

Resin distribution market healthy this year, but faces an uncertain 2020

FRANK ESPOSITO August 28, 2019 11:17 AM

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North American resin distributors are seeing a bit more uncertainty than in prior years, even as their sales volumes continue to grow.

"We've had a solid year, but it's not setting any great records," said Kevin Chase, president of Chase Plastic Services Inc. in Clarkston, Mich. "There's something happening in the manufacturing sector. It's kind of like it's taking a pause because of inventory adjustments or other factors." His firm's demand from the automotive market is "down slightly, but OK," while demand from the industrial sector is "still doing a fairly nice job," Chase added.

M. Holland Co. of Northbrook, Ill., is on track to see high single-digit

gains for sales volume in pounds this year, according to business development manager Brad Holland. "Automotive was strong at first, but it's slowing down," he said. "But in medical and health care, wire and cable, and food and beverage packaging, there's been no drop-off. Construction and agricultural equipment also have been areas of growth."

In the first half of 2019, sales at the distribution unit of PolyOne Corp. of Avon Lake, Ohio, were down 2 percent to just under \$624 million. But the unit's gross margin and operating income each were up more than 7 percent.

Distribution was the largest of PolyOne's four business units in the first half, generating 33 percent of sales before eliminations. The unit also brought in 19 percent of the firm's operating income.

"Both volume and revenue are down slightly vs. prior year due to mix and declining prices," Distribution President Scott Horn said in an email. "Our operating income is up over 2018 due to prudent cost management and sales mix, which is showing increased demand for higher value, specialty materials."

PolyOne Distribution's strongest markets continue to be health care, outdoor high performance, building and construction, packaging and industrial, Horn added. "In line with many of our suppliers, we are seeing challenges due to destocking, consumer uncertainty and demand reduction in automotive, appliance and consumer markets," he added.

Jamplast Inc. of Ellisville, Mo., "has been in a growth phase for the last 18 months, although we've seen some challenges in the last seven months or so," said President Michael Bernich.

Mike Pignataro also has seen decent growth results at Bamberger Polymers of Jericho, N.Y., with sales in pounds up 6-7 percent, just slightly behind last year's growth rate. But Pignataro — the firm's North American sales vice president — thinks uncertainty will continue, due in part to "a sloppy market" for polyethylene resin, with little consistency from month to month in supply and demand.



The picture was brighter at **General Polymers Thermoplastic Materials LLC, an Auburn Hills, Mich.-based firm that's in its third year of operation.** "Our year has been phenomenal," President Greg Boston said. "We're up four times over last year, but I guess some people would still consider us a startup."

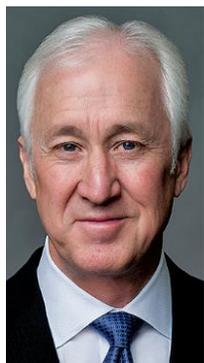
He added that GP has seen demand growth across the board, including in automotive, construction and nonauto transportation such as heavy truck and recreational vehicles. "We're heavily involved in compounded polyolefins, nylon and elastomers, and there are still a lot of good fits in flexible PVC," Boston said.

"There's somewhere around 5,000 injection molders in North America, so we still have plenty of targets to go after," he added.

At PolySource Inc. in Independence, Mo., the firm has seen continued growth in existing industrial markets, including material handling and friction applications, according to CEO Grant John.

Conventus Polymers LLC of Parsippany, N.J., also has had "a strong year," according to co-owner John Jorgensen III. "Our sales are up high double digits, even though we've had some challenges," he said. "I'm optimistic about our organization. May and June were slow, but July was one of our best months ever." Jorgensen cited electrical, plumbing, sporting goods, and oil and gas as growth areas for his firm, with electrical maybe being the strongest because of sales into connectors, switches and appliances.

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Scott Horn

Osterman & Co. of Cheshire, Conn., also has seen continued growth, with 2019 volume in pounds up double digits, said Distribution Sales Vice President Dave Dever. He listed several factors behind that growth, including some new additions to the firm's sales staff.

At Nexeo Solutions Plastics LLC of The Woodlands, Texas, 2019 sales growth has been slower than 2018 for reasons that include the U.S./China trade conflict and geopolitical instability, according to Executive Vice President Shawn Williams. "We do see positive momentum in health care, compounding, wire and cable and with new polyethylene capacity in North America," he said. "We've also seen good results with specialty compounds for high-end applications."

Vinmar Polymers America of Houston — a new division of Vinmar International Ltd. that was established in August 2018 — has set sales records every month, with its largest growth in films, liquid and rigid packaging and consumer products, said President Kirt Dmytruk. 2019 "has been a strong year" for MGI International LLC of Melville, N.Y., according to CEO Marco Liuzzo. "We've seen double-digit growth in our overall volumes,

which are on track to well exceed a billion pounds this year," he said. "The biggest driver has been our North American exports to all regions."

Making headlines

Regional resin distributors found themselves making headlines often in the last 12 months.

The biggest change to hit the market came in February when Univar Inc. sold Nexeo's resin distribution business to investment firm One Rock Capital Partners LLC in a deal worth \$640 million. Chemicals distributor Univar had announced plans in September to acquire Nexeo — a distributor of specialty chemicals and plastic resins — for \$1.8 billion. But Univar officials soon said they did not plan to keep the resin distribution business, which did not mesh with Univar's existing businesses.

One Rock — based in New York and Los Angeles — owns 10 businesses in a variety of industries. Industrial conglomerate Mitsubishi Corp. of Tokyo is a strategic partner in One Rock.

Nexeo posted plastics sales of just under \$2 billion in the fiscal year ending Sept. 30. That amount represented more than 49 percent of Nexeo's total sales. The firm had been publicly traded since June 2016. It was formed in 2011 when investment firm TPG Capital paid almost \$1 billion for the distribution business of Ashland Inc.

Another substantial distribution move took place in March, when resin distributors Marco Polo and Global Plastics LP merged and took on global trading firm Itochu International Inc. as a partner.

The combined firm now operates as MGI. Both Marco Polo and Global sell and operate under separate brands. Itochu, a Tokyo-based global trader of chemicals, minerals and many other products, owns what officials described as a significant minority stake in MGI. Terms of the deal were not disclosed. The combined MGI employs more than 100 and distributes almost 1 billion pounds of resin annually. The new firm does about 70 percent of its sales in polyethylene, with 25 percent from polypropylene and the remainder from other commodity and engineering resins. About 70 percent of the firm's sales will be in North America.

Closer to day-to-day business, Chase recently broke ground on its new 88,000-square-foot warehouse in South Bend, Ind. The new facility will create 10-12 new jobs in the next few years and will allow the firm to use less public warehousing.

M. Holland is increasing its work at a new warehousing center in Coal City, Ill. The firm is the main client of the center, which is owned and operated by G&D Trucking/Hoffman Transportation. The 400,000-square-foot facility opened in mid-2018 and provides paved access for nearly 800 rail cars and a fleet of bulk trucks.

Nexeo recently opened a new customer solutions center in Dublin, Ohio. The site employs almost 100 in positions including inside sales and sales support.

On the acquisitions front, Vinmar in June bought Alpheus Enterprises of Mexico City for an undisclosed price. Products distributed by Alpheus include PE and PP resins made by Formosa Plastics Corp. USA and rigid PET and PVC sheet made by Nan Ya Plastics Corp. USA. The firm also supplies plastic film and off-grade and recycled resins. Alpheus was founded in 1996 by the Fong family. Vinmar in May also launched a new European distribution company, Axia Plastics. Axia offers a full-service distribution model with warehouses in several countries, as well as technical service and application development support to its customers.

Another deal took place when Ravago Holdings America Inc. of Orlando, Fla., bought H.B. Chemical Inc. Twinsburg, Ohio-based H.B. is a North American distributor for the rubber industry that also distributes plastic additives such as plasticizers and antioxidants. Ravago had made a pair of deals in the second half of 2018 when it bought resin distributor Bolcof-Port Polymers of Azusa, Calif., and I. Stern & Co., a distributor and reseller of commodity resins in Clark, N.J. Ravago and its parent firm Ravago Group of Belgium now have made 12 plastics materials acquisitions since 2016.

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Finding the right supply

Resin distribution execs are constantly reviewing their line cards with a fine-toothed plastic comb.

MGI is increasing its recycled offerings and signing distribution agreements for new materials like ultra-high molecular weight HDPE, Liuzzo said. The firm also will be adding prime PVC distribution in North America with an announcement to come later this year, he added. Marco Polo also has "significantly increased" its PET volumes and suppliers.

Vinmar will look to add new suppliers to its line card in order to "minimize overlap and maximize value," Dmytruk said. Nexeo "is always looking at our line card," according to Williams, and recently added acrylic-based medical materials from Evonik Cyro LLC to its lineup.

Dever said that Osterman "is continually adding suppliers," especially for engineering resins sold into caps and closures, food packaging, automotive and medical. Conventus has made some additions to its line card in the last few years and is looking to focus on high-performance specialty polymers, Jorgensen said.

PolySource recently added Topas cyclic olefin copolymers (COCs) to its line card. The glasslike materials can be used in housings and injectables and "adds ton of value," John said. The firm also plans to add at least one more high-end engineering polymer supplier by the end of the year.

Bamberger is lined up as an authorized distributor of PE resin that will be made at the Shell Chemicals plant currently under construction near Pittsburgh. The firm also is looking at other material areas that can benefit molders and other processors, Pignataro said.

Chase Plastics made a big move in 2019 when it added several engineering resins made by Saudi Basic Industries Corp.

Since 2016, Mass Polymers Corp. of Bridgewater, N.J., has added ABS, PET and SMA resins and black and white concentrates to its line card and has entered the Mexican market, according to Commodity Resins Vice President Joe Mysza.

Looking for good help

Most distribution execs contacted for this story said they've made recent additions to their personnel ranks in sales or other areas — and are looking to make more.

Chase Plastics plans to add six new staffers in sales and technical assistance by 2022. Jamplast has added two new sales reps in the last six months and will add a separate biopolymers sales rep by the end of the year.

Bamberger "has a constant ongoing search for talent. ... We're always trying to fill the pipeline," Pignataro said. The firm currently has seven sales trainees and plans to add four to five new sales reps in 2020.

M. Holland has added 40 new employees this year in a variety of areas, including sales, technology and finance.

By the end of next year, General Polymers will have added at least five new sales reps in various parts of the U.S.

Mass Polymers has hired four new domestic and international sales managers since 2016.



John Jorgensen

"Our staff is positioned for the next wave," said John at PolySource, which has topped Plastics News' list of Best Places to Work twice in the last three years. The firm's most recent new hire is market veteran Gregg Newby.

Conventus has expanded its global reach with sales reps in China and Mexico. Osterman greeted seven new sales trainees earlier this month and has added around 35 sales reps in the last eight years. That group includes Jarod Artman and Bobby Jones, both recognized as Rising Stars in the plastics industry by Plastics News earlier this year.

Vinmar has doubled the size of its commercial team — including technology and customer support — to 50 in the last 12 months. Marco Polo has increased its staff size by around 15 percent this year, including hiring multiple new sales reps.

Generic vs. branded

One topic that drew varied responses from distribution execs was the balance between name-branded resins from outside suppliers and generic grades of those same resins sold under a distribution brand name.

Bamberger and M. Holland have seen an increase in sales of generic material this year. "It looks like brand loyalty is decreasing as buyers get younger," Bamberger's Pignataro said. Bamberger sells generic resins under its Bapolene brand.

"We've always been strong with private-label sales, but in the last three years, we've seen growth at the expense of the brands," he added.

M. Holland has seen higher sales of its Mtegrity-branded resins, President and CEO Ed Holland said, but still sees higher sales of outside brands. Higher prices for branded material have played a role in that trend, he added.

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Brad Holland

Osterman and Nexeo have not seen as much of a trend away from branded resins. "You might see more movement into private label in an area like generic polypropylene, but we haven't seen it overall," Dever said. Mass Polymers also has seen growth in generic grades, Mysza said, adding three new suppliers of generic prime PE since 2017.

"As the new [PE] production comes available, we see a trend to generic prime," he added. "A number of producers see value in midsize distribution vs. larger distributors. And the producers feel we provide them more attention and detailed marketing information in a partnership format."

Future views

Looking ahead, most distribution execs interviewed for this story voiced some concerns about possible slower growth, but also they said that result from the first half of 2019 should carry through the end of the year.

"Our customers are making slower investments and managing their inventories, but overall we've seen good demand from our customer base," Nexeo's Williams said.

At MGI, Liuzzo said that he expects the firm's domestic business to continue to perform well, with double-digit growth in export volumes. Osterman's Dever said his customers are solid. "I wouldn't say they're booming, but we should be able to continue the pace that we're at," he added.

Dmytruk at Vinmar said that growth should continue, even with the PE market under pressure from additional capacity. Vinmar Senior Vice President Vishal Goradia said that market uncertainty hasn't yet impacted the firm's demand. "A challenging environment gives us the opportunity to stand out and continue our momentum," Dmytruk added.

PolyOne continues to see strength in engineering and commodity specialty formulations as well as most engineering resins, Horn said, even if larger-volume materials such as PE, PP and PS aren't as strong. The firm also expects to see growth in the second half of the year, he added.

Different customers are providing different responses about future prospects at Conventus, according to Jorgensen. "There's been a change in confidence and some uncertainty, but I think the second half can be strong because of some new programs that we've been working on," he said.

At PolySource, John said that technological developments will be the driver of the firm's future growth. "We're focused on new applications instead of existing," he added. With that goal in mind, PolySource provides customers with formulations for compounds that are then toll-produced elsewhere. "It's good to see R&D pay off," John said.

Brad Holland at M. Holland said that the firm's customers "may have a stricter focus on inventory at the end of the year." Ed Holland added that because of market uncertainty, the firm "may have to play defensively for the rest of the year ... and work hard to protect our current business."

"Our customers now are more cautious with their purchasing — they're winding inventory down," he said. "But the U.S. economy is still strong and 2020 could be strong year."

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