Mel Ettenson's GLOBAL PLASTICS LETTER
E-mail: mettenson@globalplasticsletter.com
Website: www.globalplasticsletter.com

"A World of Plastics Information"

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Dear Colleague:

Reset…renew and recover! The outlook for our industry at the midway point in 1Q 2010 is beginning to clarify, with the manufacturing sector reporting renewed activity at close to normal order rate levels. Probably due to some inventory re-building (see below) at both distributor and end user facilities. Ample supplies should begin to cap oil and fuel prices this year. We understand from energy industry sources that crude oil prices will recede to about $75 a barrel and hold there through spring before climbing back to the $80 level in summer. As usual, any hostilities in the mid-East, especially Iran, could cause price spikes. Gasoline in the U.S. should stay well under $3.00 per gallon, while natural gas should trend downwards as winter wanes.

Inventory building in the fourth quarter 2009, globally, seems to have contributed to economic growth in most developed nations, and more importantly portends a sustainable recovery. Manufacturers and distributors are resetting their growth plans amid renewed optimism – we hear that many usually reliable forecasters are calling 3% economic growth for 2010.
The U.S. trade outlook should improve gradually as exports to primarily Canada, Mexico, China, South Korea and Brazil will grow as their economies mirror that of the U.S.
The U.K.'s growth may be slowed by the coming election upheaval if Conservatives win, as weak growth in the euro zone will spell soft European demand. Mexican oil exports are declining as U.S. refiners seek alternatives and Mexico's economy continues to struggle to recover.

In the U.S. and globally as well, consolidation in the trucking industry continues unabated – portends little change in shipping rates this year, but 10% typical increases in 2011. Consider locking in a rate before spring and offer to pledge a minimum level of business in exchange for guaranteed service and limited price increases for the next three years.
Same planning for energy needs as well as office and shipping supplies is in order as inflation pauses – looking for a sign of economic activities to be able to predict demand and thus reset production levels in order to adjust supply of most commodities and supplies.

TRENDS: The National Association of Wholesalers (NAW) conducted its annual summit meeting last week in Washington, D.C. and reports are of increased attendance (many for the first time) but of sluggish recovery. Some predictions are for a 5-year window awaiting return to 90's activity, albeit an upside in 2011. Of course steps need to be taken to accelerate recovery – the emergence of new marketing technologies, including Google's Adwords, Constant Contact, and Twitter are changing the metrics of our business. Check out *Eboot Camp* by C. Perlman - Learn or lurch…adapt or atrophy!

New extruded plastics study from Freedonia Group forecasts a 2.6% yearly increase in demand to nearly 34 billion pounds in 2013, valued at more than $23 billion (resin content only) – resins count for 40% of final extruded product cost. PVC, LDPE, HDPE and PS account for more than 50%, pipe and sheet, used in packaging and construction, of course being the driver. European Polycarbonate Sheet Extruders (EPSE, composed of 9 PC sheet manufacturers) announced their winners in different applications – winner was the cold bent PC sheet roof and shingles of the new Lansdowne Road Stadium in Dublin, Ireland. Said to be "site responsive" and ever changing.

OUTLOOK ASIA: **by Mal Binnie, our Pacific Rim correspondent stationed in Australia.**
Pacific markets are still fairly quiet as Australia and New Zealand return from the summer/Xmas break and the Asian countries prepare for their New Year, On 13th February we enter the Year of the Tiger and those born under this sign are lucky, courageous, sensitive and sympathetic. The year will show the strength of the Tiger.

India. Many companies including Chinese have not found it easy to penetrate the Indian market. In the case of China it is necessary to examine in depth the differences between Chinese and Indian consumer culture, user expectations and nationalistic attitudes. Thailand, after appealing to the World Trade Organisation (WTO), has won concessions from the US Commerce Dept on PE retail bags. Australia's business watchdog ACCC has warned suppliers about misleading claims that carry a maximum fine of nearly $US 1million. For example plastic bags cannot be called environmentally friendly, green or planet safe.
Australian Sheet Traders (AST) has reported the addition to its Sydney team of Bill Novak previously of Mulford Plastics. Mulford Plastics continue to grow their sales team and add to their product range including Gilman printing substrates. This range will be available in all Australian and NZ branches and includes biodegradable products. Extension of Mulfords engineering product range and added cutting/machining facilities are planned. The market in ANZ for shapes continues to return to pre GFC conditions and with this growth most distributors are adding to their sales force.

Consultancy firm Europe China Solutions (ECS) works on China entry strategies and advises a careful evaluation of smaller cities that although providing low cost areas and labour availability also need good government support and efficient transport to major markets. Otherwise companies can find higher than expected costs in China's interior. Two facts from 2009 show firstly China as the largest auto market with growth in the year of 50% and it also shows its GDP resumed double digit growth in Q4, for the year it achieved 8.7% growth. The boss of Demag China compared 2009 to "bungee jumping" firstly free fall and then return to boom. The highs and lows demanded strong management. PPG Industries was recognized in 2009 for its contribution to Chinese development. Eastman Chemical Co purchased a cellulose based speciality polymer plant near Shanghai from Tongxiang Xinglong Co. Ineos Phenol CEO is quoted "building manufacturing capability in the worlds fastest growing market is strategically important." They have formed a JV with Sinopec in Jiangsu province. Shen Changyu an expert of plastic moulding and tooling, has been elected to the Chinese Academy of Sciences. RAPRA Ltd opened a representative office in Shanghai to support its membership drive into China.

Personal Note: With the Arnold Mouw interview appearing in this issue I would like to note a comment from his wife Lucy of 25 years. "Arnold has been lovingly and selflessly supported by his endearing/enduring wife". That could apply to many.

OUTLOOK NORTH AMERICA: **by Bill Shields, special correspondent in the U.S.**
Canada's recovery is still steady and stable. Their GDP is up 0.4%. Their unemployment rate is now 8.6%. Mexico's economy continues to be sluggish but shows some signs of life.

De Pere, WI based Amerilux International has completed a 15,000 SFT addition to its facility. Easton, PA based Harvel Plastics has certification as being in compliance with new lead–free standards regarding drinking water plumbing components by NSF International….Dallas, NC based Rochling has announced price increases for most of their product line….Simona America announced price increases of 12% for their PP & PE products and 5% for their PVC products….Tacoma, WA based Ultra Poly was purchased by Polymer Industries.

PRICING: Prices are up single digit cents per pound for PP, PS, and PET and 10-14% higher for PC and nylon. Industry sources attribute the PC hike to surging benzene prices as well as temporary capacity cuts at SIP's U.S. plants. PVC remains stable for now. Look for recent steep hikes in metals prices to be reversed by spring…aluminum, copper, nickel and zinc will tumble. Still, the average price this year will run much higher (double digit percentages), except for steel which will be marginally higher now thru June.

MANUFACTURER/DISTRIBUTOR BRIEFS: Optiglass PC announces new PETG and PMMA sheet products, in addition to PC line…film line includes PC and PP from their jv with Longhua Films. Colorado Plastic Products moves to larger facility in Denver. Sabic IP has strong Q4, with sales and profits up substantially… issues optimistic outlook for 2010. Bayer MaterialScience begins to bring back online capacity closer to its rated 1.3 million tons per year in North America and Europe. Global market for PC resin is estimated at 3 million tons and growing with Mitsubishi Chemical and Sinopec joining Bayer and Sabic in forecasting solid growth in this decade. Also at Bayer, its Makrofol 3D chrome plated PC film is being cold formed for automotive applications. Parker Hannifin replaces steel with Victrex's PEEK in new hydraulic coupling system. Another innovative application for PEEK is in high hear dental bite sticks.
Lucite International introduces new product line at Lucitelux™ exhibit which will be traveling in the U.S. DuPont Performance Materials plastics unit posts strong fourth quarter, doubling earnings compared to 2009, with a 10% sales increase. In other DuPont news, its Vespel® polyimide is being used as bushings in certain automobile engines in Germany to position slip in valves…Gustav Wahler GmbH is the supplier. Rochling Sustaplast KG becomes first supplier of nylon 46 in calendered sheets as thin as 1 mm. Dow Chemical expands its specialty polyolefin film line used in solar energy modules. Spartech produces .375 and .500 gauge copolyester sheet for use in the orthopedic market, from Eastman Chemical's Spectar™ resin. Conoco Phillips launches its PP resin business…trade named Copylene. Bakelite exhibit returns to its N.Y. birthplace… the first synthetic plastic, invented by Leo Baekeland in 1907 and first produced in Yonkers, N.Y. – runs through June 6, 2010.

MERGERS, ACQUISITIONS, ALLIANCES, EXPANSIONS AND DIVESTITURES:
Polymer Industries of AL (U.S.) buys UltraPoly Inc. (WA) on Jan 1, 2010 for an undisclosed sum. The two companies have a combined total of 65 years in the UHMW semi-finished shapes business. Braskem SA acquires Sunoco Inc's PP business for $350 million in cash – in 2000, Sunoco acquired Aristech Chemical's commodity plastic resins business from Mitsubishi Corp. Sunoco retains the phenol business. Braskem now becomes the largest producer of PP, PE and PVC in the Americas. Braskem also enters into investment agreement with Petrobras, Odebrecht and Petroquisa…focus is on Brazil as it becomes a major factor in global plastics.

PEOPLE: **In Memorium…John Piperi**, regional manager, West Coast, SABIC POLYMERSHAPES, passed away Dec. 28, 2009. John recently celebrated his 40th anniversary with the company, having started with Cadillac Plastics in New Jersey in warehouse and inside sales.
NAW elects 2010 officers, includes Mark Kramer, CEO, Laird Plastics, as First Vice Chair.
Michael Kundel, CEO of Renolit AG, as President of the Vinyl Foundation. Charlene Begley, former CEO, GE Plastics, heads new GE Home and Business Solutions…reports to GE CEO Jeff Immelt.

INDUSTRY INTERVIEWS: **…continuing our interview with Arnold Mouw, COO, Mulford Plastics Pty. Ltd. and Group Operating Head, Mulford International PTE Ltd.,** with operations in Australia, New Zealand, Hongkong, China, Singapore, Malaysia, Indonesia and India. Arnold joined Mulford in 2006 from the U.S., having spent 34 years in the industry, with Cadillac Plastics and Laird Plastics in Asia and the U.S.

Q. How many locations do you have? Employees? How many countries do you operate in?
A. Currently we have 31 locations and operate in 8 countries

- Australia – Mulford Plastics – 5 locations
- New Zealand – Mulford Plastics and Mulford Engineering Plastics (formerly Ludowici Plastics) – 6 Locations
- China/Hong Kong – Mulford Plastics, King Pacific, Alsynite Roofing – 4 locations
- Singapore – Mulford Plastics – 1 location
- Malaysia – Mulford Plastics – 3 locations
- Thailand – Mulford Plastics – 1 location
- Indonesia – Mulford Plastics and Alsynite Roofing – 7 locations
- India – Mulford Plastics and Alsynite roofing - 4 locations

Total employees number over 430

Q. What are the most recent revenue numbers for the network?
A. I am sure you will understand that as we are privately-held we do not disclose revenue or profit numbers.

Q. How do you manage such a vast network with such great distances?
A. We have good leadership and a team of capable people spread across different regions. The CEO of the Group, Martin Nga, is located in Johor Bahru which is across the causeway less than one hour's drive from Singapore, and from Singapore (Changi is the best Airport in the world) you are not more than 4-5 hours from most of our operations with Australia being approx 7 hours away.

I am located in Sydney, Australia, from which I can reach any ANZ operation within 4 hours flying time. There is no doubt that the future lies in Asia – Mulford Plastics Indonesia has now grown to be the largest single unit. India and HK/China are growing rapidly and will see them challenging other more mature regions for further investment. The aim is to have more resources closer to the growth regions and opportunities and that will mean increased leadership over time relocating to those parts of the world.

We also have a great JV partnership in India with excellent local leadership. But in all truth it is the opportunity to travel to all of these great countries that keeps me motivated…I still meet with many old friends made during the Cadillac Plastics days and with many of the same past suppliers. It is not a chore but a nice part of the job I have.

Q. How do you ship products? Land, sea, air? What percent of each?
A. Almost our entire product range comes in Full Container Loads (FCL) by sea. Airfreight is expensive and used sparingly or at a customer's request and with the onus on the customer to pay for the service. With most lead times about 3 months, planning is key and very important especially as we want to avoid carrying surplus or old inventory. We also have 4 local extruders/suppliers that we use for various products such as HIPS/ABS PETG and some PC…the percent of local sourced product is less than 15% of all purchases.

Q. How much e-commerce do you engage in? Is it growing or has it peaked?
A. This is an interesting question and it has been attracting some debate within our group recently. We think there is an opportunity to transact by e-commerce with our larger customers and we are currently working with some key customers in implementing this. At present the amount of internet traffic for ordering is very low.

...to be continued in the March 2010 issue.

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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Fax Number: 248/258-0851
E-mail: mettenson@globalplasticsletter.com
Website: www.globalplasticsletter.com