



Hilco Appraisal Services, LLC

Containerboard Industry Perspective

THIRD QUARTER 2011

PRIMARY RECOVERY FACTORS

>> Recycled fiber prices have eased over the last few weeks, but are still extremely high compared to historical levels.

>> For the eight months ended May 2011, U.S. containerboard mills were operating at 95% of capacity.

RECENT APPRAISAL EXPERIENCE

Caraustar, Inc.

Longview Fibre Paper and Packaging, Inc.

The Newark Group, Inc.

Forest Resources, LLC

Tembec Inc.

Most Pricing Remains Steady

By Jesse Marzouk

Prices for containerboard remained flat in the third quarter of 2011. Unbleached kraft linerboard remained steady at \$660 per ton, and corrugated medium held at \$630 per ton. These

prices have remained relatively unchanged throughout 2011 thus far.

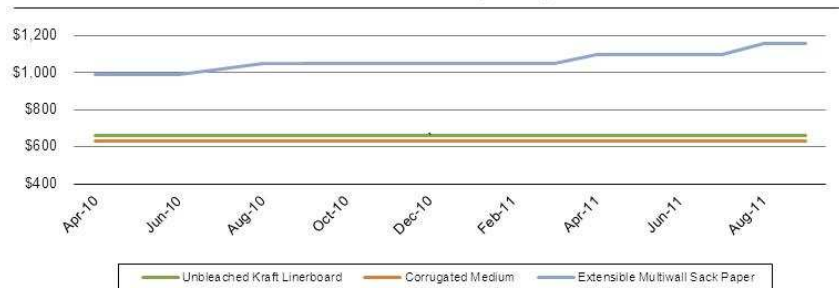
There has been some speculation that containerboard producers will raise prices at the end of 2011 or the beginning of 2012 as the merger between International Paper and Temple Inland will result in a much more consolidated industry. If the merger is approved, the combined company will have approximately 40% of containerboard capacity in North America. However, demand from box producers has been weak, as year-over-year box shipments in

the U.S. through August 2011 essentially have remained flat. This tug of war likely will play out over the coming years.

For much of the year, producers of recycled containerboard and paperboard have been burdened by high recycled fiber costs. Weak demand generation of recycled fiber due to consistently high unemployment and strong demand from China that is starting new recycled content machines drove prices significantly higher through August. Recently, however, producers have gained some relief as costs for most types of fiber

have dropped over the last few weeks. The cost of old corrugated containers is off approximately \$30 per ton from recent highs as some of the Chinese capacity expansions have been pushed back and the worldwide economy has slowed. Even if recycled fiber prices correct further over the coming months, it is more likely just a bump in the road to higher prices. Most of the developed economies will have difficulty generating more recycled fiber while emerging market paper and containerboard recycled machines begin production in the coming years.

RISI Containerboard and Paperboard Prices
18-Month Trend (US \$/Ton)



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.



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