

PPI Pulp & Paper Week

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

Domestic OCC prices hold across USA, while export No. 12 rises by \$3; high grades, pulp subs fall again

Disturbed demand for US recovered paper in 2019 has shaken up a market that had seen increased demand for years. This year, Fastmarkets RISI estimates a decline in demand for US recovered paper by about 2.5 million tons, to possibly just under 50 million tons.

Movement has mattered most this year. Market players have told of selling higher quality grades at lower quality prices, blending grades in the same packs, warehousing material, receiving calls from people they've never worked with, landfilling recovered paper, and attempting to find new export markets with the implementation of import restrictions and tariffs to some countries.

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Lifetime award winner Schwarz's box career was Americana golden-rule simple, packed with innovation

In a 50-year career where his company grew from three people to one today that generates multi-billion-dollars per year in revenue, Jack Schwarz of Schwarz Partners was honored with the third RISI Lifetime Achievement Award at the International Containerboard Conference (ICC) in Miami Beach on Nov. 14.

The two previous winners were industry icon Roger Stone and Jim Porter, a top WestRock executive today.

Porter was on hand for the touching tribute for Schwarz that included a surprise appearance by the Kraft Group's Jonathon and Dan Kraft.

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November NBSK flat, and eyes turn to 2020 contracts, spot for direction; producer stock down 340,000 tonnes

US market pulp prices closed November flat to down \$5-15/tonne across bleached softwood kraft (BSK) and bleached hardwood kraft (BHK) grades, marking a stabilization after 10 months of steady and volatile decline. After the latest industry statistics showed that global producers continued to work down a large inventory overhang, industry participants questioned how long stockpiles would continue to drop, and looked to domestic spot markets for signs of near-term trends.

US northern bleached softwood kraft (NBSK) effective list prices closed November unchanged at \$1,115/tonne, according

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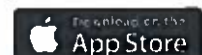
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Packaging

Hood looks to expand in deal for \$180 million to buy four former Coveris paper, PP plants

Hood Companies signed a definitive agreement to acquire a former piece of Coveris' paper and woven polypropylene (PP) packaging business for \$180 million.

The deal by Hood, which has completed six corrugated acquisitions in the last five years including four in the last two years, is actually TC Transcontinental. TC Transcontinental, which is one of Canada's largest printers that has moved in the last few years to expand significantly in flexible packaging, acquired the Coveris paper packaging, PP business 18 months ago.

The Hood and TC Transcontinental deal is to be final in first-quarter 2020, both sides said this week.

Four plants in the USA. Under the deal, Hood Packaging will acquire paper packaging operations and buildings in Sibley, IA, Hanford, CA, Hazleton, PA, and Tifton, GA, and a paper packaging and woven PP operation in Spartanburg, SC. TC Transcontinental will keep ownership of the Spartanburg building and continue operating at the Spartanburg location, which also manufactures plastic flexible packaging. It's unclear if as part of this deal, if the transaction is completed, that Hood could integrate some of its large containerboard business in with the TC/Coveris paper packaging assets. Hood operates two containerboard mills in St. Francisville, LA, and

New Johnsonville, TN, including one in St. Francisville that also makes unbleached multi-wall sack kraft paper for packaging.

About 415 employees are to transfer to Hood Packaging.

TC Transcontinental said the operations being sold generated \$215 million in revenue in the fiscal year through Oct. 27.

TC Transcontinental, which has been the largest printer in Canada and is now undergoing a change into flexible packaging, signed the agreement to sell the unit to Hood because it did not want paper packaging operations while focusing on the flexible packaging business. Transcontinental, after it acquired Chicago-headquartered Coveris for \$1.32 billion in 2018, now operates 28 flexible packaging plants.

"When we acquired Coveris Americas, we welcomed all of their assets and broad portfolio of products," said TC Transcontinental pres/CEO François Olivier, in a release. "After operating the paper business for almost 18 months, we concluded that it is less core to our Packaging Sector's growth strategy. As such, our decision to sell these assets is aligned with our plan to continue building our flexible packaging platform where we see good growth potential. In addition, this transaction will enable us to deleverage our balance sheet faster than expected and give us the flexibility to continue acquiring businesses that are more complementary to our existing flexible packaging portfolio."

Privately-owned Hood Companies is a holding

company with subsidiaries Hood Packaging, which is officially making the purchase from Canada-headquartered TC Transcontinental, and is in multi-wall sack paper and flexible packaging; Hood Container, which operates the two containerboard mills and various corrugated plants, is the eighth or ninth largest containerboard producer in North America; Hood Industries (manufacturing and distribution of forest/wood products), and Atlas Roofing (building and construction materials).

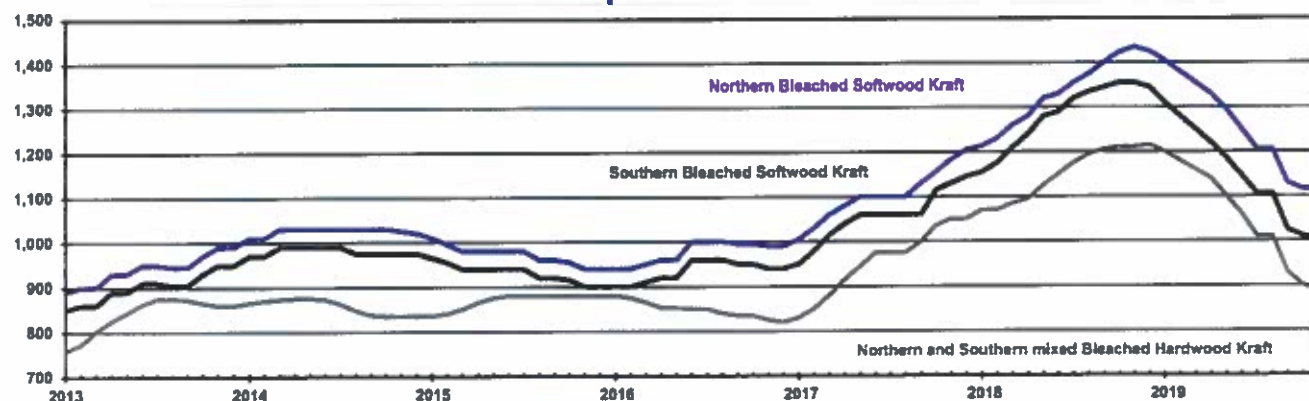
Hood Packaging makes multi-wall paper bag, flexible plastic, woven PP bag, coated and laminated material, liquid packaging and filling equipment, and specialty coated material packaging.

Six corrugated acquisitions.

Hood has made six corrugated acquisitions since 2014. The corrugated plants are expected to link up in an integrated fashion to Hood containerboard and kraft paper output in St. Francisville and New Johnsonville. Hood Container acquired Progressive Packaging of South Carolina in August this year, Custom Packaging in December 2018, Cardinal Container in March 2018, Ideal Box in January 2018, Richmond Corrugated in July 2017, and, in possibly its most attractive deal, Stronghaven, headquartered in Atlanta. Hood acquired Stronghaven's corrugated and folding carton packaging business in January 2014. Stronghaven operates four plants in Florida, Georgia, and North Carolina that specialize in displays and high graphic packaging. Stronghaven also was technically the acquirer of Ideal Box.

--by grudder@fastmarkets.com

PRICE WATCH: Market Pulp



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

	Current months				Year-to-year	
	Nov. 2019 Final ¹	Oct. 2019	Sep. 2019	Q3 2019	Nov. 2018	% chg.
US (DELIVERED IN EAST)						
Bleached softwood kraft						
Northern (Canadian)	1,115	1,115	1,135	1,170	1,435	-22.3
Southern (US)	1,005	1,010	1,025	1,065	1,355	-25.8
Bleached hardwood kraft						
Northern and southern mixed (Canadian/US) ²	890	900	930	970	1,215	-26.7
Eucalyptus	890	905	940	980	1,235	-27.9
Specialty grades						
Unbleached softwood kraft (Canadian/US)	1,045	1,045	1,065	1,100	1,375	-24.0
Fluff (US southern kraft, untreated softwood rolls)	1,105	1,110	1,130	1,163	1,365	-19.0
Deinked (US air-dried and wet-lap, 100% post-consumer for printing/writing)	765	775	795	812	945	-19.0
Spot Markets³						
Northern Bleached Softwood Kraft	605 - 645	590 - 630	580 - 620	593	920	-32.1
Southern Bleached Softwood Kraft	500 - 540	505 - 535	500 - 530	532	790	-34.2
Northern and Southern Bleached Hardwood Kraft	470 - 510	470 - 510	470 - 510	517	790	-38.0
EUROPE (CIF)						
	Pending ¹					
Bleached softwood kraft						
Northern (Canadian/Nordic)	820 - 830	820 - 830	820 - 830	860	1,200	-31.3
Southern (US)	780 - 790	780 - 790	780 - 790	818	1,160	-32.3
Bleached hardwood kraft						
Northern mixed (Canadian/US)	640 - 660	640 - 660	660	710	980	-33.7
Southern mixed (US)	630 - 650	630 - 650	650	700	970	-34.0
Specialty Grades						
Fluff (US southern kraft, untreated softwood rolls)	1,105	1,110	1,130	1,163	1,365	-19.0
ASIA (CIF)						
	Final ¹					
JAPAN						
Bleached softwood kraft						
Northern (Canadian)	680	670 - 690	660 - 670	668	900	-24.4
Southern (US)	600 - 620	610 - 620	610 - 620	635	900	-32.2
Bleached hardwood kraft						
Northern and southern mixed (Canadian/US)	500 - 510	500 - 510	510 - 530	533	745	-32.2
KOREA						
Northern bleached softwood kraft	710	710	700	700	955	-25.7
CHINA						
Northern bleached softwood kraft	580 - 600	590 - 600	570 - 600	585	815	-27.6
Northern bleached softwood kraft - net ⁴	570 - 590	580 - 590	560 - 590	575	805	-28.0

SPECIFICATIONS

All prices are best estimates of list prices before regular volume and contract discounts and are composite prices as opposed to median or average prices. Actual transaction prices may vary. US prices include normal freight allowance for delivery to consuming paper mills. Export prices are CIF main European ports. Normal terms include a 1.5% discount for cash payment or 60 days. Prices may not reflect some existing contract discounts off list prices still in effect. In North America, typically 30-40%; in Europe, 22-30%; in Japan, 3-9%; in Korea, 13-16%; in China, 1-3% (from Canadian producers). BHK pricing varies according to species used for the pulp.

DISCLAIMER

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

NOTES

1. Preliminary and final prices.

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

Europe - Originally published in PPI Europe. Pending indicates prices are not available at the time of publication. Final prices are published in the next Price Watch issue.

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

2. Effective January 2019, NBHK and SBHK were merged into a single assessment. See www.risi.com/PulpPriceChanges for details.

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

4. As of April 2019, net price assessments for NBHK delivered China were added to the PPW pulp price watch. Effective list price assessments will be discontinued at the end of December 2019.

PRICE WATCH: Recovered Paper - Domestic

December 5, 2019

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

* 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.

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PRICE WATCH: Recovered Paper - Export

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

December 5, 2019

	Destination	New York ¹	LA ²	SF/Oakland
FAS port of origin (per ton)		Change ³		
Mixed Paper (54) ⁴	Asia	0 - 3 (-2)	5 - 8 (+0)	0 - 3 (+0)
OCC (11)	Asia	52 - 55 (+0)	62 - 65 (+0)	57 - 60 (+0)
Double Sorted OCC (12)	China	70 - 73 (+3)	80 - 83 (+3)	75 - 78 (+3)
DLK (13)	China	82 - 85 (+0)	87 - 90 (+0)	82 - 85 (+0)
Sorted Residential Papers & News (56) ⁵	Asia	24 - 27 (+0)	24 - 27 (+0)	19 - 22 (+0)
CGS/OMG (44,10)	China	32 - 35 (+0)	47 - 50 (+0)	
SOP (37)	China	127 - 130 (-5)	137 - 140 (-5)	132 - 135 (-5)
SWL (40) ³	Asia	227 - 230 (-5)	232 - 235 (-10)	217 - 220 (-10)
CFR to destination port (per tonne) ^{7,8}				
OCC (11)	India	102 - 105 (+10)		
Double-sorted OCC (12)	India	112 - 115 (+7)		
DLK (13)	China	117 - 120 (+0)	122 - 125 (+0)	

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.

Export OCC No. 12 up \$3

» continued from page 1

The outlook ahead appears to be continued slow demand on the export side. For 2020, China is expected to release 7 million tons of recovered paper import quotas, according to knowledgeable sources. The breakdown for next year -- the rumored last year for recovered fiber shipments into China as its ban threat appears authentic for 2021 -- is 4.5 million tons, or 65%, allocated to the large three mill groups, one million tons for newsprint mills, and 1.5 million tons to other medium-sized mills capable of buying double-sorted old corrugated containers (DSOCC).

This is a drastic drop from the 18.2 million tonnes issued in 2018.

In 2019, total quotas approved amount to 10.75 million tonnes, after China's Ministry of Ecology and Environment (MEE) issued Dec. 3 what is likely the last round of recovered paper import permits for this year. The 15th batch, amounting to just 10,740 tonnes, was given to three companies -- Nine Dragons Paper, Jiangmen Star Paper, and Jiangmen Xinhui Paper -- and can be used until Dec. 31. (Nine Dragons, China's largest containerboard producer, announced it is taking 272,000 tonnes of Chinese Lunar New Year downtime in January.)

The timeline release of import quotas for 2020 is uncertain today, contacts said. Reports varied on whether the licenses will be released at the end of this month, or after the Chinese Lunar New Year at the end of January.

OCC holds at record \$22/ton.

Despite the overall slow demand this year, in December, steady domestic demand for US bulk grades helped to hold pricing for old corrugated containers (OCC) across the USA as containerboard mills increased their buying to prepare for the yearend holidays and winter weather. Some OCC supply was still being landfilled and the unchanged pricing this month kept OCC at a record national average of \$22/ton

at the FOB seller's dock, based on Fastmarkets RISI's *PPI Pulp & Paper Week* pricing survey.

A drastic decline in demand and increased supply for some high grades again pulled down pricing yet again this year for deinking grades. Ledgers fell in a range of \$5-10/ton across the USA as contacts told of plummeting demand, especially as International Paper and other mills quit buying or dramatically reduced their buying in October, while another mill contact in the East told of putting ledger suppliers on allocation due to so many offers. Sorted office paper fell by \$5/ton in some US domestic and US export markets as there was OK movement, yet low pricing reported across-the-board despite lower generation.

'What was will never be again?' A mill source in the East, who stopped buying SOP due to quality, said: "It's a whole transformation as an industry as a whole, and what was will never be again."

Export pricing held for OCC No. 11, while more movement to China in December over November bumped up pricing by \$3/ton for the No. 12 DSOCC. Contacts told of shipping recovered paper, especially DSOCC, to China despite the lack of buyers' in-hand import licenses.

An exporter off both US coasts said of Chinese mill demand in December: "The larger mills like Nine Dragons and (Shanying International) have bought and loaded material to arrive in January 2020 – they are expecting to get new licenses. The current price level is just too attractive for them to miss out."

US Recovered Paper Price Ticker*

(FOB seller's dock per ton.)

2019	
December	\$93
November	96
October	101
September	103
August	108
July	113
June	118
May	129
April	140
March	150
February	156
January	166
2018	
December	\$167

* 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.

This time last year, export pricing had dropped by \$50/ton for No. 12 DSOCC out of Los Angeles/Long Beach and Oakland ports to \$165/ton and \$160/ton, respectively.

With Indonesia recently out as a major shipping destination for US suppliers, OCC shipped mostly to South America, Mexico, Europe, Vietnam, and India, and some to Thailand. US suppliers of recovered paper to Indonesia told *P&PW* on Nov. 25 that their orders were cancelled in the last week as reports of inspection agencies ceasing all pre-shipment inspections to Indonesia, creating a difficult situation. Some shippers willingly suspended recovered fiber tonnages booked for Indonesia to avoid rejection while others had their orders canceled.

US Recovered Paper National Averages – Oct.–Dec. 2019

(FOB seller's dock levels)

	Dec. 2019	Nov. 2019	Oct. 2019	Dec. % chg. year ago
US average				
Mixed paper	-\$3	-\$3	-\$3	n.a.
Boxboard cuts OBM	13	13	17	-82.6
OCC OBM	22	22	25	-68.1
DLK OBM	32	32	34	-64.0
SRPN	9	9	9	-72.7
OMG	40	43	53	-68.8
CGS	40	43	53	-68.5
SCN	84	84	84	-31.7
WBN	200	201	204	-17.7
Unprinted SBS	241	246	256	-36.6
HWS	259	264	274	-34.8
HWEC	282	287	297	-32.5
SOP	85	88	93	-55.7
CBS	84	88	92	-56.7
Heavy print SBS	99	104	109	-54.6
SWL	163	173	183	-42.6
MWL	170	175	184	-40.4
Light print SBS	\$161	\$166	\$171	-40.6%

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.

In the USA, a supplier on the West Coast said: "There's a feeling that there's a little bit stronger demand based on what the buying guys are doing right now, but not significant. There's so little supply available, that any demand makes it feel like the market is getting stronger."

WestRock to close West Coast plants? A contact on the West Coast claimed WestRock is closing its three California recycling plants: in Bakersfield, Fresno, and Sacramento. All three plants are in the Central Valley of California with about a two-hour truck ride to coastal ports.

"Waste paper is a liability shipping overseas; why put the time and effort into this? Cut the losses and be done with those (plants)," the contact said.

Mills that make containerboard as well as tissue grades told of various changes to stay afloat. Tissue mills that can run virgin, are, as they have for most of 2019. These mills, some of which have planned downtime in December due to holidays, have left ample supply of pulp substitutes, as "a few mills are trying to buy pulp subs at ridiculously low prices, (and) generators are deciding whether to hold onto inventory for another month, or ship at low prices simply to clear inventory by (yearend)," a contact in the Southwest said.

Several mills in the USA have made changes in their furnishes lately, pushing back on demand and up on supply for some deinking grades. In New Jersey, Soundview Paper, once a strong buyer of ledgers, has switched to producing brown toweling.

Recycled pulp also is gaining interest at US mills, with mills that have been producing recycled pulp looking forward to future opportunities and several others that have been approached looking at the costs. On the East Coast, the range is around \$300/tonne delivered to China.

Through October, US domestic demand by mills for recovered paper was down 3.1% and totaled 25.8 million short tons. US exports through October were down 10% and totaled 15.57 million short tons, according to *P&PW* research. Estimates are that demand will end the year at around 49.7 million tons, well below the 52 million tons of demand in 2018, according to *P&PW* research.

--by mworkman@fastmarkets.com

Recovered paper

Investment firm plans \$300 million project to build two recycled pulp plants

A \$300 million project to build two US facilities to produce recycled pulp and paper from 800,000 tons/yr of mixed paper and old corrugated containers (OCC) has been announced by investment firm Kamine Development Corp (KDC) in partnership with Celadon.

Family-owned KDC Sustainable Infrastructure said that it is dedicated to building scalable infrastructure to solve the challenge of climate change and sustainability, and that "cardboard has become an ever-increasing problem across the entire world."

Fastmarkets RISI's *PPI Pulp & Paper Week* has been reporting for months about the dramatic decline in US recovered paper demand this year, along with plummeting prices for the fiber (see related story, p. 1). Some OCC and mixed paper has been landfilled for at least the past year. Today's market condition, contacts say, is due to the major reduction in exports to the US's No. 1 market for recovered paper – China. Two different Chinese companies are now in the USA making both brown recycled pulp and virgin pulp, so that the fiber can be shipped to their hungry mills in China. *P&PW* has reported that seven different US mills could be making brown recycled pulp by the end of next year, and at least three are already making virgin unbleached kraft roll pulp – for shipment to China.

Construction for the KDC/Celadon project is to begin in 2020. The locations of the plants were not revealed.

KDC said Celadon has a unique technology capable of "upcycling" mixed paper and OCC into recycled pulp sheets and "re-usable" paper, creating a "closed loop waste free industry."

New Jersey-based KDC did not identify Celadon and did not respond to requests from *P&PW* for further information on the project. A North Carolina-based company Celadon is shown as refurbishing and recycling intermediate bulk containers (IBC) used for storing liquids and powders as well as wastewater treatment. That company also did not respond to an inquiry from *P&PW*.

Various recovered paper sources with major companies either didn't respond to P&PW or were uncertain about the project since the companies are not seen as in the US recovered paper business.

Upcycling is defined as a specific form of recycling that turns waste into a material or product that is of a higher quality.

KDC said Celadon CEO Tim Zosel is an experienced entrepreneur building businesses from greenhouses to plastic recycling facilities for 30 years.

"Celadon is tackling a massive problem across North America that is understandably growing," said KDC founder and CEO Hal Kamine said in a press release. "That is, with the on-going rise of on-demand businesses, how do we effectively and economically create the proper infrastructure that can manage our waste streams for generations to come?"

Kamine noted China's ban and restrictions on importing mixed paper and OCC from the USA.

"Landfilling this material is of course not the answer," the company said.

Industry financial analyst Chip Dillon at Vertical Research Partners emphasized the project is not to build containerboard capacity and that output would likely be targeted to China.

"At an investment of about \$460 per annual ton of output, it is clear to us that the output would be mainly weaker-quality unbleached recycled pulp, with any 'paper' produced likely not usable in the production of

corrugated boxes for widespread use," Dillon wrote. "This is 'doubly so' given the implied focus on low-quality 'mixed papers' as a key fiber input. In other words, this is not an announcement of new US containerboard capacity!"

"Our best guess is that KDC has or will seek export customers, mainly in China, for its output. There simply are few other potential customers," Dillon added. "In the rest of the world, almost every producer of recycled containerboard makes their own recycled pulp onsite using OCC collected nearby. However, if China continues to restrict OCC imports, KDC's projects could supply 5% or more of the Chinese fiber shortfall."

--by jmclaren@fastmarkets.com

Sheet feeders, flutes in focus

»» continued from page 1

Schwarz told his business story, which seemed to epitomize classic Americana business virtues of hard work and innovation, with a generous touch.

"I hand stacked sheets when we started my first corrugator in Indianapolis in 1977. With a second mortgage on my house, a loan from my father-in-law and an SBA (Small Business Administration) Loan, I purchased a 65-in corrugator for \$50,000. The machine was installed with my friend and partner Dave Darby, and our goal was to run 15 million square feet (ft²) of corrugated sheets per month," Schwarz told about 260 attendees at the ICC event in Miami Beach.

Today, in their 21st year, Schwarz companies convert almost 2.0 million tons of containerboard annually in the US only, said Porter of WestRock, the second largest containerboard and corrugated box producer company in North America. Schwarz Partners operates 13 plants running 14 corrugators that make sheets throughout the USA, and works with more than 50 sheet feeder plant partners. In all, Schwarz has 6,900 employees or "co-workers," including from the partnerships. Schwarz joined with the Kraft Group to create in 2012 the joint venture firm New-Indy Containerboard, which runs three mills and has plans to start up a fourth in kraft linerboard in Catawba, SC. (The Catawba mill also makes southern bleached kraft pulp.) New-Indy is the 10th largest North American containerboard producer by capacity, according to Fastmarkets RISI figures. New-Indy's converting group consists of nine facilities, including two corrugators that operate under Carolina Container.

'Mr. Sheet Feeder.' Some in the US industry refer to Schwarz as "Mr. Sheet Feeder" and "Mr. Microflutes." He was the key mover on both, they said.

"What an incredible career you have had," Porter summed up, glowing down from the stage at Schwarz, who sat in the front row with his wife Gaye, and sons Jeff and John behind them.

"You have built one of the most successful companies in the corrugated industry. Beginning as a packaging salesman with Wabash in 1965 to CeCorr which revolutionized the industry by championing the

sheet feeder concept. 'The New Corrugated Converting Model' you called it,'" Porter said.

"You are an incredible leader (who) demonstrates that good guys can win," Porter added. "You have demonstrated that a win-win philosophy and a nice guy approach is the most successful formula. I've heard you say, 'Business is Pretty Simple, Follow the Golden Rule.'"

"To me, people are the key to success in any business," Schwarz would later tell attendees. "I've been lucky to work with people I care about, most importantly my family. Gaye, my wife of 56 years, has put up with long, seven-day workweeks and all the ups and downs of running a business. I'm proud of our two sons, John and Jeff, who now own and manage Schwarz Partners. I must admit they're smart—maybe even smarter than I am."

He credited sheet feeders for their ingenuity.

"I've been involved in the startup of over 25 sheet feeder corrugators," he said.

"We give managers a lot of freedom in running their plants, with only a few restrictions on capital spending and paper suppliers," Schwarz said. "The sheet feeder plant partners take pride in their ownership of a corrugator ... and their ideas and knowledge of the market help make each plant successful."

"With the help of our co-workers, these plants have done much to help sheet plants reduce their costs," he said.

Trying to reduce cost. He told of "overnight delivery of cut-to-size sheets, eliminating stock sheets and slitter runs," of providing customers access to "place orders directly from their computers to the corrugator's computer, saving time and eliminating errors," and of providing "morning status reports to sheet plants so they can plan their production for the day."

"This kind of progress takes an investment in technology and some creative risk-taking," Schwarz admitted. "When there's new stuff to improve quality or productivity, we invest in it. We also invest in people who are willing to work hard and support the mission."

Schwarz Partners ran the US's first 112-in corrugator 15 years ago, and in 2014 ran the first 132-in corrugator, according to Schwarz. The company today runs three 132-in corrugators, including one triple-wall machine.

"Several of our plants now run over 200 million square feet (ft²) in a month," Schwarz added.

As for partners, Schwarz pointed out the Royal Group, which he said "started in the small quantity RSC (regular slotted carton) business" and "has grown from six facilities in 1999 to over 20 facilities. The Royal Group now offers a comprehensive range of products and services including high quality printing capabilities with three seven-color presses, two six-color presses and four four-color presses in our converting plants."

"I tell everyone we deal with: Everyone has to make a profit—the mill, the sheet feeder, the

converting plant, and the box customer. If we all make a profit, we all keep growing," he said.

"I wish I had another 20 years to work with you," Schwarz told the attendees, in finishing his speech. "As long as companies need packaging to ship goods from point A to point B, our future is looking bright."

• A contact said that **Schwarz Group's** new Triumph Sheets plant in Cleveland, TN, was expected to start this week or early next week. The plant is in a 357,000 ft² building that once housed a **MeadWestvaco** operation.

--by grudder@fastmarkets.com

E-commerce

Speedy Amazon packaging shoots across US for next-day delivery of boxes with color, advertising

Amazon has called on the North American corrugated industry for smaller boxes as part of a more than one-year-old packaging efficiency initiative and for what amounts to faster delivery. In one example this week, Amazon in 31 hours took an order and delivered two products, with the manufacturing and transport logistics stretching across about two-thirds of the USA.

The process highlighted Amazon's e-commerce network that it is expected to employ fully for delivering holiday gifts this season.

Speed a must. Top corrugated industry leaders told of the faster process for e-commerce business at the International

Containerboard Conference in Miami Beach several weeks ago. The leaders did not think twice about the mandate.

This week, Amazon delivered a book and candy in about 1.3 days, from when the order came in to when the items reached the receiver's house. The customer and receiver are thousands of miles apart from each other.

The Amazon Prime order was made at around 10 AM PT on Dec. 1. Just before 5 PM PT on Dec. 2, the boxed items were delivered to a San Francisco Bay Area home.

Memphis-Vegas-California. Amazon used an International Paper (IP) single-wall 26 ECT, 10-in by 7.5-in and about 6-inch-high corrugated box made at

IP's Memphis, TN, plant, which includes a Customer Commitment Center for testing box strength for Amazon protocol. The IP box came from Amazon's North Las Vegas fulfillment center. From southern Nevada, the 600-mile trip ended with the US Postal Service delivering the box near San Francisco.

Advertising on the box.

The Amazon box was also an advertisement. The outside of the box was colored sky blue and included a picture of Robert Downey Jr. for his latest movie, *Dolittle*, which is in theaters on Jan. 17. Unopened, the box, flooded in the sky blue color, showed no brown packaging. The brown interior is seen only when the box is opened. There also was

no void fill in the box. The two items were tightly fitted inside.

In addition, IP plans in April to convert an uncoated freesheet paper machine at its Riverdale mill in Selma, AL, to bleached white top linerboard and containerboard. It's possible this high-quality bleached linerboard that is planned for illustrating top-rate printing and color graphics might fit for e-commerce packagers who want to advertise on the box.

• **DS Smith** has started up a 550,000 ft² corrugated plant with a 110-in corrugator and pre-print press capability in Lebanon, IN, the London-based company reported this week during its earnings report. Overall, DS Smith said that 70% of "our corrugated

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box volumes [in the US and Europe] are sold to resilient FMCG (Fast-Moving Consumer Goods) customers, substantially ahead of the industry average." The company said the Lebanon plant helps the company to integrate more of its containerboard tons through, and it also "transforms US capability and customer offering." "We are delighted that we have had a high level of customer engagement regarding the new capability and are now beginning to deliver product to key FMCG customers from the facility," the company said. Further, the company reported that North American corrugated box volumes "have been below the [companywide] average volume growth in the period, principally reflecting the rapid growth last year causing a level of capacity constraint which we are now able to address through the opening" of the Lebanon plant. The North American unit's revenue in the third quarter declined 11%, vs revenue in third-quarter 2018, and adjusted operating profit declined by 50%. DS Smith North America also hired former Mondi Group official Mark Ushpol as dir of packaging for North America. The North American business had been led by Jim Morgan.

• **Central National Gottesman** (CNG) said this week that its **Spicers Paper** div made a second acquisition this year of a packaging distributor in Southern California. **Spicers Paper** acquired **Kilmer, Wagner & Wise** (KWW) Paper Company based in Garden Grove, CA. **Spicers** in May acquired **Premiere Packaging Industries**, based in Cerritos, CA. The family-owned KWW is focused on selling corrugated products, stretch film, tapes and adhesives, and other industrial

packaging products, and has been in business for nearly 65 years, CNG said. "Our North American Distribution business is focused on accelerating our growth in the packaging industry," said CNG pres/CEO Andrew Wallach, in a release. **Premiere** is a "full-line" distributor that sells custom and stock corrugated, and poly products, according to CNG.

• **Liberty Diversified International's (LDI) Liberty Packaging** reported this week that construction is continuing on its new plant in Papillion, NE. **Liberty Packaging** is moving into what is to be a larger plant from one that it has operated in Omaha. "We are in the process of moving machinery and transitioning operations. We are on track to have a fully operational plant, which includes a 98-in corrugator, by the first quarter of 2020," a company official told *P&PW*.

• Also, **LDI** hired Mike Vanyo as CFO. Vanyo will provide financial leadership across LDI's portfolio of businesses, including **Liberty Paper**, **Liberty Packaging**, **Liberty Plastics**, and **Safco** office products, the company said in its release. "Our strategic growth plan calls for a strong finance leader with a proven track record of leading finance teams in complex businesses with an aggressive agenda to grow both organically and inorganically. Mike fits this description perfectly," said LDI pres/CEO Matt Homan. Vanyo previously was VP of Finance, Controller, and Treasurer for **Polaris**, a motorcycle, snowmobile, ATV, and electric vehicle manufacturer headquartered in Minnesota. He was in various financial management positions at **Polaris** since 2007. Vanyo also had "significant" financial

management and audit management experience at **FastenTech**, **Deloitte & Touche** and **Arthur Andersen**, LDI reported.

Containerboard

Green Bay switches onto NG in preparation for large, new PM

Green Bay Packaging shut a coal boiler on Dec. 1 and switched to natural gas at its recycled containerboard mill in Green Bay -- where a company leader said the firm was on track for starting up a 685,000 tons/yr recycled containerboard machine in first-quarter 2021.

The new 300-in **Voith XcelLine** PM is to replace a 240,000 tons/yr 162-in **Beloit Bel-Bond** PM that started up several years after World War II ended, according to **Fastmarkets RISI's** Mill Intelligence. **Green Bay Packaging** will add 445,000 tons/yr of capacity with the new PM. The PM will be installed on land in front of the present PM. It will make a wide range of grades including a "good-sized amount" of lightweight linerboard as well as corrugating medium, the company official said.

"We needed to set in place and fire up the new natural gas boilers and pipe them to our current machine," the official told **Fastmarkets RISI's PPI Pulp & Paper Week** early this week. "This allowed us to shut down our coal fired boiler, clear out that area and put in place our new OCC (old corrugated container) plant." **Green Bay Packaging** expects the new PM by consuming natural gas will reduce mill emissions by 90% and the company

also will use reclaimed water so there is to be no discharge into the nearby Fox River.

Compared to its machine that runs today, a company official on a Green Bay Packaging online video said the new PM is to be more efficient operationally and in energy use, and make a higher quality product.

About 20% of the project construction has been completed and the new PM has not yet been installed since it starts up in 13 to 15 months. Also, more than 50% of engineering and design also has been completed and workers are being hired, a company official told the *Green Bay Press-Gazette*.

- **Copamex** started up a 260,000 tonnes/yr recycled containerboard machine that was converted from uncoated freesheet paper. The converted PM is in Anáhuac, Mexico, and started up on Nov. 13, *PPI Latin America* reported.

- **US unbleached kraft linerboard exports** were down 14.0% year-to-date through October, based on US government statistics reported by the American Forest & Paper Association. Shipments totaled nearly 3.15 million tonnes through October, down 511,000 tonnes vs the shipment total in 2018 through October. Shipments this year were down 2.6% to the largest US export destination, Mexico, at 628,205 tonnes and were down 22.7% to the US's second largest export destination, China, at 377,625 tonnes. Shipments increased this year vs last year so far to Canada, up 20.2% at 232,670 tonnes; up 0.3% to Italy at 240,198 tonnes; and up 10.5% to the Dominican Republic at 81,673 tonnes.

--by grudder@fastmarkets.com

Boxboard

Greif's strategic review of its CRB business is ongoing

Greif is continuing its strategic review and possible sale of its consumer packaging business and related mill assets. The company first announced the review in June.

"We have not yet completed the consumer packaging business strategic review," Greif CEO Pete Watson told analysts during the company's earnings call on Dec. 5, according to a transcript.

"We originally expected that assessment to be completed by fiscal year-end; however, we are still actively engaged in that process. We expect to conclude this review in early 2020," Watson said.

The company had confirmed in June that the potential sale involves its coated recycled paperboard (CRB) business and related folding carton converting system, including three paper mills and seven carton plants (*P&PW*, June 28, p. 1).

The move came less than six months after Greif completed the \$1.8 billion acquisition of Carastar in February, including the latter's CRB, uncoated recycled paperboard (URB), and recycled containerboard businesses, industrial and consumer converting operations, and recycling plants, involving 13 paper mills (Dec. 21, 2018, p. 1).

The three CRB mills are in Austell (Sweetwater), GA, Los Angeles, and Tama, IA, and have combined capacity of about 200,000

tons/yr, according to recent figures from the company.

Industry contacts have speculated for months about the potential buyer of Greif's CRB business, ranging from existing boxboard producers, private equity companies, or a Chinese company seeking assets in the USA due to the country's recovered paper import restrictions and resulting fiber crisis.

CEO Watson told analysts the company was "too optimistic about how quickly we would work through the process."

"You shouldn't read anything in the delay," he said, adding that some of the interest in the assets came later.

"We're trying to assess what's the best answer for our shareholders, and it's just taking a little longer, but nothing different about our approach to it," Watson said.

4Q results. Greif reported fourth-quarter sales in its Paper Packaging business more than doubled from a year ago to \$535.1 million, reflecting the Carastar acquisition. Full-year 2019 segment sales were 98% higher at \$1.78 billion, with operating income up 16.4% to \$184.3 million.

"Paper Packaging's fourth quarter adjusted EBITDA rose by roughly 75% vs the prior year," Watson told analysts.

"In fiscal 2020, Paper Packaging will benefit from the additional 3.5 months of Carastar and from various new capital growth projects coming online, including our new corrugated sheet feeder in Palmyra, Pennsylvania. We'll face a headwind from lower

published containerboard prices that occurred midway through this past year, which will only be offset partially by lower input cost. Our assumption for OCC cost will remain lower for longer with an average of \$46 on a blended rate in fiscal 2020, down slightly from the fiscal 2019 average of \$50 a ton."

--by jmclaren@fastmarkets.com

Corporate strategy

Verso strongly questioned on deal to possibly sell the Jay, Stevens Point mills to Pixelle

Atlas Holdings and Blue Wolf Capital are strongly questioning Verso about its

decision to possibly sell the Androscoggin/Jay, ME, and Stevens Point, WI, specialty paper mills to Pixelle Specialty Solutions for \$400 million.

The two shareholders, which together own about 9% of Verso's shares, sent a letter to Verso earlier this week raising several topics related to the sale announcement made on Nov. 12. The letter was signed by Atlas Holdings managing partner Tim Fazio and Blue Wolf Capital managing member Adam Blumenthal.

"We believe that Stevens Point is the crown jewel of Verso. Consequently, stockholders should expect full value for this asset. We are concerned that the Board has elected to

enter into this transaction out of desperation and in an effort to further entrench themselves rather than to create long-term value for the stockholders," the executives said in the letter.

Atlas and Blue Wolf also claim that Verso needs to give more detail on the price agreed with Pixelle for the purchase of the two mills. (Formed in 2018 by private investment firm Lindsay Goldberg, Pixelle operates containerboard and corrugated assets in the Pacific Northwest and 14 months ago acquired Glatfelter's specialty paper business for \$360 million, which includes two print paper mills.)

"This disclosure should include the anticipated working capital adjustment and estimated



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transaction expenses. For a transaction of this size, this difference represents a massive gap between the gross purchase price and net proceeds and leaves the impression of false advertising, or at the very least, inadequate disclosure," Atlas and Blue Wolf said.

Contacted by *PPI Pulp & Paper Week*, Verso said that any information pertinent to the Atlas Holdings/Blue Wolf Capital letter would be provided by Verso in public filings with the US SEC.

The last time the US pulp and paper industry had what appears to be this serious of a corporate company-vs-company questioning in public involved hedge fund Starboard Value and Wausau Paper. There also were hostile takeover M&As completed by Weyerhaeuser in late-2000 of Willamette Industries and by International Paper in 2012 of Temple-Inland. After three years of Starboard questioning that began in 2011 and included Wausau's CEO stepping down in 2014, Wausau was eventually sold for \$513 million in early 2016 to SCA North America after selling two of its Wisconsin specialty mills to KPS Capital Partners in 2013. Somewhat similar to the Verso/Atlas issue, Starboard's Jeff Smith stated in a letter in 2011 questioning the leadership and decision making of a Wausau tissue machine project, and eventually moved to have his own group of directors elected to the Wausau board of directors. Starboard at the time was Wausau's largest shareholder.

In the Verso disagreement, Atlas/Blue Wolf's main point focuses on the Pixelle deal decision making by the Verso board involving the

planned sale of the Androscoggin and Stevens Point mills.

The Stevens Point mill has capacity to make 210,000 tons/yr of coated flexible packaging papers, release liner base, thermal papers, and other specialties including for labels.

The Androscoggin/Jay mill makes 425,000 tons/yr of flexible packaging papers, release liner base, specialty labels, and kraft linerboard and kraft paper.

Last year, Verso converted Androscoggin's coated mechanical paper machine No. 3 to kraft linerboard with 200,000 tons/yr of capacity.

Jay conversion: poor timing?
 "We remain troubled by the Board's decision to pursue and invest in the Androscoggin project in 2018, a time when many other paper companies both in North America and globally had already announced or had completed conversion projects to enable graphic paper machines to produce containerboard and other packaging grades. The resulting increase in domestic and global capacity, which was not terribly difficult to forecast, suggests that the timing of the Board's decision to pursue this project was particularly poor. We believe that this market is now oversupplied both domestically and globally, with additional [containerboard] capacity coming online over the next couple of years," Atlas and Blue Wolf stated.

Verso co-chn Gene Davis stated on a conference call with analysts last month that the company is now prioritizing its graphic paper operations to be more resilient to market headwinds

and provide it with greater flexibility. Earlier this year, when Verso closed down its Luke, MD, mill, the company said it would be focusing on the growth of its specialty paper operations.

Now, with the sale of the Jay and Stevens Point mills, Verso will have over three-fourths of its revenue coming from graphic papers. Even so, Verso also is converting production at its Duluth, MN, paper mill to recycled containerboard and recycled kraft paper production of 50,000 tons/yr, starting in January.

Pulp supply deal. As part of the deal involving the Androscoggin and Stevens Point mills, Verso and Pixelle also agreed to execute a pulp supply agreement in which Pixelle will buy from Verso bleached hardwood kraft (BHK) in either dry bales or wet lap for four years, subject to an additional renewal option for another four years.

"We believe this pulp supply contract could have a material impact on the profitability and operating flexibility of the remaining business," Atlas and Blue Wolf noted.

Verso produces BHK market pulp at mills in Quinnesec, MI, and Wisconsin Rapids, WI.

Board members. On Nov. 19, Verso announced two new independent members for its board: Nancy Taylor and Randy Nebel. Nebel is a former KapStone Paper and Packaging executive. In September, Atlas/Blue Wolf nominated three candidates for the Verso board. Those candidates would be up for election at the Verso annual meeting on Jan. 21: former Neenah Paper chmn

and CEO Sean Erwin, Fifth Lake Management founder and managing partner Jeffrey Kirt, and former Twin Rivers Paper chmn and CEO Timothy Lowe.

"Based on disclosures related to the sale (to Pixelle), we understand the vast majority of Verso's business remains in the bleached kraft pulp and graphic paper market segments (not packaging papers), so we were surprised that the Board recently added two additional members to the Board who have no experience in these market segments," Atlas and Blue Wolf said.

Atlas/Blue Wolf had proposed that Erwin, Kirt, and Lowe be immediately elected to the Verso board "to serve on the Board until the annual meeting or until their respective successors are duly elected and qualified."

"We identified highly qualified director nominees with deep and extensive knowledge of the bleached kraft pulp and graphic paper and specialty paper segments of the industry and of companies undergoing operational challenges ... We fail to understand the company's rejection of our nominees, who specifically understand Verso, its specific markets and have a track record of fixing underperforming businesses," said Atlas and Blue Wolf in the letter to Verso.

Rejected offers. Atlas and Blue Wolf since December 2017 showed interest in purchasing a "significant stake in Verso" and made multiple offers to the company, but were "rebuffed" by Verso, Atlas and Blue Wolf said.

The last offer was made in June of this year, when Atlas/Blue Wolf proposed to acquire 50.2% of Verso for \$315 million. On July 1, Verso rejected the

proposal, noting in a letter that "the Board was not willing to consider a tender offer for less than all of the outstanding shares of the company."

In September, Atlas and Blue Wolf Capital together invested about \$2.8 million to acquire 246,097 shares of common stock in Verso and now have 8.96% of the outstanding common shares in the company.

Atlas Holdings has been investing in the pulp, paper, and packaging industries since its formation in 1999. Blue Wolf Capital Partners has been an investor in pulp, paper, and forest products companies for more than a decade. Together, Atlas and Blue Wolf own and operate Finch Paper and Twin Rivers in the USA.

- **Verso** is being sued by the **Potomac Riverkeeper Network**, for alleged discharge of black liquor from the now-closed Verso coated printing paper mill in Luke, MD, into the north branch of the Upper Potomac River. The lawsuit alleges Verso violated the Resource Conservation and Recovery Act (RCRA), the federal law governing storage and disposal of hazardous and solid waste.

- **Verso** launched a new promotion for its No. 3 coated paper, Influence, titled "30 Years of Influence. Made for Life." Influence runs on web offset or rotogravure printing presses, and is for publication covers, catalogs, magazines, brochures, direct mail, and custom publishing, the company said. Influence is made at Verso's Quinnesec and Escanaba, MI, mills, and at its Wisconsin Rapids, WI, mill.

--by rmercante@fastmarkets.com

Uncoated freesheet

Rolland paper mill running normally; office staff on strike

Uncoated freesheet (UFS) paper producer Rolland is running normally at its Saint Jerome, QC, mill while its 24 office employees are on strike, the company told Fastmarkets RISI's *PPI Pulp & Paper Week* earlier this week.

The company operates three paper machines at the Saint Jerome mill with capacity of 165,000 tons/yr of recycled UFS paper and employs 300 people.

Rolland said its office employees went on strike on Nov. 22. The workers want changes in the company's pension plan and employees' promotion criteria, according to the Federation of Manufacturing Industry (FIM-CSN). FIM-CSN said that Rolland office employees have been without a contract for more than two years, and since March 2018 more than 20 negotiation and conciliation meetings have been held.

"Rolland recognizes the right of its employees to use the means granted by law to express their demands and the importance to conduct honest negotiations in the pursuit of common objectives," the company stated.

Rolland said it would not publicly comment on the status of negotiations nor their results until an agreement is concluded.

--by rmercante@fastmarkets.com

Market pulp inventory down

» continued from page 1

to Fastmarkets RISI's *PPI Pulp & Paper Week* polling. Southern bleached softwood kraft (SBSK), which sources said is still the most oversupplied grade in BSK globally, edged down just \$5/tonne, to \$1,005.

While BSK effective list prices were little changed, buyer and seller contacts reported widely different prices case-by-case, with some noting decreases, others flat, and in anecdotal cases, even increases. Such disparities rarely occur in regular contract business, but after downtime at NBSK mills owned by Canfor Pulp, Domtar, and Resolute Forest Products (Resolute) for market, maintenance, or project-related reasons, there are regional pockets in North America where supplies aren't bloated, contacts said. The variance led spot NBSK up \$5/tonne through Nov. 26 to continue an upwards trend, according to *P&PW* polling.

"Espanola (at Domtar) had troubles, Terrace Bay had issues, and Irving Paper lost some days. Buyers took it instantly. We could've gone" to even higher prices, claimed a contact at an NBSK producer, regarding US spot markets. "To me (the NBSK list) should be at least a \$10 or \$20 move upwards. Not flat, it should be up 10/tonne."

Spot NBSK up \$45 from bottom. US NBSK spot market pricing increased to \$605-645 net delivered to the US East and Midwest. That put the spot level up a combined \$45/tonne since levels bottomed in late summer. Despite the increase,

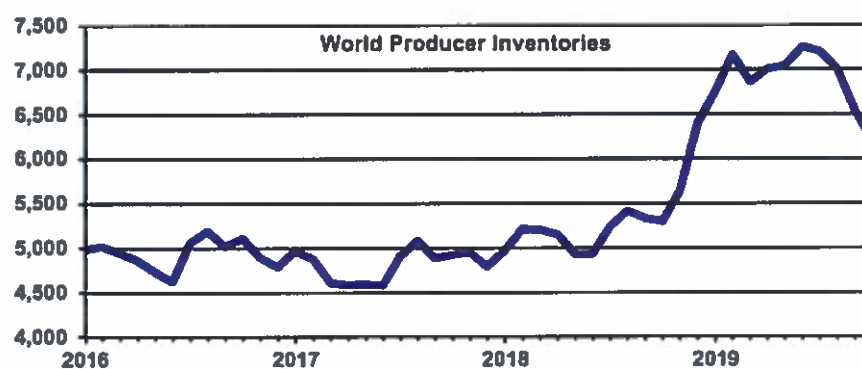
US NBSK spot prices remained about 44% below the list.

Some US buyers, noting that spot prices continued to rise while contract levels held flat or declined in anecdotal cases, decided to withdraw from spot purchases. Others said they

still had offers at lower levels, and didn't worry about regions where higher-priced deals occurred. Most of the higher prices occurred in the US East.

"Spot prices are up a bit. But \$645 net is surprising to me. Who would buy at that price?"

World Market Pulp statistics – October 2019



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

(000 tonnes)

	October 2019	YTD 2019	YTD % chg 2019/18
WORLD			
Shipments	4,210	42,446	0.0
Utilization (ship.-to-cap.)	85	88	-1.0
Shipments by grade			
Bleached softwood	2,096	20,442	4.5
Bleached hardwood	1,976	20,604	-3.6
Shipments by destination			
North America	566	6,033	-1.2
W. Europe	1,072	10,966	-9.2
China	1,406	13,922	10.1
Rest of World	1,166	11,525	-0.5
	October 2019	September 2019	October 2018
Producer inventories			
Days of supply * -- all grades	42	44	39
Bleached softwood	33	35	33
Bleached hardwood	50	52	44

Pulp inventories of consumers and ports – October 2019

(000 tonnes)

	October 2019	September 2019	August 2019	% chg 2019/18
European consumers*	199	188r	197	3.1%
European ports	1,869	1,973	1,983	27.9%

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.

Guys like Domtar, Canfor, the big guys were announcing downtime and inventories are high," said a US buyer source, adding that regular contract business would see discounts increase in 2020. The source claimed that signaled that the market remains a buyer's market.

'Why would the price go up?' "If NBSK goes up, why? Other than the fact discounts are (going) up. But why would the price go up? China is not buying more, Europe is flat, spot increased in the US but why should it rise for guys like us who are buying pulp no matter what?"

Some new 2020 contracts were recently negotiated with 2-3% bigger discounts than in 2019, meaning net prices will decrease in January, industry sources said. In certain cases, new annual contracts also went into effect early, resulting in net price decreases, according to buyers who negotiated such deals.

Inventories drop to 6.2 million. If global pulp markets do reverse the broad pricing decline of 2019, it won't likely come until after global producer inventories drop significantly more than they have thus far, contacts said. Worldwide chemical market pulp producer inventories decreased another two days-of-supply in October to close at 42 days, continuing a four-month trend in which stocks posted a considerable month-over-month decrease, the Pulp and Paper Products Council (PPPC) reported on Nov. 26. The stock total remains significantly lower for BSK than for BHK.

According to a *P&PW* poll of industry analysts, the two-day drop corresponded to a

341,000-tonne decrease, bringing global inventories to about 6.19 million tonnes. That's more than one million tonnes below June stocks, when prices were in a freefall globally and worldwide producers held 7.25 million tonnes of inventory – the highest tonnage ever recorded. Analysts noted that producers still have far to go before reaching a market balance.

"The desire among many to call a bottom is missing the bigger picture, in our view," said KeyBanc Capital Markets analyst Adam Josephson in a research note after the PPPC report. "Even though the market is closer to trough than peak, pulp inventories remain high, pulp end markets are weak, the dissolving pulp market is depressed (which could cause producers to shift to paper pulp), and producers could run harder next year after having operated at low rates in 2019."

October BSK producer stocks declined two days-of-supply to 33 days, while BHK dropped two days to 50 days of stock, according to the PPPC report. In BSK, the 33 days total remained above the 28-30 days that producers and analysts consider balanced, while BHK at 50 days, well above a 'balanced' 38-40 day level.

BHK down \$10-15. Nonetheless, price erosion across BHK slowed in US regular contract markets, and held flat in spot markets, according to *P&PW* polling. Final November effective list prices for bleached eucalyptus kraft (BEK) as well as North American-produced BHK declined to \$890/tonne, down \$10-15.

Producer sources acknowledged that inventories remain historically high, but tried to

stamp out price declines because they believe net levels in the US and China are unsustainable. North American BHK has flat-lined in US spot markets since reaching an apparent bottom in the early fall at \$470-510 net. Meanwhile, international BEK to China closed November at \$450-460 net CIF, sources said.

In an apparent bid to reduce price volatility, a major global BEK producer is offering unusual contract structures for 2020 that includes options of fixed prices, quarterly prices, price ceilings and floors, and floating discounts, according to several US buyer contacts who discussed the offers.

"It's 100% a buyer's market. These people who say differently, they must be on the seller's side of things," said a buyer. "Sellers who don't believe prices won't go lower, or that markets are not oversupplied, are only saying that because they (believe it) will help them in contracts."

• **Resolute** had a "difficult" startup at its Saint-Félicien, QC, market NBSK mill in November after taking regularly-scheduled maintenance downtime, and it lost four more days of production than expected, industry contacts told *P&PW*. The 348,000 tonnes/yr mill was idle for 16-18 days instead of the usual 12-14 days, during which an estimated 15,000 to 17,000 tonnes of output was lost.

• **Skookumchuck Pulp** announced that it would perform necessary maintenance on its NCG incinerator from Dec. 2-8, according to a local media report by the *East Kootenay News*. The 237,000 tonnes/yr market NBSK mill, owned by **Paper Excellence**, will trim

an estimated 4,500 tonnes of output during the downtime.

- As **Cenibra's** 1.2 million tonnes/yr BEK mill takes maintenance downtime, it marks the last shutdown among Brazilian pulp mills in 2019, *PPI Latin America* reported on Dec. 3. Cenibra's line No. 1 took downtime from Nov. 22 to Dec. 1, while the mill's No. 2 line will shut from Dec. 4-15. The two outages will trim an estimated 65,000 tonnes of market BEK output.

- **Millar Western** installed a PulpEye system at its 320,000 tonnes/yr Whitecourt, AB, market bleached chemi-thermomechanical (BCTMP) pulp mill. The delivery consists of analyzer modules for CSF, fibre dimensions, shives, brightness and crill for the mill, which makes hardwood and softwood BCTMP. "Research studies have shown that crill is the single variable having the strongest connection to paper or board strength. By measuring the amount of crill it is possible to pre-calculate the strength of paper and board and hence define the refining needed to optimize the amount of crill," PulpEye Canada's Lars Norin said in a release.

--by bsmith@fastmarketsrisi.com

Transportation

CN rail strike adds to ongoing drop in forest products freight

Already declining forest products railroad freight in North America suffered a blow from a November strike in Canada against Canadian National (CN), dragging down carloads, even in the US.

Canadian total forest products rail freight was down 6.6% in the latest week ending Nov. 30 from a year ago to 7,592 carloads, reflecting the final days of an eight-day strike against CN that ended Nov. 26, according to Assn of American Railroads (AAR) statistics. AAR showed a 36.4% drop the previous week ending Nov. 23.

CN traffic down 40%. CN itself reported its total forest products traffic dropped 40.4% in the week of Nov. 30, following a 38.9% decline the previous week. Forest products account for about 14% of CN's merchandize shipments, and the company handles about 50% of all Canadian forest products freight, an analyst estimated. CN's 20,000-mile rail network spans Canada and the central USA.

In the latest week, CN showed pulp and paper freight was down 31.4%, lumber and wood products were down 46.6%, and primary forest products such as logs and woodchips were 47.6% lower.

The week before showed declines of 31.3%, 48.1%, and 34.7% respectively.

Year-to-date, CN pulp and paper freight was down 5.9%, lumber/wood was down 10.5%, and primary forest products were 17.5% lower. AAR showed year-to-date Canadian forest products freight was 8.6% lower at 324,298 carloads.

CN reported third-quarter forest products carloads ending in September were down 14% and through nine months was 9% lower. Forest sector revenues were down 11% in the quarter and 2% year-to-date, and revenue

per carload was up 3% in the quarter and 8% year-to-date.

The decreases in both the quarter and year-to-date were mainly due to lower volumes of a "broad range of forest products," CN commented, partly offset by freight rate increases, as well as the positive translation impact of a weaker Canadian dollar.

North American forest products freight in the week of Nov. 30 were down 25.9% at 13,563 carloads, reflecting the strike impact, and year-to-date was down 6.3% to 797,037 carloads. US forest products freight dropped 19.1% in the week and year-to-date was down 4.6%. US freight was down 2.2% the previous week.

--by jmclaren@fastmarkets.com

News briefs

US real gross domestic product (GDP) increased at an annual rate of 2.1% in the third quarter, up from an original estimate of 1.9%, the Bureau of Economic Analysis reported this week. In the second quarter, real GDP increased 2.0%... Related to holiday sales, **Costco** reported net grocery/retail sales of \$13.62 billion for the four weeks ended Dec. 1, which was a 6.7% from \$12.77 billion for the same period in 2018. For the 12-week first quarter ended Nov. 24, Costco reported net sales of \$36.24 billion, which was up 5.6% from \$34.31 billion last year. Analysts have predicted about 5% growth in US holiday season sales in 2019, vs in 2018... New York billionaire activist investor Carl Icahn wanted **Hewlett-Packard**

(HP) shareholders to push its board to agree to have HP being acquired by **Xerox Holdings**, reports said this week. "I can say without exaggeration that the combination of HP and Xerox is one of the most obvious no-brainers I have ever encountered in my career," Icahn wrote in a letter to HP shareholders. He said the acquisition by Xerox would result in cost saving of more than \$2 billion and possibly save HP... **American Forest & Paper Association** pres/CEO Heidi Brock called as a "common-sense approach" the US's Environmental Protection Agency (EPA) final ambient air policy under the Prevention of Significant Deterioration (PSD) program. "Paper and wood products manufacturers applaud EPA's action that recognizes its ambient air policy must fit modern times and monitoring technology. This common-sense approach will allow the EPA to embrace realistic exposure scenarios to estimate the air quality impacts of projects aimed at modernizing US manufacturing plants," said Brock. "Moreover, the new policy fulfills the twin purposes of the Clean Air Act to enhance the quality of our air and promote the productive capacity of the nation. As one of the largest manufacturing sectors in the nation, we have invested billions of dollars on environmental stewardship with significant air quality improvements. Our industry welcomes regulatory policy that supports its ability to apply sustainable business practices to help grow the economy and create American manufacturing jobs."... **International Paper** (IP) may switch to **sack kraft paper** output from newsprint paper machine production at its

Kwidzyn mill in Poland, reports said this week. "Due to changing market conditions with fast declining demand for newsprint, we are considering to focus PM 3 at our Polish Kwidzyn mill on more attractive segments. This would include further developing and expanding our sack kraft paper business while discontinuing newsprint production," an IP official told Fastmarkets RISI. "We plan to work closely with customers and employees to ensure a smooth transition if the decision is made. Our other product lines at Kwidzyn - uncoated papers and folding boxboard - are unaffected," the IP official said. PM 3 has a 112,500 tonnes/yr production capacity, and produces newsprint and uncoated mechanical paper, according to RISI Mill Intelligence... **Shorr Packaging** said the number of shoppers that personally experienced package theft was down 7% from 2017 at 24% or one in four people, according to the company's **2019 Package Theft Report**. Of package theft victims that were surveyed, 41% had purchased a video doorbell to deter package thieves. By generation, Gen X reported 40% of thefts and Millennials 33%. The Pacific Coast continued to report the highest thefts at 22%, followed by the South Atlantic at 18%, the Mid-Atlantic at 16% and East North-Central at 13%. By gender, 58% were women, while 58% of respondents who experienced package theft said they plan on changing their online purchasing habits around the holidays to avoid being package theft victims again... **Stora Enso** is merging its containerboard and consumer board businesses into a new Packaging Materials division, the company said this week.

The company plans to convert a coated paper machine in Oulu, Finland, to kraft linerboard production by the end of 2020. Based on the new structure, 2018 sales for the Packaging Materials division were approximately Euro 3.4 billion. Hannu Kasurinen was appointed Head of Packaging Materials. Kasurinen was previously a leader in liquid packaging and cartonboard, and wood products... **Domtar** entered into an agreement with Sun Life to purchase group annuity buy-out contracts and to transfer \$271 million in obligations and related assets from its defined benefit pension plans in Ontario, Canada. Domtar will also convert about \$76 million of existing buy-in annuities with existing insurers into buy-out annuities to complete the full transfer of these obligations... **Smurfit Kappa** launched a range of toys made out of corrugated paper. The ekolife range is to provide a "sustainable alternative to the vast amounts of non-recyclable toys that flood the shops every year," the company said. The toys include planes, cars, and castles, the company said... Offset printing and mailing company **Dual Print & Mail**, headquartered in Cheektowaga, NY, merged with Pittsburgh, PA-based **Knepper Press**, a full-service firm that does offset and digital printing, mailing, and warehousing and fulfilment, an industry report said this week. With the merger, Knepper Press, which has the largest share of the printing market in the Pittsburgh area, gains entry into a contiguous geographic area in western New York, the report said... **Southeastern Paper Group** announced an agreement to acquire Garland C. Norris Company (GCN), a

regional wholesale distributor of food service disposables, and janitorial and cleaning supplies. The transaction is to be completed on Dec. 13. GCN, a subsidiary of **S.P. Richards Company**, is "well positioned" throughout the US Southeast, the company said. "The sale of GCN represents a step forward in our strategy to optimize our portfolio and strengthen our focus on other growth initiatives in the JanSan market," said S.P. Richards Exec VP Steve Schultz.

People news

Millar Western Forest Products said David Anderson will become the company's pres/CEO, effective Jan. 1. He replaces Craig Armstrong who is retiring. "In 14 years with the company, Dave has garnered extensive experience in all aspects of our business, from product marketing and development through finance to the executive management of operations in his current role as Chief Operating Officer," the company said this week. "Dave has the board's full confidence in leading Millar Western into its next century of progress." Armstrong will retire and become vice chair of the Millar Western board of directors. "Over the course of a 32-year career with Millar Western, and particularly in his past decade of service as sr executive, Craig has made extraordinary contributions to the growth and advancement of the company and left an indelible mark on our industry as a whole, his leading role in the development of the international market for

high-yield pulp being but one example," the company said.

Supplier news

Volth Group said this week it completed its acquisition of the **BTG Group**. "Together we will have some tremendous opportunities to deliver more value to our customers, including integrated technologies, as well as Papermaking 4.0 and IIoT solutions," said BTH pres Rob Crossman. BTG supplies companies mainly in the areas of packaging, graphic paper, and tissue. Its portfolio includes beds and rods for film-metering size presses, high-performance ceramic and cermet coating blades, and pulp and paper process control sensors and laboratory instruments. The company also offers data analytics, automation, and software... Private equity firm **Wynchurch Capital** said it acquired from Clyde Bergemann

Power Group its pulp and paper business, and certain regional industrial segments operating as **Clyde Industries**. The company is headquartered in Atlanta, with additional manufacturing facilities in Brazil and offices in Colombia, Canada, Finland, and Indonesia. Clyde Industries sells "highly engineered boiler efficiency/cleaning systems, spare parts and services for the global pulp & paper industry and is a leader in providing equipment and aftermarket part solutions for industrial applications in North America, South America, Scandinavia and Indonesia," the companies said in a release. "The company has developed significant innovations in its core sootblower offering, encompassing mission critical technologies designed to remove residue and deposits that build up in recovery and power boilers (with such residue creating safety hazards, process efficiency reductions or complete boiler shutdown if not properly eliminated)."

PPI Pulp & Paper Week

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