



*“A World of Plastics Information”*

OCTOBER 2010  
IAPD ISSUE

Dear Colleague:

Inflation inevitable? Inducing interest rate increases...injecting economic surge. Expect inflation to climb about 2% (wholesale prices up 4%) in 2011, compared to just below 1% this year. Salaries should start to rise at double 2010 rates. Oil prices should average about \$80 per barrel compared to \$75 this year...with natural gas prices also rising moderately but persistently. Transportation and communications costs will also be double those of current year, although tech and telecom products and services will continue to offer bargains...down 10%. Plan on long term interest rates of 3% through mid-2011...GDP gaining 4% versus 3% for next year.

Some economists are postulating that we need global inflation to approach double digits in the early part of the upcoming decade in order to stimulate economies and job growth. If people believe prices are going to rise in the future they may be less cautious about spending in the present, since money not put to work will lose value. Also, because inflation erodes the real value of debt, global debt burdens would shrink. It seems that markets are listening as inflation is up.

The manufacturing sector of global economies continues to improve with electrical equipment and IT markets leading the way. Our interviews with manufacturers in our industry at IAPD in Indianapolis confirm that low inventories coupled with renewed demand and some new products are causing this segment of plastics shapes to be trending up. Expect banks to relax lending standards over the next six months, although demand is low with potential borrower cash hordes high. European Union debt fears will pressure markets in 4Q 2010, with default pressure coming from Greece and Spain...the Euro may suffer in global markets as growth in Europe, despite Germany, will slow. Material technology continues its climb as carbon-fiber reinforcement applications soar along with cheaper thin film solar cells. Watch China for a possible trade war in the global economy as its Yuan may begin to float amid pressure from Western capitalist governments.

TRENDS: Videoconferencing is now available for all size companies using Skype and ooVoo – makes it possible to pitch product information, as well as to finalize contracts to distant clients.

IT budgets will be strained in 2011 and 2012 as upgrades from Windows XP to Windows 7 as Microsoft withdraws support for the older OS. K 2010, the 18<sup>th</sup> International Trade Fair for Plastics and Rubber, to be held Oct. 2 - Nov. 3 this year in Dusseldorf, Germany will feature 3100 Exhibitors (including *The Global Plastics Letter*, at the Trade Press Stand) from 57 countries. At the IAPD's 54<sup>th</sup> Annual Convention and

Expo, held in Indianapolis, Indiana, USA, there were 143 Distributors and 227 Manufacturers in attendance among the total of almost 500 visitors. Also 100 exhibitors (including distributors and fabricators for the first time)...an aggressive and optimistic turnout! Talented, experienced and pragmatic speakers offered insight into many pertinent industry problems needing help and advice.

Social Media and Marketing (such as *LinkedIn, Facebook and Twitter*, in that order of popularity for businesses) appears to have arrived to change the dynamics of our industry's communications technologies... **again.** Joins TWX, EDI, Fax, Voicemail, cell phones, the internet, texting, teleconferencing and the next new thing. Prospective customers know more about you, your products and services, before they ever engage you! Thus the need to understand that social media is a platform to extend your reach and social networking is about your presence in the marketplace and leadership is at stake. Distributor Advisory Councils are growing in popularity in the general industrial distribution sector as our industry tries to critique our past deep recession, straining relationships between manufacturer and distributor. Who is on your Council?

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

In Australia, a Government has been formed as a minority Labour Government. But now faces economic uncertainty with the Greens dictating many policies. However with the continued growth in the resources sector exports the Australian economy maintains strength and the Plastics industry both manufacturing and distribution are benefiting. Many Australians are preparing to travel to the KPlas and some have included the IAPD USA. Research at Australia's Ballarat University has demonstrated that Australian banknotes, made of biaxially oriented PP, are the cleanest and safest notes. (Maybe this is why the \$A is at all time highs!!!). WAMEX Perth Mining and Engineering Expo to be held at Claremont Showgrounds 10 - 12 November should be a significant opportunity for all suppliers of Engineering and Wear Resistant plastics.

Even with the rapid escalation of wages in China's plastics industry and recent labour strikes Plastic Manufacturers are treating these issues as challenges to be managed. Investors are reported to be searching other countries for low cost labour but there is no reported exodus by foreign investors. Even with the recent 20% minimum wage rise in Guangdong wages remain low at approx \$US130 per month. A continuing key to success in China is the constant increase in expertise in the workplace. East China University reports a Green Chemistry agreement with the French National Centre for Scientific Research and also Rhodia Ltd, they will work on renewable raw materials including new polymers. With 20 thermoforming machines being supplied from Germany to Haier Group, Qingdao for manufacturing refrigeration parts there is further opportunity for distributors to increase ABS sheet sales. Japanese carmakers are moving towards a hybrid technology that will develop components that need no external power sources and therefore wiring/harnesses would be reduced to a minimum. Energy harvesting used by Pirelli - with GM and BMW exploring other options. Teijin Ltd reported that its plan to target composite applications in the aerospace market continues to exhibit significant growth. Teijin contracts with Airbus and Bombardier have aided its goal of increasing sales of carbon fibre prepregs. In India ASAlhaye Editor Popular Plastics magazine highlights a new use for recycled PET bottles into Sports Shirts by NIKE. After melting and spinning into yarn they are then converted into fabric for shirts. 13 million bottles will make 1.5 million shirts. The Central Institute of Plastics Engineering and Technology (CIPET) in accord with India's need for responsible management of plastic waste, which is a National Policy, has become responsible for establishing waste management in plastics. Exhibitions in India include Paktech Mumbai 18 - 20 Nov. PakPlus New Delhi 3 - 6 Dec. and Plastvision Mumbai 20 - 24 Jan 2011.

#### **OUTLOOK NORTH AMERICA: by Bill Shields, North American correspondent in the U.S.**

ZL Plastics, since 2003 has been a JV between Licharz GmbH and Zell Metall GmbH. Effective November 1, 2010 all operations will be combined and 100% owned by Zell Metall with Licharz supplying its products to the North American market under the ZL brand. The operations in Buchanan, NY will close. ZL Engineering West is unaffected in this change and will continue doing business as they have been.

The European market for PVC foam sheet is estimated to be around 70,000 tonnes with North America exceeding that.

It is apparent that the Great Recovery is slowing down in our Industry. Last year it restarted on September 1 & this year it began to slow down on September 1. The recovery is continuing but the jobless rate is still above 9.60%. I still stand by the outlook that continued demand for equipment in emerging markets will continue to provide product sales for companies based in the USA for at least the until the end of 1<sup>st</sup> Qtr 2011. The Plastics Industry has seen the slow down. Reports that phone and quoting activity have dropped by 30% are widespread. As I mentioned in the last newsletter, we can expect a slow down in the 4<sup>th</sup> Qtr due in part to the resin shortages, rise in resin prices and the flattening out of the economy from the spike that we have been on. No double dip recession is expected by this reporter; but things are going to slow down. **IAPD Report:** This year's IAPD was held in Indianapolis and the tone was good. Many attendees commented positively on the quality of the speakers and appreciated the change in venue of the IAPD Convention itself. Only one manufacturer was dismal about the next two quarters of sales. We will see the state of affairs next year at IAPD 2011 in Baltimore.

**PRICING:** Quadrant EPP takes up many of its stock shape prices. Arkema's subsidiary Altuglas raises prices of PMMA resins and sheet. PE, PS and PP resin prices are rising... PVC, PVDF, PETG, and POM acetal resins are also going up. Expect pricing to stabilize in 4Q 2010.

**MANUFACTURER/DISTRIBUTOR BRIEFS:** Inteplast newly offering foam PVC deck board. New PC film producer in Sichuan China - Chengdu Langlongxin Plastics...said to meet UL 94-0. New water soluble, fast degradable PC resin noted in technical paper filed in China, reported by <http://pubs.acs.org>. Teijin now offers conductive PC and PET film. Curbell Plastics, at IAPD, announces its innovative Take Off® material credit program – a loyalty rebate plan. Altaflo's extensive flouroplastics tubing product line includes square FEP...shown at IAPD Expo. Repsol sells Brazil oil stake to Sinopec...continuing China's influence on our industry. Ethylene from ethanol PE plant, operating under Braskem ownership, also in Brazil, which is fast becoming a dominant resin factor. Spartech undergoing both management and financial ownership changes as Victoria Holt assumes CEO position. Lucite International, in partnership with Mitsubishi Rayon Co. Ltd introduces Shinkolite–A (an LED compatible product) into the North American market. Shinkolite sheet had previously been available through Calsak, which is no longer its exclusive distributor. Evonik introduces a new, tougher grade of PEEK...said to offer 20% higher impact strength. Ticona launches new LCP resin for thermoforming – called Vectra® TREX™. SIMONA stresses thermoforming at K 2010. Eastman gets EU approval for PETG products.

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

Redwood Plastics, major Canadian distributor, opens branch in Saskatoon. SABIC IP boosts Ultem® resin capacity by 35% at Cartagena, Spain plant to meet growing global demand. Braskem, of Brazil upgrades NA PP business...comes on top of its acquisition of Sunoco.

#### INDUSTRY INTERVIEWS: ...concluding our interview with Carolyn Faulk, A&C Plastics

*Q. How has our industry changed over the years?*

A. Technology has changed our industry so much. I believe we have been able to communicate and serve our customers better than ever. People are watching their inventory levels much closer. Vendors are re-evaluating their customer base. Change is good. I'm looking forward to always changing for the better.

*Q. How do you feel the IAPD has changed since it was NAPD when you started? If you could change the IAPD, what would you do to make it more responsive to your needs?*

A. We definitely have more Mfg. Reps. involved. Before I could make any recommendations; I would need to get on a committee and work my way through their thought process, understand their goals and challenges.

*Q. What do you see as some of the newer markets/applications for your products in the second decade of the 21<sup>st</sup> century?*

A. An ever increasing expansion of the construction industry. Glass companies are still tapped in the silicon based glass market when acrylic and polycarbonate are lighter weight with a higher impact resistance at a lower price. Plywood doesn't hold a candle to polypro and HDPE for strength and durability. Interior design is similar. Clear, Pattern and Obscure material that are available, the acrylic and polycarbonate are pulling more of the market for retail point of sale, office dividers, kitchen door facings and skylights.

*Q. How do you go to market? Has this changed over the years and if so, how?*

A. We are constantly studying our inventory, forecasting what our customers need. You can't sell out of an empty wagon and you can't sell what no one is using. We keep an awareness in the industry by our advertising, trade shows, web use, internet and travel.

This strategy has changed, some, over recent years. We opened our Chicago location, increased our inventory levels in Colorado and Houston, as well. We want to service our customers better by saving them shipping costs as well as faster delivery.

*Q. Who are some of your best suppliers? Why?*

A. Our best suppliers are the ones who meet their deadlines, from the time we place the order until we receive it, correctly, and in perfect condition.

*Q. What factors contribute most to your company's success and staying power?*

A. SERVICE, IT'S WHAT WE DELIVER! WE SELL 'SERVICE' AND THROW THE PLASTIC IN FOR FREE! IF WE DO NOT TAKE CARE OF OUR CUSTOMER, SOMEONE ELSE WILL! Our large inventory and investing in GOOD PEOPLE, who will take us to the next level and stay on top of the market.

*Q. How do you recruit people? Retain and train them?*

A. I hire for attitude and train for skill. Recruiting is word of mouth, colleges, internet, some staffing services. We have fun while we work but we get the job done. I believe that if I take care of my employees, they take care of the customer who takes care of all of us. Chair massages, car washes, catered lunches, sales and attendance incentives, on going training seminars are just a few perks when you are part of the A&C Plastics Family.

*Q. On a personal note: What do you feel is your greatest accomplishment?*

A. Having an opportunity to watch A&C Plastics grow into a solid, reputable company in this industry for the past 37-1/2 years while being blessed with two great healthy children, Brian and Katie, and 4 grand children! When the grand children see me and run into my arms for a hug and a kiss; it doesn't get any better than that!

*Q. If you could return to Houston as someone else, who would it be?*

A. Why that would be.....CAROLYN FAULK! It's been a great ride and I'm just getting started!

**Thank You.**

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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