

All printing and writing paper grades are facing poor demand and low operating rates at the mills. That said, producers are taking enormous amounts of downtime in efforts to balance the markets. Paper is readily available in all printing and writing grades, with normal order lead times for each grade. Newsprint grades are faring the worst with low demand and high inventories, and a very weak market. The market for uncoated woodfree grades is relatively stable, but the March price increase attempt by producers was only partially successful. The market for SCA/SCA+ grades is perhaps the strongest of any as this grade has been used to replace higher cost lightweight coated grades by some end-use customers.

## Recent News

- **Willamette Falls Paper** will restart the West Linn, OR paper mill in Q3-2019, making printing paper first, then possibly other grades. The mill shut in 2017 due to a lack of market pulp. The mill is expected to restart in Q3, making both coated freesheet and uncoated freesheet paper. *(From the web)*
- The **Flambeau River Papers**, CellMark agreement has been approved by a Wisconsin court, with the paper mill to partially reopen within two weeks. CellMark Papers accounts for 80% of the mill's total revenue. When CellMark ceased payments on June 5, the mill was no longer able to make payroll and the vast majority of its employees were laid off. *(From the web)*
- The **Chinese market** has seen prices for major paper and board grades flatline or head down this month. The heated Sino-US trade war is continuing to bite into China's packaging industry. Recycled board producers, especially those in the export-oriented southern provinces, have slowed down production since late May following price drops for three consecutive months. *(PPI Asia)*
- **Sappi** has become an International Stakeholder member of the Programme for the Endorsement of Forest Certification (PEFC™), which enables them to vote in PEFC's General Assembly and join their Working Groups/Committees. *(Press Release)*

## Market Drivers

- **Local newspapers** need Federal help, as they represent democratic accountability for local government, amongst many other things, but are in extreme decline with the number of newsroom employees at newspapers in the U.S. declining over 45% since 2008. *(click here to read the entire article from The New York Times posted online July 8, 2019)*
- **Currency exchange** rates for the euro and Canadian dollar vs. the U.S. dollar are down slightly year over year.

- **Wood pulp prices** are down \$40/tonne in June, and have fallen over 12% ytd in 2019. Fiber costs are 14% to 26% of total mill production costs of paper.
- **Crude oil prices** are down 26% vs. 2018, boosting the "macro" economy.

|                       | Q2-19    | Q3-19    | Q4-19    | 2019    |
|-----------------------|----------|----------|----------|---------|
| <b>Forecasted:</b>    | vs Q2-18 | vs Q3-18 | vs Q4-18 | vs 2018 |
| Magazine Ad Pages     | -13.3%   | -12.0%   | -7.4%    | -12.1%  |
| Printing Shipments    | -4.4%    | -3.6%    | -2.7%    | -3.6%   |
| Catalogs Mailed       | -4.4%    | -4.1%    | -4.4%    | -5.4%   |
| Newspaper Ads \$      | -12.5%   | -11.8%   | -10.8%   | -12.0%  |
| <b>For the month:</b> | Jun '19  | May '19  | Jun '18  | % yr/yr |
| Crude Oil Avg. Price  | \$55     | \$61     | \$74     | -25.9%  |
| NBSK Pulp             | \$1,255  | \$1,297  | \$1,330  | -5.6%   |
| EUR/USD               | \$1.13   | \$1.12   | \$1.16   | -2.6%   |
| CAD/USD               | \$0.75   | \$0.74   | \$0.76   | -0.8%   |

Source: RISI Paper Trader data & public domain



# Paper Grade Review

- **Coated grades** – Not much has changed for coated grades this month. No improvement in demand, but prices are holding steady for now. End-use market indicators would suggest a poor outlook for coated grades over the coming years. Per RISI Paper Trader, magazine ad pages were down 15% in Q1 and catalog volumes showed a 9% decline in the same period.
- **Uncoated freesheet grades (UFS)** – According to RISI, competition from imports and lower pulp costs should keep UFS prices at bay for the remainder of 2019. RISI predicts flat to slightly down UFS prices for the remainder of 2019, and static prices for 2020 unless a recession hits the U.S., in which case, prices would decrease.
- **Uncoated groundwood grades (UGW including SC)** – Demand for UGW grades has been poor in the 1st half of 2019, with the only bright spot being SCA/A+ grades as alternatives for lightweight coated grades. As demand weakens for other grades, and imports of UGW into the U.S. rise, conditions are right for price erosion unless producers shut capacity.
- **Newsprint grades** – Newsprint markets are very weak, and prices are facing downward pressure. Operating rates are low and mill inventories are high. Unless a significant amount of capacity is shuttered by North American producers, prices could falter in the 2nd half of 2019.

| Paper Grade         | Mill Inventory |         |         | Shipments |         |         | Avg Order Lead Time |
|---------------------|----------------|---------|---------|-----------|---------|---------|---------------------|
|                     | May '19        | Apr '19 | May '18 | May '19   | Apr '19 | May '18 |                     |
| Newsprint           | 334            | 321     | 195     | 298       | 283     | 345     | 6 to 8 weeks        |
| Uncoated Groundwood | 171            | 175     | 154     | 67        | 69      | 78      | 6 to 8 weeks        |
| Uncoated Freesheet  | 671            | 662     | 634     | 546       | 560     | 630     | 8 to 10 weeks       |
| Coated Groundwood   | 117            | 125     | 83      | 121       | 120     | 153     | 6 to 8 weeks        |
| Coated Freesheet    | 558            | 532     | 373     | 267       | 256     | 278     | 6 to 8 weeks        |

000s omitted; Source: PPC, RISI Fastmarkets, & Quad Paper Services

## Ink on Paper

**Quoted from Two Sides** (June 18, 2019) – The results of a new survey commissioned by Two Sides reveal a telling insight into the public's perceptions and attitudes towards print and paper. Carried out by independent research company Toluna, consumers from across the U.S. and Canada were surveyed on environmental topics and preferences relating to paper and print. Some of the findings include...

- 58% of U.S. consumers surveyed believe U.S. forests have been decreasing in size since the year 2000. In fact, U.S. forests had a net growth of over 1,500 NFL football fields per day since 2000.
- Only 15% of Americans and 21% of Canadians think the paper recovery rate exceeds 60% when it is over 68% in the U.S and 70% in Canada.

When it comes to reading books, magazines and newspapers, print is preferred over digital.

- 68% of Americans and Canadians believe print is the most enjoyable way to read books
- 65% of Americans and 59% of Canadians prefer to read magazines in print
- 53% of Americans and 49% of Canadians prefer to read newspapers in print

See the entire article: <https://twosidesna.org/US/perceptions-and-attitudes-towards-print-and-paper/>