



# Hilco Appraisal Services, LLC

## Pulp Industry Perspective

SECOND QUARTER 2012

### PRIMARY RECOVERY FACTORS

>> Pulp prices are declining in the third quarter of 2012 amid weak demand in emerging markets in Europe and the strong U.S. dollar.

>> 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 Head Down into Q3

By Jesse Marzouk

Pulp prices were higher in the second quarter after a big decline in the second half of 2011 and the first quarter of 2012. NBSK list prices in the U.S. increased \$30 per tonne

to \$900 per tonne. Prices for NBHK in the U.S. also rose, jumping \$50 per tonne to \$785.

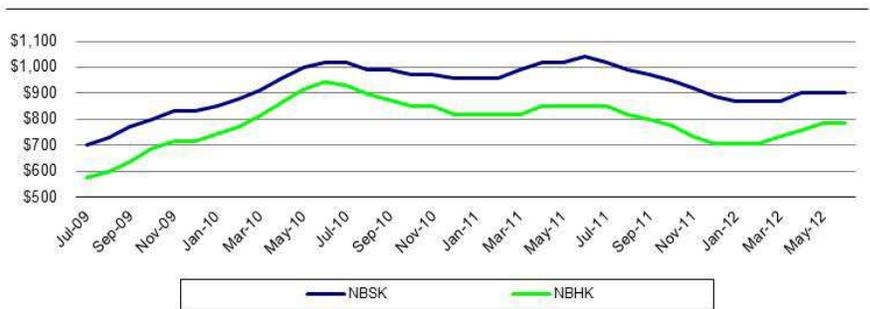
The second quarter increase for NBSK was short-lived, however, as prices have come under pressure in the third quarter. NBSK producers lowered U.S. list prices \$20 per tonne in July to \$880 per tonne. Furthermore, three major players in the market already have announced U.S. list prices of \$850 per tonne for August shipments. Other major producers will be forced to follow suit. While the current supply de-

mand balance in terms of days of supply is not significantly out of whack, the market is obviously weak. Demand from China, which has been the pulp market driver over the last few years, is expected to be weak in the third quarter as reports indicate a significant amount of pulp in the supply chain there. Furthermore, the recent strength of the U.S. dollar against the Euro has not helped prices as pulp has become more expensive in Euro terms. In fact, European pulp producers have begun to target the U.S. spot market for pulp

shipments because of the weakness in demand for pulp in Europe and the strength of the U.S. dollar. This has not happened in years.

While producers have not announced decreases for NBHK prices as of yet, the weakness in the softwood market will almost certainly trickle down to hardwood grades. Looking further out, the North American and European hardwood mills will also have to compete with low cost capacity that is coming online in South America 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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