

# PPI Pulp & Paper Week

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

## US boxboard prices end 2019 intact as sources cite 'consolidation and discipline' by producers

Amidst seasonally slow demand, lower production and shipments, shortened lead times, and high inventories, US boxboard prices held again in December on the strength of "consolidation and discipline," as one producer contact summarized.

"There is more discipline this year than any other," the recycled board producer contact said, referring to resilient pricing after last year's across-the-board increases.

"When demand weakens, producers fight over price," said one buyer.

"That's not happening."

»» continued on page 9

## Holiday box demand called 'surprisingly good' as players unclear about coming export, domestic demand

US boxmakers appeared happy enough with their November and December demand as of this week but were on watch for how the rest of the year with two major holidays in mid-week would play out, as well as demand for January as new containerboard capacity enters the market. Their concern about 2020 demand stems from what will likely be an "at best" slight increase in average-week corrugated shipments for the year—in a surprising shift after five years of actual shipments that grew on average by 1.8%/yr from 2014 through 2018.

Several contacts pointed at Christmas and New Year's Day on a Wednesday as a demand-negative. One suggested a small share of plants

»» continued on page 5

## As China moves to cut a 5% tariff on US pulp, paper imports, market participants wonder for how long

After US and Chinese negotiators reached the terms of a "phase-one" trade deal on Dec. 13, China momentarily canceled its plan to increase tariffs on US wood pulp, unbleached kraft linerboard, and kraft paper imports, industry contacts told Fastmarkets RISI's *PPI Pulp & Paper Week*. The move appeared to end months of uncertainty for a US pulp and paper industry that has scrambled to prepare for possible 5% tariff increases on Dec. 15.

However, some contacts in China said the move was a "suspension" of tariffs and that the tariffs would be officially canceled if the phase-one deal is completed. That is possible to happen next month, sources said.

»» continued on page 14

### In this issue:

Prices: Paper, packaging	3-5
Strategy: Verso board nomination	2
Strategy: Canfor remains public	2
Boxes: 8 new plants starting up	8
Newsprint: Prices fall again	18

### Note to Readers

Dear readers,

This is Fastmarkets RISI's last issue of 2019 based on our 48-issue-per-year publishing schedule. Our first issue of 2020 is to be published on Friday Jan. 10. In the Jan. 10 issue, we will report pricing for US recovered paper as well as other important industry news.

We wish you a Happy New Year. Please keep up on industry news on [risi.com](http://risi.com) during the holidays.

Sincerely,

Greg Rudder

Managing Editor, *PPI Pulp & Paper Week*

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## Pulp

### Canfor and Great Pacific terminate deal to go private

Market pulp and lumber producer Canfor will remain a publically-traded company after plans to go private through an acquisition by Great Pacific Capital failed to gain enough shareholder votes. About 45% of the shareholder votes supported the C\$16/share deal through the cut-off date of Dec. 16, while 55% voted against it. That split was below the "majority of the minority" vote required for the deal to proceed, Canfor announced.

Great Pacific will reportedly not increase its bid, and issued a statement this week confirming that it "will not be pursuing this opportunity any further."

Great Pacific, controlled by billionaire Jim Pattison, first announced its offer to acquire Canfor on Aug. 9, while Canfor announced a willingness to go ahead with it on Oct. 28 (*P&PW*, Nov. 1, p. 4).

Resistance to the deal came early on from shareholders who thought the offer was too low. Barbara Hislop, a prominent shareholder and a member of the special committee that Canfor had formed to mull over the deal, as well as "certain senior officers of Canfor" weren't prepared to vote their shares in favor of the transaction, according to Canfor's Oct. 28 statement.

Investors appeared surprised that the deal didn't succeed. RBC Dominion Securities analyst Paul Quinn said the announcement likely caught investors off-guard, but noted that after "some

short-term pain ... the 2020 set-up remains attractive."

"Looking longer term, we view the larger-than-expected investor base that expressed dissent regarding the transaction as a positive, as it suggests that there is still a large contingent of investors that see value in the sector," said Quinn in a research note.

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

## Corporate strategy

### Verso nominates a second candidate for its board of directors

Verso nominated a second new director to its board this month -- with the latest being a former KapStone Paper and Packaging director, and International Paper (IP) and Sappi North America executive who founded a corporate governance consulting company.

Paula Cholmondeley stands for election to the Verso board at the company's annual stockholders meeting on Jan. 21.

Verso earlier this month nominated former WestRock packaging executive Robert Beckler to the board.

Cholmondeley is CEO of The Sorrel Group consulting company that she founded in 2004. The company specializes in customized corporate governance education for first time members of boards of directors. She previously was VP and general mgr of specialty products for Sappi Fine Paper, and held other sr management and finance

roles, including during her six years at IP. She was on the KapStone board from 2016-2018.

"Verso has taken significant steps to refresh and diversify its Board of Directors to include a mix of industry and executive experience as well as a range of additional relevant expertise in, among other areas, finance, public company operations, manufacturing and distribution," the company said this week.

"With Ms. Cholmondeley's nomination, four of six independent directors have been nominated for election at the Annual Meeting in the last six weeks, and following their election at the Annual Meeting, five of seven directors will have joined the Board in less than one year," Verso said. "Although the formal nominations have occurred in a short span of time, they reflect the culmination of an extended, careful and thorough search process, with the assistance of leading executive search firms."

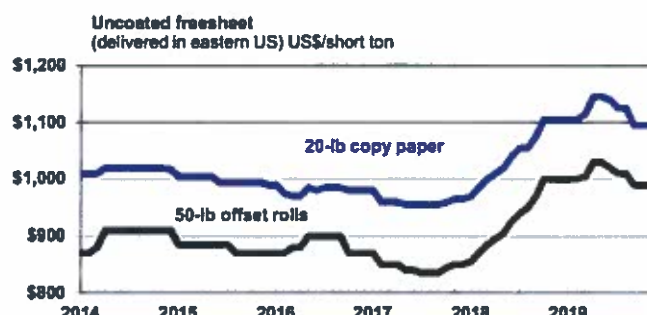
"With the election of Ms. Cholmondeley and our recent nominees, the board will have over 150 years of collective paper industry experience and a majority of our board will comprise highly experienced experts in the paper and manufacturing industries," Verso said.

Cholmondeley also was a director at one point for Minerals Technologies from 2004 to 2014 and for Albany International from 2005 to 2013.

These nominations come as Lapetus, a large Verso stockholder that is controlled by private investment company

»» continued on page 7

## PRICE WATCH: Paper



Delivered US\$/short ton (unless otherwise noted). Ranges represent the range of prices in which the bulk of transactions have taken place. However, there is significant tonnage that transacts at prices outside of this range.

	Unit	Current months			Year-to-year	
		Dec. 2019	Nov. 2019	Oct. 2019	Dec. 2018	% chg.
NEWSPRINT <sup>1</sup>						
45-g (27.7-lb) East	tonne	691	706	706	766	-9.8
45-g (27.7-lb) West	tonne	676	696	696	756	-10.6
UNCOATED MECHANICAL						
35-lb MF offset, 65 bright	sh. ton	740 - 760	740 - 760	740 - 760	770 - 790	-3.8
35-lb supercalendered (SC-A)	sh. ton	805 - 830	805 - 830	805 - 830	835 - 855	-3.3
33-lb supercalendered (SC-B)	sh. ton	740 - 790	740 - 790	740 - 790	795 - 815	-5.0
45-lb offset substitute, 83/84 bright	sh. ton	880 - 925	880 - 925	880 - 925	900 - 945	-2.2
COATED PAPERS						
Premium 80-lb sheets <sup>4</sup>	sh. ton	1,420 - 1,520 <sup>6</sup>	1,420 - 1,520 <sup>6</sup>	1,420 - 1,520 <sup>6</sup>	1,440 - 1,540	-1.3
Economy 80-lb sheets <sup>4</sup>	sh. ton	1,160 - 1,225	1,160 - 1,225	1,160 - 1,225	1,180 - 1,245	-1.6
No. 3, 50-lb rolls	sh. ton	1,065 - 1,110	1,065 - 1,110	1,065 - 1,110	1,085 - 1,130	-1.8
No. 3, 60-lb rolls	sh. ton	1,005 - 1,035	1,005 - 1,035	1,005 - 1,035	1,025 - 1,055	-1.9
No. 4, 50-lb gwd. rolls 78/80 bright	sh. ton	940 - 980	940 - 980	940 - 980	960 - 1,005	-2.3
No. 5, 34-lb roto, rolls	sh. ton	980 - 1,030	980 - 1,030	980 - 1,030	1,010 - 1,050	-2.4
No. 5, 40-lb offset, rolls	sh. ton	835 - 905	835 - 905	835 - 905	885 - 925	-3.9
UNCOATED FREESHEET						
20-lb copy paper, 92 bright <sup>4</sup>	sh. ton	1,070 - 1,120	1,070 - 1,120 <sup>*</sup>	1,070 - 1,120 <sup>*</sup>	1,090 - 1,120	-0.9
20-lb copy paper, 30% PCW, 92 bright	sh. ton	1,130 - 1,180	1,130 - 1,180 <sup>*</sup>	1,130 - 1,180 <sup>*</sup>	1,150 - 1,180	-0.9
50-lb offset rolls, 92 bright	sh. ton	980 - 1,000	980 - 1,000 <sup>*</sup>	980 - 1,000 <sup>*</sup>	990 - 1,010	-1.0
24-lb white wave envelope rolls, 92 bright	sh. ton	1,030 - 1,070	1,030 - 1,070 <sup>*</sup>	1,030 - 1,070 <sup>*</sup>	1,040 - 1,080	-0.9
20-lb forms bond, stock tab	sh. ton	1,055 - 1,095	1,055 - 1,095 <sup>*</sup>	1,055 - 1,095 <sup>*</sup>	1,065 - 1,105	-0.9
50-lb trade book, offset, rolls	sh. ton	1,165 - 1,205	1,165 - 1,205 <sup>*</sup>	1,165 - 1,205 <sup>*</sup>	1,175 - 1,215	-0.8
SPECIALTIES <sup>3</sup>						
48-g thermal POS non top coated <sup>3</sup>	MSF	18.20	18.20	18.60 <sup>*</sup>	20.60	-11.7
40-lb SCK release liner label (2.5 mil)	MSF	10.40	10.40	10.40 <sup>*</sup>	10.40	0.0
13- to 16-lb carbonless CB, roll midrange	sh. ton	2,354	2,354	2,354 <sup>*</sup>	2,180	8.0

### NOTES

(\*) Some discounting below transaction prices. May indicate imported paper at lower price levels. PCW=postconsumer waste.

1. Newsprint 48.8-g (30-lb) assessments were discontinued in April 2019.

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

3. The 48-g is 12.8 lbs.

4. Premium sheets are equivalent to No. 2 and Economy sheets are equivalent to No. 3.

5. Prices represent printer list prices. Prices for large retail program tonnage will be lower.

6. Volume of transactions outside of reported range is wider for copy paper than other grades. Prices higher than the range typically include smaller volumes and/or mill brands, and prices lower than the range typically involve larger contract volumes.

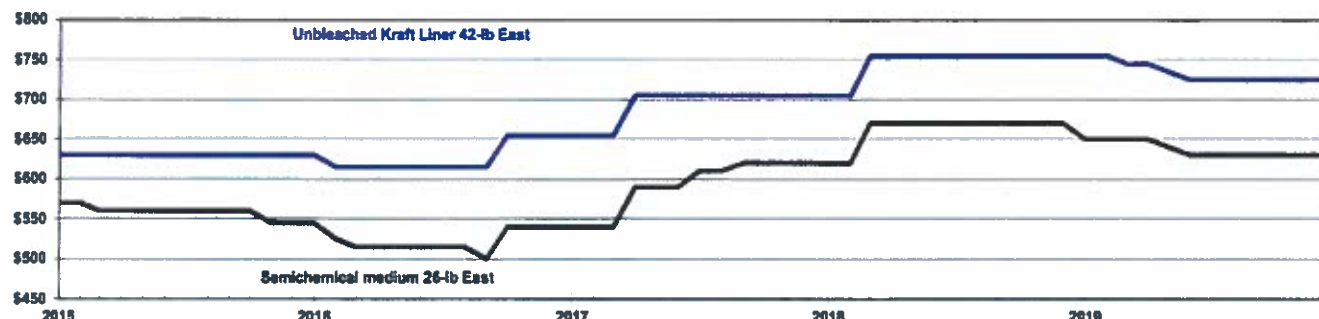
n.a. = not available.

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## PRICE WATCH: Containerboard/Kraft Papers Domestic



Delivered, US\$ (unless otherwise noted)

		Current months			Year-to-year	
<b>CONTAINERBOARD</b>		Dec. 2019	Nov. 2019	Oct. 2019	Dec. 2018	% chg.
<b>DOMESTIC OPEN MARKET PRICE</b>						
<b>Unbleached kraft linerboard (42-lb)</b>						
East	sh. ton	\$720 - 730 *	\$720 - 730 *	\$720 - 730 *	\$750 - 760	-4.0%
West	sh. ton	720 - 730 *	720 - 730 *	720 - 730 *	750 - 760	-4.0
<b>High performance linerboard (35-/36-lb)</b>						
East	sh. ton	730 - 740 *	730 - 740 *	730 - 740 *	770 - 780	-5.2
<b>Recycled linerboard (30-/31-lb)<sup>1</sup></b>						
East	sh. ton	630 - 640 *	630 - 640 *	630 - 640 *	700 - 710	-9.9%
West	sh. ton	630 - 640 *	630 - 640 *	630 - 640 *	700 - 710	-9.9%
<b>White top linerboard (42-lb)</b>						
East	sh. ton	950 - 960 *	950 - 960 *	950 - 960 *	970 - 980	-2.1
West	sh. ton	960 - 970 *	960 - 970 *	960 - 970 *	980 - 990	-2.0
<b>Corrugating Medium (26-lb semichemical)</b>						
East	sh. ton	625 - 635 *	625 - 635 *	625 - 635 *	665 - 675	-6.0
West	sh. ton	625 - 635 *	625 - 635 *	625 - 635 *	665 - 675	-6.0
<b>EXPORT LINERBOARD - Unbleached kraft</b>						
175-g+ Southern Europe (CIF)	tonne	€ 415 - 435 *	€ 415 - 435 *	€ 425 - 445 *	€ 620 - 630	-32.0
175-g+ China (C&F) <sup>2</sup>	tonne	520 - 550 *	520 - 550 *	520 - 550 *	730 - 750	-27.7
42-lb Laredo border/Mexico (FOB)	tonne	600 - 610 *	600 - 610 *	600 - 610 *	675 - 685	-11.0
42-lb Central/South America (FAS)	sh. ton	500 - 510 *	500 - 510 *	500 - 510 *	610 - 620	-17.9
<b>KRAFT PAPERS</b>						
<b>Unbleached</b>						
Extensible multiwall sack, 50-lb	sh. ton	1,280 - 1,300 *	1,280 - 1,300 *	1,280 - 1,300 *	1,320 - 1,340	-3.0
Natural multiwall sack, 50-lb	sh. ton	1,125 - 1,135 *	1,125 - 1,135 *	1,125 - 1,135 *	1,165 - 1,175	-3.4
Grocery bag, 30-lb	sh. ton	1,310 - 1,330 *	1,310 - 1,330 *	1,310 - 1,330 *	1,350 - 1,370	-2.9
<b>Bleached</b>						
Grocery bag, 30-lb	sh. ton	1,640 - 1,650 *	1,640 - 1,650 *	1,640 - 1,650 *	1,640 - 1,650	0.0

### NOTES

\*Discounting has been reported below price shown.

1. Fastmarkets RISI launched assessments of 30-/31-lb recycled linerboard in September 2019. A two year synthetic history was compiled by Fastmarkets RISI economists to coincide with the launch. These historical prices are meant as indicative levels only and should not be considered formal Fastmarkets RISI assessments.

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

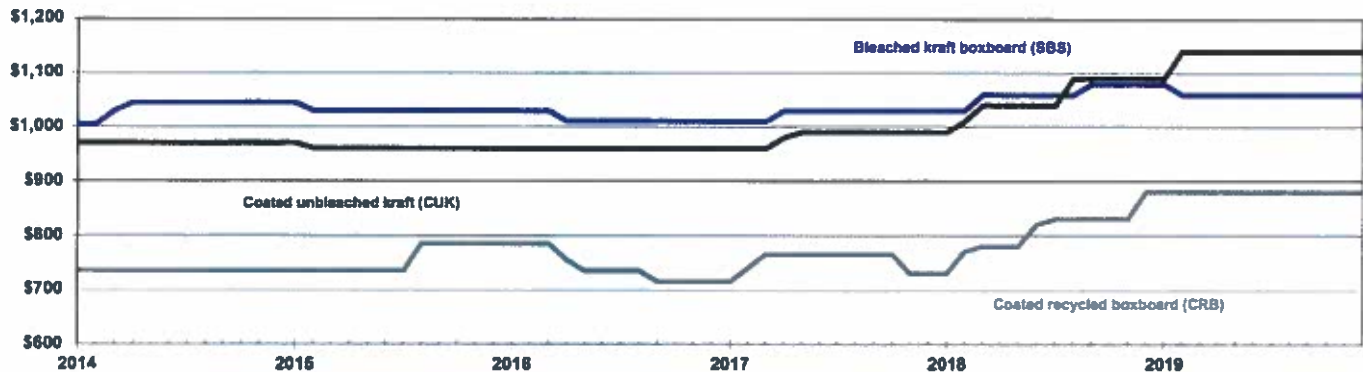
3. Future price increase announced by major producer (s) but not reflected in current data.

With the launch of new assessments for recycled linerboard, and lower basis weight assessments, Fastmarkets RISI has removed the footnote to this table containing indicative differentials for other containerboard basis weights and grades. As we add new assessments to our portfolio, we believe this footnote is no longer relevant.

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## PRICE WATCH: Boxboard



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

	Current months			Year-to-year	
	Dec. 2019	Nov. 2019	Oct. 2019	Dec. 2018	% chg.
<b>BOXBOARD SERIES B PRICES<sup>1</sup></b>					
<b>Solid bleached sulfate board (SBS)</b>					
16-pt folding carton, C1S	1,040 - 1,080	1,040 - 1,080	1,040 - 1,080	1,060 - 1,100	-1.9
14-pt cup stock, PE2S	1,330 - 1,370	1,330 - 1,370	1,330 - 1,370	1,330 - 1,370	0.0
<b>Coated unbleached kraft board (CUK)</b>					
20-pt folding carton, C1S	1,120 - 1,160	1,120 - 1,160	1,120 - 1,160	1,070 - 1,110	4.6
<b>Recycled folding boxboard (CRB, URB)</b>					
20-pt clay coated news	870 - 890	870 - 890	870 - 890	870 - 890	0.0
20-pt bending chip	720 - 740	720 - 740	720 - 740	720 - 740	0.0

### NOTES

\* Discounting has been reported below price shown.

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

1. Boxboard prices above and below these levels have been reported.

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## Liner concerns about 1Q

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may take Thursdays and Fridays off after the holidays or maybe one of the two final days off of those weeks. One integrated boxmaker told of running on Saturdays in November and in the first two weeks of December. Others claimed benefits from healthy e-commerce business.

Yet the two holidays in back-to-back weeks falling on a Wednesday is "not a good

recipe for boxes," a contact with a major integrated said.

"Those two holidays on a Wednesday are a killer," a contact with a mid-sized integrated producer said.

"Mills on the linerboard side seem to be tighter with better order books but are looking to the first quarter with thoughts it may get a bit looser than it has been in the fourth quarter," one US contact explained.

Several contacts thought some producers would need to

take downtime again in 2020. Downtime was extensively taken in first-half 2019.

Of the largest US integrated producers, a contact claimed they may need to run machines at slower speeds in a strategy started 20 years ago, run their machines only to demand, and or plan consistent maintenance or market downtime.

Contacts noted that some of the new players in the market – three started up containerboard production in the last year

– are likely to run regardless of if there is pricing pressure.

“The small guys won’t go out with shutdowns, not with OCC at \$20/ton,” said a supplier.

“The price (of linerboard) can be down a long way before \$20/ton OCC becomes too expensive.”

Specifically, US boxmakers and producers contacted by

Fastmarkets RISI’s *PPI Pulp & Paper Week* pointed at likely pricing pressure first on the export market from too much overall global linerboard supply, and they pointed at potential domestic demand battles that might turn into pricing reductions from the startup of another 650,000 tons of additional containerboard capacity from January to April 2020. That 650,000 comes on the heels of another 750,000 tons/yr of capacity that already started up since last summer. Further, Europe is to add 3.85 million tons of containerboard capacity from mid-2019 through mid-2022 that means the export market may remain flooded with supply, some cautioned. The USA is to add 3.2 million during that same period.

The result, according to one California boxmaker, is that “what is spot (linerboard pricing) today is going to be reality tomorrow. When that reality hits, I don’t know.”

Overall US containerboard production this year was down by 1.4 million tons through November, from the total in 2018 through November, based on *P&PW* estimates. About 40% of the containerboard production decline is from what is now a 16-17% US kraft linerboard reduction in exports. The rest of the production decline is from the lower-than-expected box shipment growth.

**‘Surprisingly good,’ boxmakers say.** Even so, boxmakers, from California to Chicagoland and to the Northeast US, told of “surprising” or “surprisingly good” corrugated demand since Nov. 1. Some also did say, however, that their demand was less than they expected.

## US containerboard/box statistics – November 2019

	(000 tons)			
	Nov. 2019	% chg. yr ago	YTD 2019	% chg. 2018
<b>Box shipments<sup>1</sup></b>	<b>31,956</b>	<b>-2.4%</b>	<b>361,003</b>	<b>-0.4%</b>
Average week		2.8		0.4
Containerboard consumption	2,582	-2.0	29,705	0.1
<b>Production</b>				
Linerboard	2,217	-3.6	23,452	-5.6
Corrugating medium	960	4.5	10,084	-0.4
Total containerboard	3,178	-1.3	33,536	-4.1
<b>Exports/imports</b>				
Linerboard exports	356	-12.5	3,642	-16.8
Containerboard imports	110	3.6	1,227	-8.4
	Nov. 2019	Oct. 2019	YTD 2019	YTD 2018
<b>Operating rates (%)</b>				
Linerboard	91.9%	93.0%	89.7%	96.5%
Corrugating medium	97.2	99.3	95.4	96.8
Total containerboard	93.5	94.8	91.3	96.6
	Nov. 2019	Oct. 2019	Nov. 2018	Chg. (tons) prior month
<b>Containerboard inventories</b>				
Mill inventories	401	323	296	78
Box plant inventories	2,014	2,073	2,186	-59
Total inventories	2,414	2,395	2,482	19

<sup>1</sup> bsf=billion ft<sup>2</sup>. YTD=year-to-date, n.a.=not available.

FBA to release box shipment and inventory statistics Feb. 1 after annual audit.

Source: Fibre Box Assn, American Forest & Paper Association, US Bureau of Census (imports).

## US containerboard inventories at box plants and mills

	(000 tons)							
	2019		2018		2017		2016	
	Tons	Week's Supply	Tons	Week's Supply	Tons	Week's supply	Tons	Week's supply
December			2,659	3.9	2,379	3.6	2,302	3.5
November	2,414	3.6	2,561	3.9	2,335	3.5	2,222	3.5
October	2,395	3.7	2,482	3.9	2,350	3.6	2,252	3.6
September	2,499	3.8	2,588	3.9	2,379	3.6	2,392	3.8
August	2,555	4.0	2,566	4.1	2,393	3.8	2,394	3.9
July	2,580	3.9	2,564	4.1	2,421	3.7	2,476	4.0
June	2,489	3.8	2,381	3.8	2,323	3.7	2,426	4.0
May	2,587	4.0	2,408	3.8	2,334	3.7	2,578	4.3
April	2,613	4.1	2,437	3.8	2,389	3.7	2,661	4.3
March	2,734	4.4	2,428	3.9	2,359	3.9	2,672	4.5
February	2,781	4.5	2,396	3.9	2,492	4.2	2,725	4.7
January	2,835	4.5	2,500	4.1	2,467	4.0	2,786	4.6

n.a.=not available.

Source: American Forest & Paper Assn, Fibre Box Assn.



November US corrugated box shipments rose by 2.8% on an average-week basis, vs the November 2018 average, based on Fibre Box Association (FBA) market statistics released this week. Actual US shipments totaled 31.956 billion ft<sup>2</sup> for the month, which was down 2.4% compared with November 2018 shipments. There was one more shipment day in November 2018 than in November 2019, according to the FBA. The November average-week levels were 8.409 billion ft<sup>2</sup>, up from 8.184 billion ft<sup>2</sup> in November 2018.

The results were similar for the year-to-date total, with actual shipments down and average-week up because of two more shipping days so far in 2018 than in 2019. The actual total was 361.003 billion ft<sup>2</sup> year-to-date, which was 0.4% below 2018's total through November. The average-week amount of 7.814 billion ft<sup>2</sup> was a positive 0.4% up on November 2018's average-week total of 7.780 billion ft<sup>2</sup>.

On a strict calendar-day average basis, November was 1.065 billion ft<sup>2</sup>/day, which was down from 1.154 billion ft<sup>2</sup> in October, which was the second-half 2019's high month for shipments. Still, November's 1.065 billion ft<sup>2</sup> average was higher than the June low point of 1.061 billion ft<sup>2</sup>. US box shipments have been higher each month since June's 1.061 billion ft<sup>2</sup> average.

With flattish overall corrugated box demand condition, US containerboard inventory at box plants and mills of 2.414 million tons in November was much lower than November 2018's 2.56 million, yet more than the 2017 and 2016 November totals

of 2.3 million and 2.2 million, respectively. In November 2018, US containerboard producers scrambled to take downtime to balance supply and demand, as the global linerboard oversupply throttled and surprised the market.

Concerns also were noted about new capacity affecting US kraft linerboard export strongholds in Mexico and China. Roughly one-fourth of US kraft linerboard is exported.

A 5% additional tariff on US kraft linerboard imports in China was suspended and one trader claimed that orders in China appeared to reverting back to "regular again." Since the US/China trade war began last year, US kraft linerboard exports to China have declined from 50,000 tonnes/month to about 30,000 to 35,000 tonnes/month.

Boxmakers in Mexico this week said that they believed the Mexican economy would grow slowly next year. One also noted ongoing linerboard availability from various suppliers around the world.

**Changes/dynamics in Mexico.** Contacts in Mexico also hoped for US approval on a new trade agreement.

"There's a lot of uncertainty about the (Mexican president Andrés Manuel López Obrador's) Administration. ... He needs to change direction very quickly or the economy will grow very minimally," an official with a boxmaking company in Mexico said.

Further, contacts told of extensive linerboard offers.

"Russia. Turkey. Germany. There's a lot of European spot linerboard offers in Mexico right now," one said.

"There was so much offered (this year) in terms of different kinds of linerboard, virgin and recycled," another said. "It was unbelievable. ... We were able to choose whatever we wanted and change operations as needed to run it."

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

## Verso director nominated

» continued from page 2

Atlas Holdings, has nominated three other candidates for Verso's board, in opposition to Verso candidates. The Atlas nominees are former Neenah Paper chmn and CEO Sean Erwin; Fifth Lake Management founder and

• **CORRECTION:** Former MeadWestvaco packaging executive Beckler was not nominated by Verso as board chairman to succeed Alan Carr and Eugene Davis (P&PW, Dec. 13, p. 2). Beckler was nominated for a director seat. As for the next chairmanship at Verso, if he is reelected, Verso said that it "anticipated" that Steven Scheiwe would succeed Carr and Davis. Scheiwe is founder and pres of Ontrac Advisors, a consultancy providing business analysis and management services to private equity firms, companies, and funds managing distressed debt issues, according to Verso.

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

managing partner Jeffrey Kirt; and former Twin Rivers Paper chmn and CEO Timothy Lowe.

## Corrugated

### Eight new plants either up already or set to start in the USA from now through Feb.

Eight new large corrugated plants are to start up in the USA from December through February. They will be installed in buildings that range from 260,000 ft<sup>2</sup> to 550,000 ft<sup>2</sup>. Contacts claim that some or most of these plants will be focused, logistically-fit, board integrated, and fast with short lead times and in some cases already-direct demand commitments from certain customers.

Of the eight, three already started. DS Smith North America started up a 550,000 ft<sup>2</sup> plant in Lebanon, IN, with a 110-in corrugator and pre-print press capability. Contacts claim the plant will have an e-commerce focus. BCI (Buckeye Corrugated) launched its new 260,000 ft<sup>2</sup> sheet plant in Houston, TX. Schwarz Partners was said to be taking board deliveries this week at its new plant in Cleveland, TN.

**Pratt and PCA.** The others to start up are Pratt Industries in February with a 132-in corrugator alongside its new recycled containerboard machine in Wapakoneta, OH. The Pratt corrugator will be fully or almost fully integrated to the Wapakoneta board machine output, contacts said. Packaging Corp of America, the third largest US corrugated box maker in North America, plans to start a plant in Richland, eastern Washington state.

## Key US market indicators

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

	2Q 2019	3Q 2019	4Q 2019
Gross domestic product, %	2.0	2.1	1.0e
	Sept. 2019	Oct. 2019	Nov. 2019
Natural gas wellhead industrial (per 000 cu. ft)	\$3.35	n.a.	n.a.
US industrial production, % chg.	-0.4	-0.9	1.1
Nondurable (non-energy) output growth, %	-0.2	0.0	0.5
Trade deficit (billion)	\$51.1	\$47.2	n.a.
Housing starts, seasonally-adjusted (millions of units)	1.266	1.323	1.365
US retail sales, % growth, seasonally-adjusted	-0.3	0.4	0.2
Institute for Supply Management Index --	47.8	48.3	48.1
Manufacturing, %			
US unemployment, %	3.5	3.6	3.5
US consumer price index, % chg., seasonally-adjusted	0.0	0.4	0.3
Target US federal funds rate %	1.75-2.0	1.75-2.0	1.5-1.75
Printing/support output, monthly rate, % chg.	0.0	0.5	0.1
Rates per US dollar	Oct. 31	Nov. 29	Dec. 13
*Euro	1.115	1.101	1.112
C\$	1.314	1.329	1.319
Brazilian Real	4.01	4.22	4.10
Chinese RMB	7.03	7.03	6.99

Notes: The monthly US Energy Information Admn. natural gas industrial price was \$3.20 in Aug. 2019. \*US dollars per Euro. The target federal funds rate was decreased to 1.75-2.0% on Sept. 19. e=estimate, n.a.=not available. Sources: RISI's Monthly Economic Commentary, US Federal Reserve, Dept of Commerce, Bureau of Labor Statistics, Dept of Energy, and Census Bureau, and Institute for Supply Management.

The plant will be integrated board-wise to PCA's nearby mill in Wallula that is about 25 miles away. The Richland plant was to start either by yearend or in January, contacts claimed. The other three are US Corrugated with a 440,000 ft<sup>2</sup> plant in Lebanon, IN, that will start up its corrugator early next year; Greif in a 350,000 ft<sup>2</sup> plant with a 110-in litho-laminated in Palmyra, PA, that is to be running in January; and Corrugated Supplies in eastern Pennsylvania in Hazleton that is claimed to have an e-commerce focus. It's unclear if the Corrugated Supplies plant is already running.

Excluding these startups, Fastmarkets RISI, in a report published in May, reported

575 corrugators operate in 41 states and eight provinces in North America. The capacity of

the 575 plants is 439.7 billion ft<sup>2</sup>. Of these, about one-third or 32% are 98-in units, 11% are 110-in, and three plants runs 130-in or larger corrugators. These three with the largest corrugators are in California, Indiana, and Mississippi, according to the report, titled North American Corrugators: A Comprehensive View. .

A total of 33% of the corrugators are in the Midwest, 20% in the South, 17% in the West, 14% in the Northeast, 9% in the Southwest, and 7% in Canada.

In Mexico, 161 plants (corrugator plants/sheet feeders) operate with 180 corrugators.

In Europe, there are 882 corrugators in 38 countries with 786 billion ft<sup>2</sup> of capacity.



In China, for 2020, it will operate nearly 60 million tonnes of containerboard capacity or 28% of global containerboard capacity. That's up significantly from a 4% global share in 1990.

Information about the North American Corrugators: A Comprehensive View report is available at [risi.com/NAcorrugators](http://risi.com/NAcorrugators) or by calling 1-866-271-8525.

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

## Boxboard prices holding

» continued from page 1

Other sources mostly agreed about the importance that mergers and acquisitions, and mill and machine shutdowns have had on the overall market in recent years.

Still, several buyers reported ongoing price deals on spot sales and increased volumes, or for certain specifications such as caliper, width, or delivery terms. Others saw the market as steady and stable, and are content with lead times and service in contrast to last year's tight supply-demand balance and long backlogs.

That is after passing through the 2018 price increases to their customers.

"It's nice and quiet," said a solid bleached sulfate (SBS) buyer. "You can get what you want, when you want it."

"You can tell the mills are slow," said another buyer who was still taking advantage of

spot deals on SBS and coated recycled board (CRB).

Production among the three key consumer grades, SBS, coated unbleached kraft (CUK), and CRB, were from flat to down 1.9% through November, shipments were down 1.9% to 2.7%, unmade orders were down 7% to 40%, and shipments were lower by 1.9% to 3.1%, according to trade data. Operating rates remained positive at 92.5% to 97.1%.

"Consolidation is happening," agreed one buyer. "But how long can they [mills] hold out in a weaker market?"

He said he has seen "deviations" in CRB and uncoated recycled (URB) prices since April.

Some buyers also reported cutting back on purchases in December and "shying away" from building inventories. Mills were scheduling holiday downtime while holding high stocks.

**M&A and shutdowns.** Recent consolidations among producers include Sonoco buying Corenso for \$110 million in August (URB); Graphic Packaging gaining White Pigeon Paper in July (CRB); Greif acquiring Caraustar from H.I.G. Capital for \$1.8 billion in February (URB/CRB); and Ox Industries acquiring Carthage Specialty Paperboard for \$9.9 million in October 2018 (URB). Graphic Packaging combined with International Paper's consumer packaging business for \$1.8 billion in January 2018 (SBS).

In the boxboard converting sector, Oliver Printing & Packaging acquired Pohlrig Packaging in 2017 and Disk Graphics in early 2018, and plastic packager

Sabert Corp. combined with LBP Manufacturing in November, after LBP expanded its paper-based offerings with food service supplier Union Packaging in June and Dominion Packaging's quick-service business in late 2018.

Graphic Packaging acquired Letica's US food service business in third-quarter (SBS) and PFP in June 2018 (CUK). Europe's Autajon acquired Thoro Packaging (SBS) in March 2018.

Mill capacity closures have included PaperWorks Industries in Philadelphia and Graphic Packaging in Santa Clara, CA, both in 2017 (CRB), Georgia-Pacific (GP) in Crossett, AR, (SBS); and a Greif machine in Mobile, AL, (URB), both in October.

Looking forward, Greif is in the process of selling the CRB business acquired with Caraustar, which it announced in June and recently said would be completed in early 2020 (*P&PW*, Dec. 6, p. 12). A knowledgeable source said this week buyers were going through due diligence.

Graphic Packaging announced a massive new CRB machine at its Kalamazoo, MI, mill to start in 2022 and will be matched with five paper machine closures at three mills (Sept. 27, p. 1).

In a review of Sonoco's recent Investor Day, one industry analyst said there was "urgency" for the URB producer to rationalize operations in the paper and industrial converting segment, including tube and core plants, as well as its "North America capacity base."

**SBS easiest.** The benefit of consolidation applies mostly for

brown grades as SBS markets have been oversupplied with a new entrant last year with Sappi, and a rise in imports from Europe, both driven by conversions of printing paper mills to boxboard, and even with a recent mill closure by GP.

Asia imports have also solidified on the West Coast and newer imports are now emerging from Latin America

SBS remains divided with more-balanced cupstock and take-out food service markets, helped by moves away from plastic packaging, contrasted by a struggling folding carton end use, hurt by changing food habits and a growing preference for both brown kraft and recycled-content packaging that aligns

with a sustainable image for consumer packaging companies.

Several contacts have reported newer opportunities for lower SBS folding carton board, and were anticipating it to continue in January-February.

"SBS is competitive without a doubt," said a cupstock converter, who was seeing a "battle" over 2020 pricing.

"Availability is so easy," said a carton converter.

Sources also saw some movement from brown grades to SBS over costs and performance, and one said suppliers producing only SBS were increasingly frustrated with the higher prices for CUK,

which eclipsed SBS in August 2018 and is now \$80/ton higher.

Some contacts see the differential as untenable, with SBS more costly to produce and more efficient to run on converting equipment. But even with GP taking out 6% of market capacity, sources expect Sappi to ramp up its output further, and imports from Suzano and CMPC in Latin America to gain traction.

SBS exports have also suffered for several years, mainly due to the wave of new capacity in China in the mid-2010s, SBS production for export declined 13.5% in 2016 to 395,000 tons and through 11 months of 2019 were flat at 270,000 tons, according to trade data. SBS liquid packaging production for export through



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## Why Change Agents are the Key to Digital Transformation

As pulp and paper markets continue to evolve, mills must evolve, too — and efficiency is crucial to that evolution. In the quest for even greater efficiency, technology will continue to be a key driver towards digital transformation and, ultimately, a mill's future success. However, achieving true digital transformation goes far beyond deploying technology...

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November is down 11% to 616,000 tons and food service is 26% lower to 132,000 tons.

**CUK and cupstock.** CUK continues to be tight and balanced supply/demand-wise based on just three US mills and two producers, little imports and strong exports. Yet some sources this month said they saw some cracks in the supply chain as imports emerged from Metsä Board in Europe and more recently from Klabin in Brazil, contacts said.

One buyer said he had discussions with his CUK supplier and said he saw "some room" for better pricing "to ward off another supplier."

"Klabin? I know it's happening," said another buyer, adding that US producers "better pay attention to it."

He called the CUK market in the USA "a duopoly."

Sources did not see a near-term change for the CUK-SBS folding price differential.

"I don't see SBS getting its price point north of CUK," said a buyer of both.

SBS cupstock prices again were reported as stable, as was general food service, although a few contacts saw a potential development next year with a major food retailer considering a switch from cold cups to plastic cups, a reversal of current trends toward paper cups, especially double-walled hot cups.

One source said "it's a lot of tons" of cupstock that would be affected and will be

"bigger than Dunkin' Donuts," which recently committed to switch all its foam coffee cups to double-walled paper.

**November statistics.** Total US boxboard production in November was down 3.8% from October, 2% lower from a year ago at 1.09 million tons, and through 11 months was off 0.6% at 12.41 million tons, the American Forest & Paper Association reported.

SBS folding carton production rebounded from earlier maintenance outages in November, increasing 14.5% from a year ago to 170,400 tons, and year-to-date was off 1.9% to 1.84 million tons. Production for export was up 15.4% in November to 24,700 tons and year-to-date was up 0.1% to 270,300 tons.

The sector operated at 92.5% in the month from 79.2% in October from 89.1% a year ago, and through 11 months was at 87.7% from 25.6%.

SBS liquid packaging output in the month was down 5.5% to 98,600 tons and year-to-date was down 3.8% to 1.06 million tons. Food service production in November was 12.5% lower at 141,500 tons and year-to-date was up 5.3% to 1.87 million tons. Cupstock dropped 13.8% from October and was 3.6% lower from a year ago at 67,300 tons, and year-to-date was up 0.5% to 856,200 tons.

Total liquid/food service operated at 96.2% in November from 96.1% a year ago and through 11 months was 96.5% from 94.1%.

Total SBS unmade orders in the month were down 7.5% from a year ago to 466,600 tons. Shipments were 2% lower from

last year to 401,800 tons, and year-to-date were 3.1% lower to 4.81 million tons. November inventories were 20.6% higher from a year ago at 553,800 tons, AF&PA showed.

CUK and gypsum wallboard output in November was down 4.3% month-to-month and 1.6% lower from a year ago to 321,800 tons, about two thirds of which CUK, and year-to-date was off 0.2% to 3.58 million tons. CUK operated at 89.9% in the month from 92.7% a year ago and year-to-date was 92% from 92.5%.

CUK/gypsum shipments were down 10.3% from October and down 3.5% from a year ago at 302,300 tons. Inventories were 24.8% higher from a year ago to 203,100 tons.

CRB production was up 2.3% in November from a year ago to 161,200 tons and year-to-date was up 0.1% at 1.78 million tons. CRB operated at 97% in the month from 91.4% in October and 95.9% a year ago. Year-to-date utilization was 97.8% from 97.1%.

CRB unmade orders were 40.2% lower in the month from a year ago at 102,900 tons. November shipments were 6.1% lower to 146,900 tons and year-to-date were down 2.7% to 1.76 million tons. Inventories were 90.3% higher at 82,200 tons.

URB production in the month were 6.4% lower from a year ago to 185,300 tons and year-to-date were down 2.1% to 2.12 million tons. URB operated at 91.7% in November from 95.9% a year ago, and year-to-date was 92.9% from 94.7%.



Unmade orders were 13.2% lower in November from a year ago to 153,000 tons. Shipments were down 6.1% in the month from a year ago to 179,100 tons and year-to-date were 2.4% lower to 2.1 million tons. Inventories were 17.6% higher at 85,600 tons.

• **Mesirow Financial** was the exclusive financial adviser to **Sabert Corp.** on its November acquisition of Chicago-based **LBP Manufacturing**, a supplier of environmentally progressive and sustainable food and beverage packaging. Based in New Jersey, Sabert is a leading global manufacturer of mostly plastic food packaging products and solutions. "With the addition of LBP, Sabert's annual sales will exceed \$900 million with approximately 3,000 employees globally. "LBP's customer-centric culture and superior track record of developing performance-driven products that respond to their customers' needs makes them a great fit to join our organization," Sabert said. "As a leader in paper-based packaging, LBP's strong position in the Quick Service Restaurant channel combined with Sabert's sales network and global presence will allow the new organization to deliver tremendous value to the market." LBP sells coffee hot cup sleeves, insulated beverage to-go carriers and catering trays, folding cartons, clamshells, and other containers. It includes facilities in the US, Poland, and China.

• **New York Gov.** Andrew Cuomo proposed prohibiting the distribution and use of expanded polystyrene or styrofoam single-use food containers, called the "strongest statewide ban" in the USA that would go into effect by Jan. 1, 2022. The proposal also bans the sale of expanded polystyrene

packaging materials known as packing peanuts. The bill would also authorize the state's Dept. of Environmental Conservation to review and "take action to limit or ban other packaging material upon a finding of environmental impact." The new legislation will ban the distribution and use of expanded polystyrene foam containers used for prepared foods or beverages served by food service establishments, including restaurants, caterers, food trucks, retail food stores, delis, and grocery stores. Violators face a fine starting at \$250. Second, third, and fourth violations will be fined \$500, \$1,000, and \$2,000, respectively.

--by jmclaren@fastmarkets.com

## Containerboard

**Midwest Paper acquired by equity firm, says it has 'capital necessary to increase productivity'**

Midwest Paper, which was created last year, and is one of the most diverse paper and packaging production companies in North America, has been acquired by private equity company Industrial Opportunity Partners, based in Evanston, IL.

The acquisition was completed on Dec. 20.

Market contacts had talked for several months about such a deal.

Midwest Paper, which used to be Appleton Coated, which made mainly coated printing and writing paper, and some uncoated freesheet paper at one mill in Combined Locks, WI, was developed in April 2018, when it was purchased and established by a venture of Industrial Assets

and Maynards after their October 2017 purchase of substantially all the assets of Appleton Coated LLC. The company restarted the mill in December 2017.

At Combined Locks, Midwest Paper makes recycled containerboard, recycled unbleached and bleached kraft paper, and both coated and uncoated offset and book publishing grades.

IOP was founded in 2005 by a group of finance and operations executives who "came together to build a private equity firm centered on a shared passion for companies that are the backbone of our economy — middle-market manufacturing and distribution businesses," Midwest Paper said in a letter to customers. "Based on this philosophy, Midwest Paper Group is a strategic fit within the IOP business portfolio."

"This transaction ... will provide the strategic direction and capital necessary to increase the productivity and performance of our manufacturing assets, support our growth strategy, and add value to our customers' supply chain," Midwest Paper said.

"This investment means that the company will have the financial commitment to focus on the long term future of the company," Midwest Paper said.

## Recovered paper

**US-China trade war eases, RCP tariff suspended as US exports to China are off 25%**

A phase-one trade deal between the US and China in mid-December might have suspended

an additional 5% tariff on US recovered paper exports to China, yet the yearlong-plus trade war between the world's top two economies certainly played a role in the 1.551-million tonne decline in US recovered paper exports to China in 2019 through October.

The 25% tariff on US recovered paper to China has been cited as one reason buyers in China have sought material from countries beyond the USA, including Japan and Europe. With the 5% add-on suspended this month, contacts said the total tariff could be retracted even further. Contacts were confident the tariff is suspended for now, but unsure whether it would stick and even potentially pullback on the 25% to a lesser amount. Prior to the Dec. 13 interim trade agreement, China had announced in August that it would add another 5% tariff to the 25% duty on US recovered paper to China that began at the beginning of this year. That additional duty was set to start on Dec. 15.

**OCC exports to China down 24%.** China purchased 4.742 million tonnes of US recovered paper through October, or about 25% fewer tonnes than the first 10 months of 2018 when 6.294 million tonnes were exported to China, according to the most recent trade data from the US government.

The 4.742-million-tonne total through October 2019 is just 300,000 tonnes shy of the total tonnes of old corrugated containers (OCC) exported to China through October 2018 at 4.447 million tonnes.

OCC exports to China were down 24% through this October at

3.378 million tonnes. Despite this decline, OCC still makes up about the same percentage of total US exports to China in 2019 as 2018: OCC exports made up 71.2% of total US recovered paper exports to China through October 2019. The bulk grade made up 70.6% of China's total US recovered paper purchases through the first 10 months of 2018.

China is expected to approve just seven million tonnes of import quotas globally in 2020, down from the 10.7 million tonnes issued this year, and off significantly from the 18.2 million tonnes in 2018. China has implemented import restrictions ranging from a 0.5% contaminant limit, adding pre-inspection procedures, banning mixed paper as well as building up its domestic paper collecting and recycling.

To attempt to ensure its mills have enough fiber to make containerboard, Chinese companies have opened mills in the US and Southeast Asia in the last two years, and have increased their buying of unbleached kraft pulp and recycled pulp, among other moves.

At 1.281 million tonnes, old newspaper (ONP) exports to China were down 24% through October this year. While total US recovered paper, OCC, and ONP exports all decreased in the mid-20% range year-to-date this year vs last year, the other major grades traded to China are down considerably. Exports of pulp substitutes and high deinking grades have slipped 70% or more year-to-date. At 2,116 tonnes, exports of high grades to China are down 76% from the 8,688 sold to China through October 2018. Pulp subs, with 27,196

tonnes exported to China through October 2019, fell 70% year-to-date from the 89,495 tonnes exported through October 2018.

Fastmarkets RISI's *PPI Pulp & Paper Week* reported on Dec. 13 that total US recovered paper exports were down 10% year-to-date in October, at 14.165 million tonnes, in one of the largest declines seen for recovered paper, according to US government trade data (*P&PW*, Dec. 13, p. 6). Through October 2018, 15.745 million tonnes of US recovered paper had been exported. OCC exports also were down 10% year-to-date, at 8.284 million tonnes through October.

## West Coast ports relieved.

The US-China trade war and tariffs have been blamed for numerous demand setbacks this year. The nation's second-busiest port, the Port of Long Beach in California, blamed its 3.5% drop in exports in November compared with the same month one year ago on "restrictive tariffs."

"The effects of these tariffs are being felt by everyone, from American manufacturers and farmers to the consumers who purchase goods moving through our port complex," Port of Long Beach Exec Dir Mario Cordero said in a release.

Seven hours north of the Long Beach in Northern California, the Port of Oakland on Dec. 13, the day the phase-one trade agreement was announced, said since China is its leading trade partner, it had previously warned that the tariffs threatened exports and imports to China. The Port of Oakland reported record cargo volume in 2018.

"We're hopeful that this is the beginning of the end to damaging trade restrictions," Port of Oakland Exec Dir Danny Wan said in a release.

**RCP demand pickup trend ahead?** Despite the demand drop-off from China, the US's largest export market for recovered paper the last 15-20 years, a demand pickup is anticipated for global recovered paper in 2020-2023, according to Fastmarkets RISI's recently-published Global Impact of China's Recovered Paper Import Regulations. After contracting continuously in 2018-2019, the report said the "rebounding containerboard production, especially the continuous addition of recycled containerboard capacity, will be one of the major factors boosting world recovered paper demand." Much of the recovered paper demand increase between 2019 to 2023 will come from North America, Europe, Asia (particularly "other [non-China] Asia," "thanks to their expanding paper packaging sectors and rising recovered paper usage rates," the report stated. Other regions, including Latin America, Middle East, Africa, and Oceania will also grow recovered paper demand during the same period.

- Contacts believe the startup of **Grupo Gondi's** 400,000 tonnes/yr recycled containerboard in Monterrey, Mexico, in March or April 2020 might impact OCC prices early next year in the US Southwest. The new PM, which will be the largest recycled containerboard machine in Mexico, will run on OCC from both Mexico and the US Southwest, the contacts said.

- **Bayshore Family of Cos.'** paper recycling facility and offices in Woodbridge, NJ, were destroyed by a fire on Dec. 16, local media reported. No injuries were reported. The company's Bayshore Recycling Corp. and Bayshore Soil Management businesses, located on another part of the property, were unaffected. The cause of the fire was not released.

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

## China pulp tariffs suspended

»» continued from page 1

China announced on Aug. 23 that it would double the import tariff rates on more than 3,300 import categories worth \$75 billion in US products, which included most grades of woodpulp, linerboard, and kraft paper (*P&PW*, Aug. 30, p. 1). All three segments of the pulp and paper industry's exports to China were slated for import duties to double from 5% to 10%, while recovered paper imports were to rise from 25% to 30%.

Instead, the Ministry of Finance of the People's Republic of China (MOFCOM) left import tariffs at their current levels as the countries ironed out the details of a new trade agreement. On Dec. 13, the US reportedly canceled new tariffs on \$156 billion in annual imports representing a broad cache of goods. The US also reduced tariff rates on a previous array of imports representing \$120 billion in imports to 7.5%, down from 15%, US officials said in a press release on Dec. 13.

**Pulp impact:** Had China's import tariffs doubled on woodpulp, virtually every grade produced

in the USA would have faced duty increases to 10%, including fluff pulp and southern bleached softwood kraft (SBSK). Other US-produced grades included bleached hardwood kraft (BHK), unbleached kraft (UKP), and mechanical and semi-chemical (BCTMP), according to a product list obtained by *P&PW*. The US this year is on track to export about 1.5 million tonnes of market pulp to China, with the vast majority being bleached softwood kraft.

The news came as relief to US pulp producers, which have generally rebated the current 5% rate that Chinese importers were supposed to pay in order to sell their SBSK (Dec. 13, p. 1). Most US producers haven't rebated the 5% on fluff, however, because the grade is more coveted than its papermaking counterpart, the contacts said. A contact at a US producer said that with tariff rates remaining at 5%, it could result in a mini-bounce on China's fluff and SBSK prices because most expected the rate to double, raising costs for Chinese consumers.

"US producers will get the 5% (tariff relief and) should get an increase of that amount in China," said the producer source regarding prices.

However, the contact also noted China's momentum might not be strong enough to pull it off.

"The problem is, demand is not that strong in China. But it's going to suppliers. They will hike prices, so that makes it more in line with the Middle East and other spot regions," the contact claimed.

**KLB stays 5%.** In other key grades within the pulp and



paper industry, China's import tariffs on US kraft linerboard, uncoated, unbleached liner paper, and uncoated medium – also originally slated to rise from 5% to 10% – were left at 5%, industry sources said (see story p. 1).

**RCP 25%.** Meantime, the key recovered paper grades – including old corrugated containers (OCC) and old newspapers (ONP) – that were slated to rise from 25% to 30% on Dec. 15 also saw the extra 5% canceled (see story p. 11).

While the tariff news came as relief to US pulp and paper industry, some American as well as Chinese sources were careful to note the new duty rates were “suspended” rather than “canceled.” Those sources said it all depends on how bilateral trade negotiations proceed in January, and in the coming weeks and months.

**‘Result is good – so far.’** China first applied 5% duties on US woodpulp imports in September 2018 as a counterpunch after the Trump Administration imposed tariffs on Chinese imports. The world's two biggest economies have since been embroiled in a tit-for-tat trade war. While relations have thawed in recent weeks, a pulp market participant in China warned that things could change at any time.

“The results of the trade war (negotiations) is good so far, but I understand that the US just delayed the decision of whether they would add new tariffs on top that would've been made on Dec. 15,” said the Chinese contract. “In fact, Trump may add to it at any time (if) he is not satisfied with what Chinese do in the near future.”

• **Northern Pulp** must file an environmental assessment report if it wants to continue with a proposed new effluent treatment facility, Nova Scotia Environment Minister Gordon Wilson said in a *Chronicle Herald* story in Nova Scotia on Dec. 17. In a statement released on Dec. 19 to *The Star* in Halifax, the mill's owner **Paper Excellence Canada** countered that the company would be forced to notify its workforce and suppliers that it will shut down the facility if a Jan. 31 deadline is not extended. Nova Scotia Premier Stephen McNeil reportedly announced On Dec. 20 that the Boat Harbour Act will not be extended to allow the market NBSK mill to continue operating. Northern Pulp confirmed shortly after the announcement that it would begin to deliver layoff and contract cancellation notices, and start implementing plans to close the 280,000 tonnes/yr NBSK mill.

• In Finland, a \$1.8 billion project to build a 1.2 million tonnes/yr greenfield northern bleached softwood kraft (NBSK) mill hit a snag when Finland's Supreme Administrative Court rejected **Finnpulp's** environmental permit. The government cited a risk to the nearby Kallavesi lake that is next to the proposed mill.

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

## Uncoated freesheet

### Suppliers offer discounts this month to sell off overhang

Most market contacts reported flat prices for uncoated freesheet (UFS) paper this month in North America, and all said that several players – both mills and merchants

– were offering discounts of up to \$60/ton on extra or spot volumes.

But contacts noted that lowering prices would not help suppliers – especially the ones that have regular programs – sell more paper.

“Demand is down and nobody (in terms of customers) wants to increase inventories,” a contact said.

“Even the largest distributors that are holding inventory are not giving discounts, as they know they won't sell more anyway. The warehouses are full of paper and are the ones that are making money right now,” a paper seller said.

Pricing for 20-lb office and copy paper remained at \$1,070-1,120/ton, according to the Fastmarkets RISI *PPI Pulp & Paper Week (P&PW)* survey. Prices for 50-lb offset rolls held at 980-1,000/ton, even though sources said prices for the grade are under ongoing pressure.

“We are holding prices in December on both rolls and cutsize, however there are certainly lower-priced deals to close the year,” a supplier commented.

“We did some small moves down due to competitors' pressure and weak demand. It happens a lot towards the end of the year, as people want to hit numbers for the year,” another supplier stated.

“Prices had remained stable in first half of December and began to fall last week resulting from discounted startup tonnage for the (Shanying International) Wickliffe, KY, mill,” another supplier said.

According to contacts, Shanying International's Phoenix Paper offered 50-lb rolls to distributors as they are said to be planning to make 240,000 tons/yr of UFS at its mill in Wickliffe. The company had been making virgin pulp on-site before apparently converting some or all production to UFS. The company also planned to start up a brown recycled pulp line at the mill in 2020. It's unclear if that plan is still moving ahead.

**Two mills restarted.** "Two restarted mills are currently selling uncoated freesheet, ... Willamette Paper and Phoenix Paper," and they "could push prices down further in 2020, particularly for offset papers," Fastmarkets RISI economists mentioned in their *Paper Trader* publication in November.

By April, International Paper (IP) is expected to remove 230,000 tons/yr of UFS capacity at its Selma, AL, Riverdale mill. The PM to be converted will switch to bleached white top and containerboard production, IP has said.

Even with the additional capacity from Wickliffe and Willamette Falls, the conversion at IP is expected to be enough, according to P&PW contacts, for a more balanced market in 2020. Demand is forecasted to decline by 6% this year or about 500,000 tons.

"Ashdown, Port Huron, Flambeau, and Selma are cutting a combined 537,000 tons of UFS capacity during the fourth quarter of 2019 and the first quarter of 2020," Fastmarkets RISI economists reported.

**Outlook.** RISI forecasts North American UFS demand to decline by about 3% in each of the next two years.

## North American printing/writing paper statistics November 2019

(000 tonnes)

	November 2019	% chg. year ago	Year-to-date 2019	% chg. year ago
<b>Uncoated mechanical</b>				
Shipments	162	-14.9%	1,861	-16.3%
Operating rate (%)	83	90 <sup>1</sup>	82	92 <sup>1</sup>
Imports	22	-17.5	241	-12.6
Demand	184	-15.2	2,102	-15.9
<b>Uncoated freesheet</b>				
Shipments	464	-17.1%	5,735	-10.9
Operating rate (%)	86	92 <sup>1</sup>	91	96 <sup>1</sup>
Imports	51	-25	704	24.1
Demand	515	-17.9	6,439	-8.1
<b>Coated freesheet</b>				
Shipments	174	-14.9%	2,026	-17.0
Operating rate (%)	89	89 <sup>1</sup>	91	98 <sup>1</sup>
Imports	67	-3.7	774	-4.3
Demand	241	-12.0	2,800	-13.8
<b>Coated mechanical</b>				
Shipments	118	-15.5%	1,366	-19.7
Operating rate (%)	83	90 <sup>1</sup>	85	98 <sup>1</sup>
Imports	26	-24.2	396	-3.8
Demand	145	-17.3	1,762	-16.6
<b>Total printing &amp; writing</b>				
Shipments	918	-16.1%	10,988	-14.2
Operating rate (%)	86	91 <sup>1</sup>	89	96 <sup>1</sup>
Imports	166	-16.4	2,115	2.5
Demand	1,085	-16.1	13,103	-11.9

## Mill Inventories (000 tonnes)

	November 2019	October 2019	November 2018	Tonne change	
				from month ago	from year ago
Uncoated mechanical	141	137	141	4	0
Uncoated freesheet	613	601	541	12	72
Coated freesheet	368	374	342	-6	26
Coated mechanical	96	96	63	0	33
Total printing & writing	1,218	1,208	1,087	10	131

Source: Pulp and Paper Products Council (PPPC).

"The 6% drop that will be posted for 2019 was unusual and affected by consumer inventory reductions, and we are expecting a more normal rate of decline in 2020 (and) 2021," according to the economists.

Year-to-date through November, US UFS shipments were 11% lower than in January-November 2018, according to the American Forest & Paper Association (AF&PA)

statistics. Imports were about 20% higher year-over-year while exports were 17% lower.

"There's plenty of supply. Imports were lower in October and November year-over-year, but they are still strong and stable for 2020," a player said.

"Imports are down again this month, which takes the pressure

[off on supply and pricing],” another player stated.

One contact mentioned that another duties case on UFS imports has led to a reduction in a large volume of imports from Asia.

“(Asia Pulp & Paper) is keeping a lot more paper in China, APRIL as well in China and Indonesia, also because the activity has picked up a little bit in their local markets,” the source said.

North American paper producers expect that UFS demand will be “decent” in January, but as usual seasonally lower. “January always starts out slow and then by mid-month it picks up,” one noted.

“Activity should increase in the second half of January although higher inventories ... may hamper mill order activity in January,” another said.

“Paper suppliers are still negotiating with key players for 2020, and I believe we’ll see price pressure as we get into the first quarter,” one contact said. “The Selma mill closure will help, but it will actually only offset the natural demand decline.”

“Everybody is trying to position for the first quarter. Buyers have not ordered in the last 3-4 months because they were using inventories. Domestic players are extending 2020 negotiations with customers, because buyers are comparing [their domestic prices] with imported paper prices, but the domestic players have a few advantages over importers: they are last standing, they have more consistency and reliability, so they can charge a little bit more for their papers,” another source explained.

• **Willamette Falls Paper** launched a **new paper line named reHARVEST**, which includes coated, envelope, and offset paper made with 10% wheat straw fiber. The pulping is done at the Columbia Pulp wheat straw mill. The reHARVEST includes 24-lb envelope, 60-lb and 70-lb offset, and 80-lb and 100-lb gloss- and matte-coated paper in web rolls.

• Corporate service providers, such as **AT&T**, are switching paper for electronic bills without asking customers. After receiving several complaints from consumers, **Keep Me Posted North America (KMP)** requested that AT&T revise its communications to allow customer a clear option to choose between paper and online billing rather than automatically switching customers to e-delivery. AT&T is moving ahead with the automatic switch to online billing while also requiring customers to request paper only billing if they so desire. KMP says that many customers have difficulty accessing online technology, have security concerns about online fraud, or require paper communications for practical reasons, including older adults, people with disabilities, low-income households without computers or broadband service, and people in rural areas with unreliable internet access.

• For specialty **receipt thermal** paper, **The New York City Council** said it will conduct hearings on bills designed to give customers more choice over receiving receipts and to **phase out the use of BPA-coated receipt paper**. The council will consider four bills that will look at providing consumers with the

option of declining a paper receipt in exchange for an e-receipt; providing customers with the option not to print receipts; requiring the recycling of receipts; and offering alternatives to BPA/BPS paper. “My two bills will ensure that we use recyclable material to print recipes and that we dispose of them appropriately to reduce our waste,” said Council member Ydanis Rodriguez. “We have the technology for electronic receipts. We should utilize it as a default across our city, with paper as a secondary option for those who expressly prefer it,” said Council member Deborah Rose.

## Coated printing paper

**Prices hold this month, but are expected to drop in 1Q 2020; CM operating rate at 85% YTD**

North American coated printing and writing paper prices remained unchanged in December, but are likely to drop in the first quarter, buyers and sellers told Fastmarkets RISI’s *PPI Pulp & Paper Week*.

Coated freesheet (CFS) premium 80-lb sheets are \$1,420-1,520/ton, while CFS No. 3 50-lb rolls remained \$1,065-1,110/ton and coated mechanical (CM) No. 4 50-lb rolls stayed at \$940-980/ton.

“Suppliers are now negotiating prices for 2020 with large accounts, and both CFS and CM prices will move down in January,” one paper producer said.

Another supplier said “demand in the USA was slow for CFS papers” in December.



"Paper producers are holding their prices. They wouldn't sell more if they lower prices," another source stated.

In November, US CFS shipments decreased 13.7% and US coated mechanical (CM) paper shipments decreased 3%, compared with shipments in November 2018. US mill inventory of CFS paper increased last month while dropping slightly on CM, vs stock totals in October, according to American Forest & Paper Association figures.

"CM demand has been stronger than normal. We're seeing late printing of holiday catalogs and inserts through mid-December," a printer commented.

"I hear that some printers are optimistic about demand next year due to the elections, so we may see better volumes," a paper producer said.

**Outlook.** Fastmarkets RISI economists noted that low operating rates at coated paper mills are also a driver for prices to decline in 2020. They mentioned that despite major capacity closures in 2019, including Verso's Luke, MD, mill (450,000 tons/yr) and ND Paper's Biron mill in Wisconsin paper machine No. 25 conversion (114,000 tons/yr), operating rates remain low.

CFS operating rates in January-November were at 91%, compared with 98% in the same period of 2018, according to the Pulp and Paper Products Council (PPPC). The CM operating rate was 85% year-to-date, down significantly from 98% in January-November 2018.

"We are assuming a significant coated mechanical shut/conversion for late 2020. ... This cut will finally allow operating rates to get back to the low-90s by 2021," Fastmarkets RISI economists said.

"As no further CFS capacity cuts are expected and the West Linn (OR) mill restarted in the fourth quarter, operating rates will slide at the end of 2019 and into 2020, going back below 90% by mid-2020," the economists added.

• **TEN Publishing** will shutter 19 of its 22 automotive magazines by the end of the year, leaving *MotorTrend*, *Hot Rod*, and *Four Wheeler* as the only three titles that will continue to be published in print in 2020.

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

## Newsprint

**Newsprint prices decline further as inventories remain high, demand continues rapid decline**

North American newsprint prices declined again in December for the fifth time this year, despite contacts' expectations that Resolute Forest Products' announcement of idling its Augusta, GA, mill would help to hold prices together this month.

On the East Coast, Fastmarkets RISI's PPI Pulp & Paper Week pricing survey found newsprint levels were \$15/tonne lower this month, at \$691/tonne, or 9.8% lower than a year ago. On the West Coast, contacts reported a \$20/tonne drop to \$676/tonne, a 10.6% decline over a year ago.

In 2019, prices for newsprint have dropped by \$75/tonne on the East Coast and by \$80/tonne on the West Coast.

"The market is more fragmented on the West Coast. There's more desperation ... there and operating rates are worse than on the East Coast," a supplier commented.

One source said demand "is normal to slightly anemic".

A buyer said he was not sure if his suppliers would be taking significant downtime or not.

"A lot is up in the air," the contact said.

Kruger's Corner Brook Pulp and Paper newsprint mill in Newfoundland will take 14 days of downtime from Dec. 24 to Jan. 6 at the 260,000 tonnes/yr Corner Brook mill. The company said it could temporarily interrupt its newsprint production again over the winter depending on the newsprint market conditions.

"I'm certain on others, but we have planned maintenance this month. I'm hearing some machines continue to take unannounced rolling shuts," a producer stated.

"Inventories are still very high, everybody is still taking downtime," another producer noted.

In November, North American newsprint inventories were at 306,000 tonnes, or 50% higher than a year ago.

Declining demand. Contacts commented that the 214,000 tonnes/yr Augusta mill

## Newsprint statistics – November 2019

NORTH AMERICA	(000 tonnes)		Year-to-date	
	Current month			
		% chg.		% chg.
	2019	2019/18	2019	2019/18
Operating rate, % (adj. for idled)	83%	95%	85%	96% <sup>1</sup>
Shipments to North America	191	-11.0	2,109	-14.2
Shipments to USA	149	-11.2	1,692	-14.6
Shipments to Canada	42	-10.2	417	-12.3
Overseas exports	90	-13.0	1,082	-4.3
Imports	1	-52.9	23	-0.3
Total demand	192	-11.6	2,132	-14.0
Mill inventories	306	50.0%	-	-

1. Operating rate, not year-over-year percentage change.  
Note: Consumption and user inventory data is no longer available.  
Source: Pulp and Paper Products Council.

closure was not a surprise and not sufficient to offset the demand decline.

Through November, North American newsprint demand fell by 14%, or 348,000 tonnes, to 2.1 million tonnes compared with January-November 2018, according to the Pulp and Paper Products Council (PPPC).

Fastmarkets RISI forecasts that North American newsprint demand will decline by 12% in 2020 and 10% in 2021. Demand in other regions of the globe are also forecasted to fall in 2020: Europe should drop by 8.5%; Oceania by 8%; Asia by 7%; Latin America by 5%; Middle East by 5%; and Africa by 3.5%, according to RISI's forecast.

The global demand declines make it even more challenging for North American newsprint producers to export. In January-November 2019, they exported one million tonnes, or 4.3% less than a year ago.

"All mills in North America would welcome the chance to expand their export business as long as this business was

cash-positive. The amount of relatively high-cost US capacity still producing is hardly a limiting factor for exports," Fastmarkets RISI economists noted.

PPI Europe reported that in Europe, supply/demand balance continues to be strongly in favor of buyers and newsprint tonnages are easily available with offers from Russian and North American producers looking to enter the European market.

In Asia, PPI Asia reported that newsprint prices have declined in the fourth quarter, with contacts questioning whether they have reached bottom, also affected by new trade tariffs imposed by India.

Capacity. The Augusta mill shut reduces North American capacity by 7% year-over-year, but "producers have a great deal of ground to make up before demand and supply return to balance," according to Fastmarkets RISI economists.

Kruger should convert a second small machine (96,000 tonnes/yr) at Bromptonville, QC, in 2020.

"This will make only a small dent in the more than 400,000

tonnes of additional closures we are assuming through the end of 2020," the economists noted.

RISI forecasts that newsprint prices in North America will continue to decline net year, as operating rates will remain below 90% through the end of 2020.

"Typically, a North American newsprint market would feature operating rates of approximately 92% when in balance ... while operating rates at 90% usually indicate downward pricing pressure," RISI economists said.

Year-to-date, mill operating rate declined from 96% in 2018 to 85% in 2019, according to the PPPC November report.

- Market contacts reported flat prices for **uncoated mechanical (UM) paper** in December over November, including 35-lb MF offset, 65 bright; 45-lb offset substitute, 83/84 bright; 35-lb supercalendered (SC) A; and 33-lb SC-B. "High-bright prices are stable vs November, but I think they may slide a little, along with newsprint, in January or February. The market fundamentals are pointing that way because demand is very light," a buyer said. "The high-bright market hasn't been so challenging for some reason, surprisingly, but everyone is pessimistic for next year," a producer said. On SC, sources mentioned that they are still negotiating for 2020, but it seems that prices will be about \$30-40/ton lower in the first quarter than the end of 2019.

- Port Hawkesbury Paper** signed a memorandum of understanding (MOU) with Canada Infrastructure Bank (CIB) and IFE Project Management Canada on

a new wind farm project in Nova Scotia that would supply green energy to its paper mill. The three organizations plan a 112-MW Pirate Harbour Wind Farm. CIB has indicated it may invest in the project once the due diligence has been completed, and Port Hawkesbury Paper and IFE will lead the design, construction, and financing. The proposed wind farm would reduce the mill's emissions and reliance on fossil fuels.

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

## Tissue

### Irving orders another Valmet TAD machine for Macon mill

Irving Consumer Products ordered a second 82,500 tons/yr through-air-dried (TAD) Valmet tissue paper machine for its mill in Macon, GA, report said this week. The first TAD recently started in Macon.

Irving ordered the second TAD for Macon after announcing last month that it would double its papermaking capacity for producing ultra-premium household paper products at Macon. The company said it spent \$400 million on the first TAD machine project and expected to spend \$470 million for the second TAD project. Converting lines are also being added at the plant for both the paper from the both TADs.

"The new TAD machine will help Irving Consumer Products continue to grow and deliver ultra-premium quality tissue paper products to our customers," Irving Consumer Products pres Robert Irving said in a release.

"The new machine (just ordered this week) is planned to start-up in 2022 and will continue to support Irving's commitment to provide ultra-premium products to the North American market," according to Valmet.

The cost of the machine was not disclosed.

This is the fifth tissue paper project Irving has done with Valmet. Previously Valmet delivered its ThruAir machine to Macon, Fort Edward, NY, Toronto, and major rebuilds of tissue machines TM1 and TM2 to Saint John, NB.

The Valmet "products have been very much appreciated by the demanding North American market which requires the best softness, bulk and absorbency," said Valmet VP of sales Jan Erikson, in a release.

Valmet said that its delivery to Irving will be of a complete tissue production line with stock preparation equipment.

The new line will include an Advantage ThruAir tissue machine including an OptiFlo II TIS headbox, ThruAir Dryers and Air system, and an Advantage SoftReel reel. The scope also includes mist and dust systems, automation systems, basic mill engineering, and advisory services, according to Valmet.

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

## News briefs

The **US House of Representatives** passed the **USMCA** trade agreement for the US, Canada, and Mexico, the **American Forest & Paper Association** (AF&PA) said. "The modernized USMCA negotiated by the Administration will serve to strengthen the US pulp and paper industry and its products in the North American market," the AF&PA said. "We urge the Senate to work swiftly and follow suit to ensure free and fair cross-border trade."

## PPI Pulp & Paper Week

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