



Pine Chemicals Association, Inc.

Newsletter

3350 Riverwood Pkwy SE, Suite 1900, Atlanta GA 30339

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Number 7

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For further information access our website:

www.pinechemicals.org

PCA HOLDS 2006 ANNUAL MEETING

The Pine Chemicals Association held its Annual Meeting on May 3, 4, & 5, 2006, at the Ritz Carlton Lodge at Reynolds Plantation, Georgia. In attendance were 40 delegates from member companies, and 12 spouse/ guests. Dr. Philippe Salemis, the new full time Director of the Hydrocarbon and Rosin Resin Producers Association (HARRPA) attended as a special guest.

The meeting opened on Wednesday evening with a welcome reception and dinner served on the hotel lawn. The event provided an excellent opportunity to greet old friends and become better acquainted with new members and first time attendees. One of the first time attendees was Nikolay Kudov of Resin Industrial Holdings, ORGKHIM, the Association's first Russian member.

On Thursday morning, Jerry Marterer, PCA Chairman, opened the meeting by welcoming all attendees. Walter Jones made a brief presentation concerning the status of our legal efforts to correct the inaccurate classification of rosin as a skin sensitizer in the EU. The remainder of the morning was taken up with individual meeting of the three PCA Committees, Environmental Health & Safety, Meetings, and Membership and Information. During the afternoon a number of attendees participated in the Annual PCA Golf Tournament, which was superbly organized by Greg McLean, Golf Chairman. The day concluded with another reception and the awarding of valuable golf prizes.

On Friday morning the Association held its annual business meeting. Jerry Marterer presented an overview of the Association's activities for the past year, Walter Jones followed with a report of the Association's financial status. Committee Reports from Nelson Lawson (EHS Committee), David Germain (Membership & Information Committee) and Walter Jones (Meetings Committee) brought the membership up to date on activities during the past year. (Note: Corey Schneider agreed to be Chairman of the Meetings Committee replacing Chris Pierce)

Officers and Directors elected for the year 2006 – 2007 are: Jerry Marterer–Arizona Chemical–Chairman, Jerry Cross–Eastman Chemical–Vice Chairman, Brad Crocker–Hexion, Steve Violette–Plasmine, Greg Adams–IFF, Mike Roberts–Georgia–Pacific, Corey Schneider–DRT, Ken Malin–Akzo Noble, Bernardo Mello–Resitec.

The Annual Meeting adjourned following lunch.

IN MEMORIAM

David Germain

We were all shocked and deeply saddened by the news of David Germain's tragic and untimely death on July 26, 2006. Dave had been involved with the pine chemicals industry for over 20 years with Union Camp's Chemical Products Division and with Arizona Chemical. Dave was also very active in the Pine Chemicals Association serving as Chairman of both the Meetings Committee and the Membership and Information Committee.

Dave will be missed as a good friend and as a strong supporter of PCA.



PCA 2006 ANNUAL MEETING



The Ritz Carlton Lodge



Felix Kerner, Nikolay Khodov & Nelson Lawson



Bill Dopf & Bernardo Mello

INDUSTRY NEWS

CARGILL EXPANDS IN CHINA

Cargill announced the recent opening of a 5,000 ton/day oilseed crushing facility in Natong, Jiangsu Province, China. The new facility represents the company's largest investment in China valued at US\$60 million. Cargill has two other crushing facilities in Dongguan. The privately held company did not disclose its total oil seed crushing capacity in China. According to USDA the total oilseed crushing capacity in China is only about 40% utilized.

COGNIS ANNOUNCES PLANS TO EXPAND ESTER BUSINESS

Cognis has announced plans to upgrade and debottleneck its ester producing facility in Cincinnati, OH. Most recently Cognis announced plans to replace the boilers at the same facility for an investment of US\$20 million. Cognis' ester products are used in synthetic lubricants in transmissions and axels in heavy duty trucks. Improvements to the plant should be completed by the first quarter of 2007

CRODA BUYS UNIQEMA

ICI has agreed to sell its Uniqema oleochemicals and surfactants business to Croda International, a UK based company, for US\$743 million. The sale is expected to close during the third quarter of this year.

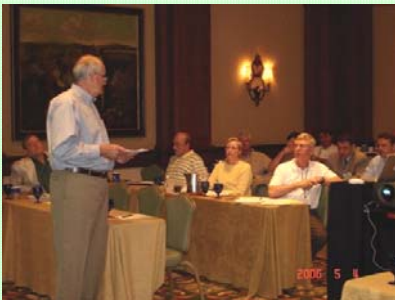
Including Uniqema, Croda will have sales of 930 million pounds, and a projected EBITDA of 115 million pounds. According to a Croda spokesman the company will integrate all specialty sales into five business groups and combine the Croda and Uniqema base oleochemicals businesses. Croda says it has shifted its business away from industrial markets and toward consumer care markets in recent years, and it believes it can do the same with Uniqema.

Synergistic cost savings of at least 20 million pounds by the end of 2008 are projected.

PCA 2006 ANNUAL MEETING



Opening Reception & Buffet on the Lawn



EHS Committee Meeting



Meetings Committee Meeting



Membership & Information Committee Meeting



Jerry Marterer, Suzanne Marterer, Sue Violette, Ann Jen

HEXION SPECIALTY CHEMICAL COMPLETES ACQUISITION OF AKZO IAR BUSINESS

On June 1, 2006, Hexion Specialty Chemical Inc. announced the completion of their acquisition of Akzo Nobel's global Inks & Adhesives Resin business for Euros 88 million. The acquired unit will become a part of Hexion's Performance Products and Inks Division.

Acquired facilities include plants in Maastricht, the Netherlands; Santo Varao, Portugal; Toronto, Canada; Concordia, Argentina; Mt. Maunganui, New Zealand; Fengkai and Suzhou, China; Gunsan, Korea; Baxley, GA, and Matteson, IL, USA. The acquired business has annual sales of Euros 166 million and employs 560 associates. Product lines include hard resins, alkyd resins, polyester resins, acrylic resins, resin solutions and vehicles, tackifier dispersions, and rosin esters.

HEXION DELAYS IPO

Hexion Specialty Chemicals has announced that it will suspend its long awaited (since September, 2005) initial public stock offering (IPO) due to adverse market conditions.

Hexion was formed in May, 2005 out of the merger of Borden Chemical, Bakelite, Resolution Performance Products, and Resolution Specialty Products, and is owned by private equity firm Apollo Management.

IFF NAMES NEW CEO

International Flavors and Fragrances Inc. have named Robert M. Amen as Chairman and CEO. Mr. Amen joins the global producer of flavors, fragrances, aroma chemicals, and essential oils from International Paper Company where he most recently served as President.

MARKET

CHINA GUM ROSIN TRADE CONFERENCE

The China Forest Chemicals Trade Association sponsored the China Gum Rosin Trade Conference on July 4, 5 & 6, at the Ramada Pearl Hotel in Guangzhou, China. The conference was attended by 90 delegates from Chinese companies and 26 representatives from non Chinese companies. The conference was very well organized and hosted by the China Chamber of Commerce.

The conference program began with a welcome reception and dinner on Wednesday evening giving everyone a chance to get acquainted. Following a welcome address by Mr. Ni Rulin of CFNA, three papers were presented on Thursday, July 5th, followed by a group lunch. There was a panel discussion on Thursday afternoon. On Friday morning another four papers were presented, and the meeting closed with lunch.

PCA 2006 ANNUAL MEETING



Nancy Cross & Sonya Roberts

CHINA GUM ROSIN TRADE CONFERENCE



Mr. Handhadari presents paper to CGRT Conference.



Li Yi and Li Rulin welcome delegates to CGRT Conference.



Delegates to China Gum Rosin Trade Conference.

THE GLOBAL BIODIESEL MARKET

Growth in demand for vegetable oil based biodiesel materials is substantial. Oil World, a German based forecasting service, estimates a 125% increase (from 6 million to 13.5 million tons) in global biodiesel production capacity from December 2005 to December 2007. About one fourth of the capacity increase (3.7 million tons to 5.4 million tons) will take place in the EU. In 2002, rapeseed oil accounted for 84% of the world's biodiesel feed stock, followed by sunflower oil at 13%.

Most of Europe's biodiesel materials are based on rape seed oil. Canada, with its large (7.6 million tons) production of Canola oil is prohibited from exporting to the EU due to the potential of genetically modified Canola. However, Canada is expected to benefit from several new US facilities that will be using Canola. Among the US producers that are constructing new facilities are ADM, ChemCon, Blue Sun Biodiesel, and Earth Biofuels.

Malaysia is also making serious efforts to enter this market with their sizeable production of palm oil. Global palm oil production for the 2005 – 2006 crop year is projected to reach 34 million tons.

REGULATORY

LOBBYING ON YOUR BEHALF

One of the PCA membership benefits is combining our lobbying efforts with those of other trade associations to alert the government to our needs. Here are three recent initiatives:

CHEMICAL PLANT SECURITY

After 9/11 several unsuccessful efforts were made to pass laws to make chemical plants tighten their security against terrorists. Our concern is that without consistent national regulations each state will pass its own laws, and that we may be saddled with many different requirements including possibly having to change our processes to "inherently safer technologies." The Collins-Shays bill seems the best compromise between needed security and industry flexibility and won't require major changes in the way our plants are now protected. The PCA has sent a letter to key senators on the Senate Homeland Security Committee supporting it with several changes. The bill is still in committee.

FOOD CONTACT NOTIFICATION

The FCN Program allows a company to receive FDA approval for a new indirect food additive by simply writing a letter, and if no objection is received, to proceed with its use. In its zeal to cut costs, the Administration removed the \$6 million needed to operate it. A consortium of trade associations and companies is actively lobbying key representatives and senators. The House has reinstated the funds and we are hopeful that the Senate will soon follow suit. Members of the consortium have also met directly with the FDA Commissioner to convince him not to drop funding for the following fiscal year.

SAICM

The Strategic Approach to International Chemicals Management is a United Nations initiative to safely manage all chemicals worldwide with a mass of bureaucracy, the chemical companies paying for it with a tax on every pound. The PCA, with several other associations and companies, presented a position statement to a joint meeting of the State Department and the Environmental Protection Agency in June of 2005. Our government supported the industry position, and the final program announced in Dubai in February is essentially voluntary.

NEW DOCUMENTS IN THE REPOSITORY

The PCA Document Repository is an on-line file of reliable technical, environmental and regulatory documents useful to our member companies and to the industry. It is easily accessed through the PCA Website by members with an appropriate password and is equipped with a powerful search engine. Click on the link:

<http://www.pinechemicals.org/doclibp/doclib.cfm>

We are constantly adding new documents; the newest are listed here:

PCA HPV Test Summary Table – an easy way to find which tests were done under the PCA High Production Volume Challenge Initiative and the substrates tested.

Hot-Melt Adhesive Components Flammability – a useful paper of data on the flammability of adhesive components using a new, more pertinent test.

Rosin Review and Summary of Human Health and Ecological Toxicity and Contact Sensitisation Potential of Rosin and Tall Oil Rosin - Summaries of environmental and health testing of rosin prepared originally to help the New Zealand authorities properly classify rosin under the Global Harmonization System. They were prepared by two toxicologists based on data obtained by PCA from our HPV tests and the HARRPA studies on skin sensitization.

Crude Tall Oil Environmental Tests – Thirty-three testing reports on crude tall oil originally done for the International Maritime Organization to ensure that this material could still be shipped in large ocean tankers. The data will be helpful in alleviating concerns about the effects of CTO on the environment.

PCA WELCOMES NEW MEMBERS

The Pine Chemicals Association proudly announces the following new members;

Arez International, Ltd
O'Laughlin Industries, Ltd

PCA UPCOMING EVENTS

Please mark your calendars with the dates off the following meetings:

INTERNATIONAL CONFERENCE - 24, 25, 26 September, 2006 - Copacabana Palace Hotel – Rio de Janeiro, Brazil

ANNUAL MEETING – 25, 26, 27 April, 2007 – The Inn at Harbor Town – Hilton Head Island, SC

INTERNATIONAL CONFERENCE – 23, 24, 25 September, 2007 – US Grant Hotel – San Diego, CA