



GLOBAL PLASTICS LETTER

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“A World of Plastics Information”

MARCH 2010

Dear Colleague:

Monitoring March money matters... turbulent, turmoil, trepidation amidst the initial industry reports coming in from both manufacturer and distributor segments. The almost perfect storm of extreme winter weather conditions in the Eastern section of North America, where businesses were shut down for days and weeks, combined with the roiling of financial markets in Europe, led by Greece and Spain, have caused setbacks in economic recoveries. As we enter the last month of 1Q 2010, a resumption of activity in our industry has been delayed, with most sectors reporting only single digit growth in revenues year over year. Continuing cost cutting has kept profits stable. M &A's have slowed and branch openings put on hold...branch closings, surprisingly, have not been a trend. A patchy rebound... to be sure.

The Euro Zone's debt crisis is a global threat...how Greece, Spain and Portugal's debt is managed and how it affects the U.S. and U.K. is far from certain. It could cause a double dip great recession, strengthening the dollar but dampening global economic recovery. Meanwhile, crude oil prices are creeping up to \$85 levels and barring disruptions are poised to add pressure to global economic conditions. Short term, a stronger dollar is certain putting a damper on U.S. exports but holding down oil. Some upcoming winning industries are expected to be: manufacturing, especially machinery and equipment; energy; automakers; infotech and telecom; medical supplies and biotechnology.

How to grow? New technology is sparking a revolution...data mining, which lets marketers collect and sift billions of bits of information and reach their intended customers based on who the real buying influence is...and communicating with that specific person. No wonder print advertising, which markets to all and hopes to snag some, is declining and changing the way we all reach our ultimate customer.

The stronger dollar will push metals prices lower, as will China's bank lending which is designed to slow growth rates and thus reduced demand for key metals such as nickel, copper, aluminum and zinc...all expected to experience double digit price drops by year end. Inflation is poised to rise about 2% through spring as commodities, other than metals continue to rise faster than services. Credit is expected to flow faster in the next several months, contributing to increased business investment in 2Q 2010.

TRENDS: Our industry took a double hit last month...PVC pipe manufacturer JM Eagle was accused by several municipalities of providing water and sewer pipe that was substandard and subject to bursting in use. In response the manufacturer accused the “whistle blower” of engaging in illegal kickbacks. The courts will apparently determine the truth but the industry is being subjected to unfavorable publicity.

Also, the controversy about BPA use in products such as PC continues as research and testing goes on and the PPS and nylon 4/6 used in Toyota accelerator pedals is of some concern in possibly contributing to recent recalls, although the investigation is complex, ongoing and inconclusive at this point.

Some favorable reports have focused on the positive in our industry... a boat made from recycled PET bottles, called The Plastiki, is about to make its 100 day crossing of the Pacific Ocean...shades of Kon-Tiki. At the Olympic Winter games in Vancouver, all the signage, corrugated PP, supplied by Laird, is being recycled... another positive for our industry.

Medical industry tubing products are being produced from more innovative materials, opening up new applications, as seen in the recent Medical Design and Manufacturing West show...TPE's and copolyesters are leading the way as alternatives to PVC... nanoparticle technology emerges as well. Some material trends to watch are solar cells from flexible films using nanoparticles to generate electricity...Bayer MaterialScience leads this effort in Germany.

Distributor websites are being re-designed for function, not flash, in the wake of the recession, with the goal being substance, not style...closing the sale by supplementing live CSR's.

OUTLOOK EUROPE: European Plastics Converters Association recently met with a European Parliament group to express their concern with the trend towards moving plastic raw material production out of Europe and thus creating higher prices and reliance on non-European suppliers. Imports from developing countries, along with the economic recession in Europe are putting severe pressure on the industry as it moves for policies, which will support it rather than degrade it.

OUTLOOK ASIA: ...by Mal Binnie, our Pacific Rim correspondent, stationed in Australia

China which had reported labour shortages in Shenzhen, Guangzhou, Quanzhou and Wenzhou of more than a million workers is expecting a return of migrant workers from their home villages. China through the Sinopec Beijing Research Instit. Other facilities are increasing research and development to support the 9.7% growth in the plastics processing industry. Comment in China is starting to center on why Chinese made plastic products are sold cheaper into export than in local markets. Critics note that China is therefore subsidizing exports to the detriment of the local market but to the benefit of local jobs. Sig Floyd ofwww.valushar.com has written some interesting comments in his New Year letter and believes that March will be a critical barometer for both the Global and China economies. Solvay Group is reported to be setting up 3 research, development and technology centres in India, South Korea and China. Each center will work on developments suited to the local market areas. Solvay has Regional HQ in Thailand.Australia reports mixed results with sales for some areas better than others, some busy, some quiet. Mulfords reports the addition of 5 sales people to strengthen their customer service. In addition Arnold Mouw of Mulfords advises that they have added a full range of Oil Filled Nylons and FDA approved edible products. Pricing is still considered an issue as some distributors fail to reflect the rising prices of MMA/PC/PE etc. Laurie Green of Cut to Size Plastics reports a unique fund raiser yacht race to be held on Thursday 4 March in which CTS and Mulfords will compete to raise funds for Stepping Stone charity. Mulfords on board Holy Cow and Laurie's team on Trieste. Full report in April. Australian Plastic Technologies which bases its patented biodegradable and compostable materials for rigid sheet, injection and blow moulding and flexible film is expanding its production to the USA. The Editor of Indias Popular Plastics and Packaging magazine, Mr AS Athalye, has written an interesting editorial comment in the February 2010 issue on Biodegradable plastics. In Ratnagiri India Georg Fischer through its Piping Systems unit has opened a plant to manufacture pipes for Indias natural gas network. Growth in the Indian plastics market is projected to double in the next 5 years. Both exports and the domestic market are showing rapid growth. Mulford International who have invested in the building roofing market report steady growth. Mr Mukesh Ambani Chairman and MD of Reliance Industries was recently awarded the Deans medal by the U of Pennsylvania and Mr Harish Badami has been appointed President and MD of Dow India.

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

The economy for the Plastics Industry continues to race along at double digit grow over last year's sales at this time. Things are going well. However, nationally the jobless claims continue to spike and durable goods orders are mixed. Orders for long-lasting durable goods jumped above expectations to 3% in January but this was mostly buoyed by orders for commercial aircraft. Consumer and business spending continues to be positive although new home sales continue to drop. Resin manufacturers are pushing their price increases for ABS, HDPE, PP, and PVC. Resin supplies of PVDF are tightening so don't be surprised if a price increase comes along for that product as well over the next month or so. Curbell Plastics announced Tony Severkovski as their new business manager for their Phoenix, AZ branch...Boca Raton, FL based Laird Plastics' Canadian branches supplied signage to the Olympics in Vancouver, BC this year as well as helped reduce waste by coordinating the collection and cleanup of the PP signs for shipment back to Coroplast, which will recycle them.

PRICING: Once again supply vs demand vs benzene and naphtha affects resin prices...PE, PP, PS, PVC and ABS are up high single digits in Feb. while the outlook for 2Q 2010 is for low double digit increases across the board. More relevant to many distributors in our industry is the announced 15% UHMW-PE resin increase, which of course is expected to impact (pardon the pun) the price of shapes. Dow also announces price increase for ABS and SAN in Europe, Middle East and India effective immediately.

MANUFACTURER/DISTRIBUTOR BRIEFS: DuPont predicts sales and profit growth for 2010, led by Performance Materials/Polymers unit, which include nylon, engineering resins and specialty elastomers. Sparteck, reporting 2009 sales of \$927 million, merges three tech centers into one new facility near its headquarters in St. Louis, MO. Also produces Spectar PETG sheet for use in orthopedic market. A.M. Castle Co. parent of Total Plastics releases 2009 year end and 1Q 2010 financial results on Mar.10,2010. U.S. Acrylic to feature PETG "glass ware" for the first tme, at trade show this month in Chicago. Klockner Pentaplast to distribute corn-based bioplastic rigid films from Plantic Technologies, Australian based manufacturer SABIC IP introduces Lexan Exell D PC sheet, used as curvilinear walls in new Dublin stadium. Redwood Plastics supplying recycled HDPE plastic lumber for a massive home in Vancouver, BC, Canada.

MERGERS, ACQUISITIONS, ALLIANCES, EXPANSIONS, AND DIVESTITURES:

M&A activity in our industry was up 30% in 2009 and expected to quicken in 2010.

Dow Chemical sells its Styron PS business to private equity firm Bain Capital for US\$1.63 billion. DSM Engineering Plastics, unit of Royal DSM N.V. and Mitsubishi Chemical (MCC) sign contracts to exchange PC and PA businesses...PC goes to MCC and Novamid® to DSM.

Ineos sells its global fluorochemicals business to Mexichem, a leading PVC resin and pipe producer. Rowmark LLC, extruder of sheet for signage and graphics, has purchased Triline Intl. of Milan. Italy, a signage designer and aluminum profile extruder.

PEOPLE: In memorium...Paul Lewis, owner, Auburn Plastics and Rubber, Indianapolis, Indiana. Raymond Baker, founder of Newage Industries. Both passed away in February,2010.

Janet Mann, becomes Vice President, Custom Sheet and Rollstock, Sparteck Industries. Kurt Glaser, V.P. Sales and Marketing, Sheffield Plastics, replaced by Bill Kistler, who becomes V.P. Operations and Sales.

INDUSTRY INTERVIEWS: ...continuing our interview with Arnold Mouw, COO Mulford Plastic Pty. Ltd

Q. What are some of your important product lines? Suppliers? How many are domestic to each country? How much imported?

A. The importance of products and suppliers varies greatly by country. For instance, in Indonesia we are a large PC seller for roofing applications (Hence the growth) both corrugated and monolithic. We source these products locally via a sister company owned by Haryanto Tjiptodihardjo, Impack Pratama, one of the regions largest extruders of PC, and Twinwall PP for packaging and printing applications.

In HK/China we are a major PC film distributor and converter and represent Bayer amongst others. In ANZ we are a distributor that is not unlike what the old “Cadillac Plastics” would have looked like, or any current traditional US distributor such as Laird Plastics, with Acrylic mainly coming from Asian Cell cast producers such as Astari Niagara and Hsin Hwa but we also represent Mitsubishi Shinkolite, Aristech exclusively for high end fabrication, Spa and Sanitary bathroom applications.

We are exclusive Sabic LEXAN PC distributors...other names that may be of interest are Ensinger, Polymer, and Quadrant/Poly Hi in NZ and we represent KYDEX exclusively throughout Asia, one of the few products that are across all countries. Within our Mulford Engineering Plastics Business located in NZ we have injection moulding capabilities up to 600MT, FEP/PTFE extrusion/molding, 2 full plastic machining operations and also a polyurethane plant.

In addition, we operate 3 FRP roofing plants in Jakarta Indonesia, Shanghai China and Mumbai India where we are replacing traditional hand lay up sheet with automated machinery manufactured FRP roofing. Most of the products are imported and most multi-nationals either have Asian manufacturing or distribution facilities.

Q. What are some of the most significant changes made to the shapes business model during the many years you have you been in the industry? How many is that?

A. I joined Cadillac Plastics in January 1976 in Auckland NZ, so I guess it is coming up some 34 years! I have had the great opportunity of being able to work in the USA for 4 years with Cadillac Plastics and then subsequently 3 years with Laird Plastics. All great opportunities but what strikes me is that the business model has not changed that greatly. It is still about local business being done the local way and having strong supplier and customer relationships. Of course with the internet our customers know as much as we do so the need to differentiate and offer more value is imperative.

Yes we have quicker ways to transact and deliver solutions, but I still find it such a people industry and am always amazed as I travel around the world, by the number of old business friends I run into...of course some of them work for this newsletter. Certainly doing business in Asia is vastly different than in Australia and New Zealand, which are both mature and sophisticated markets, and you would not find our business model in ANZ any different to most US distributors today.

...to be continued in the April 2010 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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