



# GLOBAL PLASTICS LETTER

E-mail: [mettenson@globalplasticsletter.com](mailto:mettenson@globalplasticsletter.com)  
Website: [www.globalplasticsletter.com](http://www.globalplasticsletter.com)

*“A World of Plastics Information”*

JULY 2010

Dear Colleague:

Mixed money matters means maximizing management...as the second half of 2010 begins, mixed economic reports portend a difficult business environment. Recovery in revenue is being reported with earnings lagging but prevalent. Inflation in pricing has moderated but selective increases are imminent. Thus the mixed landscape looms requiring much experience and wisdom from the managers in our industry. Oil prices will continue their roller-coaster ride in the last half of the first decade's year- end. Gasoline prices at the pump appear to be peaking (just short of USD\$3.00 in the U.S.)...look for efforts to resume offshore drilling in the Gulf of Mexico and a re-evaluation of the globe's dependence on the Middle East for oil resources. With the enormous amount of oil under the ocean floors, the recent BP disastrous spillage may yet serve as a vital economic landmark event...why do we need Saudi Arabia et al oil fields when such vast amounts are beneath our planets waters? Other commodities under pressure are zinc, aluminum, copper and tin ... expected to slide 10-20% by September. Electricity prices, especially where dependent on coal generators, are surging as much as 10% per year for the next decade.

Currency changes are roiling global markets as the Euro falls and the Dollar gains as the credit markets in Europe as well as economic turmoil due to undercapitalized banks takes its toll.

In the U.S., the economy pulled out of a tailspin in the last year but upward growth has been modest, with a 3.5% GDP growth forecast for this year and next. Helping to drive the growth are: lean inventories, business spending on equipment and software, continued federal stimulus, rock bottom interest rates, and rising consumer confidence. However the sense is that a recovery is being stubborn with credit availability still below normal and unemployment still too high. Add the psychological hindrance of housing markets refusing to recover and you have the mixed picture we are hearing. Certainly in our industry there are some good vital signs but they need to be sustained in the second half of this year.

TRENDS: Modern Distribution Management has published lists of the top distributors in several categories: PVF; electrical; construction; bearing; industrial and **plastics** ...for details and the complete lists, go to: <http://www.mdm.com/article/print?articleId+26129>. Also available at [www.mdm.com](http://www.mdm.com) is a comprehensive analysis of MRO markets and the top industries consuming MRO products, including those in our plastic semi finished shapes industry. Papermate biodegradable pens made of Mirel ® PHA biopolymer (corn sugar based) debuts in the U.S.

Eastman Chemical considering divesting its PET business while starting up a new Tritan® copolyester plant...also launches its first Sustainability review. An exciting nanocomposite is being researched...PMMA/nano TiO2 matrix.

NPE 2012 slated for April 1-5, 2012 in Orlando, Florida (first time in 66 years not in Chicago).

K 2010, International Plastics and Rubber Trade Fair to be open in Dusseldorf, Germany from Oct. 27 to Nov. 3, 2010. EPDA votes POLYTRON winner of first application award... made of carbon fiber filled Nylatron® supplied by Quadrant EPP.

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

Japan carried Asia's hopes in the World Cup further than Australia and New Zealand but the VUVUZELA has been a hit for the plastics industry in South Africa, Europe and Asia. (Ed. terrible sound!!) Also Australia has created a political first by electing a woman to lead the country. In addition Australian packaging giant Amcor is heading towards a position of being the largest blow moulder in North America if its acquisition of Ball Corp plastics packaging moves to conclusion.

In Australia the distribution industry is still finding pricing difficult, being held low by some distributors to ensure they hold customers. Mulford reports the planned opening of a new branch in Newcastle NSW with retail, trade and full cutting service. Dotmar has invested in new PU casting equipment that will double its output according to Leon van den Heever PU Product Manager. Laurie Green owner and MD of Cut to Size Plastics has announced the appointment of Chris Hoskin as Group GM; he has wide experience in the industry previously being with Menzels and Dotmar. CTS also announced the sole distribution in Australia for Gehr Plastics and King Plastics, Florida. Arnold Mouw COO Mulford International has proudly advised of the companies contract for the Dunedin Stadium NZ for the Rugby World Cup. (Ed bet Phil Harry will take pleasure in attending.) Halifax Vogel showed its Green Theme at a recent Visual Impact Show with products such as EVOLVE, View-Visi and Eco Sol on its green themed stand.

For Engineering Plastics there are 2 important shows planned: Singleton Mining Expo 17th to 19th August 2010 and Newcastle-Hunter Mining Expo 24th to 26th November 2010 and for Visual plastics the Visual Impact Expo Sydney September 20 - 22, 2010.

Chinaplas measured by attendance is now considered the 2nd largest global plastics trade show overshadowing the NPE in the USA. Companies ramping up their presence and activities in China include Exxon Mobil, DSM, Lanxess, Rhodia, Borouge, Battenfeld and many others. Activity in China from both Government and Industry in producing olefins from coal is gathering momentum. One word not heard frequently in China is "Strike". But workers in Foshan Honda factory have won a wage increase by this action. Also it appears that the Central Committee of the Party endorses this action in and endeavour to increase wages and improve workers living standards.

The Indian Plastics industry continues to show innovation in many areas but personally I liked the recent article by RC Bata on the subject of "EXJECTION", a new word for the plastics dictionary. India's Government has placed a dumping duty on the importation of Chinese made injection moulding machines.

Building Exhibition Stands has been taken to a new level in Taipei, Taiwan with 1.5 million plastic bottles being used to build a 3 storey exhibition pavilion. SK Chemicals South Korea aim to push further on Green technology and to ensure its growth as a manufacturer with efficient use of fossil fuel feedstocks.

(Note that I am a supporter of my distant kin Bill Binnie for the US Senate, New Hampshire)

**OUTLOOK NORTH AMERICA: ...by Bill Shields, our North American correspondent**

Growing demand for equipment in emerging markets will continue to provide product sales for companies based in the USA. The Institute for Supply Management's national manufacturing index fell 3.5 points in June to the lowest level this year; however, most of our Plastics Industry is still at capacity selling much of what is produced. Many in our industry continue to report strong sales. Resin manufacturers have pushed through their price increases for ABS, HDPE, PP, and PVC. We can expect pricing to stabilize throughout the summer months.

GEHR Plastics has broken ground on yet another factory & warehouse expansion. Harvel Plastics announced that their Vice President of Finance, Carl Rohmann, has been added to their Board of Directors. Additionally, Pat Foose has been promoted from COO to President & General Manager. Rochling reported good 1<sup>st</sup> quarter sales with a 22% increase over its 2009 1<sup>st</sup> quarter. Quadrant EPP has entered into a joint venture with Sao Paulo, Brazil based Solidur Plasticos Industriais. They will supply machined parts to their customer base in South America as well as distribute stock shapes throughout South America. Simona-America announced Matthew Curtis as their new Product Development & Technical Support Services Manager.

PRICING: PP prices tumbled 8 cents in June in North America but polyolefin prices rose modestly in Europe, although PS was down. ABS and PC prices were up single digit cents per pound in June, with higher demand and increasing feedstock prices, such as benzene the cause. Meanwhile MMA sheet and PMMA resin prices are increasing in Europe, according to Lucite Intl.

MANUFACTURER/DISTRIBUTOR BRIEFS: Plastifab (Canada) adds Tandem Group as Mfrs. Rep. Spartech's 2Q profit rises as well as revenue, by single digits, year over year. Alcan Composites changes its name to 3A Composites after being acquired by Schweiter Technologies, Switzerland; its brand names remain as Sintra® Alucobond®, etc. Another steel replacement application for PEEK announced by Victrex... Parker Hannifin uses it in hydraulic quick coupling. Bayer MaterialScience forecasts a doubling of earnings this year, led by PC and with China becoming its largest global market...U.S. revenue running 18% behind last year- opens functional films research center in Singapore and introduces Makrofol TP 278 PC film said to enhance 3D components with scratch proof coating. Evonik Cyro introduces Acrylite hw55 said to offer superior heat resistance, used in lighting applications. Styron begins operations as a standalone company producing PS resins, with revenues of US\$ 3.7 billion, with 20 plants in 30 countries and 1900 employees... formerly part of Dow Chemical. DuPont's Vespel® finding markets as gear box transmission thrust washers in tractor transmissions...being used globally by major tractor producers. Bienfang, foam sheet manufacturer, changes name to Encore...recently sold by Elmer's Products to Speedball Art Products. Russia's Metrafax doubles its nylon plant's capacity to 1550 tpa. Much news from SABIC IP: Donates Lexan Clear Storm Panels to families in Hurricane Katrina area for use in future storm prevention - in partnership with Habitat for Humanity; fabricated blue Lucite sheet, donated by SABIC PolymerShapes, used in *Extreme Makeover* TV show to simulate crashing wave effect. SABIC/Exatec's abrasion resistant PC sheet makes further inroads into automotive glazing and sunroof applications; FIFA World Cup stadiums in South Africa using Lexan Exell D sheet in roofing, facades and stairway glazing. Lexan Thermoclear PC sheet continuing to lock in future green building designs; Lexan Thermoclick used by Amerilux extensively in new warehouse application creating a natural light environment. Rhodia says its new PA high performance semi-finished composite material making inroads into aluminum applications. Egyptian mummies ensconced in new LuciteLux museum grade cast acrylic sheet from Lucite International.

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

Quadrant EPP forms partnership with Solidur in Brazil...a follow on to their acquisition of Solidur globally. Plazit 2001, Israeli sheet manufacturer, buys PMMA sheet producer Gerundense de Plasticos of Spain...to be named Plazit Iberica selling acrylic sheet branded Plazcast. Evonik Cyro phasing out its cast acrylic sheet line in Maine in 4Q...will continue to produce extruded product while importing cast sheet from Europe and Asia. This was the original American Cyanamid plant that produced the cell cast Acrylite product that, along with Plexiglas from Rohm and Haas, launched our industry over 50 years ago.

INDUSTRY INTERVIEWS: Ricardo Levy Dosualdo, Commercial Manager, North America, Braskem

*Q. Tell us about the history of Braskem...when formed, how and why?*

A. In 2002, Odebrecht and Mariani conglomerates merged all their petrochemical assets into Braskem. This merger created the first fully integrated petrochemical company in Brazil, with important scale and synergy advantages, large investment capacity and technology autonomy. Since its foundation, Braskem has been consolidating the Brazilian petrochemical industry, acquiring several other companies. With our last acquisition – Quattor, earlier this year, Braskem became the largest thermoplastic resin producer in the Americas, focused in Polyethylene, Polypropylene and PVC, and the world's eighth largest petrochemical

company. Also earlier this year, we acquired Sunoco Chemicals' Polypropylene assets, expanding our operations in the US from a sales office to a local player in the PP business. Braskem America will be our major vehicle for our international expansion. This last acquisition was a very important step toward the realization of our 2020 vision of being among the world's top 5 petrochemical companies.

*Q. What are your main products?*

A. As I mentioned before, our core products are thermoplastic resins, namely Polyethylene, Polypropylene and PVC, but we are also an important player in the chemicals industry for propylene, benzene, butene, among other liquid chemicals.

*Q. Why should our global plastic shapes industry be aware of Braskem?*

A. Braskem is a growth company. Since its foundation, Braskem's revenue has grown 20% per year. Moreover, Braskem has a strong international growth project based in Greenfield projects in locations with competitive feedstock costs such as Peru, Venezuela, Mexico and Bolivia. Braskem is also well prepared to take advantage of merger, acquisition and strategic alliances opportunities in North America. In addition, we are investing in new plants and technologies that will make us the global leader for renewable chemicals, leveraging the intrinsic competitive advantages that Brazil has for the production of ethanol and other renewable chemicals. By the way, in the last quarter of this year, we will start up our green ethylene plant with 440 million lbs production capacity. It will be the world's largest green ethylene plant.

*Q. What are your most important products?*

A: We are one of the major players for PE, PP and PVC, but one of the most important products for the plastic shapes industry in our portfolio is UTEC. UTEC is Braskem's Ultra High Molecular Weight Polyethylene (UHMW-PE). Braskem is a very important player in the UHMW market and has solid plans to grow this business together with its partners in this industry.

*Q. What will the key products for this next decade be?*

A. The importance of the biopolymers should increase significantly, especially because of the amount of innovation we see in that field and of the increased demand for environmental responsibility that we see in society nowadays. However, we believe that these products will still represent a low percentage of the overall plastics' global consumption. For instance, our Green Polyethylene speaks to society demands for products that contribute for the reduction of our carbon footprint, since each pound produced captures 2.5 pounds of carbon dioxide during the product's lifecycle. This innovative product has given us the leverage to secure important supply contracts even before the start up of the plant. We are also developing an equivalent Green Polypropylene, more news on that to come soon.

*Q. Braskem in Brazil just announced a loss in 1Q 2010, citing foreign exchange charges...which countries do you operate in?*

A. Actually, we had a positive operational income in Q1 2010; although we showed a negative net income because of the accrual of an old tax liability that was negotiated in very favorable terms for Braskem. Braskem has projects under development or implementation phases in Mexico, Peru, Venezuela and Bolivia; we have production plants in the US and Brazil. Furthermore, we have sales offices and local inventories in Europe (The Netherlands and Belgium), Argentina and Chile. An office in Asia is also under studies as we speak. We export for more than 50 countries. In 2009, those exports added up to \$2.5 billion.

**...to be continued in the August 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.*

MEL ETTENSON'S GLOBAL PLASTICS LETTER™  
is published monthly by Lucitron Corporation,  
P.O. Box 250235, Franklin, Michigan 48025,  
USA. Postage paid at Royal Oak, Michigan. \$175 for 12 issues.

Subscription or Editorial Information: 248/258-5657  
Fax Number: 248/258-0851  
E-mail: [mettenson@globalplasticsletter.com](mailto:mettenson@globalplasticsletter.com)  
Website: [www.globalplasticsletter.com](http://www.globalplasticsletter.com)