

PPI Pulp & Paper Week

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

First-fifth of new US containerboard capacity is up, on road to 3.5 million; analyst downgrades 2 biggies

A first surge in US containerboard capacity is half over and on track to reach 1.5 million tons by next April. The second surge, at 2.0 million tons, is to begin late next year and run through to mid-2022.

In all, 3.5 million tons of mostly lightweight recycled containerboard capacity is to start up. Seven of the eight capacity additions from mid-2019 through mid-2020 are for recycled containerboard.

Two philosophical sides have emerged among analysts and market players about how the capacity will impact market supply and demand, and pricing for benchmark grades in North America. *»» continued on page 9*

As North American pulp prices hold, US/China deal may halt 5% duty; BSK export prices still pressured

North American pulp markets were little changed in December as the industry closed the year with stable prices after levels had dropped during an unprecedented 10-month period of erosion. Benchmark northern bleached softwood kraft (NBSK) preliminary effective list prices held at \$1,115/tonne, with buyer pressure waning ahead of the holiday season, according to Fastmarkets RISI's PPI Pulp & Paper Week polling.

US buyer pressure eased after two months of rising US NBSK spot prices, which tempered regular contract negotiations, and a focus from buyers to close out their regular annual volumes in order to meet yearly targets and obtain rebates. *»» continued on page 13*

Global p/w demand to fall 4% this year, with US off 6%, and drops in almost the whole world, RISI reports

Global printing and writing (P&W) paper demand is to decline 4% this year, according to a Fastmarkets RISI forecast report. North American demand will fall even more on a percentage basis than the drop globally, said VP of Graphic Papers John Maine during a presentation in October at Fastmarkets RISI's North American conference in Boston.

"We're forecasting a 6.2% decline in (printing and writing paper) demand in North America this year, if the fourth-quarter performance is good. Also, North American (printing and writing paper) demand should decline 3.5% in 2020 and 3.7% in 2021," Maine added. *»» continued on page 4*

In this issue:

Pricing: Prelim market pulp	3
M&A: Verso nominates new chmn	2
Trade war: New duties canceled	4
RCP: US exports down by 10%	6
Tissue: Brown AFH move on the rise	8


Fastmarkets
 RISI


**Fastmarkets RISI
News & Prices App**



For more info:
risi.com/app

DID YOU KNOW...

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

Corporate strategy

Verso recommends former WestRock exec as chmn, calls for vote against Atlas nominees

After Atlas Holdings and Blue Wolf Capital sent a letter last week to Verso questioning its decision to try to sell the Androscoggin Jay, ME, and Stevens Point, WI, specialty paper mills to Pixelle Specialty Solutions for \$400 million, Verso has told its stockholders to reject three Atlas candidates nominated for the board and, instead, vote for Verso's nominees, including so far a new board chairman that is a former WestRock and MeadWestvaco packaging executive.

Verso shareholders will elect directors during the company's annual board meeting scheduled for Jan. 21.

"The board of directors does not endorse any Lapetus (which is controlled by Atlas) nominees and unanimously recommends that you vote for the election of each of the nominees proposed by the board of directors and against Lapetus' proposal," said Verso in a SEC filing on Dec. 10.

Atlas' candidates are 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.

"We have a difficult time understanding (Verso's) decision to reject our nominees given our nominees' experience in industrial businesses, including businesses in the specific sectors in which Verso participates, specialty paper, graphic paper, packaging paper

and pulp," Atlas and Blue Wolf said on a statement on Dec. 13.

Two directors will leave. Verso's nominees were previously Alan Carr, Eugene Davis, Randy Nebel, Steven Scheiwe, Jay Shuster, Adam St. John and Nancy Taylor. But on Dec. 10, Verso announced that Carr and Davis would not seek re-election.

Carr and Davis' decision was made, in part, because of the competing director slate proposed by Atlas Holdings and Blue Wolf Capital, Lapetus, and their respective affiliates, according to Verso.

Carr is the founder and CEO of Drivetrain Advisors Ltd., a fiduciary services firm. Davis is the chmn and CEO of PIRINATE Consulting Group LLC, a privately-held consulting firm in turnaround management.

"We were pleased to see Verso's announcement ... that Messrs. Eugene Davis and Alan Carr will step down from the Board at the annual meeting in January. We believe this is a step in the right direction for the company," Atlas and Blue Wolf stated on Dec. 13.

Beckler nominated as chmn.

Verso this week said it was nominating paper industry veteran Robert Beckler as the company's board chairman, replacing the co-chmn Carr and Davis. Beckler is a "seasoned paper industry executive and consultant," and was president, Packaging Solutions, of WestRock from July 2015 until his retirement in July 2016 and as president of packaging of MeadWestvaco from January 2014 to June 2015. RockTenn and MeadWestvaco merged in mid-2015.

Also, Verso said it would "announce an additional director nominee for on or prior to" Dec. 17.

Among various issues, Atlas and Blue Wolf called out Verso as unwise and with poor timing for converting to kraft linerboard production on a machine at the Androscoggin mill, claimed the Pixelle deal was too low priced based on the specialty paper quality capabilities of the two mills, and challenged Verso, if it completed the Pixelle deal, to provide the proceeds primarily to shareholders.

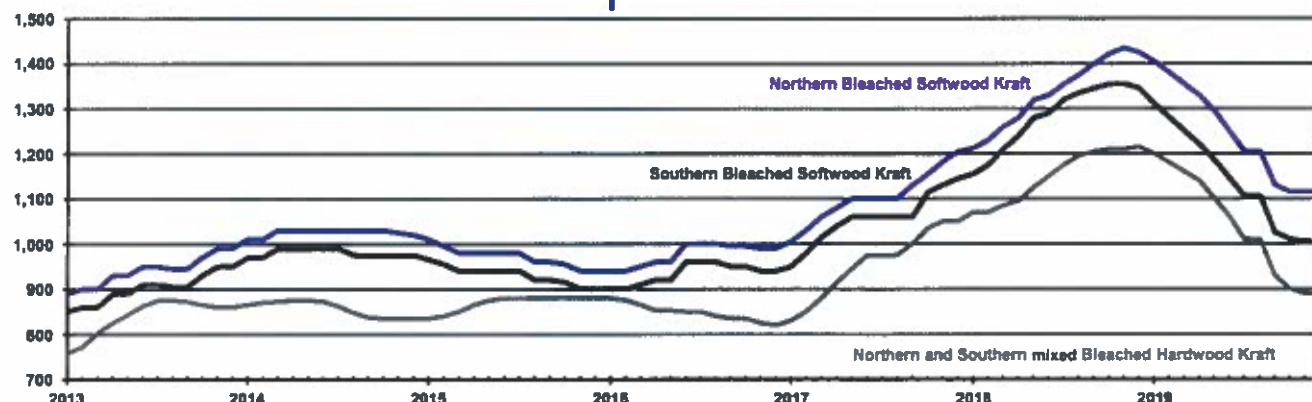
Sale to Pixelle. Verso said it expects the sale of its Androscoggin/Jay and Stevens Point specialty paper mills to close in the first quarter of 2020, "after all of the closing conditions in the purchase agreement, including approval by our stockholders, have been satisfied or waived."

After the sale, Verso will operate four mills in Quinnesec, MI, Wisconsin Rapids, WI, Duluth, MN, and Escanaba, MI, making graphic paper products, bleached hardwood market pulp, and certain specialty products including recycled containerboard and recycled kraft paper at Duluth, starting in January (see story, p. 1).

"In addition, the Quinnesec mill will sell approximately 55,200 tonnes of air-dried bleached hardwood market pulp annually to Pixelle pursuant to the supply agreement to be entered into with Pixelle in connection with the closing. Our Wisconsin Rapids mill will sell approximately 51,600 tonnes of air-dried bleached hardwood wetlap pulp annually to Pixelle pursuant to this supply agreement," Verso explained.

--by rmercante@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	
	Dec. 2019 Preliminary ¹	Nov. 2019	Oct. 2019	Q4 2019	Nov. 2018	% chg.
US (DELIVERED IN EAST)						
Bleached softwood kraft						
Northern (Canadian)	1,115	1,115	1,115	1,115	1,435	-22.3
Southern (US)	1,005	1,005	1,010	1,007	1,355	-25.8
Bleached hardwood kraft						
Northern and southern mixed (Canadian/US) ²	890	890	900	893	1,215	-26.7
Eucalyptus	890	890	905	895	1,235	-27.9
Specialty grades						
Unbleached softwood kraft (Canadian/US)	1,045	1,045	1,045	1,045	1,375	-24.0
Fluff (US southern kraft, untreated softwood rolls)	1,105	1,105	1,110	1,107	1,365	-19.0
Deinked (US air-dried and wet-lap, 100% post-consumer for printing/writing)	760 - 765	765	775	768	945	-19.3
Spot Markets³						
Northern Bleached Softwood Kraft	605 - 645	605 - 645	590 - 630	620	920	-32.1
Southern Bleached Softwood Kraft	500 - 540	500 - 540	505 - 535	520	790	-34.2
Northern and Southern Bleached Hardwood Kraft	470 - 510	470 - 510	470 - 510	490	790	-38.0
EUROPE (CIF)						
Bleached softwood kraft						
Northern (Canadian/Nordic)	820	820	820 - 830	822	1,200	-31.7
Southern (US)	780	780	780 - 790	782	1,160	-32.8
Bleached hardwood kraft						
Northern mixed (Canadian/US)	640	640	640 - 660	643	980	-34.7
Southern mixed (US)	630	630	630 - 650	633	970	-35.1
Specialty Grades						
Fluff (US southern kraft, untreated softwood rolls)	1,105	1,105	1,110	1,107	1,365	-19.0
ASIA (CIF)						
JAPAN						
Bleached softwood kraft						
Northern (Canadian)	680	680	670 - 690	680	900	-24.4
Southern (US)	600 - 620	600 - 620	610 - 620	612	900	-32.2
Bleached hardwood kraft						
Northern and southern mixed (Canadian/US)	500 - 510	500 - 510	500 - 510	505	745	-32.2
KOREA						
Northern bleached softwood kraft	710	710	710	710	955	-25.7
CHINA						
Northern bleached softwood kraft	580 - 600	580 - 600	590 - 600	592	815	-27.6
Northern bleached softwood kraft - net ⁴	570 - 590	570 - 590	580 - 590	582	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, 1-5% (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. The exception is European fluff price assessments, which follow the same publishing schedule as US pulp price assessments and are formally tied to the US fluff price assessments.

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

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

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

4. As of 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.

r = revised

Trade

US, China to cancel duties that were to start Dec. 15

President Trump removed new tariffs on Chinese goods that were to start on Dec. 15 and the Chinese government agreed to do the same on US goods, the Wall Street Journal reported.

The deal requires China to make "structural reforms ... to (its) economic and trade regime in the areas of intellectual property, technology transfer, agriculture, financial services, and currency and foreign exchange," US officials said.

It was unclear how the canceled duties and possibly reduced duties previously set will affect US pulp and paper exports.

Global P&W demand to be down

» continued from page 1

Maine showed with forecast numbers that all regions in the globe are demanding less printing and writing paper, except for Africa, which has stable demand. European consumption is to fall 5.7% this year, while Australia/Oceania will decline 5.2%, Middle East down 3.5%, Latin America down 1.9%, and Asia down 0.6%.

"Asia is no longer a growing market for (printing and writing) papers," according to Maine. "It should also decline 0.9% in 2020 and 0.4% in 2021."

"There are very few pockets of (printing and writing paper) demand growth left in the world. The only country that is

significantly growing in demand is India, but we don't know how long it will maintain this status. More and more Asian markets are joining ranks of secular decline," he said.

That secular demand is due to the ongoing movement away from using print on paper to similar or same activity that is now carried out on mobile devices, contacts have told *PPI Pulp & Paper Week*. A total of 95% of Americans had a mobile phone in 2018, up from 35% in 2011, according to the Pew Research Center last year.

In 2019-2021, the global printing and writing paper demand is forecast to decline by an average of 2.2 million tons/yr, or down by 2.4%/yr.

"The global market now is about 12% smaller than it was in 2010," Maine explained. "It declined by an average of 1.6 million tons per year in 2011-2017, and now the down trade started to accelerate."

In newsprint, Maine said demand is declining much more rapidly, or about 7%/yr globally. In North

America, newsprint demand is to decline 14.6% this year, and by 11.6% in 2020 and by 9.8% in 2021.

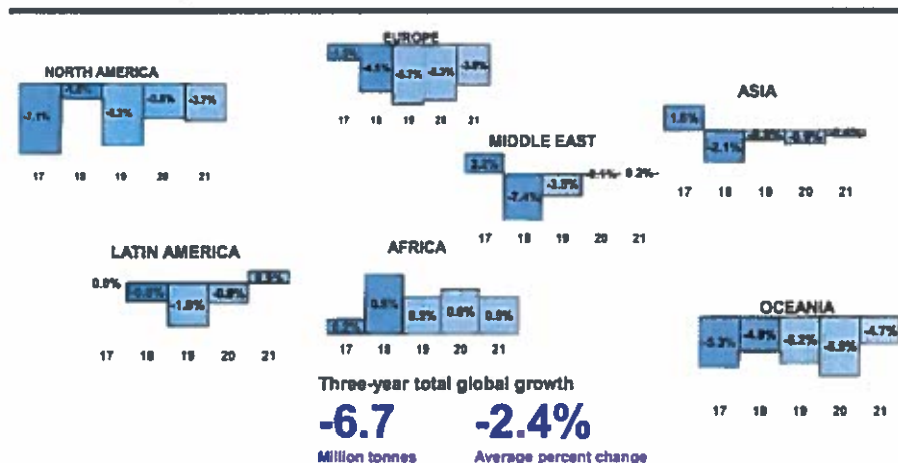
New alternatives? "In total we're looking at about 3.5 million tons of graphic paper demand destruction every year globally, which means that 3.5 million tons per year have to come out of the market globally just to balance the market," Maine said. "Paper producers have to find something else to do with their paper capacity."

Maine noted that the alternatives in use by paper producers may no longer work. "China is no longer the growth engine it used to be," packaging paper markets are becoming oversupplied (and thus further conversions are becoming more limited), tissue and specialty papers offer little volume for sufficient growth and is more difficult to do conversions in those areas," according to Maine.

In the USA, nine of 13 new containerboard capacity additions from mid-2019 to mid-2022 involve the conversion of

P&W demand growth in 2019-2021

Thousand tonnes, percentage per year



coated and uncoated printing and writing paper machines (see story, p. 1). Of these nine, four are coated printing paper machines, four are newsprint or uncoated groundwood machines, and one is an uncoated freesheet (UFS) paper machine.

Capacity closures. In response to declining demand, graphic paper producers are also shutting down capacity.

In North America, printing and writing paper capacity decreased 6.7%, or 1.2 million tons, to 16.8 million tons in 2019 compared with 2018 after several producers closed or converted machines.

Producers in Europe are also closing paper mills in an attempt to balance supply and demand.

In UFS, Europe and North America together removed a net capacity of more than one million tons in 2019. International Paper (IP) is to remove a further 230,000 tons/yr UFS capacity in the USA next year when its Selma, AL, Riverdale mill is converted to bleached white top linerboard and containerboard production. The conversion is to be completed in April.

But while North American and European paper makers are removing capacity, a few exceptions, such as Willamette Falls/West Linn in the USA and a couple of mills in Eastern Europe, and Asian companies are adding significant volumes of capacity.

Maine noted that as market pulp costs declined 35-40% from peaks over the last several years, a few mills were able to come back to the market, such as Willamette Falls Paper, which added about 50,000 tons of UFS.

Asia and the Middle East are adding two million tons of new UFS capacity in 2019-2021. Most of the news capacities are in China.

"Asians haven't figured out yet that their demand is declining," Maine said. "There's still a lot of capacity growth confirmed in the Asian market, particularly in China. In North America, we're not that bad in terms of balance of supply and demand, and we do have closures announced. But we'll continue to have pressure from offshore suppliers shipping to North America."

He explained that there are several factors that drive global players to export paper to the USA. Even though the US has trade tariffs on cutsize office/copy paper UFS imports from five countries, prices are higher in the USA than in other global markets and the strong dollar makes it profitable for global players to export into America.

"Usually, US and European prices were the same, but this is not the case anymore. This year, prices in USA are \$120/ton above the European price," Maine said.

"We still see a lot of UFS imports in the USA," said a paper distributor. "When domestic producers increased prices earlier this year, imports beat them (with lower prices). The dollar covers the tariffs, so many exporters such as Portugal and Brazil just don't care, they are still shipping a lot to the US."

"We had several closures this year, and IP will close further capacity in the first quarter of 2020 (at the Riverdale mill). If we think of a 'normal' decline in demand, about 3% per year, the Selma conversion

would be enough to offset the demand decline in US," a producer said. "But, of course, there is more paper left because of higher imports and lower exports, which affected 2019 a lot."

As for coated print paper, RISI forecast that 850,000 tons of coated mechanical (CM) and 3.2 million tons of coated freesheet (CFS) paper will be removed globally in 2019-2020.

"This is more or less in line with the demand decline, but most of the capacity closures are not in North America. The operating rates are still low in North America, on both CFS and CM," Maine explained.

On uncoated mechanical (UM) paper, Maine stated that 400-500,000 tons of capacity shuts are happening globally, and new closures should be announced soon.

Performance by segment.

In the global printing and writing market, UFS demand is much more stable than total printing and writing paper demand, Maine commented.

"We see only a 2% decline in this (UFS) market since 2010, globally," Maine said.

According to Maine, the largest global P&W declines are found in mechanical papers and coated papers.

End uses. Maine said magazine demand in the USA has been hit hard and catalog demand is "horrible" this year, yet commercial printers overall have held up OK, by diversifying what they print and their operations.

"Magazines have been really hurting from a demand perspective, as advertisers are not supporting printed magazines any more," he said. "Catalogs have been doing much better, but are having a horrible year this year, going down 9-10% this year. In 2018, they declined 2%."

"Commercial printing is declining only 0.5% this year, but this is because printers are diversifying out services, mailing services, fulfillment services etc.," Maine said.

--by rmercante@fastmarkets.com

Newsprint

Corner Brook reorganizes, takes two weeks of holiday downtime

Kruger's Corner Brook Pulp and Paper newsprint mill in Newfoundland last week announced two measures that are supposed to "help" the operation "face difficult market conditions" including an internal workforce optimization plan involving 22 workers to reduce labor costs, and 14 days of downtime effective Dec. 24.

The 14 days of downtime at the 260,000 tonnes/yr Corner Brook mill is from Dec. 24 to Jan. 6. The downtime affects 365 employees: 300 in the mill and 65 in the forest operations.

The company said it could temporarily interrupt its newsprint production again over the winter depending on the newsprint market conditions.

Kruger operates two newsprint machines at the Corner

Brook mill. The mill took 11 days of downtime on PM No. 7 in November for a major upgrade on its main boiler.

Kruger is No. 3 newsprint producer in North America with 12.7% of the market and a total capacity of about 570,000 tons/yr at three mills.

Several other newsprint mills in North America have been taking downtime, including Resolute Forest Products, White Birch, Paper Excellence, North Pacific Paper (NorPac), among others. Last month, Resolute announced it would indefinitely idle its 214,000 tonnes/yr Augusta, GA, newsprint mill due to declining demand.

Fastmarkets RISI forecasts that North American newsprint demand will decline 14.6% in 2019 and 11.6% in 2020.

--by rmercante@fastmarkets.com

Recovered paper

US total exports, OCC both down 10% YTD, one of the largest declines recorded

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.

Through October 2018, 15.745 million tonnes of US recovered paper had been exported.

Exports of old corrugated containers (OCC) also were down 10% year-to-date, at 8.284 million tonnes through October. Month-

over-month, shipments of OCC were up in October compared with September, at 779,845 tonnes. Furthermore, every major recovered paper grade reported saw declines in exports through October, with the exception of deinking grades, which were up 8.2% at 909,793 tonnes.

The 10% drop in total recovered paper exports year-to-date follows a year of unsteady demand as China continues to stick with its word of weakened demand for recovered paper in addition to import restrictions, including back-and-forth and unclear rules about shipping to Indonesia, among other changes. The US-China trade war also is at play. Starting this weekend, a 25% tariff on recovered fiber to China was to increase an additional 5% to 30% by Dec. 15. However, the US and Chinese governments agreed on Dec. 13 to cancel the latest duties that were to begin on Dec. 15. China also has a potential ban on all recovered fiber into China in 2021 that seems more likely today.

The last time recovered fiber exports saw such a drastic drop year-over-year was more than 20 years ago when exports declined 31% in 1996, at 6.5 million tonnes, from 9.45 million short tons in 1995.

Additionally, US recovered paper exports have been consistently high in the last decade, touching at least 18 million tonnes/yr. The decade's high/low range has been from 18.32 million tonnes in 2017 to 21.07 million tonnes in 2011. In October 2019, the most recent data from the US government, 1.323 million tonnes of US recovered fiber were exported. With just over

14.1 million tonnes exported through October of this year, it is not likely exports will reach the 18-million-ton mark this year.

China, the US's largest recovered paper export market that had been buying around 20 million tonnes/yr of recovered fiber a couple of years ago on a global basis, is expected to release just 7 million tons of recovered paper import quotas for 2020. This is a drastic drop from the 18.2 million tonnes issued in 2018, as well as from the 10.75 million tonnes in total quotas approved for this year. In 2017, China imported 28.5 million tonnes of recovered paper. China banned mixed paper at the end of 2017 and implemented a 0.5% contaminant limit on imports of all recovered paper in early 2018.

India rule on mixed paper.

Sister publication *PPI Asia* of Fastmarkets RISI reported Dec. 13 updates on exporting recovered paper to India and Indonesia, noting that the Indian government has "tightened the screws on mixed paper imports, with a maximum contamination level of 1%."

The rule will effectively ban the imports of the grade from single-stream collections.

Indonesia clarifications. As for Indonesia, uncertainty still prevails, yet some clarifications were made this week. In late November, US suppliers of recovered paper to Indonesia said their orders were cancelled due to inspection agencies ceasing all pre-shipment inspections to Indonesia, creating a difficult situation.

Meetings including Indonesian authorities, trade associations, buyers, and suppliers have been held every week since, *PPI Asia* reported, attempting to clarify the ambiguities in the regulations.

"One of the conclusions of the meetings during the past two weeks is Indonesian mills will be given a six-month grace or transition period before having to meet the new requirements. This will be executed by extending expiry dates for mills' existing recovered paper import licenses by six months," *PPI Asia* reported.

In addition, exporters need to register to be able to ship recovered paper into Indonesia, and they must have representative offices in their countries of origin. Clarification on "clean and homogenous," implying no contaminants are

US recovered paper exports October 2019

(tonnes)

Grade	October 2019		% chg. month ago	Jan.-Oct. 2019		% chg. year ago
	\$	Tonnes		\$	Tonnes	
Corrugated	\$105,124,385	779,845	5.7%	\$1,234,465,432	8,284,322	-9.9%
Mixed	26,071,511	180,178	2.0	319,064,547	2,061,557	-7.8
Pulp	12,634,282	73,187	-1.1	205,138,802	896,779	-3.9
substitutes						
News	34,085,779	188,281	8.8	380,864,867	2,013,042	-20.9
Deinking high grades	22,861,362	102,376	20.9	222,952,050	909,793	8.2
Total	\$200,777,319	1,323,867	6.2%	\$2,362,485,698	14,165,493	-10.0%
Major Destinations						
Oct. 2019	News	Deinking	Pulp Substitutes	Corrugated	Mixed	Total
China/Hong Kong	111,994	254	208	327,801	7,683	447,940
India	6,803	8,680	32,415	82,800	86,886	217,584
Mexico	7,148	65,957	13,515	9,141	7,437	103,198
South Korea	19,628	1,437	890	39,330	8,758	70,043
Canada	11,186	7,561	6,177	26,833	11,988	63,745
Thailand	1,932	1,033	0	27,428	8,375	38,768
Indonesia	10,265	1,198	0	87,030	2,094	100,587
Taiwan	7,656	83	0	42,831	7,663	58,233
Italy	0	3,452	677	875	607	5,611
Vietnam	618	185	366	70,557	3,132	74,858
Total	177,230	89,840	54,248	714,626	144,623	1,180,567

n.a.=not available. Source: US Dept of Commerce, Bureau of Census.

allowed in imported recovered paper, also is being sought.

Contacts in the last week said they still have avoided shipping to Indonesia due to lack of inspection availability.

A contact in India said that there has been a "temporary uptick" for OCC demand in India, pushing up offers for OCC grades by about \$15/tonne since Dec. 10.

"This will correct once inventory levels are replenished and seasonal supply constraints in the US market ease - maybe mid-January 2020 - this is usually the time we see declines in offered prices," the contact said.

--by mworkman@fastmarkets.com

Tissue

Some mills switch to making brown for AfH market in 2019

Soundview Paper's northern New Jersey recycled-content mill might serve a specific region, yet its recent transition to also producing brown toweling for the commercial Away-from-Home (AfH) tissue business using recovered paper grades is a shift seen among a few tissue mills across the USA this year. While some large tissue producers told Fastmarkets RISI's *PPI Pulp & Paper Week* this week that they do not have plans to increase their brown tissue production for AfH, several others already have made the move.

This shift to producing recycled brown toweling for the AfH market varies based on the mill, its costs, and product

specifications. Still, contacts this week said the low pricing of some recovered fiber grades, especially old corrugated containers (OCC) and mixed paper, plays a role. OCC, at a national average of \$22/ton, is at a record low. Additionally, with a demand decline in 2019, OCC and mixed paper supply have been landfilled this year.

"If it's pure cost structure, and it's a recycled mill, then it's OCC and mixed paper driven," one contact said. "People aren't trying to move to dark brown out of the gate; they are going to a mocha (for) this towel/napkin."

Examples of mocha, or beige-colored, napkins are at McDonald's and Starbucks. In 2012, North America's fourth largest producer of towel and tissue paper, Cascades Tissue Group, launched its 100% recycled unbleached bathroom tissue line, Moka, a first-of-its-kind product for the AfH market at the time that is beige in appearance.

With Cascades in the game for some time, another major tissue producer said what sets this year apart is the growing interest in recycled brown towels in the AfH business: "The brown towel is probably going up in market share. The brown towels, especially on the AfH business, haven't done it before to this level."

The numbers show that this demand pickup did not really occur through 2018: Data from the American Forest & Product Association show consistent figures for OCC and mixed paper consumption in the tissue segment from 2014-2018. For example, mixed paper consumption for tissue was

778,000 tons in 2014, and 742,000 in 2018, and OCC consumption for tissue was 286,000 tons in 2014, and 294,000 tons in 2018.

'Opportunistic?' Soundview Paper's 140,000 tons/yr mill made paper for about 110,000 tons/yr of consumer/retail business and 30,000 tons/yr for AfH, according to Fastmarkets RISI Mill Intelligence. The Elmwood Park mill, which used to operate as Marcal Paper, had a 1.4% share of North American tissue paper capacity. Two machines, Nos. 10 and 11, had been running at the operation as well some converting assets. Its two machines made 100% recycled-content tissue paper out of furnish made from pulp substitutes and high grades.

This changed after the New Jersey mill shut down Jan. 31 after a massive fire incinerated 90% of the complex. Soundview stopped producing for the consumer/retail business. The brown towel Soundview produces is made from industrial OCC, new double-lined kraft corrugated cuttings, and some mixed paper or news grades. Other tissue producers said in addition to these grades, No. 12 double-sorted OCC also is used to make their brown towel and/or tissue.

"They looked at the numbers, and what was and wasn't profitable business, and they decided to exit the residential-at home business," a contact said this week. "Soundview is still making white, but it doesn't have to be that high bright white. They didn't switch to all brown, but they never ran brown toweling before."

Other mills that are producing brown towel and/or napkins is the Essity, formerly SCA, mill in

Menasha, WI, that switched a machine from white to brown. Essity also is spending \$3.6 million on cleaning and recycling equipment at its 100,000 ton/yr South Glens Falls, NY, tissue paper mill and converting complex, so that the company can use residential curbside material to make AfH toweling. Essity site mgr Steve Duell said in August that the mill's paper machines have run on sorted and shredded office paper grades, and it is now adding more paper from residential curbside recycling to the mix.

"This is more strategically driven to utilize this paper to reduce our cost structure," Duell said at the time.

Georgia-Pacific's (GP) Rincon-Savannah River mill in Georgia is now making brown as well, a large tissue producer and GP competitor said this week. The 463,000 tons/yr facility produces commercial tissue, towel, and napkin, and retail tissue and napkin off five wide and fast conventional tissue machines, according to Fastmarkets RISI Mill Intelligence. About 60% of the mill's output is commercial.

"They've taken the fourth machine to make brown. I don't know if it's toweling or napkin, (but) they are making brown fiber," the large tissue producer said. "It could be opportunistic with the low price of OCC, and there's a lot of it around."

The rise in brown towel and napkin for AfH is not expected to increase demand among the everyday at-home consumer. Contacts recognize people prefer white tissues and toilet paper in their home, and that is not anticipated to be change any time soon.

People have a perception, and "consumer acceptance is always an issue," one tissue producer said.

"If you can make it softer and brown – is it going to sell?" the tissue producer asked.

The tissue industry is still under a "tremendous" amount of pressure. Overcapacity, high inventories at tissue mills, soft demand for orders, and a "very competitive marketplace" have all played out in 2019.

This dismal picture was painted this past summer when a major tissue producer with multiple mill locations in the US Midwest took market-related downtime in the summer – which one contact called "unprecedented."

In the summer, the major tissue producer took market-related downtime in July, and contacts could not recall when, in at least a quarter century, this tissue mill company took such downtime in the summer months. The company took market-related downtime yet again in August.

Another large tissue mill producer told *P&PW* in September: "(Our company) is reinventing our approach to the market. We were bleeding, losing a lot of money."

--by mworkman@fastmarkets.com

Liner capacity surge ongoing

»» continued from page 1

One side believes the startups will be primarily offset by ongoing growth in corrugated box demand, with continuing positive

growth impact from e-commerce. The other sees ongoing containerboard downtime that began in fourth-quarter 2018, dropping kraft linerboard prices on the export market first and then on the US domestic market next year, and an oversupply that will challenge like never before a highly integrated containerboard-to-box system.

ND, Pratt. The beginning of the first surge was ND Paper's conversion of a printing and writing paper machine in Wisconsin at the Biron mill, followed by Pratt Industries starting up a new 400,000 tons/yr recycled containerboard machine at a mill in Wapakoneta, OH, that was visited right before startup by President Trump.

ND's converted B25 machine at Biron was on linerboard trials this week, contacts said. Plans call for linerboard production on a larger scale by late first-quarter or early second-quarter 2020. The PM has been making corrugating medium for months now.

NorPac, Verso, McKinley. Now, North Pacific Paper (NorPac) in Longview, WA, is making recycled containerboard on machine No. 1, Verso expects to be making about 50,000 tons/yr of recycled containerboard and kraft paper on a former printing and writing paper in Duluth, MN, by January, and McKinley Paper, which is owned by Mexico's Bio-Pappel, is to have converted one or both coated groundwood paper machines at a former Nippon Paper mill in Port Angeles, WA, to mainly recycled containerboard along with some recycled kraft paper output, with full capacity of 200,000 tons/yr. The McKinley

startup in part or fully is expected as early as mid-January.

NorPac this week was said to be fully making recycled containerboard on former newsprint machine No. 1 in Longview, following reports in late August of its plan to add what amounts to an estimated 110,000 tons/yr

of recycled containerboard capacity from the conversion.

Both NorPac and ND are new entrants in the North American containerboard market. Six of the 13 projects announced in the next three years are from new entrants. None of these six now have downstream corrugated converter capacity. One is expected to have a plant for corrugated

converting in the short-term and that is ND Paper in Wisconsin.

WestRock, IP. In addition, WestRock is to start up North America's biggest unbleached kraft linerboard machine at 710,000 tons/yr in Florence, SC. The new PM replaces three older machines with 678,000 tons/yr of capacity. And International Paper (IP), by or in April, is to start up

Major North American containerboard capacity expansion projects, 2019-2022

Company	Mill	Net capacity (tons/yr)	Grade	Startup date	Details
ND Paper	Biron, WI	255,000	RCB	3Q 2019	Converted coated PM and expects full production by 1Q 2020
Pratt Industries	Wapakoneta, OH	400,000	RCB	4Q 2019	New greenfield lightweight RCB mill with large adjacent box plant in central Ohio
North Pacific Paper	Longview, WA	110,000	RCB	2019	Committed to additional 100% RCB, kraft paper capacity on PM 1
McKinley (Bio-Poppel)	Port Angeles, WA	180,000	RCB/KP	1Q/2020	Convert idle two-PM directory mill to 180,000 of RCB & 60,000 of bag paper
Verso	Duluth, MN	48,000	RCB/KP	1Q 2020	Converted SC machine, with trials in 2Q 2019, full sales in early 2020
International Paper	Selma, AL	450,000	WT/CTB	Apr-20	Conversion of PM 15 at Riverdale mill to WT/CTB from UFS
WestRock	Florence, SC	30,000	KL	1H 2020	New 710,000 PM, largest in North America, replacing three narrow, older PMs
ND Paper	Rumford, ME	120,000e	WT/RCB	4Q 2020	Convert coated p/w PM R12 to white top linerboard, specialty containerboard
Green Bay Packaging	Green Bay, WI	445,000	RCB	1Q/2021	New 300-in trim 685,000 PM to replace existing 240,000 RCB PM
Cascades	Ashland, VA	400,000	RCB	2021	Purchased White Birch newsprint mill for \$34 million. May shut capacity for this project.
CorrVentures	Albany, NY	300,000	RCB	4Q 2021	Hudson Valley Paperboard greenfield mill near Albany, NY, financing to close in 4Q
New-Indy	Catawba, SC	400,000e	KL	TBA	Plans "ultra" lightweight kraft linerboard from converted former Resolute coated PM 3
Crossroads Paper	Salt Lake City, UT	342,000	RCB	1Q 2022	Greenfield site in Salt Lake City area. Cellmark to sell mill's containerboard
Total capacity		3,480,000	CTB		
Under study					
Sun Bio Material	Arkadelphia, AR	1,580,000	KL	TBA	Received air permit from state of Arkansas for 2-PM project, trade war delaying progress
Dartar	Ashdown, AR	400,000	KL	2022-2023	Studying UFS PM conversions; CEO Williams cited Ashdown as top choice in Feb.
Pixelle Specialty Solutions	Chillicothe, OH	NA	RL/RM	TBA	Claim that company may convert out of white paper, including maybe at its PA mill

CTB=containerboard; KL=unbleached kraft linerboard; RCB=recycled containerboard; WT=white top kraft linerboard; UFS=uncoated freesheet; CFS=coated freesheet; CM=coated mechanical; OCC=old corrugated containers; KP=kraft paper; SC=supercalendered; PM=paper machine. e=estimate. TBA: to be announced.

Source: RISI Mill Intelligence, company reports.

a converted uncoated freesheet paper machine at its Riverdale mill in Selma, AL, making 450,000 tons/yr of bleached white top linerboard and containerboard.

Two other notes were out this week on new capacity.

New-Indy. The South Carolina Dept of Commerce reported on Dec. 12 that New-Indy Containerboard was committed to spending \$240 million on a project to convert a coated printing and writing paper machine, formerly run by Resolute Forest Products, in Catawba, SC, to a machine that would be the first of its kind in the USA. This machine would make "ultra" lightweight unbleached kraft linerboard both for domestic and export use.

The Dept of Commerce said on Dec. 12 that New-Indy Containerboard's ultralight unbleached kraft linerboard machine conversion project in Catawba was "expected to be online during fourth quarter of 2020."

New-Indy has not said anything publicly about when the conversion would be completed, contacts said on Dec. 12. New-Indy is owned by the Kraft Group and Schwarz Partners.

Cascades. Also, late this week, one analyst suggested Cascades may delay its 400,000 tons/yr conversion of a former White Birch Bear Island newsprint machine to recycled lightweight containerboard in Ashland, VA. Cascades' board of directors is to consider making the investment by yearend, RBC Paper & Forest Products analyst Paul Quinn said in an investor note.

"Bear Island ... is more likely to be delayed now that Cascades has secured additional capacity, in our view," Quinn said. "Our previous expectation had been for a (Bear Island machine) ramp-up in early 2022; we think that it could now stretch into late-2022/early-2023."

Quinn's comment stemmed from Cascades reaching an agreement to spend \$93 million for buying a 20.2% share of the Greenpac lightweight recycled linerboard machine that it operates in Niagara Falls, NY. The deal is with government-established institutional investor Caisse de dépôt et placement du Québec and is to be completed by Jan. 3. With the 20.2% share, Cascades' share of the venture would be 86.3%. The other two venture owners are Jamestown Container Companies and Containerboard Partners.

Quinn said the larger share means more capacity is owned by Cascades at the mill. Its "effective" containerboard capacity would rise by 109,000 tons "without needing to build or integrate a new asset," Quinn said.

3.5 million ton addition. In all, if all 13 projects were completed with the 3.5 million tons of capacity, the actual growth would be 3.2 million tons since WestRock announced in September that it would be permanently shutting down a 288,000 tons/yr linerboard machine at its North Charleston, SC, mill by January.

The 3.2 million equals about 8% in box shipment growth in four years, based on a Fastmarkets RISI's estimate.

The 3.2 million would equal a 7.4% rise in capacity from the total in 2019, according to RISI Packaging VP Ken Wagborne's figures in mid-September. He told *P&PW* that 2019 North American containerboard capacity would total 43.03 million tons for 2019. The 3.2 million in additional tons would push capacity to about 46.22 million by the end of 2022, according to *P&PW*'s estimate.

IP, PCA downgrade. One analyst this week took aim at two of the three largest publicly-traded North American containerboard and corrugated producers, related to the capacity additions that are planned.

Goldman Sachs analyst Brian Maguire downgraded IP and Packaging Corp of America (PKG) shares to sell from neutral.

Maguire cited concerns about 2020 containerboard pricing and said he expected an 8.4% increase in North American capacity to enter the market starting in 2020 along with weak demand from a slowing industrial economy.

"Yes, we did downgrade both IP and PKG to Sell on (Dec. 10)," Maguire told *P&PW*. "But we didn't change our price targets or earnings estimates. Essentially the stocks went up a lot the last 2-3 months and we don't think that was justified so now we have downside to our price targets."

Several contacts told *P&PW* late this week that they were surprised by the downgrade, claiming that US domestic board and box prices were holding well, and that export levels also appeared to be holding in Mexico, China, South/Central America, and southern Europe.

Still, there was post-holiday concern.

"January is going to be interesting to see how the domestic (US) order books look," one trader said.

"Things are kind of in a stand-by (until January)," said another.

• European capacity additions.

Along with the 3.2 million tons/yr (2.9 million in metric tonnes)

build in US capacity in three years, **containerboard capacity in Europe** will expand at a faster rate than in the US during that time. European containerboard capacity is to grow 20.7% more in capacity than in the US from mid-2019 through mid-2022, according to RISI Europe packaging economist Gleb Sinavskis. Sinavskis told *P&PW* this week that "if you sum up Western and Emerging Europe

(including Russia and Turkey), it will be approximately 3.5 million metric tonnes, with Western Europe alone at about 2 million metric tonnes. This includes our assumptions on closures."

• Two more containerboard capacity addition projects with 920,000 tonnes/yr of capacity are planned in the next four years in Brazil. **Klabin** plans the startup of MP No. 27 in 2021

Month in statistics

US **paper** and **paperboard** production was down 4.2% year-to-date through October and totaled 62.4 million tons.

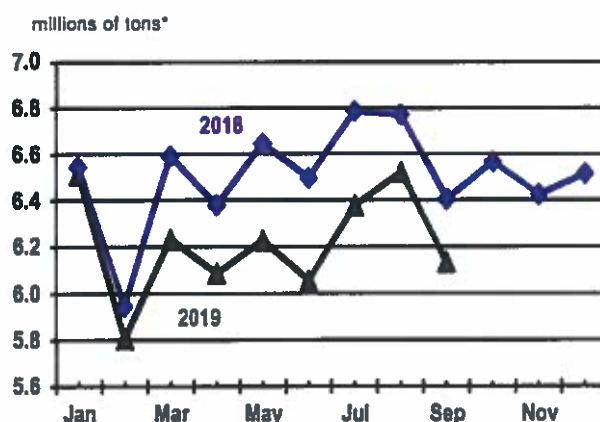
October paper production was down 5.9% and totaled 20.75 million tons. Paperboard production was down 3.4% to 41.67 million tons. **Linerboard** production at 21.2 million tons was greater than all of the paper production in the USA. **Containerboard** production year-to-date totaled 30.35 million tons.

The only paper grade so far to not have a production decline was **tissue**, which was up slightly at 0.2% and 6.4 million tons through October.

Production through October was down by nearly 2.75 million tons, with a large chunk of the decline in containerboard, 1.3 million tons, and all the papers grades, down 1.29 million. Both **uncoated freesheet** and **coated printing and writing paper** production were down by double-digits year-to-date, at minus-10.5% and minus-10.3%, respectively.

The only paperboard grade year-to-date to have increased production in 2019 vs 2018 was **liquid packaging and food service boxboard**, which was up 3% at 2.69 million tons.

US paper and paperboard production



* Not seasonally adjusted.

PAPER & PAPERBOARD PRODUCTION

		Current Month	same month year ago	% chg. 2019/18	YTD 2019	YTD 2018	% chg. 2019/18
Newsprint	Oct.	66	91	-27.5%	799	867	-7.8%
Uncoated mechanical	Oct.	56	72	-22.2	637	781	-18.4
Coated paper	Oct.	406	428	-5.1	3,744	4,173	-10.3
Uncoated freesheet	Oct.	561	641	-12.5	5,600	6,256	-10.5
Tissue	Oct.	660	650	1.5	6,408	6,393	0.2
Unbleached packaging papers	Oct.	146	160	-8.8	1,403	1,532	-8.4
Total paper	Oct.	2,118	2,249	-5.8	20,754	22,048	-5.9
Linerboard	Oct.	2,236	2,307	-3.1	21,230	22,542	-5.8
Corrugating medium	Oct.	983	912	7.8	9,123	9,210	-0.9
SBS boxboard	Oct.	157	147	6.8	1,666	1,723	-3.3
Liquid packaging/food service board	Oct.	269	242	11.2	2,692	2,614	3.0
Recycled boxboard	Oct.	178	175	1.7	1,717	1,726	-0.5
Total paperboard	Oct.	4,352	4,317	0.8	41,671	43,125	-3.4
Total paper and paperboard	Oct.	6,470	6,566	-1.5	62,426	65,174	-4.2

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

Note: Figures in 000 short tons. Unbleached kraft paper has been changed to unbleached packaging paper by the American Forest & Paper Association.

n.a.=not available. Source: American Forest & Paper Association.

with unbleached kraft linerboard capacity of 450,000 tonnes/yr as part of the company's Puma project, a company official said last month. MP No. 27 is to make 80- to 200-g/m² kraft linerboard and white top linerboard. The company plans to start up MP No. 28 in 2023 with capacity of 470,000 tonnes/yr. MP No. 28 is to make 150- to 300-g kraft linerboard. Both PMs are to make Klabin's eukaliner out of 100% bleached eucalyptus kraft pulp.

- **Nine Dragons Paper** started trial runs on two new Valmet recycled containerboard machines with a total of 950,000 tonnes/yr of capacity in China, *PPI Asia* reported this week. The machines are to make recycled containerboard in a basis weight range of 75-140 g/m². (The 75-g/

m² is 16-lb.) The company's PM 39 has capacity of 350,000 tonnes/yr and started up last month at its mill in Quanzhou city in the southern province of Fujian, southern China. PM 42 has capacity of 600,000 tonnes/yr and is at the Nine Dragons mill in Shenyang city, in northern China. Also in China, **Shanying International** began trial run on Dec. 13 on a new 550,000 tonnes/yr Valmet recycled containerboard machine at a greenfield mill in Jingzhou city, in the central province of Hubei, eastern China. Two other PMs are planned to run at the mill, with the 500,000 tonnes/yr PM 22 and the 400,000 tonnes/yr PM 23 to startup in first quarter and second quarter 2020, respectively, *PPI Asia* reported. The three machines are part of Shanying's plan to

build 2.2 million tonnes/yr of recycled containerboard capacity at the Jingzhou mill. Both Nine Dragons and Shanying, the Nos. 1 and 3 largest containerboard producers in China, respectively, operate US companies that supply recovered paper and virgin pulp to their company mills in China.

--by grudder@fastmarkets.com

NBSK, SBSK hold unchanged

» continued from page 1

"We're having arguments over where spot prices went up. It's a little heated. But look, into the North American market, we are tight. We're behind on inventories so we're saying the price is going



OSIsoft

THE PAPER MILL OF THE FUTURE

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...

Read more at <https://ossoft.com/bp>

www.ossoft.com | ossoft@ossoft.com

up. I get reluctant acceptance," said a contact at an NBSK producer. "(On) the last quoted one we had (on the high end of the current range), they laughed, but then came back and ordered it. This told me there's maybe supply combining with logistics issues that tightened the market."

US NBSK spot market prices held unchanged at \$605-645/tonne net delivered to the US East and Midwest, according to P&PW polling through Dec. 13.

Southern bleached softwood kraft (SBSK) preliminary effective list prices also held unchanged, and remained at \$1,005/tonne. American pulp producers were hearkened by a preliminary trade deal between the US and China on Dec. 13. The world's two biggest economies announced a limited trade agreement in which both countries agreed to reduce the tariff rates on many of their respective imported goods, and that they would cancel a new round of tariffs that were set to go into effect on Dec. 15.

US woodpulp imports were scheduled to double from 5% to 10%, effective Dec. 15. American sources didn't immediately know whether woodpulp imports were included in a product list whose new tariff rates were to be canceled.

US market pulp mills, which often swing between fluff and SBSK output, have struggled with lower margins since the 5% rates began last year combined with price erosion through much of 2019. In a bid to move tonnage, industry sources have said most producers rebated the 5% rate that Chinese importers were supposed to pay in order to sell SBSK. However, most

PIX – pulp indexes – December 10, 2019

NBSK – US Net Change (Jan 2016 = 100.00) November 2019: 109.78 (-0.88)

US producers haven't rebated the 5% on fluff, and if a new 10% rate takes place the same scenario is expected to happen.

US-China: 'It's been a roller coaster.' The difference in policy between grades occurs because SBSK isn't a coveted grade in China, where NBSK, bleached radiata pine, and Russian bleached softwood kraft (BSK) dominate markets in terms of demand. In contrast, fluff is strongly demanded because US-produced fluff is considered the world's best quality, and represents 85% of global capacity.

"The question is, on Dec. 15, will the extra 5% go through? I don't know. It's been a roller coaster. Bilateral negotiations is all part of that. It depends on the deal, and movement for producers to eat the incremental 5% or not," said a contact at a US fluff and SBSK producer whose approach was typical.

"If that (10%) goes away our deals get redone. One way to structure it is before and after tariff prices because it's different by 5% whether new tariffs go in effect," the contact added.

Hardwood erosion ceases. In US bleached hardwood kraft (BHK) markets, prices were stable despite a continued inventory overhang globally, and effective list prices for bleached eucalyptus kraft (BEK) and North American-produced BHK held flat, at \$890/tonne.

North American BHK also held unchanged in spot markets,

and remained at the same \$470-510 net as the prior three months. While it's unusual for any grade to see price stability in US spot markets for that long, there's little catalyst for upwards or downwards prices because prices are already at low levels, sources said.

China BSK pressured. In China, there's pressure across BSK grades, as weaker demand has hit Canadian NBSK producers as well as offshore producers. One major global BSK producer quietly dropped its price by \$20/tonne on December allocations, sources in China said. November NBSK closed at \$570-590/tonne net CIF, according to P&PW. There was also some talk this week about imported BEK going at slightly below the \$450-460 net CIF recorded through the end of November, contacts said.

"The price is still higher than domestic prices today," said a Chinese contact regarding BSK import prices.

A producer that dropped its BSK the \$20 "is using long-term agreements to force customers, so many people are unhappy. Most of the buyers believe that (all BSK) suppliers have to drop eventually."

● Amid depressed prices and demand for dissolving pulp, two producers have closed their mills. **Fortress Global** decided to permanently close its 190,000 tonnes/yr mill at Thurso, QC, after it could not find a buyer. The firm idled production on Oct. 8. In Brazil, **Jari** indefinitely

shut its 250,000 tonnes/yr DP mill on Dec. 7 after a new strike. Jari filed for bankruptcy protection on July 17. The closure comes after a 36-day shutdown in October-November amid bankruptcy-related challenges.

--by bsmith@fastmarketsrisi.com

Environment

NCR to pay \$245 million toward Superfund cleanup in southwest Michigan

NCR will fund \$245.2 million as part of a consent decree with federal and state agencies to clean up a significant, 80-mile portion of the Allied Paper/Portage Creek/Kalamazoo River Superfund site in southwest Michigan, according to announcements.

The US Environmental Protection Agency (EPA), US Dept of Justice (DOJ), and state environmental agencies said the consent decree also includes payments related to natural resource damages and past cleanup efforts at the site. The decree is subject to a 30-day public comment period.

"This agreement marks a milestone in efforts to clean up Superfund sites in the Great Lakes region, and especially to address the legacy of paper mill-generated PCB contamination in the Kalamazoo River watershed," said a DOJ official.

The agreement represents a milestone in the overall cleanup, which is expected to end up costing about \$851 million, a state official told the Associated Press.

"Payment negotiations are continuing with other companies that share responsibility for the pollution, including Georgia-Pacific, International Paper and Weyerhaeuser," he said.

NCR agreed to spend about \$135.7 million cleaning up three areas of the site; \$76.5 million to the EPA for past and future costs in support of river cleanup activities; \$27 million to the Kalamazoo River Natural Resource Trustee Council for natural resources damage assessment and claims; and \$6 million to the state of Michigan for past and future costs.

The Kalamazoo River was used as a power source for paper mills that were built along the river, and a disposal site for the paper mills and the communities adjacent to the river. It was contaminated with polychlorinated biphenyls (PCBs) in the 1950s-1970s. NCR arranged for disposal of carbonless copy paper contaminated with the chemical at the site.

NCR said it "is happy to have this matter resolved (upon approval) and to avoid the significant cost associated with the litigation of this matter."

The company claimed it never had a facility on the river and did not dispose of PCB-containing products into it, and ceased use of PCBs in 1971, several years before the government banned the product. NCR did own an Interactive Printer Solutions business that sold stock and custom color-printed paper receipt rolls, pressure-sensitive labels, and impact inking and thermal transfer ribbons. NCR sold the business in 2016.

The decontamination efforts will involve dredging toxic sediments from the riverbed and dismantling a nearby dam. Cleanup efforts started 20 years ago.

--by jmclaren@fastmarkets.com

News briefs

A negative outlook was forecast for 2020 for the global paper and forest products industry by **Moody's Investors Service**, which sees declining earnings from paper, paper packaging, and market pulp. "Excess supply causes prices to fall," Moody's said. "We expect operating earnings for the global paper and forest products industry to decline by 2%-4% in 2020," said Moody's Sr VP Ed Sustar. "Lower prices across most sub sectors will be the primary driver for lower earnings, as well as the on-going secular demand decline for paper, partially offset by lower costs for recycled fiber." In paper packaging and tissue, operating earnings will decline by about 2% in 2020 on the back of "lower corrugated container prices, given capacity additions haven't yet been absorbed by weaker demand growth." Moody's said. "Consumer packaging and tissue prices will stay at current levels, while recycled fiber costs will remain below the long-term average." Moody's sees a 5% decline in operating earnings for commodity and specialty paper firms with "commodity paper consumption also set to decline by about 5% due to digital substitution." "Prices will fall for most grades of commodity paper, as curtailments have not kept pace with declining demand," according to Moody's.

In market pulp, Moody's forecast that producers "will see operating earnings decline by around 9% in the coming year" and "although pulp prices will begin to rise as inventory levels normalize, average prices in 2020 will remain below 2019 levels."... The **American Forest & Paper Association (AF&PA)** continued its support of a new US/Mexico/Canada (USMCA) trade agreement. "Our industry welcomes forward movement on a revised U.S. - Mexico - Canada agreement and looks forward to reviewing the details as the measure makes its way to Congress," the AF&PA said this week in a press release. "U.S. pulp and paper exports to Mexico and Canada support 88,000 direct American jobs and in 2018 amounted to \$10.1

billion or 44% of total exports. Strong regulatory standards and provisions to combat illegal logging and associated trade, among other provisions, are essential to strengthening the industry and its products in the North American market," the AF&PA said. The **American Trucking Association** also hailed the trade agreement. "Now with a clear path to USMCA's ratification, this is an historic victory for truck drivers, motor carriers and the entire American economy," said ATA pres Chris Spear. "The vast majority of trade in North America moves on truck, with \$772 billion worth of goods crossing our borders with Mexico and Canada every year."... **Sonoco** reaffirmed its 2019 guidance for operating cash flow and free cash flow of between \$435 million

to \$455 million, and \$60 million to \$80 million, respectively, including the estimated after-tax impact from its \$200 million voluntary contribution to its US defined benefit pension plan, the company said at its Dec. 6 Investor Day. At midpoint 2020, operating cash flow is projected to be about \$635 million and, after spending \$195 million in capital investments and paying \$180 million in dividends to shareholders, free cash flow is to be about \$260 million. "We are extremely pleased with how our team is managing our business during challenging market conditions in 2019, while putting us on pace to achieve another year of record base earnings," said pres/CEO Rob Tiede. "2020 is shaping up to be a year full of opportunities and challenges.

TLC FOR PAPER

From parent rolls to finished product, no one knows paper logistics better than WSI. We partner with some of the country's largest producers to help them operate their supply chains more efficiently and more reliably.

What can WSI do for you?

Solutions@wsinc.com | 920.831.3700 | wsinc.com



RELIABILITY TALKS.

While I'm hopeful that market conditions improve, we know that hope is not a strategy, and we must remain intensely focused on what we can control, while being flexible when needed."... A **Valmet** tissue machine dryer for a new machine at **First Quality's** mill in Lock Haven, PA, was to arrive on Dec. 13, PennLive reported this week. The dryer is 217 ft long, 20 ft wide, and weighs 628,000 lbs or about a one-third of a short ton. The dryer is to be a spare at the mill where the new tissue paper machine is to start up by yearend, said Clinton County (PA) Economic Partnership pres/CEO Michael Flannigan, according to the PennLive report... **Appvion** introduced the **CleanSlate POS receipt paper**, a direct thermal paper that is free of reactive chemical developers, phenols, and leuco dye. The new technology behind the CleanSlate relies on a physical change to develop the image. The physical change results in a more permanent image and increased resistance to heat, light, and water... **Mark Andy** and **UPM Rafiatac** announced a strategic partnership in the North American pressure-sensitive label market. The partnership is expected to bring together "more high-quality, sustainable printing options for both flexographic and digital converters."... **Sofidel** continues to introduce kraft paper packaging for wrapping its tissue bathroom tissue and paper towels in Europe. Sofidel, which operates a tissue paper mill and converting plant in Circleville, OH, and plans to open another mill and converting complex in Oklahoma, has not announced it if will packaging its US tissue products in kraft paper. The company, the second largest tissue paper producer in Europe, launched kraft paper packaging in place of polyethylene plastic

firm packaging for its bathroom tissue and towel products in Italy, Spain, Germany, Poland, Hungary, and Romania. The new kraft paper packs are already on selected distribution shelves in Belgium, the Netherlands, and Sweden... The Denver City Council is to consider a **\$0.10 fee for paper and plastic bags** next year, with the possibility the fee could be started in mid-2020, local media reports said this week. Grocery stores, gas stations, and other retailers would charge the fee to customers, with retailers keeping \$0.04 of the fee and city of Denver gaining \$0.06.

Supplier news

Kemira plans to spend \$20 million expanding operations at its Eastover plant in in Richland County, SC. "This investment in our plant demonstrates our long term commitment to the pulp and paper industry, our customers and the dedicated employees who work hard to make our business a success,"

said **Kemira** Sr VP of Commercial – North America **Billy Ford**. The expansion is to be completed in 2020... **Valmet** plans to close its foundry, machine shop, and assembly operations at its production center in Hudson Falls, NY. The first phased closure will begin in March 2020 and continue until final customer orders are fulfilled in summer 2020. About 15 employees will transfer to a new product office in nearby Glens Falls, NY, and a total of 40 positions will end as a result of the closure. The shut is due to declining demand for the cast iron dryer products manufactured at the facility, which was built in 1858. Valmet acquired the Hudson Falls plant with the acquisition of **GL&V** in April... **Olin Corp** plans to permanently shut down a chlor alkali plant with 230,000 tons/yr of capacity and its Vinylidene Chloride (VDC) production facility, both in Freeport, TX. The closures are expected to be completed before the end of 2020, and are to reduce Olin's annual operating costs by about \$35 million.

PPI Pulp & Paper Week

© Copyright 2019 by RISI, Inc. All rights reserved. Reproduction in any form whatsoever forbidden without express permission of copyright owner. PPI Pulp & Paper Week and Pulp & Paper Week are trademarks of RISI, Inc. and are registered in the US Patent and Trademark Office.

Editorial Staff

Greg Rudder, Managing Editor, containerboard-kraft paper, tissue grudder@fastmarkets.com; 510.922.9504
James McLaren, Sr. News Editor, boxboard jmclaren@fastmarkets.com; 510.922.8816
Bryan Smith, Deputy Editor, global pulp bsmith@fastmarkets.com; 510.922.9012
Renata Mercante, Sr. News Editor, printing and writing paper rmercante@fastmarkets.com; 315.791.4467
Megan Workman, Editor/Price Reporter, recovered paper mworkman@fastmarkets.com; 212.224.3934
Teresa Wann, Director of Production twann@fastmarkets.com; 510.735.9805
Paul Blackwood, Digital Publishing Specialist pblackwood@fastmarkets.com; 781.734.8935

Editorial office

1440 Broadway, Suite 400, Oakland, CA 94612. Phone 510.922.8816, fax 510.879.7642

Subscriptions and customer service

Call 866.271.8525 (US & Canada) or 32.2.536.0748 (outside the US & Canada); visit risi.com/ppw (new subscriptions); email info.risi@fastmarkets.com; fax 781.734.8998, or mail to PPI Pulp & Paper Week, 1 Van de Graaff Drive, 6th Floor, Burlington, Massachusetts, 01803-5176 USA.

Advertising

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

Executives

Daniel Klein.....Chief Executive Officer
Matt Graves.....Senior Vice President