

Resin distributors push for more in 2017

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Many North American resin distributors were overachievers in the first half of 2017, topping sales data reported by the overall industry.

Total third-party sales of polyethylene in the U.S. and Canada and of polypropylene in the U.S., Canada and Mexico in the first six months of the year were up only around 1 percent, according to the American Chemistry Council. That total includes material sold from resin makers to distributors and resellers.

But the picture was brighter with distribution executives who recently spoke with *Plastics News* about their industry. "We're up mid single digits in pounds and pricing is up in the upper single digits because of material tightness," said Ed Holland, president and CEO of M. Holland Co. in Northbrook, Ill.

"Our top revenue is up because prices are up, but we haven't seen huge jumps in volume," added John Moisson, president of Jamplast Inc. in Ellisville, Mo. "But most of our customers are doing well, and our overall business is steady."

Shawn Williams, senior plastics vice president with Nexeo Solutions in The Woodlands, Texas, said that "when we look at North America, we see a slight slowdown, but we expect the market to be more robust as we go into the second half."

"In general, we should see a slight rebound in the overall market," he added. "Exports should start to increase, and the market has shifted to more growth in the last few months."

At the PolyOne Distribution unit of PolyOne Corp. in Avon Lake, Ohio, officials "continue to see momentum build as we work together with our world-class supplier base, which is one of the most comprehensive in the industry," said President Scott Horn.

This year "has been great so far," said John Jorgensen III, co-owner of Conventus Polymers LLC in Parsippany, N.J. "We're a relatively new company [that opened in 2012], so our sales are up 50 percent this year, and the second half should be better than the first."

Osterman & Co. of Cheshire, Conn., is trying to match a record year in 2015 and the 10 percent growth of 2016. "We've seen some real exciting things but also some challenges," said David Dever, distribution sales vice president. "There was a lot of talk about innovations and new equipment earlier in the year. That's slowed down a bit, but we're confident growth will carry through the rest of the year."

This year has been "a very solid year, with a high level of activity and high single-digit growth" for Chase Plastics in Clarkston, Mich., President Kevin Chase said. PolySource LLC of Independence, Mo., is seeing 25 to 30 percent growth in both sales and volume in pounds, according to Bob Findlen, sales and marketing vice president.

"It's been a strong year," said Greg Boston, a partner at **General Polymers Thermoplastic Materials in Clarkston, Mich.** **"There's still some apprehension about the economy, but so far so good."**

Bamberger Polymers of Jericho, N.Y., has seen volume growth of 10 to 12 percent in 2017 after experiencing growth of 9 percent in 2016, according to North American Sales Vice President Mike Pignataro.



Partners Michael Kirtley and Greg Boston

Focusing on different resins

General Polymers launched late last year and has adopted the name of the previous iconic firm that later was acquired by Ashland Inc. **GP** is looking to do more business in engineered styrenics, nylon, polyester, acetal and is placing **"a large focus" on urethanes and elastomeric materials**, according to **Boston**, who added that thermoplastic elastomers **"are still a growth business."**

"No one projected the big [price] run-up in polypropylene and polyethylene and 25 to 30 cents [in increases] on engineering resins," said Dever at Osterman. "That blindsided some people." But, overall, sales of prime, branded resins have been "a bright spot" for Osterman for several years, he added, and that growth has continued into 2017.

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Conventus has seen "a lot of success" with polysulfone and other high-performance plastics, Jorgensen said. Moisson at Jamplast said that engineering resin prices in 2017 "dropped, then stabilized and went back up." He added that supplies of ABS are "fairly snug."

"If you're asking about sales growth, polyethylene is a modified 'yes,'" said Ed Holland. "Supplies are still tight in spite of the expected onslaught of new capacity. We haven't seen it yet." He added that regional PP supplies have been more balanced in 2017, as they've been for the last three or four years.

Williams at Nexeo described the PE market as "a mixed bag," adding that PP "was slow, but now it's tightened."

"Overall, polyethylene is slightly up this year, while polypropylene is slightly down," he said.

Williams and Holland both said that Mexico has been a good growth market for their companies. M. Holland opened a warehouse in that country earlier this year.



M. Holland Co.

Markets in the spotlight

Distribution execs have been looking into every possible end market for growth in 2017.

"Flexible packaging is still quite active, and auto's doing well," Holland said. "We've added 14 people serving five major markets — flexible packaging, auto, medical and health care, rotomolding and color and compound." He explained that after doing market analysis on 60 end markets, those five were selected because of their good growth potential.

Holland was one of several distribution execs who cited automotive as a strong end market in 2017. That response might be surprising, with auto sales now declining after several years of growth.

Jamplast has seen growth in building and construction, housing, appliances, remodeling and decking. Moisson added that sales into auto "were strong but have been soft for the last couple

months."

Plastic sheet accounts also have been going strong for Jamplast, with many sales going into sheet used in recreational vehicles. "The RV market had been hit hard in the recession, but now it can't keep up," Moisson said.

Sales from biopolymers also have been a pleasant surprise for Jamplast, growing 15 to 18 percent so far in 2017. "Consumers and brand owners are choosing eco-friendly products," Moisson explained.

The health care market is "still expanding" for Nexeo, Williams said, with auto also seeing some growth. PolyOne "continues to see a healthy economy, with growth in nearly all segments that directly serve the consumer," Horn added.

"We're beginning to see some softness in passenger cars, but so far it's been mild," he said. "Our dedicated health care sales and application development team has been in place for the past decade and continues to see growth, as does the outdoor high-performance market segment."

For Conventus, growth has been seen across the board, with the exception of the firearms market, according to Jorgensen. "Oil and gas have bounced back, and electrical and health care have been strong," he said.

"Our sellers have been doing more than before in medical and auto in engineering resins," said Dever at Osterman. He added that rigid caps and closures have provided good growth, as has film used in specialty food packaging.

PolySource is benefiting from industrial and consumer activity, Findlen said, as well as from new auto applications. At Bamberger, Pignataro said that growth is coming from almost every market, including film and sheet, blow molding, injection molding and compounding.

But he singled out "packaging, packaging and more packaging," saying that "there are still more companies entering the packaging market."

Kevin Chase said that automotive growth for his firm came from metal to plastic conversion and new concept designs. "We're getting new parts on new vehicles, as opposed to share-shift," he explained, adding that nylon sales into office furniture remains "a good product line" for Chase Plastics.

PE is here, more on the way

And then there's the little matter of billions of pounds of new PE resin capacity coming to North America as resin makers benefit from newfound supplies of shale-based natural gas. Several billion pounds are expected to be operational by the end of the year, mostly on the U.S. Gulf Coast, with billions more on the way in the 2018-2020 time period.

"We're expecting to have the new PE capacity in place but haven't seen so much yet," said Pignataro at Bamberger. "There will be some domestic growth, but a big portion of the new product is for export."

At Osterman, Dever said that "the new polyethylene is coming and everyone's trying to prepare for it." His firm "is preparing for a tremendous amount of growth. A lot is going to export and offshore, so we're looking at prime markets globally."

The impact of the new PE "all depends on the timing, how much and when the capacity actually comes on line," said Horn at PolyOne. However, he added, North American suppliers "are competitively advantaged, based on raw materials that will allow them to be efficient exporters of PE resin."

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"Everyone is prepared for a dramatic increase in the supply of polyethylene," Nexeo's Williams said. "We're working with our customers and suppliers.

"A lot of it will need to find a home in exports," he added. "In time, there will be domestic demand growth, but there's not enough right now. We're investing in infrastructure and logistics to provide best-in-class service."

M. Holland already has signed on with two other firms on a resin supply center in the Chicago area to help handle the new material.

"Distribution has been gearing up to sell the new polyethylene into different markets and geographies," Holland said. "There's no way the U.S. and Canada can absorb it all, so we need to get it to markets that can absorb it."



Consolidation slowing down?

Although some smaller deals have been made so far in 2017, the pace of mergers and acquisitions in the distribution sector seems to have slowed down.

"This year has been relatively quiet," said Moisson at Jamplast. "There hasn't been a lot of jockeying like there was 10 years ago."

Companies such as Ravago Group and Maroon Group have made deals in the specialty chemicals sector, including plastic additives. "Going into specialty chemicals because the margins are higher might be a general trend," said Kevin Chase.

"Overall, there's been a trend toward fewer resin distributors," he added. "Resin suppliers don't have eight to 12 distributors in the U.S. like they used to."

But some opportunities remain. Holland, whose company has been active in M&A in recent years, expects to see more consolidation throughout North America, including Mexico. "A lot of companies want to get bigger," he said. "People used to say you had to be a billion-pound producer to be in the market, but now you have to be a billion-pound distributor."

Williams

"When you look at the companies that have been bought up over the years, you still can see growth and potential acquisitions," said Dever at Osterman. "We're still working on new relationships."

Nexeo's Williams pointed out that market conditions are still right for more consolidation. "Access to capital is still relatively cheap," he said. "We're evaluating some opportunities, especially in bolt-on complements."

"Consolidations allow companies to get market share and reduce costs, so I see that continuing," said Findlen at PolySource.

General Polymers' Boston added that consolidation **"has opened up spaces in between"** for his firm. **"Consolidation gives us a chance to come in as a new supplier,"** he added.

Hello, 2018

Distribution execs interviewed for this story said they're looking forward to the remainder of 2017 — and to bigger and better things in 2018.

Nexeo is looking to drive growth through its enhanced MyNexeo web portal, which Williams said will allow customers to track and trace their shipments, along with providing an easier-to-use way of placing and managing orders.

Bamberger also has a new website and the firm "is really proud" of the site's product finder tool, which Pignataro said will help customers find materials more quickly.

Sixteen trainees also are in place at Bamberger, giving the firm "a good mix of talent," he added, with older sellers mentoring new ones.

Conventus recently added a new sales rep in the Southeastern United States and has ambitious plans to add 20 more, which Jorgensen said will allow the firm to do more business in auto, aerospace and defense.

Osterman has added 10 sellers so far in 2017, Dever said, and has increased its business development marketing, which he added will allow the firm "to go after markets where resins can bring value."

General Polymers **"is adding sales everywhere,"** Boston said, and is looking to add five or six more sales reps by the end of the year.

Boston added that he's noticed a trend of resin suppliers **"not liking to see so many company names for the same resin on line card."**

"I think a lot of [resin suppliers] feel like they need to re-think their distribution strategy," he said. **"Instead of being one of five to 10 suppliers of the same material, they'd like to focus."**

Chase Plastics has added five new positions this year, including an automotive business development manager. The firm, which celebrated its 25th anniversary in May, also is finding a new market in selling to makers of plastics filament used in 3D printing.

"We're always looking at new and innovative areas," Kevin Chase said.

