



# CEI Insight

April 2010

*A newsletter for our valued customers from Coating Excellence Int'l*

## IN THIS ISSUE

- **CEI Opens New Flexible Packaging Plant**
- **CEI Introduces Pinch Bottom Woven Poly Bags**
- **CEI Achieves ISO Certification**
- **CEI Reorganizes to Better Service Customers**
- **CEI Achieves SGP Certification**
- **CEI Achieves Zero Waste to Landfill Goal**
- **Economic Update April 2010**

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## **CEI Opens New Flexible Packaging Plant**

Coating Excellence International (CEI) has opened a new flexible packaging plant in Hebron, Kentucky, a short distance from the Cincinnati airport. The 120,000 square foot facility is CEI's first manufacturing plant outside of Wisconsin. The Hebron plant utilizes American-born technologies to produce numerous flexible packaging products, including CEI's SuperTube pinch-bottom woven poly bags, which are used for the pet food and animal feed industries. CEI's new plant will create more than 100 local jobs over the next three years.

"When looking at the opportunity for expansion, Kentucky was a logical fit for Coating Excellence to service our growing customer base," said Michael Nowak, President of CEI. "We wanted a facility close to our customers so we could better service their needs."

## **CEI Introduces Pinch Bottom Woven Poly Bags**

Pinch bottom woven poly bags are now exclusively commercially available at CEI. The new pinch heat seal closure option provides customers an alternative to the traditional sewn closure. A pinch closure offers the benefits of optimized palletization, an attractive display area for product messages, and the ability to run on existing heat seal filling lines for multi-wall paper bags. In addition, the bags run like paper bags through the filling line. While the filling line seals the pinch heat seal end, CEI can provide a variety of easy-open closures for the other end including "slide-lock" zipper, roll fold and tape, or sewn.

CEI's SuperTube woven poly bags are ideal for packaging food, pet food, animal feed, bird seed, and lawn and garden products. Offering the most in strength, durability and graphics capability, products packaged in SuperTube bags stand out on retail shelves. These bags also have the benefit of being made in the USA by CEI.

Call CEI today to get your next order of woven poly bags with the new pinch heat seal closure.

## **CEI Achieves ISO Certification**

CEI is pleased to announce it has achieved ISO 9001 certification as of January 2010. ISO 9001 is the international quality system standard. This certification further demonstrates CEI's commitment to provide customers with world class quality products. "We expect the procedures put in place to achieve ISO certification to help CEI further improve on its industry leading quality performance," said Louann Mueller, Vice-President Manufacturing at CEI.



**International  
Organization for  
Standardization**

## CEI Reorganizes to Better Service Customers

In order to ensure continuing strong innovation, service and support to CEI's traditional markets while maintaining rapid growth in the flexible food packaging business, CEI has split into two divisions, **Industrial Packaging** and **Food Flexible Packaging**.

The two businesses will have independent management, sales forces, and customer service groups that will cater to the needs of the individual businesses. **Julie George** will be the Vice-President of Sales for the Industrial Packaging Group while **Lynda Swenson** will be Vice-President of Sales for the Food Flexible Group. Working with Lynda will be **Robb Schaefer**, Vice-President of Flexible Packaging, who has overall responsibility for CEI's Food Flexible business. The sales force will be augmented and split among the two areas. Some customers will have account manager changes as CEI realigns, because some current account managers handled accounts in both groups.

In addition, the customer service department has been split among the two divisions and additional management personnel have been added in customer service to assist CEI service representatives in meeting customers' needs. Again this may require some service representative changes among accounts. **Stephanie Humblet** has become CEI's Customer Service Manager and **Julie Burich** and **Ellen Voras** have become Customer Service Supervisors.

Please bear with CEI during this transitional stage as it organizes to better service your needs in the future.

## CEI Achieves SGP Certification

The Sustainable Green Printing Partnership (SGP) is an independent, non-profit certification organization with the primary goal of defining sustainable green printing and recognizing facilities that have met established sustainable manufacturing and business practices. The SGP has announced that CEI is one of the few printers that have been certified as a "Sustainable Green Printer". This third party audit and certification reinforces CEI's claim of being "American's Sustainable Printer".

To become a certified printer, a facility must demonstrate conformance with criteria that require a holistic approach to sustainability and must pass a tough onsite audit. A certified printer can mark its' products to indicate they were "Printed by a SGP

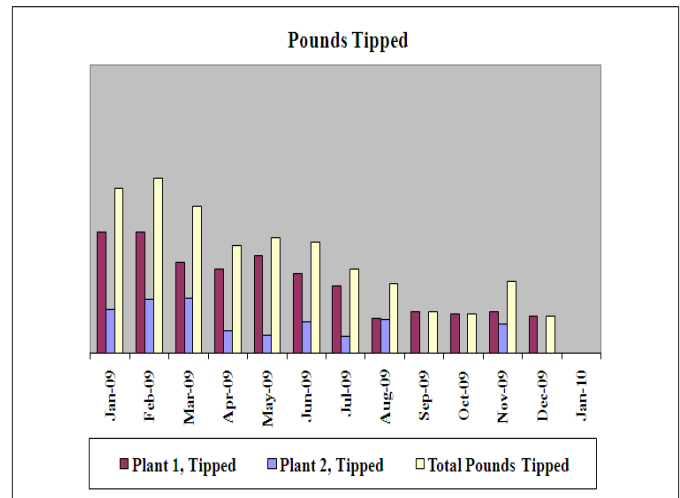


Printer".

Customers who would like to incorporate the SGP logo into their products should contact their CEI Sales Representative.

## CEI Achieves Zero Waste to Landfill Goal

In 2009, CEI committed to the aggressive goal of eliminating any production waste sent to a landfill by January 2010. As the graph below shows, CEI was able to reach this goal! This is just one of CEI's many commitments to sustainability and doing all that it can to preserve precious landfill space.



## Economic Update April 2010

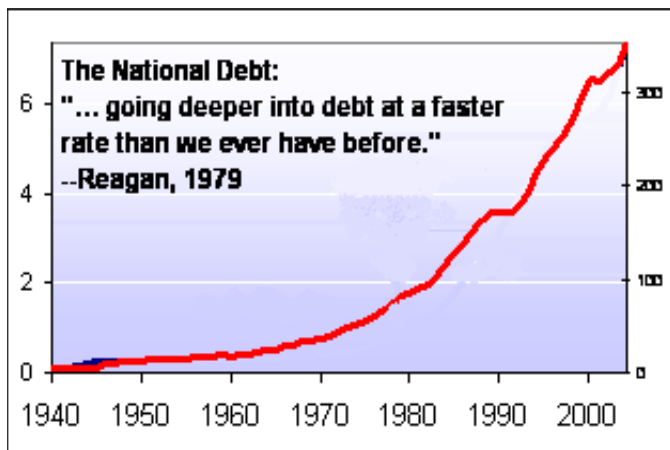
### General Economy

The U.S. economy appeared to grow very strongly in the fourth quarter of 2009 with GDP growth of 5.6%. After further inspection growth was much lower because 3.8% of the GDP growth was due to businesses restocking historically low inventory levels. The good news is the "real" 1.8% GDP growth still means that the economy is out of recession, since a recession means negative growth. However, economic growth of at least 3% is required for overall business to start adding jobs. That means the unemployment rate will linger close to 10% for most of 2010. Without improvements in unemployment there is a real question as to whether the economy is fully recovered.

As a result, economic results continue to be mixed, with improvements in retail sales and exports being tempered by disappointing results in consumer and small business optimism and a stubbornly high unemployment rate. It is unclear what segment of the economy will be able to lead the U.S. out of recession.

Layering on top of the weak recovering economy the uncertain impact of government actions both known (health care restructuring, economic recovery act, and expiration of "Bush" tax reductions) and unknown future actions (cap-and-trade, immigration reform, and financial regulation) makes a strong recovery far from a certainty.

The detrimental impact of health reform has already started to be felt with major U.S. corporations taking hundreds of millions of dollars in charges against earnings due to provisions of the health care act. This will negatively impact employment at a point when the economy can least afford it. In addition, trillions are being spent on health care and other programs that are not leading to the creation of real jobs and driving the U.S. further into debt. Federal debt has reached over \$12 trillion and is increasing by over \$3 million per minute.



The future impact of these debt levels on the economy and employment is unknown as we are in uncharted territory. However, we are already seeing foreign governments becoming concerned about holding U.S. debt. In addition, how debt will impact upcoming inflation is a real concern as the Federal Government has a vested interest in seeing higher inflation since that means it pays back debt with inflated dollars.

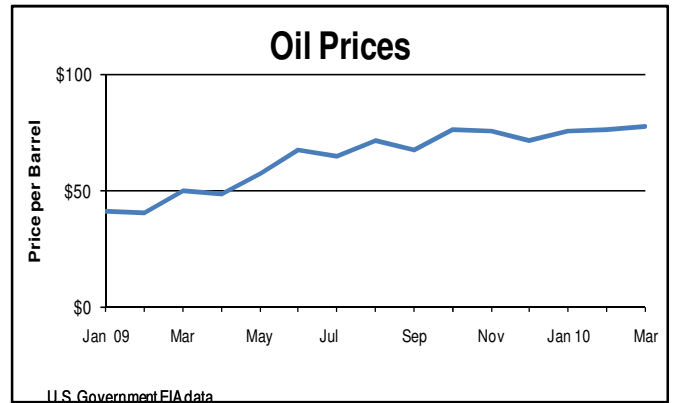
Continuing high levels of federal spending, the resulting impact on debt and taxes, building inflation, and adverse government policies toward business all are combining to make this an uncertain time for business. Without some certainty business will not invest to create jobs, and will be left with a very slow (years) recovery with increasing raw material prices.

We are already seeing commodity price increases as business continues to restrict supply to only what is necessary to support the market. Capacity has been aggressively removed from many markets to reduce supply and maintain or increase pricing. Prices are expected to continue rising due to inflation and the declining value of the dollar. In addition, when there is any disruption in supply, a spike in prices occurs because buffers have been removed.

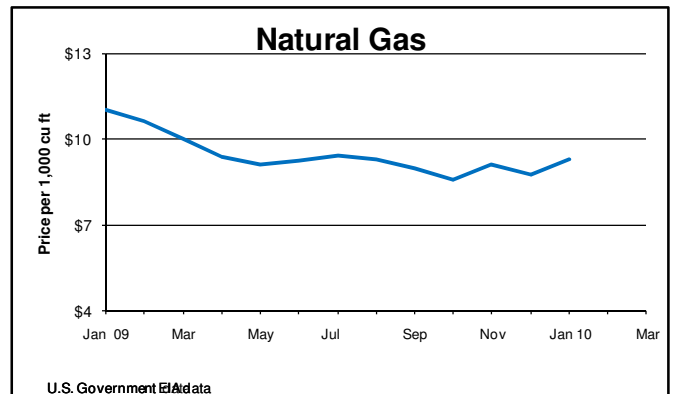
Packaging is being impacted by the general economic conditions and supply disruptions. Raw material prices have increased and a number of force majeure have resulted in price spikes.

## Energy

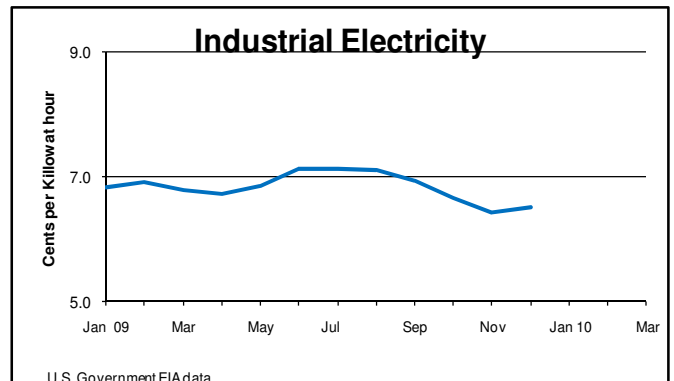
Oil prices have been slowly increasing as OPEC has made the largest production curtailments ever to bring supply and demand into balance. As the world economy continues to improve, oil prices are expected to continue increasing.



Natural gas supply has improved as new sources have been brought to the market through new pipeline capacity. This additional capacity combined with reduced demand has driven natural gas prices lower. These impacts have played out and prices have been stable.

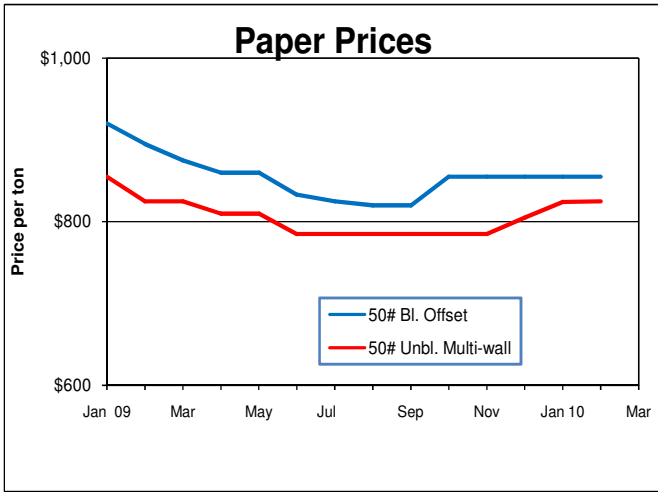


Electric costs have remained fairly stable in response to reduced costs for natural gas and the weak economy reducing demand.

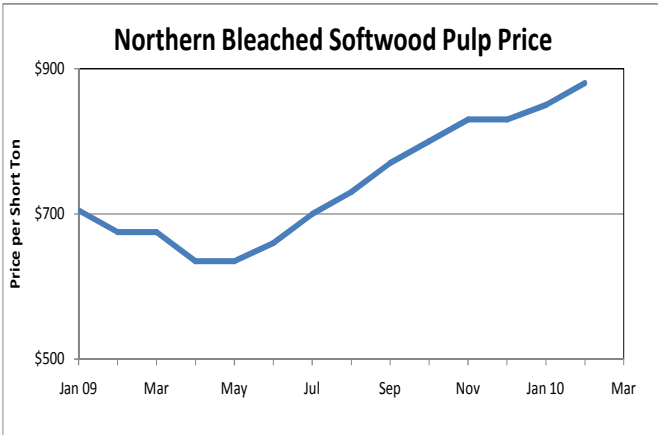


**Paper**

As shown below, paper prices have declined slightly during the recession and remained fairly stable. However, the substantial increases in bleached pulp prices are beginning to impact paper prices. Some pulp people are talking about pulp prices over \$1,000 per ton in the near future in response to reduced pulp supply because of the earthquake in Chile. Paper mill operating rates have improved allowing the paper mills to begin passing through these pulp increases. Further paper increases are expected in the near future.



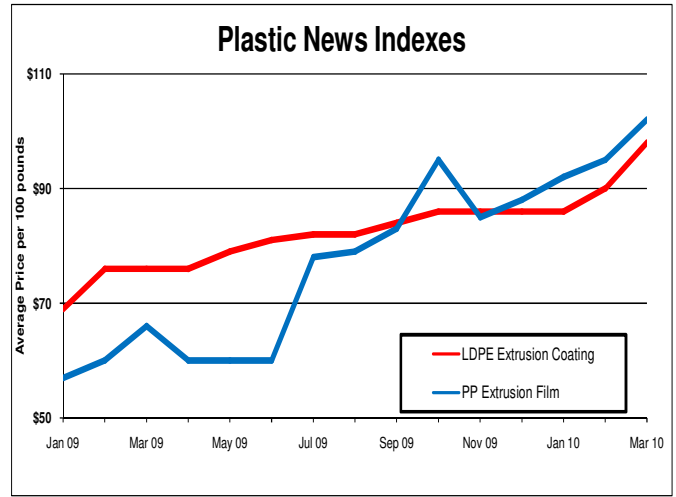
Pulp and Paper Week



Pulp and Paper Week

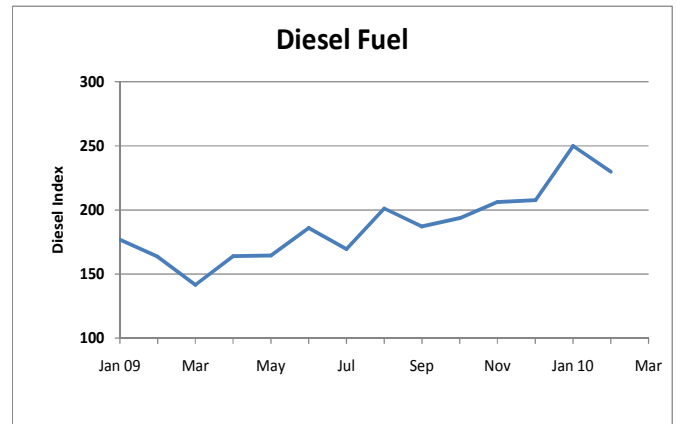
**Resin**

Resin prices have been increasing from recession depressed prices in early 2009. As demand increased, prices returned to historical levels. Recent supply curtailments among major producers have resulted in numerous force majeure declarations that have forced up short term prices due to limited supply. Resin prices are expected to stabilize and decline in the future as major new capacity additions come on line particularly in low cost Middle East countries.



**Transportation**

Trucking costs have declined as the recession reduced the amount of traffic, and diesel prices have reflected the oil price reductions in late 2008. In early 2008, there was concern that there would not be enough truckers to haul products in the future. Now truckers are leaving the business due to not enough loads. As the roller coaster continues we may again be short of drivers as the economy improves.



PPI – U.S. Government

**Summary**

Recession caused reductions are behind us. Supply has been curtailed to meet the “new normal” demand. As raw material supply disruptions occur there is little under-utilized capacity available to react because it has been dismantled. The result is price increases to meet excess demand versus supply.

The economy will be slow to recover. How fast may be related to whether the government stops passing measures that negatively impact economic growth. Job growth is needed to really get the economy growing, but no signs of a true job turnaround are in sight.