



GLOBAL PLASTICS LETTER

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“A World of Plastics Information”

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TENTH YEAR

Dear Colleague:

Review, re-invigorate and regroup... these are strategies that are being re-examined as recovery and especially inflation looms. The global economy is still limping, job losses are still prevalent and business consumers are still reluctant to open their wallets. Commodity prices are slowly recovering, auguring inflationary pressures. To be fair, last year there actually was some inflation mainly due to skyrocketing raw materials costs, notably oil and petrochemicals. Then late in 2008 and early 2009 these prices backed off. We're always ready to relive 1973-74 all over again (the only period in the last 90 years that the U.S. had a sustained bout with high inflation), which is why last year, as oil prices rose, we were bombarded with references to “stagflation.” We don't believe this will reoccur as central banks start pulling money back out of growing economies.

Figure on modest inflation next year with oil averaging \$75 a barrel but lower motor transport and freight costs generally due to heavy competition and lower demand. This economic recovery will be weak, taking years to regain millions of jobs lost in the deep recession...a 2.5% GDP growth in 2010. Business expenses are trending down in air travel, hotels, meals and rental cars. The long term outlook on natural gas prices is for lower rates as new technology allows producers to tap huge reserves...short term may be increasing \$1.00/million Btu but not near the record \$9-\$14 range of recent years – more like \$6.50 in 2011-2012.

Meanwhile China's robust double digit economic growth should continue into 2010 before slowing due to decreasing exports...Chinese government stimulus spending is borrowing short term and from future sustainable growth. Globally business investment won't recover from early 21st century levels until after 2010...thus plan for second 21st century decade growth resumption.

TRENDS: Larger businesses will spend significant amounts of money (\$100,000 plus) on custom Internet names in the next few years, as hundreds of new suffixes become available.

Domain names such as *dupont.amex*, will supplement *.com .org* etc.

NAW publishes *The Best Distribution Sales Book Ever*. Takes the reader through nine rules to master distributor sales stating that selling is a science...and art form. Good read.

Inc. has published its 500 Innovative Companies list...creating jobs and redefining their industries - a great prospect list for our industry. Check it out at www.inc.com - the class of 2009.

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

The Pacific area continues to report that developing countries are confounding expectations that slowing demand from USA and Western consumers would stop their growth. While the developed world is expecting growth over the next 5 years of 1.5 to 2%, Asia is forecast to achieve 7 to 7.5%. Mitsubishi Chemical Corp and Thailand PTT have signed an agreement to study developing manufacture of bio based polybutylene, a JV is pending. BASF in Shanghai is promoting its simulation software to Chinas domestic auto manufacturers and they are also aiming for completion of their Chongqing MDI plant by 2013 and start up 2014. BASF plan to double sales in Asia by 2020, they also broke ground with China PPC in Nanjing. China is rapidly moving towards the RMB being used as a trade settlement currency by circumventing the USdollar. RMB cross border trades will steadily increase particularly with SE Asia. A new challenge for the plastics industry is China's announced intention to build by 2016 the C919 passenger jetliner. SKC Co Ltd Seoul Korea are reported to be building a 20000MT polyurethane facility in Covington, Georgia. Arnold Mouw COO Mulford International reports expanding their product range in both Engineering Plastics and Architectural. Value Added services will also ensure broader customer capabilities and service. Mouw also reports that Mulford have ceased to offer Alcan products and are partnering with new US supplier. Their operations in HK, China and Indonesia continue to rebound strongly with growth up to 40%. Thermotec Plastics, Melbourne MD Kevin George has announced the appointment of Bryan Chirgwin as Victorian State Manager, Bryan has over 30 years experience in plastics distribution and will continue the companies growth in products such as polycarbonate, PVC foam, ABS/PMMA, Acrylic and PETG. Special Note: many in the plastics industry in Aus/NZ extend their condolences to George Barber on the loss of his son and family in a tragic plane crash.

OUTLOOK NORTH AMERICA: by Bill Shields, special correspondent stationed in the U.S.

It is clear in our Industry that we are still climbing out of the Great Recession. Order values and their number are increasing every month since June. Overall both manufacturing and distribution is still maintaining lower levels of inventory and personnel. Mexico's economy continues to slide.

Crude Oil Prices have fallen to near \$70 per barrel. Plastic resin prices are on the rise again. The top increase is felt with PP resins due to the material being in short supply. Due to the increasing cost of benzene, ABS resin is also on the rise. PVC resin pricing is also going up although at a 3% - 4% level. PET is also going up with the rest of the resins. With this in mind, expect nylon prices to go up over the next 2 months. The Annual IAPD Convention is coming this month to Las Vegas at Caesar's Palace. Registration over the past several weeks has spiked to approximately 380 total delegates.

PolyOne Corp. has been able to sidestep bankruptcy and has become the poster boy for the survivors of the Great Recession. They closed 20% of their manufacturing facilities, reduced personnel by 5%, reduced their inventory, cut costs, maintained their pricing and became a "made-to-order shop"... **Quadrant EPP** announces a broader size range for their Nylatron® NSM product line... **Quadrant AG** is looking to add Shigeyoshi Murase, Masami Segawa and Steve Yurich to their board as nominated by Mitsubishi Plastics.. **Scranton Products** announces Jim Cross as their new National Sales & Marketing Director.

PRICING: PP jumps 12 cents; PET, PS and PVC also rise... higher prices forecast for most resins in October – higher prices for feed stocks such as benzene are responsible for a return of inflationary pressures which have been absent for several months. PE up .04c/pound in Sept.

DISTRIBUTOR/MANUFACTURER BRIEFS: Interstate Specialty Products stocks Porex® porous polyolefin shapes and fabricates as well. Victrex's PEEK film used as loudspeaker cone membrane after thermoformed. ThyssenKrupp reorganizes and places its plastics and metals business, utilizing integrated supply chain management under a new Materials and Technologies Division, Materials Services Business. Quadrant's High

Performance and Engineering Plastics Products Businesses are hit hard by global recession, reporting first half results showing substantial sales declines and profit losses (see below for news of JV with Mitsubishi).

Business Answers Intl. publishes results of survey of shapes distribution business. (see: www.baintl.com).

Lucite International sponsors museum exhibit of 300 vintage Lucite® handbags in Memphis, TN. Plastics Selection Group develops new transparent, BPA free, alloy material called Kostrate®...is a terpolymer of methyl methacrylate and butadiene styrene. SABIC IP to remain at its headquarters in Pittsfield, MA, despite some recent downsizing.

Sheffield's new Makrolon® MAK glazing provides improved damage and weathering, while parent Bayer Material Science develops PC resin aimed at LED applications specifically.

Acrix introduces Acriglas Combinations series of acrylic sheet – fusing color and clear.

Octal, Oman based, plans to produce PET sheet in the U.S. and Europe – currently exporting.

Solvay launches its Zeniva® PEEK stock shapes program for implantable medical devices.

Braskem invests in research for renewable PP resin. List of Europe's top sheet and film producers in 2008 is available by request from *Film and Sheet Extrusion* magazine. The North American list was just published by *Plastics News*. *ThyssenKrupp* sales and earning down for recent 9 mos.

GEHR Plastics will offer a free bioplastics seminar at IAPD Convention - based on its ECOGEHR™ product line.

MERGERS, ACQUISITIONS, ALLIANCES, EXPANSIONS AND DIVESTITURES:

Quadrant takes majority position in Nippon Polypenco Ltd. - Mitsubishi is partner. Aquamit B.V.

a JV of Mitsubishi Plastics and former Quadrant founders takes over Quadrant AG. Mitsubishi and Sinopec delay start of China PC plant. Spartech is selling its profile extrusion business in Canada to Acrylon Plastics and closes compounding plants in N.Y. and Texas. Also closing is a sheet plant in Atlanta as well as a marine products plant in Florida. SABIC starts JV with Mitsubishi Rayon to produce MMA and PMMA in Saudi Arabia – a first for SABIC and it follows Mitsubishi's buyout of Lucite Intl. – what next for SABIC in acrylic sheet? Altuglas restructures its PMMA sheet business in Europe following acquisition of Repsol – centralizes extruded sheet production and improves cast sheet logistics in France.

PEOPLE: Dave Huston of Olson Mfg. appears on PBS, questioning head of Federal Reserve Bank.

Curbell reorganizes and appoints Peter Delgado as Director of Sales; Tracy Schiedel, Director of Marketing and Keith Hechtel, Director of Business Development – many other changes made.

In memorium: Tom Hoy, 64, long time Distributor Sales Manager, Rohm and Haas and its successor Arkema. Tom retired recently and lived in Ann Arbor, Michigan and Philadelphia was stricken with a catastrophic illness in July and passed away September 24, 2009. Widely respected and admired, Tom made a significant impact on our industry and will be missed.

INDUSTRY INTERVIEWS: ...by **Chris Robinson, Business Manager, Surfaces and Sheet, Lucite International.** Chris, 51, has spent over 20 years in acrylics and 30 years with Lucite and its predecessor companies, DuPont, ICI and Ineos. Chris is a graduate of Clarkson University and holds an MBA from RPI He lives in Cordova, Tennessee with his wife and two children, who are away at college.

We interviewed Chris, by phone and email at Lucite Intl's headquarters in between global trips.

Q. With the recent ownership changes in the global acrylic sheet industry, will Lucite Int'l be expanding or consolidating its acrylic sheet business?

A. *We are driving business expansion as we share technologies and ideas with Mitsubishi Rayon Corp. Lucite Int'l set out to build a global, vertically integrated acrylic company and the sale to Mitsubishi Rayon Corporation further strengthens that position.*

Q. What are some of your new products? Markets?

A. *Lucite Int'l manufactures MMA, resin and sheet (cell and continuous cast) in all regions of the world. This allows us to see trends in colors, applications and technologies across regions and we are looking to bring these innovations to bear on our local markets. Indeed we are seeing increased demand for our Perspex® Frost™ and Vario™ products in the US and export opportunities for our US made products. Designers, fabricators and display manufacturers are always looking for the next new look and we are bringing it to them.*

Q. How many distributors do you have for Lucite® sheet? Will that number grow or shrink? Why?

A. *Distribution is a means to an end. And whereas the majority of our products have and will continue to go through this channel, we are talking to specifiers and designers and their fabricators to bring new products to market. We have several new lines of specialty products aimed at specific markets and this will continue to be our focus.*

Q. What is your product mix, i.e. continuously manufactured versus cell cast sheet? Is cell cast growing?

A. *The two sheet manufacturing processes have unique properties and advantages across a wide variety of applications. However, the technical knowledge base that exists between MRC and Lucite allows us to optimize product availability and delivery across regions using either technology. Whereas there are certain products that are primarily from one asset, the vast majority are interchangeable and this gives us a tremendous advantage. We will continue to invest in both assets as markets dictate.*

Q. Which companies do you consider your major competitors globally?

A. *There are good competitors in each region we sell in but none have manufacturing assets in all three regions. Within regions we will have in-kind and not-in-kind competitors and we prefer to concentrate on the not-in-kind competitors where we can expand the market for acrylic. Where we do compete with in-kind competitors the Lucite® and Perspex® brand name is a powerful asset particularly with the end consumer.*

Q. Tell us about the leadership in your company...UK (Ian Lambert)? Japan? North America? How is Lucite Intl. organized globally?

A. *Lucite International Group is a wholly owed subsidiary of Mitsubishi Rayon Corporation and as such Lucite International senior management remains in place with Headquarters in Southampton, UK. Regional headquarters remain in place with Lucite International, Inc in Cordova, TN.*

Q. Where do you see the biggest growth in sheet products?

A. *We're seeing the largest growth in specialty products such as our exclusive Lucite® with Microban® for the medical industry and products aimed at the displays. With the US economy slow right now we are seeing strength in our export business and expanding markets overseas as some of those countries come out of the recession earlier than the US.*

...to be continued in the November 2009 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.

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