Mel Ettenson's GLOBAL PLASTICS LETTER
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"A World of Plastics Information"

DECEMBER 2006

Dear Colleague:

Temporizing times take trust…in the prospects for the year ahead... Tergiversation is telling…that is the situation many in our industry find themselves in as 2007 looms. New signs have just surfaced suggesting the U.S. economy, and the global economy in part, may be headed for a steeper decline during this 3Q and into 1Q 2007. Bulging corporate inventories, somewhat accumulated to take advantage of raw materials commodity inflation, as well as deteriorating home sales, are beginning to have an effect. One benefit of a slowing economy is reduced inflation, which is good news for our industry, giving both manufacturers and distributors a breather from the incessant rise in raw materials prices that had a deleterious effect on growth.

Interest rates should hold steady through much of 2007 and inflation should moderate slightly to about 2.5-3% in 2007. Global economic gains will slow to 3.2%…a drop of about 0.7% - all of these forecasts are according to several usually accurate economists.
Meanwhile in China, economic growth is expected to grow by 9.2% in 2007 – down from about 10.4% this year, which was the fastest growth since 1995 when the current economic evolution began. At that time the Chinese were given the choice of complete personal liberties or economic growth with all its benefits…they chose economics.

OUTLOOK ASIA: by Mal Binnie, our Special Correspondent, embedded in the Pacific Rim.

As we head towards the close of 2006 this is a short reminder that Chinese New Year is celebrated during 18...21 February 2007 and your greetings can be either GONG XI FA CAI or KUNG HEI FAT CHOI.
Mitsubishi Chemical continues to progress towards its target to have 1 million tonnes/year capacity in PC resin by 2010 and continues with its expansion plans for Europe.
GE Plastics opened new application technology centres in Japan and Korea increasing their facilities to 7 worldwide. GEP continues to expand their profile with customer applications.
The dream to sell Chinese made cars in the USA is not totally over but the vision of Malcolm Bricklin to sell cars from Chinas Chery Automotive appears to have ended.
A market to examine carefully is that of Vietnam. Plastics useage will show continued growth as the Country comes of age on the world stage. Vietnam has joined the World Trade Organization (WTO) and the APEC meeting with world leaders, including George Bush, was an outstanding success and highlighted the growing maturity of this economy.

Honeywell Specialty Materials has added 3 research facilities in China for Fluorine, specialty Chemicals, electronics and high performance materials. Research capabilities in China are reaching world class standards. China markets continue to grow rapidly helped by an increase of in house design and engineering capabilities. But as China continues its forward progress India is rapidly catching up. India's plastics consumption is at double digit rates and will continue this growth into the foreseeable future. Many US and European companies are now leveraging the best of both China and India.
Kodak Greater China Group has announced the appointment of Gustavo Oviedo as Greater Asian Region MD reporting to Andrew Copely. Haxiang Shen continues as Chairman and Exec. Director for Greater China and Steve Green as MD for ANZ.
Professor K.J. de Woskin and IJ Stones highlighted in a recent article the paradox facing foreign businesses operating in China. These businesses, and many more are now operating as MNC's, are having to face the paradox of pitting ethics against potential growth. Foreign companies need to ensure that local staff understand their policies and that these are adhered to and not ignored. For more information read September issue of Far Eastern Economic Review.
Holiday Greetings to all!

TRENDS: Plan on some metals prices receding next year. As nickel leads the way with a 15% drop, and aluminum and copper dropping by single digit percentage amounts. However, Zinc and Titanium will still be increasing at double digit rates. As always, inflation in metals opens up new applications for our industry and those whose prices are still rising should be renewed targets for manufacturers and distributors alike. Meanwhile the construction equipment business, which had been booming, is slowing due to the lagging homebuilding market… demand for cranes and other lifting equipment remains strong, however.
Bioresins 2006, Emerging Markets for Biorefined Plastics, one of several conferences taking place this year and next, as well as the advent of *Bioplastics Magazine*, being published in Germany, reflects this burgeoning technology's importance in the future.

The most famous career advice ever given came in a single word in a 1967 movie: "PLASTICS".
It was supposed to be funny, but it turned out to be prescient…since the premiere of *The Graduate*, shares of DuPont are up almost 2,400%, double the return of the broad market.
The health and future of our industry remains strong as we head into 2007 – trust but verify!

Follow up In our October 2006 issue we reported on negative press for PC sheet due to a fire on a cruise ship that had balcony dividers made from either Lexan or Makrolon which was reported as the source of the fire, although not proven. We had asked for comments from both GE and Bayer, but to date they have not responded. We believe the industry needs a response that defends the application, since it was never proven to be PC sheet in press reports.

Both the Extrusion Business Index and Sheet Business Index, as provided by *Plastics Technology*, are pointing to a 5% increase in 2007 …these indices are worth following as they provide one of the best correlations for our industry that we have come across.

PRICING: Degussa is increasing prices for its PMMA molding compounds, effective this month, while Arkema is taking up its specialty nylon (such as nylon 11 and 12) resin prices by 4%.
Meanwhile, prices for PE, PP, PC, PS and PVC are trending downward slightly for 4Q 2006.

DISTRIBUTOR/MANUFACTURER BRIEFS: Acrilex Inc. introduces neon colors to its acrylic sheet line, called Neon Lights – targeted at POP, lighting and sign markets.
Victrex PEEK now available in ball form and used in check valve and bearing applications. New is PEEK Adhesive Tapes, expected to compete with polyimide for wear and friction applications.
GE Plastics expands both in Europe and Turkey and announces a number of new initiatives, including Global Application Technology and Customer Innovation centers in key markets, such as Medical Devices; Solar Energy; Aircraft Interiors, Automotive Bodies; Lighting; and others.
GE's Industrial Group, headed by Lloyd Trotter is forecasting $2.9 billion in 2006 profits. One of his priorities, as quoted by Reuters is cutting costs at the GE Plastics (GEP) unit. Meanwhile GEP launches a new family of resins…called Extem. They are amorphous thermoplastic polyimides. Its new Ultem 5000B film competes with polyimide for electrical/electronics applications.

Vita Group introduces modified PLA sheet, produced in France, biodegradable, transparent and impact modified – called ViForm Bio 9100, and expected applications include horticulture.
Penn Fibre re-emphasizes "On Time or Freight is on us" policy, which is gaining market share.
NAW announces its 2007 *Facing the Forces of Change* publication, available in March.
Zell-Metall Engineering Plastics announces two new products: Zellamid 900 XELS and XAS, both homopolymer and copolymer acetal based, that offer antistatic properties in shapes form.
IDES introduces its Prospector search engine, which has datasheets for 25,000 grades of resin.
Clear nylon extrusion grade resins available from Nycoa…said to be resistant to harsh solvents.
Frosted look PET masterbatch now available from Ampacet – imparts look to PET sheet.
Vycom changes name to Azek Building Products, Inc. – produces foam PVC millwork products.

MERGERS, ACQUISITIONS, EXPANSIONS, ALLIANCES AND DIVESTITURES:
E&T Plastics opens it 6th location in Blaine, Minnesota…Tom Tuckey is Manager.
RTP Company acquires Wiman Corp., manufacturer of custom films for medical markets.
Zell Metall Engineering Plastics, Austria, part of Klepsch Group, which includes Senoplast, has opened a new facility in Telford, Shropshire, U.K.
Bedford Reinforced Plastics, pultruder of FRP shapes, has opened a new fabrication plant.
Dow Chemical to build new Styrofoam plant in Texas – to come on stream by end of decade.
Boltaron – forms jv with the Lucchesi division of Gallazzi SpA of Italy to produce vinyl sheet.
DuPont begins construction of a new plant for Vespel parts and shapes in Singapore – on stream in 2008…adds capacity to exisitng plants in U.S., Belgium and Japan.
Rochling Group acquires three processing companies: Metaplast, Denmark; SGT Spritzgie Tecnik, Germany, and the General Engineering business of Canadian GL & V in the UK.
These companies have 150 employees and turnover totalling 18 million Euros.
Electronics distributor Avnet has agreed to acquire Access Distribution, unit of GE.
HD Supply Waterworks, division of HD Supply, has acquired Heartland Waterworks Supply.
Georg Fischer AG sells its 17% interest in Simona AG – both in Germany.

PEOPLE: Charlene Begley, CEO, GEP, named one of Top 50 (Number 29) U.S. Women Executives by *Wall Street Journal*. Senoplast USA names John Hayes as Sales Manager.
Mark McCord appointed PTFE North American Sales Manager for GAPI USA (Guarnaflon Applicazioni Plastichi Italiana).

INDUSTRY INTERVIEWS: INTERVIEW WITH MEL ETTENSON By Jerry Trokey, Contract Employee for Plaskolite Inc and Sheffield Plastics

Q. After a successful career in Plastic Distribution, what led you to publish and write THE GLOBAL PLASTICS LETTER?
*A. I wanted to stay involved in an industry in which I had spent over 40 years. Had always spent management and personal time reading trade publications and any thing else I could get my hands on to enhance my knowledge – trade shows, books, etc. During those years I noted the absence of a publication devoted exclusively to Plastic Sheets, Rods, Tubes and Films…our segment of the global plastics industry (now referred to as Plastic "Shapes" or "Semi Finished" Plastics). So I started THE GLOBAL PLASTICS LETTER to do just that!*

Q. In your opinion what are the most significant changes you have observed in our industry? …the positives and the negatives.
*A. Certainly the proliferation of technology (fax machines, computers, EDI, Email and the Internet) have transformed all factors of our industry. These most powerful tools have revolutionized and dramatically increased productivity, leveling the playing field and allowing smaller companies, around the globe, to compete and innovate. Truly globalization and the flattening of our planet have taken place. Some negatives have been the consolidation and swallowing up of some fine, smaller companies, lessening competition.*

Q. How could the negatives been prevented?
*A. Not at all…this was an economic and strategic evolution, common to maturing industries such as ours, which in fact is just over 60 years young.*

Q. How will the growing number of distribution unites, either by "Greenfield" or by acquisition, define the landscape of partners between distributors and manufacturers?
*A. There will be more alliances and consortiums similar to Prisma in Canada, as distributors and manufacturers "line up" and take sides. This will pit many factors against each other and result in accelerating combinations and mergers. The landscape will be muddied and undergo basic changes, unprecedented in the 60 year history of our industry. Incidentally, the synergism expected by trade associations such as IAPD may affect its relevance. In addition, the line between manufacturer, distributor and fabricator will continue to be blurred.*

Q. When Home Depot and Lowe's saturate their markets, will they look towards entering plastics distribution? Would this be a vehicle for the manufacturers to be shut out of major distribution?
*A. There is no doubt that the "Big Box" home improvement retailers such as Home Depot, Lowe's and Ace Hardware (which has long competed with Plastics Distributors' "retail" business in acrylic sheet for home do it yourselfers), will enter Plastics Distribution. It represents an extension of their market penetration into both general industrial distribution and consumer related applications. The death knell of plastics distributors' retail counters is evident. Once again the larger manufacturers will be forced to take sides, while the smaller manufacturers will have opportunities for greater market share. Who will carry the ball for new product development and the marketing of new applications, including metals replacement, is unclear and potentially damaging to our industry.*

*…To be continued in the Jan. 2006 issue*

Our best wishes to all our subscribers for a safe and happy holiday season. May next year bring good health and prosperity and finally perhaps peace throughout the globe.



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