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Calif. high court ruling favors bag bans

By Mike Verespej
PLASTICS NEWS STAFF

The California Supreme Court has reversed two lower court rulings and upheld a ban on single-use plastic carryout bags in Manhattan Beach that has been on hold for three years because of a lawsuit filed by the Save the Plastic Bag Coalition.

"This is an important victory for the environment and common sense," said Mark Murray, executive director of Californians Against Waste. "Several cities that have previously adopted ordinances can now begin enforcement, and dozens of other jurisdictions that have ordinances pending can move forward without having to incur the time and expense of a full-blown environmental impact report."

Murray

But language in the court's decision makes it debatable whether the July 14 unanimous decision by the Supreme Court will open the floodgates for more plastic bag bans in the state.

First, even though the court said no environmental impact report (EIR) is needed in the Manhattan Beach case because "substantial evidence and common sense support the city's determination that its ordinance would have no significant environmental effect," the court also said that its analysis of whether an EIR is necessary to enact a plastic bag ban would vary under different circumstances.

"The analysis would be different for a ban on plastic bags by a larger governmental body [as it] might precipitate a significant increase in paper bag consumption," said the court.

Manhattan Beach has an estimated population of 35,000 and roughly 200 retail stores.

In addition, the court said "cumulative impacts [of bans] should not be allowed to escape review when they arise from a series of small-scale projects."

Equally as critical, the court ruled that corporate entities such as the coalition can bring litigation under the California Environmental Quality Act — a right that had been challenged by both the city and environmental groups.

"Absent compelling policy reasons to the contrary, it would seem that corporate entities should be as free as natural persons to litigate in the public interest," said Justice Carol Corrigan, who wrote the decision. "Corporate purposes are not neces-

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Bottom line: Resin markets aren't fair, so savvy-up and control what you can

By Angie DeRosa
PLASTICS NEWS CORRESPONDENT

FORT WORTH, TEXAS — Officials of businesses that are dependent on engineering resins may feel like "The Gambler." You've got to know when to hold, when to fold, or walk away. As a business owner tied to an engineering resin, it's likely you can't run, even if you want to.

But savvy companies are learning to pay attention to the multiple moving parts that affect pricing, according to officials at Resin Technology Inc. of Fort Worth. And those multiple moving parts have their own moving parts, for example, resin feedstocks.

Do you know the direct feedstocks for the resins you buy? Feedstocks have markets of their own.

Smith

"We can control how we are positioned in our own resin business," said Greg Smith, vice president of polypropylene, engineering resins, polystyrene and PVC at RTI. "We cannot control market trends or events." Market changes have been plentiful for engineering resins from 2010-11. There has been a post-recession make-to-order resin strategy among producers, and a significant recovery continues in many plastics markets. Those two changes alone have caused global demand growth to rise for most resins. In addition:

- The automotive-demand rebound has tightened engineering resin supply.
- The earthquake shutdowns in Japan have slowed demand temporarily.
- The ongoing incentive to crack light feeds is driving up propylene prices.
- Resin producers are exhibiting more and more price discipline.
- Crude oil prices have increased to levels no one forecasted.

"I would challenge any organization that says they have the ability to forecast crude oil prices," Smith said.

"What we want to focus on [are] the things we can control and get ourselves positioned to buy as well as we can."

Knowing in real time the actual selling price for all resin types globally is the smartest approach.

"In the case of engineering resins, it's a range; it's just not one price. The bottom line is that resin markets are not fair. They're just not," Smith said.

In part, price depends on who a company can buy from and where it is positioned in its markets. Europe, Asia and North America have always had the largest range in PC pricing, for example.

North American processors should keep their eyes on international markets and the effect of imports and exports. The three U.S. PC producers, for example, export on average 50 percent of what they make.

"That's huge and it's been a consistent outlet for them because of significant

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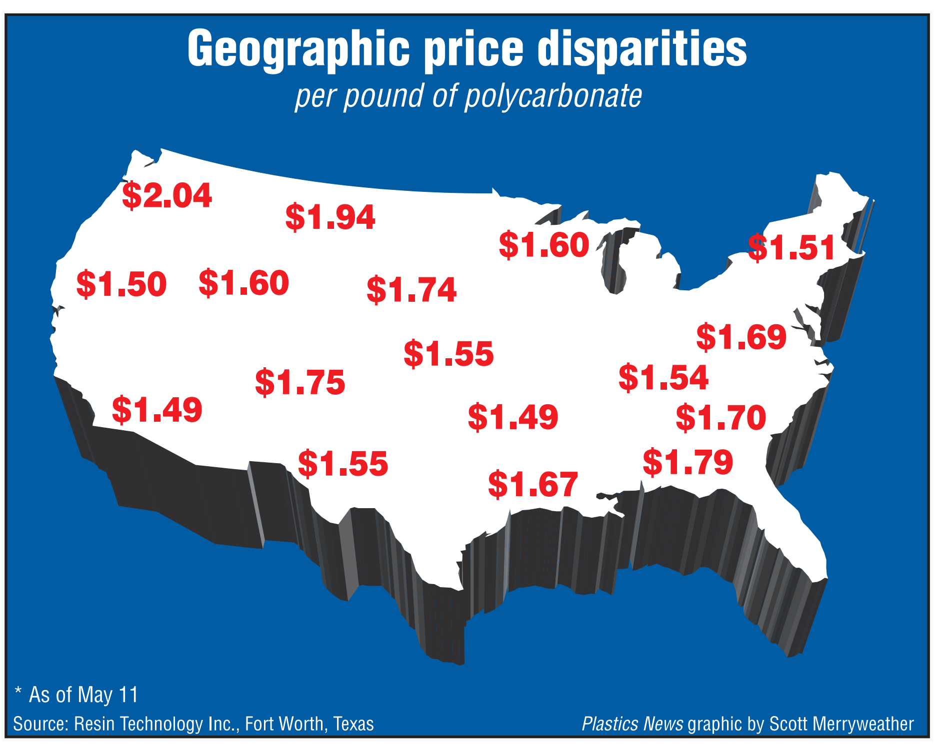

Geographic price disparities
per pound of polycarbonate

* As of May 11
Source: Resin Technology Inc., Fort Worth, Texas
Plastics News graphic by Scott Merryweather

M&G selects Texas for PET, PTA facilities

PLASTICS NEWS REPORT

HOUSTON — Resin supplier M&G Group plans to build new PET and purified terephthalic acid plants in Corpus Christi, Texas.

M&G had announced plans May 11 to build a single-reactor plant in the South, but at the time, the company said it had narrowed down the location to sites in Texas, Mississippi or Louisiana.

The company announced July 11 it had picked Corpus Christi.

"Corpus Christi is an excellent strategic home for what will be M&G's largest-ever investment. It has exceptional highway, deep-water and rail access, including

See **M&G,** *Page 20*

Saco buys UK's AEI Compounds

PLASTICS NEWS REPORT

SHEBOYGAN, WIS. — In a deal that combines two leading suppliers of cross-linkable polymers for the wire, cable and pipe sectors, Saco Polymers Inc. has purchased AEI Compounds Ltd.

Saco, formerly known as Padanaplast USA Inc., is based in Sheboygan. The company was a joint venture that was part-owned by Italian compounder Padanaplast SpA, but it now is an independent company.

AEI Compounds is headquartered in Sandwich, England, and had been a unit of TT Electronics plc, a global electronics company based in Weybridge, England.

Saco paid $8.6 million ($13.9 million) in cash for AEI, and the deal is subject to an

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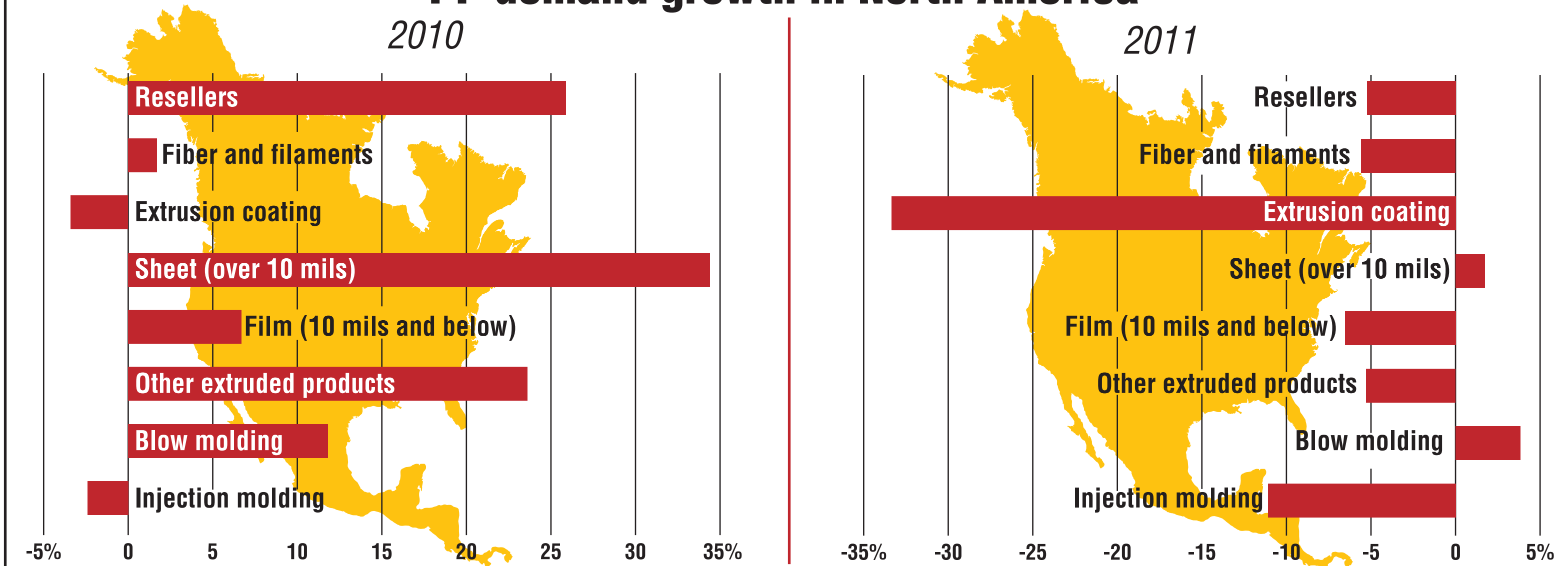
Forum speakers update resin situations

By Angie DeRosa
PLASTICS NEWS CORRESPONDENT



Source: Resin Technology Inc., Fort Worth, Texas

Plastics News graphic by Scott Merryweather

FORT WORTH, TEXAS — Officials with Resin Technology Inc. of Fort Worth provided market updates of specific resins during the firm's Executive Forum.

Polyethylene

The PE market, in terms of supplier actions, saw 11 cents' worth of price increases through April — 3 cents in February, 2 cents in March and 6 cents in April, said Mike Burns, PE vice president.

"Suppliers used fear [in February] of the Middle East situation to drive through [that] price increase," he said in a May 13 presentation. Low and linear low density PE had a 6-cent increase pending for June, while high density had 8 cents pending.

HDPE, especially for injection molding, and LDPE have experienced low inventories due to production problems.

"The key to suppliers' control of this market is lack of inventory," he said. The historical 44-day inventory has become 30 days.

2010-11 has been a seller's market, Burns said. "Don't feel you've been taken advantage of. Everybody has been taken advantage of."

There are 20-cent margins, easily, in the PE chain and a greater chance of hikes going forward.

"We should see feedstock relief, but as long as inventories are tight, we're not going to see prices go down," Burns said.

There are nine scheduled maintenances between May and November in PE, including four just for ethylene. But that doesn't take into account acts of nature or surprise disruptions.

What about extraordinary earnings reports that may soften suppliers' plans to get more money through increases?

"We're at a peak today and if there were no disruptions, prices would stay where they are."

In this seller's market for PE, 'Don't feel you've been taken advantage of. Everybody has been taken advantage of.'

Mike Burns
RTI

Polypropylene

The volatility of the PP market is the new normal, said Scott Newell, RTI's client services director for PP. Looking 60 days and beyond during his presentation, he said demand could balance with supply, or there will need to be new capacity.

The move toward ethane feedstocks is the biggest issue facing propylene monomer supply.

"We're not going to get propylene out of the cracker like we used to," he said. "We need on-purpose propylene."

Enterprise Products Partners LP of Houston will increase capacity of polymer-grade propylene at its Mont Belvieu, Texas, facility. "We could see stretches of stability. … In the meantime, we're going to have to continue to manage our businesses and expect that there will continue to be volatility."

In 2011 year-to-date demand growth in major market segments, only two show growth: sheet (over 10 mils) and blow molding. The two combined represent roughly 10 percent of the market. Automotive is up in PP about 8 percent, however Newell said the auto market will slow later this year because of the effects of the Japanese tsunami.

The PP market saw very low demand rates in January and February. In February, experts saw the lowest demand in roughly five years. Prices dropped about 5 cents in March, Newell said.

Processors also are switching from PP to PE. PP demand growth of two or three times gross domestic product is not there anymore. In exports, PP is on pace to have its worst year.

Newell

"Exports have not been a big factor for our region," he said. "It does eliminate an outlet for our producers. Exports represent about 7.7 percent of total sales."

Domestic sales represent 92.3 percent of the total.

There is some good news, however: Refineries are coming back. Officials are seeing propane make its way into the crackers, which will help supply.

ABS, PC

Global ABS supply remains tight due to strong demand and some feedstock shortages. Prices were up 20 cents per pound and more through mid-May, including increases that were being negotiated at the time of this market analysis.

Margins have improved due to strong demand, said Greg Smith, RTI's vice president for PP, engineering resins, polystyrene and PVC.

The cost to produce ABS was increasing enough in May to more than erase the decrease from April. That cost is estimated to be up 20 cents per pound in 2011.

Watch the movement of feedstocks to get a gauge on the market, said Smith, who anticipated some decrease in benzene contract pricing in June. Acrylonitrile was up about 40 cents per pound through April, with another increase in May due to a propylene increase.

"Price drops will occur once we see propylene fall from its peak," Smith said.

Because of tight supply and strong demand, butadiene prices have increased 35 cents per pound in 2011. The prices are expected to remain high and volatile for the rest of 2011, Smith said. Supply is short due to more ethane cracking and outages.

Volume commodity ABS prices in Asia have increased to about $1.08 per pound due to higher feedstock costs. Demand is strong — however, more attractive North American pricing is becoming more interesting to Asian ABS suppliers. Far East ABS capacity increases are planned for later in 2011 and 2012-13.

"We are seeing over a 10 percent increase in global ABS demand in 2011," he said. In his 60- to 90-day analysis, ABS prices will be level to down slightly with feedstock costs. Continued strong demand will keep producer margins up, though.

For PC, some of the key drivers are the same as those with ABS:

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Savvy

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growth in Asia," Smith said. "When there are changes in export opportunity, it really changes the market. In 2009, [there was a] pretty big dip in their ability to export. Your prices should have gone low in 2009."

Demand for PC has been on the decline for the past two years, said Mark Kallman, client services director for engineering resins, PS and PVC.

Optical-media demand had peaked. Much electrical/electronic parts production had moved overseas. Also, there was lower-volume use in smaller cars.

"We are now seeing increasing use, as efforts to increase fuel efficiency are accelerated," Kallman said.

The import/ export picture is different for ABS, with imports greater than exports. ABS buyers in North America have included Asian ABS manufacturers in their supply base.

Though PS is considered a commodity resin, high-impact PS is at a significant premium because of butadiene pricing.

Volatility is the word in PS, which has experienced 20 changes in 28 months: seven increases in 2009 and three decreases; five increases and two decreases in 2010; and so far in 2011, two increases and one decrease.

"Every time market price moves, there is a discussion, or there should be, between you and your supplier as to what your price should be," Smith said.

Not all processors accept increases at the same time. Some lag by months, some split the increase over two months and others take an immediate increase. And increase amounts are not always the same.

A moderator asked participants how long it had been since a supplier volunteered a price decrease in engineering resins. One participant answered that it was last summer, to which the moderator responded, "Do you think that is the only time it has decreased?"

Understanding resin pricing influences

By Angie DeRosa
PLASTICS NEWS CORRESPONDENT

FORT WORTH, TEXAS — Converting raw materials into usable resins is a science, but pricing those resins and guesstimating what may happen in the wild world of resin markets is arguably a very fine art.

The mystery of resin pricing, especially in engineering resins, polystyrene and PVC, can be slightly demystified when one realizes that three key elements drive cost, said officials of Resin Technology Inc., at RTI's Executive Forum, held May 11-13 in Fort Worth.

The first element is real-time raw material cost; No. 2 is supply, which includes both raw materials and resins. Those segments are affected by capacity utilization, inventories, compounds, additives and recycled material, and imports. The third element is demand, which includes domestic (real vs. artificial); export market and currency valuation; and global demand growth. Raw materials make up 50-90 percent of resin cost, said Mark Kallman, client services director for engineering resins, polystyrene and PVC.

He also noted oil volatility is here to stay. It's subject to events, commodity markets, real demand and economic winds. Natural gas volatility will be muted — disconnected from oil and experiencing lower cost for the next few years as reserves grow and shale is developed. The difference in natural gas pricing is the reserves in the U.S. and shale. The U.S. now is at record storage levels.

"We are flush with natural gas


Mark Kallman

and that is why we see such a difference in what crackers are using. That will be a factor in driving resin costs. [We'll] continue to see light feeds … as reserves are all tapped," he said.

As natural gas drives resin costs for the next few years, light feeds to olefin crackers will produce more ethylene and less of everything else. Therefore, the expectation should be a lower cost to produce ethylene from natural gas until energy use catches up. That, then, will directly affect material costs for PE, PVC and PS, and will indirectly affect other resins.

Kallman said everything else will be subject to the greater volatility of oil and the impact of overseas users of heavy feeds. Asia and Europe use heavy feeds because they do not have the natural reserves that the U.S. possesses. But shale technology is being taken to Poland and areas of Asia.

When it comes to pricing, contract pricing covers the bulk of ethylene, propylene, butadiene and benzene purchases. Spot pricing, which covers the incremental additional volumes required by the market, often is a good lead indicator of contract pricing direction.

From June 2, 2010 to May 2, 2011, ethylene went from roughly 35 cents per pound to 65 cents per pound. Benzene moved from about $2.93 per gallon to $4.25.

Kallman advised to always keep a sharp eye on spot pricing, which can significantly exaggerate price movement, as additional material in a recovering economy is hard to come by.

"Producers will often minimize production to just what they have to produce," he said.

"There are not too many reasons not to put a price increase out there, and they've gotten quite good at it."

PC/ABS

Continued from Page 12

demand, feedstocks, operating rates and inventory, and the effect of international markets. Supply is balanced to tight, as demand has been strong globally. Due to significant benzene and propylene increases, the cost to produce PC increased roughly 6 cents per pound in May. That cost is estimated to be up 20 cents per pound in 2011.

Due to tight supply and strong demand, refiner-grade propylene prices have increased about 35 cents per pound so far in 2011. Propylene prices are expected to remain high and volatile for the rest of 2011. However, officials were seeing a short-term reduction in PC demand due to automotive shutdowns in Japan.

Saudi Kayan Petrochemical Co.'s plant in Jubail, Saudi Arabia, began operating in May. As its product hits the market, the capacity increases will reduce the export opportunity for stateside PC producers during the second half of 2011, Smith said.

Nylon, PVC

For nylon 6/6, benzene pricing was higher in May, but not as high as in April. The feedstock is up more than 10 percent due to higher-priced oil, as demand has returned with lower operating rates persisting, said Mark Kallman, director of client services for engineering resins, PS and PVC.

Butadiene supplies remain tight globally and higher priced due to oil. Demand is strong globally from automotive tires and natural-rubber pricing. Increases of nearly 20 percent were forecasted for May. Propylene is very tight and was forecasted up 37 cents per pound year-to-date through May. In addition to persistently low refinery rates, propylene, benzene and butadiene supplies are constricted to cheap natural gas-based feeds to the olefins crackers.

Cheap natural gas feeds and refinery operating rates are expected to keep the market structurally tight and volatile for the medium term as long as current demand growth rates persist, particularly in automotive, Kallman said. Capacity expansion plans overseas are increasing with additions to compounding capacity in the U.S. from several companies. In nylon 6, a lot of capacity additions are planned in the Asian region over the next two years, which will substantially lessen the need for exports from the U.S.

In nylon 6/6, the momentum of automotive growth has been carrying demand, but is expected to see some pull-back as earthquake-damaged supply chains reduce production through July.

Caprolactam/nylon 6 supplies were struggling under the *force majeure* issued by Honeywell International Inc. because of tight phenol supplies.

Nylon 6 producers were trying to keep up with a tight, high-priced global caprolactam market by disconnecting pricing from benzene cost, Kallman said.

In his 60- to 90-day outlook, Kallman said demand is expected to relax due to quake-related supply disruptions into the third quarter, easing the supply-demand balance for nylon 6/6. Improvement in nylon 6 balance will come later in the year as natural-fiber use reasserts itself.

"With the potential for moderate demand reductions, we see the market flattening through this period if feedstocks do not continue off the rails because of production outages, higher oil or stronger demand growth," he said.

The PVC market has been interesting over the past year because there has been a struggle with domestic demand, said Kallman. Domestic demand rose 26 percent in March as the start of a less-than-stellar construction season was supplemented by pre-buying. Domestic production saw that March increase as scheduled maintenance was completed and producers ramped up to meet export demand.

"The housing supply still is very, very good and that is going to inhibit domestic growth this year," he said.

April saw price increases of 3 cents per pound as spot ethylene has continued to increase along with global demand and supply restrictions stateside and in Japan. In May, there was pressure from an ongoing force majeure and two planned outages. Japan had roughly one-quarter of its PVC capacity off-line, but officials are starting to see that return.

U.S. exports were meeting resistance at the May price levels, so production in the Asian region was increasing. Europe's market is tight due to a force majeure in the region and strong demand.

In the next 60-90 days, Kallman said, PVC processors should expect supply relief from restarted Japan capacity along with improved production from Georgia Gulf Corp. and Formosa Plastics Corp. USA. Export demand is expected to moderate at current price levels.

Prices were expected to flatten out by June with opportunities for reduction in the third quarter. Ethylene production reliability will be key domestically, as will the strength of the construction season.

Polystyrene

Expect tight sliding for a little while in PS, predicted Stacy Shelly, business development director. Ineos Group basically had two styrene plants down. Styrene was trading at nearly 70 cents per pound. Exports are very limited because of prices. Butadiene prices continue to skyrocket.

Suppliers have announced increases of 5 cents on general-purpose PS and 10 cents on high-impact PS. The delta between HIPS and general-purpose PS is now greater than 10 cents per pound from a number of producers.

"It's been a pretty unbelievable spring," Shelly said. "We're going to see a lot of price volatility as we move into summer."

Don't anticipate any new capacity for PS, he said, as there is plenty right now just hindered by availability of feedstocks.

In his 60- to 90-day outlook, Shelly said continued strong feedstock demand will keep prices flat to up. HIPS prices will stay at a premium. Out 90 days, "high prices are sometimes the best medicine for high prices," he said. "At some point, prices have to come down because volumes are going to fall off and producers realize it. Decreased demand should lead to lower prices in the late third quarter and fourth quarter.

> **'High prices are sometimes the best medicine for high prices.'**
>
> Stacy Shelly
> RTI

Planning critical when purchasing resin

By Angie DeRosa
PLASTICS NEWS CORRESPONDENT

> 'You should have a resin plan because of pure economics. Resin is the most critical cost component in your business. If it's not No. 1 one, it's certainly No. 2.'
>
> Sam Beasley
> RTI

FORT WORTH, TEXAS — What is your company's resin plan and is it part of a knowledge-based buying strategy? Officials with Resin Technology Inc. of Fort Worth encouraged processors to answer these questions during the firm's 2011 Executive Forum for Processors, held May 11-13 in Fort Worth.

If you need any further support for your organization to pay attention to the power of resin costs, take the following into consideration: Polypropylene went up and down 8 cents in one year. *Plastics News*' May 2 issue announced a double-digit increase in the North American PP market. Since April 1, that has meant an average price increase of 15 cents per pound. Since April 1, North America's polyethylene market has seen a 6-cent increase.

(Note: Prices in this story represent the performance of markets as of May 11.)

"We are at historic highs for PP," said Sam Beasley, PE business development director at RTI, during his opening remarks May 11.

"There's another 9 [cents] on the table for [May]. PS [is] approaching record levels once again. Resin markets are real volatile. [There are] no real signs that it's going to let up. There is nothing more important in your business than knowing you're paying the right price for resin every day.

"You should have a resin plan because of pure economics. Resin is the most critical cost component in your business. If it's not No. 1 one, it's certainly No. 2," Beasley said.

Companies successfully maneuvering the current environment have a common theme: They have market knowledge, a solid operating foundation and they execute strategies and action plans. Officials at RTI are focusing on this as ResinSmart, the knowledge stream of information and training that improves your bottom line.

Companies also need to evaluate how they are set up internally to take advantage of the knowledge and pay attention to key operating guidelines that will position the company at its maximum level.

Purchasing is the champion of the resin team, and the champion has to have a direct link to the executive team, whether it's the CEO or the chief operating officer. In some cases, companies treat resin purchasing as an afterthought, not an integral component that needs to be managed and maintained. One company, for example, had a person in human resources doing its resin purchasing.

"The goal is to buy the right product at the right price for the business," Beasley said. "Resin demands the focus of an organization, not just the focus of one person."

RTI looks at nine key indicators as real-time market drivers for its ResinSmart strategy. Those are pricing benchmarks, natural gas

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New Star relocating, adding 20 presses

Mold maker's new facility will triple floor space

By Steve Toloken
PLASTICS NEWS STAFF

SHENZHEN, CHINA — Chinese mold manufacturer New Star Molds Inc. is investing 129.3 million yuan ($20 million) in a much larger facility in South China, saying that even with the country's rising costs, its export business remains strong.

The company, based in Shenzhen, plans to open the new facility late this year in the nearby city of Zhongshan, more than doubling its mold-making capacity and adding 20 injection molding machines to broaden its business.

Sales have increased in the aftermath of the 2008 recession in the U.S., particularly from the auto components market, as American companies look to hold down costs, said owner and President Michael Zhao in a June 28 interview at the company's factory in Shenzhen.

"The U.S. market is down but they need to save costs," he said. "They need to find resources in other countries."

New Star, which employs 120 in China, set up a U.S. sales office in 2007, in Bantam, Conn., and has one in the United Kingdom. It has agents in France and Brazil, and is looking for representatives in other countries, including Germany, Zhao said.

The investment in the new factory, significant for a company of its size, suggests that for all the very real talk of rising costs in China, some companies are adapting.

For New Star, that has meant investing in its first German computer numerically controlled machine, with triple the speed of the Taiwanese models it also uses, and finding ways for workers to be more efficient.

Wages are rising sharply, up 20 percent since 2008, with the company's average mold-maker salary at about 5,000 yuan ($773.50) a month, Zhao said.

But even with those costs, he estimates the company's final cost for molds is still 50 percent cheaper than typical North American molds.

'The U.S. market is down but they need to save costs. They need to find resources in other countries.'

Michael Zhao
New Star Molds Inc.

As well, he said the strengthening Chinese yuan — which cost it some contracts a few years ago in its housewares and medical businesses — has proved manageable.

"The rising costs are not a serious problem," Zhao said. "We are trying to improve our staff quality and efficiency, and shorten the lead times."

The company recently hired 30 students from local mold-making colleges and is training them, and has tried — without success so far — to find mold makers from the U.S. or the United Kingdom to come to China to conduct training.

"The biggest challenge is training workers," said Zhao, who founded New Star in 2001 after getting a college degree in mold making and working in the local industry for 10 years.

Working as an export manager for one Chinese mold-making shop convinced him that China's 2001 entry into the World Trade Organization would bring a lot more foreign companies looking to source molds.

Right now, 100 percent of New Star's business is exported, with more than 90 percent of that to the U.S. and United Kingdom.

The company is trying to grow its business in China's domestic market, including in the automotive and medical sectors, either focusing on state-owned firms or foreign companies operating there. He said there is some auto component manufacturing in Zhongshan.

As well, the company is broadening its business model. Last year it opened a subsidiary, Shenzhen Zhaojia Precision Mould Components Co., making mold parts like ejector pins and sleeves. That company employs 60 people.

In the Zhongshan factory, which will more than triple floor space to about 248,000 square feet, the 20 additional injection presses will join the nine the company currently in China.

The company wants to do more injection molding and finished product assembly work, Zhao said.

While showing a visitor around his factory, located in an industrial area of Shenzhen that he said has about 100 other mold-making factories, he pointed out an assembly project of a telecommunications device New Star was doing for Internet phone provider Vonage.

The firm had 51.7 million yuan ($8 million) in sales last year, and is projecting more than 64.6 million yuan ($10 million) this year, he said.

Bioplastics' growth slow, but prospects strong

By Angie DeRosa
PLASTICS NEWS CORRESPONDENT

FORT WORTH, TEXAS — The world of biopolymers has its challenges, according to Resin Technology Inc. data presented during the firm's Executive Forum, held May 11-13 in Fort Worth. Demand for these polymers is not surfacing as quickly as some had anticipated and there have been start-up issues for producers.

The market will not be driven by economics, said Bob Tremblay, senior vice president of technical and information services with Fort Worth-based RTI, during a May 12 presentation.

"No high-volume brand owner can get enough material to make the conversion," Tremblay said. "It will have its own niche, though. Legislative and regulatory moves will be [the] primary supporter of growth. It's not happening because it's cheaper or [because of] better performance."

The industry is seeing legislative and regulatory moves such as bans of plastic bags and PS containers, for example.

However, there is a lot of interest out there and opportunities for growth, supported by sustainability initiatives, he said. Some products are compostable. There is more interest from overseas.

"Brand owners are trying to distinguish their products," he said. "Consumers are influenced by good selection of products."

Minnetonka, Minn.-based NatureWorks LLC's polylactic acid is the most recognizable of the brands, with 300 million pounds of annual capacity. Cereplast Inc. has 16 million pounds of capacity. The Los Angeles-based company mainly focuses on resin for thermoformed products and film and bags. H.J. Heinz Co. of Pittsburgh later this year will introduce a 20-ounce ketchup bottle made from a plant-based PET.

Many biopolymer producers are just starting out. Telles LLC, the Lowell, Mass., joint venture of Metabolix Inc. and Archer Daniels Midland Co., is expected to have its facility geared up to produce 110 million pounds annually of Mirel-brand polyhydroxyalkanoate. In May, the Department of Energy awarded the company a $6 million grant to develop renewable biofuels.

Altona, Australia-based Plantic Technologies Ltd. also has announced its plan for a plant in the U.S.

Still, battles continue on the regulatory front. The ASTM standard for compostability is a kicker, Tremblay said. The standard is not always achievable. There are limited industrial composting locations in the U.S.

Furthermore, composting bioresins in some landfills causes methane gas generation, up to 25 times the greenhouse gas effect vs. carbon dioxide.

Planning

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and crude oil, demand, supplier actions, secondary market, feedstocks, international market, sourcing benchmarks and producer operating rates/inventory.

The largest mistake companies make is designating one source that gathers the information for indicators. Companies need to have a line of sources giving officials knowledge in all these areas.

One of the keys also is paying attention to the secondary market, Beasley said. It is a leading indicator.

"It's the first to go up, first to come down," he said. "You can make large inventory decisions based on what you see in the secondary market."

Paying attention to feedstock prices is crucial. From December 2009 to date, the cost to manufacture a PE pellet and get it to a processor's door has seen a 3-4 cent increase; but producers have managed a 24-29 cent increase in price.

"It's a seller's market," Beasley said. "Producers have been doing everything they needed to do to shove increases through and they've been quite successful. But it is going to change."

When it will change is anyone's guess. But to compete effectively, processors must fully understand the competitive environment in each product category and be positioned to take full advantage of the change when it happens. Officials must determine their risk tolerance in each area and create a process and an environment that ensures a competitive position all the time.

'Producers have been doing everything they needed to do to shove increases through and they've been quite successful. But it is going to change.'

Sam Beasley
RTI

"Establish a knowledge-based buying strategy," he said. "Know the end game before ever getting started. The hurricanes [Rita and Katrina] changed our industry quite possibly forever. The producers realized they could shove large increases through in a given month. They became really disciplined in how they run their business and it shows today."