



# Hilco Appraisal Services, LLC

## Pulp Industry Perspective

FIRST QUARTER 2012

### PRIMARY RECOVERY FACTORS

>> Pulp prices are expected to increase in the second quarter of 2012 as most major producers have announced price hikes.

>> Most of the major capacity increases throughout the world are not expected to begin production until late 2012 and into 2013.

### RECENT APPRAISAL EXPERIENCE

Tembec Inc.

Neucel Specialty Cellulose

Cosmo Specialty Fibers Inc.

Resolute Forest Products Inc.

Fibrex Inc.

## Pulp Prices Bottom in Q1

By Jesse Marzouk

Pulp prices bottomed in the first quarter of 2012, after declining during the second half of 2011. NBSK list prices in the U.S. declined \$20 per tonne to \$870 per tonne. Prices for NBHK in the U.S., however, increased \$30 per tonne from \$705 to \$735.

The pulp market was out of balance in the second half of 2011, but is more in balance heading into the second quarter of 2012. Balance in the worldwide markets is typically considered to be approximately 38 days' supply for hardwood and 30 days' supply for softwood. The most recent data, based on February numbers, placed hardwood supplies at 35 days and softwood supplies at 31 days. These are down from 41 days for hardwood and 34 days for soft-

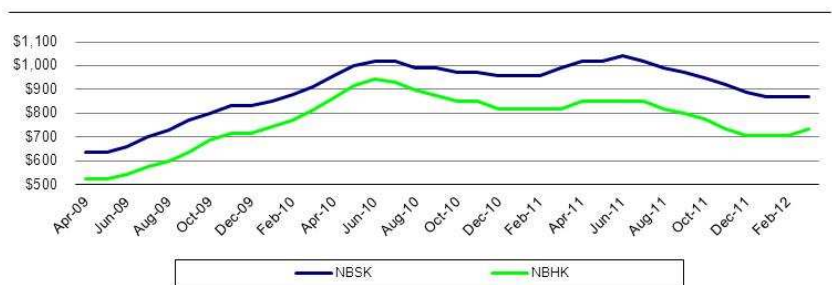
wood in November 2011.

Heading into the second quarter, pulp list prices are poised to increase. Many major producers have announced increases on NBSK for delivery around the world, with announced North American list prices of \$900 per tonne in April. No price increases have thus far been announced on NBHK in North America for April, although prices moved up in March.

Looking ahead to the balance of the year, Hilco expects pulp prices to remain higher

than their lows in Q1. There is only 500,000 tonnes of additional capacity expected in the softwood markets worldwide. The hardwood market is more uncertain as some eucalyptus pulp expansions in South America are proceeding slower than anticipated. It is likely that the majority of expected expansions will occur, but the timing is difficult to forecast. For higher cost hardwood mills, many of which are situated in North America, the longer the South American capacity stays off the market, the better.

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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