



GLOBAL PLASTICS LETTER

E-mail: mettenson@globalplasticsletter.com
Website: www.globalplasticsletter.com

“A World of Plastics Information”

NOVEMBER 2007
IAPD and K 2007 Issue

Dear Colleague:

Clinch cyclical certainty...plan now for any business setbacks as the business cycle continues to march forward, despite planning to sustain past prosperity. The consensus among economic analysts examining our industry is for a “hard landing” in early 2008, followed by an up-tick in the business cycle at mid-year. Persistent factors still point to the “R” word in the 2009-2010 period, with the caveat of \$100/barrel plus oil prices causing pressure on most investments and curtailing economic growth in the global market place. Oil prices are going to gyrate widely over the next few months as supplies tighten and the weak USD prompts suppliers to ask for more. However, the peaks will be ever higher and lows will not dip below the \$80 mark...inflation continues in derivatives of oil, especially the basic petrochemicals that affect our industry. By 2010, spare oil capacity will have shrunk from 3% of use to 1%. That will mean even greater price volatility, with many experts seeing oil go as high as \$150/barrel within 5 years, further fueling inflation in our industry, but throwing off profit to sustain new product and application development on the part of most manufacturers...a bright spot indeed!

Look for economic growth of approximately 1.5% for this quarter, on a global basis, and holding at that level into 1Q 2008, then climbing to 2% in the second half of 2008. The US dollar will firm up in late 2008, but the euro is evolving as a keen competitor – in fact sellers of oil and other commodities may soon be ready to accept either. Of course the weak dollar has caused greater exports of some plastic products and less import competition, especially for acrylic sheet.

Look for interest rates to go up after the recent cuts in the U.S., which further weakened the dollar and pushed up inflation. Higher inflation is sure to begin driving up long-term interest rates, further slowing growth...this is what we see as the specter for late 2009 and into 2010.

TRENDS: K - 2007 results are in and they augur continued healthy growth for our global semi-finished and plastics basic shapes industry – some key statistics:

- 250,000 attendees...versus 230,000 in 2004 (includes a 19% increase in visitors from outside Germany, a significant factor)
- 8300 more visitors from North America (a 20% increase) than the last K in 2004
- 3130 exhibitors, an 8% increase from the 2004 event
- Exhibit floor space increased to 1.03 million square feet, with the addition of a new hall.

Some highlights of material trends and innovations that were exhibited are:

- 200 million tons of plastic materials will be consumed this year globally
- Polyamide, in the form of nylon 6/10 from renewable (castor oil) introduced by BASF...
Called Ultramid® BALANCE
- Evonik, the recently renamed Degussa, shows new scratch resistant coatings for MMA as well as a Plexiglas product with heat insulation properties
- Quadrant unveils Symalit PVDF films, GMT sheet and a new Fluorosint extremely high temperature grade, as well new Polyimide semi-finished product line
- Victrex introduces new PEEK films and tapes and very long fiber reinforced resins
- Global EPP, formerly Nylacast, touts Vendor Managed Program (allows exchange of obsolete items) for distributors, with an enhanced product line of stock shapes
- Gehr Plastics broke ground with their biopolymer product, polylactic acid, (from milk products and containing lignine) Rod and Plate, called Gehr PLA-L...available in a diameter range of 10mm-60mm and thicknesses from 10mm-30mm in standard lengths.
- Gehr introduced 19 5/8 inch diameter acetal rod
- Solvay launches biocompatible HPM product line, including an FEP replacement, in the MFA resin family called Hyflon F
- Rhodia has created a new nylon 6/6 resin called Technyl Star AFX...offers HPM nylon
- Spartech offer PLA-based sheet product line called Rejeuven8 – PET like material
- SABIC Innovative plastics introduces Ultem DT...a PEI blend in transparent amber
- Eastman launches new high heat copolyester called Tritan

IAPD'S 51ST Annual Convention:

Total Attendance was 787 including:

- 163 Distributors
- 230 Manufacturers
- 50 Manufacturers Reps
- 76 Exhibitors

Highlight was Mark Kramer, CEO Laird Plastics, presentation "A Changing World"...challenging our industry to address many issues, including the environment.

OUTLOOK ASIA: by Mal Binnie, our imbedded special correspondent in the Pacific Rim

The Pacific area is very quiet at this time with many Australians heading for overseas for either or both IAPD Dallas or K2007 at Dusseldorf. Latest speculation is regarding the sale of Dotm Australia and that 5 companies have shown interest with at least one of these being Australian/Asia based.

Public Security authorities in Beijing this fall have stepped up a crackdown against foreign nationals illegally working and living in the city. Targets are foreign nationals who illegally reside or work in Beijing with expired or improper visas.

Flextronics Singapore continues to expand and is likely to increase by 25%/yr its material purchases. China is currently a main source for product supply.

At the Visual Industries Suppliers Association Aust. AGM the committee was reelected with Mark Talby Graphic Artmart, president and the addition of Paul Coniglio, Conect Enterprises and Troy Mackintosh, Sign Sheet Distributors. Naomi Donohue representig Halifax Vogel remains on the committee. It was reported to be a very quiet AGM... unusual for the Sign Industry. Upcoming Industry Events: China Sign Show 4-6 March 2008 in Guangzhou. Planning is in place for 50,000 sq m floor space, 800 exhibitors and 60,000 visitors.

Aseanplas Singapore 26-29 May 2008.

Applas/Engplas/PVC China 29 Nov - 2 Dec, 2007 Shanghai New Inter. Expo Ausplas 2008 Melbourne Australia 7-10 October 2008.

OUTLOOK CANADA: Editors note: Introducing a new column that will appear here from time to time, reported by our special correspondent Shawn Chambers, Warehoused Plastic Sales, a Member of Prisma Plastics International.

Northern Exposures: Canada's economy is holding its own. Our dollar is nose-to-nose with the American greenback and there's no question it's having a downward effect on our industrial exports. At the same time this new reality is forcing leaders to re-think their current products and consider investments in innovation creating a bit of a micro burst of opportunity as plants are being upgraded to do more with less. The demand for Canadian lumber, pulp and paper is taking its toll, especially with the 20% fall in the U.S. housing market. Mining in BC, Alberta, and Saskatchewan still offer plastic distributors in central Canada opportunities as many Ontario and Quebec manufacturers begin focusing their attention on the one bright spot in Canada's industrial sector.

PRICING: DuPont Engineering Polymers announced global price increases, effective this month for all HPM and EPM resins...double digit increases per pound/kg. Increased prices are being seen on PE, PP, PS and PVC Resin ...all based on the run-up in oil prices.

MANUFACTURER/DISTRIBUTOR BRIEFS: Plaskolite announces its new *Plaskolite-Bunker catalog*, emphasizing its diverse line of high performance coatings and coated sheet products. Saint Gobain Performance Plastics is moving production of flouropolymer products such as Rulon to Mexico from its Bristol, RI plant. RTP introduces VLF (very long fiber) reinforced PEEK...said to offer higher performance. Also new is PEEK film from Solvay's jv with extruder Adjedium Film Group. Pearlescent cast acrylic sheet from Acrylic re-introduces special effects to the display, lighting and sign markets. BASE is awarded patent on new UV-blocking coating on PC sheet – aimed at glazing markets. Quadrant reports higher nine month earnings, despite fractionally lower sales revenues. Kleerdex is supplying Kydex sheet for seating applications for the new Boeing 787 Dreamliner.

MERGERS, ACQUISITIONS, DIVESTITURES, ALLIANCES AND EXPANSIONS:

Quinn Plastics is set to open a new sheet plant in the UK, expanding its acrylic sheet line capacity from two to five at its Derbyshire facility...further expansion planned in the Czech Republic. SABIC IP is adding multi-million pound PC sheet (solid and multi-wall) capacity at three European plants in Austria, Italy and Netherlands and expanding solar panel technology. Rochling starts a molding plant in Czech Republic. Transilwrap Co. has sold a stake in its company to the private equity firm Nicolet Partners. Solvay Solexis will soon open new PTFE plant in China in Q1 2008. An innovative UHMW PE pipe and board extrusion line has started up in China by Jiangsu Lianguan Development Company. Ticona will open the globe's largest acetal plant in Germany in 2011. Solvay starts up PP, PE and PVC pipe plant in Russia.

PEOPLE: Retiring from our industry, at the end of this year, is Dan Quinlan, CYRO Industries, V.P. Acrylic Sheet. Steve Costanzo succeeds Dan Quinlan. Also, Harold Epps is leaving Quadrant.

In memorium... **John Douglas**, long-time Special Correspondent for this publication, who contributed his international knowledge of our industry during his 40 plus year career with many of the leading distribution and manufacturing companies in our semi finished, basic shapes industry. John's career spanned decades of industry growth and evolution and several countries and continents. Among his assignments were: Cadillac Plastic, U.S. (PTL), Canada, UK, Spain and Germany. Then on to Port Plastics U.S.; Plastics Plus and Perspex Distribution in the U.K. and most recently with Zell-Metall in Germany. As reported on our website, John passed away suddenly on September 26, 2007 from a heart attack while in the Greek Islands, where he was getting ready to file his October OUTLOOK EUROPE column. He leaves behind, in the UK, his partner of 24 years, Ann Potter, with whom he shared musical and culinary interests as well as the love of travel, especially the Greek Islands, which was his final trip. John Douglas was the kind of man who touched us all and he will be sadly missed.

INDUSTRY INTERVIEWS: ...concluding our interview with **Dave Huston**, President, Olson Manufacturing and Distribution.

Q. If you could have any other job in the world, what would it be?

A. *I have volunteered as a classroom teacher at a local high school for the past 14 years. Once a week for 1.5 hours I work with high school seniors and speak about business, economics, and trends in industry. Technically it is under the auspices of Junior Achievement but I have kind of developed my own curriculum. It is a marvelous feeling to see the light shine in the kids' eyes when their synapses begin to spark and fire in a logical fashion. I firmly believe businesses should do more to show our youth that a profession in business is good for them and the country.*

Q. If you could choose someone, living or dead, to have lunch with, who would it be? What would you ask?

A. *There are too many to just pick one but someone I was thinking about recently was Charles Dickens. Here was a man who was concerned about poverty, social and financial stratification, unequal rights between men and woman and much more. Would he believe the world is different from his world of the 1860's? What would he be critical of in our world today? His writing was a commentary of his time (only 150 years ago) and it would be interesting to see how he would view our world today. "It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of Light, it was the season of Darkness, it was the spring of hope, it was the winter of despair, we had everything before us, we had nothing before us, we were all going direct to heaven, we were all going direct the other way - in short, the period was so far like the present period, that some of its noisiest authorities insisted on its being received, for good or for evil, in the superlative degree of comparison only." Who says history does not repeat itself!!!*

Q. Name a talent you wish you had.

A. *I can't sing a note but I love many forms of music. Hands down, I wish I could sing.*

Q. What do you consider your greatest accomplishment?

A. *33 years of marriage and many more to come is something I am proud of and I am proud of our children. (Would kind of like grandchildren but that is another story.) I am also glad that I have taken time to enjoy activities and hobbies outside of business. I have enjoyed developing a circle of friends from many walks of life. It is too easy to be too focused on our business life instead of a complete life. I have been blessed.*

Thank You.

Next month's Industry Interview is with Bernie Konrady, President, Konrady Plastics, Gary, Indiana. Bernie offers his unique views on the independent distributors that still populate our industry.

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.

MEL ETTENSON'S GLOBAL PLASTICS LETTER™
is published monthly by Lucitron Corporation,
P.O. Box 250235, Franklin, Michigan 48025,
USA. Postage paid at Royal Oak, Michigan. \$175 for 12 issues.

Subscription or Editorial Information: 248/258-5657
Fax Number: 248/258-0851
E-mail: mettenson@globalplasticsletter.com
Website: www.globalplasticsletter.com