

# Uncoated Freesheet, Containerboard Prices Flat, Pulp Up

Nov. 23, 2009 - Prices for uncoated freesheet (UFS) remained flat in North America in November, with the exception of 24-lb envelope, which rose \$25-30/ton, catching up with the \$35-40/ton hike on offset rolls last month, according to analysts at Deutsche Bank. These hikes were driven by higher pulp prices, slight pick-up in demand (Oct. shipments -9.3% y/y, YTD -13.1% y/y), and slightly lower October mill inventories (-0.8% m/m).

International Paper and Domtar recently announced 800,000 tonne per year (tpy) of permanent capacity closures by mid-2010, representing 7% of North American UFS capacity. IP on Saturday closed PM 6 — a 223,000 tpy paper machine at its Franklin, Virginia mill — earlier than expected, Deutsche Bank said.

Mark Wilde, senior analyst at Deutsche Bank covering the Paper & Forest Products sector, said that IP reported pick-up in demand in the direct mail and envelope converters segments.

"Outside the U.S., we understand that European producers have begun to announce price hikes for January 1. Additionally, we are becoming less concerned about the impact of tonnage from Europe, as we think the level of imports to the US will be smaller than we had anticipated," Wilde said

## Containerboard

November containerboard prices remained flat at \$525/ton for linerboard and \$500/ton for corrugating medium.

Georgia Pacific is out with a \$50/ton (East Coast) and \$70/ton (West Coast) containerboard price hike initiative for January. The announcement follows last week's \$50/ton announcement by Washington State-based Longview Fibre, Wilde noted.

"We have seen a sharp rebound in export linerboard prices in most world markets," Wilde said. (Latin America, Europe and Africa: +\$50/ton, Middle East: +\$80/ton).

"When coupled with large supply reductions, expiration of black liquor credits, and a falling U.S. dollar, we expect similar domestic price hike initiatives from International Paper and Smurfit-Stone," Wilde said.

"We continue to believe Smurfit will announce 1.0-1.5 million of closures around year-end. If that occurs, it would push operating rates back into the mid-90's," he added

### **Market Pulp**

Pulp prices rose \$30/ton in November, the sixth month in a row in the U.S. and seventh in a row in Europe and Asia. NBSK (northern bleached softwood kraft ) rose to \$830/mton. The increase was driven by a sharp rise in U.S. spot prices, low mill inventories in the U.S. and Europe, strong Chinese demand, and a weaker US\$.

Reports suggest that an additional hike is looming for December, Wilde said.

For China, NBSK rose to \$675/ton (from \$645/ton). However, anecdotal reports suggest demand in China may slow down in the coming months from inventory overhang — estimated to be around 400-500,000 m/tons.

Further, higher prices are drawing high-cost Chinese pulp mills back into production — as market prices are now well above cash-cost.

Meanwhile, other supply is also creeping back, pointed out Wilde. North American mills considering restarts include: Buchanan Forest Products' 475,000 tpy NBSK mill at Terrace Bay, Ontario; Mackenzie Pulp's 220,000 tpy NBSK mill at Mackenzie, British Columbia; and Fraser Papers' 250,000 tpy NBHK (northern bleached hardwood kraft) mill at Thurso, Quebec.

SOURCE: Deutsche Bank (Mark Wilde)