



GLOBAL PLASTICS LETTER

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“A World of Plastics Information”

SEPTEMBER 2010

Dear Colleague:

Snapback stalled? Double dip (economic recession) denial? In the 11 years that this publication has observed and commented on the economic, fiscal, and monetary status of our industry, we are at an unprecedented place. The range, complexity and dichotomy of reports coming in at the end of the third quarter of 2010 is unfathomable... leading to severe management challenges. Telephone surveys of our industry conducted this past month, both in the manufacturing and distribution sectors, indicate a robust first half of 2010, but a slowing of sales in 3Q 2010. Comparisons to Oct., Nov. 2009, when business activity almost “stopped” will of course be skewed in 4Q, so indicators will not be precise. Suffice to say there is a slowdown ahead, although the extent and significance may not be known until the start of 2011. Certainly the return of recessionary statistics may be a false positive. Merger and acquisition activity has resumed in industry generally, and it can be expected to stir again in our corner of the plastics industry soon. Capital seems to be flowing, albeit cautiously, so a strong recovery is likely in 2011 although its extent is hard to predict at this juncture... planning for success is paramount now. Confidence in the recovery is tentative and needs pumping up.

With interest rates near zero, what else can Central Bankers do to stimulate global growth? Talking down long-term interest rates can help and buying bonds can pump liquidity into markets. Emerging markets such as India, Brazil and others are ratcheting up interest rates to rein in prices, which could cause inflation to reappear. China faces this prospect as well and the bubble, burst, crash, recover cycle is possible in these regions. China’s economy is slowing (a relative term) to a 10% a year growth rate – still No.2, about one-third the size of the U.S. Global economic fears will keep the dollar volatile but in a narrower range... look for a bounce between \$1.25 to \$1.35 versus the euro in the coming months.

TRENDS: The globe’s largest plastics trade fair (K2010) is coming up on Oct 27-Nov 3, 2010 in Dusseldorf, Germany... held every three years, its displays consist of 2.8 million square feet of space in 19 halls, 3000 exhibitors – 200,000 visitors expected. *The Global Plastics Letter* will be covering this event in our November issue and will have its October 2010 issue on display and available as a courtesy for trade show attendees. The 2010 *Global Adhesives & Sealants Directory* is now available at: <http://www.adhesivesmag.com> . Recycled, biodegradable plastic products are growing by double digits each year... a new and highly visible consumer application is from Papermate Pen whose ball point pen and pencil are produced from Mirel® and selling well in the back to school shopping season – more information at: <http://papermategreen.net/us/faq.html> . A new advertising campaign from Chrysler’s Jeep division says “Plastic cannot be forged... this is the 2011 Grand Cherokee”...a double meaning which can only be a positive for our industry. Check out *Fortune* magazines’ list of Fastest Growing Companies in its Sept. 6 issue...excellent prospect list for our plastic shapes industry – number 7, as an example, First Solar of Tempe, Arizona which grew 648% over a 3 year period!

Inflation in Plastic Resin and Materials is listed as 18% in 2Q year over year and 8% 2Q versus 1Q 2010 (source: U.S. Bureau of Labor Statistics and www.mdm.com).

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

If the Federal Government read this newsletter throughout 2010 they would have been more accurate than their own forecasts. The recovery continues but the jobless rate is still above 9.60%. Continued demand for equipment in emerging markets will continue to provide product sales for companies based in the USA for at least the next two quarters. The Institute for Supply Management's national manufacturing index had an unexpected rise in August. The Plastics Industry is still at capacity selling all that we can produce. Many in our industry continue to report strong sales. We can expect this to slow down in the 4th 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 expected by this reporter; but things are going to slow down. Private firms added 67,000 jobs in August- higher than forecast. **Pricing:** Resin manufacturers have pushed through new price increases for PP, and PVC. PVDF and acetal POM are next. We can expect pricing to stabilize throughout the fall months. **Manufacturer/Distributor News: Ensinger** announced the addition of three new CNC turning centers to their capabilities even increasing their ability to produce machine component parts. **GEHR Plastics** announces that Thomas Stintzing has taken over the Global Product Manager position for its 10 grades of ECOGEHR biopolymers product line. **Nylacast** announced increased marketing efforts in 2011 through trade show exhibitions. **Rochling** is offering both Imperial and metric sized sheets. **Sheffield** recently established listings for its Makrolon® glazing products in the International Glazing Data Base. The information is used to calculate the energy efficiency and optical performance of various window system designs.

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

As this is written, Australia continues to a search for a solution to the impasse of a Government with no party having a clear majority. A small group of independents are currently the problem, however a solution appears near and industry can get back to business. Mulford Plastics has announced their appointment as exclusive distributor for Plaskolite Digital print acrylic (Optix DA). They are also distributing "Mustang" a copolyester for signage and Optix framing grades for Museums and Art Galleries. Cut to Size Plastics have indicated sending staff to IAPD and K2010. AST Plastics have moved into new premises in Brisbane, nearly doubling their capacity to service the Queensland market. BPA usage in Australia in packaging applications is being challenged by consumer groups and new regulations sought to cover food products particularly baby foods. Studies in Europe have identified BPA as boosting testosterone. There are many changes to the Laws in China with decisions strengthening the rights of employees and the All China Federation of Trade Unions (ACFTU) together with the Government are pushing for improved collective bargaining and democratic management at all companies. Estimates of auto sales in China continue to rise. Original estimates of 15million sales in 2010 have now risen to 15.5 with 20million projected by 2014. China may become the largest auto market in the world, but it will present plenty of challenges. Bayer AG had a recent victory in the Peoples Court of Quzhou, Zhejiang winning a trade infringement and unfair competition case. An opportunity for Petro China to expand sales has arisen due to Lyondell Basell withdrawing from business in some Middle Eastern countries. Dow Chemical has announced that China Shenhua Coal Liquefaction Chemical commenced production of polypropylene resin from coal generated olefines. The plant has a capacity of 300,000MT/Yr. A question that has been raised is whether coal stock for plastics is sustainable and environmentally friendly. Opinions vary. Sinopec, in their JV with DuPont, have started EVA production in Beijing. China is claimed to be the world's fastest growing EVA market. There is increasing activity in China with both export oriented Chinese plastics manufacturers and world producers moving from Coastal locations to Inland cities to escape rising costs and to position themselves for China's fast growing domestic markets. The Indian plastics/petrochemicals market offers continuing potential for growth and the sector is measured as growing at 15%pa compared to to 4% in the global industry. Laffans Petrochemicals located in Ankleshwar, India has entered into an agreement with Huntsman Corp to sell its chemicals business. Mr AS Athalye Hon Editor of Popular Plastics & Packaging Magazine has been honored with Fellowship by the Indian Plastics Institute.

PTT Thailand has joined with Mitsubishi Chemical Corp to build a manufacturing plant for biodegradable plastics with a probable capacity of 30,000MT/Yr. Petronas, Malaysia's National oil corporation, has signed an agreement to acquire from BP a stake in two Malaysian operations for \$US363million. (I guess BP needs the cash to pay for its oil spill!!)

PRICING: In the resins market, BASF announces price increases for PS and ABS in Europe. Korea Engineering Plastics (KEP) increases prices for acetal copolymer also in Europe. Polyolefin's were rising steadily but slowly on a global basis in August. On a macro basis, we are beginning to see the ripple effect of the Gulf of Mexico oil spill. On a long-term basis, upward pressure on oil prices based on a perceived disruption on the supply side, we could see continuing thermoplastics resin component chemicals affected such as ethylene and propylene.

MANUFACTURER/DISTRIBUTOR (NAICS 424610) BRIEFS:

Evonik introduces Plexiglas® Radiant textured acrylic sheet that enables unusual lighting effects – diffuses light to create colors that change according to the viewing angle and is targeting interior design market applications. Also at Evonik, a new edge lit product line is announced – called EndLighten T. SABIC IP's Insulgard unit announces new window system to provide maximum protection from extreme weather such as hurricanes and tornados – uses Lexan sheet and aluminum architectural framing system. Also at SABIC IP, its Exatec subsidiary is accelerating mass production of weatherable, scratch-resistant, plasma coated Lexan for vehicle windows. Victrix PEEK bearings from ROS in Germany, used in bearings for professional cycling applications, improving performance in events such as Tour de France. Creative Pultrusions' wide flange beams finding increased applications to support solar panels. DuPont has successfully defended its lawsuit against Teflon® brand infringement in Russia. Eastman Chemical launches new Tritan™ copolyester for faceshield applications, said to compete with PC's properties. Cellulose fiber filled acetal composites developed in new research dramatically improving properties of current POM (polyoxymethylene) product. Evonik's Plexiglas® sheet is used in Germany as a façade and transparent cocoon for a meteorological tower – has different radius and curvature and introduces this design for new architectural applications...a breakthrough! New engraving stock sheet producer, Beijing Longstar Intl. in China emerges. Arkema reports Q2 sales improvement of 38% year over year - led by PVC and PVDF. Spartech's PLA (polylactic acid) sheet has been improved to offer higher impact and heat resistance and is finding applications against some traditional sheet materials. NEC develops advanced bioplastic from cashew nut shells. LuciteLux™ applications continue in the consumer products market such as handbags.

MERGERS, ACQUISITIONS, ALLIANCES, DIVESTITURES AND EXPANSIONS:

Some merger movements in both the distribution and manufacturing sectors appear to be happening as M&A activity heats up in industry generally...we expect to announce some specifics in October. Arkote Technologies emerges as an abrasion resistant coater for PC and MMA sheets. Ashland Inc seeks buyer for its resin distribution business...a \$3 billion sales operation. Eastman Chemical still seeking buyer for its PET and PETG business...reported sales of approximately \$1 billion. Celanese/Ticona's Fortron unit (a jv with Kureha Chemical of Japan) expands PPS production in the U.S. DuPont boosts Tedlar® PVF film production for surging solar energy market.

INDUSTRY INTERVIEWS: Carolyn Faulk, President and CEO, A&C Plastics Inc.

Carolyn, a business school graduate of Sam Houston State University in Texas, started her company in 1973 in Houston Texas where she resides. She has received many honors for her contribution to the business community there. We interviewed Carolyn in her Houston office.

Q. What is the history of A&C Plastics...when started, by whom, where and why?

A. In 1973, Carolyn Faulk and her then husband, Myrl Faulk started A&C Plastics with a \$5,000 investment and a “never give up attitude”. Cast Optics aka A&S Plastics aka Polycast Corporation had a distribution warehouse in Houston, Texas. Their sales were \$45,000 a month. They decided it was more profitable to close their Houston warehouse. Carolyn was teaching school and making \$720 a month and saw an opportunity to find a niche in the marketplace. Myrl worked in the A & S Plastics warehouse and had to make the decision to stay with the company, travel, etc. or stay with Carolyn. A&C Plastics was created with a \$5,000 investment, no inventory, no credit and Carolyn kept her teaching job for 3 years to support the family. Why the name “A&C Plastics”? A to be first in the phone books, C for Carolyn! We got an answering machine, ordered phone books for leads, and Polycast Corporation gave us a \$25,000 line of credit to help us out after about 6 months in business. We eventually rented 1/8 of a warehouse, then 1/2, then all of it; we then bought the entire warehouse in Houston, Texas.

Q. You are considered the GWOP (Grand Woman of Plastics)...when did you start in our industry? Why? How? Where?

A. I have always been around Plastics. My Dad, Marvin Chipman, started Aero Shield Plastics, in our back yard when I was 11 years old. We lived in an 800 sq.ft. house with a one car garage. He made it into a two car garage and that was his warehouse where he built his oven, and started building boat windshields in 1959. In 1987, Myrl and I parted ways. Myrl wanted to get out of the business for a while. I bought his share out, surrounded myself with people smarter than me, prayed a lot, and tried to turn my “set back” into a “come back”! I learned a lot from Myrl and my Dad. Now I had the opportunity to put my knowledge and “can-do” attitude to use. I also learned to have fun with a challenge and it becomes “the great game of life”! A&C Plastics, Inc. has grown into an international resource to find your product and with a service above self attitude.

Q. What makes A&C different and better than other distributors?

A. I wouldn't say that we are better than other distributors. However, I feel that what sets us apart from others is our vast amount of inventory of hard to find items, large sizes, a full line of colors as well as our service. We want to be a partner, the Distributors' Distributor and make it easy, fun and profitable for both, when they buy from us. We sell Service, and throw the plastic in for free!

Q. Your advertisements are unique and memorable...who creates them and do they work for you? How long have you had this campaign? Which are some of what you consider the best ones? What is the typical feedback?

Two Texas Tech Graduates were operating out of their apartment and had a vision. Over drinks in the pool, I heard about these kids out of Dallas. I thought of all the people in this industry who have helped me and I saw a chance to ‘pay it forward’. Hell, how expensive could they be with very little overhead? 10+ years, they have grown out of their apartment and a firm of 15. I am proud to know that I was their first customer. A&C Plastics wanted to incorporate our staff in the ads so our customers can put a face with a name and the industry can see ‘who’ is making A&C Plastics what it is today. We get a lot of comments on all the ads. Some of the favorites: The square feet ad (more space to warehouse your plastics), Zero missed Calls (always on the job when duty calls), Jimmy Hoffa (we can always dig up what you're looking for), ‘Plastic Sells Better’ and many others. We receive great, positive feedback but I don't really want to put in print the wonderful comments we get. I've been offered a lot if I would reveal who the staff person is in one of our ads!

...to be continued in the October 2010 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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