



# GLOBAL PLASTICS LETTER

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*“A World of Plastics Information”*

NOVEMBER 2009  
*Our Tenth Anniversary*  
IAPD Convention Issue

Dear Colleague:

Businesses are bearing brutal breaks beautifully... as we enter the second year of slumping sales, there are lessons learned as in all previous recessions. Some have been added but to summarize:

Borrow less, save more...diversify...stay flexible...keep up vigilant control of costs...make compensation more flexible (more bonuses, less salary hikes)...upgrade workforce...cut when necessary and do it quickly... focus on marketing!

The U.S. dollar will keep losing ground until interest rates begin to rise, oil of course will rise slightly (despite being at its one year high) before stabilizing this winter on lower demand. Natural gas will remain a bargain, changing little from current levels of \$4.50 per million Btu. Inflation seems under control from now to year-end with commodity prices continuing to fluctuate based on spotty demand throughout the continuing depressed global economic activity we've seen during the last year. In fact there are signs that deflation could creep into the matrix of an upturning economy scenario. Continuing trucking overcapacity will hold rates steady in 2010.

India is expected to open its doors to U.S. exports as well as European firms. Opportunities for global trade abound as domestic markets shrink or resist growth. Meanwhile industries such as autos, fabricated metals and plastics, currently in the doldrums, are expected to resume growth in mid to late 2010 and into 2011.

As the global recession seems to be waning, although recovery will be slow, the causes are becoming clear and the prognosis evident. The pulse of our industry, taken at *IAPD's* 53<sup>rd</sup> annual convention held last month in Las Vegas, is becoming clear: **cautious optimism**.

Some highlights of the convention presentations: Inflation is coming, resulting in 6-7% hikes in material commodities, while in 2010 we will experience a mild upturn; 2011 will be better and 2012-13 will be positive years, with credit flowing... 2015 will be a growth year, finally!

**TRENDS:** IAPD's 53<sup>rd</sup> Annual Convention and Exhibition was held last month in Las Vegas. Featured speakers were both economists and futurists looking at the next decade for our industry and told the assembled 450 delegates:

Growth markets will be in U.S., India, Indonesia and Australia, while China, Europe and Japan will contract... Plan now for the late recession phase of the business cycle, with housing and retail markets showing growth in 2010...read *Creating Competitive Advantage* by Jamie Smith.

Technology trends will be in nano, micro and virtualization products and applications... biotech will affect the medical, industrial and agricultural industries... don't just change and/or innovate but look at transformation as technology trends develop and opportunities abound. Remember the internet is only 20 years old, with most of us experiencing it just 15 years ago... plan for the next evolution as technology and business intersect.

Two IAPD 50 year members were acknowledged: Norrell, Inc. Memphis TN, USA and SABIC PolymerShapes (formerly Commercial and Cadillac Plastics). SPI report shows global recession's impact on the state of the U.S. Plastics industry...exports up but domestic shipments did not grow. Canada and Mexico were largest trading partners. India's plastics use to double in three years. Bioplastics will continue to grow 18% per year, according to the presentation made at IAPD Conference by SPI's expert.

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

Chinese plastics firms are mixed in commenting on their current opportunities with most seeing clear signs of recovery. China continues to review its Employment Laws with new laws on taxation, transport allowances, mediation etc. China Business Network reports a successful "China Business Boot Camp" in Cleveland. Xian Aircraft Industry Group is purchasing a majority 91% share in FACC AG an Austrian composites manufacturer. Xian has the goal of expanding in international aviation markets. Xian Aircraft has purchased many USA materials such as Kydex. Liansu Group based in Foshan Guangdong are continuing to expand their extrusion lines for plastic/metal pipe and fittings using PP, PVC and PE along with plastic composite decking, windows and doors. The leading Australian Financial newspaper published a full page spread on Laurie Green of Cut to Size Plastics. Laurie at age 73 stated "why retire when you enjoy what you do and are successful doing it." A great article on a great company. Our next issue will contain an interview with Arnold J Mouw COO of Mulford Plastics International. Sabic Innovative Plastics have announced consolidation of their Indian application centre, that currently located in Baroda will consolidate in a new group centre in Bangalore. Their compounding plant in Nanching China has seen a 30% increase in capacity. At Futurepac 09 Bangalore Mr. J. R. Shah founding director of Jayvee Organics and Polymers was acknowledged as the outstanding individual contributor to the Indian Plastics industry with an award.

A Thailand court has suspended work on 25 projects at Map Ta Phut Industrial Estate, Rayong province south of Bangkok. The total project is worth \$US12 billion and the 25 projects \$US3.5 billion. An appeal has been lodged by Petroleum Authority of Thailand.

#### **OUTLOOK NORTH AMERICA: by Bill Shields our North American correspondent**

Sales of semiconductors fell 16% to \$19.1 billion although sales rose from the previous month by 5%. Manufacturing is showing definite signs of coming back but while productivity is increasing the hiring isn't. Manufacturers have learned to do more with less people and better technology. It appears that the aggressive cost-cutting measures instituted by US companies has helped the bottom line and left Corporate America with huge cash reserves. For example, DuPont reduced spending by \$900 million so far this year and costs have fallen by 12% for them during the 3<sup>rd</sup> Qtr which translated into a surprise profit of \$409 million although revenue fell to \$6.1 billion from \$7.4 billion. The economic growth in coming years is expected to be minimal therefore companies have little incentives to rehire. Canada's recovery is slow. Mexico's economy continues to slide.

**IAPD Annual Convention Overview:** The Paul Davis Award of Merit awarded to Russ Consentino. The Pacesetter Award - Kevin Short (Laird Plastics) and Russ Walters (Total Plastics). Environmental Excellence Award - Mark Kramer (Laird Plastics). The Good Egg Award - Joe Dubinski (Evonik CYRO). The Education Circle of Champions Award - Roger Plizga (Laird Plastics), Chip Whitfield (Piedmont Plastics) and Scott Statter (Regal-Piedmont Plastics). New officers elected were Pat Foose (President), Howard Natal (Vice President), Bob Bacon (Treasurer) and Jane Saale (Secretary). There were a total of 61 manufacturers' exhibits. Bioplastics was covered for the group by both Society of the Plastics' Industry's Vice President as well as the Global Product Manager for ECOGEHR which is GEHR Plastics' family of bioplastic stock shapes. In discussions with nearly everyone at the Annual Convention the outlook for 2010 can be described by two words "guarded optimism."

PRICING: PP pricing, after dropping 12 cents/pound in September, dropped 10 cents in October, reflecting the volatility in commodity olefin and other markets. Demand is spotty and increases not sustained, thus contributing to these swings. PC prices are depressed and may rise on auto, construction and optical media market moves. PS is trending downward. PVC is up slightly as construction begins to grow marginally. Commodity metals prices are also on the upswing.

MANUFACTURER/DISTRIBUTOR BRIEFS: Ticona develops GUR UHMW PE especially suited to artificial prosthesis replacement...contains Vitamin E and alpha-tocopherol allowing irradiation and oxidation resistance. Acrylic offers acrylic sheet with muscovite mica flakes for visual mineral effects in several colors. Skydex Technologies announces twin wall sheet of TPU, thermoformed into a twin hemisphere structure...is blast resistant flooring and used in military all terrain Vehicles as protection against IED's. Quadrant released 3Q results and reports slowing in sales declines in its High Performance Plastics Division...9 months results are 39% lower than previous period. Hy-Lite Products, acrylic block manufacturer, moves back to U.S. from China. ThyssenKrupp reorganizes its plastic divisions, now named ThyssenKrupp Plastics International... former brands Cadillac Plastic, Konig, Otto Wolff and ThyssenKrupp Schulte are now combined under this entity, headquartered in Dusseldorf, Germany – recently acquired 100% of ThyssenKrupp Rohm from Evonik. Goex Corp. introduces PS alloy sheet as PVC and HIPS replacements. Putnam Plastics develops PU medical tubing, said to have wider range of sizes and lower durometer. PET sheet is exported by Peruvian extruder Iberoamericana de Plasticos, which moves to a larger facility. Sabic profit dropped 50% in 3Q year over year results but revenue held steady. Bayer MaterialScience offers Makrofol® PC film with metallic gloss that can be cold formed. Special PC blend film for medical technology also now available. Nylacero is new source for extruded and cast nylon shapes from Mexico. In other news of nylon, DuPont and Evonik introduce renewably based nylon from castor oil. Novomer, a start up firm, experiments with resins derived from 50-56% carbon dioxide. A.M. Castle, parent of Total Plastics reports 3Q results showing plastics sales off 25% year over year.

MERGERS, ACQUISITIONS, ALLIANCES, DIVESTITURES AND EXPANSIONS: Plaskolite buys the coating division of Optiglass PC LLC (see Industry Interviews with Rick Filiault of Optiglass, Feb.-Mar. 2009). Fiberfil Engineered Plastics of Canada is acquired by Citadel Plastic Holdings. Filtrona Extrusion renamed Pexco.

PEOPLE: Simona America names Ron Denoo its new CEO...formerly with Quadrant and Spartech. Jim McCormick appointed Cast Nylons's Director of Western Regional Sales. Jurgen Westphal, Falk Majert and Klaus Roth are co-managers of ThyssenKrupp Plastics International.

**INDUSTRY INTERVIEWS:...continuing our interview with Chris Robinson, Business Manager, Sheet and Surfaces, Lucite International**

*Q. Will the traditional acrylic sheet distributor be relegated to providing only cut-to-size and local pick up service in the next decade? Will you need as many distributors in 2020 as you need now?*

A. I think distributors will continue to offer value added services of providing local customers what they need fast and efficiently. Be that breaking bulk, cutting to size or providing credit. But the successful distributor will continue to seek differentiation through unique products and services capturing other parts of the value chain where they can as a result of their relationship with the end customer. We seek out these distributors as it is vital to the accomplishment of our strategy. Financially strong fabricators and distributors are key to delivering our products effectively as very few customers buy pallets of sheet for use as is.

*Q. What do you think Spartech will do with the Polycast product line?*

A. Polycast and Lucite go back a long way as suppliers, partners and competitors. Only in this industry could you have all that in one relationship! Polycast has some unique capabilities and products that Spartech saw value in and I'm sure others do as well. I would expect Spartech to sell Polycast if it stopped providing that value. Whether it is kept or sold by Spartech it must be able to stand on its own feet and in this environment that's not easy to do so you have to take a longer term view.

*Q. What will your strategy be for e-commerce?*

A. E-commerce has great promise but tactically difficult to put in place in the sheet market. We have seen several attempts at online auctions and online sales but typically these were run by third parties. Transacting business on line should provide cost benefits but requires a commitment to systems in infrastructure that is hard to justify in this environment. I think you will see more companies entering this marketplace as we recover from the recession and Lucite is actively looking in this direction as well. I think ultimately it works better for commodity products than specialty products that require more personal selling which is what Lucite is focused on.

*Q. What is the long-term outlook for prices on MMA sheet?*

A. Acrylic feedstocks have been on a wild ride for several years as is the case with many plastics and indeed many commodities. We will continue to see this volatility until demand more closely matches supply but that's not as simple as MMA supply/demand. The chemical industry is very interwoven and with all levels of the industry fighting for survival. MMA is more than ever affected by non-related chemical process reconfiguration. Long term we would see MMA smoothing out with continued upward pressure on price as reinvestment economics must be reached before new capacity will be built.

*Q. Some of the general line distributors (Grainger et al) as well as big box retailers (Home Depot, Lowe's etc.) have been gaining market share both in store as well as on-line. Do you see that as a trend that will impact you and your existing distributor network? If so, how?*

A. I don't see this as a significant shift long term in channel share but more a wake up call for distributors. However, neither channel is going away so you need to analyze why they are successful and how you can win that customer back or replace that customer with one that values a service you can provide. I wouldn't expect designers to be shopping at big box retailers nor customers to expect Grainger to provide fabricated displays and these are the folks we typically talk to.

**...to be concluded in the December 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.*

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.

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