



## IN THIS ISSUE

- **Coating Excellence Begins FSC, SFI and PEFC Certification Processes**
- **Bag Calculator: Woven vs. Paper Bags**
- **CEI Plans to Launch Redesigned Computer System in 2009**
- **Recyclable or Repulpable?**
- **Economic Update**
- **Converter's Expo 2009**

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## Coating Excellence Begins FSC, SFI and PEFC Certification Processes

Coating Excellence is proud to announce it has begun the Forest Stewardship Council (FSC), Sustainable Forestry Initiative (SFI), and Programme for the Endorsement of Forest Certification schemes (PEFC) chain of custody certification processes. Becoming FSC, SFI, and PEFC certified is another way for CEI to demonstrate it is an environmentally responsible manufacturer by sourcing materials from paper mills that utilize sustainably managed forests. CEI's certification with all three organizations will allow CEI's customers to better serve their own clients and accomplish their own green initiatives.

The 12 FSC-accredited certifiers around the world certify forests by assessing forest management using the FSC principles, criteria, and standards. The FSC chain of custody (COC) certification, which CEI is seeking, is available for mills, manufacturers, and distributors. COC addresses a company's ability to track certified products throughout their inventory and distribution processes. It allows products to be segregated and identified as having come from a particular source—in this case, an FSC-certified forest. FSC contracts are good for five years.

SFI certification provides third party certification that wood or paper products, whether they are ream wrap, packaging or two-by-fours, have come from environmentally responsible, legal sources. According to the SFI, only 10 percent of the world's forests are third party certified—the majority of which are in North America. By sourcing certified products from a variety of credible standards, CEI will show that it supports environmental responsibility. A variety of participants across the U.S. and Canada are eligible for SFI certification—from forest managers to distributors to manufacturers to printers.

PEFC is a global organization for the assessment of national forest certification schemes developed in a multi-stakeholder process. These national forest certification schemes build upon the inter-governmental processes for the promotion of sustainable forest management, a series of ongoing mechanisms supported by 149 governments in the world and covering 85 percent of the world's forest area. PEFC has 35 independent national forest certification systems in its membership making it the world's largest certification system.



CEI expects to complete all three certification processes by July 2009. Further updates will be available as it proceeds through these processes. For more information on FSC, SFI, and PEFC certifications, visit: [www.fscus.org](http://www.fscus.org), [www.sfiprogram.org](http://www.sfiprogram.org), and [www.pefc.org](http://www.pefc.org).

## Bag Calculator: Woven vs. Paper Bags

Have you ever wondered what the difference is between multi-wall paper and woven polypropylene bags from a sustainability standpoint? CEI's new bag calculator, found at [www.super-tube.com/wastcalc.php](http://www.super-tube.com/wastcalc.php) will show you. All you have to do is type in the number of bags you'd like to compare, hit calculate, and you will be given pre and post-consumer information, including weight, number of truckloads, recoverable energy, and more!

To illustrate, here's an example using 50,000 bags:

		Pre-Consumer Bags			Post-Consumer Disposal (Including Losses from Bag Failures)		
Enter the number of bags to compare	Typical 50 Pound Pet Food Bag	Pre-Filled Bag Weight (Pounds)	Pre-Filled Semi Trucks (42,500 lb Average Loads)	Product Lost in Transit to Market, from Handling Damage (Pounds)	Potential Recoverable Energy (Million Btu)	Total Weight if Sent to Landfill (Pounds)	Total Volume if Sent to Landfill (Cubic Yards)
50000	<b>Woven PP</b>	17410	0.41	12500	69.5	17000	23
Calculate	<b>Multi-wall Paper</b>	33975	0.8	50000	57	39000	45

### Summary of environmental benefits of woven polypropylene bags...

#### Prefilled:

- Woven polypropylene bags require **15%** less energy to manufacture, weigh **49%** less, and allow for **49%** more unfilled bags to fit on a truck, compared to multi-wall paper bags.

#### In transit to consumers:

- Multi-wall paper bags have **4 times** the breakage rate of woven polypropylene bags.

#### If landfilled:

- Woven polypropylene bags weigh **56%** less, and consume **49%** less space than multi-wall paper bags.

## CEI Plans to Launch Redesigned Computer System in 2009

CEI has begun the process of upgrading its computer system, with plans to go live on September 8, 2009. This will be much more than a simple system upgrade, and will actually be more of a complete system redesign. CEI will determine how it must change and evolve in order to continue to exceed customer expectations and needs.

The new system will encompass all areas of CEI's business. A team of 12 employees, each representing a different business function, have been selected to work together to identify customer/business-necessary system changes and implement the new system. A variety of outside software companies will also be involved and work hand in hand with the internal upgrade team. Improvements will be made in all business areas to better serve CEI customers and make processes more efficient. Examples of areas that will be looked at include how to improve CEI's quality systems, how to move to more automated processes and reduce paper flows, etc. One specific exciting aspect of the system redesign will be the implementation of a customer relationship management (CRM) program.



While CEI has many ideas and areas it will be exploring over the next several months, it would appreciate any customer input. If you have any suggestions, please let us know. You may contact your CEI sales representative or send an email to [ceiinsight@coating-excellence.com](mailto:ceiinsight@coating-excellence.com).

## Recyclable or Repulpable?

**Coating Excellence International's paper-based ream wraps are fully recyclable in paper waste streams of mixed office waste and consumer recycling (curb-side pickup and municipal recycling). CEI's film ream wrap is made of 100% polypropylene, making it fully recyclable in a No. 5 plastics recycle stream.**

CEI's paper-based ream wraps are processed through current recycling technology, where usable fibers are removed from the plastic coatings; colored ink is removed from the recovered fibers through a de-inking process. The recovered fiber is re-manufactured into new paper structures, while the plastic coatings are converted to fuel, per Newark Recycled Fibers, America's #1 recycler. A typical paper ream wrapper contains over 80% reusable paper fiber; the remaining 20% is converted into high-energy boiler fuel. In total, 100% of the paper ream wrapper is recycled when it is disposed of through either the mixed office or consumer recycling waste streams.

Recently, CEI has received inquiries for **repulpable** ream wrap. In order for paper ream wrap to be considered 100% repulpable, it must be able to be placed directly into a mill beater to be remade into paper. Because paper ream wrap is almost always printed – and many times, heavily printed – the product must go through the de-inking process included in the recycling process. Adding printed materials that **have not** been de-inked to a paper machine beater will cause undesirable visual spots in the newly-made paper. Overall, printed paper-based ream wrap products are not 100% repulpable unless they are unprinted and contain only minimal barrier coatings.

What does recyclable vs. repulpable mean to the consumer in regard to unprinted paper ream wraps? Except for large printing operations, consumers of office papers generally collect their waste paper in mixed office waste or municipal recycling streams. These people do not have an access to a true "white office waste" stream that goes directly to a repulping operation. Consequently, **repulpable paper ream wraps would be put through the same waste streams as a recyclable paper ream wrap.** As a result, a repulpable paper ream wrap provides no real sustainable advantage over a recyclable paper ream wrap.

## Economic Update January 2009

### General Economy

The economy continues to set one negative milestone after another. Washington acknowledges that we are in bad shape and something needs to be done. The question is, even with the best of intentions, can anyone understand all bad economic news and formulate and pass an economic stimulus plan that really helps and is not a "Christmas tree" of goodies for various special interests.

The Congressional Budget Office (CBO) is reporting that over half of the Obama stimulus plan spending will not be felt for two or more years and by then the recession is forecasted to be over. In addition, CBO reports the U.S. Government deficit will be over \$1.2 trillion in 2009 **before** any stimulus package. That means the 2009 deficit with stimulus will be over \$2 trillion. And now the political games begin. Special interest

groups are lining up to be part of the stimulus plan and Senators and Congressmen are trying to target stimulus and TARP money to their home districts. Reports are trains, buildings, contraceptives and much more are in the stimulus bill. Any project that could not get funding the last few years because it was not worthwhile is being pushed for the stimulus bill.

Unfortunately, the larger deficit will cause greater pain in the future which we will leave for our children and grandchildren. We cannot spend uncontrollably generating huge deficits and not pay a price. After all that is what got us into this mess and we are paying a price now. Inflation will rise and commodity prices will rise; it is only a matter of time.

Meanwhile the American consumer continues to be battered from all sides. Over 2 million jobs have been lost and weekly unemployment claims continue to set records. In addition, hours worked have been declining so people still working have less money. The result is the American consumer has retrenched. Unfortunately, the worst may be yet to come. The impact of lower consumer spending was exhibited by month-over-month declines in U.S. retail sales since June 2008. The total decline has been almost 10% through year-end. The result was the worst Christmas season sales since 1970, and numerous stores are filing for bankruptcy or closing locations. The lower spending and declining prices are impacting year-end 2008 corporate profits and are causing businesses to cutback further axing employment. Headcount reductions are flowing daily from many major corporations. This will cause a further jolt to consumers as the ranks of the unemployed continue to swell.

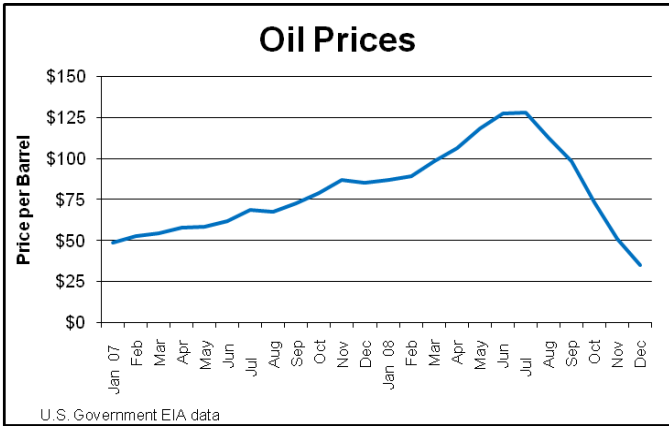
While commodity prices have fallen quickly, industries are taking aggressive actions to reduce supply and cause prices to rise to reasonable levels. From OPEC to paper mills to resin makers, huge chunks of capacity are being idled permanently or temporarily, to reduce supply. These actions are having the desired impact and commodity prices are stabilizing or beginning to increase. While commodity prices rose to unreasonably high levels during mid-2008, current levels are below the level required to sustain production or justify adding capacity. Therefore, prices will rise from current levels over the next six months, and when inflation from all the federal spending hits, commodity prices will rise much higher.

Packaging is being impacted by the general economic conditions as packaging demand has fallen reflecting lower consumer demand for packaged end products. Lower commodity prices are welcome news because packaging producers did not pass along the peak prices of 2008. The raw material reductions are bringing packaging production costs back in line with finished product prices. Individual commodities are discussed below.

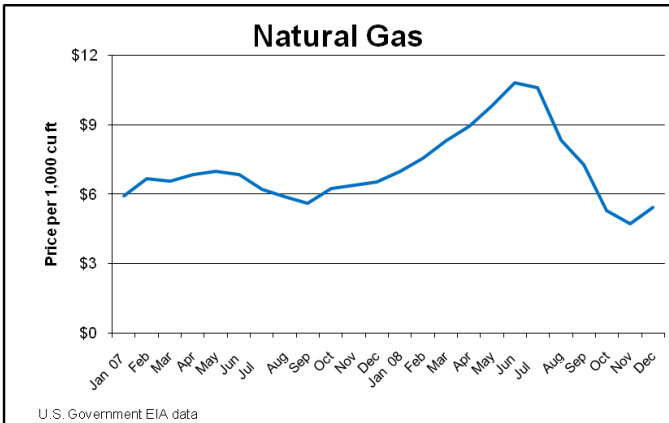
### Energy

Oil prices have been in a free fall since the third quarter 2008 peak. As much as the \$140 per barrel oil price of last summer was unreasonably high the drop to under \$40 per barrel is unrealistically low. In December 2008 OPEC made the largest production curtailment ever to bring supply and demand into balance. OPEC plans to make additional supply cuts if necessary to bring oil into the \$75 per barrel price range for 2009. All OPEC members seem to be supporting the production reductions. OPEC will meet again in March to

determine the impact and review additional production cuts. In addition, the low oil price is curtailing efforts in alternative fuels which are the long-term future.

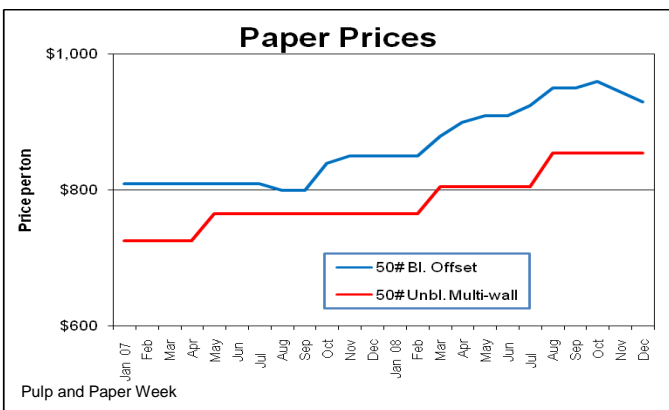


Natural gas prices also have declined as demand stalled with the economy. Efforts to stabilize natural gas prices have begun to be successful and prices have begun to increase again as the U.S. moved into the winter heating season.



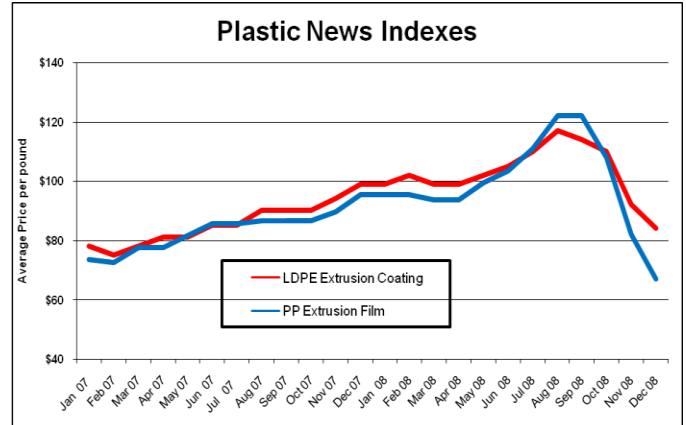
**Paper**

As shown below, paper prices have not declined like other commodities. Mill operating rates have declined but mills have quickly chosen to take downtime rather than reduce prices and fill capacity. Bleached producers have started to reduce prices to improve volume, but unbleached mills have remained stable. As the recession deepens leading to further volume declines and projected poor paper company financial results continue, price discounting may increase.



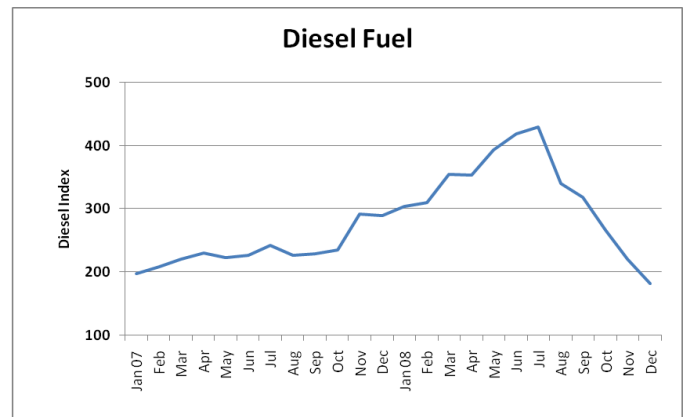
**Resin**

Resin prices have declined as energy feed stocks became cheaper with lower oil and gas prices. Lower operating rates in polypropylene have resulted in a slightly larger price decline than polyethylene where operating rates remained higher. Resin producers have taken downtime to curtail the price slide and prices are starting to increase with announced price increases in numerous products. Resin prices are expected to increase over the next few months and plateau.



**Transportation**

Trucking costs have declined as diesel prices have reflected the oil price reductions. In addition, lower demand for trucks as a result of the recession has improved truck availability. In early 2008, there was concern that there would not be enough truckers to haul products in the future. Now truckers are leaving the business due to not enough loads. As the roller coaster continues we may again be short of drivers when the economy improves.



**Summary**

The recession is here and it is deepening. Projections are the recession will last through all of 2009. The effect of government stimulus actions remains to be seen. It is unclear if actions to-date have helped or hurt the economy. But the actions keep getting bigger. Time will tell.

**Converter's Expo 2009**

Visit CEI at the upcoming **Converter's Expo** on March 5, 2009 at Lambeau Field in Green Bay, Wisconsin. Visit [www.convertersexpo.com](http://www.convertersexpo.com) for more information.