



Mel  
Ettenson's  
GLOBAL PLASTICS LETTER

NOV. 1999

Dear Colleague:

Welcome to the inaugural issue of the GLOBAL PLASTICS LETTER, the newsletter for the third millennium.

We are a 55 year old business, which accounts for 2% of U.S. petroleum consumption ( more on this later as we attempt to predict pricing trends);representing \$ 3 billion in worldwide sales, from over 500 companies ranging from manufacturing(extrusion, casting and molding)to distribution to fabrication.We are 330 distribution companies in 35 countries around the globe, with over 4000 locations and 10000 employees.(Note:- to receive our publication *PLASTICS, GLOBALLY SPEAKING* “ which offers the word for plastics in 17 languages, snail mail, email,call or fax for this publication - for subscribers only)

Pricing forecasts: Oil will remain volatile - above \$21 a barrel this winter then a decline to \$19 by June in anticipation of more OPEC production. This portends a rise in gasoline prices-already up 30% over the past three months( after falling steeply last year ).We know there is a tandem effect on prices of commodity resins such as PP,PE,PVC,PC,MMA. Thus we expect price increases of 5-10% by 1Q 2000 for these products . Prices on nylon and acetal will increase 4-6% during that same period. Inflation may be on the rise. Wholesale prices rose at a 10% rate over the three months ending 3Q'99.Thus we are entering a period of inflationary pricing in our plastics industry reminiscent of 1973 but without the shortages.A good source for predicting market moves on resins, STANDARD&POORS/PLATT'S sees a 10% increase in ABS based on feedstock increases in acrylonitrile, butadiene and styrene monomer because Korean producers held back October exports due to heavy domestic demand.This should dispel any lingering doubts that this is a global business, when a Korean chemical producer can affect the price of ABS sheet in one month.

The trend to control supply/demand by eliminating competition continues.Recent mergers and acquisitions: NORTON acquires FURON thus consolidating fluorochemicals.This was a \$472 million deal.Combined sales of both companies-\$830 million.

ICI sells its acrylic biz to INEOS ACRYLICS LTD (the British/French entity which previously acquired BARLO).Barlo previously bought MMA-PC German extrusion facilities. We believe the next step is INEOS spinning off the two parts of its LUCITE sheet business- continuous cast to MITSUBISHI, whose only competitor of continuous cast sheet is ARISTECH and the extruded to PLASKOLITE. Thus a major competitor in MMA sheet-ICI is eliminated. ICI recently sold it's FLUON fluorochemical business to ASahi.Again a major source of TFE resin worldwide is eliminated. Look for price increases in this product line as well.

Another trend? HPG which once made its own product is offering PVC sheet from TAKIRON. This is PVC sheet that meets FM4910 status for semiconductor and clean room applications. But are we now to see other U.S./Japan producers working together in picking and choosing what to make and what to buy. Which manufacturers are subcontracting and to whom? Incidentally, why not buy from TAKIRON on the web?

Speaking of Websites here are some of interest :

Rochling Eng. Plastics - [www.uhmwpe.com](http://www.uhmwpe.com)

Kleerdex Co. - [www.kydex.com](http://www.kydex.com)

Seelye, Inc - [www.seelyeinc.com](http://www.seelyeinc.com)

American Louver - [www.americanlouver.com](http://www.americanlouver.com)

IAPD - [www.iapd.org](http://www.iapd.org)

Confused about fast-growing foam board products and their trade names? Foam-Cor, Foam Board, Foam-X, Gator board, Gatorplast, the list goes on - navigate this maze with our free Substrates summary - yours for the asking via snail mail, fax, email or old fashioned phone. See our masthead on how to contact us.

Trends? DSM, the Amsterdam based chemicals company aims to double earning per share by 2002 via acquisitions. Perhaps forward integrating into distribution? Port Plastics? Cadillac? All possibilities!

Another PC producer is now extruding multiwall sheet and soon will manufacture monolithic sheet with Matt Houlihan heading up sales. MATRA PLAST joins GE, CYRO, ATOHAAS (Elf), BAYER (Sheffield) in this crowded field. Why are there more PC manufacturers than MMA producers. Where is Warren Chauncey?

Speaking of MMA (acrylic sheet), we have a copy of a **1961** Cadillac Plastic Catalog and Price List - The list price for PLEXIGLAS G Clear, .125 thick? : \$1.13/sf for 1-49 sq ft. What other *stuff* has held it's price for 38 years? Says something about acrylic being inflation proof! Possible reasons: lower costs to produce? higher demand? better productivity? Probably all of the above and still the capacity utilization of MMA sheet is 90% in 1999. Global growth is 2-7% above GDP with Asia accounting for the higher growth rate. The LUCITE and PERSPEX brands are now in play. You may remember that in a 1992 swap ICI exchanged its nylon business for DUPONT'S global acrylic business. What a change in 7 years! 7 years bad luck - but that's only in mirror - which is now down to 2 producers in the U.S. and perhaps the world.

New Product News: Pultruded ISOPLAST (Thermoplastic Urethane)- when reinforced with glass fibers can be repeatedly bent on itself without loss of properties. Look for it in shapes next spring. For more info contact Dow Plastic-- 517 636 1025.

The experimental Plymouth Pronto Lite! We previewed this car recently - it's an all plastic car whose body is made in four parts (composite of GF PP) to produce a 115-hp 1.6L 4-passenger 5-door vehicle. Its production is set to begin in 2003.

Speaking of composites- watch for 1 million pounds of carbon fiber reinforced HDPE called TUFFSHELL to be used in compressed natural gas (CNG) storage tanks beginning in 2000.

DISTRIBUTOR / MANUFACTURER BRIEFS:

Curbell buys Daytona ( Ariz only)

Senoplast Klepsch (major German producer of MMA/ABS sheet opens office in St. Louis,MO plant to follow  
Allied Resinous sold?  
Hyde closes West Coast warehouse  
Nytel expands -- coincidence?  
Cadillac quiet  
Comco growing  
Laird resting  
Port not sold yet  
Righton (UK)- success story in combining metals and plastics  
Alro (U.S.) likewise

Using SIC Codes? SIC 5162 is plastics sheet,rod,tube,film distribution.Soon to change as the U.S. adopts the European standard which is the NAICS code.Could be another metric vs imperial fiasco.  
However if it goes it's good to know the NAICS equivalent to SIC 5162.  
It is: **42261**

Interested in the history of our industry? Contact the AMERICAN PLASTIC HISTORY ASSOCIATION , Chestertown, MD 21620, phone 410 810 1758.

If you're following the European markets for sheet,rod,tube,film? PRW (Plastics&Rubber Weekly is worth a read.Fax 011 44 181 277 5103.

Trends in distribution are worth watching. Recently Defense Industrial Supply Center (DISC) an agency of the U.S. Dept of Defense based in Philadelphia awarded a metals supply contract to Metals USA Inc.-Its a 2- year deal worth about \$29 million. Locations in 21 states will be supplied with more than 5,000 items. DISC will access the supply base via Internet. Plastics to follow?

Internet trends: We see a continuing movement toward B2B (business to business)conducted on the internet – user buying direct from manufacturer. Ford Motor Co. is already buying light bulbs worldwide in this way and expects to add other non-productive supplies as commonly used as light bulbs.This could eventually impact our industry.

INTRODUCING INDUSTRY INTERVIEWS - A series of interviews with industry leaders who affect the plastic sheet,rod,tube,film business whether manufacturer or distributor.  
Dr.F. Stanley Tam, founder of UNITED STATES PLASTIC CORP., Lima, Ohio serving the world with plastic sheet,rod,tue,film,tanks and fittings in 1950. Then as now all sold through a catalog which is on every desk throughout the scientific community.  
He has traveled the world, investing his companies profits in building churches in 10 third world countries. We caught up with Stanley Tam recently in his office in Lima, Ohio.

**GLOBAL PLASTICS LETTER (GPL): How long have you been in the plastics business?**

*STANLEY TAM (ST): Next year will be our golden anniversary – 50 years*

**GPL: What got you started selling plastics?**

*ST: We had always been in the silver refining business and at one of the conventions , I saw the first plastic tank being manufactured in the U.S.- and bought it .Our customers saw it and said that was just what they needed to store chemicals.We bought more of these tanks and re-sold*

*them. Then our customers asked us for plastic valves,tubing, piping and other plastics.The business grew so fast that we incorporated a new company, United States Plastics in 1950.*

**GPL: Why do you sell only by catalog?**

*ST: We had always sold our refined and smelted silver by direct mail, so I had the experience.*

**GPL: How many catalogs do you print per year?**

*ST: In excess of three million.*

**GPL: How big is your facility and your retail store?**

*ST: Our facility in Lima, Ohio is 243,000 sq ft on 5 acres and our retail store is 28,000 sq ft.*

**GPL:What was your most unusual sale?**

*ST : In 1998 we sold over 80,000 plastic boxes for Beany Babies and this year we've sold a trailerload of buckets and barrels for people stocking up for the Y2K event – to hold drinking water and food.*

**GPL: How is this business most likely to change in the next century?**

*ST: We used to receive orders 90% by mail, 10% by phone. Today it's80% phone, 10% fax,10% Internet. It's changing so rapidly in favor of the Internet that it could reverse our current phone experience.*

**GPL: What advice would you give someone starting out today?**

*ST: Provide SERVICE or you won't survive.*

**GPL: What is your outlook for business next year?**

*ST: We think it's going to be good and are planning for that – in fact we're adding 17 new pages to our 2000 Catalog.*

**GPL: What is your motto?**

*ST: Never borrow money and be aware of miracles! We built this business with no debt and when we needed money to expand the business,being in the silver refining business,we watched the silver market multiply 10 times in a very short time we sold our silver stocks and got the funds to expand ... and I consider that to be a miracle!*