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**TO OUR READERS,**

This is the last issue of 2010 for *PPI Pulp & Paper Week*. The best of holidays to all and our next PPW issue is set for Jan. 7, 2011, in which we will report on industry news as well as pricing of US recovered paper to China and India. During the holidays, please keep up date on news at [www.risi.com](http://www.risi.com). Sincerely,

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**This Week:**

Price Watch: US paper and paperboard	3 & 4
OCC to China glides down by about \$15	2
Koehler moves away from US thermal plan	5

**US containerboard market ends roller-coaster year in good balance -- New Year could bring a price hike**

With consumer spending for the holiday season the strongest it has been since before the recession, North American containerboard and corrugated box producers seem to be ending the year in relatively good shape.

"Supply and demand is as close to balance as you'll ever see it in this business," one contact said. "Most mills have enough orders and many independent converters are finding themselves busier than they expected to be in December."

December finishes what was a roller-coaster year for the industry, with tight supply and a strong recovery in prices in the first half and then transition to a more balanced market in the second half. Producers raised prices by \$50/ton in January and then by \$60 in April, but had difficulty pushing through an originally announced \$60 this fall because of strong customer resistance to what would have been three box price increases in less than a year.

US corrugated box shipments for the year appear likely to be up around 3.4% for all of 2010 (vs 2009 shipments) -- which would be the biggest »» continued on page 8

**NewPage rescinds \$20-50/ton January price hike as coated paper backlogs shrink; discount issue 'huge'**

NewPage quietly began telling customers this week it is rescinding the \$20-50/ton January price hike it announced on a wide range of coated and uncoated paper products at the end of November, and will maintain it only where deep discounts previously applied, sources said.

"They haven't made an official announcement, but when no one else (announced an increase) and they started seeing their backlogs going way in, their reps began telling customers on an account-by-account basis," one printer contact said yesterday.

"It was getting no traction and everyone knew it. They were just trying to improve yearend performance and slow up spot market discounting," a merchant source said.

Contacts also said there was no indication of a demand spike being triggered by the shut of NewPage's 250,000 tons/yr lightweight coated (LWC) paper mill at Whiting, WI, at the end of February (*P&PW*, Dec. 10, p. 2). In a recent conference call, the company indicated it planned to reduce supply for a market sector it perceived to be already on the edge of being tight.

"NewPage's stated goal was to force the tightest coated »» continued on page 6

**CRB, URB price increases pushed back into January, levels hold this month; CUK partially rises by \$20**

Prices were in play this month in recycled folding boxboard with increases set for early in December now mostly pushed back into early January, according to market contacts this week.

Some key producers set early hikes on coated and uncoated paperboard, driven by higher recovered paper costs, but wavered on those moves as competitors set later effective dates.

A new increase on coated recycled paperboard (CRB) of \$40/ton was set by Graphic Packaging for Dec. 1, but other producers set increases into early next month, including newly confirmed increases of \$40 by Norampac-Cascades and \$35 by White Pigeon Paper, both for Jan. 3. Caraustar set a \$35 CRB hike for Dec. 20 and Paperworks \$40 for Jan. 1.

A similar situation prevails in uncoated recycled board (URB) where market leader Sonoco announced a \$30/ton hike for Nov. 29 but has appeared to be sidelined by later dates from others and an apparent absence of another key producer, Newark Group, whose intentions could not be confirmed this week. Caraustar planned a \$30 increase for Dec. 6, RockTenn \$45 for Dec. 15, Paperworks \$35 for Jan. 1, and »» continued on page 7

## Recovered Paper

### After four-week run, OCC to China dives about \$15

US old corrugated container (OCC) prices to China began falling in the last couple days, and as of today cooled down about \$15 from a week ago, contacts said.

The decline is the first plunge in a month after levels largely and unusually held around \$270-275/tonne to a main port in China (MPC). Yesterday, with orders and prices falling, traders mostly noted US OCC at an MPC level of \$265 – off from \$273-279 a week earlier (*P&PW*, Dec. 10, p. 3).

Yesterday's FAS levels were \$210-215/ton at the port of Long Beach, CA, from \$232 a week earlier, and \$195-200 at the ports of New York-New Jersey and Oakland, CA, contacts said.

"It's all over the board," one trader said, about the MPC prices late yesterday.

- Container volume at America's largest port system in Long Beach and Los Angeles declined in November vs October yet was tracking possibly to exceed 2008's pre-recession total.

## Advertising

### Valassis sees demand value push continuing, on 5% 2011 ad growth

Anticipating higher paper and postage costs, Valassis expects continuing growth in coupon and direct mail demand from a cost-conscious US consumer push for value for food, and other retail or home goods.

"We believe consumer demand for value, along with marketers' demand for measurable media results, creates an environment for the sustainable, profitable growth of our products," said Valassis chairman and CEO Alan Schultz in a release yesterday.

The firm expects adjusted EBITDA of at least \$320 million in 2011, which amounts to an estimated margin of 13% if revenue increases 5% next year.

Valassis expects "mid single-digit growth in US advertising spend for 2011," and an increase next year in shared mail pieces per package and a flat-to-slight decrease in year-over-year packages compared with 2010.

"The current environment suggests the likelihood of an inflationary increase in postal rates in May 2011," the company

added. "We expect to pass any potential increase on to clients per our shared mail contracts. Since postage is on average approximately 50% of shared mail revenue, for every potential 1% increase in postage, our clients will receive a 0.5% increase."

Valassis also expects a mid- to-high single-digit increase in paper prices for 2011.

## Corporate Strategy

### P&G moves brand push from soaps to YouTube, Twitter, and Facebook

Procter & Gamble (P&G), whose sponsorship and production of daytime TV dramas helped coin the term "soap operas," is eliminating the connection with the daily shows after 77 years, the Associated Press reported.

Instead, the company is moving into advertising on YouTube, Twitter, and Facebook. P&G recently began selling Pampers diapers on Facebook and offering an iPhone application for Always feminine products.

"The digital media has pretty much exploded," P&G marketing chief Marc Pritchard told AP, and "it's become part of the way we do marketing."

P&G learned that firsthand when it was challenged about its design-updated Pampers Dry Max diaper that was claimed to cause rashes on some babies. The effort was driven online by parents and bloggers, and P&G responded by inviting some moms to Cincinnati for discussions. The US Consumer Product Safety Commission and Health Canada in September found no cause linking Dry Max diapers to reported rashes.

**Global brand growth.** On the global landscape, the \$80 billion/yr in revenue P&G wants to add 200,000 new customers per year to reach 5 billion by 2015. In North America, the company launched this year its "just one more" effort aiming for customers to buy one additional P&G product and, in China, committed \$1 billion over five years in capital as well as opening a new research center.

P&G executives yesterday laid out aggressive growth potentials, primarily in China, citing that it grew diaper revenue in China from \$220 million in 2000 to \$2.2 billion for 2010.

**China's middle income.** "Over the next decade, 270 million consumers will be added (in China) to the 'middle-income and affluent' ranks or roughly the same number as there are in the USA today," the company said at an investor's conference yesterday, citing data from a Boston Consulting Group report in November.

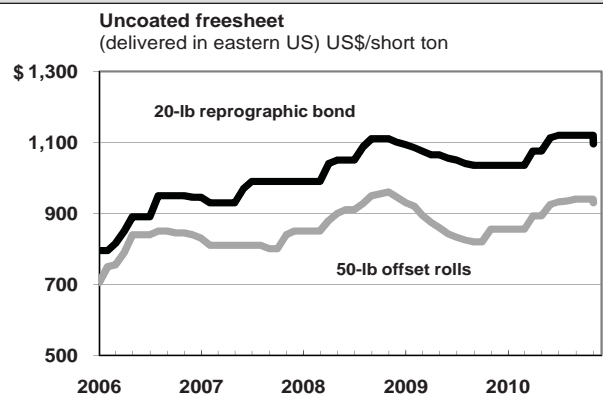
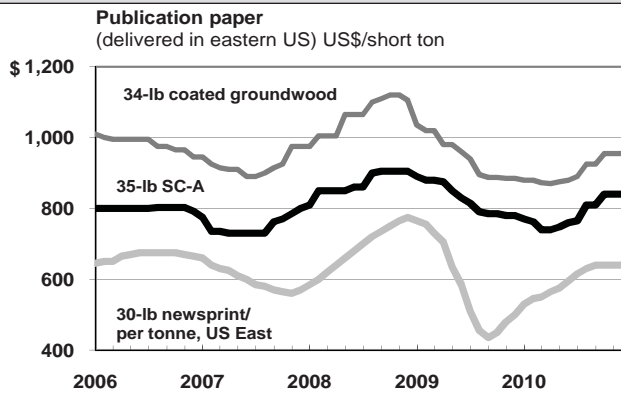
## KEY US MARKET INDICATORS

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

	2Q 2010	3Q 2010	4Q 2010
Gross domestic product, %	1.7	2.0	2.3 <sup>e</sup>
Magazine advertising pages, % y-o-y chg.	0.8	3.6	n.a.
	Sept. 2010	Oct. 2010	Nov. 2010
Natural gas wellhead (per million BTU)	\$3.90	\$3.43	\$3.73
West Texas intermediate crude, spot price (per barrel)	\$75.31	\$81.90	\$84.14
US industrial production, % chg.	0.1	-0.2	0.4
Nondurable (non-energy) output growth, %	-0.1	0.6	-0.5
Trade deficit (billion)	\$44.6	\$38.7	n.a.
Housing starts, seasonally-adjusted (millions of units)	0.601	0.534	0.555
US retail sales, % growth, seasonally-adjusted	0.7	1.7	0.8
Institute for Supply Management Index -- Manufacturing, %	54.4	56.9	56.6
US unemployment, %	9.6	9.6	9.8
US consumer price index, % chg., seasonally-adjusted	0.1	0.2	0.1
Target US federal funds rate %	0.0-0.25	0.0-0.25	0.0-0.25
Printing/support output, monthly rate, % chg.	-1.7	-0.6	1.6
	Oct. 29	Nov. 30	Dec. 10
Rates per dollar in foreign currency			
US\$ per euro	1.389	1.303	1.324
C\$ per US\$	1.018	1.026	1.009
Brazilian Real per US\$	1.69	1.71	1.71
Chinese RMB vs. US\$	6.67	6.66	6.65

e=estimate; n.a.=not available. r=revised. Sources: RISI's Monthly Economic Commentary, US Federal Reserve, Dept of Commerce, Bureau of Labor Statistics, Dept of Energy, Census Bureau, Magazine Publishers of America, Dow Jones, *Wall Street Journal*.

## PRICE WATCH: PAPER

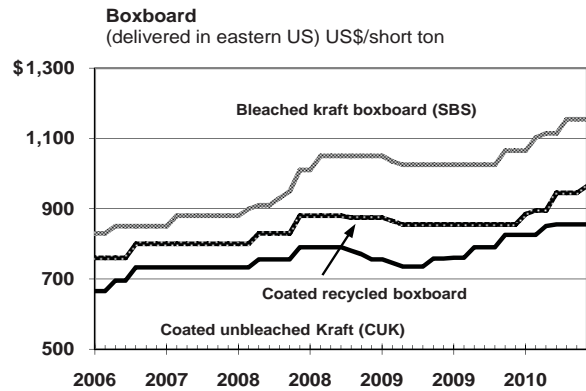
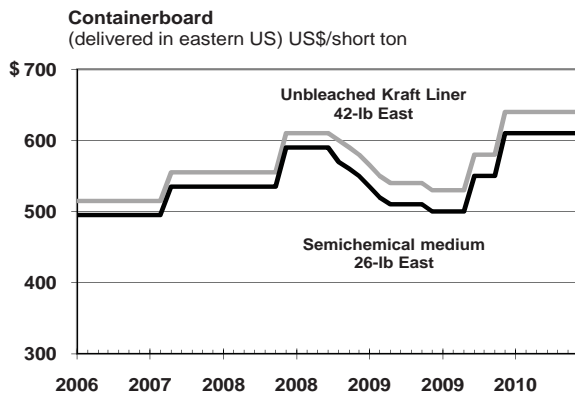


Delivered US\$/short ton (unless otherwise noted)

GRADE	Unit	Current months			Year-to-year	
		Dec. 2010	Nov. 2010	Oct. 2010	Dec. 2009	% chg.
<b>Newsprint</b>						
30-lb East	tonne	\$640	\$640	\$640	\$530	20.8%
30-lb West	tonne	625	625	620	500	25.0
27.7-lb East	tonne	680	680	680	565	20.4
27.7-lb West	tonne	665	665	665	535	24.3
<b>Uncoated mechanical</b>						
22.1-lb White directory <sup>3</sup>	sh. ton	720 - 760	720 - 760	720 - 760	640 - 680	12.1
35-lb MF offset, 65 bright	sh. ton	670 - 740	670 - 740	670 - 740	570 - 600	20.5
35-lb supercalendered (SC-A) <sup>6</sup>	sh. ton	780 - 900	780 - 900 <sup>1</sup>	780 - 900 <sup>1</sup>	750 - 790	9.1
35-lb supercalendered (SC-B) <sup>6</sup>	sh. ton	730 - 830	730 - 830	730 - 830	630 - 670	20.0
45-lb 83/84 bright offset substitute	sh. ton	780 - 820	780 - 820	750 - 840	700 - 720	12.7
<b>Coated publication</b>						
No. 1, 70-lb sheets <sup>4</sup>	sh. ton	1,380 - 1,500	1,380 - 1,500	1,380 - 1,500	1,380 - 1,480	0.7
No. 3, 50-lb rolls <sup>4</sup>	sh. ton	975 - 1,085	975 - 1,085	975 - 1,085	960 - 1,000	5.1
No. 3, 60-lb rolls	sh. ton	930 - 1,000	930 - 1,000	930 - 1,000	900 - 925	5.8
No. 4, 50-lb gwd. rolls 79 bright	sh. ton	885 - 965	885 - 965	885 - 965	845 - 865	8.2
No. 5, 34-lb roto, rolls	sh. ton	915 - 995	915 - 995	915 - 995	865 - 895	8.5
No. 5, 40-lb offset, rolls	sh. ton	795 - 875	795 - 875 <sup>1</sup>	795 - 875 <sup>1</sup>	750 - 780	9.2
<b>Uncoated white <sup>5</sup></b>						
50-lb offset, rolls	sh. ton	920 - 940 <sup>*</sup>	920 - 940 <sup>*</sup>	930 - 950 <sup>*</sup>	845 - 865	8.8
50-lb trade book, offset, rolls	sh. ton	1,020 - 1,045 <sup>*</sup>	1,020 - 1,045 <sup>*</sup>	1,030 - 1,055 <sup>*</sup>	950 - 980	7.0
20-lb repro bond, 92 bright (cutsizes)	sh. ton	1,070 - 1,120 <sup>*</sup>	1,070 - 1,120 <sup>*</sup>	1,100 - 1,140 <sup>*</sup>	1,010 - 1,060	5.8
20-lb repro bond, 30%						
PCW, 92 bright (cutsizes)	sh. ton	1,115 - 1,165 <sup>*</sup>	1,115 - 1,165 <sup>*</sup>	1,145 - 1,185 <sup>*</sup>	1,055 - 1,105	5.6
<b>Uncoated white converting <sup>5</sup></b>						
20-lb forms bond, stock tab	sh. ton	1,015 - 1,035	1,015 - 1,035	1,025 - 1,045	975 - 995	4.1
24-lb white wove envelope (92 bright), rolls	sh. ton	1,045 - 1,090	1,045 - 1,090	1,045 - 1,090	995 - 1,050	4.4
20/24-lb MOCR laser bond, rolls <sup>4</sup>	sh. ton	1,040 - 1,080 <sup>*</sup>	1,050 - 1,090 <sup>*</sup>	1,050 - 1,090 <sup>*</sup>	1,000 - 1,050	3.4
15-lb carbonless CB, roll midrange <sup>4</sup>	sh. ton	4,155 <sup>2</sup>	4,155 <sup>1</sup>	4,155 <sup>1</sup>	3,920	6.0
55-g thermal POS non top coated paper <sup>7</sup>	MSF	10.77 <sup>2</sup>	10.77 <sup>2</sup>	10.77 <sup>2</sup>	9.88 - 9.88	9.0
<b>Bleached bristols</b>						
10-pt C1S, rolls	sh. ton	1,295 - 1,315	1,295 - 1,315	1,295 - 1,315	1,195 - 1,215	8.3

While the information contained in this index has been obtained from sources believed to be reliable, RISI does not warrant or guarantee the accuracy and completeness of the information. All prices are best estimates of prices before regular volume and contract discounts, and are composite prices as opposed to median or average prices. Actual transaction prices may vary. (\*) Some discounting below transaction prices. May indicate imported paper at lower price levels. PCW=postconsumer waste. 1. Price revised to reflect improved data. 2. Future price increase announced by major producer(s) but not reflected in current data. 3. Spot tonnage only (10% to 20% of market). 4. Index price based on limited market sources. 5. Mill-to-merchant price (excludes merchant commissions). 6. Announced list price increase not fully reflected in transaction price until contracts allow. Higher prices may apply for new business or non-contract tonnage. 7. Pricing for 55- and 48-g. The 55-g is 14.6 lbs. n.a. = not available.

## PRICE WATCH: PAPERBOARD/PACKAGING



GRADE	Unit	----- Current Months -----			---- Year-to-Year ----	
		Dec. 2010	Nov. 2010	Oct. 2010	Dec. 2009	% chg.
<b>Linerboard (42-lb)</b>						
Unbleached kraft, East (list \$685-695) <sup>3,4</sup>	sh. ton	\$635 - 645 <sup>*</sup>	\$635 - 645 <sup>*</sup>	\$635 - 645 <sup>*</sup>	\$525 - 535	20.8%
Unbleached kraft, West (list \$705-715)	sh. ton	655 - 665 <sup>*</sup>	655 - 665 <sup>*</sup>	655 - 665 <sup>*</sup>	525 - 535	24.5
High performance, (35-36 lb) (list \$695-705)	sh. ton	645 - 655 <sup>*</sup>	645 - 655 <sup>*</sup>	645 - 655 <sup>*</sup>	535 - 545	20.4
White top, East (list \$870-880)	sh. ton	835 - 845 <sup>*</sup>	835 - 845 <sup>*</sup>	835 - 845 <sup>*</sup>	725 - 735	15.1
White top, West (list \$890-900)	sh. ton	855 - 865 <sup>*</sup>	855 - 865 <sup>*</sup>	855 - 865 <sup>*</sup>	725 - 735	17.8
<b>Export linerboard</b>						
175g+ S. Europe (CIF) <sup>5</sup>	tonne	€ 510 - 520 <sup>*</sup>	€ 530 - 540 <sup>*</sup>	€ 570 - 580 <sup>*</sup>	€ 330 - 340	53.7
175g+ Hong Kong (C&F)	tonne	650 - 670 <sup>*</sup>	660 - 680 <sup>*</sup>	660 - 680 <sup>*</sup>	460 - 470	41.9
42-lb unbleached kraft, to Laredo for Mexico	tonne	600 - 610 <sup>*</sup>	610 - 620 <sup>*</sup>	625 - 635 <sup>*</sup>	470 - 480	27.4
<b>Corrugating medium (26-lb)</b>						
Semichemical, East (list \$655-665)	sh. ton	605 - 615 <sup>*</sup>	605 - 615 <sup>*</sup>	605 - 615 <sup>*</sup>	495 - 505	22.0
Semichemical, West (list \$675-685)	sh. ton	625 - 635 <sup>*</sup>	625 - 635 <sup>*</sup>	625 - 635 <sup>*</sup>	495 - 505	26.0
<b>PAPERBOARD/PACKAGING</b>						
Unbleached kraft paper						
Extensible multiwall sack, 50-lb	sh. ton	1,040 - 1,060 <sup>*</sup>	1,040 - 1,060 <sup>*</sup>	1,040 - 1,060 <sup>*</sup>	925 - 945	12.3
Natural multiwall sack, 50-lb	sh. ton	920 - 930 <sup>*</sup>	920 - 930 <sup>*</sup>	920 - 930 <sup>*</sup>	800 - 810	14.9
Grocery bag, 70-lb	sh. ton	860 - 870 <sup>*</sup>	860 - 870 <sup>*</sup>	860 - 870 <sup>*</sup>	740 - 750	16.1
Grocery bag, 30-lb	sh. ton	1,050 - 1,070 <sup>*</sup>	1,050 - 1,070 <sup>*</sup>	1,050 - 1,070 <sup>*</sup>	930 - 950	12.8
<b>Bleached kraft paper</b>						
Grocery bag, 30-lb	sh. ton	1,285 - 1,295 <sup>*</sup>	1,285 - 1,295 <sup>*</sup>	1,285 - 1,295 <sup>*</sup>	1,185 - 1,195	8.4
<b>Solid bleached sulfate board (SBS)</b>						
16-pt folding carton, C1S (list \$1,360-1,370)	sh. ton	1,130 - 1,180 <sup>*</sup>	1,130 - 1,180 <sup>*</sup>	1,130 - 1,180 <sup>*</sup>	1,000 - 1,050	12.7
14-pt cup stock, PE2S	sh. ton	1,350 - 1,405 <sup>*</sup>	1,350 - 1,405 <sup>*</sup>	1,350 - 1,405 <sup>*</sup>	1,250 - 1,310	7.6
<b>Coated unbleached kraft board (CUK)</b>						
20-pt folding carton, C1S (list \$1,145-1,155)	sh. ton	935 - 995 <sup>*2</sup>	915 - 975 <sup>*</sup>	915 - 975 <sup>*</sup>	825 - 885	12.9
<b>Recycled folding boxboard (CRB, URB)</b>						
20-pt clay coated news (list \$990-1010)	sh. ton	845 - 865 <sup>*2</sup>	845 - 865 <sup>*</sup>	845 - 865 <sup>*</sup>	750 - 770	12.5
20-pt bending chip (list \$780-790)	sh. ton	635 - 665 <sup>*2</sup>	635 - 665 <sup>*</sup>	635 - 665 <sup>*</sup>	540 - 570	17.1

CRB = coated recycled board. URB = uncoated recycled board. While the information contained in this index has been obtained from sources believed to be reliable, RISI does not warrant or guarantee the accuracy and completeness of the information. All prices are best estimates of prices before regular volume and contract discounts, and are composite prices as opposed to median or average prices. Actual transaction prices may vary. † New listing. E=estimate \*Discounting has been reported below price shown. 1. Price revised to reflect improved data. 2. Future price increase announced by major producer (s) but not reflected in current data. 3. Recycled linerboard is currently selling for \$0-\$50/ton below unbleached kraft linerboard, depending on quality. 4. Basis weight differentials from standard 42-lb linerboard in eastern U.S. : 26-lb, up \$50-\$60/ton; 64-lb, no upcharge; 90-lb, up \$10/ton. The upcharge on wet strength board typically ranges from \$20-\$30/ton. 5. Pricing is now shown for southern Europe, (Italy and Spain).

## Pulp

### Tembec turbine work at Tartas to create low-cost dissolving pulp operation

Aimed at lowering costs, Tembec's Tartas SAS subsidiary will spend C\$21 million on installing an 18 MW steam turbine and improving the existing boiler system at its 300,000 tonnes/yr dissolving pulp mill in France.

The turbine is expected to be in operation during the second quarter 2012. Once the turbine is in full operation, the mill's annual EBITDA should improve by C\$8 million, Tembec said in a release yesterday.

As part of the effort, the company will retire a 40-yr-old steam turbine.

**To a 'low cost position.'** The project "will position the Tartas mill as one of the lowest cost producers of specialty dissolving pulp in the world," said Tembec pres/CEO James Lopez in a release.

"The Tartas turbine investment will reposition that mill as a first quartile cost producer ... and particularly in its key grades of Cellulose Ethers and Nitrocellulose where it is the world's largest supplier," said Tembec Exec VP and pres for the Specialty Cellulose and Chemical Group Yvon Pelletier, in a release.

Pelletier explained that the Tartas operation 10 years ago "was restricted in its ability to produce these dissolving grades. Today, through a series of investments, the mill now has the capability to direct virtually all of its output into these [dissolving pulp] products, with more than 90% of the production capacity currently dedicated to the specialty dissolving business."

In its fiscal quarter through June, Tembec's specialty pulp unit, which includes a mill in Temiscaming, QC, shipped 79,000 tonnes, up 4% sequentially and 23% year-over-year.

Tembec's overall pulp unit, including specialty, generated 61% of the firm's total revenue in the quarter through June, and almost all of the company's EBITDA for the period. Tembec sales for the quarter totaled C\$545 million with \$60 million EBITDA. The pulp unit sales totaled C\$331 million with EBITDA of C\$58 million.

In May, also in France, Tembec sold two kraft pulp mills in Tarascon and Saint-Gaudens to Paper Excellence for C\$86 million in cash. Paper Excellence assumed C\$41 million of debt as well for the two mills, Tembec said in its quarterly report.

• **Howe Sound Pulp & Paper** hired **Metso** to retrofit its Babcock and Wilcox biomass power boiler at the Port Mellon, BC, pulp and paper mill. Metso will convert the existing hydrograte stoker boiler to a Metso HYBEX Bubbling Fluidized

Bed boiler by June. This will "increase the boiler's steaming rate on biomass, improve the overall reliability and operability of the boiler, reduce maintenance costs, and increase the mill's ability to produce power for the BC Hydro grid," the firms said in a release. Howe Sound gains funding for the project from the Canadian federal government's Green Transformation Program. Globally, Metso said that it has supplied more than 200 Metso Power biomass-fired boilers, based on various firing techniques. In July, **Sinar Mas** (and **Asia Pulp & Paper**) unit **Paper Excellence** acquired Howe Sound Pulp & Paper from **Canfor Corp** and **Oji Paper**. Howe Sound's production capacity is 400,000 tonnes/yr of northern bleached softwood kraft market pulp, and 230,000 tonnes/yr of newsprint and high bright papers. Canfor and Oji Paper created the Howe Sound partnership in 1988 in a deal that expanded the plant's pulp production and added its newsprint operation. The Howe Sound deal was done three months after Paper Excellence purchased and restarted a pulp mill in Mackenzie, BC, that had been idled since the 2008 bankruptcy of **Pope and Talbot**. Paper Excellence also purchased two pulp mills in France from **Tembec** this year.

### BCTMP increases of \$30 set for China from Millar Western, Winstone

Millar Western and Winstone Pulp separately informed customers in China that they were raising prices on bleached chemi-thermomechanical (BCTMP) pulp \$30/tonne, industry contacts told *PPI Pulp & Paper Week*.

Winstone Pulp, which also has a \$30/tonne hike in other Asian markets, is increasing its 75-bright softwood BCTMP price in China to \$550/tonne, effective with December negotiations and January 2011 deliveries. Millar Western, which has 310,000 tonnes/yr of softwood and hardwood BCTMP capacity at its Whitecourt, AB, mill, is increasing prices on both grades by \$30 in China only. It didn't state a new price.

Two other BCTMP producers have \$30/tonne hikes in China, including West Fraser and Tembec (*P&PW*, Dec. 10, p. 12). West Fraser didn't state its new price for softwood and hardwood BCTMP. Tembec's maple 80 BCTMP price was set at \$630/tonne in China.

"We have got a strong order file ... and are sold out until the New Year so it justified a price increase especially with the large differential to hardwood kraft in China," said a contact at a BCTMP producer.

When Asian bleached hardwood kraft pricing was in a tailspin this summer and fall, it dragged down BCTMP prices in China despite "excellent" demand since late August, noted another producer source.

## Thermal Paper

### Koehler backs away from US thermal paper plan

After 2½ years of consideration, Germany's Koehler Paper backed away from a thermal paper project in the USA, the company said this week.

The firm, the world's largest thermal POS paper producer in the world based on estimates, said its advisory board and senior management jointly decided to "suspend the project." Earlier, the company had delayed the project and then restated that it would decide on the project by the end of this year.

"We together with the board decided to suspend the project after thoroughly evaluating an updated risk assessment," Koehler Paper Group CEO Kai Furler said in a RISI story early this week.

"I would say the decision was driven by (the) continued slow pace of economic recovery and overall slowing in growth in demand for commodity POS," said one US contact.

"No surprise at all," said another US contact, of the Koehler announcement.

Koehler, which exports thermal POS paper to the USA and faces a 6.49% duty on its lightweight thermal paper into the USA based on a US International Trade Commission (ITC) ruling in late 2008, works with an estimated 30-35% share of the about 150,000 tons/yr US thermal POS paper demand, contacts estimate. The largest producer of thermal POS paper in the USA is Appleton Papers, which brought the dumping duties lawsuit against Koehler and Chinese producers before the ITC.

Koehler first announced the "green-field mill" project in the USA in July 2008, while the dumping duties investigation was ongoing, and industry contacts claimed the project would include both a base paper machine as well as coating equipment. The initial plan called for startup in 2010 in the USA.

Over the next two years, the company also may have considered acquiring a US mill for the project or just installing a thermal coating line that would be fed base stock by local papermakers, contacts said. Koehler also delayed project consideration during the credit crunch that went on into 2009. Before the end of September this year, the company again identified the US thermal paper project as of strategic impor-

tance, as its thermal and carbonless copy paper production was at full capacity, and said it planned to make the final decision on the project by late 2010.

Early this week, a Koehler official told *PPI Europe* that the company was close to finalizing one of the options for the project in the USA. However, after evaluating all risks involved, Koehler abandoned its plans for a thermal paper facility in the USA.

**US project on 'back burner.'** "It has been a difficult decision, and the USA remains an important market for Koehler, but our plans for a new facility have been put on the back burner," the official said.

**Thermal at two German mills.** Koehler operates mills in Oberkirch, Kehl, and Greiz, Germany, with thermal paper production at the 250,000 tonnes/year Kehl operation in southwestern Germany.

At Kehl, the company produces mainly carbonless papers on primarily PM 1, while thermal papers are made on PM 2 and decor papers on PM 6.

From Kehl, Koehler exports an estimated 45,000 to 50,000 tons/yr to the USA.

Koehler operates two distribution centers in the USA near ports, one in the Southeast and the other recently opened in Houston.

**BPA-free plans on horizon.** With a debate over thermal paper chemical BPA and its potential health impacts on humans, Koehler was said to be ready soon with a chemical BPA-free alternative thermal sheet, contacts said. Appleton's thermal POS is coated with BPS, not BPA. Contacts this week said Koehler was finalizing work on a thermal coating free of both BPA and BPS. Another contact said the other thermal paper producer in the USA, Kanzaki Paper, also was ready with a BPA-free thermal paper this month.

**All eyes on January hike.** In 2010, pricing for 55- and 48-g thermal POS paper increased three times in the USA behind surging market pulp prices that were on a historic run as well as supply shortages especially for tons to the West. A fourth hike of about 5% is set for Jan. 1 from Appleton, Koehler, and Kanzaki yet market pulp prices are now sliding and POS demand, driven by consumer spending, ATM bank activity, and retail store sales, is expected to seasonally drop in January from the now strong holiday shopping fervor, contacts said. The 55- and 48-g pricing is up 9% this month vs a year ago and bleached softwood kraft market pulp prices remain up 17% this month in the USA, according to *PPI Pulp & Paper Week*.

• **RR Donnelley** and its plant in Monroe, WI, won the bid from the state of Maine to produce carbonless forms, the *Kennebec*

*Journal* reported. The work contract is for one year and the Monroe plant is south of Wisconsin's state capital of Madison.

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## NEWPAGE STOPS PRICE HIKE

« continued from page 1

sector into crisis, hopefully forcing buyers to have to move surplus demand to (Nos) 4s and 3s, thereby causing a supply/demand imbalance in the overall coated market," one buyer contact said.

"They should have announced the Whiting shutdown FIRST, then announced the increase. The way they did it indicates that the market isn't really tight, and they do not have enough orders to keep the Whiting mill running," another buyer said.

**A 'game changer.'** There was also renewed concern in commercial printing paper markets this week about the change in customer discount terms to a 1% discount for payment within 20 days instead of the long-standing 2% -- a change market participants described as "huge."

"Many people aren't aware of what it means but it's a game changer. That 2% is effectively a 24% annualized return on your money. One percent is better than zero and is a 12% return that people can't afford to give up, but this negative discount swing will force some people to do things they don't want to do," said one merchant contact.

Since producers began introducing the new terms in the fall, some mills, as well as some merchants and distributors, have maintained the old discount terms for some customers and booked the 1% difference as an additional sales cost.

"If you had a formal contract with mills, they did not change. But by the end of the first quarter, those will be flushed out," a contact said.

**Could discounts disappear?** Sappi Fine Paper North America was the last producer to stick with the old 2% terms, but this week Sappi too said that effective Jan. 3 it would also adopt 1% discounts for payment within 20 days.

"I was very sorry to see this announcement. It certainly takes away the 'meeting competition' rational for those exceptions. What's next? Freight allowances?" one commercial printer asked.

"I wonder how long are they going to be at 1% before they go to net terms? The difficult part was going from 2% to 1%. A move to zero could happen in a blink," a merchant contact said yesterday.

**Coated data mixed.** LWC shipments were down 0.6% in the USA in November while coated freesheet (CFS) volumes were up 2.9% year-over-year -- despite the benefit of anti-dumping duties on Asian imports

-- due mainly to tougher comparisons with a year ago. In November 2009, both these categories posted their first year-over-year gains of the year.

Some sources commented this week that as paper prices have risen, end users have been shifting to less expensive products.

"In the past six months, we've seen more migration downward in grade and basis weight than we've seen in a long time," a printer contact said.

• **Sappi Fine Paper North America** completed a \$49 million upgrade at its 855,000 tons/yr Somerset coated paper and market pulp mill at Skowhegan, ME. Improvements to the pulp mill's recovery boiler and evaporator system will allow more black liquor to be processed, increasing pulp production while improving energy efficiency and reducing the mill's carbon footprint, Sappi said. The Somerset mill makes CFS -- Opus and Somerset web, and Flo web and sheets, as well as Lusterprint, which is used for packaging.

• **International Forest Products (IFP)** will act as sales agent for **St. Marys Paper**, which last weekend successfully restarted the 127,000 tonnes/yr machine No. 5 at its Sault Ste. Marie, ON, supercalendered paper mill, sources said. Part of the family run Kraft Group, Foxboro, MA-based IFP trades more than 2 million tonnes of product annually in more than 80 countries. Orders direct from the mill will be under the IFP umbrella.

• A total of 193 consumer magazines started up this year and 176 closed, a report by MediaFinder.com, an online database of US and Canadian magazines owned by **Oxbridge Communications**, said this week. The number folding was 70% less than last year's 596 titles. Fewer magazines also abandoned print for online-only publication in 2010, with 28 titles making the shift, down 65% from 81 titles in 2009, MediaFinder said.

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## Uncoated Freesheet

### Prices mostly holding in December while shipment volumes fall

Uncoated freesheet (UFS) paper prices appeared stable yet fragile in December in the USA with key grades transacting mostly within last month's ranges but with steadily weakening shipments looming over the market.

Prices were holding at November levels of \$1,070-1,020/ton for 20-lb repro bond and \$920-940/ton for 50-lb offset rolls but with sizeable discounts apparent in copy paper from offshore and in private label channels.

A trader who described more market erosion into late December also affirmed those November levels -- generally \$20-30/ton lower since October.

"It's bad," the contact said about recent shipment data showing UFS volumes down about 7% in November from both last year and the prior month. "The mills are waking up to it."

Yet major domestic suppliers were still holding up key prices, especially in premium markets, supported by a still-lean supply chain.

"They aren't chasing business just to close out the year," said a distributor. Most producers have recently swung payment terms in their favor by 1% and the US sector appears to be countering imports with exports.

Still, preliminary data showed UFS shipments declined for the ninth straight month, with a 7.2% year-over-year drop in November compared with a 2.5% trend decrease year-to-date.

Lower prices were detected for MOCR paper in November, with levels off \$10/ton, while envelope grade levels were unchanged.

A source described steady MOCR demand but suppliers were jockeying for sales.

"Customers are winning now," the contact added.

**November data.** US shipments of 658,600 tons in November were down 6.5% from October and dropped 7.2% from a year earlier, according to preliminary data from the American Forest & Paper Assn. Year-to-date volumes of 8.05 million tons were down 2.5% from the same period of 2009.

Sources point to secular decline, seasonally slower commercial printing conditions, and persistent US unemployment as impacting both offset and copy paper markets.

Despite the impact of lower priced imports, US producers are also exporting at higher than normal levels, with US world exports of UFS up 19.5% and imports 12.9% higher through September, according to US Census Bureau data summarized by AF&PA.

Imports totaled about 700,000 tonnes through nine months of the year and exports reached 655,000 tonnes. Key export destinations include Canada up 13%, Mexico up 12%, Western Europe up 49%, and South America up 20%.

UFS imports are up 4% from Canada, 57% from Portugal, and 29% from Finland. Imports from Brazil are down about 20%, according to Census data.

• **Fraser Papers** this week completed the \$2.7 million sale of the Gorham, NH, UFS and tissue paper mill to a subsidiary of Counsel RB Capital LLC after two other sale plans fell through. The 73,000 tons/yr mill has been idle for more than two months and is expected to restart in the spring, although its product focus is unclear.

• North America's largest UFS producer by capacity, **Domtar**, sold its 48 million shares and 11.74% stake in **Eacom Timber** for C\$24 million. The exit by Domtar comes five months after it sold its wood-processing assets to Eacom for about C\$110 million. Eacom lost C\$10.5 million in the third quarter.

## Recovered Paper

### Edmonton firm looks big, with small footprint for printing papers machines

An Edmonton, AB, company is pushing ahead with plans for a regional 15,000 tons/yr mill that would produce 100% recycled content printing and writing papers made with office paper (OP) from within 100 miles of the mill. Further, the paper would also sell within the 100-mile radius to government and businesses in and around Edmonton.

Greys Paper Recycling plans to make about 40 tons/day of the fully recycled-content paper from OP generated from shredding companies that service city and provincial government office towers in Edmonton. The OP would be pulped along with white cotton from recycled clothes, sheets, and towels from local hospitals and hotels. Ink would be removed by mechanical pulp processing. The end-product paper would be light grey with 80-82 brightness, said Greys Paper Recycling CEO Rajan Ahluwalia.

Ahluwalia wants to run three small machines from India at his company's plant. He said he gained a 50-yr lease for the property from the city of Edmonton along with C\$5 million toward construction. The total project cost is C\$12 million.

He said the first two of the three PMs, which would produce 1 ton/day and about 5 tons/day, would start in April. The biggest PM, at about 40 tons/day is to start next November.

In January, Ahluwalia also will begin turning recycled glass into pavers and brick with a layer of titanium dioxide.

For the main raw material for making paper, the firm seeks 60 tons/day of recovered paper that includes OP as well as old corrugated containers. The recovered paper not pulped will sell in the open market.

The firm's recycling operation is running in Edmonton, and a new 68,000 ft<sup>2</sup> building on the property should be in use early next year, with 50,000 ft<sup>2</sup> for paper recycling and 10,000 ft<sup>2</sup> for glass recycling.

Greys Recycling's plant is housed in what the firm called an "energy efficient Monolithic Dome featuring R-60 insulation. Solar energy will provide most of the daytime lighting for this building. Our friendly plant will be the first one in the world of this type," the firm said.

### Bombay to Dubai to Edmonton.

Born and raised in Bombay, Ahluwalia, 52, was with a 1 tonne/day printing and writing mill that did custom business in Dubai. He believes a similar type customized approach with his "closed loop" process can work in Edmonton.

One recycling official said of Ahluwalia's project: "It's a very small, carbon footprint-type idea. You buy (raw materials) locally. You sell (end product) locally. It doesn't create a big carbon footprint ... so you don't have to move (OP or the end product) long distances."

"Is he going to be able to produce a pound of paper? That remains to be seen," the contact said.

Some contacts question if enough OP in Edmonton and Alberta is available. Other than tons from Edmonton, contacts didn't know if the firm had locked up any recovered paper from Calgary or from near Alberta province. The lone paper mill in Alberta is run by Alberta Newsprint in Whitecourt.

Ahluwalia's plan is not small. He envisages similar local-recovered-paper-for-local-paper production mills in Canada, and eventually taking the project model internationally for cities with populations of 50,000.

Ahluwalia's plan is unique. Large US paper mills typically buy recovered paper within 400 miles of their machinery.

However, a buyer for a US mill system added: "I would say, the smaller the mill, the smaller the (buying) radius. In general, I would estimate 400 miles for most mills. It is true that when the mills are caught short, they will expand their territory to whatever is necessary."

## CRB, URB INCREASES UNCLEAR « continued from page 1

White Pigeon Paper \$35 for Jan. 3.

Prices for both grades in December were unchanged with CRB at \$845-865/ton and URB at \$635-665/ton.

A new price hike on coated unbleached kraft board (CUK) or solid unbleached sulphate was being pushed by Graphic Packag-

ing as of Dec. 1, but the other key producer MeadWestvaco set a \$50/ton increase for Dec. 15. A partial increase of \$20/ton this month will also play out into January.

RockTenn was pushing up prices for its Millenium grades of CRB that compete in CUK markets by \$40/ton effective Dec. 20.

There were no new increases detected for solid bleached sulphate (SBS) or for cupstock following multiple price hikes this year.

Sources said good beverage carton and demand would support the full CUK increase and that CUK as well as CRB was attracting substitution from high-priced SBS.

"SBS is hitting a wall," said a buyer. "Everyone is looking at alternatives."

SBS prices held at \$1,130-1,180/ton in December after a \$40 price hike was gained in October.

While backlogs have eased in recent weeks, sources said prices remained firm with some optimism heading into next year tempered by the significant rise in recovered paper prices through much of 2010.

"2010 saw some extraordinary impacts to the supply chain," noted one buyer.

"We're getting back to normal," said another.

A trader said the recycled board price increases were "floated" into the market in the hopes of passing on dramatically higher recovered paper costs. Another buyer called the CRB and URB hikes "a head fake."

He said he recently gained better terms and prices on an order for extra board.

A recycled producer contact said he expected price movement upward in January but wasn't certain the full amount would stick.

"It's not clear how much it will rise," he said.

**Backlogs easing.** SBS unmade orders have tightened in recent weeks, down to 469,850 tons the week ending Dec. 1, according to American Forest & Paper Assn statistics, from 474,000 tons the prior week and a recent peak of almost 506,000 tons the week of Nov. 17.

Weekly production averaged about 107,000 tons in November compared with 104,000 tons in October and 96,000 tons back in January.

Average SBS backlogs totaled 484,400 tons in November with an operating rate of 94.6%. October had averaged 514,000 tons in unmade orders and an operating rate of 92.2%.

CRB unmade orders narrowed to 146,000 tons the week of Dec. 1 from 154,350 tons the prior week and a recent peak of 171,370 tons the week of Nov. 10.

The sector averaged a 100% operating rate in November from 98.7% in October,

with weekly production averaging about 40,550 tons for both months, according to the American Forest & Paper Assn (AF&PA) figures.

URB unmade orders declined to 172,000 tons the week of Dec.1 from 187,370 tons the prior week and a recent peak of 191,335 tons the week of Oct. 6. The sector averaged a 92% operating rate in November from 95% in October. Weekly production averaged 68,300 tons in November from 72,770 tons in October.

November total boxboard production decreased by 0.6% compared to November 2009, but increased 2.3% from October, while year-to-date production was up 3.3%.

Solid bleached folding board production increased by 11.7% in November compared to November 2009 and by 0.9% from October, with year-to-date production up 3.7% over 2009, the AF&PA reported. Recycled folding output rose 1.6% in November from a year earlier and fell 4.0% when compared to the previous month. Production year-to-date was up 3.0%.

• **Caraustar** plans to close a custom packaging plant in Connecticut by Jan. 30 due to a lack of demand in the Northeast US, according to local press reports this month. The plant is next to the **Cascades** boxboard mill in Sprague (Versailles), CT, which Caraustar sold in 2006. The folding carton and beverage carrier plant employs about 80 workers and has been operated by Caraustar since 1997.

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## NOVEMBER BOX VOLUME UP

«« continued from page 1

one-year percentage rise since the early 1990s, but would only make up part of the 13.1% cumulative decline in shipments over the 2007-2009 period. The big drop in demand has left more excess converting capacity than ever at the box making level, even as producers consolidated their mill capacity, according to some contacts.

**2010 strong recovery year.** Nevertheless, North American producers enjoyed a strong comeback from the 2009 recession with a strong return in profitability. EBITDA margins of three large North American integrated producers (International Paper, Temple-Inland, and Packaging Corp of America) were in the 17% to 22% range, according to one company's calculation. Margins could ease slightly, however, with the seasonal slowdown in demand this quarter.

Box shipments totaled nearly 28.6 billion ft<sup>2</sup> in November, up 5.4% from a year ago on an actual basis but only 0.1% higher average week (adjusted for one more ship-

ping day this year), according to the latest Fibre Box Assn statistics released Wednesday. On "average," shipments were up nearly 2.8% from a year ago, blending actual and average week shipments.

Year-to-date box shipments are up 3.4% actual and 3.0% average-week (adjusted for an extra shipping day this year).

Some contacts remarked that demand for containerboard and boxes remained surprisingly healthy into December. One factor may be retail sales, which in November rose 0.8% from the previous month and were at their highest level since 1997, according to the US Commerce Dept.

A newer dynamic is online shopping, which is up 12% this year and approaching an estimated \$22 billion since Nov. 1, according to *Information Week*, which sees "no signs of consumer trimming their cyber purchases" (shipped in corrugated packaging).

**Rising stocks a real concern?** Of concern to some analysts is the continuing upward trend in containerboard inventories from extremely low levels in late spring.

Containerboard inventories at box plants and mills jumped 38,000 tons to 2.27 million tons in November, from October's total. The increase compares "unfavorably" to the normal seasonal increase for November of around 5,000 tons over the past decade, according to Credit Suisse analyst Chip Dillon.

Inventories increased for five of the past six months, although are still slightly low by historical standards. Inventories have climbed by 343,000 tons from extremely low levels at the end of May. But producers are approaching the period when inventories normally build as mills continue to run and box plants have fewer shipping days because of the holidays.

The industry on average sees a 138,000-ton inventory increase over the December-January period, Dillon noted.

"It is important that either domestic or export demand grow, or possibly downtime occur in order for inventories to remain in balance near term," Dillon said.

"Major producers understand they are in the seasonally slow period of the year and will not let their inventories rise," one analyst said. "But another concern for them is having enough inventory in February for the spring seasonal pickup in demand."

US containerboard mill operating rates eased back 94.9% in November compared with 95.7% in October and a year-to-date average of 95.8%, according to American Forest and Paper Assn (AF&PA) statistics.

**Recycled mills less busy?** Total containerboard production at 2.76 million tons in November was up 1.2% from a year ago, with linerboard production up

## US CONTAINERBOARD/BOX STATISTICS -- NOVEMBER 2010

(000 tons)				
	Nov. 2010	% chg. yr ago	YTD 2010	% chg. yr ago
<b>Box shipments (bsf)<sup>1</sup></b>	28,555	5.4%	327,729	3.4%
Average week		0.1		3.0
Containerboard consumption	2,338	6.6	26,576	3.3
<b>Production</b>				
Linerboard	1,967	1.9	22,156	8.6
Corrugating medium	793	-0.3	8,828	6.0
Total containerboard	2,760	1.2	30,983	7.8
<b>Exports/imports</b>				
Linerboard exports	274	-18.1	2,961	5.4
Containerboard imports	58	9.8	718	27.6
<b>Operating rates (%)</b>				
	Nov. 2010	Oct. 2010	YTD 2010	YTD 2009
Linerboard	94.1%	95.3%	95.2%	84.2%
Corrugating medium	97.0	96.8	97.3	85.9
Total containerboard	94.9	95.7	95.8	84.7
<b>Containerboard inventories</b>				
	Nov. 2010	Oct. 2010	Nov. 2009	Chg. (tons) prior month
Mill inventories	329	330	359	-1
Box plant inventories	1,945	1,906	1,783	39
Total inventories	2,274	2,236	2,142	38

bsf=billion ft<sup>2</sup>. YTD=year-to-date, n.a.=not available. Note: Table updated to include Fibre Box Assn shipment, inventory data released Feb. 1 on delayed basis because of yearend audit.  
Source: FBA, American Forest & Paper Assn, US Bureau of Census (imports).

## US CONTAINERBOARD INVENTORIES AT BOX PLANTS AND MILLS

(000 tons)								
	2010		2009		2008		2007	
	Tons	Weeks' supply	Tons	Weeks' supply	Tons	Weeks' supply	Tons	Weeks' supply
December			2,140	3.7	2,484	4.7	2,251	3.6
November	2,274	3.8	2,142	3.7	2,577	4.5	2,211	3.6
October	2,236	3.8	2,163	3.9	2,491	4.3	2,193	3.5
September	2,239	3.7	2,237	3.6	2,446	4.0	2,372	3.5
August	2,197	3.9	2,323	4.1	2,356	3.8	2,394	4.1
July	2,160	3.8	2,324	4.2	2,309	3.8	2,414	3.9
June	1,999	3.4	2,245	3.9	2,284	3.6	2,368	3.7
May	1,931	3.2	2,216	4.0	2,351	3.9	2,403	3.9
April	2,066	3.6	2,312	4.1	2,398	3.9	2,437	3.7
March	2,083	3.8	2,426	4.6	2,531	4.1	2,473	4.1
February	2,123	3.8	2,541	4.9	2,481	4.4	2,548	4.3
January	2,219	4.0	2,437	4.2	2,451	4.1	2,600	4.3

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

1.9% and corrugating medium output down 0.3%.

All of the growth was in production of virgin containerboard grades in November, while recycled output was flat. Virgin containerboard production in November was up 6.3% from a year ago, while recycled containerboard output was down 0.1%. This contrasts with a year-to-date increase in recycled containerboard of 13.2% vs a

4.6% rise for virgin kraft linerboard and recycled medium.

"Without the outlet from exports, some recycled mills may need orders," one contact said.

**Some reported downtime.** Abitibi-Bowater, for example, is reportedly taking its recently converted Coosa Pines, AL, 600 tons/day recycled containerboard/bagpaper mill down for close to two weeks starting

around Dec. 18. Norampac was reported to be taking its Burnaby, BC, recycled containerboard/gypsum wallboard paperboard facing mill down for around 15 days over the holidays.

One mid-Atlantic independent kraft linerboard mill was reportedly down for two or three weeks for boiler maintenance this fall. Smurfit-Stone Container's 1,325 tons/day La Tuque, QC, white liner/SBS mill was idled for 11 days due to a labor dispute starting Nov. 11.

A couple major producers were also reportedly planning to take some maintenance downtime in late December or January, but details could not be confirmed.

**Domestic prices stable.** Meanwhile, domestic 42-lb linerboard net price levels (after discounts) in the East remained relatively stable around the \$530-560/ton level, with some higher and lower prices reported. Pricing for 26-lb semichemical medium is about \$20-30/ton lower. Price levels are basically back to where they were before the third price increase attempt.

Some recycled containerboard, increasingly used by independent converters in regions like the Northeast, may be selling for slightly lower levels.

**Export prices bottoming?** Export prices appear to be stabilizing around the low \$500/short ton FAS range in some global markets such as Latin America as some major mills pull back on making offers at lower prices, according to one trader.

"Mills are starting to say they don't want to go there," he noted, "perhaps because they are planning some downtime."

Prices in export markets in early fall in some cases reached \$550-570/short ton FAS -- and in some spot market such as the Middle East soared to \$600-700/ton.

"But such high levels were not always real because there was almost no supply," one contact noted.

Export buyers reduced purchasing earlier this fall believing prices could weaken and because in some cases their inventories had risen rapidly from late deliveries as mills around the world caught up on their production schedules, one contact noted.

US linerboard production for export dropped 5.1% to 274,000 tons in November from the prior month and was down 18.1% from a year ago, according to the AF&PA statistics. Year-to-date, export production is still up 5.4% from a year ago.

Export buyers may be cautious, however, about exacting too much "revenge" for shipment delays, reduced allocations, and price increases from mills earlier this year.

"Customers have not been beating up the mills that much on price, maybe because they are worried the kraft linerboard market may tighten again in a few months," one trader said.

**New Year's outlook.** With signs the economy is gaining momentum moving into the first quarter, producers are likely to try again for a third price increase on containerboard and boxes in the first quarter if containerboard inventories are low, according to some analysts.

With the strength in consumer spending and stimulus from the tax reduction legislation, some investment firms raised their GDP growth estimates for the fourth quarter, with JP Morgan for example, now forecasting annualized growth of 3.5%, up a full percentage point.

Buyers and sellers said they expected US box shipments to be either flat to up as much as 2% in 2011 vs 2010.

Another variable may be upward pressure next year from rising old corrugated container (OCC) costs as Chinese mills scour the world for additional OCC supply (see related story, p. 2). OCC prices this winter have barely backed off after running up \$43/ton since last July, according to *PPI Pulp & Paper Week's* national US average. Export pricing for US OCC to China did decline this week, by roughly \$15, for the first broad-based fall in months. RISI is projecting upward pressure in OCC prices next year as global supply is tapped out.

Market contacts also wonder if producers will embark on another wave of consolidation -- another wildcard in the New Year's outlook. Speculation is focused on whether Smurfit-Stone, the second largest producer in North America, decides to remain independent or becomes a takeover candidate.

## News briefs

**RR Donnelley**, the world's largest printer that continues a business strategy of meshing print and digital-online services, completed its purchase of **Bowne** late last month, and last week acquired San Francisco-based **Nimblefish Technologies**. "The addition of Nimblefish's innovative products will enable our customers to draw on RR Donnelley for automated programs that touch customers and prospects with intelligent rules-based messaging that is responsive to their interests and actions," said RR Donnelley pres/CEO Thomas Quinlan in a release. "This will leverage our extensive digital platform which offers the ability to personalize communications in quantities from one to millions." The firm added that Nimblefish Technologies provides "multi-channel marketing services to leading retail, technology, telecom, hospitality, and other customers. Nimblefish's innovative software services include integrating direct mail, email, web, PURL, and variable video components into multi-touch,

multi-channel customer prospecting, and engagement programs." RR Donnelley finished the Bowne acquisition that was announced in February and initially was to close in October. The acquisition was completed after being investigated by the Federal Trade Commission, which closed its investigation without action... **Quad/Graphics** will spend \$13 million in equipment and facility expansions in 2011 for its new commercial and specialty platform, which combines recently acquired HGI operations in Burlington and Menomonee Falls, WI, with commercial and book operations in Enfield, CT, and Leominster, MA, acquired from **WorldColor** in July. The spending is on digital and conventional presses with "industry-leading capabilities for short- to medium-run commercial work as well as specialty print, such as large-format in-store signage and displays," the firm said... From **Google's** ebookstore, US government titles are available in an e-book format for the first time, it was announced Wednesday. The titles can be searched, purchased, and read on any connected device with a capable browser on the Google site. The US Government Printing Office (GPO) has about 100 titles in the catalog and will continue to add titles in the next several months, including the first volume of the Public Papers of President Barack Obama, the government said. "GPO has a treasure trove of publications to keep Americans informed on the workings of the federal government and the agency is excited to offer them through another avenue," said Public Printer Bob Tapella, noting that the effort focuses on "using the latest technology to reach a larger audience." "GPO has been offering federal publications for more than 100 years and this partnership with Google opens the door for a new way to publicize the titles," said Publication and Information Sales Managing Dir Davita Vance-Cooks. "GPO has been looking for the best way to move into this new sales channel. And since Google did all the scanning and digital conversion, this didn't cost GPO or the taxpayers any money."... Sears, Best Buy, Toys R US, Home Depot, and Harlequin are "failing our forests" according to Greenpeace's latest annual Boreal Marketplace report, *Environmental Leader* said today. The report considered 23 major forest-products customers on protecting the Boreal Forest and the woodland caribou as well as protecting endangered forests, recycling, recycled content, supplier engagement, and communications standards. "True leaders," according to the report, were Axel Springer, **Cascades**, Indigo Books, **Kimberly-Clark**, Office Depot, and Rona. Not responding to Greenpeace for this year's report were Best Buy, Toys R

Us, Harlequin, Xerox, and Boise Cascade, Greenpeace noted. The report also said that Greenpeace considers the Forest Stewardship Council (FSC) to be the gold standard of forest certification systems. About Sears, Greenpeace said, "Sears does not give any preference to FSC certification and treats all the certification standards as equal. Sears made a big deal of its 'sustainable' paper procurement policy but we see it amounting to nothing more than textbook 'greenwashing.'" Greenpeace also requested that various corporate customers including **Walmart**, Penguin Books, Lowes, and Home Depot review their supply chains and buy products not sourced from intact forests... As part of a new tissue machine project, **Irving Tissue** gained a \$500,000 economic development grant for its Fort Edward, NY, mill operation from National Grid, WNYT reported yesterday. The grant offsets the cost of upgrading electric service. Irving's \$150 million project included demolishing nine buildings, constructing three new buildings, installing a new 35,000 tons/yr paper machine, and upgrading gas service including a new 115kV substation. National Grid's grant was "key to the success of modernizing our energy infrastructure," said Irving Consumer Products pres Robert Irving. A trial effort aimed at turning sludge from **Catalyst Paper's** Crofton, BC, mill into biogas will begin early next year, as part of a C\$6.1 million project. The demonstration at Crofton is to last about 15 months. Following the demonstration, the transportable plant developed at Crofton to demonstrate Paradigm Environment Technologies' MicroSludge and anaerobic digestion will move to other pulp mills for trials... **Borders Group** reported a 12.6% decline in comparative bookstore sales in the third quarter (vs third quarter 2009 sales), and that the firm will continue a movement toward selling eReader and electronic products. Sixteen stores are to close by yearend, the firm said. "In 2011, we will begin piloting a host of enhanced features-in-service offerings that will differentiate Borders from other book retailers," said CEO Mike Edwards in a report to analysts this month. "We'll start with a handful of stores in Washington DC and the New York City markets. The pilot stores are expected to include the following: an expanded selection of eReaders and other electronic devices, an exciting Kids destination area with significant assortment of high quality educational toys and games, a new section also featuring new signage and a lot of inspiration and educational components that provide both comfort as well as a focus on the quality of the educational experience." The firm also reported a smaller inventory in the quarter by almost 21%

compared with third quarter 2009 inventory... New Orleans printers **Harvey-Hausser Press** and **Garrity Print Solutions** merged, said both firms. The Garrity plant in Harahan, LA, will become the main production facility, with another 20,000-ft<sup>2</sup> Garrity property nearby that will house digital, direct mail, accounting, and warehousing. Over the next few months, the company will run parallel production at the plants, complete build-out of the permanent production location, and move equipment...

**Walsworth Publishing** acquired commercial printer IPC Print Services, based in St. Joseph, MI, which was owned by **Journal Communications**, the companies said. From IPC, Walsworth said it gains business in the specialty book, short-run publications, and business-to-business catalog markets... **International Paper (IP)** will demolish buildings starting as early as January at its former coated paper mill in Corinth, NY, along the Hudson River and will "actively" try to sell the 330-acre property, a company official told press in New York. After permanently shutting the mill operation in 2002, IP sold the property in 2005 to New York investment company Philmet Capital Group for \$2.7 million. Philmet planned a plastics plant, but the project never went ahead and IP took over ownership of the property in April 2009. The mill site's wastewater treatment plant, landfill, and rail line will remain after the demolition. The mill was built in 1869 by Pagenstecher & Associates and called The Hudson River Pulp & Paper Co. In 1898, it became one of 17 mills that formed IP, which today is the largest paper and board producer in the world by capacity... **Mead-Westvaco (MWV)** expanded its global relationship with Marin's International, which licenses five nonexclusive converters in the USA to make and sell its LAMA displays that include MWV's Custom Kote coated natural kraft paperboard. Marin's displays are used by firms such as **Johnson & Johnson**, **Unilever**, and **Ford**... The San Jose, CA, City Council this week approved a ban on single-use plastic bags in an ordinance that impacts stores in 2012. The ordinance in San Jose, the third largest city in California, prohibits plastic bags at check out and permits distribution of paper bags in retail stores. California grocery stores purchase roughly 19 million plastic bags per year. San Jose shoppers will be charged \$0.10 per paper bag in 2012 and \$0.25 starting in January 2013. Stores also must provide paper bags with 40% recycled content. San Jose joins a growing number of California cities banning plastic bags after a statewide measure was defeated in September. Similar bans were passed in Los Angeles County, San Francisco, Palo

Alto, and Long Beach, and a statewide ban also was recently proposed in the state of Oregon. ... **Tim Hortons**, which serves two billion cups of coffee a year at its North American restaurants, opened an online store for US customers. Tim Hortons operated 3,649 restaurants as of last month, including 3,082 in Canada and 567 in the USA.

## Supplier news

**BASF** will increase its prices on all Calsan calcium stearate products sold into the US and Canada paper/paperboard markets by \$0.08 per wet lb, effective Jan. 15 or as contracts allow... With plans to convert from an income fund to a corporation next year, **Canexus LP** also expects "solid financial and operational performance in 2011" in both North and South America after completing six projects this year, the firm said. Its biggest project was the technology conversion project (TCP) at the North Vancouver, BC, chlor-alkali facility. "The expected benefits of TCP are being realized with improved electricity efficiency, manpower reductions, and the elimination of natural gas consumption," said Canexus pres/CEO Gary Kubera. Kubera said the firm expects improvement in pricing and slightly higher volume in North America in 2011. "Global demand for pulp is expected to grow consistent with a modest global economic recovery. As a result, the global market for

pulp will stay strong through 2012, providing a backdrop for stable North American pulp production and improving prices for sodium chlorate during this period," the company said this week... **Sun Chemical Performance Pigments** announced global price increases of up to \$0.65/lb and by \$0.85/lb on its Phthalocyanine Blue and Green pigments, respectively, as well as on all other physical forms including preparations depending on pigment content, effective immediately. The increases are for all markets that purchase pigments including the ink, coating, and plastic industries.

## Conference

Registration is open for the **Paper2011** meeting set for Mar. 27-29 in Chicago at the Fairmont Millennium Park hotel. Online registration is reached at <http://paper2011.com/registration>. Conference topics include new research on Millennial (next generation) attitudes, usage, and unmet needs in the paper category; emerging issues related to Extended Producer Responsibility; insights and tools for Lacey Act compliance; and trends and data for the printing-writing and paper-based packaging sectors. New this year, all attendees need badge credentials to gain access to official hotels and suites for the conference. For further information, contact Kathy Smith at [kathy\\_smith@afandpa.org](mailto:kathy_smith@afandpa.org).

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