

PPI Pulp & Paper Week

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

Uncertainty still the market catchword as domestic kraft liner dips \$10/ton more, recycled liner holds

Unbleached kraft linerboard pricing declined another \$10/ton on 42-lb and 35-/36-lb high performance grades in the US domestic open market, according to buyers and sellers. It was the fourth \$10/ton decline in the last 11 months.

The \$10/ton decline put 42-lb kraft linerboard in the US East and West at \$710-720/ton, and 35-/36-lb high performance linerboard at \$720-730/ton, according to Fastmarkets RISI's *PPI Pulp & Paper Week*. Also, 26-lb semichemical corrugating medium dropped \$15/ton in the East and West to \$610-620/ton. Market contacts first

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As US NBSK prices hold flat, Resolute, West Fraser plan \$40 increases; Arauco, Klabin slate \$20 hikes for China

US prices across key grades of bleached softwood kraft (BSK) and bleached hardwood kraft (BHK) market pulp are holding flat this month, and the outlook for near-term momentum perked up on supply curtailments and an unexpected pricing bounce in China (*P&PW*, Jan. 10, p. 1). Benchmark northern bleached softwood kraft (NBSK) preliminary January effective list prices held unchanged at \$1,115/tonne for the third straight month, buyer and seller contacts told Fastmarkets RISI's *PPI Pulp & Paper Week*.

Two major North American producers announced

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Dramatic trade change for US RCP, as Asia-6 imports 36% more than China through Nov. 2019

The US recovered paper market continues to see softer export demand from China, and a dramatic trade flow shift in shipments in 2019 to the Asia-6 nations -- India, Indonesia, South Korea, Taiwan, Thailand, and Vietnam. The change has helped US suppliers to offset the continual declines in exports to China, which had overwhelmingly been its No. 1 export trade partner for the last 15 years, as the Asia-6 imported more recovered paper than China through November 2019, according the most recent US government trade data.

At 6.787 million tonnes, the Asia-6 imported 36% more US recovered

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Corporate strategy

Verso plans \$225 million to \$282 million to stockholders if they support Pixelle deal

Verso said it would pay shareholders between \$225 million and \$282 million if they approve the \$400 million acquisition of two Verso mills by Pixelle Specialty Solutions. The deal calls for Verso to sell its Androscoggin/Jay, ME, and Stevens Point, WI, specialty paper mills, and will be voted on by shareholders Jan. 31.

"The Verso board expects that the return of capital will be made by way of dividends, share repurchases, conducted either by way of modified Dutch tender offer, accelerated share repurchase program or open market purchases, or a combination of dividends and share repurchases, taking into account the then composition of the company's broad and diversified shareholder base. Pension contributions are expected to be made in fiscal year 2020 and to offset estimated tax liabilities," Verso detailed.

Verso and its largest shareholder, Atlas/Blue Wolf, have been in a daily battle over the Pixelle deal. Atlas/Blue Wolf offered to buy Verso last year and now they oppose the sale of the mills to Pixelle claiming "lack of transparency" in the transaction along with a sales price that is undervalued.

Verso believes this litigation is being pursued by Atlas/Blue Wolf for their "sole benefit and to the detriment of all other stockholders."

After filing a lawsuit against Verso in the Delaware Court of Chancery, Atlas and Blue Wolf on Jan. 13 said they obtained from Verso additional information about its proposed sale of the two specialty mills, including the term sheet related to a pulp supply contract. If the deal is approved, Verso would sell bleached hardwood kraft pulp to Pixelle for four years and that also would include a four-year renewal option.

As a result of the Atlas lawsuit, Verso also stipulated that the election of directors to the company's board would not be delayed beyond January 2020.

Atlas/Blue Wolf still questioning Verso. "We have concluded preliminarily that our concerns regarding the specifics of the pulp supply term sheet, which were exacerbated by the company's prior refusal to share the details of the contract, have abated," said Atlas managing partner Tim Fazio. "We still have other unanswered questions about the pulp supply agreement and other material aspects of the proposed sale of the specialty mills, which the company has refused to address for us. Moreover, in our conversations with other owners of Verso, we have confirmed that they, too, share our concerns and questions and see a need for change at the company."

Fazio added on Jan. 13 that "Atlas is still considering how it will vote on the proposed sale of the specialty mills."

"Atlas and Blue Wolf have alleged that Verso should provide them or failed to provide them with material non-public information

but has not admitted its continuing refusals to execute a customary confidentiality agreement, presumably so that they are not contractually prohibited from trading on insider information," Verso said. "Verso has made several attempts to reach a mutually satisfactory resolution with Lapetus (Atlas) in good faith."

Verso said its board continues to believe that the "Pixelle transaction maximizes value for all stockholders and will enable the company to prioritize its focus on graphics paper operations."

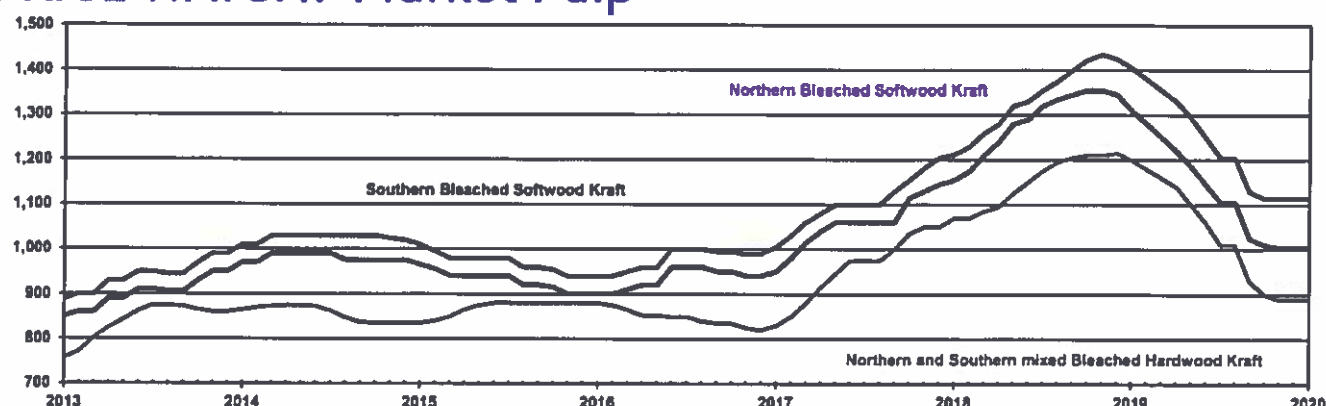
'Debt-free' Verso? "Post-closing of the transaction, Verso will be a debt-free, streamlined company that is well-positioned to evolve with the industry dynamics and invest in capital projects with high risk-adjusted returns to take advantage of market opportunities on a go-forward basis," Verso stated.

Verso expects that its remaining mills – Quinnesec, MI, Wisconsin Rapids, WI, Duluth, MN, and Escanaba, MI – will continue to provide strong operating cash flow with low SG&A expenses. The company is converting a printing paper machine at Duluth to recycled containerboard and kraft paper production, with startup this month and annual capacity estimated at 90,000 tons/yr.

Pixelle names new CFO. One week after announcing Timothy Hess as its new CEO, Pixelle earlier this week added another executive with "specialty paper" business experience: John Jacunski was hired as the company's CFO.

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PRICE WATCH: Market Pulp



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

	Current months				Year-to-year	
	Jan. 2020 Preliminary ¹	Dec. 2019	Nov. 2019	Q4 2019	Jan. 2019	% chg.
US (DELIVERED IN EAST)						
Bleached softwood kraft						
Northern (Canadian)	1,115	1,115	1,115	1,115	1,405	-20.6
Southern (US)	1,005	1,005	1,005	1,007	1,310	-23.3
Bleached hardwood kraft						
Northern and southern mixed (Canadian/US) ²	890	890	890	893	1,200	-25.8
Eucalyptus	890	890	890	895	1,205	-26.1
Specialty grades						
Unbleached softwood kraft (Canadian/US)	1,045	1,045	1,045	1,045	1,335	-21.7
Fluff (US southern kraft, untreated softwood rolls)	1,105	1,105	1,105	1,107	1,355	-18.5
Deinked (US air-dried and wet-lap, 100% post-consumer for printing/writing)	760	760	765	767	925	-17.8
Spot Markets³						
Northern Bleached Softwood Kraft	610 - 640	605 - 645	605 - 645	620	800	-21.9
Southern Bleached Softwood Kraft	510 - 540	500 - 540	500 - 540	520	690	-23.9
Northern and Southern Bleached Hardwood Kraft	470 - 510	470 - 510	470 - 510	490	730	-32.9
EUROPE (CIF)						
Pending¹						
Bleached softwood kraft						
Northern (Canadian/Nordic)	820	820	820	822	1,140	-28.1
Southern (US)	780	780	780	782	1,100	-29.1
Bleached hardwood kraft						
Northern mixed (Canadian/US)	640	640	640	643	948	-32.5
Southern mixed (US)	630	630	630	633	938	-32.8
Specialty Grades						
Fluff (US southern kraft, untreated softwood rolls)	1,105	1,105	1,103 - 1,108	1,107	1,355	-18.5
ASIA (CIF)						
Pending¹						
JAPAN						
Bleached softwood kraft						
Northern (Canadian)	660	660	680	673	785	-15.9
Southern (US)	590 - 610	590 - 610	600 - 620	608	780	-23.1
Bleached hardwood kraft						
Northern and southern mixed (Canadian/US)	500 - 510	500 - 510	500 - 510	505	690	-26.8
KOREA						
Northern bleached softwood kraft	690	690	710	703	855	-19.3
CHINA						
Preliminary¹						
Northern bleached softwood kraft - net ⁴	565	555	560	563	690	-18.1

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.

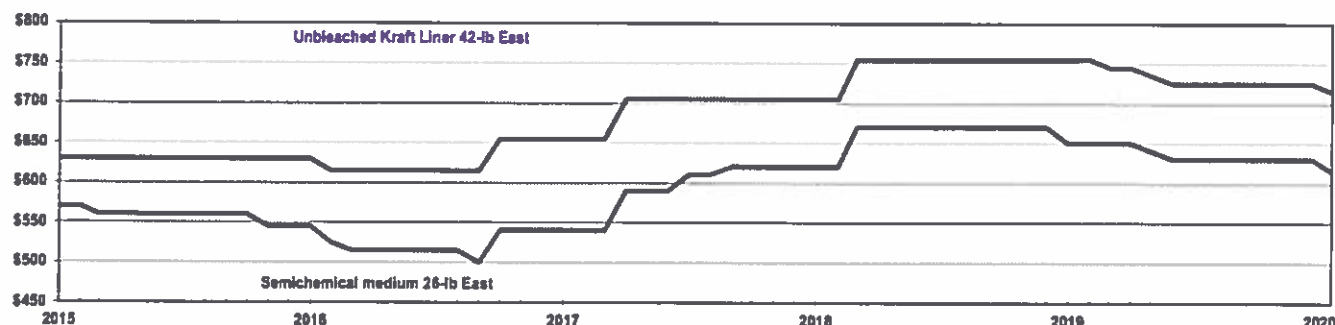
DISCLAIMER

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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 price assessments and are formally tied to the US fluff price assessment.
2. Effective January 2016, NBSK and SBSK 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.

PRICE WATCH: Containerboard/Kraft Papers Domestic



Delivered, US\$ (unless otherwise noted)

		Current months			Year-to-year	
CONTAINERBOARD		Unit	Jan. 2020	Dec. 2019	Nov. 2019	Jan. 2019 % chg.
DOMESTIC OPEN MARKET PRICE						
Unbleached kraft linerboard (42-lb)						
East	sh. ton	\$710 - 720 *	\$720 - 730 *	\$720 - 730 *	\$750 - 760	-5.3%
West	sh. ton	710 - 720 *	720 - 730 *	720 - 730 *	750 - 760	-5.3
High performance linerboard (35-/36-lb)						
East	sh. ton	720 - 730 *	730 - 740 *	730 - 740 *	770 - 780	-6.5
Recycled linerboard (30-/31-lb)¹						
East	sh. ton	630 - 640 *	630 - 640 *	630 - 640 *	700 - 710	-9.9%
West	sh. ton	630 - 640 *	630 - 640 *	630 - 640 *	700 - 710	-9.9%
White top linerboard (42-lb)						
East	sh. ton	950 - 960 *	950 - 960 *	950 - 960 *	970 - 980	-2.1
West	sh. ton	950 - 960 *	960 - 970 *	960 - 970 *	980 - 990	-3.0
Corrugating Medium (26-lb semichemical)						
East	sh. ton	610 - 620 *	625 - 635 *	625 - 635 *	645 - 655	-5.4
West	sh. ton	610 - 620 *	625 - 635 *	625 - 635 *	655 - 665	-6.8
EXPORT LINERBOARD - Unbleached kraft						
175-g+ Southern Europe (CIF)	tonne	€ 405 - 425 *	€ 415 - 435 *	€ 415 - 435 *	€ 595 - 605	-30.8
175-g+ China (C&F) ²	tonne	520 - 550 *	520 - 550 *	520 - 550 *	700 - 730	-25.2
42-lb Laredo border/Mexico (FOB)	tonne	600 - 610 *	600 - 610 *	600 - 610 *	675 - 685	-11.0
42-lb Central/South America (FAS)	sh. ton	500 - 510 *	500 - 510 *	500 - 510 *	600 - 610	-16.5
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

¹Discounting has been reported below price shown.

²Fastmarkets 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.

³From January 2018 the reference to Hong Kong was removed. This is a change in location name, not in methodology. Price includes all China ports.

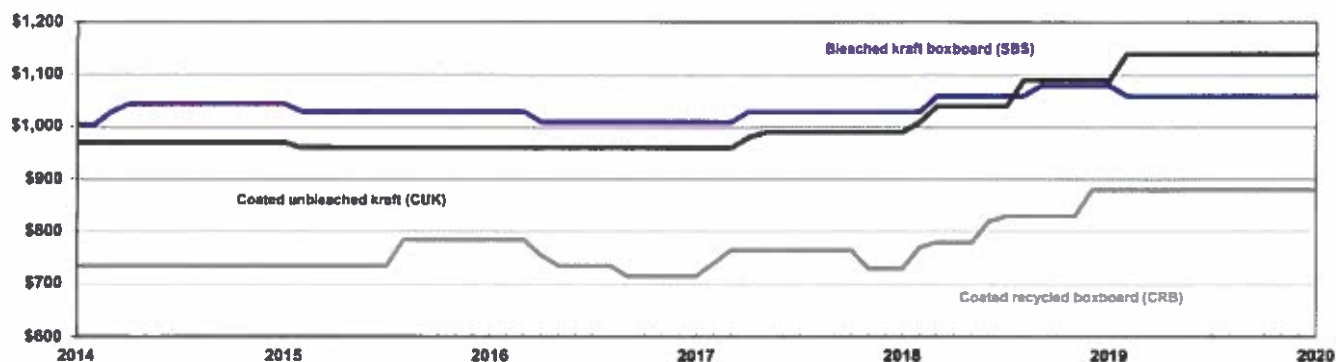
⁴Future price increase announced by major producer (s) but not reflected in current data.

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.

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PRICE WATCH: Boxboard



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

	Current months			Year-to-year	
	Jan. 2020	Dec. 2019	Nov. 2019	Jan. 2019	% chg.
BOXBOARD					
SERIES B PRICES¹					
Solid bleached sulfate board (SBS)					
16-pt folding carton, C1S	1,040 - 1,080	1,040 - 1,080	1,040 - 1,080	1,060 - 1,100	-1.9
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	1,070 - 1,110	4.6
Recycled folding boxboard (CRB, URB)					
20-pt clay coated news	870 - 890	870 - 890	870 - 890	870 - 890	0.0
20-pt bending chip	720 - 740	720 - 740	720 - 740	720 - 740	0.0

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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Kraft liner falls by \$10/ton

» continued from page 1

recognized lower medium prices in the third quarter. Also, 42-lb white top linerboard held in the East at \$950-960/ton and dropped \$10/ton in the West to \$950-960/ton, according to the P&PW survey.

Despite the virgin linerboard decline, 30-/31-lb recycled linerboard pricing was unchanged. There were reports of lower priced recycled linerboard, but they were limited.

P&PW's survey first found lower linerboard pricing in November. More was confirmed in December, and those November/December reductions were confirmed in January's survey.

It was unclear what exactly prompted the \$10/ton linerboard reductions. US box business was steady to good since June yet still flattish when comparing full-year 2019 shipments with the total for 2018. Various contacts cited greater focus on holiday box demand in November/December than on linerboard pricing. As well, US kraft linerboard export

prices finally quieted in the last three months after 13 months of decline. Still, the January survey showed a larger number of lower prices on the domestic market than the survey revealed in December. The January \$10/ton declines mean that the benchmark 42-lb grade dropped \$40/ton since February of last year. Other \$10/ton declines were in March, May, and June of 2019.

'An adjustment.' One seller, without verbally flinching, said "discounting" occurred in some "isolated cases" on

kraft and recycled linerboard in November and December.

"There was an adjustment," the contact said.

Various other suppliers and buyers told of the lower pricing.

One claimed that a major integrated discounted tons for "some existing customers," as did two other small-capacity producers.

For North American boxmakers, this meant, as one major converter said, receiving "lots of calls" from producers in the last month. Corrugated demand also began the year slow, which is not atypical, and boxmakers were not complaining as they said business picked up by this week. Only a few surveyed in December said they were full with box orders into January; the majority were uncertain, when asked a week before Christmas as well as this week.

"The last two years (2017 and 2018) were crazy-busy Decembers. This year (for 2019), it was steady -- not good, not bad," a boxmaker in the East said.

"There's nothing robust going on but it's not terrible. I think for the first quarter we will see similar (on the demand side to what occurred during 2019)," said a contact with a major boxmaker.

An integrated producer expected a more positive 2020 because of the Trump election, the phase-one trade deal with China that was signed this week, paper winning some packaging business from plastic, and continued growth in e-commerce that

will ultimately mean more corrugated boxes will be needed.

Another integrated expected 1% box shipment growth in 2020 vs 2019. A third major integrated expected growth fueled from e-commerce ordering, which was reported to have grown almost 19% during the 2019 holidays vs during the 2018 holidays in the USA.

Boxmakers last year struggled through a slow second quarter punctuated by a decline in overall US manufacturing. Just recently, the lowest PMI (purchasing managers' index) level in a decade was reported by the Institute for Supply Management. The PMI is viewed as an indicator of economic activity going forward.

Related to the slower overall business performance last year

for corrugated, US containerboard production was down by 1.4 million tons to 36.8 million from 38.24 million in 2018 and US mills operated at 91.6% last year, far below the 96.3% for 2018.

This occurred as President Trump and US trade representatives squared off with the Chinese government on trade since September 2018, leading to two rounds of import duties that seemed to cause most end-users to be overly careful about inventory. Still, the holiday season sales at yearend grew 3-4%, on a year-over-year basis, despite fewer shopping days from Thanksgiving to Christmas in 2019. And the US/China "phase-one" trade agreement was signed this week on Jan. 15, which was expected to eliminate the second round of tariffs. President Trump was expected to soon

US containerboard/box statistics – December 2019

	(000 tons)			
	Dec. 2019	% chg. yr ago	YTD 2019	% chg. 2018
Box shipments ¹	n.a.	n.a.	n.a.	n.a.
Average week				
Containerboard consumption	n.a.	n.a.	n.a.	n.a.
Production				
Linerboard	2,346	0.6	25,781	-5.1
Corrugating medium	976	4.3	11,060	1.8
Total containerboard	3,323	1.6	36,841	-3.7
Exports/imports				
Linerboard exports	442	8.8	4,073	-14.8
Containerboard imports	111	8.8	1,341	-7.0
Operating rates (%)	Dec. 2019	Nov. 2019	YTD 2019	YTD 2018
Linerboard	93.9%	91.2%	90.0%	96.2%
Corrugating medium	95.7	97.2	95.4	96.6
Total containerboard	94.4	92.9	91.6	96.3
Containerboard inventories	Dec. 2019	Nov. 2019	Dec. 2018	Chg. (tons) prior month
Mill inventories	406	403	403	3
Box plant inventories	n.a.	n.a.	n.a.	n.a.
Total inventories	n.a.	n.a.	n.a.	n.a.

1. bsf=billion ft³. 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).

sign a new North American Free Trade Agreement with Mexico and Canada that was approved by the Senate this week.

Even so, one industry veteran, considering performance in 2020, said: "We just have our fingers crossed."

Downtime occurring, expected.

Several other mid- and small-sized producers expected large integrators would take containerboard machine downtime in the first quarter to try to balance supply and demand, and one claimed some downtime already started. The downtime, they explained, resulted from what amounts to about 1.2 million tons of additional US containerboard capacity for one year through this May. This capacity increase could increase US containerboard production by 2-3% in 2020. They also cited an "uncertain" demand condition for exported kraft linerboard. About one-fourth of the US-made kraft linerboard is exported.

Export kraft linerboard prices this month were holding in Mexico, China, and Central/South America and dropped another Euro 10 in southern Europe to Italy and Spain. But a showdown appeared to be brewing in Mexico, which is the largest export market for US kraft linerboard. A new 400,000 tons/yr recycled containerboard machine, which will be the largest ever in Mexico, was expected to temper US kraft linerboard imports somewhat, as could continuing pressure from European producers.

Mexico. "Brokers are hungry for orders and they will push prices down," one US trader said.

A boxmaker in Mexico expected a "soft first trimester" of the year in Mexico for consumer goods.

US 42-lb kraft linerboard this month was selling at about \$85/ton less (on a delivered basis) to boxmakers in Mexico than to boxmakers in the USA, according to P&PW's survey. The last time the domestic US kraft linerboard price increased, in March 2018, the price difference on kraft linerboard for US and for Mexican boxmakers was just \$60/ton, with the lower price for the delivered kraft linerboard to Mexican buyers.

In China and for Central/South America, talk, while limited, was out about a possible coming \$10/tonne price increase for US kraft linerboard exports. There certainly were doubters to such a possibility, contacts told P&PW.

China. In China, contacts told of "steady demand" that they expected to continue after US and Chinese officials this week signed the phase-one trade agreement. The agreement was expected to eliminate China's additional 5% import duty on US kraft linerboard, one contact said.

"It will be interesting to see how it plays out next month," one contact added, referring to a possible price hike on US kraft linerboard in China for February tons.

The last price increase for US kraft linerboard to China was 1½ years ago and prices have since dropped \$250/tonne and by about 30%, according to P&PW's survey.

China is the second largest export market for US kraft linerboard.

Another contact said Chinese boxmakers -- concerned about a fiber shortage in China because of the government limiting imports of recovered paper -- were in Southeast Asia seeking containerboard (see story, p. 1). The expectation was for both old corrugated containers (OCC) and recycled linerboard to rise in price, the contact said, noting that US export OCC increased at the start of this month to China and non-China Asia, based on P&PW's survey.

Also, due to the furnish shortage, at least three US containerboard machines had sold roll pulp to China earlier this year when they had machine time. One mill contact told of not being able to do that in the last month or so.

"There's a serious shortage of recycled linerboard in China," a contact said.

● **Verso** expects to produce 90,000 tons/yr of recycled containerboard and recycled kraft paper at Duluth, MN, starting this month. The company also said it could make 375,000 tons/yr of recycled containerboard and recycled kraft paper if the former printing paper machine was fully converted to board and packaging paper production.

--by grudder@fastmarkets.com

Corporate strategy

Pratt sets \$10 billion sales goal in six years behind e-commerce, innovation, 2 more US board mills

In a revealing account, Pratt Industries Exec chmn Anthony Pratt laid out plans for two

new recycled containerboard mill projects in the USA by 2026 and for continuing a full-force business strategy dedicated to online e-commerce, innovative colorful boxes, digital printing, and fulfillment.

Pratt identified his plans in a Jan. 9 story published by *The Australian* newspaper.

Pratt runs five recycled containerboard mills in the USA with about two million tons/yr of capacity and just started up its latest one in Wapakoneta, OH. The company—the fifth largest in the containerboard/corrugated business in North America behind International Paper, WestRock, Packaging Corp of America, and Georgia-Pacific -- plans to start up a large 132-in corrugator at the Wapakoneta mill site next month, contacts have said. Contacts claim it plans to start up another new corrugator this year in the USA at another site.

His goal is to reach \$10 billion in revenue by 2026 in the US and Australia, growing from \$6.9-7 billion last year including \$1.49 billion in pre-tax profit. A key driver for revenue growth in the next six years is from the containerboard capacity projects planned in the USA, as well as increased corrugated converting capacity and demand.

Two more near existing sites?

The Australian reported that Pratt said that “he would not be surprised if (the two US mills) were constructed next to existing facilities in states such as Indiana, near Chicago, or Ohio.”

Pratt started up two new containerboard machines in the last five years in Valparaiso,

IN, and in Wapakoneta last September. Some market players looking forward believe Pratt would next build in the Dallas area or California/Nevada.

A key part of the additional revenue and earnings will also come from “innovative box-making practices tailored towards clients who deliver to consumers directly, which is where Pratt’s ideas for uniquely tailored packaging come from,” *The Australian* reported, from Pratt comments.

Boxes and Wolfgang Puck.

“Wolfgang Puck said to me that even his classy restaurants like his Spago (in Los Angeles) are not above home-delivering,” Pratt said in *The Australian*. “He wants the opening of the box containing the meal he has made to be an event for the customer. He thinks there is going to be a market for a beautiful box for food.”

“So we are working with our key customers, if you are a Walmart or Woolworths or (Kohls), to do packing for both in-store and also for shipping direct to the consumer. It is not one or other, it is going to be both,” Pratt said.

“The specialty boxes will be higher-grade with personalized printing, and the traditional boxes will be made with less space wasted inside,” Pratt said in *The Australian*.

Need to be ‘internet-savvy.’

“You have to be part of the internet revolution to be big. If you don’t, you’re doomed. Manufacturers have to be internet-savvy,” Pratt said.

Pratt recently established a new online business called Brandable

Boxes, which “will shop custom-made personalized boxes to online businesses in small batches to complement existing and bigger deals with companies like Amazon and Home Depot. It has meant a considerable investment in technology that allows the printing of personalized digital messaging for Pratt Industries across several of its factories,” *The Australian* reported that Pratt said.

Pratt’s comments are not revolutionary to the US corrugated industry today. The most talked about four main business strategies today based on Fastmarkets RISI PPI Pulp & Paper Week research are color graphics, which is the most advanced of the four especially in Costco stores and with Amazon where the brown box becomes a distinct, colorful advertising tool; recycled linerboard, where end-users want a more sustainable footprint that apparently has led to 11 out of 13 new US containerboard projects in the next 2 ½ years that are to result in recycled containerboard; fulfillment, where some large corrugated plants already are filling boxes made on-site with end-user product; and digital printing, which is growing and heralded for its customization capability.

“We are selling to online people who may only want 50 boxes — usually people order millions of boxes — with their names on it,” Pratt said in *The Australian* story.

“We have the assets on the ground and now we want to really go after the online box market. We want to be the go-to company for people like the (shaving kit retailer) Dollar Shave

Corrected Jan. 21, 2019

Club, for example, where all of their sales are online," Pratt said.

There are also tamper-proof boxes, a new collapsible box designed to cut down on waste for consumers, and a padded envelope with a type of biodegradable plastic that will decay, to be used instead of bubble wrap, according to Pratt.

"All of these are innovations, which have sprung from the online retailing revolution. Our research and development is sending people overseas to look for things which already exist," Pratt said. "We don't have people in white coats in labs. Instead, we send people all over the world to look for (ideas) and bring them back. For us, a study trip is going through a supermarket in Sweden and looking at all the packaging."

--by grudder@fastmarkets.com

Boxboard

Paperboard prices holding in 'awfully quiet' January

January US boxboard prices held unchanged from December with a couple more industry customers reporting newer lower offers and expectations for competitive pricing during the slow-demand winter months.

Full-year 2019 boxboard statistics showed another flat year in total, with December showing production weakness across almost all grades, mixed with some signs of growth, according to trade data.

Operating rates were lower from a year ago across all grades in December, except for bleached

US boxboard grade summary – December 2019

	Dec. 2019	% chg 2019/18	YTD 2019	% chg 2019/18
Production (000 tons)				
Solid bleached folding	169.5	-2.7	2005.6*	-2.0
Unbleached kraft & Gypsum	303.8	-8.4	3886.3*	-0.9
Total solid bleached board ¹	441.0	-4.0	5357.9*	-0.8
Total liquid packaging/food service	259.4	-3.7	3191.5*	1.3
Cup stock	78.3	14.3	934.5*	1.6
Recycled coated	150.2	-4.1	1,935.2	-0.2
Recycled uncoated	182.8	-2.5	2,307.0	-2.2
TOTAL BOXBOARD	1,077.8	-5.0	13,486.4	
Tube, can and drum	113.7	1.7	1,391.2	-2.6
Solid bleached folding export	29.3	19.6	299.6	1.7
Operating rate (%) *				
Total boxboard	88.8	92.8	92.8	94.3
Unbleached kraft folding	82.3	91.1	91.1	92.4
Solid bleached folding	84.6	93.4	87.4	95.4
Total food service	97.5	93.8	96.6	94.1
Recycled coated	93.1	97.4	97.4	97.2
Recycled uncoated	89.5	90.6	92.6	94.4

* This table has been corrected. The previous version incorrectly showed FY 2019 data for several grades, marked with *. Percent changes were the same.

¹. Includes folding, food service and linerboard, excludes bistrils.

* Actual year ago operating rate, not percent change.

Source: American Forest & Paper Assn.

food service, and year-to-date were also lower except for food service and coated recycled board (CRB).

"Half the mills ran, the other half took downtime," summed up a recycled producer about the holidays.

Another producer contact said recycled shipments "fell off" in the second half of December, and he detected some limited discounted price offers that did not move the larger markets.

"Business was just dead," he said of the holiday weeks.

A few buyers indicated some new lower offers while buyers who were already reporting "deviated" prices saw no changes from earlier months.

"It's the same as it's been," said a recycled buyer about price offers. "I see a little more [market] softness."

"Seems we are getting some cooperation with our suppliers," said a carton contact, who saw some "loosening up" in SBS (solid bleached sulfate) and even CUK (coated unbleached kraft) board, and suspected it was due to concern over rising imports.

"CRB is a little softer, too," he said, although prices across the consumer grades were mostly holding.

"Customers are talking to importers, but I am not aware of big volumes," said a producer.

"SBS is awfully quiet," said a cupstock buyer, who said his service people "are doing a great job," supplying paper.

"It's quiet and flat," added a carton maker.

"January is a slow time of year," said a URB (uncoated recycled board) producer,

"but this January is different. We're the same as it's been."

He said a customer asked for lower prices over the holiday, and threatened to cut volume, but was told "no."

"We don't see the need to do that," he said.

Another folding carton contact was "still hopeful," to see some price adjustments, but said producers were disciplined.

"SBS is pretty quiet," he said, with opportunities to switch from brown grades due to price differentials that emerged from multiple increases for CUK and CRB last year, and very little for SBS.

He didn't do it, yet.

"It comes down to the bottom line," he said. "If this persists, then we may make the switch."

Another carton converter said he had heard some frustration over the changed differential between CUK and SBS, with talk that SBS prices needed to increase and restore the old difference. He thought higher prices are not likely in today's market.

"I think this is forever changed," he said of higher CUK prices over SBS folding.

With the CRB-SBS differential also tighter, a CRB producer said he had not lost any business to SBS since early in 2019 due to availability when brown grades were at record backlogs, and due to "locking in prices."

"SBS is very available, but not with price reductions," said a converter this week. At just the

differential advantage for SBS, he said he was "not enticed."

Unmade orders for the last week of 2019 were down by 41.9% for CRB to 99,000 tons, a low mark for the year; down 12.7% for URB to 153,000 tons; and down 7.1% for total SBS to 419,000 tons, according to trade data.

"Backlogs continued to decline and remain well below a year ago in all cases as demand remains weak," commented an industry analyst. "Any benefits from sustainability-related conversions to paperboard remain difficult/impossible to detect."

But a contact highlighted new demand for CRB and URB in food service packaging.

"The market is great for us in food service vs plastic," he said, highlighting paperboard trays. "We continue to see year-over-year growth."

December statistics. Total boxboard output was off 1% in 2019 from year-to-year, following an increase of 0.7% in 2018, 1% growth in 2017, and a 0.9% decline in 2016, the American Forest & Paper Association reported.

SBS folding carton production was down 2% in 2019, from 2% lower in 2018, 0.7% higher in 2017, and a 4.4% decline in 2016. SBS food service and liquid packaging rose 1.3% in 2019, 2.4% in 2018, 1.9% in 2017, and 1.1% in 2016, likely a reflection of moves away from plastic and polystyrene toward "sustainable" packaging.

Gypsum/CUK year-to-year production in 2019 was down 0.9%, and up 1.7% in 2018. Before including gypsum grades,

CUK output was up 4.2% in 2017 and down 2.4% in 2016.

CRB production was down 0.2% in 2019, from 4.6% lower in 2018 after two mill closures in 2017, down 1.6% in 2017, and down 0.3% in 2016. Uncoated recycled was down 2.2% in 2019, up 0.6% in 2018, and down 0.8% in 2017.

SBS folding production for export surged 18.6% in December and ended 2019 1.7% higher after falling 25.3% in 2018 to 294,500 tons. Output was off 0.2% in 2017 and 13.5% lower in 2016.

Total SBS shipments in December rose 5% month-to-month and were off 0.9% from a year ago to 421,700 tons, and year-to-date were down 3% to 5.23 million tons. Inventories rose 2.7% in December and year-to-date were 17% higher to 568,800 tons.

CUK/gypsum shipments ended the year down 1.8% to 3.86 million tons, with inventories up 3.1% to 197,700 tons.

CRB shipments in December rose 5.4% from November and year-to-date were 4.7% higher to 154,800 tons, with inventories down 5% month-to-month and 51.6% higher year-to-date at 78,200 tons.

URB shipments in December were 3.2% higher to 181,600 tons and year-to-date were down 2% to 2.28 million tons. Inventories were up 1.7% from a year ago at 85,900 tons.

• **Colbert Packaging** said it installed a new **Ryobi** MHI Graphic Technology (RMGT) sheet-fed offset printing press at its Kenosha, WI, facility. In keeping with Colbert's model of Safe, Smart, and Sustainable

paperboard packaging solutions for the pharmaceutical, healthcare, and consumer brands markets, the press is to minimize waste by reducing the paper, inks, and time required for a production run, the company said.

• **The Independent Carton Group** (ICG) reported two new members to its association of 20 independently owned and operated folding carton manufacturers. The group at its Fall meeting welcomed **F. M. Howell & Company** of Elmira, NY, and **Winston Packaging** of Winston-Salem, NC. F. M. Howell is a 137-year-old family business with 200 employees and is led by pres/CEO Katherine Roehke. The company has four plants in the Elmira area producing thermoformed plastics, folding cartons, and set-up boxes, and is a provider of secondary contract packaging and pharmaceutical prescription drug fulfillment services. Winston Packaging is a 108-year-old family-owned business founded by Alexander Grey Gordon and now run by James Gordon, the third generation of the family. The company transitioned from a commercial printer to exclusive folding carton manufacturer in 1999.

--by jmclaren@fastmarkets.com

China RCP exports way down

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fiber than China through November 2019 year-to-date compared with the first 11 months of 2018. China imported 4.986 million tonnes of US recovered paper through November 2019, down 29% from November 2018 year-to-date.

Notably, by November 2018, China had purchased more old corrugated containers (OCC), at 5.060 million tonnes, than total recovered paper tonnes through the first 11 months of 2019 at just under 5 million tonnes. Through November 2019, China imported 3.596 million tonnes of US OCC, a 29% decline, and a 65% drop in November 2019, at 218,451 tonnes, month-over-month from November 2018 when it imported 619,937 tonnes of US OCC. Officially, China no longer buys OCC No. 11 and the government in China has rules in place that in the end require an OCC No. 12 double-sorted and higher quality grade.

Despite Asia-6's imports of US recovered paper slipping by 1.1% year-over-year through November 2019, the decline did not put a dent in demand as dramatic as the 29% decline in imports to China.

Two-million-ton US demand drop. In all, the demand decline on the domestic and export markets for US material is expected to be more than two million tons in 2019 from the total in 2018. That's likely an unprecedented sequential year-to-year decline for US recovered paper, which for almost the past 10 years has totaled around 51 to 53 million tons/yr of demand. This year's total was on track to total 49-50 million tons, based on statistics through November.

This demand decline was the major factor for prices falling for every recovered paper grade in the US domestic and export, according to Fastmarkets RISI's *PPI Pulp & Paper Week's* pricing survey. OCC's national average fell to its lowest national average

on record to \$22/ton, while deinking and pulp substitute pricing dropped most of the year.

OCC exports down nearly 13%. US OCC exports of 8.996 million tonnes through November plunged 12.9% from November 2018 year-to-date.

The slowdown in shipments of US OCC to China is to blame. The US-China trade war, tariffs, pre-inspections on exports to China, and the implementation of import restrictions focusing on quality on China's part, including a ban on mixed paper imports, and a reduction in import quotas for Chinese mills, as well as an ongoing goal to ban nearly all recovered fiber shipments into China by 2021 have all rolled out in the last few years. This occurred after China in the last five years at several times purchased more than 70% of all US recovered paper exports.

At the same time, Chinese companies have invested in mills in countries where US OCC exports have seen year-over-year increases. The Asia-6 have been hungrier for material as Chinese mills increasingly furnish their machines in these regions, among local mills as well. And while uncertainty exists around recycled brown pulp, one factor for certain is that its demand and usage will increase in the coming years potentially to the tune of 6.8 million metric tonnes into 2021.

At 5.06 million tonnes through November 2018, China had purchased 1,077,808 more OCC tonnes than the Asia-6; yet, one year later, in the first 11 months of 2019, Asia-6 countries imported more OCC tonnes than China. The slight shift occurred as

packaging increased in production from China to Southeast Asia, and the Asia-6 gained traction.

"Production and manufacturing is leaving China; it has to be Southeast Asia," a contact with paper mills in multiple countries said.

India, Indonesia, South Korea, Taiwan, Thailand, and Vietnam imported 3.718 million tonnes of US OCC through November 2019 year-to-date, up 121,586 tonnes from the 3.596 million tonnes China imported in the first 11 months.

China's buying of US OCC was off 29% year-to-date through November 2019, and down 65% month-over-month compared with November 2018. Of the 244,455 tonnes of US recovered fiber that China imported in

November 2019, OCC made up 218,451 tonnes or 89%.

The continual decline in import licenses to Chinese mills has US exporters grim beyond the first quarter related to Chinese demand and pricing. The 3.19 million tonnes in import quotas issued so far for 2020, down 42% from the first two batches for 2019, is nearly to more than half the 6-7 million tonnes of import quotas that are anticipated to be approved globally for all of 2020 (*P&PW*, Jan. 10, p. 1). A contact told *P&PW* that beyond the first quarter, recovered paper demand from China will be "flat due to limited quotas."

With Japan and Europe securing some shipments, US exporters questioned how much demand was left for their material. Import licenses have historically

been used as a gauge for demand from Chinese mills.

"If China's license issuance pattern follows the trend of the last two years, subsequently, releases will see an exponential decline," an exporter who ships off both US coasts said. "With such a low first round quantum, it will mean future China licenses will not have a big impact on the market."

China pricing influence declining? The trader added: "With all these factors put together, one can see China's impact on market pricing will not last too long."

Additionally, the largest recycled containerboard manufacturers in China -- Nine Dragons Paper, Lee & Man Paper, and Shanying International -- have about

US recovered paper exports November 2019

(tonnes)

Grade	November 2019		% chg. month ago	Jan.-Nov. 2019		% chg. year ago
	\$	Tonnes		\$	Tonnes	
Corrugated	\$90,439,317	712,576	-8.6%	\$1,324,904,749	8,996,898	-12.9%
Mixed	22,048,021	191,811	6.5	344,112,568	2,253,368	-7.2
Pulp	29,843,522	85,065	16.2	225,982,324	981,844	-5.1
substitutes						
News	16,177,009	97,106	-48.4	397,041,876	2,110,148	-23.0
Deinking high grades	17,706,964	83,658	-18.3	240,659,014	993,451	5.5
Total	\$176,214,833	1,170,216	-11.6%	\$2,532,700,531	15,335,709	-12.3%
Major Destinations						
Nov. 2019	News	Deinking	Pulp			
			Substitutes	Corrugated	Mixed	Total
China/Hong Kong	18,512	34	416	218,451	7,042	244,455
India	4,756	8,522	44,706	75,807	95,781	229,572
Mexico	7,015	47,643	9,967	8,057	5,478	78,160
South Korea	22,058	1,240	467	56,646	14,030	94,441
Canada	10,747	5,826	4,710	23,767	22,566	67,616
Thailand	7,440	869	0	27,097	4,847	40,253
Indonesia	7,177	78	215	18,599	1,310	27,379
Taiwan	8,040	577	0	79,318	5,309	93,244
Italy	405	1,976	990	2,086	532	5,989
Vietnam	1,176	1,372	195	124,183	2,561	129,487
Total	87,326	68,137	61,666	634,011	159,456	1,010,596

n.a.=not available. Source: US Dept of Commerce, Bureau of Census.

575,000 tonnes of downtime planned at mills in China and Vietnam around the weeklong Lunar New Year (LNY), which officially falls on Jan. 25 in China.

Beyond downtime and additional capacity coming online in the USA and in some Southeast Asian countries, among others, market players expect continued import restrictions from countries other than China. India has cracked down on contamination, seeking mixed paper with much scrutiny and cleanliness as well as a select OCC-11. Indonesia, after a back-and-forth approach to import limits, has settled on a pre-inspection process that requires breaking bales and taking photos, among other timely and costly requirements, according to contacts.

Additionally, market players are looking to Africa for new demand, as *P&PW* reported last June. Some contacts said logistics have yet to be ironed out, while others see opportunity. This month, International Forest Products (IFP) hired Catherine Cawood as sales dir in Africa, focusing "on expanding IFP's sales into Africa from its existing and substantive portfolio of paper and packaging suppliers," according to a release.

• The **Paper Stock Industries** (PSI) chapter of the **Institute of Scrap Recycling Industries** will host a "Containerboard Capacity and RCP Summit" in Nashville on Feb. 20 focusing on recycled containerboard projects, box demand, and global recovered paper issues as well as OCC.

--by mworkman@fastmarkets.com

Tissue

Soundview, Nittany Paper merge for tissue converting one year after New Jersey mill's fire

One year after a 10-alarm fire nearly destroyed Soundview Paper's 140,000 tons/yr recycled-content tissue paper mill in northern New Jersey, the mill has partnered with converter Nittany Paper, in Lewiston, PA, in what one company executive called a "win-win" deal.

The merger has secured the "only viable pathway to restarting operations in Elmwood Park now, and saving its brand, while leaving open future opportunities for growth and redevelopment at its site in New Jersey" according to a press release from the companies. The mill is expected to start full production again this month. Contacts have said for months that the mill was seeking recovered fiber from suppliers, and working on trial runs to reach full production.

Soundview Paper pres/CEO Rob Baron said in the release that mill leaders took their time to restart: "We did not want to just start up some machines and fail. From day one, we wanted to give ourselves a fighting chance to hire back as many people as we could, as fast as we could, while ensuring we had a viable, sustainable roadmap to thrive -- in a very challenging market."

Baron added: "We've all waited 330 days to be able to say that Marcal was 'back in business.' That day has arrived." Soundview now owns the mill in New Jersey that for years was operated by the Marcalus family and called Marcal Paper.

Nittany Paper pres and founder Don Chapman said the merger of the Pennsylvania converter and the New Jersey paper mill is a "unique opportunity," and the "integration into Marcal makes us even stronger," according to local reports. Nittany, founded in 2005, makes Away-from-Home (AfH) towels, bath tissue, facial tissue, napkins, and no-touch dispensers.

The partnership will create a fully integrated "low-cost" converter of AfH tissue products, the companies said. Contacts have told Fastmarkets RISI's *PPI Pulp & Paper Week* that the mill has shifted between white and brown production runs on its machines, using some sorted office paper (SOP) and coated book stock (CBS) for white, and OCC and "clean" news, like the sorted residential papers and news from single-stream supplies, on their brown toweling furnish. Its focus will stick to AfH brown toweling, contacts said.

The Elmwood Park mill had a 1.4% share of North American tissue paper capacity, yet it is not clear today what its capacity figures will be going forward. Two machines, Nos. 10 and 11, had been running at the operation as well some converting assets. Its two machines made 100% recycled-content tissue paper out of furnish made from pulp substitutes and high grades. Contacts said Soundview still buys SOP and CBS, but its interest in OCC, new double-lined kraft corrugated cuttings, and some news and mixed grades has increased.

"Marcal has been through an awful lot this past year. We know their history, and we have watched them fight to be in

position to restart a business from the ground up. As someone who created a family-owned company from scratch, the prospect of strengthening Nittany -- while also being part of the rebirth of Marcal Paper at its iconic site in New Jersey -- is very special," Chapman told local media.

A contact told *P&PW* last month of Soundview's decision to switch to brown toweling for AfH: "They looked at the numbers, and what was and wasn't profitable business, and they decided to exit the residential-at home business. Soundview is still making white, but it doesn't have to be that high bright white. They didn't switch to all brown, but they never ran brown toweling before."

--by mworkman@fastmarkets.com

SC Paper

Resolute to spend C\$11 million at Kénogami mill on equipment to upgrade SC-A grade output

Resolute Forest Products will invest C\$11 million to try to enhance its Kénogami, QC, paper mill's supercalendered (SC) paper quality by modernizing some equipment. The goal is to improve the mill's "short-term competitiveness," and "to access more favorable markets" by offering to clients higher quality SCA+ and SCA++ that could even substitute for coated mechanical (CM) papers.

CM demand is declining, but could be a place for higher quality paper from the Kénogami mill, according to a market source.

SC apparent consumption is expected to decline by 7.6% in 2019 compared to 2018 and may drop by 5% in 2020 due to the poor performance of printed newspapers and newspaper inserts, according to Fastmarkets RISI's forecast. CM demand is forecasted to fall by 7.9% in 2019 vs 2018 and by 4% in 2020.

Resolute's Kénogami mill has production capacity of 133,000 tonnes/yr (146,000 tons/yr) of SC paper on one machine.

Cellulose filaments. Resolute is also spending C\$27 million to build a commercial plant specializing in the production of cellulose filaments at the Kénogami mill.

The cellulose filaments come from wood fiber that is mechanically processed without chemicals or enzymes. The filaments are to be used for various products, including in the transportation, construction, and energy industries.

"Our investment in cellulose filaments represents an opportunity to enter into non-traditional growth markets," stated Resolute pres/CEO Yves Laflamme. "The cellulose filament and Kénogami mill optimization projects will create synergies within our network of operations in Saguenay-Lac-Saint-Jean."

The cellulose filaments from Kénogami are to be sold with the help of Performance BioFilaments, a joint venture established in 2014 by Resolute and Mercer International. The extraction technology was developed by FPIinnovations.

The project will be funded in part by Quebec's Dept of Forests,

Wildlife and Parks (C\$2.5 million), Investissement Québec (C\$4.2 million) and Natural Resources Canada (C\$4.9 million).

--by rmercante@fastmarkets.com

Verso shareholder vote Jan. 31

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Jacunski previously was at Glatfelter from 2003 to 2019 in several positions, including executive CFO, pres of the specialty papers business unit, and VP/controller.

"John is a very experienced senior leader with a long track record of success in our operations and our industry who brings strategic and executional depth to our leadership team," Hess said. "I am confident he will help us build on our strong first year of performance as Pixelle and continue driving our performance as a specialty papers leader that helps our customers win in their respective markets."

--by rmercante@fastmarkets.com

Market pulp levels hold

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\$40/tonne price increases this week on February business. Resolute Forest Products (Resolute) and West Fraser separately announced to customers that they would increase NBSK list prices, effective Feb. 1 until further notice, Industry sources told *P&PW*. Both firms slated new NBSK pulp

list prices at \$1,155/tonne in North America, up \$40/tonne.

Resolute also announced a price increase for next month on fluff pulp to customers in North America and Europe, sources said. The firm's announced price to both markets was \$1,145, also up \$40. Those are the same list prices competitor Domtar previously announced, effective Jan. 1. Domtar had also announced a \$40 hike on NBSK and southern bleached softwood kraft (SBSK) in late December, but market participants said the move was too abrupt and no other producers announced price increases this month.

"Softwood in North America from a supply/demand perspective is one of the best grades going. I could've argued about raising prices on January 1, but figured let's get into the New Year and see how it transpires," said a contact at an NBSK producer, adding that the market's near-term outlook is better than expected.

The upcoming indefinite closure at Northern Pulp's 280,000 tonnes/yr NBSK mill, an ongoing shutdown at Arauco's Licencel unbleached softwood kraft (UKP) mill in Chile, and a possible two-week strike in Finland that could curb NBSK production at various mills led producers to think a pricing bounce in US markets could occur by February – if not on list prices, at least first in spot markets. Through midday on Jan. 17, the only producers with price hike announcements thus far were Domtar, Resolute, and West Fraser.

Buyer: 'Things are calm.'

US buyers said there were no worries about supply thus far

because industrywide inventories remain high, many consumers recently inked fresh annual contracts with discounts up anywhere from 2-5%, and spot markets haven't surged despite efforts from some producers to lift non-contract levels.

"Things are kind of calm on the pulp side. Some are being creative with discounts but it all comes down to a net price. That's holding pretty stable," said a US buyer source whose view was typical.

As for the February price hike announcements, the source said he simply tells suppliers: "I don't care what you do (with list prices), this is (the) net number I need. Nobody is pushing a higher price, it's just quiet."

The last time producers announced price increases in North American BSK pulp markets was effective in October, when various producers slated \$30-50/tonne price hikes. But prices at the time were still eroding during a time when buyers simply brushed off the hikes as "trial balloons."

Spot SBSK edges up \$5. Some NBSK and SBSK producers have attempted to push up spot prices this month, but levels are little changed thus far in 2019. US NBSK spot prices to the US East and Midwest were essentially flat in polling through Jan. 17 at \$610-640/tonne net delivered, according to *P&PW* polling. US SBSK prices edged up \$5, bringing levels to \$510-540 net delivered.

Sources reported a bounce in SBSK has continued after China reversed course on doubling the tariffs on US pulp imports from 5% to 10%. US SBSK spot prices are up a combined \$15/

tonne over the last three months, according to *P&PW* data. The lower-priced \$500 net deals dried up in the early weeks of January after fluff producers found they were able to ship more pulp to China and certain emerging markets, a producer contact said. Also, second-half 2019 "economic" downtime at Georgia-Pacific and International Paper mills evidently helped reduce oversupply in fluff and SBSK.

"The \$500 net SBSK spot deals are going away. Anyone offering SBSK in the US is a fluff producer. They are looking to protect fluff prices," said the producer contact. "Downtime resulted in them looking to do as little SBSK as possible. Supply is not as large as before and mills (near Southern ports) also find it easier to sell overseas."

China \$20 hikes. Arauco, the world's second largest market pulp producer, announced \$20/tonne increases on three key grades of pulp to Chinese customers, effective with February orders, industry contacts told *P&PW*. Arauco announced it would increase bleached radiata pine (BKP) to \$590 net CFR before end-of-year rebates with the \$20 increase. Arauco also announced bleached eucalyptus kraft (BEK) at \$485/tonne net CFR, and UKP at \$560/tonne net CFR. On Jan. 17, Klabin reportedly also announced a \$20/tonne February hike on BSK and BEK to China.

• **Workers at Paper Excellence** Canada-owned Northern Pulp began winding down NBSK production this week at its NBSK mill, which is occurring about two weeks earlier than industry contacts had expected. The shutdown, officially scheduled for

Jan. 31, is underway to give mill workers time to drain chemicals and prepare the facility to get mothballed for a potential restart in the future. In addition to exporting to China, the mill supplies NBSK spot markets in the US East and occasionally in Europe, industry sources said.

● **Arauco** shut UKP production at its 154,000 tonnes/yr Licancel Pulp mill on Dec. 20 because of weather and reduced water flow at the nearby Mataquito river, contacts told *P&PW*. Sources said the firm's executives do not know when the mill will resume production, but noted its UKP customers were put on allocation to fulfill its contracted orders.

--by bryan.smith@fastmarkets.com

News briefs

The **US Senate** ratified a new North American Free Trade Agreement with Mexico and Canada called the **U.S. - Mexico - Canada (USMCA) agreement** on Jan. 16, and the agreement now goes to President Trump for his signature. Canada's approval is also needed before the agreement becomes final. "Free and fair cross-border trade took an important step forward today with United States Senate approval of the USMCA - action we applaud," American Forest & Paper Association pres/CEO Heidi Brock said in a release. "Long overdue revisions to the twenty-five-year-old trade agreement - including commitments to promoting sustainable forest management and legal trade in forest products - will further competition, economic growth and job creation."... **Mondi**

announced that it agreed with CEO Peter Oswald that Oswald will step down as CEO on Mar. 31. Oswald is to become the new chmn and CEO at **Mayr Melnhof**. Mondi's nominations committee will search for Oswald's successor. The announcement about Oswald was on Jan. 10. Mondi CEO Andrew King will be the company's interim CEO after Oswald steps down and until a successor is appointed. "Peter has made an immense contribution to the growth and development of Mondi since joining in 1992, most notably during his tenure as Chief Executive Officer of the former Europe & International Division and subsequently as CEO," said Mondi chmn David Williams. "His drive to grow the business and his focus on ensuring Mondi's long-term sustainable future have been invaluable to Mondi. The Board thanks Peter for his contribution to the Group and wishes him all the best for the future." "It has been an honor to have worked for Mondi and I am extremely proud of what we have achieved together. While

I am sad to be leaving, I know the (Mondi) Group is in the hands of a strong Board and an experienced sr management team that will ensure its continued success," Oswald said... **US housing starts** for December at 1.608 million units was the highest (seasonally-adjusted) level seen since December 2006, RBC Dominion Securities analyst Paul Quinn told investors on Jan. 17. "Total starts were up 40.8% (year-over-year) and 16.9% (month-to-month) from the November (revised) figure of 1.375 (million starts)," according to Quinn. "On a regional basis, the South represented 50% of total starts vs. 26% in the West, 16% in the Midwest and 8% in the Northeast," Quinn said... **LSC Communications** will close its print facilities in Strasburg, VA, Glasgow, KY, and Mattoon, IL. With these actions, LSC expects to strengthen its manufacturing platform by reducing costs and improving utilization across its remaining production facilities. The closing of the three plants is to be completed by July 2020.

PPI Pulp & Paper Week

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