

# Recovery underway for resin distribution in 2020

FRANK ESPOSITO

Plastics News Staff

TWEET

SHARE

SHARE

EMAIL



North American resin distributors have overcome many obstacles to keep their customers supplied with material during the global COVID-19 pandemic — and their work isn't over.

"We almost have a moral obligation to provide key raw materials to our customers at a time like this," said Vishal Goradia, senior vice president at Vinmar International of Houston. "Early on, we saw the global effect of rolling shutdowns. It was affecting a

different region every month, but we kept our focus on being reliable to our customers and suppliers."

recently spoke with several resin distribution executives to see how they were navigating the uncharted waters of 2020. Here's what they had to say:



Ed Holland

### **The year begins...**

Many executives said the year was off to a good start. Then the pandemic caused global shutdowns across almost every industry in March.

"A lot of places shut down and there were some stranded rail cars of resin," said Ed Holland, President and CEO of M. Holland Co. in Northbrook, Ill. "The trough in May wasn't as deep as we expected, and June and July bounced back."

"In mid-March, everything fell off," added Kevin Chase, president of Chase Plastic Services Inc. in Clarkston, Mich. "In automotive, all tiers were shut down until most places made automotive an essential business. We're slowly recovering now."

"We were holding our breath," said Greg Boston, president of General Polymers Thermoplastic Materials LLC in Auburn Hills, Mich. "We still consider ourselves a three-and-a-half-year-old startup. The year started out better than the previous year, but the back half of March fell off."

At Osterman & Co. in Cheshire, Conn., the firm was building on growth it had seen in prime resin distribution in 2018 and 2019, according to Distribution Sales Vice President Dave Dever.

"The first quarter [of 2020] was the best in our almost 50-year history," he said. "But then things changed on a dime."

"We had a lot of nice programs in a lot of places that slowed down or stopped. We wanted to protect our house, so we had to determine which markets were closed and which ones were coming back."

At Avient Corp., formerly PolyOne of Avon Lake, Ohio, the first quarter "was going pretty good, then March came to a screeching halt," Distribution President Scott Horn said. "There was widespread impact, but demand, volume, pricing have rebounded a bit."

Second-quarter sales at Avient's distribution unit were down 22 percent to just under \$240 million. The unit's sales for the first half were down 15 percent to just over \$528 million.

"We think about COVID on a lot of fronts," said Michael Modak, Interim CEO at Nexeo Plastics LLC of The Woodlands, Texas. "We had to figure out how to keep employees safe while finding out how to get enough [personal protective equipment] and deciding what to do if an employee had COVID."

"When [COVID-19] hit China, we had people on the ground who gave us warning of what to expect," said Kirt Dmytruk, president of Vinmar's Vinmar Polymers America unit. "We had a little bit of a window to plan ahead."

"We definitely saw automotive and durables take a hit. The shutdown was dramatic in a short period of time."

The pandemic "started to pick up significantly for us and the rest of the world" in March, added Joe Mysza, commodity resins vice president at Mass Polymers Corp. in Bridgewater, N.J. "We had to see which resin plants were going to run and where the market was going."

"We really thought we had a black swan incident," said Michael Bernich, president of Jamplast Inc. in Ellisville, Mo. "We wrote a contingency plan, but I'm happy to say that at the peak we were down only 12 percent."

"We've seen North America get hit harder than other regions," added Marco Liuzzo, CEO of MGI International LLC of Melville, N.Y. As a result, MGI's domestic sales volumes are flat to slightly down in the first six months of 2020.

But Liuzzo added that the firm has seen "extremely strong" export demand in 2020, with international sales volumes up more than 50 percent, leading to a first-half volume increase of around 20 percent.

### **All markets not the same**

Some distribution end markets, such as medical and packaging, have fared well during the pandemic, while others — most notably automotive and durables — have been slashed.

"There's growth in health care, but opportunistic sales in [personal protective equipment] might not be long term," said John Jorgensen, co-owner of Conventus Polymers LLC in Parsippany, N.J.



Kevin Chase

Liuzzo at MGI said that sales into automotive are off more than 70 percent, while segments like medical and flexible packaging are outperforming by more than 30 percent. He added that extrusion and blow molding applications are showing strong demand in July, but it's unclear how much of this is pre-buying ahead of future price increases or actual underlying end user demand.

Several execs also said that while medical is up overall in PPE and ventilator parts, other medical uses are down because of a reduction in elective surgeries and research.

Grant John, CEO of PolySource Inc. in Independence, Mo., said that sales in the home improvement market "really took off" as consumers spent more time at home. Bernich at Jamplast agreed, adding that spending on recreation has soared on campers, ATVs and "things you can do with your family."

Holland said that some auto demand is coming back, but it's "a question of restocking" for processors in that market. Mass Polymers has seen a decline in markets for some promotional items and toys and a general cutback in commodity resin inventory, according to Mysza.

Dever at Osterman said that demand from flexible film and food packaging "has boomed," while the appliance market is down. General Polymers saw some lost auto demand, but Boston said the firm benefited from higher-end auto applications using elastomers, nylons and polyolefin compounds.

Chase said his firm is selling into "hundreds of applications" in medical, including face shields, headbands and internal ventilator parts, but sales into office equipment remain down.



Michael Modak

### **Customers react**

Distribution customers reacted to the pandemic in different ways, with some running for the lifeboats and others trying to stay afloat.

"Some customers waited until the last minute to order, because they didn't know what their demand was going to be," General Polymers' Boston said. At Jamplast, Bernich said a small number of customers delayed payments or put payments on hold.

John at PolySource said that customer reaction varied based on market and geography. "Some shut down plants or reduced hours, and that affected their demand," he said. Avient's Horn said that some customers delayed or canceled orders. "There was some pressure on [customers'] forecasts for a month or two, but it's back in balance now," he said.



Horn added that to date Avient "has seen very little in the way of defaults or bankruptcies — none so far — but we're monitoring it closely."

"Since March, the two big issues have been credit and inventory," said Dever at Osterman. "Some customers are starting to look better, but some still have concerns about where they're going."

"Credit is always a concern," Vinmar's Goradia said. "But we'll be there to support our customers." Mass Polymers "has been more strict than normal" with some customers," according to Mysza.



Scott Horn

### **Keep on truckin'?**

Availability of trucks and truck drivers has been an issue for some distributors. Longer lead times at warehouses because of COVID-related safety procedures also has affected some orders. But neither of these issues has been as serious as was expected earlier in the year.

"Early on, trucking companies were letting people go because a lot of companies didn't want to send drivers to [COVID] hot spots," Holland said. "Now they have more flexibility, but [less-than-truckload] shipments are still challenging."

Nexeo has had some minor trucking issues, Modak said, but the firm uses its own fleet for some deliveries. "It hasn't really tripped us up," he added.

Jamplast saw some truck issues in March and April, but Bernich said conditions have improved since then. New warehouse processes and procedures slowed down delivery for some Vinmar customers, according to Dmytruk.

"There's still some [truck] capacity out and freight costs are up," said Boston at General Polymers. "It's not a big obstacle. You just have to plan for it."

### **Screen to screen vs. face to face**

Like many areas of plastics, distribution is based on relationships. But those relationships have become more challenging to maintain with the travel restrictions and social distancing of COVID-19.

Many distribution execs said their firms have been meeting with customers and with their own staff online using Zoom and other platforms.

"It's been hard to visit customers and suppliers, so we've been doing as much as we can online," said Jorgensen at Conventus.

Chase said that his firm "has been having lots of online meetings; we've even done sales calls in parking lots and at picnic tables outdoors."

General Polymers has been able to continue quotes and new orders via video conferences, Boston said. Osterman has done the same, but Dever said that "nothing can replace a face-to-face meeting or having dinner with people. ... I think [not being able to meet] has been tougher on our younger staff."

Jamplast had video conferencing in place a couple years ago, Bernich said, making the switch in 2020 a little easier. Holland said video conferencing from home has cut out long commutes for some of his employees.

"Zoom is a big part of it," said John at PolySource. "It's about how to continue to create relationships and leverage technology." He added that his employees still try to travel "if it's fundamental to the launch of a program."

Avient has increased its number of video connections. "There have been changes in the way we interface," Horn said. "Our employees love to be in front of people, and I do as well, so it's been hard not to be able to do that. But we're listening to what our customers want and responding."



Vishal Goradia

### **More sellers and suppliers**

Most distribution execs said that their firms have hired new sales reps in 2020 or will do so by the end of the year or in 2021.

MGI has hired six sales reps and two product managers this year. "We're looking to hire another five to 10 if we see a COVID recovery," Liuzzo said. Nexeo has made some hires this year after in-person or online interviews, Modak said, and is looking to make more.

M. Holland has added six to eight sales reps since March. Jamplast is looking for sales reps in Texas and the Southeast U.S., as well as a business manager for its recycling plant.

So far in 2020, Mass Polymers has added a few sales reps. Osterman has added eight new sellers overall since 2019.

General Polymers has added two sales reps in Michigan and one each in Kansas and Texas. The firm wants to add three to five more by the end of the year in the Southeast and Northeast U.S. Several sales reps have joined Conventus this year, with the firm looking to add another by the end of the year, as well as more operating personnel.

Several distribution firms also have added suppliers to their line cards in the last year. Nexeo began distributing DSM engineering resins in Europe in late 2019 and added biopolymers made by BioLogiQ to its North American lineup in April.

M. Holland in May began distribution of polypropylene filament made by Braskem for 3D printing. In May, Chase Plastic began distributing compounds based on nylon 6 and PBT for Lanxess in the U.S. and Canada.

MGI's Marco Polo unit now is distributing emulsion PVC in North America for Kem One. The firm's Global Plastics unit is distributing rotomolding resins in North America for Ethydc.

More recently, Conventus and PolySource began to distribute specialty nylons in the U.S. and Canada for EMS-Grivory. Jorgensen said Conventus will add another material supplier by the end of the year.

PolySource earlier this year also expanded its geographic reach to include several warehouses in Europe. At Vinmar, Goradia said the firm will add a new material supplier by the end of the year.

### **Making the news**

Resin distributors made headlines in 2020. Chase Plastic in June completed a \$4 million expansion of its distribution center in South Bend, Ind. The expansion increases warehouse capacity at the site by more than 60 percent, adding 80,000 square feet for additional storage of more than 9 million pounds of material.

The center now covers 206,000 square feet. Officials said the updated facility improves processing throughput and includes five additional loading docks. The expansion also adds a new blender, equipment upgrades and expanded repacking capacity to enhance services such as custom blending, material repackaging and bulk-out capability.

In early June, Nexeo named Modak as Interim CEO, replacing Shawn Williams. Modak is a chemicals and plastics veteran who most recently served as CEO of additives maker PolyAd Services from 2014-17.

Modak also is an operating partner at Nexeo majority owner One Rock Capital Partners LLC. He said Nexeo is "in the process" of finding a permanent CEO.

Nexeo has had a busy two years. In September 2018, chemicals distributor Univar Solutions announced a \$1.8 billion acquisition of Nexeo, which at the time was a publicly held plastics and chemicals distributor. Univar then sold Nexeo's plastics business to One Rock for \$640 million in February 2019.

In late 2019, M. Holland restructured its resale business for future growth. Officials said that business has been growing, due in part to the addition of large amounts of new polyethylene resin capacity in North America.

M. Holland's resale business mainly includes sales of nonbranded grades of PE and polypropylene. It also includes wide-spec and off-spec grades of PE and PP. Four company executives were given new roles in the resale business.

Conventus opened a business unit in Mexico in late 2019 and added one in China in June. The firm had been doing business in China for several years. Officials said that establishing a legal entity there allows it to expand services to customers.

### **Sustainability sustained**

Even amid the challenges of 2020, distributors said customers have maintained their interest in sustainability, either through recycled content or bio-based materials.

"Sustainability is one of our four top initiatives," Holland said. "We've built a sustainability line card. The circular economy hasn't gone away."

Goradia at Vinmar said that his firm "still sees interest in recycled and sustainable materials. ... I don't think that trend is slowing."

MGI distributes biopolymers for Vietnamese supplier An Phat Holdings, but Liuzzo said in 2020 the level of interest in biopolymers "has slowed due to COVID-19, as people have gone back to lower-cost core commodity polymers."

But Horn at Avient said that any such move should be temporary.

"Some customers may have hit pause on sustainable solutions," he said. "But the interest is still there, so they'll come back."

### **Uncharted waters**

After a first half that was completely unexpected, distribution execs tried to assess their expectations for the rest of 2020.



"We don't want to be lulled into a false sense of optimism," Nexeo's Modak said. "Our order book is strong, and we hope that continues. It could be refilling or a bit of destocking."

"Customers are smart with what demand looks like. The wild card is how strong they come back."

At Mass Polymers, Mysza said that "for the rest of the year, the recovery could vary from month to month, depending on what parts of the country come back first." Bernich at Jamplast said the market should see pre-COVID sales return by the first quarter of 2021.

Government stimulus payments had a positive effect on the economy, according to Jorgensen at Conventus, but he said he still expects "a lot of uncertainty for the next six months."

"I think it's going to be a slow recovery, but as long as there are no government mandates to shut manufacturing down, things should remain at a good level," Chase said.

North America "is still the best place for manufacturing globally," added Boston at General Polymers. "People want to get back to work. I don't see a second shutdown."

The recovery "will continue in fits and starts," Holland said. "There were times these last couple of months where we could sell more material if we could get it."

At Avient, Horn said that the remainder of 2020 is likely to see regular growth in some markets, but uneven growth in others.

"It's going to take a little while to get back to where we were," he added.

'Some customers may have hit pause on sustainable solutions. But the interest is still there, so they'll come back.'

*Letter  
to the  
Editor*

Do you have an opinion about this story? Do you have some thoughts you'd like to share with our readers? Plastics News would love to hear from you. Email your letter to Editor at [editorial@plasticsnews.com](mailto:editorial@plasticsnews.com)