



Hilco Appraisal Services, LLC

Pulp Industry Perspective

FIRST 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 2014.

RECENT APPRAISAL EXPERIENCE

Tembec Inc.

Neucel Specialty Cellulose

Cosmo Specialty Fibers Inc.

Resolute Forest Products Inc.

Catalyst Paper

Simpson Tacoma Kraft

Pulp Prices Rise in Q1

By Jesse Marzouk

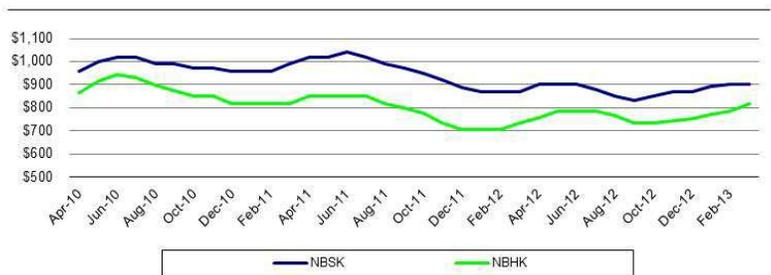
North American pulp prices continued to move higher in the first quarter of 2013 after rebounding in the final quarter of 2012. NBSK list prices in the U.S. increased \$30 per tonne from \$870 to \$900. Prices for NBHK in the U.S. also increased, rising \$60 per tonne to \$815. A price hike of \$30 per tonne on softwood grades has been announced in the U.S. for April, although the implementation is far from certain. China is the large market mover in the pulp market and although prices have rebounded in the Chinese market since the end of last year, it appears that further price hikes in that market will be difficult over the next few months. If producers have difficulty raising prices in the Chinese market, they will likely have the same difficulty in the U.S. market.

Looking forward to the medium term supply situation over

the next few years, the softwood market appears to be in better balance than the hardwood market. There is relatively little supply that is being added to the softwood market, while there is more than four million tonnes of eucalyptus hardwood supply that is being started in South America between the middle of 2012 and the end of 2013. While some of the additional capacity will be absorbed by increased demand for tissue products around the world, it will likely put pressure on hardwood pulp prices and higher cost hardwood pulp mills in North America and Europe. Some of these higher cost mills

have already planned transitions to other grades, including dissolving pulp. With the viscose dissolving pulp market already under severe pressure from excess supply, it is likely that more hardwood pulp mills in North America and Europe will be forced to close when faced with a decision to spend hundreds of millions of dollars on a grade conversion that may yield marginal results at best. A recent inquiry by China into dumping of dissolving pulp will further dissuade companies from attempting a conversion to dissolving pulp.

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.



Hilco Appraisal Services, LLC

For Further Information, Please Contact:

Jesse Marzouk | 847-849-2959 | fax 847-521-7896 | jmarzouk@hilcoappraisal.com

This publication has been prepared solely for the use of clients and professional associates of The Hilco Organization. No warranty is given as to the accuracy, completeness of the information or opinions provided in this publication. The publication should not be used as specific advice and is intended for general information purposes only.