

# PPI Pulp & Paper Week

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

## OCC export shoots up \$15-20 despite container issue; domestic rises as low-stock mills push up premiums

Demand for US recovered paper that started picking up in February as buyers tried to secure enough furnish before an impending container shortage due to the effects from the coronavirus has continued in a steady to better form into March. As a result, the pricing of old corrugated containers (OCC) increased by \$10/ton and \$15/ton at US mills, and shot up on export No. 12 double-sorted OCC (DSOCC) to China and export No. 11 to Asia, according to Fastmarkets RISI's Mar. 5 survey.

Low recovered paper generation in the USA and active containerboard mills – many with low inventories on-hand – pushed up *»» continued on page 5*

## In this issue:

Prices: US recovered paper	<b>3&amp;4</b>
Leaders: Sutton new AF&PA chair	<b>2</b>
Economy: Virus may cause slowing	<b>2</b>
RCP: DS Smith opens mill plant	<b>7</b>
Energy: PHP plans wind farm	<b>9</b>

## As world pulp stocks rise, analysts see stock overhang; China NBSK holds so far with some trying increase

After a February that marked a broad price recovery in global pulp markets, supplies could rise in the coming months as shipments normally destined for China are redirected to local markets and producers await a seasonal bounce in demand that may not occur. Amid doubts about whether Chinese shipments would hold up in the wake of the coronavirus' drag on consumption and severe logistical challenges, worldwide chemical market pulp producer inventories closed January with the first sequential inventory rise in seven months.

Global pulp producer inventories rose two days-of-supply to 39 days overall in January, the Pulp and Paper Products *»» continued on page 13*

**Fastmarkets RISI**

**European Conference**



March 9-11, 2020  
Lisbon, Portugal

Register today  
[risi.com/euroconf](http://risi.com/euroconf)

## UFS paper prices hold steady in February, but remain under pressure as demand does not improve

Prices for uncoated freesheet (UFS) paper remained unchanged in North America in February, but contacts said that there are a lot of low-priced spot offers in the market.

The Fastmarkets RISI PPI Pulp & Paper Week survey found transaction prices for 20-lb copy paper 92 bright stable at \$1,070-1,120/ton in February; 20-lb copy paper 30% recycled 92 bright was also unchanged at 1,130-1,180/ton; and 50-lb offset rolls 92 bright was flat at \$980-1,000/ton. Prices compared with the levels in February 2019 were about 1% lower. *»» continued on page 10*

## Fastmarkets RISI News & Prices App



For more info:  
[risi.com/app](http://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](mailto:info.risi@fastmarkets.com)

## Leadership

### IP's Sutton elected chmn of trade group AF&PA board

The American Forest & Paper Association (AF&PA) announced the election of International Paper (IP) chmn and CEO Mark Sutton as the new AF&PA board chair. IP is the largest pulp and paper company in the world, based on capacity, and Sutton, once a mill manager early in his career, became IP's chmn at the start of 2015, and CEO in November 2014.

Sutton becomes board chmn following Greif pres/CEO Pete Watson who was the 2019 AF&PA board chair.

"The U.S. paper and wood products industry plays an essential role in sustainable forest management

that helps keep forests as forests," said Sutton, in a release. "I look forward to advocating for our industry's circular, sustainable, and responsible manufacturing practices and innovations. We are proud to lead important conversations on biomass energy, recycling, regulatory reform and transportation infrastructure that support our commitment to growth and our ability to create American manufacturing jobs."

Sutton became IP's CEO, replacing John Faraci. Prior to becoming CEO, he was pres/COO at IP. Sutton has been with the company his entire career, having joined IP in 1984, as an engineer at the Pineville, LA, mill. In 1994, he was named mill mgr at the Thilmany, WI, mill that was part of IP's industrial papers business. Sutton also is on the Board of Directors

for The Kroger Company. He is a member of the Business Council, the Business Roundtable Board of Directors, and the International Advisory Board of the Moscow School of Management – Skolkovo. He also serves on the Board of Directors for Memphis Tomorrow and the Board of Governors for New Memphis Institute.

Along with the election of Sutton, additional elected officers to the AF&PA board were Graphic Packaging pres/CEO Michael Doss as first vice chair and Georgia-Pacific pres/CEO Christian Fischer as second vice chair.

• **Former American Forest & Paper Association (AF&PA) pres/CEO Donna Harman** joined the **Packaging Corp of America (PCA)** board of directors in December. She is the 12<sup>th</sup> member of the board at PCA. **Harman** was AF&PA trade group pres/CEO from 2007 until her retirement in 2019. Harman previously was AF&PA's Sr VP for Policy and Government Affairs, and was in governmental affairs for **Champion International** and **The Dow Chemical Company**, and also a legislative assistant in Congress. Heidi Brock replaced the retiring Harman and became the AF&PA pres/CEO last year.

--by [grudder@fastmarkets.com](mailto:grudder@fastmarkets.com)

## 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
	Nov. 2019	Dec. 2019	Jan. 2020
Natural gas wellhead industrial (per 000 cu. ft)	\$3.87	\$3.88	n.a.
US industrial production, % chg.	0.9	-0.4	-0.3
Nondurable (non-energy) output growth, %	0.0	0.5	-0.2
Trade deficit (billion)	\$43.7	\$48.9	n.a.
Housing starts, seasonally-adjusted (millions of units)	1.381	1.626	1.567
US retail sales, % growth, seasonally-adjusted	0.2	0.2	0.3
Institute for Supply Management Index -- Manufacturing, %	48.1	47.8	50.9
US unemployment, %	3.5	3.5	3.6
US consumer price index, % chg., seasonally-adjusted	0.2	0.2	0.1
Target US federal funds rate %	1.5-1.75	1.5-1.75	1.5-1.75
Printing/support output, monthly rate, % chg.	0.3	-1.0	0.9
Rates per US dollar	Dec. 31	Jan. 31	Feb. 28
*Euro	1.122	1.108	1.100
C\$	1.296	1.322	1.341
Brazilian Real	4.01	4.28	4.49
Chinese RMB	6.96	6.91	6.99

Notes: The monthly US Energy Information Admn. natural gas industrial price was \$3.43 in Oct. 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.

## Economics

### Coronavirus threat likely to cause slowdown, says Fastmarkets RISI's economist

Fastmarkets RISI's global economist sees threats of at least an economic slowdown from the coronavirus outbreak and this

» continued on page 15

# PRICE WATCH: Recovered Paper - Domestic

March 6, 2020

US\$ per short ton for open market purchases by mills, FOB seller's dock, for delivery this month. (Further specifications below.)

Incorporating Official Board Markets

	Northeast						LA-SF		
	New England	New York	Buffalo	Midwest (Chicago) <sup>1</sup>	Southeast <sup>2</sup>	Southwest <sup>2</sup>	LA	SF	Pacific NW <sup>3</sup>
<b>MIXED PAPER</b>									
Mixed Paper (54)	-10 - -5 (+0)	-10 - -5 (+0)	-10 - -5 (+0)	-5 - 0 (+0)	-10 - -5 (+0)	-5 - 0 (+0)	-8 - -3 (-3)	-8 - -3 (-3)	-15 - -10 (-5)
<b>BROWN GRADES</b>									
Boxb cutt (4) - OBM*	20 - 25 (+0)	20 - 25 (+0)	20 - 25 (+0)	25 - 30 (+0)	15 - 20 (+0)	25 - 30 (+0)	15 - 20 (+0)	5 - 10 (+0)	10 - 15 (+0)
OCC (11) - OBM*	45 - 50 (+15)	45 - 50 (+15)	45 - 50 (+15)	45 - 50 (+15)	45 - 50 (+10)	40 - 45 (+10)	40 - 45 (+10)	30 - 35 (+10)	40 - 45 (+10)
DLK (13) - OBM*		60 - 65 (+15)		60 - 65 (+15)	55 - 60 (+10)	55 - 60 (+10)	50 - 55 (+10)	40 - 45 (+10)	45 - 50 (+10)
<b>GROUNDWOOD</b>									
Sorted Residential Papers & News (56) *	5 - 10 (+0)	5 - 10 (+0)	5 - 10 (+0)	15 - 20 (+0)	15 - 20 (+0)	5 - 10 (+0)	5 - 10 (+0)	0 - 0 (+0)	5 - 10 (+0)
	Northeast						LA-SF <sup>4</sup>		
OMG (10)		40 - 45 (+10)		45 - 50 (+5)	45 - 50 (+5)	50 - 55 (+5)	50 - 55 (+10)		45 - 50 (+5)
CGS (44)		40 - 45 (+10)		45 - 50 (+5)	45 - 50 (+5)	50 - 55 (+5)	50 - 55 (+10)		45 - 50 (+5)
SCN (58)		80 - 85 (+0)		80 - 85 (+0)	85 - 90 (+0)	90 - 100 (+0)	75 - 80 (+0)		65 - 70 (+0)
WBN (24)		210 - 220 (+0)		200 - 210 (+0)	195 - 205 (+0)	215 - 225 (+0)	190 - 200 (+0)		160 - 170 (+0)
<b>HIGH GRADES</b>									
SOP (37)		90 - 100 (+10)		90 - 95 (+5)	90 - 95 (+5)	90 - 100 (+5)	105 - 115 (+10)		85 - 90 (+5)
CBS (43)		90 - 100 (+10)		90 - 95 (+5)	90 - 100 (+5)	90 - 100 (+5)	100 - 110 (+10)		90 - 95 (+5)
SBS heavy print (45)		110 - 120 (+10)		105 - 115 (+5)	95 - 105 (+5)		115 - 125 (+10)		
SWL (40)		165 - 175 (+0)		145 - 155 (+0)	165 - 175 (+0)	180 - 190 (+0)	160 - 170 (+0)		130 - 140 (+0)
MWL (41) <sup>1</sup>		175 - 185 (+0)		150 - 160 (+0)	170 - 180 (+0)	190 - 200 (+0)	165 - 175 (+0)		140 - 150 (+0)
SBS light print (45)		180 - 190 (+10)		145 - 155 (+5)	160 - 170 (+5)	170 - 180 (+5)	160 - 170 (+5)		
<b>PULP SUBS</b>									
SBS unprinted (47)		235 - 245 (+0)		230 - 240 (+0)	240 - 250 (+0)	245 - 255 (+0)	230 - 240 (+0)		
HWS (30)		240 - 250 (+0)		245 - 255 (+0)	260 - 270 (+0)	270 - 280 (+0)	255 - 265 (+0)		
HWEC (31)		270 - 280 (+0)		280 - 290 (+0)	280 - 290 (+0)	300 - 310 (+0)	285 - 295 (+0)		245 - 255 (+0)

## \* OBM PRICES

Prices for grades designated "OBM" are a continuation of the prices originally published in Official Board Markets ("OBM", "The Yellow Sheet") and are reported on the same basis as published historically in OBM. See [www.risi.com/RCPmethodology](http://www.risi.com/RCPmethodology) for a complete description of what has and has not changed about OBM prices. (Price not marked \* are consistent with prices published historically in P&PW.)

## SPECIFICATIONS

Prices represent open market board and paper mill purchases agreed to for delivery in the indicated month. Contractually Indexed transactions are excluded. Specifications: baled; full-truckload quantities; exclusive of delivery charges, premium or distress lots, and of all subsequent charges for packing, handling, destination considerations, or other special charges. Grades and preparation requirements are as defined in the current ISRI Scrap Specifications Circular.

## NOTES

1. Preconsumer.
2. The price on the low end of the range is for the Bay Area and the price at the top end of the range is for the Los Angeles area.
3. As of Oct 2012, these region names were changed from a city to a region (e.g. "Chicago" to "Midwest"). This is a change in title, not in methodology. All references to the new names (e.g. "Midwest") as they apply to each price series above are consistent with the legacy names (e.g. "Chicago").
4. ONP #8 can be replaced with SRP #56 in formulas used to derive ONP#6 price.
5. Change reflects the difference between the high of the current month and the high of the previous month.

## DISCLAIMER

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

## PRICE WATCH: Recovered Paper - Export

Open market transactions for delivery this month, US\$. (Further specifications noted at right.)

March 6, 2020

	Destination	New York <sup>1</sup>	LA <sup>2</sup>	SF/Oakland
FAS port of origin (per ton)		Change <sup>4</sup>		
Mixed Paper (54) <sup>4</sup>	Asia	-6 - -3 (-3)	4 - 7 (-3)	-1 - 2 (-3)
OCC (11)	Asia	97 - 100 (+20)	107 - 110 (+20)	102 - 105 (+20)
Double Sorted OCC (12)	China	112 - 115 (+15)	122 - 125 (+15)	117 - 120 (+15)
DLK (13)	China	122 - 125 (+15)	132 - 135 (+15)	127 - 130 (+15)
Sorted Residential Papers & News (56) <sup>5</sup>	Asia	24 - 27 (+0)	24 - 27 (+0)	19 - 22 (+0)
CGS/OMG (44,10)	China	52 - 55 (+15)	67 - 70 (+15)	
SOP (37)	China	157 - 160 (+15)	162 - 165 (+10)	157 - 160 (+10)
SWL (40)3	Asia	227 - 230 (+0)	232 - 235 (+0)	217 - 220 (+0)
CFR to destination port (per tonne) <sup>7,8</sup>				
OCC (11)	India	157 - 160 (+37)		
Double-sorted OCC (12)	India	172 - 175 (+30)		
DLK (13)	China	177 - 180 (+10)	182 - 185 (+10)	

### SPECIFICATIONS

Prices represent open market purchases agreed to for delivery within 30 days. Contractually indexed transactions (i.e. transactions whose price is determined in whole or in part by a formula in a long-term contract) are excluded. Specifications: baled; full-truckload quantities; exclusive of premium or distress lots. Grades and preparation requirements are as defined in the current ISRI Scrap Specifications Circular (now PS-13).

### NOTES

1. "New York" includes ports in Northern New Jersey
2. "LA" includes Long Beach and LA ports
3. SWL prices are for ports in South Korea, Indonesia, and Thailand
4. As of March 2018, the destination of Mixed Paper assessments was changed to Asia from China and Mixed Paper assessments CFR China were discontinued.
5. As of April 2018, the destination of Sorted Residential Papers & News assessments was changed to Asia from China and SRPN assessments CFR China were discontinued.
6. Change reflects the difference between the high of the current month and the high of the previous month.
7. As of October 2018, assessments of SOP CFR China and SWL CFR Asia were discontinued.
8. As of April 2019, assessments of OCC (11) bound for China, SCN (58) bound for non-China asia and all grades FAS Chicago were discontinued.

## Recovered paper

### Some downtime in March doesn't deter strong demand, pricing as mills seek material

US containerboard mills have been running well to start the year, yet despite the strong run rates and steady demand for recovered paper, several mills planned downtime in March for routine seasonal maintenance or equipment upgrades.

With demand and pricing up in March on old corrugated containers (OCC), according to Fastmarkets RISI's Mar. 5 pricing survey (see story, p. 1), contacts said this planned downtime

occurs as generation has been off considerably across the USA.

"Yes, there's some downtime, potentially, but if we're looking at where (OCC) is at right now, there is a shortage in the Midwest on the supply side," a supplier said. "We're looking at our mills we sell to, and we've got multiple mills right now taking extra OCC and poaching our accounts from other people."

The supplier added: "No specific downtime mentioned as of yet in the Midwest other than some two-to-three day maintenance, which is typical spring, but since it's a mild winter, dates could be moved up."

In the Northeast, Atlantic Packaging will be down for two weeks in March to replace a press section on a machine, according to several contacts. In the Southwest, Republic Paperboard's \$94 million modernization update at its gypsum wallboard paper mill in Lawton, OK, will cause downtime for at least two weeks. Republic will not pick up loads through Mar. 25, one trader said. In the Southeast, a couple of sources said Pratt's Conyers, GA, recycled containerboard mill was down this week, and one supplier said it should be back up by next week.

At the same time, various US mills, especially in the Northeast, had low inventories, which led



them to increase orders. In the Northeast, contacts claimed every mill in the region has been running "very strong."

One industry contact added: "Out of the Northeast, it is very strong demand for brown grades. One mill group said no planned downtime in March and the mills are running very well. Mill orders are good and curbside collections are down. Mill buyers are spot buying outside of their normal markets and are paying high premiums. Mill inventories are not high so many are looking for extra tons."

US containerboard mills in January operated at 95.1% of capacity, a much higher rate than the full-year average for 2019 of 92.2%.

A contact said Mar. 4: "Everybody is producing. Our mills are running way over forecast."

One industry contact told of a company planning mill maintenance downtime this month, in blocks of eight to 12 hours, and with "no market-related downtime like back in the summer."

Last summer, containerboard and tissue mill downtime during the warmer months were continuing from a trend that started back in fourth-quarter 2018 in

containerboard as mills began extending the number of days they took for downtime during routine seasonal maintenance. In some cases, the downtime was doubled. The economic downtime in containerboard mainly resulted from an 11.2% decline in US kraft linerboard exports in 2019, compared with in 2018.

--by [mworkman@fastmarkets.com](mailto:mworkman@fastmarkets.com)

## OCC domestic, export prices up

»» continued from page 1

the US national average to \$44/ton at the FOB seller's dock, double the historic low OCC fell to in November 2019 at \$22/ton. Domestic OCC pricing increased in every US region in March, the second month this year, after doing so last month for the first time in 2½ years.

Despite some planned maintenance and equipment downtime in March at some mills (see story, p. 4), contacts were not concerned as market factors aren't at play like this time last year when major mills took market-related downtime. (In the first half of 2019, International Paper (IP) took 1.05 million tons of containerboard downtime, and WestRock, the second largest producer behind No. 1 IP, took

almost 600,000 tons of downtime. These two companies are the two largest consumers of recovered paper in North America.)

### **Short-lived export demand?**

Export demand is expected to be short-lived as reports came in this week of vessel skips, freight increases, and a slower and more challenging export experience for US traders as the coronavirus continued to spread globally. Exporters expressed concern that the export market "will crash" by April. Contacts told of increased freight rates of \$50-300.

"The biggest problem is vessel skipping and lack of space. It's very serious and no end in sight at this time," said one large exporter. This contact reported increased OCC export pricing for March, and an "upward" US market in terms of price.

Exporters shipped OCC mostly to China, Indonesia, India, Vietnam, Malaysia, Taiwan, Thailand, Mexico, and Canada in March. This demand pushed up pricing for No. 12 DSOCC by \$15/ton FAS to China on the West Coast export market to \$122-125/ton out of Los Angeles/Long Beach in California, and to \$117-120 out of the Oakland, CA, port, and on the East Coast, by \$15/ton to \$112-115/ton out of the New York/New Jersey ports. These increases come after two months of strong demand, and export hikes for DSOCC of \$12-15/ton in both February and January.

"We've definitely seen China come in for No. 12 and push the price up to make it viable for us," an East Coast exporter said.

Pricing for No. 11 US OCC exported to Asia increased \$20/ton to \$97-100/ton FAS at the

### **COVERAGE NOTE: Correction to US Average MWL (41) assessment Mar. 5**

NEW YORK, Mar. 6, 2020 (Fastmarkets RISI) - Due to a spreadsheet error, the US Average price for Manifold (Preconsumer) White Ledger (41) was published incorrectly Mar. 5 as \$169/ton in the Fastmarkets RISI online portal and mobile app. The correct price is \$170/ton.

All databases have now been corrected.

For any questions, please contact [pricing.risi@fastmarkets.com](mailto:pricing.risi@fastmarkets.com).

New York/New Jersey ports, and on the West Coast to \$107-110 FAS at Los Angeles/Long Beach and \$102-105 at the Oakland, CA, port. No. 11 OCC increased by \$10-15/ton in both January and February this year.

Explained another exporter, off the West Coast: "While there's extreme desperation right now, they need to get everything they can on the water because once the music stops, it's four to six months before the steamship lines can get anything back to normalcy. These guys around the world are in trouble and they know it. And that's why the market is reacting the way it is today."

Pricing to India bumped up significantly as a result as well. OCC No. 11 to India increased \$37/ton to \$157-160 CFR, and No. 12 DSOCC by \$30/ton to \$172-175/ton CFR.

One trader described pricing had "rocketed up." He said several factors from effects of the coronavirus, including increased ocean freight costs, shortage of shipping due to skipped vessels by steamship lines, and "aggressive buying by ACN/Nine Dragons (America Chung Nam) and others in the market has forced Indian mills to pay whatever it takes to get some supplies."

A mill contact said: "Container movement out of the USA is relatively better (compared with other countries) and US shippers are pricing OCC higher to meet the supply gap."

**OCC up to \$35 premium.** US mills are reportedly running solid still, and sought material with premiums that in some cases were doubled as generation

## US Recovered Paper National Averages – 1Q 2020

(FOB seller's dock levels)

US average	Mar. 2020	Feb. 2020	Jan. 2020	Mar. % chg. year ago
Mixed paper	-\$7	-\$5	-\$3	n.a.
Boxboard cuts OBM	20	20	13	-64.9
OCC OBM	44	32	24	-13.7
DLK OBM	55	43	34	-19.1
SRPN	9	9	9	-62.5
OMG	48	42	40	-55.5
CGS	48	42	40	-55.5
SCN	82	82	84	-31.6
WBN	200	200	200	-17.7
Unprinted SBS	241	241	241	-31.1
HWS	259	259	259	-29.4
HWEC	282	282	282	-27.3
SOP	95	90	85	-45.1
CBS	96	91	84	-44.5
Heavy print SBS	111	104	99	-42.5
SWL	163	163	163	-38.7
MWL	170	170	170	-36.6
Light print SBS	\$168	\$162	\$161	-33.6%

Notes: Pricing is based on levels to mills and numbers are rounded. PPI Pulp & Paper Week legacy national average prices, except for OBM national averages for boxboard cuttings, old corrugated containers, and new double-lined kraft corrugated cuttings. Added in July 2017 were the new mixed paper and sorted residential papers & news (SRPN), which replaces the retired old newspapers No. 8. n.a.=not meaningful.

Source: PPI Pulp & Paper Week.

## US Recovered Paper Price Ticker\*

(FOB seller's dock per ton.)

2020	
March	\$98
February	95
January	93
2019	
December	\$93
November	96
October	101
September	103
August	108
July	113
June	118
May	129
April	140
March	\$150

\* Ticker is the average from the combined US average domestic mill prices for mixed paper, sorted residential paper & news (SRPN), old corrugated containers (OCC), hard white envelope cuttings, sorted office paper, and sorted (postconsumer) white ledger. Effective in July 2017, the ticker includes new grades mixed paper (54) and SRPN (56). The SRPN replaces the retired ONP No. 8.

Source: PPI Pulp & Paper Week.

is off significantly across the country. US containerboard mills in January operated at 95.1% of capacity, a much higher rate than the 2019 average of 92.2%. Contacts said generation is off 15% in the Midwest, 20-30% in the Northeast, and one mill that handles grocery tons saw its generation of OCC down 18% in January and 32% in February. Another mill contact told Fastmarkets RISI's *PPI Pulp & Paper Week* that its OCC from retail is on par with last year's generation, while its recovery overall is off 10-20% overall.

"Peddlers don't come around anymore. There's your lost tons. They'll come back," a mill contact said.

Many containerboard mills have low inventories on-hand, especially in the Northeast,

contacts said. OCC premiums in the Northeast and Midwest have hiked to \$25-35. In the Northeast, contacts told of all mills producing and running well, buying spot tons, and in a "bidding war" in some cases for material.

The "hot" market had mills in the Northeast buying out of Canada and the US Southeast.

These mills were described as "very aggressive" by one trader who added: "The Southeast mills don't seem to have as much pressure on them. As far as the corrugated market is concerned, premiums are being paid, there's no doubt about it."

Domestic OCC pricing increased \$10/ton at the FOB seller's dock across the USA, except for \$15/ton FOB increases in the Northeast and Midwest, where the higher premiums were reported.

**Export.** Export demand also was improved in March for coated groundwood sections and old magazines, up \$15/ton to \$67-70/ton out of Los Angeles/Long Beach and \$52-55/ton out of the New York/New Jersey ports. These grades saw slumps in pricing last year after a demand drop-off due to China turning away from a lack of import quotas.

Sorted office paper (SOP), too, sold strong on the export market as well as domestic this month for most market players. SOP increased \$15/ton to \$157-160/ton out of the New York/New Jersey ports, and on the West Coast to \$10/ton to \$162-165 out of Los Angeles/Long Beach and \$157-160 out of the Oakland, CA, port.

"SOP got some legs again," a trader said. "SOP is strong. Someone I was selling three to four loads, he asked for six loads. Mexico called, 'You got any SOP?'"

In Australia, news reports this week said an Australian newspaper printed an extra eight blank pages in its daily issue to be used as toilet paper among its citizens as coronavirus fears prompted people to buy up supplies in stores.

"Kimberly-Clark mentioned to us that their orders are starting to increase due to coronavirus scares. I'm not sure what trickledown effect it has yet, but it is a mention," a contact said. "We are not oversold on (SOP), but did increase our volume by 500 tons ... and had no issue finding more homes."

**Mixed 'suffers'.** Export mixed paper pricing fell by \$3/ton as some markets and mills turn away from the curbside material recovery facility (MRF) mixed. South Korea most recently issued a letter noting its intentions for import restrictions that would involve 100% inspections on mixed paper imports. This pulled pricing down on the West Coast by \$3/ton and \$5/ton on an FAS level, according to contacts.

"Mixed paper suffered another blow last week with the South Korea government announcing strict inspection and rejection if quality is bad," an exporter said. "This prompted mills to cancel existing mixed orders."

A US exporter told *P&PW* last week that his company had 60 containers on the water that a South Korean paper mill asked to be diverted.

• To note, due to corporate travel bans as a result of the coronavirus, *P&PW* has learned many major mills, suppliers, and market participants will not be attending the popular **Southeast Recycling Conference** in Destin, FL, Mar. 15-18.

--by [mworkman@fastmarkets.com](mailto:mworkman@fastmarkets.com)

## Recovered paper

### DS Smith announces recycling plant next to Reading mill -- for a 'circular economy trifecta'

DS Smith this week announced the opening of its first recycling facility in the USA, alongside its almost 200,000 tons/yr corrugating medium machine and corrugated packaging plant in Reading, PA. Contacts told Fastmarkets RISI's *PPI Pulp & Paper Week* of the plant startup a few months ago.

The recycling plant with the paper machine and corrugated plant creates a "closed loop manufacturing model that enhances its customers' sustainable packaging credentials making it a circular economy trifecta," DS Smith said in its press release.

The Reading mill is one of only a few in the USA that has a paper or board machine, corrugated plant, and recycling plant on the same site or virtually on the same site.

Pratt, the fifth largest containerboard producer in North America, operates three recycling plants at three of its five recycled containerboard mills, in Conyers, GA, Shreveport, LA, and Staten Island, NY. Pratt also operates a processing plant for recyclables about a mile from its new Wapakoneta, OH,

mill. A 400,000 tons/yr recycled containerboard machine started up at the Wapakoneta mill last year in September. Most Pratt mills also operate corrugated plants on-site as well.

The Reading plant is a small one and is to "recycle over 36,000 tons of old corrugated (containers) each year, creating new fully recyclable packaging for our customers in this region," said DS Smith North America head of recycling Toby Earnest.

"Our goal is to achieve zero (OCC) and paper going to landfill after packaging is used," Earnest said in the company's release. "We have quite a bit of work to do in the U.S. before this can become a reality, but the opening of our recycling facility is an important first step in developing an infrastructure that can support a circular system in the U.S."

DS Smith North America said sorted recovered paper from the Reading facility will be fed to the PM No. 3 at the next-door mill. The PM 3 runs on both OCC and mixed paper, according to RISI Mill Intelligence.

DS Smith entered the US containerboard market in 2017 from purchasing Interstate Resources' assets that included the Reading mill and one that makes linerboard in Riceboro, GA. The Riceboro mill also consumes recovered paper.

## Newsprint/print paper

**PE still running at low capacity in BC due to malware attack; Resolute slows Baie-Comeau**

Paper Excellence (PE) is still operating its three paper

mills in British Columbia at reduced capacity since the company reported on Feb. 20 a technology malware hacking attack that hindered email and computer activity, blocking the connection between sales and manufacturing systems within the company.

On Mar. 4, a company official told Fastmarkets RISI's *PPI Pulp & Paper Week* that the Crofton mill had one of its two paper machines running. The Port Alberni and Powell River mills were still idle.

"Crofton paper operations have been running for five days and a paper machine at Port Alberni will start later this week. We hope to restart Port Alberni's second paper machine early next week based on logistics and internal capacity to manually fulfill paper orders," PE said in a press release on Mar. 5.

PE added that the company plans to start a paper machine at Powell River in the coming two weeks based on what it learns related to manually operating the Crofton and Port Alberni machines.

PE also said: "Reduced paper production continues but some systems are enabled identifying which paper orders are planned for production and those that will be deferred."

The company's email communications and some networks have also been recovered.

**Pulp not effected.** "Given the complexity of our business systems, we are unable to predict a timeframe when we will be

back to normal paper production. Our pulp manufacturing continues unabated at all locations," PE concluded.

The Crofton mill makes 310,000 tonnes/yr of newsprint; Port Alberni makes 340,000 tonnes/yr of coated mechanical, uncoated mechanical and uncoated freesheet papers; and Powell River makes 335,000 tonnes/yr of uncoated mechanical and specialty papers.

**Resolute lowers production.** Resolute Forest Products (RFP) on Feb. 27 reduced speed on the two newsprint paper machines at its Baie-Comeau, QC, mill due to low demand, especially in export markets. The mill has capacity to make 320,000 tonnes/yr of newsprint.

"The Baie-Comeau mill ... is operating, but at reduced speed, to adapt to market demand and also reduce inventories," RFP's dir of Canadian public affairs and government relations Karl Blackburn told *P&PW* on Mar. 4.

Blackburn said RFP will keep the Baie-Comeau machines running at a lower speed until demand improves. He didn't say how much less paper the mill is now making.

North American newsprint demand declined 14% last year. Fastmarkets RISI forecasts that demand for newsprint in North America will keep falling in the next five years as it has for the last nearly 20 years -- dropping by 39% from 2.3 million tonnes in 2019 to 1.4 million tonnes in 2024.

--by [rmercante@fastmarkets.com](mailto:rmercante@fastmarkets.com)



## SC paper

### Port Hawkesbury plans wind farm to produce energy and to cut cost at its SC paper mill

Port Hawkesbury Paper (PHP) is looking for new alternatives to reduce energy costs at its supercalendered (SC) paper mill in Nova Scotia. Last month, the company signed a memorandum of understanding (MOU) with Canada Infrastructure Bank (CIB)

and IFE Project Management Canada (IFE) for constructing the so-called Pirate Harbour Wind Farm. CIB is a Canadian government investment corporation; IFE is a renewable energy firm based in Halifax, NS.

The energy plant is to generate about 10% of the energy needed at the paper mill, Port Hawkesbury Paper business development mgr Allan Eddy said. The wind farm would have a 112

MWh capacity with 28 turbines, 15 km of overland transmission lines, and 2 km of subsea cables. The proposed wind farm site is on government land on the opposite side of the strait of Canso from the mill site.

If the project gains final approval, construction lasting an estimated eight to 12 months could start in late 2022 or early 2023, Eddy told Fastmarkets RISI's *PPI Pulp & Paper Week*.

## Month in statistics

January US **paper** and **paperboard** production was down -0.2% compared with January 2019's total, according to **American Forest & Paper Association** figures. Production totaled 6.496 million tons in January 2020.

Paperboard production increased 2.1% at 4.4 million tons and paper production declined 4.9% at 2.078 million tons.

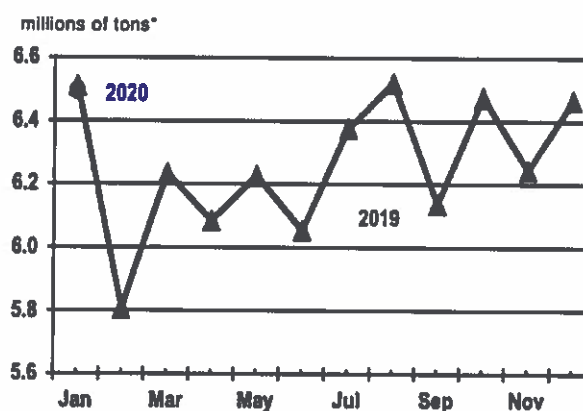
The mill operating rate average was 90.8% for January, down from 92.3% in January 2019.

**Linerboard** and **corrugating medium** production increased 4.8% and 1.3% percent, respectively. Linerboard's output total was 2.3 million tons and medium's was 956,000 tons.

Production of **tissue paper** was up 3.4% at 655,000 tons for the month and **uncoated mechanical paper** production also increased, by 1.5% to 65,000 tons.

The largest production declines on a percentage basis in January 2020 vs January 2019 among all the grades reported in Fastmarkets RISI's *PPI Pulp & Paper Week's* table were **newsprint**, with production down by 39.5% at 59,000 tons, and **uncoated freesheet**, with production down 9.1% at 546,000 tons.

## US paper and paperboard production



\* Not seasonally adjusted.

## PAPER & PAPERBOARD PRODUCTION

		Current Month	same month year ago	% chg. 2020/19	YTD 2019	YTD 2018	% chg. 2019/18
Newsprint	Jan.	59	98	-39.8%	926	1,057	-12.4%
Uncoated mechanical	Jan.	65	64	1.6	750	891	-15.8
Coated paper	Jan.	366	395	-7.3	4,473	4,966	-9.9
Uncoated freesheet	Jan.	546	600	-9.0	6,676	7,384	-9.6
Tissue	Jan.	677	655	3.4	7,719	7,661	0.8
Unbleached packaging papers	Jan.	146	151	-3.3	1,673	1,823	-8.2
<b>Total paper</b>	Jan.	2,078	2,186	-4.9	24,807	26,252	-5.5
Linerboard	Jan.	2,317	2,212	4.7	25,781	27,176	-5.1
Corrugating medium	Jan.	956	943	1.4	11,060	11,066	-0.1
SBS boxboard	Jan.	174	179	-2.8	2,006	2,046	-2.0
Liquid packaging/food service board	Jan.	259	275	-5.8	3,191	3,149	1.3
Recycled boxboard	Jan.	175	178	-1.7	2,046	2,059	-0.6
<b>Total paperboard</b>	Jan.	4,418	4,326	2.1	50,327	51,862	-3.0
<b>Total paper and paperboard</b>	Jan.	6,496	6,512	-0.2	75,134	78,114	-3.8

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

Note: Figures in 000 short tons. Unbleached kraft paper has been changed to unbleached packaging paper by the American Forest & Paper Association.  
n.a.=not available. Source: American Forest & Paper Association.

PHP's mill capacity is about 396,000 tons/yr of SC paper, including SC-B, SC-A, SC-A+, and SC-A++.

**Investment.** Eddy said they don't know yet how much the investment in the wind farm will cost, but "similar projects are in a \$200 million range."

PHP and IFE will lead the design, construction, and financing of the wind farm.

**Environmental benefits.** The wind farm would supply energy that would reduce the amount of fossil fuel now used at the mill.

"IFE is very pleased to work with CIB and Port Hawkesbury Paper on the development of this green infrastructure project. A decision to build this wind farm will be a landmark in Atlantic Canada, as it will be the first time that a pulp and paper mill, or any large industrial facility, has chosen to work with a wind developer to purchase green energy to fuel its activities," said IFE CEO Keith Towse.

**New temporary electricity rate.** Like the other SC paper producers in North America, PHP seeks ways to reduce cost in the SC market while also offering new products to customers, Eddy noted.

The decline in SC demand over the past five years has averaged 8.7%/yr and is due to poor demand for newspapers and inserts, according to Fastmarkets RISI's economists. In 2019, SC demand declined by 12%. Fastmarkets RISI predicts that North American demand for SC paper will decline 5%/yr by 300,000 tons from 1.3 million tons in 2019 to 1 million tons by 2024.

Further, PHP and Nova Scotia Power recently agreed on a new electricity rate for the mill. Under the agreement, Nova Scotia Power will have more authority to scale back or ramp up the mill's usage. The mill uses about 10% of Nova Scotia Power's system load on an annual basis.

"This new rate structure was approved in November, and we've been operating since January 2020 under it (on a temporary basis). It's an important project for us in terms of greening our footprint," Eddy commented.

The new four-year plan still needs approval from the Nova Scotia Utility and Review Board.

Eddy explained that the wind farm will work together with the new electricity rate program for managing the mill's energy cost.

When the Port Hawkesbury paper mill reopened in 2012, new owners Pacific West Commercial received a special load retention rate for electricity. That rate generated controversy, with some critical of the mill receiving what was claimed to be special treatment from the Canadian government.

PHP's new temporary rate has been designed to produce additional value for Nova Scotia Power's other customers, local media reported. Under the old tariff, the contribution to the power company's fixed costs paid by PHP were \$2-\$4 per MWh; under the new proposal, it would increase to a minimum of \$4 and is more likely to be in the \$9-10 per MWh range, local media reported.

**New products.** Eddy said that the company has recently

launched a new 60-lb paper called Artisan. Artisan is a SC-A++ paper for magazines and catalogs, retail inserts, and direct mail. It competes with coated mechanical (CM) paper grades.

Resolute Forest Products is also trying to improve its SC business by offering what it calls higher-quality SC-A+ and SC-A++ grades that substitute for CM paper. The company last month announced a C\$11 million investment to modernize equipment at its Kénogami, QC, mill to make only SC-A+ and SCA-A++ paper. Resolute CEO Yves Laflamme told of a better demand condition for the higher-quality SC-A+.

• **Nova Scotia's** provincial government has recently launched the Forestry Innovation Rebate Program for "forestry companies that invest in their operations to grow, diversify and increase competitiveness in global markets." It will apply to eligible for capital projects worth between C\$1 million and C\$15 million. Companies could be eligible for a 25% rebate up to a maximum rebate of \$3.75 million.

--by [rmercante@fastmarkets.com](mailto:rmercante@fastmarkets.com)

## UFS prices continue to hold

» continued from page 1

"Order entry has been good. The inventory bubble is deflated, I would say (the market is) back to normal. Capacity reductions at Port Hudson, Ashdown, Port Huron, Selma, tied up the capacity side. December imports were down again," a contact said.

A major producer said that "of course, there are lower price offers out there from imports or secondary suppliers, but our prices are holding."

On a call with analysts early in February, Domtar CEO John Williams mentioned that the company "...entered 2020 with (its) paper price slightly below the fourth quarter average." Domtar is the No. 1 UFS producer in North America with 35% of the market capacity.

Another major producer commented that his company dropped prices a bit in January for some customers to meet sales goals, but maintained prices unchanged in February.

"It is hard to predict the future, but for now we are not getting pushback from customers. I would say demand is getting a little bit better, not robust, of course, but better," the contact said.

"For us, pricing has been really stable. We've been busy, we had record sales in January, and as we offer an environmentally friendly product, demand has been high," another producer stated.

A paper trader commented that he sees some mills trying to drop prices to meet competition, and to keep their backlogs up and machines running. But only spot prices have declined, the source stated.

US UFS shipments in January were 9.1% lower than a year ago and also about 4% lower than December, according to American Forest & Paper Association (AF&PA) statistics.

"January was a weak month, as many customers still had inventories," a supplier commented.

UFS imports in January 2020 were also 8.3% lower than January 2019, at 90,800 tons, while domestic mill inventories increased by 2% to 920,300 tons year-over-year and month-over-month.

"We see some lower spot pricing from non-traditional suppliers ... which have benefited by lower pulp prices, but major domestic UFS suppliers are still holding steady and resistant to make any full-scale market reduction in pricing. We haven't seen any further price reduction from imports either," the source said.

"Spot prices have come down another \$20/ton this month, on 50-lb (offset), but I don't expect prices will continue going down. The last few months have been softer than expected," another contact stated.

Market contacts said Phoenix Paper is offering a startup tonnage of UFS from its Wickliffe, KY, mill and say they will have 125,000 tons/yr available in mostly heavyweight basis weights (70-lb and up).

"Many worry they will switch over to packaging grades first chance (the packaging) market shows more strength," a source noted.

## US uncoated freesheet statistics – December 2019

(000 tons)

	December 2019	% chg 2019/18	YTD 2019	% chg 2019/18
<b>Shipments by grade</b>				
Bond and writing	248.3	9.2%	2,884.6	-9.9%
Offset	98.9	-3.8	1,218.5	-16.7
Envelope	61.6	7.4	757.9	-4.2
Form Bond	33.2	-19.2	415.2	-11.3
Carbonless	14.7	7.1	174.4	-9.5
Tablet	16.2	-0.8	143.7	2.8
Text and cover	12.2	-3.4	148.6	2.6
Other	63.7	14.9	706.3	-4.4
<b>Total shipments</b>	<b>548.8</b>	<b>4.2</b>	<b>6,449.2</b>	<b>-9.7</b>
<b>End use shipments, YTD % share</b>	<b>4Q</b>	<b>% chg 2019/18</b>	<b>YTD</b>	<b>% chg 2019/18</b>
Office reprographics, 45%	697.2	-5.4	2,905.3	-7.4
Commercial printing, 23.4%	399.2	-10.4	1,511.9	-10.5
Envelopes, 11.8%	190.6	-3.5	762.1	-3.7
Business forms, 10.1%	158.5	-9.8	653.3	-9.4
Books, 2%	30.2	-26.5	132.0	-23.9
	<b>December 2019</b>	<b>November 2019</b>	<b>December 2018</b>	<b>% chg 2019/18</b>
<b>Operating rate %</b>	89.2	83.4	79	--
<b>Inventory</b>	865.2	891.1	842.4	2.7%
	<b>December 2019</b>	<b>% chg 2019/18</b>	<b>YTD 2019</b>	<b>% chg 2019/18</b>
<b>Imports</b>	92.8	8.2	1120.7	16.7
<b>Exports</b>	45.6	20.6	555.1	-12.2

Note: For end use shipments, the statistics are no longer on a monthly basis, but on a quarterly basis.  
Source: American Forest & Paper Assn, US Dept of Commerce, Bureau of Census.

**Selma machine closure effect.**

Most sources that talked to P&PW said they don't see any impact or pressure from the exit of one 235,000 tons/yr UFS paper machine at International Paper (IP)'s Riverdale mill in Selma, AL. They said that most of the IP Riverdale UFS machine volume must have left the market already.

"Nobody is running after product. I think the weak demand has already absorbed that production (from Selma). There are a couple of relative small pockets, nothing big," an industry contact said.

"I think the closure of IP Selma will have the same effect of GP (Georgia-Pacific at Port Hudson in Louisiana) last year, I mean, nothing," another player stated.

"I have not seen relief from the shutdown of Selma and have not had a customer approach me to supplement IP lost tons," another supplier said.

**Imports.** The AF&PA reported that UFS imports in USA declined 8.3% in January 2020 over January 2019 to 90,800 tons. The number was 47% higher than December 2019, though. In January-December 2019, US imports of UFS totaled 1.1 million tons and were 16.7% higher than 2018.

"Domestic suppliers have many advantages on importers, like promotion channels, supply chain, shorter delivery terms etc. The importers' value proposition is much more price-based. That's why they have more aggressive prices. But as the statistics show, import numbers dropped a lot in the second half of 2019, probably as a response to the (UFS) trade investigations

(by the US government). But anyway, prices in North America are still very attractive for importers," a player explained.

One importer said demand for both UFS cutsize office/copy paper and rolls continues about the same.

"March is generally seasonally a little better in demand, but we do not expect any changes in pricing," the contact stated.

Another importer said he sees a few lower prices on cutsize, but they are stable in most cases.

"Some people are working with inventories, because they are afraid of bringing in a lot of volume. This is because the rest of the world is not doing well, so suppliers are bringing more paper into the US," the source explained.

**Supply outlook.** Market contacts commented that at least two major mills will take maintenance downtime in March, which may bring some relief to the market.

"Domtar usually takes maintenance downtime in March in the spring and IP in the fall. But Domtar reported a lot of market-related downtime in the fourth quarter of last year," a source commented.

Domtar's Williams reported that Domtar took 92,000 tons of market-related paper downtime in the fourth quarter 2019, and closed 204,000 tons of UFS capacity at its Ashdown, AR, and Port Huron, MI, mills.

**Domtar conversions.** The Ashdown mill is still running one 200,000 tons/yr UFS paper machine; the other machine

closed last year is being converted to make bleached softwood kraft and fluff pulp. The company also has previously mentioned the possibility that it might enter the containerboard market via the conversion of a paper machine.

"I believe Domtar is not planning any other UFS capacity closure in 2020," a paper player said.

"I really haven't seen Domtar doing anything recently to reduce UFS capacity. The machines they idled in 2019 were already producing well below their capacity. If I were in Domtar's shoes, I would think that now it's time for someone to close capacity," another player stated.

• **LSC Communications** recently adopted a stockholder protection rights agreement in the event of any proposed takeover of the company.

• **R.R. Donnelley & Sons (RRD)** announced the sale of its courier services business to TFI International, a North American transportation and logistics firm, for an undisclosed amount. According to RRD's pres/CEO Dan Knotts, "The sale of our Courier Services business represents another important step forward as we continue to take decisive actions to optimize our business portfolio and improve our balance sheet flexibility. The transaction enables us to streamline our focus on our strategy as a leading global provider of marketing and business communications."

• **Mohawk Fine Papers** released an expanded and refreshed line of Crane Pure Cotton Papers. Mohawk acquired Crane's Stationery in 2018. "In developing the updated Crane



Papers portfolio, product and marketing teams at Mohawk collaborated to create products that celebrate heritage while serving all the current and future uses of paper," Mohawk stated.

--by [rmercante@fastmarkets.com](mailto:rmercante@fastmarkets.com)

## 'World 20' stock up 2 days

» continued from page 1

Council (PPPC) reported on Mar. 3. Bleached softwood kraft (BSK) declined one day to 36 days of stock, while bleached hardwood kraft (BHK) surged five days to 42 days-of-supply, reversing a large seven-day inventory drop recorded in December.

The two-day global inventory increase was in line with expectations because January is typically a month when inventories rise, since it comes as Northern Hemisphere mills run full out during the cold winter months. Also, shipments typically decline in the weeks after producers try to slash December inventories as much as possible for financial reasons at the end of the fourth quarter.

**Poll: Stocks up 250,000 tonnes.** January's two day-of-supply increase corresponded to a 250,000-tonne rise month-over-month, according to a Fastmarkets RISI PPI Pulp & Paper Week poll of industry analysts. If accurate, that reversed a 392,000 tonne decrease recorded in December and brought worldwide producer inventories to 5.79 million tonnes, a three-month high. January's inventory rise will likely mark a multi-month stretch in which stocks surge,

industry analysts said this week. The all-time high was 7.25 million tonnes recorded in June 2019.

"I don't think pulp stocks will bypass the all-time highs, but they will be rising, no doubt," said ERA Forest Products Research analyst Kevin Mason after the "World-20" report.

Mason predicted a recent surge in tissue/toweling demand would include a broad shift from Away-From-Home (AfH) to consumer tissue/toweling. Tissue/toweling "panic buying" in China and other markets has boosted short-term pulp demand, producer sources noted in recent weeks.

"Lots of craziness in these markets. Can't even get toilet paper in the supermarkets. It is like the world is stocking up. A nice demand boost in the short-term, but consumption is unlikely to change," Mason said.

**Downtime to temper coronavirus drag?** Producers started reducing the massive inventory overhang starting in July, eventually reaching the lower levels recorded in December (*P&PW*, Feb. 21, p. 1). Whether stocks rise massively – some predict this due to the fourth-quarter stockpiling that already occurred in China and the coronavirus' negative impact to downstream manufacturing – or a more moderate surge is in question, however.

"I wouldn't say massive, just because from now to June is maintenance downtime season. They're lucky they have that timing," said an industry analyst contact. "The denominator of the equation is shipments. December was a month of

massive shipments. By March, we'll lose that and have weaker shipment rates. That'll be a sign."

Worldwide shipments decreased to 3.989 million tonnes in January, down 22.1% and a 1.134 million tonne drop vs December, the PPPC reported. While January shipments dipped month-over-month, they rose vs year-ago levels because 2019 marked the beginning of a sluggish year marked by oversupply and price erosion, making it an "easy comparison."

"In addition to the easy comp in January, there was little if any impact from the coronavirus outbreak; PPPC noted that it believes the January results were minimally impacted by the outbreak, which only began to have an effect on market conditions in February," said KeyBanc Capital Markets analyst Adam Josephson, in a research note to clients.

January's biggest month-over-month shipment drops occurred in the world's most impactful markets: China (down 31.5%), Western Europe (down 17.5%), and somewhat surprisingly, North America posted a 23.2% decline vs the prior month, despite holding some of the world's largest consumers that tend to pull steady, large contracted volumes.

**Suppliers pay 'extreme attention.'** Producers have grown concerned about their domestic volumes amid difficulty moving shipments to China, where many downstream tissue, paper, and board mills have begun operating after Chinese Lunar New Year shutdowns were extended by government quarantines. Buyer sources have been predicting

that US markets would soon become flush in supply for several weeks, as producers redirect tonnage normally destined for China. This week, one buyer said it's starting to happen.

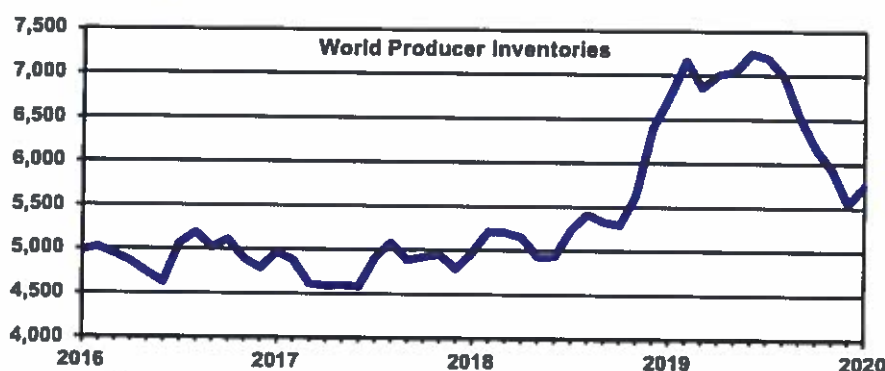
"Pretty much every supplier of ours has started paying extreme attention to their shipments to us

(and monitoring) our volumes," said a buyer contact this week. "With China demand/supply so far backed up, I'm seeing a lot of pressure here domestically."

One factor that could prevent North American pulp markets from becoming oversupplied is downtime season, where

maintenance closures clip tonnes from producers' systems. In addition, unexpected shutdowns at two Paper Excellence mills could spread to other producers, who could decide to extend maintenance downtime in a bid to avoid an inventory surge. Sources say that mills in British Columbia, a province that's faced high wood fiber costs and in some pockets, outright shortages, could see more downtime this spring.

### World Market Pulp statistics – January 2020



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

In January, despite a one-day inventory decline, the 36 days-of-supply in BSK was still well above the 28-30 days most producers and analysts consider balanced. BHK inventories, which had closed 2019 at more normalized levels after a fall and winter spent working down stockpiles, rose to the high end of balanced levels. Concerns about North American customer demand comes after a cautiously optimistic sentiment among BSK producers last month, when they successfully increased NBSK and SBSK prices \$10-20/tonne in the USA, China, and Europe in February.

### China price hike attempt.

This week, Chinese prices for benchmark northern bleached softwood kraft (NBSK) and bleached eucalyptus kraft (BEK) showed no downwards pressure. In fact, challenges moving pulp from ports to consumers might've encouraged producer attempts to lift international prices because Chinese buyers have taken tonnes from shore traders, whose already-purchased stocks could more easily find their way to paper mills.

Speculation evidently drove up trade in BSK, which surged on the Shanghai Futures Exchange on Mar. 6, with 1,587,740 tonnes

(000 tonnes)

	January 2020	YTD 2020	YTD % chg 2020/19
<b>WORLD</b>			
Shipments	3,989	3,989	8.9
Utilization (ship.-to-cap.)	81	81	7.0
<b>Shipments by grade</b>			
Bleached softwood	2,084	2,084	4.3
Bleached hardwood	1,774	1,774	15.0
<b>Shipments by destination</b>			
North America	553	553	-9.8
W. Europe	992	992	4.9
China	1,278	1,278	24.5
Rest of World	1,166	1,166	8.3
<b>Producer inventories</b>	<b>January 2020</b>	<b>December 2019</b>	<b>January 2019</b>
Days of supply * -- all grades	39	37	55
Bleached softwood	36	37	42
Bleached hardwood	42	37	67

### Pulp inventories of consumers and ports – January 2020

(000 tonnes)

	January 2020	December 2019	November 2019	% chg 2020/19
European consumers*	211	203	188	0.4%
European ports	1,652	1,779	1,841	-9.5%

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

changing hands in the biggest daily volume since early January. The contract ended the week at RMB4572/tonne, up from RMB4478/tonne a week ago, according to Fastmarkets RISI's *PPI Asia*. The RMB price is equivalent to approximately \$565/tonne after tax and logistics.

**Chinese contact: Domestic inventories surge.** Despite the short-term rally, a Chinese market participant predicted that domestic stockpiles would soon result in downwards pressure, however, with some traders facing liquidity problems that might prompt them to clear out their stocks in a race to beat downwards pressure.

"As everyone knew that the coronavirus is still serious through today so that domestic inventories have been built up quickly," said the Chinese market participant, who named four global BSK producers that are trying to increase international prices. "It's big pressure for the futures exchange and local price, and also would pull down the import price. However, we have seen some opposite action from (producers)."

If a short-term rally occurs this month, it would extend February's \$10-20/tonne price increase on NBSK in China. However immediate prices shake out, one key is who actually owns the tonnes in China and most importantly the level of stocks at ports in China. The PPPC reports invoiced purchases, while China Customs records all incoming shipments regardless of owner.

"I am not sure whether or not we'll see a massive uptick in producer inventories, but we

are already seeing a buildup of stocks at the ports in China. I think the story is more about the inventories at the Chinese ports regardless of who owns them," said Fastmarkets RISI VP for Fiber Economic Analysis David Fortin, who calls for a moderate increase to producer inventories.

China shipments are usually the biggest single factor impacting global producer inventories. According to a UBS report this week, the next few months will see "World-20" shipments to China continue to reverse the fourth-quarter's strong deliveries, and post a year-over-year slide by April.

"China pulp shipments (reported by PPPC and a closely-followed proxy for pulp demand) will see a slowdown in growth," said UBS analyst Cadu Schmidt on Mar. 4, citing the firm's UBS Evidence Lab data, a model that was built independent of analysts' input. "On a tonnage basis, shipments are projected to average 1.8 million tonnes in January-March, down from 2.2 million tonnes in 4Q19 with further weakness into 2Q20. "(This) reinforces our cautious view on pulp price upside in the short-term due to elevated inventory levels (both at ports and for buyers), cash flow pressure among traders reducing buying and lower inventory adjusted demand growth versus previous years (including Covid-19 uncertainty)."

• **Nordic Kraft** is now expecting to ramp up production at a long-shuttered 300,000 tonnes/yr market NBSK mill in Lebel-sur-Quévillon, QC, sometime this summer, in line with its original plan, industry contacts said. Weeks ago, the firm indicated

it could startup in the second quarter and sell unbleached softwood kraft (UKP) instead of NBSK (Feb. 21, p. 1). "This week, they changed it so it's not happening in Q2. Who knows how long it will take the mill to get going?" said an industry contact. The mill, which prior owner **Domtar** indefinitely closed in 2005, has said it gained 40% of the C\$342 million needed for a ramp-up provided through the Quebec government (Nov. 22, p. 2).

--by [bryan.smith@fastmarkets.com](mailto:bryan.smith@fastmarkets.com)

## Outbreak may slow growth

» continued from page 2

week reduced his growth forecast for US real GDP in 2020.

RISI's Dir of Macroeconomics Lasse Sinikallas told *PPI Pulp & Paper Week* of a "slowdown" and noted that "several combined factors" would need to occur to cause a recession.

He remained positive about growth this year, but added that he redid his forecast this week down for US real GDP to 1.5% for 2020. He forecast China's GDP at 5.2% and the Euro zone's at 0.7%. US real GDP grew at an annual rate of 2.1% in fourth-quarter 2019.

"If a recession should take place, at this point I'd say it'll start to escalate from the point where the coronavirus possibly breaks out in larger extent in 'western countries,'" Sinikallas said.

The USA confirmed 233 cases of the so-called Covid-19



coronavirus, *USA Today* reported early on Mar. 6.

This week, large national banks responded to the resulting global economic concern and uncertainty, and a dramatic one-day plummet in stock prices.

The US Federal Reserve said it cut interest rates by half a percentage point. Other bankers see the potential for several more US interest rate cuts by yearend. The Bank of England planned a "powerful and timely" response to the outbreak, and Australia signaled it may resort to quantitative easing.

"The outbreak is developing and evolving quickly and no-one accurately can predict what will be the economic fallout," said

deVere Group founder and CEO Nigel Green. "The outbreak has already sent the stock market into bouts of volatility not seen since the 2008 financial crisis, severely disrupted global supply chains, shuttered factories, grounded flights, closed attractions and canceled major events. Entire powerhouse cities in Asia and Europe are nearly shut down. Multinational companies have warned that coronavirus will severely hit profits. Workers are being evacuated and forced to work from home and to avoid traveling."

Sinikallas said a "slowdown is more or less certain at this point, but whether or not it will go (to) really freezing (economic growth) figures depends on a sum of many things; leaving

a factor of a surprise or some minor thing to potentially be the actual final breakpoint."

"One item to look at is the consumption and any potential changes to that: reduced travel, entertainment, event, restaurant, etc. spending will be seen both in revenues but also in employment," Sinikallas said. "We see already some restaurants starting to struggle, one UK airline collapsed with others possibly following. At the same time people have started stockpiling groceries, which might initially drive demand up, but when the 'show' is over will reduce consumption as those stockpiles will be consumed first."

**AF&PA event canceled.**

Contacts this week said that the annual American Forest & Paper

## Precision performance from the ground up.

No one knows paper logistics better than WSI. We partner with some of the world's largest producers to help them operate their supply chains more efficiently and more reliably.

**What can WSI do for you?**



SUPPLY CHAIN SOLUTIONS

Solutions@wsinc.com | 920.831.3700 | wsinc.com





Association and National Paper Trade Association Paper2020 conference was canceled. The event was scheduled for Mar. 15-17. Other industry events were impacted as well with company representatives saying that they would not travel.

"Also any impact on the most elderly citizens will again reduce consumption as they are plenty in western countries and Japan, and they thus provide a significant part of consumption," Sinikallas said. "Further any quarantine of schools and such will confine also families and parents at home possibly (but not necessarily) impacting productivity in those jobs that don't require on-location presence."

"There are lots of these small factors that can have a major cumulative impact leading towards recession or at least slowdown," Sinikallas added.

Green expected that once the outbreak is contained the "world economy is likely to bounce back strongly."

"We could even see revived global growth as economies rebuild and adapt; and especially so if central banks and governments step in to actively kick-start growth," Green said.

--by [grudder@fastmarkets.com](mailto:grudder@fastmarkets.com)

## News briefs

**Neenah** signed a definitive agreement to acquire composite reinforcement fabrics manufacturer **Vectorply** for \$155 million and expects the deal to be completed on Apr. 1. With

annual sales of over \$70 million, Vectorply has grown at a high single-digit rate over the past five years, with EBITDA margins in the mid-20s, according to Neenah. Vectorply is focused in North America, with its customers and supply chain predominantly in the USA, and operates out of one manufacturing facility in the Southeast. Vectorply calls itself a world leader in the development, manufacturing, and distribution of composite reinforcement fabrics that "optimize the stiffness, strength, weight, and cost of customer-specific applications," according to Vectorply. "We produce more than 350 unique styles of fabrics for an unlimited number of composite applications. Fibers such as E-glass, carbon, aramid are stitch-bonded in a variety of weights and architectures to help customers achieve their goals with optimized laminates." Vectorply started operations in 1992... **Resolute Forest Products'** board of directors authorized the repurchase of up to 15% of the company's common stock for up to \$100 million. "Having recently exhausted our previous repurchase program, it is appropriate to introduce a new program to be ready to act opportunistically to return capital to shareholders when conditions are right," said Resolute pres/CEO Yves Laflamme, in a release. "We believe that proper capital allocation is a top priority and that it must be done in a disciplined manner. Accordingly, we intend to strike a balance between value-creating opportunities such as high-return projects with opportunities to return excess capital to shareholders."... **Kruger Energy** and **Peak Power** last week said they commissioned

three behind-the-meter energy storage systems in New York state as part of a partnership to expand into the New York distributed generation market, and explore business models in the electrification of trucking and industrial sectors. With **Peak Power's** software, the three customer-sited storage systems total 1.0 MW for an electrical capacity of 4.2 MWh, which makes them one of the largest behind-the-meter virtual power plant (VPP) in New York state. The systems are at commercial facilities owned by GHP Realty. "The VPP will participate in the Con Edison Demand Management Program and is designed to perform load displacement for office buildings, reduce utility costs related to capacity obligations and delivery charges, reduce greenhouse gas emissions, as well as enable other market revenue streams," Kruger and Peak Power reported. Kruger Energy, a unit of **Kruger Inc.**, manages and operates 42 production sites across North America, ranging from hydroelectric, wind, solar, energy storage, and biomass cogeneration plants, with installed capacity of 542 MW... **Avery Dennison** said it completed the acquisition of Smartrac's Transponder business, for Euro 225 million. Smartrac is a developer and manufacturer of RFID inlays... **Target** store sales increased 1.5% in the fourth quarter, with the help of digital sales growth of 20%, and full-year revenue totaled \$78.1 billion, which was up 3.7% compared with 2018 revenue. Full-year operating income was \$4.658 billion in 2019, up 13.3%... Due to the coronavirus, **Starbucks** this week said it would "pause" customer use of reusable or

personal cups. Starbucks also said it would change its shareholders meeting to a webinar on Mar. 18... **ePac Flexible Packaging** said it hit a new production record at the start of 2020 on its fleet of **HP Indigo 20000** digital presses operating globally, driven by a doubling of its customer base in the past year. Expanding in 2020 in North America, Europe, and Asia, ePac told of more than 6,000 customers, primarily small- and medium-sized businesses wanting economical short-, medium-, and even longer-run length orders, and ePac's commitment to 10-15 business day turnaround time. By the end of 2020, ePac said it is set to roll out a total of 52 HP Indigo 20000 presses globally. Founded in 2016, ePac operates sites in the USA in Atlanta, Austin, TX, Boston, Boulder, CO, Chicago, Los Angeles, Miami, Minneapolis and Madison, WI; and has started operations in Vancouver, BC, and Silverstone, UK. The company plans to open new sites this year in Cleveland, Philadelphia, Seattle, and Richmond, VA... HP announced on Mar. 5 that its board of directors, after consultation with its independent financial and legal advisors, rejected another acquisition offer from Xerox. "Our message to HP shareholders is clear: the Xerox offer undervalues HP and disproportionately benefits Xerox shareholders at the expense of HP shareholders," said HP board chair Chip Bergh. "The Xerox offer would leave our shareholders with an investment in a combined company that is burdened with an irresponsible level of debt and which would subsequently require unrealistic, unachievable synergies that would jeopardize the entire company." This week, Xerox

acquired Digitex Canada, a large independent services, software, and technology provider in western Canada.

## People

**Sonoco** announced organizational updates to its Global Industrial and Consumer Products divisions, led by Exec VP Rodger Fuller. The company said this week that James Harrell will be VP, Americas Industrial, with responsibilities for integrated Paper/Industrial Converted Products operations in the US/ Canada, Latin America, and Brazil; Reels and Recycling in the USA; and Fiber Protective Packaging. Harrell previously was VP, Tubes and Cores, US and Canada. Adam Wood will remain VP, Paper/ Industrial Converted Products, Europe, Middle East, Australia/ NZ, and Michel Schmidlin remains Div VP Pres/Gen Mgr, Sonoco Conitex/Asia. Jeff Tomaszewski will be VP, North America Consumer and Global Rigid Paper & Closures (RPC), with responsibilities for Global RPC; Flexible Packaging;

Trident graphics management; Plastics Food; Display & Packaging and Consumer Technology. He previously was VP, RPC, Display & Packaging. Jim Lassiter will be Div VP, Healthcare and Protective Solutions; Greg Munoz, Staff VP, Supply Management and Logistics; and Mike Pope, Segment VP, Perimeter of the Store.

## Supplier

**Solenis** signed an agreement to acquire the paper business of **ChemSystems**, a division of AECI Ltd, the companies said on Feb. 28. The transaction is expected to close in the second quarter. Headquartered in Johannesburg, South Africa, ChemSystems produces and supplies specialized chemical solutions for water-intensive industries, including the pulp, paper, and tissue manufacturing industries in South Africa and sub-Saharan Africa. Until this acquisition, the business was Solenis' pulp and paper specialty chemical distributor in Africa.

## 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; 761.734.8935

### Editorial office

315 Montgomery St., 10<sup>th</sup> floor, #1012, San Francisco, CA 94104, fax 761.734.8998.

### Subscriptions and customer service

Call 866.271.8525 (US & Canada) or 32.2.536.0748 (outside the US & Canada); visit [risi.com/ppw](http://risi.com/ppw) (new subscriptions); email [info.risi@fastmarkets.com](mailto:info.risi@fastmarkets.com); fax 761.734.8998, 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](http://risi.com/advertising)

### Executives

Daniel Klein	Chief Executive Officer
Matt Graves	Senior Vice President