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The Market: OCC prices continue to rise

By Ken McEntee

Despite ocean shipping interruptions that are keeping a lot of tonnage onshore, old corrugated container (OCC) prices continue to rise in the U.S.

Several major publicly traded containerboard producers projected OCC price increases of \$30 or more per ton as quickly as the end of June.

Sonoco Products Co., during an April earnings call, suggested that increases could move \$30 per ton or more by the end of the second quarter.

WestRock Co. projected that prices would increase by \$15 to \$20 per ton during the second quarter compared to the first quarter, with subsequent increases of \$5 per quarter until the end of the year. Packaging Corporation of America, during an earnings call, suggested that OCC prices could end the year 50 percent higher than in 2020.

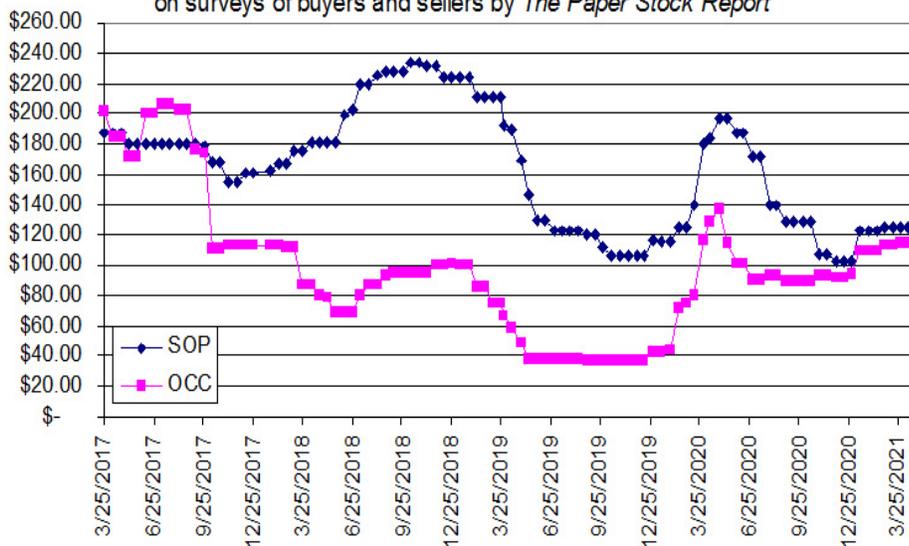
Despite strong domestic demand, OCC prices in Northeastern U.S. and Eastern Canada moving into May were reportedly flat, as exports were curtailed by ocean shipping interruptions - and exacerbated by covid-related labor shortages at Indian ports.

In the Midwest U.S., however, traders reported robust demand, resulting in escalating prices. Green Bay Packaging's new

(See OCC, page 3)

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*



Sonoco projects OCC hike of \$30 or more

By Ken McEntee

Old corrugated container prices could increase by more than \$30 per ton by the end of the second quarter, according to a top Sonoco Products executive.

Speaking during an April conference call to discuss the company's first quarter financial performance, Rodger Fuller, executive vice president, said, "We're expecting OCC throughout the quarter to get up into the \$120s at this point."

That number was in contrast to the \$90 per ton price reported by Fastmarkets RISI during April. In reality, some mills have

been paying more than \$120 per ton for OCC since January. In the eastern U.S., many - if not most - domestic transactions this month have been near or above the \$130 per ton picked up.

Based on that price, a \$30 per ton in-

(See Sonoco, page 4)

Highlights

- Current recovered paper prices
- Employee vaccine mandates may put your business at risk

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	39.58	16.25
Sorted residential papers & news (56)	75/100	80/100	80/100	80/100	70/100	70/100	87.92	87.92	87.92	51.25
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)	110/135	110/140	110/145	110/145	90/125	120/150	124.58	114.58	113.33	136.67
Sorted office paper (37)	120/160	120/160	120/160	120/165	110/140	120/160	137.92	125.00	125.00	196.67
White ledger, post-consumer (40)	210/250	210/245	200/250	210/250	180/200	195/230	219.17	205.00	205.00	251.67
Old magazines (10)	70/100	70/100	80/100	80/100	80/100	80/100	88.33	88.33	88.33	74.17
Industrial / Commercial grades	Northeast	Southeast	Midwest	Southwest	LA	Northwest	Natl Avg	Last Issue	Last Month	Last Year
Boxboard cuttings (4)	70/80	70/80	65/80	70/85	70/85	60/80	74.58	71.25	71.25	71.25
New double lined Kraft cuts (DLK) (13)	140/170	145/170	145/160	145/175	130/150	150/160	153.33	145.83	145.83	165.83
White news blanks (24)	210/260	230/260	220/250	230/260	200/230	200/240	232.50	232.50	232.50	225.00
Coated soft white shavings (28)	320/360	320/360	320/360	320/360	320/360	320/360	340.00	325.00	325.00	327.50
Hard white shavings (30)	380/410	380/410	380/410	380/410	360/400	380/410	392.50	368.75	368.75	400.00
White ledger, pre-consumer (41)	210/250	210/245	200/250	210/250	180/200	195/230	219.17	205.00	205.00	251.67
Coated Book Stock (43)	125/150	125/155	125/155	125/155	115/130	125/150	136.67	122.92	122.92	196.67
Coated groundwood sections (44)	80/115	80/115	70/110	80/115	90/110	80/100	95.42	95.42	95.42	85.58
Unprinted bleached sulfate (SBS) (47)	380/400	380/400	380/400	380/400	360/390	380/400	387.50	365.00	365.00	370.00
Weighted average national price							118.65	111.90	111.61	125.07

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Join the survey...

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

Fill in the anonymous survey online at

<http://paperstockreport.com/market-survey/> or email ken@paperstockreport.com.

It'll take less than a minute.

Weigh in...

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



Legal

Employee vaccine mandates may put your business at risk

By Ken McEntee

Many trade associations and other organizations are actively promoting covid vaccination campaigns for employees.

However, strong encouragement to get experimental vaccines - particularly if they are mandated or implied to be mandated - could put your business at risk of liability should an employee be injured by the shot.

With respect to immunity from vaccine liability, a spokesperson from the U.S. Department of Health and Human Services (HHS) told *The Paper Stock Report*, "There is a clear distinction between medical professionals who administer COVID-19 vaccines and employers who may require their employees to receive vaccinations."

Under federal law passed in 1986, vaccine manufacturers cannot be sued when a vaccine recipient is injured or killed after taking a vaccine. In 2005, the federal government enacted the Public Readiness and Emergency Preparedness (PREP) Act, which authorizes the HHS secretary to issue a PREP Act declaration, during a declared public health emergency, to provide immunity from liability (except for willful misconduct) for claims:

- Of loss caused, arising out of, relating to, or resulting from administration or use of countermeasures to diseases, threats and conditions;
- Determined by the secretary to constitute a present, or credible risk of a future public health emergency;
- To entities and individuals involved in the development, manufacture, testing, distribution, administration and use of such countermeasures.

In March 2020, the HHS secretary issued a PREP Act Declaration covering COVID-19 tests, drugs and vaccines, pro-

viding liability protections to manufacturers, distributors, licensed healthcare professionals and select others who administer COVID-19 countermeasures, the HHS spokesperson said.

"The PREP Act does not shield employers or businesses as covered persons, and should they attempt to mandate vaccination, they may be liable for resulting harms," according to a white paper published by America's Frontline Doctors (AFD), a non-profit organization of board certified physicians that has been mocked and censored as conspiracy theorists by mainstream and social media.

HHS, however, confirms AFD's assessment.

"Medical professionals identified in the PREP Act Declaration who administer COVID-19 vaccines are covered under the PREP Act," the HHS spokesperson said. "Generally, the PREP Act does not cover individual employers or entities solely based on their requirement for employees to be vaccinated. The PREP Act may only apply to employers if the employer is administering a formal vaccination program. The PREP Act covers 'program planners,' essentially defined in the statute as individuals and entities that run medical countermeasure programs. Thus, if the employer is actually running a vaccination program, they might be a covered person under the PREP Act. Whether or not the employers have other liability protections may depend on state law or other provisions, or their insurance. HHS is not in a position to comment on those possibilities."

Although opinions about the safety and risk/benefit of the covid shots being given today vary from person to person, the fact that the vaccines are authorized by the U.S. Food and Drug Administration (FDA) as "investigational" under an Emergency Use Authorization (EUA) may have important legal implications, AFD said.

"Pursuant to an EUA, each person has a right to decline a medication/biologic that is not fully licensed," AFD said in the white paper. "The subject needs to be told the risks/benefits and of the right to decline. An experimental treatment cannot be forced. So, for example, if a teachers' union or an airline attempts to mandate a

COVID-19 vaccine issued under an EUA, they may very well be liable for outcomes."

While not declaring the experimental vaccines to be unsafe, AFD recommends "caution for patients, policymakers and employers."

The AFD White Paper can be downloaded at https://assets.website-files.com/606d3a50c62e44338008303d/6076e4fd8bde421370729e47_Vaccine-PP.pdf

The Market

OCC

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containerboard mill in Wisconsin started up in March. The mill is designed to produce almost 700,000 short tons of containerboard per month - double the capacity of the mill it is replacing - using OCC and mixed paper as feedstock.

Also in April, ND Paper, owned by Chinese giant Nine Dragons Paper, started its recycled pulp operation in Wisconsin. The mill is designed to make 220 short tons of unbleached recycled pulp per day from OCC and possibly mixed paper. The pulp is expected to be shipped to Nine Dragons containerboard mills in China.

Strong Midwest demand was expected to seep into the Southwest and Southeast U.S., pushing up prices in those regions.

Midwest OCC mill prices in April ranged between \$100 and \$130 per ton.

Traders projected that range to increase to around \$110 to \$150 in May.

Prices reaching into the \$140s were projected in the Southern U.S. Traditionally, Southeast and Southwest prices have been higher than in the Midwest.

While ocean transportation has been a widely reported problem for all industries, recovered paper traders said domestic trucking and rail shipments also remain problematic.

Still, many suppliers say that because of port delays, cancelled bookings and other export problems, they are increasingly inclined to take less risky domestic orders instead of export orders, even at considerably lower prices.

The Market

Sonoco

From page 1

crease would push OCC prices to around \$160 per ton by the end of the second quarter.

"Everyone knows the strength of the containerboard market that continues," Fuller said. "We're seeing very strong bids for any new open opportunities that come forward for future contracts for OCC. We're starting to see some more availability of containers - still pretty tight - but they're coming available. So you'll start to see more exports. So all of that in our opinion is going to drive OCC up a little bit from what was expected probably 30 days ago ... up into the \$120s by the end of the second quarter."

Julie Albrecht, vice president and CFO, said selling prices for Sonoco's products during the first quarter were higher year-over-year by \$48 million as the company worked to recover escalating OCC costs around the globe. OCC prices during the first quarter, she said, averaged \$87 per ton - a \$45 per ton increase compared to the first quarter 2020. The Paper Stock Report, during those periods, reported average Southeast OCC prices of \$56 per ton during the first quarter 2020 and \$103 per ton during the first quarter 2021 - a \$47 per ton increase.

Other highlights of the conference call included:

Albrecht: First quarter results reflect solid top and bottom line results, despite various unexpected headwinds from severe weather in the U.S. and global supply chain disruptions. Sales during the first quarter were \$1.353 billion, up \$50 million from the prior year period.

Gross profit was \$278 million, \$11 million above the prior year's quarter. The performance resulted in a solid 20.5 percent gross profit as a percent of sales, which was equivalent to the first quarter of last year.

Consumer Packaging segment volume was up \$24 million, or 4.5 percent. Industrial Paper Products segment volume was up \$13 million, or 2.6 percent, driven by

strong recoveries in protective fiber and global tubes cores and cones businesses.

Operations were impacted by winter storm Uri in February with more than 40 of Sonoco's U.S. plants being temporarily shut down due to a lack of natural gas or electricity. Most of the shutdowns were only for a few days, but the storm aggravated already tight supply chains.

Howard Coker, CEO: "After a slow start due to the pandemic, we're still making solid progress on Project Horizon and still expect the conversion of our number 10 paper machine to URB (Uncoated recycled paperboard) to be completed in the second quarter of 2022. As we previously mentioned, we're investing approximately \$300 million in capital this year into our consumer and industrial businesses."

The Horizon Project, which will convert a corrugated medium machine into the largest URB machine in the world, was delayed by a quarter due to factors relating to the actual machine conversion. The machine will be set up to use OCC and mixed paper as feedstock.

Coker: Demand for URB remains strong globally and Sonoco's tube, core and cone products are also seeing a resurgence in demand to near pre-COVID-19 levels in most of its served markets. Backlogs for URB and medium in North America are at the highest levels in recent history. As a result, price increases that have been announced will be reflected later in the second quarter.

Coker: "The pandemic has provided a period of significant elevated consumer demand and we believe consumers will largely maintain the habits they've acquired over the past year. With 80 percent of our consumer portfolio focused on fresh frozen and processed foods, we believe we are uniquely positioned to continue benefiting from consumer at-home eating needs."

Fuller: "We are struggling to hire the people we need in many of our operations. Labor will continue to be a challenge with no moderating at all this year."

Transportation

Intermodal traffic up 34 percent

U.S. intermodal traffic during the week ending April 24 was up 34 percent compared to a year ago, when covid shutdowns were in effect, the Association of American Railroads (AAR) reported.

Overall U.S. rail traffic for the week was up 30 percent compared to a year earlier, to 538,184 carloads and intermodal units. Total carloads for the week were 240,075 carloads, up 25 percent compared with the same week in 2020, while U.S. weekly intermodal volume totaled 298,109 containers and trailers.

All of the 10 carload commodity groups reported by AAR posted an increase in traffic compared to the same week in 2020. They included coal, up 16,126 carloads, to 64,252; motor vehicles and parts, up 9,067 carloads, to 11,302; and chemicals, up 6,759 carloads, to 34,843.

During the first 16 weeks of 2021, U.S. railroads reported cumulative volume of 3.6 million carloads, up 1.5 percent from the same point last year; and 4.5 million intermodal units, up 16.8 percent from last year. Total combined U.S. traffic for the first 16 weeks of 2021 was 8.1 million carloads and intermodal units, an increase of 9.4 percent compared to last year.

North American rail volume for the week for 12 reporting U.S., Canadian and Mexican railroads totaled 339,075 carloads, up 22.2 percent compared with the same week last year, and 386,455 intermodal units, up 27.2 percent compared with last year. Total combined weekly rail traffic in North America was 725,530 carloads and intermodal units, up 24.8 percent. North American rail volume for the first 16 weeks of 2021 was 11.1 million carloads and intermodal units, up 8.4 percent compared to 2020.

Canadian railroads reported 77,900 carloads for the week, up 8.6 percent, and 71,311 intermodal units, up 2.3 percent compared with the same week in 2020. For the first 16 weeks of 2021, Canadian rail-

roads reported cumulative rail traffic volume of 2,424,692 carloads, containers and trailers, up 7.1 percent.

Mexican railroads reported 21,100 carloads for the week, up 52.7 percent compared with the same week last year, and 17,035 intermodal units, up 40.5 percent. Cumulative volume on Mexican railroads for the first 16 weeks of 2021 was 575,019 carloads and intermodal containers and trailers, up 0.6 percent from the same point last year.

Mills

Domtar acknowledges acquisition talks

Domtar Corp. acknowledged that its management has been involved in discussions with Paper Excellence about a potential sale to the "Canadian" company that is chartered in the Netherlands and appears to have informal connections to Indonesia's Asia Pulp and Paper Sinar Mas (APP).

Bloomberg News was the first to report this week about the discussions.

In response, Domtar issued a statement that said, "Domtar acknowledges that its management has been in discussions with Paper Excellence about such a potential transaction. However, these discussions may or may not result in an agreement."

Domtar said it doesn't intend to make further comment unless or until there is a transaction to announce.

Domtar is a provider of a wide variety of fiber-based products including communication, specialty and packaging papers, market pulp and airlaid nonwovens, with operations in more than 50 countries. Domtar is the largest integrated manufacturer and marketer of uncoated freesheet paper in North America, and one of the largest manufacturers of pulp in the world.

Its network of 13 pulp and paper mills and 10 manufacturing and converting facilities totals 2.7 million tons of papermaking capacity and 1.5 million air-dried metric tons of market pulp capacity annually.

Currently, Domtar is involved in a

project to convert its uncoated freesheet paper mill in Kingsport, Tenn. to produce recycled linerboard and corrugating medium. The new containerboard capacity, which is expected to come online during the first quarter of 2023, would provide another potential new market for old corrugated containers (OCC) and mixed paper generated in the U.S.

Once fully operational, Williams said, Kingsport will produce and market about 600,000 tons of high-quality recycled linerboard and medium, which will make it the second largest recycled containerboard machine in North America. Domtar said other mills, specifically in Ashdown, Hawesville, Kent. or Marlboro, S.C., may be candidates for conversion into containerboard in the future.

Bloomberg said reports of the discussions with Paper Excellence sent Domtar's shares soaring to a two-year high of \$48.73 yesterday.

Paper Excellence, based in Richmond, B. C., makes pulp packaging and specialty paper and owns about a 40% stake in a Brazilian mill. The group has been involved in a years-long battle with J&F Investimentos for the control of Brazil's pulp maker Eldorado Brasil Celulose, *Bloomberg* reported.

Paper Excellence appears to be owned by Jackson Widjaja, the grandson of the late Indonesian billionaire Eka Tjipta



Recovered paper market prices Independent coverage of the recovered paper markets since 1990
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Widjaja, the founder of APP.

In an article written last summer, the *Halifax Examiner* attempted to unravel what it called a "corporate shell game" that involved Paper Excellence.

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