



GLOBAL PLASTICS LETTER

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“A World of Plastics Information”

Part news. Part views.

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FIFTEENTH YEAR

Dear Colleague:

June juncture jogs jobs...the “Great Recovery” continues within our industry, albeit not in the EuroZone universally. Seemingly, holding steady in a slow soft recovery (3% growth this year)...the global economy promises to show 3.6% growth in 2014. The U.S..increasing exports significantly, can look for 5% growth next year – up from 4% in 2013. Japan will lead the recovering growth patterns (after decades of stagflation) with China close behind, followed by S.Korea and India in Asia. In the Eurozone, the U.K. will lead, while Russia lags. In the Americas, look for Canada and Mexico to grow, just slightly behind the U.S. – Latin America will keep pace. All other key indicators, such as inflation, interest rates and oil should hold steady into next year. Prices on metals and minerals continue to decline and natural gas is stabilizing...this portends an easing of commodity costs, leading to continuing low inflation as well as opportunities for the manufacturing segment of our industry to increase profits. Look for easy access to U.S. Government non-confidential data which could spur more contract opportunities for our industry.

TRENDS: Continuing entry into e-commerce by internet giants...first Amazon Supply and now Google Shopping for Suppliers promises to heat up this marketing method for plastic shapes. Several of the “Top Five” plastics distributors are countering with new or renewed online initiatives and/or acquiring capabilities (Laird and U.S. Cutter is an example).

Workers supplying their own devices such as laptops, smartphones and tablets...by 2016, 38% of U.S. companies say they will no longer provide. This is expected to cut down on IT expenses, save money spent for hardware and improve productivity. As “bring your own” becomes more commonplace, look for a proliferation of workplace apps. Foreign investment in the U.S. will resume this year (see Westlake Plastics story below), led by Europe and Japan. PVC pipe (and PVC shapes generally) as well as fluoropolymers are among the highest growth product lines expected globally by 2018.

OUTLOOK ASIA: by Mal Binnie, our Pacific Rim Correspondent in Australia

As the Australian election nears, 100 days to go, the \$Aus has slumped to 95.50 to the \$US. Results from business show the economy slowing but the lower \$A may be the answer to changing the balance of trade back in favour of local manufacturers. Government spending is increasing but it is mostly aimed at securing votes and not bolstering economic activity. Andrew Liveris, Australian born, CEO of Dow Chemical is reported in local newspapers to claim that investment in Australia is being discouraged by the shrinking local supply and high cost of gas due to the emphasis on exports. CEO Peter Voser of Shell claimed costs are challenge for doing business in Australia. The Australian automotive manufacturing industry has been surprised by the news that Ford will cease manufacturing in Australia by 2016. This closure will have a detrimental effect on all component suppliers including plastics. Bio Plastics continue to grow and companies such as Plantic Technologies can claim to be amongst the worlds most advanced manufacturers. Plastics Pioneers Victoria will hold a meeting on June 5 and will be addressed by Brian Care, GM Plantic. Visual Impact will be held in Sydney Olympic Park 12-14 September 2013. SGIAA 2013 Awards night will be held at the Crystal Palace,

Luna Park Sydney on Saturday 12 October. Clem Johnson was elected President of SGIAA for 2103. Social media such as Facebook is being used by the sign industry with companies such as ADI Displays demonstrating their capabilities. TAFE Melbourne runs a 3 day course covering LED and acrylic fabrication, offered by their Sign Dept. PacPrint 2013 was reported as delivering a great result for the local industry with plastics being at the forefront of printing useage in the digital era. Laserlite 1000 has now been added to the range by Bayer Material Science and provides further flexibility, in choice, in Australia to trades people and consumers. AIMEX will be held at Sydney Showground 20-23 May 2013. New Zealand exhibitors and visitors at K2013 will include Mastip Technology and PSI Brand. The PMI for China for May is reported to have slowed to 49.6 which appears to indicate slowdown and the end of 6 months expansion. However Chinaplas was a great success with visitors growing to over 110,000. Borouge reported at Chinaplas that they are expanding and reorganising their operations in China to ensure they take advantage of the areas continued growth. Krauss Mafei AG continue to expand their Haiyan location. Huaxiang has acquired HIB Trim GmbH to expand their offering.

Consider if China and India combined their markets and products into one market! For example Kingfa Sci is negotiating with Hydro S&S India to both expand capacity but to actively enter the Indian auto market. Engel GmbH are reported to have achieved higher sales in Asia than the Americas for the first time. Bio Plastics in China could be boosted by BASF implementing a trial project of composting household food waste in Wuhan. BASF demonstrated their ability at Chinaplas using their ecoviobiopolymer product. Bio degradable plastics in China are expected to top 700,000MT by 2015. A medical devices conference held in USA confirmed the predominance of the Chinese market for these products. Companies already active in this market include GC Ltd with their Polylite film range with sales both locally and into export markets. China continues its crackdown on the imports of dirty scrap plastics and has shown success with its Green Fence program. PC production is forecast to continue to grow at 10-15% and by 2015 should reach 1.2million MT with demand greater at 2million MT. State Administration of Taxation(SAT) has issued Bulletin 19 effective June 1 2013 to provide rules that should ease issues for expatriate employment. China counts Latin America as an important trading partner and Sao Paulo will soon have a sales office and parts facility for Chen Hsong who claims 1000 moulding machines in Brazil. Ohio based A Shulman Inc is doubling capacity at its Dongguan plant and is planning to quadruple sales in Asia by 2015. The Regional Innovation hub for Bayer has been opened in their Shanghai Polymer R&D centre.

OUTLOOK EUROPE: by Ralph Amman, our EuroZone correspondent in Germany

Leading German semi-finished products manufacturer Röchling Sustaplast KG from Lahnstein has invested two million euro in the construction of their new Product Customising Centre. The plastics processor from the Rhine-Lahn-Circle has thus extended its position as the market leader for cut-to-size pieces of semi-finished products made of high-performance plastics. The company is said to manufacture one of the most diverse ranges in thermoplastic semi-finished products, such as sheet, round and hollow rods and profiles in a host of standard dimensions as well as machined parts according to customer drawings. Röchling Sustaplast possesses one of the largest warehouses for semi-finished plastic products in all of Europe.

Elsewhere, Italian-based manufacturer Lati has enlarged its product range with the new Latamid 66 H2 G/25-V0HF1 material, a new generation of flame retardant compound based on PA66. Provided with excellent robustness and mechanical strength, the material grade offers not only good flame resistance certified by UL V0 approval up to 0.75 mm, but also high glow wire performance. According to the company the material is best suited to applications involving live parts crossed by high currents, as it happens, for example, in charging infrastructures (min. 16 A). Exposure to high voltages and currents is possible due to the excellent tracking resistance (CTI = 600 V), which is higher than that of most conventional flame retardant compounds. This property also prevents unpleasant events such as short-circuits. All the above mentioned properties are due to the use of absolutely environmentally and health friendly additives free from halogen, antimony, and red phosphorous as well as complying with the most stringent and updated industry regulations.

German manufacturer Ensinger has now extended its range of special plastics for the food industry with the

new Tecamid 6 ID. The semi-finished product range now includes three ID materials, each of which cover different application areas in the food industry. First part is Tecapeek ID blue which has the highest strength of the three products within this product group. This material also offers the benefit of excellent chemical resistance and is capable of withstanding the highest thermal loads. Second is Tecaform AH ID, already established in the marketplace, which offers very high dimensional stability. Its high level of resistance to solvents and its low moisture absorption make this material ideally suited for wide-ranging applications in the food industry. In comparison to the other two detectable materials, the newly launched blue material is characterized by significantly higher toughness, further minimizing the risk of material fracture. Rods and sheets in these materials are available in a wide selection of measurements. All the materials of the ID series naturally comply with the strict requirements of the food industry and are migration tested to EU Regulation no. 10/2011.

INDIA TODAY: The Indian government has raised customs duty on polymers to 7.5% from 5% effective 9th May 2013 in response to the industry's long standing demands. This includes polyethylene (PE), polypropylene (PP), polyvinyl chloride (PVC), polystyrene (PS) and ethyl vinyl acetate (EVA). The hike in duty will lead to increase in import-parity prices of these products, helping companies like Reliance Industries, Gail India and Indian Oil Corporation. The higher duty will help producers to increase costs for downstream converters. by Geoplast India's largest plastics processing machinery maker, The Board of Directors of the Bhansali Engineering Polymers Ltd. (BEPL) have approved a draft joint venture agreement with Nippon A&L Inc. Japan. Nippon A&L focuses on polymerization of styrenics and enjoys a high reputation in the manufacturing and marketing of ABS, AES, ASA resins and SBR/PBR lattices. It is jointly owned by Sumitomo Chemicals Co. Ltd. and Mitsui Chemicals, Inc. Pursuant to the terms of draft joint venture agreement, a new private limited company will be incorporated between BEPL and Nippon A&L to undertake comprehensive technology and application development work for specialized grades of ABS, AES and ASA resins and their alloys with other polymers to cater to the growing requirement from automotive, telecommunication, electrical and electronics and other sectors. Uniglobe Packaging Private Limited, a packaging firm for \$20.7 Mn to expand market in India. Jindal Poly Films Ltd. (JPFL), a leading flexible packaging films producer and a part of the diversified B.C. Jindal group, has announced the acquisition of the global biaxially oriented polypropylene (BOPP) films business of ExxonMobil Chemical. JPFL has the world's single largest site for production of BOPP and biaxially oriented polyethylene terephthalate (BOPET) films at Nasik, with a combined capacity of 337,000-tpa and its annual sales turnover as on March 2012 was \$452-mn.

Belgium's Aliaxis Group SA, a global manufacturer and distributor of fluid-handling systems, formed a joint venture earlier this year with Bangalore, India-based plastic pipe-fitting company Ashirvad Pipes Pvt. Ltd. Their first product will hit the India market in the first quarter of 2014. Currently, Ashirvad manufactures unplasticized PVC and chlorinated PVC pipes and fittings, and also pioneered uPVC column pipes in the Indian market. Rollepaal BV, Netherlands-based manufacturer of extrusion equipment for PVC and polyolefin pipe, is planning to triple its capacity at its plant in Ahmedabad, India. The plant, opened in 2003, serves Indian, African and a few Asian markets. Rollepaal provides foam core PVC pipe technology to Ahmedabad-based Astral Poly Technic Ltd. The company also has plans to add capacity for polyethylene pipe extruders at the plant, and for a multilayer pipe line designed to take advantage of the growing interest in recycling. Solvay Specialty Polymers is nearing completion of a commercial-scale polyethersulfone (PESU) micropowder production line in Panoli, India. This new dedicated world-scale production unit will expand capacity for sub-75 micron Virantage PESU micropowder by several hundred tons to support growing demand for epoxy tougheners in the composites industry. The new capacity, slated for startup in September, is a major commercial line expansion for PESU micropowders. Until now, the company has supplied material globally from a semi-commercial production plant in Alpharetta, Ga.

PRICING:

PE, PVC prices are up, while PP and PS are softening. ETP's and ABS, PC, and PMMA rise slightly. The short term trend is for a lid placed on any inflation in resin prices this year. Of course, the usual caveats apply... disruption in supply due to geopolitical crises, especially in the mid-East.

MANUFACTURER/DISTRIBUTOR BRIEFS:

RTP, thermoplastics compounder, launches ESP (Engineered Sheet Products) to manufacture specialty sheet and hires Gary King (formerly Westlake) as Sales & Marketing Manager.

AMIT Products, India based manufacturer begins exporting Bakelite products. New Chinese PC sheet manufacturer (Shandong Bangsheng) looking to export 0.5mm-100mm thicknesses up to 2000mm widths.

MERGERS, ACQUISITIONS, ALLIANCES, EXPANSIONS AND DIVESTITURES:

Actimed, Bondues, France (manufacturer and distributor of hospital and medical equipment) purchases majority interest in Westlake Plastics (PA, U.S.) for \$6.5 million. CPG, formerly Compression Polymers, and parent of Vycom, Scranton Products and Azek Building Products, put up for sale by its current owner, private equity firm AEA Investors, for \$1.0-1.5 billion. Kuraray Co. Ltd. expands water soluble PVA film (MonoSol) production in the U.S.

INDUSTRY INTERVIEWS: ...concluding our interview with Steffen Oellers, EPDA, IAPD and SIMONAAG

Q. Who do you consider your major competitors?

A. Our major competitors are traditional material solutions. To substitute these traditional solutions with advanced plastics solutions needs to be our target ... it is all about the well known "let's grow the pie!"

Q. Who are the other sheet manufacturers in EPDA? How many of your distributors are members?

A. The industry, manufacturers and distributors, are well represented within EPDA. The distribution community is much more diverse than the manufacturing community. Therefore, EPDA's aim is to incentivise more distributors to join the association.

Q. If you could change the structure of the semi finished shapes industry in the Euro Zone and its supply chain, what would you do?

A. The supply chain as a whole needs to strengthen its collaboration efforts in order to better and faster understand the trends and needs in the industry and adapt accordingly. Understanding the market requirements will be key in the future. This can only be done if manufacturers and distributors as well as other players in the industry see themselves as partners.

Q. What will the 2013 business year look like in December?

A. With the economic turmoil, the financial crisis and limitations in fiscal spending of governments around the globe, the outlook for 2013 continues to be uncertain. 2013 as last year will be a challenging year. But I do see opportunity for growth, specifically thru substitution of traditional materials, new applications and solutions and within specific geographic markets.

Q. What advice would you give a new sales engineer entering our industry in 2013?

A. Talk to your existing and potentially new customer.

Q. On a personal note, what would you consider your greatest achievement?

A. Every occasion where we can provide a solution to a customer's problem is a great achievement.

Q. What represents the greatest growth for the balance of this decade?

A. Efficient and clean use of energy and resources will be one of the key challenges and potential for growth for the balance of this decade. In addition, Asia and specifically China will continue to be a driver for growth, maybe at a more balanced rate but for sure still above average.

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.