

Prices for all grades of paper have been on the rise thus far in 2021. Production capacities have been significantly reduced since 2019, and higher costs for pulp, energy, chemicals, and freight have eroded mill margins on paper. Pulp prices, alone, have increased by over \$250 per tonne year-to-date. Consequently, paper mills have implemented price increases for newsprint, coated and uncoated grades since the start of this year. Mills are indicating full order books in most grades, which have extended our lead times on paper orders. In most cases, mills are rejecting quick-turn paper orders.

Recent News

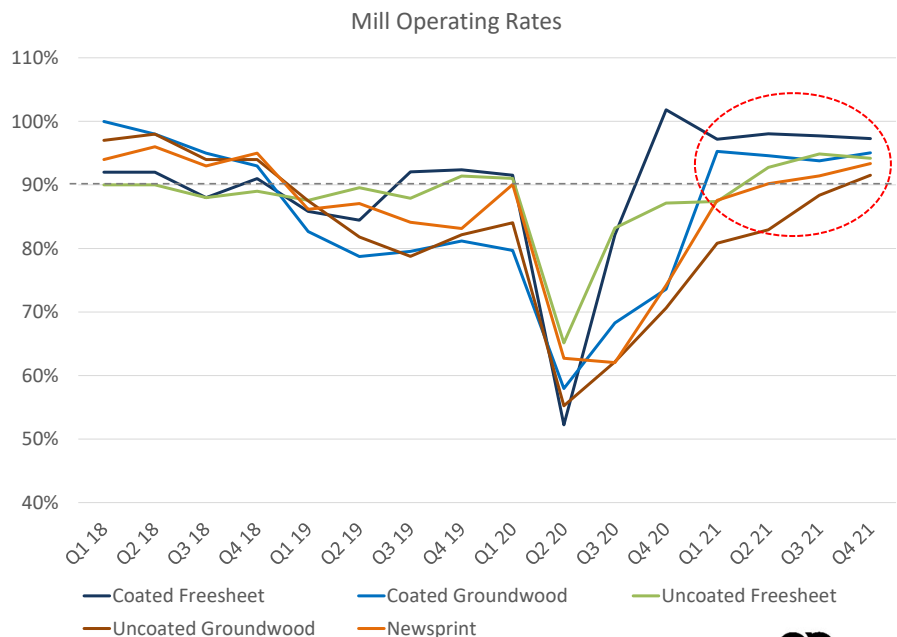
- **Paper Excellence** plans to restart PM11 at Catalyst Powell River on or around May 1, 2021, initially producing brown grades of paper. The restart reflects the recent recovery in global paper markets and Paper Excellence's long-term commitment to the Powell River facility. *(source: press release)*
- **Pixelle Specialty** has acquired Rollsource specialty paper business, including a converting facility in Kansas, from Veritiv. Pixelle has also acquired Appvion's carbonless rolls and security papers business. *(source: press release)*
- **Port Hawkesbury Paper** is developing a wind farm project that could be the largest in Nova Scotia. This project started in 2018, with the current plan to install 28 towers that could each support a four-megawatt turbine. The company says that the wind farm could provide mill with a third of its power. *(source: web)*

Market Influencers

- **Wood Pulp** – prices have risen 25% already this year and are expected to continue rising.
- **Mill Costs** are up (pulp, energy, chemicals, freight), and production capacities have been significantly reduced over the past two years. Consequently, paper producers are seeking price increases this year in all grades of graphic paper.
- **Fuel and Energy costs** are on the rise. Crude oil prices are 105% higher vs. a year ago.
- **National Load to Truck Ratio** data currently shows the national load-to-truck ratio at 5.26. Last April this ratio was at less than 2 loads per truck. Freight costs have been on the rise in 2020. *Source: DAT Freight & Analytics*

Results + forecast:	Q1-21	Q2-21	Q3-21	2021
	vs Q1-20	vs Q2-20	vs Q3-20	vs 2020
Catalogs Mailed	-11%	22%	5%	3.3%
Magazine Ad Pages	-31%	0%	18%	-4.1%
Printing Shipments	-11%	19%	10%	4.2%
For the month:	Mar '21	Feb '21	Mar '20	% yr/yr
Crude Oil Avg. Price	\$62	\$59	\$30	104.8%
NBSK Pulp	\$1,420	\$1,300	\$1,136	25.0%
EUR/USD	1.19	1.21	1.10	7.7%
CAD/USD	0.80	0.79	0.72	10.6%

Source: Public Domain; Industry Publications



Paper Grade Review

- Coated grades** – CFS mills increased web prices by \$1.50 per cwt in each of January and April of this year. On the heels of their first \$2.00 per cwt price increase in March, CGW mills have announced another price increase of \$2.00 per cwt, effective between May 1st and May 17th, depending upon the mill. According to the mills, full mill order books and cost inflation are the leading contributors to the price increases thus far in 2021. With operating rates in the mid to high 90% range, expect further increases announced in 2021 for coated paper grades.
- Uncoated freesheet grades (UFS)** – Facing rapidly increasing pulp prices eroding the margins of non-integrated producers, UFS mills implemented a \$3.00 per cwt (between 5-8%) price increase on all products in March. According to Fastmarkets RISI, UFS pricing is projected to rise by 4-5% each year in 2021 and 2022, bolstered by re-openings of schools and offices resulting higher mill operating rates.
- Uncoated groundwood grades (UGW including SC)** – In March, UGW mills increased prices by \$40 per ton for all machine finish high brightness and directory grades. This included uncoated offset substitutes and book grades. In April, UGW mills increased prices by \$40 per ton for all SC grades. This included SCA, SCB, and SNC grades. UGW operating rates remain lower than other grades but are projected to rise above 90% later this year. Some of this will be demand driven from increased advertising, and some will be driven by cost savings as some seek to migrate from LWC grades to SCA grades.
- Newsprint grades** – After their \$40/tonne (45g) increase in January and February, newsprint mills are implementing another price increase of \$50/tonne (45gr), split between April 1 and May 1 effective starting dates. Newsprint mills are reporting full paper machines thus far in 2021. According to one large producer, there are new opportunities for domestic newsprint overseas in Asia and India. After falling over 20% over the last two years, newsprint prices have rebounded in 2021, and continue to do so.
- Sheet-fed and Digital grades** – Inventories have been all but wiped out for these grades and so mill order lead times have increased significantly. What was available in 2-3 days is now taking 4-6 weeks. These paper markets are very tight due to capacity reductions and shifts to other grades since 2019. With supply and demand balance in line, the paper mills have increased lead times out to 4-6 weeks, and are rejecting less attractive paper orders and raising prices.

Paper Grade	Mill Inventory *			Mill Shipments			Mill Capacities			Avg Order Lead Time	Mill Inv. mo/mo	Mill Inv. yr/yr	Shipments yr/yr	Capacity yr/yr
	Feb '21	Jan '21	Feb '20	Feb '21	Jan '21	Feb '20	Feb '21	Jan '21	Feb '20					
Newsprint	24	24	28	168	179	247	217	217	320	4 to 8 weeks	0.0%	-14%	-32%	-32%
Uncoated Groundwood	27	27	23	157	158	180	213	213	242	4 to 8 weeks	0.0%	17%	-13%	-12%
Uncoated Freesheet	34	34	34	472	519	593	580	580	668	6 to 8 weeks	0.0%	0%	-20%	-13%
Coated Groundwood †	33	35	27	88	79	118	105	105	167	6 to 8 weeks	-5.7%	22%	-25%	-37%
Coated Freesheet	58	58	66	158	165	208	180	180	248	6 to 10 weeks	0.0%	-12%	-24%	-28%
Sheet-fed grades										4 to 6 weeks				
Digital grades										6 to 8 weeks				

Source: PPPC, Quad Paper Services † Extended lead times for #5 roto grades

* Reported as days on hand of paper mill inventory.