

2009-2010 Resin Review

From Ed Schaefer

Last year at this time (Oct.08) we had a perfect storm on the upside causing the price of natural gas to get to the all time high of \$16.00 per thousand feet (MCF). Oil was over \$120.00 a BBL. and plastic film and bag prices were causing sticker shock.

From Oct. 08 until Oct. 09 we have had a perfect storm on the down side for resin and natural gas prices. Prices for natural gas have been trading between \$2.90 to \$4.95 per thousand feet (MCF). Over all resin prices are down approx \$.27 cents per pound (a reduction of approx \$7.00 per thousand on a standard 7# ice bag.) This reduction is in spite of four resin price increases so far this year.

The overall decrease in the prices of natural gas and resin has been due to several factors:

1. The tremendous increase in the supply of natural gas due to finding new deposits of natural gas in the shale deposits helped by new advancements in horizontal drilling. We are blessed to have over a 120 year supply of natural gas here in the USA, Canada, and Mexico.
2. Due to abnormally cool weather this summer, many of the spike electric generating plants cut back or stopped producing, reducing the demand for natural gas.
3. The hurricane season so far this year has been a non-event, thus reducing the threat of a disruption in the supply of natural gas from the Gulf of Mexico and keeping the speculators from running up the prices.
4. Because of the reduced demand for resin, the major producers have reduced their production capacity in order to keep their prices from dropping lower. The resin producers have been helped by a strong export market where they have been able to get \$.03 to \$.04 a pound more overseas than in the USA.

As we get into the colder, winter heating season I believe it is possible to have the natural gas prices moving higher to the \$7.00 to \$8.00 per MCF range. This will cause resin and plastic bag prices to increase. So, I think it would be wise to make your ice bag commitments early.

Hoping for a really HOT 2010 year.

Regards,

Ed Schaefer (the K.C. Kid)