



# Hilco Appraisal Services, LLC

## Pulp Industry Perspective

THIRD QUARTER 2012

### PRIMARY RECOVERY FACTORS

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

>> Capacity increases in hardwood, and to a lesser extent softwood, should keep a lid on pulp prices through the beginning of 2013.

### RECENT APPRAISAL EXPERIENCE

Tembec Inc.

Neucel Specialty Cellulose

Cosmo Specialty Fibers Inc.

Resolute Forest Products Inc.

## Pulp Prices Decline in Q3

By Jesse Marzouk

North American pulp prices were significantly lower in the third quarter of 2012. NBSK list prices in the U.S. decreased \$70 per ton from \$900 to \$830. Prices for NBHK in the U.S. also declined, dropping \$50 per tonne to \$735.

As has been the case for the better part of a few years, the short term demand outlook for consumption of pulp in China has driven global pulp prices. China was well stocked with pulp heading into the third quarter of 2012, resulting in declining prices around the world as producers tried to find a home for their pulp.

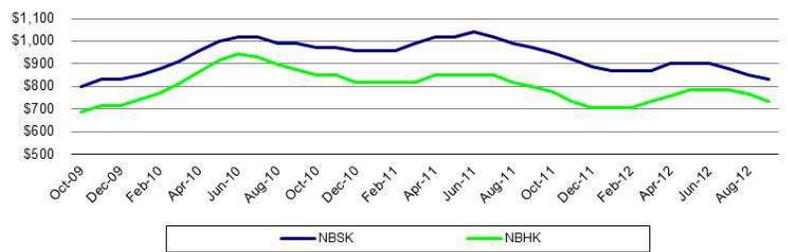
Heading into the final quarter of 2012, it appears that the hardwood and softwood markets are heading in opposite directions. On the back of August global pulp inventory data, which showed the softwood

market in good balance, producers in North America announced \$20 price increases for October shipments. Meanwhile, hardwood pulp inventory levels still remain out of balance, and while producers may attempt to raise prices, prices will likely have to drop in the medium term before the market becomes more balanced.

Furthermore, it will be difficult for producers to raise prices much beyond current levels in the near term. While the softwood pulp inventory correction in China appears to over, capacity additions will take time to

be absorbed. Within the next three to four months, capacity additions of approximately 850,000 tonnes will come from softwood suppliers in Canada and Russia, while a large 1.5 million tonne eucalyptus (hardwood) plant in South America may create a larger divide between hardwood and softwood prices. Other hardwood additions in South America through 2014 totaling another 2.8 million tonnes may require closures of other hardwood facilities to keep that market balanced over the next few years.

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.



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