

PPI Pulp & Paper Week

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

Graphic Packaging, PaperWorks Industries slate \$50/ton CRB price increases, effective for May 7-9

Graphic Packaging announced a \$50/ton price increase on coated recycled paperboard (CRB) effective May 7, market sources told Fastmarkets RISI's *PPI Pulp & Paper Week*.

PaperWorks Industries is also confirmed with a \$50 increase effective May 9.

Market contacts said the price increase is driven by a sudden Covid-19 related uptick in demand, especially for packaged food, and the increase in old corrugated container (OCC) furnish prices in the first quarter, including a \$35/ton rise this month.

Graphic Packaging is the largest North American CRB producer. WestRock and Greif could not be confirmed with a price announcement as of mid-day Apr. 9, according to market contacts.

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US OCC average surges to \$71/ton, up nearly 200% since start of the year; SOP also up big, by 82.5%

Domestic old corrugated container (OCC) prices swelled by an average increase of 196% nationally in April from the start of the year, as OCC's average US price rose to \$71/ton at the FOB seller's dock, a price not seen since November 2018, according to Fastmarkets RISI's *PPI Pulp & Paper Week* Apr. 6 pricing survey. At this time last year, US OCC average pricing, at \$40/ton in April 2019, was down 42% from an average \$69/ton in January 2019, a price it held from December 2018.

The surge in what has been extremely topsy-turvy pricing is a result of supply chain disruptions, short supplies, strong

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Export liner price appears to be rising to China; US boxmakers feeling the essential/non-essential divide

US export unbleached kraft linerboard this week appeared to increase in some offshore markets while apparently holding pat in others, as a dramatic swirling of the unknown once again appeared, contacts told Fastmarkets RISI's *PPI Pulp & Paper Week*.

One of the potential increases, the first one in nearly two years, appeared to be for kraft linerboard to China, contacts said. China is the second largest US kraft linerboard export destination. This would be the first increase since prices for the 175-g+ US kraft linerboard to China C&F declined \$250/tonne in 18 months. The plummet

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Uncoated freesheet

Domtar, PCA downtime to drop North American UFS production by 2.5% this year

Two of the largest uncoated freesheet (UFS) paper producers in North America – Domtar and Packaging Corporation of America (PCA) – together will take off the market about 214,000 tons of paper over the next three months by taking “temporary downtime.” The Domtar and PCA shuts combined would equal about 2.5% of North American full-year UFS capacity, which is at about 8.3 million tons.

By taking market-related downtime due to the Covid-19 pandemic, Domtar will reduce its UFS production by 144,000 tons over the next three months, while PCA will cut production by 70,000 tons in May and June.

Also, International Paper (IP) continues to work on a project to convert a 235,000 tons UFS paper machine at the Riverdale, AL, mill into a 450,000 tons/yr containerboard PM – which is expected to be completed in the second quarter – but sources claimed that the UFS volume from that machine had been already out of the market since the end of 2019.

With the closure of schools, colleges and universities,

CLARIFICATION: Willamette Falls Paper estimates that it could pay \$10-15 million extra for electricity over the next five years, and not \$60 million as it was reported in Fastmarkets RISI's *PPI Pulp & Paper Week* (P&PW, Apr. 3, p. 16).

stores, offices, and many other businesses across North America, UFS demand has suddenly plunged and Fastmarkets RISI expects it to decline by 25% in the second quarter compared with demand in second-quarter 2019. The new forecast for the year is that UFS demand will be 12.6% or almost 1 million tons lower than 2019.

Domtar downtime. Domtar on Apr. 6 announced that it will idle UFS paper production at its Kingsport, TN, mill and on the A62 paper machine at its Ashdown, AR, mill for three months “in response to the unforeseeable business conditions driven by the Covid-19 pandemic.”

The temporary shutdown will reduce Domtar's UFS production capacity by about 144,000 tons during the three-month period, according to Domtar.

Also, Domtar said it will lay off about 304 employees at the Kingsport mill and 142 employees at the Ashdown mill due to the shutdowns.

“The Covid-19 pandemic is having a negative impact on communication paper demand, with offices, businesses and schools still closed in a large part of our markets,” said Domtar pres/CEO John Williams.

Domtar said its other facilities remain fully operational, and continue to ship products to all states and provinces without disruption.

In 2019, Domtar took 300,000 tons of market-related downtime to match UFS paper production to its customers' demand, and permanently shut down 204,000 tons or 7% of its capacity »» continued on page 15

NOTE TO READERS:

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

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

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

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

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

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

PRICE WATCH: Recovered Paper - Domestic

April 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) ¹	Southeast ²	Southwest ³	LA	SF	Pacific NW ⁴
MIXED PAPER									
Mixed Paper (54)	-5 - 0 (+5)	-5 - 0 (+5)	-5 - 0 (+5)	5 - 10 (+10)	-5 - 0 (+5)	-5 - 0 (+0)	-5 - 0 (+3)	-8 - -3 (+0)	-10 - -5 (+5)
BROWN GRADES									
Boxb curt (4) - OBM*	35 - 40 (+15)	35 - 40 (+15)	35 - 40 (+15)	40 - 45 (+15)	30 - 35 (+15)	35 - 40 (+10)	25 - 30 (+10)	15 - 20 (+10)	20 - 25 (+10)
OCC (11) - OBM*	80 - 85 (+35)	80 - 85 (+35)	80 - 85 (+35)	80 - 85 (+35)	80 - 85 (+35)	75 - 80 (+35)	50 - 55 (+10)	40 - 45 (+10)	50 - 55 (+10)
DLK (13) - OBM*		95 - 100 (+35)		95 - 100 (+35)	90 - 95 (+35)	90 - 95 (+35)	60 - 65 (+10)	50 - 55 (+10)	55 - 60 (+10)
GROUNDWOOD									
Sorted Residential Papers & News (56) *	5 - 10 (+0)	5 - 10 (+0)	5 - 10 (+0)	20 - 25 (+5)	15 - 20 (+0)	5 - 10 (+0)	5 - 10 (+0)	0 - 0 (+0)	5 - 10 (+0)
	Northeast						LA-SF		
OMG (10)		70 - 75 (+30)		75 - 80 (+30)	75 - 80 (+30)	80 - 85 (+30)	70 - 75 (+20)		55 - 60 (+10)
CGS (44)		70 - 75 (+30)		75 - 80 (+30)	75 - 80 (+30)	80 - 85 (+30)	70 - 75 (+20)		55 - 60 (+10)
SCN (58)		80 - 85 (+0)		85 - 90 (+5)	90 - 95 (+5)	95 - 105 (+5)	80 - 85 (+5)		70 - 75 (+5)
WBN (24)		220 - 230 (+10)		210 - 220 (+10)	205 - 215 (+10)	225 - 235 (+10)	200 - 210 (+10)		170 - 180 (+10)
HIGH GRADES									
SOP (37)		135 - 145 (+45)		135 - 145 (+50)	135 - 145 (+50)	130 - 140 (+40)	130 - 140 (+25)		90 - 100 (+10)
CBS (43)		135 - 145 (+45)		135 - 145 (+50)	140 - 150 (+50)	130 - 140 (+40)	125 - 135 (+25)		95 - 105 (+10)
SBS heavy print (45)		155 - 165 (+45)		155 - 165 (+50)	145 - 155 (+50)		140 - 150 (+25)		
SWL (40)		195 - 205 (+30)		185 - 195 (+40)	195 - 205 (+30)	210 - 220 (+30)	185 - 195 (+25)		150 - 160 (+20)
MWL (41) ¹		205 - 215 (+30)		190 - 200 (+40)	200 - 210 (+30)	220 - 230 (+30)	190 - 200 (+25)		150 - 160 (+10)
SBS light print (45)		210 - 220 (+30)		180 - 190 (+35)	190 - 200 (+30)	200 - 210 (+30)	185 - 195 (+25)		
PULP SUBS									
SBS unprinted (47)		255 - 265 (+20)		250 - 260 (+20)	260 - 270 (+20)	265 - 275 (+20)	240 - 250 (+10)		
HWS (30)		260 - 270 (+20)		265 - 275 (+20)	280 - 290 (+20)	290 - 300 (+20)	265 - 275 (+10)		
HWEC (31)		290 - 300 (+20)		300 - 310 (+20)	300 - 310 (+20)	310 - 320 (+10)	295 - 305 (+10)		255 - 265 (+10)

* 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 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.)

April 6, 2020

	Destination	New York ¹	LA ²	SF/Oakland
FAS port of origin (per ton)		Change ⁴		
Mixed Paper (54) ⁴	Asia	-6 - -3 (+0)	9 - 12 (+5)	4 - 7 (+5)
OCC (11)	Asia	107 - 110 (+10)	117 - 120 (+10)	112 - 115 (+10)
Double Sorted OCC (12)	China	117 - 120 (+5)	132 - 135 (+10)	127 - 130 (+10)
DLK (13)	China	125 - 128 (+3)	139 - 142 (+7)	134 - 137 (+7)
Sorted Residential Papers & News (56) ⁴	Asia	24 - 27 (+0)	27 - 30 (+3)	22 - 25 (+3)
CGS/OMG (44,10)	China	72 - 75 (+20)	77 - 80 (+10)	
SOP (37)	China	172 - 175 (+15)	177 - 180 (+15)	172 - 175 (+15)
SWL (40) ⁵	Asia	232 - 235 (+5)	247 - 250 (+15)	237 - 240 (+20)
CFR to destination port (per tonne) ^{7,8}				
OCC (11)	India	157 - 160 (+0)		
Double-sorted OCC (12)	India	172 - 175 (+0)		
DLK (13)	China	180 - 183 (+3)	190 - 193 (+8)	

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.

OCC up by \$35 in the East

» continued from page 1

demand, and spiked premium prices for OCC, the latter that were reportedly doubled in regions, up to \$45/ton (FOB seller's dock) from \$15 at the start of the year and to more than \$60-65/ton in some trades. As one example, ND Paper's Biron, WI, mill that had been buying double-lined kraft corrugated cuttings (DLK) in strong orders, was claimed to be paying a \$50/ton premium over the listed price for OCC in April, industry contacts told *P&PW*.

Effects from the coronavirus pandemic continue to play

out, as supply shortages stem from millions of workers no longer in offices, restaurants, and distribution centers.

Stockpiling also is going on as, "everybody is trying to get their pad filled up with anticipation of there being a shortage of OCC," one mill contact said.

Generation of OCC is off substantially at some plants and municipalities by up to 50%. One contact in the Northeast said OCC generation was off more than 60%. Another in the Northeast said his plants are off 50%. In the South, a contact said his mill's grocery OCC tons were up 28%, while retail tons were down. Another mill contact in the South said

generation at the company's plants has declined 5-10% each week over the last several weeks.

"The scary part of it is, we don't know when that's going to stop," the contact said.

Some containerboard mills plan to slow down as most US mills have been running strong so far this year, contacts claimed. Mills will "have to adjust what stays running" in the days or weeks ahead, contacts told *P&PW*. However, some even expressed concerns that mills will run out of recovered paper to use. Mill and supplier contacts again told of pulling tons out of the Southeast for the Northeast and Midwest regions. Northeast

buyers dipped into the Midwest as well as Canadian mills had strong demand buying out of Chicago and the Northeast regions.

Collections have been affected by numerous shutdowns of sources of fiber, even closed material recovery facilities (MRFs), such as Waste Management (WM) MRFs in Southern California, and Republic Services in Texas. This is at a time when WM has pivoted recovered paper tons that once sold export to sell more domestically (*P&PW*, Feb. 14, p. 11).

"There is just only so much material around especially with all the [retail, non-grocery] stores being closed," a packaging manufacturer whose mill "is still running full-out" said.

Other recovered paper supplies also are short in supply, especially sorted office paper (SOP), contacts across the USA reported. Print plants in the USA are shutting down. US SOP pricing increased by up to \$45-50/ton, and OCC increased in pricing by up to \$35/ton domestic, and by a range of \$5-10 on export (see story, p. 7).

This is all after a volatile 2019 caused chiefly by a decline in demand of about two million tons from the US recovered paper demand total in 2018. Demand has now outpaced supply for some recovered paper grades, with price increases reported in at least one US region for every grade surveyed by *P&PW* for the Apr. 6 report.

OCC up 62% from March. For the third consecutive month this year, domestic OCC pricing increased in every US region

Note to Readers:

Due to the market volatility this year with old corrugated container prices in the domestic US market increasing by 150-200% in four months in the East, Fastmarkets RISI's *PPI Pulp & Paper Week* will publish two special report stories on recovered paper market pricing and dynamics. These will be update stories on pricing for certain markets and any other key issues occurring. Both stories will appear online on our risi.com news site, with the first one published at approximately 4 PM EST on Thursday, Apr. 16. The second one will be published at or by 4 PM EST on Apr. 23.

These two market stories will be emailed to recovered paper price index subscribers and also will be posted online for all of our readers.

Following these two stories, *P&PW* will publish its regularly-scheduled US domestic and export recovered paper prices on Tuesday, May 5.

Best of luck with your business and thanks.

Sincerely,

Greg Rudder, grudder@fastmarkets.com

Managing Editor, North American *P&PW* editorial team

Megan Workman, mworkman@fastmarkets.com

Price Reporter/Editor, Fastmarkets RISI

in April. As in February and March, still-low generation levels nationwide as well as active containerboard mills – with tissue mills now fully part of the production run-up – helped to hike pricing in levels not seen in years. As a show of how well containerboard mills ran in the first quarter, US box shipments increased by almost 2% in January and February.

Despite starting 2019 at \$69/ton at the FOB seller's dock, OCC's US average proceeded to plummet in pricing for months until it hit a 25-year low, at \$25/ton, in June. By fall, the bulk grade hit a record low \$22/ton average in October 2019.

Since the start of 2020, the OCC domestic average pricing has inched up each month before the dramatic rise of \$47/ton in April. OCC's US domestic average in January was \$24/ton, in February

\$32/ton, and in March \$44/ton. The average price increased 62% month-over-month in April, and was up 77.5% from April 2019.

When comparing US regions in April 2020 vs January 2020, US OCC average prices are up in a range regionally of 154-200%. The breakdown is: US OCC average pricing in April from January is up 154% in the Southeast, 182% in the Southwest, and 200% in the Northeast, Midwest, and Pacific Northwest regions.

Five years ago, International Paper (IP) restarted the 360,000 tons/yr recycled containerboard machine No. 3 at its Valliant, OK, mill. The PM had last made corrugating medium before officially shutting in early 2013. In the restart of No. 3, market contacts said IP stored up OCC in a Texas warehouse well before the restart. IP did this, contacts said, to try to avoid a run-up on OCC. The 2015

OCC mill price in the Southwest hardly changed during the year, according to *P&PW*'s survey.

While IP was trying again, according to a supplier, to "quietly" buy OCC, this time for the startup of a large bleached white top and containerboard machine at its Riverdale mill in Alabama, its additional OCC demand at Riverdale the last two months met up against a dramatically shifting market with pricing shooting up.

SOP price soars as supplies shrink. At \$50/ton in the Midwest, SOP saw the largest incremental increase in April, according to the survey. SOP premiums soared as well, nearing or at \$90 in several cases, contacts said.

Save January, domestic SOP pricing has increased in every USA region this year (except the Pacific Northwest in February). The US average of SOP, at \$131/ton at the FOB seller's dock, is up 54% from the high grade's \$85/ton national average in January. SOP's US average is down 17.6% in April 2020 vs April 2019.

This is much different than SOP's pricing movements the first four months of last year. In 2019, an SOP pricing decline began in January 2019 – a trend that occurred 11 months last year save October (yet, other deinking grades did decline in pricing in October) – and held in pricing at the start of January 2020 after hitting rock bottom.

For April orders this month, one of the US's largest tissue producers offered "big premiums for SOP," according to several industry contacts.

US Recovered Paper National Averages – Feb.-Apr. 2020

(FOB seller's dock levels)

US average	Apr. 2020	Mar. 2020	Feb. 2020	Apr. % chg. year ago
Mixed paper	-\$2	-\$7	-\$5	n.a.
Boxboard cuts OBM	33	20	20	-23.3
OCC OBM	71	44	32	77.5
DLK OBM	79	55	43	43.6
SRPN	9	9	9	-50.0
OMG	73	48	42	-25.5
CGS	73	48	42	-25.5
SCN	86	82	82	-23.9
WBN	210	200	200	-11.8
Unprinted SBS	259	241	241	-21.8
HWS	277	259	259	-20.4
HWEC	297	282	282	-19.7
SOP	131	95	90	-17.6
CBS	132	96	91	-16.5
Heavy print SBS	154	111	104	-12.5
SWL	192	163	163	-24.1
MWL	198	170	170	-22.0
Light print SBS	\$198	\$168	\$162	-16.8%

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	
April	\$116
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

* 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.

A tissue contact said of SOP pricing: "The market is a pure spot market right now. There is no 'price,' ... no matter what you do with the index, the premiums will stay the same or get bigger."

Premiums were paid as supplies dried up. Shredding companies saw sources closed and some print houses closed, causing shortages of SOP, contacts said.

Tissue switches. The supply-shock response has domestic mills reconsidering what and when to run in the days ahead. On the tissue side, a demand boom for consumer products has some US tissue makers foreseeing a switch from machines making Away-from-Home products to consumer tissue products.

A tissue mill contact said: "The businesses are worried we're

not going to have enough paper to keep these mills running. That's what creates the spot market. You've got a severe shortage of supply."

The contact added: "We're discussing plans – do we change our machines to make supermarket products?"

Plans also were made on how to handle the supply shortage, with recycled tissue mills seeking additional white grades as well as some groundwood grades in their furnishes.

A supplier said: "Tissue guys can't find SOP, so they are going up the chain to ledgers, even to pulp subs. ... It's name your price."

Recycled tissue mills' demand for deinking grades outside of SOP – for high grades such as sorted white ledger (SWL) and light print solid bleached sulfate (SBS) and heavy print, among others – has increased as mills seek enough furnish to fill a boom in orders. This has affected supplies – and pricing – of other recovered paper grades. Demand and pricing for pulp substitutes increased in every US region as well.

SWL demand and pricing had slumped for several months starting in fall 2019. Today, SWL US average pricing, at \$192/ton, is down 24% from April 2019.

For one, IP's Riverdale uncoated freesheet (UFS) paper mill in Selma, AL, cut off SWL shipments on Oct. 15. IP is converting one of two UFS machines at this mill to the containerboard.

Another UFS mill, the Packaging Corp of America mill in Jackson, AL, is to temporarily idle both

paper machines and the sheet-converting operation for May and June. This is expected to reduce paper production by about 70,000 tons, and the mill is expected to restart on July 6. Mill contacts described this as a "break" and "positive" in regard to supply.

Some mills, including a large mill company, had been buying SWL consistently, and switched to pulp subs such as hard white envelope cuttings (HVEC), according to contacts. One contact cited the move related to "better quality and yield" for HVEC. Competition for material also was at play.

Another contact, a tissue mill source citing the large mill company's increase in pulp substitutes purchasing for April, said if his mill saw a severe supply shortage, then it would attempt to void pulp subs by switching machines to virgin pulp "as much as we can."

Mixed moves up. Tissue mills also sought mixed paper, contacts said, to use as a filler. Mixed paper pricing increased in most US regions in April as this still-landfilled grade saw a pickup in demand for this month. As recovered paper supplies shrink some, mills have upped their buying of mixed paper. Yet, the mostly \$5 increases pulled mixed paper pricing out of negative, with pricing up to \$0/ton at the FOB seller's dock on the high side for most regions. Mixed paper is up to \$5-10/ton in the Midwest where competition for material is tight – the highest domestic price for mixed paper since January.

"We had for the first time in quite some time, mills asking for additional mixed paper," an industry contact said. "Any smart

mill system that has the ability to flex toward mixed, will increase their consumption of mixed to offset this run-up of OCC."

--by mworkman@fastmarkets.com

Recovered paper

US's OCC export price up every month in 2020 as China's mills still slow, lockdowns in India, Malaysia

The steady recovered paper export demand seen in first-quarter 2020 has slowed some, yet market pricing bumps were maintained amid curtailed recovered paper collections, shipping struggles, and shelter-in-place orders. In addition, this week, China, India, and other major export markets slowed and or stopped paper machines due to effects of the coronavirus outbreak.

Despite the demand pullback from some countries, pricing on orders for April increased, according to contacts, increasing mostly all US export pricing for the recovered paper grades tracked in Fastmarkets RISI's *PPI Pulp & Paper Week* Apr. 6 pricing survey.

Old corrugated container (OCC) pricing, both for Nos 11 and the double-sorted 12, has increased each month in 2020. This is a swing from last year, when double-sorted OCC (DSOCC) prices to China declined eight months in 2019, and No. 11 OCC pricing to non-China Asia dropped in nine months. Both OCC grades saw significant monthly price declines in 2019, including a slash in pricing by \$55/ton for DSOCC in February 2019 out of Chicago and by \$35/ton for No. 11 OCC off the West Coast that same month.

Now, market "demand is spotty, but those that are buying will pay the higher price because there is just not too much material out there, plus freights have been increasing," an exporter said.

Added another US exporter: "Things are a little quiet right now. [But] export pricing is still fairly good."

Export No. 11 to non-China Asia pricing increased \$10/ton to \$107-110/ton FAS at New York/New Jersey ports, and to FAS \$117-120 out of Los Angeles/Long Beach and FAS \$112-115 out of the Oakland, CA, ports. Export DSOCC increased by \$5/ton to FAS \$117-120/ton at the New York/New Jersey ports, and by \$10/ton on the West Coast to FAS \$132-135 out of Los Angeles/Long Beach and FAS \$127-130 at the Oakland port.

New double-lined kraft corrugated cuttings (DLK) US export pricing to China increased \$3/ton to FAS \$125-128/ton at New York/New Jersey ports, and by \$7/ton on the West Coast to FAS \$139-142 out of Los Angeles/Long Beach and FAS \$134-137 out of Oakland.

US exporters said they had a "tough time" moving orders for DLK to China in April, with small increases reported.

Sorted office paper (SOP) export pricing jumped \$15/ton, to \$172-175 FAS at New York/New Jersey ports, to \$177-180 FAS at Los Angeles/Long Beach and \$172-175 FAS at Oakland.

Since the start of December through to Apr. 6, pricing for US OCC No. 12 and DLK to China, and for OCC No. 11 to non-China Asia is up \$50-55/ton at the US's

largest export port terminals in Long Beach/Los Angeles. That put the No. 12 price up by 63% and No. 11 to non-China Asia up by 85%, according to *P&PW*'s survey. These increases are far behind the rise-up in domestic OCC for US mills, where OCC pricing is up by 150-200% in the four months.

China still slow. With limited economic activity, contacts said in the last week that mills in China are running at reduced operating rates still, and are well stocked on domestic linerboard as finished box prices in China had fallen up until about a week ago (see related story, p. 1).

"Many paper mills (in China) are taking downtime due to lack of orders and over-inventory," one contact said. "The Covid-19 pandemic is continuously affecting the world, financially and mentally. There is still very few economic activities in China."

With reduced recovered paper collection this year in China and mills slowly starting back up, China has been a big buyer of US unbleached kraft linerboard in the first few months of this year and US kraft linerboard prices appeared to be increasing for the first time in several years this month, contacts told *P&PW* this week.

China's collections of recovered paper practically ceased the first week of February due to the coronavirus. The moves kept workers at home, and slowed down some mills beyond downtime for Chinese Lunar New Year. Some contacts told *P&PW* that some mills continued to be very slow in operating or still remained down. This slowdown in China caused a pickup in demand

and pricing for US recovered fiber in first-quarter 2020 as Chinese mills placed orders to make up for its domestic lack of supply and as mills slowly started to restart or revive production.

Expectations of China's demand for US recovered paper going forward are bleak. China's Ministry of Ecology and Environment released a total of 3.21 million tonnes of licenses for 2020 in four batches, down 41.9% from the 5.54 million tonnes granted by around the same time last year.

The US's largest buyer of recovered paper for the last 15 to 20 years plans to cut global import permits to about seven million tonnes in 2020. This is down from the 10.7 million tonnes in 2019, and off significantly from the 18.2 million tonnes in 2018. In addition, China may ban imports of recovered paper in 2021, according to contacts.

The softer export demand has some US suppliers keeping material domestic to sell to US mills. For integrated companies, that means mills have been keeping recovered paper from their systems, such as DLK from their box plants, within their own mill systems, rather than selling the tons into the open market.

"There's very little export demand, which is good for domestic," one trader said. "When the coronavirus started in China, the demand coming out of China was unbelievable. I could sell anything – (DSOCC) No. 12, double-lined (DLK), pulp; now, this last week and a half, there is no demand coming out of China."

Lockdowns and shutdowns.

Lockdowns in India and Malaysia

also shut down mills and kept workers home, much like what unfolded in China. Shipments in April were slowed and stopped in some cases, contacts said. This week, some mills in India started back up, although most remain shuttered.

In Vietnam, where shelter-in-place rules also went into effect, mills continued to run. Orders to Indonesia, with import restrictions on recovered paper focused on quality, and Ramadan starting in April, were limited as well.

Despite a lockdown in India starting the last week of March, contacts confirmed orders for April to India, although the risk was recognized.

"They're taking a calculated risk putting it on the water; they're hoping things are abated by then," a supplier said. "I wouldn't say the doors to India are wide open, [but] they're opening."

Brown recycled pulp down. After bumping up in pricing in first-quarter 2020, brown recycled pulp (BRP) pricing declined in April. Contacts said they will make less brown recycled pulp in the second quarter as China's economy and mill prices decline.

Pricing peaked in mid-March, contacts said, when *P&PW* reported Mar. 13 that BRP was moving consistently in a range of \$300-350/tonne CIF at Chinese main ports, dependent on quality. This range was up by \$20/tonne in first-quarter 2020 compared with the pricing range at yearend 2019.

Prices started to slip as OCC pricing continued to rise.

"It is definitely not up in price," a contact said of BRP pricing in April. "It peaked out mid-month and now is moving downward fairly aggressively."

"With OCC moving up in the US so aggressively, which is the prime feedstock for that pulp, there's a situation where it doesn't make sense to make pulp because of the escalating OCC prices, and the sales price dropping," the contact added.

Brown recycled pulp is made of mostly OCC with some mixed paper in some cases, although some producers claim they are attempting to use just OCC or DSOCC. The more OCC in the furnish mix, the higher the BRP pricing, while more mixed paper means lower BRP pricing, contacts said.

With a potential ban on recovered paper imports into China at the end of this year, and a continual drop in import licenses issued to Chinese mills, brown recycled pulp has been one avenue taken to avoid this demand cutoff.

Despite the anticipated slowdown in brown recycled pulp production going forward, US exporters have said this is a market continuing to grow in the USA.

• China's **Lee & Man Paper**, the second largest containerboard producer in China that has had a large US recovered paper buying position, is to acquire land in the Kuala Langat district in Selangor, Malaysia, for an expansion project, *PPI Asia* reported this week. The property size is 390,397 m² and was to sell for Ringgit 153.38 million (\$35.23 million). If the deal is completed, it would be Lee & Man's second

property in Malaysia. Last month, Lee & Man commissioned a 400,000 tonnes/yr BRP line for a new mill in Selangor, along with 1.2 million tonnes/yr of recycled containerboard capacity. Malaysia would be Lee & Man's second country, with Vietnam, outside of China, where the company has board capacity.

--by mworkman@fastmarkets.com

Pulp

Arauco restarts BKP line at Horcones after Covid-19 shut, ramps up Licancel UKP mill

Arauco, the world's second biggest market pulp producer, restarted production at two market pulp mills in Chile after separate issues forced shutdowns. The firm ramped up its Arauco (Horcones) mill's bleached radiata pine (BKP) line five days after it shut the entire 790,000 tonnes/yr mill on Mar. 25, when a worker tested positive for the coronavirus. Separately, the firm's Licancel mill also restarted after 3½ months of unscheduled downtime.

Arauco Horcones, which has one line with about 500,000 tonnes/yr of BKP capacity, began ramping up BKP production on Mar. 30 and was running fine this week, a company source told Fastmarkets RISI's *PPI Pulp & Paper Week*. However, the mill's second production line – a 290,000 tonnes/yr one that makes bleached eucalyptus kraft (BEK) – remained idle through Apr. 10. Arauco will permanently close the BEK line after its MAPA project is completed, the source added.

Arauco Horcones, located in Región del Biobío of Chile, lost an estimated 22,500 tonnes of market pulp output through Apr. 10. Of that total, 9,000 tonnes was BKP during the Mar. 25-30 downtime and a period of below-capacity production as it ramped up to full production. The BEK line had lost about 13,500 tonnes of market BEK output through Apr. 10.

MAPA project work resumes.

While the BEK line will continue to shed tonnes until it restarts, Arauco's MAPA project is still scheduled for completion in the second quarter of 2021 despite the Covid-19 disruptions, which delayed work on the project for two weeks. When Arauco completes its MAPA project, it'll replace the Horcones mill's 290,000 tonnes/yr of BEK capacity with a new a new 1.56 million tonnes/yr BEK line. The company source said that while the MAPA construction work halted for two weeks, that doesn't necessarily mean the project will miss its deadline for being completed.

"MAPA resumed after two weeks. It stopped mainly to coordinate sanitary measures among all contractors and workers at the site," said the company source. "At this moment, we do not have a new [startup] date (and) we may recover these two weeks, but there are still many contingencies related to Covid-19."

Licancel restarts. While Arauco Horcones is now running the BKP line, an unrelated closure at Arauco crimped supplies of unbleached kraft pulp (UKP) since December. Arauco idled its Licancel mill in Chile on Dec. 20 after a drought hurt flow in the

the nearby Mataquito River that empties into the Pacific Ocean.

Now, it has restarted the mill, the company source told *P&PW*.

Licancel, which has 154,000 tonnes/year of market UKP capacity, lost an estimated 44,000 tonnes of output during the downtime. Arauco exports most of Licancel's output to China.

- **Suzano**, the world's largest market pulp producer, confirmed it's trying to implement a \$30/tonne price increase on BEK in China this month. The firm, which didn't state a new net or list price, is one of several global bleached hardwood kraft (BHK) producers proposing \$30 price hikes on April allocations. Others include **Arauco**, **CMPC**, **Klabin**, and **Asia Pulp and Paper** (*P&PW*, Apr. 3, p. 1). In an Apr. 9 conference call to address its response to Covid-19, Suzano CEO Walter Schalka also said the firm's second-quarter downtime has been rescheduled for the second half of 2020.

- Recently-announced downtime at **West Fraser** and **Canfor Pulp** mills were primarily due to a woodfiber shortage in British Columbia, and the impact of **Covid-19** social distancing policies and shelter-at-home orders. Industry sources said they and other North American pulp mills are mostly delaying maintenance until fall because there's not enough workers to perform maintenance work due to shelter-at-home orders. Canfor's downtime that it originally scheduled for spring is occurring, but it won't have maintenance work done. Sources claimed that with so many pulp mills delaying maintenance,

there would be a shortage of qualified workers for maintenance jobs in the fall, assuming they go forward as now planned.

- **Alberta-Pacific (Al-Pac)** announced that veteran pulp sales executive **Peter Stahre** is leaving the firm, effective Apr. 30. Stahre, who has been with the company for more than 25 years, was most recently its dir of pulp sales and marketing. Al-Pac's team lead of sales, Carter Antal, will assume day-to-day activities for Stahre, Al-Pac said on Apr. 9.

-by bryan.smith@fastmarkets.com

Fluff Pulp

IP slates \$40/tonne increase, effective May 1; is company's 4th rise in four months for the grade

International Paper (IP) announced to customers in three key global markets on Apr. 9 that it would increase fluff pulp prices by \$40/tonne, effective May 1 until further notice, industry contacts told Fastmarkets RISI's *PPI Pulp & Paper Week*. IP told North American, European, and Chinese customers its fluff pulp prices would increase the \$40. The firm did not state a new fluff list or net price in any of the markets.

Fluff prices in the USA and Europe have increased \$35/tonne year-to-date through March, bringing effective list prices in the two continents from \$1,105/tonne to \$1,140/tonne, according to *P&PW* polling. In China, March fluff prices increased to \$580-600 net CIF, up \$20, and producers have become aggressive at implementing hikes there, sources said (*P&PW*, Mar. 13, p. 1).

The latest price hike is IP's fourth pricing announcement on fluff in as many months. Its move, the first known pricing announcement on May business in any grade of pulp worldwide, comes during a time of strong demand for fluff. A buyer contact said IP cited "strong worldwide fluff pulp demand, full order books, and an increase in spot demand" as reasons for the increase.

IP is North America's largest market pulp producer. It produces fluff pulp, northern bleached softwood kraft (NBSK), southern bleached softwood kraft (SBSK), and southern bleached hardwood kraft (SBHK) at its mills in the US and Canada. The firm didn't announce May prices in its paper grade pulp.

• **Metsä Fibre** announced on Apr. 9 that it is increasing the price of Metsä Pine NBSK and Metsä Strong in Asia, effective immediately until further notice. The firm's new list price is \$630/tonne for Metsä Pine and \$640/tonne for Metsä Strong. All other terms and conditions remain unchanged, the company said. In March, Canadian NBSK was priced at \$570-590/tonne while Nordic NBSK was at \$570-580/tonne in China, *PPI Asia* reported.

-by bryan.smith@fastmarkets.com

Patriots plane flown to China for 1.5 million N-95 masks for MA, NY states, Kraft Group says

The Kraft Group last week gained 1.5 million N-95 masks from China and donated at least \$2 million for the effort, the Kraft Group and Rand-Whitney reported.

Of the 1.5 million masks, a company official told Fastmarkets RISI's *PPI Pulp & Paper Week* that 1.2 million were delivered in Massachusetts and 300,000 masks were delivered in New York state.

Working with Chinese Ambassador Huang Ping, the Kraft Group sent its New England Patriots team plane to China, where the masks were loaded onto the plane in corrugated boxes.

"It is an honor for our family to be a part of this humanitarian mission," Robert Kraft said in the company's statement. "We knew that purchasing greatly-needed N-95 masks and providing the Patriots plane to expedite their delivery to local hospitals would immediately help protect our courageous healthcare professionals."

The masks arrived in Boston on Apr. 3, the company said.

The Kraft Group is a global forest products company, including with a large position in the US containerboard and corrugated box business.

In a release, the company said on Apr. 2 that "Robert and Jonathan Kraft have been working side-by-side with (Massachusetts) Gov. Charlie Baker to ensure the prompt delivery of N-95 masks to Massachusetts."

"Gov. Baker has put forth a monumental effort to secure Personal Protective Equipment (PPE) for the states' medical personnel. An ongoing issue has been the ability to get the equipment delivered. The Kraft family stepped in to offer up the services of the Patriots

team plane to deliver the vital equipment needed to stem the tide of Covid-19," the release said.

"As I said before, ordering vital equipment like this is only one part of the challenge and I am incredibly grateful that the Krafts worked this issue relentlessly alongside our Command Center staff to get these critical supplies to Massachusetts," the governor said, according to Rand-Whitney's press release.

• **International Paper (IP)** said it donated 50,000 boxes to the Feeding America network member Mid-South Food Bank in Memphis, due to the pandemic. The boxes was for the bank's effort to provide 14-day food supply kits to low-income children and "other vulnerable populations during the pandemic," IP said.

--by grudder@fastmarkets.com

Export liner prices may rise

» continued from page 1

occurred during a trade war involving the US and China that remains, and also as the global linerboard market was swollen by oversupply starting in October 2018.

Contacts this week told *P&PW* that the increase in China appeared to gain back about 10% of what was lost in the last 18 months. However, they also said that the increase was basically linked to the phase-one China-US trade deal. Following the deal in January, the Chinese government exempted a 5% duty on US kraft linerboard, if an importer requested the exemption. The

5% duty equals roughly \$25/tonne, one contact said.

US producers first called for the increase for China in late January. However, the containerboard and packaging market in China has been unsteady due to the coronavirus outbreak, and the market now appeared this week to be settling somewhat. Domestic linerboard prices in China dropped in March and were holding, two contacts said.

Along with China, contacts reported that pricing has begun rising again, for a second month in a row, for US kraft linerboard to southern Europe (Italy and Spain). Despite a dramatic impact in both countries from the coronavirus outbreak, one exporter said late this week that corrugators in Italy and Spain were running to package "essential" goods and food.

Other key US export markets in Mexico, the largest US kraft linerboard export destination, and South/Central America were holding in price, contacts said this week.

P&PW publishes domestic and export US linerboard prices on Apr. 17.

Several contacts in South American countries told of possibly slower demand due to the "virus and social unrest."

One noted that "demand for fruit boxes is quite good."

Another anticipated the loss of non-essential business, but believed the essential and agriculture business, especially exports, will be the ones that "save the industry."

Mexican demand appeared to cool for US kraft linerboard, driven down by currency. The strong dollar value was up 30% at mid-week and worth 24 Mexican Pesos, compared with a dollar for 18.7 Pesos in early February. Citing currency and anticipated reduced demand from non-essential businesses, one buyer in Mexico even cautioned that he would "not be surprised to see a price decrease" on imported kraft linerboard.

Mexico's government recommended shelter-in-place through Apr. 30 for all of Mexico. Essential businesses in Mexico are mostly similar to US-designated essential businesses. A main difference was that alcoholic beverages are considered non-essential, contacts said. Mexico's Grupo Modelo temporarily stopped brewing Corona beer and other brands exported to 180 countries, as of Apr. 2, the company said.

"They're concerned," one seller added, of his Mexico customers, referring to currency, and also to the coronavirus outbreak and its potential economic impact.

A slower-growing global economy fueled an oversupply of export linerboard that began in October 2018 and touched off price battles throughout last year for kraft and recycled linerboard. Further, various companies globally added to the oversupply by jumping into the export linerboard ring after demand in their home countries or regions fell. The result was a dramatic decline for exported US kraft linerboard.

The US kraft linerboard C&F prices to China last increased in July 2018 reaching \$770-800/

tonne for 175-g+, according to *P&PW*'s survey. Its top-of-range level last month was \$550/tonne, according to the *P&PW* survey.

"Everyone in China is looking for supply, even for recycled linerboard," one contact said.

China is trying to come out of the throes of the coronavirus, first recognized in Wuhan in late 2019. In first quarter, Chinese board mills ran at extremely low operating rates, collection of OCC plummeted in-country, and prices for containerboard fell in March. Now, Chinese mills are firing back up and Chinese imports of US kraft linerboard skied.

US kraft linerboard shipments to China in January and February were up 143% to 130,721 tonnes or a 65,000-tonne/month average, according to US trade statistics. After the US/China trade war started in late 2018 and included tariffs, China reduced its buying of US kraft linerboard from 50,000 tonnes/month in most of 2018 to 30,000-35,000 tonnes/month on average in 2019, based on US trade statistics.

US box market update this week. A dramatic dividing line appeared ominously this week to US boxmakers, in what seemed to be the first time since the coronavirus and a national emergency raged across America and the US business landscape, *P&PW* learned.

The dividing line, they said, was between whether one makes boxes, and how many, for so-designated "essential" products and how many made boxes for the "non-essential" ones. RISI estimated two weeks ago that about 81% of corrugated

boxes go for the essential end uses, based on 2018 shipments. Another 12% was "probably" for non-essential end uses, 5% for either essential or non-essential, and 2% were definitely non-essential, according to RISI.

One corrugated supplier in the East offered a concise explanation: "If you're in non-essential, you're dead in the water. With essential business open, and if you have anything to do with medical care, you're running straight out all-the-way every day."

A veteran market player raised from at least 30 years of US containerboard market fortitude seemed fearful.

"This virus is such a cloud that people don't know what to do," the contact said.

"The concern is how far the business is going to be cut and how fast the turnaround will be," said the contact, his voice fading away.

"I'm seeing some slowdown with some customers (for May)," he said.

Wells Fargo on Apr. 9 appeared as the first to claim the possibility of a long runaway to "normal," whether for business or living in the USA, telling investors that it "expects a U-shaped recovery for the container/packaging sector," and "we believe it will be a period of quarters (and in some cases years) vs months before business activity and employment will normalize (think dining-out in densely-populated cities). Accordingly, we are revising our estimates to reflect a drop off in both semi-discretionary and

industrial end markets similar to the Great Recession."

The Wells Fargo note further forecast a \$25/ton containerboard price decline "sometime" during the third quarter in the USA, but left "open the possibility that the grocery demand burst could sustain pricing."

Contacts this week in the containerboard business complained about US government funding program from the \$2.2 trillion CARES legislation, saying that small business loans, for example, appeared to be moving slowly to potential fruition. One cited "red tape," and a "cumbersome" process.

"I thought businesses would get money by the end of this week," another said.

"I don't think the money is going to get to (small businesses) quick enough to save them," he said.

Another box industry contact unabashedly blamed the White House for what he expects to come and a high political price to pay.

"What will Trump do if the economy is in the toilet in September and October? He will have no chance in November," the contact said.

Some boxmakers, connected with strong volume for "essential" business, told of customers who wanted extra box supply on their floors. One heavily focused in e-commerce reported box deliveries two weeks out. Yet another reported late this week "staying pretty busy," adding that "non-essential customer (volume) has fallen off," yet "we

have picked up Covid business ... (and) I predict that the remainder of April will be strong."

Said another, without flinching: "Until there's a vaccine, you don't have a true idea of what to expect. No one knows."

--by grudder@fastmarkets.com

Transportation

Pulp, paper rail freight dips in 1Q, lumber/wood mostly higher as virus impact growing

North American forest products railroad freight dipped in first-quarter 2020 with several major carriers reporting mostly lower pulp and paper volumes, and higher lumber and wood products, according to industry and company statistics.

Major Class I forest products carrier Canadian National (CN) showed pulp and paper freight down 3.8% and lumber/wood products 11.9% lower through 13 weeks of 2020 ending Mar. 28, from a year earlier. Smaller carrier Canadian Pacific reported preliminary total forest products freight in the first quarter was up 5.3% to 18,045 carloads.

Canada has seen numerous sawmill and wood products closures, and some pulp and paper mill disruptions, especially in British Columbia and in Eastern Canada with the closure of Paper Excellence's Northern Pulp mill in Nova Scotia last year.

Canadian overall forest products freight was down 7.1% in the first quarter at 82,640 carloads.

North American forest products railroad freight

(carloads)

	1Q 2020 (Jan-Mar)	% chg 2020/19	FY 2019	% chg 2019/18
North America	209,652	-4.5	860,535	-6.1
US	126,608	-2.9	509,238	-4.5
Canada	82,640	-7.1	349,875	-8.4
Mexico	404	50.7	1,422	-1.4
By carrier	Pulp & Paper	% chg 2020/19	Lumber/ wood	% chg 2019/18
1Q 2020				
Canadian National	35,088	-3.8	32,749	-11.9
CSX	39,484	1.9	15,288	2.1
Union Pacific	21,554	-3.0	29,510	2.0
BNSF	18,606	-8.5	20,902	4.3

*Preliminary.

Sources: Association of American Railroads (top deck of numbers only), company reports, and Fastmarkets RISI.

Union Pacific and BNSF showed pulp and paper freight declines of 3-8% through March, while CSX reported a 1.9% increase. All three reported higher lumber/wood products volume of 2-4%.

In the most recent week ending Apr. 4, total North American rail industry carloads were down 16.1% with forest products 5.6% lower, the Assn of American Railroads (AAR) reported. Chemicals were down 6.5% in the week, and coal fell 23.4%.

The AAR said that the impact of the Covid-19 pandemic "is growing," said its Sr VP John Gray on Apr. 8.

"Since 1988, when our data began, total US rail carloads were lower than they were last week only during a few Christmas and New Year's weeks, when rail operations are seasonally low. Part of the problem now is sustained weakness in coal carloads, but even excluding coal, carloads last week were down 13.1%," Gray explained in a press release.

"We haven't seen sustained declines of that magnitude since the Great Recession," he added.

"Based on rail data, it's clear that many sectors of US industry are beginning to feel the impact of coronavirus disruptions."

In the latest week, US forest products carloads were up 1.3%, Canada declined 14.2%, and the small volume in Mexico dropped 35%.

--by jmclaren@fastmarkets.com

Kraft paper

Grocers pushing back on reusable, from-home bags for paper, due to the virus

Four grocers that combined operate about 7% of the US's 40,000 grocery stores were reported late this week to not be bagging food in reusable bags that customers bring from home and instead appeared to be using more paper bags, NBC reported and Fastmarkets RISI's PPI Pulp & Paper Week sources confirmed. The store chains no longer bagging food in reusable bags included Target, Trader Joe's, Whole Foods, and Hy-Vee.

The concerns are that the coronavirus might be able to linger on everyday objects or surfaces for hours or days. Several states, cities and stores are now banning customers from bringing their own bags into supermarkets, NBC reported on Apr. 8.

During pricing survey calls this week, some contacts who sell and or make kraft paper claimed that demand was increased for grocery bag paper.

Willamette Falls Paper. One mill, Willamette Falls Paper, said it had begun making kraft paper for the first time at its mills in West Linn, OR.

"We have just started to make kraft papers on No. 3 PM, which includes bag papers," a Willamette Falls Paper official told P&PW.

"We are still in the rollout phase" and determining grades after qualifying tests with converters, the official said.

Another contact at a US mill company that produces kraft paper told of some states wanting or favoring kraft paper with at least 40% recycled-content.

Last week, San Francisco's mayor, London Breed, a Democrat, became the latest public official to crack down on reusable bags from home, barring customers from using their own bags while shopping for food, NBC reported. This followed similar bans issued by governors in Illinois, New Hampshire, and Massachusetts.

"Our grocery store workers are on the front lines of Covid-19, working around the clock to keep New Hampshire families

fed," New Hampshire Gov. Chris Sununu, a Republican, said in statement released Mar. 21 regarding the state's emergency order. "With identified community transmission, it is important that shoppers keep their reusable bags at home given the potential risk to baggers, grocers and customers."

Trying to shut down the pandemic. George Washington University School of Medicine and Health Sciences assistant professor Michael Knight told NBC that previous studies unrelated to the coronavirus show that reusable bags can carry a number of germs or bacteria if they are not washed properly between each use.

"A lot of this is based on early studies of theoretical risk. I don't think the majority of transmission, or even a large number of transmission, is happening by reusable bags," Knight said. "One of the reasons we're addressing (reusable bags), as well as face masks and social distancing and (staying) six feet away, are because we hope that collectively all of these changes can help to impact the pandemic."

In March, Hy-Vee told its customers to leave any reusable bags at home, officials for Target, Trader Joe's, and Whole Foods told NBC that they asked customers to use store-provided bags or bag their own groceries in their reusable bags at checkout.

• **International Paper (IP)** discontinued newsprint production on machine No. 3 at its Kwidzyn (Poland) mill at the end of March – and committed to full output of kraft paper on the machine, Fastmarkets RISI's *PPI Europe* reported. IP at the start

of March said it expanded the range of its IPack brand made at Kwidzyn. "A machine-finished paper, produced from 100% virgin fiber, IPack is designed for various packaging applications that protect and promote consumer goods people use every day. Since the start of the year, IP is offering customers two new basis weights – 30 g/m² and 33 g/m² – in addition to the existing range (35, 38, 40, 45 g/m²)," the company said. The PM 3's capacity is 112,500 tonnes/yr.

--by grudder@fastmarkets.com

Domtar, PCA plan downtime

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by closing one 170,000 tons/yr UFS machine (A63) at the Ashdown mill and a 34,000 tons/yr UFS machine at the Port Huron, MI, mill.

Domtar is No. 1 North American UFS paper producer with 2.8 million tons/yr of capacity and a 34% market share.

Last week, PCA, North America's No. 3 UFS producer by capacity, announced that both the Jackson paper machines and sheet-converting operation would be down for the two months to try to balance supply and demand during the Covid-19 pandemic..

The idling of PCA's operations will result in the temporary layoff of about 340 employees.

PCA said its paper mill in International Falls, MN, will continue to operate.

No. 2 North American UFS paper producer, IP, has not announced any UFS paper downtime due to the Covid-19 pandemic. Market contacts believe IP will not remove any capacity from the market as it is converting paper machine No. 15 at Riverdale to the containerboard.

"IP just took a machine out of the market with the Selma conversion, so I kind of doubt they are going to take action preemptively," a market contact said.

IP's Riverdale mill has another paper machine (No. 16) that makes about 410,000 tons/yr of cutsize office/copy paper and is apparently running normally.

Other contacts mentioned that IP may be quietly moving paper grades around in their system – possibly making more pulp instead of paper.

"They have a diversified system and can play around more easily," a source said.

"They may have slowed down production at one of their UFS mills, as well as shifting grades within their mills. I don't think they have enough orders to maintain all their [UFS] mills running," another source noted.

After confirming that one of its employees at its Eastover, SC, mill was infected with the Covid-19 on Mar. 21, IP said the mill continued operating normally. IP has other two mills where it makes UFS – the Georgetown, SC, mill and the Ticonderoga, NY, mill.

Dramatic demand decline. Paper suppliers won't need to wait for the official statistics to tell how bad demand for UFS

paper is in April. Most agree that customers are just not buying much paper these days.

"At the end of March, customers were still uncertain about paper availability and bought product they didn't really need. In April, they are not buying. My sales have fallen over 40%," a paper producer said.

"Unfortunately we haven't been selling a lot of paper. Even our inquiry activity has declined rapidly – there is not a lot of quoting for print jobs going on either, unless you happen to be doing work for an 'essential' business. We are spending most of the time trying to find a place to put inventory already committed and shipping into printers who don't have the space for postponed print jobs," a paper distributor noted.

"We're still getting orders, but many have been pushed out," another paper supplier stated.

A Suzano executive told analysts on Apr. 9 that they are keeping UFS production unchanged during the Covid-19 pandemic and continue to increase paper exports as planned.

"Of course we're tracking the Covid-19 situation every week and, if needed, we'll take measures. We have spare capacity, but, right now, we're not changing our printing and writing paper production," Suzano CEO Walter Schalka said.

• **Paper Excellence** told customers earlier this week that its IT systems had recovered. The company experienced a malware attack on Feb. 19 and since then has been using

manual processes for some of their industry and sales activities, market contacts said.

• **American Eagle Paper Mills** appointed Scott Igoe as the company's new president, succeeding Philip Devorris. Devorris, who took over as interim president in December 2018, will remain in his role on the mill's board. A chemical engineer, Igoe joined the company in 1987 as an operations engineer under **Westvaco** ownership, then gained broader experience over four years in technical and managerial positions at mills in Maine and Virginia, before returning as an equity partner in 2003 to help reopen the American Eagle paper mill in Tyrone, PA. In 2007, Igoe was promoted to Exec VP of operations. American Eagle Paper Mills said it just had its best quarter since 2016, behind new product introductions such as a wide range of colors and state-of-the-art digital printing grades, all made of "premium" recycled paper.

• **R.R. Donnelley (RRD)** has announced several actions in response to the Covid-19 pandemic to try to protect their employees and their business, including a furlough program, temporarily closure of production facilities, acceleration of cost reduction initiatives, and delay of capital projects, among many others. Last week, RRD also decided to temporarily suspend its quarterly dividend. With the exception of a few small facilities in the Caribbean, all RRD printing and distribution operations remain open, the company said this week.

--by rmercante@fastmarkets.com

Specialty paper

Release liner demand up 3.5% last year globally, with PSM the largest segment, report says

Release liner demand increased by 3.5% globally in 2019, compared with the demand total in 2018, and a new report expects continued growth in pressure-sensitive labelstock and other end uses for release liner.

The pressure-sensitive material (PSM) labelstock segment continues to be the largest, with a 48% share, of the global release liner market, according to a report by Alexander Watson Associates' AWA Global Release Market Liner Annual Review 2020.

The pressure sensitive segment is to grow by 3.9% in 2020, vs in 2019, according to the report. Major players in this segment are Avery Dennison, UPM Raflatac, and CCL Industries. Both uncoated freesheet and coated print paper is used as base paper for labelstock.

Other segments are expected to benefit from release liner as a carrier for adhesive coatings or other substances, according to the report.

Globally, 27% of the release liner business is in North America, 27% in Europe, 39% in Asia, 4% in South America, and 3% in the Middle East and Africa, according to AWA.

Report details are on the AWA website at www.awa-bv.com.

News briefs

March **Costco Wholesale** sales, helped by a run on grocery food

and store products, reported that its sales for the month increased 11.7%. That increase was greater than Costco's sales year-to-date, which were up by 9%, the company reported. Costco Wholesale net sales were \$15.49 billion for the five weeks through March and ended Apr. 5. That was a \$1.62 billion increase from the same period in 2019. Year-to-date sales totaled \$96.25 billion, almost \$8 billion more than in 2019 for the period... **Cascades** said this week that it planned to start production of a minimum of one million pre-cut medical visors for Tristan and Bauer companies starting Monday, Apr. 6, because of the Covid-19 outbreak. All of these products will be made at the Cascades Inopak plant in Drummondville, QC, Cascades said. Cascades said it already makes rolls of extruded plastic that it sells to Tristan and Bauer... **Andritz** said its new D-Tech Face Mask line produces and laminates three or more layers of fabrics (spunbond, meltblown, thermo-bonded nonwovens, and others), the company said this week. "It comprises unwinding and guiding units for nonwoven webs, cutting and positioning devices for the metal nose bar, an edge welding and cutting unit, a 90° rotation process, as well as positioning and welding of the ear loop elastics," Andritz said. The line is able to produce up to 750,000 face masks per day. Further, "there are also different packaging options available: products can be packed in bags by an automatic flow wrapping machine or in cardboard boxes by an automatic cartoner," Andritz said... **Gannett** adopted a shareholder rights "poison

pill" plan to try to protect the company from a change in control. "In general, an ownership change would occur if Gannett's shareholders who are deemed to be owners of 5% or more of its shares collectively increase their aggregate ownership of Gannett's shares by more than 50%," said Gannett, the US's largest daily newspaper company. If the poison pill is exercised, all rights holders could buy Gannett stock at a 50% discount.

Murphy has more than 17 years in investment banking with **J.P. Morgan Securities** and **John Nuveen & Co.**

RR Donnelley appointed Lisa Pruett as pres of its RRD Packaging Solutions business. Pruett replaces the retiring Brad Ross, who was "instrumental in developing the packaging business into a key growth offering for the company," RR Donnelley said in its release this week. "Our company continues to grow and evolve, and we're excited to welcome veteran leaders, like Lisa, who bring unique knowledge and skill sets to further fuel our goals of providing truly innovative packaging services," said RRD Business Services pres John Pecaric. Prior to RRD, Pruett was CEO at Downlite, a US based down-feather processor and manufacturer. She also held leadership positions at **Paperworks Industries**, **The C.W. Zumbiel Co.**, and **Smurfit-Stone Container Corp/Altivity Packaging LLC**.

People news

Clearwater Paper appointed Michael (Mike) Murphy as CFO, effective Apr. 13. Mr. Murphy succeeds Robert (Bob) Hrivnak who will be leaving the company. Murphy joins Clearwater Paper from NxEdge, where he was CFO. Prior to NxEdge, he had Sr finance, risk management, and strategy positions with **Kapstone Paper and Packaging and Boise**. In addition to his industry experience, Mr.

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Editorial Staff

Greg Rudder, Managing Editor, containerboard-kraft paper, tissue grudder@fastmarkets.com; 628.232.0438
James McLaren, Sr. News Editor, boxboard jmcclaren@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 844.271.8525 (US & Canada) or 32.2.536.0748 (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.

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