



Hilco™ Valuation Services

Pulp Industry Perspective

THIRD QUARTER 2013

INDUSTRY

INFORMATION

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

>> Capacity increases in eucalyptus hardwood pulp from South American producers will total more than four million tonnes between 2012 and 2015.

RECENT APPRAISAL EXPERIENCE

Tembec Inc.

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Pulp Prices Largely Flat in Q3

By Jesse Marzouk

North American pulp prices moved little in the third quarter after increasing in the first two quarters of 2013. NBSK list prices in the U.S. declined \$5 per tonne from \$950 to \$945. Prices for NBHK in the U.S. also decreased slightly, falling \$5 per tonne to \$870. While these list prices are near the highest since October 2011 for NBSK and September 2010 for NBHK, the effective selling prices are actually lower than at those points. Over the last few years there has been an increasing disconnect between list prices and actual prices paid by customers with contracts, as market discounts have increased from the 15% range to higher than 20%.

In the short term, it appears that prices of hardwood and softwood are set to diverge. Worldwide producer inventory

levels for softwood is at 28 days, the low end of a range considered balanced. The slower than expected startup on Ilim Group's large pulp mill in Russia has caught buyers off-guard, some of which have scrambled to secure softwood supplies. It is on the back of the inventory level figure that producers appear to be successful in raising the list price of NBSK \$20 to \$30 per tonne in October.

Hardwood prices, on the other hand, appear to be headed in the opposite direction. Worldwide producer inventory levels sit at 48 days, well above bal-

anced levels. Additionally, as the capacity expansion of eucalyptus in South America continues, with 2.8 million tonnes of expected to come online in the fourth quarter, the situation may get worse. Further exacerbating the supply issue, is the likely transition of some production of Fortress Paper's dissolving pulp to NBHK. This is an occurrence that Hilco mentioned as a rumor in its previous quarterly perspective, and now is likely as China probably will implement duties against dissolving pulp from Fortress and other producers over the next six months.

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



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