

China Printing Writing Paper Report

January 15, 2008

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I. Global Review

North America. As compared with the same period of 2006, US printing paper demand dropped -4% in the first 11-months of 2007. The main driver of the fall was demand shrink in coated freesheet, which was caused by change in product code in export of coated papers from Asian producers. However, price of coated freesheet rose in December 2007. It is expected that coated freesheet demand in 2008 will drop further in view of the weak economy and slow down in advertising business growth. As a result of the energy and freight increases, price of coated freesheet went up in late December and as projected will continue to grow by 11~17% in 2008.

Demand for uncoated woodfree paper remained steady in December thanks to the capacity cuts. From January to December 2007, a total of 1.70 million/mtpy capacity shut-down was witnessed. This equaled to 12% of total North American capacity. Operating rate in early 2007 was only 90%. Following the capacity cuts, it went up to 95~98% by late 2007. In 2008, it will stay around 97%.

Price for uncoated wood free in the first few months of 2008 will stay steady and move up US\$55/tonne after the 2nd Quarter of 2008. This will be a 6~8% improvement from the same period of 2007.

II. China Mainland Market

Demand for fine paper remained active throughout December. Contrary to a minor dip in virgin fiber offset paper, demand for mixed fiber offset paper stood firm. As business for commercial packaging, printing and publishing entering into a high season in

January, there is room for prices of coated freesheet and LWC to move up. Market for mid-to-low-end mixed fiber offset paper will stay tight under more demand than supply.

Coated Paper. Following the active printing business in December, publishers geared up orders of coated paper. This was especially true for textbooks printers. Transaction for products above RMB7,000/tonne (US\$959/tonne) was minimum vs. the hectic deals for products below RMB7,000/tonne by the majority of printers.

As compared with that of November, operating rate of commercial printing facilities went up. More orders of commercial catalogues and handouts contributed to the rise.

Fully Coated Freesheet Price Watch				
(In RMB/MT)	Origin	Early Jan08	Early Dec07	Change%
APP Jindong Grade A	Jiangsu	7,700	7,700	0.0%
APP Jindong Grade A2	Jiangsu	7,450	7,450	0.0%
Stora-Enso (Suzhou)	Jiangsu	7,400	7,400	0.0%
Sun Paper	Shandong	7,100	7,000	1.4%
Dawoo (Mudanjiang)	Heilongjiang	6,950	6,800	2.2%
Chenming Paper	Shandong	7,100	7,000	1.4%
Tralin Paper	Shandong	6,800	6,800	0.0%

Note: For reference only. Price varies in transaction.

Distributors reported of steady sales and prices of products from APP, Stora-Enso and Tralin Paper. However, sales prices of products from Sun Paper, Daewoo (Heilongjiang) and Chenming Paper went up RMB50/tonne (US\$6.84/tonne) as a result of reduced supplies.

Imports & Exports. Latest data released by the China Customs showed that China exported 74,020/tonne of fully coated paper, -18% from October and -28.57% from a year ago. Imports in November totaled 27,240/tonne, -3.7% from October and -23.075 from a year ago.

Uncoated Paper. High demand for mixed

fiber offset paper continued into January and will go on until early February as publishers begin to build paper stock for text book printing.

According to the time schedules announced on October 31 to eliminate obsolete capacities announced by China's National Development & Reform Commission, 6.50 million/tonne of capacity are targeted between 2006 and 2010. In 2007 alone, 2.30 million/tonne of capacity were closed. The shut-down of environmentally unfriendly mills, mostly mid-to-small size, led to the apparent shortage in supply of mixed fiber offset paper. Such shortage remained grave and prices went up even after production increases by mainstream producers including Chenming Paper, Sun Paper and Yin-Ge Paper.

Demand for virgin fiber offset paper rose in December, in expectation of New Year and the Chinese Lunar New Year holidays. However, the high cost in market pulp more than discouraged any price increases and

forced consumption to dip from November.

Uncoated Offset Printing Paper Price Watch				
(In RMB/MT)	Origin	Early Jan.08	Early Dec.07	Change%
UPM (Changshu)	Jiangsu	7,400	7,400	0.0%
APP Gold Huasheng	Jiangsu	7,450	7,450	0.0%

Note: For reference only. Price varies in transaction.

Overall, supply of virgin fiber offset paper exceeded demand in December. Informed sources said that although sales remained steady, UPM is now facing growing challenges from Sun Paper and others. APP Goldhuasheng also was not able to make much headway in sales and price. Continuing at high runability and low price, products from Sun Paper's PM21 became the top-seller to threaten the traditional market of UPM and APP in China. Offset paper from Chenming Paper was also favored by the publishers because of variety and competitive prices.

Imports & Exports. China imported 2,180/tonne of uncoated woodfree paper in November, +3% from October. Exports during the month totaled 21,470/tonne, -54.8% from October and -22.52% from a year ago.

III. Statistics

China's Uncoated Printing & Writing Paper Exports								
(In US\$000/MT000)	Nov-07	Nov-06	Change%	YTD 2007	YTD 2006	Change%	Ave. Price2007	Ave. Price2006
Total Value	37,708.24	39,325.90	-4.11%	383,619.52	335,366.94	14.39%	801.19	710.35
Total Volume	43.02	55.51	-22.52%	478.81	472.12	1.42%		
Destination								
Hong Kong	5.17	6.50	-20.48%	53.43	52.03	2.69%	826.98	746.48
Japan	4.76	6.63	-28.18%	59.99	58.83	1.98%	787.46	723.81
South Korea	5.48	4.18	31.05%	43.10	57.74	-25.35%	765.43	728.26
Nigeria	2.78	4.84	-42.61%	20.48	39.57	-48.25%	718.42	649.82
Australia	4.10	4.37	-6.25%	48.68	35.34	37.76%	848.82	712.08
Others	20.73	29.00	-28.50%	253.14	228.62	10.73%		
Loading Port								
Qingdao	14.86	20.41	-27.17%	142.98	141.53	1.02%		
Nanjing	14.88	15.34	-3.01%	179.16	148.85	20.36%		
Shanghai	10.65	16.52	-35.57%	126.99	151.38	-16.11%		
Others	2.63	3.25	-18.99%	29.68	30.35	-2.21%		

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

China's Fully Coated Paper Imports & Exports

(In US\$000/000 mt)	Nov/07	Nov/06	Change%	YTD2007	YTD2006	Change%	Ave. Price2007	Ave. Price2006
Exports								
Total Value	62,196.09	75,922.92	-18.08%	723,377.44	630,138.19	14.80%	847.44	732.79
Total Volume	74.02	103.63	-28.57%	853.61	859.92	-0.73%		
Destination								
Hong Kong	13.29	19.64	-32.33%	108.29	133.11	-18.65%	837.37	731.68
Japan	6.75	8.39	-19.57%	45.21	57.48	-21.34%	874.01	738.23
UK	1.67	2.82	-40.70%	37.14	22.47	65.26%	869.27	719.10
Italy	0.22	0.20	9.36%	25.56	17.58	45.44%	852.33	717.29
USA	1.34	26.22	-94.90%	136.34	279.24	-51.17%	814.84	735.59
Others	50.75	46.35	9.49%	501.07	350.03	43.15%		
Loading Port								
Shanghai	5.30	13.92	-61.93%	68.27	80.90	-15.61%		
Qingdao	1.92	19.01	-89.90%	80.06	212.98	-62.41%		
Huangpu	0.12	0.35	-65.04%	3.43	6.46	-46.88%		
Shenzhen	0.85	0.83	2.40%	9.02	9.77	-7.69%		
Nanjing	65.33	68.91	-5.19%	687.54	544.95	26.16%		
Others	0.49	0.60	-17.80%	5.30	4.85	9.06%		
Imports								
Total Value	23,593.34	28,529.62	-17.30%	311,354.81	344,842.54	-9.71%	839.54	830.57
Total Volume	27.24	35.41	-23.07%	370.86	415.19	-10.68%		
Origin								
South Korea	3.65	5.84	-37.53%	58.90	65.34	-9.86%	823.74	787.59
Japan	6.51	5.12	27.19%	69.64	71.48	-2.58%	844.73	811.07
Indonesia	1.94	1.63	19.25%	32.03	26.19	22.31%	890.77	880.36
Taiwan	3.14	3.75	-16.20%	45.27	39.85	13.60%	751.35	796.97
USA	1.44	1.26	14.16%	24.26	36.37	-33.30%	907.82	876.74
Others	10.56	17.82	-40.72%	140.77	175.96	-20.00%		
Destination								
Shanghai	2.70	2.86	-5.36%	25.67	62.20	-58.73%		
Guangzhou	1.78	2.08	-14.38%	19.90	24.56	-18.96%		
Huangpu	6.01	6.95	-13.62%	61.00	61.10	-0.16%		
Shenzhen	10.51	18.40	-42.87%	178.16	177.92	0.14%		
Jiangmen	2.34	1.04	124.09%	33.83	39.01	-13.29%		
Others	3.90	4.07	-4.27%	52.30	50.41	3.76%		

Source: China Customs Administration/Chinapaperonline / Im. Price: In US\$

China's Lightweight Coated Paper Imports & Exports

(In US\$000/000 mt)	Nov-07	Nov-06	Change%	YTD2007	YTD2006	Change%	Ave. Price2007	Ave. Price2006
Exports								
Total Value	15,855.36	12,735.56	24.50%	144,029.67	166,994.43	-13.75%	728.19	705.90
Total Volume	21.47	17.98	19.39%	197.79	236.57	-16.39%		
Destination								
Hong Kong	1.45	2.14	-32.18%	18.32	31.26	-41.39%	693.83	717.75
Japan	4.98	3.59	38.62%	47.04	73.82	-36.28%	701.22	691.17
South Korea	5.22	2.62	99.05%	28.34	29.46	-3.80%	763.30	714.06
Australia	4.67	2.38	96.22%	51.59	27.13	90.19%	721.79	728.66
New Zealand	0.46	1.95	-76.26%	10.86	13.18	-17.60%	716.83	704.13
Others	4.69	5.30	-11.49%	41.64	61.72	-32.53%		
Loading Port								
Qingdao	4.18	2.86	46.09%	19.15	32.01	-40.18%		
Shanghai	0.21	1.59	-86.68%	14.80	48.67	-69.59%		
Nanchang	14.94	12.93	15.55%	150.48	116.91	28.71%		
Changsha	1.90	0.25	666.94%	9.07	1.11	713.82%		
Others	0.23	0.35	-34.68%	4.29	37.87	-88.67%		
Imports								
Total Value	1,525.54	1,210.65	26.01%	20,149.79	20,964.49	-3.89%	681.66	854.02
Total Volume	2.18	1.71	28.09%	29.56	24.55	20.42%		
Origin								
Japan	1.26	0.80	58.15%	7.11	3.98	78.56%	735.17	738.38
Finland	0.40	0.45	-11.45%	9.05	7.31	23.77%	514.59	626.08
Others	0.52	0.45	14.79%	13.40	13.25	1.09%		
Destination								
Ningbo	0.60	0.30	103.04%	8.04	6.50	23.61%		
Huangpu	0.10	0.26	-62.11%	4.02	4.45	-9.66%		
Shenzhen	0.35	0.21	66.19%	4.43	2.79	58.75%		
Fujian	0.07	0.13	-43.75%	5.10	4.18	22.02%		
Others	1.07	0.82	30.67%	7.97	6.63	20.34%		

Source: China Customs Administration/Chinapaperonline / Im. Price: In US\$

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