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I. Packaging Board

North America. Capacity cuts in US containerboard industry in the 4th Quarter 2008 took to 1.40 million/ton, accounting for 14.5% of the industry capacity.

According to AF&PA, US corrugated box shipment in November fell to 26.28 billion/feet², -18.8% from October and -14.4% from a year ago. This was the lowest since December 1992. From January to November, US containerboard shipment totaled 346.4 billion/feet², -3.4% from the same period of 2007. Production in November declined to 2.56 million/ton, -11.2% from October and -12.8% from a year ago. Operating rate fell to 85.2% vs. 92.5% in October and 93.9% a year ago. Inventories at both containerboard mill and box converters rose to 2.58 million/ton and exports slipped -23.8% from October to 237,000/ton (-13.2% from a year ago). All indications point to the fact that US containerboard market has entered into recession.

Production cost reduced, thanks to the dramatic price declines in OCC and oil. Top

tier producers continued their sales promotion through moderate price cuts, while small producers offering more tempting discounts. The 42 lb. kraft-top liner was listed at US\$595~605/ton, down US\$10 from the previous month. And the 26 lb. semi-chemical medium was listed at 565~575/ton, down US\$20 from the previous month.

Market in European market performed poorly as well. Price of Euro-Kraftliner fell to €484.58/tonne by end-December, down €4.86/tonne from the beginning of the month. According to FOEX, price has lost €39.27/tonne since January. Euro-Testliner2 was dealt at €379.56/tonne, down €20.72/tonne from early December or €97.88/tonne from January. Suppliers' ability to offer greater price reduction was clearly the result of dramatic fall in OCC market.

China Mainland Market. Market in the last month of 2008 seemed to stabilize after months of turbulence. In fact, linerboard and medium were able to edge up a little in price and producers reported of improved orders and mill inventories. And of course, the improvement could not come so soon without the painful mill shut-downs and cut-throat sales of packaging boards in the last two months.

Still, mainstream packaging board companies will pose serious loss reports for 2008, most of which incurred after September. All companies will continue their strategy to curb production and shipment in order to lift up the sales price. In Southern China's Guangdong Province, mainstream mills announced to follow a joint commitment to run no more than 70% capacity. Market observers are not sure of the length and

strength of the compliance. They also believe that the current price improvement will be short and small, without strong support from orders both at home and abroad.

As part of the government's efforts to help boost the country's manufacturing industries, the People's Bank of China – China's central bank – announced to lower the prime rate by 0.27 percentage points on Dec. 23. Earlier on November 27, the Bank made a strong cut by 1.08 percentage points on the one-year lending rate. Also, the government regulates that effective from December 19, sales prices of gasoline and diesel be lowered by RMB900/tonne and RMB1,100/tonne respectively.

Linerboard. Improved sales and shipment, though moderate, helped producers trim mill inventories. In Southern China's Guangdong Province, Lee&man (Hongmei) reported of being able to run all 3 machines at full speed most of the time in December. Shipment speeded up and mill inventories reduced by 7 days to about 12 days of supply. The company was also able to achieve a RMB200/tonne (US\$29/tonne) price rise in sales, though far from covering the company's loss in the 4th Quarter.

In Central Eastern China, Rongcheng Paper in Zhejiang was able to run at 95% operating rate in December. With improved shipment, mill inventories lowered by 3~4 days from the previous month to equal 8 days of supply by late December. Sales price rose by RMB50/tonne (US\$7.35/tonne). The company's greenfield lightweight linerboard machine – PM#5 – began trial runs in mid-December. The machine, at the designed capacity of 400,000/mtpy, has a trim width of 6.6 m and runs at 1,000m/min. According to company sources, commercial runs will not begin in the immediate future.

Corrugating medium market presented a similar picture as the linerboard. Mills

reported of improved orders and shipment with moderate rise in sales prices. Rongcheng Paper in Zhejiang Province, Eastern China was able to reach 97% operating rate during the month. With active shipment, mill inventories were reduced to 3 days of supply – down by about 9 days from the previous month. Sales price gained RMB100/tonne (US\$14.71/tonne). The company will start up its PM6 – a 400,000/mtpy medium machine at 6.6m trim width and 1,000m/min. speed – in late March. Soon, Rongcheng Paper will overtake Lee&man and become the 2nd largest containerboard producer after Nine Dragons in Eastern China.

China Containerboard Price Watch: Early-Jan.2009			
(In RMB/MT)	Origin	List Price	Substance
Linerboard			
Georgia Pacific	USA	4,900	175gsm
Weyerhaeuser	USA	4,900	175gsm
Bratsky	Russia	4,800	180gsm
Jingxing Class A	Zhejiang	3,200	150gsm
Nine Dragons Class A	Dongguan	3,250	150gsm
Lee&man Class A	Dongguan	3,250	150gsm
Medium			
Nine Dragons Class A	Dongguan	2,300	100gsm.
Jinzhou Paper Class A	Dongguan	2,300	105gsm.
Shun Yu Paper Class A	Dongguan	2,300	100gsm.
Lee&man Class A	Changshu	2,250	105gsm.
Luping Yongfa Class A	Shandong	2,100	120gsm.
Changfeng Class A	Jiangsu	2,200	105gsm.
Note: For reference only. Price varies in transaction.			

Coated Recycled Board performance also improved in December. Mainstream mills reported of rising operating rates and active shipment. However, price continued its decline. In Southern China's Guangdong Province, Jianhui Paper was able to run its machines at 75% capacity in December, a clear improvement from the 50% rate in November. Mill inventories dropped 1 day from late-November to 39 days of supply in late-December. Still, sales price fell another RMB250~300/tonne (US\$36.76~44.12/tonne). Export performance remained sleepy and price

slipped to US\$360~ 380/tonne, FOB Shenzhen, China for Grade A 300g/m² One-side coated board.

Coated Carton Board Price Watch: Early-Jan.2009			
(In RMB / MT)	Origin	List Price	Substance
Coated Newsback Board			
APP Ningbo Zhonghua	Ningbo	3,350	250 gsm
Changjiang Paper	Jiangsu	3,300	250 gsm
Jianhui Paper	Dongguan	3,300	250 gsm
Nine Dragons	Dongguan	3,350	250 gsm
Coated SBS Board			
Sun Paper	Shandong		230gsm
Bohui Paper	Shandong	4,750	230gsm
APP Ningbo Zhonghua	Ningbo	4,800	230gsm
Hengxing Paper	Henan	4,600	230gsm
Meili Paper	Ningxia	4,700	230 gsm

Note: For reference only. Price varies in transaction.

Coated SBS board business revived also, thanks to the joint effects of further price cuts by the mainstream producers and improved demand in December. In upper Eastern China's Shandong Province, Chenming Paper, which had to suspend production for 7 days at the beginning of December to trim inventories, received active orders in the 2nd half of the month when the company decided to slash sales price by RMB300~400/tonne (US\$44.12~58.82/ tonne). The company was able to speed up production and trim mill inventories to 72 days of supply by end-December – an improvement by 13 days from end-November!

Imports & Exports. It is no surprise to the Chinese producers and market observers to see clear declines in the country's imports and exports of packaging paperboard in the 4th Quarter under deteriorating global and domestic economic environment.

According to China Customs, the country's linerboard imports in November fell to 59,180/ tonne, -17.6% from October and -27.58% from a year ago. Corrugating medium imports in November also fell to 35,120/tonne, -14.5% from October and

II. Recovered Paper

US Market. US recovered paper demand and supply continued the ride on bumpy roads in December under joint impacts of more paper and board mill closures in North America and traditional high season in generation of recovered paper. The improvement of export price and ocean freight rates gave suppliers new hope.

Price of OCC for domestic sales lost another US\$4/ton in December to trade at US\$26/ton. For export, price improved by US\$8~9/ton, making exports transactions at US\$48~52/ton FAS East ([Continue on Page 4...](#))

-6.43% from a year ago. The country's coated SBS board imports in November also suffered. During the month, shipment arrivals were 46,930/tonne, -23% from October and -25.8% from a year ago.

Linerboard exports in November were 3,660/tonne, -28.8% from October and -87.73% from a year ago. Corrugating medium exports during the month also shrank to 1,920/tonne, -54.9% from October and -95.6% from a year ago. Coated SBS board exports in November totaled 40,710/tonne, -19.9% from October and -59.02%.

Market observers do not see immediate signs of improvement in China's imports and exports of packaging board. Imports will remain inactive in the next several months. Also, the country's packaging board exports will continue performing disappointingly throughout the first quarter of 2009. The call by industry players for the restoration of export tax rebate by the government is getting momentum. But it is generally agreed that the tax rebate will not quickly boost the industry's export performance without clear improvement in overseas demand, especially orders from the USA. ([Return to Page 1](#))

(...Recovered paper from Page 3) Coast and US\$65~70/ton FAS West Coast.

ONP market performed similar to the OCC. Suffering from weakening domestic demand, price lost US\$5/ton from the previous month to US\$35/ton in average in December. For export, however, price gained US\$8~9/ton on both coasts to transact at US\$48~52/ton FAS East Coast and US\$65~70/ton FAS West Coast.

Market for sorted mixed paper remained at its 10-year low as domestic sales price hanging on at US\$5/ton. For export, the worst seemed to have gone and transaction price rose US\$5/ton from the previous month to US\$5~10 FAS East Coast and US\$25~30/ton FAS West Coast in December.

Under the negative impacts of market pulp, US domestic sales price of high and de-inking waste paper continued its slip. For #40 SWL, domestic sales price gave up another US\$39~40/ton to trade at US\$226/ton. For export, price also tumbled US\$30/ton to US\$220~225/ton FAS East Coast and US\$225~230/ton FAS West Coast. Price of #37 SOP also declined by US\$25~27/ton to conclude at US\$100/ton in the US domestic market. For export, price was roughly the same as the previous month at US\$90~100/ton FAS East Coast and US\$100~110/ton FAS West Coast.

China Mainland Market. More activities were seen in the last month of 2008 with more reports of transaction and price improvement in imported OCC and ONP. The announcement on December 18 by AQSIQ – a government body regulating recovered paper imports – on the names of the first group of companies to receive general import permission and special allocation for sorted mixed paper in 2009 immediately led to a price jump of the grade.

Overall, however, China's paper industry

remained under the impacts of the negative performance of country's economy. Production cuts and mill shut-downs were the main topics of discussion in the industry. Mainstream mills in Southern China's Guangdong Province began to implement a self-observed 30% production cut effective from January 1, 2009. In central Eastern China, Nine Dragons (Taicang) had to temporarily shut down 3 more machines. Earlier, the company had shut down its #8 PM.

Effective from January 2009, the Chinese government requires all domestic recovered paper collectors to pay upfront value added tax in their sales. This will increase the cost of domestic operators and may benefit imports of recovered paper.

Price of bulk grades began to improve moderately in December. At the last week of December, OCC from USA was offered US\$10~11 more than the previous month, although the price was still US\$120~121/tonne less than a year ago.

For ONP, price also edged up and more Chinese buyers went for #9 over-issue news to take advantage of the yield of the grade. This widened the price difference between #8 ONP and #9 over-issue news to US\$25~30/tonne. By the last week of December, price of contract business gained US\$4~6/tonne from November, although this was still US\$118~120/tonne less than that of a year ago. Contract business for #9 over-issue news rose US\$10~11/tonne. Still, this was US\$104~106/tonne below that of a year ago.

Market for #10 OMG stayed steady from November, continuing the loss of US\$113~115/tonne from a year ago.

For sorted mixed paper, price improved US\$3~4/tonne at the last week of December in response to the release of the first group of companies to receive the permission and allocation to import sorted mixed paper. But

the improved price was still US\$113~114/tonne less than that of a year ago.

Price Watch-Early Jan.09	
(CIF CMP In Metric Ton)	
Grade	US\$
#3 Mixed (USA)	84
#3 Mixed (Japan)	115
#8 ONP (USA)	110
#8 ONP (Europe)	76
#8 ONP (Japan)	130
#9 ONP (USA)	135
#10 OMG (USA)	126
#11 OCC (USA)	110
#11 OCC (Europe 90/10)	85
#11 OCC (Japan)	100
#37SOP (USA)	140
#40 SWL (USA)	250

Note: List price. For reference only. Price varies in transaction

Price of recovered paper from Japan improved in December, though moderately. At the last week of December, price of Japanese OCC gained US\$2~3/tonne in the China market, ending the year with a loss of US\$123~125/tonne from the previous year.

For sorted mixed paper, offer from Japan fell US\$5~7/tonne from November and US\$80~85/tonne from a year ago.

Offer price of #8 ONP from Japan in December went up US\$4~5/tonne from late November. Still, this was US\$85~87/tonne less than a year ago.

Price of European recovered paper improved in December. At the last week of the month, price of sorted mixed paper from Europe (A2) edged up US\$1~2/tonne to end the year with a loss of US\$102~103/tonne from the previous year. European OCC (A5 90/100) was quoted US\$4~5/tonne up from November. Still, this was down by US\$120~121/tonne from a year ago. Price of European #8 ONP (80/20) went up US\$2~3/tonne to end the year with a loss of US\$130~135/tonne from the previous year.

Imports. According to China Customs,

III. Market Pulp

Global market completed the year 2008 with excessive supply to demand. In spite of more mill closures during the holiday period in North America and Europe, demand dropped to its lowest in 2008, forcing prices to decline further in the key markets. Global market pulp shipment in November fell below 2.95 million/tonne, -6.7% from October and -11.8% from a year ago. The planned start-up by VCP of a 1.30 million/mtpy eucalyptus pulp mill in March 2009 will add more uncertainties to the market. [\(Continue in Page 6...\)](#)

China's recovered paper imports in the first 11 months totaled 22.21 million/tonne, +6.6% from that of 2007. In November, however, shipment arrivals fell to 1.92 million/tonne, -3.3% from October and -1.7% from a year ago.

Imports of OCC in November were 1.14 million/tonne, -4.2% from October and -6.13% from a year ago. Shipment arrivals of ONP and OMG totaled 465,250/tonne, -11.3% from October and -2.17% from a year ago. Imports of sorted waste paper in November were 301,670/tonne, +19.1% from October, yet -21.22% from a year ago. Imports of de-inking waste in November totaled 12,620/tonne, +5.25% from October, yet -35.91% from a year ago.

The sudden and head-on strike by world-wide economic crisis sent prices of imported recovered paper to their 10-year low. This tempted Chinese mills, who would care more for fiber yield in their reduced orders, to consume more imported recovered fiber than domestically recovered fiber. It is expected that China's recovered paper imports will rise after December and continue into 2009, although no strong rebounds at least in the first half of 2009. [\(Return to Page 1\)](#)

(...Market pulp from Page 5) **In North America**, overall market pulp shipment in November totaled 564,000/tonne, -14.1% from October and -22.1% from a year ago.

NBSK was listed at US\$730~745/tonne in December, down US\$40~50/tonne from November. List price of SBSK also fell to US\$700~710/tonne, losing US\$30~40/tonne from the previous month. Both NBHK and SBHK shrank to US\$660~670/tonne range, after giving up US\$60/tonne. Price of BEK also fell US\$55~60/tonne to US\$680~690/tonne.

European market suffered greater. According to FOEX, list price of NBSK tumbled to US\$641.51/tonne by December 30, down US\$53.45/tonne from the start of the month and down US\$229.65/tonne from January 2008. BHK was listed at US\$584.54/tonne, down US\$69.53/tonne from early December and down US\$126.21/tonne from January.

Consumer inventories in November were 908,000/tonne, -2.1% from October and -9.1% from a year ago. Stocks at European ports went beyond 1.56 million/tonne in November, +2.6% from October and +47.95 from a year ago, according to UTIPULP. Consumption in November shrank to 1.09 million/tonne, -4.2% from October and -9.1% from a year ago.

China Mainland Market. In the last month of 2008, **contract business** revived after nosedive in prices for two consecutive months. More buyers returned to the market to bottom-fish the lowest price volume. This encouraged Arauco to raise price by US\$20/tonne for SBSK to the China market. The attempt was echoed by a number of Canadian suppliers who also added US\$20/tonne to their NBSK offers to China. However, market appeared not ready for the rise without clear improvement in sales and earnings of paper and board mills.

At the beginning of January, premium NBSK from Canada was quoted at US\$535/tonne, CIF China Main Port (CMP), down US\$15/tonne from early December. Less preferred NBSK from Canada was offered at US\$500~520/tonne, CIF CMP, unchanged from the previous month. Quotation of SBSK from Chile remained at US\$520/tonne CIF CMP. For chemi-mechanical pulp, offers from New Zealand stood unchanged from the previous month at US\$400~420/tonne, CIF CMP.

As expected, BHK supply became more excessive than demand in December and suppliers had to lower price further. At the last week of December, mainstream producers in Brazil had to offer US\$420/tonne after cutting their China price by US\$20~30/tonne from 30 days ago. Offers from Indonesia also fell to US\$420/tonne.

Market for UKP was quiet as offers from Chile hanged on at US\$450/tonne, CIF CMP and those from Russia at US\$450~460/tonne, CIF CMP.

Spot market waned in the 2nd half of December after staging a short-lived come-back from late November. As more distributors joined the discount sales to trim inventories and boost cash flows, price dipped. However, market showed a mixed pictures and observers believed price had touched the bottom and there were no signs of further decline in the near future. At the last week of December, NBSK from Canada was transacted RMB30~50/tonne (US\$4.4~7.3/tonne more than 30 days ago). NBSK from Russia also gained RMB40~60/tonne (US\$5.88~8.82/tonne). Shipment of SBSK from Chile rose by RMB80~100/tonne (US\$11.76~14.71/tonne).

On the contrary, BHK from Brazil and Indonesia tumbled RMB300~400/tonne (US\$44~59/tonne) from late November.

Shipment from APP's Hainan Island mill appeared steady in price at RMB3,650~3,700/tonne (US\$536.76~544.12/tonne, delivered with V.A. tax).

China Market Pulp Price Watch - Early Jan.09

Brand Name	Type	Origin	Price*
Northwood	NBSK	Canada	4,950
Cariboo	NBSK	Canada	4,580
Silver Star	SBSK	Chile	4,350
Usk	NBSK	Russia	4,300
Butterfly	BHK	Brazil	3,950
Little Leaf	BHK	Indonesia	3,850
Gold Star	UKP	Chile	3,700

*List price in RMB per metric ton, V.A. tax included.

Note: For reference only. Transaction price varies

Following the decline in demand for premium containerboard in the country, demand for UKP from containerboard mills fell and price slipped. At the last week of December, list price of shipment from Chile and Russia lost RMB250~300/tonne (US\$36.76~44.12/tonne). Price of UKP from Fujian Qingshan Paper – the largest UKP producer in China – dipped RMB150~200/tonne (US\$22.06~29.41/tonne) to transact at RMB3,500~3,550/tonne (US\$514.71~522.06/tonne, delivered with V.A. tax).

Looking forward, mainstream containerboard mills in China will gear down operation in the holiday weeks in January and early February, which will likely cause further price erosion of UKP in the China market.

Imports. The storms that stroke the China market in October led to the drastic reduction in the country's market pulp imports in November. According to China Customs, shipment arrivals of all paper-grade pulp during the month fell to 529,710/tonne, -16.4% from October and -24.7% from a year ago. In the first 11 months, China's market pulp imports came close to 8.28 million/tonne, +14.6% from that of 2007. However, much of the gain was achieved in the first 3 quarters.

Shipment arrivals of UKP in November

tumbled to 25,760/tonne, -43.1% from October and -62.97% from a year ago. YTD imports totaled 499,300/tonne, -25.3% from the same period of 2007.

BSK imports declined -26.5% from October to 224,960/tonne in November. This was also -20.12% from a year ago. From January to November, BSK imports totaled 3.29 million/tonne, +15.67% from the corresponding period of 2007.

On the other hand, shipment arrivals of BHK rose to 242,430/tonne in November, +5.9% from October, yet -7.91% from a year ago. YTD imports totaled 3.43 million/tonne, +24.73% from that of 2007.

For mechanical pulp imports, shipment arrivals in November shrank to 2,130/tonne, -55.7% from October, though +13.03% from a year ago. YTD imports totaled 66,300/tonne, +13.03% from that of 2007. Shipment arrivals of chemi-mechanical pulp in November were 34,430/tonne, -40% from October and -57.57% from a year ago. Still, imports in the first 11 months grew +10.38% from that of 2007 to 991,150/tonne, confirming the expansion of China's high-end fine paper and packaging board production.

Apparently, imports in November were the lowest in 2008, with the dramatic reduction in bleached softwood kraft pulp in particular. Looking forward, China's pulp market may have to come across more bumps, or even go through turbulences in the first Quarter of 2009. It is generally agreed that Chinese producers of coated and uncoated paper and coated SBS board will not be able to trim mill inventories in the holiday weeks which will last from mid-January to early-February. It is expected that more mill and machine shut-downs will be announced in the period instead. Market pulp demand will remain weak and price will unlikely improve until after March. [\(Return to Page 1\)](#)

IV. Printing & Writing Papers

North American printing and writing paper production tumbled to 1.82 million/tonne in November, -18.9% from a year ago. According to PPPC, YTD production totaled 23.56 million/tonne, -6.0% from the same period of 2007.

Shrinking demand, as a result of the poor economy, reduced shipment to 1.78 million/tonne in November, -21.6% from a year ago. YTD shipment totaled 22.40 million/tonne, -7.8% from that of 2007.

Exports rose 8.1% to 94,000/tonne, making the YTD total at 1.11 million/tonne, +3.4% from that of 2007. Imports, on the other hand, dropped to 222,000/tonne in November, -15.8% from a year ago and causing the YTD total to fall below 2.62 million/tonne, -14.1% from that of 2007.

By end-November, mill inventories totaled 2.09 million/tonne, +2% from October and +3.34% from a year ago.

To deal with poor demand, Verso and NewPage had to slash 70,000/ton and 40,000/ton of coated paper production respectively in the 4th Quarter. IP took off another 60,000/ton of uncoated freesheet capacity, in addition to the permanent shut-down of a 150,000/ton machine in December.

In Europe, market for groundwood paper slipped further as demand shrank -12.8% from a year ago and export down -17.1% in November, according to CEPIPRINT.

Falling exports forced LWC producers to lower sales prices. FOEX reported that at end-December, 60g/m² LWC was listed at €82.86/tonne, down €16.60/tonne from the beginning of the month.

In spite of the one million/tonne capacity cuts by producers, price of coated freesheets began to fall. At end-December, 100g/m²

coated paper was listed at €84.53/tonne, down €9.39/tonne from early December.

China Mainland Market. 2008 could be a most bumpy year for China's printing and writing paper market. Driven by surging costs of fiber, oil, coal and overseas demand, the market performed brilliantly from January into the summer months. Price of high-end coated paper and uncoated offset paper topped RMB8,000/tonne (US\$1,176.47/tonne) at one point. Confident of the rising demand, more producers took to expanding production capacity. The bubble burst right after September under sudden disappearance of demand. Price nosedived by RMB500/tonne in late October for coated paper. And thereafter, greater loss in price by RMB500~800/tonne was seen in late November. Uncoated offset paper price also suffered as much as RMB500/tonne.

Looking ahead, market will remain inactive in January and February under excessive supply and weak demand.

Fully Coated Freesheet Price Watch				
(In RMB/MT)	Origin	Early Jan.09	Early Dec.08	Change%
APP Jindong Grade A	Jiangsu	5,650	6,700	-15.7%
APP Jindong Grade A2	Jiangsu	5,500	6,400	-14.1%
Stora-Enso (Suzhou)	Jiangsu	5,900	6,800	-13.2%
Sun Paper	Shandong	5,700	6,500	-12.3%
Dawoo (Mudanjiang)	Heilongjiang	5,700	6,500	-12.3%
Chenming Paper	Shandong	5,500	6,200	-11.3%
Tralin Paper	Shandong	5,500	6,200	-11.3%

Note: For reference only. Price varies in transaction.

Fully coated paper. December could be the coldest month for China's coated paper business. Having failed to attract orders from domestic and overseas customers by cutting production, producers were left with the only option of further price cuts in December. To trim inventories, both producers and their distributors took to fire sales. In the first half of the month, price tumbled as much as RMB800/tonne (US\$117.64/tonne). The bleeding eventually stopped by the 3rd week of the month. However, transaction remained

inactive and both producers and distributors were pessimistic of the near term prospects of the market.

Imports & Exports. China's coated paper exports in November totaled 86,880/tonne, +17.38% from a year ago. USA continued to be the prime destination by taking in 16,550/tonne. Next were Japan and Hong Kong. Shipment to India continued to shrink.

According to China Customs, the country's coated paper export price was averaged at US\$854/tonne, FOB China Main Ports (CMP), same as October.

In November, China imported 26,880/tonne of fully coated paper, -1.32% from a year ago. Japan, Taiwan and South Korea were the top 3 exporters to China. In the first 11 months, China's fully coated paper imports totaled 356,570/tonne, -3.85% from that of 2007. Import price in November was averaged at US\$954/tonne, CIF CMP, up US\$5/tonne from October.

Lightweight Coated Paper market seemed to go from bad to worse in December. As more publishers and dailies cut advertisement, demand for LWC dwindled. Exports also declined month after month. To deal with rising mill inventories, some producers took greater steps to gear down production or switch to run fine paper. For example, Yueyang Paper – also known as the Tiger Forest Paper Group at the Shanghai Stock Exchange – switched to run uncoated offset paper for more than two weeks in December. Chenming Paper (Jiangxi) managed to stick to LWC production in December. However, company sources said there was mounting pressure on the company to stop machines or switch to fine paper production. Price slipped RMB200/tonne (US\$29.41/tonne) from November.

Imports & Exports. China's LWC exports fell below 10,000/tonne in November – the

lowest in 2008 and -63.28% from a year ago. According to China Customs, YTD exports totaled 151,830/tonne, -23.24% from that of 2007. Nanchang, Changsha and Qingdao remained as the top 3 loading ports for China's LWC exports as these ports served shipments from Chenming Paper and Yueyang Paper. Prime destinations of China's LWC exports were Japan, Australia and Thailand.

Lightweight Coated Paper Price Watch				
(In RMB/MT)	Origin	Early Jan.09	Early Dec.08	Change%
Chenming Paper	Jiangxi	6,200	6300	-1.6%
Yueyang Paper	Hunan	6,100	6,300	-3.2%
Taishan Paper	Shandong	5,800	5,900	-1.7%

Note: For reference only. Price varies in transaction.

In November, China's LWC export price was averaged at US\$857/tonne, FOB CMP, up US\$4/tonne from October.

The country's LWC imports also plummeted in November. Only 1,520/tonne were shipped into the country, -30.2% from a year ago. Japan and Germany remained as the main suppliers. From January to November, China imported 26,290/tonne of LWC, -11.06% from that of 2007.

Import price in November was averaged at US\$757/tonne, CIF CMP, almost the same as that of October.

Uncoated Paper. In spite of the unprecedented level of downtimes and production switches by mainstream producers since November, demand remained well below supply in December. To revive shipment and trim inventories, producers and their distributors went for an across-the-board price reduction on all grades of uncoated offset paper by as much as RMB500/tonne (US\$73.53/tonne) in December.

Exports of uncoated printing and writing papers in November went to its lowest in 2008. Only 31,540/tonne were shipped to overseas markets, -26.27% from a year ago. Prime destinations were Japan, Hong Kong and Australia. From January to November, China's

uncoated printing and writing paper exports totaled 502,550/tonne, +5.0% from that of 2007.

Uncoated Offset Printing Paper Price Watch				
(In RMB/MT)	Origin	Early Jan.09	Early Dec.08	Change%
UPM (Changshu)	Jiangsu	6,600	7,600	-13.2%
APP Gold Huashu	Jiangsu	6,300	6,800	-7.4%
Sun Paper	Shandong	6,200	6,800	-8.8%
Chenming Paper	Hubei	5,550	6,200	-10.5%
Tralin Paper	Shandong	5,450	5,900	-7.6%
Yin-Ge Paper	Henan	5,550	6,100	-9.0%

Note: For reference only. Price varies in transaction.

Export price in November was averaged at US\$929/tonne, FOB CMP, up US\$6/tonne from October.

Producer Watch. Construction of APP's chemi- mechanical pulp mill in Southeast China's Guangxi Province was completed on December 6. This was the 18th pulp and paper mill invested by APP in China. At the total investment over US\$600 million, construction began in October 2006. As a forest-pulp-paper integration project, APP will build a 3.10 million/mtpy paper mill, 1.80 million/mtpy pulp mill and a 600,000 hectare plantation in the area through two stages of construction. In Stage I, APP is to invest RMB8.1 billion (US\$1.16 billion) to build a 300,000/mtpy bleached BCTM pulp mill, a 600,000/mtpy bleached board mill and a 66,667 hectare plantation. It is projected that when in commercial runs, the project's annual revenue will reach RMB3.9 billion (US\$573.53 million) with pretax earnings at RMB8.52 million (US\$125 million) and net earnings at RMB480 million (US\$70.59 million).

Hebi Ruizhou Paper in Central China's Henan Province disclosed plans to build a 300,000/mtpy fine paper mill at the cost of RMB3 billion (US\$441.18 million). Commercial runs will begin after 2011 if the project is approved by the Chinese government.

Anti-dumping. China's Ministry of

V. Newsprint

North American newsprint production continued to decline. In November, output fell to 825,000/tonne at 92% operating rate. This was 20,000/tonne less than the previous month and -6.8% from a year ago. YTD production totaled 9,429,000/tonne, -7.8% from that of 2007.

According to PPC, North American demand in November also tumbled to 600,000/tonne, -17.9% from a year ago as a result of the -19.5% decline in US demand. Consumption by the dailies in November dropped to 411,000/tonne, -20.4% from a year ago. Overall North American newsprint shipment in November fell below 800,000/tonne, -13.2% from a year ago and YTD shipment also dropped to 9.43 million/tonne, -7.4% from that of 2007 as a result of the weakening demand.

The poor economic environment has forced AbitibiBowater to idle at least 4 mills and give up the US\$20/tonne price rise plan in December. Other producers, such as White Birch, offered greater discounts to customers. By the last week of December, list price of 48.8g/m² newsprint fell ([Continue on Page 11...](#))

Commerce posted on December 31, 2008 an expiring notice on anti-dumping actions against fully coated freesheets shipment from targeted origins. Chinese law stipulates that anti-dumping rulings and punitive actions will only be valid for a period of five years. 60 days prior to the expiration, Chinese companies and their representatives may file for regulatory review and decision to extend the anti-dumping rulings. Such filing should include evidence suggesting the recurrence of dumping and damages to the industries in China once the anti-dumping ruling and actions are lifted. ([Return to Page 1](#))

(...Newsprint from Page 10) to US\$749.63/tonne, down US\$3.32/tonne from 30 days ago, according to FOEX. List price of 45g/m² also lost US\$3.53/ tonne to net below US\$800/tonne.

European newsprint market performed negatively as well. According to CEPIPRINT, overall shipment and demand fell to 989,000/tonne and 892,000/tonne in November, -6.4% and -9.5% respectively from a year ago. YTD shipment and demand also shrank -3.2% and -5.7% respectively from that of 2007.

At end-December, the 45g/m² newsprint was listed at €194.72, down €2.8/tonne from the previous month and nearly €40/tonne from the beginning of 2008, according to FOEX. This darkened prospects of price increases after the turn of the year.

China Mainland Market. China produced 367,600/tonne of newsprint in November, +7.5% from a year ago and production in the first 11 months totaled 4.30 million/tonne, +11.6% from that of 2007.

According to CNSB, consumption in November grew +12.1% from a year ago to 350,000/tonne, which made the YTD consumption over 4 million/tonne, +8.4% from that of 2007.

Survey by PacificNet to 13 mainstream producers showed that their combined newsprint output in November declined to 223,471/tonne, -9.53% from a year ago. Total production in the first 11 months were 2.74 million/tonne, -2.35% from that of 2007. Shipment in November fell -24.83% from a year ago to 186,613/tonne and mill inventories surged 143% from a year ago as a result of the collapse of the newsprint market.

Demand remained weak. Orders from domestic dailies and overseas buyers did not grow. Market responded sluggishly to suppliers' new efforts to lower export price by

RMB400~500/tonne (US\$58.82~73.53/tonne) – the lowest price since November 2007. It is generally believed that China's newsprint business will not recover until after the 2nd Quarter of 2009.

Producer watch. Throughout December, producers had to shut down more machines to trim mill inventories. These included the rotating shut-downs of the two 400,000/mtpy jumbo machines at Huatai Paper – the top newsprint producer in China. Huatai had shut down a 200,000/mtpy machine and switched some of the machine times of a 160,000/mtpy machine to run fine paper.

Also in Shandong Province, Chenming Paper was struggling to trim mill inventories below 40,000/tonne in spite of the company's steps to cut production.

In Southern China's Guangdong Province, Guangzhou Paper reported of producing 40,000/tonne of newsprint in December, the same as November. Mill inventories reduced to 51,000/tonne, down nearly 10,000/tonne from November.

Shixian Paper in Northeast China managed to produce 6,000/tonne of newsprint in December, after switching half of the machine time to run fine paper.

China Newsprint Price Watch				
Producer	Substance	Early Jan.09*	Early Dec.08*	Change%
Guangzhou Paper	48.8/45gsm.	4900~5000	5450~5500	-10%
Huatai Paper	48.8/45gsm.	4800~4950	5350~5450	-10%
Chenming (Shouguang)	48.8/46gsm.	4800~4900	5300~5450	-10%
Fujain Nanping Paper	48.8/45gsm.	4800~4950	5400~5500	-11%
Chenming (Wuhan)	48.8/45gsm.	4850~5000	5450~5550	-10%
Shixian Paper	48.8/45gsm.	4850~4950	5400~5500	-10%

* In RMB per metric ton, FOB Mill, VAT included.
Note: For reference only. Price varies in transaction.

Price Watch. List price of the benchmark 48.8g/m² newsprint tumbled to RMB4,800~4,900/tonne (US\$705.88~720.59/tonne with V.A. tax) by late December, down RMB400~500/tonne (US\$58.82~73.53/tonne) from November. To attract orders, mainstream producers, including Huatai Paper and

Chenming Paper, offer as low as RMB4,650/tonne (US\$683.82/tonne with V.A. tax). This was the lowest since November 2007 and -22.5% from its peak at RMB6,000/tonne (US\$882.35/tonne) in late August.

Imports & Exports. China's newsprint exports continued to decline. In November, only 19,470/tonne were shipped to overseas markets, -54.17% from a year ago, according to China Customs. YTD exports also fell by -37.74% to 337,870/tonne.

Shipment from the Qingdao Port, which used to be the top loading port for China's newsprint export, tumbled to 1,569/tonne in November. Primary destinations of Chinese

newsprint exports remained as India, Hong Kong and Malaysia. However, shipments to the above markets declined variably during the month.

In November, China imported 1,880/tonne of newsprint from abroad, +61.26% from a year ago. YTD imports totaled 13,530/tonne, -6.06% from that of 2007. Japan and Canada remained as the top suppliers to China.

According to China Customs, China's newsprint export price in November averaged at US\$696/tonne, FOB CMP, up US\$8/tonne from October. Average import price was US\$693/tonne, CIF CMP, up US\$20/tonne from October. [\(Return to Page 1\)](#)

VI. Statistics

A. Market Pulp

China's Unbleached Kraft Pulp Imports						
(In US\$000/MT000)	Nov/08	Nov/07	Change%	YTD 2008	YTD 2007	Change%
Total Value	12,165.89	38,873.26	-68.70%	255,510.73	382,869.74	-33.26%
Total Volume	25.76	69.58	-62.97%	499.30	668.43	-25.30%
Key origins:						
Russia	9.41	27.30	-65.52%	193.28	196.31	-1.54%
Japan	5.68	9.14	-37.90%	72.47	81.65	-11.25%
Chile	5.43	6.57	-17.35%	90.52	74.47	21.56%
Source: China Customs Administration/Chinapaperonline						

China's Bleached Softwood Kraft Pulp Imports						
(In US\$000/MT000)	Nov-08	Nov-07	Change%	YTD 2008	YTD 2007	Change%
Total Value	149,335.13	205,876.46	-27.46%	2,420,836.00	2,022,513.36	19.69%
Total Volume	224.96	281.62	-20.12%	3,294.01	2,847.67	15.67%
Key origins:						
USA	57.58	55.98	2.86%	665.80	458.84	45.11%
Canada	55.98	90.50	-38.14%	1029.47	930.25	10.67%
Chile	40.47	43.56	-7.10%	591.45	527.52	12.12%
Source: China Customs Administration/Chinapaperonline						

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China's Bleached Hardwood Pulp Imports						
(In US\$000/MT000)	Nov-08	Nov-07	Change%	YTD 2008	YTD 2007	Change%
Total Value	153,954.58	163,665.77	-5.93%	2,371,920.23	1,628,200.65	45.68%
Total Volume	242.43	263.27	-7.91%	3,426.16	2,746.92	24.73%
Key origins:						
Indonesia	79.41	70.59	12.50%	1071.56	923.61	16.02%
Brazil	64.93	96.78	-32.91%	1121.30	781.11	43.55%
Chile	19.49	29.26	-33.39%	406.73	374.46	8.62%
Source: China Customs Administration/Chinapaperonline						

China's Mechanical Pulp Imports						
(In US\$000/MT000)	Nov-08	Nov-07	Change%	YTD 2008	YTD 2007	Change%
Total Value	1,006.72	4,238.25	-76.25%	41,687.58	31,917.35	30.61%
Total Volume	2.13	7.41	-71.24%	66.35	58.70	13.03%
Key origins:						
Canada	2.01	7.27	-72.37%	59.81	57.13	4.69%
Germany	0.11	0.11	0.00%	1.10	0.81	36.43%
Source: China Customs Administration/Chinapaperonline						

China's Chemimechanical Pulp Imports						
(In US\$000/MT000)	Nov-08	Nov-07	Change%	YTD 2008	YTD 2007	Change%
Total Value	20,594.54	45,777.45	-55.01%	634,750.08	476,491.73	33.21%
Total Volume	34.43	81.15	-57.57%	991.15	897.97	10.38%
Key origins:						
Canada	24.40	70.10	-65.20%	784.19	763.43	2.72%
New Zealand	4.73	4.50	5.16%	84.23	82.93	1.57%
Source: China Customs Administration/Chinapaperonline						

B. Printing & Writing Papers

China's Uncoated Printing & Writing Paper Exports						
(In US\$000/MT000)	Nov-08	Nov-07	Change%	YTD 2008	YTD 2007	Change%
Total Value	32,552.75	37,708.24	-13.67%	467,081.48	383,619.52	21.76%
Total Volume	31.54	43.02	-26.67%	502.55	478.81	4.96%
Key destinations:						
Japan	8.01	4.76	68.19%	85.84	59.99	43.09%
Australia	3.37	4.10	-17.75%	54.95	48.68	12.88%
Hongkong	2.89	5.17	-44.09%	54.25	53.43	1.54%
Source: China Customs Administration/Chinapaperonline						

China's Fully Coated Paper Imports & Exports						
(In US\$000/000 mt)	Nov/08	Nov/07	Change%	YTD2008	YTD2007	Change%
Exports						
Total Value	80,469.88	62,196.09	29.38%	761,398.87	723,377.44	5.26%
Total Volume	86.88	74.02	17.38%	885.57	853.61	3.74%
Key destinations:						
USA	16.55	1.34	1137.50%	123.69	136.34	-9.28%
Japan	7.30	6.75	8.11%	46.13	45.21	2.03%
Hongkong	5.37	13.29	-59.56%	93.97	108.29	-13.22%
Imports						
Total Value	27,581.82	23,593.34	16.91%	340,290.55	311,354.81	9.29%
Total Volume	26.88	27.24	-1.32%	356.57	370.86	-3.85%
Key origins:						
Japan	5.08	6.51	-22.05%	69.30	69.64	-0.48%
Taiwan	3.93	3.14	24.86%	53.10	45.27	17.29%
South Korea	3.88	3.65	6.52%	52.46	58.90	-10.94%
Source: China Customs Administration/Chinapaperonline						

China's Lightweight Coated Paper Imports & Exports						
(In US\$000/000 mt)	Nov-08	Nov-07	Change%	YTD2008	YTD2007	Change%
Exports						
Total Value	7,240.42	15,855.36	-54.33%	130,140.97	144,029.67	-9.64%
Total Volume	7.88	21.47	-63.28%	151.83	197.79	-23.24%
Key destinations:						
Japan	4.06	4.98	-18.42%	33.77	47.04	-28.20%
Australia	0.66	4.67	-85.93%	33.69	51.59	-34.69%
Thailand	0.50	1.04	-52.20%	2.72	3.61	-24.57%
Imports						
Total Value	1,181.82	1,525.54	-22.53%	19,902.16	20,149.79	-1.23%
Total Volume	1.52	2.18	-30.20%	26.29	29.56	-11.06%
Key origins:						
Japan	0.75	1.26	-40.30%	11.76	7.11	65.34%
Germany	0.30	0.43	-31.52%	5.89	4.06	45.14%
Source: China Customs Administration/Chinapaperonline						

C. Recovered Paper

China's OCC Imports						
(In US\$000/MT000)	Nov-08	Nov-07	Change%	YTD 2008	YTD 2007	Change%
Total Value	229,363.62	225,892.74	1.54%	2,891,177.59	2,015,324.50	43.46%
Total Volume	1,140.43	1,074.52	6.13%	12,513.70	11,147.47	12.26%
Key origins:						
USA	443.05	518.36	-14.53%	5,066.33	4,282.73	18.30%
England	125.99	109.43	15.13%	1,379.45	1,346.96	2.41%
Holland	118.66	94.88	25.06%	1,179.72	1,089.91	8.24%
Source: China Customs Administration/Chinapaperonline						

China Pulp & Paper Report

China's ONP Imports						
(In US\$000/MT000)	Nov-08	Nov-07	Change%	YTD 2008	YTD 2007	Change%
Total Value	121,853.08	93,196.71	30.75%	1,519,430.02	965,090.07	57.44%
Total Volume	465.25	475.55	-2.17%	5,976.63	5,363.01	11.44%
Key origins:						
USA	246.41	316.37	-22.11%	3,356.95	3,171.82	5.84%
UK	61.00	32.89	85.45%	625.56	484.78	29.04%
Japan	30.16	40.86	-26.17%	411.93	431.24	-4.48%
Source: China Customs Administration/Chinapaperonline						

China's Sorted Mixed Imports						
(In US\$000/MT000)	Nov-08	Nov-07	Change%	YTD 2008	YTD 2007	Change%
Total Value	60,615.95	70,966.30	-14.58%	745,654.09	675,229.29	10.43%
Total Volume	301.67	382.95	-21.22%	3,462.64	4,225.21	-18.05%
Key origins:						
Japan	83.29	111.52	-25.31%	931.86	945.27	-1.42%
USA	65.90	90.45	-27.14%	802.49	1,040.14	-22.85%
UK	33.12	58.38	-43.27%	533.18	653.42	-18.40%
Source: China Customs Administration/Chinapaperonline						

China's De-inking Imports						
(In US\$000/MT000)	Nov-08	Nov-07	Change%	YTD 2008	YTD 2007	Change%
Total Value	3,698.05	4,893.38	-24.43%	81,932.26	42,069.21	94.76%
Total Volume	12.62	19.69	-35.91%	259.28	177.60	45.99%
Key origins:						
USA	5.33	11.52	-53.74%	143.73	84.76	69.57%
HongKong	1.78	1.60	10.86%	18.44	17.28	6.74%
Japan	1.00	3.95	-74.70%	29.30	36.00	-18.61%
Source: China Customs Administration/Chinapaperonline						

D. Newsprint

China's Newsprint Imports/Exports						
(In US\$000/000mt)	Nov-08	Nov-07	Change%	YTD2008	YTD2007	Change%
Exports						
Total Value	16,069.46	21,499.53	-25.26%	235,130.14	279,942.06	-16.01%
Total Volume	19.47	42.49	-54.17%	337.87	542.64	-37.74%
Destination						
India	8.91	11.05	-19.34%	149.30	187.13	-20.22%
Hongkong	5.66	11.97	-52.71%	98.90	103.98	-4.88%
Malaysia	1.63	6.15	-73.54%	37.65	62.78	-40.03%
Imports						
Total Value	1,533.95	667.35	129.86%	9,378.57	8,456.13	10.91%
Total Volume	1.88	1.16	61.26%	13.53	14.40	-6.06%
Origin						
Japan	1.16	0.46	154.60%	6.58	9.31	-29.25%
Canada	0.62	0.07	N.A.	1.90	0.74	158.55%
Source: China Customs Administration/Chinapaperonline/ Im. Price: In US\$						

E. Packaging Board

China's Linerboard Imports & Exports						
(In US\$000/000mt)	Nov-08	Nov-07	Change%	YTD 2008	YTD 2007	Change%
Exports						
Total Value	2,414.45	13,317.14	-81.87%	73,734.91	102,253.53	-27.89%
Total Volume	3.66	29.78	-87.73%	139.36	220.93	-36.92%
Key Destinations:						
The Philippines	1.77	2.11	-16.19%	17.35	20.27	-14.41%
Taiwan	0.59	1.19	-50.72%	8.78	4.19	109.80%
Iran	0.15	6.90	-97.88%	27.35	51.20	-46.59%
Imports						
Total Value	37,789.94	48,121.98	-21.47%	518,229.85	510,853.19	1.44%
Total Volume	59.18	81.72	-27.58%	805.14	945.44	-14.84%
Key Origins:						
USA	17.94	22.46	-20.12%	291.89	251.06	16.26%
Russia	15.00	16.37	-8.39%	157.72	173.98	-9.35%
Japan	5.92	4.84	22.48%	52.95	56.76	-6.71%
Source: China Customs Administration/Chinapaperonline						

China's Medium Imports & Exports						
(In US\$000/000mt)	Nov-08	Nov-07	Change%	YTD 2008	YTD 2007	Change%
Exports						
Total Value	1,116.50	16,172.40	-93.10%	53,000.83	116,662.75	-54.57%
Total Volume	1.92	43.75	-95.60%	128.78	332.62	-61.28%
Key Destinations:						
Hongkong	1.02	1.45	-29.65%	12.71	16.15	-21.27%
Singapore	0.16	0.004	4461.35%	6.43	0.52	1142.61%
Imports						
Total Value	12,531.28	11,135.03	12.54%	149,320.86	143,630.91	3.96%
Total Volume	35.12	37.53	-6.43%	423.19	500.30	-15.41%
Key Origins:						
Taiwan	15.79	26.15	-39.61%	153.10	258.32	-40.73%
Thailand	5.55	0.20	2745.83%	40.94	34.01	20.39%
Indonesia	4.87	0.11	4330.50%	26.16	8.24	217.59%
Source: China Customs Administration/Chinapaperonline						

China's Coated SBS Board Imports & Exports						
(In US\$000/000 mt)	Nov-08	Nov-07	Change%	YTD 2008	YTD 2007	Change%
Exports						
Total Value	34,570.06	68,770.87	-49.73%	554,388.67	497,877.36	11.35%
Total Volume	40.71	99.35	-59.02%	722.56	747.41	-3.33%
Key destinations:						
USA	16.26	33.70	-51.74%	170.39	190.57	-10.59%
Taiwan	3.14	2.11	49.30%	32.98	17.04	93.58%
Hongkong	2.44	7.68	-68.24%	57.80	77.38	-25.31%
Imports						
Total Value	41,758.50	57,246.60	-27.06%	701,707.65	672,535.33	4.34%
Total Volume	46.93	63.25	-25.80%	727.36	772.69	-5.87%
Key origins:						
Taiwan	10.63	9.76	8.90%	92.01	108.47	-15.18%
South Korea	8.72	7.65	13.96%	111.27	118.33	-5.97%
USA	8.48	12.96	-34.54%	121.49	134.01	-9.34%
Source: China Customs Administration/Chinapaperonline						

A Note From The Editors

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