



# NEWSPRINT MARKET UPDATE



Chicago Conference  
Sept 2018

Greg Buckardt  
Resolute Forest Products



# NEWSPRINT MARKET UPDATE

## Agenda

- Global & Regional Supply Demand Balance
- Carrier Capacity Challenge
- Light Weight Trend in US
- Marketing Data by PPC & RISI

## What not to be discussed

- Price Predictions
- Supply Change/Speculation Outside of Public Announcements.



**Story for the last 12 months,  
around the world has been..?**

A close-up photograph of a middle-aged man with a frustrated expression, shouting into a black telephone receiver. He is wearing a dark suit jacket, a white shirt, and a dark tie. The background is a plain, light-colored wall. At the top of the page, there is a decorative horizontal strip with a green, forest-like pattern.

**WHERE'S  
MY  
PAPER?!**



**Story for the last 12 months,  
around the world has been..?**

**Shortage of newsprint  
globally.**

# MASSIVE GLOBAL CAPACITY REDUCTIONS - 2017

Major World Markets	Capacity Reductions		Demand Decline	
	(MT)	%	(MT)	%
Global	2,767	(10.8%)	1,834	(8.1%)
North America	975	(21%)	384	(11.3%)
Western Europe	780	(12.7%)	374	(6.9%)
Asia	1,012	(8.4%)	744	(6.8%)

- Only major markets reflected above
- In 1,000 MT

\* Source PPPC, RISI



# Global Closures & Conversion In 2017 & beyond

Company	Location	Event	MT	Effective Date
<b>North America:</b>				
Kruger	Trois-Rivieres, QC	PM#10 conversion to linerboard ★	225,000	Feb-17
Resolute	Thorold	PM#1 closure	210,000	Mar-17
White Birch	Ashland	PM#1	240,000	Jul-17
Resolute	Calhoun, TN	PM# 3 & 5 closure	100,000	Sept-17
NORPAC	Longview, WA	PM#1 (first indefinitely idled, now running some amt of news)	200,000	Oct-17
<b>Total North America</b>			<b>975,000</b>	
<b>Europe:</b>				
IP	Madrid, Spain	Conversion to containerboard ★	300,000	Q3 2017
UPM	Schwedt, Germany	Mil sold to Leipa for conversion to linerboard ★	280,000	Q4 2017
Papierfabrik Utzenstorf	Switzerland	PM#'s 1 & 2	200,000	Q4 2017
<b>Total Europe</b>			<b>780,000</b>	
<b>Asia:</b>				
Resolute	Mokpo, South Korea	Mill Closure	197,000	Mar-17
Paper Corea	Kunsan	PM#2	130,000	Apr-17
Jeonju Paper	Jeonju, South Korea		55,000	Jun-17
Khanna Paper	Amritsar, Punjab, India	Rebuild of machine to produce packaging ★	30,000	2017
Paper Corea	Kunsan	PM#1 & 3	120,000	end 2017
Emami Paper Mills	Balasore, Orissa	Conversion of PM#2 to printing & writing ★	30,000	Aug-17
MNI	Mentakab	Liquidation of company	250,000	Q3 2017
China		Increased Imports in 2017	200,000	2017
<b>Total Asia</b>			<b>1,012,000</b>	
<b>GRAND TOTAL WORLD</b>			<b>2,767,000</b>	

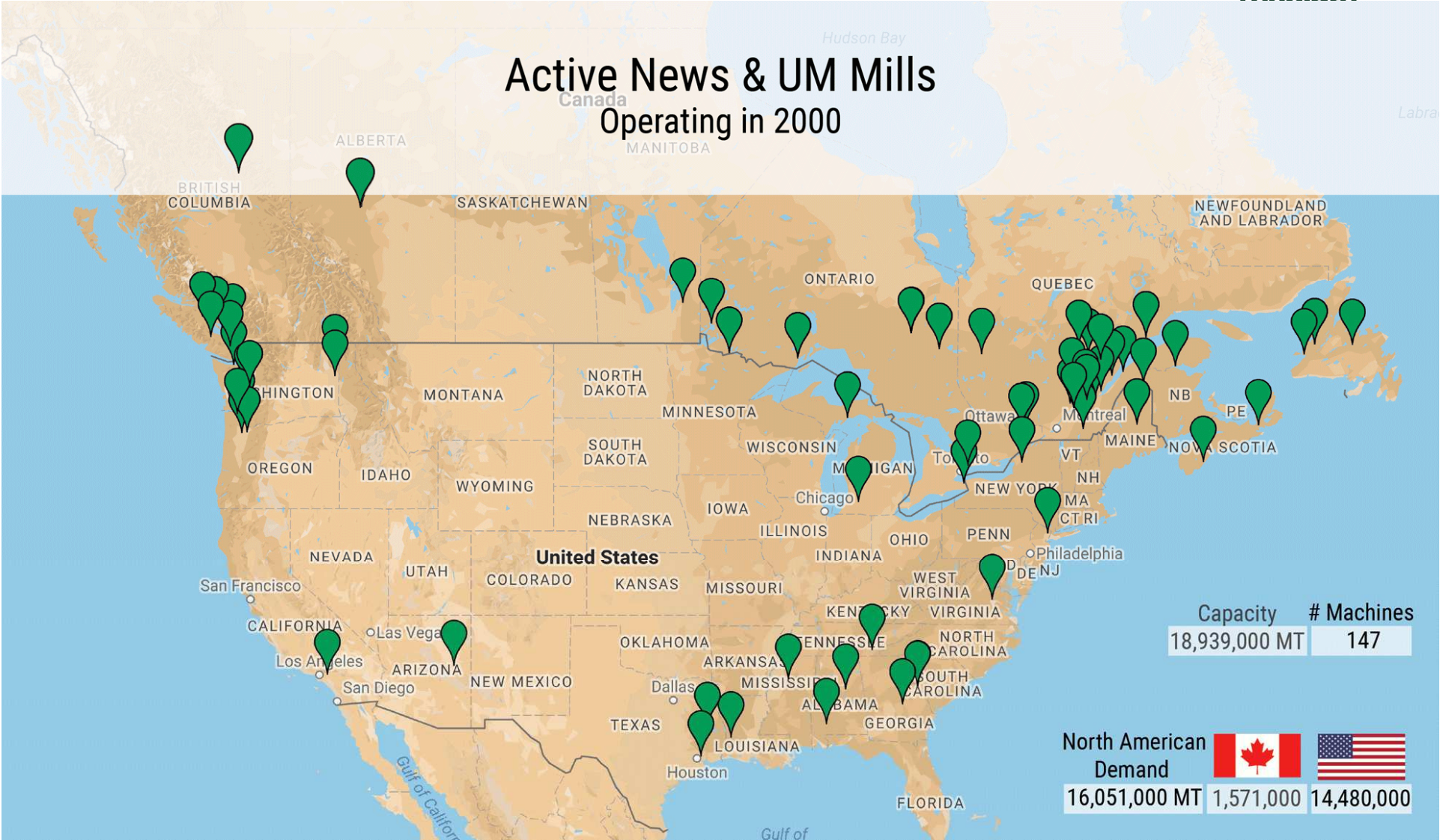
Source: PPGC, RISI

**Official:**



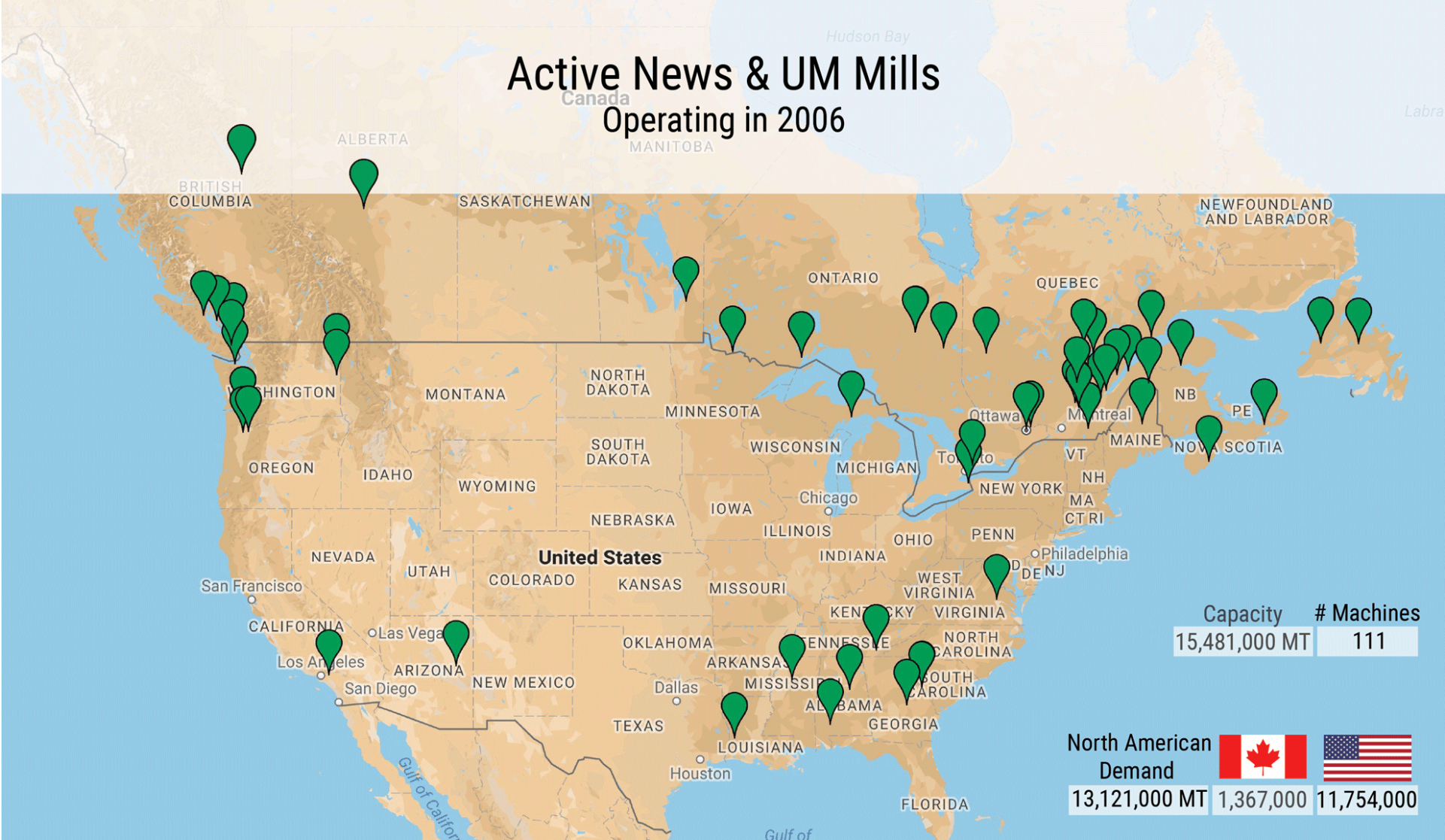
1. Kruger Bromptonville, QC to convert a news machine (91,800 MT) to food pkg – 8/18
2. Kruger Bromptonville, QC to convert news machine (96,000 MT to food pkg – 1/19
3. White Birch to reopen Ashland, VA machine (220,000) – 9/18 will run for approx. 27 mos.

Net increase of  
52,200/ MTPY to  
NA news  
capacity



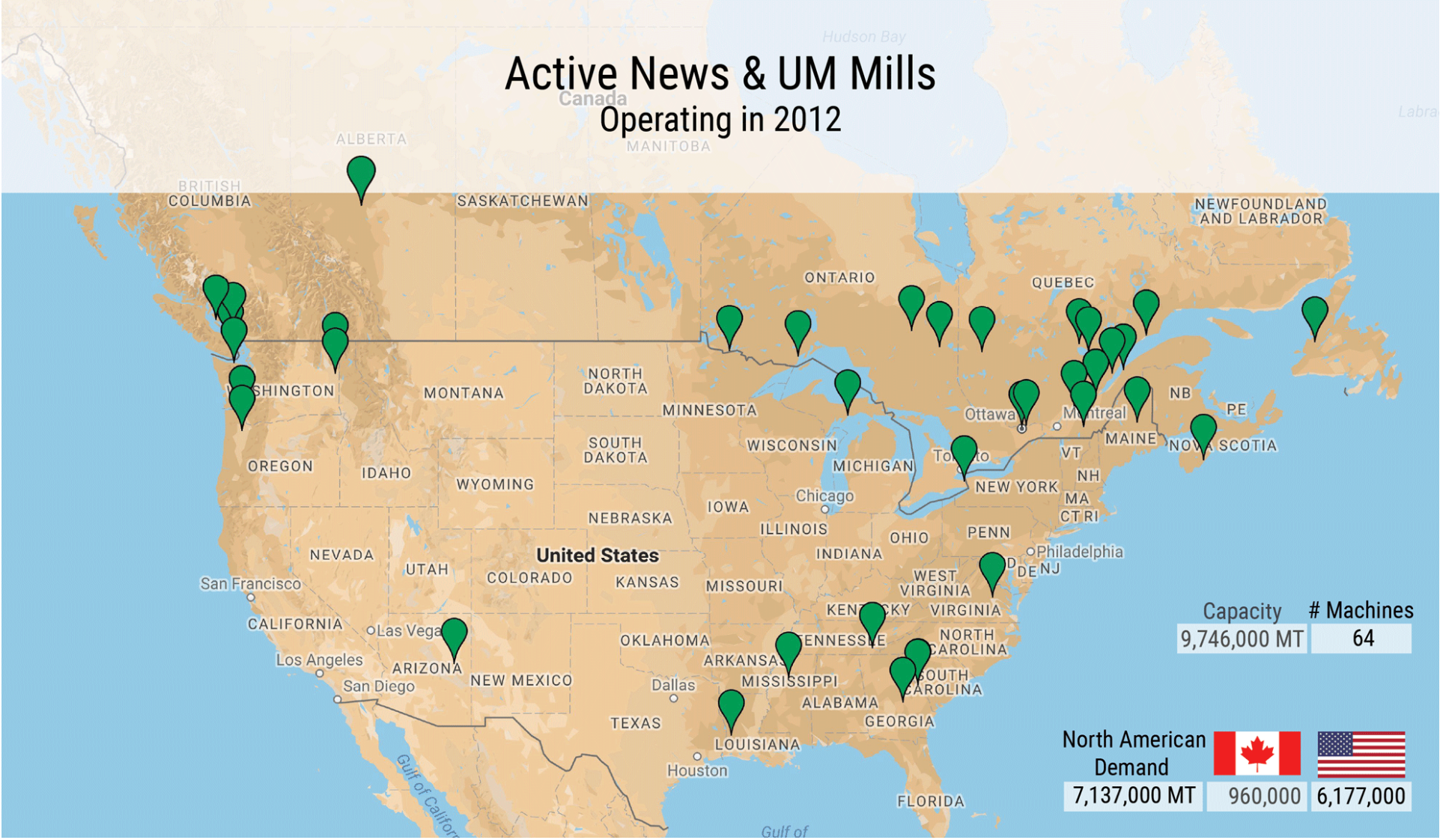
\* Data provided by PPPC





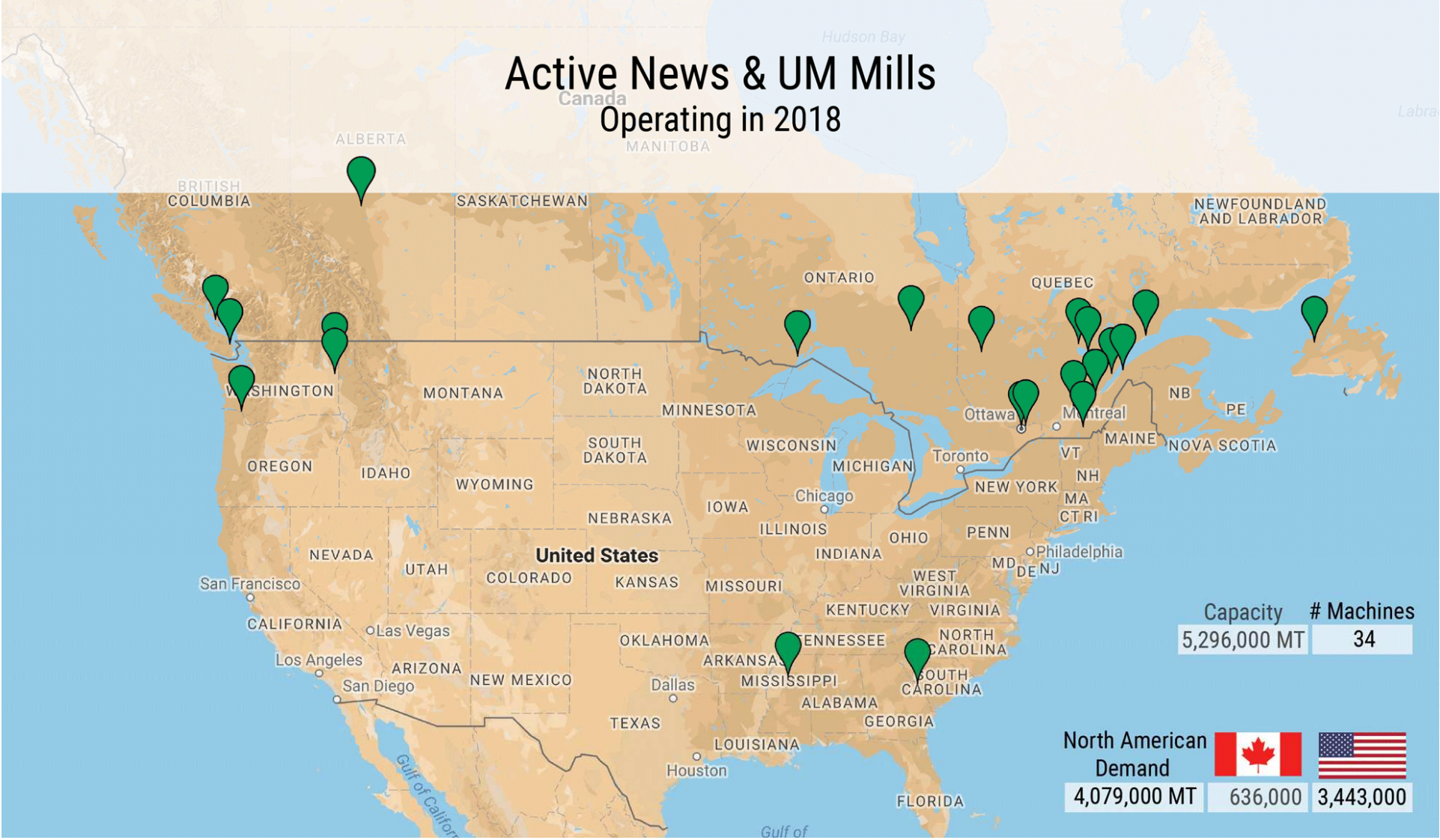
\* Data provided by PPPC

# Active News & UM Mills Operating in 2012

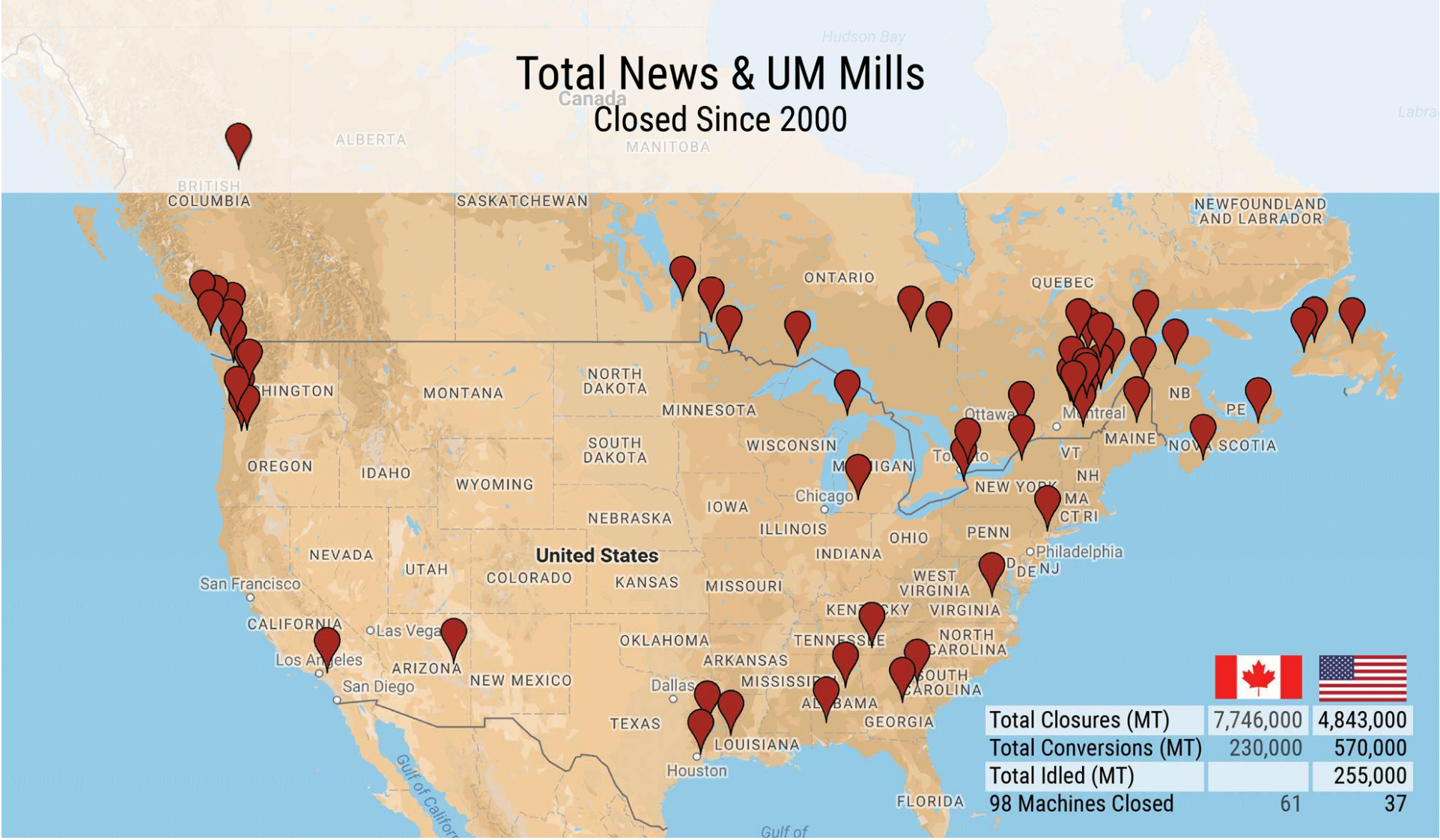


\* Data provided by PPPC

# Active News & UM Mills Operating in 2018



\* Data provided by PPPC



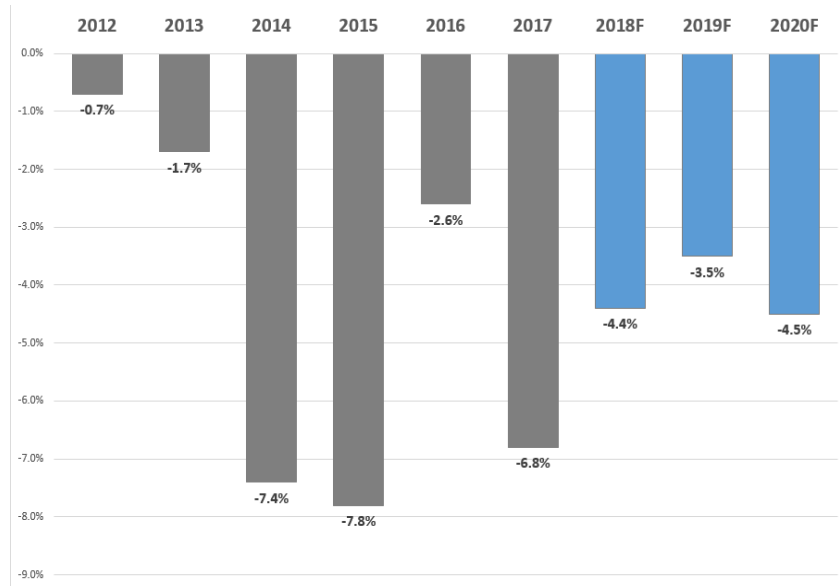
\* Data provided by PPPC



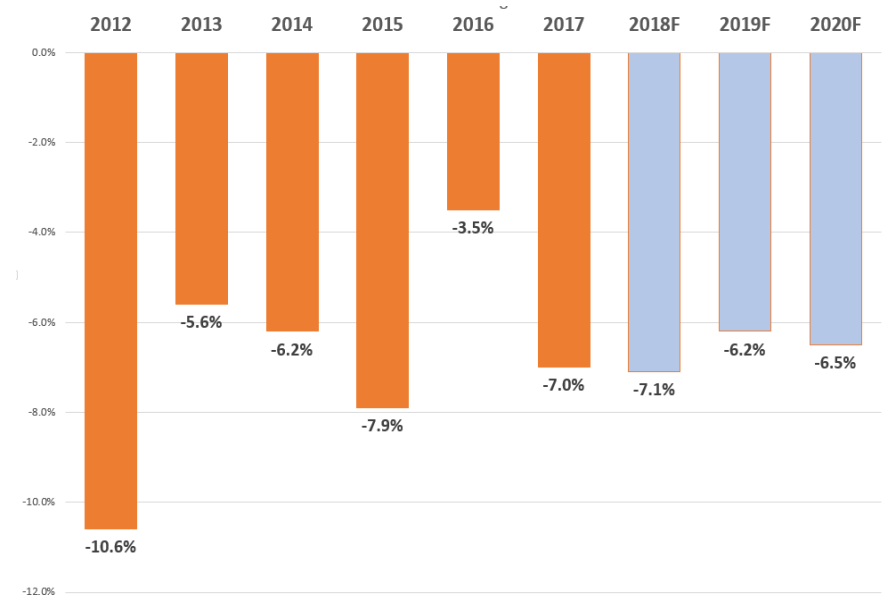
# DEMAND EXPECTATIONS

## WHAT'S IN STORE?

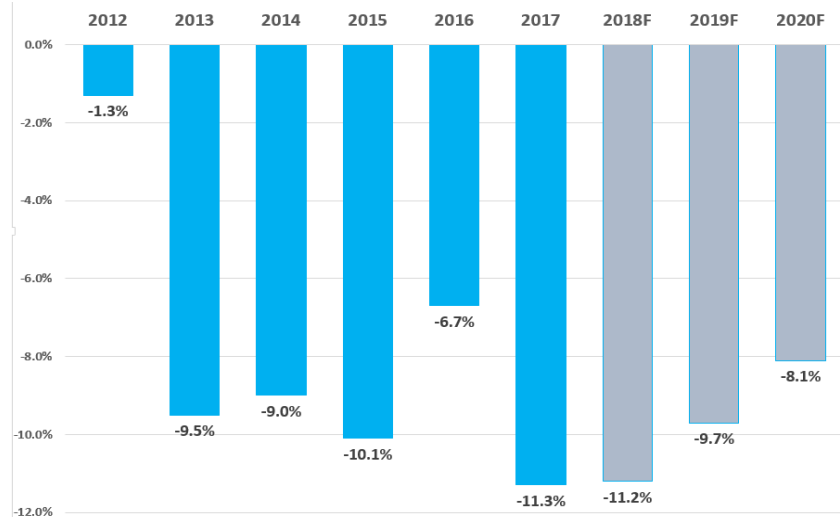
## Asian Newsprint Demand



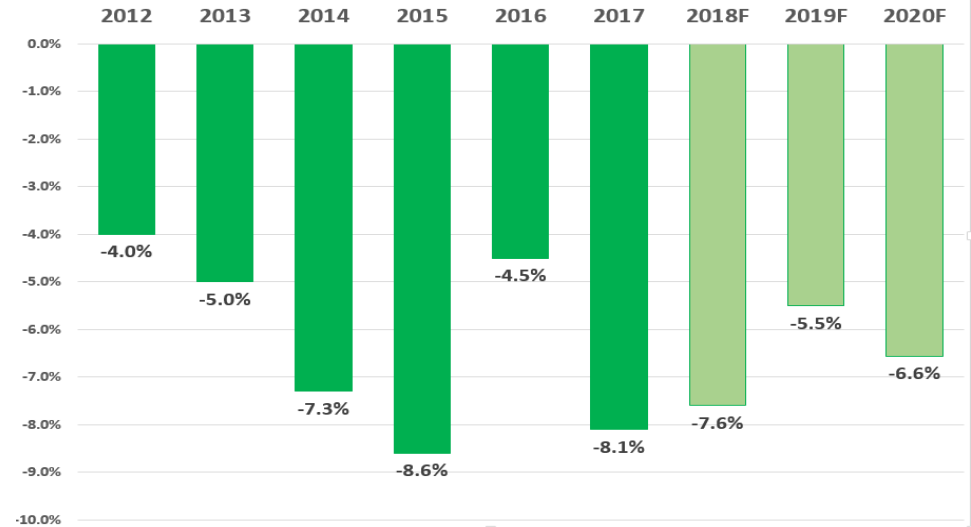
## W. European Demand



## North American Demand % Change



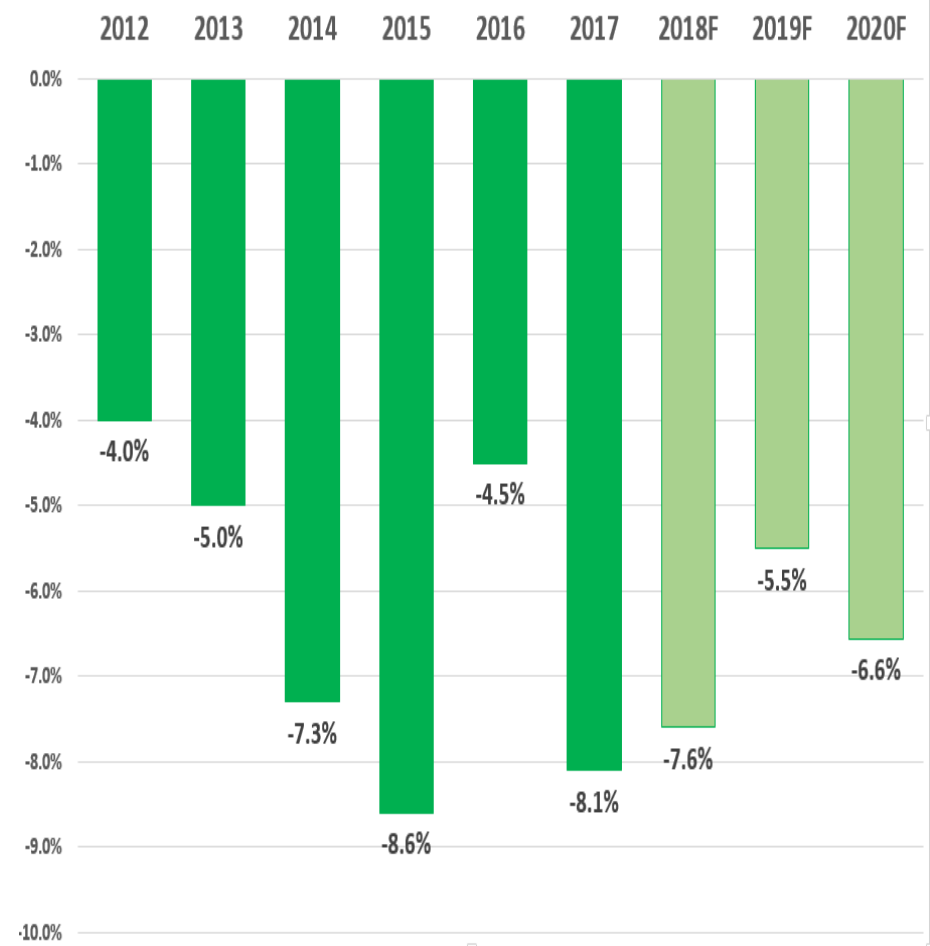
## Global Demand % Change



## Global Capacity % Change

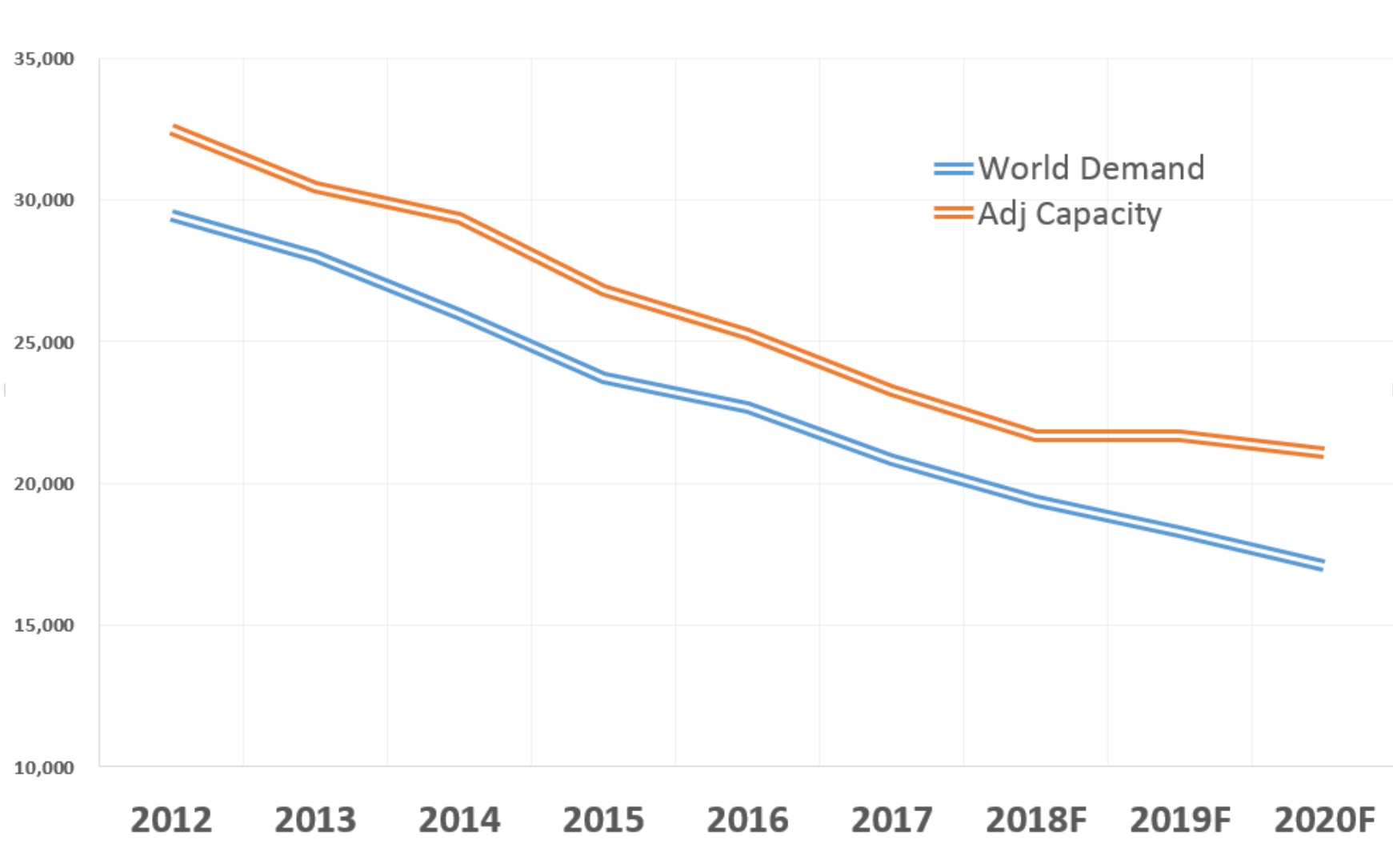


## Global Demand % Change



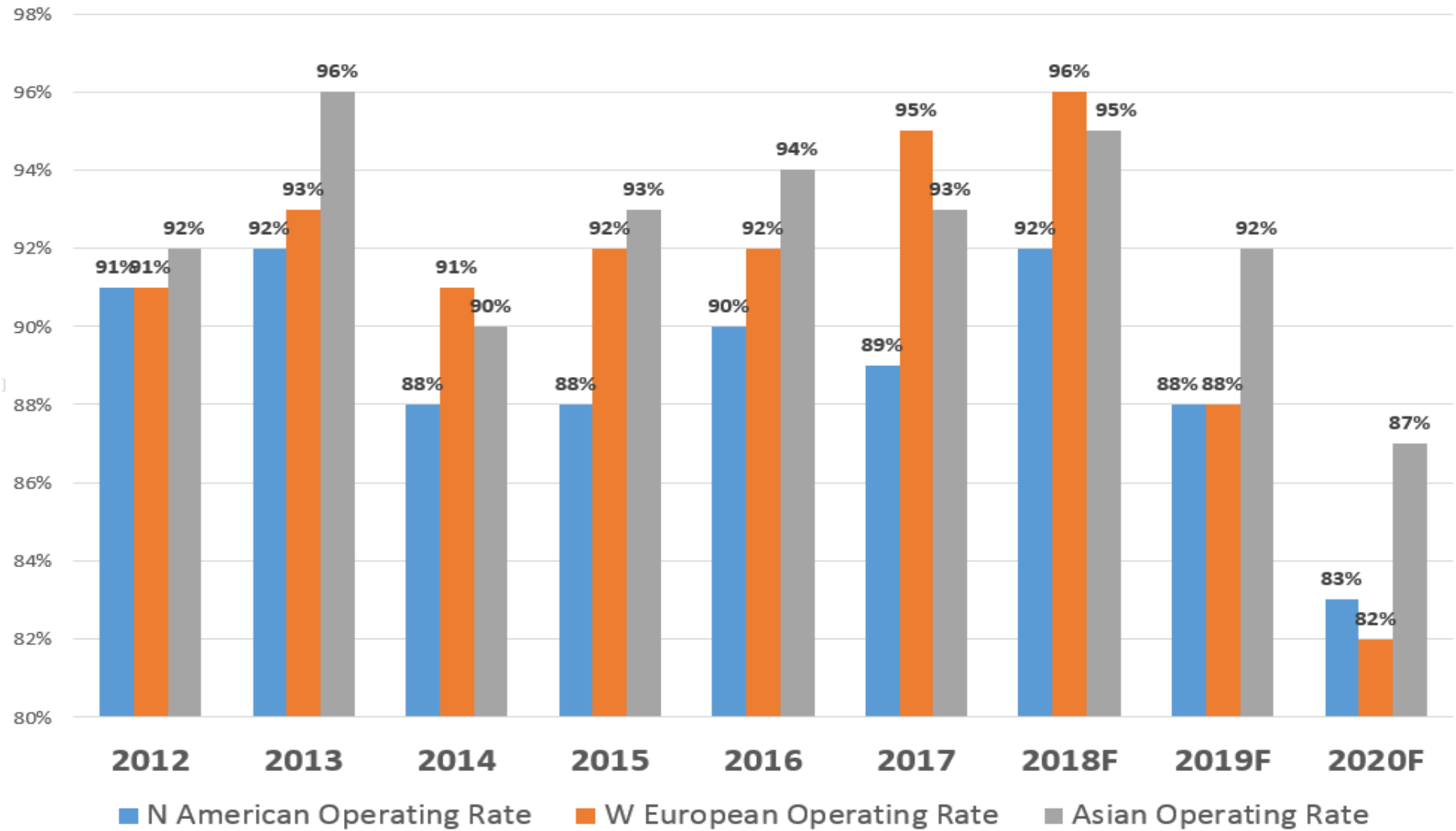
# Global Newsprint Demand vs Capacity

In tonnes, including forecast

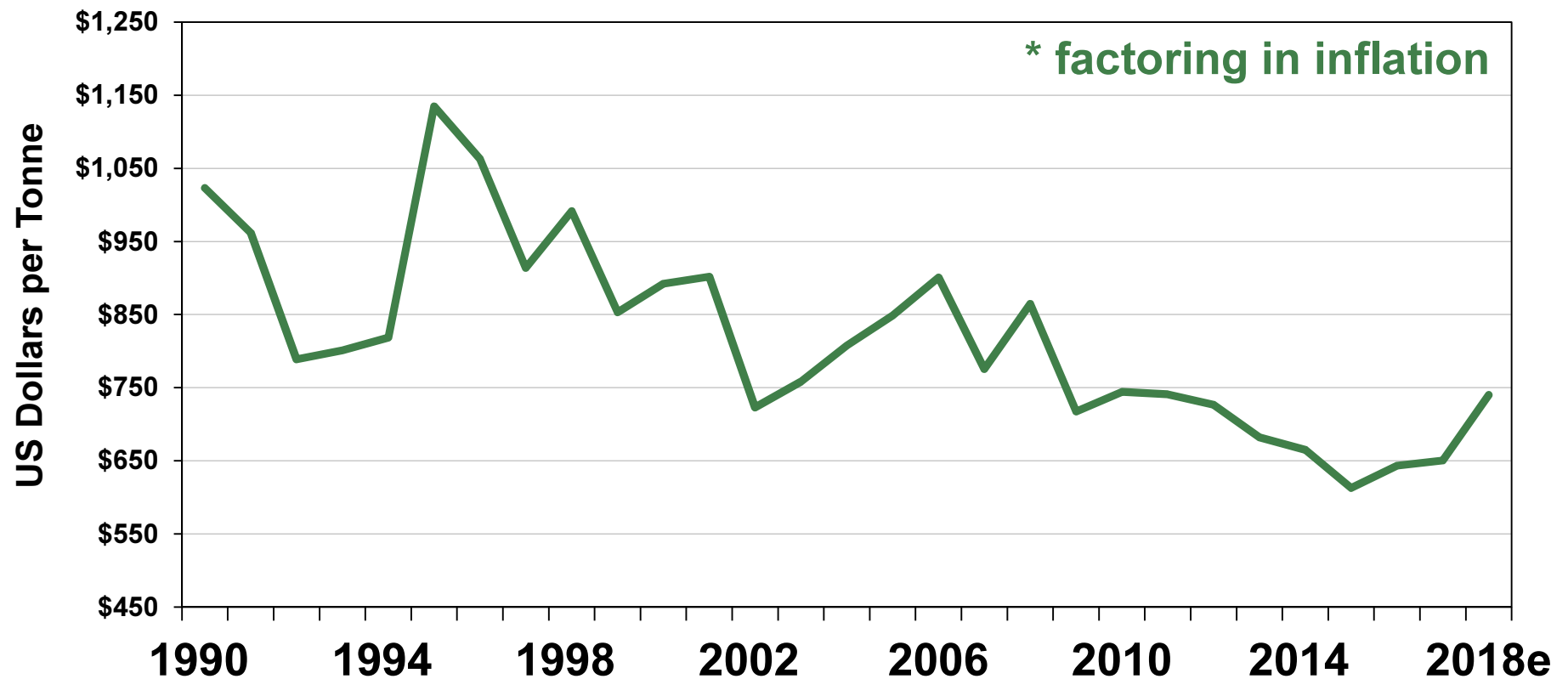




## NEWSPRINT OPERATING RATES BY REGION



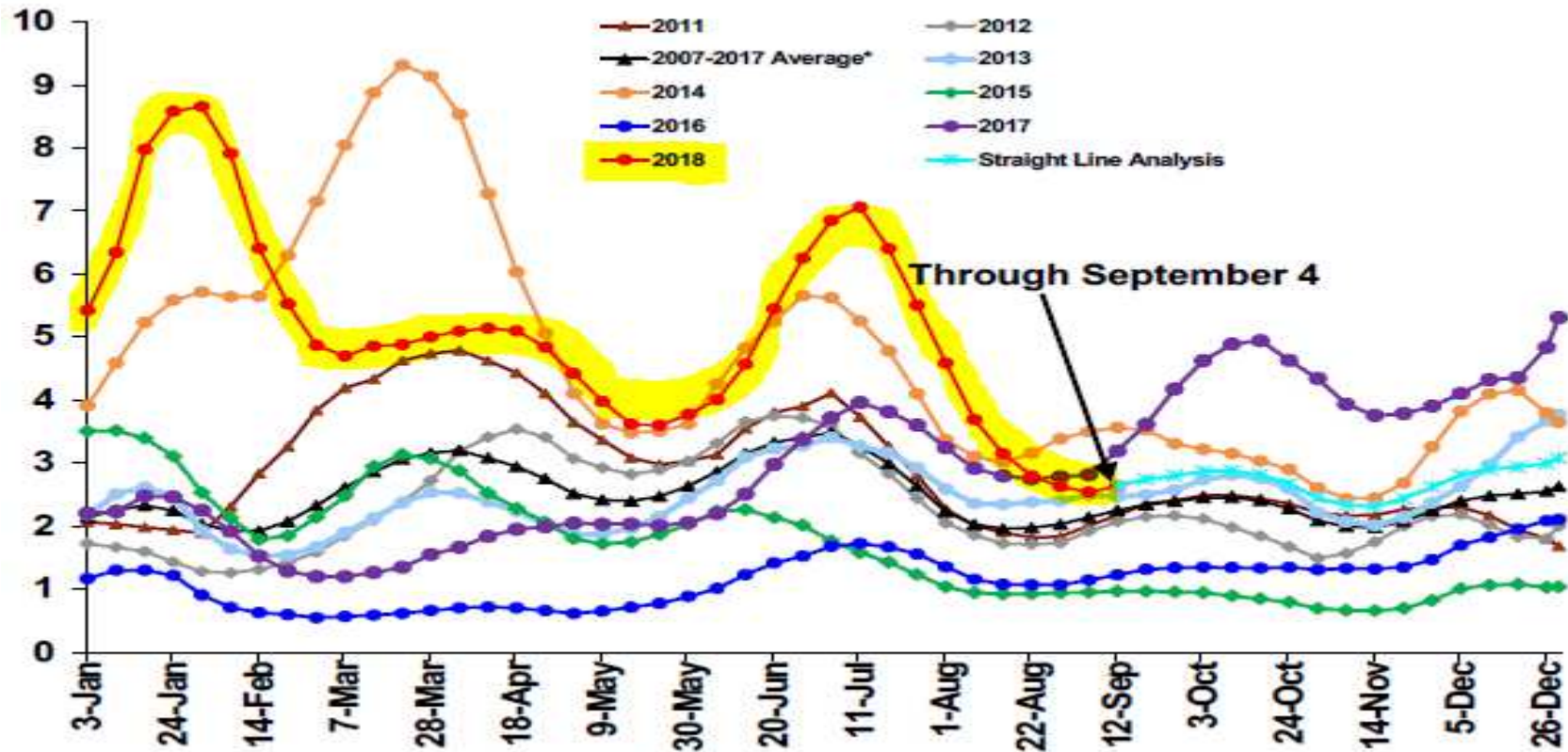
# RISI US 45 gsm US East Newsprint Annual Prices in 2018 Dollars



\* Source: RISI

# NA RAIL AND TRUCKING CHALLENGE

Exhibit 2: Morgan Stanley Dry Van ONLY Truckload Freight Index



Source: Morgan Stanley Research. The index measures the incremental demand for Dry-Van Truckload services compared to the incremental supply. When a given reading is above prior years' level, it means there is more freight demand relative to available capacity. When a given reading is below prior years' level, it means there is less freight demand relative to capacity. \*2007-2017 average trend line excludes financial crisis years of 2008 and 2009

\* Source: Morgan Stanley



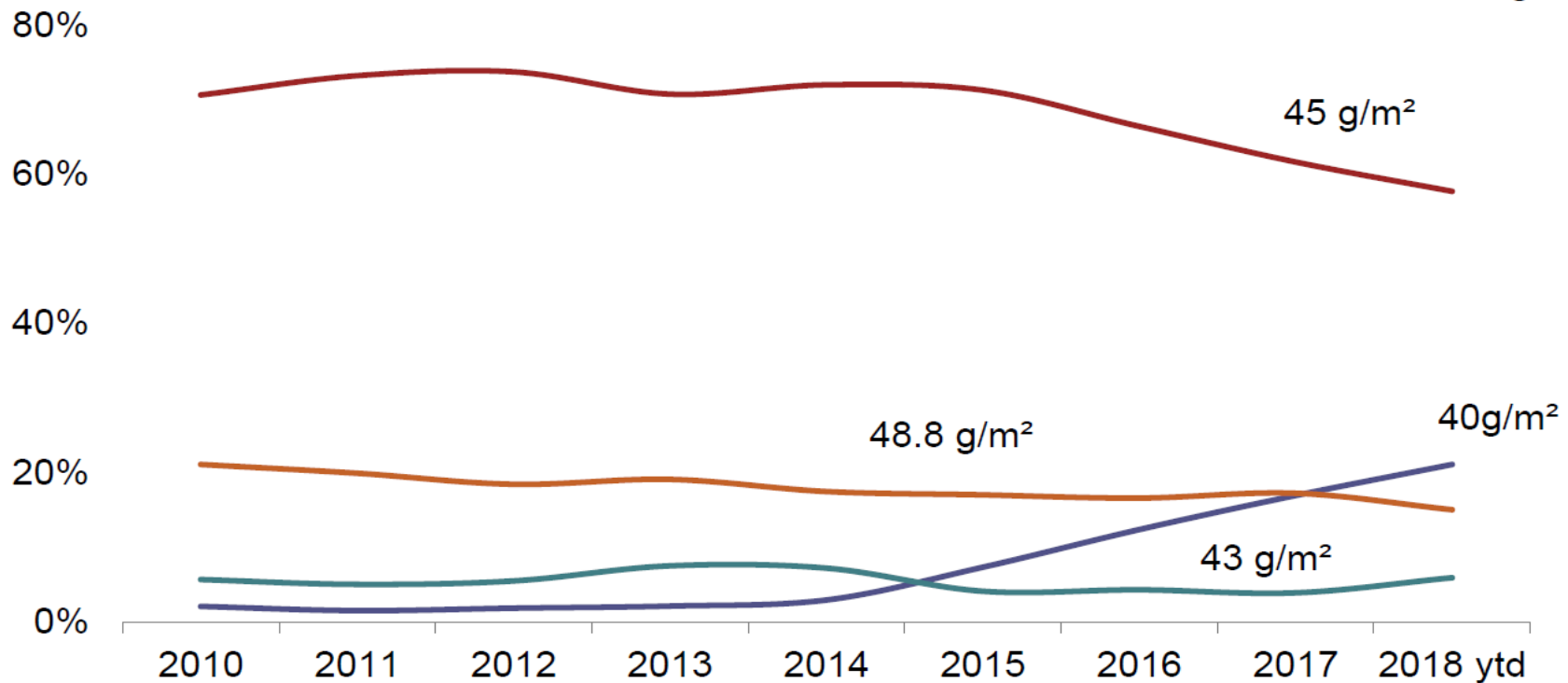


# **NA RAIL AND TRUCKING CHALLENGE KEYS TO SUCCESS!**

- **Orders in early, a huge help!**
- **Support your carrier**
- **Help us identify high risk orders**
- **Communicate, communicate, communicate**
- **Winter is Coming..**

# Gradual shift to 40g newsprint continues

Share of NA newsprint shipments to the US, by grammage  
annual averages





**QUESTIONS?**  
**THANK YOU!**

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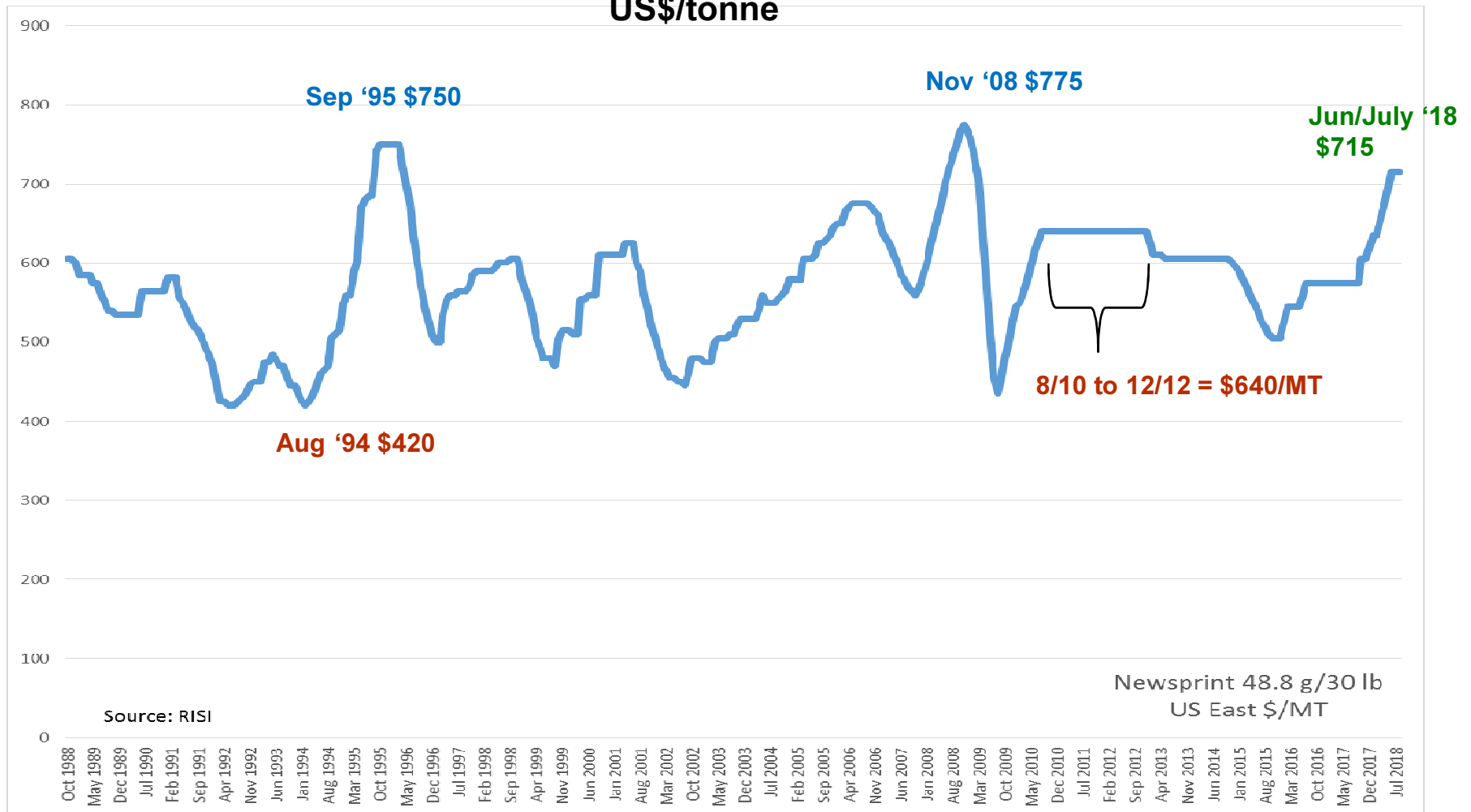


# ADDITIONAL INFO

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# RISI North American Newsprint Monthly Pricing 1988 – 2018

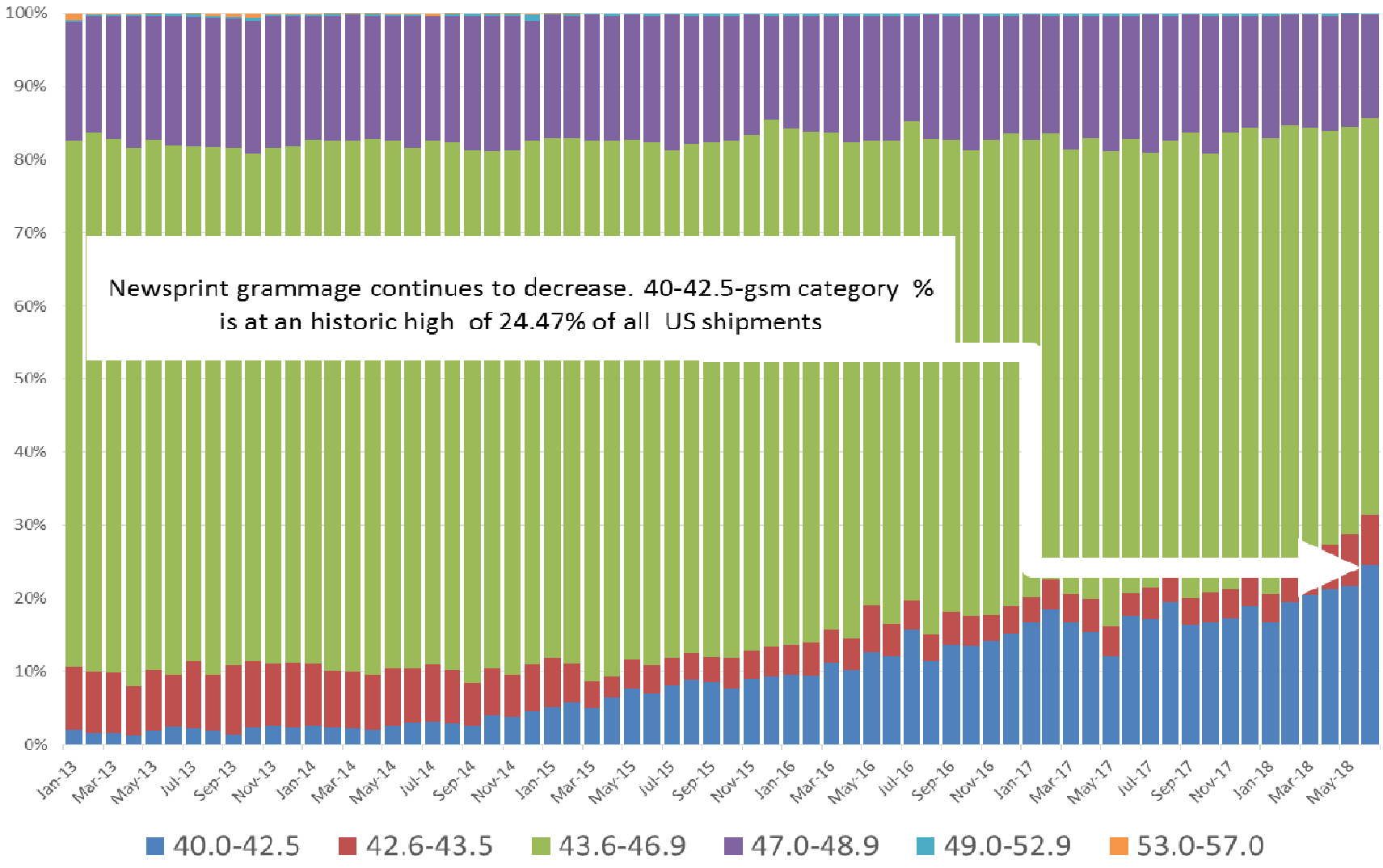
US\$/tonne



\* Source: RISI



### Grammage Split for US Newsprint Shipments



Source: PPPC

# Top 15 Newsprint Shipment Destinations

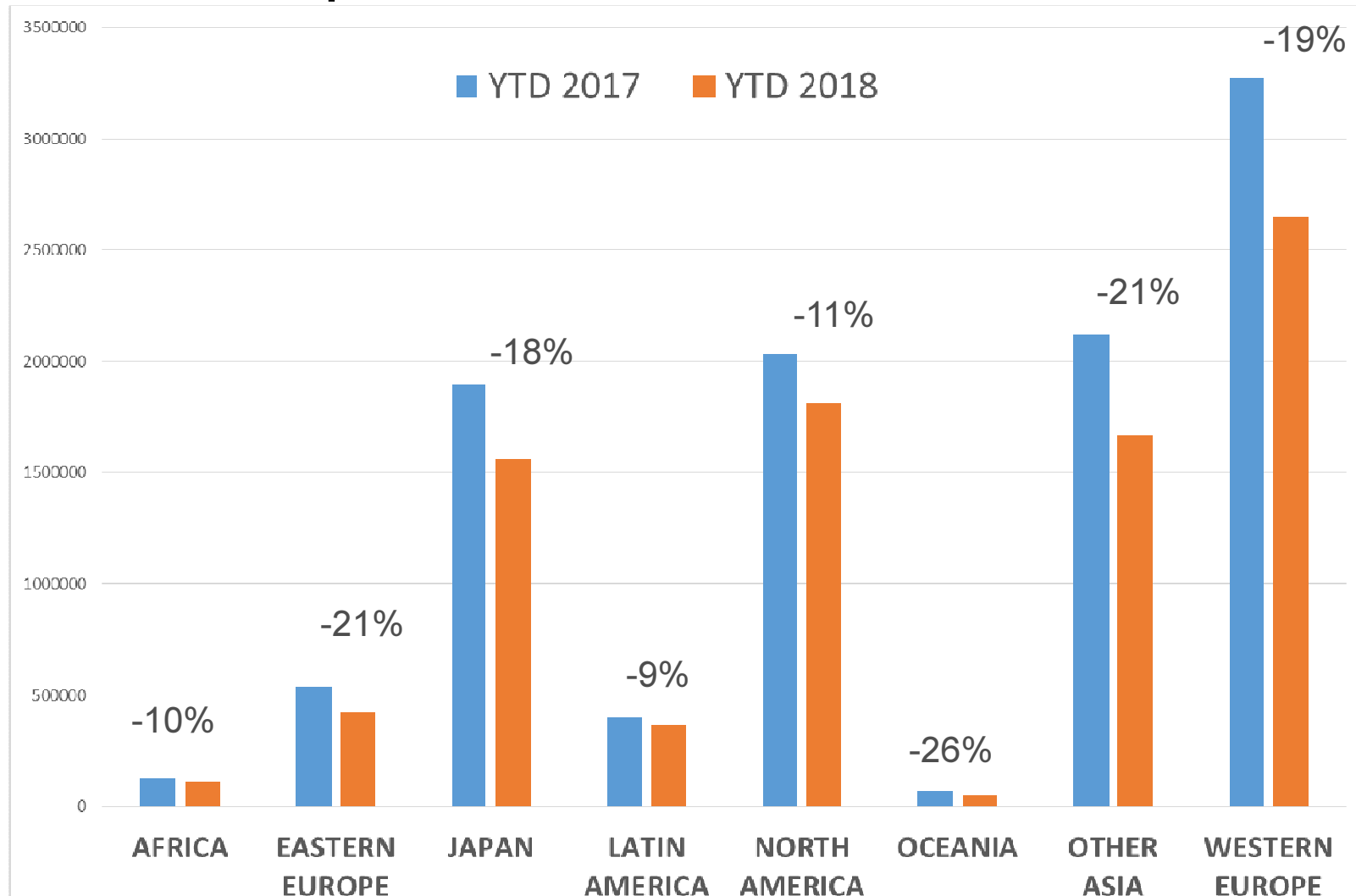
## 8 Month YOY Comparison by Country, tonnes

	2017 YTD	2018 YTD	% Variance
Japan	1892836	1559174	-18%
United States	1659092	1469446	-11%
Germany	1119551	960544	-14%
India	894628	669863	-25%
United Kingdom	584221	475835	-19%
Canada	371616	341824	-8%
Korea South	401864	328253	-18%
Russia (C.I.S.)	278051	217958	-22%
Italy	286111	216463	-24%
China	164739	198473	20%
France	240043	168687	-30%
Netherlands	156331	131146	-16%
Spain	164295	108058	-34%
Turkey (M.E.)	126121	103704	-18%
Austria	113314	100981	-11%

Top 15 countries make up 82% of global shipments

# Newsprint Demand by Region

## 8 Month YTD Comparison, tonnes



Source: PPPC

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# NA NEWSPRINT CAPACITY CLOSURES – SINCE 2012

Company	Location	Event	MT	Effective Date
<b>North America:</b>				
Resolute	Liverpool, NS	mill closure	250,000	Jun-12
Catalyst	Snowflake, AZ	mill closure	275,000	Oct-12
SP Fiber Tech	Dublin, GA	net reduction in NP by switching NP to PM#1	70,000	Apr-13
Resolute	Calhoun/Gatineau	Calhoun PM5 idle/Gatineau PM#6 restart (net)	40,000	H1 2013
SP Fiber Tech.	Newburg, OR	PM#5, conversion to linerboard 1/15/14	130,000	Jan-14
SP Fiber Tech.	Dublin, GA	PM#1 producing NP at 50%, 50% linerboard	70,000	Jan-14
Great Northern	E. Millinocket, ME	Announced 4 month downtime, believed to be longer	133,000	Feb-14
PCA	Deridder, LA	PM#3 conversion to containerboard	230,000	Sept-14
Kruger	Bromptonville, QC	PM#1 closure	94,000	Dec-14
Resolute	Baie Comeau, QC	PM#1 idled becomes permanent	133,000	Dec-14
Resolute	Iroquois Falls, ON	mill closure	210,000	Dec-14
Resolute	Clermont, QC	PM#4 closure	125,000	Jan-15
Howe Sound	Port Mellon, BC	PM#1 closure	140,000	Jul-15
Westrock (formerly SP)	Newberg, OR	PM#6 closure	215,000	Nov-15
Resolute	Augusta, GA	PM#1 closure	189,000	May-16
Kruger	Trois-Rivieres, QC	PM#10 conversion to linerboard	225,000	Feb-17
Resolute	Thorold, ON	PM#1	210,000	Mar-17
White Birch	Ashland, VA	PM#1 closure	240,000	Jun-17
Resolute	Calhoun, TN	PM#3 & PM#5	100,000	Sep-17
NORPAC	Longview, WA	PM#3 idled	200,000	Sep-17
<b>Total North America</b>			<b>3,279,000</b>	



**Closures in 2017 < 1M tonnes**

Source: PPPC, RISI





# NA TRADE DISPUTE SUMMARY

- International Trade Commission (ITC) voted unanimous against the Department Of Commerce (DOC) claim Canadian Groundwood Paper Imports injure US Industry!!
- Tariff deposits will be returned plus interest and avoids ten of millions going forward.
- Campaign to end duties was supported by 174 members of Congress and forestry industry groups in the U.S, Our order book is very tight as we work through mill production issues.
- ITC “Issuance of Orders” will be released at the end of Sept.