



# GLOBAL PLASTICS LETTER

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*“A World of Plastics Information”*

**Part news. Part views.**

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Dear Colleague:

Revenue rises rigorously reflecting results from recessionary era recovery. However, trends towards deflation are holding down the rates of increase and coupled with rising inventories, there is cause for caution as 1Q 2015 winds down. However look for continued growth by plastics processors who are reporting 8.4% growth as measured by the well respected Plastics Technology Business Index. Meanwhile commodity resin prices are continuing their downward trend, thus fueling deflationary concerns. The effect on inventories is concerning of course and few managers in our industry have coped with this scenario heretofore.

## **TRENDS:**

Plastic film and sheet markets are expected to grow at a CAGR (compound annual growth rate) of 5 % from 2015 to 2018. Global demand for benzene, an important thermoplastic resin building block, increased 3% in 2014, according to IHS Chemical's recent market study. Eastman looks to appliances and medical applications for growth of its Tritan copolyester. Global PTFE sales to generate \$ 6.4 billion by 2020. IAPD distributor member analysis by this publications research team reveals some interesting statistics going forward into the second half of this decade: Average sales/branch...\$6.5 million. Average employees/branch...7-8. Corporate staff - branch employee ratio...1/10.

In Memorium... Jim Harrington, long time member and contributor to our industry, passed at 72...good guy, contributed much...passed too young...will be missed.

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

In Australia the \$Aus has been moving around its lowest levels since about 2009 and is currently at \$US75.60 but the Reserve Bank of Australia still indicates the \$Aus is overvalued. The Australian economy continues to struggle with unemployment at high levels. Exporters are benefitting from the low \$A but plastics distributors who import sheet, film and rod from overseas are finding profits down. With the acrylic sheet market suffering... cast sheet suppliers have reduced prices to maintain market share but local acrylic sheet extruders have gained strength. Australian PMI for January rose by 2.1 to 49.0 but then fell in February to 45.4, there are still some bright sectors in manufacturing mostly related to exports. Cardia/Stellar Films have completed their merger with Stellar shareholders 55% and Cardia 45%. Blackstone acquired Orica Chemicals business for \$750million which includes chemical trading in Aust/NZ/Latin America. David Marino has been confirmed as Managing Director of Quickstep Technology. The Company has a good order book with 67 wing flap sets for Lockheeds C-130J. Caravan Manufacturing continues its rapid growth in Australia with an increase in RV production of 26% since 2004 and in 2014 growth of 4.4%. A great opportunity for plastic sheet and film products.

In Asia Pacific the engineering plastics market continues to grow and makes up almost 50% of the total market. It is expected that the rapid growth of these products will continue into the future with a growth rate of 8% per annum. Indonesia should be the largest beneficiary of the economic integration of the ASEAN countries and companies such as Impack Pratama, parent company of Mulford Plastics, will benefit from this growth. China is

still struggling with the adjustments to its export industries to local supply, but the market in China continues its growth and the opportunities are numerous. Exports of plastic products are claimed to have jumped 20% in Jan/Feb. The Government has set their growth for 2015 GDP at 7%, the result for 2014 was 7.4%. The export sector is set lower at 6%GDP {many western governments would like these GDP figures} In 2014 new ethylene capacity of 800000MT came on stream and another million is under construction. BASF SE has established a subsidiary in Chengdu. Nissei Plastics, Nagano Japan, is reported opening a sales operation in Taicang, China. Ningbo Joyson continues its expansion with the acquisition of Quin GmbH, at the same time Benecke-Kaliko AG is building an auto interior trim plant in Changzhou. Plastic Omnium SA is also planning further expansion in China.

The Auto market in China is providing estimates of 1.6million new units at a 7.1% per annum growth. SRG Global Inc is commencing establishment of a factory in Xiaogen.

Chinaplas will be held May 20-23 2015 in Guangzhou and will host 3 events including Medical, Robots and Innovative Design. Australia reported in 2014 on a study of plastics pollution in the oceans surrounding the country and now China State Oceanic Admin group has revealed similar numbers on the effect of plastics pollution. Plastics were claimed to make up 75% of floating debris. Industry in Asia pacific is seeking better control of plastic waste so that industry growth is not affected. Sekisui Japan is expanding its production in Taiwan. Hyundai Mobis, South Korea, is investing in Slovakia. Singapore, at its first eco business park, is introducing a facility to allow companies to reuse old products and Singapore University has designed and unveiled Asia's first 3D printed concept car.

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

Lehmann&Voss&Co. has announced the introduction of Luvocom XTF, a new generation of polymers lubricated with an advanced proprietary PTFE formulation. These new high-performance compounds are said to exhibit significantly increased wear resistance, especially at high loads, when compared to standard PTFE formulations. According to the company, unlike traditional PTFE-modified compounds that can have decreased performance and insufficient wear resistance at higher loads, the new compounds significantly improve wear resistance and provide low coefficient of friction while preserving mechanical performance. The first compounds in the Luvocom XTF series are based on PEEK (polyetheretherketone) polymer. Under high loads, PEEK compounds with XTF modification exhibit significantly lower levels of wear: 50% less than unreinforced PEEK and 80% less than PEEK modified with 15% standard PTFE. The initial products offered in this new series are Luvocom 1105-9098/XTF and 1105-9182/XTF based on PEEK. Other polymer formulations are in development.

Furthermore, French-based manufacturer Arkema is actively developing its new Kepstan PEKK (Poly-Ether-Ketone-Ketone) ultra high performance polymer with applications in the fields of carbon fiber composites and 3D printing. Success in these fields has prompted the company to increase its production capacities in France now and in the United States in the near future. Additionally, the Group plans to build a worldscale PEKK production plant on its Mobile site (Alabama, United States) that would be scheduled to come on stream in the second half of 2018. PEKK complements Arkema's range of thermoplastic resins and broadens their range of applications in the aerospace, energy and electronics sectors, in which Arkema is already highly present through its Rilsan (PA11) and Kynar (PVDF) specialty polymers, as well as its Elium acrylic resins. Additionally, Evonik Industries has presented its new Plexiglas Resist AG 100 - a new specialty molding compound for manufacturing vehicle glazing. German manufacturer Simona AG has announced an expansion of its Technology Centre in Kirm. The allocated site at Plant II in Kirm had originally been meant to accommodate a production facility spanning 1,200 sq m and a three-storey administration building, 1,000 sq m in size. The Management Board of SIMONA AG has now decided to extend the administration building by including two additional stories. Construction work is scheduled for completion in the third quarter of 2015.

The production building, spanning 1,200 sq m was completed as planned in September 2014. A new production line was brought into service in December 2014; it is being used for the extrusion of new high-tech plastics. These include PLA, a bioplastic, PFA, a fully fluorinated high-performance plastic, and polysulfone. A sum in excess of €4 million has so far been invested in construction of the Technology Centre. Finally, Handtmann Elteka, a German specialist for polyamide casting, has gone online with a new website: [www.lauramid-webshop.com](http://www.lauramid-webshop.com). Customers are presented a large selection of semi-finished PA 12C Lauramid products and can order them online. The Website features the entire Lauramid semi-finished product program: sheets, solid cylinders, full rods and tubes; cylinders with cast-in steel armoring, e.g. machining steel, V2A, aluminium.

## **PRICING:**

Resin prices continue their recent history of downward slides. ALL resin prices, led by PE, PS, PC, nylon 6 and 6/6, and PVC continued their slides. The driver of course is the chronic decline in global oil prices...down from \$100/bbl in mid-2014 to \$43/bbl this month. The PS and PC price declines are tied to falling prices for benzene feedstock... lost 60% of its value between August 2014 and February 2015! The only support in nylon and PC prices is coming from a strong automotive market...accounts for 40-50% of nylon usage, as an example. Prices for industrial metals such as steel, copper and aluminum are also drifting lower, thus metals replacement by plastics, other than by property advantages, remains a zero sum game.

Special NPE Report: As this issue is “going to press”, the tri-annual National Plastics Exposition is underway in Orlando FL (USA). With over 1 million square feet of expo space, consisting of over 2000 exhibitors, this tri-annual (will be held again in Orlando in 2018) showcase for the plastics industry, attracts over 60,000 visitors daily. With most of the raw materials suppliers to our industry present (Arkema; Evonik; PolyOne; RTP; Seelye; Junhua PEEK; DuPont; Asahi Kasei; Dewal; Lanxess and SABIC and several others), we will have a capsule review in our next issue.

## **MANUFACTURER/DISTRIBUTOR BRIEFS:**

Bayer MaterialScience's Makrolon PC sheet used as “living roof” (retractable) in retrofit at California Academy of Sciences in San Francisco...two sections, each 18 feet by 48 feet make up the structure. Bayer also offering economical PC sheet technologies for building security and protection...called Hygard® EX and Sentinel blast resistant panels and facades. Modern Plastics, Shelton, CT, USA, celebrates its 70th year in business...started as Modern Glass, then morphed into Modern Plastics & Glass then took its current name in 1978. Eastman Chemical launches website featuring its Tritan copolyester...URL is TritanFromEastman.com. Grainger reports 2% sales increase in February, year over year, in line with other general industrial distribution companies. A.M Castle's Total Plastics unit reports 2.7% increase for Q4, year over year, points to automotive, marine and life sciences markets as contributory. Top thermoforming companies in 2014-2015 listed on PLASTICSNEWS.com. Arkema introduces Kynar UHM PVDF for use in extreme environments requiring high chemical resistance. Amazon Supply may close its portal and refine its existing B2B platform, to be called Amazon for Business...stay tuned. SABIC names Yousef Al-Benyan as acting CEO. Curbell Plastics introduces new website, called myDesign, to present plastic sheet and transfer paper products for the Orthotics and Prosthetics industries. Teknor Apex Co. (R.I. USA) claims its new rigid PVC compounds can replace PC certain clear medical components...called Apex SCR. PolySource USA re-introducing Polyketone, made by Hyosung Group, S. Korea to North American market...can compete with lubricated nylons and acetals. Shell Chemical had discontinued in 2000 under the Carilon brand.

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

Saint-Gobain Performance Plastics invests €3m in additional production capacity in Germany, including their new PAI based Meldin 4000 series. DuPont and Chenguang form strategic Fluoroelastomers alliance, serving Chinese markets. DuPont is also being pressured by activist investor interests to spin off its Performance Plastics unit (includes the nylon and Teflon brand fluoropolymers business), to operate as Chemours. L-E-M Plastics and Supply acquires fabricator Quality Plastics & Machine. SABIC announces the addition of 338 kilotons of capacity, including PC, ABS and Ultem® (to stem current shortage of this HPM). Ensinger and Simona form joint distribution agreement for both companies semi-finished products in Italy, called Ensinger Italy.

## **INDUSTRY INTERVIEWS: ...concluding our Interview with Helmut Gehr, GEHR Plastics CEO and Second Generation owner.**

*Q. With your current strategy in Europe being price & delivery at GEHR how do you determine what materials to stock & what quantities?*

A. Currently we are asking the customers to look at our product offering. We have most of the thermoplastic plate, rod and profiles needed to service our channels to market. Our longer term strategy is investing in state of the art equipment to efficiently keep up with growing demand but more importantly to listen to the market,

understand the demands and create those products needed to service the future marketplace. Our horizon is for this about 2 to 3 years. In general we want to have enough in stock – I don't believe too much in numbers like capital employed or so... I don't have to report to shareholders.

***Q. Concerning the World market, owning subsidiaries and sales offices in some European countries, the USA, China and Hong Kong, do you plan to extend this part with new acquisitions or mergers in the near future?***

A. Sure! The GEHR group will have sustainable growth in the future. We just opened a new office in India. We are building our business in Central and South America and making progress in Africa. We will also have extensive plans to dramatically expand our warehouse in Hong Kong mid this year. Our German daughter company IKUFORM has outgrown its current facility and plans have been finalized to move into a larger facility shortly. Having said this you never know if a golden opportunity is waiting around the next corner for additional investment.

***Q. Though you are one of the leading companies worldwide in your product line,, Gehr is still a medium-sized company. Do you want to change this in future?***

A. Our strength is being a family owned midsize company. My daughter Annette has, beginning 2014, started to take over the first shares of our company. I am very happy that we will stay in the future family owned. My father said to me, being independent was most important for him. Myself and my daughter are thinking the same way. We are responsible for our people and their families, our customers and suppliers and to us. This makes you FREE! - By the way, if we grow like we did in the past we have a good chance to be a big company in a couple of years.

***Q. Which of the segments rods, sheets and precision tubes is the most important for you?***

A. I don't like to talk about our specialities like precision tubes or other products in which we are doing good. In stock shapes we are becoming stronger in Acetal, PEEK and PE-UHMW. PVC rod, profile and hollow bar are still our special products, but the market potential is small compared to Acetal and Nylon.

***Q. How much do you spend each year for research and development?***

A. As you hopefully understand I do not like to talk about figures, but I like to spend money in steel and concrete. We have some engineers trying to make our production better, more efficient and trying new things.

***Q. Why did you decide to extend the product portfolio with the new POM-C® sheets in thickness of 250 mm?***

A. We want to show the world what we can do. This is important if you are a newcomer in this business. We have started just 12 years ago with Acetal and we are today one of the bigger manufacturer in this material worldwide. By the way it is fun doing things like this, to challenge your people to do something nobody did before. It's also motivating your own people.

***Q. What future growth plans have been discussed for GEHR Plastics in terms of new products & offerings?***

A. Oh... this is a nice try. Yes we will have new products in the coming years. What we will add to our program is not yet clear. We are still in the feasibility phase of many of our ideas, much more testing needs to be done so I would prefer not to mention them. I can promise that the new products we do introduce will create additional value to the GEHR brand and support the growth of our customer base.

***Q. Which production facilities will see significant CAPEX over the next 2 years & why?***

A. All locations globally will receive significant investment in new facilities, extruders, technology. Continuing to reinvest in GEHR has always been a plan of my grandfather and father and I share the same understanding, this is all important. At GEHR though we are about our people. As without good people to run the machines and do the work we would not be in the position we are in today.

**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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