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### **Valuable New CPBIS Data Product Now Available**

**By Aselia Urmanbetova**

In 2010 CPBIS, as part of continued efforts to provide relevant and timely data and research resources to its constituencies, began work on the construction of a new mergers and acquisitions database to supplement the popular Mills Online resource. The new compilation, updated on a weekly basis, uses Industry Intelligence ([www.industryintel.com](http://www.industryintel.com)) as its principal source. Entitled 'Monthly Company Watch List', it lists announcements of changes in firm/mill capacity levels due to corporate restructuring, mergers and acquisitions, mill closures, re-openings, installations of new paper machines or pulp lines, and greenfield projects.

The Company Watch List differs from the conventional end-of-year listings of mergers and acquisitions in that it contains not only completed transactions and capacity projects, but tracks the 'story lines' of capacity transfers and investments (or disinvestments and closures). Some of the capacity changes remain in the news headlines for a number of months. One example is that of the two closed Katahdin mills in Maine, one of which finally found its new owner and started operating again last month. Similarly, the story of an iconic mill in Franklin, Virginia owned by International Paper spans more than two years and includes announcements of difficult deliberations resulting in a 2010 shut down and, more recently, of developments leading to a planned 2012 re-opening.

One might ask why announcements of anticipated or ongoing projects (as opposed to finalized decisions) would be of interest to the Center's audience. The idea behind the Company Watch List came from the work of Christensen and Caves [Christensen, L. R., and Caves, R. E., "Cheap Talk and Investment Rivalry in the Pulp and Paper Industry," *Journal of Industrial Economics*, 45, 47-73 (1997)]. These authors studied

the properties of project announcements in 11 North-American pulp and paper grades during 1978-1991 to identify the factors that determined firms' decisions to abandon projects they had already announced. They found that, in addition to such obvious investment determinants as the size of the firm, the amount of its committed resources and expected future returns, the incidence of announcements of competing or similar projects by other firms increased the likelihood of the original firm abandoning its investments plans.

This finding suggests that the North American pulp and paper industry operates in a sort of continual auction within a market that competes first on the level and type of capacity and then, given the levels of installed capacity, on the product price. In light of such market attributes, capacity announcements become part of corporate strategies that firms use to compete for prime mill site locations. Timely information on anticipated, planned and negotiated investment projects can serve both the industry and its stakeholders – economic developers, academic researchers, and business analysts. In their search for cost-effective site locations or to keep abreast of their competitors' investment plans, manufacturers can browse announcements in the Company Watch List that are focused specifically on capacity changes, while researchers and analysts can collect and study capacity announcements in their efforts to anticipate future market developments.

The Company Watch List can be found on the CPBIS home page at <http://www.cpbis.gatech.edu/> with the full archive at <http://www.cpbis.gatech.edu/events>. To complete the portrayal of capacity developments over time, the Center also updates its Mills Online database (<http://www.cpbis.gatech.edu/data/mills-online>) – the data base of who owns and runs existing mills in the U.S. – and publishes a list of all completed projects and finalized transactions at the end of each quarter at <http://www.cpbis.gatech.edu/data/mills-online/changed>.

## **AF&PA News**

The American Forest and Paper Association recently released statistical reports on printing and writing grades and recovered paper. Here are the combined highlights:

- Total printing-writing paper shipments decreased 8% in September compared to September 2010.
- All four major printing-writing grades posted decreases compared to last September.
- U.S. purchases (shipments + imports – exports) of printing-writing papers decreased 7% in September.
- Total printing-writing paper inventory levels decreased 2% compared to August 2011.
- August exports of uncoated free sheet (UFS) increased year-over-year for the sixth straight month.
- Shipments of coated free sheet (CFS) decreased year-over-year for the tenth consecutive month.
- Coated mechanical (CM) purchases decreased year-over-year for the sixth consecutive month.
- Uncoated mechanical (UM) shipments decreased year-over-year for the sixth consecutive month following 15 consecutive months of year-over-year increases.
- Total U.S. industry consumption of recovered paper was 2.46 million tons, 7% lower than September of last year, and 4% lower than August 2011.
- The decrease was observed across all grades of recovered paper, most noticeably in Pulp Substitutes at 10%.
- Overall, the year-to-date decrease in consumption compared to the same period in 2010 remains around 4%. On the other hand, inventories increased to their highest levels for this year, led by a 12% increase in mixed inventories.
- U.S. exports of recovered paper increased slightly in August compared to July. Year-to-date exports in 2011 continue to be 14% higher than last year by volume.
- Despite growing imports and decreasing consumption, estimated year-to-date recovery (consumption + exports – imports) is 2.6% higher than the same period last year, fueled by consistently strong exports of recovered paper.

## **Reid Carter on Timberland Investing: Free Webinar**

Forestweb/Industry Intelligence offers free interactive speaker programs through its i2live series. These programs are designed to enable business leaders to engage in an ongoing conversation with industry experts and their peers. To help businesses make sense of industry trends, i2live speaker series covers topics that cut across forest products and related manufacturing sectors. For more information and to register for free, visit

<http://www.industryintel.com/i2live/>

Upcoming topics and speakers include:

### **Price and demand outlook for publication papers**

Verle Sutton, editor, The Reel Time Report

Thursday, Dec. 1, 2011, 2:30 PM ET

### **Issues surrounding timberland investing**

Reid Carter, managing partner, Brookfield Asset Management

Thursday, Dec 8, 2011, 2:00 PM ET

### **Sustainability, ROI & the bottom line: Making the business case for going green**

Aleen Bayard, Footprint Partners.

January 12, 2012, 2:00 PM ET

## **Recent Forestweb/Industry Intelligence Headlines**

Forestweb and its sister company, Industry Intelligence, publish weekly news reports 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 recent headlines, together with brief synopses.

### **November 13**

*Survey finds 83% of U.K. 'digital natives' ages 18-24 believe reading from paper is nicer than reading from screen, 63% prefer to keep important documents on paper, 57% believe paper records are more sustainable than digital archives*

These positive results notwithstanding, the survey also showed that most respondents believe that European forests are decreasing in size and that only 20-40% of European waste paper is recycled. In fact, Europe's forests have increased by 30% over the last 50 years and the recycling rate is 69%, not 20 – 40%.

*World is heading toward irreversible climate change, heading in wrong direction, says International Energy Agency; lack of political will to take steps needed cited as top obstacle*

In its annual World Energy Outlook, the agency spelled out the consequences if those steps aren't taken.

#### **November 6**

*Global pulp prices under continued pressure; some key producers announce November list price drops*

Forestweb's Diane Keaton reports that "List and spot pulp prices are continuing to weaken around the world, and two major northern bleached softwood kraft (NBSK) producers last week announced Nov. 1 US\$30 per tonne list price decreases for the U.S./North America."

*Diaper market steadily increasing as more infants are being born, report finds; Africa is the largest market for diapers, training pants, according to research*

According to a recent report, diapers represent the largest portion of the hygiene market, which is considered to be a stable, non-cyclical one. Among the factors driving its growth are high birth rates and increased standards of living in developing countries.

#### **October 30**

*Glatfelter plans to invest US\$50M toward capacity expansion for composite fibers business at Gernsbach, Germany, facility, increase inclined wire capacity by nearly 20%, or 10,500 tons, for filter paper manufacturing*

The company's CEO says that increased composite fibers business is being led by strong worldwide demand for beverage filter papers.

*Buckeye approves US\$79M funding to increase high-end specialty wood pulp capacity by 42,000 tons/year at its Perry, Florida, 465,000 tons/year pulp mill; startup planned for December 2012*

Buckeye's CEO says the project will satisfy demand by customers in high-end markets including casings, tire cord, ethers, filtration, micro-crystalline cellulose, and acetate.

#### **October 23**

*Sappi commissions Metso to supply new 215,000 tonnes/year fiberline for chemical cellulose hardwood pulp for its Ngodwana, South Africa, mill; startup scheduled for H1 2013*

Sappi is already the world's largest producer of chemical cellulose (dissolving pulp) with a production capacity of approx. 815,000 air dried tonnes per year. The Ngodwana mill will convert all of its market pulp production to chemical cellulose.

*Great Northern Paper begins virgin newsprint production at its East Millinocket, Maine, paper mill on Oct. 17, working to make first shipment deadline in early November*

Brookfield Asset Management had closed the mill in April.

### **Statistics Corner: U.S. Paper Production Index, 2007-Present**

Figure 1 below documents the effect of the recession on paper production in the United States. Production appears to have stabilized at a level that is 11% lower than the pre-recession level.

### **Correction: Error in August 2010 Newsletter Issue**

The August 2010 issue contained a graph comparing the effects of the recession on pulp production as compared to paper production. The graph suggested that pulp production recovered more rapidly than paper production. In fact, this did not happen, as Figure 2 below shows. The error was due to a change in base year being overlooked when the 2010 graph was produced. We apologize for the error.■

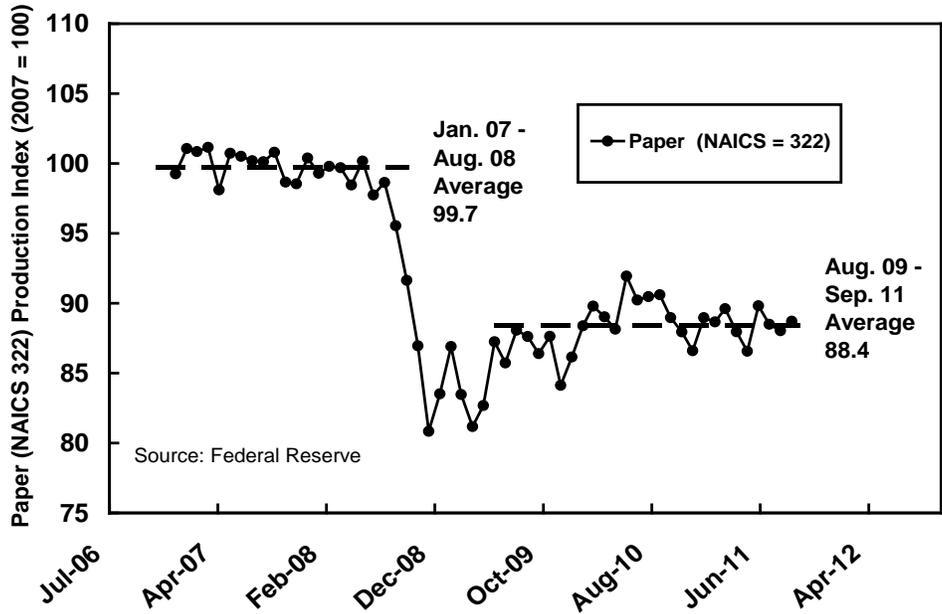


Figure 1. U.S. Paper Production index, Jan. 2007 – Sept. 2011

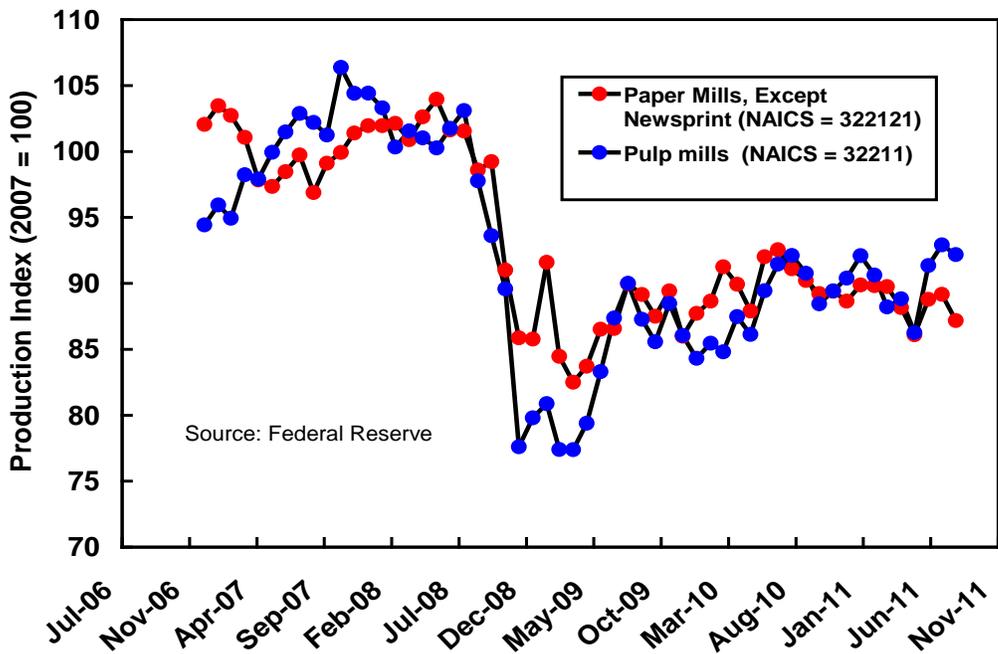


Figure 2. U.S. Paper and Pulp Production Indices, Jan. 2007 – Aug. 2011