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## ***P&P Benchmark Report Updated***

A new (2015) update of the CPBIS report, *Pulp and Paper Economic Indicators: A Comparative Analysis* summarizes the US pulp and paper industry and provides a benchmark analysis with a set of selected industries: food manufacturing, wood products, printing and related support activities, plastics and rubber products, textile mills, and chemical manufacturing. Among the highlighted findings in the analysis:

**LOW GROWTH** - Output continues to lag behind most of its benchmark industries in recovering from the great recession, with nearly zero annual growth in the past five years;

**ROBUST PPI GROWTH** - Producer price index growth rates reached levels consistent with the late 1990s but smaller than growth rates in the wood products and chemical industries along the industry's supply chain;

**SLOWING EMPLOYMENT LOSSES** - Employment losses in the industry have slowed in the four-year period 2010-2014 with losses occurring at a smaller annual rate relative to the previous decade;

**EXPANDING EMPLOYMENT IN CONVERTED SECTOR** - Employment and earnings growth rates slowed and was lower in the mills sector, in contrast to the converted sector;

**LABOR PRODUCTIVITY RISES** - Annual growth in labor productivity in paper manufacturing increased 2010-2014 relative to the previous ten years and especially in comparison to 2010-2012;

**SLIGHT IMPROVEMENT IN NET STOCK OF FIXED ASSETS** - Little recent growth in the net stock

of fixed assets but better than the negative growth in 2000-2012 and better than most benchmark industries;

**HEALTHY INVESTMENT RATES** - Relative to its downstream and upstream industries, investment growth rates during 2010-2013 were highest for the paper industry - 13.28%. In 2013, the industry had \$12.5 billion in new capital (See Figure 1);

**HIGHER CORPORATE PROFITS** - The paper industry's corporate profits grew at a higher rate - 5.61% during 2010-2014, more than twice the rate in the previous 10 years. In relation to other manufacturing, the paper industry outperformed food, printing and chemical products, but did worse than wood (40.43%), textile (16.91%) and plastics (10.21%; see Figure 2);

**LEADS IN ENERGY CONSUMPTION** - Among benchmark industries, the paper products industry consumes the most energy in total as well as per dollar of value added. Growth projections for world ethanol and biodiesel consumption and production are in the 5% range over the next 10 years;

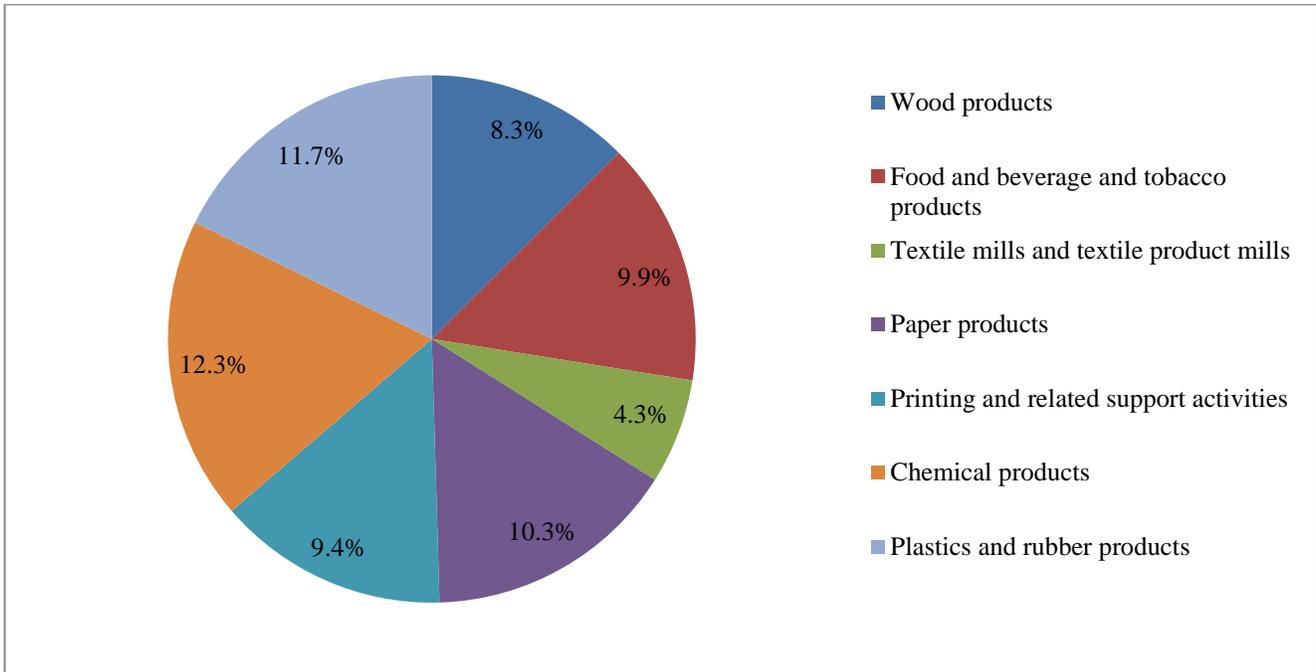
**TRANSPORT ACCOUNTS FOR 12% OF COSTS** - Total for-hire and in-house transport requirements to deliver output to the final user account for 12% of costs in the paper products industry;

**TRADE IS IMPORTANT** - The US is second to China in paper and paperboard production and is the second largest exporter of paper and paperboard products. Chemical wood pulp and recovered paper are the two largest products produced in the US. Recovered paper is the largest US export and, along with printing/writing paper, chemical wood pulp is among the two largest products that the US imports.

*Editor's Note: The full report may be purchased via the CPBIS web site. Use the following link:*

[https://epay.gatech.edu/C20793\\_ustores/web/store\\_cat.jsp?STOREID=92&CATID=131](https://epay.gatech.edu/C20793_ustores/web/store_cat.jsp?STOREID=92&CATID=131)

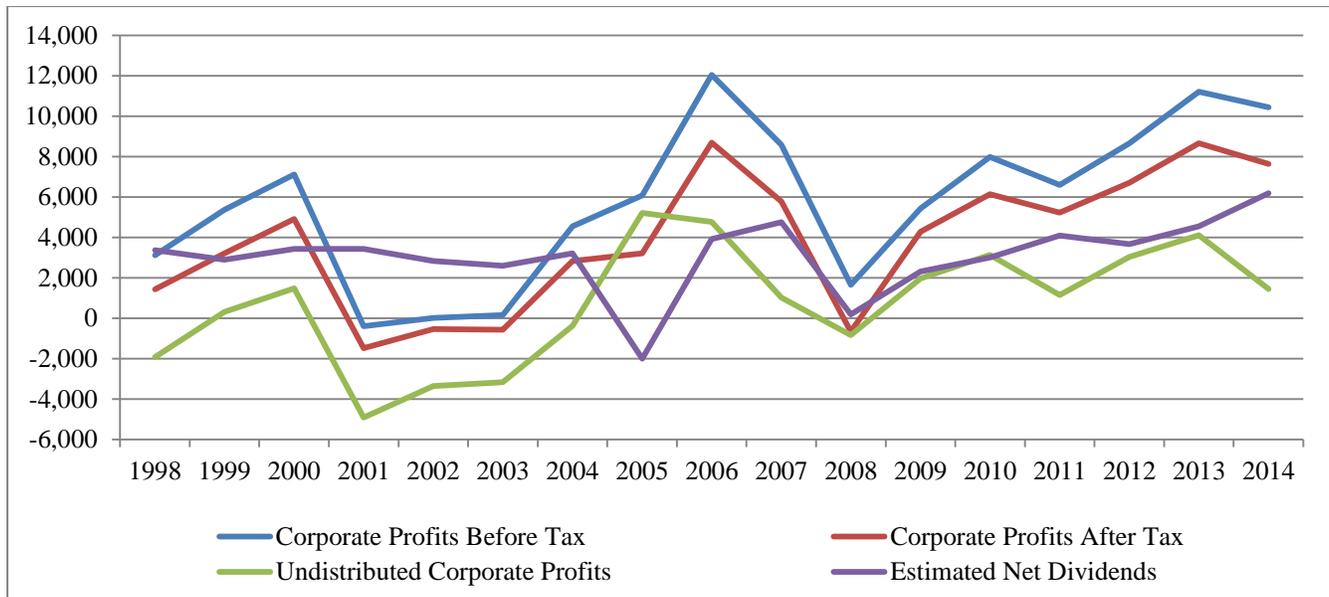
Figure 1  
Investment as a % of Net Capital Stock, 2013



Note: Authors' calculation. Percentages are the ratio of investments in private fixed assets from Table 10 and current cost of private fixed assets, both from the BEA's Fixed Assets Accounts:

<http://www.bea.gov/iTable/iTable.cfm?ReqID=10&step=1#reqid=10&step=1&isuri=1>, Section 3, Table 3.1ES.

Figure 2  
Corporate Profits for Paper Manufacturing (in Millions of Current Dollars)



Source: BEA's National Income and Product Accounts (NIPA) tables:

<http://www.bea.gov/iTable/iTable.cfm?ReqID=9&step=1#reqid=9&step=3&isuri=1&904=2007&903=259&906=q&905=2014&910=x&911=1>.

## **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 sampling of recent Industry Intelligence headlines, chosen to mirror significant trends and other interesting developments in and around the paper and forest products industries.

***Diaper sales around the world estimated to exceed US\$29B in 2015, with fastest growth happening in developing markets; North America and Europe together account for 51% of diaper sales: Nielsen***

But in many developing markets, the diaper market is still in its nascent stages, and manufacturers must convince consumers to not only buy their brand but to purchase diapers of any kind.

***Next-generation packaging market revenue to reach US\$58B by 2025, fueled by use of bioactive polymers and nanomaterial, emphasis on sustainability, report finds; active and intelligent packaging to represent nearly two-thirds of market value share***

Growing demand for product shelf life extension and development in food packaging techniques are key factors.

***Brazil's disposable hygiene market's retail sales grow to US\$4.6B in 2014 from US\$2.7B in 2000, due to increased power of middle class consumers as well as continuing product development efforts, according to report***

However, within the otherwise sizable hygiene marketplace in the country, wipes remain underachievers.

***Pratt's Conyers, Georgia, mill celebrates 20th anniversary, has produced about 6.74 million tons of 100% recycled-content containerboard since it came onstream; in June 2014, the mill reached 1 million man hours worked with no lost-time injuries***

In October 2013, the mill set a new production record, averaging 1116.1 tons a day.

***Russia plans to suspend wastepaper exports due to shortage of recovered paper used as feedstock for country's domestic paper mills, also lowers import duty on coated paper to 5% for 18 months***

The Economic Development Ministry said the export ban would last four months.

***UAE paper industry will continue to see strong growth, with country's consumer paper and paperboard packaging market now valued at US\$500M, comprising 0.5% of global demand, say speakers at event to kick off Paper Asia 2015, starting Sept. 14 in Dubai***

According to the exhibition organizers, the UAE paper industry is witnessing dramatic growth of the converting sector.

***Global specialty paper market expected to reach US\$26.2B by 2022, helped by increase in urban population, development of food and beverages; factors restraining growth include shortage of materials and government rules: report***

The category includes décor, printing, release liner and packaging papers.

***Global tissue paper market to grow at CAGR of 4.9% over the 2014-2019 period, as demand is expected to increase in the Asian-Pacific and Middle Eastern regions: report***

Though western markets for tissue paper are already established, the same cannot be said about the markets in APAC and the Middle East.

***Xerox introduces two printed electronic labels that can collect, store information about the authenticity, condition of products, track how products have been handled during distribution; company licenses technology from Thin Film Electronics***

The products will be showcased at Pharma Expo, a pharmaceutical processing and packaging conference and tradeshow in Las Vegas Sept. 28-30.

***Kruger's decision to convert a newsprint machine at its Trois-Rivières, Québec, mill to linerboard production follows on decline in newsprint sales and is in line with trend whereby other Canadian producers have closed newsprint capacity***

The conversion follows similar moves by other companies in the wake flagging demand that has seen shipments down 13.5 per cent in July from a year earlier and off five per cent from June.

***World dissolving pulp market capacity growth continues in 2015 with several projects under construction; in China, dissolving pulp production has high costs and thus shows weak competitiveness, huge loss suffered in 2014 caused capacity changes: report***

The price of dissolving pulp has continued to drop, being about USD800/ton at the end of 2014.

***La Presse, a 131-year-old Canadian newspaper, to end weekday print edition of its newspaper following the launch of a digital tablet edition, which has 460,000 readers each week; newspaper is owned by international management and holding firm Power Corp.***

The decision comes a day after the Toronto Star launched its own free digital tablet.

***Local officials wonder if Paper Excellence's pulp mill in Prince Albert, Saskatchewan, will ever reopen, noting it's been nearly two years since the company provided an update; one council member proposes investigating possibilities for the mill site***

Paper Excellence had estimated that the Prince Albert mill would be producing fluff pulp by the summer of 2014.

***China exports 24,342 tonnes of kraft paper in July, bringing cumulative total year-to-date to 171,565 tonnes, up 26.7% from year-ago period; value of kraft paper exports through first seven months totals 170.1M yuan, up 23.3% year-over-year: China Customs***

Last year the total for the entire year was 237,124 tonnes.

***UPM marks 100 years since its predecessor companies Aktiebolaget Walkiakoski and Kymmene AB were listed on the Helsinki Stock Exchange, in August-September 1915; many Finnish forest industry companies have been merged into UPM Group over the years***

Since then many Finnish forest industry companies (including Kymi, United Paper Mills, Kaukas, Kajaani, Schauman, Rosenlew, Raf. Haarla and Rauma-Repola) have been merged into the UPM Group.

***RBC Capital: Containerboard consolidation continues, but with fewer targets and acquirers, as top four companies make up 80% market share and 20% are smaller independents; for KapStone, acquisitions remain high priority from capital allocation standpoint***

Fewer consolidation targets remain, but KapStone noted that it also means less competition for them.

***Decline of South African rand against US dollar boosting Sappi's earnings as its exports from that region gain in value, with similar scenario in Europe***

***due to weaker euro; CEO notes already attractive profit margins on its dissolving pulp have grown***

CEO says "There's products selling for over \$800 a ton in China, and we can manufacture it for \$500 -- it's really lucrative for us."

***Clearwater Paper to begin construction of US\$160M continuous pulp digester project at mill in Lewiston, Idaho, in October, after obtaining permit, partial tax exemption, engineering validation; completion set for September 2017***

The project will require hundreds of contract workers, living in the region for more than two years. It is also expected to require additional need for loggers and other related contractors.

***Univ. of Kentucky's Dept. of Forestry estimates that closing Verso's paper mill in Wickliffe, Kentucky, will result in economic impact of US\$301M to county and US\$360-US\$400M to state, with losses to such sectors as trucking, energy, food, housing, others***

In addition to the jobs directly associated with the mill and the logging firms that supply the facility, significant losses will occur in trucking services, energy, food, housing, health care and other affected sectors.

***Verso's Androscoggin mill in Jay, Maine, celebrating 50th anniversary next week, but workers worry about their jobs after learning 300 employees will be laid off due to capacity cuts; layoffs likely to start in October, says mill spokesperson***

The decision was driven by several factors, including a decline in the demand for coated paper in North America.

***Domtar will have to make more decisions in future on possibly repurposing some of its remaining 10 paper mills, says CEO, as company focuses on and invests in growth businesses, including personal care, pulp, specialty packaging***

Domtar has already invested some \$1.8 billion in the past four years on acquiring personal-care operations across Europe, while also converting some mills to specialty paper and fluff pulp.

## ***AF&PA Statistics***

Since our last reporting of American Forest and Paper Association statistics releases, the Association has issued its July printing and writing and August kraft and containerboard reports.

### Printing & Writing

Total shipments decreased 8 percent in July compared to July 2014, with inventory levels increasing 2 percent from June. Uncoated free sheet (UFS) paper shipments in July decreased 2 percent compared to July 2014, with imports of UFS increasing 26 percent year-over-year in June. July coated free sheet (CFS) paper shipments decreased 12 percent compared to July 2014. Imports of CFS papers increased less than 1 percent in June, with exports down 15 percent. Uncoated mechanical (UM) paper shipments decreased 14 percent when compared with July 2014. Imports of UM papers were down 12 percent in June, the 12th consecutive monthly decline. Inventories of UM increased in July, up 10 percent. Coated mechanical (CM) shipments in July decreased 18 percent relative to July 2014. Imports of CM increased in June, up 9 percent, while exports of CM were down 19 percent, the first decrease in the past six months.

### Kraft

Total shipments were 143.6 thousand short tons, 7.8 percent higher compared to August 2014. Bleached kraft paper shipments increased slightly from 8.6 thousand short tons in July 2015 to 8.7, while unbleached kraft paper decreased from 138.6 to 134.9 thousand short tons. Overall, year-to-date shipments up to August 2015 were 1.8 percent higher compared to the same period in 2014. Total month-end inventories decreased to 73.6 thousand short tons.

### Containerboard

Containerboard production was 3 percent higher compared to August of last year. The month-over-month average daily production compared to July 2015 was 1.1 percent higher. The containerboard operating rate for August remained flat at 96.3 percent.

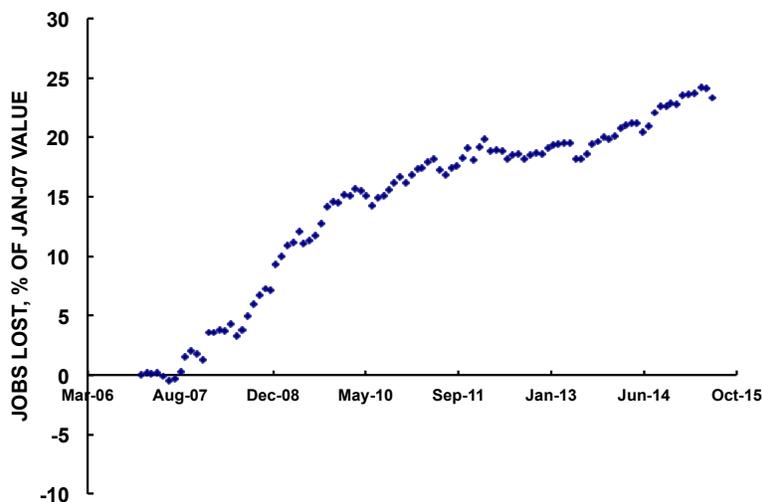
Purchase the full reports by contacting Caroline Nealon, [Statistics\\_Publications@afandpa.org](mailto:Statistics_Publications@afandpa.org) or 202-463-2448.

### **Paper Quotes**

“It’s devastating. The paper industry has been a major part of that town since the late 1800s. It still is, but jeez. In the last 30 years it’s gone from about 1,500 employees down to 830 now. After these layoffs it will be 530.” – *Rep. Paul Gilbert, a Democrat from Jay, Maine, commenting on layoffs at Verso’s Androscoggin mill.*

### **Statistics Corner: Jobs Lost in the US Pulp & Paper Industry**

The figure below documents the extent of job losses that has occurred in US pulp, paper and paperboard mills (NAICS 3221) since January 2007, prior to the onset of the recession. Between July 2007 and December 2009 job losses occurred at a rate of about 680 per month. Since then, job losses have continued, but at a considerably lower rate, about 180 per month. ■



**Figure 3. Job Losses in US Pulp, Paper and Paperboard Mills**

(Source: Bureau of Labor Statistics)