



# Hilco™ Valuation Services

## Pulp Industry Perspective

SECOND 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

Resolute Forest Products Inc.

Catalyst Paper

Simpson Tacoma Kraft

## Pulp Prices Rise again in Q2

By Jesse Marzouk

North American pulp prices continued to move higher in the second quarter of 2013 after rebounding in the first quarter of 2013.

NBSK list prices in the U.S. increased \$50 per tonne from \$900 to \$950. Prices for NBHK in the U.S. also increased, rising \$60 per tonne to \$875. While these list prices are the highest since October 2011 for NBSK and September 2010 for NBHK, the effective selling prices are actually lower than at those points. Over the last few years there has been an increasing disconnect between list prices and actual prices paid by customers with contracts, as market discounts have increased from the 15% range to higher than 20%.

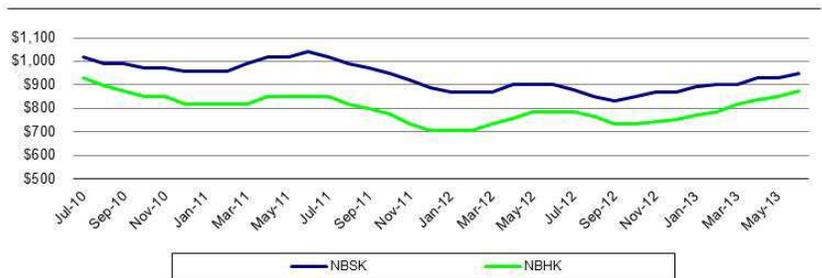
The rise in hardwood prices in North America comes as a little bit of a surprise to market participants, especially with

worldwide inventory at balanced levels. It makes sense, however, when considering the impact from the conversion of SAPPi's Cloquet, Minnesota mill from NBHK to dissolving pulp. That changed the demand dynamic in North America as SAPPi's paper mill in Cloquet is now a net purchaser of hardwood pulp instead of a net seller. Furthermore, demand for hardwood pulp has increased as a number of new tissue machines have started production in the U.S. over the last year.

Market prices for hardwood pulp may have peaked, however,

as a large amount of South American eucalyptus pulp supply will hit the market over the next year. Some of the machines have already started and are working towards reaching capacity, while others are slated to start later in 2013 and 2014. Interestingly enough, a producer of dissolving pulp that spent more than \$150 million to convert a NBHK mill to dissolving pulp, is rumored to have offered old customers a chance to purchase NBHK. This may signal a change in price direction for both viscose dissolving pulp markets and NBHK.

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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