



"A World of Plastics Information"

Part news. Part views.

SEPTEMBER 2013
15TH YEAR

Dear Colleague:

Greater growth governs...getting going gets good results. Recovery is in full swing in North America, albeit steady single digit growth, which is smoothing out the business cycle, allowing for solid planning. In global news, the BRIC (Brazil, Russia India and China) block is lagging in the recovery of their economies – causative are monetary policies, put in place to tamp down inflation as well as currency swings (especially in India) that affects imports and exports (of natural resource commodities). Expect more favorable pricing for industrial metals such as aluminum ... a shifting of policies bearing on dubious warehousing practices, This inflated demand and short-term could affect metal replacement applications in our industry, as always.

There's even more oil and natural gas underground in the U.S. than previously believed...crude oil production is at a 22-year high and gas production keeps setting records. This obviously affects global energy markets and shifts the geopolitical balance in the Middle East. Small business owners are now in their best borrowing position in a decade...banks eager to lend at record low interest rates, which have no where to go but upward!

TRENDS:

A slightly better bottom line for most businesses in 2014:

Look for inflation to hold steady at 2.25% next year with some costs to increase faster than general inflation: average pay hikes 3%; health care 6%; insurance 5-10%; T & E 4%; energy 5-6%; transportation (trucking, rail and ocean shipping) 3-5%; mail and delivery (UPS & FEDEX) 5-6%; computers and internet/phone 0%; long-term interest rates 1%.

The booming encryption services market is poised to grow exponentially with data encryption becoming more widespread on tablets and laptops...costs for this service is continuing to drop to a \$3 per month per person level. Distributor salespeople needs are changing...number needed has been affected by the internet and distributor websites. For a serious study of this subject, go to: <http://www.mdm.com> and surf to its Sept. 3, 2013 issue article "How many salespeople does a distributor need?". High tech startups in the U.S. are proliferating outside of Silicon Valley –among the new hotspots are Sioux Falls SD; Missoula, MT and Cheyenne WY. Low cost ads on Facebook and Twitter to tout goods and services are an idea where time has come...targeted by zip code and a boon to small businesses such as plastic distributors and fabricators. For \$5.00, Facebook can put your firm in front of at least 2000 viewers Twitter charging \$1.50-\$2.00 per tweet, billed only when a user engages.

In memorium... Joe Soltis, founder, Soltis Plastics, Milford MI – passed away August 17, 2013, at age 90... active until the end.

OUTLOOK EUROPE: by Ralph Ammann, our Euro Zone correspondent in Germany

German-based Simona AG, leading manufacturer of semi finished products, will unveil innovations at K 2013.

Among the premieres will be Simona Pipes with Functional Layers. The strain exerted on the interior surfaces of a plastic pipe by abrasion and impact can be considerable, e.g. during the hydraulic transport of solid materials such as sand, gravel or loose rocks. Coextruded Simona PE 100 Pipes feature integral or additional interior skins made of high-molecular-weight PE or modified polyolefins. Boasting high abrasion resistance, they are capable of withstanding extreme mechanical loads. So Simona Multilayer Pipes have opened up entirely new fields of application.

Also shown will be Simona Twin-Wall Sheets of the third generation which represent much more than an updated version of their predecessors. Due to highly innovative technical adjustments, the efficiency and stability of the sheets have been optimised while keeping the overall thickness of the walls to a minimum. This will help to open up new areas of application.

Additionally, Simona will be looking to further strengthen its innovatory capabilities by building a new Technology Centre at its headquarters in Kirn. As from 2014, it will offer the most advanced process technology available within the area of polymer production. The Technology Centre will expand Simona's capacity levels, allowing the company to conduct more customer-specific development work with new materials and combinations of material. Elsewhere, Evonik Acrylics Africa (EEA) has begun producing extruded Plexiglas sheets in Elandsfontein, Johannesburg. With an initial number of 20 employees and a new extrusion facility, some several thousand metric tons of semi-finished material will be produced per year for the African market. The products, which are manufactured in accordance with international quality standards, include standard formats as well as special sizes. In May 2012, to this end, Evonik entered into a joint venture with the South African plastics processor Ampaglas Plastics Group, one of the largest manufacturers of extruded plastics in Southern Africa. Since then, the partners have further expanded the distribution network under the name Evonik Acrylics Africa. As a key sales market in Southern Africa, the major market segments are construction and architecture, signage, lighting technologies, and furniture, shopfitting, and exhibition stand construction.

Ensinger will be launching two new materials for the semi-conductor industry in time for the Semicon Fair in Taiwan: The new Tecatron CMP and TECAPEEK CMP product lines have been developed specifically for components used in the chemical mechanical planarization process (CMP). One of the key steps used in silicon wafer production, CMP imposes stringent demands on the mechanical properties and chemical resistance of high-performance plastics.

The CMP process involves the use of different slurries which take a heavy toll also on the handling components used. The new PPS material TECATRON CMP demonstrates higher abrasion and wear resistance compared to the predecessor product. In combination with material-specific resistance to chemicals and solvents, these improved tribological properties help extend the service life of the plastic components used, with reduced placement and downtimes resulting in lower costs per wafer.

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

As this report is written, the \$Aus is still at 0.89 to the \$US and with interest rates at 2.5%, the lowest level for many years. Reports from the plastics distribution market indicate a clear expectation that market growth will return after the upcoming election. The fall in the \$A in the last two months has caused a rise in prices in all sectors of the plastics distribution market. A survey of the policies of the two major political parties has also confirmed a business recovery after the election, infrastructure spending will be substantially increased creating many opportunities for the plastics industry. The current opposition has promised a company tax reduction from 30% to 28.5% a benefit to all companies. Changes are increasing in all markets with both staff reductions and changes in employment by experienced staff. Denis Matulin has advised he is searching for new opportunities both inside and outside the plastics industry. Denis spent many years in the Dotmar Group with the last few years as Exec.GM of their Fluoropacific Group. Quickstep, the Australian composites manufacturer, recently reported that its technology is being used to create carbon fibre based roofs for testing by the Audi Group. TUNRA is hosting a 3 day course in Perth 19-21 November 2013 for Bulk Solids Handling. AIMEX held in Sydney in August at which Plastral exhibited was reported as very successful. There were 650 exhibitors including from China, Chile, USA, Germany and France. The mining industry is still struggling but there are still many opportunities for Engineering Plastics. The Visual Impact Show is to be held at the

Dome, Sydney Olympic Park 12-14 Sept. The campaign promoted by the printing industry “Small Business - Too Big to Ignore” is being well supported by print, plastics and packaging industries. A note for 2014: visit New Zealand 11-12 April 2014 at Aotea Centre Auckland to attend Sign NZ Expo. This will be NZ’s biggest graphics industry Expo.

During August, activity in China’s manufacturing sector expanded at the fastest rate in over 16 months. The PMI rate rose to 51.0 from 50.3 in July and is the highest PMI since April 2012. A PMI of over 50 correlates with expansion. The Chinese Government also notes that its annual GDP rate of 7.5% is now achievable, with manufacturing moving from export to domestic consumption. Boeing has been reported as stating that Asia will account for 30% of world demand over the next 20 years. Vaupell Inc, Seattle based, but with operations in Shenzhen, has seen rapid growth working with expensive resins such as PEEK and glass filled PC. Guangzhou Echom Technology has formed a partnership with Krauss Maffei Grp to promote Skinform thermoplastic coatings in China’s automotive and electronics markets. Sunshine Inflatable Toys has added 20,000MT of PVC sheet production in its Jiangmen, Guangdong facility. China and Hongkong Employment Law updates for August published by Baker and McKenzie have covered many aspects of legislative changes that will concern overseas investors in both markets. Sumitomo Demag Plastics is expanding its capacity in Ningbo. 2012 was a record year for sales and profit for Demag Ningbo. Fuwei Films, Weifang, producer of PET extruded films continues to have financial difficulties. Albis Plastic GmbH has opened a compounding plant in Changshu with an annual capacity of 10000MT. Recovery in Chinas markets for plastic pipes and also machinery is well underway. FESPA China will be held in Shanghai 18-20 November 2013 and the list of exhibitors currently extends to over 300 companies. Lubrizol Ohio,USA has opened an additives plant in Zuhai, China.

Some Taiwan companies have reported increasing sales and opportunities in Africa, the markets are still small but showing great interest in the plastics industry. IMCD Group Rotterdam, Netherlands has bought resin distributor Paceco Ind Supplies of Singapore which complements their China business and provides for further expansion in SE Asia. Asahi Kasei Chemicals, Tokyo based, has become to produce Nylon 66 compounds in Indonesia. Toyobo Co, Osaka, has plans for an engineering resin compounding plant in Brazil. The company has also invested in a PET bottle label maker in Jiangsu, China. PBE from Exxon is being used in Taiwan by Nedvr Corp to make soft child friendly covers for Apple’s iPad.

OUTLOOK INDIA: by S.Radhakrishan, Group Editor, *Popular Plastics & Packaging*

The Indian plastics sector, currently valued at Rs. 1.02 lakh crores, is growing at a compounded annual growth rate of about 20%, according to a study conducted by The Associated Chambers of Commerce and Industry of India (Assocham). “The plastics industry is expected to touch Rs. 1.7 lakh crores level on the back of multiple factors like increasing demand for the material in production of goods and its usage in packaging of various items,” it added.

Demand for plastics is likely to double to about 20-mt by 2015 from the current level of about 10-mt, Assocham Secretary General, Mr. D.S. Rawat said. The study estimated total consumption of plastics in India to be about 4-mt four and the waste produced at about 2-mt. It is estimated that about 10,000-tpd (tonnes per day) of plastics waste is generated, i.e. 9% of 120,000-tpd of municipal solid waste (MSW) in India. Thermoplastics, which contribute about 80% of the total post-consumer plastics waste generated in India, are recyclable, while thermoset plastics account for the remaining 20%, the report said. The report said India has the highest rate of plastic recycling of 60%, followed by South Africa (16%), Japan (12%), China (10%), USA (10%) and Europe (7%). It said that considering the rising demand for plastics, more emphasis must be laid on recycling of waste plastics and use of recycled plastic or its mixture with virgin plastic for manufacturing plastic articles. The Micro, Small and Medium Enterprises (MSMEs) sector accounts for about 75% of the total number of 26,000 registered plastic processing units in India.

PRICING:

PS jumps up in Europe, although lower benzene prices globally should keep this and HIS in check for the short term. PE and HDPE are trending single digits higher into September and 4Q 2013 with PP and PVC holding

firm. MMA and PC will experience selective increases in 4Q 2013 and into 1Q 2014...similarly for the ETP and HPM group of resins affecting semi finished shapes prices.

MANUFACTURER/DISTRIBUTOR BRIEFS:

Evonik is supplying Plexiglas sheet to Josef Weiss Plastics, who stretches it for the application of cockpit glazing in the Eurocopter EC 135. PEEK 90HM 40 resin from Victrex being more widely used in weight saving applications for the Airbus. Lanxess reports lower 2Q 2013 profits due to lower selling prices for its resins...moves HQ to Cologne, Germany. Harrington Plastics opens new branch in Houston, TX, bringing branch locations to 45. Westlake Plastics retires debt under new ownership by Actimed (after 61 years of being family owned) ...revenues approximate \$17 million, 50% lower than in 1998. DuPont plans for large scale conversion to bio-based polymers, including nylons and TPE. Ensinger introduces two HPM materials for the semiconductor/wafer industry...PPS and PEEK based CMP applications in tubing form offer superior machinability.

MERGERS, ACQUISITIONS, ALLIANCES, EXPANSIONS AND DIVESTITURES:

Inteplast buys its way further into the film and bag packaging business by acquiring Trinity Packaging...adding to its previous forays by buying Pitt Plastics and Minigrip. Ineos considering its option to buy the remaining portion of its Styrolution jv from BASE.

INDUSTRY INTERVIEWS: ...concluding our interview with Tim Butler, Comco Plastics

Q. Will the hurricane shutter business be continued by Comco? If not, who will?

A. The Hurricane Shutter Business was never a part of Comco and is a part of Nytef Group which was purchased by Polymer Industries along with Nytef.

Q. What do you see as the future growth markets, applications and products?

A. We continue to see a rise in Oil & Gas, Alternative Energy along with Medical and others.

Q. On a personal note, what is your history with Comco and the plastics shapes and fabrication business?

A. I have been involved with Fabrication going back to my days at Dayton Plastics in 1992 and I was promoted by President Michael French to Vice President of Sales for Comco Plastics in January of 2012.

Q. What do you consider your greatest accomplishment?

A. I don't know that I have a greatest accomplishment as of yet as I continue to learn daily and work to make a difference each day with Customers, Coworkers and our organization.

Q. What advice would you give someone entering the plastics industry today?

A. Read all of the literature that you can and ask many questions of your Veteran Coworkers and Suppliers as they help to lay the foundation of where we are as an industry today with much to do **ahead**.

Q. If you could come back, in the next life, as someone else, who would it be?

A. I would like to think that I still have a lot left in this chapter, however I can say that I am happy with how God made me and I am not finished yet.

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.