Q:  With the advent of China’s Green Fence policy how do believe the industry will respond to meet more stringent quality requirements?

A.       I believe the industry will be forced to respond by meeting all the restrictions and guidelines of  China’s “Green Fence”.   China has become such a major buyer for most wastepaper grades that they can dictate the industry standards and we will all be forced to meet the new guidelines set forth by “China’s Green Fence”.   Recycling plants will be forced to increase labor and upgrade machinery to process their material in order to meet the new standards.  I do think the market forces will play itself out and the costs will eventually get pushed downstream to the city/ commercial contract levels and then they might pass it down to the residet levels.   We don’t know exactly what new policies could arise next month after they wrap up the first phase and discuss what the pros and cons were and what the results are.   China’s EPA is currently analyzing the results and getting opinions from everyone involved with the entire supply chain (traders, suppliers, AQSIQ and mill buyers). After they analyze I believe they will meet in November and set some new guidelines and AQSIQ will be assigned to enforce the new guidelines.   I personally feel it’s a good thing because this way most suppliers will be producing a better quality product so it will mean less rejections at destination ports and a lot less claims for everybody.  There is a lot of speculation that Green Fence is going to be over in November but I assure you that all the restrictions and new guidelines set forth by Green Fence in the past 8 months  will not go away and future rules and regulations will only be more strict.

The new Premiere Li Ke Qian said in one of his first speeches to the public “We must clean up the environment because if we don’t clean it up the environment will clean out the communist regime”.  Those are some strong words from the top.  I am convinced that Green Fence will continue into the future.

Q.  We have seen brokerage profit margins decline significantly in the past 5 years What do you think the future holds for this end of the business?

A.  I think the brokers margin or traders margin are off a bit but at our company it has not dropped significantly.  We have been able to maintain decent profit margins however, we have seen a drop in volume year after year and thus profits are less every year.  I feel the trading side will remain here and the brokers that currently are a player in this industry will remain a player because the barriers of entry are getting very high in this industry.  The Chinese regulations of AQSIQ license and CCIC approved Self Inspection company will prevent most new comers into this industry. Our industry is also very capital intensive.  I believe most mills and suppliers and shipping lines are very careful with new companies that come into this industry.

Q.  What have you been seeing in the last few years as generation decreases and grade shifts in what’s being collected and processed and do you expect these tends to continue?

A.  I see overall paper generation decreasing because of electronic media.  Newspaper will continue to decrease in generation as less people are reading the newspaper.  This is a trend that will happen globally and not just in the USA. The Chinese demand for newsprint is not as robust as they once expected.  Newsprint Mills in Asia are suffering from weak demand, weak pricing  along with over capacity.   Office paper will also decrease with electronic media.