



# Hilco Appraisal Services, LLC

## Paper Products Industry Perspective

FIRST QUARTER 2013

### INDUSTRY

#### INFORMATION

>> Total North American demand for printing and writing paper declined 4.5% year-over-year through February 2013.

>> Total North American demand for newsprint declined 9.0% year-over-year through February 2013.

### RECENT APPRAISAL EXPERIENCE

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

## Fight between grades intensifies

By Jesse Marzouk

As North American demand for graphic paper continues to decline, the fight between grades for a larger share of a shrinking pie has intensified.

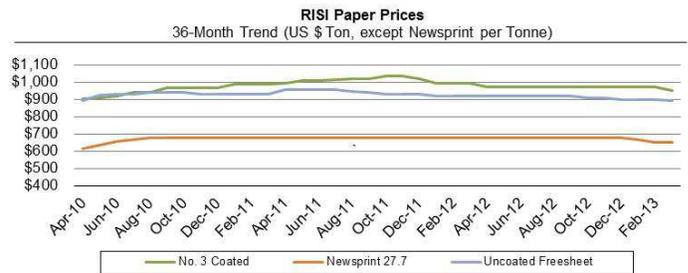
In 2012, the newsprint market was buoyed by demand from non newspaper sources, which substituted cheaper newsprint for higher priced supercalendered (SC) paper. This helped mitigate the demand decline from North American newspapers as well as a weakening export market because of the strength of the U.S. dollar against certain foreign currencies. Although the export market has rebounded some in 2013, North American newspaper demand has declined further and newsprint is no longer taking share from SC paper. As a result, North American newsprint prices declined \$25 to \$30 per tonne in the first quarter of 2013.

The restart of Port Hawkesbury Paper's mill in Nova Scotia, which added approximately 395,000 tons of SC paper to the

North American market, has shifted the landscape. That restart, which accounts for approximately 25% of North American demand for SC paper, resulted in price declines of approximately \$40 per ton for SC grades in the first quarter of 2013. The cheaper SC pa-

chine shuts by Verso Paper and Resolute Forest Products.

Although not confirmed, it is speculated that the weakness in the LWC market has led coated producers, such as NewPage and Verso, to turn off coaters and make uncoated grades. Amid



per may have been one of the motives behind Time Inc.'s switch from lightweight coated (LWC) to glossy SC for some of its publications. With the restart of Port Hawkesbury, the market for LWC has also come under pressure, with producers giving back their \$30 per ton price hike achieved in the second half of 2012 after ma-

consistent demand declines and potentially new supply from the coated producers, prices for uncoated freesheet offset rolls and sheets dropped \$10 to \$20 in the first quarter.

In a world of decreasing demand for paper, it is every grade for itself.

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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