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The Market: OCC stable as China era near the end

By Ken McEntee

Unless the Chinese government makes an unexpected U-turn, the China era of driving the U.S. scrap paper markets is just about at its end. Traders reported that China mills' import allowances for 2020 have been filled, and the window of time to get orders on the water for in-time delivery is about to close.

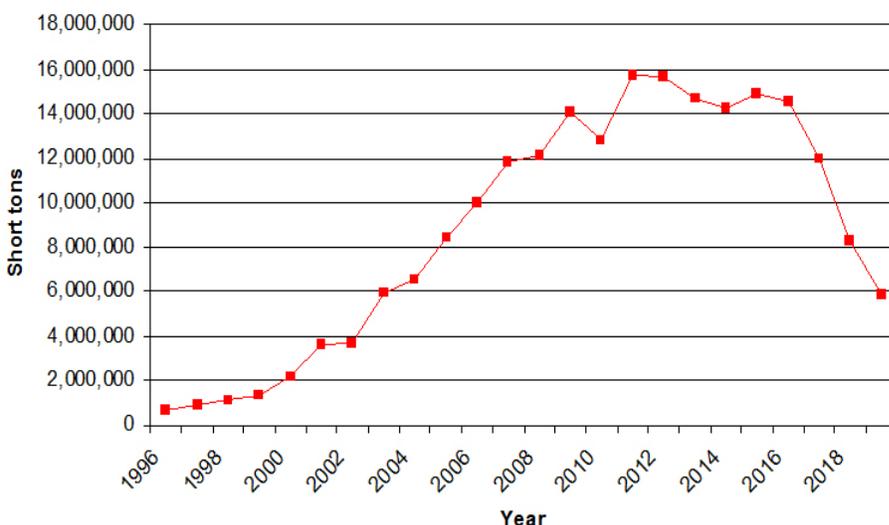
Meanwhile, North American old corrugated container (OCC) demand was reportedly strong in most regions in early October, adding a small degree of price tightness to a final roundup of China-bound material.

Transportation, suppliers said, was a bigger problem than finding orders. Domestically, trucks were difficult to book, and rates were climbing. On the export market, steamship lines, which took vessels out of service during the Covid pandemic, were concentrating on getting stockpiled merchandise out of China and into the U.S. and Europe in time for holiday shopping. Empty shipping containers were being moved to China without the delays required to have them filled with recovered paper.

Traders generally said they anticipate strong domestic demand to continue through November, and perhaps into De-

(See OCC, page 4)

U.S. Annual Recovered Paper Exports to China



Cascades moving forward on Bear Island conversion

Cascades Inc. said it will proceed with the conversion of its idled Bear Island (Va.) newsprint mill to produce 100 percent recycled linerboard and corrugating medium for the North American market.

The plant will have an annual production capacity of 465,000 short tons and is scheduled to start up in the fourth quarter of 2022. It will operate at about 80 percent of capacity by the end of 2023, reaching 100 percent by the end of 2025, Cascades projected.

The total cost of the Bear Island mill project will be \$380 million, which includes the initial \$35 million acquisition cost that was paid to White Birch Papers

for the facility in 2018.

To finance the equity portion of the project, Cascades has entered into an agreement with CIBC Capital Markets, RBC Capital Markets and BMO Capital Markets on behalf of a syndicate of underwriters pursuant to which Cascades will

(See Bear Island, page 3)

Highlights

- Current recovered paper prices
- Nine Dragons starts new OCC line
- Virgin tissue mill opens

Recovered Scrap Paper Prices: Dealer/Processor Prices

These prices reflect the estimated value of recovered scrap paper accepted by or sold to paper stock dealers and/or recycling centers unless otherwise indicated. Prices are listed in dollars per short ton for loose (not baled) material in small quantities, unless otherwise noted. Negative values indicate a charge to accept the materials. Estimated prices are based on surveys of buyers and sellers and are not binding. Prices for grades marked "at generator's dock" indicate the estimated value for material picked up by a dealer from the place where material is generated. Prices for grades marked "at dealer's scale" indicate the estimated value of material brought to the dealer's plant or recycling center.

Grade	N.Y.	NewEng BOS	SEast ATL	PITTS/ CLEV	MWest CHIC	SWest Tex	L.A.	NWest SEAT
Mixed paper, at generator's dock:	-60/0	-60/0	-50/0	-55/0	-55/0	-50/0	-60/0	-60/0
Mixed office paper, generator's dock:	20/50	20/50	30/60	30/60	30/60	30/60	0/60	0/65
White ledger, at generator's dock:	50/90	50/90	50/90	50/85	50/85	55/95	30/65	50/110
Old newspaper, delivered to dealer:	-10/20	-10/20	0/20	0/20	0/20	0/30	0/20	0/20
Old corrugated containers, delivered to dealer:	0/25	0/25	0/30	0/30	0/30	0/35	0/45	5/45
Old corrugated containers, supermarket-sized bales	15/50	15/50	20/60	15/45	15/45	20/60	25/65	20/75
Old magazines, delivered to dealer:	0/50	0/50	0/40	0/40	0/40	0/50	0/50	0/45

Recovered Scrap Paper Prices: Mill Buying Prices

These figures are average prices paid by paper and board mills for the grades listed. Prices are listed in dollars per short ton, baled, FOB seller's dock (exclusive of freight), packed to PS-2017 specifications. Numbers in parenthesis are PS-2018 grade definition numbers.

Post-consumer grades:	Northeast	Southeast	Midwest	Southwest	LA	Northwest	Natl Avg	Last Issue	Last Month	Last Year
Mixed paper (54)	30/60	25/60	25/60	25/60	N/A	20/50	34.58	21.67	21.67	6.25
Sorted residential papers & news (56)	65/90	75/95	70/95	75/95	60/90	60/90	80.00	80.00	80.00	25.00
Sorted clean news (58)	105/135	110/135	100/125	110/135	90/140	90/120	116.25	115.42	115.42	70.42
Old corrugated containers (OCC) (11)	70/85	80/90	60/75	80/95	80/130	90/140	89.58	89.58	89.58	37.08
Sorted office paper (37)	110/130	115/135	105/135	115/135	120/160	130/150	128.33	128.33	128.33	111.67
White ledger, post-consumer (40)	185/210	190/205	185/200	190/210	170/190	185/220	195.00	195.00	195.00	234.17
Old magazines (10)	60/90	70/95	60/90	70/95	70/90	70/90	79.17	79.17	79.17	77.50
Industrial / Commercial grades	Northeast	Southeast	Midwest	Southwest	LA	Northwest	Natl Avg	Last Issue	Last Month	Last Year
Boxboard cuttings (4)	40/65	50/75	40/65	50/75	50/70	40/65	57.08	57.08	57.08	35.00
New double lined Kraft cuts (DLK) (13)	110/140	120/150	100/140	120/150	120/140	130/170	132.50	132.50	132.50	72.50
White news blanks (24)	210/260	230/260	220/250	230/260	200/230	200/240	232.50	232.50	232.50	200.00
Coated soft white shavings (28)	300/325	300/325	300/325	300/325	300/325	300/325	312.50	312.50	312.50	313.33
Hard white shavings (30)	340/375	320/360	330/370	330/370	340/380	340/380	352.92	352.92	352.92	397.50
White ledger, pre-consumer (41)	185/210	190/205	185/200	190/210	170/190	185/220	195.00	195.00	195.00	234.17
Coated Book Stock (43)	105/130	110/135	105/135	110/135	115/160	125/150	126.25	123.33	123.33	111.67
Coated groundwood sections (44)	80/115	80/115	70/110	80/115	90/110	80/100	95.42	95.42	95.42	79.58
Unprinted bleached sulfate (SBS) (47)	330/360	330/360	330/360	330/360	330/360	330/360	345.00	345.00	345.00	345.00
Weighted average national price							98.51	96.81	96.81	63.47

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The Paper Stock Report surveys scrap paper traders twice a month to obtain current, unbiased market prices.

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It'll take less than a minute.

Weigh in...

Use the survey form to submit your observations about current scrap paper markets.



Capacity

WestRock to reduce SBS capacity

WestRock Co. plans to reduce its solid bleached sulphate (SBS) mill system production capacity by 200,000 tons by shutting down one paper machine at its Evadale, Tex. mill.

The shutdown of the paper machine at the Evadale mill is expected to occur by the end of 2020 and reduce headcount at the mill by 60 employees. The remaining two machines at the Evadale mill will continue to support important end markets, including liquid packaging, foodservice, food and premium coated pre-print liner for corrugated boxes, among other grades, WestRock said.

The company's total SBS production capacity after this action will be about 1.9 million tons.

"As a company, we aim to balance our supply with our customers' demand," said Patrick Lindner, chief innovation officer and president, consumer packaging for WestRock. "Given current economic conditions and anticipated supply needs, we believe that reducing production capacity at the Evadale mill will improve its competitiveness while enabling WestRock to more efficiently serve our customers."

Nine Dragons starts new OCC line

Nine Dragon's Paper, China's largest containerboard producer, has started a new BlueLine old corrugated (OCC) stock preparation system in conjunction with the new Paper Machine No. 41 at Nine Dragon's Hebei site, announced the Voith Group, supplier of the OCC line.

In early 2017, Voith received an order for six BlueLine OCC stock preparation lines from Nine Dragons. Five lines, each with a production capacity of 2,000 tons

per day, have now been successfully launched. The hand over of the sixth line is planned for 2022, Voith said.

Voith said that while China is implementing restrictions on recovered fiber imports and stringent environmental regulations, papermakers are partnering up with suppliers who are offering leading sustainable solutions and technology in plant operations and stock preparation. Voith's complete OCC solution creates sustainable and eco-friendly competitive production lines with 15 to 20 percent reduction in energy consumption and at least 0.5 percent fiber savings, Voith said.

The five OCC stock preparation lines are the only expansion projects that Nine Dragons has carried out over the past three years. Voith received the contract as the full-line supplier to deliver the entire approach flow systems together with the complete stock preparation portfolio.

"Nine Dragons is leading the industry in sustainable paper manufacturing based on the management philosophy 'no environmental management, no papermaking,'" Voith said. "The continuous expansion of new production capacity benefits Nine Dragons in strengthening its leading position in the packaging industry."

Virgin tissue mill opens in Oklahoma

The Italy-based Sofidel Group said it has started production at its new tissue mill and conversion plant in Inola, Okla. The facility is Sofidel's second U.S. greenfield mill, following the company's Circleville, Ohio mill, which opened in 2018.

Based in Porcari, Lucca, Italy, Sofidel is a producer of tissue paper for hygienic and domestic use, and is mostly known in Italy and in Europe for its Regina brand.

The Oklahoma plant joins Sofidel's sites in Green Bay, Wisc., Las Vegas, Hattiesburg, Miss., Haines City, Fla. and the U.S. head office in Horsham, Pa.

The integrated Oklahoma plant, including the paper mill phase and the converting phase has involved a total investment of about \$360 million, and employs more than 300 people, Sofidel said.

"The U.S. market is fundamental for the growth of the Sofidel Group and the new plant, enabling an enhanced production capacity and a further improvement of the geographical coverage, strengthens our position and creates the conditions for further growth," said Luigi Lazzareschi, CEO of the Sofidel Group. "This is an important step, of which we are proud, all the more so in light of the results achieved in the first half of 2020 which improve last year's already good performances."

The Oklahoma plant is located on 240 acres of land in an area rich in water, gas and electricity, as well as a skilled workforce. The area is close to a strategic logistics hub with excellent intermodal connections thanks to which the group further increases its ability to better satisfy large-scale retail operators and end-consumers in the central-southern and central-western areas of the United States, the company said. In the Inola plant, two conventional paper mill machines, AHEAD-2.0L, manufactured by Toscotec, have been installed for a total production capacity of 120,000 tons per year (60,000 tons/year each). The machines have a format of 5,500 mm and can reach a maximum speed of 2,000 m/min.

With regard to the converting phase, 14 lines are installed for the manufacturing of products for both the Away-from-Home and consumer markets. The Inola plant has been designed focusing on energy saving, reduction of water consumption and fiber loss in the production process and recovery (water, exhausts, and mechanical energy), in line with the company's sustainable development strategy.

Bear Island

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issue from treasury, and the underwriters will purchase on a "bought deal basis," 7.4 million common shares at a price of \$16.80 per share, for gross proceeds of about \$125 million. Following completion of the offering, the equity requirements of the Bear Island mill project will be fully financed.

"This investment, one of the largest in

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Bear Island

From page 3

our company's history, is a decisive and very important strategic move in the modernization of our packaging assets," said Mario Plourde, president and CEO of Cascades. "By adding the Bear Island mill to our platform, more than 60 percent of our containerboard manufacturing capacity will be in the top quartile of the industry. In addition to offering a unique development platform, this plant will strengthen our geographic positioning and presence in the U.S. and will enhance the competitiveness of our asset base and our product offering regardless of economic conditions."

From an operational standpoint, Bear Island also will optimize the flexibility of Cascades' manufacturing platform by providing a product offering that will be complementary to its sister plant - Greenpac, located in Niagara Falls, N.Y., Plourde said.

"Bear Island will also offer 100 percent recycled products with light basis weights," he said. "Greatly valued by our current and future customers, these eco-responsible products are particularly well suited for e-commerce."

As the company continues to execute its strategic plan to increase its down-stream integration, it will initially convert volume in its existing converting facilities in addition to entering into long term agreements with customers, Cascades said.

The remaining tonnage that will initially be sold on the open market is expected to decrease, reducing market exposure.

"The significant expertise that was developed within Cascades from the Greenpac build, and the ongoing success of this mill give us full confidence that we will increase our market share and expand our geographic footprint in the United States," said Charles Malo, president and COO of Cascades Containerboard Packaging. "Bear Island will be equipped with the latest technology and will be able to offer one of the lightest high-end 100 percent recycled containerboard products on the market."

Cascades will finance the entire project

with the offering, cash flows generated by its operations and available bank facilities.

"We are confident that we will be able to reach our targeted leverage ratio of 2.5x by the end of 2023 while simultaneously completing this important project," said Allan Hogg, vice president and CFO.

During the project development period, Cascades expects to limit its capital investment envelope to about \$200 million annually, excluding the Bear Island project. This project will add about US\$190 million to this envelope in 2021 and US\$120 million in 2022.

Founded in 1964, Cascades employs about 12,000 people across a network of almost 90 facilities in North America and Europe.

Transactions

Sonoco

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Sonoco has signed an agreement to sell its Europe contract packaging business to Prairie Industries Holdings, a Wisconsin-based contract packaging and contract manufacturing firm backed by The Halifax Group, a Washington, D.C.-based global investment firm, for \$120 million in cash.

The transaction is subject to normal closing requirements and is expected to be completed in the fourth quarter of 2020.

Sonoco's Europe contract packaging business (Sonoco Poland Packaging Services Sp. z o.o.) produced net sales of about \$300 million in 2019 and provides full-service custom packaging and supply chain management solutions to global consumer product goods companies through six contract packaging facilities in three locations and a warehouse - all in Poland. The business is part of Sonoco's Display and Packaging segment and has about 2,600 employees.

Howard Coker, Sonoco president and CEO, said the divestiture is part of the company's efforts to simplify its operating structure to focus on growing its core Consumer and Industrial packaging businesses. Net proceeds from the transaction are expected to be used to reduce short-

term debt and further improve the company's strong liquidity position.

"Since opening our Europe contract packaging business with a single customer 20 years ago, we have built this business to serve some of the best known global consumer product brands supplying consumers in more than 40 countries in Europe, the Middle East, Africa and Asia," Coker said.

Scott Lamb, CEO of Prairie Industries Holdings, welcomed the Sonoco Europe contract packaging team to the Prairie organization saying, "the team's outstanding reputation for quality service in Europe, along with a portfolio of world-class facilities, will position the combined business as a global contract packaging leader."

Market

OCC

From page 1

December, possibly pushing OCC prices up slightly next month despite the loss of the Chinese export market.

Some sources said they expect alternative markets like India, Thailand and Vietnam to fill some of the demand void left by China for a couple months, but because there is no longer-term home for the tonnage, a plunge in OCC prices could be seen by January, if not during December.

In the meantime, traders say North American OCC prices are being propped up by a lower-than-expected gain in residential recovery of the material. Commercial generation is reportedly down due to the Covid-related business shutdowns, and an increase in curbside OCC - resulting from increased online shopping - may not have made up the difference as some expected.

On the demand side, traders said containerboard mills were running strong to keep up with orders from box plants.

"Mills are asking for extra tonnage above my normal commitment," according to a West Coast broker. "Mills are running at high operating rates and their inventories are not healthy for the most part."

Several sources cited International Pa-

per as one of the mill groups that is buying heavily in the Southern U.S., perhaps to feed its on-coming containerboard line in Selma, Ala. Selma is just one of a handful of OCC-consuming projects expected to come online during the fourth quarter.

Chinese mills this year through August have averaged about 313,000 short tons of OCC imports monthly. That's less than half of what China absorbed during its peak import year of 2015, when the U.S. shipped an average of 666,600 tons to China each month.

With China fading from the market, sources suggested that OCC export prices will start to drop - if not immediately, then by the end of the year.

"Chinese buyers paid a higher price for No. 12 (double-sorted) OCC than other Asian markets," one exporter said. "So the price of No. 12 is going to naturally drop. Then you have the extra supply left by China."

U.S. OCC mill prices averaged close to \$90 per ton FOB across the country, with the highest prices seen in the Pacific Northwest, where domestic and export demand remained robust. A year ago, the average national price was at \$38 per ton.

Domestically this month, mixed paper continued to be the strongest grade on the market.

"It's the gold standard right now," confirmed a supply in the Midwest U.S.

"People are screaming for it."

Sources said mixed paper was not only being used to supplement OCC in containerboard - primarily corrugating medium - but also was in strong demand from tissue mills.

"The big guys like Georgia-Pacific and SCA have discovered that clean mixed paper, if it's made right, can be used in place of office paper," the supplier said.

Meanwhile, traders said, Pratt Industries, was expanding the buying radius around its containerboard mills looking for higher quality mixed paper.

In most regions of the U.S., mills were paying as high as \$60 per ton, picked up, for the material. Chinese-owned ND Paper was reportedly paying as high as \$100 per ton for mixed paper delivered to its mill in West Virginia, although the cost to truck the material there was described as "ridiculous," at more than \$1,200 per truckload. Lower quality mixed paper, sources said was still selling at nominal prices.

Prices for office paper and other deinking grades remained weak this month, although an East Coast broker said coated book stock showed some improvement.

"Coated book has been worse than office paper," he said. "At least prices have come up to the level of SOP."

While tissue makers were incorporating mixed paper into their brown grades,



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higher quality brands are being increasingly being made using low-cost pulp at the expense of pulp subs and deinking grades, sources said.

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