



# GLOBAL PLASTICS LETTER

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*“A World of Plastics Information”*

DECEMBER 2010  
ELEVENTH YEAR

Dear Colleague:

Scary scenario or sustainable success? Global economies are struggling to recover from the “Deep/Great” Recession whose remnants are still broadly felt. Informal phone surveys of key factors of our industry, globally, seem to indicate a mild resurgence in activity. Both the manufacturing (resins and shapes) and distribution sectors are reporting sales exceeding 2009 levels, which were record lows...but generally not to 2007 (pre recession) numbers yet.

As the first decade of the 21<sup>st</sup> century winds down it is well to note that the past decade’s economy globally has been *lost*...almost no growth as economists measure – incomes adjusted for inflation were lower and real GDP gained only 2% per year with almost no job growth.

A look at the next decade is revelatory...prognosticating shows a return to 3-4% annualized growth as slowing productivity gains require employers to add to payrolls, unleashing pent up demand. Exports will help many global economies, as will innovation and entrepreneurship...the “next big thing”? Maybe alternative energy or nanotechnology or something no one imagines. A decade ago few had heard of Google.

**TRENDS:** Much faster intracompany computer connections are imminent as Ethernet connections operating at 1 trillion bits per second (1 terabit) will be available by 2015...100 terabits by 2020 – will come from use of photonics (light waves) instead of electronics, less expensive as well as exponentially faster. Rising commodity prices, such as copper, are pressuring firms to pass along to customers...many are up 20% and more – inflation however remains in check at this point. Corporate profits should top 2006 records in 2011... emerging markets such as China, India and Brazil will fuel next years growth. The most improved regions for business are Eastern Europe and Central Asia In Europe, economic problems are causing a drop in the Euro, with a commensurate rise of the U.S. dollar. China’s near monopoly on rare earth elements, which are critical for manufacturing many high-tech products presents potential conflict as well as a strategic advantage over its trading partners such as U.S. and Japan.

## **OUTLOOK ASIA: by Mal Binnie, our Pacific Rim Correspondent stationed in Australia**

Mulford announced a change in management effective 30 November, 2010 – the resignation of Arnold Muow as COO and the appointment of Ian Grant as Managing Director, Australia/New Zealand. An interview with Arnold confirmed he is researching his opportunities in either Asia Pacific or USA (For details refer to his Interview in our Jan-April, 2010 issues). Plastic industry’s markets are under stress due to the strength of the \$Aust. Costs have resin and profits under pressure during this recovery stage...staff cuts and changes to start 2011 leaner seem certain.

China continues to grow its economy but not without many difficulties. Chinese Companies continue to diversify by investing in overseas operations. Dalian Rubber has acquired Ontario based Macro Engineering a manufacturer of blown and cast film. Also overseas companies continue to invest in China. Bayer invested in 5 new facilities, two for PC and three for PU. Arkema will triple production of its Nylon products at Changshu plant. Plastics Capital UK is also expecting significant growth in China. Spanish firm Merquinsa plans to open a Guangzhou sales office in early 2011. China Plastic Processing Industry Assoc (CPPIA) recycling division aims to set up a voluntary eco certification program for recycled plastics. The Government has also issued rules detailing how Companies can import whole PET scrap bottles. Engineering plastics and Composites are expected to be among key development areas detailed in Chinas 12th 5year plan expected in March 2011. Composite maker Gurit Holding AG is installing a PET extruder in Tianjin to service a contract in China for structural core materials for a Wind Energy installation. Exhibitions 2011: Print Ex & Visual Impact Expo, Sydney 4-6 May 2. Chinaplas 2011: Guangzhou, China 17-20 May 2011.

Scientex Packaging Malaysia have acquired two major film production lines to achieve total annual production of 12,000 MT. Polyplex Thailand are reported to continue their growth with sales up 48% last quarter. The global polyester film industry is reported to continue experiencing increased global demand. PlastIndia Foundation has announced plans to create an internationally staffed plastics learning centre. PlastIndia President Ashok Goel stated the need is to develop managers for the industry. Allied Solutions Mumbai based supplier has set up a new sales agreement with Bauer Plastics Tech. Grp of USA to serve the Indian market. Tredegar Corp USA has opened a film manufacturing plant near Pune, specialising in film for the hygiene market.

#### **OUTLOOK EUROPE: by Ralph Ammann, our new European Correspondent in Germany**

The second part of the report about the 'K' in Dusseldorf, Germany starts with news from Ter Hell Plastic GmbH. The German company from Herne/Westphalia started with the production of polyamides based on renewable raw materials. The well-known 'Terez' product range of compounds are now enlarged by two types of polyamides trading under the brand name 'PA ECO'. PA 6.10 – 7600 ECO according to the specification contains 60% of a re-growing castor oil derivative. It stands for minimum water absorption and a higher dimensional stability combined with improved impact strength at low temperatures. Regarding its specifications, PA 6.10 – 7600 ECO from the technical point of view lies between PA 6.12 and PA 6 respectively PA 6.6.

PA 10.10 on the contrary is completely based on castor oil derivatives. Its technical properties are comparable to those of the traditional PA 12. Although the whole new range of products is partly or even completely based on re-growing raw materials, according to Ter Hell Plastic GmbH it is not biodegradable. Due to the growing demand the company decided to postpone the upgrading of the production volume to 4000t per year in the Chinese plant in Changzhou to the end of 2010.

The German company Ticona initially introduced TREX 541, a high-viscosity polymer with a grade of 40 percent mineral filling, especially suitable for extrusion. According to the indications TREX 541 has all properties of the well-known Vectra family. Among those properties are high dimensional stability, good performance at high temperatures and chemical resistance. In comparison to other mineral filled polymers the new TREX 541 is said to show a significantly higher impact and notched impact strength. It was especially developed for customers extruding semi-finished products, sheets or films which can be thermoformed into finished components. TREX 541 is suitable for applications in various industries.

In general "K" exceeded the expectations and hopes of the 3,102 exhibitors. 220,000 visitors came to see and get informed. The visitors signaled a high readiness to invest and thus even during the fair quite a number of orders were completed. To put the whole story short: The 'K2010' was successful and gave fresh impetus to the industry.

**OUTLOOK NORTH AMERICA: by Bill Shields, our N.A. correspondent based in the U.S.**

Expect price increases for PVDF and acetal POM resins. . We can expect pricing to somewhat stabilize throughout the Fall and Winter months.

Both manufacturers and distributors alike are reporting adding to their employment rolls as a response to the year-long strength of sales. It appears as though “inventory is king.” Those companies with product on the shelf are fairing much better in monthly sales than the companies that are not holding as much inventory for their customer base. The outlook for our sector of the Plastics industry for 2011 is single digit sales increases, down from the robust spike in 2010.

**Boltaron Performance Products** announced that they have named Kevin Asti as their Vice President of Operations...**Palram** expanded their sales team with Jon Hedges who will be working in the western USA...**Sheffield Plastics** was recognized by IAPD for its exemplary Responsible Care policy...**Simona America** has announced that they have upgraded their interior lighting which will save energy and reduce their carbon footprint. **AIN Plastics** adds 5 new members to their branch sales team. **SABIC Polymershapes** reorganizes some regional and national accounts management...details forthcoming.

**PRICING:** Most commodity resins are stable currently, with the exception of PC which is expected to rise in Europe this month – PS, PVC, PET and PE were increased single digits in North America. Quadrant EPP raised most shapes prices effective February 2011. SABIC IP ETP prices to rise this month as well as Bayer’s PC resins.

**MANUFACTURER/DISTRIBUTOR BRIEFS:** **SABIC Innovative Plastics** announced a breakthrough application involving Lexan® PC F 6000 FR sheet...chosen by Norwegian converter **Plexx AS** as thermoformed European passenger train window frames. This could develop exponentially on a global basis. (**Editors Note:** Look for our Industry Interview with Banu Kukner, Global Communications Manager, Specialty Film and Sheet, SABIC in an upcoming issue.). **Rowland Technologies** and **Arkema** introduce PVDF films for photovoltaic front-sheet applications – Arkema also opens new Kynar PVDF resin plant in China.

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

**Eastman Chemical** and **Mazzucchelli** form jv to manufacture cellulose diacetate resin and sheet in China for ophthalmic frame market. **Ashland Distribution** (annual resin sales of \$3.4billion) is bought by **TPG Capital** for \$US930 million. **Modern Plastics**, unit of **Blackfriars**, to move to larger facilities in CT (USA), from its current headquarters after 65 years – will focus on medical grade engineering plastic shapes and fabricated parts. Consolidates two branches into one newer, larger facility and several branch management changes announced...**Bing Carbone** remains President and reports to **Mark Kramer**, CEO **Laird Plastics**. **Ineos** and **BASF** combine their styrene business under the JV name of **Styrolution**. **Evonik Industries** and **AU Optronics** (AUO) form JV for manufacturing of PMMA...planning to double capacity to 85 kilotons annually. Evonik also expands extruded Plexiglas PMMA sheet plant in Germany **Dow Chemical** sells its 50% stake in the LG Dow PC business to LG Chemical...continues Calibre trade name. **Curbell Plastics** announces the acquisition of **Plastic Supply** in WA USA...becomes one of Curbell’s 15 distribution facilities. **Styron** launches new Magnum ABS resin together with **Athlone Extrusions Ltd** and **Vita Plc** to produce matt finish ABS sheet targeted at transportation industry in Europe.

**Ticona** continues its Chinese expansion for Vectra brand LCP at same facility as GUR brand UHMW. Plans to expand acetal POM capacities in Middle East and Germany...China to follow.

**INDUSTRY INTERVIEWS: ...continuing our interview with Mike Batky, Vice President Business Answers International(BAI), Florida (USA).**

*Q. When and how did you start with BAI? What does your company do?*

A. In the 1990's I was working for AIN Plastics in New York and my family was rooted in Florida. The commute was kind of difficult and after assisting in the sale of AIN Plastics to ThyssenKrupp (formerly Thyssen AG), I felt my assignment was complete and joined Business Answers International in 1999.

Business Answers International is a full service consulting company headquartered in Palm Beach Gardens, Florida. The company was founded in 1993 by my partner Richard Rappaport and provides various services to the plastics industry including consulting, market research, mergers and acquisitions consulting and executive recruiting. In addition, we represent SCM Group, the world's largest manufacturer of CNC panel saws and routers.

*Q. What are some of the innovations on the horizon that will most affect our industry?*

A. I expect the current technology to be obsolete within 5 years and replaced with even more technological advancements. For example, both customers and distributors will routinely be able to check inventories check deliveries, negotiate pricing and place orders online. Also, I expect advertising and marketing on social networking websites such as LinkedIn and YouTube to continue but quickly become obsolete as newer technologies are developed.

*Q. Is it companies, people, products or services that matter most in leading the recovery from the recession we have been in since Oct. 2009? How and why will that matter?*

A. I don't think its companies, people, products or services that will lead the recovery from the recession. I believe the overall economy needs to gain more confidence before companies begin investing again. That should happen when there is a significant drop in the unemployment rate and a significant increase in the stock market.

*Q. Has our industry's setback recession ended? If so how do you know...if not when will it happen and how will you know?*

A. I think the bleeding has stopped but we've got a ways to go before we recover from the 25% downturn the industry experienced in 2009. We've had a reasonable bounce back of approximately 15% in 2010 and I anticipate 2-3% real growth in 2011 and 2012. I expect our historical real growth rates of 4-6% to return in 2013.

*Q. Why has no one gone out of business in our industry in the past 2 years, despite the deepest recession we have faced in over 60 years?*

A. That's the \$64,000 question. Frankly, I'm also surprised our industry has not had any casualties. The industry has obviously controlled expenses, increase productivity and managed cash flow.

**...to be continued in the January, 2011 issue**

**Editors Note: Our best wishes to all our subscribers for a safe and happy holiday season.  
May next year bring good health, a return to prosperity, and global peace!**

*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.*

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