



# Hilco™ Valuation Services

## Paper Products Industry Perspective

THIRD QUARTER 2013

### INDUSTRY

#### INFORMATION

>> Total North American demand for printing and writing paper declined 2.2% year-over-year through August 2013.

>> Total North American demand for newsprint declined 9.5% year-over-year through July 2013.

#### RECENT APPRAISAL EXPERIENCE

- NewPage Corp.
- Resolute Forest Products
- Verso Paper Corp.
- Catalyst Paper
- Unisource Worldwide, Inc.
- Global Tissue Group, Inc.
- Port Hawkesbury Paper
- Twin Rivers Paper Co.

## IP announces Courtland, AL shut

By Jesse Marzouk

International Paper sent a shockwave through the paper industry when it announced the closure of its Courtland, Alabama paper mill. Annually, the mill has capacity to produce 765,000 tons of uncoated freesheet (UFS) and 185,000 tons of coated and kraft paper. The closure will occur in two stages, with two paper machines closing in the fourth quarter of 2013 and the remaining two in the first quarter of 2014.

The closure will have the largest impact upon the UFS market. The closure removes approximately 8% of capacity in North America for UFS.

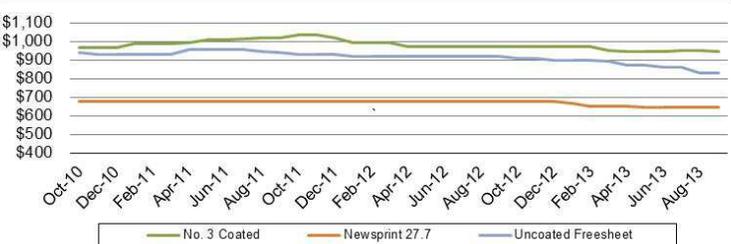
This amounts to more than two years' worth of demand declines in North America based on current expectations. As a result, operating rates in North America for UFS will be pushed towards 95%, a level not seen in almost 10 years. This is well above the level where producers typically are able to raise prices.

Only days after the announcement of the closure, and before any capacity had actually been taken off the market, almost all UFS producers announced price hikes ranging from \$40 to \$70, depending on the grade. Domtar, the industry behemoth, will benefit the most, as it will control more than one-third of UFS capacity in

months. The two most popular grades of UFS (cutsheet and offset rolls), declined anywhere from \$50 to \$100 per ton over the last year. Additionally, annual demand declines for UFS have averaged nearly 3% since 1999, with no sign of leveling off any time soon.

This is the difficult environment that producers of printing

**RISI Paper Prices**  
36-Month Trend (US \$ Ton, except Newsprint per Tonne)



2014 after the Courtland closure and other smaller closures at the end of 2013.

While the Courtland mill was almost certainly a profitable mill, the decision to close it came on the back of a sharp deterioration in UFS pricing over the last 12

and writing papers in North America and Europe encounter as they are faced with continual demand decline. Other large scale mill closures, even for those mills that are currently profitable, are likely to be seen over the next decade to help producers maintain pricing.

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.



For Further Information, Please Contact:

Jesse Marzouk | 847-849-2959 | fax 847-521-7896 | [jmarzouk@hilcoglobal.com](mailto:jmarzouk@hilcoglobal.com)

This publication has been prepared solely for the use of clients and professional associates of The Hilco Organization. No warranty is given as to the accuracy, completeness of the information or opinions provided in this publication. The publication should not be used as specific advice and is intended for general information purposes only.