



# Hilco™

## Valuation Services Pulp and Paper Industry Perspective

4TH QUARTER 2018

### INDUSTRY INFORMATION

>> Prices for different grades of pulp can diverge based on small changes to furnish percentages by major world consumers.

>> After declining 5.9% in 2017 compared to 2016, North American demand for printing and writing paper fell 3.5% in the first eleven months of 2018 vs. 2017.

### RECENT VALUATION/ LIQUIDATION EXPERIENCE

Resolute Forest Products

Verso Corp.

Catalyst Paper Corporation

Veritiv Corp.

Global Tissue Group, Inc.

Port Hawkesbury Paper

## Have pulp prices topped out?

By Jesse Marzouk

Prices for softwood and hardwood paper-grade pulp continued their historic run during 2018. The North American list price for Northern Bleached Softwood Kraft (NBSK)

in the U.S. increased from \$1,205 to \$1,430 per tonne in 2018, while Northern Bleached Hardwood Kraft (NBHK) rose from \$1,070 to \$1,215 per tonne. Since the beginning of 2017, list prices increased \$440 per tonne for NBSK and \$395 per tonne for NBHK.

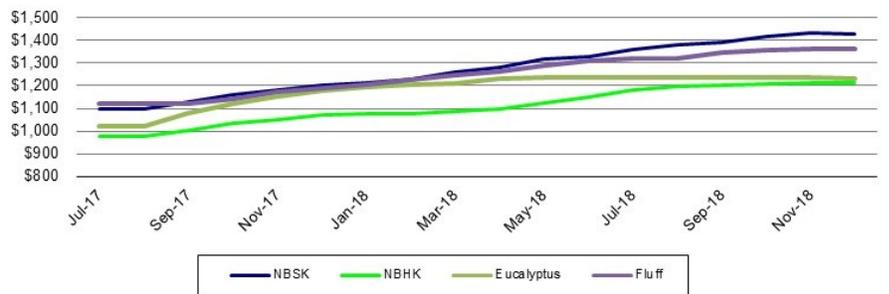
In general, prices have been driven by strong demand from China, as well as limited supply resulting from maintenance downtime and delayed ramp-ups of greenfield pulp mills. Strong demand in China has been spurred primarily by Chinese buyers implementing more stringent requirements (e.g., all

mixed paper imports are prohibited) for the quality of recycled fiber utilized in their mills. As exporters struggle to meet strict conditions for recycled fiber, Chinese mills with the ability to utilize either recycled fiber or pulp have turned to the pulp market to satisfy their needs.

It appears, however, that global market demand for pulp has peaked, at least in the intermediate term. Pulp spot prices in the U.S. began to decline in December 2018 and NBSK pricing in China declined approximately \$90 per tonne from November to December 2018. Moreover, global inventory lev-

els at the end of November 2018, the most recent month for which data is available, showed inventory at more than 5.5 million tonnes, the highest levels ever recorded. Softwood pulp supplies rose three days at the end of November to 35 days-of-supply and hardwood pulp supplies also rose three days to 44 days-of-supply. Both metrics are approximately four to five days above levels considered balanced. When these figures are released for inventory at the end of December, the days-of-supply are likely to increase as global demand was weak in December.

RISI Pulp List Prices - North America  
18-Month Trend (US \$ Per Tonne)



Jesse Marzouk is a vice president and forestry products specialist. He has appraised numerous U.S. and Canadian pulp, paper, and lumber-related companies involved in manufacturing and distribution. Jesse received his MBA in finance from Kellogg School of Management at Northwestern University, and has a degree in finance and accounting from Indiana University.

