



GLOBAL PLASTICS LETTER

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“A World of Plastics Information”

MARCH 2008

Dear Colleague:

Stagflation simmering seriously...Once again the “R” word has given way to the “S” word...a more serious economic cycle effect. We, in our industry, have been feeling the effects of inflation for many years now, but the slowing of economic growth, coupled with the rise in commodity prices, is deadly.

That 70’s look for those who lived through it has a familiar tone...those facing this reality for the first time in their business careers need to examine the history of that era, in the late 70’s and early 80’s.

It’s important to know that this is a business cycle phenomenon that responds to a surge in oil prices that eventually recedes as the supply-demand curve dictates. Further, we do not have the inflation in wages that fueled the last era that exhibited the characteristics of this one. However, most experts agree that we should be looking at an extended period of economic weakness, probably extending well into 2010, and quite possibly beyond. Continuing fiscal stimulus plans have to do their work to reverse this trend.

Surveys of our industry, conducted recently, resulted in a consensus that business activity at both the manufacturer and distributor levels are “flat” and can be expected to remain so for the balance of this year. It appears that the psychological effect of the market place agreeing to a slowdown has begun to fulfill its prophecy (“the wisdom of crowds”).

There’s a whole slew of reasons for the slowdown in business growth: Job worries; stingier lending; higher gasoline prices; and declining home prices have all caused consumer spending to decline. Consumer spending as a percent of GDP in various countries has been unusually high... 72% in the U.S., U.K. 66%; Germany 59% while Canada and Japan show 57%. Any drop in these figures has immediate and considerable effects on global economies. In 2008 China will experience its slowest growth since 2002, further fueling slowness in economic activity and slowing trade. Global forecasts for GDP growth in 2008 range from 1.7% in the E.U. and U.K. to 9.9% in China, with the Global average at 2.9% GDP growth at other major countries for 2008 are: Japan 1.3%, Russia 6.6%; Canada 1.8%; Brazil 4.8%; India 8.3%; Mexico 2.8% and South Korea 4.8%.

TRENDS: Development of a huge new offshore oil find in Brazil should result in an offset to tightening global oil supplies by 2015 – Brazil’s production will exceed that of Kuwait, Nigeria, Venezuela and the United Arab Emirates...most of this new supply will head to the U.S. Meanwhile utilities will have to rely more on natural gas and nuclear power, as “clean” coal becomes harder and less practical to use.

Thermosets were among the earliest plastic resins but their continuing development is sometimes overlooked as the 100th anniversary of Bakelite was recently reached. Biobased thermosets, from plant oils, are now being developed and exhibit excellent properties. Use of biodiesel as feed stock for thermosets may be the key to breaking the cycle of rising prices and nanocomposites will improve properties in this group of

plastics used so extensively in the automotive and aerospace industries.

Protein based biopolymers are another group of plastic materials that are undergoing extensive development work as a needed alternative to use of fossil fuel-based resins.

Wholesale sales of Chemicals and Allied Products – NAICS Code 4246, (including our plastics industry 42261) showed an 8.6% increase in 2007, while inventories rose 6.3%, according to U.S. Census figures and MDM. This was in line with total U.S. statistics, although December 2007 showed definite slowing. All U.S. Wholesaler-distributor revenues in 2007 were \$4.316 trillion, up 9.2% from 2006.

OUTLOOK EUROPE: ...by Chris Parry, our Special Correspondent, embedded in the U.K.

European View

After a remarkably dry, warm and bright start to February, spring seemed to be coming early to Europe. Temperatures were as high as 16°C in the UK and I was in Berlin for several days where it was 8°C and sunny. However, the general joy in the spring-like weather doesn't seem to be shared by the business community, as many of the economic forecasts are more doom and gloom than joyful, with slower growth and higher inflation expected during 2008. Nonetheless, there were still some positive signs of activity in the month.

KIBO Kunststoffe, the German extruder of twinwall polypropylene sheets, has announced a new “anti-bacterial” grade of twinwall PP sheet, named KIBO-ANTIBAC. This product has been developed in an exclusive, global partnership with Racquet Plastics in Belgium. It is the first PP twinwall sheet with inherent anti-bacterial properties, and is effective against MRSA and many other bacterial organisms including e-coli and salmonella.

INEOS has finally been given approval by the EU Commission for its proposed take-over of Hydro Polymers that was originally announced in May 2007. The Taiwan based Loyal Group is to build a 200,000 t.p.a. expanded polystyrene plant in the town of Police in the north-west corner of Poland, close to the border with Germany. (Is that likely to be the most law-abiding town in Poland???)

Some very sad news for the ex-GEP/SPE people out there. Our old colleague Christian Bauer has died unexpectedly in the Ukraine, where he has recently been working. No further information except to say that he was probably the most unexpected and loyal West Ham United fan of them.

Finally, something to look forward to: - The FESPA DIGITAL 2008 exhibition will take place in Geneva, Switzerland from 1 – 3 April, AIRCRAFT INTERIORS EXPO will take place in Hamburg, Germany also from 1 – 3 April, and the third PDM, (Plastics Design and Moulding event), will take place in Telford, UK from 15 - 17 April. I know which venue I'd prefer to go to.

OUTLOOK ASIA: by Mal Binnie, our Special Correspondent, embedded in the Pacific Rim

Supply One has acquired I & J Print and Sign Suppliers in Canberra. They will add their product range including Arlon, Mactac, R Tape, Banner materials, Architectural products plus many more which will give the ACT market a real one stop sign shop. EGR announced last month the release of new and updated corporate and divisional websites. Refer to www.egrplastics.com. The EGR site details their extrusion capabilities, new products and their wide product range. Iain Whyley Sales and Marketing Manager for EGR Extrusion Division has requested any feedback on the site. iwhyley@egr.com.au.

Mulford Plastics have recently celebrated 50 years of service to the company and the industry by Phil Harry who is well known to many across Asia, Europe and the USA. Phil it is reported has now retired to enjoy his Rugby, sailing and traveling. After announcing their new image/look Mulford International have indicated there will be more changes with the launch of their global website and product branding.

The push in Australia by the new Labor government to ban plastic shopping bags is being challenged by the Packaging Council of Australia. Australian usage is estimated at 4 million bags per year but these are mainly sourced from China. The ban in China on ultra thin gauge plastic bags is starting to hurt the industry with Henan Based Huaqiang Plastics going into liquidation and over 2,000 workers released. Their liquidation sale will include 1,600 blown film and 1,000 bag making machines. Also large quantities of resin both virgin and recycled.

Editor's Note: In last month's column, an obituary referred to the passing of "Bill" of UNASCO Pty Ltd – his name should have been stated as Bill Bentley.

Dow Chemical announced the licensing of their Unipol technology to Petru China of Fushon to build a 300,000 MT PP plant. Chinaplas 2008, April 17 – 20 will host for the first time conferences of the US trade Groups – SPI and SPE.

At the Beijing Olympic National Swimming Centre the use of double skins of lightweight ETFE are reported to deliver significant power savings for both heating and lighting. The centre is commonly called the "Water Cube" because of its design. Indian Plastics industry will be well represented at the Executive Meeting of Plastics News Tampa, Florida March 9-12. Reliance Industries from India have invited as their guests 16 representatives of the Indian Plastics industry. Included in the team is Mr. Anil Jain of Jain Irrigation Systems who are well known in Asia and USA. Hanwha Chemical Corp South Korea is investing \$US 380 million establishing PVC operations in East China and Eastern Europe. It has interests in film, sheet, flooring and is reported to have acquired Azdel a JV of Sabic and PPG.

PEOPLE: Tom Kinisky named President of Saint-Gobain Performance Plastics. Carlos Morales is new President of Thermoplastic Processes (TPI Partners)... was Plant Manager. Stefan Glander is Global Market Development Director for Quadrant EPP. Myles Odaniell named CEO of Spartech.

At Plastifab, Angelo Cianci is Plant Manager; Johnny Lapadula, Operations Manager, including Customer Service and Sal Sorice, General Manager. Mark Kramer, CEO, Laird Plastics, elected to Board of Directors, National Association of Wholesaler-Distributors. John Reeves, is Branch Manager E&T, Dallas.

DISTRIBUTOR/MANUFACTURER BRIEFS: E&T Plastics opens seventh location in Dallas, Texas. Westlake Plastics announces Radel 5500 Barium Sulfate and Propylux HS – new Medical grade products. Dow Chemical considers sale of PC resin business, among others. Placon Corp expands PET sheet extrusion in China. Sheffield Plastics' Makrofol® 3D Metallic FG film can now be cold formed. SABIC hiring professionals with BSc for its MMA and nylon business areas in Riyadh. Quadrant EPP receives Mine Safety approval for Nylatron stock shapes. Atlantis Films looking for a buyer. DuPont introduces Zenite LCP, said to offer low warpage in electronic applications. Ticona offers new antimicrobial acetal resin Anti-Crobe™. Sabic Innovative Plastics shows PC roof and window glazing in the new Land Rover LRX concept car – uses Exatec coating.

INDUSTRY INTERVIEWS: ...continuing our interview with Wesley (Wes) A. Lytle, President, United States Plastic, Lima, Ohio.

Q. How do you see 2008 turning out?

A. I think 2008 is very much up in the air right now. If the housing and credit crunch continues to slow the

general economy, sales growth will be much harder to gain.

Q. Your website: www.usplastic.com continues to change and still be very impressive, showing your entire catalog – how did that contribute to last year's performance?

A. The Internet is very important to us. As a traditional catalog company, the printed catalog will not go away any time soon. The Internet is very dynamic, and we can more easily add products quickly. Each year we have seen a shift towards the Internet by both new and existing customers.

Q. What do you see as the future for internet commerce in our industry?

A. People who are just entering the work force now have grown up using computers and the Internet for information, research, and buying. As more and more of these young people get into purchasing positions, the Internet will grow as the method of choice for doing business.

Q. What other changes do you see for the rest of this decade? The next decade?

A. The computer and the Internet will continue to grow with customers asking for and expecting more information that is current and dynamic. Business will need to adjust.

Q. How do you recruit, train and retain good people?

A. Like most businesses and when at all possible, we promote those in our company who show good potential and loyalty. As new people come, we give them several weeks of training with an experienced trainer followed by on-going mentoring.

Q. Is inflation in prices you pay and prices you sell at continuing at the same rate as in the previous 5 years? When will it abate?

A. As we all know, resin prices have increased significantly over the last few years. Obviously, this has pushed our costs and our selling prices up also. I do think we must all be cautious about just increasing prices.

Q. Who are your major competitors in the catalog business? McMaster Carr, WW Grainger or others? How do you differentiate yourself?

A. These both are very formidable competitors. There are few things that we sell that someone else doesn't also sell. We try to make service a priority.

Q. On a personal note – if you could change one thing about yourself, what would it be?

A. Be more disciplined in how much I eat!

Q. Which talent would you most like to have?

A. I am very thankful for the moral and religious upbringing that I have had since childhood. This has helped me avoid many pitfalls throughout life. I believe that we are created by God with the talents and strengths He has given us. My goal is to nurture and grow the ones He gave me and to use them in a way that will help others and honor God.

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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