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## ***New Year's Message from the Director***

*By Patrick McCarthy*

Happy New Year from CPBIS@Georgia Tech! I hope that all of you in the CPBIS community enjoyed a very pleasant and fulfilling holiday season with friends and family and that 2016 will more than meet the goals and expectations that you have set for the year. New years are transitions, ending one chapter of the book and beginning the next, continuing the story and anticipating, but never quite knowing, how the plot and cast of characters might change. They inspire hope that the new chapter will engage as much, if not more than the last chapter. As CPBIS embarks on its sixteenth year we look forward to a year of engaging the Center's community with new insights and perspectives on the industry's continuing story that foster a deeper understanding of the its challenges and opportunities. We will continue to develop and enrich our MillsOnLine database, provide our annual report on pulp and paper economic indicators that benchmarks the pulp and paper sector against other manufacturing sectors, provide working papers and reports on current topics of interest to the industry, and connect with our stakeholders through the monthly newsletter.

And as is always the case, I am very grateful to Dr. Tom McDonough, CPBIS Newsletter Editor, IPST Professor Emeritus, and CPBIS Director Emeritus, and Dr. Aselia Urmanbetova, CPBIS Web Site and Database Manager and a recent doctoral graduate from the School of Public Policy at Georgia Tech. I recognize and appreciate their hard work, attention to detail, and dedication. Tom's selections for the newsletter's lead article, trend indicators, and statistics corner consistently reveal a broad and informed knowledge of the industry. And Aselia's work on the Center's data products, including MillsOnLine, the Center's website, and her correspondence with

stakeholders continues to engage and strengthen the CPBIS community. Their contributions are in no small way responsible for the Center's demonstrated success.

In last year's January newsletter, I departed from discussing an industry specific topic to a more general topic that I thought would be of interest to the CPBIS community. I wondered about the uses of one's time and how these have changed. I provided some information on time use from the Bureau of Labor Statistics (BLS), noting that, between 2008 and 2013, the two largest percentage changes in work-related time use was in work-related activities (105% increase) and job search (51% increase).

Related to one's use of time, and also topics of broader interest, are consumers' assets, liabilities, and sources and uses of income. What are the sources of consumer incomes and on what goods and services do consumers spend their incomes? Annually, the US Census Bureau conducts the Consumer Expenditure Survey (CES) for the BLS, interviewing consumer units (families and single consumers) in order to gather information on consumers' buying habits. Included in the survey are data on income and expenditures as well as characteristics of the consumers. The survey is the only federal source that provides data on the full range of consumers' expenditures, incomes, assets and liabilities. Policy makers use these data to evaluate the impacts of policy changes; businesses and academics use them to identify consumer spending behaviors and trends; and the BLS uses them to revise the consumer price index market basket of goods and services and their relative importance.

For 2008, the beginning of the Great Recession, and 2014, the most recent year available, Table 1 identifies consuming unit characteristics and selected data from the survey. Over the six-year period, the number of consuming units increased 5.1% to 127 million with a 5.2% increase in pre-tax income but a 5.5% drop in

post-tax income. There was no change in the average number of people or number of earners in the consuming unit but there was a significant 33% increase in the average number of older persons,

consistent with the aging of the population. And there was a 5% decrease in the average number of vehicles in the consuming unit.

**Table 1. Characteristics of Consuming Units and Sources of Income**

Item	2008	2014	2008-2014 % Change
<b>Number of consumer units (in thousands)</b>	120,770	127,006	5.16%
<b>Consumer unit characteristics:</b>			
Income before taxes a/	\$ 63,563	\$ 66,877	5.2%
Income after taxes a/	\$ 61,774	\$ 58,364	-5.5%
<b>Average number in consumer unit:</b>			
People	2.5	2.5	0.0%
Adults 65 and older	.3	.4	33.3%
Earners	1.3	1.3	0.0%
Vehicles	2.0	1.9	-5.0%
<b>Percent distribution (%)</b>			
Housing tenure:			
Homeowner	66	63	-4.5%
Renter	34	37	8.8%
At least one vehicle owned or leased	89	87	-2.2%
<b>Assets and Liabilities</b>			
Net change in total assets	\$ 7,349	\$ 15,798	115.0%
Net change in total liabilities	\$ 11,421	\$ 8,366	-26.7%
<b>Sources of income and personal taxes:</b>			
Money income before taxes a/	\$ 63,563	\$ 66,877	5.2%
Wages and salaries	\$ 51,007	\$ 51,889	1.7%
Self-employment income	\$ 3,219	\$ 4,284	33.1%
Social Security, private and government retirement	\$ 6,577	\$ 7,700	17.1%
Interest, dividends, rental income, other property income	\$ 1,509	\$ 1,594	5.6%
Other income	\$ 1,250	\$ 1,409	12.7%
<b>Taxes</b>	\$ 1,789	\$ 8,513	375.9%
Federal income taxes	\$ 1,817	\$ 6,680	267.6%
State and local income taxes	\$ 542	\$ 1,782	228.8%

Source: Bureau of Labor Statistics, Consumer Expenditure Survey, <http://www.bls.gov/cex/>

On consuming units' assets and sources of income, we see from the table that net assets (the different between asset and liability changes) fell \$4,072 in 2008 and rose \$7,431 in 2014. Further, between 2008 and 2014, there was a 115% increase in asset changes and a 26% decrease in liability changes, consistent with the economic recovery during the past few years.

And what are the sources of consuming unit incomes? Not surprisingly, wages and salaries account for about 80% of pre-tax income. Between 2008 and 2014, there was a relatively small 1.7% increase in wages and salaries. In contrast, as a proportion of total pre-tax income, self-employment income experienced the largest increase at 33.1%, followed by a 17.1% increase in social security income. With the improving economy, we also see significant percentage increases in average taxes. From the table, we see that average total taxes increased 375.9%, with smaller yet large increases in average federal (267.6%) and state and local (228.8%) taxes. The changes in income and taxes between the two years reflect the 5.2% increase and 5.5% decrease in average pre-tax and post-tax income respectively.

On the expenditure side, the Table 2 provides spending information for major categories (and some sub-categories) and percentage changes in these categories between 2008 and 2014. Also, the first column of the table provides the average share of consumers' budgets expended on the major categories; these budget shares changed little between 2008 and 2014 -- changes in consumers' incomes are typically spread over many budget items rather than targeted on one or two specific items.

Not surprisingly, the table reveals that the two largest expenditure categories are housing (34.6%) and transportation (17.5%). Personal insurance comprises the third largest category at 11.2%. Also, of interest is that households spend 5.5% of their incomes on entertainment compared with 7.2% on healthcare.

The table also identifies areas in which changes in expenditures have been the greatest and indicates that consumers focused on the basics – housing, transportation, and health. Consumers substituted owned housing for rentals, reducing owned expenditures 9% relative to a 33% increase in rental spending. Related, expenditures on household operations (e.g. maintenance and repairs) increased 17.6% and there was a 19.8% increase in purchasing new (to the consuming unit) vehicles. Also, healthcare costs rose, particularly those related to insurance and medical supplies.

The CES is rich in scope, detail, and historical context; the information reported here is but a tiny glimpse of the available data that I think many in the CPBIS community would find useful for their varied purposes. Also, for these and other government data products, you may find useful the web site <http://www.data.gov/> (the home of the U.S. Government's open data), which provides a user-friendly interface for targeted searches of the increasing volumes of data that government is putting online. The topic categories are: Agriculture, Business, Climate, Consumer, Ecosystems, Education, Energy, Finance, Health, Local Government, Manufacturing, Ocean, Public Safety, and Science and Research.

Thank you, as always, for your interest and support. We welcome any feedback that you have to improve our services to the CPBIS community.

**Donate to CPBIS** – CPBIS is the only academic Center that focuses on the business, economic, and policy aspects of the pulp, paper, and, more broadly, forest products industry. Support CPBIS and help the Center maintain and expand its business-focused knowledge products.



**Table 2. Expenditures on Major Categories**

	2008	2014	2008-2014 % Change
<b>Average annual expenditures (Average % Spent on Major Category)</b>	\$ 50,486	\$ 53,495	6.0%
Food (13.1%)	\$ 6,443	\$ 6,759	4.9%
Food at home	\$ 3,744	\$ 3,971	6.1%
Food away from home	\$ 2,698	\$ 2,787	3.3%
Alcoholic beverages (0.90%)	\$ 444	\$ 463	4.3%
Housing (34.6%)	\$ 17,109	\$ 17,798	4.0%
Shelter	\$ 10,183	\$ 10,491	3.0%
Owned dwellings	\$ 6,760	\$ 6,149	-9.0%
Rented dwellings	\$ 2,724	\$ 3,631	33.3%
Other lodging	\$ 698	\$ 710	1.7%
Utilities, fuels, and public services	\$ 3,649	\$ 3,921	7.5%
Household operations	\$ 998	\$ 1,174	17.6%
Housekeeping supplies	\$ 654	\$ 632	-3.4%
Household furnishings and equipment	\$ 1,624	\$ 1,581	-2.6%
Apparel and services (3.5%)	\$ 1,801	\$ 1,786	-0.8%
Transportation (17.5%)	\$ 8,604	\$ 9,073	5.5%
Vehicle purchases (net outlay)	\$ 2,755	\$ 3,301	19.8%
Gasoline and motor oil	\$ 2,715	\$ 2,468	-9.1%
Public and other transportation	\$ 513	\$ 581	13.3%
Healthcare (7.2%)	\$ 2,976	\$ 4,290	44.2%
Health insurance	\$ 1,653	\$ 2,868	73.5%
Medical services	\$ 727	\$ 790	8.7%
Drugs	\$ 482	\$ 486	0.8%
Medical supplies	\$ 114	\$ 146	28.1%
Entertainment (5.5%)	\$ 2,835	\$ 2,728	-3.8%
Personal care products and services (1.2%)	\$ 616	\$ 645	4.7%
Reading (0.22%)	\$ 116	\$ 103	-11.2%
Education (2.2%)	\$ 1,046	\$ 1,236	18.2%
Tobacco products and smoking supplies (0.63%)	\$ 317	\$ 319	0.6%
Miscellaneous (1.6%)	\$ 840	\$ 782	-6.9%
Cash contributions (3.5%)	\$ 1,737	\$ 1,788	2.9%
Personal insurance and pensions (11.2%)	\$ 5,605	\$ 5,726	2.2%

Source: Bureau of Labor Statistics, Consumer Expenditure Survey, <http://www.bls.gov/cex/>.

## **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.

***Carton Council of North America announces that 57% of US households are now reporting access to carton recycling, up from 18% in 2009; current figures are equivalent to 67.1 million households across 48 states***

For example, Las Vegas rolled out a single stream recycling program in late 2015 that allows them to begin collecting additional recyclables, including cartons.

***Jackson Paper Manufacturing subsidiary Sustainable Corrugated to open 150,000-sq.-ft. corrugated sheet plant outside Dalton, Georgia, in late summer 2016, plans to invest US\$15M in new machinery and inventory, hire more than 60 people in the first year***

The plant will use recycled paper as a raw material in making new corrugated sheets.

***Smurfit Kappa idles 65,000-tonnes/year testliner PM No. 1 at its Sangüesa, Spain, mill Jan. 11 to convert the machine to 30,000-tonnes/year virgin fiber-based machine-glazed paper production; rebuilt machine to be commissioned March 1 as PM No. 4***

Uses for MG papers include food packaging paper, shopping bags, and gift-wrap.

***Harmac Pacific pulp mill in Nanaimo, British Columbia, sees its foreign pulp sales grow due to decline in Canadian currency; mill is 'huge contributor' to Nanaimo and adds more than C\$300M annually to mid-island region's economy, says Nanaimo mayor***

As of Jan. 12, the Canadian dollar had fallen below US\$.70 for the first time in about 13 years.

***Kruger contracts Valmet to convert newsprint PM No. 10 at its mill in Trois-Rivières, Québec, to production of up to 360,000 tonnes/year of 100%***

***recycled, lightweight and high-strength linerboard; rebuilt machine set to start up in 2017***

Another response to falling newspaper readership.

***Russia enacts ban on exports of recovered paper until April 18; sources say ban is in response to industry concerns about shortage of raw materials, has helped stabilize prices***

According to sources, the export ban is a government concession to Russian paper recyclers who were complaining about a lack of raw material.

***WestRock to permanently close its containerboard mill in Uncasville, Connecticut, at end of January, after being indefinitely idled in October 2015; spokesperson says decision is based on matching company's supply to its customers' demands***

The Montville mill, which produces about 166,000 tons of corrugated cardboard packaging per year, was temporarily shut down in October.

***Sinar Mas on track to complete its 40T-rupiah, 2 million tonnes/year pulp and paper mill in Indonesia, and start commercial production in mid-2016, after government approves fast tracking of customs procedure to import machinery for the project***

Asia Pulp & Paper's parent, Sinar Mas, is planning the project, but APP subsidiary Oki Pulp and Paper Mills will operate the new mill, according to Industry Intelligence.

***Wisconsin paper companies at disadvantage due to competitors in some other countries being able to sell paper cheaply in US, says president of Wisconsin Paper Council, noting several mills that produce coated paper in Wisconsin have closed***

Some unions allege countries including China, Indonesia, and Australia are able to make paper cheaply because of government subsidies. They also say the countries ship the paper, especially coated paper, to the U.S.

***UPM Kymi pulp mill in Finland exceeds production targets for autumn 2015, with €160M investment raising annual capacity to at least 700,000 tonnes; outlook for pulp demand in next 10 years is positive, says UPM's CEO***

UPM CEO Jussi Pesonen says a new pulp investment in Finland is not a priority; UPM's pulp mills now have a total capacity of 3.5mn tonnes. Two thirds of the production is market pulp. According to Pesonen, the outlook for pulp demand in the next ten years is positive.

***USW applauds US Dept. of Commerce's determinations of final antidumping margins on uncoated paper imports from Australia, Brazil, China, Indonesia and Portugal, noting unfairly traded imports since 2012 have 'seriously injured' US industry and its workers***

A statement issued by the **United Steelworkers** (USW) applauded the announcement of antidumping margins on uncoated paper. Four U.S. paper companies (Packaging Corporation of America, Domtar, Finch Paper and P.H. Glatfelter Company) joined USW in seeking the action. The USW represents 850,000 workers in North America employed in many industries that include metals, rubber, chemicals, paper, oil refining and the service and public sectors.

***Limits on carbon pollution recently proposed for Washington state are worrisome, says official at Northwest Pulp & Paper Assn., believes association's member mills should be recognized for reducing their fossil fuel dependence by 20% in past 11 years***

The rule, released by the state's Department of Ecology on Jan. 6, requires that companies emitting 100,000 tonnes of carbon would have to cut their greenhouse gas emissions by 5% every three years.

**AF&PA Statistics**

Since our last reporting of American Forest and Paper Association statistics releases, the Association has issued its December Boxboard, Containerboard and Kraft Reports.

**Boxboard:** Total production increased 1.7 percent when compared to December 2014 and increased 0.3 percent from November. Unbleached kraft boxboard production increased over the same month as last year but decreased compared to November. Total solid bleached boxboard & liner production decreased when compared to December 2014 but increased compared to November. The production of recycled boxboard increased compared to December 2014 but decreased when compared to November.

**Containerboard:** Production was 3.2 percent lower compared to December 2014. The month-over-month average daily production compared to November 2015 was 2.5 percent lower. The operating rate for December decreased to 90.5 percent. The 2015 overall operating rate of 95.6 percent was 0.5 percent lower than in 2014.

**Kraft:** Total kraft paper shipments were 129.9 thousand short tons, 7.7 percent lower compared to December 2014. Bleached shipments increased from

6.8 thousand short tons in November to 7.5, while unbleached decreased from 123.6 to 122.4 thousand short tons. Overall, shipments in 2015 were 1.3 percent higher compared to 2014. Total month-end inventories decreased to 70.6 thousand short tons.

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

**Paper Quotes**

“The fact of the matter is that our producers are being injured by imports of dumped and subsidized paper. I think we owe it to our U.S. manufacturers who are playing by the rules to even the playing field.” – *U.S. Sen. Al Franken (D-Minn.) in written testimony to the U.S. International Trade Commission*

“As the nation’s leading paper producer, and a top manufacturer, Wisconsin stands to lose the most when foreign companies cheat. The paper and forest products industries in Wisconsin employ more than 52,000 workers.” *U.S. Senator Tammy Baldwin, in testimony at a hearing of the International Trade Commission.*

**Statistics Corner: Brazil's Pulp Production, Imports & Exports**

The table below summarizes, in millions of tonnes, Brazil's pulp production, imports and exports, as reported by BRACELPA. In 2014, hardwood (presumably all eucalyptus) production was 14.2 million tonnes, of which 10.6 million tonnes (75%) was exported. During the previous year, 12.8 million tonnes was produced and 73% was exported. Softwood production (presumably radiata pine) in 2014 was 1.8 million tonnes and this was supplemented by 0.4 million tonnes of imports. It is likely that all of the softwood pulp was used in combination with eucalyptus for paper production. ■

		<b>2013</b>	<b>2014</b>
<b>Hardwood</b>	<b>Production</b>	12.843	14.152
	<b>Exports</b>	9.422	10.614
	<b>Imports</b>	0.001	0.002
<b>Softwood</b>	<b>Production</b>	1.769	1.817
	<b>Exports</b>	0.008	0.000
	<b>Imports</b>	0.429	0.414