



GLOBAL PLASTICS LETTER

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“A World of Plastics Information”

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NPE Issue

Dear Colleague:

Poised, Paused or Positive?... pivotal questions for the global economy and our industry as the second half of 2009 begins. We have just returned from National Plastics Exposition (NPE 2009) in Chicago and experienced the global slowdown of our industry first hand. Total visitor registrations were 44,000... down 30% from the last NPE in 2006. However companies represented were only off 17% - 19,000 companies from 101 countries, most from U.S., Canada, and Mexico. Exhibitors numbered 1850 (25% for the first time), occupying approximately 900,000 sq. ft. (84,000 sq.m). This is almost identical with the 2006 count, helped in part to the financial incentives offered by SPI, especially for first time exhibitors such as DeWal Industries from our semi-finished shapes sector. Summing up... plastics industry activity slows but certainly virile and vital globally. **Editors note:** see our more detailed NPE coverage below. Major economic woes such as banking, autos and inventories are behind us...still the recovery just beginning to show will be lethargic with global economic growth expected to be 2% in 2010 and perhaps 11% for 2011. This is the deepest recession in the last 75 years and could still be derailed by financial and/or geopolitical (read oil) shock to the world's economy. One downside to an economic rebound is certain to be the inching up of long-term interests rates.

TRENDS: Leasing more high tech equipment and ordering annual subscriptions for software instead of buying...are some newer ways to lower short-term spending. Trucking and rail rates should stabilize, with a cap of 1% at most, next year...good time to negotiate long-term contracts.

Look for a spike in oil prices next month...speculation could drive oil to \$85/ barrel short-term.

A growth industry emerging from the wars in Iraq and Afghanistan and extending to private commercial applications is drone manufacturing... General Atomics, United Technologies, Raytheon, AeroVironment, Proxy Aviation and Swift Engineering are the key manufacturers.

NPE NOTES:

- New publications from Europe: *Film and Sheet Extrusion, Pipe and Film Extrusion*, both from www.amimagazines.com
- Bioplastics resin and related technology offered by 38 exhibitors, including DuPont
- Eastman Chemical continues to aggressively market Tritan™ copolyester and Spectar™ PETG as “bpa free” and penetrating many PC sheet applications including the sign industry – see: www.tritanfromeastman.com for their pull thru efforts.

- SABIC IP returns with huge presence, after GEP dropped out in 2006...many Lexan® sheet applications displayed along with concept cars loaded with HPM's from SABIC
- Dow Chemical notably absent...Evonik Degussa, Invista, DuPont, Plaskolite, Industrial Plastics and Machine (Guarniflon), DeWal, BASF, PolyOne, Lyondell Basell, Amco, Asahi Kasei were some of the exhibitors relevant to our industry. In addition these others were listed under the *Materials: Stock Shapes – Rod, Slab, Tube* category: API-Kolon Eng. Plastics; Clax Italia; INUS – Total Plastic Solutions and Kureha Corp. (America)
- PlastIndia Foundation presented the Indian Plastics Industry growth and opportunity story
- *Sustainability*...renewable, recyclable, less energy consumption and neutralizing carbon emissions, was a recurring theme at most exhibitors stands
- Plastics History & Artifacts collection at Syracuse University introduced

Summing up NPE 2009...innovation, information, relevant and resuming growth in 2010 when K Fair should hold forth in October 2010 exhibiting renewed vigor and economic well being for our industry. Exhibit space is sold out...250,000 visitors in 2007. Look for new materials, applications and markets to expand exponentially with new energy approaches and continued bioplastics growth. Many more companies such as Eastman will resume vigorous marketing support to many of the companies in our shapes industry.

OUTLOOK ASIA...by Mal Binnie, special correspondent based in the Pacific Rim

Economies in SE Asia, with few exceptions, continue to recover from the Global Crisis and the Australian Government announced that it's Stimulus package has ensured that recession is avoided. There are many signs that business is improving and that destocking has reached its low point.

Asian Economic Outlook 2009:	China	India	Japan
GDP	+6.5%	+5.0%	-6.0%
Manufacturing Output	+6.8%	+1.3%	-21.4%

The Australian Federal Police (AFP) investigation into the plastic banknote industry and the accusation of kickbacks continues; senior executives are reported as treating the allegations as serious. Securrency International is a joint venture between the Federal Reserve of Australia and Innovia Films Wigton UK. Plastral Pty Ltd has appointed Ken Girdlestone (ex Cadillac WA/Vic) as National Product Manager to represent Simona products to the ANZ market. Mulfords report continuing growth in their Engineering Plastics group and in the same market Laurie Green, Cut to Size Plastics reports an increase in customer activity.

India is seeking to increase the availability of skilled business managers in the plastics industry by building an educational institute for training under the auspices of Plastindia. This should provide a good opportunity for major plastics distributors to offer assistance and enter the Indian market. Taiwan industry leaders are planning a plastics summit meeting with Chinese manufacturers in Taiwan March 2010. Acrylic sheet manufacturer Cho Chen Tainan Taiwan has announced the commencement of acrylic sheet production in Ho Chi Minh City Vietnam. Full output should be reached in August 2009. China's plastics industry is heading back into double-digit growth in the next two quarters and is referring to the first six months of 2009 as "a stumble". Liao Zhengpin President of China Plastics Processing Industry Association stated that the industry would still require advanced foreign technologies for upgrades and needs value added products. Chinese participation at the NPE in Chicago, with nearly 200 firms exhibiting, indicates that the industry is actively searching for growth and brand recognition. Mulford International reports steady growth in China and Hongkong as well as Indonesia and India. IDI Composites Noblesville Indiana has acquired thermoset materials plants in China (and France) in a deal that should ensure it becomes the largest supplier of thermoset compounds.

BASF has indicated assistance to upgrade quality for the Chinese car manufacturing industry by increasing use of its innovative engineering resin products. Sabic IP have reported a compounding capacity increase of 30% in its engineering resin plant in Nansha China. Abu Dhabi UAE polyolefin supplier Borouge Pte Ltd CEO indicated their continued expansion in China and that demand has increased as the Government stimulus package has shown positive results. GE Fairfield and Sabic IP USA are partnering with Sun Yat Sen University Guanzhou to boost Environmental Health and Safety (EHS) in the Chinese plastics industry by training specialized EHS managers.

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

Long time North American Plastics Industry veteran and Canadian business owner Mario DiOrio has retired from **Plastifab**... **BASF** reported that they have shut down their polystyrene plant in Germany and announced their change in distribution channels for its styrenics business in North America, dropping Ashland Distribution and adding Entec... **Chrysler** has sold 20% of itself to Fiat, the UAW will hold 55% and both the U.S. and Canadian governments will own 10%...Mannheim, Germany based **GEHR Plastics** has announced nine (9) ECOGEHR biodegradable and renewable products as well as adding 40% glass filled PPS rod to their line.... **GE** has announced they are building a \$100 million solar energy tech center in Michigan and expect to employ up to 1,200...**Laird Plastics (Detroit)** has added Penny Monk to their outside sales staff... Biodegradable resin manufacturer **NatureWorks** announced that they are doubling their capacity of PLA resin due to demand. Also **Cargill** has bought back a 50% share in NatureWorks...**Nissan** could add up to 1,000 new jobs at their Smyrna, TN factory due to a \$1.6 billion federal loan to build zero-emissions electric cars and battery packs.....**NRG Energy** has announced their plans to build the nation's largest 92-megawatt solar thermal plant on 450 acres in NM near El Paso...**Spartech Corp.** has added Bryan Lindquist as a new market development manager.PP resin prices are rising due to price hikes for PP monomer feedstock which has climbed as oil has climbed. Prices have climbed 21% in 2009 after falling about 35% in the last quarter of 2008. PE resin prices followed with a 10% increase in June. Domestic demand for the resins are lagging but strict inventory controls by producers and the rising feedstock costs are pushing the prices higher.

MANUFACTURER/DISTRIBUTOR BRIEFS: Bayer MaterialScience adds sustainable recycled and bio content (PLA) resins to its Makroblend PC and Bayblend PC/ABS portfolio. Also from Bayer is new radiation-stabilized medical grade PC resin, Makrolon® GP099 sheet used for forestry vehicle safety glazing and FR 7087 resin and sheet. Spartech closes facilities in the U.S. (including marine industry sheet products plant in Florida) and France. Lehigh Valley Plastics achieves ISO 9001 certification. AEP closes film extrusion plants in Georgia and California, completing consolidation of Atlantis Plastics. Cope Plastics restructures... Jim McCormick leaves. Thermoplastics Processes President Dick Garthwaite leaves. McClarín Plastics integrates metals and plastics in their systems approach to forming.

New website company, www.iPlastic.com deals with excess inventory in semi-finished shapes...Keith McCartan is founder in Canada. Rochling Group reports 2% drop in 2008 sales. Russian acrylic extruded sheet maker DOS restarts production with new financial backing. **In Memoriam**... King Specialty President *Forrest Weisbrust*.

INDUSTRY INTERVIEWS: Concluding our interview with **Charlie Crew, President and CEO, SABIC Innovative Plastics**, who we also chatted up at NPE 2009 in Chicago.

Q. What are your plans to take SABIC Innovative Plastics to the next level – surpassing Dow, DuPont, Bayer in the global petrochemicals market place?

A. SABIC is a leading petrochemical company in terms of product diversity, sales and production capacity. It is the largest public company in the Middle East, ranked by market capitalization, and one of the world's 10 largest petrochemicals manufacturers. The company is among the world's market leaders in the production of polyethylene, polypropylene, glycols, methanol, MTBE and fertilizers, and is the fourth largest polymer producer in the Middle East and North Africa. It is a Fortune 500 and Fortune Most Admired company with facilities in 24 countries around the world. Combine this with the fact that, as SABIC Innovative Plastics' CEO, I am staying the course with our business strategy of continuing to deliver innovative products solutions and world-class service to help our customers grow and succeed. We're also looking at new ways to continue strengthening and enhancing our overall commercial excellence. We are determined to become even more customer-focused, and, at the same time, more cost-competitive in how we meet customers' needs. We're very serious about helping our customers grow and be successful, which is evident in our commitment to excellent service and the development of new innovative product technologies.

Q. What advantages have you experienced being fully vertically integrated with SABIC versus the strategic position when you were GE Plastics? Disadvantages?

A. As I mentioned before, SABIC Innovative Plastics has SABIC's full support. Our parent values the innovative heritage of our business, which is one of the key reasons they bought it. In addition, we play a very important role in their mission to become a larger and more diversified specialty company...and to be a bigger global player. Our outstanding legacy of innovation, our portfolio of world-class engineering thermoplastic products, along with the long-term commitment of our parent have allowed us to increase our global competitiveness as we continue to deliver innovative and new material solutions to our customers. SABIC is committed to us for the long term.

Q. On a personal level, how has this major transition affected your style of living? How many trips have you made to Saudi Arabia this past year? How does the Pittsfield culture mesh with that of Riyadh?

A. The biggest transition has been a gradual one, especially the experience I've gained over the years. It's been a fascinating journey and I've enjoyed every minute of it. The people I've met, the places I've seen, and the experiences I have gained have all been a tremendous education for me. I make several trips to Saudi Arabia each year to collaborate with my colleagues there. And, from a cultural standpoint we are all learning from each other. The world is shrinking daily and working with people from different cultures in a broad range of contexts is extremely important, as well as personally enriching and intellectually satisfying. When talented business leaders from different cultures come together, there is always a great exchange of ideas where we can all share best practices and gain other perspectives on how to do things. It's a great way to learn and get better at what you do.

Q. What do you consider your greatest personal accomplishment?

A. From a business standpoint, it's definitely being promoted to president and CEO of SABIC Innovative Plastics. When I was starting out in business I was young and enthusiastic, always imagining where I would be in the future. And being CEO some day was something I, like many people in the company, certainly thought about. After more than 35 years working for this business and having great mentors – and, of course, a great deal of luck – it happened.

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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