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“A World of Plastics Information”

JULY 2011
REVISED EDITION

EDITORS NOTE: Due to a system error, the OUTLOOK ASIA column inadvertently reproduced a 2006 report. The 2011 version as submitted by Mal Binnie is now shown. We regret the error...talk about “Back to the Future!”

Dear Colleague:

Uttering useless unctious...despite chronic economic conditions, especially unemployment, leads us to the summer of the second decade of the 21st century where business decisions await..

It now appears that global stimulus funds may need to be re-applied to uncertain but substantial debt in Europe and North America. Thus, with the 2008-2009 deep recession memories still fresh, good business planners need to keep austerity measures intact, despite growth in revenue. The U.S. dollar should stay soft through the end of this summer increasing exports. The Euro is still subject to extreme fluctuations until the debt crisis in Europe is stabilized...again Central Bank stimuli come into play. This month will provide key signals about what's ahead, especially no slowing of manufacturing activities which fuel solid growth and continued recovery...key for our industry's economic health. Look for oil prices to drift lower in coming weeks...below \$90 a barrel – our forecasts earlier this year for spikes above \$125 were fortunately short lived as North Africa and Middle East political crises have eased and supplies have been increasing. New energy technology will evolve – integrating sun and/or wind to power manufacturing plants...expect to see this in 2015...marries next generation gas turbines to this new solar/wind source. Also expanding geothermal power plants (harnessing steam from hot spots deep in Earth's crust) may be an idea whose time has come.

TRENDS: Thin film coatings, originally developed for use in construction of stealth aircraft now finding applications in prosthetics and engine parts. PCI publishes its Yellowbook 2011 nylon annual survey – analyzes market shift in global polyamide consumption. Newest Plastics industry cluster in the U.S. is in the state of Michigan as automotive industry shifts its emphasis. International Plastics Pipe Conference set for September 2012 in Barcelona, Spain. Evolution of 142 year old industrial distributor Graybar (annual sales \$5 billion), is highlighted at <http://www.TedMag.com> - recommended reading for all plastics distributors. Speaking of industrial distributors, ABC Supply's CEO Diane Hendricks is one of only six self-made female billionaires in the U.S.

OUTLOOK ASIA: (July 2011 - REVISED) by Mal Binnie, Special Correspondent, located in Australia

New Zealand continues to suffer from Natural disasters. More tremors/earthquakes and the ash cloud from South America causing travel chaos. Christchurch is still a City battling recovery and affecting the NZ economy. Australia continues with the \$Aust at 1.06 to the \$US. Political leaders are creating doubt in the minds of consumers and the retail markets are suffering which then reflects in limiting opportunities in the

signage, display and other plastic markets. Bulk Handling magazine has just released its 2011 Equipment and Services Guide and has details on [Cut to Size Plastics](#), [Eplas](#), [Unasco](#), [Ludowici](#) and [Dotmar EPP](#). It has been reported in the market that Dotmar EPP are awaiting the appointment of a new CEO from their Australian owners, as Dennis Matulin has advised his team that for personal reasons he is moving over to manage [FluroPacific](#).

[Bayer Material Science AG](#) continues to increase its investments in China. Early June it held a ground breaking ceremony in Qingdao for its 30000 ton/yr PU Systems house and eco commercial building. Production is scheduled for 2012. They are also reported to have invested 2billion Euros and another 1billion will follow by 2016. This will include an increase in PC capacity to 500,000 tons.

Demand is growing in China for cast film capacity and [Sincheng Machinery](#) plans to invest 200million Yuan to meet this demand. [DelStar Technologies Delaware USA](#) has doubled its capacity in China with the opening of a 70,000 sq ft facility in Suzhou. Further reports have been received of growth in Inland China of the plastics processing industry who are moving from the coastal regions, high expansion rates have been noted for Shaanxi, Heilongjiang and Qinghai. Results from Chinaplas 2011 show continued expansion in the Plastics market and it is expected that at 2012 Chinaplas visitors will exceed 100,000. Since the Statutory Minimum Wage came into force in Hongkong May 1 there are at least 14 employers facing potential prosecution, Labor Inspectors are particularly active. The Labor Dept has devised a reference calculator to assist both employers and employees. The calculator can be accessed at <www.labour.gov.hk/eng/erb/smwcal/smwcal.html> There have been a number of recent cases in Hongkong that teach employers the lesson of “be careful what you say” whether in public, on social networks or on emails. Automakers in China and suppliers to the industry continue to expand. The auto market expanded 30% last year and is expected to reach sales of 18million in 2012. [Anderson Cook](#), Fraser, Michigan have doubled their sales every year since 2008 and plan to further expand their Shanghai operations. Other expansions in China are planned by [Boston Mathews](#), UK, [Poly One](#), USA and [BASF](#). Herman Althoff Group VP of BASF stated that China is their largest market for Engineering Plastics in Asia.

In June [DuPont Teijin](#) reopened its PET film plant in Utsunomiya Japan and has resumed full output following the March earthquake/tsunami that devastated significant areas in Japan. Teijin also reported that all their facilities are now fully operational.

OUTLOOK EUROPE: by [Ralph Ammann](#), our special correspondent in Germany

Germany's [Roehling Group](#) reported to have had a good start into 2011. The groups business concentrates on the processing of high quality plastics into pre-products, parts and systems for a number of industrial applications with high performance plastics and plastics for the automotive industry. The group reported an increase in sales by 22.8 percent to 293.9 million Euros in total (previous year: 239.4 million Euros). The positive future prospects originate from an increase in incoming orders by 22.2 percent to 313.8 million Euros (256.7million Euros in the first quarter 2010). In the automotive plastics industry sales improved by 14.6 percent in comparison to the previous quarter, in high performance plastics industry sales improved by even 30.9 percent. 2010 proved to be a period of dynamic growth for the group. Sales increased by 20.6 percent to 1,002.8 million Euros, incoming orders went up by 26.8 percent to 1,044.4 million Euros. At the same time, the company introduced Europe's largest stock for pre-products of biocompatible plastics for medical technology. MG, the Medical Grade line of products, contains polystone P MG (PP), Sustapeek MG (PEEK), Sustason PPSU MG (PPSU) as well as Sustarin C MG (POM) and Sustapei MG (PEI). The materials had been examined for their biocompatibility in advance and proved to be uncritical. [Evonik Industries](#) developed an innovative heating concept from RocTool on a basis of induction. This method shall influence the quality of moulded components, as it realizes high tool temperature during the injection phase and high cooling rates during the phase of cooling after pressing in the injection moulding process. In combination with the high performance

plastics Vestakeep PEEK and Vestamid Htplus especially the gloss level of the moulded components will be improved. The highly dynamical temperature control will pointedly influence the morphology and surface structure. While the reached gloss levels of the examined high performance thermoplastics are in the field of high gloss surfaces, the mechanical properties stay mainly steady in the tensile test when altering the tool temperature. Vestakeep PEEK Polymers are characterized by great mechanical strength as well as good electrical isolation and high resistance to chemicals. The Polyvanced Company from Osnabrueck/ Germany introduced new UV resistant PU tubes to the market - a method which shall protect PU tubes from UV radiation and UV impairment. On demand Polyvanced produces tubes which are characterized by a longer lasting colour shine and reduced oxidative decomposition. The German producer Gehr GmbH introduced a lucent polyamide called Gehr PA 12 TR. It is preferably used in applications with high requirements for chemical resistance and dynamic strength (bending strength). Additionally, this material is characterized by excellent resistance to weathering. It is suitable for the production of construction parts which are in direct contact with water or chemicals. Furthermore the company enlarged its stock of hexagonal rods made of Gehr PVC-U (dark grey) and Gehr PP-H (light grey). Additionally, hexagonal profiles made of Gehr PA 6G (colourless), Gehr POM-C (colourless) and Gehr PVDF (colourless) are offered.

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

As predicted, manufacturing growth had a gentle slow down in June and is predicted for the remainder of the summer. Demand is slowing but is expected to rebound in the early Fall. Companies have increased sales ranging from 17.5% up to 40.0% over a year ago for the first half of the year. Commodity related sectors are leading now. The Institute for Supply Management's manufacturing index rose 1.8 points last month to 55.3. Any reading above 50 indicates growth. The Federal Reserve expects the economy to grow 3.3% - 3.7% in 2012. Falling energy prices and the restoration of supply chains disrupted by Japan's earthquake and tsunami will lead to stronger job growth and higher consumer and business spending creating a virtuous cycle.

The previously reported potential price increases for PVC, HDPE, PP, PVDF and acetal all occurred in April. Get ready for more. The two most scarce resin materials (PVDF and acetal) are expected to have increases in July. Global demand will continue to push pricing up on raw materials. This is in large part due to availability of resin for production. Profits are way up ... for the resin manufacturers. Sales are way up for shapes manufacturers and distributors.

The good news is that the growth in sales through the 1st Qtr and 2nd Qtr 2011 was in strong double digits, as I predicted, and we can look forward to a softening for the 3rd Qtr to come. Virtually everyone had an excellent sales year so far this year. Companies are producing and profiting more than when the Great Recession began. Measured in growth, the American Economy has outperformed those of Britain, France, Germany, Italy and Japan. According to the Organization for Economic Cooperation and Development, the United States productivity growth doubled from 2008 to 2009 and then doubled again in 2010. Exports rose at a rate of 8.5% while imports dropped 13.6%. U.S. companies are benefiting from a weaker dollar and strong overseas growth. Recently the dollar has seen a strengthening so exports may soften.

Industry veterans have been moving around....**Garrett Bertsch** has joined SABIC **John Boris** has joined Professional Plastics as their Midwest Sales Manager. Jeff Gaerte has joined Cope Plastics. **Gary King** has joined Philadelphia based Northeast Plastics in a business development position.

PRICING: PE, PET and PP prices fall; PS, ABS, PA, PVC go up. TP resin prices may have peaked – for now. The outlook for the second half of this year is still volatile – expect selective shapes price increases in 3Q 2011. BASEF expects high demand (double digit growth) for its engineering plastics.

MANUFACTURER/DISTRIBUTOR BRIEFS: E & T Plastics consolidates into its 8th facility, in New Jersey...is center of excellence for its manufacturing/fabrication division. SABIC IP forecasts PC sheet

and film growth ...expected to exceed optical media applications by 2015 with construction and electrical markets leading – significant expansions underway in China and North America. Bruckner, expanding its film product offerings in North America – opens U.S. office. Bayer MaterialScience introduces new grades of its Markrofol® hard coated PC films offering. Curbell Plastics moves to larger warehouse facility in Seattle, WA (U.S.). Emco introduces FDA compliant UHMW and acetal metal detectable fabricated parts for food processing applications.

Solvay develops PAEK ultra-thin films to compete with PEEK – better heat deflection and flammability properties. Saint-Gobain Performance Plastics offering two new PTFE hose and tubing with longer pump life (1400 hours) and more severe corrosive fluid environment; also expands film product line. DuPont Teijin Films reopens Japanese plant shut down by March earthquake. Westlake Chemical shuts down its North American Pipe PVC plant KY (U.S.). H&F Mfg. offering corrugated PVC liner panels for agricultural industry. PPG launches new stretched acrylic for aircraft windows.

MERGERS, ACQUISITIONS, ALLIANCES, DIVESTITURES AND EXPANSIONS:

Spartech adds extrusion line to produce TPO sheet – used thermoformed for new exterior applications in transportation, construction and agricultural industries Saint –Gobain Performance Plastics expands its FEP, ETFE and EVA film capacity to fulfill photovoltaic solar film applications. Palram adds installs additional extrusion line in PA - additional multi-wall capacity.

Solvay set to acquire Rhodia. Boltaron adds high-capacity sheet extrusion line for PVC and acrylic/PVC alloy, Loose Plastics also expands extruded sheet line capacity buying Spartech's excess equipment.

INDUSTRY INTERVIEWS: continuing our interview with Rich Cort, Kydex LLC

Q. What markets and applications do you see for the future? Will airline tray tables continue to grow?

A. We expect the global aircraft market to grow over the next ten years, and along with that will be continued growth of tray tables and other aircraft interior components. The mass transit market segment has very good growth potential if funding is available because transit authorities are looking to reduce weight in their vehicles by using thermoplastic parts instead of fiberglass composite. An aging population will drive the healthcare market and the continued development of innovative imaging and diagnostic medical devices requiring materials such as KYDEX thermoplastic sheet.

Q. What is Greenguard? How does it relate to Kydex?

A. The GREENGUARD Environmental Institute (GEI) certifies products and materials for low chemical emissions with the mission of improving human health and quality of life by enhancing indoor air quality and reducing people's exposure to chemicals and other pollutants. KYDEX products received the highest rating, 'Children & Schools'. This rating reassures customers that KYDEX does not emit harmful VOC's or other particulates, especially since we are frequently used in many interior applications including schools, nursing homes, hospitals, retail stores and the close confines of airplanes and trains.

Q. What type of sales organization do you employ? Direct? Reps?

A. Domestically, our sales organization is comprised of manufacturer representatives reporting to company Regional Sales Managers who report to the North America Business Manager. We are fortunate that the majority of our manufacturer representatives have been with us over ten years. Our sales activities outside N. America are handled by a few company sales representatives who report to the International Business Manager.

...to be concluded in the August 2011 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.

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