

Mapping the Course in 2020 – Pulp & Paper PNW



Rough Seas Ahead *for the foreseeable future*

Fiber Market Turbulence Drivers:

- Consumer Operating Rates
- Consumer Approach to PNW Fiber Procurement
- Transportation



PNW Pulp Mill Operating Rates

- The PNW Pulp & Paper industry is now relatively small from a global perspective.
- The Brown paper market has softened after many years of solid performance.
- Brown paper producers are focusing almost exclusively on product price vs full mill operating rates.
- The PNW is considered a high cost raw material region thus generally takes the most market related downtime.
- When a mill is selected for unplanned downtime, the Fiber manager is often one of the last to be notified.



Wide range of approach to PNW Fiber Procurement

- Inventory space limited physically or by company policy.
- Truck Dump infrastructure is generally old, fragile and a low priority.
- Long truck wait times deemed acceptable.
- Broad interpretations of:
 - “Long term”
 - “Relationship”
 - Pricing period (Qtrly, Monthly etc.)
- Competitor Trades and Buy / Sell agreements rare.
- PNW Fiber managers losing autonomy and authority.
 - Key decisions made in another market geography.
- Residuals vs. WLC





Truck Transportation Capacity

Limited availability to support upset conditions

- Unrelenting Driver shortage.
- Long Hauls with large volumes.
- Long turn times.

PNW Impact

- Wide range in fiber pricing.
 - Note PNW vs. US South
- Sudden changes in fiber flow conditions.
- Poor decisions often made under stress.
- Higher transportation rates.
- Stressed wood with no place to go.
- Costly reload satellite yards established.
- Unreliable fiber cost forecasting.
 - Assumptions?

The distance between too much and not enough
has never been so narrow.

BUCKLE UP AND HOLD ON TO THE RUDDER!

