



Hilco Appraisal Services, LLC

Containerboard and Paperboard Industry Perspective

FIRST QUARTER 2013

Containerboard price hike for Q2

By Jesse Marzouk

INDUSTRY

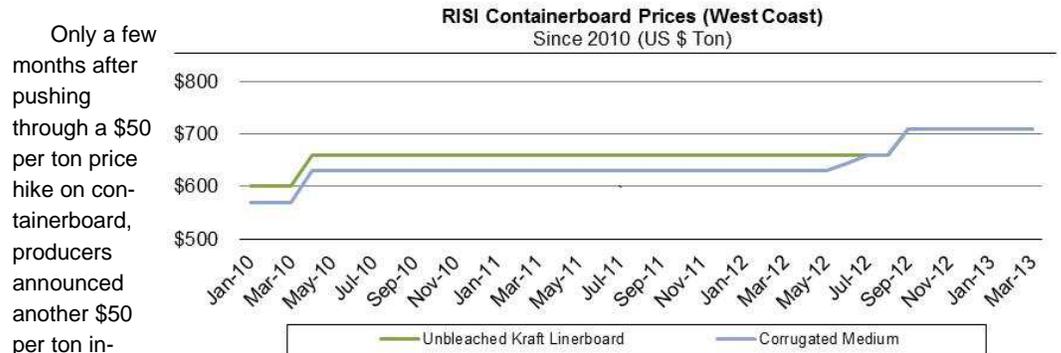
INFORMATION

>> Recycled fiber prices have rebounded over the last 6 months and are not far from cyclical highs.

>> For the 2 months ended February 2013, U.S. containerboard mills were operating at 97% of capacity.

RECENT APPRAISAL EXPERIENCE

- Longview Fibre Paper and Packaging, Inc.
- The Newark Group, Inc.
- Simpson Tacoma Kraft
- Durabox-Ram, Inc.
- Allpak Container, Inc.
- Port Townsend Paper Corporation
- Climax Paperboard
- Forest Resources, LLC



Only a few months after pushing through a \$50 per ton price hike on containerboard, producers announced another \$50 per ton increase that is slated to take effect in April.

The timing of the announcement took many market participants by surprise as the previous hike was only fully implemented in the fourth quarter of 2012. Analysts had expected a price hike attempt in the second half of 2013, but not in the first. While the price hike will be met with some resistance, especially from independent box plants, at this point it looks likely to be implemented. Containerboard mills and box plants continue to operate with low levels of inventory, recycled fiber prices have

moved up recently, and the upcoming spring maintenance season will keep mill operating rates high. Furthermore, the industry continues to benefit from the consolidation that occurred over the last few years, eliminating certain undisciplined producers.

One of the reasons why mills may have decided to announce a price hike now is the upcoming capacity additions, both greenfield and machine conversions, that will take effect as 2013 progresses. SP Fiber Technologies continues its tran-

sition of some of its production from newsprint to other grades, including containerboard. Similarly, Atlantic Packaging's conversion of a newsprint machine to containerboard will likely occur in April. Lastly, a greenfield site in New York state operated by Norampac is expected to start over the next few months. These capacity additions will add approximately 3% to North American containerboard capacity. Current producers likely want to implement a price hike now before this extra capacity fully hits the market.

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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