



“A World of Plastics Information”

MARCH 2011
OUR TWELFTH YEAR

Dear Colleague:

March means monitoring money matters. Credit is loosening up but financial institutions remain cautious. Nevertheless, our industry is attracting capital as investments produce products and revenues for new and existing markets and opportunities abound for mergers and acquisitions to add value to the global industry. Profits are improving in direct proportion to increasing revenues; approaching, and possibly exceeding pre-great recession levels that existed in 2007-2008. Watchful expense controls and accelerating productivity are finally resulting in positive results, which hopefully will prevail in the 2011-2012 business cycle. Of course barring any unforeseen global crisis that could result in extraordinary escalating higher energy prices... a proviso that we have been expounding on for many years.

It now appears that this crisis is upon us, as the Middle East erupts in calls for democracy and overthrowing incumbent autocracies in Egypt, Tunisia...and more critically for our industry – Libya. The Libyan daily output of 1.5 million barrels (2% of the globe’s demand) of oil is exported primarily to Europe but elsewhere as well and could be interrupted. Saudi Arabia, the globe’s largest exporter of oil, won’t see a regime change, but keep on eye on Iraq and Iran. However, the dreaded upset in the status quo is upon us, with the prices of crude oil soaring based on the uncertainty of continued supply from Middle East sources. We see oil reaching \$110 a barrel, well short of the \$140 high in 2008, and the price of gasoline will push past the psychological barrier of USD \$4.00 per gallon in North America...the record high was \$4.11 in 2008. The effect on petrochemical prices, especially plastic resins and thus shapes, could dampen the long sought after recovery as inflation and/or shortages may be looming – the next 90 days will be the key determinant. Ameliorating factors are that supplies from Saudi Arabia and other OPEC countries appear to be ample at this point...and natural gas seems to be in ample supply with almost record low prices, affecting some intermediate chemicals which are feed stocks for acetal and others. As of today, we don’t expect oil disruptions to have a large lasting impact on the economy; growth will drag, but no threat of a double dip recession at these expected levels.

TRENDS: Trucking rates are expected to rise 5% in 2011, the highest since 2005, caused by soaring diesel prices, tighter capacity, stricter safety regulations and generally increasing demand. The new jargon of business is proliferating, with expressions such as “sustainability”, “low hanging fruit”, “the new normal”, “social media”, “monetize” “tweet” and at the end of the day we have “at the end of the day”.

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

News from the Pacific is not all good with the earthquake in Christchurch NZ claiming up to 200 lives. However we have been advised that the Plastics family with offices in Christchurch have survived. We have reports that Arnold Mouw's sister-in-law was rescued early on the first day, seen on TV. OUR TOTAL SYMPATHY AND SUPPORT IS FOR ALL NEW ZEALANDERS AFFECTED.

In Australia, Laurie Green MD of Cut to Size Plastics will be participating in Ausplas 24-27 May 2011 in Melbourne. They will showcase their capability as a stockist supplier of Engineering Plastics and also parts made in their CNC production center and their representation of Gehr, Wefapress, King Plastics; adding Thordon Bearings and Licharz Oilamid X. Mulford Plastics have announced the appointment of Greg Munneke as Victoria/Tasmania Manager. Greg has over 18 years experience in the plastics industry and will report directly to Mulford International Managing Director for Australia/New Zealand, Ian Grant, who also appointed David Campbell as GM Engineering Plastics and Value Added. Campbell, with Mulford Plastics for a number of years, had experience with GE Plastics and Cadillac Plastics NZ. Australian Sheet Traders (AST) appointed Rod Edwards as CEO, Australian operations. Reporting to Rod will be Tracey Cutting, National Accounts Manager and Jenni Coombes as Purchasing Manager. China's plastic factories are now operating at full capacity - production of PE rose 28% last year to 0.86 million tons and PP by 13.5% to 9.17 million tons. PVC, at 20.4 million tons, is about 1/3 global capacity. With the automotive market booming in China, Rochling Automotive plans to expand. DSM announced an agreement to acquire a majority share in Shandong ICD High Performance Film Co Ltd. ICD is based in Laiwu and makes UHMW PE fiber. Engineering capacity will grow further in China when Italy's Aquafil adds further nylon capacity. Asia-Pacific is projected to be the fastest growing market for Film and Sheet with an annual growth of 4%. Bayer has opened a colour competence and design centre in Greater Noida near New Delhi. Lanxess India is set to celebrate 2011 as the year of high tech plastics; the automotive market is a clear target for Lanxess with growth at 13-15% annually - will need the high tech products Lanxess produces. India's growth in plastics manufacturing has again been highlighted by a Chinese government official calling for tariff removal on machines from China. Electronica Plastics Machines Ltd Mumbai talking with Danish firm Labotek concerning a jv to manufacture machines in Mumbai. India's growth in PVC exceeds the world average as building and construction markets accelerate.

OUTLOOK EUROPE: by Ralph Ammann, our European correspondent based in Germany

German companies bet on building branches in Asia in March 2011. Thus, Evonik Industries will significantly increase its production capacity for PEEK at its Chinese site in Changchun, as demand for polyether ether ketons is growing. At the same time, the already existing site will be modernized and optimized. The building of the site shall be completed in the 3rd quarter of 2011. With 'Vestakeep' Evonik has long been offering PEEK polymers, characterized by their high temperature resistance and their high resistance to chemicals. These PEEKs are especially suitable for the production of components for continuous service under extreme conditions. They are used in the fields of medical technology, automotive industries, aviation as well as oil and gas industry. Bayer MaterialScience, however, is focusing on India and inaugurated a production site for polyisocyanates at Ankleshwar/ Gujarat. Those Polyisocyanates are to be used in polyurethane coatings and adhesives. With its investment of 20 million Euros the company intends to extend its business in India participate in the strong growth of the Indian market for coatings and adhesives. The plant will produce Desmodur N, which is based on aliphatic hexamethylen diisocyanate (HDI) as well as Desmodur L types made of aromatic toluylene diisocyanate. The initial capacity per year will be 15.000 tons.

The Indian film producing company Uflex, is reported to be heading towards Europe. For 60 million Euros a new plant for films shall be built in Wrzesnia/ Poland by Uflex' subsidiary firm Flex Middle East. The building shall be inaugurated in June 2012 and supply customers in Europe and Russia. Uflex already owns plants in India, Egypt, Dubai and Mexico. The strengthening of the European economy is leading to further concentrations within the branch. Thus, the company Cliffe Packaging in England, producer of flexible packaging, acquired the Structure-flex company's FIBC production at a price not mentioned. The company which has been producing single-trip disposable and multi-trip reusable polypropylene regards the additional purchase as a stepstone onto the global market. The company from Tunstall, Stoke-of-Trent also produces stretch films, sacks and record sleeves. Structure-flex, however, will concentrate on the manufacturing of products made of high-performance reinforced tissues with PVC coating. Among those products are re-useable bulk containers for up-market applications. In Poland Novostrat inaugurated Europe's largest production plant for PE according to company's own information. The plant among others produces foams for the insulation of houses and for the packaging industry. Novostrat also runs plants in France and Ireland. Finally, the Belarusian PET manufacturer Mogilevkhimvolokno is searching for an investor for the new construction of a PET granulate production plant in Mogilev. At the moment the site operates with a capacity of 80,000 tons per year for bottle grades and fibre types. For the new line an investment of 56 million Euros is earmarked. Furthermore, the older polycondensation line shall be modernized and completely converted to granulate processing.

OUTLOOK NORTH AMERICA: by Bill Shields, North American correspondent in the U.S.

The U.S. Commerce Department states that the U.S. Economy grew at a 3.2% annual rate in the 4th Qtr 2010. For all of 2010, GDP grew 2.9%, which is the best since 2005. The federal government acknowledges that manufacturing activity rose at the fastest pace in the past 6 years. The Institute for Supply Management said their national index rose to 60.8 last month putting it at the highest level since May 2004. Their readings above 50 indicate growth. Demand is continuing to surge; and, as a result, hiring is ramping up. The previously reported potential price increases for PVC, HDPE, PP, PVDF and acetal have all occurred within the last few days. Get ready for the squeeze. Cost of raw material goes up but pressure from the market remains to keep prices low; this means lower profit margins for everyone in the supply chain. Global demand will continue to push pricing up on raw materials. The next material to rise in price is expected to be CPVC. This is in large part due to availability of resin for production. The good news is that the growth in sales will continue through the 1 Qtr 2011 at double digits. Virtually everyone had an excellent sales year in 2010 and they will again see that continuing in 1 Qtr 2011. America remains the number 1 manufacturing country and has managed to produce more goods with fewer workers; and, as a result, has maintained its global position. U.S. manufacturers have placed near the top of world rankings in productivity gains over the past 3 years. Exports rose at a rate of 8.5% while imports dropped 13.6%. U.S. companies are benefiting from a weaker dollar and strong overseas growth. GEHR Plastics announced the promotion of Joe Aleszczyk to Southeast Regional Sales Manager.

PRICING: All resins up globally in February - March, including ABS, PS, ETP's, PETG, PA, UHMWPE, and PP (double digits). We expect this trend to continue in 2011. In addition Altuglas International hikes prices for acrylic sheet.

MANUFACTURER/DISTRIBUTOR BRIEFS:

Victrex develops corrosion resistant, light weight PEEK pipe for lumber drying applications in a wood kiln heat exchanger application, replacing stainless steel and adding service life. Also at Victrex, APTIV PEEK films are developed for flexible electronic applications in a jv with Holst Centre. Bayer MaterialScience

introduces PC which at 3mm is optimized for clear LED light transmissions in a ceiling fan application lens assembly light engine, replacing incandescent light bulbs. Also at Bayer, PC is used as a mercury free LED lighting replacement for fluorescent light tubes. Bayer's pultruded polyurethane reduces weight and increases fuel efficiency of new timber trailers - used as stakes and bunks and replaces steel in this application which is prevalent in the timber industry. PET recycled sheet used in retail signage as developed by MicroGreen Polymers.

Redwood Plastics celebrates its 40th anniversary in Vancouver, BC, Canada. Redwood started as a plastics fabricator and has expanded into compression molding and extruding UHMW as well as producing cast nylon products and cast polyurethane capabilities. Rochling Automotive opens new plant in Akron, Ohio and moves headquarters to South Carolina – to supply fuel-saving engine and body undershields to Ford Motor Co.

Lucite International announces design exhibition for Lucite acrylic sheet to celebrate the brand's 75th anniversary – to open in New York City on May 10, 2011 and showcase many new applications. Major industrial distributors such as Grainger, Rexel and Sonepar report near-record sales in 2010 and announce acquisitions. SABIC Innovative Plastics previews specialty materials for new applications in healthcare, safety, home care and regulation markets. Arihant Gold Plast., a new supplier, is offering HIPS, PP, ABS and HDPE sheets.

MERGERS, ACQUISITIONS, ALLIANCES, DIVESTITURES AND EXPANSIONS:

Evonik Industries to expand PEEK capacity in Changchuan, China – expected completion in 3Q 2011. Its predecessor, Degussa started the facility in 2006 with a capacity of 500 tonnes/year.

Uflex, subsidiary of Flex Middle East, Dubai/United Arab Emirates, Indian film manufacturer, plans to build new facility in Poland to produce polyester in June, 2012 – capacity of 30,000 tons per year is to supply customers in Europe and Russia.

INDUSTRY INTERVIEWS:

Concluding our Interview with Banu Kukner, Global Communications Manager, SABIC Innovative Plastics, Specialty Film and Sheet.

Q. What is the role of Lexan sheet distributors in the railroad window frame application as well as similar applications?

A. Our distributors enable us to immediately fulfill our customer's product needs – in this case the converter Plexx – from local storage. This is really important to assure a just in time delivery for our end use customers.

Q. What is the market potential (in sq. meters and/or feet or pounds of sheet) for this transportation sector?

A. In general, a railway interior segment offers a 3-5% growth potential for Lexan PC sheet in the coming years. Our share of this market is relatively small due to the low penetration of thermoplastics materials compared to thermosets. However, we are pleased with the adoption of Lexan sheet in the window frames and look forward to continuing our collaborations with our customers to help them develop new technologies in new applications. We believe the global railway industry sees more and more the benefits of new lightweight materials. We continue to invest and develop new products and technologies that will help further reduce weight by replacing traditional materials in railway and mass transportation interior applications, and help our customers meet changing safety and regulatory standards.

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.