

PPI Pulp & Paper Week

PAPER, PACKAGING AND FIBER MARKET NEWS AND PRICES FOR NORTH AMERICA

US BSK rises \$5-20/tonne, with producers looking for more in April; spot volume up as tissue mills run full out

US pulp markets closed March with three grades of bleached softwood kraft (BSK) rising amid volume bursts in domestic spot markets, after tissuemakers scoured for extra tonnes to feed their paper machines. Most states across the USA implemented "stay-at-home" or shelter-in-place orders in which Americans are to leave their homes only for so-called "essential" activities, leading many to hoard toilet paper, facial tissue, and paper towels.

The increased buying activity resulted in bigger-than-expected volumes in both contract and spot markets, helping producers »» continued on page 8

IP may be delaying containerboard mill maintenance due to demand surge, may 'hurry up' Riverdale start

International Paper (IP) is delaying some if not all containerboard machine maintenance downtime because of the surge in corrugated box demand the last three months due to the coronavirus-related panic-buying, and also because three large IP linerboard machines are down due to a recent boiler problem and fire, contacts told Fastmarkets RISI's PPI Pulp & Paper Week this week.

Further, several contacts said IP may be looking to speed up the conversion of an uncoated freesheet (UFS) paper machine at its Riverdale mill in Selma, AL, to bleached white top linerboard »» continued on page 10

US paper, board output shoots up 2%; some think new consumer spend pattern is here to stay

US paper and paperboard production shot up in February and was up nearly 2% year-to-date in an early indicator for the panic-buying frenzy that occurred in March due to the coronavirus Covid-19. The increase on a year-over-year basis was one of the few in which production grew sequentially since the Great Recession.

Last month, demand and production appeared to be growing at an even bolder pace than in February, and expectations called for "good" April demand as well. The confidence, primarily in the packaging board and tissue segments, came from an at least three-week »» continued on page 6

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Print paper

Printers, publishers hit hard by Covid-19; Quad, PCA announce shutdowns for the market

Printing and publishing companies are among the businesses hit hard by the Covid-19 crisis, as their main driver – advertising – seems to have dried up as well as demand for paper from “non-essential” business segments in North America, contacts told Fastmarkets RISI’s *PPI Pulp & Paper Week*.

Most states in the USA and most provinces in Canada have already considered printing and publishing as essential business, as they sell their product to several essential sectors, including for magazines, newspapers, packaging, face masks, prescription labels, wipes, and mail.

Despite these “essential” end uses, printing products’ paper demand overall is to plummet in the second quarter of the year, contacts told *P&PW*.

“We have had about a third of our April orders canceled or delayed for several months,” a commercial printer on the West Coast told *P&PW*.

“We have had many orders canceled,” another printer on the East Coast said.

Quad shuts down book printing plants. Market sources reported earlier this week that Quad/Graphics unexpectedly closed three book printing facilities in Versailles, KY, Martinsburg (Baker Road), WV, and Fairfield, PA.

On Apr. 2, Quad officially announced its decision to

“suspend production at several manufacturing facilities where declining client volume or other effects of the pandemic have impacted the company’s ability to operate,” but the company did not detail which facilities would stop.

Also, North America’s third largest uncoated freesheet (UFS) paper producer, Packaging Corporation of America (PCA), announced the temporary stoppage of both paper machines and the sheet-converting operation at its Jackson, AL, mill. Both operations will be down for the months of May and June 2020, PCA said on Apr. 1. The idling of operations will result in the temporary layoff of about 340 employees.

“This is expected to reduce paper production by approximately

70,000 tons, and the mill is expected to restart on July 6, 2020,” PCA stated.

PCA’s paper mill in International Falls, MN, will continue to operate at capacity during this period.

RISI dir of North American graphic paper Derek Mahlborg said North American printing and writing paper demand is to “plummet (by) an annualized 25% in the second quarter – not enhanced by inventory swings, supply shifts or price elasticity as in 2019, but simply due to collapsing consumption.”

“Last month, we showed a 3.8% decline in North American P&W demand for 2020, while this month’s forecast slashes the outlook to a loss of

»» continued on page 13

NOTE TO READERS:

Fastmarkets RISI has received inquiries on news stories related to the global Covid-19 pandemic, and its impact on the paper and forest industries.

We have created a new tag in our ‘Topic’ search, using the term ‘Covid-19’. Log onto the website (URL is www.risiinfo.com). Browse over the ‘News’ banner at the top of our Breaking News page. Scroll and click on ‘Search’. Find ‘All Topics’ at the left of the search, and click on ‘Covid-19’. You can customize your search with other options such as Grades, Regions, and Companies. The results can be saved for future searches. It is available for all industries.

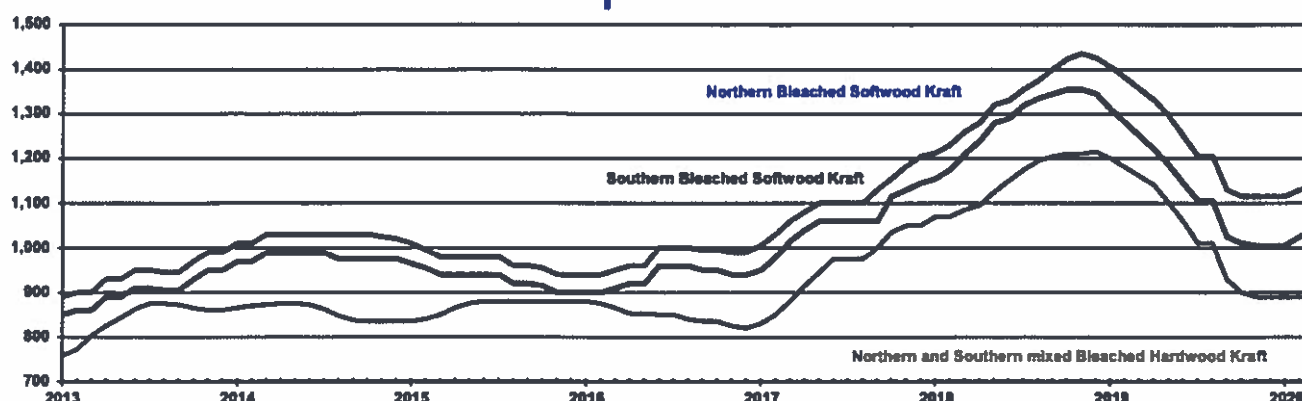
For an instructional video of using the Covid-19 search, [click here](#).

You can also find Covid-19 and coronavirus related stories in our archives using the general news search available on the website. It is available in the upper right corner of our site with a magnifying glass icon.

For a general search for Covid-19 related stories, use the ‘Keyword’ search, and type coronavirus, Covid-19 or other related terms to find the appropriate news. You can also search for company news using a ‘Keyword’ or a specific search by company name. Stories will be shown in descending order of date posted to our website and in order of priority.

If you need further assistance, please contact customer service at info.risi@fastmarkets.com or your account management team.

PRICE WATCH: Market Pulp



Effective list price before regular volume and customer discounts. US\$/metric tonne unless otherwise noted.

	Current months				Year-to-year	
	Mar. 2020 Final¹	Feb. 2020	Jan. 2020	Q1 2020	Mar. 2019	% chg.
US (DELIVERED IN EAST)						
Bleached softwood kraft						
Northern (Canadian)	1,135	1,130	1,115	1,127	1,355	-16.2
Southern (US)	1,040	1,025	1,005	1,023	1,250	-16.8
Bleached hardwood kraft						
Northern and southern mixed (Canadian/US)²	890	890	890	890	1,160	-23.3
Eucalyptus	890	890	890	890	1,160	-23.3
Specialty grades						
Unbleached softwood kraft (Canadian/US)	1,070	1,065	1,045	1,060	1,285	-16.7
Fluff (US southern kraft, untreated softwood rolls)	1,140	1,120	1,105	1,122	1,310	-13.0
Deinked (US air-dried and wet-lap, 100% post-consumer for printing/writing)	765	760	760	762	905	-15.5
Spot Markets ³						
Northern Bleached Softwood Kraft	615 - 655	610 - 650	610 - 640	630	760	-16.4
Southern Bleached Softwood Kraft	540 - 580	535 - 575	520 - 560	552	650	-13.8
Northern and Southern Bleached Hardwood Kraft	480 - 520	480 - 520	480 - 520	500	690	-27.5
EUROPE (CIF)						
	Pending¹					
Bleached softwood kraft						
Northern (Canadian/Nordic)	840	840	820	833	1,070	-21.5
Southern (US)	800	800	780	793	1,030	-22.3
Bleached hardwood kraft						
Northern mixed (Canadian/US)	640	640	640	640	910	-29.7
Southern mixed (US)	630	630	630	630	900	-30.0
Specialty Grades						
Fluff (US southern kraft, untreated softwood rolls)	1,140	1,120	1,105	1,122	1,310	-13.0
ASIA (CIF)						
	Final¹					
JAPAN						
Bleached softwood kraft						
Northern (Canadian)	680	660	660	667	785	-13.4
Southern (US)	600 - 630	570 - 600	590 - 610	600	745	-17.4
Bleached hardwood kraft						
Northern and southern mixed (Canadian/US)	500 - 510	500 - 510	500 - 510	505	710	-28.9
KOREA						
Northern bleached softwood kraft	710	710	690	703	865	-17.9
CHINA						
Northern bleached softwood kraft - net ⁴	580	575	565	573	710	-18.3

SPECIFICATIONS

All prices are best estimates of list prices before regular volume and contract discounts and are composite prices as opposed to median or average prices. Actual transaction prices may vary. US prices include normal freight allowance for delivery to consuming paper mills. Export prices are CIF main European ports. Normal terms include a 1.5% discount for cash payment or 60 days. Prices may not reflect some existing contract discounts off list prices still in effect: in North America, typically 36-44%; in Europe, 22-30%; in Japan, 3-9%; in Korea, 13-16%; in China, 0% (from Canadian and European producers). BHK pricing varies according to species used for the pulp.

DISCLAIMER

While the information contained in this index has been obtained from sources believed to be reliable, Fastmarkets RISI does not warrant or guarantee the accuracy and completeness of the information.

NOTES

1. Preliminary and final prices: US - Mid-month PPW effective list prices shown are preliminary prices. End-of-month final prices published in PPW and World Pulp Monthly supersede these preliminary prices. Full details at: www.risi.com/PulpPriceChanges. Europe - Originally published in PPI Europe. Pending indicates prices are not available at the time of publication. Final prices are published in the next Price Watch issue. The exception is European fluff price assessments, which follow the same publishing schedule as US pulp, and are formally tied to US fluff price assessments. Asia - Final prices are reported at the end of the month. 2. Effective January 2016, NBHK and SBHK were merged into a single assessment. See www.risi.com/PulpPriceChanges for details. 3. Spot prices are mid-point weighted averages for biweekly orders up to the publication date. Prices are net delivered with 0% discounts. 4. As of January 2020, NBSK net China reflects the last price assessment for NBSK from North America/Scandinavia CIF China (imports) as published in PPI Asia. As of end-March 2020, Canadian NBSK was priced at \$570-\$590/tonne while Nordic NBSK was priced at \$570-\$580/tonne. r = revised

Operations

US, Canada designate paper/forest sector as 'essential' businesses

Following actions by several US states and Canadian provinces, federal authorities in both countries designated the paper, wood products, and related industries as "essential to critical infrastructure" amid business closures and stay-at-home decrees due to the Covid-19 pandemic.

The government of Canada on Apr. 2 provided national guidance on essential services and functions including "workers who support the manufacture and distribution of forestry products, including, but not limited to timber, paper, and other wood products." It was released by Public Safety Canada.

After an earlier advisory on Mar. 23, the US Dept. of Homeland Security Cyber and Infrastructure Agency (CISA) on Mar. 28 issued guidance on essential national infrastructure including "workers who support sawmills and the manufacture and distribution of fiber and forest products, including, but not limited to timber, paper, and other wood and fiber products."

Forest products was included under Food and Agriculture with other industry sectors including Healthcare, Energy, Water and Wastewater, Transportation and Logistics and Communications and Information Technology.

The cursory phrasing matched with others from states and provinces that had moved earlier.

Manitoba referred to "a business engaged in the extraction or processing of natural resources,

such as minerals, forest products, oil and gas, or aggregates, including a business engaged in the production or sale of biofuels."

Saskatchewan ruled on "food, paper products and other groceries for emergency restocking of distribution centres or stores," and "raw materials, such as paper, plastic or alcohol, required for the manufacture of medical supplies, sanitation items and safe distribution of groceries."

British Columbia's Minister of Public Safety announcement on Mar. 26 said it applied to "businesses that ensure global continuity of supply of primary and value-added forestry/silviculture products (e.g., lumber, pulp, paper, wood fuel, etc.) including soft-pulp products, such as protective masks, gowns, drapes, screens and other hospital supplies, as well as household paper products."

"Workers who support the manufacture and distribution of forest products, including, but not limited to timber, paper, and other wood products," stated Oklahoma and, on Apr. 2, Georgia.

Other states that had ruled for the forest industry included Florida, Idaho, Maine, Michigan, Minnesota, Oregon, Washington, Wisconsin, and more. Most states and provinces had made such decisions, except mountain states and Maritime provinces that were unknown or informal, according to the Forest Resources Assn. Most operations continued.

"It's a good thing for business," said a local Economic Development official in Washington state about the essential designation.

"You can't just shut down WestRock or Nippon," he said referring to local paper producers. "I know some employees and workers have some trepidation about going to work, but as far as keeping the economy running, it's essential that those companies keep moving."

Guidance on essential businesses were spawned by stay-at-home edicts that began in numerous cities, then states and provinces across North America in March and early April, driving the major industry trade groups to petition governments for recognition.

Supply chain. "We were fortunate that the provinces did acknowledge the forest sector's value," Forest Products Association of Canada (FPAC) Pres/CEO Derek Nighbor told Fastmarkets RISI this week.

FPAC on Mar. 24 wrote to Canadian Prime Minister Justin Trudeau urging for the industry to be recognized as essential "during these challenging days, and for the days ahead."

"This will enable us to do our work safely and securely, with certainty, in order to produce and deliver products that Canadians want and need – from building materials to biomass for power generation; from food and pharmaceutical packaging to paper towels and toilet paper," Nighbor said in a letter.

The American Forest & Paper Association (AF&PA) pres/CEO Heidi Brock on Mar. 18 urged federal, state, and local governments to recognize paper and wood products manufacturing facilities as essential when drafting shelter in place orders:

"AF&PA members make essential products, including tissue

products, packaging for food and other consumer products, building products and shipping containers,” Brock said in a press release. “Our members also supply packaging to agricultural producers, food processors, hygiene product manufacturers, grocers and other retailers. Disruptions in the availability of these goods would cause significant hardships to consumers across the country who depend on steady and stable supplies.”

Nighbor said as hoarding of toilet paper and packaged food emerged in March along with the stay-at-home orders, governments needed to understand that those products were part of the overall production process, “fed by chips from sawmills.”

“We had to have the whole value chain acknowledged,” he said.

Most Canadian provinces had moved on the essential ruling themselves, though a few were limited in scope and then broadened after feedback.

Nighbor added that products such as wood pellets and other wood products that are exported also needed to be supported.

“It’s not just Canada. We have an obligation to our trading partners,” he said.

He also emphasized with a “looming recession” the importance of “keeping operations financially viable.”

“We have to maintain some degree of activity,” Nighbor added.

Local perspectives. Numerous reports and local press coverage emerged related to

the essential nature of forest products operations.

University of Florida Institute of Food and Agricultural Sciences said the state’s forest products sector contributes “to a large and valuable industry” – altogether comprising the state’s largest agricultural commodity.

“This includes primary and secondary product industries that range from lumber to, you guessed it, toilet paper,” said a local press report.

“With stores struggling to maintain supply in toilet paper aisles and many Floridians now under stay-at-home orders, shoppers can rest assured: harvesting Florida’s forest products remains a necessary operation.”

The Idaho Dept. of Lands said more toilet paper would continue to roll out of the state through Clearwater Paper’s mill in Lewiston.

“The state has determined timber sales are an essential service, allowing the department to continue rolling out toilet paper and other important forest products from the state during the Covid-19 pandemic,” a press report said.

In Wisconsin, International Paper (IP) and its corrugated box plant in Fond du Lac were deemed essential, according to a statement from the company, according to the *Fond du Lac Reporter*.

“Disruptions in the availability of our products would create significant hardships for consumers across the country and around the world. If our customers cannot get our products, health care facilities, first responders, grocery stores and homes across the country and

around the world will be unable to access essential items,” IP said.

A Packaging Corp of America (PCA) official addressed operations in Minnesota.

“PCA will continue to operate with Covid-19 safeguards in place to protect our employees and business,” the *International Falls Journal* reported.

“CISA identifies workers who support the manufacture and distribution of forest products, including, but not limited to timber, paper, and other wood products as an essential critical infrastructure workforce,” the PCA official said.

In western Michigan, at WestRock’s corrugated plant in Holland, signs flanked a car-filled parking lot, proclaiming, “We manufacture Paper Products & Packaging for the Health Care Industry!” WHTC reported.

Health & Safety. With recent Covid-19 positive tests of employees at an IP mill in South Carolina and a Kruger mill in Ontario, FPAC’s Nighbor emphasized the “first priority” was for health and safety of workers and their families.

In his letter to Trudeau, he said the industry had taken “important risk mitigation measures” at Canadian mill sites.

They included:

- Adoption of “work from home” measures for those who are able to, and no group gatherings
- Implementation of systems to support employees facing potential cases of Covid-19

and/or individuals in self-quarantine within the workforce

- Modifying shift schedules to reduce employee contact between shifts and implementation of social distancing operations-wide
- Managing break, lunch, and dinner times to ensure a 2 meter (6.5 ft) distance between staff members
- Suspending international travel and significant restrictions on domestic travel
- Restrictions on visitors; thorough screening of on-site contractors, and deliveries
- Ramped up sanitation and hygiene measures across facilities, common areas, and all surfaces

In both positive Covid-19 cases, the companies advised that all employees working in the area must self-isolate for 8 to 14 days and the companies cleaned the areas before restarting operations.

--by jmclaren@fastmarkets.com

Feb. pickup on paper, board

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surge of grocery stores and online e-commerce buying for food and consumer products including notably toilet paper that are transported in corrugated boxes and folding cartons.

Year-to-date US paper and paperboard production increased 1.8% to 12.538 million tons. That was 219,000 tons more than January-February production in 2019. February production was

6.04 million, 233,000 tons more than February 2019's unusually-weak 5.8 million tons. Paperboard, led by linerboard, caused the overall February industry production increase. Linerboard production was 52% of all US paper and board production, and was up 7.3% year-to-date at 4.4 million tons. Tissue production popped up 6% in the first two months to 1.3 million tons, according to American Forest & Paper Association figures.

Since the Great Recession, when US paper and board production dropped an unprecedented 10.6% in 2009 and then rebounded up by 6% in 2010. All of that 6% recovery amount has all been lost from 2011 to 2019.

But last month, reports told of the unusual, unexpected demand surge that gripped the packaging and tissue market's supply chain.

North America's largest tissue paper producer reported shipping at 120% of its capacity.

An official with one of North America's largest private label tissue paper producers even told of Fastmarkets RISI's *PPI Paper & Paper Week* about "some calls from (at-home) consumers but not a large volume" who wanted product.

In containerboard and corrugated packaging, US box shipments grew by 1.9% in January/February and were expected to grow on a larger upward spiral this month. The demand frenzy caused boxmakers to do some special and speedy work.

An Eastern boxmaker told of receiving a first-of-a-kind special order for boxing hand

sanitizers and soap. Another received a 4 PM order and by the next morning delivered boxes to customer at breakneck speed and as requested.

Demand weakness in May?

This wave of stronger-than-expected demand is expected by most to weaken, possibly tremendously by May or into mid-year, as the impact of "non-essential" businesses closed down and workers out of jobs affect the overall American economic landscape. A savior is expected to be in the form of the money and loans from the \$2.2 trillion emergency relief CARES Act, but how much it helps is unclear to contacts interviewed by *P&PW* this week.

Still, all bets were off, they said, in terms of the demand scenario looking out to late April and beyond. The key, they said, will be on where the outbreak stands in terms of number of cases of infection and deaths, and how many Americans are still living under a shelter-in-place rule. Regardless, they expected a steep dive on print paper demand, which was already playing out with the shutdown of print houses this week, and a more measured much-less-steep downward slide on packaging because of the ongoing need for essential goods and food products, regardless of the virus.

Some industry contacts further believed that these changes caused by the outbreak were rearranging the buying rhythm of Americans for some time to come.

"Once people get used to doing something, it becomes their habit," said a contact for a paper and packaging mill, referring

to online orders delivered to homes and picked up at stores.

"It was happening already (pre-virus), but it's going to grow exponentially now. Covid-19 has accelerated this," the contact said.

One tissue company official said e-commerce has especially sunk into the daily lives of generations other than millennials.

"Our expectation is that the adoption rate" in e-commerce ordering will "speed up," the contact said.

"Buying behaviors are changing. There's a significant increase in online business from Amazon, Walmart, and Target," the contact said.

The contact expects post-virus that "click and collect"

online orders pickup at the front of grocers and retailers will continue to be more widely used, because it will be faster than waiting for home delivery for some goods or food. The click and collect model is seen as a merging of e-commerce and brick-and-mortar stores.

"I do believe we are going to see a pretty strong increase in e-commerce pantry shopping,"

Month in statistics

US paper and paperboard mills operated at 92.1% of capacity in January/February combined, which was better than the 90.8% operating rate in January-February 2019, according to American Forest & Paper Association statistics.

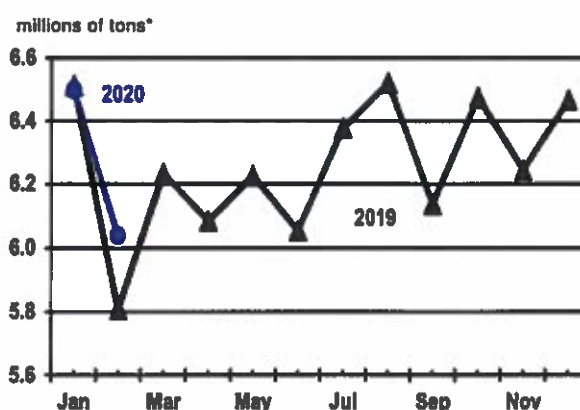
The increased production year-to-date resulted from higher demand for both packaging board and tissue, related to the coronavirus Covid-19 outbreak in the USA. The production year-to-date was up 219,000 tons in the first two months, yet production of containerboard and tissue were up a combined 460,000 tons (containerboard up 387,000 tons and tissue up 73,000 tons).

Paperboard production gained by 4.4% to 8,486 million tons year-to-date, led by linerboard with production of 4.4 million tons, which was up 7.3%. Corrugating medium production was up 5% as well.

Total paper and paperboard production for the two months was 12.5 million tons.

In paper, tissue production was up 5.9% year-to-date. For graphic paper, newsprint production was down 41.4%, uncoated freesheet was down 8.1%, and coated paper production was down 4.7% during the first two months of 2020.

US paper and paperboard production



* Not seasonally adjusted.

PAPER & PAPERBOARD PRODUCTION

		Current Month	same month year ago	% chg. 2020/19	YTD 2020	YTD 2019	% chg. 2020/19
Newsprint	Feb.	51	90	-43.3%	110	188	-41.5%
Uncoated mechanical	Feb.	62	65	-4.6	126	129	-2.3
Coated paper	Feb.	346	352	-1.7	712	747	-4.7
Uncoated freesheet	Feb.	537	578	-7.1	1,083	1,179	-8.1
Tissue	Feb.	638	587	8.7	1,315	1,242	5.9
Unbleached packaging papers	Feb.	135	132	2.3	281	283	-0.7
Total paper	Feb.	1,974	2,004	-1.5	4,052	4,189	-3.3
Linerboard	Feb.	2,104	1,912	10.0	4,423	4,124	7.3
Corrugating medium	Feb.	904	827	9.3	1,859	1,771	5.0
SBS boxboard	Feb.	162	155	4.5	337	333	1.2
Liquid packaging/food service board	Feb.	236	249	-5.2	494	524	-5.7
Recycled boxboard	Feb.	167	166	0.6	343	344	-0.3
Other boxboard	Feb.	493	495	-0.4	1,031	1,033	-0.2
Total paperboard	Feb.	4,066	3,804	6.9	8,486	8,130	4.4
Total paper and paperboard	Feb.	6,040	5,807	4.0	12,538	12,319	1.8

n.a. = not available. SBS: solid bleached sulfate. Linerboard and medium totals are for both virgin and recycled contents.

Note: Figures in 000 short tons. Unbleached kraft paper has been changed to unbleached packaging paper by the American Forest & Paper Association.

n.a.=not available. Source: American Forest & Paper Association.

a packaging contact added. "We were seeing projected growth rates of e-commerce grocery before the virus in the range of 20-30%. I'm expecting that we will see much faster e-commerce grocery growth in Q1 and Q2 (40%+), then a moderating growth rate after that."

"But if the e-commerce grocery companies can deliver a good experience and consumers come to appreciate the convenience, we could get up the adoption curve a lot faster, boosting containerboard growth," the contact said.

"At that point, it all depends on how well the virus subsides and the results of the physical-distancing efforts. Pantry shipments will continue, as lots of consumers begin recognizing the benefits of Amazon Prime and the new Walmart+ service," the contact added. "There will be a natural snap-back at some point, when consumers are more free to venture out of their homes. ... But I think that's going to take a while to get back to normal, and consumers are going to limit their store trips for a while."

• **E-commerce orders** increased 62% for purchases online and picked up in store from Feb. 24 to Mar. 24, when compared with the orders during the same period in 2019, *Adobe Analytics* reported this week. "The growth is largely due to a boost in online grocery sales, which have increased 100% in daily online sales March 13-15 compared with average daily sales March 1-11," *Adobe Analytics* reported. *Adobe Analytics* data is based on online sales data from trillions of anonymous visits to retail sites and tens of millions of product SKUs from 80 of the

top 100 retailers in the Digital Commerce 360 Top 1000.

--by grudder@fastmarkets.com

Pulp prices in US rise \$5-20

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to notch up effective list prices a month after non-contract levels shot up. Final effective list prices for benchmark northern bleached softwood kraft (NBSK) closed March at \$1,135/tonne, up \$5/tonne, according to Fastmarkets RISI's *PPI Pulp & Paper Week*. At least three NBSK producers – Domtar, Resolute Forest Products, and West Fraser – separately announced starkly higher Apr. 1 list prices at \$1,190/tonne.

While buyer sources said those hikes were far too ambitious, producer sources expressed confidence they would gain more price this month than last (*P&PW*, Mar. 27, p. 1). Producers said a burst in demand from tissuemakers could lead up both spot and contract prices in April because they're fielding requests for tonnes in excess of regular monthly allocations as well as calls for spot tonnes. North America's largest tissuemaker by paper capacity, Georgia-Pacific, reported running at a 120% shipment rate two weeks ago (see related US production story, p. 1).

"It's a combination of spot and some people that are asking for more," said a contact at an NBSK producer. "This is an interesting thing to figure out in this market going forward. Tissue manufacturers are running full-out. So now we're in this massive buying stage, yet tissue guys

can run machines better, buy more pulp (and) get it through their converting lines better so it uses more pulp. A lot of them are bleeding out their supply chain to get tissue to stores."

The tissue industry, America's fastest-growing end products segment that consumes market pulp, has scrambled to meet the public's need for paper and hygiene products by running PMs above capacity. That led firms to work through their inventories quicker than expected, buoying demand for both NBSK and southern bleached softwood kraft (SBSK).

US SBSK effective list prices increased more than its northern counterpart, rising \$15/tonne to bring the effective list to \$1,040/tonne. Demand for Southern pine has risen this year after US buyers took on more volume in annual contracts due to its lower prices, and the grade's also seen a jump in spot market volumes this year.

Downtime season postponed. Producer sources believe the buying rally could keep supplies in check despite a broad move to postpone maintenance downtime until the fall. Downtime season occurs at Northern hemisphere mills typically in the spring and fall, chopping down supplies. Sources said that this year, several major producers including Domtar, International Paper (IP), and Resolute postponed downtime at market pulp mills either to accommodate the additional demand or because they simply couldn't get enough contract workers to preform maintenance activities due to widespread 'stay-at-home' orders across the USA. As less tonnes evaporated

amid a lack of downtime, spot tonnes remained available.

"I've had no difficulty getting tonnes in general. The prices we had were fair," said a buyer contact for a tissue producer who shopped spot markets and landed tonnes at similar prices to last month. "Where it makes sense we're getting tonnes off the spot market. I don't know if you've been to the store lately. Demand is strong so we are doing what we can to help out. They just say how much pulp they need and I get it."

Spot prices little changed.

Despite a surge in spot market volumes, prices were little changed in P&PW polling through Mar. 30. US NBSK edged up \$5 to \$615-655 net delivered to the US East and Midwest, while SBSK held unchanged at \$540-580 net. With a gap between SBSK and NBSK spot prices averaging \$75/tonne, some expect the gap to narrow closer the historically typical \$40 in the coming months.

BHK demand 'pretty strong.'

For US bleached hardwood kraft (BHK), demand also perked up but prices across three key grades were unchanged in both regular contract and spot markets. US bleached eucalyptus kraft (BEK) held at \$890/tonne, the same as two North American-produced BHK grades. Some mills in Canada and the US have tried pumping up spot prices, and some higher-priced deals occurred in the US East. However, some lower-priced spot market deals in the Midwest kept levels from rising.

"We have been very steady on the pulp side. We supply tissue mills (and) their demand is pretty strong right now," said a contact at a producer that

sells both BSK and BHK. "It has not declined at all – things are pretty strong. We've been able to get a little bump in softwood and hardwood prices."

Resolute was the only producer to slate a price hike on BHK this month. Buyer sources expect contract levels to not rise, however, because BEK producers aren't attempting to raise prices and they hold significantly more market share in North America. A contact at a BEK producer reported stronger-than-expected demand, but no expected changes in price.

"North America seems to be flat ... but demand is increasing a lot. Customers are requesting additional volume (the ones with current contracts) as well as some spot showing up," said the BEK producer source. "Since our stocks are well-balanced it's been difficult to comply with all the additional request. But in spot we did manage to sell just a bit at higher prices than expected."

Eyes turn to China BHK hike.

Arauco, CMPC, Klabin, and Asia Pulp and Paper (APP) are reportedly seeking up to \$30/tonne hikes in their respective grades of BHK in China, effective with April allocations. This week, Asia Symbol announced a BHK hike of RMB 200/tonne in China's local market.

March prices were little changed across BSK and BHK in China, and this month's price hike attempt could act as a gauge for markets going forward. China, where COVID-19 first began in late December, is viewed as a couple months ahead the USA in terms of pandemic conditions.

An informal P&PW poll of buyers and sellers found sources believed China's paper and board industry mills had recently run at anywhere from 60-75% operating rates. Tissue mills in China are running full, but printing and writing paper and some boardmakers are not, contacts said. Also, Chinese market participants said they've not agreed to pay any of the price increases. They cited global economic uncertainty.

One market participant in China claimed that because of the increase in virus cases, "new concerns are coming from the USA and other major European countries like Italy and Spain."

"Once it's passed the peak, the next concerns are ... whether the Great Depression comes back," the industry contact said.

As for the April price hikes, the source said that China's "paper mills hope to see pulp prices dropping since they are losing paper orders due to weak demand (caused by coronavirus)."

- Effective Apr. 20, **West Fraser** will take four weeks of downtime at its Cariboo Pulp and Paper joint venture mill with a reduction in NBSK production of about 30,000 tonnes. West Fraser's share is 15,000 tonnes and the other 15,000 tonnes' share is with Mercer Intl.

- **Columbia Pulp** temporarily suspended operations at its wheat-straw pulp mill in Washington state after experiencing supply chain disruptions and personnel shortages. Columbia Pulp curtailed its operations on Mar. 31, suspended its 24/7 production schedule, and will prepare the facility for a prolonged shutdown and essential maintenance, the

firm said. "These are extraordinary times and the circumstances surrounding the Covid-19 pandemic are unprecedented. Despite the incredible efforts of our employees and dedicated vendors, the board has determined that following the State of Washington's Stay at Home, Stay Safe guidance is the best course of action at this time," said Columbia Pulp CEO John Begley in a release. The 140,000 tonnes/yr mill first ramped up commercial production in October.

• Citing the the Covid-19 pandemic, the **Pulp and Paper Products Council (PPPC)** canceled **International Pulp Week 2020**, its yearly conference that was scheduled for Vancouver on June 14-16. "The pandemic resulted in travel restrictions, hotel shuts, and prohibition of larger gatherings worldwide," the PPPC said in a release. The Fairmont Hotel Vancouver, which was to host IPW 2020, agreed to cancel all reservations under the PPPC's room block, and conference refunds would go out in the coming days, the PPPC said in a release.

• **Shandong Huatai Paper** is considering a 700,000 tonnes/yr BHK line at its mill in Dongying city, Shandong province. The project did not have a timeline yet. Part of the output would be integrated and the rest sold on the open market.

-by bryan.smith@fastmarkets.com

Virus demand causes IP moves

» continued from page 1

and containerboard. Contacts first claimed the conversion would be done this month and later claims were that IP

would complete the conversion sometime in either the second or third quarter this year.

A contact said late this week that IP may now be "in hurry-up mode" for restarting the Riverdale PM.

Recovered paper contacts this week told P&PW about actively selling old corrugated containers to the Riverdale mill. As part of the Riverdale project, IP installed a 365,000 tons/yr OCC line at the mill, which had run a deinking line for making recycled-content UFS paper, according to contacts.

The hurry-up to start the converted PM at Riverdale, if true, is because a fire and boiler problem in the last month shut down production of three of four IP linerboard machines that account for about 1.2 million tons/yr of capacity, or 3.3% of US containerboard production. The fire occurred at the Rome, GA, mill. The boiler problem is at the Bogalusa, LA, mill.

One machine is now running at Bogalusa and a second was expected to be back up in another two weeks. IP officially told P&PW last month that an update on the two machines at Rome was to be provided by company executives on Apr. 23 during the firm's first-quarter earnings call. Contacts this week suggested the machines may remain down beyond the date of the earnings call.

IP is the largest corrugated boxmaker in the USA.

An analyst and investor said that the IP delaying maintenance downtime this month, if true, was a business-necessary move because of the virus-related demand surge in the domestic market. One of them suggested the company would be best

to delay now, and then do the maintenance downtime when demand drops for containerboard and boxes, which some forecasters believe will come in May.

More delays on maintenance. Other major integrated North American containerboard producers were also said to be delaying maintenance. Contacts said Cascades, the sixth largest North American producer, delayed a two-week shut at its Greenpac mill in Niagara Falls, NY, and Atlantic Packaging delayed a two-week shut at its Whitby, ON, mill. A WestRock official would not comment on if the company delayed maintenance and said company leaders would report on the issue during WestRock's next earnings call. Also, another large integrated mill had no downtime planned this month.

The delaying of maintenance arose as a supply/demand issue when US actual box shipments grew by 1.9% in January and February this year, compared with shipments in January/February 2019. And boxmakers told P&PW that March demand was "strong" and that they expected good demand in April as well, due to the panic buying for certain food and consumer products related to the coronavirus Covid-19 outbreak.

IP planned to spend \$92 million in the first quarter and \$132 million in the second quarter on maintenance downtime in its containerboard mill system, the company said on its earnings call on Jan. 30. IP reported at that meeting that it took no maintenance downtime in fourth-quarter 2019. The company planned to much more heavily spend on maintenance downtime in first-half 2020 than in second-

half 2020, where IP on Jan. 30 expected to spend just \$73 million on maintenance downtime at its containerboard mills in the USA.

IP to sell Brazil board/box business. Also, IP publicly announced two moves this week. First, the company said it was selling its containerboard and corrugated business in Brazil to Klabin for \$65 million and, second, the company said it gained an additional \$750 million in credit facility loan financing last week.

Add to credit funding availability. The largest pulp and paper company in the world, and the largest in North America based on capacity in containerboard/corrugated as well as market pulp, IP said it would use the funds, if needed, for "general corporate purposes."

The funding is available to IP from Sumitomo Mitsui Banking, Banco Bilbao Vizcaya Argentaria (New York Branch), BNP Paribas, and Credit Agricole Corporate and Investment Bank. Sumitomo Mitsui is the administrative agent for the credit facility.

Deutsche Bank analyst Debbie Jones this week said that IP "appears to be taking steps to mitigate risk to its balance sheet amid Covid-19."

"Companies in general are trying to give themselves as much flexibility as possible and maintain their operations as much as they can in case the credit markets freeze up," said one financial contact.

Another added: "It's happening all over with companies. They're trying to take money upfront now ... given the uncertainty."

The \$750 million is in addition to the company's existing \$1.5 billion credit agreement, which has not been drawn upon, contacts said.

While the economic impact from the coronavirus on business remains unclear today for pulp and paper companies, some forecasters and economists suggest a second-quarter downturn that could be similar to the Great Recession in 2009. During the Great Recession period, about 10 to 12 North American pulp and paper companies filed for bankruptcy.

Klabin deal. On Mar. 29, IP announced the deal to sell its Brazilian containerboard and corrugated business to Klabin for about \$65 million, which is about one-tenth of the price that IP paid to acquire the assets in 2013 and 2014, and Real 330 million. The deal is expected to be completed in the second half of this year, analysts said.

The deal would combine the Nos. 1 and 3 largest boxmakers in Brazil. With the IP assets, which includes three mills and four corrugated plants that amounted to a 6.6% share, Klabin's share of the Brazilian box market would vault up to almost one-quarter. WestRock, which has been adding linerboard as well as corrugated capacity in Brazil, would be No. 2 with a 9.3% share, Klabin reported, based on Associação Brasileira de Papelão Ondulado (ABPO) statistics. After WestRock in market share, the other largest boxmakers in Brazil would be Irani with a 5.4% share, Penha (5.3%), Trombini (5.1%), and Smurfit Kappa Group (4.4%), according to Klabin's report.

Klabin said that it thought some of its planned 920,000 tonnes/yr of unbleached kraft paper capacity, which would be made 100% out of bleached eucalyptus pulp, could be integrated through to some of the four IP box plants.

Klabin's figures showed that Brazil's box shipments grew by 22% in four years through 2019 and that inflation increased 17% during that period.

IP in 2013 and 2014 purchased the Orsa International containerboard/corrugated business in Brazil for about \$605 million, from Jari Cellulose.

Under IP chmn and CEO Mark Sutton, the company in the last two years has sold its primarily corrugated business in China dropped its partnership with Sun Paper, pulled back on its uncoated freesheet business share in India, and now has moved to exit the containerboard/corrugated business in Brazil. IP still makes pulp in Brazil and UFS paper, and has a forestry business.

--by grudder@fastmarkets.com

Kraft linerboard

China bought big from USA in first two months this year; total global exports up by 30%

US exports of kraft linerboard jumped up again in February, at 404,000 tonnes, and the year-to-date total was up nearly 30% for the first two months, based on US government trade statistics. Shipments in the two months were 801,519 tonnes, an 184,201-tonne increase about the January/February 2019 volume

Top us kraft linerboard country destinations

(Year-to-date through Feb. 2020.)

	000 tonnes	% chg. YTD
1 Mexico	143	-2.5%
2 China	130	142.9
3 Italy	55	19.8
4 Guatemala	53	30.9
5 Canada	43	8.6
6 Costa Rica	38	26.6
7 Ecuador	31	39.9
8 Turkey	27	174.5
9 Spain	26	74.3
10 Chile	22	0.5%

YTD: year-to-date.

Source: US trade statistics.

when the global export linerboard market was oversupplied and prices plummeted.

Demand has picked up this year, on a year-over-year basis, in nine of the 10 largest US kraft linerboard export destinations. Only Mexico, the actual largest single-country export market for US kraft linerboard, was down year-over-year, by 2.5%. US shipments to Mexico were 143,278 tonnes in the first two months.

The big increase in exports to an individual country was to China, which is in the midst of furnish crisis and curtailed imports of recovered paper, and also is reportedly recovering from the coronavirus outbreak in December. The trade war also

impeded US shipments to China last year yet a "phase-one" agreement earlier this year led the Chinese government to allow its importers to seek government approval to exempt a second tariff on US kraft linerboard. That, according to contacts, seemed to open the door for US kraft linerboard exports early this year.

China buys big. The US shipped 130,721 tonnes of kraft linerboard to China in January and February this year, an almost 143% increase over the 2019 shipments. The US shipped 53,826 tonnes of kraft linerboard to China in the first two months of 2019.

Market contacts two weeks ago claimed that US kraft linerboard producers were pushing for a price increase for this month in China. It would be the first US kraft linerboard price increase in China in about two years, based on Fastmarkets RISI's *PPI Pulp & Paper Week* pricing survey results.

Along with the need for kraft linerboard in China, China also

increased its buying of US recycled pulp this year. Containerboard and boxboard producers run the US recycled pulp at their mills in China. Recycled pulp does not face the import limitations into China that recovered paper does, according to contacts. The US shipped 43,000 tonnes of recycled pulp to China in the first two months this year, which was a 71% increase.

Europe shipments up 43.7%. In Europe, US kraft linerboard exports were up 43.7% and totaled 130,000 tonnes in the first two months. US producers increased their kraft linerboard pricing to Italy and Spain last month. This month, an analyst in Europe said late this week that it was anticipated that domestic kraft linerboard pricing would increase on the heels of an increase on recycled linerboard. US kraft linerboard shipments to Italy were up almost 20% year-to-date through February and were up 74.3% to Spain.

Contacts this week questioned if US shipments might tail off to both Italy and Spain this month due to the virus outbreak in both the countries, despite panic-buying for food and consumer products, and the increased need for corrugated boxes.

--by grudder@fastmarkets.com

US kraft linerboard export shipments by region

(Year-to-date figures in metric tonnes through Feb. 2020.)

Through Feb. 2020

	2020 (000 tonnes)	% chg yr ago
Latin America ¹	360	10.4
Mexico	143	-2.5
China	131	142.9
Europe	130	43.7
Asia ²	105	27.0
Canada	43	8.6
Other	32	33.2
TOTAL	802	29.8%

1. Includes Mexico. 2. Excludes China

Source: American Forest & Paper Association, US Bureau of Census.

Kraft paper

Kruger indefinitely shuts down production at Brompton mill

Kruger announced a temporary shut this week of its Brompton Mill in Quebec "for an indefinite period of time" and this shut will slightly impact the North

American unbleached kraft paper market. The shut starts Apr. 3.

The Bromptonville machine has grown in kraft paper production in the last several years to about 55,000 tons/yr. That's 3% of total unbleached kraft paper capacity in North America for extensible to sack bag and grocery bag paper, according to a *P&PW* estimate.

The shut occurs as new entrants have entered the kraft paper market in the last several years, including Kruger, and as US unbleached packaging paper production increased slightly in February, on a year-over-year basis. Unbleached packaging paper production totaled 132,000 tons in February, which was slightly more than 132,000 tons of production in February 2019. Year-to-date US unbleached packaging paper production in the first two months totaled 281,000 tons, slightly down compared with 283,000 tons of production of the grade in the first two months of 2019, according to American Forest & Paper Association figures.

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Food packaging

Appvion gains FDA backing to make cups; awaits closing of Domtar POS acquisition

Appvion said it obtained certification for making food packaging, so that its new products would be compliant with the US Food and Drug Administration's cGMP regulations for the manufacture of food packaging.

Appvion was making "water based coated cups" at its Appleton, WI, coating and converting plant, according to specialty papers technical development mgr Jeffrey Luehring. "We are coating various SBS cupstocks for single use cups and containers (hot drinks, cold drinks, frozen yogurt) at this time."

"As opportunities arise, I would expect we would evaluate other boards and papers for sustainable food contact containers and packaging," Luehring told Fastmarkets RISI's PPI Pulp & Paper Week.

Auditing firm ASI issued an excellent rating in certifying Appvion's newly-dedicated food packaging operation compliant with applicable 21 CFR FDA cGMP regulatory standards, according to Appvion, which operates coating and converting plants in Appleton and West Carrollton, OH, and operates an integrated pulp and specialty paper mill in Roaring Spring, PA. It's unclear where Appvion is gaining the SBS cupstock that it is coating at the Appleton plant.

"This is a key milestone of executing our long-term strategy to leverage our core coating application and formulation capabilities in new market segments and drive profitable growth," Appvion chmn/CEO George Wurtz said.

Appvion is using and evaluating a number of uncoated solid bleached sulfate boards, including cupstock. This paperboard is to be fluorochemical/PFAS-free oil with grease barrier, as well as recyclable and compostable, according to Luehring.

Appvion produces thermal, carbonless, security, inkjet, digital specialty, and colored papers, and is in a potential deal to sell its POS thermal business to Domtar. If the deal is completed in the second quarter as planned, Domtar would acquire the Appvion West Carrollton coating and converting plant along with the Appvion POS book of thermal paper business.

--by rmercante@fastmarkets.com

Quad book plants to close

» continued from page 2

12.6%, or 2 million tons. Economic recession in the second quarter will be impossible to avoid, and the mass shutdown of services and schools will leave paper demand even more exposed to the recession's effects than usual," according to Mahlburg.

Mahlburg expected that temporary market-related stoppages will likely become "a popular tactic for [paper] producers facing excess production but attempting to avoid permanent closures."

"Inventory levels may begin to become a more important indicator of market balance and pricing trends than raw shipments/capacity levels," he said.

"We will not be ordering inventory for late May and June, but will order paper as needed at least for those papers that are in the mills' inventories," a printer commented.

Printers across North America have implemented a number

of measures to offset the Covid-19 pandemic effects on their businesses, including plant closures, and cuts in manpower and salary reductions.

In a letter to customers, Quad/Graphics said it ceased operations at the three book plants on Mar. 28. The company wrote in the letter that it would be unable to fulfill any further orders until further notice.

The Versailles facility specializes in hardcover books, while the Martinsburg facility produces mass market and trade softcover books, according to Quad. The Fairfield plant is a full-service book manufacturer of one- and two-color hardcover and softcover trade, college, and professional books, and specialty educational textbooks.

Quad last November unveiled plans to divest its book business in North America, as part of Quad 3.0 transformation strategy. The announcement was made after the collapse of Quad's merger with the US's largest book and magazine printer, LSC Communications, which as of Mar. 23 was reportedly preparing to file for bankruptcy.

To reduce costs related to the pandemic, Quad on Apr. 2 also said it delayed capital spending projects, increased borrowings by \$100 million under a credit facility to "increase cash on hand to approximately \$200 million to ensure continued financial flexibility," temporarily reduced salary for more than 300 of its leaders, implemented a temporary employee furlough program with company-paid medical benefits, and suspended its quarterly dividend.

Impact on publishers. The closure of Quad's book printing plants comes at a time when publishers also fear some segments of their markets will collapse, such as for print paper used at events and for travel content, while others that may be in better conditions will deal with the loss of printing capacity.

America's largest daily newspaper company, Gannett, which owns *USA TODAY* and more than 260 daily local newspaper brands, announced that its revenues should be significantly hurt by the virus outbreak. Gannett said it would suspend quarterly dividend payments.

"As a media company, we are generally exempt from mandates requiring closures of non-essential businesses. ... However, we expect our advertising and events revenues to decline as a result of widespread business closures and social distancing measures," chmn/CEO Michael Reed said.

Further, business reports claimed the outbreak was cited as a reason for Playboy Enterprises shutting down its print edition of the company's 66-year-old flagship *Playboy* magazine, which will cease publication after its spring issue.

Also, according to local reports, *San Diego Magazine* laid off nearly its entire staff and said it would fold after 72 years. Weekly publication *Sacramento News & Review* announced the suspension of its publication after losing 50% its advertising revenue in less than one week. Seattle-based alt weekly *The Stranger* suspended its print edition, as 90% of its revenue that comes from advertising, ticketing

fees, and own events that has been eliminated all at once.

Many other magazines and newspapers in USA and Canada are taking similar measures.

On the retailing side, Barnes & Noble (B&N) is temporarily shutting 400 of its 620 stores due to the pandemic, and is now telling magazine publishers to halt shipments to its remaining stores, according to local news.

Overall, B&N accounts for just 4% of the magazines sold at retail nationally, while Walmart accounts for about 17%, according to industry reports. The panic buying may be sending more customers into Walmart and other supermarkets to possibly buy more magazines to keep them entertained at home due to the shelter-in-place rule, contacts said.

Paper mills get hit too. As Mahlburg noted, advertisers and consumers are pulling back as in usual recessions, as advertising is treated as a discretionary expense when businesses "hunker down." Thus, demand for coated paper, which is largely used in book and magazine printing, will be impacted by the weakness in the consumer economy caused by the pandemic.

"We are assuming an additional 80,000 tons of closures in 2020 and another 60,000 tons in 2021 that have not been announced," said Mahlburg, referring to North American coated paper capacity.

Uncoated mechanical (UM) paper demand also is dropping as printers reported that advertisers have already backed

out of newspaper inserts, according to Mahlburg.

One UM producer told *P&PW* of seeing the negative impact on orders for the second quarter.

Mahlburg said UFS consumption is likely to fall further than expected this year, even though it usually tends to fluctuate much less with economic growth than other graphic paper grades.

"Many offices are closed, with employees choosing to or required to work from home, and most conferences will be canceled for the foreseeable future. This will reduce the amount of printing that occurs for meetings, and more paperwork will be forced to shift online. Teleworking employees likely have a lower

propensity to print, especially if they lack home printers, so a greater structural shift to working from home may become a trend that decreases the long-term potential for office paper demand," Mahlburg said.

In its announcement this week of the downtime at the Jackson UFS mill, PCA, which makes cutsize office/copy paper, said that "due to the effects of the Covid-19 virus pandemic on paper consumption in schools, offices and businesses, it's critical that we balance the supply of our Boise Paper products with our customers' demand for them."

PCA VP Paul LeBlanc said that PCA has "more than sufficient inventories" to "support

all of our customers' paper needs during this time."

As of Apr. 1, no downtime was being reported related to Domtar's mills. Domtar is the largest UFS producer in North America.

While contacts overwhelmingly expect a demand plummet for uncoated and coated print paper in the short-term, one industry contact expects the US Presidential election should provide some upside.

"We're heading into likely one of the most contentious presidential elections in recent memory, and it's hard to imagine that ad spending related to the campaigns – including direct mail – doesn't provide some sort

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of lift to coated and uncoated freesheet paper," the industry contact told *P&PW* this week.

• **Kruger Specialty Papers** announced the temporary shutdown of its Brompton, QC, mill, effective Apr. 3, for an indefinite period of time, affecting 272 employees. The production of both newsprint and specialty papers for the flexible packaging industry at Brompton will be curtailed, and the facility's biomass cogeneration plant will also be shutdown. "The company came to this difficult decision due to unfavorable market conditions that deteriorated very rapidly with the Covid-19 outbreak, affecting the mill's operations and financial performance," Kruger stated. One market source told *P&PW* that the Canadian government might be "inviting" graphic paper producers to temporarily reduce capacity to allow tissue paper and air filter producers to gain easier access to pulp during the Covid-19 pandemic. "There is a chip shortage (in Canada) because of the lack of lumber being produced right now, as no one is building anything due to the coronavirus, and chips available on the open market are expensive," a contact said.

• **Willamette Falls Paper** has asked Portland General Electric (PGE) to be considered in PGE's direct access energy program, which offers lower energy costs. If PGE refuses Willamette Falls Paper, the paper company could pay \$60 million extra for electricity over the next five years. "Willamette Paper likely will not be competitive on a long term basis if it is required to pay for electricity at cost-of-service prices from PGE, or forced to pay full transition

charges under the direct access program," Willamette said.

• The Nova Scotia Utility & Review Board approved the four-year agreement for **NS Power** and the **Port Hawkesbury Paper** (PHP), local media reported. The agreement will provide Port Hawkesbury Paper a discount in exchange for ceding control to the utility. The new tariff will see PHP mill pay \$61.75/MWh, as opposed to around \$80/MWh. The tariff has been in place on an interim basis since January. "We hope the rate will allow our modern high technology assets to continue to operate in the longer term and provide significant continuing benefits to the provincial economy, while also providing enhanced operational benefits and cost savings to (NS Power) and its other customers," said PHP sustainability and outreach leader Andrew Fedora.

--by rmercante@fastmarkets.com

News briefs

US manufacturing economic activity contracted in March to a 49.1% **PMI** from February's 50.1%, due to coronavirus-related impacts on business, according to supply executives in the latest Manufacturing ISM *Report On Business*. The report's New Orders Index was 42.2%, down 7.6 percentage points from February's 49.8%... **Global shipping container shipments** are to decline significantly from now through the second quarter, based on reports from shippers this week. The **Journal of Commerce** (JOC) reported that the "alliance (of shippers) has announced the cancelation of

32 sailings in April on the Asia-Europe, trans-Pacific, and trans-Atlantic trades, giving shippers and forwarders just a few days' notice of the huge capacity cuts in an indication of how quickly demand is falling." The capacity adjustments result from the shelter-in-place rule in North America and Europe, and the "forecasted sharp downturn in demand" due to the coronavirus. The JOC reported that the alliance will cancel seven sailings on the Asia-North Europe trade, five on Asia-Mediterranean, 11 on Asia-US West Coast, five on Asia-US East Coast, and four on the transatlantic routes, between week 15 starting Apr. 6 and week 18 starting Apr. 27. The alliance ocean shipping carriers are **Hapag-Lloyd**, **Yang Ming**, and **Ocean Express Network (ONE)**. The **2M Alliance** of Maersk Line and Mediterranean Shipping Co. this week also announced 21% and 22% capacity cuts in ships to Asia-North Europe and Asia-Med routes, respectively. **Maersk canceled** a further five voyages from China to North Europe from Apr. 13 to May 11, the JOC reported... The US's goods and services deficit declined to \$39.9 billion in February, from \$45.5 billion in January, the US Census Bureau and the US Bureau of Economic Analysis reported on Apr. 3. February exports were \$207.5 billion, \$800 million less than January exports. February imports were \$247.5 billion, \$6.3 billion less than January imports. The year-to-date goods and services deficit decreased \$19.7 billion, or 18.7%, from the same period in 2019... **Neenah** announced that it had not closed on its agreement to acquire Vectorply Corporation on Apr. 1 as originally expected. Neenah had agreed to

acquire Vectorply from MSouth Equity Partners for \$155 million. "Regarding our ongoing business during this challenging time, the health and safety of our employees are paramount and we've taken actions across our company to protect them, while also carefully managing costs, capital expenditures and working capital," said Neenah CEO John O'Donnell, in a release... **Xerox** this week withdrew its offer to acquire of **HP** due to the "global health crisis, and resulting macroeconomic and market turmoil caused by Covid-19," the company said this week. "Accordingly, we ... will no longer seek to nominate our slate of highly qualified candidates to HP's Board of Directors," Xerox said... **News Corp** said it entered into a definitive agreement to sell its News America Marketing (NAM) business to private equity firm **Charlesbank Capital Partners**. News Corp is to receive about \$235 million. News Corp has an option for an up to 15% equity in the business (5% at closing and 10% five-year warrant). "When NAM was established, it was dependent on the distribution of coupons via newspaper inserts, but, in recent years, the in-store and digital segments have expanded substantially," said News Corp CEO Robert Thomson, in a release. "The continued strong performance of supermarkets and consumer goods, both core clients of NAM, suggests that the company will have a successful future under its new ownership." The business has in store marketing media options in more than 60,000 stores in the US and Canada, and reaches households across the country with circulation of more than 60 million through

nearly 2,000 publications. In addition, the business has a digital media network. Headquartered in New York, NAM has a sales force of more than 300 people in 12 offices across the US and Canada...

North American forest products rail freight was down 4.5% through the end of March through 13 weeks at 209,652 carloads from a year ago, the Assn of American Railroads reported. US forest products volume through March was down 2.9% to 126,608 carloads, and Canada was 7.1% lower at 82,640 carloads. The small volume in Mexico was up 50.7% to 404 carloads. In the final week of the month ending March 28, North American forest products freight was down 4.8%, the US was down 3.6%, Canada was 6.1% lower, and Mexico decreased 52.6%, AAR showed.

People news

Rayonier Advanced Materials appointed Judson Fidler to the

newly-created position of mgr, technical marketing, for fluff pulp, effective Apr. 1. Fidler has more than 20 years of experience in the pulp industry, from research as a scientist, to product development and technical customer service for major pulp and fluff pulp producers in North America and overseas, Rayonier Advanced Materials said in its release.

Stora Enso appointed David Ekberg as Exec VP, Head of Packaging Solutions division, effective Apr. 1. David Ekberg has been acting Head of Packaging Solutions since early December 2019.

Georgia-Pacific (GP) named Ryan Elwart as Chief Customer Officer for the Consumer Products Group in what is a new position at GP, Elwart was previously Sr VP for global sales for North American and International GP PRO sales. His new role comes as Mike Hayes leaves his position Sr VP of retail sales to take on a role at another organization.

PPI Pulp & Paper Week

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