



PSR The Paper Stock Report

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The Market: Global recovered paper prices push upward

By Ken McEntee

Prices of old corrugated containers (OCC) and other grades of recovered paper have been on the rise since the beginning of the year. Although the escalation was held relatively in check during March, many suppliers are predicting that prices could skyrocket by summer.

The average national mill buying price of OCC increased from \$94 per short ton, FOB seller's dock, in January, to nearly \$110 per ton in February to \$113 per ton in March, with traders reporting transactions as high as \$150 per ton on the East Coast. However, traders believe OCC prices have been held in check for two reasons:

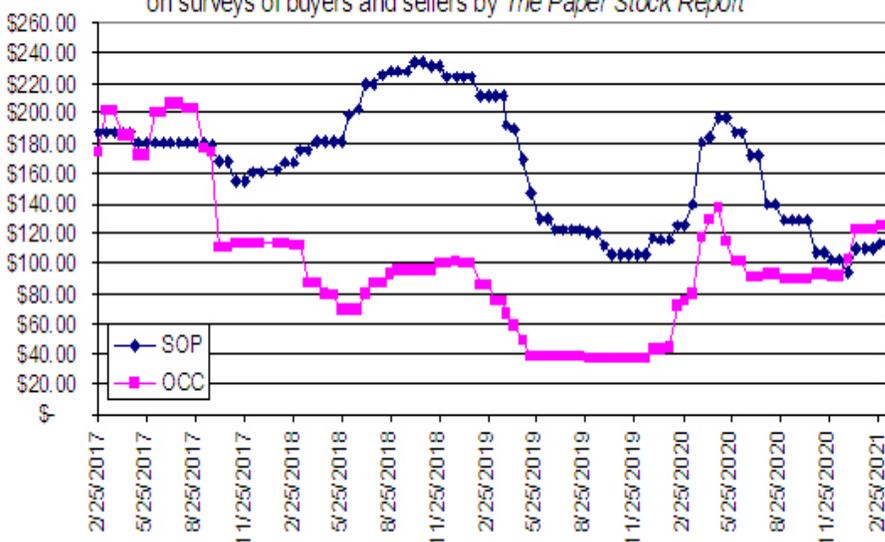
- Difficulty moving tonnage off-shore due to an inadequate supply of shipping containers and other port delays; and
- A significant amount of scheduled maintenance downtime at containerboard mills, even as the mills are reporting strong orders.

Many traders believe that the end of maintenance downtime, coupled with strong export demand will increase overall fiber demand in the coming months. That demand, many project, will be exact-

(See Upward, page 6)

OCC, SOP Prices

U.S. average national mill buying price, \$ per ton, FOB sellers dock, based on surveys of buyers and sellers by *The Paper Stock Report*



Nine Dragons to invest \$1.3 billion in Malaysia

Nine Dragons Paper, China's largest containerboard producer, has committed to invest RM5.4 billion (US\$1.3 billion) in two mills in Malaysia, Malaysian Prime Minister Muhyiddin Yassin announced.

Yassin said he received a delegation today that included Nine Dragons chairlady Cheung Yan and other company executives.

Nine Dragons' investment, he said, includes two manufacturing facilities that will focus on test liner, Kraft liner, corrugated medium paper, paper and pulp:

- ND Paper (Malaysia) Sdn Bhd in Bentong, Pahang, which involves the ac-

quisition of paper and pulp plants with the overall investment of (US\$295 million); and

- ND Paper Malaysia (Selangor) Sdn Batd in Banting, with an investment of (US\$1.03 million).

(See Malaysia, page 4)

Highlights

- Current recovered paper prices
- WestRock CEO steps down; replaced by outside hire

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: | -30/5 | -30/5 | -35/5 | -35/5 | -35/5 | -35/5 | -30/10 | -20/10 |
| Mixed office paper, generator's dock: | 0/30 | 0/30 | 0/35 | 0/25 | 0/25 | 0/35 | 0/35 | 0/35 |
| White ledger, at generator's dock: | 25/70 | 25/70 | 30/65 | 35/65 | 35/65 | 35/60 | 20/55 | 35/80 |
| 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: | 10/45 | 10/45 | 10/40 | 10/35 | 10/35 | 10/40 | 15/55 | 15/60 |
| Old corrugated containers, supermarket-sized bales | 20/75 | 20/75 | 20/75 | 20/70 | 20/70 | 25/75 | 40/70 | 20/70 |
| 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) | 30/65 | 30/65 | 30/65 | 35/65 | N/A | 30/60 | 39.58 | 39.58 | 37.92 | 6.25 |
| Sorted residential papers & news (56) | 75/100 | 80/100 | 80/100 | 80/100 | 70/100 | 70/100 | 87.92 | 87.92 | 87.92 | 45.42 |
| Sorted clean news (58) | 110/135 | 115/135 | 110/130 | 115/135 | 100/140 | 100/130 | 120.42 | 120.42 | 120.42 | 86.67 |
| Old corrugated containers (OCC) (11) | 95/140 | 90/130 | 90/130 | 90/135 | 100/130 | 100/130 | 113.33 | 113.33 | 109.17 | 80.42 |
| Sorted office paper (37) | 110/145 | 110/135 | 110/140 | 110/140 | 110/140 | 110/140 | 125.00 | 125.00 | 123.33 | 139.17 |
| White ledger, post-consumer (40) | 195/220 | 200/215 | 195/210 | 200/220 | 180/200 | 195/230 | 205.00 | 205.00 | 205.00 | 225.00 |
| Old magazines (10) | 70/100 | 70/100 | 80/100 | 80/100 | 80/100 | 80/100 | 88.33 | 88.33 | 79.17 | 70.83 |
| Industrial / Commercial grades | Northeast | Southeast | Midwest | Southwest | LA | Northwest | Natl Avg | Last Issue | Last Month | Last Year |
| Boxboard cuttings (4) | 60/75 | 65/80 | 60/75 | 65/85 | 65/85 | 60/80 | 71.25 | 71.25 | 63.75 | 44.17 |
| New double lined Kraft cuts (DLK) (13) | 140/160 | 130/150 | 130/160 | 135/160 | 130/150 | 135/160 | 145.83 | 145.83 | 144.17 | 119.58 |
| 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) | 310/340 | 310/340 | 310/340 | 310/340 | 310/340 | 310/340 | 325.00 | 325.00 | 325.00 | 310.00 |
| Hard white shavings (30) | 360/390 | 340/380 | 345/390 | 345/385 | 350/395 | 350/395 | 368.75 | 368.75 | 365.42 | 380.00 |
| White ledger, pre-consumer (41) | 185/210 | 190/205 | 185/200 | 190/210 | 170/190 | 185/220 | 205.00 | 205.00 | 205.00 | 225.00 |
| Coated Book Stock (43) | 110/145 | 110/135 | 110/140 | 110/135 | 110/130 | 110/140 | 122.92 | 122.92 | 116.67 | 120.83 |
| Coated groundwood sections (44) | 80/115 | 80/115 | 70/110 | 80/115 | 90/110 | 80/100 | 95.42 | 95.42 | 95.42 | 76.25 |
| Unprinted bleached sulfate (SBS) (47) | 350/380 | 350/380 | 350/380 | 350/380 | 350/380 | 350/380 | 365.00 | 365.00 | 357.50 | 345.00 |
| Weighted average national price | | | | | | | 111.61 | 111.61 | 107.89 | 87.37 |

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Mills

WestRock CEO steps down; replaced by outside hire

Steven C. Voorhees has decided to step down as president and CEO of WestRock Co. due to health reasons, the company announced. Voorhees will be replaced effective March 15 by David Sewell, chief operating officer of the Sherwin-Williams Co.

WestRock said Sewell was elected by its board of directors after a comprehensive search that was a part of the company's long-term succession process. WestRock said Sewell, 52, brings more than 25 years of commercial, marketing and general management experience. Prior to joining Sherwin-Williams, Sewell spent 15 years at General Electric Co. Sewell holds a bachelor's degree in economics.

"Our decision to elect David as CEO is the result of a robust succession planning process, and he is the right choice to lead our company into the future," said John A. Luke Jr., chairman of WestRock's board of directors. "David is a proven executive with a strong record of driving profitable growth, both organic and acquisitive, and building organizational capability that develops and nurtures excellent leadership and talent while driving a culture of equity and inclusion."

Luke said Voorhees served WestRock with great dedication and distinction since its formation in 2015.

"Under his leadership, the company has grown to \$17.6 billion in sales through the execution of a growth strategy that has included the merger with MeadWestvaco, several strategic acquisitions and significant capital investments, all positioning WestRock as the leading provider of innovative fiber-based sustainable packaging solutions," said Luke, who once served as chairman and CEO of MeadWestvaco. "He has had a lasting impact on our business strategy and the development of our values-driven culture."

Voorhees said it has been an honor to "lead and to serve with such an incredible team of people," adding that WestRock is better positioned than ever to support its customers and achieve its goals.

"I have every confidence in David, WestRock's leadership team, our teammates and the board to continue creating value for all of our stakeholders," he said.

Along with being one of the largest integrated producers of linerboard and corrugating medium in North America, WestRock also is one of the continent's largest paper recyclers.

Capacity

Nine Dragons reports 'exceptional' year

Despite numerous challenges, Nine Dragons, China's largest paper and paperboard producer, reported a "very exceptional year" in 2020. In its interim financial report for the six months ending December 31, 2020, Nine Dragons said it continues to enjoy its competitive edge as the "leading enterprise in terms of production scale and raw material procurement, while providing quality products and services to customers consistently."

Revenue increased 7.1 percent during the period, compared to a year earlier, to about US\$4.8 billion.

Challenges noted in the report included:

- Complicated and erratic business environment due to covid - which the company said has been well contained;
- The Chinese government's zero import quota for recovered paper policy, which went into effect at the start of 2021;
- The volatile renminbi exchange rate.

"Under the successful price hikes and efficient cost control measures, we obtained remarkable results with record high sales and sales volume as well as substantial growth of overall profitability for the period, with significant profit growth for our high-end products in particular," Nine Dragons said. "In addition, we managed the inventory level and financial risks ef-

fectively."

During the period, the group made a breakthrough in the vertical integration of its production chain.

"For upstream resources, we have started a number of fully-integrated pulp and paper mill projects in China, which is highly conducive to the long-term stable supply of quality raw materials as well as the control on production quality and cost effectiveness in the future," Nine Dragons reported. "A total of our new paper production capacity of (2.3 million short tons per year) officially commenced production in Quanzhou, Shenyang, Dongguan and Hebei respectively during the period, further enhancing the economies of scale and supporting the growth of market demand."

As of the end of 2021, Nine Dragons' total annual design production capacity for pulp (recycled pulp and wood pulp) and paper amounted to 935,000 short tons and 19.3 million short tons respectively.

That total was comprised of:

- About 11.2 million tons per year of linerboard;
- About 3.7 million tons of high performance corrugating medium;
- About 2.9 million tons of coated duplex board;
- About 1.2 million tons of printing and writing paper;
- About 1.2 million tpa of high value specialty paper and pulp products.

Upon completion of current capacity expansion projects, the group's total annual design capacity for pulp (wood pulp and recycled pulp), wood fiber and paper is expected to reach 32.4 million short tons per year.

The company's four U.S. mills had capacity of about 1.4 million tons per year, including:

- About 990,000 tons of coated one-side, coated freesheet and coated ground-wood grade for printing and writing paper and specialty paper products; and
- About 440,000 tons of recycled pulp and wood pulp products.

The company said it did not pay U.S. income tax during the six-month period - nor the corresponding period of 2019 - "as the group did not have any assessable prof-

(See Nine Dragons, page 4)

Capacity

Nine Dragons

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its during the (period)."

Nine Dragons achieved a revenue of about US\$4.8 billion during the six month period, representing an increase of about 7.1 percent as compared with the corresponding period last year. The major contributor of the group's revenue was still its packaging paper business, including linerboard, high performance corrugating medium and coated duplex board, which accounted for about 90.3 percent of the revenue, with the remaining revenue of about 9.7 percent generated from its printing and writing paper, high value specialty paper and pulp products.

Sales volume of linerboard and coated duplex board for the period increased by about 6 percent while sales volume for high performance corrugating medium and printing and writing paper for the period decreased by about 9 and 14 percent respectively compared with those in the corresponding period last year.

The majority of the group's revenue continued to be realized from the China market, in particular from the linerboard and high performance corrugating medium sectors. For the period, revenue related to China consumption represented 92 percent of the group's total revenue, while the remaining revenue of 8 percent represented sales to customers in other countries.

The gross profit margin increased from 17 percent in the corresponding period last year to about 21 percent for the period mainly because the increase in the selling price of finished products was much faster than the increase in the cost of raw materials for the period.

Looking ahead in 2021, the global development of the pandemic and trade relations will be crucial to the economy, Nine Dragons said.

"Subject to the general availability of related vaccines, we expect global economic recovery with a further boost on domestic consumption and export,"

Nine Dragons Capacity Expansions

| Wood pulp & recycled pulp | Short tons New Capacity | | Completion |
|---------------------------|----------------------------|-----------------------------|--------------------|
| China | | | |
| Hubei | 660,000 | Chemical pulp | 3Q 2022 |
| Shenyang | 682,000 | Chemical pulp | 3Q 2022 |
| Beihai | 550,000 | Chemical pulp | 4Q 2022 |
| | 1,540,000 | Chemi-mechanical | 4Q 2022 |
| Malaysia | 660,000 | Recycled pulp | 2Q 2023 |
| Sub Total | 4,092,000 | | |
| Wood fiber | New Capacity | | Product Completion |
| China | | | |
| Dongguan | 660,000 | | 2Q 2022 |
| Chongqing | 550,000 | | 4Q 2022 |
| Sub Total | 1,210,000 | | |
| Paper | New Capacity | | Product Completion |
| China | | | |
| Hubei | 660,000 | Virgin Kraftliner | 3Q 2022 |
| | 660,000 | Testliner | 3Q 2022 |
| Beihai | 1,210,000 | Virgin Kraftliner | 4Q 2022 |
| | 495,000 | White top linerboard | 4Q 2022 |
| | 1,320,000 | Bleached folding boxboard | 4Q 2023 |
| | 605,000 | Printing & writing paper | 4Q 2023 |
| | 220,000 | Sack Kraft paper, bag paper | 4Q 2023 |
| Shenyang | 715,000 | Virgin Kraftliner | 2Q 2023 |
| Malaysia | 660,000 | Kraftliner | 2Q 2023 |
| | 330,000 | Corrugating medium | 2Q 2023 |
| Sub Total | 6,875,000 | | |
| Total | 12,177,000 | | |

the company said. "Benefited by the launch of the 'zero import quota on recovered paper' and 'plastic ban' policies, the entire paper manufacturing industry will embrace new business opportunities arising therefrom, fostering more significant advantages for major paper manufacturers. The group is well poised to leverage its competitive edges as a leading enterprise in the industry to integrate the domestic and foreign raw materials and markets, ensure a stable raw material supply and product quality, cultivate different market segments, optimize the product mix and maintain a healthy gearing ratio and cash flow management with the aim of enhancing the market share and overall profitability."

Malaysia

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The two projects will generate 2,180 job opportunities with nearly 90 percent of local citizens, Yassin said.

The projects are scheduled to operate in 2022. Both factories will be fully automated and equipped with Industry 4.0 technology such as system integration, Internet of Things (IoT), big data analytic and cloud computing from Europe and China.

"As of December 2020, a total of 572 Chinese manufacturing projects worth (US\$19 billion) have been approved by

(See Malaysia, page 6)

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Capacity

Malaysia

From page 4

the Malaysian Investment Development Authority (MIDA), including the Nine Dragons Paper Group," Yassin said. "I confirm that the Malaysian government is very pro-business and always welcome new investment inclusion into the country and ready to offer various incentives to promote more foreign investments to Malaysia. This addition of investment by Group Nine Dragons Paper clearly shows the confidence of foreign investors to continue to make Malaysia their destination of choice."

Following recent government restrictions - and ultimately a ban on the import of recovered paper into China, Nine Dragons and other Chinese paper makers have invested in production facilities outside the country, including in locations like Malaysia and Vietnam.

"The investment environment in Malaysia is attractive," Yan said. "The country's strategic location and infrastructure, established local supply chains that are well-integrated into the global value chain as well as the strength of its skilled talent pool offer an undeniable competitive advantage to our business. Moreover, Malaysia's business-friendly policies such as its latest initiative of the One Stop Centre (OSC) for business travellers managed by MIDA to ease travel for businesses further strengthened our confidence in investing here. I am very grateful to make this investment decision based on these fundamentals. We believe governments and enterprises need to mutually support and collaborate with each other. We are ready to be part of Malaysia's diverse industry."

Nine Dragons owns mills in China, Vietnam and the U.S. with an annual production capacity of more than 20 million short tons.

Overall, Nine Dragons has reported, the company has plans in place for more than 12 million short tons of capacity expansion in China and Malaysia, including wood pulp, recycled pulp, wood fiber, paper and paperboard.

Market

Upward

From page 1

erbed by a strong post-pandemic economic recovery supercharged by the federal government's \$1.9 trillion covid relief package.

"There is not a lot of packaging, nor OCC in the pipeline to supply a red-hot economy when things start to open up and people start to buy more things and take vacations," said a broker in the New York City area, whose assessment was common among U.S. recovered paper suppliers. "Things could really heat up over the next four to five months."

Executives of large publicly traded containerboard manufacturers, reporting on their companies' financial performance in February, generally said they anticipated less robust OCC price increases in the \$15 to \$20 per ton range over the course of 2021.

While Wall Street has reacted favorably to the federal covid relief package, some economists warn that another \$2 trillion put into circulation on top of last year's economic stimulus bills will increase the federal government's debt to almost \$30 trillion - creating an unsustainable economic burden that will devalue the U.S. dollar and could cause high inflation. Furthermore, Rep. Kevin McCarthy and other members of congress have revealed that as little as 9 percent of the \$1.9 trillion covid relief package will actually be spent on covid relief.

Meanwhile, domestic mills have benefited from transportation issues that have curtailed ocean shipments, keeping more tonnage available in the states - and helping to keep prices from rising. On the other hand, traders said, truck driver shortages and railroad delays are making logistics difficult for U.S. mills as well.

"The difficulty in getting material loaded into sea containers and getting it on a boat is so extreme that many suppliers are having to make decisions whether to gamble on an OCC export order for \$220 delivered to the pier, or to take a domestic order at \$140 FOB," one broker

lamented.

Exporters said offers for double sorted No. 12 OCC have been above the \$200 (FAS) per ton mark off the East Coast, while No. 11 has been above \$180. West Coast prices are reportedly well below that - in the \$150s for No. 11 and \$160s for No. 12.

One broker said, however, that strong buying from India is critical in keeping the export market strong.

"If India pulled out tomorrow, prices would probably drop off," he said.

Indian mills, meanwhile, have filed a complaint to the Indian commerce ministry about escalating prices of imported recovered paper. The Indian Agro & Recycled Paper Mills Association (IARPMA) said the paper industry is facing an unprecedented crisis as the prices of recovered have doubled over the last six months.

According to a West Coast exporter, "China is no longer buying OCC, but they are still driving the market. Pulp makers in India, Vietnam and Malaysia are using OCC to make recycled pulp that is sold to Chinese containerboard mills."

An exporter in Chicago noted that the withdrawal of Chinese mills has fragmented the OCC market - particularly in Asia.

"That's good for us (his company) because we prefer to have a diversity of buyers," he said.

After falling during the fourth quarter of 2020 to levels not seen since 2008, prices for sorted office paper and other chemical deinking grades continued to strengthen in March. Suppliers believe that a comeback in the away-from-home tissue market this summer will continue to push deinking grade demand upward during the coming months.

Overall, summed up a recovered fiber broker on the West Coast, "I think it's going to be a good year to be in the recycling and packaging business."



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