



*“A World of Plastics Information”*

**Part news. Part views.**

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Dear Colleague:

Meaningful mergers mean many more mathesis...the urge to merge is here. In fact, there are plastics industry blogs and websites devoted exclusively to M & A's. Cheap credit made possible by ultralow interest rates are contributory as is abundant cash for deal making and the pressure to increase profitability by buying or joining with a competitor. A stronger dollar, rising competition from imported products and slowing demand from China are all factors in a struggling economy as 3Q 2015 ramps up. Look for softness in PVC and PE pipe markets as weak energy prices put a damper on the oil and gas industry. Interest rates should finally rise in the U.S. by 25 basis points in about the Sept. – Oct. 2015 window. Crude oil prices trending steadily downward.

#### TRENDS:

Phoenix, AZ now requiring clear PC sheet used on uninhabited properties as windows and doors, replacing plywood...Detroit, L.A. and Chicago considering similar requirements. An entire industry (wholesalers) is watching Amazon's every move... as they flirt with a crowd sourced delivery system similar to Uber to make same day deliveries via Amazon Business. Delivery by drones is also being speculated. On My Way and Roadie are two possible apps. Going head to head with Amazon is possible with Google Analytics and site search engines. For more insights, see *Industrial Distribution's "Q&A with Amazon Business Execs"* and *"Who is Buying from Amazon?"* Rising demand for PC (over 5% CAGR) will boost the BPA market as well.

**In Memorium...**Dave Keim, 55, President, Lehigh Valley Plastics

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

The summer report starts with mixed news from Swiss based EMS Group. The company reported consolidated net sales in Swiss Francs reaching CHF 969 million (999) which is 3% lower than in the previous year. Sales volumes were increased by 8 %. The economy turned out to be moderately positive. EMS realized new business and successfully launched a growth offensive in response to the decoupling of the Swiss Franc from the Euro. Strong negative currency effects, as well as raw-material related sales price reductions, reduced net sales in Swiss Francs. Growth of net sales in local currencies was 4.4%.

In the main business area of High Performance Polymers, an 8.4% increase in sales volume was achieved. Planned new business, in particular in the global automotive industry, was successfully realized and additional business gained through a sales offensive. The secondary business area Specialty Chemicals increased sales volumes by 4.6%.

Elsewhere, in the UK the bracket manufacturer Denroy Plastics Ltd., a UK-based precision plastics injection moulding specialist developed the optimised brackets in close collaboration with Bombardier and Victrex. Made of an electrostatically dissipative Victrex PEEK grade, Victrex PEEK-ESD polymer, with proven performance in harsh environments including aggressive aerospace fluids, the Victrex solution has for the first time specified in commercial aircraft, i.e. Bombardier's C Series, Global and Learjet aircraft. Denroy has adopted a consistent approach to replacing metal brackets with Victrex's high performance polymer solution.

Victrix PEEK meets a number of engineering requirements for aerospace, including stiffness, a low coefficient of friction and high resistance to wear – all in addition to its ability to withstand aggressive chemical environments. The PEEK-based polymer flows easily and its performance is not influenced by moulding conditions, provided that the recommended processing conditions are rigorously followed.

On the product side an interesting newcomer is Vampamid 6 2028 V2/U, a compound based on polyamide 6 with 20% glass fibre, produced by company Vamp Tech Spa, Busnago/ Italy. This material complies with the flammability requirements of UL 94. It also classified S3/SR2/ST2 according to the German standard for trains DIN 5510-2.

Furthermore, DuPont has developed a true water based one coat that provides excellent corrosion resistance. It was specifically designed for coating off shore, chemical processing, and water treatment fasteners on substrates such as carbon steel, stainless steel, and aluminium. According to the company the newcomer is the first truly water based, low VOC and easy to use coating offering a corrosion resistance of up to 3,000 Salt Spray Hours. It is targeted for applications requiring outstanding corrosion resistance, anti-galling, and dry lubrication. Excellent salt spray test results have shown corrosion resistance even without surface pretreatment.

Additionally, DuPont Performance Polymers has increased production capacity of DuPont Zytel PA 66 and PA 6 at its Uentrop facility in Hamm, Germany, by 20 percent, to meet growing demand primarily in the global automotive industry. Lightweight, high-performance Zytel nylon often replaces metal in automotive components and is at the leading edge of industry efforts to improve fuel efficiency, lower CO2 emissions and enable sustainable mobility.

#### **OUTLOOK ASIA...by Mal Binnie, our Pacific Rim correspondent in Australia.**

The plastic industry in the Pacific should not be affected by the recent collapse in the Chinese stock market. Chinese growth is on a downward path from highs of 9% with some pundits predicting 4%... even this is higher than most other economies. A lot will depend on how the Chinese Government handles the current issues. In Australia the \$Aus has retreated against the \$US and at the time of writing was marginally above 0.73. Most engineering plastics for ANZ are imported and come from Europe, customers will see price rises and plastics distributors are reporting a lowering of margins. All of these events are near term occurrences and the future for plastics distribution still appears positive. A recent ATKearney Foreign Direct Investment Trend report shows international companies rank China as No2 for investment, Japan No7 and Australia No10. Both China and Japan maintain their PMI around 50 suggesting flat conditions with Australia still recording results below 50. A Transparency Market Research report indicates that the plastics packaging market will grow from \$260billion in 2013 to \$370billion in 2020 a CAGR of 5.2%.

Asia Pacific International Mining Exhibition is to be held at Sydney Showground September 1-4 2015. Both Plastral and Dotmar are currently noted as exhibiting. Local distributors are reporting polyolefin price increases from Europe of up to 25% and according to some commentators this is caused by China demand. Australian playground equipment made by WillPlay is developing many new designs using a range of polyolefins and recycled plastic materials from local sources. Mulford Plastics Australia has announced the opening of another branch for its Building Products in Hobart, Tasmania. Ancor Packaging has expanded further in India acquiring Packaging India Private for \$US26.4million. Quickstep the Joint Strike Fighter supplier has announced its entry into becoming a major supplier to the automotive industry. Current surveys of Australian industry have indicated that industries expected to flourish over the next decade include Oil and Gas which will lead to new opportunities for the plastics industry. The next Visual Impact exhibition will be held in Melbourne September 17-19, 2015.

Mulford Plastics NZ is now a licensed distributor and manufacturer of Magnetite Retrofit double glazing systems. Manufacturing has commenced at Mulfords Hamilton NZ location. Acrylic double glazing systems show significant benefits over conventional glass systems.

China's "Made in China 2025" campaign is well underway and the State Council has created a group of senior officials to oversee the planned transformation of the nation's manufacturing sector of which plastics are a major contributor. Poly One opened its new Asia Innovation centre in June in Shanghai. It is claimed to increase speed to market for customers. Andritz Group has started up a BOPP film line in Bezhou, China. The Bioplastics industry in China may have an opportunity for real and rapid growth with Government policies aiding its growth. A factory in Dongguan has replaced 650 workers with robots and now only employs 60 monitoring their production lines. Chinese polymer producers are looking for expansion with manufacturing plants in overseas markets including growth in US, Mexico and Romania. An Executive meeting of the World Plastics Council is planned for Yuyao

China October 20, 2015 followed by China Plastics Expo October 21-24. Sinopec and Ineos are reported moving closer to resolving their acrylonitrile patent dispute. Medical product manufacturing continues to grow in China with Philips-Medisize opening a design and development centre and Gauditz GmbH expanding from the auto market and adding the medical plastics sector. Early July Demag opened its new Ningbo plant. Hop Zenith Trading announced a planned JV with Singapore's R&P Pte Ltd to manufacture and market TPO in China. A Beijing company is taking recycling into a new era with a machine that pays consumers for depositing PET bottles.

Teijin plans to close their Singapore PC plant by year end and have announced their intention to increase their activity in the automotive market with PC from China and their Matsuyama plant. Plastics polymer plants are reported to be planned for Mangaluru and Manipur India. Bayer Material Science is continuing to expand in India with a second line for TPU production. Mitsui Tokyo and SKC Seoul have merged their polyurethane business as MCNZ with revenues of \$2 billion targeted. Sharp Corp is marketing a Bio based plastic smart phone using Mitsubishi Chemicals Divabio, a Bio based PC.

#### PRICING:

Resin prices are essentially flat as we enter 2nd half of 2015, with PE unchanged from 1-2Q 2015. PP prices are trending lower, with PS suddenly reversing an upward trend due to sharp fall in benzene prices on world markets earlier this year. PVC, ABS and PC prices are flat (benzene again contributory). The one exception is nylon 6 prices which are up as much as 7 cents per pound, although nylon 6/6 remains unchanged. As 3Q 2015 opens, benzene however has once again reversed course and early indications are for a 80 cents/gallon uptick to \$3.05/gal and PS and PC are reacting at press time. Editor's Note: in our May-June 2015 issue, we reported that Evonik had increased PMMA sheet prices...this was for Europe only and not for North America.

#### MANUFACTURER/DISTRIBUTOR BRIEFS:

Rochling announces some executive changes: Lewis Carter, Director, Medical Plastics; Tim Brown, President Rochling Engineering and Machine Plastics, N.A. ; Franz Lubbers, Sales and Marketing Director, Semi-finished thermoplastics products and Mustafa Altintas, Rochling Sustaplast Production and Engineering. Latest sales estimates of pipe, profile and tubing extruders by Plastics News include: JM Eagle (\$2.5 bill); Rehau (\$170 mill); Georg Fischer (\$158 mill); Saint-Gobain PP (\$80 mill); Newage (\$24.5 mill) and Thermoplastic Processes (\$21 mill). PC sheet being exported by Rhuiyuan Chemical in China. Primex celebrates it's 50th year. Curbell publishes data on plastics properties at cryogenic temperatures. Total Plastics reports 2Q sales down 5.7% from 2Q 2014.

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

Solvay starts up new Flouroelastomers plant in Changshu, China...same site as PVDF plant due to be on stream in 2017. Further, it acquires Cytec (spun off from American Cyanamid in 1993) in a \$5.5 billion deal. Grainger acquires UK based Cromwell Group (largest independent MRO distributor in U.K) for \$482 million. Wesco International (largest electrical/MRO distributor) cutting 300 jobs as sales (at \$1.92 billion) and profits plummet in the wake of HD Supply being sold to Anixter. Victrex buys Kleiss Gears to further its PEEK business. PolyOne expands its sheet plant (formerly Spartech) in Ohio.

#### INDUSTRY INTERVIEWS: ...Katie Clapp, Vice President, Purchasing

Q. What's the history of A & C? When started? Where? By whom?

A&C was started in Houston, TX in 1973 by Carolyn & Myrl Faulk. Carolyn taught school during the day and worked on the A&C Books at night while Myrl called customers found in the yellow pages. Starting out, they had no inventory. Myrl would sell a job and to fill the order, he would buy it from a local competitor. All profit was used to slowly build inventory. Carolyn bought Myrl's shares in 1987. Today, A&C stocks over \$8 million in 3 locations.

Q. How would you describe your mission, in one sentence?

We sell service and throw the plastic in for free!

Q. Sounds like you are a distributor as well as a distributor's distributor...but how can you do that with only sheet products?

We are known for stocking all the hard to find sizes and colors in plastic sheet. When manufacturers have 4k or 6k pound minimums on odd stuff, A&C buys the minimums and stocks it. A lot of the distributors will call us for just 1 sheet or 100 sheets. We have no minimums and we are able to get product out for them within 24 hours.

Q. So much of your company is embodied in Carolyn Faulk...how do you follow that as her daughter and presumed successor?

It's going to be a tough job, that's for sure! She has taught me so much my whole life, especially the past 17 years that I've been at A&C Plastics. In any given situation, I ask myself, "How would Carolyn handle this situation?". I'm still learning and still lean on her for advice from time to time.

Q. You seem to have extraordinary employee relations...how did that evolve?

Carolyn has always said, "If you take care of your team, they will take care of you." She's right. We've got the best team we've ever had. We're growing and believe in only hiring 'rock stars'. We hire for attitude and train for skill. We work hard but also play hard.

Q. What's the thinking behind your announced policy of giving long time employees 30 days of paid vacation?

Our team members give 100+ % to A&C Plastics and we are proud of them. We feel like since they've invested so many years of their life with A&C Plastics, giving them extra perks and paid vacation on their milestones is just a small token of our appreciation.

Q. Who is responsible for your unique ads and innovative marketing?

We have an outside agency that creates all of our ads. They've learned about our culture, products and employees. We've received positive feedback about our advertising. It's been a great partnership.

Q. Why do you not have a physical presence on either East or West coasts in the U.S.?

We will be expanding in those areas. In May, we purchased a 55,000 SF facility and will be moving our Chicago, Illinois facility down the street to this larger building. We are also adding 30,000 SF to our Houston location bringing it to a total of 120,000SF. We are also investing in more computerized saws. This expansion is expected to be complete by December 2015. We believe 2016 will be exciting, bringing us new challenges.

Q. What do you see as the next trends in selling plastic sheets Will Amazon take over?

Keeping up with technology is a constant challenge but so important to stay ahead of the game.

Q. What advice would you give your newest employee?

Stay focused. Be motivated to learn all you can to get yourself to the next level. Be willing to put in your time. Plan your work and work your plan. And most importantly, have fun!

Q. If you could return to Houston in another life as anyone, who or what would it be?

Carolyn's dog, "AC". The dog has travelled the world in style and eaten at more fine dining restaurants than Donald Trump.

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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