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Company Profiles!

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Domtar buys key absorbent cores producer in next step of its plan to double hygiene position

Domtar Corporation took its next step towards an expanded position in hygiene products markets when it bought absorbent cores maker EAM Corporation last week from New York-based private equity firm Kinderhook Industries LLC. Just three months after announcing it was buying Attends Healthcare Ltd. and 10 months after grabbing Attends Healthcare Inc., Domtar has now added an innovative producer of components that seem like a good fit in its existing portfolio of adult incontinence and other personal care products.

The \$61 million deal "will give us long-term research capabilities to further differentiate our full line of adult incontinence products while integrating the best available technology to grow our existing businesses", Domtar President and CEO John D. Williams said. He added that "EAM's patented airlaid manufacturing process provides the performance, quality, and cost competitiveness that we believe will be keys to success in the personal care market." Based on previous Domtar estimates for annual sales of the two Attends businesses and its \$45 million estimate for EAM, the total Domtar hygiene

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COO Interview: DSG eyeing double-digit growth for diaper demand in its Southeast Asia markets

DSG International (Thailand) PLC, a disposable diapers maker in Southeast Asia, is eyeing double digit growth in demand for these products in Southeast Asia in the long term, Mr. Foo Eng Chuan, COO of the company, told *Nonwovens Markets* in an interview.

Mr. Foo predicted that Indonesia would post a 20% or more rise a year in the demand for disposable diapers in the long term, while Thailand would see the growth rate reach about 15-16% per year during the same period. Both countries, along with Malaysia, are the main target markets of the company. In Malaysia, the market growth rate would be probably in the mid-teen range due to the higher user penetration, he added.

Low penetration rate. The market penetration rate in Thailand is still relatively low for disposable diapers, said Mr. Foo. And the country will see significant market growth for high value products.

In Indonesia, about 5 million newborn babies are coming into the market every year, he added. And the penetration rate in the country is still low.

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Suominen eyes possible headcount cuts in NW; also brings fire-damaged Italian line back on stream

Suominen Corporation started a legal process that it said could result in significant headcount reductions in its nonwovens group as part of a "performance improvement" plan to "achieve cost savings of the order of about two percentage points on net sales". At the same time the company had some good news to announce when President and CEO Nina Kopola confirmed that a fire-damaged spunlace line in Mozzate, Italy is fully operational again.

Under Finnish law, the announcement that "codetermination negotiations" have begun starts a six-week clock running. Thus the company should know by early July what headcount cuts might take place, and where. Suominen said "The negotiations will affect all 166 employees at Suominen Nonwovens Ltd. The reduction need is estimated to be 85 employees." The division operates seven locations, up from one (Nakkila in Finland) prior to the acquisition of most of Ahlstrom Corp.'s wipes business last year. Ms. Kopola said the size of the Nakkila operation makes it a core focus for cost-reduction efforts.

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Diapers

Israel-based PL diaper supplier expands into branded competition

Israel's Disposable Hygienic Products Ltd. spent 17 years apparently very successfully and happily producing wipes and then also diapers for private label buyers, before making the challenging decision in the summer of 2011 to get into the competitive world of branded diapers. Since launching its diaper brand, Babysitter, DPL has moved from an initial 1% share of the Israeli market to an estimated 7-8% share now, with hopes to hit 10% by year-end.

Co-owner Einav Adiv-Brar describes the decision to get into the ring with the likes of Procter & Gamble and Kimberly-Clark as a logical one: with Israel's domestic private label diaper market constrained by the size and economics of its retail industry, DPL needed to get into branded production to meet its goals for growth – retailers consider diapers to be a loss-leader, and few have been willing to stock a private label that they fear will only compound their losses. Now that the company has had at least some initial success in its campaign, there is no telling where it will look next, although one indication may be its decision to add another diaper line to its planned capital program.

The company was founded in 1994 as a private label wet wipes producer, supplying retailers in Israel and abroad. With an established relationship with retailers and growing knowledge of how to serve that sector, in 2003 it decided to get into the private label diaper business. Today DPL's retail customers include well-known chains such as Walmart, Carrefour and Tesco. Over time it also developed a wipes brand of its own, Natura, that it sells within Israel. It also sells its Noam brand of adult diapers, primarily to the institutional market.

Twenty lines in northern Israel. Today DPL operates 15 wipes lines and five diaper lines at its plant in northern Israel. Despite the disparity in the number of lines, in terms of revenues the two sides of the company are close to equal in size. Turnover also splits fairly evenly between domestic and export markets.

While DPL's diaper business doesn't involve a proliferation of products, its wipes portfolio is relatively fragmented, including cosmetic, hygienic, refresher, optical and technical wipes, and medical wipes, mostly in both flow packs and individual sachets. Each major category of wipes includes a number of niches; for example, its cosmetics wipes category includes body wash, make-up remover, exfoliating, nail polish remover, self-tanning and sunscreen

wipes, as well as a wipes product that applies after-shave for men. To create such a broad product portfolio, DPL uses the full range of nonwoven fabrics for wipes, including spunlace, airlaid and wetlaid. The biggest share of its wipes business is made with blends of viscose and polyester, although the company also makes wipes containing cotton.

By contrast, diapers are less of a niche business for DPL. But while the business might gain something in simplicity, it still presents a new producer with plenty of challenges. The first, of course, was to develop a product with the qualities desired by consumers, in order to support brand-building activities. Adiv-Brar said she spent nearly three years on product development, going back and forth between a focus group of mothers and her own production people. She also studied products offered by P&G and K-C, and designed a product that she believes offers the best attributes of both, with her own added touch. As a result, she considers the Babysitter product, with its anatomically shaped pads, what she calls its faster absorption rate, and double elasticity – elastic side panel and elastic waist band – to be capable of competing with any of the premium products.

K-C and P&G. Once a product was available, the next big challenge was to get it into Israeli stores. DPL knew the market from its experience as a PL supplier to those stores, but it didn't find a long list of retailers eager to stock a new brand. P&G's Pampers has a reported 26% of the Israeli market, with another 50% being supplied by the Huggies marketed by Hogla-Kimberly, a joint venture of K-C and Israel's own Hadera Paper. According to an article in the Israeli newspaper Haaretz, Hogla itself markets a brand called Titulim, with another 20% share. Also, consumer products conglomerate Sano-Bruno sells a diaper brand in the country. This doesn't leave a lot for a new supplier with no prior branded market position.

So Adiv-Brar had to develop a narrative to explain to retailers why they should make room on their shelves for her new product. Part of the story came from the low logistics costs and quick turnaround time that result from being a local producer. (P&G itself operates a huge and growing diaper plant in Sixth of October City, Egypt, while the Hogla diapers are reportedly made in Israel.) Also, she decided to do without much of the marketing budget that a bigger branded supplier would dedicate. As a result, Babysitter is available to consumers at a price that is more than a third lower than some better known brands. Some retailers have bought into the opportunity to carry a brand that promises consumer-tested quality at a price well below the competition;

and some of DPL's early successes have been with store chains specializing in low-cost products.

Selling direct to the parent. At some point in the near future, the company may find it needs bigger penetration into the premium retail chains if it wants to continue growing its share. In the mean time, it is building its knowledge of its home market. DPL also sells Babysitter directly from its website.

Adiv-Brar has said she thinks production of goods like diapers will increasingly gravitate to local manufacturers around the world because of logistics costs. Hygiene market participants have made the same comment, suggesting that the capital cost to set up a diaper plant can be less material in the long run than the logistics, working capital and response-time issues of maintaining a long supply chain. What DPL is hoping is that it can make money by being ahead of the curve on this trend.

Asian Financials

Hygiene and nonwoven companies in Asia now reporting latest results

Japan's **Toyobo Co., Ltd.** posted a net profit of JPY4.59 billion (\$57.5 million) for the year ended March 31, 2012, up 10.4% year over year. Net sales rose by 2.6% to JPY349.51 billion for the same period year on year.

The company forecast that the net profit for the fiscal year ending March 31, 2013 would advance by 118% to JPY10 billion, with net sales rising by 4.4% to JPY365 billion.

The company's sales of spunbond nonwoven fabrics for automotive applications recovered steadily in the second half of the fiscal year, it said. And demand for heat-resistant filters for use in thermal power generation plants was firm.

Diaper producer **DSG International (Thailand) PLC** reported a net profit of BAHT166.5 million (\$5.4 million) for the first quarter ended March 31, 2012, up 16.4% year over year, due to strong sales growth and lower operating costs despite higher raw material costs. Sales rose by 15.5% to BAHT1.7 billion.

"Overall, BabyLove and PetPet brands outpaced the market growth and gained market share in Thailand and Malaysia respectively," said Brandon S. L. Wang, chairman of the board.

"DSG Group will continue to invest in brand innovations and drive operational efficiency to sustain long term sales and profits growth," he added.

Mitsui Chemicals, Inc. posted a net loss of JPY1 billion for the year ended March 31, 2012, down JPY25.9 year over year.

The company logged an impairment loss of JPY12.9 billion on a polyurethane plant.

Net sales rose by 4.48% to JPY1.45 trillion for the same period, the company said in its financial report, because it was able to pass higher material costs on to customers. But the move failed to fully cover higher expenses for petrochemical and other products, which hurt profitability in the second half of the year.

The company did not give forecasts of earnings for the current fiscal year ending March 31, 2013, because an explosion and fire hit the company's resorcinol-making Iwakuni-Ohtake Works on April 22, leaving operation at most plants within the works suspended, which made it difficult to determine expenses for restoration at the time.

Asahi Kasei Corporation posted a net profit of JPY55.77 billion for the year ended March 31, 2012, down 7.5% year over year.

The company said the fall in net profit resulted from the persistent strength of the yen and high costs of feed stocks and fuel.

Net sales rose by 1.1% to JPY1.57 trillion during the same period due to a strong performance in the homes segment, said the company.

Shipments of spunbond nonwovens in diaper applications increased, said the company. But the operating income of the fibers segment fell due to the strong yen and high feedstock costs, it added.

Also, the company forecast that the net profit would fall by 33.3% to JPY25.5 billion for the first two quarters ending Sept 30, 2012 from a year ago, with net sales growing by 5.6% to JPY847 billion.

For the current fiscal year ending March 31, 2013, the company predicted that the net profit would increase by 19.2% year over year to JPY66.5 billion, with net sales rising by 13.2% to JPY1.78 trillion.

Toray Industries, Inc. posted a net profit of JPY64.22 billion (\$781 million) for the year ended March 31, 2012, up 10.9% year over year. Net sales rose by 3.2% year on year to JPY1.59 trillion for the same period.

The company forecast that the net profit for the fiscal year ending March 31, 2013 would advance by 2.77% to JPY66.0 billion, with net sales rising by 8.80% to JPY1.73 trillion.

In Japan, sales increased strongly in apparel applications including inner wear using functional materials, said the company. Sales of industrial-use materials, especially automotive applications, also recovered

along with retrieval of automobile manufacturers' operations.

Overseas, despite the impact of the floods in Thailand on both production and sales, the polyester filament and staple fiber, as well as clothing textile businesses in China and ASEAN countries, expanded sales and shifted focus to high value-added products, the company added.

Sales also grew for the polypropylene spunbond business for disposable diapers in the Republic of Korea and China, as did the sales for the air bag material business in Thailand and the Czech Republic, and the suede-texture artificial leather business in Italy.

Wipes

From the desert to your face – jojoba promoted as useful wipes additive

Visitors to the Sonoran Desert of the US Southwest and northwestern Mexico may have noticed a common flowering bush called jojoba, whose seeds produce an oil that may find its way into personal care wipes, if Chandler, Arizona-based Floratech has anything to say about it. Floratech Clinical Services Manager Tiffany Oliphant was at INDA's Vision Conference in January and will be at World of Wipes next month to show off the results of clinical trials conducted on their products last year.

Floratech, which supplies botanicals to manufacturers of personal care and cosmetic products, recently sponsored trials to test the efficacy of two jojoba based products as additives to personal care wipes. According to Oliphant, both the Floraesters K-100 Jojoba and the Floraesters K-20W Jojoba, collectively known as hydrolyzed jojoba esters, generated statistically significant improvements in performance.

In both cases, the hydrolyzed jojoba esters were incorporated into nonwoven wipe solutions. Tests were then run to compare the results with and without the jojoba-based products for three key attributes in a nonwoven wipe containing traditional substances. The jojoba-containing products did better in the areas of skin hydration, anti-irritation and consumer preference. They also showed a statistically significant improvement in the area of hydration when tested against several off-the-shelf personal care wipe products.

For the skin hydration test, Floraesters K-20W and K-100 were included in hydro-alcoholic and non-alcohol-based antibacterial wipe solutions with 1% glycerin, and then compared to the same solution without the jojoba-based products. To test anti-irritation properties, the test subjects' skin

was irritated by dry-shaving, and the skin was then tested to see how jojoba-based baby wipes did versus the control in terms of transepidermal water loss and erythema (redness of the skin). The control was the same baby wipe incorporating a recognized commercial product called bisabolol. Finally, a panel of 31 consumers was asked to compare products with and without the jojoba-based product against various dimensions including after-feel, smoothness and softness, moistness, dry-down, clean-feel, lack of residue, lack of tackiness and overall preference.

Proclaiming success in the clinical trials conducted so far, Floratech suggests its Floraesters products should be considered for a variety of types of personal care wipes, including those used for applications such as moisturizing, exfoliating, skin whitening and various other treatments. The Floraester K-20W can now be experienced in the La Fresh Oil-Free Face Cleanser Wipe.

Industrial

Norafin gets new owner; will get a new spunlace line at Mildenau plant

Munich-based private equity firm Pinova Capital and a Norafin Industries GmbH management group bought spunlace and needlepunch specialist Norafin last month from Denmark's Vernal A/S, Pinova announced. Following that development, Norafin said this week it will add a new spunlace line at its Mildenau location in Germany. The line, to be housed in a new building, will come on-stream in the summer of 2013.

As part of the acquisition announcement, Norafin Managing Director Andre Lang said "there is an immense growth potential for specialty and technical nonwovens, as they are used in more and more areas that currently are still served by wovens and other materials. Together with Pinova, we will increase our production capacity and will enter new applications." This week he added that "the demand for innovative, technical nonwovens, which combine different requirements such as high fire retardancy, breathability, textile-like characteristics and a sustainable material design in one product, is increasing."

Among Norafin's existing markets are filtration, medical, and protective clothing. The company has also introduced a line of home furnishing materials made from hydroentangled flax fibers. In addition to an existing spunlace line in Mildenau, Norafin also makes needlepunch products.

EU Raw Materials

PP, PET prices turn down on softness in demand; viscose remains stable

Both polypropylene and polyester seemed to have passed the peak of pricing for at least the moment in May, with declines in chip prices being passed on to staple fiber users. Polypropylene in particular had risen sharply in recent months, and buyers this month appeared reluctant to build stocks thanks to a belief that an overpriced product had further room to decline before bottoming out. Only viscose remained stable, with no changes in the month.

Polypropylene. There was some disappointment for PP end users when the May propylene contract price was settled at Euro 1,230 per tonne, only Euro 15 per tonne lower than April. While relieved that prices had stopped their year long rise, many buyers were hoping for a greater reduction. However, some buyers are reluctant to put too much pressure on the producers in case they retaliate by reducing capacity still further.

Demand in early May is still sluggish, with no noticeable improvement on the poor volumes recorded in April. Buyers seem to be of the opinion that prices will drop further and are still reluctant to buy more than their immediate requirements. As a consequence there is far more spot business activity than in recent months.

Early business has seen the PP chip price drop by the full Euro 15 per tonne

to between Euro 1.50 and Euro 1.55 per kg. Fiber producers who had been unable to keep up with the raw material increases of previous months have for the most part rolled over prices at the April levels. So thermal grade fibers remain at between Euro 2.11 and Euro 2.16 per kg and industrial grades at between Euro 1.59 and Euro 1.65 per kg.

Looking ahead, chip producers were adamant that having regained more respectable margins, they were not about to repeat the mistakes of the last quarter of 2011 when prices and margins crashed dramatically. So they say that while prices may slip back further, any reductions will be limited to the fall in the monomer contract price.

Polyester. The polyester market is following the trends set by polypropylene. After the rapid rises seen in the first quarter, the increases slowed in early April and had ceased completely by the end of the month. In early May the prices for high grade virgin chips had begun to soften and were down two or three cents per kg to between Euro 1.32 and Euro 1.37 per kg.

As the drinks industry gets busier with the better weather, the availability of polyester flake has improved. As a consequence, lower grade chips and bottle flake also dropped by a similar amount to between Euro 1.07 and Euro 1.12 per kg.

While imported fiber prices are still high by historic levels, in part due to the increase in freight charges, European fiber producers are keen to protect the market share they have won back

over recent months. Also a weakening of cotton price will see a reduction in demand for polyester which may lead to greater imported volumes. Consequently European producers have passed on most or all of the reduction in raw material costs.

By early May speciality fibers had dropped to between Euro 1.73 and Euro 1.78 per kg and high grade fine denier fiber to between Euro 1.65 and Euro 1.70 per kg. Nonwoven grades, 6 denier and above, which are most vulnerable to imported fiber, dropped the most, to between Euro 1.42 and Euro 1.45 Euros per kg. Good quality imported fiber remains unchanged at between Euro 1.40 and Euro 1.45 per kg with slightly more spot lots available below this level. Demand is not expected to improve as we approach the holiday period.

Viscose. While no European producers were offering a return to quarterly prices, it was widely hoped that viscose prices will remain unchanged for all the second quarter. Prices in early May were unchanged on their April levels of between Euro 1.95 and Euro 2.00 per kg.

Demand, which had been down in the first quarter, has improved slightly and all producers report healthy order books. There is no significant increase in imported fiber volumes, especially in nonwoven grades. With viscose traditionally the most stable of all the nonwoven fibers, it is generally hoped that prices will now remain at present levels through to the end of the second quarter.

US PRODUCER PRICE INDEX: NW ROLL GOODS, PRODUCTS, RAW MATERIALS

	April 2012	March 2011	April 2011	Monthly % Chg	Annual % Chg
Nonwoven fabric mills (12/1985)	144.3	143.0	143.6	0.9%	0.5%
Primary products (12/1985)	148.5	147.4	146.7	0.7%	1.2%
Nonwoven fabrics (12/1985)	146.6	144.9	144.9	1.2%	1.2%
Pressed, punched, needled felts (except hats) (12/1985)	153.9	158.4	158.8	-2.8%	-3.1%
Nonwovens and felt goods (1982)*	163.1	161.8	161.7	0.8%	0.9%
Surgical dressings (6/1983)	n.a.	n.a.	n.a.	n.m.	n.m.
Disposable diapers and similar products (12/2003)	96.0	96.0	96.4	0.0%	-0.4%
Sanitary paper prods from purchased materials (12/2003)	134.5	134.5	132.2	0.0%	1.7%
Noncellulosic organic (synthetic) fiber manuf. (6/1981)	131.0	129.4	119.1	1.2%	10.0%
Polyester fibers (12/1989)	123.9	123.0	112.0	0.7%	10.6%
Other noncellulosic organic fibers (6/2011)	105.5	104.1	n.a.	1.3%	n.m.

The Producer Price Index measures the average change over time in the selling prices received by domestic producers for their output. Data is relative to the base date, which equals 100. The base date is reported in parentheses. n.a. = not available; n.r. = not meaningful.

Source: US Department of Labor, Bureau of Labor Statistics.* Commodity data, rather than industry data. n.a. = not available; n.m. = not meaningful.

Price Bulletin: Roll goods and raw materials

DISCLAIMER: While the information contained in this index has been obtained from sources believed to be reliable, RISI does not warrant or guarantee the accuracy and completeness of the information. All prices are best estimates of factory prices before regular volume and contract discounts and are composite prices as opposed to median or average prices. Actual transaction prices may vary.

	May 2012	April 2012	May 2011
NORTH AMERICAN MARKET (\$/lb)			
Roll goods			
Airlaid pulp (2.0 osy/55 gsm)	1.12 to 1.19	1.12 to 1.19	1.13 to 1.20
Spunbond polypropylene, thermalbond (0.4 osy/14 gsm)	1.17 to 1.35	1.17 to 1.35	1.32 to 1.50
Spunlace viscose/polyester (1.6 osy/55 gsm)	1.63 to 1.86	1.63 to 1.86	1.70 to 1.93
SMS polypropylene (17 gsm)	1.17 to 1.35	1.17 to 1.35	1.32 to 1.50
Staple fiber			
Cotton A Index (midmonth average)	0.97	1.00	1.84
Polyester (1.5 den.)	0.95 to 1.13	0.96 to 1.14	NA
Polyester (4.0 den., PET/PET bico)	1.02 to 1.14	1.03 to 1.15	NA
Polyester (6.0 den.)	0.85 to 1.03	0.86 to 1.04	NA
Polypropylene			
Thermalbond grade (1.5 to 2.2 den.)	1.27 to 1.33	1.27 to 1.33	1.31 to 1.36
Industrial grade (4.0 to 10.0 den.)	1.13 to 1.18	1.13 to 1.18	1.17 to 1.22
Rayon, regular	1.33 to 1.45	1.33 to 1.45	1.50 to 1.60
Polymers and pulp			
Polyester (bottle grade)	1.02 to 1.07	1.04 to 1.09	1.07 to 1.12
Polypropylene (fiber grade)	0.93 to 0.98	1.03 to 1.08 ^r	1.22 to 1.27
Superabsorbent polymer	1.00 to 1.15	1.00 to 1.15	1.05 to 1.10
Fluff pulp (untreated softwood kraft, rolls)	\$940 to 950/tonne ^p	\$930 to 940/tonne ^r	\$1030-1040/tonne
EUROPEAN MARKET (€/kg)			
Roll goods			
Airlaid pulp (latex bond, w/o SAP, 55-65 gsm)	2.25 to 2.30	2.25 to 2.30	2.20 to 2.25
Multibonded airlaid (w/o SAP, 60-70 gsm)	2.33 to 2.35	2.33 to 2.35	2.30 to 2.35
Carded polypropylene, thermal bond (18-20 gsm)	2.35 to 2.94	2.35 to 2.94	2.50 to 3.00
Spunbond polypropylene, coverstock (15-17 gsm)	2.14 to 2.34	2.14 to 2.34	2.10 to 2.30
SMS polypropylene, barrier legcuff (15 gsm)	2.34 to 2.54	2.34 to 2.54	2.30 to 2.50
Spunlace viscose/polyester (50-60 gsm)	2.25 to 2.45	2.25 to 2.45	2.50 to 2.70
Staple fiber			
Polyester (1.5 den.)	1.58 to 1.78	1.60 to 1.80	NA
Polyester (4.0 den., PET/PET bico)	1.74 to 1.94	1.75 to 1.95	NA
Polyester (6.0 den.)	1.45 to 1.75	1.50 to 1.80	NA
Polypropylene			
Thermalbond grade (1.5 to 3 den.)	2.11 to 2.16	2.11 to 2.16	2.12 to 2.15
Industrial grade (over 8.0 den.)	1.59 to 1.63	1.59 to 1.63	1.62 to 1.67
Rayon, regular	1.85 to 1.95	1.85 to 1.95	2.05 to 2.15
Polymers and pulp			
Polyester (fiber grade)	1.32 to 1.37	1.35 to 1.40	1.45 to 1.50
Polypropylene (fiber grade)	1.49 to 1.52	1.51 to 1.54	1.54 to 1.56
Superabsorbent polymer	1.88 to 2.13	1.88 to 2.13	1.95 to 2.19
Fluff pulp (U.S. untreated softwood kraft, rolls) ¹	\$940 to 950/tonne ^p	\$930 to 940/tonne ^r	\$1030-1040/tonne

¹ Export list price in \$ c.i.f. main European ports r = revised. p = preliminary.

Diapers

Winner Medical postpones trial production of baby diapers lines in China

Winner Medical Group Inc. said last week it had postponed trial production on two baby diaper lines until August this year due to technical problems.

After sample production and market testing, the company found that the manufacturing lines needed minor adjustments to meet its quality requirements, according to the company's financial report for the second quarter ended March 31, 2012.

Winner Medical estimated that the lines would start trial production in the middle of 2012.

The company said on Feb. 9 that the company had installed two lines to produce baby diapers.

Commercial operation. The lines had been scheduled to begin the trial production in February this year, with the start-up date of their commercial operation set for May, the company said in its financial report for the first quarter ended Dec 31, 2011.

The baby diaper lines were expected to start commercial operation in the first half of 2013, said Mr. Li Jianquan, chairman and chief executive officer of Winner Medical in an earnings conference call on May 11.

The company had not decided yet on the capacity of the baby diaper lines, which would be up to the demand for the products, he said.

Will use cotton NW. The lines are designed to use the full cotton nonwoven fabrics produced by the company.

The capacity of the company's nonwoven lines using full cotton is much smaller than that of the nonwoven lines using chemical fibers, added Li.

Also, Li said the company's sanitary napkin line is currently running at about two-thirds of full capacity. The line will reach full capacity of 500 pieces per minute by the end of this year.

Bostik Egypt said in early May that its new adhesives plant in 6th of October City, Egypt, is already running at full capacity a month after startup, providing it with a hub to serve customers in the Middle East, North Africa and Turkey. Angy Lasheen, Global Material Development Leader for MEA, Procter & Gamble, said "Bostik's expansion into Egypt strengthens the supply to our P&G sites in EMEA, which enables P&G to meet its increasing demands in the region." (EMEA refers to Europe, Middle East and Africa.) Indevco purchasing manager Gilbert Kasdano agreed that the location results in "better logistic solutions".

Capacity

Providencia to start up one new line in June, other one in Q4 2012

Providencia's new 20,000 tonne spinnmelt line in Pouso Alegre, Brazil is now "in the final implementation phase and is scheduled to go into operation in early June of this year," the company said. A similar-

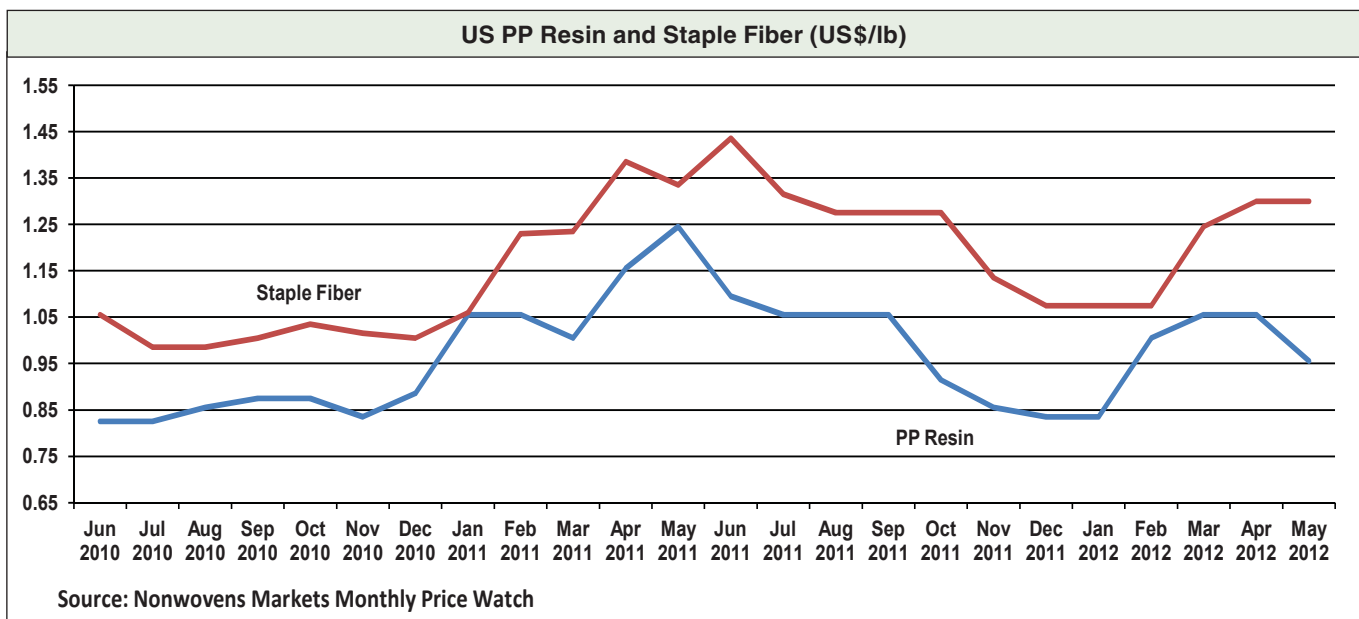
sized spinnmelt unit will come on-line at the company's Statesville, North Carolina plant during this year's fourth quarter.

The announcements were included in the company's first quarter financial report, in which it said its earnings before interest, taxes, depreciation and amortization (EBITDA) margin during the first period was 20.7%, up two tenths of a percent from the year-ago number excluding non-recurring items.

Sales volume totaled 23,100 tonnes in the period, up 15.5% from a year ago thanks to the startup in 2011 of the first new line in Statesville. Providencia said the first Statesville line "reached record production" during the quarter "after completion of the technical adjustments necessary for the full operation of equipment." At year-end, Providencia said its total company capacity will reach 140,000 tonnes.

Unit cost of goods sold rose by 5.7% year-on-year although the company cited Chemical Data Index numbers showing that the cost of polypropylene, Providencia's "principle cost component", was up 12% from a year ago.

As a result of the startup of the first Statesville line, Providencia apparently was able to realign production in Brazil to more freight-logical destinations. It said its sales expenses dropped by 3.6% from a year ago, adding that "these oscillations are principally linked to a shift in the mix of overseas sales to the domestic market where logistics costs are lower. This in turn was due to the growth in sales volume from the Company's US plant and an increased focus of the Brazilian plants on serving geographically closer markets."



Raw Materials

PP prices fall as fast as they climbed – how long could this last?

After frightening buyers with a sharp run-up in prices earlier this year, polypropylene has changed direction and taken a nosedive, with resin dropping by 10 cents a tonne this month in the United States, market sources say. This typically would mean a similar decline of 10 cents for staple fiber in June, with the possibility that the downward trend could continue for yet another month. Beyond that, market participants are divided, although a number of observers think the monomer, and thus eventually resin and staple fiber prices, will resume a gradual upward direction as early as this summer.

What is known is that US propylene contract prices tumbled by \$220/tonne or 10 cents a pound in May, and that monomer suppliers largely passed that on to their customers during the month. Movement in Europe was much more restrained, with the monomer down just Euro 15 or 1.5 euro cents per kg for the month.

An end to increases. These declines brought an end to a period in which PP prices rose sharply, shaving margins for end-users and making a wreck out of many executives' carefully calibrated 2012 budgets. Contributing to the early-2012 run-up in prices were an unexpectedly heavy cracker turnaround season, plus an expectation coming out of 2011 that economic patterns in major regions of the world would turn out better this year than they have so far. Some market participants think users may have built inventories earlier in the year by more than was justified by actual levels of economic activity.

In the USA, fiber grade PP resin went from a low of 81 cents/pound for big buyers in January to \$1.03 in March, an increase of 27%. During the same period, prices in Europe went up about 20%. It was small comfort to buyers that, as the chart on the facing page illustrates, US market prices at that level were still below the previous cyclical peak, in the second quarter of 2011.

Another decline in June? Then in April, resin prices went up another two to three cents according to some sources, but remained flat according to most others. This slowdown or flattening set the stage for May's fall-off. By mid-May, market observers were saying that buyers were hesitant to commit to large orders because of a perception that propylene and PP resin both could decline further in June due to

a combination of anemic demand, a return of more crackers to operation, and a feeling that the recent price peak was driven largely by speculation rather than market fundamentals. Also, European buyers who felt that a Euro 15 decline was too modest given what they call an oversupplied market are expected to push for bigger cuts for June. And spot pricing seems to be leading the contract market down, pointing to at least one more downtick ahead.

Some market observers think prices could deflect back upward by autumn or earlier, as pricing returns to trend. With US and Asian economies continuing to grow – even if more slowly than many thought likely just a few months ago – any progress toward resolving Europe's financial woes should begin to tighten up petrochemical markets; or so the reasoning goes.

Brent crude. One reason many petrochemical prices have weakened recently is that crude oil has been moving down. This Monday, benchmark Brent Crude closed below \$111/bbl, down \$14/bbl since mid-March. A variety of factors seem to be at play, including a moderation in fears that were widely expressed early this year about the possibility of conflict in the Persian Gulf, recent weakness in the Euro, and seasonal factors. Also, the continued – even, in some countries, worsening – recession in Europe, and a moderation in growth rates in China and the USA, have reduced demand pressure on supplies. There has also been some relief in feedstock costs in the last month or two.

All of these factors could shift back again as the year goes on, translating into a renewed bias for higher prices. Another factor tending to push prices up over the medium-term has been an ongoing shift of refinery activity toward lighter feedstocks due to low prices of natural gas versus crude oil. More significant may be the fact that while OPEC has been ramping up production to keep a cap on prices, a renewal of strong economic growth will tend to offset high crude production levels to some extent.

Celanese Corporation announced it will raise the price of all emulsions sold in Europe, the Middle East and Africa by up to Euro 80 per tonne effective June 1, 2012, or as contracts allow. The company said "This price increase includes all vinyl acetate and acrylic based emulsions and affects applications including, but not limited to, adhesives, paint and coatings, building and construction, nonwovens, glass fiber, carpet, paper and textiles."

Wacker Polymers said it will raise its prices for Vinnapas vinyl acetate-ethylene

and ethylene-vinyl chloride-based copolymer dispersions in the Americas. Effective June 1, 2012, Wacker said it will implement a price increase of \$0.03 per wet pound, or as customer contracts allow. "This measure has been necessitated by the continued increase in raw material and distribution cost," according to the company. Vinnapas dispersions are applied in a broad variety of industries, ranging from adhesives, nonwovens, paints and coatings to paper, building products, carpet and textiles.

Lenzing Group reported its first quarter results, with earnings before interest, taxes and depreciation (EBITDA) down 19% compared with a year ago. The main driver in this decline, the company said, was an 11% year-over-year decline in average fiber selling prices, along with "slightly higher" depreciation. Sales were down just 0.7%, as volume offset much of the decline in prices. The company's plants operated at more than 95% during the first period.

Lenzing continues to build capacity, investing Euro 1.6 billion in a program extending to 2015 in line with a strategic goal to reach annual production levels of 1.2 million tonnes. The company has predicted 2012 shipments of 810,000 tonnes, with sales reaching Euro 2.2 to 2.3 billion.

The latest step in its expansion strategy is construction on a fifth fiber line at its PT South Pacific Viscose subsidiary in Indonesia.

COO INTERVIEW

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Mr. Foo's estimates for the regional market potentials may help explain the company's latest expansion in its production capacity of disposable diapers.

New plant in Malaysia. In December 2011, DSG International (Thailand) announced that it would invest approximately BAHT1,032.08 Million through DSG (Malaysia) Sdn Bhd, a subsidiary of the company, in a new plant in Malaysia, which would comprise a 2-story office, a warehouse and manufacturing facilities.

"The new facility's capacity will be up to triple the current capacity of the company in Malaysia in about four to five years," said Mr. Foo.

The new plant would also lower the transport costs and achieve economy of scale for the plants in Malaysia, as it would be located close to the ports, he added.

DSG's market segments. As a veteran player in the regional market of disposable diapers, DSG International (Thailand) currently has three segments of the products: the lower-priced segment, the

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middle-priced segment and premium segment.

The company's products were in the lower-priced segment a few years ago, said Mr. Foo. But the bulk of its products are in the middle-priced segment at the moment.

Last year, the company launched a couple of new products in the premium segment with higher profit margins. "Now affluent customers are willing to pay for better-performing products," he said.

In the future, the mid-priced to premium segment would have better demands in the region, said Mr. Foo. The future for pulp-less diapers and diapers only using SAP will depend on the balance between pricing and performance, and the affordability of such premium diapers for consumers.

Compared with major international diapers producers like Unicharm, Procter & Gamble and Kimberly-Clark, DSG International (Thailand) is unique in the regional market of diapers in Southeast Asia, said Mr. Foo. The company focuses solely on disposable diapers, which is its core business.

It has the experience of making diapers to meet the demand in the region, he said.

DOMTAR

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group seems to generate about \$420 million in sales at current levels of activity.

Two lines in Jesup. EAM operates a 71,000 square foot plant in Jesup, Georgia, including research facilities as well as an airlaid line used to manufacture the company's NovaThin products and a second machine, said to be somewhat akin to a laminating line, on which its NovaZorb product is made.

The one-meter Dan-Web hydrogen-bond airlaid line has capacity of 12,000 tonnes, for the company's NovaThin brand. Cores can include a sandwich of tissue or a spunbond nonwoven, airlaid and super-absorbent polymer, and another layer of tissue or spunbond. The result is a highly absorbent structure can go into adult and baby diapers, feminine napkins, hospital underpads, pet pads and similar applications.

Started by Rayonier. The Jesup operation was started up by Rayonier in 1998, reportedly with the thought that such cores one day would be very commonly used in diapers. Widespread adoption proved to be much slower than expected, however, and the company looked around for other outlets for the plant's capacity, identifying feminine hygiene as an early – and very

successful – alternative. Johnson & Johnson was an important customer and sources report that is still true today. Essentially saying EAM was too small for its corporate portfolio, Rayonier sold the operation in 2005 to Kinderhook, which in turn has now sold it to Domtar.

After EAM was well launched into feminine hygiene, it developed the NovaZorb products, which are commonly used for food pads and may have applications in the diaper area as well. They are made on the second line, and reportedly include a combination of a spunbond or spunmelt layer, an adhesive and a superabsorbent.

'Well-known' customers. Sources say EAM's customers have included Kimberly-Clark and First Quality, as well as Johnson & Johnson. Domtar did not discuss specific customers, although its announcement noted that EAM "serves a diversified customer base and has long-standing relationships including well-known branded and private label consumer products manufacturers throughout North America and abroad."

According to Domtar, "EAM Corporation has annual sales of approximately \$45 million in more than 50 countries and a total of 53 employees."

When Domtar announced its intent to buy Attends Healthcare last August, executives said the company hoped to double Attends in five years. One industry observer last week said that rather than making one or two splashy – and potentially risky – big deals, Domtar seemed to be pursuing a combination of more modest bolt-on acquisitions that provide specific capabilities or assets. This observer speculated that under

this strategy, EAM will not be the last deal Domtar does in the hygiene field.

Attends operates a plant in Greenville, North Carolina that was once owned by Procter & Gamble. According to press reports several years ago, P&G's lack of interest in outsourcing an important part of the diaper's manufacture may have contributed to a core maker like EAM exploring the market areas it has developed since then – setting it up to join a family of companies dominated by a big manufacturer of adult absorbent products whose plant used to be part of the P&G empire.

SUOMINEN

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"In order to optimize its production structure, Suominen has analyzed its production facilities from a market standpoint. The analysis initiated the need to assess the production structure and sharpen the role of the unprofitable operations at the Nakkila unit," the company said.

A line in Mozzate, Italy, owned at the time by Ahlstrom, was damaged by fire last September. Kopola said the line was rebuilt without significant modifications because it was a very fast, efficient unit. Also, one of the cards had not been damaged by the fire, helping to speed the restart process.

Separately, Suominen confirmed that the transfer to its ownership of Ahlstrom's Paulinia plant in Brazil will take place during the current calendar quarter.

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