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

DECEMBER 2009
TENTH YEAR

Dear Colleague:

Cautious concern causing compromises….as the last month of the decade looms. We are picking up a global tone from the plastics business community that seems to portend a very slow return to a new normal. Sluggish growth, persistent unemployment, elevated inflation and stubborn spending plans appear to be with us as we enter the "20's" decade and perhaps into twenty twelve (2012). Still, there are plenty of positive signals: export orders and production rose in October, causing some hiring.

Not much change in crude oil prices for the next several months…expect a barrel of crude to sell in the $70-80 range with gasoline exhibiting perhaps a 10 cent rise followed by single digit percent increases in heating oil and natural gas. Metal prices, which spiked earlier this year, are now stable and some will begin to fall 1Q 2010…led by nickel, copper, lead and aluminum. This of course impacts some opportunities for plastics application growth as replacement materials, providing that continuing resin price increases don't stifle some new applications.

Another negative – Brazil will slap millions of US dollars in tariffs on U.S. exports affecting many manufactured products, especially plastics. China and Russia are undergoing changes in their stance of foreign trade, including anti dumping complaints…Russia is reprivatizing 5000 firms to attract foreign capital. Trade opportunities abound as the global economy flattens the planet and presents opportunities for companies willing to risk capital for the possible rewards, especially in the following markets:

South America: Nations on this continent have recorded a more than 6% GDP growth in recent years. Led by Brazil with its robust automotive and aircraft industry, as well as Argentina, Chile and Columbia, with their food and cosmetics industries, MRO businesses such as seals offer excellent opportunities for both manufacturers and distributors of semi finished shapes.

Eastern and Central Europe: Automotive industries have continued to experience modest growth, especially in Russia, Slovakia, Romania, Poland and the Baltic countries. Improvements in living standards in the Region will result in growth of infrastructure and general industries such as rubber and plastics.

TRENDS: A European study estimates that bio-plastics could eliminate up to 90% of existing petroleum based plastics during the next decade…a 38-48% growth was experienced between 2003 and 2007.
European PC sheet extruders (EPSE) group is calling for entrants for awards based on applications offering both best innovation and best project.

Some ground breaking sheet applications recently reported in Europe:
Recycled PS sheet from Axion Polymers has been used for various architectural applications in Europe. To produce a roof more than 200 meters in diameter, enclosing a football stadium in Germany, 28,000 square meters of Bayer MaterialScience's Makrolon® PC sheet is used.

Estimates, by a reliable source, of plastic shapes distributors market share show that the top 10 IAPD member distributors represent 60% of North American sales, with the next 10 largest at 10%. The remaining companies could represent 30%…market size is thought to be $3.35 billion.
SPI makes dramatic shift in NPE history by changing the exhibition site to Orlando, Florida in 2012, from Chicago, Illinois, where it has been held since 1971.
Selling your way out of a recession? An idea whose time may have come…check out *Kiplinger's* "Boost Sales Quickly by Mastering the Lost Art of Cold Calling" audio conference. Despite the spread of online social networking, using the telephone still adds the personal, human touch to your sales outreach that can set you apart from competitors.

OUTLOOK ASIA…**by Mal Binnie, special correspondent stationed in Australia**
Economies in the Pacific continue to return to pre Global Financial Crisis conditions. Australia and NZ are benefiting from Government stimulus packages and China and India markets have strengthened encouraging growth in the supply of plastics throughout the Pacific Region. Halifax Vogel (HVG)has appointed 2 NSW Accounts Managers Daniela Mastroleni, Graphic Products and Scott Baker Building Products. HVG reports continued strong growth in all plastic product lines. Chief Media has been appointed exclusive Australian distributor for well known acrylic manufacturer Shen Chuen and has named the sheet products ChiefCryl. Available ex stock are a range of thicknesses up to 20mm in clear, opal, white and black. A new supplier in Sydney, Ultra Flex, is providing a profile cut to size service for the industry. All distributors including Cut to Size, Mulfords and AST report strengthening sales. Many Chinese manufacturers who exhibit at the NPE are pleased with the move to Orlando in 2012 but are concerned that the dates chosen are only weeks before Chinaplas which will be held in Shanghai 2012. This year nearly 200 Chinese firms exhibited at NPE nearly 12% of all exhibitors. As with many industries Chinese companies are investing in overseas plastic manufacturers to ensure their future supply of product and technology. Wanhua Industrial Group are investing in Hungary with the vinyl and chemicals group BorsodChem. India has shown a firm recovery in the last quarter with capacity utilization returning towards normal. The Indian Plastics Federation (IPF) expects plastics consumption to double over the next 3 years, increasing consumption to 12kgs/yr but still only 50% of world average.

OUTLOOK CANADA: **… by Shawn Chambers, our new special correspondent in Ontario**
Canada's economy expanded 0.1% in the third quarter, the first quarterly gain since the third quarter of 2008. In early December news, one of our Eastern most cities, Halifax, Nova Scotia, was ranked first among Canadian Cities for economic momentum where overall employment is reported to have grown 3% year over year. As far as a demand for plastic, manufacturing appears to be in maintenance mode; mining continues to leverage the power of the polymer exploring new ways to reduce the costs associated with wear and tear on metal parts; while agriculture and food production firms are still chopping, grinding, and scraping while struggling to find loop holes in trade agreements to increase output. The key growth opportunities appear to be robotics, renewable energy technology, and marine infrastructure.

OUTLOOK NORTH AMERICA: **…by Bill Shields, North American correspondent in the U.S.**
Businesses continue to reduce inventories for the eleventh month in a row. The U.S. Trade Deficit increased by 18.2 % in September to $36.5 billion. The U.S. Dollar is collapsing. U.S. industrial production grew by 0.1% in October. U.S. productivity has increased 8.1% (annual rate) in the 3rd Qtr. while labor costs

have decreased by 2.50%. The GDP (Gross Domestic Product) is 2.80% in the 3rd Qtr. Mexico's economy continues to be sluggish. The European Union is fining a Plastics Cartel $260 million USD for price fixing and the list includes Akzo, Ciba, Elf Aquitaine and seven others. Crude Oil Prices are climbing upward which will indicate higher prices for commodity plastics resins in the near future. Expect price increases before the end of the year for HDPE, PP and PVC. The U.S. Plastics Industry continues to regain the sales we all lost over the past year. The general feeling is that this is more than simply replenishing inventory levels.
ZL Engineering West has added Tom Connelly as their new direct Sales Representative to cover select states west of the Mississippi River. He is based out of St. Louis, MO.

PRICING: As stated above, the resumption of resin price increases could have a dampening effect on the recovery underway slowly. That being said, we note that PP, PS, PVC and PET prices were hiked in November by single digit actual amounts. PE trended downward slightly. PP is up double digits year to date, however with PVC and PS also up substantially in 2009.

MANUFACTURER/DISTRIBUTOR BRIEFS: SABIC IP's Noryl resin is one of first Halogen-free, UL 62, certified for AC power controls. It's Lexan HFD copolymer offers higher ductility. Victrex PEEK's new formulations provide improved wear resistance. DuPont develops iPhone application for designers called "MySurface", primarily for Corian and other acrylic based sheet.
Spartech beginning its turnaround after restructuring including closing 9 of 40 plants and selling off one of its business segments over the last 22 months. Blackfriars now has PVF and plastics distribution blanketing Europe, UK, Australia and Canada…includes 32 Vink locations in 13 European countries. Also consists of 13 Amari branches in the U.K.; 9 of Righton; and 5 Dotmar in Australia as well as many Guillevin locations in Canada. Rochling tackles the agricultural machinery and equipment industry exhibiting at Agritechnica in Hanover Germany.
Coca-Cola Company begins global launch of plant based PET bottles that are 100% recyclable.
Rhodia offering organically sourced nylon 6/10 resin…made from castor oil.
Bayer MaterialScience's Makrolon begins to appear in chair and seating applications.It also opens a pilot plant to produce PC glazing for the automotive windshield market…said to provide glazing up to 12 square feet in one mold. Succeed their jv with GEP now SABIC
Schulman targets sheet and profile producers with its PE and PP modified grades.
Harvel's PVC and CPVC pipe products among first to meet new California lead free code.
Europlastic education certificates awarded by the European Plastic Converters Association
ThyssenKrupp reports weak 2008-2009 results but sees sales stabilization and return to profitability as outlook for 2009-2010 – reorganizes materials group, which includes plastics.
Arkema introduces first copolymer combining properties of polyamide with those of polyolefins…called Apolhya, offers excellent thermal stability and greater flexibility. Evonik debuts extruded nylon 12 pipe, replacing steel in natural gas pipelines. PC/ABS and PP blends with long fiber are posited by Ticona for SMC applications. Two publications worth reviewing are: *Bioplastics Magazine* and *Technologia Del Plastico* (Spanish language).

MERGERS, ACQUISITIONS, ALLIANCES, EXPANSIONS AND DIVESTITURES:
Piedmont Plastics sells its Puerto Rico branch to SABIC Polymershapes (formerly a Commercial Plastics branch) – an 8000 square foot facility with 4-5 people…apparently the P.R. market was not big enough to sustain 2 plastic semi finished shapes distributors.
Aquamit B.V. completes takeover of Quadrant AG. Reliance Industries of India makes bid for LyondellBasell estimated at $6bn – continuing the trend of non-Western resin suppliers becoming global players, joining the ranks of SABIC and Nova Chemicals.

Bayer MaterialScience and Malibu Plastica have formed a PC joint venture in India - will supply solid, multi-wall and corrugated sheet in India. Joins Bayer's eight other sheet plants globally.

PEOPLE: Plastifab Industries announces the appointment of Sean Whelan as Business Development Manager.

INDUSTRY INTERVIEWS: **…concluding our interview with Chris Robinson, Business Manager, Sheet and Surfaces, Lucite International**

Q. What advice would you give a plastics marketing person starting out today in our business?
A. I'd say there are incredible opportunities and great challenges in plastics as we head into this century. If you look at the focus on energy savings, being more conscious of our environment and our impact on it, plastics are sometimes seen as the problem but more often provide the solution. This person would have a unique opportunity to define their future and have that be a long and satisfying career helping to bring about this change.

Q. What will be the biggest changes in the plastics model for manufacturers in the 21st century? For Lucite International considering the companies heritage in the first decade? (Editors Note) go to: http:// www.lucite.com/company_heritage.asp
A. The challenge is succeeding in an increasingly global marketplace with instant information flow. This is forcing changes in manufacturing and product offerings some discussed above with respect to channels to market. But business is about constant change and we are fortunate to have a strong consumer and industrial brand that provides a heritage that we can continue to build on. Our challenge is relating that heritage today's market, making it relevant to a new generation and ensuring the next 75 years of Lucite® and Perspex® are as innovative as the first.

Q. On a personal note, if you could come back to earth in a second life, as anyone else, who would it be?
A. I don't typically dwell on what if's but I think it would be fun to come back as pro golfer. First, I'd be good at golf. Second, who could argue with the office you work in, and third, not being much of a sports person it would be fun to see how that feels.

Q. What do you consider your greatest accomplishment?
A. Like many people I'd say the accomplishment I'm most proud of is my family. The journey is ongoing but so far they've taught me a lot, surprised me a lot (some good and some not so good!) and given me great pride but for an unscripted play I sure like the way it's turning out.

Thank you

Editor's Note: Last year it looked as if a hard year was coming, and it was and it did. The holiday was shadowed by a sense of economic foreboding – it isn't over but the mood this year looks to be different… *still here after a rough year!* Our best wishes to all our subscribers for a safe and joyous holiday season. May next year bring good health, a return to prosperity and peace throughout the globe!

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