

## **New CPBIS Report Documents Profound Industry Changes**

In a soon-to-be released report, *Georgia's Pulp and Paper Industry, 1990 – 2008*, CPBIS Director Patrick McCarthy examines in detail the dramatic changes that the pulp and paper industry has undergone in the title period, both in Georgia and nationwide. Using the National Establishment Time Series (NETS) Database, he documents employment and establishment dynamics and identifies the sources for changes that have occurred.

Nationally, the number of industry establishments increased by more than 30%, but the number of employees per establishment decreased by a proportionally larger amount, resulting in a decrease in total employment from just under 800,000 to less than 665,000, most of the change having occurred since 2000. Estimated sales rose steeply until the late 1990s, after which the rise was much attenuated, failing to keep pace with the producer price index.

The increase in the number of Georgia pulp and paper establishments roughly paralleled what was observed nationally, as did the decrease in the number of workers per establishment, resulting in an overall employment loss of 20%. Although rising 11% between 1990 and 2008, the increase in estimated sales was smaller than what would have been needed to keep up with the increase in the producer price index.

The report examines the Georgia industry at a finer degree of granularity, drilling down to the four-digit SIC code level. This leads to a variety of interesting observations and conclusions concerning industry structure, performance and governance. The author's analysis shows, for example, that there has been a relative shift of resources away from the mill sector and into the converter sector, a trend which is expected to continue given the increasing pulp and paper capacity worldwide.

The full text of the report will soon be available via the CPBIS Web site. For more information contact the author, [patrick.mccarthy@econ.gatech.edu](mailto:patrick.mccarthy@econ.gatech.edu).

## **Recent Forestweb Headlines**

Forestweb publishes a weekly news report tracking recent developments in and around the paper and forest products industries. Subscription information is at <http://www.forestweb.com/Corporate/index.cfm>

Below is a small sampling of headlines from recent issues, together with brief synopses.

### **August 16**

*AF&PA: U.S. paper and paperboard production down 10.6% year-over-year in 2009 to 79.1 million tons*

“However, paper and paperboard production rebounded 8.6% versus year ago during the first six months of 2010,” said AF&PA Chief Economist Dr. Stanley Lancey.

*Irving Paper's pulp mill in talks with city of Saint John, New Brunswick, to sell waste heat from mill*

The pulp mill would capture waste heat from its biomass boiler to heat water, then the city would circulate the heated water through underground pipes to buildings in its “uptown” district.

*France's Arjowiggins reports 'unprecedented' demand for recycled papers, including its one-side coated recycled stock for packaging*

A company spokesman said a “huge growth” in demand for recycled papers demonstrated the “hunger for sustainable paper.”

### **August 9**

*Canada launches C\$100M Investments in Forest Industry Transformation program aimed at expanding opportunities for forest products sector through development of innovative projects and technologies*

Companies that have existing facilities in Canada could be eligible for IFIT support.

*Paper and paperboard production in U.S. rises to 6.917 million tons in June, a year-over-year increase of 4.8%--AF&PA*

June's total paper and paperboard operating rate rose to 93% from May's 90%, and was a substantial increase from June 2009's 85%.

**August 2**

*PCA, Temple-Inland to apply for cellulosic fuel tax credits but IP may pass over concern about costs*

Costs associated with the plan include a requirement to pay back the prior cash benefits received under the alternative fuel credit program plus interest.

*Appleton Coated, NewPage, Sappi applaud Congressional effort asking Obama Administration for action on Chinese subsidies to their paper producers*

More than 100 Members of Congress wrote to President Obama asking for action on Chinese subsidies to their paper producers. The letter points to a study recently released by the Economic Policy Institute (EPI) which highlighted the continuing efforts of the Chinese government to promote the development of its paper producers at almost any expense.

**July 26**

*IRS memo allowing retroactive claims of US\$1.01/gallon in black-liquor tax credits for biofuel piques paper industry's interest.*

According to the Dow Jones Newswire a recent IRS memo states that "Black liquor meets the definition of cellulosic biofuel." This suggests that paper companies could retroactively claim a US\$1.01-a-gallon biofuel tax credit on black liquor, in contrast to the \$0.50/gallon credit for alternative fuel mixtures.

*Total U.S. printing-writing paper shipments climb 11% year-over-year in June, marking eighth straight monthly increase -- AF&PA*

Total printing-writing paper shipments increased 11% in June compared to June 2009 – the eighth consecutive year-over-year (YOY) increase and the sixth double-digit YOY increase.

**Statistics Corner: Pulp and Paper Production**

As Figure 1 shows, U.S. pulp production and paper production were both significantly impacted by the recession, reaching their lowest levels in late 2008 and early 2009. Since then, pulp production has exhibited a steep recovery, surpassing pre-recession levels. This was due to a combination of modest improvements in the global economy and sharp increases in Chinese demand. Paper production, on the other hand, has failed to keep pace. This is presumably due to foreign trade factors. U.S. pulp exports far exceed those of paper. ■

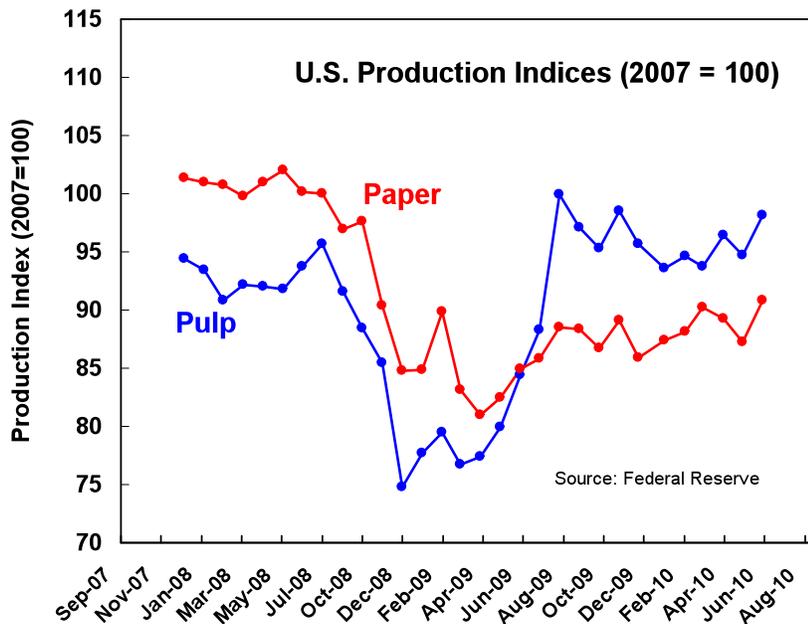


Figure 1. U.S. Pulp and Paper Production Indices, January, 2008 – June, 2010