

China Recovered Paper Report

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I. US Market

Recovered paper market suffered in the last month of 2012 and price of all export grades fell the most in two months. The announced strikes in 15 eastern US ports at end-December caused the ocean carriers to charge as much as US\$1,000 per container as port congestion.

Data from AF&PA showed US domestic consumption of recovered paper fell to 2.36 million/ton in November, -5% from October. From January to November, consumption was down -4% from the same period of 2011.

At end-December, US domestic sales price of OCC fell to US\$90-95/ton FOB New York and US\$115-125/ton FOB Los Angeles. For export, price lost US\$15/ton to move at US\$150-152/ton, FAS East Coast and US\$163-173/ton, FAS West Coast.

Market for ONP also slipped, though moderately due to less generation. For domestic sales, price gained US\$5/ton to US\$60-65/ton, FOB New York. However, it lost US\$10/ton to move at US\$95-105/ton FOB Long Beach. For export, price gave up US\$8-10/ton to close at US\$115-134/ton, FAS East Coast and US\$132-140/ton, FAS West Coast.

Significant declines in export orders brought the greatest sufferings to sorted mixed paper. While price for domestic sales down US\$20/ton to close at US\$75-85/ton FOB Oakland, export price also tumbled US\$20-25/ton and exporters had to move materials at US\$80-90/ton FAS East Coast and US\$100-105/ton FAS West Coast.

Market for high de-inking grades also softened and price lost US\$15/ton in some regions.

II. China Mainland Market

Mainstream paper and paperboard mills in China had to act more cautiously in fiber sourcing in the last month of 2012, under sleepy demand of finished products. Market stayed abnormally quiet for two straight weeks from mid-December. The good news was the announcement by the government of the first group of approved importers for 2013 imports of recovered paper and their volume allocation. According to the announcement, 160 importers, mostly paper and board mills, are entitled to import up to 30.45 million/tonne of recovered paper – other than sorted mixed paper – in 2013 and 77 importers are eligible to import 6.04 million/tonne of sorted mixed paper and other restricted scrap paper. As usual, there will be additional approvals on importers and allocation on volume in the latter part of the 1st Quarter. This will pave the way for consistent sourcing from Chinese buyers in 2013.

However, flat market in finished paper and board products resulted in high fiber stocks at mid-to-small mills, unlike large mills who were able to bring stocks to a relatively low level. Lee&man (Hongmei) in Dongguan, Southern China, for example, was able to trim fiber stocks to 18 days of consumption. And Huatai Paper – the industry leader in newsprint production – was also able to reduce ONP stocks to 20 days of consumption. Market observers believe while mid-to-small mills waiting for volume allocation from the government and battling for better sales so as to eventually reduce fiber stocks, large players will return to the market for recovered paper prior to the start of the Chinese New Year.

Market for OCC and Sorted Mixed Paper

ex USA tumbled in the first two weeks of December and recovered some of the lost grounds prior to the end of the year. ONP only dipped slightly, thanks to less offers from the USA.

At end-December, OCC price was down US\$10-11/tonne from end-November and down US\$23-24/tonne from a year ago in the China market.

For ONP, price dipped US\$3-5/tonne from the previous month and US\$8-9/tonne from December 2011. Market for OMG followed. Price lost US\$6-8/tonne from 30 days ago and US\$22-24/tonne from a year ago.

Sorted mixed paper was most unfortunate as price tumbled US\$14-15/tonne in December. This was also off by US\$15-16/tonne from 12 months ago.

Negatively impacted by bulk grades, market for high de-inking and pulp substitutes declined. At end-December, price of #37 SOP lost US\$4-6/tonne from the previous month. Yet, this was still up US\$6-7/tonne from a year ago. Price of #40 SWL also gave up US\$3-4/tonne from end-November, but gained US\$6-7/tonne from that of 2011.

China Waste Paper Price Watch - 2013			
(In US\$/mt, CIF CMP)			
Grade	Early Jan.	Early Dec.	Change %
Sorted Mixed (USA, Soft)	159	175	-9.14%
Sorted Mixed (USA, Hard)	158	174	-9.20%
Sorted Mixed (Japan)	202	209	-3.35%
Sorted Mixed (Europe A2)	145	165	-12.12%
#8 ONP (USA)	185	186	-0.54%
ONP (Europe 80/20)	181	182	-0.55%
ONP (Japan)	210	225	-6.67%
#9 ONP (USA)	220	225	-2.22%
#10 OMG (USA)	215	221	-2.71%
#11 OCC (USA)	204	215	-5.12%
OCC (Europe 90/10)	185	194	-4.64%
OCC (Japan)	210	210	0.00%
#37SOP (USA)*	245	250	-2.00%
#40 SWL (USA)	341	343	-0.58%

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

Price of Recovered paper ex Europe

performed no differently than its American

counterparts. At the last week of December, sorted mixed paper from continental Europe was listed US\$18-20/tonne down from 30 days ago in the China market, which was also down US\$22-24/tonne from 12 months ago.

For OCC (A5 90/10), list price was down US\$8-9/tonne from the previous month and from a year ago as well.

European ONP (80/20) dipped slightly by US\$2-3/tonne from end-November and down US\$9-10/tonne from 12 months ago.

Recovered paper ex Japan performed less unsteadily in the China market in December. The tiny drop in price of sorted mixed paper ex Japan was really amazing in view of the dramatic price declines of materials from USA and Europe.

However, price of Japanese ONP and OCC suffered major losses in the China market. At the last week of December, list price of ONP ex Japan was down US\$14-16/tonne from end-November and US\$33-34/tonne from a year ago. OCC ex Japan also lost US\$18-19/tonne from end-November and US\$30-31/tonne from 12 months ago.

Market for China's domestic recovered paper responded to the two months declines in imported materials, with most price loss in locally generated OCC.

In Southern China, mainstream mill buyers, including Nine Dragons (Dongguan) and Lee&man (Hongmei) were able to lower their buying price for locally baled OCC 3 times in the month. At end-December, they were only paying RMB1,280-1,330/tonne (US\$206.45-214.52/tonne) for prime box plant cuttings and RMB1,100-1,150/tonne (US\$177.42-185.48/tonne) for regular OCC at delivered and cash payment terms.

Market for locally baled ONP also dipped, though much less than OCC. In December, mainstream mills in Guangdong, Southern China would pay RMB1,640-1,700/tonne (US\$264.52-274.19/tonne) for prime ONP

with +80% newspaper yield and RMB1,500-1,560/tonne (US\$241.94-251.61/tonne) for ONP with +50 newspaper yield at delivered and cash payment terms.

In Eastern China, market for locally baled OCC and ONP also dipped, though less significantly than Southern China.

After two price concessions, local balers would deliver their prime box plant cuttings to Nine Dragons (Taicang) at RMB1,280-1,320/tonne (US\$206.45-212.90/tonne) and regular OCC at RMB1,150-1,180/tonne (US\$185.48-190.32/tonne). Nearby, Lee&man (Changshu) lowered their buying price by RMB70/tonne (US\$11.29/tonne) and paid for prime box plant cuttings at RMB1,220-1,250/tonne (US\$196.77-201.61/tonne) at delivered and cash payment terms.

For locally baled ONP, mainstream buyers would lower their purchase price to RMB1,650-1,670/tonne (US\$266.13-269.35/tonne) for materials with +80% newspaper yield and RMB1,550-1,600/tonne (US\$250-258.06/tonne) for materials with +50% newspaper yield at delivered and cash payment terms.

Imports. To feed more recycled fiber based new capacity start-ups from 2011, China's recovered paper imports in 2012 will

set a new record in history. In the first eleven months of 2012, shipment arrivals totaled 27.38 million/tonne, +11.8% from the corresponding period of 2011. According to China Customs, imports in November alone topped 2.57 million/tonne, +23.8% from October and +3.4% from a year ago.

OCC continued to lead in China's recovered paper imports. In November, shipment arrivals grew to 1.53 million/tonne, +22.7% from October and +6.3% from 12 months ago. Combined imports of ONP and OMG totaled 565,040/tonne in November, +43.5% from October, though -10.8% from 12 months ago. Sorted mixed paper imports followed with the growth of +24.8% from October to 398,360/tonne in November. This was also a gain by +9.2% from a year ago.

In November, China imported 74,020/tonne of high de-inking waste and pulp substitutes, +22.8% from October and +60.2% from November 2011.

Market analysts cautioned, however, that the significant growth of China's recovered paper imports in November was partly the result of ocean carriers' slow-down of shipment in October to avoid arrivals during China's National Day and Moon Festival holidays.

III. Statistics

China's OCC Imports						
(In US\$000/MT000)	Nov-12	Nov-11	Change%	YTD 2012	YTD 2011	Change%
Total Value	300,660.60	376,066.97	-20.05%	3,388,271.37	3,658,210.19	-7.38%
Total Volume	1,532.93	1,442.07	6.30%	15,687.02	13,922.75	12.67%
Key origins:						
USA	701.75	623.51	12.55%	6,856.72	6,180.51	10.94%
Japan	186.55	112.05	66.49%	1,710.54	1,389.40	23.11%
UK	165.94	169.12	-1.88%	1,076.72	1,120.32	-3.89%
Source: China Customs Administration/Chinapaperonline						

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China's ONP Imports						
(In US\$000/MT000)	Nov-12	Nov-11	Change%	YTD 2012	YTD 2011	Change%
Total Value	98,314.51	165,798.04	-40.70%	1,270,295.28	1,496,458.62	-15.11%
Total Volume	565.04	633.26	-10.77%	6,230.05	5,880.40	5.95%
Key origins:						
USA	343.62	338.42	1.54%	3,406.91	3,182.23	7.06%
Japan	50.54	40.86	23.68%	536.76	542.40	-1.04%
Canada	49.33	54.74	-9.88%	592.88	492.82	20.30%
Source: China Customs Administration/Chinapaperonline						

China's Sorted Mixed Imports						
(In US\$000/MT000)	Nov-12	Nov-11	Change%	YTD 2012	YTD 2011	Change%
Total Value	63,170.80	88,254.74	-28.42%	882,711.88	954,455.52	-7.52%
Total Volume	398.36	364.94	9.16%	4,703.02	4,050.70	16.10%
Key origins:						
USA	144.05	101.11	42.46%	1,288.84	1,076.73	19.70%
Japan	78.66	76.48	2.86%	1,063.95	997.27	6.69%
UK	61.15	40.87	49.61%	736.78	518.25	42.17%
Source: China Customs Administration/Chinapaperonline						

China's De-inking Imports						
(In US\$000/MT000)	Nov-12	Nov-11	Change%	YTD 2012	YTD 2011	Change%
Total Value	18,557.69	13,913.12	33.38%	194,882.85	202,229.29	-3.63%
Total Volume	74.02	46.26	60.02%	761.99	633.89	20.21%
Key origins:						
USA	26.18	13.52	93.64%	261.18	182.27	43.29%
Japan	17.22	9.38	83.59%	158.21	153.31	3.20%
Australia	10.19	3.49	191.98%	72.28	62.81	15.07%
Source: China Customs Administration/Chinapaperonline						