

PPI Pulp & Paper Week

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

IP adds to \$40 NBSK, SBSK, fluff hikes as global market braces for Finland strike, China coronavirus

As US market pulp prices held unchanged and major producers of benchmark northern bleached softwood kraft (NBSK) announced \$40/tonne domestic price increases for February, two producers threw their own hikes into the mix during a time when upward momentum in the key export market of China is expected to stall out. Meantime in Finland, a union strike could shutter the pulp industry for three weeks, potentially crimping about 300,000 tonnes of market pulp production.

US NBSK final January effective list prices remained \$1,115/tonne, and spot prices were little changed in polling through *»» continued on page 16*

Some out with try for US kraft liner hike in China, S. Europe; majors report margin, guidance squeeze

Contacts this week reported that some US unbleached kraft linerboard producers announced \$20/tonne and Euro 20 price increases for their export orders in March.

These increases were said to be for southern Europe and China, the No. 2 export market for US kraft linerboard. No US export kraft linerboard price increase was set for Mexico, the largest US kraft linerboard export market with a 20% share in 2019, or Central/South America, contacts said this week. Combined, two-thirds of US kraft linerboard exports go to Mexico and Central/South America. In Mexico, *»» continued on page 7*

UFS prices still pressured; majors see lower demand as another trade case, Riverdale conversion are watched

Uncoated freesheet (UFS) paper prices remained steady in January over December in the US and Canada, but market contacts reported a lot of pressure and continuous supply-demand weakness in the market.

"We are making some adjustments, but it is not a wholesale decline. Volumes were slow in the beginning of January, as clients built inventories in the fourth quarter," a producer contact said.

Prices for 20-lb copy paper remained at \$1,070-1,120/ton, or 0.9% lower than in January 2019, while 50-lb offset rolls remained \$980-1,000/ton, or 1% lower than a year ago, according to the *»» continued on page 9*

In this issue:

Pricing: Market pulp	3
M&A: Pixelle deal closer to approval	2
Strategy: IP reduces Graphic share	4
Box: New corrugators start up	6
RCP: ERP now on the US agenda	14

Fastmarkets
RISI

International Containerboard Conference – Latin America



March 25-27, 2020
Mexico City, Mexico

Learn more
nsl.com/lecla

Fastmarkets RISI News & Prices App



For more info:
risi.com/app

DID YOU KNOW...

...Regular copying or other redistribution of this publication—in whole or in part—violates U.S. copyright law and is punishable by fines plus attorney's fees. For subscription and other inquiries, including discounted bulk subscriptions, contact info.risi@fastmarkets.com

Trade

Coronavirus outbreak intensifies, WHO calls it a global emergency; business demand impact unclear

How the coronavirus will impact health and business in China and other countries around the world was unclear on Jan. 31, but the World Health Organization (WHO) deemed the infection a global public health emergency. The US reported its first human-to-human transmission late this week.

The virus reportedly started in Wuhan, China, and the death toll by the end of this week surpassed 170 with more than 8,000 confirmed cases in mainland China. The WHO said that 99% of the cases were said to be contained, and that

"there is no reason for measures that unnecessarily interfere with international travel and trade."

Contacts in pulp and paper markets suggested the virus might end up slowing demand initially in China but they were considering the extent and timeframe of the outbreak in terms of potential impact on their businesses.

"I think we're all watching very closely and looking at different contingencies based on the virus," International Paper CEO Mark Sutton told analysts on Jan. 31. "But the question is, how long does it take?"

WestRock CEO Steve Voorhees this week said that the company's consumer packaging plant in Wuxi and Kunshan in eastern China would remain down as the

Chinese government extended the Chinese Lunar New Year (CNY) holiday in the Shanghai region through to Feb. 9, due to the outbreak. He said the two plants were to restart on Feb. 10. Voorhees said the other WestRock China consumer packaging plant in Guangzhou near Guangdong in southern China would restart on Feb. 3 as the Chinese government did not extend the CNY holiday in that region, as of Jan. 29.

WestRock employs 900 workers in China, and generates \$100 million to \$150 million in sales in China, according to Voorhees.

Key US market indicators

(Percent changes are month-over-month or quarter-to-quarter unless otherwise noted.)

	2Q 2019	3Q 2019	4Q 2019
Gross domestic product, %	2.0	2.1	2.1
	Oct. 2019	Nov. 2019	Dec. 2019
Natural gas wellhead industrial (per 1000 cu. ft)	\$3.43	n.a.	n.a.
US industrial production, % chg.	-0.5	0.8	-0.3
Nondurable (non-energy) output growth, %	0.3	0.2	0.3
Trade deficit (billion)	\$46.9	\$43.1	n.a.
Housing starts, seasonally-adjusted (millions of units)	1.340	1.375	1.608
US retail sales, % growth, seasonally-adjusted	0.4	0.2	0.3
Institute for Supply Management Index -- Manufacturing, %	48.3	48.1	47.2
US unemployment, %	3.6	3.5	3.5
US consumer price index, % chg., seasonally-adjusted	0.4	0.3	0.2
Target US federal funds rate %	1.75-2.0	1.5-1.75	1.5-1.75
Printing/support output, monthly rate, % chg.	0.1	0.5	-1.2
Rates per US dollar	Nov. 29	Dec. 31	Jan. 24
*Euro	1.101	1.122	1.101
C\$	1.329	1.296	1.314
Brazilian Real	4.22	4.01	4.18
Chinese RMB	7.03	6.96	6.91

Notes: The monthly US Energy Information Admin. natural gas industrial price was \$3.35 in Sept. 2019. *US dollars per Euro. The target federal funds rate was decreased to 1.75-2.0% on Sept. 19 and to 1.5-1.75% on Oct. 31. e=estimate, n.a.=not available. Sources: RISI's Monthly Economic Commentary, US Federal Reserve, Dept of Commerce, Bureau of Labor Statistics, Dept of Energy, and Census Bureau, and Institute for Supply Management.

Corporate strategy

Verso and Atlas/Blue Wolf agree to support Pixelle deal, to back 3 Atlas nominees for Verso board

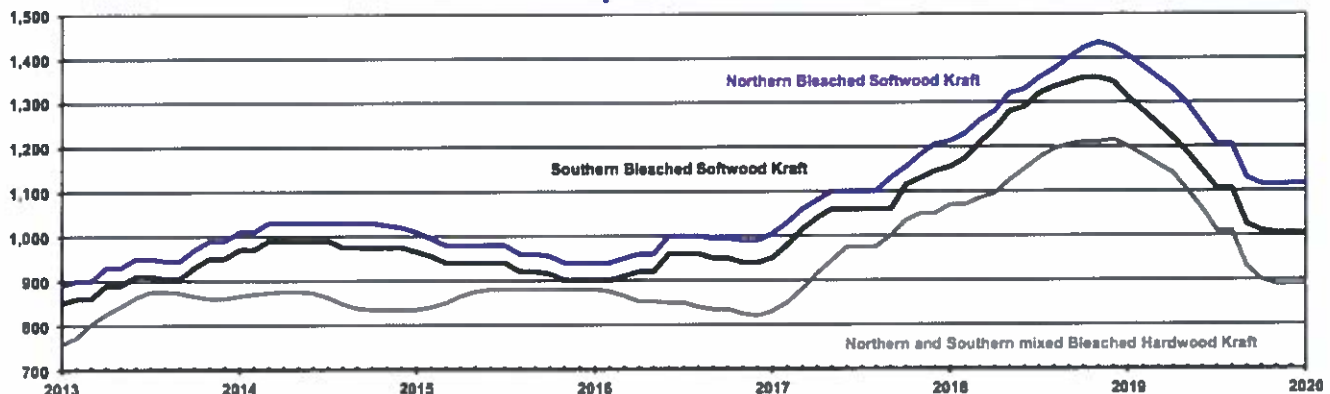
Verso and its largest shareholder Atlas/Blue Wolf reached an agreement to settle a battle that has gone on for months over control and management of the primarily coated and specialty printing and writing paper company.

The agreement was announced at Verso's 2019 annual meeting of stockholders on Jan. 31 in New York City – and calls for Atlas and Blue Wolf to vote for the pending sale of Verso's Androscoggin/Jay, ME, and Stevens Point, WI, specialty mills to Pixelle Specialty Solutions for \$400 million.

Verso and Pixelle have received necessary approvals from US regulatory agencies for

» continued on page 12

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 Final 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	520 - 560	500 - 540	500 - 540	520	690	-21.7
Northern and Southern Bleached Hardwood Kraft	480 - 520	470 - 510	470 - 510	490	730	-31.5
EUROPE (CIF)						
	Pending ¹					
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)						
	Final ¹					
JAPAN						
Bleached softwood kraft						
Northern (Canadian)	660	660	680	673	785	-15.9
Southern (US)	570 - 600	590 - 610	600 - 620	608	780	-25.0
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						
Northern bleached softwood kraft - net ⁴	565	555	560	563	680	-16.9

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 30-44%; in Europe, 22-30%; in Japan, 3-9%; in Korea, 13-16%; in China, 0% (from Canadian and European producers). BHK pricing varies according to species used for the pulp.

DISCLAIMER

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

NOTES

1. Preliminary and final prices.

US - Mid-month PPW effective list prices shown are preliminary prices. End-of-month final prices published in PPW and World Pulp Monthly supersede these preliminary prices. Full details at: www.risi.com/PulpPriceChanges

Europe - Originally published in PPI Europe. Pending indicates prices are not available at the time of publication. Final prices are published in the next Price Watch issue. The exception is European fluff price assessments, which follow the same publishing schedule as US pulp, and are formally tied to US fluff price assessments.

Asia - Final prices are reported at the end of the month.

2. Effective January 2016, NBHK and SBHK were merged into a single assessment. See www.risi.com/PulpPriceChanges for details.

3. Spot prices are mid-point weighted averages for biweekly orders up to the publication date. Prices are net delivered with 0% discounts.

4. As of January 2020, NBHK net China reflects the last price assessment for NBHK from North America/Scandinavia CIF China (imports) as published in PPI Asia.

r = revised

Corporate strategy

Clearwater names Kitch new CEO as Massman retires; 4Q 2019 earnings revised higher

Clearwater Paper's board of directors unanimously elected consumer products div general mgr and Sr VP Arsen Kitch as new CEO effective Apr. 1, succeeding Linda Massman, who is retiring.

Kitch has been the consumer products business general mgr since 2018, and previously was VP of finance, and VP of financial planning and analysis since joining Clearwater in 2013. Before Clearwater, he was a finance dir at Nestlé USA and previously was at KKR Capstone and Frito Lay.

"After careful consideration, the board is proud to select a candidate who deeply understands our businesses," said board chmn Alexander Toeldte, a former Boise Paper CEO. "Arsen is well-positioned to lead our company and enhance shareholder value, given his knowledge of our industry as well as his operations, finance and corporate development experience."

The company also announced that Toeldte will transition from chair to independent exec chair of the board, effective Mar. 1, 2020. He has been a dir of Clearwater since April 2016.

Massman, who has been Clearwater's CEO since January 2013, informed the board of her decision to retire. She was the company's pres/COO from 2011 to 2013 and SFO from 2008 to 2011. Massman will be replaced by Kitch on the board.

Massman saw the company through a key period of tissue production growth, with the startup of a new mill in Shelby, NC, and two tissue paper machines and converting lines at the complex. The complex in the Southeast US helped the company add volume to its tissue business in the US South and East. Clearwater has been one of and may be the largest private label tissue paper suppliers to US grocers.

The company said it has initiated a search process for Kitch's replacement in to managing the company's consumer products division.

One analyst said the leadership change was unexpected.

"The news was certainly surprising, but we look forward to hearing Mr. Kitch's vision for the company," said RBC Dominion Securities analyst Paul Quinn.

Revised 4Q outlook. Clearwater also raised its fourth-quarter 2019 outlook due to lower input costs, timing of certain expenses, and "strong" execution of the business. The company now expects EBITDA to be in the range of \$49 million to \$53 million compared to a prior range of \$38 million to \$46 million given during its third-quarter 2019 earnings call. The company reports fourth-quarter 2019 results in a call with analysts on Feb. 26.

KeyBanc analyst Adam Josephson said Clearwater's reason for the upgrade lacked clarity as pulp and other input costs should not have "moved much" from the third quarter earnings call in October, "which makes assessing the beat difficult."

"That said, we expect investors to react positively to this news," he added.

--by jmclaren@fastmarkets.com

Boxboard

Graphic Packaging begins buyback of IP stake, settles pension, to buy carton plant

Graphic Packaging (GPK) unveiled several developments as it entered the New Year after reporting its fourth-quarter 2019 results that saw full-year sales climb 2% from a year ago to \$6.16 billion and operating income rise 16.5% to \$534 million.

New announcements in the company's Jan. 28 report included plans by International Paper (IP) to start winding down its 21.6% ownership stake in Graphic that followed IP's \$1.8 billion sale of its consumer packaging business to the company in early 2018. Graphic also settled \$900 million in pension obligations and said it would acquire yet another folding carton plant as it expands its integration levels.

In the fourth quarter, sales were up 0.7% from a year ago to \$1.52 billion and operating income was 23.7% higher to \$133 million, with paperboard sold up 2.6% in the quarter at 940,700 tons. The company said its price to commodity input cost relationship improved by \$98 million, reflecting record-low costs for recovered paper furnish in its recycled board business.

"Graphic Packaging reported roughly in-line 4Q19 results but missed on volume, reported a

significant volume/mix drag, and disclosed that IP is reducing its ownership in the company," commented KeyBanc Capital Markets analyst Adam Josephson this week. "GPK is coming off of the best price/cost year it's had in many years, which will be a tough act to follow in 2020."

The final period of 2019 included Graphic announcing a \$600 million "transformational investment" in a giant new coated recycled board (CRB) machine in Michigan for 2022 (*P&PW*, Sept. 27, p. 1), introducing a Vision 2025 strategy to lift sales volumes based on sustainability (Oct. 4, p. 1), and completing a \$53 million acquisition of Artistic Carton that included a CRB mill and two converting plants in the Midwest (July 26, p. 1).

IP share down to 18.3%. Graphic said it was notified by IP of its intent to begin the process of reducing its ownership interest, and agreed to purchase about 15.1 million partnership units from IP for \$250 million, lowering IP's stake to 18.3%. The purchase will be funded with a draw on Graphic's domestic revolving credit facility, which at the end of 2019 had excess of \$1.4 billion. IP has the contractual right to continue to reduce its minority ownership interest in the partnership every 180 days with the next potential transaction date in July, subject to modification by the parties.

"This means that GPK could buy back 4% of its equity every six months between now and as early as January 2022," said Vertical Research Partners analyst Chip Dillon. "IP likely will decide on whether to sell or not largely based on GPK's market price."

IP's decision to sell its position is a "strong signal" that IP "does not wish to pursue a strategy of 'marrying' its containerboard business with a paperboard business," such as what happened with the formation of WestRock by merging RockTenn with MeadWestvaco in 2015, Dillon added.

IP CEO Mark Sutton commented on the "decision to start monetizing our investment in Graphic Packaging."

"The investment provided us time to evaluate the role of Consumer Packaging for IP, while participating in the benefits of the combined business in a tax-efficient structure. Ultimately, we determined that a significant addition to our portfolio in the North America Consumer Packaging space is not a strategic priority. So it makes sense to start monetizing our investment and deploy that capital consistent with our capital allocation framework," Sutton commented.

Graphic said its pension obligations will be settled through a combination of lump sum payments made in the fourth quarter of 2019 to plan participants electing such payments and the purchase of a group annuity contract to transfer the remaining pension benefit obligations to an annuity provider in first-quarter 2020. The company took a non-cash settlement charge of \$39.2 million in the fourth quarter and anticipates taking a non-cash settlement charge of about \$150 million in the first quarter of 2020 related to the transfer of the liability to the annuity provider.

Quad carton plant sale. Graphic also said it reached an agreement to acquire a folding carton facility in Omaha, NE, from Quad/Graphics for \$40 million, subject to standard closing conditions. The 400,000 ft² converting facility is close to many existing food, beverage and industrial customers, and generates about \$75 million in revenue, consumes roughly 40,000 tons of paperboard, mostly CRB, and is expected to generate about \$7 million in annualized EBITDA including synergies over the next 24 months, Graphic said. The anticipated close date for the transaction is Jan. 31.

After entering the packaging market to offset declining demand in printing and paper, Quad said it continues to invest in and grow its core packaging platform, which consists of plants in Franklin, WI, Spartanburg, SC, Leominster, MA, and Santo Domingo, Dominican Republic. In 2019, Quad expanded packaging operations by re-equipping its existing Leominster commercial printing plant, and this year will expand its Dominican Republic plant, adding a 30,000-ft² addition, and new equipment including two presses, a die cutter, and a folder-gluer.

The Omaha plant is the third announced or planned divestiture by Quad since its attempted acquisition of printer LSC Communications was derailed by US Dept of Justice opposition, the *Milwaukee Business Times* reported. Quad sold Transpak, its heavy industrial wood crating business, and has announced plans to divest its \$200 million book business.

• **WestRock** reported its first-quarter 2020 consumer packaging sales revenue declined 5% from a year ago to \$1.54 billion on \$64 million of lower volumes, \$11 million of lower selling price/mix on sales, and \$9 million of unfavorable foreign currency impacts, the company commented. Segment income dropped 40% to \$46.2 million due to an estimated \$16 million impact from outages, the margin impact of lower pulp selling price/mix of \$16 million, and \$11 million of lower volumes, partially offset by \$8 million of higher prices for paperboard and converted products and \$5 million of productivity improvements. Consumer products shipments declined 6% in the quarter to 876,100 tons.

--by jmclaren@fastmarkets.com

GP to invest \$145 million in Dixie plate/bowl plant

Georgia-Pacific (GP) will invest \$145 million to expand paperboard plate and bowl converting operations at its Darlington, SC, Dixie brand plant. The expansion starts in March with a targeted completion of first-quarter 2022.

The investment will not create new jobs but will modernize and expand plate and bowl capacity by adding new machinery, including a new plate printing press, the company said.

The company will also shut down its Darlington cup plant by September and the distribution center sometime in 2021. Cup customers will continue to buy product from GP Dixie plants in Lexington, KY, and Lehigh Valley, PA.

"The demand for our plates and bowls continues to grow as consumers value the Dixie brand's unique combination of convenience and performance," said GP Consumer Products Group Exec VP David Duncan.

GP last year announced a \$100 million, 800,000-ft² expansion of plates and bowls production at its Dixie plant in Bowling Green, KY. That project is to be finished in the first half this year and will create 50 jobs (*P&PW*, May 24, p. 7). Citing demand, GP shut its Dixie cup converting line in Brampton, ON, in late 2018, affecting 128 employees. The Toronto area plant had been manufacturing Dixie cups since 1949.

The company in late October closed its two solid bleached sulfate (SBS) paperboard machines and other operations at its Crossett, AR, mill, removing 368,000 tons/yr of capacity or about 6.3% of the North American market (June 7, p. 1). Sources expected GP to shift Crossett production to other SBS mills and raise the integration levels of its SBS production with its Dixie business.

• **Pactiv** is investing \$8 million to expand its food service packaging plant in Greensboro, NC, the state's governor announced last week. The project will create 25 new jobs. The Greensboro City Council in July voted to offer Pactiv \$167,000 in economic incentives, local press reported, and the company gained a performance-based grant of \$50,000 from the One North Carolina Fund. North Carolina is the second largest state for food and beverage processing, a local official said.

--by jmclaren@fastmarkets.com

Corrugated

Three plants start up, with focuses that include automated, high-graphic, big, integrated ops

Three new corrugators started up in the last two months in the USA and two more are to start likely in the next month or so, according to Fastmarkets RISI's *PPI Pulp & Paper Week* research.

In November, Packaging Corp of America (PCA) started a new plant in Richland, eastern Washington state, and Greif this month started up a new plant in Palmyra, PA, in southeastern Pennsylvania. DS Smith North America and US Corrugated each started up new plants in Lebanon, IN, this month.

For February, another new corrugator is to start up likely later in the month in Wapakoneta, OH, by Pratt Industries. Pratt will run a 132-in line next to or near its new 400,000 tons/yr recycled containerboard machine in a set-up with logistically-efficient integration.

PCA Richland. PCA CEO Mark Kowlzan told analysts this week of the 400,000 to 450,000 ft² Richland plant's start up, which like Pratt in Ohio is also highly integrated. Containerboard from PCA's Wallula, WA, mill 25 miles away will feed the Richland corrugator.

"Our new box plant in Richland, Washington had an excellent startup during the (fourth) quarter and we're now beginning to take full advantage of the benefits from our machine conversion at the Wallula Mill with its flexibility to produce from the heavier

weight, high-performance linerboard grades all the way down to the lighter weight high-performance grades," Kowlzan said on Jan. 30.

"This gives us the capability to further optimize the mix and the inventory levels of the entire containerboard system, and provide the type and the quality of board needed for our customers on the West Coast and in the Pacific Northwest and reduce our system-wide freight and logistics costs," Kowlzan said, according to a transcript of the PCA earnings call.

Describing the new plant, Kowlzan added: "... as you could imagine (it) is a high-volume highly automated plant ... (with) a lot of flexibility."

Also, without providing specifics, Kowlzan told an analyst that the company was planning another new corrugator in the Pacific Northwest for this year. Along with the new Richland plant, PCA has corrugated plants in Seattle (sheet plant); Salem, OR; Auburn, WA, (hexacomb); and in Burley and Nampa, ID.

US Corrugated in its 440,000 ft² plant in Lebanon, IN, that was once a ConAgra Foods plant will run a 110-in corrugator that is to start operating in the first quarter. The plant is now a "small" converting operation and warehouse until the corrugator starts up, a contact said.

US Corrugated is majority owned by McKinley Paper, which operates two recycled containerboard mills in the Southwest and West, and is owned by Mexico's Bio-Pappel. US Corrugated calls its Lebanon full-line corrugator

plant its third so-called "super plant" with a "full suite of state-of-the-art machinery."

Lebanon is about 150 miles from Chicago.

DS Smith Indiana. DS Smith North America last week put out a release about its new automated 550,000 ft² box plant in Lebanon. The company said it can make more than 2 billion ft² of lightweight packaging, and the plant is 550,000 ft² and includes a 110-in corrugator and pre-print press capability.

DS Smith's focus is on using recycled-content lightweight board and connecting business that it has in Europe with those companies that also operate in the USA.

DS Smith said its Lebanon boxes will use "30% to 40% less fiber than what is traditionally used in the US," and be made with short lead times, including same-day turnaround, for distribution centers in markets such as Chicago, Columbus and Cincinnati, OH, St. Louis, MO, and Nashville, TN.

Greif Pennsylvania. Greif started up its 110-in corrugator in a 350,000 ft² plant early this week in Pennsylvania. The plant also includes an Asitrade litho-laminator that has been operating since the start of the New Year.

• **AICC**, the Independent Packaging Association, plans an e-commerce corrugated meeting in Irving, TX, on Feb. 18-20. Speakers include Lumi's Jess Genet on "Packaging is the New Storefront," **Hershey's** Jared Butts on "Packaging in an E-Commerce Process," and

Scaling Operations' Michael Pelletier on "Turning Your Traditional Operations into an Agile E-Commerce Enabled Packaging Powerhouse." Event information is at aiccbbox.org and or call 703.836.2422.

• The dates are set for Nov. 4-6 for this year's **Fastmarkets RISI International Containerboard Conference** at the Embassy Suites Chicago Downtown Magnificent Mile hotel. This event follows in the footsteps of last year's conference in Miami Beach. Further conference information is at <https://events.risiinfo.com/icc/>.

--by grudder@fastmarkets.com

Export KLB increase out

» continued from page 1

corrugated consumers and boxmakers the last two months told of concerns about economic uncertainty and softness for 2020.

Fastmarkets RISI's *PPI Pulp & Paper Week* first reported "talk" in China without any formal announcements in late December by some US producers about a \$10/tonne increase.

Since linerboard exports first became oversupplied globally in September 2018, pricing for US kraft linerboard delivered to southern Europe and China is down today by euro 230-240/tonne (or \$260/tonne in US dollars) and by \$250/tonne, respectively, according to *P&PW's* survey. Those declines are roughly 35% in the last 16 months.

Some industry contacts questioned if export increases resulted from improved corrugator demand or ongoing producer indigestion from almost two years of plummeting prices and the need to try for a turnaround or a "line in the sand" to stop the "bleeding," as one said.

Said one US supplier about the increase to China: "No ... way. One good month doesn't make for an increase."

December US kraft linerboard export production was the best on a monthly basis since September and the fourth best month for 2019, based on American Forest & Paper Association statistics.

Others saw a market door now open to try to raise prices, if even just partly.

"I think US suppliers are tight enough ... (and) there is a push to get all export orders to a more manageable price level," said a US supplier late this week.

"I'm not sure it will work," another US exporter said. "Prices in some European markets keep getting lower. All the major players have a lot of tons to move."

Another industry source last week told of \$20/tonne and \$30/tonne for March production from one European and one Latin American producer for the Middle East and Asia.

"The demand from Asia has been strong the last couple of weeks. Also, many (European) mills have taken large export volumes for recycled grades from Asia," the contact said.

Coronavirus impact. Several contacts this week questioned the increase in China with one noting that the coronavirus outbreak could slow Chinese demand short-term and that it was unclear how long the outbreak might last.

"Maybe the fact that the virus is in full force during CNY (Chinese New Year holiday) helps," said one exporter. "All businesses are shut down for two weeks. We haven't seen any price deterioration (in China). Other Asian markets are still buying at good pricing. We'll see what happens after the holiday. Meantime -- no travel to China."

WestRock CEO Steve Voorhees said on Jan. 30 that two of his company's consumer packaging plants in the Shanghai area will be down until Feb. 10. He said the Chinese government required the extra week of shutdown by extending the CNY, due to the outbreak. He also said that the one-week CNY extension in Shanghai/eastern China was not in effect in southern China. He said WestRock's Guangzhou plant would restart on Feb. 3.

In the USA, a contact noted that some US mills had end users rebuilding inventory this month in a stronger way than expected. Last year, US boxmakers continued to tell P&PW about end-users that pared down inventory for almost all year, mainly due to trade tension that they thought could affect the US economy and weak second-quarter US industrial manufacturing, that, ultimately, they were concerned could limit their business both in America and globally.

With some stock rebuilding claimed, the contact also told of some mills that appeared to cut back on some

kraft linerboard exports, even with a 94.4% operating rate in December. That said, however, contacts also were reporting that they expected an increase in containerboard downtime in the first quarter this year. Typically, US producers export about one of every four tons of kraft linerboard that they make.

All told, a price increase in China and in southern Europe, if successful, only minimally effects major integrated kraft linerboard producer financials or the overall marketplace for US producers. Last year, 23% of all US kraft linerboard exports were shipped to China and southern Europe (Italy and Spain) and the 23% represented just 5% of all US kraft linerboard production.

Earnings for majors. During earnings week for North America's three largest integrated containerboard/corrugated companies, IP generated containerboard/corrugated industrial packaging operating income of \$605 million in fourth-quarter 2019, 14% ahead of a \$530 million expectation from Vertical Research Partners (VRP). No. 2 WestRock's containerboard/corrugated business operating income was \$263 million, 12.9% better than VRP's \$233 million expectation. And No. 3 Packaging Corp of America's (PCA) corrugated packaging business reported \$216 million in operating income, barely missing VRP's \$220 million expectation.

All three majors guided lower for first-quarter 2020 from their levels in the fourth quarter, VRP analyst Chip Dillon reported.

PCA reported a 22.1% margin for full-year 2019 in its containerboard and corrugated

business. That's down from a 23.6% margin in 2018.

In 2019, US domestic benchmark 42-lb unbleached kraft linerboard prices dropped for the first time in three years, by \$30/ton, and then dropped another \$10 in January 2020, according to *P&PW*'s pricing survey.

Looking forward at mill projects, WestRock's Voorhees said the company's major project in Florence, SC, was on track for a first-half 2020 startup of a new 710,000 tons/yr unbleached kraft linerboard machine. The 710,000 tons/yr PM will be the largest one in North America for kraft linerboard, and replaces three smaller machines. The capacity increase is just 30,000 tons/yr from the 710,000 tons/yr machine because of the shut of the three machines that ran on 680,000 tons/yr of capacity.

"The machine installation and construction are nearing completion," Voorhees told analysts on Jan. 30.

International Paper (IP) executives on Jan. 31 did not update analysts on the Riverdale mill conversion project in Alabama for turning an uncoated freesheet-producing machine into one that would make a high-quality bleached white top linerboard along with other containerboard grades. The company also is to start up a 365,000 tons/yr old corrugated container (OCC) pulp line.

CEO Mark Sutton did talk about the company's drive to make its containerboard mills nimble and diverse.

"What we've been trying to do is make sure that in containerboard

... that we have flexibility in the system so that we can make multiple products at multiple facilities," Sutton said on Jan. 31.

"So what you'll see out of this is less variability between the worst facility we have in terms of reliability and capability, and the best," Sutton said. "So both systems are going to be more flexible and (with) less variation. There's much more work to do, but we have made a lot of progress."

PCA plans to complete a boiler project at its Filer City, MI, corrugating medium mill by spring and or summer, PCA CEO Kowlzan said.

Kowlzan also said PCA was on track for starting up a 365,000 tons/yr OCC pulping line at its Wallula, WA, mill by yearend 2020. Executive Tom Hassfurther said the OCC line will feed recycled content to the company's virgin containerboard production, rather than the company creating a 100% or high recycled-content containerboard grade from the pulped OCC.

• **Stora Enso** plans to start up a converted printing and writing paper machine at its Oulu mill in Finland making unbleached kraft linerboard by yearend 2020, Stora Enso CEO Annica Bresky confirmed this week. "Our transformation projects are progressing well, and the kraftliner production at the Oulu Mill is expected to start by the end of 2020," she said during an earnings report on Jan. 30. The conversion will help Stora Enso become a larger player on the global kraft linerboard export market, including potentially in Mexico, contacts have told *P&PW*.

• **WestRock** Sr executive Jim Porter and **Grupo Gondi** CEO Eduardo Posada are to speak on the CEO panel at **Fastmarkets RISI's Latin America International Containerboard Conference** in March in Mexico City. The event is set for Mar. 25-27 at the Barceló Mexico Reforma hotel. The CEO panel is on Mar. 26. For conference information, go to <https://events.risiinfo.com/icc-latin-america/program>.

--by grudder@fastmarkets.com

Pressured UFS prices hold

>>> continued from page 1

Fastmarkets RISI's *PPI Pulp & Paper Week* poll.

Some sources reported low pricing offers and price reductions this month. Buyers mentioned supply is readily available and mills are seeking orders.

"We had some reduction in UFS on Jan. 1, including from large mills. Our price now is about 5% lower than January 2019," a buyer said.

"You can get lower prices on large orders, but mills are holding steady on program prices," another buyer said.

"Due to ongoing sluggish demand, offset paper activity is more or less unchanged since December. Mills continue to have available machine time and spot sales offer about \$20-40/ton lower prices," a source said.

In 2019, US paper mills shipped 6.5 million tons of UFS, 9.7% less than in 2018, according to American

Forest & Paper Association (AF&PA) statistics. The average mill operating rate declined from 90.1% to 88.8% year-over-year.

Demand outlook. Major UFS suppliers International Paper (IP) and Packaging Corp of America (PCA) mentioned on their financial results conference calls on Jan. 30 that they expect seasonal lower demand in first-quarter 2020 that also results from better-than-expected demand in the fourth quarter of last year.

"Our third-quarter volumes were lower than expected, then we got a number of key customers picking up volumes in the fourth quarter," IP chmn and CEO Mark Sutton said.

Sutton also said that IP had a strong performance in cutsize office/copy paper and weak commercial print paper business.

IP's US mills sold 459,000 tons of UFS paper in the fourth quarter, or 2.5% (or 12,000 tons) lower than the previous year and 2% (or 8,000 tons) higher than in the third quarter.

PCA CEO Mark Kowlzan stated that they had solid UFS sales in the fourth quarter as key customers picked up volumes.

"Volumes came in better than anticipated, and we reduced our office paper inventory by almost 10% compared to the third quarter of 2019. Prices and mix were lower as expected, but also slightly better than anticipated," Kowlzan said.

PCA said its UFS paper sales volume was up 30,000 tons compared with the fourth quarter

of 2018 and up 8,000 tons from the third quarter of 2019 volume.

Kowlzan mentioned that PCA will take scheduled downtime at its Jackson, AL, mill during the first quarter of 2020. The mill has capacity to make 470,000 tons/yr of UFS on two paper machines and is scheduled to stop for maintenance during one week on Mar. 1-8.

North America's largest UFS producer Domtar will release its fourth quarter and fiscal year 2019 financial results on Feb. 7, but last week the company commented that its fourth-quarter results fell short of expectations and the company increased market-related downtime to try to balance supply with demand and reduce inventory.

"Our inventories are now at optimal levels and our expectation is that our business will return to a balanced level in early 2020 given recent capacity closures," said pres/CEO John Williams.

Domtar closed about 204,000 tons/yr of UFS capacity in the fourth quarter – one machine at its Ashdown, AR, mill and another machine at its Port Huron, MI, mill.

Supply environment. Market players mentioned that they have been seeing some pricing threats from Willamette Falls in Oregon and potentially from Shanying International's Phoenix Paper in Kentucky.

"We hear about Wickliffe (Phoenix Paper) making UFS, but we haven't seen any product. Willamette Falls is producing some UFS, not much, but they are," a source said.

"We've run into Phoenix paper a little bit, but not a lot, on offset. We didn't run into Willamette paper, but we hear they're selling, mostly on the West Coast," a paper producer said.

"I hear that Phoenix Paper is producing 50-/80-lb offset rolls plus reply card. They experienced some [production] delays lately resulting from boiler issues," another contact commented.

For imports, P&PW learned that suppliers are also feeling downward pressure on pricing, but so far levels are holding and demand looks similar to December.

One exporter mentioned that merchants have started to stock more paper in order to prepare for the US Presidential election later this year.

New trade case? Sources also mentioned that a new trade case against imported UFS is being studied by domestic producers, involving Thailand and Colombia. The US Dept of Commerce (DOC) is continuing an anti-circumvention inquiry into imports of UFS paper in rolls from Australia, Brazil, China, and Indonesia. Cutsheet sheets from Australia, Brazil, China, Indonesia, and Portugal have been subject to antidumping duties since 2016; China and Indonesia cutsheet paper is also subject to countervailing duties as well.

In 2019, the USA imported 960,100 tons of UFS, or 16.7% more than in 2018, according to AF&PA statistics. Imports came mostly from Portugal, Brazil, and Asian countries other than China and Indonesia.

Coming capacity closures.

IP is expected to complete the conversion of its paper machine No. 15 in April at the Riverdale mill in Selma, AL, from UFS into bleached white top linerboard as well as other containerboard. The conversion will eliminate about 235,000 tons/yr of UFS capacity.

The Riverdale mill's PM No. 16 will continue to make about 410,000 tons/yr of cutsize office/copy paper.

IP Riverdale project. At this point, market contacts believe IP has already stopped making UFS paper at the Riverdale mill as it is working on the conversion. One contact said IP has already shut down both machines at Riverdale and will restart one making UFS by mid-February.

Another source said that IP customers are already looking somewhere else for paper.

"I heard that Selma stopped producing UFS earlier this month, although there may be some leftover inventory still in the pipeline," the source said.

There are no other capacity closures announced for this year, but sources wondered out loud to *P&PW* which machine or mill could be the next.

"I suspect Domtar will view itself as having taken its turn in 2019 and plan to wait for someone else to make a move," a source commented.

• **Monadnock Paper Mills** launched the ultrahide blackout poster, a 100% opaque blackout poster stock directed for indoor retail, hospitality, and event signage. The white, coated

printing surface is optimized for photographic reproduction using offset, screen, latex inkjet, and UV inkjet printing equipment, Monadnock said.

--by rmercante@fastmarkets.com

Specialty paper

Three major thermal paper suppliers announce price hike; North American rise uncertain

Three major thermal paper suppliers separately announced worldwide price hikes varying from 8% to 10%, attributing the adjustment to rising logistic and raw material costs, especially ocean freight. But how and when exactly these increases might affect the North American market was uncertain this week, according to Fastmarkets RISI's *PPI Pulp & Paper Week* contacts.

On Jan. 21, South Korea's Hansol Paper announced an 8-10% increase, effective Feb. 1. Two days later, Koehler Paper Group based in Germany said it would increase prices by up to 10% for all new orders, effective immediately.

Spain-based Lecta on Jan. 27 announced an 8-10% increase, depending on the country, effective Jan. 28.

"The price increase is unavoidable to offset the continuous increase in manufacturing and transport costs," Lecta stated.

In the USA, domestic producer Appvion has not issued any official announcement of a price adjustment on its thermal paper, but contacts said the company has indicated that it might

implement a similar price increase in March. Appvion is the largest US producer of thermal paper.

Prices for thermal paper in North America decreased a few times in 2019 because of oversupply, lower pulp and chemical prices as well as competition from imported converted rolls from Asia, contacts told *P&PW*. Thermal POS paper pricing in the USA is now about 12% lower than a year ago, according to *P&PW*'s poll.

"I still saw prices declining in the beginning of this year, which I found strange because pulp prices have stabilized. Now, the largest suppliers announced (thermal paper) price hikes all over the world, but it's too early to tell how much they will increase prices in North America," a source said.

Another contact mentioned that demand for thermal POS paper was good in December – even though slightly low year-over-year – and prices have been flat.

"Supply and demand seem to be balanced now in North America. Prices have been stable and although we don't anticipate a price increase anytime soon, the announcement by Koehler, Hansol, and Lecta could put pressure on increasing prices in the US as well," a buyer stated.

"All major players were recently trying to stabilize the thermal POS price in the US market [after they reduced prices in the second and third quarters], so I believe they are more likely to try an increase here only in the second quarter," a market player stated.

"We saw offshore prices declining [in North America] in the last six months, impacted by lower

pulp prices. Now, it looks like thermal paper suppliers realized that they can't just reduce prices - it won't solve the market's problems," a buyer commented.

Supply. Contacts also claimed that global thermal paper capacity may increase by 10% this year, as major suppliers have new capacity projects, both for coaters and on paper machines. Those with new capacity projects include Hansol, Koehler Paper, Lecta, Asia Pulp & Paper, and Oji.

Coronavirus impact? One source said the "coronavirus pneumonia" outbreak in China may sharply decrease paper supply - and possibly chemicals supply - in China due to logistics issues.

"Transportation of people, raw material and products has been blocked in China. Chinese paper exports will be delayed for at least one to two months, and this may push prices up in markets outside of China," a player stated.

The contact said that he was told by a chemical supplier that from Feb. 3, the chemical company's operation in China faces a potential shutdown by the government.

- **Avery Dennison** reported a slight 0.4% drop to \$1.17 billion in its label/graphic materials sales in the fourth quarter of 2019, compared with the sale in the same period of 2018. Operating income declined 6% to \$141 million with a 12% margin (compared with a 12.7% margin in fourth-quarter 2018). The company said that the benefits of productivity initiatives, and the net impact of raw material deflation and pricing were offset by higher restructuring

charges and unfavorable product mix. Avery Dennison reported total sales of labels/graphic materials at \$4.7 billion in 2019, or 2.2% lower than in 2018. The segment accounted for 67% of the company's total sales.

- **Specialty paper pricing.** Pricing for **SCK** (supercalendered kraft) **release liner label** remained stable in January and levels are 8% higher year-over-year in the USA. Sources told *P&PW* they don't expect any price movement during the first quarter of this year. **Carbonless** pricing was also unchanged this month and flat year-over-year, contacts reported. Sources believe carbonless prices will soften during 2020, as demand continues to slowly decline.

- **Lecta's** restructuring plan with creditors was sanctioned by the High Court of Justice of England and Wales on Jan. 28. Lecta expects the plan will strengthen its liquidity profile and allow it to continue its transformation into a specialty paper company. As part of the process, Lecta recently filed a Ch 15 petition in a US Bankruptcy Court. A New York Bankruptcy Court judge recognized and enforced the financial plan in the USA so that noteholders were prevented from taking action contrary to the company's financial plan.

--by rmercante@fastmarkets.com

Verso/Atlas-Blue Wolf have deal

»» continued from page 2

the transaction and now await Verso's stockholder approval to complete the deal. Shareholders were to vote by

Jan. 31 and Verso was expected to announce the result of the vote by the end of next week.

"We think it is a good deal, and we have been working hard to approve it," said Verso CEO Adam St. John during the annual meeting of stockholders.

If stockholders approve the deal, Verso will announce how it intends to return net cash proceeds from the transaction to the stockholders, which is expected to be up to \$282 million and not less than \$225 million, based on what Verso recently said publicly.

New board members. As part of the agreement announced on Jan. 31 by Atlas/Blue Wolf and Verso, the companies said they would "take all action necessary" to try to have elected to the Verso board of directors the following three nominees: Sean Erwin and Jeffrey Kirt, and new candidate Marvin Cooper. All three are nominated by Atlas/Blue Wolf, and Verso's nominees are Robert Beckler, Randy Nebel and Nancy Taylor, as well as CEO St. John. The companies also agreed that Erwin, a former Neenah CEO and Kimberly-Clark executive, will be appointed chairman of the board. Cooper is a retired Domtar's COO and executive VP and had previously worked as Sr VP of pulp, paper, containerboard manufacturing, and engineering of Weyerhaeuser, and was also at Willamette Industries for 22 years.

The other nominees for the Verso board Paula Cholmondeley, Steven Scheiwe, Jay Shuster, and Timothy Lowe are no longer standing for election.

Cholmondeley and Lowe agreed to withdraw their candidacy

to facilitate the agreement reached by Verso and Atlas/Blue Wolf, the companies stated.

"Lowe agreed to withdraw his candidacy to allow him to continue in his current active operating partner role with Atlas," Verso added.

"We got a strong company going forward with the new directors of the board, and I look forward to the future of Verso," St. John stated at the end of Verso's annual meeting.

Atlas co-founder and managing director Timothy Fazio, and Blue Wolf Capital Partners founder and managing partner Adam Blumenthal jointly stated: "We are pleased to have reached this resolution with Verso... Marvin Cooper, Sean Kirt and Jeff Erwin are highly qualified public company directors... and together with the existing members, we are confident that the board will be able to effectively oversee management's efforts to best position Verso for continued growth and value creation."

Verso's nominees Beckler, Nebel, and Taylor stated that they look forward to working with the three Atlas/Blue Wolf nominees to "successfully consummate the Pixelle transaction, return capital to stockholders and oversee the execution of Verso's strategy to maximize value to stockholders over the long-term."

Atlas/Blue Wolf concerns. Atlas/Blue Wolf said earlier this week that "Verso has been operating well below its potential," and that the sale of the Androscoggin and Stevens Point mills was a result of "the absence of a defensible and thoughtful long-term business

strategy for the remaining assets of the company."

"This is likely why Verso's stock trades at the lowest EV/EBITDA multiple among its peers and the company has had three CEOs in as many years," Atlas/Blue Wolf said.

Atlas/Blue Wolf also said that as the coated printing paper markets continue to decline, "Verso will face the brunt of these adverse forces and will either need to remove supply to balance such markets or face significant price erosion," and, as a result, Verso needs "a board with significant industry experience specific to such markets and a comprehensive long-term strategy."

Atlas/Blue Wolf claimed that Verso's decision to convert the A3 paper machine at the Androscoggin mill was "poorly conceived and lacked a long-term strategy" which led the company "to sell linerboard into an export linerboard market that went from net sale price of \$788/ton in February 2018 to \$470/ton in October 2019."

"Despite this experience, the incumbent board is now threatening to pursue a similar conversion project in Duluth, which is likely to cost tens of millions of dollars," Atlas/Blue Wolf said.

Verso is converting a printing paper machine at Duluth, MN, to 90,000 tons/yr of recycled containerboard and kraft paper production, with startup supposed to be this month.

Earlier this week, local media reported that Verso was seeking

a \$2 million loan from the state of Minnesota to help pay the \$34.5 million conversion cost on the machine at the Duluth mill.

--by rmercante@fastmarkets.com

Recovered paper

Maine's EPR program, a US first, would require producers to fund packaging end-of-life

Recycling has not rebounded in the USA, and states are seeking new routes to keep recycling programs afloat and recyclable materials out of the landfill.

This month on the East Coast, a draft prepared by the Maine Dept of Environmental Protection is the next step in the state's first-of-its kind plan to start an extended producer responsibility (EPR) program for packaging materials. EPR requires producers – manufacturers and distributors like Procter & Gamble (P&G), Walmart, Unilever, etc. – to fund costs for the take-back, recycling and/or disposal of their products. It puts the responsibility of packaging's end-of-life on the brand owner.

Also on the East Coast this month, New Jersey Sen. Kip Bateman signed S-3939/S-3944, a law establishing a Recycling Market Development Council to consider strategies that will increase the use of collected recyclables in the manufacturing of new products.

"There have been significant changes in the global recycling market, and the impact is being felt throughout our counties and towns," Bateman said in a statement. "Local governments

are struggling to maintain recycling without the outside revenue. The public has embraced recycling so effectively that supply now exceeds demand. The imbalance results in warehouses overflowing with paper, cans, bottles and plastic, and the excess ends up going to the landfill."

US demand for recovered paper, both for domestic paper mills and also for export mills, declined by more than two million tons in 2019 from 2018.

A mill source on the East Coast said while difficult to implement across-the-board, there has been an uptick in demand by packaging producers for recycled content in packaging. He referred to newspapers as one historic example. Laws like the recycling-focused council in New Jersey could help to create new markets for recovered paper grades that have seen dried up demand in recent years.

"A lot of newspapers were going to landfill because there were no markets to sell newspaper to, and the government implemented a law requiring newsprint companies had to use 30% recycled content when producing newspaper, and it completely turned the market for newspapers significantly," the mill contact said. "Some of these products that we don't have a market for, the packaging producers, and the big buyers of packaging will be pushing this from the sustainability standpoint."

EPR and packaging. Maine Gov. Janet Mills signed legislation in May 2019 that would "support municipal recycling programs" through an EPR law for packaging in the state. The next step of

this legislation was presented to the Maine Committee on Environment and Natural Resource on Jan. 8, according to a contact. There is no set date of when the bill will be completed.

EPR has been in effect for years in Europe and Canada. It was introduced in Sweden in 1990.

A contact in Canada said he is a "believer" in EPR, but it is not enough on its own considering today's recycling markets, especially recovered paper.

"There's a whole bunch of things going on at once, and the thing we're seeing right now, EPR is not necessarily the answer on its own," the contact said. "We can make all the bales of mixed paper we want, but who are we going to ship it to?"

The contact continued: "You spend a lot of money to clean it up, but you're not getting a lot of money for it. You still have that dilemma there. If the demand is not there for these products, then all this is for nothing. They're just putting all this money into a bad situation."

As an example, he added: "In a perfect world what should be happening is everything P&G puts out, we should be able to collect it, make a bale, and ask P&G for an address of where they want us to bring material back to."

Third-party pays munis. In Maine, the state program would require packaging producers to establish a "stewardship organization of producers of packaging" to pay fees to municipalities. These payments would be based on the type, amount, and design of packaging,

and whether the packaging is "readily recyclable" and "encourages better packaging design," according to the bill.

"Producers pay higher fees for packaging materials sold into the market that are not readily recyclable, are made of multiple materials or are toxic, in order to discourage the creation of materials needing disposal; and producers pay lower fees for packaging materials sold into the market that are of higher-value reusable components and that contain higher percentages of recycled content to ensure that the stewardship program supports a strong recycling economy," the bill stated.

EPR exists in some limited forms in Connecticut, Rhode Island, and California for materials such as mattresses, electronics and batteries, paint, and thermostats. There isn't a US program that requires the overarching control that a complete EPR program demands like the one being touted in the Maine legislature. Additionally, bottle bills were first rolled out in the 1970s in the USA, and 10 states still maintain these programs today.

Natural Resources Council of Maine sustainable Maine dir Sarah Nichols told a local report that a bill could be ready for debate by February, but it would take at least two years to get the system up and running if it was implemented as law.

Association opposition. Industry associations always have opposed EPR laws. In April 2019 when Maine began its EPR talk, the American Forest & Paper Association (AF&PA) wrote a letter to the Maine Environment and Natural

Resources Committee expressing its opposition, writing that EPR programs “do not create end markets for recyclable materials” and instead would disrupt the “successful recycling programs” already established in Maine by the implementation of EPR.

The AF&PA suggested in the letter: “As an alternative to a product stewardship for packaging program, Maine should focus on hard-to-recycle materials where there may not yet be a well-developed collection infrastructure or good recovery results. With a well-developed infrastructure for collecting paper and paper-based packaging in place to increase recovery, Maine should also increase consumer education to drive increased participation across the entire supply chain.”

The Fibre Box Association (FBA) has on its website a viewpoint opposing EPR due to the program being “burdensome and impractical.”

The FBA said: “Given our industry’s demonstrated commitment to support and build recovery initiatives for our products, we feel paper-based packaging in general and corrugated products specifically, should not be asked to subsidize the collection and establishment of markets for other packaging materials.”

Yet, in the UK, DS Smith, a leading supplier of sustainable packaging solutions, and the UK’s biggest recycler of paper and old corrugated containers, said it supports EPR programs as recycling markets struggle. The UK government launched last February consultations on four subjects: EPR for packaging

waste, deposit return schemes for bottles and cans, a proposed tax on plastic packaging that has less than 30% recycled content, and plans to reduce England’s domestic recycling collection systems – of which there are more than 150 today – into one consistent nationwide system.

DS Smith head of recycling Jochen Behr said in a Feb. 2019 statement: “Stagnating recycling rates demand a bold new approach, so we welcome the strategy’s commitment to overhaul our waste system and take steps towards building a circular economy.”

• **Rebuts Solides Canadiens**, a company that runs two recycling facilities in **Montreal**, announced its plans to end operations in the province Jan. 24. Despite local reports saying the city will attempt to keep its recycling facilities running, the issue stems from the city’s single-stream program, which began rolling out across North America 15 or so years ago.

--by mworkman@fastmarkets.com

Tissue

G-P to keep running Sparkle line at Crossett; Sofidel starts up new machine in Inola, OK

Sofidel started up its new tissue paper machine in Inola, OK, on Jan. 22 and Georgia-Pacific (GP) said that it would continue running a Sparkle towel converting line in Crossett, AR, that it had originally said would shut on Dec. 31.

The *Ashley News Observer* in Crossett first reported the Sparkle line news and also that GP plans to spend \$37 million at Crossett, where the company operates four or five tissue paper machines chiefly for consumer/retail tissue products.

“The investments we’re making are a mix of some mill infrastructure improvements, information technology projects and some investments in tissue production equipment,” a GP official told Fastmarkets RISI’s *PPI Pulp & Paper Week* on Jan. 29. “The Sparkle converting line is expected to continue running until sometime later this year.”

Sparkle was a \$325.68-million-brand in paper towels, in the last year through Dec. 1, based on IRI (Chicago-based Information Resources, Incorporated) figures. Sparkle categorically was the third largest US paper towel seller, behind private label toweling, which is made by various producers, and Procter & Gamble Bounty towels, according to IRI.

GP’s total paper towel sales were down 10.6% at \$600 million with more than half the towel sales from Sparkle, which generated the \$325.68 million, according to the IRI figures for the 52-week period through Dec. 1. The \$325.68 million total was up by 9.1% vs sales for the brand in 2018, according to the IRI figures.

Sofidel Inola. About 385 miles from Crossett to the north is Inola, OK, the so-called “Hay Capital of the World,” where Sofidel started up its second tissue paper/converting greenfield complex. It is the Italy-based company’s second greenfield tissue products project in the

USA in 1½ years. Sofidel's facility in Inola is on a 240-acre site. The conventional PM at Inola officially started on Jan. 22 – as part of Sofidel's \$360 million project. A second new tissue paper machine is to start up in April at the Inola complex, Sofidel CEO Luigi Lazzareschi said during Fastmarkets RISI's North American Forest Products Conference at the end of October. Sofidel already has been running converting lines in Inola at a different site and is moving those lines next to the paper machines, Lazzareschi said in October.

The Inola operation is similar to the Sofidel development in Circleville, OH. Sofidel started up two new tissue paper machines with converting lines in Circleville in 2018. The company entered the US tissue market in 2012, acquiring Cellynne. Its US output is about 50% for consumer/retail business and about 50% for Away-from-Home, Lazzareschi said in October.

• **Kimberly-Clark** said Russ Torres was named pres of Kimberly-Clark Professional, effective Mar. 9. Torres joins Kimberly-Clark with more than 20 years of experience in consumer products goods, including a "number of key Sr leadership roles at **Bain & Company**, **Mondelez International**/**Kraft Foods Inc.**, and most recently at **Newell Brands**.

• **Kruger** announced that Susan Irving is the company's new Chief Marketing Officer. "She has extensive CPG experience and the strategic acumen to lead Kruger Products brands to further growth and connection to our consumers," Kruger Products CEO Dino Bianco said in a release. Irving before

Kruger worked at Warner Lambert, **Coca-Cola**, and **PepsiCo**. Most recently at PepsiCo Foods Canada, Irving was the Sr Marketing Dir for the Quaker Nutrition portfolio. During her 15 years at PepsiCo, she was in several roles including leadership of a Global Snacks team, and worked on key brands such as Doritos, Cheetos, Lays, and Sun Chips. Irving replaces the retiring Nancy Marcus who joined Kruger Products in 2001. She was appointed to CMO of North America in May 2018. "Nancy ... will be best remembered for her leadership and strategic brand transition resulting in the launch and significant growth of Cashmere and SpongeTowels, two of Canada's most loved tissue brands, Bianco said. "On behalf of the company and of all its employees, I would like to sincerely thank Nancy for her exceptional contributions to our success and recognize her career as one of Canada's top marketers."

--by grudder@fastmarkets.com

Pulp prices in USA unchanged

»» continued from page 1

Jan. 30, market participants told Fastmarkets RISI's *PPI Pulp & Paper Week*. Southern bleached softwood kraft (SBSK) effective list prices also held flat at \$1,005, but spot prices surged \$20 after American producers sought to bridge a long-standing gap with its northern counterpart.

US producers of SBSK and European NBSK producers proved hearty competitors to Canadian NBSK during last year's market downturn, when oversupply and nearly monthly price erosion led to aggressive competition for

every shipment. In most cases, American and European mills found the easiest way to get spot market business was through substantially lower prices.

Spot BSK battle truce? That trend began to ease after China decided to not double import tariffs on US pulp imports on Dec. 15, and in the early weeks of January as preparations for a union strike in the NBSK hotbed of Finland began. A contact at an NBSK producer this week said the sharply lower price competition – Scandinavian NBSK has typically sold for \$40 lower than Canadian while SBSK trended \$100 lower – appeared no longer a significant drag on domestic spot markets.

"They are not so much an issue right now. Once buyers realized the (different) quality and they decided on how much SBSK they can use, they realized they can't replace NBSK 100%," said the NBSK producer source. "What happened is they either maxed out or have enough SBSK."

During the summer of 2019, when price erosion peaked and news emerged of China planning to lift tariffs on US pulp imports to 10%, US mills went into "panic mode" and shipped spot SBSK to longer distances such as the Midwest and East Coast at low prices in a bid to blow out their inventory. Now, with China trade relations improved and Finnish NBSK output expected to dip, competition has eased, sources noted.

IP hikes US, Europe. Against that backdrop, two North American producers announced \$20-40/tonne increases on their respective grades of pulp, effective Feb. 1 until further notice. In NBSK,

PIX - pulp indexes – January 7, 2019

NBSK – US Net Change (Jan 2016 = 100.00) December 2019: 112.34 (2.56)

SBSK, and fluff pulp, International Paper (IP) announced a \$40 increase in North America and Europe, sources told *P&PW*.

IP didn't state its new list prices in either market. Based on January prices, a \$40 increase on the three grades would bring NBSK to \$1,155 in North America, SBSK to \$1,045, and fluff to \$1,145. Those are also the price levels major producers including Canfor Pulp, Domtar, Resolute Forest Products, and West Fraser previously announced.

NBSK imports are expected to dip from Finland after an industrywide strike reportedly started at 14 Finnish pulp mills on Jan. 26 with the Finnish Paper Union and the Pro Union strikes expected to last three weeks, until Feb. 17. The strike reportedly involves about 9,000 union members.

Finnish force majeure. Metsä Fibre announced force majeure to customers in the wake of the strike. Metsä Fibre said in a letter to customers that it had to temporarily shut all of its pulp mills, affecting both production and the supply chain.

"The strike is expected to unfortunately cause delays in our pulp deliveries. This event has taken place for reasons beyond our control and therefore falls within the force majeure provision of the General Trade Rules for wood pulp," Metsä Fibre said in the letter.

UPM sent a letter to customers dated Jan. 27 stating that the Finnish industry strikes would

impact its pulp, paper, plywood, and sawmill production in Finland.

"We have worked to pre-make orders where possible and shifted orders to mills outside of Finland. However, considering the magnitude of the action, we expect disturbances in our supply chain," a North American UPM executive said in a note to customers. The note was obtained by *P&PW*.

"We want to point out that this is the consequence of industrial action by Finnish Unions and not specific to UPM. The ongoing strike is beyond our reasonable control and UPM alone is not able to influence or control this force majeure situation," the company said, according to the letter.

While the letter cited pulp and used the term "force majeure," a UPM official said the letter was not actually a force majeure declaration.

An industry analyst estimated that if the Finnish strike lasts three full weeks, it will reduce market pulp output by about 300,000 tonnes. About 80% of Finland's market pulp capacity is NBSK.

BHK spot rises \$10, Verso sets \$20 hike. In other grades, US BHK spot prices increased for the first time in more than a year, after regional pockets of lower supplies encouraged producers to push up non-contract prices, especially in the Northeast. US BHK increased to \$480-520/tonne,

up \$10 for spot business, according to *P&PW* polling.

The spot market bounce came as a surprise to buyer sources given the still-oversupplied BHK inventories globally. However, producer contacts said there are certain regional markets where demand perked up, and there's not an influx of spot bleached eucalyptus kraft (BEK) from Brazil or Chile.

"My sense is globally inventories are still high. But here folks don't hold onto a lot of inventory," said a contact at a North American BHK producer. "Our warehouses ... aren't nearly where they were six months ago. They were busting at seams before. Here the inventory is slight (so) we'll try to push the envelope where we can."

Verso hikes NBHK, UKP \$20.

Verso announced to North American customers that its northern bleached hardwood kraft (NBHK) pulp will increase \$20, effective Feb. 1, industry contacts told *P&PW*. Verso didn't state a new NBHK list or net price to customers. The firm also announced a \$20 increase on unbleached softwood kraft (UKP) in North America.

Verso makes maple grade NBHK at its Quinnesec, MI, mill, and UKP at Androscoggin, ME. Verso is the only known hardwood kraft producer to announce a February price in North America through Friday morning.

Coronavirus drag in China.

While North American market participants will soon begin negotiations on February prices, it will happen with a pricing bounce in China stalled out due to the coronavirus breakout, which led

the World Health Organization to declare it a global emergency and the Chinese government to extend the country's Lunar New Year holiday by one week.

Workers in many Chinese cities aren't expected to return to offices until Feb. 10, which will lead to a delay in pulp orders that industry sources said could lead to a gap in shipments. Chinese swings in pulp orders is usually the biggest single factor in worldwide market pulp inventory swings.

"NBSK and eucalyptus suppliers have been voicing their intention of an upward adjustment but now I started to feel that they would change their attitude soon because of the China situation," said a market participant in Asia. "Extended closures of schools, offices, and factories will definitely create significant issues for the manufacturing segment. Government offices can be closed for a long time, too. If that happens, shipments arriving to China will have nowhere to go and even if pulp consumers can luckily resume operations their raw material pulp can run out quickly."

• The 280,000 tonnes/yr **Northern Pulp** NBSK mill in Nova Scotia stopped producing market pulp on Jan. 12, industry contacts told *P&PW*. Its shutdown occurred about three weeks earlier than sources had expected after it was ordered by the provincial government to close on Jan. 31 (*P&PW*, Jan. 17, p. 1). Workers will keep the mill warm in case it's able to ramp-up in the future, and the firm is continuing to negotiate with Nova Scotia officials, a source

said this week. **Paper Excellence Canada** owns the mill.

--by bryan.smith@fastmarkets.com

News briefs

US real gross domestic product (GDP) increased 2.1% in the fourth quarter of 2019, according to the "advance" estimate released by the U.S. Bureau of Economic Analysis (BEA). In the third quarter, real GDP also increased 2.1% in the USA, according to the BEA report... **China's** government issued a new environmental policy that will ban plastic bags from all of China's major cities by the end of 2020, and ban from all cities and towns in 2022, Reuters reported. **RBC Dominion Securities** analyst Paul Quinn wrote in an investors note that "by the end of 2020, the restaurant industry will also be banned from using single-use straws, and overall consumption of single-use plastics must be reduced by 30% by 2025." Quinn added that "we view this positively for pulp &

paper demand going forward, as many substitute products include fiber-based solutions."... **Kimberly-Clark de México** (KCM) reported a 4.5% growth in fourth-quarter 2019 net sales to Peso 10.8 billion or \$570 million (compared with fourth-quarter 2018 net sales). Its EBITDA was Peso 2.9 billion in the quarter or about 27%. "Net sales growth was driven by a 5% growth in volume, while the price and the mix were in line with the same period of the previous year. Consumer products grew 3%, away from home 5% and exports were 8% higher than in the previous year," KCM said. The company's cost of domestic and imported fibers, pulp, superabsorbent material, and resins compared favorably in fourth-quarter 2019 to fourth-quarter 2018, the company said... **Worzalla** announced a competition to name its new printing press, a Heidelberg 106 that is to operate this spring at the company's plant in Stevens Point, WI. The new press is to print pages and covers of custom books. Along with the press project, Worzalla is adding 50,000 ft² to its operation.

PPI Pulp & Paper Week

© Copyright 2020 by RISI, Inc. All rights reserved. Reproduction in any form whatsoever forbidden without express permission of copyright owner. PPI Pulp & Paper Week and Pulp & Paper Week are trademarks of RISI, Inc. and are registered in the US Patent and Trademark Office.

Editorial Staff

Greg Rudder, Managing Editor, containerboard-kraft paper, tissue grudder@fastmarkets.com; 628.232.0438
 James McLaren, Sr. News Editor, boxboard jmclaren@fastmarkets.com; 628.232.0312
 Bryan Smith, Deputy Editor, global pulp bryan.smith@fastmarkets.com; 628.232.0446
 Renata Mercante, Sr. News Editor, printing and writing paper rmercante@fastmarkets.com; 315.791.4467
 Megan Workman, Editor/Price Reporter, recovered paper mworkman@fastmarkets.com; 212.224.3934
 Teresa Wann, Director of Production twann@fastmarkets.com; 628.232.0477
 Paul Blackwood, Digital Publishing Specialist pblackwood@fastmarkets.com; 781.734.8935

Editorial office

315 Montgomery St., 10th floor, #1012, San Francisco, CA 94104, fax 781.734.8998.

Subscriptions and customer service

Call 866.271.8525 (US & Canada) or 312.536.0748 (outside the US & Canada); visit risi.com/ppw (new subscriptions); email info.risi@fastmarkets.com; fax 781.734.8998, or mail to PPI Pulp & Paper Week, 1 Van de Graaff Drive, 6th floor, Burlington, Massachusetts, 01803-5176 USA.

Advertising

PPI Pulp & Paper Week accepts advertising. For information on pricing and availability, please consult risi.com/advertising

Executives

Daniel Klein Chief Executive Officer
 Matt Graves Senior Vice President