

Paper markets are suffering from lack of domestic demand, while newsprint producers have found opportunity in increased offshore exporting. Demand for U.S. printing and writing grades of paper is down almost 10% YTD, and demand for newsprint is down by 14% this year. Although we are entering the traditional busy season for print on paper, coated and uncoated grades remain readily available with normal lead times.

Recent News

- **Pulp and paper** mills have taken numerous, brief shutdowns as Hurricane Dorian struck along the U.S. Southeast coast. *(from web)*
- **Willamette Falls Paper** has restarted the West Linn, OR paper mill and expects PM1 to make CFS and C1S papers in August. *(press release)*
- **Sappi Limited** has acquired the Matane hardwood pulp mill in Quebec from Rayonier Advanced Materials. *(press release)*
- **Wisconsin's** paper industry leads the U.S. on number of paper mills, workers, & value of products sold. Their pulp and paper sectors generated \$18.2B in economic output, & employed more than 30,000 people in 2018, according to the study. *(from the web)*
- **Resolute Forest Products** preliminary 2Q 2019 results: sales down by \$221 million year on year to \$755 million. *(from the web)*
- **UPM's** comparable EBIT up 3.3% year on year to Euro 345 million in 2Q 2019. *(from the web)*
- **Packaging Corp of America** 2Q 2019 results: sales off 0.4% to \$1.759 billion; operating income higher. *(from the web)*
- **WestRock** announced they will permanently shut one paper machine at their North Charleston, SC mill to cut linerboard capacity by 288,000 tons/year. *(from the web)*
- **UPM** announced they will shutter PM2 at their Rauma mill in Finland, removing 265,000 tons/year of SC grade paper. *(press release)*

Market Drivers

- **Wood pulp prices** fell another \$35 per tonne in August. Pulp prices have dropped 18% ytd in 2019, cutting mill costs.
- **Willamette Falls Paper** has restarted the West Linn, OR paper mill...producing CFS and C1S paper products, with deliveries to start in August.
- **U.S. National load to truck ratio** was down, at 2.3 loads to 1 truck posted in August. This is down considerably from last year, which was running between 3 to 6 loads per truck.
- **Expect significant** paper capacity shuts in the near future if paper markets are to maintain supply/demand stability.

	Q2-19	Q3-19	Q4-19	2019
Forecasted:	vs Q2-18	vs Q3-18	vs Q4-18	vs 2018
Magazine Ad Pages	-11.8%	-11.7%	-7.9%	-11.6%
Printing Shipments	-4.9%	-3.5%	-3.1%	-4.8%
Catalogs Mailed	-9.9%	-6.3%	-6.5%	-7.8%
Newspaper Ads \$	-12.5%	-11.8%	-10.8%	-12.0%
For the month:	Aug '19	Jul '19	Aug '18	% yr/yr
Crude Oil Avg. Price	\$55	\$58	\$68	-19.2%
NBSK Pulp	\$1,171	\$1,206	\$1,380	-15.1%
EUR/USD	\$1.11	\$1.12	\$1.16	-4.1%
CAD/USD	\$0.75	\$0.76	\$0.76	-1.1%

Source: RISI Paper Trader data & public domain



Paper Grade Review

- Coated grades** – Coated mill operating rates were down considerably last month, prompting producers to take machine downtime. Production exceeded shipments, so we should see inventories building this month. Producers will look to take additional downtime and curtailments to maintain prices while demand decline is accelerating.
- Uncoated freesheet grades (UFS)** – Demand for UFS grades is relatively stable; however, offshore imports of UFS rolls have increased to all-time highs in 2019. RISI is forecasting a slight price decrease overall for this year, but flattening out early in 2020 due to the conversion to packaging grades by IP at their Selma mill...removing 235k tons/yr of UFS grades.
- Uncoated groundwood grades (UGW including SC)** – Industry forecasts show a double digit drop in demand for UGW grades over the next two years. Producers will look to curtail more capacity if they are to maintain price stability. Higher grades of SCA are doing relatively well as cost-saving alternatives to the lightweight coated grades. Other segments of UGW, such as directory and high-brightness offset substitutes are not faring as well with 20% declines in demand thus far this year.
- Newsprint grades** – The only reason newsprint prices have held up as well as they have this year, is due to disciplined mills taking downtime rather than dropping prices...and offshore export opportunities. That said, the offshore market is expected to dry up a bit due to new tariffs in place. Large capacity shuts are likely on the horizon in efforts to maintain a stable market.

Paper Grade	Mill Inventory			Shipments			Avg Order Lead Time
	Jul '19	Jun '19	Jul '18	Jul '19	Jun '19	Jul '18	
Newsprint	308	297	213	289	313	303	6 to 8 weeks
Uncoated Groundwood	171	180	160	67	61	76	6 to 8 weeks
Uncoated Freesheet	674	682	633	545	528	609	8 to 10 weeks
Coated Groundwood	133	132	87	125	115	139	6 to 10 weeks
Coated Freesheet	512	520	360	233	219	284	6 to 8 weeks

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

