

PPI Pulp & Paper Week

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

US boxboard sees price erosion on SBS folding, recycled grades as competition emerges after 2018-19 price run-up

US boxboard prices are down in February on solid bleached folding and recycled grades after months of reports by multiple contacts of discounting, spot deals, and competitive conditions for mills that have continued since late 2019, and even amid relatively steadier markets this month.

Some buyers and some sellers agreed that lower prices have prevailed since the typical market sloppiness in December-January, while other sellers and some buyers argued prices have remained stable and firm throughout, following a ratcheting up of prices in 2018 and into early 2019.

Prices in February are \$30/ton lower on solid *»» continued on page 6*

'Solid' January for US box shipments and traders gear up for March kraft liner export hike, even for China

January US box shipments picked up well after a soft December performance overall, based on Fibre Box Association (FBA) figures reported on Feb. 21 as well as reports by US boxmakers to RISI Fastmarkets' *PPI Pulp & Paper Week*. January's per-calendar-day average was 8.5% stronger than December's daily average.

Actual shipments for January were 33.944 billion ft², which averaged 1.094 billion ft² per calendar day. That average was the third best since last June. The only higher shipment months were in August and October.

The mid-week Christmas reduced December *»» continued on page 4*

US OCC spurts up at mid-month -- and China keeps up purchases for fiber-short mills during coronavirus crisis

Old corrugated container (OCC) prices increased in mid-February as domestic suppliers, mostly in the US Midwest, said they are short on supply, while large exporters to China told Fastmarkets RISI's *PPI Pulp & Paper Week* that they are "quite active" in buying double-sorted OCC (DSOCC). To non-China, the large exporters said Feb. 19 that they had demand this week for No. 11 OCC and mixed paper.

Contacts as of Feb. 19 reported the FAS level at Los Angeles and Long Beach ports for DSOCC to China rose \$5 to \$115/ton and for No. 11 OCC to non-China Asia, an increase of \$10-12 to \$100-102/ton FAS. *»» continued on page 10*

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Pulp

China may exempt pulp from tariff, Crofton NBSK mill to idle, producer stock dips three days

China announced on Feb. 18 that importers could apply for exemptions to the 5% tariffs on US pulp that have been in place since September 2018, adding yet another layer to the many unexpected changes in global markets this year. Meantime, a long-delayed global market pulp statistics report showed significantly stronger bleached eucalyptus kraft (BEK) shipments than previously reported, resulting in massive revisions to "World-20" statistics and a three days-of-supply inventory decrease at year's end.

Marking another improvement in the fluid trade relations between the United States and China, the Ministry of Finance of the People's Republic of China (MOFCOM) said importers of bleached softwood kraft (BSK), fluff pulp, and dissolving pulp (DP) from the United States could apply for exemptions to the current 5% tariffs, industry contacts told Fastmarkets RISI's *PPI Pulp & Paper Week*. The application for an exemption is due by Mar. 2. It's unclear when the tariff would be waived. Reports have said in July but others are saying that the tariff might be waived earlier than that.

Those grades of woodpulp were included on a list of 697 goods earmarked for exemptions to the trade war tariffs, as China and US trade relations have thawed in the two months since negotiators reached the terms of a "phase-one" trade deal on Dec. 13. China previously canceled or postponed

plans to double tariffs on US imports, with the duty increases from 5% to 10% on US imports of wood pulp, linerboard, and kraft paper scrapped back on Dec. 15.

Chinese source: 'Applicants cherry picked?' Market participants said the exemptions could help buoy demand for US pulp exports, but added that a case-by-case approach to implementation led to confusion.

"From Mar. 2, Chinese buyers could present their application form, but it's subjected to a final approval from the government so that some still have a little bit of concerns whether government would approve all applicants or cherry pick," said a Chinese market participant late this week. The source, whose view was typical, speculated that MOFCOM would selectively approve applications from government-run businesses or private ones. Some of China's largest shore traders are owned by the government, sources say.

"It's not just canceling the duty directly. Let's see what will happen (as it's) still not 100% clear yet," the contact said.

Further adding to confusion, while MOFCOM said that BSK, fluff, and DP import tariffs might effectively be 0% on Mar. 2 after application approval, it excluded several other US-produced grades of market pulp from the products list eligible for exemption. Grades not on the list include bleached hardwood kraft (BHK), unbleached kraft (UKP), recycled pulp, and bleached chemi-thermomechanical (BCTMP), sources told *P&PW*. Because those grades were not on MOFCOM's list, it means their duty rates will

remain at 5% or 20%, respectively. US BHK, UKP, and BCTMP imports will remain at 5%, while recycled pulp or market deinked pulp (MDIP) will remain 20%.

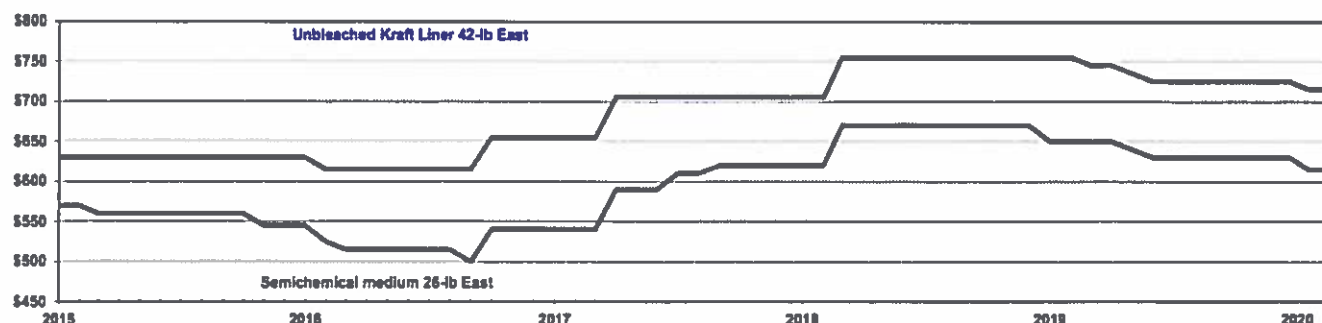
China first slapped 5% duties on US wood pulp imports in September 2018 as a counterpunch after the Trump Administration imposed tariffs on Chinese imports. Relations between the world's two biggest economies have since warmed, and the exemptions are planned in part to relieve some of the economic strain from the coronavirus (now called COVID-19) outbreak.

Port warehouses filling, vessels canceled. Coronavirus has resulted in the closure of all paper and board mills in the Hubei province, home of Hunan, which is essentially ground zero for the disease's outbreak. Other provinces in China are slowly ramping up production at various degrees of operation, but quarantines and limits on the movement of people continues to drag on those mills, sources said. Some noted that Chinese ports were already swelling with pulp because once shipments are unloaded there's not enough logistical operations to move pulp from ports to consumers.

Some contacts reported that inbound vessels were getting canceled because warehouses would soon overflow with nowhere for the pulp to go. Likewise, outbound ships may not sail because of delays getting export products from Chinese production facilities to ports. If so, it could soon lead to a shortage

»» continued on page 13

PRICE WATCH: Containerboard/Kraft Papers Domestic



Delivered, US\$ (unless otherwise noted)

| | | Current months | | | Year-to-year | |
|--|---------|---------------------------|-----------------|-----------------|---------------|------------------|
| CONTAINERBOARD | | Unit | Feb. 2020 | Jan. 2020 | Dec. 2019 | Feb. 2019 % chg. |
| DOMESTIC OPEN MARKET PRICE | | | | | | |
| Unbleached kraft linerboard (42-lb) | | | | | | |
| East | sh. ton | \$710 - 720 * | \$710 - 720 * | \$720 - 730 * | \$750 - 760 | -5.3% |
| West | sh. ton | 710 - 720 * | 710 - 720 * | 720 - 730 * | 750 - 760 | -5.3 |
| High performance linerboard (35-/36-lb) | | | | | | |
| East | sh. ton | 720 - 730 * | 720 - 730 * | 730 - 740 * | 770 - 780 | -6.5 |
| Recycled linerboard (30-/31-lb)¹ | | | | | | |
| East | sh. ton | 630 - 640 * | 630 - 640 * | 630 - 640 * | 680 - 690 | -7.3% |
| West | sh. ton | 630 - 640 * | 630 - 640 * | 630 - 640 * | 680 - 690 | -7.3% |
| White top linerboard (42-lb) | | | | | | |
| East | sh. ton | 950 - 960 * | 950 - 960 * | 950 - 960 * | 970 - 980 | -2.1 |
| West | sh. ton | 950 - 960 * | 950 - 960 * | 960 - 970 * | 980 - 990 | -3.0 |
| Corrugating Medium (26-lb semichemical) | | | | | | |
| East | sh. ton | 610 - 620 * | 610 - 620 * | 625 - 635 * | 645 - 655 | -5.4 |
| West | sh. ton | 610 - 620 * | 610 - 620 * | 625 - 635 * | 655 - 665 | -6.8 |
| EXPORT LINERBOARD - Unbleached kraft | | | | | | |
| 175-g+ Southern Europe (CIF) | tonne | € 405 - 425 ^{**} | € 405 - 425 * | € 415 - 435 * | € 570 - 580 | -27.8 |
| 175-g+ China (C&F) ² | tonne | 520 - 550 ^{**} | 520 - 550 * | 520 - 550 * | 670 - 700 | -21.9 |
| 42-lb Laredo border/Mexico (FOB) | tonne | 600 - 610 ^{**} | 600 - 610 * | 600 - 610 * | 670 - 680 | -10.4 |
| 42-lb Central/South America (FAS) | sh. ton | 500 - 510 ^{**} | 500 - 510 * | 500 - 510 * | 590 - 600 | -15.1 |
| KRAFT PAPERS | | | | | | |
| Unbleached | | | | | | |
| Extensible multiwall sack, 50-lb | sh. ton | 1,280 - 1,300 * | 1,280 - 1,300 * | 1,280 - 1,300 * | 1,320 - 1,340 | -3.0 |
| Natural multiwall sack, 50-lb | sh. ton | 1,125 - 1,135 * | 1,125 - 1,135 * | 1,125 - 1,135 * | 1,165 - 1,175 | -3.4 |
| Grocery bag, 30-lb | sh. ton | 1,310 - 1,330 * | 1,310 - 1,330 * | 1,310 - 1,330 * | 1,350 - 1,370 | -2.9 |
| Bleached | | | | | | |
| Grocery bag, 30-lb | sh. ton | 1,640 - 1,650 * | 1,640 - 1,650 * | 1,640 - 1,650 * | 1,640 - 1,650 | 0.0 |

NOTES

*Discounting has been reported below price shown.

1. Fastmarkets RISI launched assessments of 30-/31-lb recycled linerboard in September 2019. A two year synthetic history was compiled by Fastmarkets RISI economists to coincide with the launch. These historical prices are meant as indicative levels only and should not be considered formal Fastmarkets RISI assessments.

2. From January 2018 the reference to Hong Kong was removed. This is a change in location name, not in methodology. Price includes all China ports.

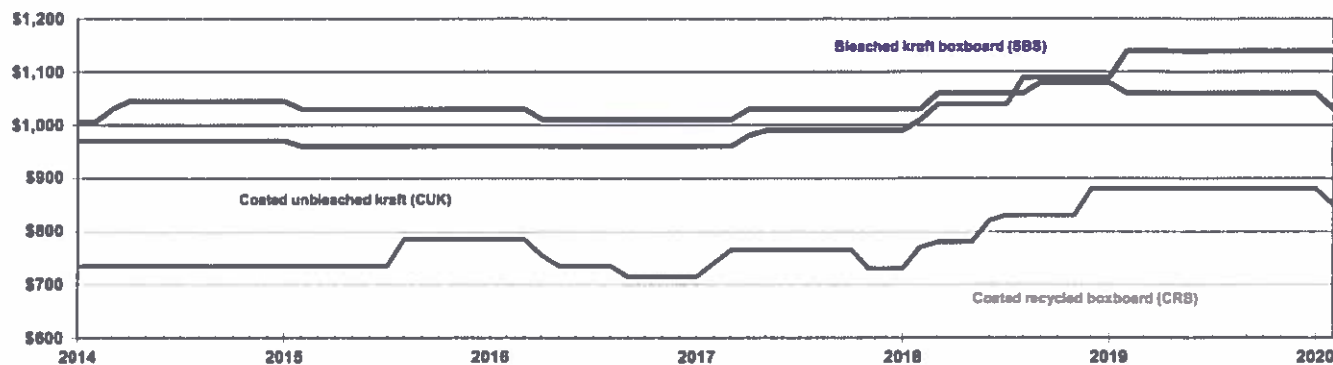
3. Future price increase announced by major producer (s) but not reflected in current data.

With the launch of new assessments for recycled linerboard, and lower basis weight assessments, Fastmarkets RISI has removed the footnote to this table containing indicative differentials for other containerboard basis weights and grades. As we add new assessments to our portfolio, we believe this footnote is no longer relevant.

DISCLAIMER

While the information contained in this report has been obtained from sources believed to be reliable, Fastmarkets RISI does not warrant or guarantee the accuracy and completeness of the information. All prices are best estimates of prices, and are composite prices as opposed to median or average prices.

PRICE WATCH: Boxboard



Delivered, US\$/sh.ton (unless otherwise noted)

| | Current months | | | Year-to-year | |
|---|----------------|---------------|---------------|---------------|--------|
| | Feb. 2020 | Jan. 2020 | Dec. 2019 | Feb. 2019 | % chg. |
| BOXBOARD SERIES B PRICES¹ | | | | | |
| Solid bleached sulfate board (SBS) | | | | | |
| 16-pt folding carton, C1S | 1,010 - 1,050 | 1,040 - 1,080 | 1,040 - 1,080 | 1,040 - 1,080 | -2.8 |
| 14-pt cup stock, PE2S | 1,330 - 1,370 | 1,330 - 1,370 | 1,330 - 1,370 | 1,330 - 1,370 | 0.0 |
| Coated unbleached kraft board (CUK) | | | | | |
| 20-pt folding carton, C1S | 1,120 - 1,160 | 1,120 - 1,160 | 1,120 - 1,160 | 1,120 - 1,160 | 0.0 |
| Recycled folding boxboard (CRB, URB) | | | | | |
| 20-pt clay coated news | 840 - 860 | 870 - 890 | 870 - 890 | 870 - 890 | -3.4 |
| 20-pt bending chip | 690 - 710 | 720 - 740 | 720 - 740 | 720 - 740 | -4.1 |

NOTES

* Discounting has been reported below price shown.

Future price increase announced by major producer (s) but not reflected in current data.

1. Boxboard prices above and below these levels have been reported.

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Jan. box shipments up 2%

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shipments and a slow start was expected to shipments in the New Year with Jan. 1 on a Wednesday. But contacts said, in claims that could not be quantified, that some end users did some restocking in January. Most others just claimed flat to slightly increased volume in January 2020, vs January 2019. However, in the most telling report, one big boxmaker reported "solid" January volume, compared with the year-ago volume.

All told, both actual and average-week shipments increased 2.0% last month, vs the January 2019, with 22 shipping days in each month.

"Nothing great. Nothing awful. We're kind of riding right in the middle," said one boxmaker in the East.

Another told of increased orders at two of his plants.

A Midwest contact claimed that "it's getting very competitive" on box pricing following \$10/ton on linerboard and \$15/ton

on corrugating medium declines on the domestic market in January, based on P&PW's survey. In all, US 42-lb kraft linerboard benchmark prices declined \$40/ton in four \$10 increments in March, May, and June 2019, and then last month in January, according to P&PW's survey.

2020 boxmaker goals. Looking forward at performance goals for 2020, boxmakers interviewed by P&PW this week said speed, precision, quality, color graphics, and digital printing are their key issues.

One said his box plants this year need to be "much more retail-ready."

"We need to be faster, more precise, and (have a) quicker turn," he said. "And color matters more now on the shelf."

Another said: "You have to be a low-cost manufacturer and have the technology to go with it."

That new technology includes digital printing for customization and advertising, boxmakers said.

"In the next few years, (digital printing) will increase: Two-sided (color and print) for e-commerce. It's all trending that way," a Midwest boxmaker said.

Another told of inside-the-box printing for e-commerce.

On export markets for US kraft linerboard, there were reports of some buyers agreeing to higher prices, the first increase in about 1 1/2 years. However, the *P&PW* survey in the last nine days found the majority of buyers and sellers contacted did not yet pay higher pricing for business in Mexico, South and Central America, southern Europe, and China. This said, contacts were clear that they expected a \$10/tonne or \$20/tonne price increase in March, especially in southern Europe, and potentially in Mexico and South/Central America. It was unclear in China.

"It's tighter now than all of last year," said one US exporter. "For March production, everyone is trying to get \$10 or \$20."

These increases offshore would come as US containerboard mills operated at 95.1% in January, up from 94.3% in December, and as

US box plants in total dramatically grew containerboard stock by 10.8% in January from December, based on American Forest & Paper Association and FBA figures.

China. Reports from China early this week said that workers were

returning to their jobs on Feb. 17 following the coronavirus outbreak more than three weeks ago. Still, it was unclear how the outbreak, which reportedly had affected more than 73,000 people early this week, would impact Chinese and global economic growth.

US Containerboard/Box statistics – January 2020

| | (000 tons) | | | |
|-----------------------------------|---------------|---------------|----------------|-------------------------|
| | Jan. 2020 | % chg. yr ago | YTD 2019 | % chg. 2018 |
| Box shipments ¹ | 33,944 | 2.0% | 392,632 | 0.0% |
| Average week | | 2.0 | | 0.0 |
| Containerboard consumption | 2,816 | 2.5 | 32,300 | 0.5 |
| Production | | | | |
| Linerboard | 2,317 | 4.8 | 25,781 | -5.1 |
| Corrugating medium | 956 | 1.3 | 11,060 | 1.8 |
| Total containerboard | 3,273 | 3.7 | 36,841 | -3.7 |
| Exports/imports | | | | |
| Linerboard exports | 455 | 37.6 | 4,073 | -14.8 |
| Containerboard imports | 113 | -5.0 | 1,341 | -7.0 |
| | Jan. 2020 | Dec. 2019 | YTD 2019 | YTD 2018 |
| Operating rates (%) | | | | |
| Linerboard | 95.2% | 93.8% | 90.0% | 96.2% |
| Corrugating medium | 95.0 | 95.7 | 95.4 | 96.6 |
| Total containerboard | 95.1 | 94.3 | 91.6 | 96.3 |
| | Jan. 2020 | Dec. 2019 | Jan. 2019 | Chg. (tons) prior month |
| Containerboard inventories | | | | |
| Mill inventories | 376 | 408 | 372 | -32 |
| Box plant inventories | 2,346 | 2,118 | 2,463 | 228 |
| Total inventories | 2,722 | 2,526 | 2,835 | 196 |

1. bsf=billion ft². YTD=year-to-date, n.a.=not available.

FBA to release box shipment and inventory statistics Feb. 1 after annual audit.

Source: Fibre Box Assn, American Forest & Paper Association, US Bureau of Census (imports).

US containerboard inventories at box plants and mills

| | (000 tons) | | | | | | | |
|-----------|------------|---------------|-------|---------------|-------|---------------|-------|---------------|
| | 2020 | | 2019 | | 2018 | | 2017 | |
| | Tons | Week's Supply | Tons | Week's Supply | Tons | Week's Supply | Tons | Week's supply |
| December | | | 2,526 | 3.9 | 2,659 | 3.9 | 2,379 | 3.6 |
| November | | | 2,417 | 3.6 | 2,561 | 3.9 | 2,335 | 3.5 |
| October | | | 2,395 | 3.7 | 2,482 | 3.9 | 2,350 | 3.6 |
| September | | | 2,499 | 3.8 | 2,588 | 3.9 | 2,379 | 3.6 |
| August | | | 2,555 | 4.0 | 2,566 | 4.1 | 2,393 | 3.8 |
| July | | | 2,580 | 3.9 | 2,564 | 4.1 | 2,421 | 3.7 |
| June | | | 2,489 | 3.8 | 2,381 | 3.8 | 2,323 | 3.7 |
| May | | | 2,587 | 4.0 | 2,408 | 3.8 | 2,334 | 3.7 |
| April | | | 2,613 | 4.1 | 2,437 | 3.8 | 2,389 | 3.7 |
| March | | | 2,734 | 4.4 | 2,428 | 3.9 | 2,359 | 3.9 |
| February | | | 2,781 | 4.5 | 2,396 | 3.9 | 2,492 | 4.2 |
| January | 2,722 | 4.3 | 2,835 | 4.5 | 2,500 | 4.1 | 2,467 | 4.0 |

n.a.=not available.

Source: American Forest & Paper Assn, Fibre Box Assn.

The Chinese government included unbleached kraft linerboard on a list of imports that can be exempted from tariffs. Buyers in China must ask for the exemption by early March and if granted by the government in China, the tariff would be waived effective in July, reports said.

It's unclear how this affects US kraft linerboard to China now since the key issue is finding orders, contacts said.

US producers this week still planned \$10/tonne and \$20/tonne pricing increases in China, its second largest export market. These increases were first identified last month and are expected to be delayed (*P&PW*, Jan. 31, p. 1).

One contact expected the increases might be implemented for March production and for delivery in April or May. The transport time to ship US kraft linerboard to China is about 35-38 days. The main US export port is in Savannah, GA.

"Most people showed up in their offices (on Feb. 17). Workers are slowly returning," said one contact.

"Right now in China, they can't make packaging deliveries," the contact added at the start of this week. "The paper mills are back running. The issue is the collection of (recovered paper). The fiber collection domestically has been affected so they don't have supply."

"There is a pushback because people are not thinking of buying. It's a standstill. ... People are just trying to figure it all out in China," the contact said.

--by grudder@fastmarkets.com

SBS folding, recycled lower

»» continued from page 1

bleached sulfate (SBS) folding carton, and on coated (CRB) and uncoated (URB) recycled board. Prices held in SBS cupstock and coated unbleached kraft (CUK)

"It's status-quo to me," said a CRB buyer this month who had gained lower pricing earlier by consolidating buying from a single source.

Another said a CRB importer was "coming down slightly in price to compete with domestic."

"My increases are all in and in full," contrasted another carton converter using SBS and CRB.

Another said prices were firm in CRB and CUK but saw inconsistency in SBS prices.

"There is price control" by producers, and "a lot of wait-and-see," he added.

"There's no talk of increases," added another with lower URB prices since last fall. "It's soft. Mills are looking early for orders. They call it spot. They don't want to set it as the price."

"There is so much paper out there for me, I can't take half of it."

The decrease in SBS folding and the resilience in CUK further pushed up the differential in the two grades to \$110/ton, even as SBS is more costly to produce and runs better on converting equipment. With a better supply and demand picture, CUK eclipsed SBS folding in August 2018.

CUK contrasts with SBS folding by having just three US mills and two producers, strong exports, and low imports.

"I'm enjoying the differential in grades," said a carton buyer using more SBS than CUK.

With basically a sellers' market due to consolidations, a couple of permanent shutdowns, and other mill project-related outages, as well as a strong economy, boxboard industry-wide price increases started rolling out in early 2018. While recycled furnish costs were down, mills were seeing higher commodity cost inflation in energy, freight, chemicals, wood, and labor, producers said at the time. Operating rates were high and backlogs were extended, leading to pricing power and the most dramatic surge in prices in at least a decade.

More recently, operating rates remain strong but have somewhat eased, shipments have softened, and inventories have increased as overall tons sold remained flat in 2019, as reported by the two largest publicly-traded companies in their fourth-quarter reports. The flat volumes come as both reported success in targeting increased sales based on sustainability and replacing plastic packaging.

"We all made a lot of money in 2018 and the first half of 2019," summed up a recycled producer.

Companies have also focused on reducing the lag time it takes to pass through price increases on rolls as well as finished cartons, but several sources still report only partial increases so far from the 2018 hikes.

SBS. Compared with other grades, sources have long described SBS folding as fragmented with competitive prices into this month, and even following the October shutdown of Georgia-Pacific's (GP) two SBS machines in Crossett, AR, that accounted for 368,000 tons/yr, or about 6.3% of total North American capacity, including folding carton and food service grades.

More than three months later, the closure does not appear to have significantly tightened the overall SBS market with GP likely having built up inventories ahead of the shut. Factors also include the ongoing ramp up of SBS sales and production from Sappi's new converted SBS machine at its Somerset mill in Maine, targeted at 350,000 tons/yr, and the presence of yet even more imports from Europe, Asia and now Latin America, sources agreed.

"We have pricing in place for 2020 which is down from 2019 Q4 and I expect to see continued downward pressure in this category," an SBS carton and food service buyer said in an email.

As price increases across the boxboard market started rolling out in March 2018, SBS folding sputtered, moving up by \$50/ton by September, but falling back \$20 in early 2019, due to similar competitive circumstances.

In contrast, SBS cupstock and food service grades moved up \$70/ton since March 2018 and have held there, propped up by solid and growing demand for sustainable and recyclable packaging in place of plastic and foam including plate, dish, bowl and tray products.

Total SBS inventories in January were flat month-to-month and up 14.6% in January to 567,600 tons. Shipments were up 5.5% from December and 2% below a year ago at 445,000 tons.

In what the American Forest & Paper Association said is its last weekly boxboard report for the week ending Feb. 5, total SBS unmade orders were down 3.7% from the prior week and 8.4% lower than a year ago at 416,000 tons.

"In discussions with company member users of the Boxboard Weekly [PB1] report, members told us the report was not used extensively and the data could be covered adequately in the monthly reports," AF&PA said.

SBS folding operated at 89.4% in January from 89% a year ago. SBS liquid and food packaging operated at 99% from 94.9%.

CRB. Amid falling recovered paper furnish costs, CRB producers began an extended price run up in January 2018, after Graphic Packaging's shut of its Santa Clara, CA, mill the month before, and which followed the shut of PaperWorks Industries' mill in Philadelphia earlier in 2017.

With unprecedented backlogs, CRB prices surged by \$150/ton in total through December 2018, with pass-throughs ongoing as buyers, both carton converters (rolls) and consumer product companies (cartons) reporting escalator clauses and price caps in place to smooth out the impact of the increases. Some of that is still in play, contacts said.

While the most heavily integrated CRB producers dominate

capacity, the open market is more evenly shared among the four producers, all of which have converting plants.

One producer contact said his CRB prices hit their lowest point in December, but since have rebounded.

"It was a Christmas special," he said. "We were looking for tons."

With the disruption from the 2017 mill shuts, some buyers said they are acutely aware of the potential for other closures, as Graphic Packaging plans a \$600 million "capacity neutral" project to add a new 500,000 tons/yr machine at its Kalamazoo, MI, mill in early 2022. The strategy includes the shutdown of five machines in total, including mills in Battle Creek, MI, and Middletown, OH, and a smaller machine at Kalamazoo.

The company said the closures are being timed with the new machine startup for late 2021 or 2022, but market players said they are concerned a machine or mill could close early if market conditions soften.

Contacts also wondered about Greif's planned sale of its CRB business and if all three mills in Georgia, Iowa and California would remain in operation.

CRB inventories rose 3% in January month-to-month and were 63.3% higher from a year ago at 80,500 tons. Shipments rose 8.3% from December and were down 3.2% from a year ago at 167,700 tons.

CRB operated at 98.6% in January from 98% a year ago.

Unmade orders on Feb 5 at 114,000 tons were down 30.4% from a year ago.

URB. URB prices moved up \$100 in total in 2018 with a stall late in the year due to the impact of two hurricanes (Florence and Michael) on mill operations, and the start of Greif's bid to acquire Caraustar which was completed by February 2019.

As with CRB, buyers were generally outraged by the steep increases in URB as recovered paper prices sank. Producers aggressively pushed for increases in 2017 based on recycled prices that peaked around March, but then collapsed as China placed strict contamination limits on US imports.

URB producers this week seemed to acknowledge "pockets of erosion" in their portfolios, and "negative movements related to [furnish] costs," as one said.

"The mills were busy and never had price pressure," another said of last year's markets. "The landscape is changing."

He took an order from a customer of a larger producer at a lower price.

"They must be getting aggressive," he said of buyers.

"You see some people jump around," for better prices, said another producer contact.

"November-December was definitely perceived as a destocking period," said another producer, "and people were holding off orders."

URB January inventories at 94,200 tons were about 10% higher from the prior month and year ago. Shipments rose 2.8% month-to-month and were down 4.8% from a year ago at 186,700 tons.

Unmade orders Feb. 5 at 153,000 tons were down 10.9% from a year ago. Utilization was 94.5% in January from 95.4% a year earlier.

CUK. CUK as usual is seen as balanced and firm and prices steady, but the emergence of imports had some buyers revealing that producers seem more pliable in new contract discussions.

A few buyers have confirmed entertaining imports of rolls or cartons from Latin America CUK producers Klabin and CMPC, in addition to European board already in the market.

"They are one of several that have reached out," said a CUK buyer about being contacted. "It would be a good board to have."

The imported CUK would require a slightly higher caliper than currently used.

"We welcome CUK competition," said another carton buyer. "It's not caliper to caliper, but the sheets are getting better with these global guys."

"It's a sheet you have to explore," he added.

"I've tested imports," said another carton executive, and referring to the lone two US producers of CUK. "With a duopoly like that, it's the right time for an offshore supplier."

CUK inventories were up 2.3% from December and 6.6% higher from a year ago at 202,200 tons. Shipments were up 8.2% month-to-month and essentially flat from a year ago at 332,200 tons.

CUK and gypsum board combined operated at 93.7% in January from 92.5% a year ago.

--by jmclaren@fastmarkets.com

Corrugated

New-Indy buys corrugator from Montebello in LA area; Pratt Wapa corrugator now up

New-Indy Containerboard continued to expand its corrugated position in Los Angeles, purchasing a 98-in corrugator in La Mirada, CA, that used to be run by Montebello Container Co (MCC), contacts told Fastmarkets RISI's *PPI Pulp & Paper Week* this week.

MCC had previously shut down a 70-in corrugator in Pico Rivera and a converting facility before New-Indy's acquisition. The Pico corrugator and converting plant equipment were to be auctioned on Feb. 13.

Last May, New-Indy acquired Proactive Packaging, which operates a plant in Ontario, CA, and in June acquired TriPAQ, which operates plants in Santa Ana and Cerritos, CA, and Mexicali and Tijuana, Mexico.

Close to the company's Southern California corrugated assets are its two LA-area mills in San Bernardino and Ventura counties in Ontario and Hueneme/Oxnard, respectively. Both were

formerly run by Weyerhaeuser and International Paper.

- **Pratt Industries** several weeks ago started up a new 132-in corrugator in Wapakoneta, OH, next door to its new 400,000 tons/yr recycled containerboard machine at the mill site, contacts said.

- **Cartro** of Mexican said it entered the produce market selling a corrugated box for avocados that was made by **Mondi**. Mondi said it made the box with its "FirstClassFlutes by Mondi" and ProVantage Kraftliner Aqua. Also, the companies said that "Cartro is also able to save costs and run higher corrugator speeds, as the boxes do not need to be coated with paraffin." "We wanted the new packaging to be a quality reference point, so we joined forces with Mondi to develop a lightweight corrugated box that can withstand the challenges of long haul transport in humid environments," said Cartro CEO Juan Javier Gonzalez.

--by grudder@fastmarkets.com

Trade

China may waive 25% duty on US RCP, most market pulp, kraft liner after March applications

Starting in March, US recovered paper and nearly 700 other products shipped to China could be exempted from tariffs after China's Ministry of Finance Customs Dept announced Feb. 18 that buyers in China can apply for tariff exemptions for some imports that had been subjected to the tit-for-tat trade disputes between the US

and China since 2018. If the exemptions are approved, the tariffs would be effectively 0% upon approval, contacts said.

The most prominent and largest-volume US export grades to China that could be impacted include recovered paper along with market pulp and kraft linerboard, contacts told Fastmarkets RISI's *PPI Pulp & Paper Week*.

Mills, converting plants, or buyers in China can fill out applications online for a one-year waiver beginning the first week of March, according to reports and several Fastmarkets RISI contacts.

Fastmarkets *Metal Bulletin*, a sister company to Fastmarkets RISI, reported on Feb. 19 that the exemption also applied for copper and aluminium scrap, and that importers of all 697 products listed by China's finance department can apply for exemptions starting Mar. 2.

"In order to better meet the increasing needs of consumers in China, we will expedite the acceptance of applications for exclusion of enterprises," the ministry said in the notice, according to *Metal Bulletin*.

China announced it would enforce a 25% tariff on US recovered fiber following US tariffs on Chinese goods in August 2018.

The duty has been in effect since the end of 2018. In mid-2019, China warned of another tariff hike – a 5% increase that would have upped the duty on recovered paper to 30% – that was to be implemented on Dec. 15. A phase-one trade deal was agreed to by US and Chinese leaders in mid-December 2019. This agreement suspended the additional 5% tariff on US recovered paper exports to China.

The 25% tariff on US recovered paper to China has been cited as one reason buyers in China have sought material from countries other than the USA, including Japan and Europe. For the past 20 years, the US has been the largest supplier of recovered paper to China. US exports to China totaled about one million tonnes per month in 2016 and in first-half 2017 and is now down to about 400,000 tonnes/month, after China banned mixed paper imports and put a 0.5% contaminant level rule on all recovered paper imports.

China is expected to approve just seven million tonnes of import quotas globally in 2020, down from the 10.7 million tonnes issued in 2019, and off significantly from 18.2 million tonnes in 2018. China has also implemented import restrictions that include pre-inspection procedures,

US Recovered Paper Exports to China, 2018 vs 2019

(in tonnes)

| Recovered paper grade | 2018 | 2019 | YOY % Change |
|-----------------------|------------------|------------------|--------------|
| OCC | 5,511,997 | 3,817,486 | -31% |
| Deinking High Grades | 11,765 | 2,174 | -82 |
| Pulp Substitutes | 113,455 | 30,090 | -73 |
| News | 1,827,707 | 1,358,335 | -26 |
| Mixed | 102,400 | 68,410 | -33 |
| Total | 7,567,324 | 5,276,495 | -30% |

Source: US Dept of Commerce, Bureau of Census.

while building up its domestic paper collecting and recycling.

In three batches so far for 2020, China issued import quotas totaling 3.21 million tonnes, a 42% decline from the 5.53 million tonnes allocated in the first three batches of 2019.

The first week of February also saw the near stoppage of recovered paper collections in China as the deadly coronavirus has kept workers at home and slowed down mills beyond downtime planned for the Chinese Lunar New Year, which was extended due to the virus. Contacts this week claimed mills in China were short of fiber. US export prices for old corrugated containers increased twice in the last two months and were

increasing further, according to *P&PW's* survey and reporting this week (see related story, p. 1)

To attempt to ensure its mills have enough fiber to make containerboard, three Chinese companies opened mills in the US and Southeast Asia in the last two years, and increased their buying of unbleached kraft pulp and recycled pulp, among other moves.

--by mworkman@fastmarkets.com

OCC prices keep on rising

» continued from page 1

These prices are up from the \$110 and \$90, respectively,

published in *P&PW* on Feb. 5. Several contacts recognized that the spread between the two OCC export grades, Nos. 11 and 12, is "getting narrower."

On the West Coast, domestic OCC was reported up \$15 to \$50/ton, and up \$10 to \$45/ton in the Midwest as several suppliers told of short OCC supply. In the Northeast, one mill contact said the spot price is up "significantly" and "OCC is difficult to find." Contacts said the lack of typical winter weather, short supply of some bulk grades and steady demand are all at play. In the Midwest, a contact described it as "every mill out there looking for" OCC.

An exporter off the West Coast said Feb. 19: "Some manufacturer

Precision performance from the ground up.

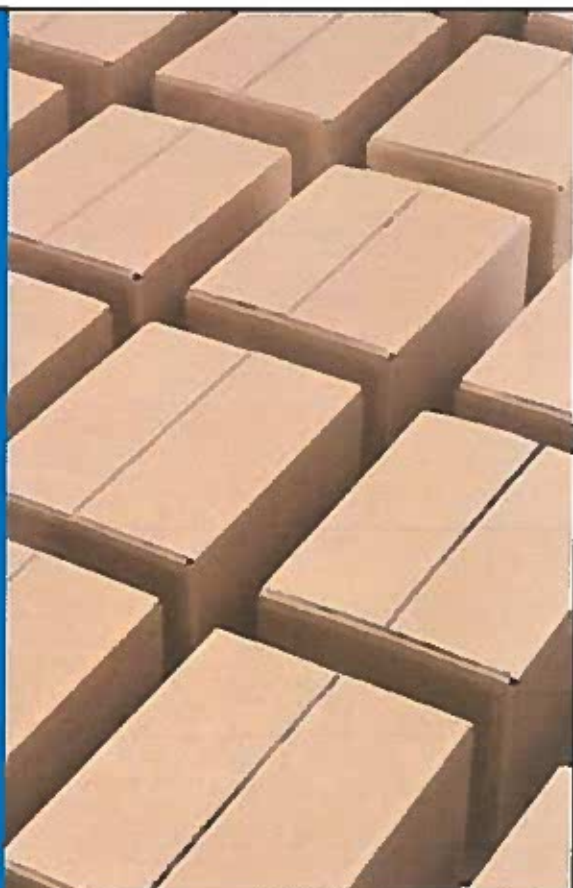
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in China is still not in production due to the coronavirus, just sales working from home taking orders, with lead time unknown."

One Midwest trader said: "Everybody is short. There's no double-lined, no corrugated. ... I've got people canceling loads on me."

The shortage of supply has been a concern for market players for some time as pricing for OCC continued to fall in 2019. With every slash in OCC pricing last year, contacts' concerns heightened as they anticipated a supply shortage with such declining prices.

2019 vs 2018. OCC domestic pricing declined in at least one region every month in 2019 except for three: pricing held across the board both in October and December, and increased \$5 on the West Coast in August; besides a \$5 increase in the Pacific Northwest in January, the first increase for OCC pricing last year happened eight months into 2019. The US average for OCC hit a record low \$22/ton in 2019.

The New Year and decade has kicked off with more demand and pricing increases than the start of 2019. With domestic mills across the USA running well the first two months of 2020, and movement of material better, pricing for domestic OCC increased in every US region in February 2020 for the first time in 2 ½ years, since July 2017.

Several mills are operating this month or in near-operation that were not in running at this time last year, including in Port Angeles, WA, where McKinley has been operating the mill on

a practice-and-warmup basis for about a week, according to a Feb. 19 local report.

In the Midwest, Pratt Industries' Wapakoneta, OH, mill has upped demand for OCC and mixed paper, while ND Paper's Biron recycled containerboard machine in Wisconsin Rapids, WI, has been "a big pull, a big draw" for new double-lined kraft cutting, contacts have told *P&PW*.

In addition, despite a 30% drop in recovered fiber exports to China in 2019 vs 2018 (5.276 million tonnes in 2019 vs 7.567 million tonnes in 2018), China's demand at the start of this year has helped to maintain and push up pricing for OCC as mills in China seek supply. China's collections of recovered fiber are still at a basic halt as workers and residents remain confined at home for the third consecutive week due to the coronavirus.

Expecting a supply shortage in China, mills there have upped their buying of recovered paper so as to ensure they have furnish for their machines.

China has issued import quotas for recovered paper totaling 3.21 million tonnes so far for 2020, a 42% decline from the 5.53 million tonnes allocated in the first three batches of 2019. Although import quota totals are down, they still need fiber, contacts said.

Another West Coast exporter said: "There is some increased demand overseas with the pricing creeping up a couple of dollars. Due to coronavirus there is very little domestic collection being done in China, so even though import licenses are less, they need some fiber."

Three-year difference. Three years ago, in February 2017, *P&PW* reported a rise in OCC pricing mid-month as part of 5-1/2-month-run-up at the time not seen in five years. The FAS level at Los Angeles and Long Beach ports rose \$12 in 11 days to \$230/ton FAS on Feb. 16, 2017. Since the start of September 2016, US export OCC had jumped \$75 in those five months up to February 2017.

OCC export pricing has backed off in the time since this run-up.

The FAS level has slipped by more than \$100 in three years at the same time demand from China has declined and other markets have tried to buy as cheap as they can attempt to.

Exports of OCC to China in 2019, at 3.817 million tonnes, were down 31% from 2018 when 5.512 million tonnes of OCC shipped to China. The largest year-over-year drop in exports to China in 2019 vs 2019 happened in high grades: exports of deinking grades to China declined 82% year-over-year, to 2,174 tonnes in 2019 to 11,765 tonnes in 2018. (See table, p. 9.)

By mworkman@fastmarkets.com

Downtime

PE Crofton mill to stop NBSK, newsprint production for 30 days due to lack of wood

Paper Excellence's (PE) Catalyst Paper will temporarily stop production at its Crofton, BC, pulp and paper mill for the entire month of March due to lack of wood fiber. The mill has capacity to make about 380,000 tonnes/

yr of northern bleached softwood kraft (NBSK) pulp and about 310,000 tonnes/yr of newsprint.

In a letter to customers this week, PE said: "We are relieved that the eight-month-long Western Forest Products strike has just been settled. However, the labor dispute had significant impact on our fiber supply chain. Despite our considerable efforts to find economic alternative sources of fiber, all supplies have been exhausted and we are forced to curtail operations until the fiber stream is re-established."

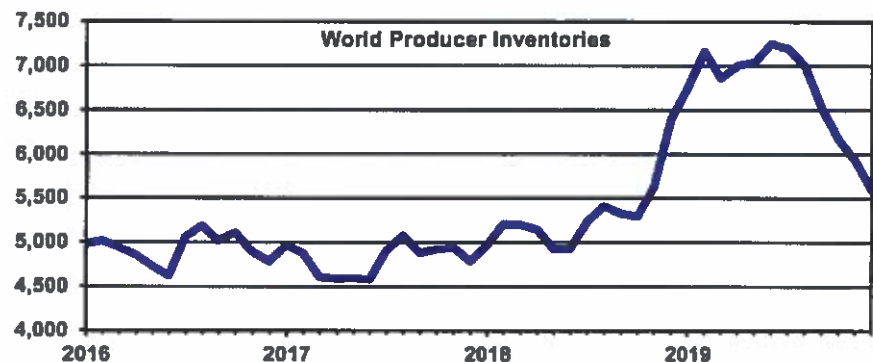
Extended downtime? Market contacts worry that the downtime at the Crofton mill may last longer than 30 days, as wood supply may not be normalized by the end of March.

"After they reached an agreement, it is still going to take 30 days for them to take the equipment out and start harvesting again," a market contact said.

"The [Crofton] mill will be down for the whole month of March or even longer, unless fiber is available sooner," another contact stated.

Western Forest Products workers were on strike for almost eight months until the company reached a five-year agreement with local union United Steelworkers (USW) on Feb. 10. The new agreement includes wage increases and improvements to workers' health and welfare benefits. Besides, it allows Western Forest products to introduce additional USW contractors in its timberland operations for annual allowable cut requirements.

World Market Pulp statistics – December 2019



Note: Statistics represent 80% of capacity, and exclude China, Russia, and Indonesia. *Month-end stocks divided by average daily shipments in the last three months.
Source: Pulp and Paper Products Council.

(000 tonnes)

| | December 2019 | YTD 2019 | YTD % chg 2019/18 |
|---------------------------------|---------------|----------|-------------------|
| WORLD | | | |
| Shipments | 5,123 | 52,589 | 4.0 |
| Utilization (ship.-to-cap.) | 104 | 91 | 3.0 |
| Shipments by grade | | | |
| Bleached softwood | 2,041 | 24,501 | 5.6 |
| Bleached hardwood | 2,922 | 26,361 | 2.8 |
| Shipments by destination | | | |
| North America | 720 | 7,395 | 0.0 |
| W. Europe | 1,202 | 13,324 | -7.2 |
| China | 1,866 | 17,450 | 19.0 |
| Rest of World | 1,335 | 14,420 | 1.9 |
| Producer inventories | | | |
| Days of supply * -- all grades | 37 | 40r | 50 |
| Bleached softwood | 37 | 34 | 42 |
| Bleached hardwood | 37 | 45r | 57 |

Pulp inventories of consumers and ports – December 2019

(000 tonnes)

| | December 2019 | November 2019 | October 2019 | % chg 2019/18 |
|---------------------|---------------|---------------|--------------|---------------|
| European consumers* | 203 | 188 | 200 | -3.7% |
| European ports | 1,779 | 1,841 | 1,869 | 10.8% |

Source: Utiulp (European consumer inventories for 11 countries), Europulp (inventories at ports for eight countries). * Includes softwood inventories only. Some European consumers stopped releasing hardwood data in August 2015, leaving only softwood available.

Supply disruption? The Crofton mill exports most of the NBSK pulp it produces to Asia.

On the newsprint side, Crofton's production is mostly supplied to customers on the West Coast, but PE said its remaining four paper machines at the Powell River and Port Alberni plants in British

Columbia will "fulfill" newsprint customers' orders as they will continue to be running normally during Crofton's downtime.

"This stoppage will reduce newsprint supply by around 30,000, which is roughly 10% of the monthly North American capacity and thus not sufficient

to balance out the market," a market player commented.

Last year, North American newsprint demand declined 14% or about 325,000 tonnes while capacity fell by 1% or 50,000 tonnes, according to Fastmarkets RISI research.

PE stopped the Crofton mill for 16 days in September-October 2019 in an attempt to balance supply with demand.

Newsprint pricing. Oversupply has been pushing newsprint prices down in North America. In 2019, prices declined \$75/tonne. This year, newsprint prices fell \$10-15/tonne in January, according to PPI Pulp & Paper Week contacts.

• **Paper Excellence Canada's** IT systems on Feb. 19 were affected by malware, and paper production at Crofton, Port Alberni, and Powell River River, BC, was impacted, the company said late this week. "Certain product deliveries may be impacted as we work to resolve this issue," the company said. "Work is currently underway to assess the scope and level of the impact and appropriate next steps to return to full production," PE added.

--by rmercante@fastmarkets.com

More new changes for pulp

»» continued from page 2

of vessels at US ports for exports to other regions, since cargo ship operators are reluctant to send empty ships abroad due to high costs. But some global pulp producers noted an improvement this week and little difficulty

getting their exports to China - at least to major ports.

"Talking to customers, they are more confident. One week ago very few customers were operating. This week, all customers are at different operating rates except in Hubei. Putting Hubei aside, everyone is back at different utilization rates," said a contact at a major producer. "Although we've seen improvements in logistics, there's inbound and outbound. Pulp are getting into ports but moving it to customers' facilities is still difficult."

In addition to coronavirus and its huge logistical challenges, other unexpected changes the global pulp industry has battled with this year include pulp mill closures, the now-resolved Finnish pulp and paper strike, and Canadian rail blockades that slowed shipments from Canada to the USA.

Crofton NBSK to idle. This week, Paper Excellence informed customers that its 382,000 tonnes/yr northern bleached softwood kraft (NBSK) market pulp mill at Crofton, BC, will idle production from Mar. 1-30 due to a lack of wood fiber. In a letter to customers, the company said: "We are relieved that the eight month long Western Forest Products strike has just been settled. However, the labour dispute had (a) significant impact on our fiber supply chain. Despite our considerable efforts to find economic alternative sources of fiber, all supplies have been exhausted and we are forced to curtail operations until the fiber stream is re-established."

If Crofton stays idle for the full month of March, it would

result in 31,500 tonnes of lost NBSK production. Most of the mill's output is exported to Asia, with about 80% or more typically going to China, industry sources told P&PW. A wood fiber shortage is a trend that many mills in British Columbia are contending with, and producer contacts began warning about potential pulp mill closures as far back as mid-fourth quarter.

Crofton is the second market NBSK mill to shutdown in Canada this year. The other mill is Northern Pulp, which idled production on Jan. 12 as a deadline to shutdown by the province of Nova Scotia approached (PPI P&PW, Jan. 31, p. 1). The 280,000 tonnes/yr mill remains idle but workers mothballed the facility as its owner Paper Excellence continues negotiating for a possible restart in the future. To date, its shutdown has resulted in an estimated 29,000 tonnes of market NBSK being clipped from production.

World pulp statistics. Against a backdrop of supply/demand uncertainty, the Pulp and Paper Products Council (PPPC) finally issued its December statistics on Feb. 20, about three to four weeks later than the monthly report's typical release date. Not only was the December report nearly a month late, but bleached hardwood kraft (BHK) shipments were massively revised.

The PPPC said in a note to subscribers that "the delay was related to issues with IBA's Q4 submission. IBA statistics understated Brazilian shipments. That means growth in global bleached eucalyptus kraft (BEK) demand has been stronger

than previously reported (by nearly 3 percentage points in 2019 for World-20).

Global chemical market pulp shipments rose to 5.123 million tonnes in December, up 14.6% vs 4.472 million tonnes in November, the PPPC reported. Global BSK shipments edged up to 2.041 million tonnes, while BHK shipments surged to 2.922 million tonnes – up 25.9% vs 2.320 million in November.

Poll: Inventories plunge 335,000 tonnes. Worldwide producer inventories closed December down three-days-of-supply to 37 days overall, with bleached softwood kraft (BSK) rising three days to 37 days, and bleached hardwood kraft (BHK) dropping eight days to 37 days-of-supply.

In BSK, the 37 days-of-supply was still well above the 28-30 days most producers and analysts consider balanced, but BHK at 37 days brought down stockpiles into a more normalized range, sources noted. The three day-of-supply decrease in producer stocks corresponded to an estimated 335,000 tonne drop month-over-month, closing December at an estimated 5.599 million tonnes, according to a P&PW poll of industry analysts.

"A great deal has happened since December, such that this data is of only so much consequence. The positive market development this year has been a slew of unanticipated supply outages. For perspective, unanticipated supply outages in all of 2019 were estimated to be about the same as those in just the first two months of 2020," said KeyBanc Capital Markets analyst Adam Josephson, in a research note

to clients on Feb. 20. "In other words, the YTD unanticipated outages have been a hugely positive development for those pulp producers that haven't had to take the downtime. However, the coronavirus outbreak in China is leading to a pile-up of tonnage in warehouses at Chinese ports, the long-term effects of which are unclear at the moment."

As for the December inventory decline, industry contacts pointed to the aggressive destocking at Suzano, the world's largest producer, for the sharp drop in BHK inventories. The Brazilian firm, which recently said it had reduced inventories by 1.1 million tonnes during the second half of 2019, accelerated its inventory reduction in the fourth quarter, clearing out 650,000 tonnes of market BEK from October through December alone.

• **Nordic Kraft**, a 300,000 tonnes/yr NBSK pulp mill in Canada that was idled under prior ownership in 2005, is reportedly set to restart operations in the second quarter with initial production of UKP, a UBS analyst said in a research note on Feb. 20. "We expect the earlier-than-anticipated restart to partially offset approximately 520,000 tonnes of non-planned pulp production stoppages in 1Q," UBS analyst Cadu Schmidt said in a research note to clients. The estimate includes Canadian, Chinese, and Chilean pulp mill stoppages as well as the Finnish strike estimate.

• **Tariff exemptions for China-based market participants'** imports of US pulp will be considered beginning on Mar. 2. In terms of the process, the Chinese government requires individual

companies to apply case-by-case on the following website: <https://gszx.mof.gov.cn>

--by bryan.smith@fastmarkets.com

News briefs

Walmart said this week it expected some negative financial results in the first quarter due to the coronavirus outbreak in China, but the company said its stores in China remained open with reduced operating hours, *Business Insider* reported on Feb. 18. The company also was uncertain how its sourcing of products from China to the USA might be impacted. CFO Brett Biggs said that "sales have been OK" in China. Walmart CEO Doug McMillon said the company's partnership with Dada-JD Daojia in China was beneficial for making deliveries to customers. "Delivery's gone up even higher, as you would guess," McMillon told analysts. Walmart said it operates 412 stores and 26 Sam's Clubs in China, and plans to open five more members-only clubs every year going forward. For fourth quarter, Walmart reported a 2.1% revenue increase to \$141.7 billion, and US Walmart comparative store sales increased with "continued strength in food and consumables." Walmart US e-commerce had "strong growth in grocery pickup and delivery, and walmart.com had its highest quarterly growth rate of the year," the company said. For its full fiscal year, Walmart revenue was \$528.1 billion, up 2.7%... Protesters took down blockades in western Canada on Feb. 13 and **CN Rail** hoped early this week that its rail movement would remain open. However, blockades remained up

in eastern Canada as of Feb. 18, contacts said. In the West, the blockades blocked access to the port of Prince Rupert in British Columbia. The blockades were put up in protest of a gas pipeline project through First Nations territory in Northern BC. In the House of Commons on Feb. 18, **Prime Minister Justin Trudeau** asked for Indigenous leaders to work with the federal government on a resolution... A first cargo ship arrived early this week at **Port Panama City** in Florida at its newly-opened East Terminal, the *Panama City News Herald* reported. The East Terminal's channel is 32 ft deep and includes a 26,000-ft² warehouse. The facility sits on 40 acres, which the port authority purchased from **WestRock**. WestRock operates an unbleached kraft linerboard and market pulp mill in Panama City. Port Exec Dir Wayne Stubbs told local media that the "largest economic impact" from the terminal being open "is what comes from the port-supporting industries in the region, providing them an attractive port facility so they can access export markets for their products." In a few weeks, one of those export markets will be the Far East, port officials said. Plans also call for deepening the terminal channel to 36 ft. Following Hurricane Michael in October 2018, the port authority had to rebuild damaged portions of the east terminal warehouse... **Maersk** aims to strengthen its logistics and service business by acquiring US-based third party logistics (3PL) company **Performance Team** for \$545 million. **Maersk** announced on Feb. 19 that it reached an agreement to acquire Performance Team, a 3PL warehousing and distribution company... **Central National**

Gottesman's Lindenmeyr Munroe div acquired the business of **Wilcox Paper**, an independent paper merchant based in Champlin, MN. Wilcox Paper specializes in the sale and distribution of printing and writing graphic paper products. Wilcox pres Terry Hudy will join the company's existing operations in Fridley, MN, in a new sr sales role. The business will operate from a 200,000 ft² warehouse space in Fridley. The combined businesses will operate under the Lindenmeyr Munroe name... **Neenah's** fourth-quarter revenue declined 11% to \$213.6 million (vs fourth-quarter 2018 revenue) due to the company's sale of its Brattleboro, VT, mill in December 2018 to **Long Falls Paperboard**. For 2019, Neenah revenue totaled \$938.5 million, which was down 9% compared with the total in 2018. "The decrease resulted from lower volumes, including the divestiture of the Brattleboro mill, and unfavorable currency effects," the company reported this week. "These were partially offset by increased selling prices and a higher-value Technical Products sales mix." Technical Products revenue dropped 7% while Fine Paper & Packaging revenues fell 11%, with half of which was due to the sale of the Brattleboro mill. Operating income was \$78.3 million in 2019, up from 2018's \$54.1 million. Its income from continuing operations was \$55.4 million in 2019, up from 2018's \$37.2 million... **Quad/Graphics** this week said it expanded its cost reduction program to \$100 million, that it expects to be fully realized in 2020, and that it divested an Omaha, NE, packaging plant for \$41 million. "In 2020, we will continue to make prudent, long-term decisions as we accelerate the transformation of our

company as a marketing solutions partner with a strong foundation in print," said Quad/Graphics pres/CEO Joel Quadracci, in a release. "This transformation, which we call Quad 3.0, is focused on counteracting ongoing print industry volume declines in order to reposition the business toward growth. During 2019, this strategy led to \$225 million of organic incremental sales growth, helping to significantly offset print sales decline. Our ultimate goal is to completely offset the organic sales decline through growth of our higher-margin marketing solutions, which drive revenue across all our products and services." The company for 2019 generated \$3.9 billion in sales, down 1.6% from \$4.0 billion in 2018. Organic sales declined 3.5% after excluding sales related to the acquisitions of Ivie and Periscope, and an investment in Rise Interactive, Quad/Graphics said. Its net loss attributable to Quad common shareholders was \$156 million in 2019, compared with net earnings of \$9 million in 2018. Quad's adjusted EBITDA margin was 8.5% in 2019, compared with 10.7% in 2018... **Supremex** acquired Canadian based envelope manufacturer and printer **Royal Envelope** for C\$27.4 million. Supremex pres/CEO Stewart Emerson said on Feb. 18 that the acquisition is to help Supremex optimize its operations in eastern Canada and increase cash-flow generation that in turn will provide funding for the company's movement into packaging... **Wilen Group** opened a West Coast facility in Las Vegas part of its strategy to be a coast-to-coast US "full-service direct marketing" company. The firm now has manufacturing facilities in Deerfield Beach, FL, and Las Vegas, and a creative agency in

New York. "Wilen has committed to the utmost speed-to-market, making the company one of the top direct mail and digital printing agencies for large volume mailers in the country," the company said... The state of **Maryland** this week notified **Verso** that it is filing a federal lawsuit over Potomac River contamination from the shuttered Luke paper mill that was closed in June. The move ramps up the state's enforcement of a leak of black sludge from the mill that was first spotted by a fisherman nearly a year ago, about a month before Verso announced its closure, the *Baltimore Sun* reported. State officials filed a lawsuit over the water pollution in Allegany circuit court in December, but they said taking the matter to federal court would allow them to address other potential impacts, as well, including possible soil contamination.

People news

International Paper named Sophie Beckham as its first-ever chief sustainability officer. "Customers, investors and employees depend on us to be leaders in environmental stewardship and to strengthen our people and communities; appointing a chief sustainability officer is the next step in our continuing progress," said IP chmn and CEO Mark Sutton, in a release. Beckham will lead the "development and execution of the company's sustainability strategy, including efforts to integrate the Vision 2030 goals into the strategic, operating, people and financial plans across the company's global businesses," IP said. "Through these goals, International Paper will advance

its contributions to the circular, low-carbon economy while building on its commitments to its people and communities." "Today, we recognize the broader role we can play in advancing sustainable outcomes – both environmental and social," Beckham said. "This is an important time for International Paper, and I'm extremely excited to amplify our ambition to be among the most successful, sustainable and responsible companies in the world." Beckham joined IP in 2013 to manage the company's forest stewardship and sustainability efforts.

Veritiv appointed former **Georgia-Pacific (GP)** packaging and pulp business leader Stephen Macadam to the company's board of directors. "His extensive leadership and operations experience growing and transforming businesses in the US and globally will be a strong complement to our current Board and will serve Veritiv well," said Veritiv chmn and CEO Mary Laschinger.

Macadam is the retired vice chmn of EnPro Industries, Inc., a niche manufacturer and provider of precision industrial components, solutions, and services, Veritiv said. He was pres/CEO of EnPro from April 2008 until July 2019, and as vice chmn from July 2019 through February 2020. Macadam has more than 30 years of experience advising and leading businesses in the packaging, building materials, pulp and paper, automotive, textile, chemical, banking, and electric utilities industries. Prior to EnPro, Macadam was CEO of **BlueLinx Holdings**, a North American building product-distribution business, and pres/CEO of **Consolidated Container Company**, and held positions at GP as Exec VP, Pulp & Paperboard, and Sr VP, Containerboard & Packaging. Macadam held positions of increasing responsibility with **McKinsey and Company** for 10 years. Macadam is also a director of Valvoline Corporation and **Louisiana-Pacific**.

PPI Pulp & Paper Week

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