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New CPBIS Project Tracks Industry Trends

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An article in the November, 2011 issue of this newsletter described a new data set that we began collecting in 2010 from Industry Intelligence ([Industry Intelligence Inc](#)) updates. The data, called “Company Watch List” is a subset of a larger database called “Industry Announcements,” part of which CPBIS is now making available to users of its web site. See <http://www.cpbis.gatech.edu/data/fwa>. Industry Announcements is a collection of daily and weekly industry trade announcements made by pulp and paper producers -- both domestic and foreign -- that have operations in the U.S.

The data span the period from January 2010 to October 2013 and include 6,418 announcements on (1) planned and actual completed ownership transfers and status updates; (2) product price changes; (3) patents, new products and processes; (4) renewable sources of energy; (5) facility upgrades; (6) announcements on earnings and profits; (7) labor issues (e.g. strikes, injuries and fatalities, labor unions); (8) government grants, subsidies, tax breaks, and related matters; (9) major corporate restructurings, appointments, and financial analyses; (10) overseas operations; (11) environmental regulations, violations, certifications, awards, sustainability, and social responsibility; (12) facility damage from fires, floods, etc.; (13) market or weather-related mill downtime; and (14) energy efficiency.

As mentioned in the November, 2011 issue, the motivation for collecting such data and aggregating them in a statistically user-friendly format 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)]. The authors studied the properties of project announcements in 11 North-

American pulp and paper grades during 1978-1991 and found that project announcements can become part of corporate communication strategies that firms use to compete for prime mill site locations. The findings also suggested that the U.S. pulp and paper industry operates in a sort of continual auction in 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, company announcements become part of corporate strategies that firms use to compete with each other.

To investigate how industry/trade announcements characterize developments in the industry, we are analyzing the data on (1) planned and actual capacity changes, ownership transfers, and status updates, (2) product price changes and (3) patents, new products and processes. We have analyzed 1,725 announcements made during the 2010 – 2013 period on planned capacity, ownership and status changes, completed ownership and status changes, and product price movements; and 695 announcements on patents, new products and new processes. To date, we have uncovered some interesting time- and grade-dependent discrepancies between planned and actual capacity changes, as well as some significant trends in innovation.

We will provide results of our analysis in the next issue of this newsletter.

Trend Indicators from Industry Intelligence Inc.

[Industry Intelligence Inc.](#) has provided market intelligence to more than 600 companies worldwide since it began as Forestweb in 1999. Industry Intelligence delivers a daily report featuring news of the paper and forest products industries. For your subscription visit: <http://www.industryintel.com>

Below is a selection of recent headlines chosen to mirror significant trends in and around the paper and forest products industries.

K-C pursuing spin-off of its health care business; spin-off would create stand-alone publicly traded health care company with approximately US\$1.6B in annual net sales

A spin-off would create a stand-alone, publicly traded health care company with approximately \$1.6 billion in annual net sales and leading market positions in both surgical and infection prevention products and medical devices.

New television series will explore how paper is being produced using less energy and incorporating recycled materials, as well as ways to make paper biodegradable; the Leading Edge series will air on PBS stations across US

The series will explore a number of topics, from "fracking" in the oil industry, to sustainable architecture, to renewable energy.

China seeks to permanently shutter paper machines that are not cost-effective, don't produce quality products, pollute excessively, or infringe on land use rights; goal is to remove more than 7.4 million tonnes/year by this year-end

In 2012, China's paper and paperboard industry closed a record of nearly 10 million tonnes/year of production capacity. The industry's growth rate slowed to 3.1% in 2012 compared to 10%-13% in prior years.

University of Maryland-led team of university, Google, government researchers creates first high-resolution global map of forest loss and gain; study finds loss of 2.3 million sq. km. of forest globally from 2000-2012, and 800,000 sq. km. of new forest

Brazil's well-documented reduction in deforestation during the last decade was more than offset by increasing forest loss in Indonesia, Malaysia, Paraguay, Bolivia, Zambia, Angola and elsewhere.

Scientists turn to paper for innovations in batteries and bacteria, publishers continue to launch print magazines

In Canada, scientists have come up with a paper-based device used to identify bacteria that are resistant to certain antibiotics. At Arizona State University, scientists have discovered a way to increase a lithium-ion battery's energy density by 14 times—by folding a thin, flexible paper-based battery 25 times.

US paper industry used 'waste fuel' for 58% of its fuel use in 2010; it is exclusive user of black liquor and, with wood products industry, consumes most of nation's biomass fuel: EIA

Nearly 3,900 megawatts of black liquor-fired combined heat and power capacity was in service in 2012.

Asia, particularly China and India, will account for more than half of global paper production and consumption by 2018, with Asia's growth over next five years offsetting weak demand across many paper product categories in North America and Europe: S&P

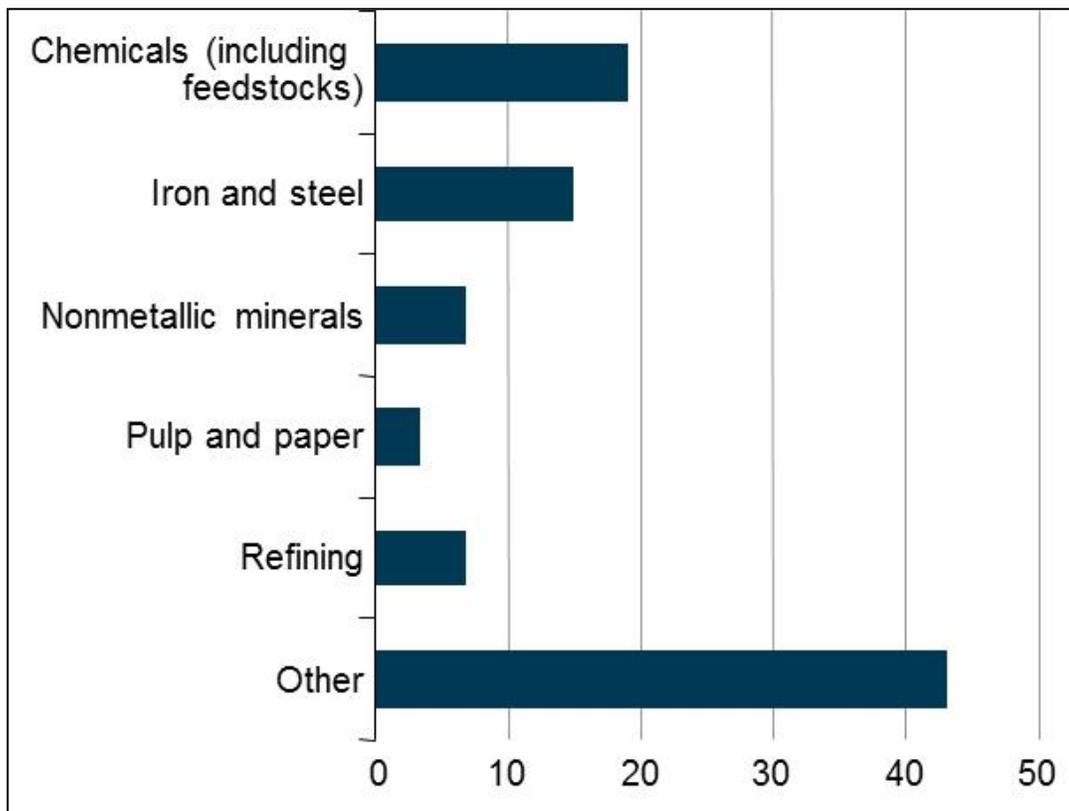
Despite weak demand growth in North America across many paper product categories, producers and consumers of paper and paper packaging in China and India continue to rise in importance according to a report published by Standard & Poor's Ratings Services today titled, "China And India To Lead Growth In The Global Paper Market Over The Next Five Years."

IP says it's 'well positioned' to take advantage of decisions by McDonald's, Dunkin' to switch to paper cups, which will mean about 80,000 tons/year additional paper cup stock demand; IP is North America's largest producer of this grade, says executive

McDonald's indicated in September that it would phase out the use of expanded polystyrene (EPS) hot beverage cups and Dunkin' Brands Group Inc. is searching for a sustainable replacement to EPS hot cups at its 7,400 restaurants. These developments are expected to result in new demand for 3 billion to 4 billion paper-based cups.

Statistics Corner: Industrial Energy Consumption

As illustrated in the figure below, the pulp and paper industry accounted for 3.4% of total world industrial sector energy consumption in 2010, less than one-fifth of the chemical industry's consumption. ■



Shares of total world industrial sector delivered energy consumption by major energy-intensive industries, 2010 (percent of total) (Source: U.S. Energy Information Administration)