



“A World of Plastics Information”

Part news. Part views.

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Dear Colleague:

Economy emitting extraordinary excellence...hitting its stride!. The economy should grow 3% this year... and coupled with a low 2% inflation, is providing a strong economy that is in store for us this upcoming year. With interest rates holding low, this is the year for investment...manifest in the flurry of M & A's happening now as well as new capacities announced. The economy will finally hit its stride this year...solid 3% overall growth and again with less than 2% inflation. Sure to affect our industry in 2015: Computers will soon be pursuing more sales leads, courtesy of new software intelligent enough to write personalized emails to prospective customers. It sends an email when a customer downloads info from your website, answers queries and sends an alert to your sales rep...Conversica is one software source worth checking out. Drones will be omnipresent making deliveries. Wearable, work everywhere, telecommunications devices will emerge. Quantum computers, which use atomic particles transistors and photonic chips will transmit information, controlled mainly by gestures and speech. Look for continuous gains by resin producers paying substantially less for oil this year...prices will deflate while profits soar.

TRENDS:

Carbon fiber reinforced plastics use in the auto industry is being spearheaded by Ford with its GT super car. Aluminum was 2014's preferred alternate material...2015 is the Plastics industries turn for energy savings, lighter weight, alternatives. Alibaba and Amazon continue to make progress in capturing market share for MRO supplies, including our semi-finished shapes, however many multi channel strategies are in place from traditional suppliers that can counter the online only movements. One such effort, by a company called OnHandSupply, is adding more value added services to its product offerings of pump supplies. Meanwhile Alibaba's Alipay unit offers a mobile wallet payment system called ePass which is aimed at capturing sales in China.

OUTLOOK ASIA: by Mal Binnie, our Pacific Rim correspondent in Australia

Happy New Year and on February 19th 2015 Kung Hei Fat Choi to welcome the year of the Sheep.

The economies in Pacific/Asia are now going through a rather bumpy ride but even with China showing a fall in growth, most countries would enjoy a GDP of 7.4%. For China this is the lowest since 1990 and maybe now the “new normal”. For the plastics industry the Chinese Bureau of Statistics reported that it expanded its added value by 8.6% for 2014 . In Australia the \$A has dropped below \$US0.80 for the first time since 2009 and as predicted in our September/October 2014 Newsletter a level of \$US 0.75 to 0.73 may occur by mid year 2015. Australias PMI for December fell by 3.2 to 46.9. The low \$Aus is providing good opportunities for manufacturers and exporters but making it difficult for the importers of plastic basic shapes. However falling resin prices and other raw materials are helping steady market prices. SE Asia makes up 10% of the world's population and by 2018 should be the world's fifth largest economy. If the countries succeed in creating an ASEAN Economic Community the growth rate will only be marginally behind India and China and well ahead of Brazil.

Blackfriars, owners of Dotmar, have started up Amari Plastics in Brisbane, managed by John Lee, ex York Plastics and Cadillac. York Plastic Products has been acquired by a consortium and moved location to Fairfield NSW and is co-located with Australian Sheet Traders NSW operations. AST is reported to have exclusive distribution for the York range of products for lighting, profiles and skylight materials. Cut to Size Plastics reports its Hercules division is performing well, both in Australia and export to Dubai, Hongkong and Indonesia. Cut to Size is also reported to be Australian distributor for AGRU HDPE sheet offering 3x1.5m sheets in black PE100 and natural. Ron Delia will takeover as MD of AMCOR from retiring MD Ken Mackenzie. RV production in Australia showing growth of 4.7% is proving a good market for plastics. Another market with real growth is military vehicles and Thales Australia in Geelong is heading this opportunity. NZ manufacturing continues to expand PMI for December was 57.7 a rise of 2.1 over November. For 2014 the NZ PMI averaged 56.0 the same as for 2013 so a healthy growth rate continues.

Growth in investment in China continues. JSP Corp Japan is investing in plants in China and Thailand. China's bio-plastics manufacturing businesses are growing due to the bans placed on non biodegradable plastic bags. Zhejiang Hisun Biomaterials has announced construction of a 50,000MT PLA production plant. BASF started a new office in Chengdu. Bayer MaterialScience started its new PC plant in Guangzhou last month. With the continuing growth of the automotive industry in China Shanghai Pret Composites has acquired Wellman Plastics Recyclers USA.

Mitsubishi Chemicals announced the development of a bio based PC resin with high transparency and optical properties as well as high resistance to abrasion. Teijin Dupont Films Japan is closing its Gifu Japan polyester manufacturing facility. With Japanese auto makers continuing their overseas expansions and a declining domestic auto market, plastics parts makers are facing real challenges with companies such as Toyota, whose global architecture is set to start in 2015. Suppliers will have to provide identical parts worldwide. Hanwha Group Seoul, after acquiring assets from Samsung, has become Korea's largest petrochemical maker.

Kung Hei Fat Choi to all.

OUTLOOK EUROPE: by Ralph Ammann, our EuroZone correspondent in Germany

Polish-based Grupa Azoty announced the signing of a contract with Uhde Inventa-Fischer, Germany, under a project to construct a new Polyamide 6 Plant in Tarnów, Poland. According to the company the contract is for the purchase of licences, process design and project equipment. The capex budget for the project totals PLN 320m. The project is scheduled for completion in December 2016 and will add 80 thousand tonnes to Grupa Azoty's annual polyamide production capacity.

Increased production of polyamide 6 in Tarnów will also create an opportunity for the development of new local plants operating as processors of plastics into specialised products.

Meanwhile, Spanish company Nexeo Solutions, a global leader in plastics distribution and based in Barcelona, has announced an expansion of its portfolio in Europe by offering products under the Torzen® PA66 brand from Invista, the world's largest producer of PA66 and intermediates and a solutions provider in the engineering polymers market. This product line has a wide spectrum of applications in the automotive, electrical/electronic, industrial and consumer market.

German based plastic specialist Röchling announced the expansion of its plant in Wackersdorf as planned. At the beginning of 2014, the Röchling plant in Wackersdorf was moved from the Wackersdorf innovation park to the new location and officially opened. It currently employs 125 employees and has more than 3,300 m² of production space as well as 7,000 m² of logistics and warehouse space. "As we reached capacity limits relatively quickly there, we recently began planning the expansion. We are delighted that the Wackersdorf council has now granted us the necessary planning approval," said Robert Eimer, technical General Manager of Röchling Automotive Germany SE & Co. KG in Worms. The Company is investing a total of EUR 4.5 million in the expansion and is creating approximately 75 new jobs. A 1,350 m² warehouse is planned to be built by June 2015 on the recently acquired neighboring plots. In connection with this, Röchling Automotive

is also planning an expansion of the existing plant: The production hall, including technical and social spaces, will be expanded by 2,500 m², the logistics hall by 3,000 m² and the loading/unloading canopy by 1,200 m².

PRICING:

Prices are dropping rapidly as expected, due to the steep drop in oil, feedstock and energy costs. Thus PE, PP, PS, PVC, PC, ABS, and nylon 6 are heading for record lows. First time we've seen this across the board deflation since 2009 and further back in recent memory. The upside is that lower oil prices, causing lower or stable resin pricing, will spur economic growth with little or no inflation and capital available for expansion.

MANUFACTURER/DISTRIBUTOR BRIEFS:

DuPont's Vespel being used as bushings in an innovative turbo charging system...consistent friction and low wear are its main advantages. Ensinger, US, planning a move to new 250,000 s.f. facility in PA. Jitrois, a Parisian high end designer, is using floor to ceiling acrylic rods, two stories tall, illuminated from above by LED's, in a circular chandelier...curved seats are said to contain tens of thousands of meters of rod. Ultem PEI resin shortage said to be due to unusually brisk demand, and SABIC is installing additional capacity in U.S. and Spain urgently...no force majeure declared yet. Evonik presents Plexiglas LED for edge lighting, new to the automotive autonomous driving sector, being introduced in headliner applications. Piper Plastics metal replacement application named finalist in 2015 Golden Mousetrap Awards. Interstate marketing Quadrant's UHMW Tivar HPV™ Gehr Plastics introduces new mobile app which facilitates plastic material selection vs metal application choices for engineers and marketers. Mitsubishi develops bio-based PC, using their Durabio™ resin which is based on Isosorbide (derived from glucose) as a co-monomer replacing BPA. Lexan® used to protect Chernobyl enclosure...said to be the largest moveable structure in the world – expected to be in place by 2017. Solvay's Xydar® MG 850 glass/mineral LCP performs at 520F and is finding applications in the connector industry. Bayer MaterialScience's Makrolon® PC used for fixed panorama sunroof in Smartfortwo...it's 1.2 square meters and fabricated by Webasto.

MERGERS, ACQUISITIONS, ALLIANCES, DIVESTITURES AND EXPANSIONS:

Cope Plastics buys fabricator J.B. Jensen...Cope (reporting annual sales of \$90 million, now with 18 locations and 340 employees) was founded in 1946 and Jensen in 1950. Laird Plastics/Blackfriars acquires Hart Supply, Hingham, MA, distributor of sign supplies and glazing materials since 1946. Name and current management remain, reporting to Laird. Rochling acquires Fibracon and Insoil in the U.K. – both companies specializing in HPM's such as PEEK, PTFE and POM. Bayer launches PC sheet (both monolithic as well as multi wall) production in Guangshou, China. Sabic IP adds production capacity for Noryl PPO in the U.S. as it struggles to keep up with demand for Ultem PEI. Solvay completes its \$220 million purchase of Ryton PPS from Chevron Phillips. Dielectric Corp acquires Centerline Machine, now giving it three sites for machining, fabrication, prototyping and assembly operations.

INDUSTRY INTERVIEWS: Helmut Gehr, CEO, Gehr Group, was interviewed by our Euro Zone correspondent, Ralph Amman, at Gehr Headquarters in Mannheim, Germany

Helmut Gehr is Chief executive of the German based Gehr Group, a leading manufacturer of semi-finished thermoplastics, primarily in rods, sheets and precision tubes. He runs the family-owned company, now in its third generation.

Q. You are well-known as one of the world's leading manufacturers of semi-finished thermoplastics, primarily in rods, sheets and precision tubes. How did you fare in 2014?

A. Although we forecasted higher growth, 2014 was a good year for the GEHR Plastics Group. We saw a change in our business somewhat away from the standard stock shape products to more of the advanced polymers, which was a welcome trend. North America, Asia and Africa experienced better growth than core business in Europe.

Q. Which expectations do you have for 2015?

A. We expect 2015 to show similar growth to 2014 in all regions. We are quite optimistic for 2016 as we will be introducing advanced extrusion capabilities and new products.

Q. Who do they see as your # 1 competitor & why? In Europe, in North America and in the Far East?

A. All over the world we see more or less the same 3 competitors in the stock shape market, everybody knows them. They are bigger than us. Some people may see this as a weakness and I would be the first to acknowledge there are some advantages to the size but we see this as opportunity, one of our strengths. It has not been easy to enter the markets, as we are still a newcomer with the 3 P products, especially if we don't want to disrupt the market too much. At this time we are happy to be number 2 or 3 with our customers, our approach is to stay under the radar. PVC rods we sell more and more as a premium product, because we have a lot of technical benefits such as food and drinking or cold water certifications.

Q. As a company working around the whole world how important is the European market for you?

A. Germany and Europe are the biggest markets for us and because of that, very important. We feel there is still a good amount of potential left for growth.

We see the European market growing, we feel the growth will be solid and steady. In Europe we are well known and the "GEHR" brand is one of the top quality brands in the semi-finished product market.

Q. How do you expect the European market to develop within the next five years?

A. We think Europe will still be the biggest market for us. I don't know how much we will grow but I am very optimistic. We are always looking for new products, technologies or applications and already have some new products in the ideation phase that are very exciting. The K show in 2016 in Düsseldorf will be very interesting. In the long run we believe that we will have in Europe, America and Asia about one third market share in each market. We try to work in this direction.

Q. Do you see trends or interesting developments in the different markets around the world?

A. The most concerning trend that would affect our business is the growth of Asian competitors who will enter the world market. Therefore we must find a way to increase our value to the marketplace, we must be different and add the value needed to protect the GEHR brand. This will be the key to our future. We feel all the markets have more or less the same need.

Q. If so, how do you react to them?

A. We must maintain the positive attributes that have helped us grow to the size we are today and embrace the new needs of the changing market place so the market will continue to need GEHR. Finding new niches, unique selling points, keeping the costs under control and expand our presence in new regions.

Q. How do you expect resin prices to develop generally in 2015?

A. We think the prices for resin for the standard polymers will go down in the beginning of the year, but in the 2nd quarter they will go up to a moderate level. The technical polymers and high performance polymers will stay more or less stable.

Q. In your opinion, are there any resins which prices will increase more than others such as PEI due to supply-demand issues for example?

A. PEI is the exception, unusually high demand in a short period of time brought on the shortage. Generally speaking it is hard to forecast pricing for materials but as of now the market seems stable.

...to be continued in the March-April 2015 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.