

China Recovered Paper Report

January 15, 2011

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I. US Market

After a short upswing in early December, US domestic demand for OCC slipped in the middle of the month. More maintenance downtimes and sufficient fiber stocks at US containerboard mills were the main drivers to the fall in price. As reported by OBM, US domestic sales price of OCC varied from coast to coast. While faring at US\$165-175/ton in Los Angeles, price fell to US\$125-135/ton in Chicago. For export, price remained steady from the previous month at US\$200-210/ton, FAS East Coast and US\$220-225/ton, FAS West Coast.

In comparison, ONP price stood steady and edged up a little in some areas, as a result of shrinking generation and rising export demand. Price rose US\$10/ton to US\$132/ton in average for domestic sales. For export, price advanced US\$2-3/ton to transact at US\$163-167/ton, FAS East Coast and US\$178-179/ton, FAS West Coast.

The narrowed price gap between ONP and sorted mixed paper tempted more bailers to sell mixed paper that contained substantial volume of ONP. For domestic market, price remained at US\$90/ton in average. For export, price went up US\$2/ton to move at US\$147-178/ton, FAS East Coast and US\$164-165/ton, FAS West Coast.

US domestic market for high de-inking and pulp substitute grades softened in December. Price of #40 SWL tumbled US\$20/ ton to trade at US\$330-340/ton in Los Angeles and US\$300-310/ton in Chicago. Market for #37 SOP also gave up US\$10/ton to move at US\$230-240/ton in San Francisco and US\$185-195/ton in the Southwest regions of USA.

II. China Mainland Market

The last month of 2010 saw diverse performance of imported recovered paper in the China market. While ONP from USA and Europe continuing their modest rise, price of OCC dipped. Market observers attributed the weakening of OCC market to the unsteady demand and sales price of containerboard in the China market. On the other hand, market for ONP remained strong. The step-up efforts to rebuild fiber stocks by mainstream newsprint mills and the additional purchase by Huatai Paper (Guangzhou) in preparation for the start-up of its 200,000/mtpy newsprint machine in Xinhui, Guangdong pushed price of ONP to go up steadily.

The new orders of high de-inking waste through bidding by Yueyang Paper and the restart-up of a de-inking line at Lee&man (Changshu) increased China's demand for the high grades in December.

In much of the 2010, price of recovered paper shipment from offshore origins rose consistently. In particular, the upswing performance in OCC price and tightness in supplies sustained for more than 6 months. In 2011, there will be more than 2 million/mtpy new containerboard capacity coming on stream. These, together with commercial launches of newsprint and fine paper PMs (consuming de-inking pulp), will increase China's demand for recovered paper. And the weak dollar will allow Chinese buyers to take more aggressive steps in the market.

Price Watch. Except #8 ONP and #10 OMG, which continued their small, but steady growth in price as a result of replenishment purchase from mainstream newsprint mills and the preparatory orders from Huatai Paper

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(Guangzhou) for its new mill, price for all other grades ex USA dipped in December.

By the last week of December, price of OCC ex USA lost US\$15-16/tonne from 30 days ago. However, price of ONP edged up US\$2-3/tonne, which was also gaining US\$45-46/tonne from a year ago. Strong demand prompted price of #10 OMG to move up US\$5-6/tonne from late November.

Business for sorted mixed paper ex USA slowed down without clear impacts on prices in December, as a result of the government's delay in renewing the allocation for 2011 to eligible mills.

Price of #37 SOP ex USA tumbled US\$12-13/tonne from end-November and price of #40 SWL ex USA gave up US\$9-10/tonne at the same time.

China Waste Paper Price Watch - 2011			
(In US\$/mt, CIF CMP)			
Grade	Early Jan.	Early Dec.	Change %
Sorted Mixed (USA, Soft)	215	215	0.0%
Sorted Mixed (USA, Hard)	216	216	0.0%
Sorted Mixed (Japan)	241	241	0.0%
Sorted Mixed (Europe A2)	209	208	0.5%
#8 ONP (USA)	238	235	1.3%
ONP (Europe 80/20)	229	227	0.9%
ONP (Japan)	251	254	-1.2%
#9 ONP (USA)	272	270	0.7%
#10 OMG (USA)	276	270	2.2%
#11 OCC (USA)	264	279	-5.4%
OCC (Europe 90/10)	232	234	-0.9%
OCC (Japan)	241	245	-1.6%
#37SOP (USA)*	325	337	-3.6%
#40 SWL (USA)	416	426	-2.3%

*Note: List price. For reference only. *Unshredded.*

European Recovered Paper performed steadily in the China market in December. By the last week of the month, the offer price of sorted mixed paper ex Europe gained US\$1-2/tonne. However, price of OCC A5 (90/10) dipped US\$1-2/tonne from end-November. ONP ex Europe (80/20) advanced US\$2-3/tonne, which was also a gain by US\$34-35/tonne from a year ago.

Japanese recovered paper fared steadily in the China market in general in December. However, price of ONP ex Japan dipped.

Though unexpectedly, market observers believed it was more of a correction from excessive rise in price in the past several weeks.

At end-December, quoted price of sorted mixed paper ex Japan fell US\$1-2/tonne from 30 days ago and price of ONP ex Japan also gave up US\$2-3/tonne and OCC ex Japan lost US\$3-4/tonne from late November.

Market for domestic recovered paper continued active and speared at new historical records, unaffected by the softening of the imports.

In Southern China, both Nine Dragons and Lee&man raised their procurement prices in December. For prime box plant cuttings, Nine Dragons would pay RMB1,850-1,890/tonne (US\$278-284/tonne), cash payment against delivery to mill). This was up RMB40-50/tonne (US\$6-7.52/tonne) from the previous month. For bulk OCC, Nine Dragons paid US\$1,780-1,800/tonne (US\$268-271/tonne), cash payment against delivery to mill. This was also up RMB40-50/tonne (US\$6-7.52/tonne). For ONP, price rose RMB50-60/tonne (US\$7.52-9.02/tonne) to deal at RMB1,820-1,840/tonne (US\$274-277/tonne), cash payment against delivery to mill.

In Eastern China, mainstream mills were ready to pay more as well. Price of locally generated OCC gained RMB100-110/tonne (US\$15-16.54/tonne) from the previous month. For example, Nine Dragons (Taicang) paid RMB1,980-2,000/tonne (US\$298-301/tonne, payment against invoice) for prime box plant cuttings and RMB1,870-1,890/tonne (US\$281-284/tonne, payment against invoice) for bulk OCC.

For ONP, mainstream mills would pay RMB1,870-1,920/tonne (US\$281-289/tonne, payment against invoice) for materials with +80% newspaper and RMB1,810-1,840/tonne (US\$272-277/tonne, payment against invoice) for materials with +50% newspaper.

Government. AQSIQ – the authority regulating China’s imports of scrap materials, including recovered paper, approved the renewal application of 250 offshore exporters in mid-December. The combined shipment from these exporters accounted for nearly 90% of the total recovered paper shipment to China in 2009. The approval, though belated, paved the way for the continuous shipment of recovered paper from overseas origins to China in 2011.

Imports. The increase in shipment arrivals in November eased the tightness in OCC supplies in the China market. And the step-up procurement by newsprint mills after October also resulted in rise of ONP imports. Latest reports from China Customs showed that China imported more than 2.02 million/tonne

of recovered paper in November, +15.9% from October. And the YTD imports were very close to 22 million/tonne. However, this was off by -12.7% from the corresponding period of 2009.

By grade, OCC imports in November grew to 1.27 million/tonne, +14.8% from October and +8.29% from a year ago. The country’s ONP imports in November increased +18.4% from October to 436,890/tonne. However, this was down -16.81% from 12 months ago. In November, shipment arrivals of sorted mixed paper totaled 286,010/tonne, +15.8% from October, yet -21.36% from a year ago.

For high de-inking and pulp substitute grades, China’s imports in November grew to 38,570/tonne, +27% from October and +52.24% from a year ago.

III. Statistics

China's OCC Imports						
(In US\$000/MT000)	Nov-10	Nov-09	Change%	YTD 2010	YTD 2009	Change%
Total Value	305,199.67	197,540.36	54.50%	2,847,673.14	2,001,450.30	42.28%
Total Volume	1,270.78	1,173.53	8.29%	12,795.13	14,860.81	-13.90%
Key origins:						
USA	523.50	457.56	14.41%	5,161.92	5,500.27	-6.15%
UK	171.47	124.67	37.55%	1,666.42	1,613.62	3.27%
Japan	134.65	181.10	-25.65%	1,675.49	2,010.95	-16.68%
Source: China Customs Administration/Chinapaperonline						

China's ONP Imports						
(In US\$000/MT000)	Nov-10	Nov-09	Change%	YTD 2010	YTD 2009	Change%
Total Value	95,347.59	89,496.32	6.54%	1,147,515.74	915,759.63	25.31%
Total Volume	434.36	522.11	-16.81%	5,398.06	6,658.63	-18.93%
Key origins:						
USA	256.25	297.90	-13.98%	2,981.51	3,508.23	-15.01%
Hongkong	58.32	42.54	37.10%	526.95	402.83	30.81%
Canada	32.78	35.66	-8.07%	440.33	328.07	34.22%
Source: China Customs Administration/Chinapaperonline						

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China's Sorted Mixed Imports						
(In US\$000/MT000)	Nov-10	Nov-09	Change%	YTD 2010	YTD 2009	Change%
Total Value	57,405.02	57,469.39	-0.11%	660,001.99	428,376.03	54.07%
Total Volume	286.02	363.71	-21.36%	3,370.66	3,425.28	-1.59%
Key origins:						
USA	79.55	94.43	-15.76%	860.32	686.64	25.29%
Japan	73.52	80.00	-8.10%	965.92	1,034.26	-6.61%
UK	37.36	50.07	-25.38%	401.68	361.40	11.15%
Source: China Customs Administration/Chinapaperonline						

China's De-inking Imports						
(In US\$000/MT000)	Nov-10	Nov-09	Change%	YTD 2010	YTD 2009	Change%
Total Value	12,480.21	6,189.77	101.63%	133,064.35	53,040.40	150.87%
Total Volume	38.57	25.33	52.24%	431.18	253.89	69.83%
Key origins:						
USA	17.55	12.57	39.56%	154.24	123.72	24.66%
Japan	7.13	2.62	171.68%	114.59	42.25	171.20%
Hongkong	3.91	1.04	275.86%	41.53	19.35	114.67%
Source: China Customs Administration/Chinapaperonline						