at all, will the Internet change the way you and your distributors go to market?*

A. We generate and manage over 750 leads a month, and the percentage of leads from the Internet is our fastest growing segment. End-users have made inquiries on our website, which generated a lead, and through automatic forwarding they received a call from a distributor BEFORE they left the website! Real time Sales is THE Goal, and the Internet is key to achieving that.

*Q. How much of your business is sold direct? If so, why?*

A. Our Display and Graphic Arts business is sold 100% through distribution, though some of our distributors also fabricate. When we compete with manufacturers that sell direct to the market, we usually find a way to get the business through distribution, focusing on total cost versus invoice price, as the end-users usually prefer our products.

*Q. Does the appointment of Martha Finn Brooks, VP Alcan, to the board of International Paper, have any significance to the Plastic sheet industry?*

A. I can only provide the following statement from John Gardner, from the Alcan Executive Committee: Martha Brooks joining the board of International Paper has no bearing on Alcan's strategy. Alcan's strategy is to bring the best product offering to our customers in multi-material solutions; witnessed this year by the acquisitions of VAW Packaging, Baltek Corporation and now the Uniwood/Fome-Cor Division of Nevamar.

*Q. What advice would you give to a marketing person entering our business today?*

A. Make sure you have great listening skills and strong computer skills. The market is always telling you what it wants; the challenge is to provide it faster, better, and at competitive total procurement costs.

*Q. On a personal note, what would you be doing if you weren't doing this?*

A. I have been a national sales manager for 19 years, so it seems as if I have been doing this all my life! I am sure I would have some type of sales focus in whatever I do, as I love interacting with customers, and developing markets with new products. I would also continue to be sure to save time to spend with my family, and play a few rounds of golf.

*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.*