



# CEI Insight

November 2009

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

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## Coating Excellence Grows Again

Unlike many companies you've been hearing about that are downsizing, laying off employees, or even closing their doors, CEI has built a strong infrastructure that has allowed it to maintain its high growth rates even during these tough economic times.

CEI's recent acquisition of a portion of Packaging Dynamic's International Converter business is a great example of this growth. As part of the agreement, CEI has acquired certain production equipment and other assets from International Converter and has assumed production for and sales to International Converter's ream wrap and paint masking customers as of October 15, 2009.

In addition to expanding its core product lines within its one-side polyethylene extrusion coating business, the acquisition and resulting increase in production equipment will allow CEI to achieve greater flexibility in scheduling machines to better meet the needs and delivery dates of all of its customers.

CEI is very excited about this expansion and will work closely with its new customers to build strong relationships and provide them with the high level of service and quality products CEI is known for.

International Converter will continue to operate its Kaukauna, WI-based extrusion coating business focused on other products—primarily, multi-layer tandem extrusion coated products and complementary single-layer extrusion coated products.



*Happy Holidays!*



## Technology Upgrade Causes Issues

In September 2009, CEI “went live” with a new company-wide computer system. The system was designed to improve CEI’s ability to service customers and maintain low costs. This system will impact how everyone at CEI performs their job.

Many aspects of the system are performing well and delivering the expected improvements. However, the scheduling portion of the system has had some major issues causing product delivery delays and a reduced ability to advise customers of order and delivery status. Rest assured everyone at CEI is working hard to rectify the scheduling issues, but this will take time. Short-term additional manual systems have been put in place to improve deliveries. Long-term efforts to correct the system continue.



Today, multiple employee teams are monitoring the system and working diligently to correct any remaining issues. CEI is in the home stretch now and looking forward to not only returning to its original level of service, but more importantly, to improving its service to customers in the weeks and months ahead.

CEI appreciates your patience and understanding and sincerely apologizes for any inconveniences you may have experienced. Your satisfaction and success are our number one priority at CEI; you can always count on us to work hard to meet all of your expectations. Please let us know if there’s anything we can do to better serve you.

## Visit CEI at the 2010 International Poultry and Feed Expo



January 27-29, 2010  
Atlanta, Georgia  
[www.ipe10.org](http://www.ipe10.org)

**Visit CEI at Booth 1055!**

## Economic Update November 2009

### General Economy

The economy appears to be improving with strong 3.5% GDP growth in the third quarter. However, looking at the various components of this increase shows more than 60% of the growth was due to the “cash for clunkers” program which “stole” auto purchases from the next few quarters. Most of the remaining GDP growth was due to inventory replenishing. That means the underlying economy remains very weak. Very high levels of unemployment (over 10% or over 17% if people that stopped looking for work are included) continue to restrain consumer spending and the overall economy. Continuing inventory replenishing is expected to help fourth quarter GDP remain positive, but if unemployment and consumer spending do not begin to improve GDP could again decline resulting in a “double dip” recession. Washington is talking about more “stimulus” to create jobs but that did not work in the first “Christmas tree” bill. In addition, other Washington initiatives like health care and cap-and-trade will result in lost jobs.

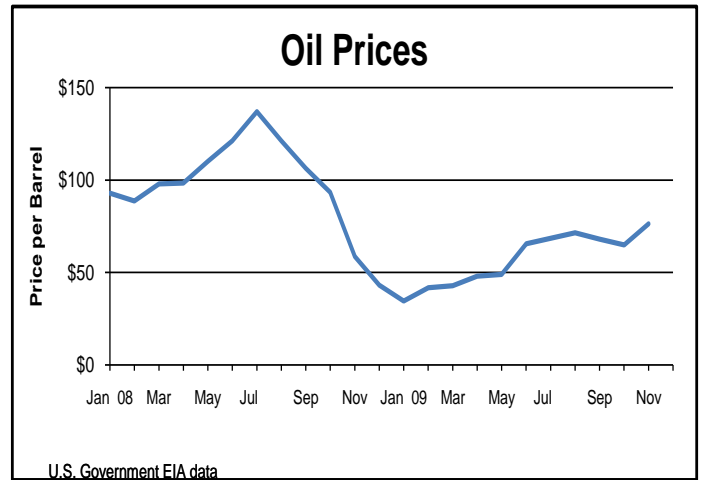
The long-term structural problems being created should be a major concern. High deficits and continued high spending are driving the deficit to record levels. This is having an impact on the U.S. dollar which continues to weaken. These will both lead to higher inflation as foreign purchased materials on which the US has become dependent become more expensive. Particularly troubling is talk of replacing the US dollar as the “world currency”. If foreign countries lose faith in the US dollar will they also lose faith in US securities, and then who will finance our deficits? All signs point to a substantial increase in inflation (hopefully not a return to the Carter years) and a diminishing of the US’s economic power, unless deficit spending changes soon.

While commodity prices returned to normal trends during the recession, prices have again started to increase. Capacity has been aggressively removed from many markets to reduce supply and maintain or increase pricing. These actions are having the desired impact. Prices are expected to continue rising due to inflation and the declining value of the dollar.

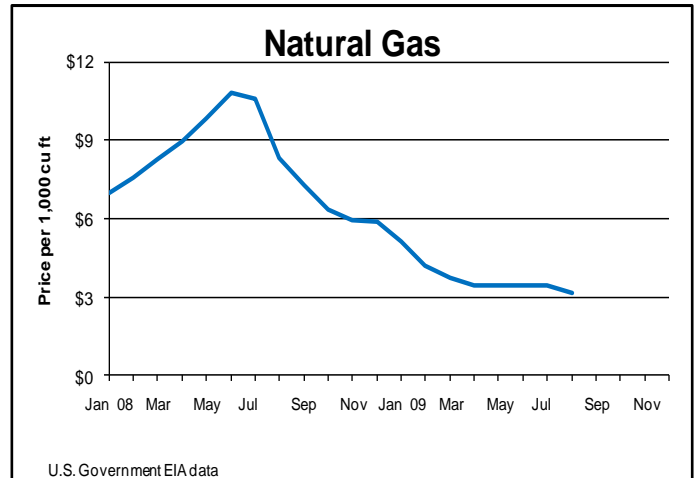
Packaging is being impacted by the general economic conditions as packaging demand has fallen reflecting lower consumer demand for packaged end products. Lower commodity prices are welcome news because packaging producers did not pass along the peak prices of 2008. The raw material reductions are bringing packaging production costs back in line with finished product prices. Individual commodities are discussed below.

**Energy**

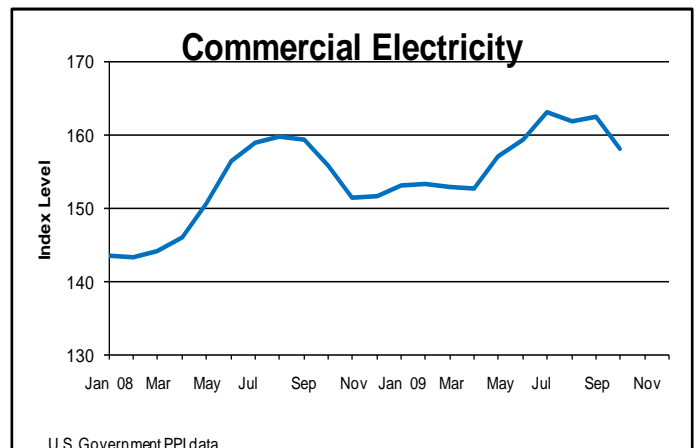
Oil prices have begun to increase and have almost returned to pre-peak levels of 2008. OPEC has made the largest production curtailments ever to bring supply and demand into balance. As the world economy continues to improve, oil prices are expected to continue increasing.



After the record high prices of 2008, additional natural gas supply has been brought to the market. This additional capacity combined with reduced demand has driven natural gas prices lower.

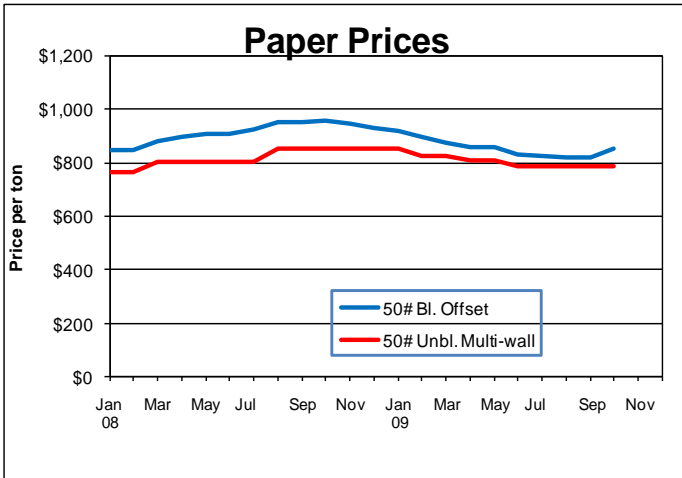


Electric costs continue to increase as the higher cost of “green energy” is added to the grid. The impact of “cap-and-trade” will push these costs dramatically higher.



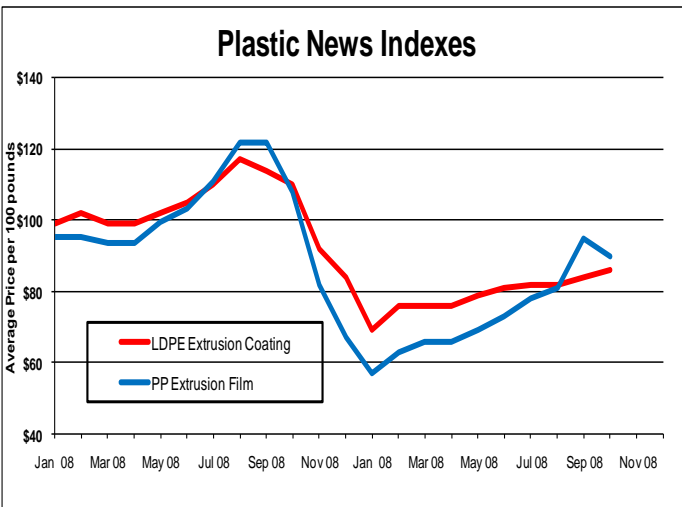
## Paper

As shown below, paper prices have declined slightly during the recession. Mill operating rates have declined but mills have quickly chosen to take downtime rather than reduce prices and fill capacity. Bleached producers have started to increase prices in response to pulp price increases.



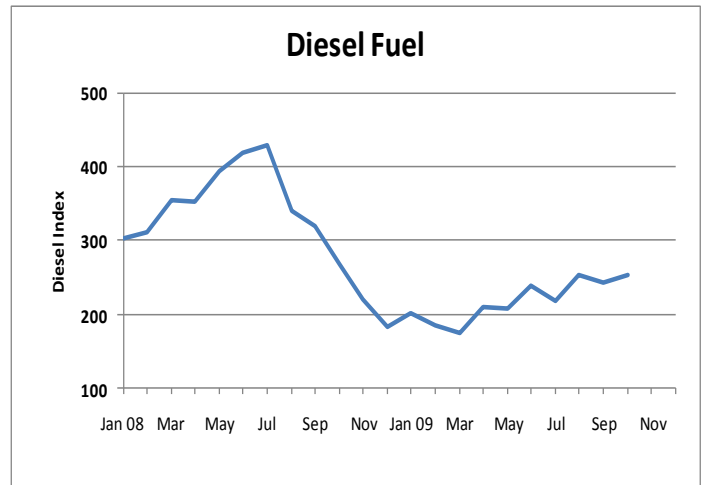
## Resin

Resin prices have declined as energy feed stocks became cheaper with lower oil and gas prices. Lower operating rates in polypropylene have resulted in a slightly larger price decline than polyethylene where operating rates remained higher. Resin producers have taken downtime to curtail the price slide and prices are starting to increase with announced price increases in numerous products. Resin prices are expected to stabilize as new capacity comes on line.



## Transportation

Trucking costs have declined as diesel prices have reflected the oil price reductions. In addition, lower demand for trucks as a result of the recession has improved truck availability. 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 when the economy improves.



## Summary

The recession is at a cross roads. While the economy has improved it could continue to improve or enter a "double dip" recession. The effect of government deficits and stimulus actions remains to be seen. It is unclear if actions to-date have helped or hurt the economy, but further actions could result in disaster.



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