

PPI Pulp & Paper Week

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

Generation lows heighten demand for US OCC in May, moving up prices in most NA regions by \$5/ton FOB

For the second straight month, US old corrugated container (OCC) prices increased across most of North America in the first week of May, bumping up OCC's average to \$41/ton this month, according to Fastmarkets' *PPI Pulp & Paper Week* May 5 pricing survey and market report. Average pricing for US OCC has risen \$12/ton since January's \$29/ton average, yet remains well below year-ago pricing, when, at \$121/ton in May 2022, OCC averaged nearly three times as much, or \$80/ton more, vs May 2023.

The OCC price increases at the start of May were reported in seven of nine regions tracked by *P&PW*. The \$5/ton hikes at [»» continued on page 4](#)

With slow, unclear box demand, WestRock to fully shut N. Charleston mill, Cascades shuts PM, starts Ashland

In a topsy turvy market where the demand picture remains continually uncertain, North American containerboard producers WestRock and Cascades this week announced permanent mill and machine closures, and Cascades fired up a new and large converted recycled containerboard machine at its Bear Island, VA, mill.

This all came a few days after the Fibre Box Association reported an 8.5% decline in actual US box shipments for first-quarter 2023 (compared with first-quarter 2022 shipments). The first-quarter drop followed declines of 8.4% and 4.5% in actual box shipment in fourth-quarter 2022 and third-quarter 2022 [»» continued on page 7](#)

WestRock's 9.4% box shipment plunge in 1Q not much different than drops by other majors IP, PCA

Major integrated WestRock, like International Paper (IP) and Packaging Corp of America (PCA), reported a large decline in corrugated box shipments in the first quarter this year.

Late this week, the company reported that its North American box shipments dropped on an actual and per-day basis by 9.4% in first-quarter 2023 compared with its shipments in first-quarter 2022. (The calendar year first quarter from January through March is actually WestRock's fiscal-year second quarter.)

IP, the largest containerboard producer in North America, reported an 8.5% decline. PCA, the third largest, reported a 12.7% drop in shipments. WestRock is the second largest. [»» continued on page 6](#)

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Pulp

With new BEK pulp on tap, UPM pivots to North America; Nordic Kraft shutdown underway

After lifting its global market pulp capacity by more than 50% with the Apr. 14 startup of its greenfield 2.1 million tonnes/yr Paso de los Toros, Uruguay, BEK market pulp mill, Helsinki, Finland-based UPM says it's targeting North American markets for the first time.

UPM Pulp, which established itself in the Asia-Pacific region and Europe over the last decade, is now set to develop its third strategic market, North America, during 2023. The firm's shift comes as it readies new output from its new Uruguay mill, which is expected to begin flowing into markets in the third quarter, UPM said in a release.

"The potential concern from investors could be due to the fact that North America is a very mature market and demand >>> *continued on page 14*

Month in statistics

US paper and board production in the first quarter this year declined by 8.8% and totaled 16.870 million tons, down from almost 18.5 million tons in first-quarter 2022.

An overall decline in paper and board demand has caused the mill production decline in the US.

Economic issues such as inflation, high interest rates, and potentially a recession this year also have caused slower consumer and industrial

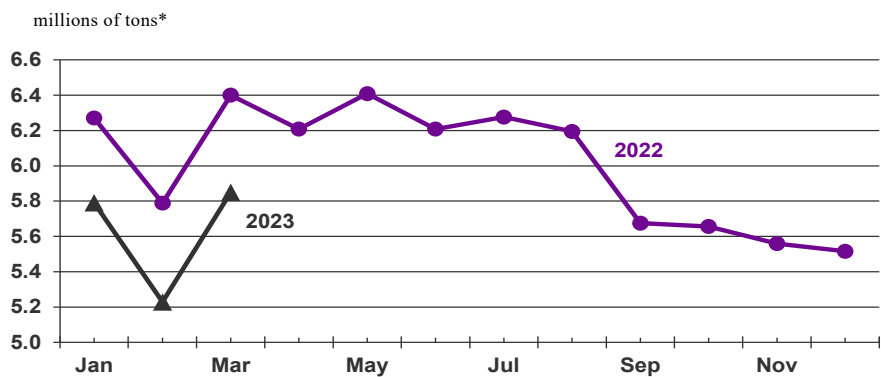
demand, along with cautious buying of paper mill and converting plant products, contacts have told Fastmarkets' PPI Pulp & Paper Week during the first quarter. They've also reported large paper or board inventories as well.

US mills ran at an average operating rate of 84.5% in

the first quarter, down from 92.3% in first-quarter 2022.

Every grade type or paper and board reported on by the American Forest & Paper Association declined in March 2023, compared with March 2022 production. March paper and board production was 5.850 million tons, down 8.9% from 6.418 million tons in March 2022.

US paper and paperboard production



* Not seasonally adjusted.

Paper & Paperboard Production		Current	Same mos	% chg.	YTD	YTD	% chg.
		Mos	year ago	2022/21	2022	2021	2022/21
Newsprint	Mar.	30	33	-9.1%	90	94	-4.3%
Mechanical	Mar.	60	100	-40.0	197	281	-29.9
Coated freesheet	Mar.	138	214	-35.5	431	572	-24.7
Uncoated freesheet	Mar.	413	471	-12.3	1,213	1,324	-8.4
Tissue	Mar.	651	669	-2.7	1,897	1,939	-2.2
Unbleached packaging papers	Mar.	175	185	-5.4	494	533	-7.3
Total paper	Mar.	1,639	1,854	-11.6	4,825	5,277	-8.6
Linerboard	Mar.	2,176	2,324	-6.4	6,103	6,814	-10.4
Corrugating medium	Mar.	962	1,053	-8.6	2,754	3,032	-9.2
SBS boxboard	Mar.	165	176	-6.3	462	526	-12.2
Liquid packaging/food service board	Mar.	246	264	-6.8	724	722	0.3
Recycled boxboard	Mar.	187	194	-3.6	538	529	1.7
Other boxboard	Mar.	475	552	-13.9	1,464	1,592	-8.0
Total paperboard	Mar.	4,211	4,564	-7.7	12,045	13,215	-8.9
Total paper and paperboard	Mar.	5,850	6,418	-8.9	16,870	18,491	-8.8

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

Note: Figures in 000 short tons. Unbleached kraft paper has been changed to unbleached packaging paper by the American Forest & Paper Association and "other boxboard" was added to the table in February 2020. At the start of 2021, the American Forest & Paper Association changed to quarterly reporting of full US paper and paperboard production totals, rather than what had been for years a monthly report. n.a.=not available. Source: American Forest & Paper Association.

PRICE WATCH: Recovered Paper - Domestic

May 5, 2023

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

Incorporating Official Board Markets

	Northeast						LA-SF		
	New England	New York	Buffalo	Midwest (Chicago) ³	Southeast ³	Southwest ³	LA	SF	Pacific NW ³
MIXED PAPER									
Mixed Paper (54)	10 - 15 (+5)	10-15 (+5)	10 - 15 (+5)	10-15 (+5)	10-15 (+5)	5 - 10 (+5)	5 - 10 (-5)	0 - 5 (-5)	10 - 15 (+5)
BROWN GRADES									
Boxb cutt (4) - OBM*	25 - 30 (+5)	25-30 (+5)	25 - 30 (+5)	20-25 (+5)	20-25 (+5)	20 - 25 (+5)	20 - 25 (-5)	10 - 15 (-5)	25 - 30 (+5)
OCC (11) - OBM*	45 - 50 (+5)	45-50 (+5)	45 - 50 (+5)	40-45 (+5)	45-50 (+5)	40 - 45 (+5)	30 - 35 (-5)	20 - 25 (-5)	40 - 45 (+5)
DLK (13) - OBM*		75-80 (+10)		65-70 (+10)	70-75 (+10)	65 - 70 (+10)	40 - 45 (-5)	30 - 35 (-5)	60 - 65 (+5)
GROUNDWOOD									
Sorted Residential Papers & News (56) ⁴	15 - 20 (+0)	15-20 (+0)	15 - 20 (+0)	35 - 40 (+0)	30-35 (+0)	25 - 30 (+0)	35 - 40 (+0)	25 - 30 (+0)	15 - 20 (+0)
	Northeast						LA-SF ²		
OMG (10)		155-165 (-15)		140-150 (-15)	135-145 (-15)	145 - 155 (-15)		150-160 (-15)	85 - 90 (-10)
CGS (44)		155-165 (-15)		140-150 (-15)	135-145 (-15)	145 - 155 (-15)		140-150 (-15)	80 - 85 (-10)
SCN (58)		190-200 (-5)		200-210 (+0)	200-210 (+0)	220 - 230 (+0)		180-190 (+0)	125 - 135 (+0)
WBN (24)		305-315 (-10)		290-300 (-10)	290-300 (-5)	320 - 330 (+0)		270-280 (-5)	220 - 230 (-5)
HIGH GRADES									
SOP (37)		180-190 (-15)		180-190 (-15)	180-190 (-15)	180 - 190 (-15)		190-200 (-15)	115 - 125 (-15)
CBS (43)		180-190 (-15)		180-190 (-15)	180-190 (-15)	180 - 190 (-15)		180-190 (-15)	115 - 125 (-10)
SBS heavy print (45)		205-215 (-15)		195-205 (-15)	190-200 (-15)			210-220 (-15)	
SWL (40)		230-240 (-15)		220-230 (-15)	230-240 (-15)	260 - 270 (-15)		250-260 (-15)	195 - 205 (-15)
MWL (41) ¹		240-250 (-15)		230-240 (-15)	230-240 (-15)	260 - 270 (-15)		265-275 (-15)	210 - 220 (-15)
SBS light print (45)		245-255 (-15)		225-235 (-15)	225-235 (-15)	250 - 260 (-15)		270-280 (-15)	
PULP SUBS									
SBS unprinted (47)		290-300 (-25)		300-310 (-25)	315-325 (-25)	315 - 325 (-25)		305-315 (-25)	
HWS (30)		310-320 (-25)		315-325 (-25)	335-345 (-25)	340 - 350 (-25)		320-330 (-25)	
HWEC (31)		340-350 (-25)		350-360 (-25)	355-365 (-25)	360 - 370 (-25)		375-385 (-25)	315 - 325 (-25)

* OBM PRICES

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

SPECIFICATIONS

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

NOTES

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

DISCLAIMER

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

PRICE WATCH: Recovered Paper - Export

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

May 5, 2023

	Destination	New York ¹	LA ²	SF/Oakland
FAS port of origin (per ton)		Change ⁴		
Mixed Paper (54)	Asia	67 - 70 (+0)	57 - 60 (+0)	42 - 45 (+0)
OCC (11)	Asia	112 - 115 (-5)	112 - 115 (-5)	97 - 100 (-5)
Double Sorted OCC (12)	Asia	117 - 120 (-5)	122 - 125 (-5)	102 - 105 (-5)
DLK (13)	Asia	132 - 135 (-5)	142 - 145 (-5)	117 - 120 (-5)
Sorted Residential Papers & News (56)	Asia	72 - 75 (+0)	72 - 75 (+0)	52 - 55 (+0)
CGS/OMG (44,10)	Asia	222 - 225 (-15)	182 - 185 (-15)	
SOP (37)	Asia	262 - 265 (-30)	252 - 255 (-20)	232 - 235 (-20)
SWL (40) ³	Asia	322 - 325 (-20)	292 - 295 (-15)	262 - 265 (-15)
CFR to destination port (per tonne) ^{5 6}				
OCC (11)	India	157 - 160 (-10)		
Double-sorted OCC (12)	India	167 - 170 (-10)		

SPECIFICATIONS

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

NOTES

1. "New York" includes ports in Northern New Jersey
2. "LA" includes Long Beach and LA ports
3. SWL prices are for ports in South Korea, Indonesia, and Thailand
4. Change reflects the difference between the high of the current month and the high of the previous month.
5. As of April 2019, assessments of OCC (11) bound for China, SCN (58) bound for non-China asia and all grades FAS Chicago were discontinued.
6. As of January 2021, assessments of DLK (13) CFR China, were discontinued. The destination of all FAS assessments for grades bound for China was changed to Asia.

OCC prices somewhat up

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the FOB seller's dock were in the US Southeast, Northeast, Midwest, Southwest, and in the Pacific Northwest. California was the only area of the country where domestic mill OCC levels decreased, by \$5/ton at the FOB seller's dock, as reduced pricing and buying for export OCC Nos. 11 and 12 FAS out of the Long Beach, CA, port fell in May by \$5/ton FAS, leaving additional tons in this region.

All bulk grade prices fell in the Los Angeles and San Francisco regions, for domestic US mill business. This was the only region where supplies were said to exceed demand. Generation of

bulk grades remains off, up to 25% across the US, for OCC and new double-lined kraft corrugated cuttings (DLK), contacts said.

A lack of cutup as box plants run at reduced rates, as well as major integrated mills internalizing their DLK, hiked up prices for the bulk grade by \$10/ton in most US regions, save for the West Coast. DLK pricing dipped by \$5/ton in the LA/SF regions in May as buyers "backed away," one contact said. As for much of the rest of North America, several buyers and sellers described DLK as "hot."

In one year, average DLK pricing, at \$60/ton in May, has fallen \$76/ton, or 55%, vs the \$136/ton US average DLK held in May 2022.

A seller in the Southeast said of DLK: "A lot of the mills last month internalized their tons. I know WestRock pulled a bunch in, IP (International Paper) pulled a bunch in. A lack of generation has forced these mills to bring stuff back in internally. It is hot. No doubt."

'Mill groups actively searching.'

Mills said their demand stemmed from a lack of supply rather than a reflection of finished goods orders. Slowed generation has been reported across the country, and for all of this year. Some contacts don't see a pickup in bulk grade generation until the end of summer.

Even with multiple mill groups with planned downtime in May and June, including Packaging

Corp of America (PCA), Graphic Packaging, Greif, Sonoco, Essity, USG, DS Smith, as well as rolling downtime at mills owned by International Paper and WestRock, contacts said this week that the short supplies of bulk grades maintained movement as mills sought tons.

One mill contact in the East said: "As far as May, we ... are aiming to bring up our inventory as we usually do this time of year for the summer period. This will be a challenge. We are not sure we will be able to do so with generation being (what) it is ... and mill groups actively searching."

Among those mills that are actively searching for OCC are players who recently added capacity. The buyers at the capacity startups have stepped on the toes of traditional

buyers. PCA's large Jackson, AL, kraft linerboard mill has been securing OCC tons that traditionally went to another major integrated containerboard and corrugated box company, contacts said this week.

So, too, has Domtar's new large paper machine in Tennessee. Domtar's Kingsport, TN, mill, that started up a 600,000 tons/yr recycled containerboard machine in January, has put a dent in demand. Contacts said the new PMs have "poached" tons that typically sold to a major integrated company in the Southeast.

ND Paper's Biron, WI, mill has upped its demand for OCC in May, according to sellers. The converted PM is in startup mode, yet intermittently, and has yet to maintain a steady schedule,

contacts said. Also in the Midwest, Pratt sought more OCC as well as mixed paper, contacts told *P&PW*.

New Atlantic PM 'had some issues.' In Whitby, ON, multiple contacts said Atlantic Packaging's new 400,000 tons/yr recycled containerboard machine has "had some issues, as do most new startups." The mill started up by the last week of February as planned, and the new PM is next to its recycled containerboard PM that has been running since 1990. The startup is expected to use DLK from its own corrugated converting box shops as well as No. 11 OCC and eventually mixed paper.

Finally, in Virginia, Cascades started up its Bear Island mill in Ashland on May 1, and produced its first roll of recycled containerboard. Having stocked up on 20,000-plus tons of raw material, market players said

US Recovered Paper National Averages – Mar. - May 2023

(FOB seller's dock levels)

US average	May 2023	Apr. 2023	Mar. 2023	May % chg. year ago
Mixed paper	\$10	\$8	\$5	-85.3
Boxboard cuts OBM	24	21	18	-75.8
OCC OBM	41	39	33	-66.1
DLK OBM	60	55	48	-55.9
SRPN	26	26	26	-73.5
OMG	140	153	157	-9.1
CGS	137	151	156	-10.5
SCN	191	192	192	2.1
WBN	288	293	293	1.4
Unprinted SBS	310	335	355	-16.9
HWS	329	354	374	-16.1
HWEC	354	379	395	-14.1
SOP	176	191	200	-18.5
CBS	174	188	198	-18.7
Heavy print SBS	205	220	230	-17.3
SWL	236	251	254	-10.6
MWL	244	259	263	-10.6
Light print SBS	\$248	\$263	\$267	-12.4%

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

Source: PPI Pulp & Paper Week.

US Recovered Paper Price Ticker*

(FOB seller's dock per ton.)

2023	
May	\$141
April	149
March	152
February	160
January	161
2022	
December	165
November	169
October	174
September	192
August	204
July	205
June	199
May	\$197

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

Source: PPI Pulp & Paper Week.

they have yet to see the new Cascades PM make a difference in OCC demand unlike the other startups so far this year.

“When (Cascades) starts Bear Island full throttle, we’ll see OCC go up higher in price in the Southeast than in the Midwest,” a contact claimed.

Recent pricing hikes have pushed up OCC’s pricing in the Southeast above prices in the Midwest, by \$5/ton, at a high side of \$50/ton at the FOB seller’s dock vs \$45/ton, respectively. In the Southeast, where significant volumes of containerboard production have historically been the highest, contacts described this region as the strongest for OCC prices in May, along with the Northeast region. Pricing for OCC increased to \$45-50/ton in the Northeast in May, too.

Mixed paper up \$5/ton. Mixed paper prices also increased in May, by \$5/ton in every North American region, save for in California. Contacts told of premiums tacked on to mixed paper in some trades for May as reduced supplies vs increased demand hiked up prices. The \$10/ton US average for mixed paper in May remains well off from one year ago when mixed averaged \$68/ton in May 2022.

“Pratt is out buying all the mixed they can,” a seller in the Midwest claimed.

For No. 56 sorted residential papers and news (SRPN), supplies met demand, and pricing held firm in May.

“We’re buying news, SRPN, and we’re getting it all (that we need). ... We haven’t

changed our news price in months,” a mill contact said.

--by mworkman@fastmarkets.com

WRK shipments down, too

>>> *continued from page 1*

First-quarter US actual shipments dropped by 8.5% and totaled 94.03 billion ft², according to Fibre Box Association (FBA) figures.

The three majors -- with combined containerboard capacity of about two-thirds of the business in North America and with box business portfolios spread across the US -- together as one saw their shipments fall on average by 9.6%, based on a Fastmarkets’ *PPI Pulp & Paper Week* estimate. Interestingly, that 9.6% drop on average for the three combined was higher than for the remaining one-third of the market. The boxmakers in the one-third group on average had a combined box shipment decline of 6.4% on average, according to the *P&PW* estimate.

Despite the 9.4% decline in shipments, WestRock increased its corrugated business margin to 16% in first-quarter 2023, from 14.7% in first-quarter 2022. Sales for the business increased 14% to \$2.541 billion, from \$2.232 billion in first-quarter 2022. WestRock corrugated business adjusted EBITDA increased 24% to \$408 million compared with \$329 million in first-quarter 2022.

Grupo Gondi helps. WestRock leaders said the unit’s earnings benefited from Grupo Gondi performance in Mexico. WestRock acquired the full share of Gondi last year for an estimated \$1.76 billion, including debt. WestRock

acquired the two-thirds share of Gondi that it did not own. Gondi operates four mills, nine corrugated converting plants, and six high-graphics plants in Mexico.

CFO Alex Pease said WestRock corrugated business on a year-over-year comparison basis in the March 2023 quarter gained \$155 million in price and mix in first-quarter 2023 and were helped by reduced operating cost of \$28 million. These positives more than offset year-over-year declines in the March quarter this year of \$44 million from inflation, \$36 million from lower shipments, and \$30 million from downtime, the company said.

CEO David Sewell said the company took 265,000 tons of economic downtime in the first quarter at its mills. The downtime cost was \$58 million or \$219/ton.

Company wants to firm up assets, lower costs. Pease and Sewell said that WestRock would continue to look at its assets for ways to reduce cost and increase board-to-box integration. The company announced this week the Aug. 31 closure of its North Charleston, SC, mill, which has unbleached kraft linerboard capacity of 320,000 tons/yr, a company official told *P&PW* (see related story on the North Charleston shut on p. 1).

Plant closures in Atlantic Coast, Midwest. Also, the executives said that WestRock would close or already closed four converting plants, both in corrugated (two) and consumer packaging. The four are corrugated box plants in Baltimore and Bowling Green, KY, a folding carton plant in McDowell County, NC, and a tube plant in Chicago.

Mid-single digit shipment rise in Apr.

Pease, as with IP and PCA, also reported a slight spring in box shipments in April. After the weak shipments in first quarter, Pease said that company per-day shipments for April were up by mid-single digits compared with March shipments.

24% share of US box shipments.

WestRock reported actual corrugated shipments of 22.4 billion ft² in the first quarter this year in North America. The 22.4 billion ft² total was down from 24.7 billion ft² in first-quarter 2022. The 22.4 billion ft² of shipments were 24% of total US actual shipments in the quarter, based on the FBA first-quarter 2023 total of the 94.03 billion ft².

WestRock's per-day totals were 349.5 million ft² in first-quarter 2023, down from 385.8 million ft² in first-quarter 2022.

WestRock operates on a fiscal basis, so its first-quarter results on a calendar year basis are actually for the company's fiscal year second quarter. Also, the company's \$2.5 billion in corrugated business sales are for primarily business in the US, as well as its business in Canada, Mexico, and Brazil.

With export kraft linerboard business remaining weak and dropping in price since last July, WestRock's global paper business sales were down by 24% to \$1.168 billion in first-quarter 2023 from \$1.538 billion in first-quarter 2022. CEO Sewell told analysts that the company's kraft linerboard export sales volume was down by about 50%.

--by grudder@fastmarkets.com

Mill, PM shut in board

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shipments, respectively, compared with fourth-quarter 2021 and third-quarter 2021 shipments.

WestRock on Aug. 31 will permanently shut its 550,000 tons/yr North Charleston, SC, mill. It is the company's third full mill closure in containerboard within the past year. The North Charleston mill's capacity is about 320,000 tons/yr of unbleached kraft linerboard, about 115,000 tons/yr of saturating kraft paper (DuraSorb), and about 115,000 tons/yr of uncoated kraft folding carton boxboard (KraftPak), a WestRock official told Fastmarkets' *PPI Pulp & Paper Week*.

"The company intends to exit the unbleached saturating kraft paper business when the mill shutdown is completed," WestRock said in its release on May 2.

A company official said that the KraftPak made at North Charleston will be shifted to another WestRock mill.

"WestRock is committed to improving its return on invested capital as well as maximizing the performance of its assets. The combination of high operating costs and the need for significant capital investment were the determining factors in the decision to cease operations at the mill. The North Charleston mill employs approximately 500 people."

On an earnings call with analysts on May 4, WestRock leaders said that the linerboard and boxboard made at North Charleston will be

shifted to other WestRock mills. The cash cost to close North Charleston is about \$180 million, CFO Alex Pease told analysts.

WestRock leaders also said that the company would shut four converting plants, including corrugated plants in Baltimore and Bowling Green, KY (see *related WestRock containerboard/corrugated earnings story on p. 1*).

Along with the 320,000 tons of WestRock containerboard leaving the market at the end of August, Cascades this week said that it won't restart corrugating medium machine No. 2 at the Niagara Falls, NY, mill. The 90,000 tons/yr machine has been shut since November.

Two shuts take out about 1% of capacity.

In all, that means the shuts by WestRock and Cascades by Sept. 1 equal a capacity reduction of about 410,000 tons/yr in the North American containerboard market. That 410,000 tons/yr is just less than 1% of North American containerboard capacity in 2023, according to Fastmarkets' capacity figures.

North American capacity with shuts at 43.1 million.

Fastmarkets this week had North American containerboard capacity at 43.5 million tons, excluding the 410,000 tons/yr of shuts. This week's announced shutdowns would put North American capacity by late third quarter at about 43.1 million tons.

The 43.1-million-ton figure does include the startup of new capacity, including the Cascades' Bear Island machine in Ashland, VA, as well as other containerboard capacity-addition

projects this year so far by Atlantic Packaging in Whitby, ON, ND Paper at its Biron mill in Wisconsin, Domtar in Kingsport, TN, and Packaging Corp of America (PCA) in Jackson, AL.

Contacts in mid-April told *P&PW* of some improved box demand in April and major integrated companies reported the same last week.

Another large containerboard producer executive said the same this week, albeit in a conservation tone.

"It's not booming but it's a more normal seasonal pre-COVID (pace). At least it's going in the right direction. We're cautiously optimistic," the contact said.

"Customers are cautious," the contact added.

With box shipments down the 8.5% in first quarter, US containerboard mills in the first quarter ran at an average operating rate of 85.7%, including 83.5% in linerboard.

North Charleston closing. The closure of the North Charleston mill with its two machines extends to nine containerboard machine shutdowns by WestRock in the last three years in the US in packaging board and paper.

WestRock's shuts total 1.19 million tons of containerboard capacity, according to *P&PW* research. WestRock did start up in the fourth quarter of 2021 a 710,000 tons/yr, 330-in unbleached kraft linerboard machine in Florence, SC, which is about a two-hour drive from North Charleston. The company did woodyard improvements as

well and expected the Florence mill to be one of the lowest cost for kraft linerboard in the US. The Florence machine startup amounted to only an actual capacity addition of 30,000 tons/yr, as three older machines with a total of 680,000 tons/yr of capacity were closed down.

One executive this week suggested that Florence capacity might replace the North Charleston kraft linerboard capacity. WestRock acquired the North Charleston mill as part of its \$4.9 billion acquisition of KapStone Paper and Packaging in November 2018.

The WestRock containerboard capacity closures are the largest by any North American company since 2020. WestRock is the No. 2 largest containerboard producer in North America, behind International Paper and in front of PCA, according to RISI capacity figures in the US.

WestRock shut a 288,000 tons/yr linerboard machine in North Charleston in January 2020 as part of a mill reconfiguration; shut a 353,000 tons/yr kraft linerboard machine in Panama City, FL, in June 2022; and shut two recycled corrugating medium machines with 200,000 tons/yr of capacity in Minneapolis-St. Paul in late 2022.

Cascades this week said it would keep closed and permanently shut its about 90,000 tons/yr recycled corrugating medium machine in Niagara Falls, NY. The machine No. 2 was shut in November. Contacts said the company shut PM No. 2 because the machine would require capital and was a "less advanced" machine technologically. The

PM No. 2 was installed in 1960, according to Fastmarkets' Mill Intelligence data.

Greenpac/Ashland. Cascades will continue to run the larger 220,000 tons/yr recycled medium machine at the Niagara Falls mill, which is located next door to the Cascades Greenpac mill. Cascades runs a High Performance 540,000 tons/yr recycled containerboard machine at Greenpac.

It is in the same or similar Greenpac style that Cascades envisioned the design for the Bear Island machine conversion project in Virginia. The main difference at Ashland is that the company intends to be able to make containerboard as light as 16-lb. Also, the Bear Island machine was converted from newsprint production; the Greenpac machine was a brand new one.

Bear Island likely to make less than 200,000 in 2023. A company official said that the Ashland mill in 2023 will likely produce less than 200,000 tons of recycled containerboard in about seven to seven and a half months this year.

Cascades also announced that it first put "paper and reel" on Apr. 30 on the Bear Island machine. The tonnage from Bear Island will be integrated to Cascades corrugated converting plants as well as to regular and new customers, contacts have said.

The 465,000 tons/yr lightweight 100% recycled containerboard machine is "equipped to perform within the top quartile of its industry, and will strengthen the operational flexibility, geographic footprint, and competitiveness of Cascades' Containerboard

Major North American containerboard capacity expansion projects, 2020-2023

(Updated May 4, 2023)

Company	Mill	Net capacity (tons/yr)	Grade	Startup date	Details
McKinley (Bio-Pappel)	Port Angeles, WA	180,000	RCB/KP	4Q 2020	Done. PMs started early Oct. 2020, 60,000 for kraft bag paper, RCB 180,000
International Paper	Selma, AL	450,000	WT/CTB	3Q 2020	Done. Startup in 4Q 2020. UFS PM 15 conversion to bleached-WT/CTB
WestRock	Florence, SC	30,000	KL	2H 2020	Done. Started up in 4Q 2020. New 710,000 PM, largest in North America, replaces three small PMs
PCA	Jackson, AL	700,000	KL	4Q 2020	Ongoing. Converted large UFS PM No. 3 in Oct. 2020, with capacity build-out in 2022-2023
ND Paper	Rumford, ME	280,000	KL	4Q 2020	Done. R15 conversion to lightweight KLB completed. PM can make 21-lb KLB as well as kraft paper
WestRock	Evadale, TX	180,000	KL	4Q 2020	Done. SBS PM provided 10,000-15,000 tons/month of KL in late 2020 and into 2021
New-Indy	Catawba, SC	400,000e	KL	1Q 2021	Done. Started up in early 2021; converted LWC PM 3 to "ultra" lightweight KL machine
Green Bay Packaging	Green Bay, WI	445,000	RCB	1Q/2021	Done. Started up Mar. 11; a new 300-in trim 685,000 PM replaces existing 240,000 RCB PM
Midwest Paper/McKinley	Combined Locks, WI	130,000	RCB/KP	2Q/2021	Done. PM exited UFS in Mar. 2021 for recycled containerboard, packaging paper
PCA	Jackson, AL	100,000	CM	3Q 2021	Done. PCA converted small UFS machine to corrugating medium. PM can swing to UFS if needed
Domtar	Kingsport, TN	600,000	RCB/KP	YE 2022	Done. Startup official in January 2023. UFS machine conversion to RCB and unbleached kraft paper
Cascades	Ashland, VA	465,000	RCB	1Q 2023	Done. Started up as of May 1; converted Valmet PM with lightweight focus
Atlantic Packaging	Whitby, ON	400,000e	RCB	1Q 2023	Done. PM started up at end of February/early March 2023, for high-performance lightweight containerboard
ND Paper	Biron, WI	500,000e	RCB/KP	1Q 2023	In startup mode. Converted PM set for late April, early May 2023. Capacity breakdown not confirmed
Pratt Industries	Henderson, KY	540,000	RCB	Fall 2023	End-of-Sept 2023 startup for new 100% recycled-content containerboard machine
TOTAL		5,400,000			
Permanent capacity shuts*		1,948,000			
TOTAL capacity announced, yet to startup*		1,040,000			
Under study/consideration					
Domtar	Ashdown, AR	TBA	TBA	TBA	Uncertain, Domtar told of project interest at Ashdown several years ago
Pratt	Wapakoneta, OH	TBA	RCB	2024-2026	CEO said in Jan. 2020 that he wanted two new US PMs by 2026; Henderson, KY, is one, Wapakoneta may be 2nd one
Saica	TBA	500,000	RCB	2022-2026	Part of \$800 million US spending plan, could include new machine, likely in the US Midwest
Crossroads Paper	Salt Lake City, UT	342,000	RCB	4Q 2023	Greenfield site likely in Salt Lake City area. CellMark would sell mill's output
Empire Recycled	Dayton, OH	350,000	RCB	1H 2025	Project "paused" as of mid-Nov 2022 due to economic, market conditions. No known site acquisition or project financing

*1,948,000 tons of containerboard capacity permanently withdrawn (and to be withdrawn) in 2020-2023. Also, an estimated 220,000 tons/yr of capacity noted for containerboard is actually for kraft paper, based on company announcements by Domtar and ND Paper. How much the two companies will make of unbleached kraft paper, rather than recycled containerboard, remains unclear. In first-quarter 2020, WestRock shut 288,000 tons/yr of linerboard capacity at its North Charleston, SC, mill, Graphic Packaging shut 120,000 tons/yr of corrugating medium and linerboard capacity at its West Monroe, LA, mill at the of June 2020, Sonoco shut 89,000 tons/yr of linerboard capacity at its Trent Valley, ON, mill in second-quarter 2020, and Pixelle Specialty Solutions shut its 200,000 tons/yr A3 kraft linerboard machine in Jay, ME, in 2020. Verso wrote off (and eventually sold) its idled 95,000 tons/yr of containerboard and kraft paper capacity in Duluth, MN, in Jan. 2021. Sonoco converted the 193,000 tons/yr corrugating medium machine No. 10 at its Hartsville, SC, mill to uncoated recycled board in September 2022. Also, WestRock announced the permanent closure of the 353,000 tons/yr kraft linerboard mill in Panama City, FL, effective in June 2022, and the permanent closure of two small corrugating medium machines with 200,000 tons/yr of capacity in St. Paul, MN. The St. Paul announcement was in late 2022. Finally, the capacity table excludes potential additional capacity from Norpac, which is to start up a new drum pulper in 3Q 2022 that could allow the company to produce additional recycled containerboard. In first week of May 2023, WestRock announced an Aug. 31 permanent closure of its North Charleston, SC, mill, which has 320,000 tons/yr of kraft linerboard capacity, and Cascades announced a shut of its corrugating medium No. 2 90,000 tons/yr machine at the company's Niagara Falls, NY, medium mill. The Niagara Falls PM No. 2 has been down since November 2022. Note: The figures in this table do not include an estimate for "creep" capacity. CTB=containerboard; KL=unbleached kraft linerboard; RCB=recycled containerboard; WT=white top linerboard; UFS=uncoated freesheet; CFS=coated freesheet; CM=coated mechanical; LWC=lightweight coated paper; OCC=old corrugated containers; KP=kraft paper; UBL= unbleached kraft paper; SC=supercalendered; PM=paper machine; TBD: to be determined; YE=yearend; e=estimate.

Source: RISI Mill Intelligence, company reports, and RISI contacts.

platform," Cascades said in a release this week.

"After the commissioning of the Greenpac mill nearly 10 years ago, the start-up of Bear Island marks another historic milestone in the strategic modernization of our mill network. More than ever, Cascades has modern and competitive assets that will allow us to pursue long term growth in packaging, on a North American scale," Cascades pres/CEO Mario Plourde said.

- **Kruger** expects to benefit from the **WestRock** exit from the saturating kraft paper market, according to contacts this week. Kruger makes 100% recycled-content saturating and saturating release paper at its Place Turcot mill in Montreal. Kruger previously announced a project last year to make production improvements for its saturating and saturating release paper. "Our recently completed phase 1 capital project was completed in April and the product we now produce is much improved and we expect strong market interest given the fact that it is 100% recycled," a company official told *P&PW*.

- **Ingevity Corporation** announced that its North Charleston plant will continue as normal even as WestRock closes down its North Charleston packaging board mill by the end of August. Ingevity is working with WestRock "to transition limited shared services ahead of the Aug. 31, 2023, closure of the WestRock facility. While we anticipate some cost with the transition of shared services, we expect minimal disruption to our operations," said Ingevity pres/CEO John Fortson in a release. WestRock's closure of the North Charleston mill "does

not impact Ingevity's recently announced long-term supply agreement for crude tall oil (CTO) with WestRock," Ingevity said.

- In an online liquidation auction this month, **Tiger Group** is selling 2,120 rolls or about 4,070 short tons of unbleached kraft linerboard that was mostly made by **PCA**. The auction results from a court-ordered Ch 7 bankruptcy sale, according to Tiger Group. The 2,120 rolls of kraft linerboard had been owned by **Barnett Corp.**, Tiger said. Tiger Group said that lots in the timed, online auction will begin closing on Tuesday, May 16, at 10 AM CT. Bidding opens on Tuesday, May 9, at [SoldTiger.com](https://solddtiger.com). The kraft linerboard being auctioned are stored in third-party warehouses in Georgia, Louisiana, and Florida, as well as in Quebec, Tiger Group said. To arrange an inspection or obtain other information, email: auctions@tigergroup.com or call 805-497-4999. For asset photos, descriptions, and other information, visit: <https://solddtiger.com/sales/kraft-linerboard-paper-roll-auction/>

--by grudder@fastmarkets.com

Recovered paper

DSOCC declines by \$5 FAS as Southeast Asia demand condition drives down prices

Packaging demand in China and Southeast Asia is still slow this spring, weakening pricing for US export No. 11 old corrugated containers (OCC) and No. 12 double-sorted old corrugated containers (DSOCC) by \$5/ton FAS in May, according to Fastmarkets' *PPI Pulp &*

Paper Week May 5 pricing survey and market report.

No. 11 OCC fell to a high side of \$115/ton FAS out of the New York/New Jersey ports as well as out of the Los Angeles/Long Beach ports, and No. 12 DSOCC dropped to a high side of \$120/ton FAS out of the New York/New Jersey ports and a high side of \$125/ton FAS out of the Los Angeles/Long Beach ports.

New double-lined kraft corrugated cuttings (DLK) prices also decreased in May by \$5/ton FAS. DLK prices dipped to a high side of \$145/ton FAS out of the Los Angeles/Long Beach ports, to a high side of \$120/ton FAS out of the Oakland port, and to a high side of \$135/ton FAS out of the New York/New Jersey ports.

Demand connected to lower prices. Buyers and sellers said this week that volumes of recovered paper shipping to Southeast Asia outpaced those to India. Southeast Asian mills, as well as those in India, refused any offers for US recovered fiber tons that included pricing increases, and instead pushed prices down month-over-month.

"The only thing helping pricing is freight rates have dropped. Otherwise, prices would be lower for export," a major seller out of California said this week. "What's so interesting is that there is demand, but just at low prices."

SE Asia demand on the rise from new capacity. In India, which had become the pricing leader for US tons after China stopped directly importing global recovered fiber in 2021, contacts described a market plagued with overcapacity without a

rise in demand. One contact described China's demand for recovered fiber orders from mills in India as "evaporated" for May. China's needs are being met by "sufficient capacity" in Laos, Vietnam, Malaysia, and Indonesia, where some of China's major recycled containerboard producers have set up shop to make recycled brown pulp to ship back to its own mills in China.

At the same time, major Chinese recycled containerboard mills continued to announce large amounts of downtime into May.

"Recycled containerboard prices, particularly test liners, are fast collapsing in Asia as prime kraft linerboard from the USA is offered now" at much lower prices than last summer, a mill contact in India said.

Mixed paper export prices held unchanged in May, according to *P&PW's* survey. Shorter supplies of mixed paper against steady demand maintained mixed paper's \$67-70/ton FAS pricing out of the New York/New Jersey ports, and \$57-60/ton FAS out of the Los Angeles/Long Beach ports.

Pricing for No. 56 sorted residential papers and news (SRPN) also held steady at month-ago prices, contacts said. SRPN pricing held firm at \$72-75/ton FAS out of the New York/New Jersey ports, as well as out of the Los Angeles/Long Beach ports, and at \$52-55/ton FAS out of the Oakland port.

SOP's six-month decline.

Softness struck sorted office paper (SOP) prices again in May as demand dwindled. SOP tumbled by \$30/ton FAS, to \$262-

265/ton FAS out of the New York/New Jersey ports, and by \$20/ton FAS out of the Los Angeles/Long Beach ports to \$252-255/ton FAS.

Export SOP's pricing has fallen for six straight months, by a combined \$95/ton FAS out of the New York/New Jersey ports, and for five straight months out of the Los Angeles/Long Beach ports for a total of \$65/ton FAS.

Prices for sorted white ledger (SWL) also declined in May with demand. The \$20/ton FAS decrease out of the New York/New Jersey ports brought down SWL's pricing this month to \$322-325/ton FAS, a \$15/ton FAS drop out of the Los Angeles/Long Beach and the Oakland ports pulled down SWL's pricing to \$292-295/ton FAS, and \$262-265/ton, respectively.

Buyers said they reduced their orders for the high deinking grade as virgin pulp markets remain attractive due to lower prices. Countries that had secured tons for much of 2022 have all but disappeared, sellers said. This includes South America's Colombia and El Salvador, as well as in Mexico and in Europe.

"Every mill we're selling to is saying, 'We're full, we're reducing orders,'" a seller out of the New York/New Jersey ports said on May 4.

Another seller pointed down south. "Latin America disappeared. They were the market. Latin America is out. People are scrambling and trying to place tons because there's going to be more volumes sitting that aren't going to have homes," the contact said.

Buyers confirmed the soft SOP market again in May.

A mill contact said: "We can't honor our contracts and commitments."

CGS/OMG \$15/ton FAS

reduction. Recycled content tissue mill buyers also pushed back on orders of coated groundwood sections (CGS) and old magazines (OMG) for May orders. Prices declined by \$15/ton for these groundwood grades. For CGS, prices dipped to a high side of \$225/ton FAS out of the New York/New Jersey ports, and to a high side of \$185/ton FAS out of the Los Angeles/Long Beach ports.

While gypsum paperboard mills seek out CGS and OMG, contacts said the demand did not back up higher prices.

"The mags and sections are coming down because the (SOP) market has been (soft)," a major seller said.

--by mworkman@fastmarkets.com

US SOP, pulp sub prices fall again – for 7th straight month as demand wanes

Sorted office paper (SOP) pricing toppled for a seventh consecutive month in May as mill attention stays focused on price-slashed virgin pulp and brown toweling runs. Prices for SOP and all high deinking grades fell by \$15/ton across North America, according to Fastmarkets' *PPI Pulp & Paper Week* May 5 pricing survey and market report.

Pulp substitute pricing dropped a whopping \$25/ton in May, after

a \$20/ton decreases both in April and March. Like high grades, pulp subs prices have decreased for seven straight months. For pulp subs, the seven-month fall is big: hard white envelope cuttings (HWEC) in the Midwest, for example, has crashed \$100/ton since November 2022.

Buyers and sellers said orders for SOP and HWEC have been cut, and pricing declines followed. At a US average \$176/ton, SOP's pricing is off \$40/ton, or 19% vs a \$216/ton US average one year ago in May 2022. For HWEC, at a US average of \$354/ton in May 2022, average pricing is down \$58/ton, or 14%, vs a \$412/ton average one year ago.

Premiums for both SOP and HWEC remain elevated above historical levels, contacts said this week. Mills said they have been turning away SOP tons as well as pulp subs for May as the ball is in their court.

Brown toweling 'crowding out' SOP. The pricing decreases in virgin pulp markets in the last year have maintained mill demand, who continue to furnish their paper machines with additional virgin pulp vs secondary fiber due to lower costs for virgin pulp. At the same time, multiple mill groups are running more brown toweling today, reducing their demand for white, high deinking grades. The brown toweling production is "crowding out" demand for SOP, one contact said.

"A larger percentage of brown toweling is being run," the contact said. "We've seen it with GP (Georgia-Pacific), and Essity, and we're starting to see it with Kimberly-Clark, Marcal, ST Paper."

SOP markets have been soft, yet the slump struck significantly in the last several weeks, contacts said.

"Tissue mills are seeing a less than robust demand for their finished product," a seller in the South said. "The Away-from-Home (AfH) markets, while busy, are not at levels where the AFH supplies are in serious need of replenishing. ... SOP supply and scrap from printers are flat; offices are still not at a heightened capacity, and printers are seeing less orders. A look at the capacity levels of (printing and writing) paper mills (60%-plus) demonstrates that mills are not producing as much finished stock as in the past."

AfH shipments rise 0.4%.

The most recent issue of Fastmarkets' *US Tissue Monthly* reported that there was no substantial change in the slowness of the US tissue business that persisted through the first quarter of the year. Total converted product shipments declined 4.5% month-on-month in March, according to the report, which was "the second very disappointing month after the 4.0% decline in February."

At-home shipments fell 6.7% in March, while AfH shipments rose by 0.4%. All consumer tissue categories recorded losses, but the year-over-year changes in the AfH sector were minimal if any, according to the report.

"Nevertheless, the industry did not do badly; the average operating rate remained high in March, and thanks to higher product prices compared with the first

quarter 2022, tissue companies reported higher earnings," according to *US Tissue Monthly*.

'The impact of office buildings.'

Mill contacts this week continued to point to a lack of workers in offices as a major factor for the dimmed AfH markets.

Without workers filling offices like pre-pandemic, contacts said demand for hand towels has been hampered.

Demand for AfH tissue and toweling has been hit by workers avoiding offices, and instead getting their jobs done at home.

Americans are traveling, filling airports and hotels, yet offices have yet to see such a rush. Office occupancy in 10 of the US's top metropolitan areas is at an average 49% of workers in offices at the start of May vs pre-pandemic levels, according to security company Kastle Systems.

"The demand coming out of the offices and our end product demand, we don't think it's coming back (during) the balance of the year. We're adjusting how we manage all our raw materials," a mill contact said. "The summer is going to be interesting. ... People don't realize the impact of the office buildings not returning. That might've represented 40% of the market."

The lack of demand has affected export markets, too, where SOP and sorted white ledger prices decreased by a range of \$15-30/ton FAS in May (see story, p. 10).

--by mworkman@fastmarkets.com

Coated print paper

Billerud confirms May 8 Escanaba restart, said no fungi spores were found

After an outbreak of blastomycosis fungal infection that affected more than 100 workers at Billerud's Escanaba, MI, paper mill from early March through mid-April, Public Health Delta & Menominee Counties (PHDM) continue to work with company and local authorities to investigate a cause. In a letter to customers sent May 2, Billerud stated it was "currently targeting May 8 to restart operations at the mill" and that the company was to complete "a rigorous check-off process developed by our industrial hygienist prior to starting, to validate recommended actions have been completed."

Billerud closed the Escanaba 730,000 tons/yr paper mill on Apr. 14 to clean the site based on recommendations from the National Institute for Occupational Safety and Health (NIOSH) and other organizations.

The company conducted deep cleaning in high-traffic areas throughout the mill, inspected and cleaned ventilation systems, and upgraded its filtering standards. "At this time, no spores have been found in the company's Escanaba mill," Billerud said.

Billerud also tested various raw materials coming into the mill to ensure that paper products currently produced at the site are safe for use. The results from this analysis are to be completed soon, but the company stated it was "increasingly confident that transmission of blastomycosis

via surface contact with our products is highly unlikely."

Billerud mentioned that the paper-making process itself is an unlikely transmission channel for the blastomycosis infection, given the combination of high temperatures in the drying sections of a paper machine and the low moisture content in the final paper product.

During the first quarter, the Escanaba mill shipped paper rolls to its Wisconsin Rapids, WI, converting facility, and none of the employees at that facility became infected with blastomycosis, according to the Billerud letter. The Escanaba mill also shipped paper rolls to customers, and no one reported infections. Further, no infections have been reported from employees of any other parties who might handle the mill products, such as truckers, rail providers, or third-party warehouses, according to Billerud.

As of Apr. 28, a total of 109 cases of blastomycosis were identified in connection with the Escanaba mill. There has been one previously reported death associated with this outbreak.

Although five new cases emerged over the previous week, it does not necessarily indicate that blastomycosis exposures are ongoing, the PHDM said in an Apr. 28 press release. "Due to the lengthy incubation time for blastomycosis ...it is likely all cases had an exposure prior to the mill idling operations," the PHDM said. This incubation period can range from 21 to 90 days.

"While we continue to see new cases testing positive

for blastomycosis and being reported to Public Health Delta & Menominee Counties, we continue to see fewer new cases being reported each week and many of these cases have been showing signs and symptoms since March," said PHDM Health Officer Michael Snyder.

- **US commercial printing shipments** came in at \$7.18 billion in March, up from February's \$6.46 billion and in line with annual seasonality, according to a *What They Think!* report based on the US Dept of Commerce data. January-to-March shipments for 2023 are at \$20.39 billion, 0.7% higher than last year's \$20.25 billion in first-quarter 2022.

- **Quad** reported net sales were \$767 million in the first quarter of 2023, an increase of 3% compared with the first quarter of 2022, despite the impact from the sale of the company's Argentina print operations in December 2022. Quad said the net sales growth in the first quarter was primarily driven by higher print product sales in the US and in Mexico, and also increased Agency Solutions sales. The company reported a net loss of \$25 million compared with a net loss of \$1 million in the first quarter of 2022, while its adjusted EBITDA increased by \$11 million or 24% to \$60 million in the period. Quad CEO Joel Quadracci noted on the Quad earnings release that "economic uncertainty has prompted some clients to take a more conservative approach to the start of the year and, in many instances, reallocate where they invest their marketing dollars." Quadracci added that Quad was able "to offset softness in offerings, such as national magazines, while leaning into growth opportunities

in others, like agency solutions, packaging, and instore.”

--by rmercante@fastmarkets.com

Specialties

Thermal POS prices start to fall in NA, sources report

Prices for thermal point-of-sale (POS) paper are under pressure in the US due to low demand, and levels are showing signs of and are likely to decline in May, industry contacts told Fastmarkets' *PPI Pulp & Paper Week* late in April.

Contacts reported that two large offshore thermal paper producers offered price declines to North American customers, including one with what was reported as 5-7% pricing declines.

In North America, Domtar supplies about 50% of North American thermal POS demand, according to *P&PW* estimates.

Some contacts reported offers for lower thermal prices in May and June.

“We’re seeing some downward movements in pricing,” a paper converter said. “All the big guys are doing those movements. We haven’t necessarily seen the decline yet in April, but (we will see it) probably mid-May.”

“The market now in North America is getting dull due to the existing depressed economic situation,” an offshore market player said. “Over-loaded stock lots kept in warehouses have reached a historical peak.”

“People in this industry are still struggling for keeping the same price level at present,” the contact said.

The main reason for the downward pressure on thermal POS prices is demand, according to contacts.

“It is very low, and the market is really slow,” an offshore supplier said. “Inventories are still high, and the economy is not good. The reduction in consumption makes converters to have much inventory. ... Also, freight costs declined.”

Converter: March, April ‘soft’ demand. A US converter said demand in April was “on par with March, still on the soft side.”

The contact noted that inventories have already declined, and that “seems to be the case across converters and end users.”

“In response, it appears mills have been looking to move some extra volume recently, with rumors of possible price reductions for additional volume. Overall prices also seem to be softening as a result, but nothing drastic,” the converter said.

Another converter said that “most people destocked” and things are “more normalized now.”

The converter added: “I see a pretty stable market overall. ... Prices are declining now, but long term, we won’t see more reductions in pricing. ... The demand for thermal paper globally is being impacted by the economic recession.”

“Our price has dropped already,” a paper supplier told *P&PW*.

“April was slow in demand, May will be slow as well, but June demand should get better.”

• **Avery Dennison** reported its Materials Group sales, which includes **label materials, graphic, and reflective solutions**, decreased 13% to \$1.5 billion in the first quarter 2023 over the same quarter in 2022. The company said the lower volume was driven by inventory destocking, but it was partially offset by pricing actions. “On an organic basis, sales were down low-double digits in North America, high-single digits in Western Europe, and mid-to-high single digits in emerging markets,” the company said in its earnings release. Avery Dennison noted that sales increased by low-single digits organically in the Graphics and Reflective Solutions businesses, and by mid-single digits organically in the combined Performance Tapes and Medical businesses. Avery Dennison’s Materials Group operating margin decreased to 11%, and adjusted EBITDA margin decreased to 14.2%, driven by lower volume/mix. The company anticipates label destocking to be largely complete by mid-year, and Materials Group adjusted EBITDA margin improving sequentially throughout 2023.

--by rmercante@fastmarkets.com

UPM BEK startup looks in NA

>>> *continued from page 2*

for pulp, for fibre, is not necessarily growing,” said UPM Pulp’s SVP of sales Tomas Wiklund, noting that while demand for pulp might be

growing in the tissue segment, it is declining in the printing/writing (P/W) paper sector.

“But North America is the world’s third biggest pulp market, and the product we are bringing to the market, eucalyptus, has different quality characteristics than the locally produced hardwood pulp, and the North American market gives credit to the eucalyptus fiber and its technical properties as a superior fiber in certain end-use areas. Hence, we believe that there are good prospects for us to develop a viable market there.”

In North American pulp markets, Latin American BEK producers broadly sell to the tissue/toweling sector and have almost no market share in the P/W or specialty paper sectors, unlike in Europe and other offshore markets.

With its upcoming move into North America, UPM will compete with incumbent BEK suppliers such as CENIBRA, Eldorado, and the world’s biggest producer, Suzano. Another BEK producer that’s recently made inroads into North American markets is Bracell, which started up new BEK and dissolving pulp (DP) capacity in 2021, and sources note the company had a bigger presence in North American BEK markets last year.

Nordic Kraft to clip up to 11,000 tonnes. While BEK markets are dealing with new capacity, the northern bleached softwood kraft (NBSK) segment recently encountered unplanned downtime that has crimped tonnage from an oversupplied market. Nordic Kraft is the latest NBSK producer to lose output on an unplanned outage,

industry sources told Fastmarkets’ *PPI Pulp & Paper Week*.

Nordic Kraft on May 1 idled its 300,000 tonnes/yr NBSK market pulp mill at Lebel-sur-Quévillon, QC, according to industry contacts, in an unplanned outage that’s expected to last 14 days.

Quebec-based Nordic Kraft informed North American customers that its mill had to shut down to repair tubes in the bark boiler. A two-week outage at Nordic Kraft, which didn’t plan a maintenance shutdown this month, is expected to keep the facility idle until May 15. Nordic Kraft’s downtime will result in 9,000 to 11,000 tonnes of lost market NBSK output, according to an estimate from a market participant.

Other new unexpected downtime in NBSK is occurring starting this month, at Harmac Pacific and Cariboo Pulp & Paper, clipping a combined 74,000 tonnes of pulp this month (*P&PW*, Apr. 21, p. 7). Harmac Pacific’s downtime starts at the end of May and will last until the end of June, a source said since the Apr. 21 report.

Nordic Kraft in September 2020 ramped up production at the Lebel-sur-Quévillon mill, which was a former Domtar mill, for the first time after a 15-year closure.

• **Canfor Pulp** (CPPI) CEO Kevin Edgson said in the firm’s first quarter earnings report on May 3 that the Prince George, BC, pulp line shutdown is complete. CPPI reported Intercontinental NBSK mill started the quarter curtailed on a fiber shortage, losing 35,000 tonnes. Challenges with operational reliability persisted, the firm added, and the

Northwood and Intercon NBSK mills lost a combined 30,000 additional tonnes, bringing its total lost NBSK tally to 65,000 tonnes. The firm said operational difficulties have now eased, setting the stage for better production with its remaining capacity. With the Prince George market pulp line closed, Canfor Pulp now lists its total capacity at 780,000 tonnes of premium reinforcing NBSK market pulp and 140,000 tonnes of kraft paper. It owns and operates two mills in Prince George. **Canfor Corp** posted a \$142 million net loss on sales of \$1.39 billion in the first quarter. The Canfor Pulp division reported a first-quarter operating loss of \$25 million and a net loss of \$19 million.

• **Mercer International** on May 4 reported a loss of \$30.6 million on revenue of \$522.7 million in the first quarter. “Our results in the quarter were negatively impacted by the lingering effects of inflation on our key inputs such as fiber and chemicals. We also experienced lower prices for most of our products in the quarter,” said Mercer CEO Juan Carlos Bueno, in a release. “Lower pulp prices were primarily the result of weak demand out of China, while lumber prices were weak through the first quarter as high interest rates and uncertain economic indicators impacted residential construction.” Looking to the second quarter, Mercer said it believes pulp prices will decline, with additional downward pricing pressure on hardwood pulp as the market adjusts to new South American supply. In contrast to hardwood, Mercer expects lower softwood pulp prices to be short-lived because of low customer inventory levels.

• A relatively new global pulp conference on the calendar, **Milan Pulp Week**, takes place next week at Hotel Principe di Savoia, in Milan, Italy. The AIAC/ BWPA (formerly known as the British Wood Pulp Association) Spring Event, which runs from May 10-12, will include a symposium and formal dinner events. Further information is here: <https://www.bwpa.org.uk/events/bwpa-summer-symposium/>

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News briefs

A small fire caused no damage to **Inland Empire Paper's** (IEP) paper mill on May 3, the company reported. The fire started under a storage tote containing an additive used to brighten wood pulp at the Millwood, WA, graphic paper mill. The Spokane Valley Fire Dept extinguished the fire within a few hours, according to local news and an IEP official. "The additive known as sodium hydrosulfite is commonly used as a pulping agent in making paper, textile dyeing, and as a food preservative. The additive can also be flammable if it comes into contact with water. The storage vessel containing the additive may have been compromised and inadvertently exposed to water that started the fire," IEP Environmental Mgr Doug Krapas said. As the chemical causing the fire did not react well to water, the fire crews used foam options to extinguish the fire, local news reported....

Dura-Fibre this week said that it "strengthens its presence in custom laminated products and packaging" by acquiring Greif Chicago Converting. "The acquisition further solidifies Dura-Fibre's position as one of the largest independent industrial paperboard laminating

businesses in the United States," the company said. Dura-Fibre said the acquisition will add several solutions to its portfolio, including strap Protectors; FiberWrap; and Coverboard products. "Following the acquisition, manufacturing operations will move to Dura-Fibre's Menasha (WI) manufacturing facility," the company said. Greif's Protect-A-Board and Protect-A-Floor products are not included in the sale. Dura-Fibre operates a 125,000 ft² facility in Menasha. Dura-Fibre's laminated paperboard products go to a "wide variety of functional performance and packaging applications including industrial crates, slip sheets, industrial totes, folding carton packaging, furniture components, and custom paperboard products... The **US Federal Reserve FOMC** group increased the US federal target funds interest rate this week by 0.25% to a range of 5% to 5.25%, reports said. The next FOMC meeting is set for June 13-14. The rate was increased by 0.25% after the US Labor Dept last week reported a 5% inflation rate for March in the US, down from

6% in February. The 5% was the lowest level in almost two years... **US diesel fuel's** national average price dropped by six cents from a week ago to an average of \$4.087 per gallon on May 5, according to AAA. The \$4.087 per gallon national average for diesel fuel was down 25.3% compared with the national average on May 5, 2022... **Costco** Wholesale reported a 3% rise in net sales of \$17.85 billion for the retail month of April, the four weeks ended April 30. The \$17.85 billion in sales for the month was up from \$17.33 billion last year in April. For the thirty-five weeks ended April 30, 2023, Costco reported a 5.6% increase in net sales to \$155.62 billion, from \$147.33 billion in April 2022... **Gannett** reported a 10.6% decline in first-quarter revenue to \$668.9 million compared with first-quarter 2022 revenue. Total digital revenues were \$247.5 million or 37.0% of total revenues. The digital revenue in the quarter dropped by 0.9%, compared with digital revenue in first-quarter 2022 for the company. The company's net income was \$10.3 million for an income margin of 1.5%.

PPI Pulp & Paper Week

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