



“A World of Plastics Information”

JANUARY 2011

Dear Colleague:

“Twenty eleven”(2011) is tracking a turnaround. As the second decade of the 21st century dawns, we are reminded of the history of global finance, which now is inter-dependent among nations as currencies and commodities interact on a “flatter” globe. When potential inflation is added to the matrix, a complex economic picture results. Thus, with oil clearly headed to \$100 a barrel (fueled by continually growing Asian demand) and ensuing gasoline approaching \$4.00/ gallon (in North America), can renewed double digit inflation in plastic polymer prices be far behind? Recovery is threatened, delaying a return to normal growth and full employment...probably into 2012. Thus forecasting and planning are at risk, considering these mixed fiscal and monetary signals, however many distributors did feel a sense of recovery in 2010 with sales growth approaching double digits – some even experienced return to 2008 levels. Meanwhile, China is in a tricky situation, trying to cut inflation without stifling ongoing economic growth as Europe and North America observe and deal with Euro Zone fiscal problems...all affecting global uncertainty. A bright spot – productivity continues to improve but the rate is slowing, auguring some relief in global unemployment. Some measured global predictions for 2011: Job growth although unemployment lingering above acceptable levels; Housing prices still sliding but slower...picking up in 2012; GDP growth about 3.5%; Stock markets up single digit percentages; U.S. dollar strengthening while the Euro weakens against it; wind and solar power poised for big breakthroughs; some bank failures continuing albeit smaller banks; war in Afghanistan continuing indefinitely; demand for IT skills skyrocketing; use of cash becoming a rarity as electronic transfers rule commerce with NFC (near field communications) chips, especially in mobile phones, set to explode; use of social network sites is now a major marketing strategy for most companies including online discussions of products and services...giving new meaning to testimonials by customers.

TRENDS: A major breakthrough in lessening dependence on oil...U.S. Navy and Marines test flew an F/A-18 fighter jet at Mach 1.7, using jet fuel of a 50-50 blend of conventional fuel and camelina aviation biofuel made from pressed mustard seeds! Third generation (no ethanol made from corn, which competes with food) biofuels also being used to propel selected ships dubbed “U.S.S. Prius” as the U.S. Navy and Marines lead a green revolution in the military. Another strategy in the war against petro-dictators. Global PC market is expected to grow at a 6% annual rate into 2015...is second largest TP resin, after PA. – PP to grow comparatively as well. Bioplastics are on a 41% compounded annual growth rate to over 3 million tons by 2015.

Texting to become much larger segment of business communications with surveys showing that of all mobile phone users send and receive text messages...up 7% from a year ago. The NAW has released its 9th edition of *Facing the Forces of Change* – lays out trends across multiple lines of trade into 2015 and has been the definitive predictor, even in an uncertain economy...more at: <http://www.naw.org> . In the U.S., following November elections, two plastic industry executives are entering the 112th Congress...Speaker John Boehner and Senator Ron Johnson (formerly President of Pacur LLC).

OUTLOOK EUROPE: by Ralph Ammann, our special correspondent based in Germany

In 2010, Christmastime was not a time of rest for Europe's plastics industry, as enterprises used this time and the turn of the year for increases in capacity and additional purchases. Evonik Industries of Essen, Germany announced increased capacity in Lauro lactam production at its site in Marl, Germany and already started carrying out this project. Lauro lactam is a starting material for polyamide 12, which plays an important role in the company's portfolio and is sold under the product names 'Vestamid' and 'Vestosint'. Trelleborg Engineered Systems of Sweden, acquired two new sites in Great Britain and the USA: First the English Polyurethane Products Ltd. From Retford, Nottinghamshire which produces e.g. blow molded polyurethane components for various uses as for example cable protection. The enterprise employs 90 persons and gained approximately 8.5 million BP in annual sales in 2009. Observers predict the deal to be completed within the first quarter of 2011. Second purchase is the US precision seals distributor Lutz Sales, which will be part of Trelleborg's line of business Sealing Solutions. The new year also starts with new products. Bayer Material Science developed Makrofol® TP 320, a polycarbonate overlay for security cards, covered with a scratch-resistant hard coat. This product belongs to the Makrofol® product range which was invented especially for use in cards. This transparent sheet can be laminated under high pressures and at temperatures up to 190°C (374F), which should avoid cracks in the hard coat as well as other surface defect. This sheet is also said to be especially scratch-resistant and resistant against chemicals as sun blockers, cosmetics, oils and fats, fuels and detergents. Arla Plast, Swedish supplier of thermoplastics enlarged its product range of PP-based TPE with the new 'O8003', which shows an improved UV-resistance. The range of temperature of this product reaches from -40°C to +90°C (-40F to 194F). The new product should combine a rubber's impact strength with good thermoplastic resistance and forming properties. It further shows low stiffness, high chemical resistance and abrasion resistance as well as good noise damping properties. DSM Engineering Plastics, Netherlands, presents a new polyamid-6-material Akulon Fuel Lock™ - with its low permeability and high impact strength it is suitable for the construction of very thin-walled fuel tanks. It is as well suitable for injection molding as well as blow molding and offers good barrier properties without auxiliary additives or special post-processing. Some USA companies are expanding in Europe. Washington Penn and Uniform Color Company applied for permission to build a common site for PP-compounds and master batches in Slovakia. As reported, 8 million EUR will be invested. The building of the new production site for PP-compounds and master batches should be started with in the near future and should be completed in August 2011.

OUTLOOK ASIA: by Mal Binnie, our special Pacific Rim correspondent in Australia The holiday period is over in Australia and New Zealand and we move towards the Year of the Rabbit for Asia in early February. We can all aim for improved results in 2011 as the world financial markets appear to be stabilising and business growth returning. However we all face random events such as weather, earthquakes, terrorism. These can change the way we adapt our businesses for the near future. In Australia flooding rains in the North will have an impact in the first quarter. There are many planned changes in staff in the Distribution market which will become clear during the next period. Two well known managers in the Pacific are seeking to relocate and could assist companies seeking market growth in the Pacific in both the plastics distribution of basic shapes or resin. Arnold Mouw currently in Australia but will relocate, contact at <arnoldmouw@bigpond.com> and Sig Floyd of Valushar China Consulting <www.valushar.com> As a lead Sig estimates

that a reasonable target for the RMB by year end would be 6.35RMB/USD. The Australian dollar continues to maintain its strength against world currencies and parity with the USD. The key markets in 2011 in the Pacific will still be India and China. Assoc Editor of Popular Plastics, S.Rangarajan, highlighted the issue that propylene supplies may hinder the growth of polypropylene in the packaging and automotive industries. Rajoo Engineers Ltd, extruders of sheet and film announced 3 deals with companies in India, Germany and Italy. Speciality Chemical producer Rhodia SA has acquired the engineering plastics business of PI Industries Ltd, India.

China will be faced with continuing consumer inflation but are predicted to handle it without revaluing the RMB. Bayer AG announced an investment in Shanghai for polycarbonate and MDI of over 1 billion USD. They will also relocate their polycarbonate business unit from Leverkusen to Shanghai. The strong economic growth in China, India and in the Pacific region are offering outstanding opportunities. Various China Employment law updates are available from Baker and McKenzie Group and include details on guidance on choice of laws for employment of Foreign Nationals in China. Italian machine makers forecast growth in China of 43% and in the Far East of 31%. Automotive sales in China are predicted to grow strongly in 2011 and US suppliers are seeking solutions to capitalise on this growth. Topics will be discussed during the Auto News World Congress January 11 - 13 in Detroit. We wish all our readers a Happy and successful New Year.

OUTLOOK NORTH AMERICA: by Bill Shields, our special correspondent in the U.S.

The Institute for Supply Management's U.S. manufacturing index rose 0.4 points in December to 57, signaling growth. That makes it the 17th month in a row above the neutral mark of 50. A reading greater than 50 points means economic expansion. The new orders index jumped to a 7 month high as manufacturing in the U.S. expanded. We can expect PP resin manufacturers to push through new price increases for up to 17% in February. Also expect price increases in both PVDF and acetal POM before the end of Q1. 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. **Harvel Plastics** appointed Greg Martino Vice President of Sales. **Interstate Plastics** has hired long time industry veteran, John Schwenck, as their new National Sales Manager. **Nylacast** was awarded the Carbon Trust Standard in recognition of their lower carbon emissions. **Palram Americas** added Charlene Riegger to their marketing team. **Petro Extrusions** is adding polypropylene and acrylic tubing to their product offerings. **Quadrant EPP** has announced price increases effective February 1, 2011 for Nylatron®, Ertalon®, Ertacetal®, Tivar® UHMW, Symalit® FEP and Symalit® PFA.

PRICING: Although we expect to see a resumption of chronic inflation of polymers in 2011, the year begins with some selective single digit increases including ABS; PA; UHMW; and PP. Anticipating some selective shortages in this decade, the European Plastic Converters (EuPC) is challenging raw material suppliers in court if converters are faced with suspicious declarations of Force Majeure...proof must be supplied before this drastic step is executed.

MANUFACTURER/DISTRIBUTOR BRIEFS: Zeus adds fluoropolymer capacity for expanded PTFE tubing products at its South Carolina plant. Mega-distributors Grainger and Graybar report double-digit sales increases in 3Q 2010. Quadrant EPP introduces metal detectable engineering thermoplastics (PA; POM and UHMW PE) for use as traceable machined parts in the food processing industry. New PC film and sheet producer is Chengdu Kanlongxin Plastics, Chengdu, China. Optiglass relocates headquarters from Ohio to North Carolina. Chairmats being produced by ES Robbins from Eastman's PETG. Rhodia launches a certified halogen-free, flame retardant Technyl® PA resins for the photovoltaic industry. Styron of Switzerland co-extrudes PC sheet with special transparent near-infrared grade material that increases solar heating efficiency.

MERGERS, ACQUISITIONS, ALLIANCES, EXPANSIONS AND DIVESTITURES:

Bayer MaterialScience is to move PC headquarters to China from Germany and is significantly expanding PC manufacturing capacity as well as doubling PU capabilities. Westlake Plastics buys remaining 50% share in Westlake United after years of speculation – total employment now 100, and reports double-digit sales growth in 2010. Mitsui Chemicals is set to expand its UHMW PE capacity in Japan by 50% to 2500 tons per year...product name is HI-ZEX MILLION™. CO-EX, unit of Swiss based EMP SA, reorganizes management with Kurt Glaser succeeding Mike Johnson (for more details see PEOPLE below). PolyMedex develops multi-layer polyimide and TPE tubing for demanding medical applications such as small diameter vascular devices.

PEOPLE: CO-EX appoints Janice Pravorne Horticultural Sales Manager and Leading Edge and Tandem Group as manufacturers representatives.

INDUSTRY INTERVIEWS:...concluding our interview with Mike Batky, Business Answers International

Q. How important is it for our industry to be engaged in environmental initiatives? What should be done that is not being done?

A. It is very important that our industry become more engaged in environmental initiatives. Some plastics such as PVC, polyethylene bags, and polycarbonate bottles are being negatively portrayed by the media as being bad for the environment and I don't see strong and factual response from our industry. I think the IAPD would have a more powerful voice if we would align ourselves with the Society of the Plastics Industry (SPI) and other chemical associations in order to promote the positive attributes of plastics and counter any negative misinformation.

Q. Will consolidation in the manufacturing and/or distribution sectors resume? If so who will buy who and why?

A. I expect consolidation activity in both manufacturing and distribution to increase. As you know, our industry consists of sheet, rod, tube, film, fabricated parts and gossip. I prefer not to speculate but I understand the Global Plastics Newsletter is putting together a consortium to acquire the industry's top 5 distributors to be called Ettenson Plastics.

Q. What will the makeup of the IAPD look like at the end of this decade?

A. I don't expect much change from the makeup of today's IAPD.

Q. What technology do you see becoming critical for distributor/fabricators in the next 5-10 years?

A. The only thing that is guaranteed in business is "change." Companies must stay on top of technological changes to better service changes in customer trends and buying habits.

Q. On a personal note, what do you consider your greatest accomplishment?

A. My greatest accomplishment is my family and being a good husband and father to my children. We recently had our first grandchild, Emily and she has begun to consume our lives in an amazing and positive way.

Q. If you could return to Florida or New York as someone else, who would it be?

A. The plastics industry has been good to me and my family. I've never regretted being part of this wonderful business and it's been a great ride. If I had a chance to do it again, I certainly would not hesitate.

Thank you.

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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