

China Market Pulp Report

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I. Global Overview

The holiday month of 2010 eased demand for market pulp in Europe and North America. And suppliers only lowered sales price of NBSK by US\$20/tonne. In Asia, however, suppliers lifted up their offer of NBSK as much as US\$20/tonne for January to meet with revived demand.

According to PPPC, global market pulp shipment in November was near to 3.45 million/tonne, +2.7% from October and +1.4% from a year ago. YTD shipment totaled 37.08 million/tonne, -1% from that of 2009 however. Producer inventories reduced to 32 days of supply by end-November, down 2 days from October, yet up 8 days from a year ago. By grade, BSK inventories edged up 1 day from October to 26 days of supply and BHK inventories equaled 39 days of supply, down 2 days from October, yet up 9 days from a year ago.

In North America, market pulp shipment in November rose to 607,000/tonne, +1.3% from October and +2.7% from a year ago. YTD shipment totaled 6.92 million/tonne, +5.3% from that of 2009. Prices of most of the regular grades remained unchanged from November. List price of NBSK stood at US\$970/tonne and SBSK at US\$920/tonne. Price for Bleached Northern Mixed Hardwood pulp remained at US\$890~900/tonne, which was US\$20/tonne above Bleached Southern Mixed Hardwood pulp. For eucalyptus pulp, market was quiet at US\$900/tonne.

Continental European market for BHK dipped after the announcement by Fibria to lower the price of its eucalyptus pulp by US\$20/tonne in December. According to Europulp, consumer inventories in November

fell to 674,500/tonne, -1.8% from October and -2.3% from a year ago. Consumption in November totaled 1.04 million/tonne, -4.3% from October and -0.6% from a year ago. Stocks at European ports were 979,710/tonne, -0.7% from October, yet +50.4% from a year ago.

FOEX reported that NBSK was listed at US\$948.92/tonne in Europe on December 28, down US\$4.37/tonne from end-November, yet up US\$150.29/tonne from early January, 2010. Price of BHK was US\$869.99/tonne, down US\$20.78/tonne from November, yet up US\$149.21/tonne from early 2010.

II. China's Mainland Market

China's contract and spot markets continued to head at their conflicting directions. For contract business, revived demand, mostly from mainstream mills who began to rebuild stocks of BSK, allowed mainstream suppliers not only to achieve easily a US\$10-30/tonne up-charge for December, but also triggered another US\$10-20/tonne price increase for the China market for January, 2011. Market for BHK appeared stabilized in December after months of falls, thanks to the decisive price cuts from mainstream suppliers led by Fibria. Orders improved and no further slips in price throughout December.

Although market for fine paper and high-end box board, which are the prime consumers of market pulp, continued sleepy and fiber stocks at mainstream mills remained high, the announcement of a series of new greenfield capacity start-ups, including the trial runs of a 750,000/mtpy fully coated paper machine at Huatai Paper (Dongying) in

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Shandong, upper eastern China in late December, enhanced China's demand for market pulp imports from overseas. The growth of demand will become more consolidated along with the elimination of more small and obsolete capacity. In particular, chemical pulp mills whose capacity is less than 50,000/mtpy and containerboard and coated recycled board mills at the capacity of 10,000/mtpy are of the prime targets in 2011.

It is generally agreed that the China market will be less active in January in view of the New Year holidays and incoming Chinese Spring Festival in early February. Contract business for BHK will stay stagnant and market for BSK may also cool down.

Contract business. More BSK suppliers announced price increases for the China market effective from January 2011. The most aggressive was Ilim, Russia, who took to a US\$20/tonne rise. For BHK, market was waiting for new offers for January at the last week of December. Most market observers believed that price would stay unchanged from December.

Offers for January contracts from regular suppliers to the China market at the last week of December were: US\$840-850/tonne, CIF China Main Ports (CMP) for NBSK from Canada, up US\$10/tonne from the previous month. SBSK from Chile was quoted at US\$830/tonne, CIF CMP, up US\$10/tonne. And those from Russia went up US\$20/tonne to US\$840/tonne, CIF CMP (by rail). Russian suppliers did not quote price by ocean shipment in concern of tight supplies.

No new offered prices on BHK for January yet and market observers would agree that prices of December would remain valid as US\$750/tonne CIF CMP for offers from Brazil, US\$730/tonne CIF CMP for offers from Chile and US\$670/tonne CIF CMP for offers from Indonesia.

Although market was also waiting for new offers for chemi-mechanical pulp, observers believed price for January would go up in light of the strong demand, which prompted price to go up US\$30/tonne price in December.

For UKP, market remained active throughout December. Offers from Chile stood firm at US\$750/tonne, CIF CMP, while offers from Canada gaining US\$10/tonne to US\$810/tonne, CIF CMP. Offers from Russia surged US\$20/tonne to hit US\$655/tonne, CIF CMP (by rail) and US\$685/tonne, CIF CMP (by ocean shipment).

Spot market presented a mixed picture. In the first half of December, price for BSK rose in response to demand from chemical fiber processors to convert it into dissolving pulp. By the second half of the month, however, excessive supplies of BSK led to the fall in price in the market. And demand for BHK remained dull. Rumors of a "price war" between BHK from APP's Hainan Island Mill and APRIL's mill in Shandong, upper eastern China prompted price to dip further.

At the last week of December, transaction price of SBSK shipment from Chile was down RMB90-100/tonne (US\$113.53-15.03/tonne) and NBSK from Canada lost RMB130-150/tonne (US\$19.55-22.56/tonne) and NBSK shipment from Russia gave up RMB50-60/tonne (US\$7.52-9.02/tonne).

For eucalyptus pulp, price dipped further. In comparison with the previous month, price of BHK shipment from Indonesia and Brazil fell as much as RMB100/tonne (US\$15.03/tonne).

The competition for market share between APP's Hainan Island Mill and APRIL's Mill in Shandong resulted in a general fall in price of domestically produced BHK. By late December, shipment from APP's Hainan Island Mill was transacted at RMB5,250/tonne (US\$789.47/tonne, delivered and V.A. tax paid). And shipment from APRIL's Shandong Mill matched

the price by giving up as much as RMB130/tonne (US\$19.55/tonne).

China's spot market for chemi-mechanical pulp also softened. In December, price of shipment from Canada fell RMB100/tonne (US\$15.03/tonne) and shipment from New Zealand tumbled as much as RMB150/tonne (US\$22.56/tonne) from the previous month.

China Market Pulp Price Watch - 2011					
Brand Name	Type	Origin	Early Jan.	Early Dec.	Change %
Northwood	NBSK	Canada	6,900	7,050	-2.1%
Cariboo	NBSK	Canada	6,850	7,000	-2.1%
Silver Star	SBSK	Chile	6,800	6,900	-1.4%
Usk	NBSK	Russia	6,800	6,850	-0.7%
Butterfly	BHK	Brazil	5,900	6,000	-1.7%
Little Leaf	BHK	Indonesia	5,550	5,650	-1.8%
Gold Star	UKP	Chile	6,150	6,050	1.7%
Winstone 75	CMP	New Zealand	4,200	4,350	-3.4%
West Fraser	CMP	Canada	4,250	4,350	-2.3%

*List price in RMB per metric ton, V.A. tax included.
Note: For reference only. Transaction price varies

In spite of the uncertainties in containerboard business, transaction for UKP in the spot market continued active in December. With tight supplies, price rose further. Shipment from Chile gained RMB100/tonne (US\$15.03/tonne) to deal at RMB6,150/tonne (US\$924.81/tonne, delivered and V.A. tax paid). Shipment from Qingshan Paper went up RMB50/tonne (US\$7.52/tonne) to conclude at RMB5,950/tonne (US\$894.74/tonne, delivered and V.A. tax paid), while shipment from Nine Dragons'Xing-An Mill gaining RMB100/tonne (US\$15.03/tonne) to RMB5,100/tonne (US\$766.92/tonne, delivered

and V.A. tax paid).

Imports. The price cuts took by offshore suppliers in the 3rd Quarter 2010 seemed to have revived China's market pulp imports. According to China Customs, China's paper-grade market pulp imports in November rose to 1.01 million/tonne, +33.5% from October and +14.4% from a year ago. From January to November, market pulp shipment arrivals were nearly 10.20 million/tonne (including dissolving and other specialty pulps), -19% from the corresponding period of 2009. Among them, paper-grade market pulp imports totaled 9.25 million/tonne, -21.2% from the same period of 2009.

By grade, UKP imports in November rose to 57,800/tonne, +63.2% from October, yet -0.65% from a year ago. Shipment arrivals of BSK in November totaled 393,860/tonne, +11.6% from October and +31.08% from 12 months ago. For BHK, imports in November grew +77.3% from October to 416,710/tonne. However, this was still off by -3.24% from a year ago. The country's mechanical pulp imports in November totaled 7,080/tonne, -11.35 from October, yet +65.08% from a year ago. And chemi-mechanical pulp shipment arrivals in November reached 138,500/tonne, +8.1% from October and +48.83% from a year ago.

III. Statistics

China's Unbleached Kraft Pulp Imports						
(In US\$000/MT000)	Nov/10	Nov/09	Change %	YTD 2010	YTD 2009	Change %
Total Value	37,880.65	29,673.65	27.66%	247,422.79	244,422.28	1.23%
Total Volume	57.80	58.18	-0.65%	389.81	564.33	-30.92%
Key origins:						
Russia	16.87	8.80	91.77%	139.48	132.64	5.16%
Chile	12.43	14.24	-12.71%	73.32	156.67	-53.20%
USA	12.31	19.04	-35.34%	57.37	83.08	-30.94%

Source: China Customs Administration/Chinapaperonline

China's Bleached Softwood Kraft Pulp Imports

(In US\$000/MT000)	Nov-10	Nov-09	Change%	YTD 2010	YTD 2009	Change%
Total Value	323,121.25	183,008.03	76.56%	2,767,394.72	2,320,253.73	19.27%
Total Volume	393.86	300.47	31.08%	3,539.30	4,466.21	-20.75%
Key origins:						
Canada	134.78	82.76	62.85%	1198.65	1190.55	0.68%
USA	78.75	82.30	-4.31%	701.32	830.43	-15.55%
Russia	64.83	45.35	42.95%	497.63	564.48	-11.84%
Source: China Customs Administration/Chinapaperonline						

China's Bleached Hardwood Pulp Imports

(In US\$000/MT000)	Nov-10	Nov-09	Change%	YTD 2010	YTD 2009	Change%
Total Value	291,562.45	228,737.98	27.47%	2,857,158.96	2,380,562.28	20.02%
Total Volume	416.71	430.67	-3.24%	4,059.99	5,485.29	-25.98%
Key origins:						
Indonesia	134.60	64.10	109.99%	886.99	1142.91	-22.39%
Brazil	102.42	186.62	-45.12%	1649.51	2284.98	-27.81%
Uruguay	77.48	35.80	116.39%	403.09	478.24	-15.71%
Source: China Customs Administration/Chinapaperonline						

China's Mechanical Pulp Imports

(In US\$000/MT000)	Nov-10	Nov-09	Change%	YTD 2010	YTD 2009	Change%
Total Value	3,926.43	2,254.87	74.13%	27,558.86	20,467.95	34.64%
Total Volume	7.02	4.26	65.08%	51.71	45.27	14.24%
Key origins:						
Canada	4.96	4.14	19.73%	44.52	41.86	6.36%
Estonia	2.01	0.00	N.A.	2.01	0.00	N.A.
USA	0.05	0.00	6399.40%	0.05	0.10	-47.84%
Source: China Customs Administration/Chinapaperonline						

China's Chemimechanical Pulp Imports

(In US\$000/MT000)	Nov-10	Nov-09	Change%	YTD 2010	YTD 2009	Change%
Total Value	77,740.31	46,899.77	65.76%	729,424.70	511,291.92	42.66%
Total Volume	138.50	93.06	48.83%	1,213.92	1,190.50	1.97%
Key origins:						
Canada	100.33	71.13	41.05%	985.94	973.83	1.24%
New Zealand	12.51	5.81	115.16%	82.79	80.33	3.06%
Russia	10.28	2.00	413.90%	29.12	28.19	3.28%
Source: China Customs Administration/Chinapaperonline						