



# GLOBAL PLASTICS LETTER

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*“A World of Plastics Information”*

**Part news. Part views.**

MARCH-APRIL 2016

16th Year Issue 168

Dear Colleague:

Inventories incessantly increasing...Plastics profits proliferate. 2Q seems likely to produce best results in 5 years as inflation remains low and steady and productivity results in long term healthy business conditions, with accompanying low borrowing interest rates. U.S. natural gas reserves changing the global energy matrix, with exports increasing. Look for a spring revival at factories as manufacturing inventories are restocked. U.S. manufacturing continuing gains in output this year, with a 3.5% or better growth. Expansion is partly just the pendulum swing after the great recession cutbacks - from 2008-2009, factory output fell 20%. Now the recovery is finally showing results. Look for real growth in the following industry sectors important to our industry: aviation; autos; chemicals; pharmaceuticals; biotech; medical equipment; semiconductors and heavy equipment. Our industry should be chasing applications here.

Look for smart phones with built in encryption, offering greater security for sales reps...coming soon. If possible, fly for business on Tuesdays or Wednesdays to score lower fares.

## **TRENDS:**

Plastic film and sheet markets are estimated to grow at a CAGR (compound annual growth rate) of 4.4% from 2016 to 2018, with Asia accounting for 1/3, according to a noted market researcher. Global demand for benzene, an important thermoplastic resin building block, increased 2.8% in 2015, according to IHS Chemical's recent market study. IAPD distributor member analysis by this publication's research team reveals some interesting statistics going forward into the second half of this decade: Average sales/branch...\$6-7 million. Average employees/branch...7-8. Publicizing your business on social media using a technique called “social advocacy” is gaining popularity... your employees, especially young ones, are happy to wave the company flag online plus hearing from friends about products and services is more effective than paid ads.

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

A. Schulman Inc. announced the development of a new long-term heat resistant polyamide grade “Schulamid” XT180, which is designed for under the hood applications. It is dedicated to the trend of the increasing level of temperatures in the engine compartment which requires plastics with a

focus on optimized heat resistance and stiffness under temperature. “Schulamid” XT180 is said to be available globally with 35% and 50% glass fibre content.

Elsewhere, the Resource Efficiency Segment of the German-based Evonik Group received the European Plastics Innovation Award in the “Material Innovation” category for its use of polyamide 12 Vestamid® NRG in high-pressure gas pipelines. The material offers an outstanding property profile for high pressure pipelines and enables gas utilities to effectively build up their subterranean pipeline networks without any concern about losses in throughput performance. A number of installations, including in the U.S., Brazil, Mexico and Indonesia, have demonstrated that pipes made of PA 12 allow for significant savings in labor and installation cost compared to steel.

European Plastics Converters (EuPC), the Association of Plastics Manufacturers in Europe, and the Society of Plastics Engineers (SPE) have organized the joint award for the first time in eight different categories. It recognizes companies that have attracted public attention with particularly innovative developments in plastics technology.

Furthermore, Evonik Industries announced the building of a new production line for special polyamide 12 powder (PA12) in Marl, Germany, with an investment volume in the mid double-digit million euro range. According to the company the new plant, which is scheduled to become operational in late 2017, will increase the Group’s existing annual capacity for polyamide 12 powders by 50 percent.

“The planned investment in the new polyamide 12 powder facility represents the next step in our growth strategy. Our intention is to solidify Evonik’s leading position as a provider of polyamide 12-based high performance polymers and utilize the growth potential of new application areas,” said Dr. Ralph Sven Kaufmann, Chief Operating Officer of Evonik.

Due to their mechanical properties and chemical resistance as well as the high melting point of finished products, PA12 powders are particularly suitable for use in powder-based 3D printing processes such as selective laser sintering (SLS) and high-speed sintering (HSS). Fiber composite materials represent another growth field. PA12 powders are an ideal matrix for thermoplastic composites made of fiberglass, carbon fibers, and aramid or steel fibers. Applications can be found in the automotive and oil drilling industry, the sports sector and in orthopedics. Vetosint® is a modified PA12 powder that is manufactured at the Marl site from a polyamide granulate, using a proprietary Evonik process. Elsewhere, Lanxess continues to expand its range of polyamides for components used in the thermal management of LEDs and electrical devices. The newest member of the product family, with high mineral reinforcement, is Durethan TP 723-620. “The special feature behind this polyamide 6 is said to be its outstanding thermal conductivity combined with high light reflection and excellent flame retardance. Because of the shape of the filler particles, the thermal conductivity of the new compound is directionally dependent, reaching 2.5 W/mK along the flow trajectory (determined by the NanoFlash test). It is about ten times higher than that of the standard polyamide 6, Durethan BKV 30 H2.0, which is reinforced with 30 percent glass fibers. According to the manufacturer the high flame retardance is attributable to a halogen-free flame retardant package. The compound passes the flame retardance test prescribed under the strict standards of US UL 94 V (Underwriter Laboratories), achieving the best classification of V-0 at a test specimen thickness of 0.75 millimeters. The product fulfills the requirements of the Glow Wire Ignition Temperature test (GWIT) at the same wall thickness and 775°C. Last but not least, BASE has extended his product range, too. For reliable micro-electronics in sensitive automotive

applications such as control units and sensors, the German company has now developed a portfolio of various polyamide 6 and 66 grades that help prevent damage to circuits by electric corrosion. The different Ultramid® EQ grades (EQ = electronic quality) are extremely pure, which means they have hardly any electrically active or corrosion-generating contents, yet still offer good resistance to heat aging. They are subject to special quality tests that cover raw material selection, the production process, and the analysis of the halogen content. Available globally, the portfolio consists of uncolored and black grades with glass fiber contents of 30 and 35 percent, which are also laser-markable. Ultramid® EQ has already proven itself in a range of applications under harsh conditions.

### **PRICING:**

Commodity prices, including PE and PS are up single digits as are prices for PP and PVC. Limiting these price changes to low single digit deltas is no doubt causative by falling natural gas and feedstock prices but affected by the reverse in prices for petroleum. Once again supply-demand ratios rule. It is important to note that lower energy prices in this decade will fluctuate but trend lower. Some inflation can be expected in the ETP sector, somewhat influenced by tightening in benzene supply. Some moderate inflation exists in the MMA market as producers try to take up sheet prices...however more building block (acrylonitrile) capacity coming on stream.

### **MANUFACTURER/DISTRIBUTOR BRIEFS:**

DuPont Performance Materials announces that Randy Stone has taken over as President. Curbell Plastics launches website and online catalog exclusively for machine shops...allows users to research materials, obtain a quote (even cut to size) and order directly. Piedmont Plastics announces the retirement of long-time President Chip Whitfield, at the end of October 2016...will be replaced by Tyler Booth. ThyssenKrupp Material Services launches online shop in Spain...follows similar initiative in the UK. Called "Materials4Me" , it makes available 2500 metals and plastic items for small users...Germany is next market to be activated followed by 6 other countries. Simona America announces retirement of Jim Hutter. Covestro (formerly Bayer MaterialScience) reports 2015 sales of 1 billion euros in its first year...a 2.7% increase, despite declining selling prices. Also adds PC film capacity in Germany. Sheet manufacturing in central Europe and Germany accounted for 25% of all European sheet production in 2015. Saint-Gobain Performance Plastics is potentially responsible for the water contamination crisis in Hoosick Falls, N.Y. The companies predecessors Honeywell, Oak Industries and Dodge Industries previously used PFOA in its PTFE processing. N.Y State Environmental Agency is investigating.

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

Total Plastics sold by parent A.M. Castle (NYSE:CAS) for \$ US55 million, which by our estimates amounts to 10 times earnings. Buyer is Prophet Equity, a PE company based in Dallas (Southlake) Texas and owner of several industrial companies, although this is their first foray into Plastics. William Blair & Co. were financial advisors to Castle. During the 20 years that Castle owned Total, it grew from 4 to 18 locations and was based on Plastics replacing Metals.

BASF said to be considering making a bid for DuPont, possibly scuttling planned Dow-DuPont

“merger of equals”. BASF & Kolon Plastics (S. Korea), form 50:50 JV to produce acetals (POM). Midland Plastics buys Advanced Extrusions...the announcement, along with Midland's 70th anniversary and a 40,000 sf expansion brought Speaker of the House Paul Ryan (their Congressman) for a visit and tour. Plaskolite acquires the extruded lighting sheet business of Rotuba Extruders, Linden, N.J. Rowmark acquires distributor Bur-Lane Inc. in Oklahoma, as it expands its engraving stock and signage product line. Cartier Wilson LLC acquires West Coast Plastics. Rogers Corp. sells its laminates to PE firm Critical Point Capital and renames it Arlon EMD.

**INDUSTRY INTERVIEWS:** ... concluding our Interview with Mitch Grindley, President, Plaskolite Inc. Columbus Ohio and now in Malatya, Turkey.

***Q. Any expansion plans to follow your plant in Turkey? What was the rationale for that location?***

A. Yes we have started on sight preparation for a new state of the art cast manufacturing plant in Zanesville, Ohio.

The reason for Turkey is we have a very strong partnership in Turkey with Isik Plastics, which manufacture acrylic and polycarbonate. We worked together to develop the new cast technology. Over the years Plaskolite has studied the North and South America markets for cast sheet. We always elected against, because we didn't feel we would have an advantage in cost with the new technology that has changed.

***Q. Any plans to integrate forwards with an acquisition of a “family owned distributor” (since you have previously commented on Charlesbank’s proclivity for partnering with this class of businesses)?***

A. None - We are a manufacturer. We have strong distributors who take our product to market.

***Q. Any interest in integrating backwards by acquiring an MMA or PC resin producer (again you have commented on Charlesbank record of successful partnering with industrial manufacturing companies)?***

A. Again, the answer is no. We are a manufacturer of sheet and polymer. That has always been our focus.

***Congratulations on your new position and this new era for Plaskolite!***

Mel, thank you and for your support over the years.

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.

ISSN: 2164-7291

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