



CEI Insight

July 2008

A newsletter for our valued customers from Coating Excellence Int'l

Welcome to the first edition of *CEI Insight!* We hope you find this to be a very informational and valuable resource that keeps you up to date on current happenings within the packaging market. A variety of topics will be featured, including industry trends, sustainability initiatives, new product offerings, awards, etc. If there are any specific topics you would like to hear about, please let us know. Also, if you would like to receive an electronic copy of this newsletter or wish to be removed from our mailing list, please email ceiinsight@coating-excellence.com.

2008 FTA Award Winners Announced

Each year, with the help of 36 judges, some of the world's best flexographic prints are ranked by the Flexographic Technical Association (FTA). The FTA recognizes the top companies in a variety of categories with Excellence in Flexography Awards. Categories include: wide web, mid web, narrow web, folding carton, napkin, combined corrugated and preprinted linerboard, envelope, graphic design, newspaper/publications, self-promotion, and student.

Seventy-three companies received a total of 147 Excellence in Flexography Awards during the May 2008 ceremony held in Dallas, Texas. CEI is proud to announce it is the recipient of five of these prestigious awards in the wide web category, and for the second year in a row, CEI was pronounced "Best of Show".

The Malta Cleyton® Triple Corona® New Generation® NG Bag received a gold medal along with the honorary "Best of Show" award. Depicting a rider on horseback, leaping over a hurdle, the bag defeated 30 other award-worthy submissions to claim the top prize. Commenting on this award-winning bag, a wide-web degree of difficulty judge said, "It's water-based, which is different and difficult for wide web film. The tonal range was excellent. The black is all process, and it's an excellent match to the proof".



Another CEI submission, Staples® Multiuse Paper Ream Wrap, was a close contender for the top prize. In the end, the Malta Cleyton® bag came out on top, but the Staples® Multiuse Paper Ream Wrap earned CEI another gold medal in the wide web category.

Boise® Tiger Bond Ream Wrap and W.B. Mason Premium Copy Ream Wrap received silver medals, and the high print quality of Boise® HDP™ Glossy Color Laser Ream Wrap earned a fifth award with a bronze medal.

CEI is honored to be the recent recipient of these five Excellence in Flexography Awards recognizing outstanding print capabilities. These awards highlight only a few of the many high quality print jobs we have done for our customers. We look forward to continued success at providing top notch printing. As always, making our customers successful makes us successful!

Coating Excellence Joins Sustainable Packaging Coalition

Coating Excellence is excited to announce it has joined the Sustainable Packaging Coalition (SPC) to further help customers meet market requests for more sustainable product packaging.



SUSTAINABLE PACKAGING
COALITION SM

The SPC envisions a world where all packaging is...

- Sourced responsibly
- Designed to be effective and safe throughout its life cycle
- Meets market criteria for performance and cost
- Made entirely using renewable energy
- Recycled efficiently to provide a valuable resource for subsequent generations

In summary, the SPC envisions a true cradle to cradle system for all packaging.

The SPC's mission is to advocate and communicate a positive, robust environmental vision for packaging and to support innovative, functional packaging materials and systems that promote economic and environmental health through supply chain collaboration.

The SPC's approach to achieving its mission includes:

- Providing a forum for supply chain collaboration
- Sharing best practices and design guidelines
- Supporting innovation and effective new technologies
- Providing education, resources and tools

As a member, CEI has the option to print the Sustainable Packaging Coalition logo on customers' products and share in the use and development of the aforementioned business tools. More information on the Sustainable Packaging Coalition is available at: <http://www.sustainablepackaging.org/>

Source: www.sustainablepackaging.org

Two High-Profile Positions Added at Coating Excellence

Coating Excellence has recently added a Sustainable Packaging Manager and a Supply Chain Manager, to keep up with the growing flexible packaging market and continue to meet customer needs.

Having extensive experience and expertise in international sourcing, the Supply Chain Manager will be very beneficial as CEI looks to expand its overseas supplier base. In this position, the Supply Chain Manager will oversee purchasing, inventory control, and customer service, ensuring that CEI has the right material and products in the right place at the right time.

The Manager of Sustainable Packaging will lead CEI's efforts as it continues to look for ways to provide

environmentally friendly products and employ sustainable business practices. Fully trained in the Wal-Mart Package Modeling Software, the Manager of Sustainable Packaging can help customers develop sustainable packages through comparative package modeling.

Flexible Packaging: The Sustainable Packaging Option

According to the Flexible Packaging Association's (FPA) recently published brochure, Sustainability and Flexible Packaging. More Value. Less waste., flexible packaging is at the forefront of important trends in sustainability. These trends include: product protection, package design and minimization, customer convenience, waste reduction, and resource conservation. Each trend positively impacts the environment, consumers, and businesses.

Environment

- Innovation and technology have enabled flexible packaging manufacturers to use fewer natural resources.
- Improvements in production processes have reduced water and energy consumption, green house gas emissions, and VOC's.
- Lighter-weight flexible packaging results in less transportation-related energy and fossil fuel consumption as well as less environmental pollution.

Consumers

- Flexible packaging increases consumers' free time by facilitating easy-to-prepare meals.
- Flexible packaging reduces the weight of contents in shopping bags as well as the amount of household packaging waste.

Businesses

- Converters, manufacturers, shippers, and warehouse personnel gain more cost-efficient production and handling with flexible packaging.
- Retailers benefit from tighter, more eye catching shelves, with products delivering longer shelf life.

Overall, flexible packaging proves its value for businesses, consumers, the environment, and future generations throughout its life cycle. Using less packaging, less natural resources, and creating less waste, flexible packaging is an excellent sustainable choice.

Source: Flexible Packaging Association Sustainability and Flexible Packaging. More Value. Less Waste. 2008

Economic Update Mid-Year 2008

General Economy

Slow growth and increasing raw material/commodity prices have been the trends for 2008. It appears these trends will only intensify. Actions by the Fed and the 2008 tax rebates may prevent a recession before the 2008 election, but growth will remain slow due to numerous negative impacts on consumers (gas prices, food prices, falling housing prices, etc). It appears inevitable the new president will inherit a recession in 2009. In addition, increasing inflationary pressures and actions already taken by the Fed in 2008 will severely limit the Fed's ability to do anything about a 2009 slowdown.

Commodity prices led by energy continue to increase rapidly. Increases in the price of a barrel of oil and natural gas have placed pressure on all commodities. The run up in prices was initially due to increased demand related to the emergence of a consumer class in developing countries like China and India. In fact, in oil specifically the demand increase in the U.S. was less than new U.S. production brought on line in 2007, meaning the U.S. is not causing the demand surge.

Virtually all commodities from food to minerals are experiencing higher prices due to increased demand or due to the impact of increasing energy prices. In fact, even the price of coal in abundant supply in the U.S. has risen dramatically due to Asian demand. These large increases are before the impact of the 2008 flooding which devastated Midwest crops and disrupted transportation. The only hope to prevent a recession is dramatically reduced demand through a worldwide recession. This cure may be worse than the disease.

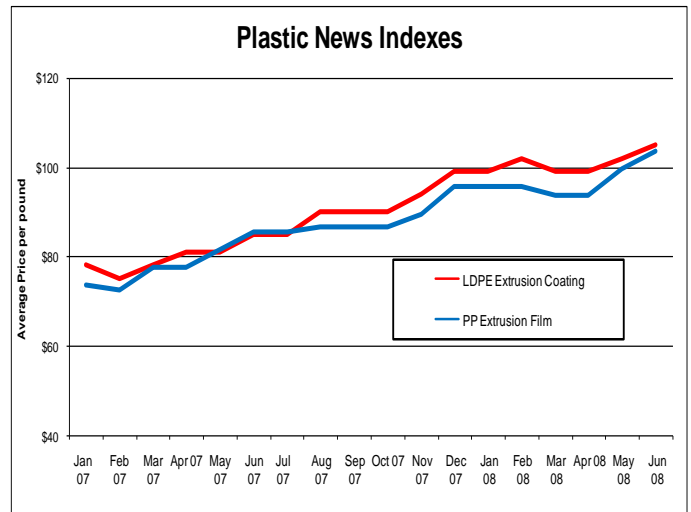
The question is "how long can consumer inflation remain under control with large raw material/commodity price increases"? The wholesale price indexes are increasing. Year-to-date 2008 producer prices are increasing at double digit rates. Consumer product makers are seeing across the board increases in their raw material costs, energy, and packaging. Yet, the consumer price index is up only 4.9% for the past three months.

Packaging is showing the same cost trend. Raw material costs which account for over 60% of packaging costs have increased substantially.

Resin

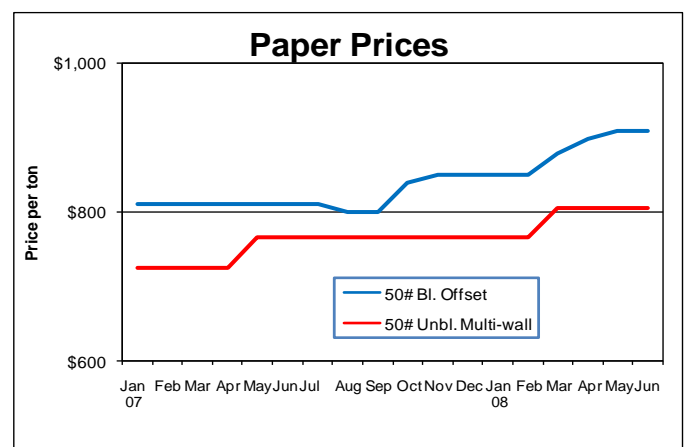
The higher oil and natural gas prices have caused increases in both polyethylene (LDPE) and polypropylene (PP) prices. As shown below, both types of poly have increased dramatically since January 2007. LDPE has increased 35% from January 2007 to June

2008. PP has increased 41% from January 2007 to June 2008. These increases have had a major impact on resin based flexible packaging products as they impact all resins and films. Higher energy costs are not the only thing driving LDPE and PP. Lack of new production capacity, equipment disruptions, and Asian demand also has impacted prices.



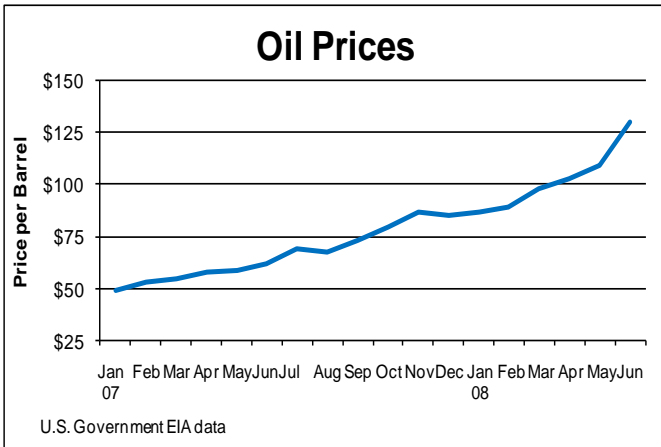
Paper

As shown below, paper increases since January 2007 averaged 12% on bleached products and 11% on unbleached products. Traditionally paper increases have been tied to price movements in pulp, the major raw material component. However, recent paper increases have been justified using increasing energy costs and strong mill operating rates (mainly due to a consolidation of paper producers). The use of large quantities of energy to make paper results in energy increases having a major impact on paper pricing. The full impact of oil and natural gas increases (discussed below) are not believed to yet be fully reflected in paper prices. As a result, continuing upward movement in paper prices is expected.

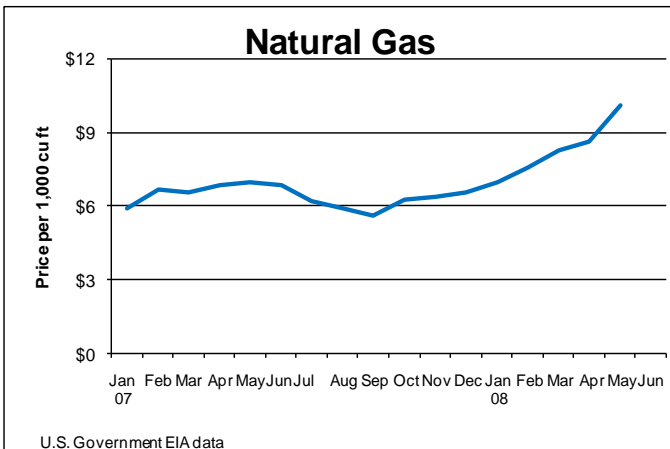


Energy

As anyone that drives a car knows, the cost of energy continues to escalate. Oil price per barrel has increased over 250% since January 2007, and natural gas prices are up 171%.



These increased energy costs dramatically impact all aspects of production operations. They impact the cost of raw materials like paper, which is very energy intensive, to the cost of processes like printing where inks need to be dried. The cost per unit will not go down so the key will be how to reduce energy usage to minimize energy expense.



Transportation

Trucking costs have been increasing as diesel prices increase and cause the fuel surcharge to increase. Diesel prices have doubled from January 2007 to May 2008 with no expectation that the prices will decrease. Truck drivers are already parking rigs and protesting the high costs, which could make the trucking environment even worse.

Summary

This is a very pessimistic outlook, but with continuing price pressure manufacturers cannot continue to absorb raw material increases and stay in business. Inflation must find its way to the consumer level to allow recovery of real substantial cost increases. How and when this happens will make 2008 and 2009 very interesting years.

Be assured that CEI is working hard to offset the increases that we can and keep our customers in a favorable position.