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Valuation Services

Pulp Industry Perspective

4TH 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 VALUATION/ LIQUIDATION EXPERIENCE

Tembec Inc.

Neucel Specialty Cellulose

Resolute Forest Products Inc.

Catalyst Paper

Simpson Tacoma Kraft

China slaps duties on viscose

By Jesse Marzouk

North American paper grade pulp prices diverged in the fourth quarter of 2013, as the additional eucalyptus hardwood

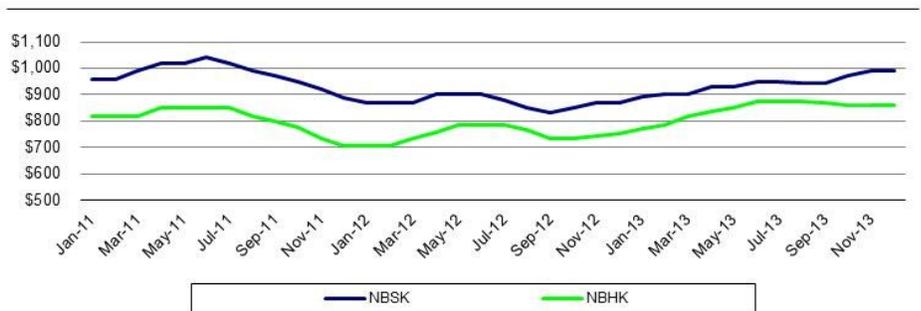
capacity in South America finally impacted prices. Prices for NBHK list prices in the U.S. decreased \$10 per tonne to \$870. NBSK prices increased \$45 per tonne, however, from \$945 to \$990. The divergence may continue over the medium term as little capacity is expected for softwood grades, while many of the new eucalyptus hardwood mills are just now ramping up production.

The more interesting news in the pulp industry came with the November 2013 announcement by China of preliminary anti-dumping duties against imports of viscose dissolving pulp from

the U.S., Canada, and Brazil after the Chinese government reviewed a trade case brought by dissolving pulp mills in China. The duties range from 6.8% to 50.9%, and are company specific. Producers from other countries were not slapped with duties, nor were other grades of dissolving pulp such as acetate. Interestingly enough, the only producer in the three countries to avoid duties was Neucel Specialty Cellulose. Neucel is 100% owned by Fulida, a Chinese entity that produces rayon. Viscose dissolving pulp is one of the major raw materials utilized in the production of rayon.

The announcement is already having a large impact on some producers. Fortress Paper, which spent \$150 million to convert its Thurso, Quebec mill from NBHK to viscose production, announced 10 weeks of market related downtime starting on December 22, 2013. Paper Excellence, which had planned on converting its mill in Prince Albert, Saskatchewan to viscose production, will now switch to producing fluff pulp, which is primarily used for incontinence products. Further impact upon the dissolving pulp industry likely will be realized.

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



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.

