

China Market Pulp Report

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I. Global Overview

Global market pulp demand did not turn extra strong. Efforts of North American and European buyers to build stocks for the holidays were offset by further decrease of orders from China.

Reports from PPC said global market pulp shipment reached 3.72 million/tonne in November, +3.7% from October and +4.9% from a year ago. From January to November, shipment totaled 39.71 million/tonne, +3% from that of 2011. Producer inventories fell to 32 days, down 1 day from October and 7 days from 12 months ago.

In North America, mainstream producers announced a US\$30/tonne price rise for BSK effective from January 2013. After the rise, list price of NBSK will hit US\$900/tonne and SBSK price will top US\$860/tonne. This will also help NBHK price to reach US\$795/tonne, SBHK price to US\$785/tonne and eucalyptus pulp price to US\$850/tonne. Market observers were skeptical of the success of the price increases in view of the 4% decline of North American printing and writing paper shipment in November.

European NBSK producers, though unable to achieve the targeted US\$30/tonne price increase, were making progress in sales price in December and aimed at US\$840/tonne for NBSK and US\$800/tonne for eucalyptus pulp in January 2013.

Reports from EUROPULP showed market pulp consumption was 960,382/tonne in November, -4.9% from October and consumer inventories rose +3.5% from October to 634,497/tonne in November. Stocks at European ports fell to 920,856/tonne, -6.1% from October and -34.2% from a year ago.

II. China's Mainland Market

China's market remained inactive toward the last day of 2012, following significant reduction in order volume from both mill buyers and traders from November. The uncertainties in the China market also cautioned offshore market pulp suppliers to exclude China for a US\$20-30/tonne price increase for BSK. What surprised the market was the announcement by mainstream South American eucalyptus pulp producers to add US\$30/tonne to their price for China effective from January 2013. And the announcement also triggered a US\$20/tonne price rise for China from Canadian BHK producers. Undoubtedly, the move will encounter stronger resistance from Chinese buyers and more market observers believe chances of price increase is minimal.

Both analysts and mill operators in China argue that the country's paper market, with printing and writing paper in particular, is struggling and more mills are suffering from tight cash flows. Except a few large companies, such as Chenming Paper and Huatai Paper, who are able to float bonds in the market to raise funds to replenish fiber stocks, many others will have to take massive maintenance downtime in the first two months of 2013, as part of the industry efforts to deal with the prolonged market downturns.

Production & Consumption. Preliminary reports from China Paper Association (CPA) showed China's paper-grade pulp production grew +1.6% from 2011 to 78.50 million/tonne in 2012. Consumption rose +3.4% from 2011 to 93.40 million/tonne in 2012.

Analysts believe among the total pulp production, about 13% comes from wood fiber,

70% from recycled and the balance from non-wood fiber.

Contract business. Until end-December, offshore BHK and eucalyptus pulp suppliers were still firm for a US\$30/tonne price increase for January. If fully implemented, price of eucalyptus pulp from South America will exceed NBSK from North America by US\$20/tonne, which is rare in history in the China market.

For NBSK, offers from Canada remained unchanged from December at US\$680/tonne, CFR CMP for prime grades and US\$660/tonne, CFR CMP for regular grades for January 2013. Price of NBSK from Russia also stayed the same as the previous month at US\$650/tonne, CFR CMP by rail. SBSK offers from Chile remained at US\$640/tonne, CFR CMP.

Market was waiting for January offers of chemi-mechanical pulp. But observers could not see reasons for any price increases for January as Canadian suppliers had to sweeten their offer of US\$550/tonne, CFR CMP with a US\$10/tonne discount for December.

Contract business for UKP appeared calm as offers from Chile remained at US\$580/tonne, CFR CMP. Those from Russia and Japan also stayed steady at the US\$555-570/tonne range.

Spot market. Contrary to rising shipment arrivals, Chinese mill buyers and traders were reluctant to build stocks. This caused the market to dip and will remain inactive until after the Chinese New Year.

For NBSK from most suppliers, there was a general drop of RMB50/tonne (US\$8.06/tonne), except shipment from Russia which lost RMB100/tonne (US\$16.13/tonne).

Spot price of BHK also gave up RMB50/tonne (US\$8.06/tonne) for January transaction. But chemi-mechanical pulp was not as fortunate as list price had to go down as much as RMB100/tonne (US\$16.13/tonne).

Inactive performance in containerboard market reduced interest in UKP. And this was furthered by the growth in shipment arrivals. Spot price thus lost another RMB100/tonne (US\$16.13/tonne) from the previous month for shipment from all sources.

China Market Pulp Price Watch - 2013					
Brand Name	Type	Origin	Early Jan.	Early Dec.	Change%
Northwood	NBSK	Canada	4,700	4,750	-1.05%
Cariboo	NBSK	Canada	4,600	4,650	-1.08%
Silver Star	SBSK	Chile	4,550	4,600	-1.09%
Usk	NBSK	Russia	4,500	4,600	-2.17%
Butterfly	BHK	Brazil	4,650	4,700	-1.06%
Little Leaf	BHK	Indonesia	4,450	4,550	-2.20%
Gold Star	UKP	Chile	4,350	4,450	-2.25%
Winstone 75	CMP	New Zealand	4,000	4,100	-2.44%
West Fraser	CMP	Canada	4,000	4,100	-2.44%

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

China's domestic producers suffered from the general declines in the spot market. Mainstream bamboo pulp mills in Southwest China had to stop running. For mills in other parts of China, operating rate had to be geared down in order to keep list price steady from the previous month. For example, Lee&man (Chongqing) continued to quote its bamboo pulp at RMB4,700/tonne (US\$758.06/tonne) and Yuen Foong Yu Paper (Sichuan) held its bamboo pulp also at RMB4,700/tonne (US\$758.06/tonne) at delivered terms.

Surveys to mainstream BSK and BHK mills in China showed most were able to stay in normal runs in December, except Heda Pulp & Paper and Yuejing Pulp in Guangxi, Southern China. APRIL's Pulp mill in upper Eastern China's Shandong Province took a 2 day downtime in December. Thanks to active orders, mill inventories remained low and price stayed at RMB4,600-4,650/tonne (US\$741.94-750/tonne) at delivered and 90 day payment terms.

Market for Chinese produced chemi-mechanical pulp slipped as price of products from APP's mill in Guangxi, Southern China fell to RMB4,000/tonne (US\$645.16/tonne), FOB Port. Still, buyers were not interested as price of imported chemi-mechanical pulp fell as low.

APP will reduce sales of chemi-mechanical pulp to the open market when their 1.20 million/mpty coated SBS board mill starts up.

Nine Dragons (Xing-An) had to lower price by RMB100/tonne (US\$16.13/tonne) of its UKP to RMB4,100-4,150/tonne (US\$661.29-669.35/tonne) to keep sales and shipment.

Imports. In spite of the general slowdown in China's economy, China's market pulp imports reached a new height. From January to November, imports came close to 15 million/tonne, +15.5% from the corresponding period of 2011! In which, 13.48 million/tonne were paper-grade pulp (+13.8%). In November, however, the growth momentum seemed to have waned as shipment arrivals of

paper-grade market pulp only grew slightly by +1.8% from October to 1.26 million/tonne. Still, this was +7.4% from a year ago.

China's UKP imports in November rose to 61,130/tonne, +20.8% from October and +59.8% from November 2011.

For BSK, shipment arrivals in November totaled 565,680/tonne, +3.7% from October and +12.8% from 12 months ago.

BHK imports in November also rose +2.5% from October to 542,690/tonne. This was also a +2.9% increase from a year ago.

However, the country's chemi-mechanical pulp imports fell to 93,450/tonne in November, -18.9% from October and -8.3% from 12 months ago.

III. Statistics

China's Unbleached Kraft Pulp Imports						
(In US\$000/MT000)	Nov12	Nov11	Change%	YTD 2012	YTD 2011	Change%
Total Value	32,149.84	25,322.33	26.96%	338,001.02	361,170.39	-6.42%
Total Volume	61.13	38.25	59.82%	608.83	526.95	15.54%
Key origins:						
Chile	24.49	3.01	712.68%	147.40	108.93	35.32%
Russia	18.55	17.63	5.23%	181.55	172.66	5.15%
Japan	6.63	6.05	9.43%	96.12	105.94	-9.27%
Source: China Customs Administration/Chinapaperonline						

China's Bleached Softwood Kraft Pulp Imports						
(In US\$000/MT000)	Nov-12	Nov-11	Change%	YTD 2012	YTD 2011	Change%
Total Value	356,184.67	399,862.98	-10.92%	4,008,259.00	4,521,012.03	-11.34%
Total Volume	565.68	501.54	12.79%	6,063.10	5,323.14	13.90%
Key origins:						
Canada	152.64	169.76	-10.08%	2104.91	2082.49	1.08%
USA	124.00	117.73	5.33%	1069.58	863.02	23.93%
Chile	98.72	54.06	82.62%	1000.82	745.08	34.32%
Source: China Customs Administration/Chinapaperonline						

China's Bleached Hardwood Pulp Imports

(In US\$000/MT000)	Nov-12	Nov-11	Change%	YTD 2012	YTD 2011	Change%
Total Value	325,295.86	345,010.94	-5.71%	3,250,533.08	3,261,915.38	-0.35%
Total Volume	542.69	527.33	2.91%	5,509.36	4,707.81	17.03%
Key origins:						
Brazil	233.28	241.31	-3.33%	2043.13	1645.57	24.16%
Indonesia	167.75	95.89	74.94%	1453.83	1206.01	20.55%
USA	34.01	46.43	-26.74%	423.70	340.32	24.50%
Source: China Customs Administration/Chinapaperonline						

China's Mechanical Pulp Imports

(In US\$000/MT000)	Nov-12	Nov-11	Change%	YTD 2012	YTD 2011	Change%
Total Value	103.39	4,204.15	-97.54%	5,689.29	31,017.75	-81.66%
Total Volume	0.18	7.21	-97.50%	10.55	55.46	-80.98%
Key origins:						
Germany	0.18	0.11	62.11%	1.70	1.43	18.84%
Source: China Customs Administration/Chinapaperonline						

China's Chemimechanical Pulp Imports

(In US\$000/MT000)	Nov-12	Nov-11	Change%	YTD 2012	YTD 2011	Change%
Total Value	49,415.90	56,850.95	-13.08%	696,407.51	670,276.17	3.90%
Total Volume	93.45	101.93	-8.32%	1,287.86	1,231.32	4.59%
Key origins:						
Canada	85.14	86.31	-1.35%	1,038.11	1,030.18	0.77%
Finland	2.56	0.28	813.54%	53.12	16.07	230.63%
New Zealand	2.41	7.48	-67.82%	104.81	97.15	7.89%
Source: China Customs Administration/Chinapaperonline						