



# GLOBAL PLASTICS LETTER

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*“A World of Plastics Information”*

**Part news. Part views.**

MAY 2013

14<sup>th</sup> Year

Dear Colleague:

Double digit growth dispels doubts...finally our industry is emerging from cautious optimism. May's mood is one of continued cautious growth, with low double digit revenue (first time in 5 years breaking out of single digit growth) and profit results starting to come in as a result of 1Q 2013's business. Our informal surveys held with both manufacturers and distributors indicate a quickening of bounce-back and some solid new application and market gains...the first since 2008. Thus, the long slog back is beginning to show results as our “recession proof” industry emerges to resume sustained growth. Look for commodity metals (copper, steel, nickel and zinc) prices to hold steady into 2-3Q 2013, with aluminum the only exception...edging up slightly. All this is affecting metals replacement opportunities for engineering and high performance plastics shapes. Crude oil should continue to be below \$100/barrel – more like \$90-95 throughout 2013, thus keeping a damper on petrochemical prices and limiting thermoplastic resins to single digit upticks...inflation continues in check.

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

The high exchange rate of the \$Aus continues to slow exports and thus hinder manufacturing growth. The continuing uncertainty in the Australian economy created by the election planned for September 14th with the almost certainty of a major change in Government has effected business negatively. Unemployment jumped to 5.6% in March the highest rate for 3 years and economists believe it could reach 6% over the next quarter. The Purchasing Managers Index PMI for April at only 36.7% is the lowest level since May 2009, also the lowest export reading since 2004. However with the \$Aus continuing at this high level plastics manufacturers can find imported machinery prices at record low levels and this should encourage investment for the future. It is reported that most plastic distributors have experienced tough market conditions this year but Laurie Green MD, Cut to Size Plastics, believes the next few months will show improvement. There have been many personnel moves in the Distribution industry and growth by The Inenco Group will be interesting to follow. Cut to Size have appointed Pat Flood as NSW Manager. Mulford Plastics are reported to have some changes in Victoria. The newly approved Melbourne Domestic Air Terminal will provide plenty of opportunity for plastics in engineering, display and building. With the recent agreement between the Chinese and Australian Governments to allow Australian businesses to settle transactions in renminbi, importers and exporters will benefit and have indicated their desire to settle trades directly in RMB. Integrated Packaging Group, Melbourne have announced that their 6micron thick degradable PE film that assists crop growth should be commercially available later this year. Government legal rulings in China continue to impact employment issues and have covered matters such as bribery records, criminal penalties for failure to pay correct labour compensation, strengthening mediation of disputes in private enterprises and many others under review. The PMI for China fell to 50.6 in April but is still in positive territory. Investment in China continues with Shanghai Chlor-Alkali building another CPVC plant in Shanghai. Lanxess AG has opened a new application development centre in HongKong Science and Technology Park. China's plastic pipe production is reported to have grown at

25% per annum over the last 5 years. BioPlastics is an industry that China should be adopting according to speakers at a recent Renewable Energies Conference.

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

Leading German Semi-finished products manufacturer Simona AG has reported an unsatisfactory revenue and earnings performance in the first quarter of 2013. Sales revenue totaled €69.1 million in this period, down 4.8 per cent on the figure recorded in the first quarter of 2012. Compared to the previous quarter (Q1 2013 to Q4 2012), revenue is €3.0 million higher. Investment spending within the area of equipment and machinery, which is of key importance to the group's business, remains in the doldrums. According to the Germans this had a particularly severe impact on sales volumes relating to polyolefin and fluoroplastic sheets. By contrast, the company saw a slight year-on-year upturn in business with regard to foamed PVC sheets. Impacted by the long winter, revenue generated from the sale of polyethylene pipes for civil engineering applications contracted in the first quarter, whereas business with polypropylene fittings for industrial applications proved to be more buoyant. Additionally, the group has announced the launch of the new "Simolife", an extensive product range specially tailored to the requirements of the orthopedics technology sector. The group of semi-finished parts featuring the materials PE, PP and PETG has now been extended to include sheets engineered from ethylene-vinyl acetate (EVA). Simolife EVA has been specially designed for the manufacture of inner sheaths used in arm and leg prosthetics. The two product types EVA flex and EVA superflex are designed to meet a wide range of requirements with regard to flexibility of the specific material. The extruded sheets, available in a natural and skin-tone colour, are supplied in the formats 400 x 400 mm and 2000 x 1000 mm, with thicknesses ranging from 3 to 15 mm. The sheets are said to have excellent hot-forming properties. Displaying minimal material shrinkage during cool-down, they also offer the advantage of high dimensional stability with uniform wall thickness distribution. In combination, this ensures the very best in fit together with superior adhesive properties and soft-touch comfort. With properties including biocompatibility in accordance with DIN EN ISO 10993-5/-10 and resistance to sweat, cosmetics, skin creams and disinfectants, they offer good safety and high durability.

Pro-Kunststoff, the German association of the manufacturers of semi-finished products, a member of the VDMA, has published some of their technical fact sheets in English. The range starts with the two fact sheets "Quality requirements and test guidelines for PTFE-products" and "Tolerances for sintered PTFE-products" and will be extended in future. All sheets can be downloaded on the homepage of the association ([www.pro-kunststoff.de/info-service](http://www.pro-kunststoff.de/info-service)).

Finally, EMS Group has now completed the take-over of the other 50% share in a joint venture from Czech partner D Plast and now holds sole control of the EFTEC business in Central and Eastern Europe. The joint venture EFTEC, founded in 2000 with headquarters in Zlin (Czech Republic), develops, produces and markets materials and application technology in the specialized fields of bonding, coating, sealing and damping.

**INDIA TODAY: by S. Radhakrishnan, Group Editor, *Popular Plastics & Packaging*, Mumbai, India**  
Arkema, Jayant Agro Sign JV to Develop Castor Oil for Bio-sourced PAs for Lighter Vehicles. Arkema and Jayant Agro have signed a joint venture agreement whereby Arkema will acquire a stake of some 25% in Ihsedu Agrochem, a subsidiary of Jayant Agro, specializing in the production of castor oil. This joint venture aims to develop castor oil production in order to provide Arkema with long-term secure and competitive access to this strategic raw material for the manufacture of its bio-sourced polyamides. Arkema is one of the leading players in the castor oil sector with the manufacture of its bio-sourced specialty polyamides 10 and 11. The world's sole producer of polyamide 11 for almost 60 years, in 2012 the Group acquired Chinese companies Hipro Polymers and Casda Biomaterials — respectively producers of polyamide 10 and sebacic acid from castor oil, thereby bolstering its world leading position in biosourced specialty polyamides.

The plant, which will be located in Panipat, India, will have a production capacity of 216,000 tonnes per year. The feedstock, terephthalic acid, will be supplied “over the fence” by the company IOCL following production at an adjacent plant. Sumitomo Bakelite Co., Ltd. Group recently unveiled a new identity for its High Performance Plastics Business Unit to customers around the world. From April 8, 2013 the companies forming the business unit will present themselves to the market as one entity, SBHPP. SBHPP has set-up of a company base in New Delhi, India, as of April 8, 2013 to further strengthen its support for customers in emerging markets. SBE India Pvt. Ltd. will include warehousing, marketing and a sales organization to serve customers’ needs in the region for plastics and associated materials.

The creation of SBHPP highlights the worldwide integrated sales and marketing network, and global manufacturing capabilities offered by the manufacturer of phenolic resins, molding compounds and circuitry materials. Founded in 1986, Mumbai-based Bhansali Engineering Polymers is engaged in manufacturing of ABS, which acts as a raw material for companies dealing in automobiles, home appliances, telecommunications, luggage, bus body and various other applications. It had revenues of Rs 414 crore with negligible profit during FY12. Headquartered in Osaka, Japan, Nippon A&L is a joint venture between Sumitomo Chemical Co Ltd and Mitsui Chemicals Inc which was formed by integrating the ABS resin business and SBR latex business of both the firms. Finolex Industries, a leading manufacturer of PVC resin and pipes, has commenced commercial production at its new plant at Masar in Gujarat set up at an investment of about Rs. 100-crore. This is the first plant of the company outside Maharashtra. Finolex also has plans to set up its fourth facility to make pipes, informed Finolex’s Executive Chairman, Mr. Prakash Chhabria. “We are planning to set up a fourth plant for PVC pipes, and this should be up and about in the next 24-30 months,” he said adding that the locations being considered for it were Nagpur, Masar or a place in north east India. The capacity of this plant too will be around 50,000-tpa and will cater to domestic requirements, he said. Mr. Chhabria said the single window system in Gujarat ensured ‘fast clearance’ for the project. Finolex Industries, which has a pan-India presence, currently has a share of around 20% in the PVC pipes market. Shanghai Chlor-Alkali Chemical Co. Ltd., a Chinese maker of CPVC, is setting up a second plant in Shanghai, targeting India and the Middle East. The Indian CPVC market is growing 15 percent annually, according to Mr He, who estimates the country consumes about 55 million pounds of CPVC annually.”The Indian market is dependent on imports as there is no local production of CPVC yet,” he said.

PRICING: Prices rise for PE and selected polyolefins. Upward pressure, due to higher demand, coupled with years of little added capacity are manifested in most ETP’s, indicating single digit increases are close. Similar scenario is ahead for HPM’s. MMA and PC look stable for now but can’t rule out increases in 3Q 2013 – traditional peak demands.

#### MANUFACTURER/DISTRIBUTOR BRIEFS:

A.M. Castle & Co. reports on its Total Plastics unit’s 1Q 2013 performance: net sales of \$34.3 million were 10.7% higher than prior year due to automotive, life science and marine markets. Also they reported that 1Q 2013 sales increased 8.2% over 4Q 2012 results. Evonik’s PEEK-based spinal implant device receives FDA approval. Arkema commercializes acrylic resin to diffuse light in LED lighting applications called Plexiglas Diffuse™. Bayer MaterialScience providing multiwall PC sheet for agricultural reconstruction project in Japan at Toyota subsidiary. Also supplies triple wall Makrolon® PC sheet for construction sector in Europe. Harvel’s Managing Director, Pat Foose, (also former President, IAPD) retiring after 32 years and having overseen the Georg Fischer AG integration. SABIC Europe will cut 1050 jobs. Evonik will launch an IPO on European stock markets. A & C Plastics CEO Carolyn Faulk will address 2100 graduates at Sam Houston State University, Texas, later this month. **In Memorium:** Cliff Birkeland, 68, Regional Supply Inc, UT, US and past President, IAPD.

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

SABIC IP expands Lexan™ XHR sheet portfolio for aircraft interior components. Interplast acquired by Alsiano of Denmark. Bayer MaterialScience to sell polyester resin business to Stepan Co. Bayer bought the business in 2000 when it acquired Sybron Chemicals. Parker Hannifin expands its product offerings in medical TPU resin and tubing - based on aliphatic PC.

## INDUSTRY INTERVIEWS:...continuing our interview with Steffen Oellers, EPDA, immediate past President and representative to IAPD, & SIMONA AG, Kirn, Germany

*Q. On a personal note, what is the bottom line you achieve that is due to the work of EPDA in the last years?*

A. It helps me and my company to understand markets, customers and (as a manufacturer) the needs of distribution better. When I return from an EPDA Conference I return inspired with a bag full of new ideas.

*Q. Tell us about your company SIMONA and its history?*

A. SIMONA is a leading manufacturer of thermoplastic sheets, rods, finished parts, pipes and fittings. 2012 marks the 155th anniversary of SIMONA. Established in 1857 as a leather processing evolved in the second half of last century into a leading player within the field of plastics manufacturing. In 2011 SIMONA had revenues of € 308 million and around 1250 employees.

*Q. How many locations do you own and which products do you focus on?*

A. SIMONA is a global player with production facilities and sales offices around the world. We are present in all relevant markets either with our own people or with partners.

SIMONA is determined to establish itself as one of the leading global suppliers of extruded semi-finished thermoplastics and related products for safety- and eco-specific applications, specifically for sheets and piping system applications.

*Q. How big is the Kirn facility?*

A. Kirn is SIMONA's headquarters and its largest facility with around 650 employees. R+D is centralized in Kirn, here is SIMONA's technical heart.

*Q. What percentage of your product line is sold through distribution?*

A. Distribution is an integral and significant part of SIMONA's sales channel strategy. We work close with our distribution partners who support us in providing technical and supply chain services to our joint customers.

*Q. What are the other channels to get your products to end users?*

A. Depending on market segments and applications we also use direct sales channels. However, distribution has its firm place in the value chain. It connects manufacturers and end users in a very effective way. We as manufacturers are never able to replicate the same efficiency and effectiveness when it comes e.g. to locally stocking products or serving local customers. We consider distributors our partners with whom we jointly provide best products and service to our end customers.

*Q. What are your target markets?*

A. Beside traditional markets as the chemical industry and machinery equipment industry we have identified for example the energy, water or environmental technology markets as key growth markets of the future. Within the Business Unit Piping Systems we are investing in developing the bio gas market and we do see a significant potential in renewal of existing water supply systems.

...to be continued in the June 2013 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.*