



*“A World of Plastics Information”*

**Part news. Part views.**

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Dear Colleague:

Recovery racing rampantly...reaching records. Economic growth is expected to be at 2.6% or higher for the balance of 2015. Reports received indicate many revenue records being broken, although profits are elusive despite greater productivity led by automation in plants and offices. We recently toured a typical branch location of one of the “big three” national distributors. In addition to state of the art cutting equipment on the warehouse floor, the marketing process has been transformed with few phones ringing and barely a fax-on sound. It’s email and email and more email as the quoting and order entry systems platform. A multi million dollar branch operates with about 5-7 total employees (including Branch Manager)...that’s productivity!

TRENDS: Continuing entry into e-commerce by internet giants...now that Amazon, and perhaps Alibaba have discovered the BtoB market and can spell *plastics*. Amazon, with its Amazon Business service, featuring “hundreds of millions of products” including our industry. Additionally they offer free shipping on orders of \$49 or more and offer product information on their “Asking an Expert” page. This all started 10 years ago when they bought Small Parts Company. On line business buying is expected to grow 15-20% a year, so this all bears watching.

New! What were some of the worst of our industry’s predictions? 1. Lexan PC can never replace acrylic because of its higher price. 2. Computers are a passing fad. 3. Rohm & Haas is the predominant supplier to the plastics sheet industry. 4. Cadillac Plastics & Commercial Plastics will dominate plastics distribution.

Bank of Scotland introduces plastic banknotes, replacing the cotton paper £5 & £10 notes. Bank of England is next, in 2016. PC sheet being used by some cities, including Phoenix, Detroit, Chicago, Atlanta and Los Angeles, to replace plywood in their fight against blight and eyesores in unoccupied and/or abandoned buildings. SecureView, a Cleveland based company with a Mt. Vernon, Indiana plant, is actively involved. With further regard to PC, the global market is expected to grow at CAGR of 6.2%, to reach US\$19.59 billion from now to 2020.

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

The economies in the Asian and Pacific markets continue to move along a steady growth path. Countries in SE Asia maintain their GDP at a level of 6% commensurate or above Europe and USA and the 10 country group is predicted to outpace China in the future. China is on a bumpy ride at the present but with growth between 6-7% provides continuing opportunities. New Zealand is a well controlled market and Australia is undergoing change but with Government efforts to fire up small business which will help the plastics industry. The Australian government announced a \$Aus5 billion tax cut for businesses with annual turnover below \$A2 million. The \$Aus has been moving in a small range to the \$US and is currently around \$US 77.50. Interest rates are at traditional lows of 2% and aiding investment. PMI for Australia moved up 1.8 to 48.0 in April. Acrylic pricing in Asia/China is somewhat flexible at this time. Lucite opened its second production line in Shanghai. Spot prices on MMA have been softening and are reported in the \$US1900 range. Global PC market is expected to expand by 6% over

the next 15 years with Asia Pacific accounting for up to 60% of the growth. The RMB is now becoming a truly global currency and a report by Allen and Overy “RMB the new global currency” is worth reading. Full details of the Australia/China free trade agreement should be released in early July. Amcor confirmed relocation of its HQ from Melbourne to Zurich Switzerland. GM Murray stated Amcor will remain an Australian listed company. Amcor purchased South African Nampak Holdings Flexible division. Airwork Helicopters of Caboolture with its Kevlar and carbon fibre based blades is seeking approval for sales to CASA Europe and the USA. Distributors of engineering plastics shapes in Australia have been informed by European suppliers of shortages in polyolefin raw materials which affect prices and supply. It is reported that Amari continues to expand in Australia with Gary Hansen (ex York Plastics) operating the Victorian division. Mulford Plastics reports significant growth in its new Building Products division. Mulford Plastics NZ will commence manufacture and distribution of Magnetite Products double glazing acrylic system in June. Additive manufacturing is reported a goal of MD Perry Pericleous. Plastral will be exhibiting its product range at the Surat Bay Energy and Mining Expo in Toowoomba Queensland in June and at AIMEX in Sydney in September.

China, by easing monetary policy and economic reforms, is moving to revitalise its industries and to encourage investors. China’s State Council has revealed a 10 year plan for “intelligent manufacturing” to answer some of the country’s economic challenges. The plastics industry will gain from projects in Aerospace, Medical Devices and Railway equipment. Hunan Farsoonetti Technology with other companies is reported to be leading China’s first National Engineering laboratory for additive manufacturing. The PMI for China of 49.1 for May indicated that for 3 months there has been negative growth. Chinaplas is claimed an outstanding success with over 3000 exhibitors and 120,000 visitors. Management of Chinaplas continue to aim for a better quality exhibition. DSM and Ascend global strategic alliance and DSM and Zhejiang NHU joint venture in PPS. SPI and CPPIA to promote clean sweep program, BASF to open a new design centre in Shanghai in 2016. BASF appointed Sanjeev Gandhi responsible for its chemical business in Asia Pacific. Steffan Huber appointed President Bayer MaterialScience, Greater China.

Solvay Belgium broke ground in Gunsan Sth Korea for a new highly dispersible silica plant. Japan’s PMI fell below 50 for the first time in a year. The PMI was 49.7 for April. UBE Industries of Japan expanded its Nylon6 plant in Spain. Kuraray Tokyo acquired Plantic Technologies Australia in April.

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

The third European report of 2015 comes along with new records in sales and earnings for Röchling Group in the past fiscal year 2014. The economy provided almost the exact same dynamics as in the previous year. This corresponded to a growth in the global economy of 3.3 percent, which is nearly equal to that of 2013. The Eurozone posted a moderate increase from -0.4 to 0.8 percent. The US accelerated growth by 0.1 percentage points to 2.3 percent. By contrast, the pace of growth slowed in the newly industrialized countries from 4.7 percent to 4.4 percent in 2014.

With Group sales of EUR 1,364.0 million, the German-based Röchling Group exceeded the previous record of EUR 1,282.5 million by 6.3 percent. According to the company the two divisions, High-Performance Plastics and Automotive Plastics, contributed equally to sales growth – each increasing sales by 6.4 percent. 34 percent of sales were generated in Germany. 33 percent were generated in the rest of Europe. 20 percent of the Groups sales were generated in America, while the remaining 13 percent can be attributed to Asia. The largest sales segment is the automotive technology sector with a share of 52 percent. This is followed by the retail and machining industry (16 percent) and the electrical and electronics industry (7 percent).

For the fifth time in a row, the Röchling Group achieved an increase in its result and therefore set a new record. EBIT was up 14.3 percent to EUR 102.9 million. This corresponds to a return on sales of 7.5 percent compared to 7.0 percent in 2013. The Company also set a new record in terms of incoming orders. They rose 6.1 percent to EUR 1,373.8 million. Investments in tangible assets dropped slightly by EUR 5.1 million to EUR 72.8 million. The majority went towards production expansions.

Elsewhere, Dutch Royal DSM, a global Life Sciences and Material Sciences company, and Ascend Performance Materials Inc., a premium provider of high-quality chemicals, fibers and plastics, announced the forming of a global strategic alliance for the supply of compounds based on polyamide 66 (PA66). Under the agreement, Ascend is said to become the strategic supplier to DSM for PA66 base-polymer used as raw material for Akulon

PA66 compounds for engineering plastics applications. In addition, DSM will distribute Ascend's portfolio of PA66 compounds sold under the brand name Vydine.

DSM is already a major developer and global supplier of polyamide engineering plastics, with a portfolio that covers not only Akulon PA6 and PA66, but also several other high performance polyamides such as Stanyl PA46, Stanyl ForTii. Ascend Performance Materials is one of the largest producers of PA66 resin in the world, with full backward integration into the key chemical intermediates – adiponitrile, hexamethylene diamine, and adipic acid. Furthermore, British-based manufacturer Victrex has successfully commissioned the first production stream of its £90 million third Polyaryletherketone (PAEK) manufacturing plant as it focuses on offering even greater security of supply to customers, as well as delivering complete solutions. Recent investments increase Victrex's production capacity by 70 per cent to over 7,000 tonnes per year. Alongside its PAEK resin capacity, the worldwide leading PAEK producer has also continued its downstream investment in APTIV® film, pipe, tape and now medical components, enabling the company to differentiate from competitors by supplying complete solutions to customers rather than simply manufacturing materials.

The new facility for the manufacture of PAEK went into operation in the north-west of the UK during April. Over 1,000 tonnes of structural steel, more than 2,250 cubic metres of concrete and almost 30,000 metres of piping were used in the plant's construction. Both in the construction phase and now during ongoing production, top priority has been given to safety and protection of the environment. This is ensured by the relevant defined processes and regulatory approvals as well as the successful completion of the necessary audits. In addition, a new control room ensures the centralized management and monitoring of all three production plants.

Finally, Evonik Industries VESTAKEEP® i-Grade PEEK recently obtained the Biocompatibility Test Report from Chinese Zhejiang Institute for the Control of Medical Devices. Zhejiang Institute for the Control of Medical Devices is the China Food and Drug Administration (CFDA) affiliated and qualified testing centre. The comprehensive test followed the GB 16886 standard series. PEEK has successfully passed all related tests in vivo or in vitro, which indicate that it is of excellent biocompatibility. Traditionally, metals were the materials of choice for spinal cages and other implants in the human body, but recently the high-performance plastic polyetheretherketone (PEEK) has proven a serious and even more desirable alternative. In addition to PEEK's excellent biostability and biocompatibility, its x-ray transparency and elasticity are unreplaceable by metals. What's more, the elasticity of PEEK closely corresponds to that of a bone. This allows an optimal transmission of force between the implant material and the natural bone, which can in turn have a positive effect on bone healing.

#### PRICING:

Some commodity resins such as PS and LDPE, HDPE, PP and PVC, are responding to economic conditions (supply-demand) as well as feedstock costs, which trend to "stable". More specifically, we have seen PE, PS and PVC resin prices moving upward in May 2015. On the other hand, translating resin prices to shapes (especially sheet) portends single digit increases in 2-3 Q this year...plan for it. Breaking news...Evonik increases prices on PMMA sheet by 6.5%, effective June 1, 2015. More breaking news...benzene feedstock prices are up 0.77 cents since April to \$2.85/gallon, portending steadily climbing prices in PS and PC.

#### MANUFACTURER/DISTRIBUTOR BRIEFS:

Bayer MaterialScience, (producer of PC sheet and resin) to be renamed Covestro, effective 9/1/15...spun off as separate company in 2016. At Bayer, a new formable PC film product, Makrofol® SR 906, offers superior weathering and scratch resistance for use on automotive instrument panels and other applications such as credit card overlays. Their Makrolon® TG sheet being more widely used in rail transit applications in China...weight savings is key. Add Makrolon® Silent Sound transparent PC sheet acting as npose protection barriers and you have a very proactive producer soon to be called Covestro! Speaking of PC sheet, new producer Rhuiyuanchem, in China, offers 1220x2440 mm sheets in thicknesses from 1.5mm-12.7mm. DK Plastics, based in Iowa, expands its output of HDPE sheet used for portable hockey rinks.

Polyone names Richard Altice to head its Designed Structures & Solutions (read sheet) business, which includes the former Spartech unit. At Evonik, its Acrylite® LED color changing sheet is being used in Mack Truck's new brand logo signage.

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

For the first time in many years we don't have any news in this market segment but the M&A activity in Industrial distribution, if not in Plastics, is ramping up. Strategic and PE buyers are both active and competing with each other. In 2014 there were 114 distributors acquired by PE firms and 213 by strategic buyers, and 2015 is starting out to be equally robust.

INDUSTRY INTERVIEWS:... **Colleen Pritchett**, DuPont Performance Polymers, Asia Pacific Regional Business Director. [Courtesy of *Plastics News*, May 26, 2015] Interview conducted at Chinaplas show in Guangzhou by Nina Ying Sun.

### ***Q. How was 2014 for DuPont Performance Polymer Asia Pacific?***

A. We continue to see very strong demand for our performance polymers globally and throughout Asia Pacific in 2014 and this year as well. In the markets that we are serving, to give you some examples, automotive, consumer electronics, electrical components, railway, oil and gas, just to name a few. In China, specifically, we see the GDP and market grow probably in that 6 to 7 percent year-over-year type of growth rate. Our goal and what we continue to do is outperform market growth as well as competition

### ***Q. What are the growing needs in the industry?***

A. One thing is they need more robust materials that can handle harsher conditions, be that higher temperature, higher pressure, harsher chemicals. Not only materials, but the applications they are used in. A continued need is in replacing metal, replacing rubber, replacing alternative plastics, is very much in need. For the purpose of, in some cases, lightweighting; in some cases, making it thinner, lower total system cost. It depends on what market and industry, but those seem to be general trends from our customers in this industry. An example, we work closely with the automotive market, with our customers, there is a real industry need for lightweighting, making vehicles more fuel efficient, helping reduce CO2 emissions, etc. We work very closely with automotive customers in providing current and new materials, new applications, and new designs, to help them do that. We also work with consumer electronics, and a lot of their needs [are to make components that are] lighter, thinner and lower cost. We work closely with customers in providing structural parts into these types of applications, helping them achieve those goals. One material we've been working with a customer in China is our Zytel HTN, it's renewably sourced, high-temperature polyamide material. It's used in a structural part for a smartphone application. We are excited. We see a lot of growth potential. Those are just a couple different markets. Photovoltaics, LED, these are huge potential markets for us. We are already with customers in these spaces, and I only see it continuing to grow. We are doing a lot around thermo management needs.

### ***Q. Where is the company focusing its materials development efforts?***

A. On our development capabilities, it depends a lot on the application. We do a process called inclusive innovation, where we talk with our customers, we really listen to what their needs are, how they are trying to serve their customers and the demand of their customers. We work closely with them on material specification, material development, help them design new parts — can we take three parts and make them into one. It's a very interactive process and one-stop-shop solution. We recognize speed is important, responsiveness. Speed of product development is very much needed in serving our customers, especially in Asia. It's true everywhere, but especially important here.

**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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