

# China Packaging Paper Board Report

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## I. Global Review

**North America.** The seasonal rise in demand for containerboard wrestled with holiday breaks and downtimes taken by the producers in December. Operating rate at mainstream mills dipped. The weak dollar facilitated US containerboard exports. However, the rising oil price is to cost more in containerboard production and discount the export drive.

In December, the 42 lb. kraft-top liner continued to list at US\$565~575/ton and 26 lb. semi-chemical medium at US\$540~545/ton in the US domestic market.

According to AF&PA, domestic corrugated box shipment in November totaled 30.7 billion/feet<sup>2</sup>, -13.3% from October and -1.1% from a year ago. Linerboard production in November was near 2.93 million/ton, -1.9% from October and +0.6% from a year ago. Mill operating rate geared down to 93.9% from 96.6% in October and 98.1% from 12 months ago. Overall inventories improved slightly from the 12 year low of October to 2.21 million/ton. This included mill inventories of 288,600/ton (+22,200/ton from October) and box plant inventories of 1.92 million/ton (-4,100/ton from October). Exports in November totaled 303,000/ton, +5.2% from October, yet -1.3% from a year ago.

**European demand & supply** of containerboard remained steady in December. As the price rises were checked, industry observers began to look more seriously at the uncertainties in the market. Data released by FOEX on December 27 showed that price of Euro Kraftliner retreated to €20.31/tonne, -€5.68/tonne from 30 days ago and €1.61/tonne from January 2007. Price of Testliner 2 went for

a different direction. It rose €1.06/tonne from end-November to €477.91/tonne. This was €63.46/tonne more than that of January 2007. Europe was the market where price of recycled fiber based containerboard advanced the most in 2007.

## II. China Mainland Market

December was the high season for packaging paperboard demand in China. After the turn of the year and with the incoming Chinese New Year holiday in mid-Feb. however, market became less active and the order delivery date for containerboard would reduce from 12~15 days to 5~6 days. Same trend for coated box board where shipment slowed down and mill inventories rose.

2007 was year in which Chinese packaging board producers experienced the rapid increases in fiber and energy costs and congested start-ups of new capacity. Thanks to aggressive exports, the challenge to the domestic market was eased. The mandatory shut-down of environmentally unfriendly mills – mostly small to mid-size mills – also helped large mills to build market for their new capacities.

**Linerboard.** In spite of the market acceptance of the RMB100/tonne (US\$13/tonne) price increase, there were no further forces to drive the price up and the order delivery time reduced surely. On the other hand, the rising fiber cost more than offset the RMB100/tonne price rise.

Shanying Paper in upper eastern China's Anhui Province reported of continued full production and quick shipment. However, there was a RMB200/tonne (US\$26/ tonne) rise in production cost primarily caused by the rising fiber prices. To deal with rising cost, the

company further reduced UKP consumption to around 70~80kg. for the production of 1/tonne of linerboard. At the same time, the company replaced imported UKP with local UKP, which successfully saved RMB60~70/tonne (US\$8~10/tonne) in linerboard production. Mill inventories remained the same as the previous month at 7 days of supply along with a RMB100/tonne (US\$13/tonne) increase in sale price for its Class A linerboard.

China Containerboard Price Watch: Early-Jan. 08			
(In RMB/MT)	Origin	List Price	Substance
<b>Linerboard</b>			
Georgia Pacific	USA	5,350	200gsm
Weyerhaeuser	USA	5,350	175gsm
Bratsky	Russia	5,200	180gsm
Jingxing Class A	Zhejiang	4,550	150gsm
Nine Dragons Class A	Dongguan	4,600	150gsm
Lee&man Class A	Dongguan	4,600	150gsm
<b>Medium</b>			
Nine Dragons Class A	Dongguan	3,280	100gsm.
Jinzhou Paper Class A	Dongguan	3,250	105gsm.
Shun Yu Paper Class A	Dongguan	3,280	100gsm.
Lee&man Class A	Changshu	3,250	105gsm.
Luping Yongfa Class A	Shandong	2,850	120gsm.
Changfeng Class A	Jiangsu	3,180	105gsm.

Note: For reference only. Price varies in transaction.

**Corrugating medium.** Market remained active throughout December. Demand was especially strong for lightweight medium. The continuous rises in OCC price forced more small-to-mid size mill to shut down or cut production, leaving more market potentials to the large players.

In eastern China's Jiangsu Province, Lee&man (Changshu) switched at least 12 days of production time of its #8 PM to run lightweight medium, in addition to the full medium production by its #6 PM. Mill sources said the company could not entertain any new orders for medium exports until July 2008. Sales price also went up RMB100/tonne (US\$13/tonne) across-the-board. Mill inventories equaled to 3 days of supply, down 1 day from the previous month.

Encouraged by the healthy market performance, Lee&man and a few other mainstream producers announced a RMB200/tonne (US\$26/tonne) price increase effective from January 2008. This was to pass on the rising cost in OCC.

In view of more capacity start-ups in 2008, industry observers believe demand for OCC will grow more strongly and competition for product sales will become tougher.

**Coated Boxboard** market began to slip in December. Sales fell during the high season. The rapid rise in fiber and energy costs gave no time to producers to pass the costs to the board consumers.

Changjiang Paper in Jiangsu Province had to gear down operating rate to 85% in December. And mill inventories rose 2 days from the previous month to 15 days of supply. At end-December, the company was able to keep **coated recycled board** price unchanged.

For **coated SBS board**, demand and supply stood steady in December. Sun Paper in upper eastern China's Shandong Province reported of full operation under rapid shipment. Mill inventories remained unchanged from the previous month.

Coated Carton Board Price Watch: Early-Jan.08			
(In RMB / MT)	Origin	List Price	Substance
<b>Coated Newsback Board</b>			
APP Ningbo Zhonghua	Ningbo	4,200	250 g up
Sun Paper	Shandong	4,190	250 g up
Jianhui Paper	Dongguan	4,190	250 g up
Nine Dragons	Dongguan	4,200	250 g up
<b>Coated SBS Board</b>			
Sun Paper	Shandong	n.a.	230g up
Bohui Paper	Shandong	7,080	230g up
APP Ningbo Zhonghua	Ningbo	7,050	230g up
Hengxing Paper	Henan	7,000	230g up

Note: For reference only. Price varies in transaction.

Meili Paper in northwest China's Ningxia Hui Autonomous Region had to further postpone the start-up of its 300,000/mtpy coated SBS board machine. Originally scheduled to run in September 2007, the PM is 4.88 meter in trim

width and runs at 600m/min. Mill sources said the realistic start-up time would be late February 2008.

**Imports & Exports.** China imported 945,400/tonne of linerboard in the first 11 months of 2007, -10.16% from the same period of 2006, according to China Customs. In November alone, shipment arrivals reached 81,720/tonne, +4.8% from October, yet -20.98% from a year ago.

Medium imports in the first 11 months totaled 500,300/tonne, -24.44% from the corresponding period of 2006. Shipment arrivals in November went down to 37,520/tonne, -2.3% from October and -38.18% from a year ago.

From January to November, China's coated SBS board imports totaled 772,700/tonne, -4.26% from that of 2006. Shipment arrivals in November were 63,250/tonne, +4.6% from October and +11.83% from a year ago.

On the other hand, China's packaging board

exports made much headway in 2007, driven by the heavy start-ups of new capacity. According to China Customs, linerboard exports in the first 11 months hit 220,930/tonne, +131.88% from the same period of 2006. Shipment to overseas markets in November alone reached 29,780/tonne, +31.7% from October and +60.14% from a year ago.

Medium exports in the 11 months totaled 332,620/tonne, +243.27% from that of 2006. In November, shipment to overseas destinations were 43,750/tonne, though -16.14% from October, yet +243.27% from a year ago.

Exports of coated SBS board in the 11 months reached 747,410/tonne, +89.13% from the same period of 2006. Shipment in November reached the 2<sup>nd</sup> highest at 99,350/tonne, +30% from October and +83.88% from a year ago.

It is expected that the strong momentum of Chinese packaging board exports will continue with more new capacity start-ups in 2008.

## I. Statistics

China's Medium Imports & Exports								
(In US\$000/000mt)	Nov-07	Nov-06	Change%	YTD 2007	YTD 2006	Change%	Ave. Price2007	Ave. Price2006
<b>Exports</b>								
<b>Total Value</b>	<b>16,172.40</b>	<b>4,317.73</b>	<b>274.56%</b>	<b>116,662.75</b>	<b>23,889.06</b>	<b>388.35%</b>	<b>350.74</b>	<b>343.08</b>
<b>Total Volume</b>	<b>43.75</b>	<b>12.74</b>	<b>243.27%</b>	<b>332.62</b>	<b>69.63</b>	<b>377.69%</b>		
<b>Destination</b>								
UK	11.08	0.00	369366.67%	32.29	0.04	83690.87%	352.52	703.66
Italy	17.45	0.00	13963100.00%	74.51	0.00	5348428.36%	357.58	966.26
USA	2.63	1.66	58.91%	28.99	17.97	61.31%	346.71	326.63
<b>Loading Port</b>								
Shanghai	3.55	0.97	265.64%	30.91	14.89	107.56%		
Shenzhen	9.73	9.28	4.84%	79.68	36.78	116.66%		
Nanjing	30.06	2.09	1340.84%	216.88	14.22	1424.85%		
<b>Imports</b>								
<b>Total Value</b>	<b>11,135.03</b>	<b>17,252.18</b>	<b>-35.46%</b>	<b>143,630.91</b>	<b>185,647.31</b>	<b>-22.63%</b>	<b>287.09</b>	<b>280.40</b>
<b>Total Volume</b>	<b>37.53</b>	<b>60.71</b>	<b>-38.18%</b>	<b>500.30</b>	<b>662.09</b>	<b>-24.44%</b>		
<b>Origin</b>								
Taiwan	26.15	28.06	-6.81%	258.32	271.49	-4.85%	287.21	277.54
S.Korea	4.97	7.39	-32.67%	102.06	118.97	-14.21%	260.50	262.82
<b>Destination</b>								
Huangpu	1.44	1.97	-27.20%	19.13	33.35	-42.64%		
Shenzhen	29.69	49.93	-40.55%	420.26	548.27	-23.35%		

\* Im.Price is "US\$/MT".Source: China Customs Administration/Chinapaperonline

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China's Linerboard Imports & Exports								
(In US\$000/000mt)	Nov-07	Nov-06	Change%	YTD 2007	YTD 2006	Change%	Ave. Price2007	Ave. Price2006
<b>Exports</b>								
<b>Total Value</b>	<b>13,317.14</b>	<b>7,921.19</b>	<b>68.12%</b>	<b>102,253.53</b>	<b>53,851.27</b>	<b>89.88%</b>	<b>462.83</b>	<b>408.34</b>
<b>Total Volume</b>	<b>29.78</b>	<b>18.60</b>	<b>60.14%</b>	<b>220.93</b>	<b>131.88</b>	<b>67.53%</b>		
<b>Destination</b>								
Philippines	2.11	3.96	-46.73%	20.27	8.22	146.68%	461.24	412.41
Iran	6.90	2.00	244.81%	51.20	12.71	302.77%	397.23	354.26
United Arab Emirates	2.55	2.18	17.09%	16.29	18.52	-12.04%	395.98	382.17
<b>Loading Port</b>								
Fuzhou	2.74	0.50	446.51%	14.24	7.82	82.07%		
Qingdao	7.76	0.40	1821.78%	53.37	1.58	3288.57%		
Shenzhen	15.15	16.30	-7.04%	104.30	101.73	2.53%		
<b>Imports</b>								
<b>Total Value</b>	<b>48,121.98</b>	<b>52,316.16</b>	<b>-8.02%</b>	<b>510,853.19</b>	<b>504,626.33</b>	<b>1.23%</b>	<b>540.33</b>	<b>479.51</b>
<b>Total Volume</b>	<b>81.72</b>	<b>103.41</b>	<b>-20.98%</b>	<b>945.44</b>	<b>1,052.39</b>	<b>-10.16%</b>		
<b>Origin</b>								
USA	22.46	21.94	2.37%	251.06	213.17	17.77%	552.93	504.77
Russia	16.37	17.65	-7.25%	173.98	221.13	-21.32%	459.13	404.71
Taiwan	13.61	17.84	-23.73%	162.95	189.02	-13.79%	415.52	397.54
Japan	4.84	6.39	-24.26%	56.76	45.63	24.39%	807.34	797.09
<b>Destination</b>								
Manzhouli	6.63	6.94	-4.52%	69.79	84.98	-17.88%		
Shanghai	19.51	21.70	-10.09%	209.24	196.00	6.76%		
Shenzhen	28.05	45.60	-38.49%	351.79	492.69	-28.60%		
Huangpu	6.53	7.71	-15.40%	67.99	67.96	0.05%		

\* Im.Price is "US\$/MT".Source: China Customs Administration/Chinapaperonline

China's Coated SBS Board Imports & Exports								
(In US\$000/000 mt)	Nov-07	Nov-06	Change%	YTD 2007	YTD 2006	Change%	Ave. Price2007	Ave. Price2006
<b>Exports</b>								
<b>Total Value</b>	<b>68,770.87</b>	<b>32,411.53</b>	<b>112.18%</b>	<b>497,877.36</b>	<b>251,783.66</b>	<b>97.74%</b>	<b>666.14</b>	<b>637.14</b>
<b>Total Volume</b>	<b>99.35</b>	<b>54.03</b>	<b>83.88%</b>	<b>747.41</b>	<b>395.18</b>	<b>89.13%</b>		
<b>Destination</b>								
Hong Kong	7.68	8.80	-12.70%	77.38	69.50	11.34%	733.73	697.53
USA	33.70	3.91	762.80%	190.57	42.06	353.12%	809.08	793.31
Iran	3.43	5.46	-37.20%	30.13	32.53	-7.40%	466.88	430.03
<b>Loading Port</b>								
Ningbo	28.87	17.25	67.39%	259.92	153.93	68.86%		
Qingdao	15.49	5.39	187.21%	107.54	70.54	52.45%		
Shenzhen	17.96	19.50	-7.90%	155.29	83.28	86.47%		
Nanjing	20.86	0.00	N.A.	98.19	0.21	47105.77%		
<b>Imports</b>								
<b>Total Value</b>	<b>57,246.60</b>	<b>43,335.13</b>	<b>32.10%</b>	<b>672,535.33</b>	<b>644,605.76</b>	<b>4.33%</b>	<b>870.38</b>	<b>798.73</b>
<b>Total Volume</b>	<b>63.25</b>	<b>56.56</b>	<b>11.83%</b>	<b>772.69</b>	<b>807.04</b>	<b>-4.26%</b>		
<b>Origin</b>								
Taiwan	9.76	9.93	-1.71%	108.47	126.36	-14.16%	535.22	521.72
Sweden	14.92	8.05	85.29%	168.39	121.20	38.94%	1379.61	1433.41
USA	12.96	6.59	96.83%	134.01	90.71	47.74%	917.98	889.19
<b>Destination</b>								
Shanghai	19.26	8.64	122.84%	149.72	85.38	75.35%		
Guangzhou	6.52	6.18	5.45%	74.28	67.33	10.33%		
Huangpu	10.51	11.49	-8.50%	117.87	157.85	-25.33%		
Shenzhen	14.56	17.66	-17.57%	201.50	280.12	-28.07%		

\* Im.Price is "US\$/MT".Source: China Customs Administration/Chinapaperonline

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