

Welcome to the... ISM – New York Commodity Corner

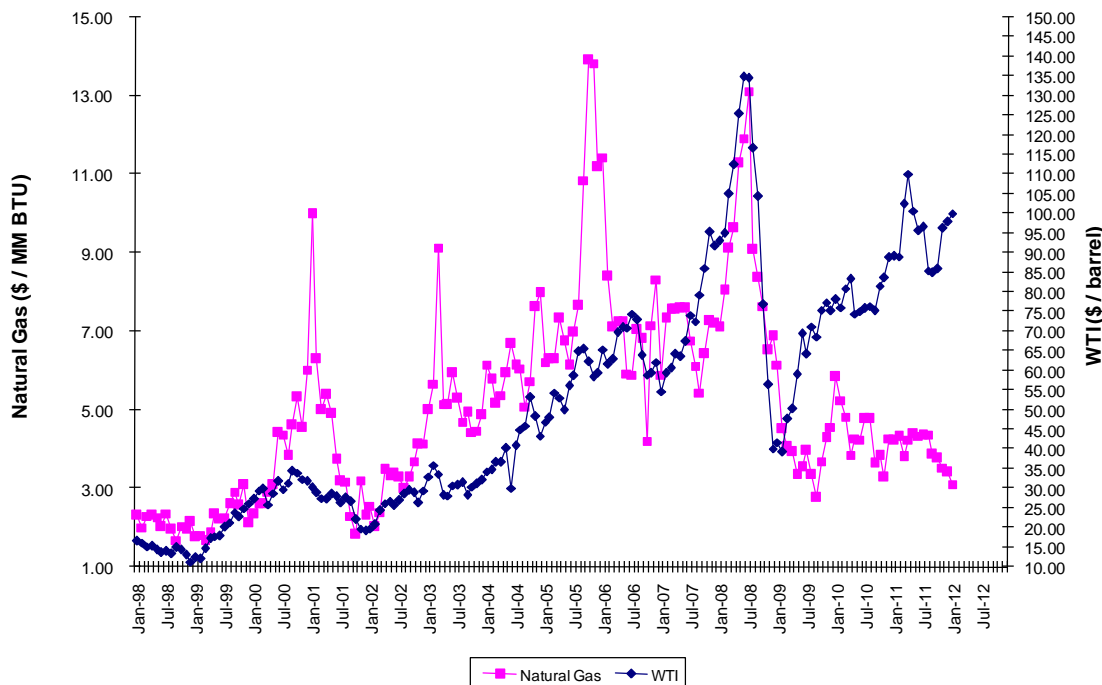
Fourth Quarter 2011 Report

It is our intent to provide you with historic commodity pricing information, define trends, discuss forecasts, and most of all, to help develop insights regarding materials pricing. Commodities will be updated each calendar quarter, or as the specific need arises.

We hope you find this information useful and we are open to suggestions and questions to make this more relevant to your needs. Please send your questions and comments to: info@ismnewyork.org

Crude Oil & Natural Gas

West Texas Oil vs NYMEX Natural Gas (\$ / MM btu)



Crude Oil – Cost Drivers: World-wide supply and demand balance, gasoline refining conditions in the US, regional/geopolitical instability and issues, commodity investment/speculation, global and local weather, OPEC statements and actions.

Current Pricing Summary:

4Q2010 @ \$84.68/bbl

3Q2011 @ \$89.01/bbl

4Q2011 @ \$93.38/bbl (a 4.9% increase from prior calendar quarter and a 10.3% increase calendar period to period)

FY2011 @ \$94.54/bbl

Estimated FY 2012 @ \$102.00/bbl (a 7.9% year on year projected increase)

Natural Gas – Cost Drivers: Natural Gas is largely a domestic natural resource. Cost drivers are supply / demand, weather, and to some extent, sympathetic movement to oil, in particular given its recent volatility.

Current Pricing Summary:

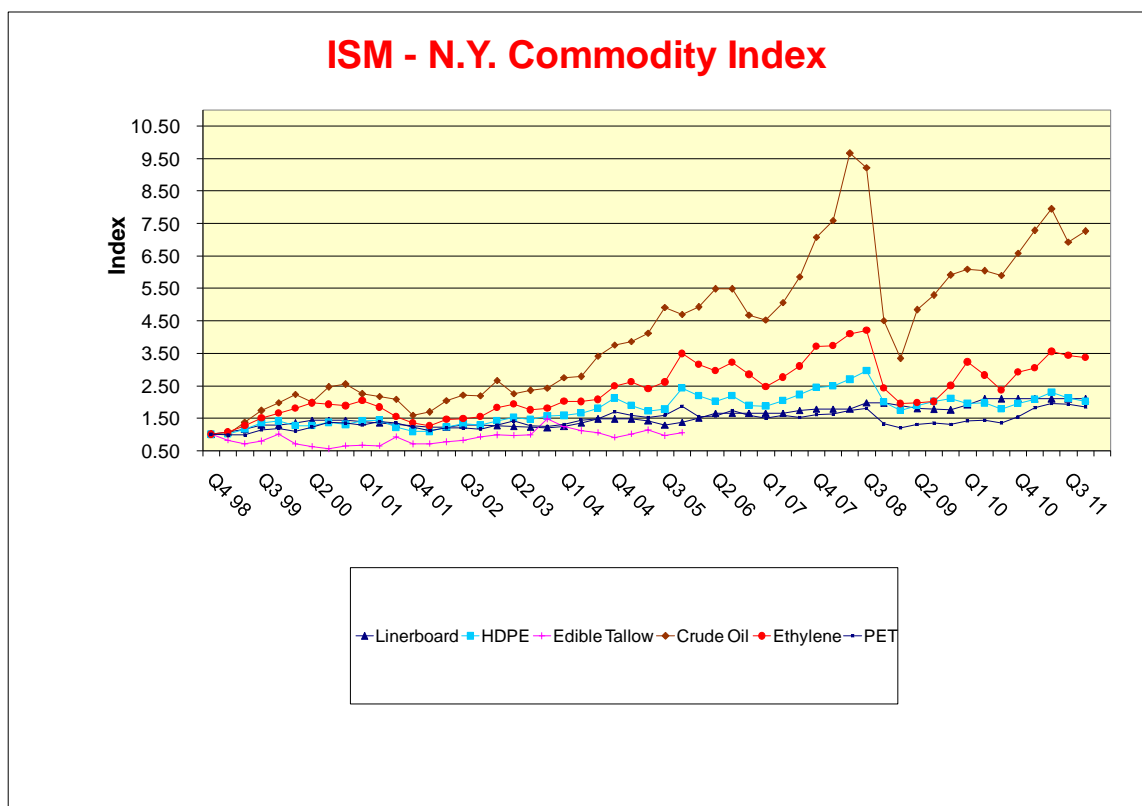
4Q2010 @ \$3.80/MMBtu

3Q2011 @ \$4.19/MMBtu

4Q2011 @ \$3.56/MMBtu (a 15% decrease from prior calendar quarter and a 6.3% decrease calendar period to period)

FY2011 @ \$4.05/MMBtu

Estimated FY2012 @ \$2.50/MMBtu (an estimated decline of 38.3% year on year)



Ethylene

Where Used: About 70% of North America's ethylene production is derived from natural gas (30% from crude oil). Ethylene is the building block for a variety of the plastics we use daily, as well as solvents, surfactants, and other significant chemical feedstocks.

Cost Drivers: Although tied to natural gas and oil costs, ethylene is also subject to supply / demand swings, and in particular to the operating efficiency of the production facilities. Downstream end products (plastics, solvents, glycols, etc) can compete for the available pounds of ethylene, thus driving ethylene pricing.

Current Summary:

4Q2010 @ \$.4733/lb

3Q2011 @ \$.556/lb

4Q2011 @ \$.5458/lb (a 1.8% decrease from prior calendar quarter and a 15.3% increase from calendar period to period)

FY2011 @ \$.5425/lb

Estimated FY2012 @ \$.5469/lb (an estimated 1% year on year increase)

- Ethylene market “snugged up” since end 2011
- Two Gulf Coast crackers currently down for maintenance, a third is scheduled to go down shortly
- FY2011 to FY2012 pricing comparable

HDPE

Where Used: High density polyethylene is used in a wide variety of applications, including plastic milk containers, liquid detergent bottles, etc., and industrial applications such as plastic pipe for natural gas transmission and many automotive parts.

Cost Drivers: High density polyethylene is heavily influenced by the factors driving ethylene costs, and it also has its own supply / demand cost influences.

Current Summary:

4Q2010 @ \$.652/lb

3Q2011 @ \$.705/lb

4Q2011 @ \$.672/lb (a 4.7% decrease from prior calendar quarter and a 3.1% increase calendar period to period)

FY2011 @ \$.708/lb

Estimated FY2012 @ \$.717/lb (an estimated 1.3% increase, year on year)

- PE resin inventories down 245M pounds during 4Q2011
- November to December, pricing up 5cpp
- 2012 pricing forecasted to move up “sharply”
- HDPE operating units at 96.1 percent at 2011 end / early 2012

PET

Where Used: This is the plastic used to make soda bottles, water bottles and plastic beer bottles, and is also used in the manufacture of carpeting and clothing.

Cost Drivers: PET pricing is tied to ethylene glycol and to xylene markets, supply / demand balances, and it has historically had a seasonal influence (increased consumption during the summer due to water and soda bottle demand).

Current Summary:

4Q2010 @ \$.783/lb

3Q2011 @ \$.98/lb

4Q2011 @ \$.942/lb (a 3.9% decrease from prior calendar quarter and a 20% increase calendar period to period)

FY2011 @ \$.961/lb

Estimated FY2012 @ \$.949/lb (an estimated 1.2%, year on year decrease, basically flat)

- PET resin currently undergoing “seasonal” pricing (soft drink / water bottle resin demand weak (for now!))
- Pricing forecasted to spike 2Q/3Q 2012

Glycerine

Where Used: Glycerine is used in cosmetics, foods, pharmaceuticals, and a variety of personal care and oral care products, as well as in other applications including animal feed, antifreeze and certain energy uses.

Cost Drivers: As glycerine is a byproduct of the production of other products, its cost is principally driven by the demand for glycerine for its various uses – the supply remains driven largely by the production of other products such as biodiesel fuels, soaps, fatty alcohols, and fatty acids.

Over the past few years the increasing use of biodiesel as a fuel in Europe, and increasing volumes in North America, has resulted in significant increases in the supply of byproduct glycerine globally, which will help drive the glycerine markets.

Current Summary:

- 99.7% Kosher quality refined glycerine spot pricing: December 2011 USA @ \$.48/lb, Europe @ Euro \$550/pmt, USA estimated mid 2012 price @ \$.48/lb, Europe estimated @ Euro \$625/pmt
- 99.5% tallow quality refined glycerine spot pricing: December 2011 USA @ \$.38/lb, Europe @ Euro \$525/pmt, USA estimated mid 2012 price @ \$.39/lb, Europe estimated @ Euro \$550/pmt
- 80% crude glycerine spot pricing: December 2011 USA @ \$.10/lb, Europe @ Euro \$225/pmt, USA estimated mid 2012 price @ \$.12/lb, Europe estimated @ Euro \$300/pmt.
- Demand for refined glycerine continues to be solid in the cosmetics / pharmaceutical areas
- It is forecasted that crude glycerine will continue to be in strong demand, and by end 2012, there will be some tightness in quality material availability

Linerboard

Where Used: Linerboard is the main component and cost driver in the manufacture of corrugated shipping containers, which are used in a broad variety of consumer industries such as food and beverage, as well as the automotive industry.

Cost Drivers: Linerboard is heavily influenced by supply / demand balances, inventories, conversion cost (energy), exports and industry consolidation.

Current Summary:

4Q2010 @ \$670/tn list price

3Q2011 @ \$670/tn list price

4Q2011 @ \$670/tn list price (flat to prior calendar quarter and flat calendar period to period)

FY2011 @ \$670/tn list price

Estimated FY2012 @ \$643/tn list price (a 4% decrease forecasted, year on year)

- Pricing forecasted to fall \$30/tn, during early 2012