

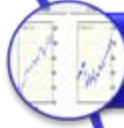
Market Update

Facilitating informed decisions

Situation Overview



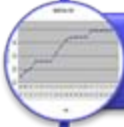
The world economy is forecast to grow 4-5% in 2011



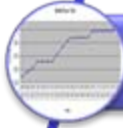
Oil prices are up 45% in recent months



Corrugated waste is scarce and prices are rising globally



UK White top Kraft liner prices are rising £50-60/tonne



UK Testliner prices are rising £30/tonne



UK manufacturing is growing strongly



UK factory input costs continue to rise at double digit rates

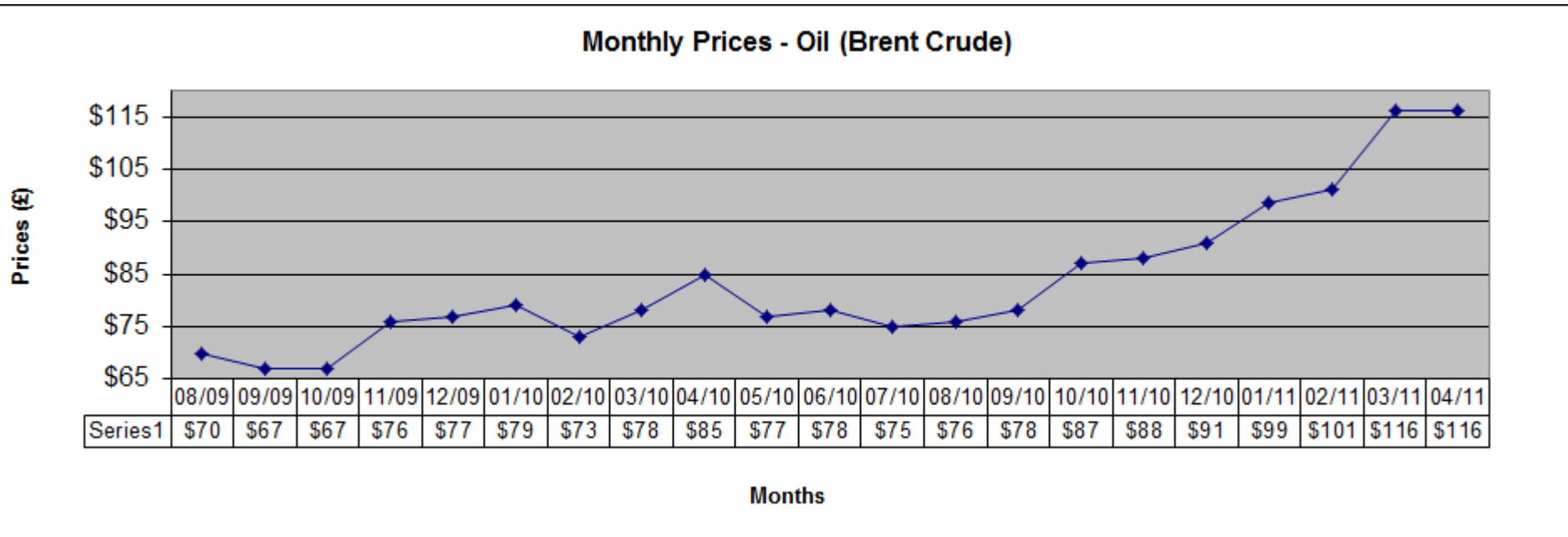
Global Industrial Production is Growing Well

	Industrial Production
USA	+5.9% December
Japan	+4.6% December
China	+13.5% December
Britain	+3.6% November
Canada	+5.0% November
Euro area	+7.4% November
India	+2.7% November
Brazil	+2.7% November
Russia	+6.3% December

Source: The Economist

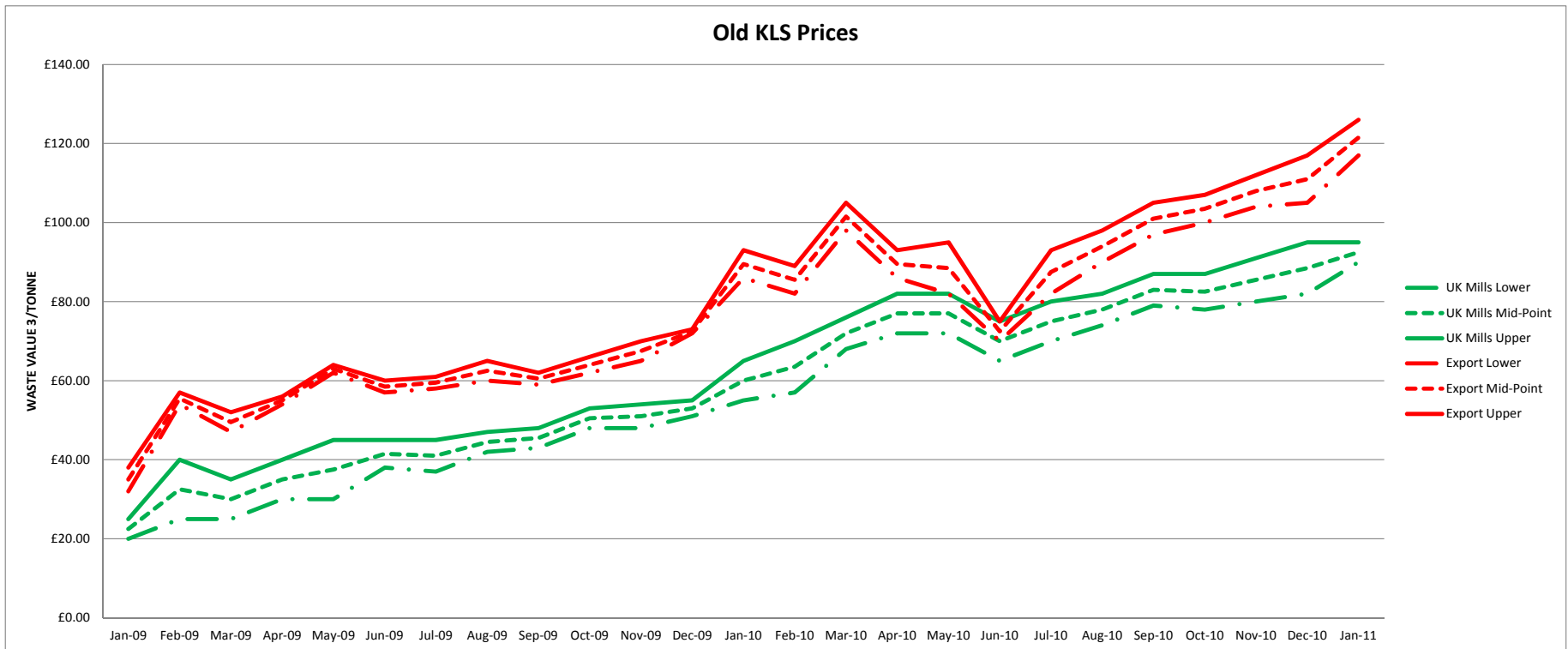
Oil Prices Are Rising

- Oil has passed the \$116/barrel mark (Brent crude)
- Hence the price has risen 45% in recent months



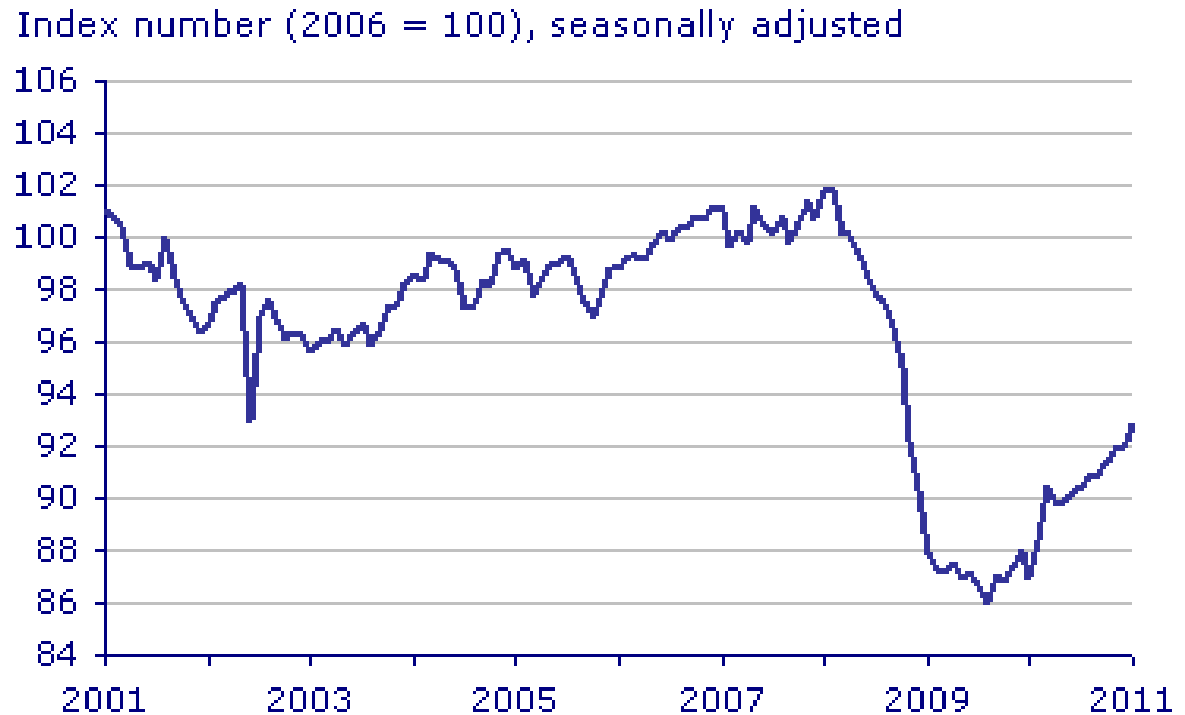
Source: www.thisismoney.co.uk

Corrugated Waste Price Are Rising

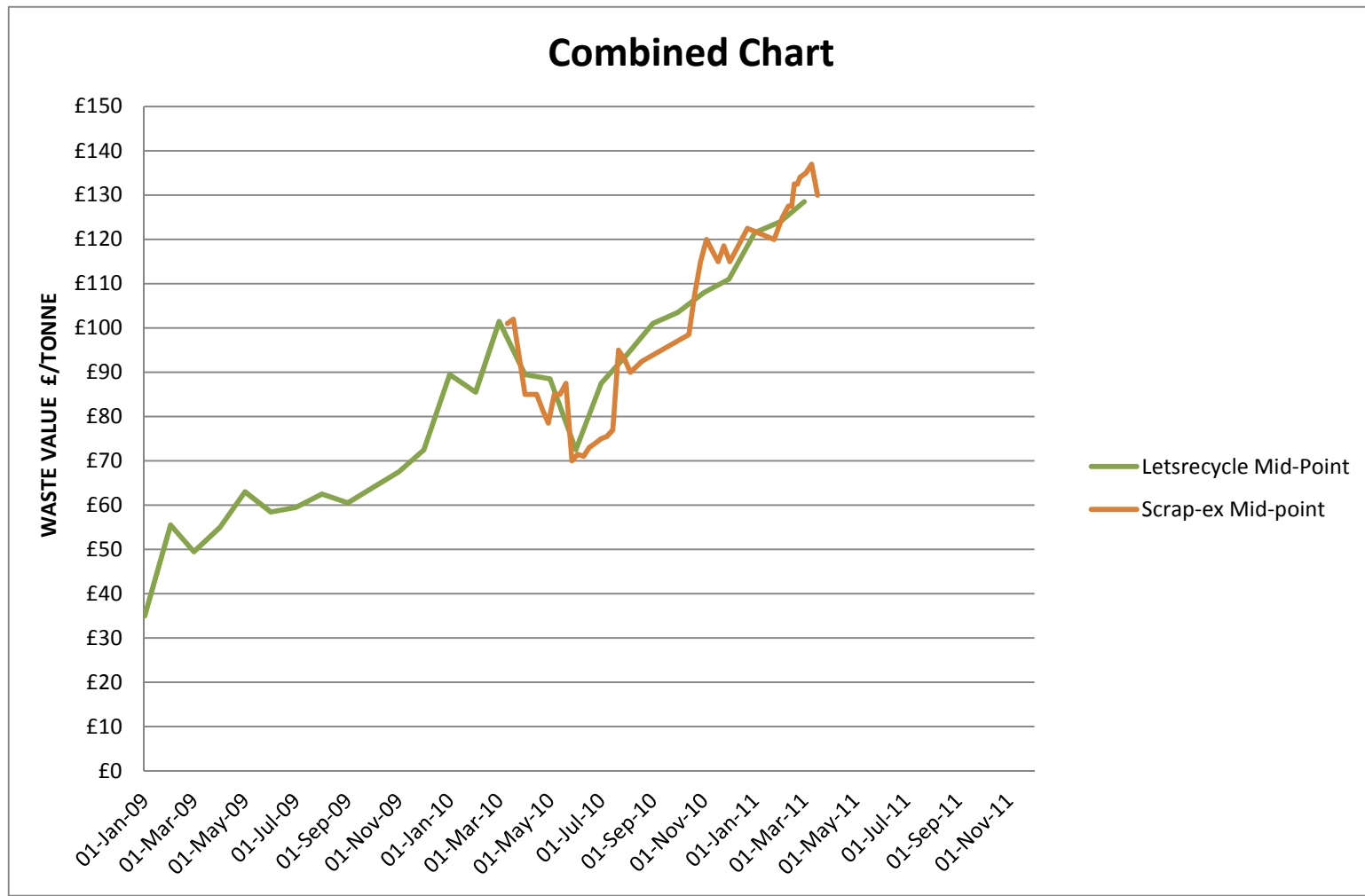


UK Manufacturing Growing Well

- Overall production output in January 2011 was 4.4% higher than in January 2010



Corrugated Waste Price Are Rising

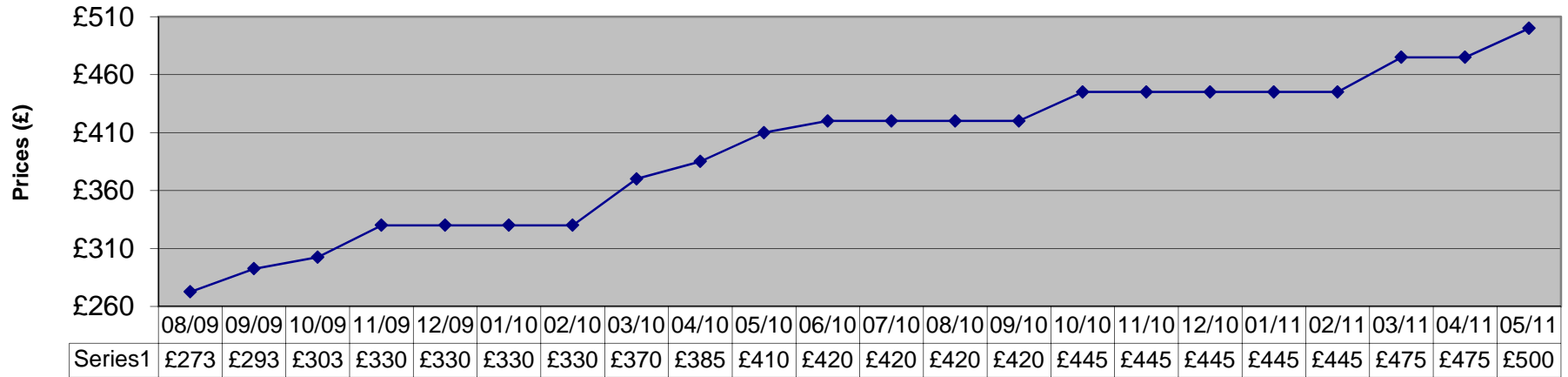


Paper Prices Move Up Again

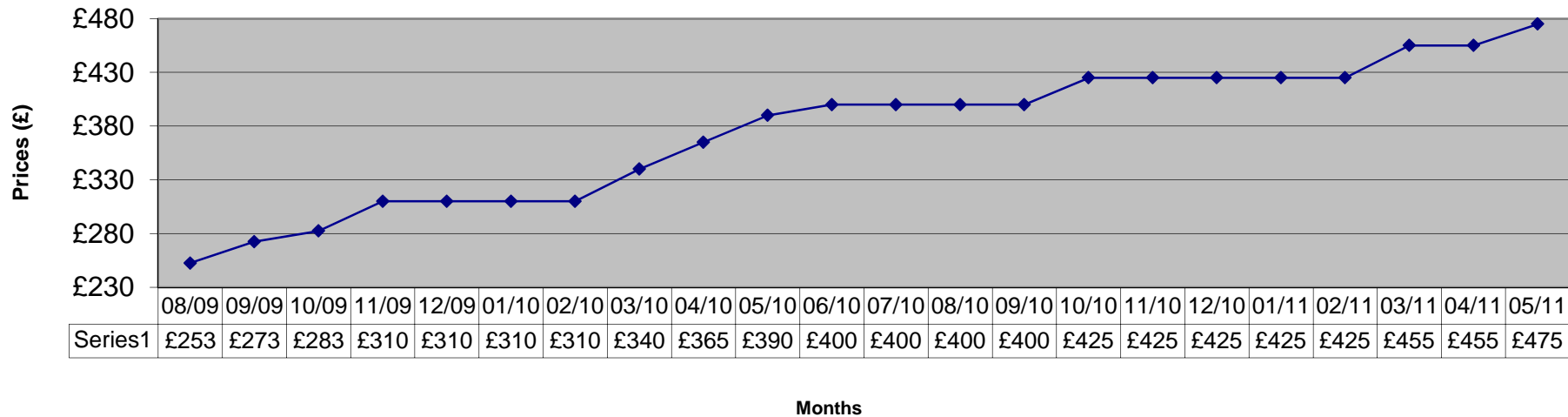
- Completion of the £60/tonne price rise that was sought for white top Kraft liner increase in May
- Testliners up £35/tonne in late May
 - St Regis and Smurfit Kappa have already announced

Paper Price Dashboard

Monthly Prices - Test 2



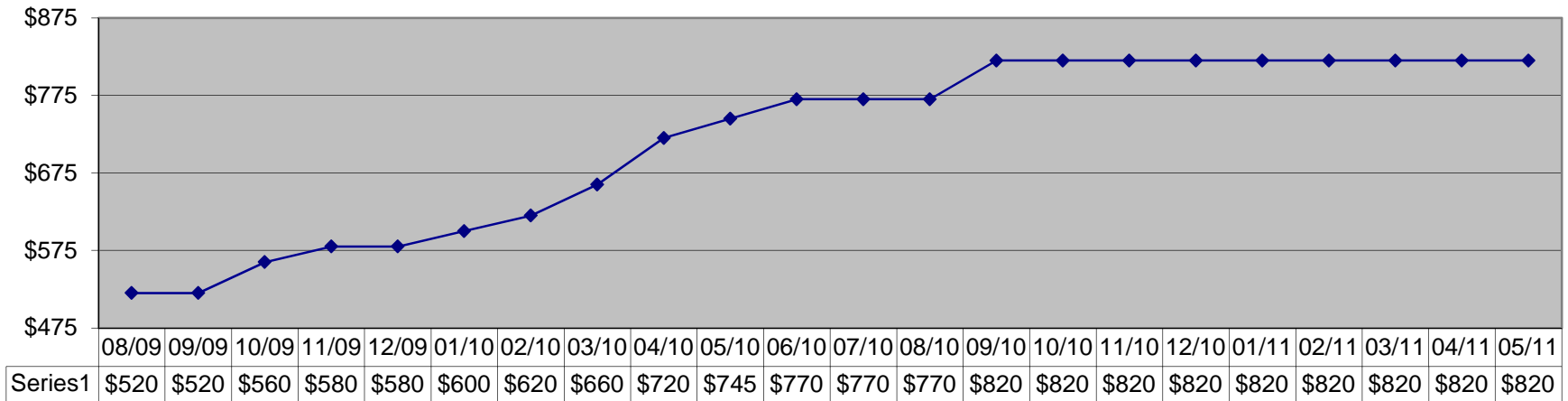
Monthly Prices - Test 3



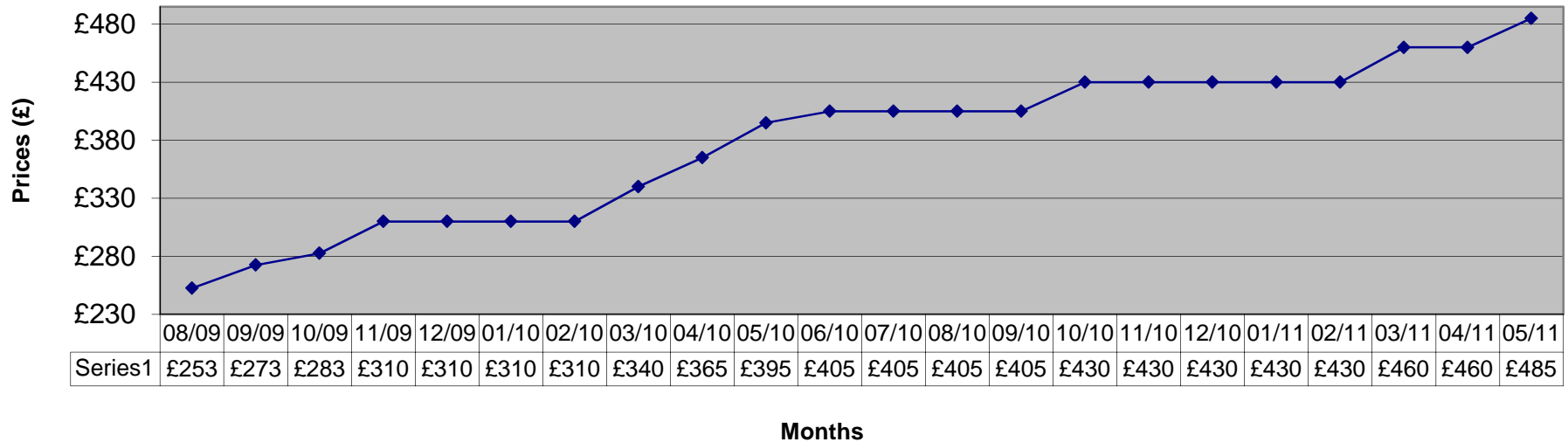
Months

Paper Price Dashboard

Monthly Prices - Kraftliner



Monthly Prices - W/B Fluting



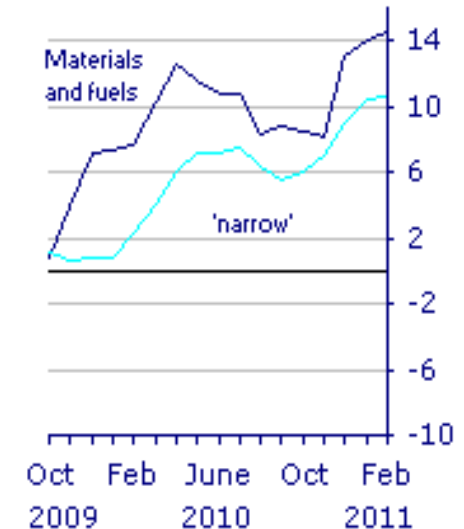
UK Cost Pressures Continue to Build

- Output price 'factory gate' annual inflation for all manufactured products rose 5.3% in February
- Input price annual inflation rose 14.6% in February compared to a rise of 14.1% in January

Output prices (what manufacturers sell)
12 mths % change



Input prices (materials & fuels manufacturers buy)
12 mths % change



Counting the Typical Additional Cost

Type	Average tonnes recycled	Total Tonnes
Sheet feeder	80,000	100,000
Integrated box plant	40,000	50,000
Sheet plant	8,000	10,000

Type	Additional recycled liner cost	Total Additional Cost
Sheet feeder	£2,800,000	£2,800,000
Integrated box plant	£1,400,000	£1,400,000
Sheet plant	£280,000	£280,000

Summary

- The world economy is forecast to grow 4-5% in 2011
- Oil prices are up 45% in recent months
- Corrugated waste is scarce and prices are rising globally
- UK White top Kraft liner prices are rising £50-60/tonne
- UK Testliner prices are rising £30/tonne
- UK manufacturing is growing strongly
- UK factory input costs continue to rise at double digit rates
- **Hence sheet and box prices have to rise if the industry is to remain viable**

Supporting Information

Press Clippings and Copy Price
Rise Letters

Global Demand is Picking Up...

Highlights

- Our revised forecasts for 2011 and our first forecasts for 2012 tell a story of continued global recovery. Most striking, given our long-standing downbeat view on the US, we now show a substantial acceleration in our US growth view.
- Underneath this robust story is a gradual shift in the mix of growth. We expect a pick-up in GDP growth in the advanced economies through the year and even more clearly into 2012, led by the US. And, while we expect emerging markets (EM) and BRICs growth to remain solid, we see a mild deceleration in growth through 2011 and stable but high growth in 2012.
- The result is a modest narrowing of the performance gap between the developed and EM economies, in absolute terms and relative to their trends.
- With lots of spare capacity in the US and other large developed economies, we expect monetary policy to remain very accommodative, with no interest rate increases in the US in 2011/12 and a slow pace of tightening elsewhere.
- But the emerging world has a lot less economic slack and diminishing US recession risk may serve to reinforce the tightening of policy that is already underway in some quarters.

Goldman Sachs 2011-12 Forecast

US mill stock of recovered paper reaches an eleven month low in October

October figures for US mill stock of recovered paper were down to 818,700 tons – the lowest figure since the November of 2009. Following on from record prices, levels of OCC and mixed paper were at an all time high with overall recovered paper stock low in US mills, they were also using 8.4% more recovered paper compared to the same period last year. US mill stock of OCC was down by more than 18,000 tons in October.

Know It All Newsletter January 2011 14.

US exports 72% of OCC to China during October

US exports of old corrugated containers (OCC) hit a new high in October leading to reports of increased pricing in both the USA and China - mirrored here in Europe.

Of the 706,516 tonnes of OCC exported from the US in October, 72% (506,357 tonnes) were exported to China; also 52,408 went to India, and 36,323 went to Mexico. The October OCC exports were up by 14% compared to figures from the previous month. The cost of exporting OCC from the US to China was \$250/tonne while US mill pricing for OCC on average increased \$12/ton.

In October, total US recovered paper exports came to 1.6 million tonnes, with 1.025 million tonnes going to China, 147,000 to Mexico, and 110,000 to India.

Know It All Newsletter February 2011 6.



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Paper Prices Rising Across Europe

➔ **Smurfit Kappa Group** **Smurfit Kappa to raise prices for recycled grades by €60/tonne in Europe effective February 1**

Smurfit Kappa Group (SKG) has unveiled plans to raise prices for recycled grades by €60/tonne across Europe. The increase will be effective as from February 1, 2011. SKG comments that the price increase is made necessary by the higher than expected surge in production costs driven in particular by recovered paper, energy and starch. It will take place in a context of good demand growth for recycled grades. More about this in the Editorial...

Hamburger announces prices rises of recycled containerboard prices across all markets

The Hamburger Group is set to increase prices for all of its recycled containerboard grades by €60/tonne with effect from February 1. The cost increase will take place in all markets and will also include white-top testliner.

The group attributed the price hike to rising costs of energy, starch and logistics. The company also added that it predicts strong economic growth in its main market of Central and Eastern Europe. Do you spot a trend here?

Europac increased the cost of recycled containerboard across Europe by €60/tonne from February

Spanish firm, Europac raised their price for recycled containerboard across Europe by €60/tonne (\$80/tonne) with effect from February 1. The firm has attributed the move to the pressure from recovered paper and energy costs, the balanced supply and demand situation in the recycled containerboard industry, the low inventory levels in Europe together with high order backlogs.

SCA Containerboard to increase prices on all recycled grades in Europe by €60/ton, effective February 1

Driven by increasing raw material costs, tight supply of fibre and good demand for all paper grades, SCA Containerboard is announcing a price increase, valid as of February 1st, of €60/tonne for all recycled grades, in all European markets.

Know It All Newsletter February 2011 14.

Pulp and Paper > News > News by Company

 PDF  Print  Email
Adjust font size:  

Smurfit Kappa to raise prices for white-top kraftliner by Euro 60/ton in Europe, effective April 1

PARIS, Feb. 16, 2011 (Press Release) - [Smurfit Kappa Group](#)  (SKG) has unveiled plans to raise prices for White Top Kraftliner grades by Euro 60/tonne across Europe. The increase will be effective as from April 1, 2011.

SKG comments that the price increase is made necessary by the higher than expected surge in production costs driven in particular by wood, transport and energy.

Related stories:

[SCA Containerboard to increase prices for white-top kraftliner in Europe by Euro 50/ton, effective March 1st 2011](#) - February

The price increase is following the successful implementation of price increases for brown and white recycled grades as of February across Europe. It will take place in a context of good demand growth for White Top Kraftliner grades.


SCA Containerboard to increase prices for white-top kraftliner in Europe by Euro 50/ton, effective March 1st 2011

Related stories:

[Smurfit Kappa to raise prices for white-top kraftliner by Euro 60/ton in Europe, effective April 1](#) - February 16, 2011

[M-real to increase prices of white-top kraftliner grades by Euro 50/ton and £45/ton in Europe, effective April 15](#) - February 15, 2011

[Mondi to increase prices for white top kraftliner by Euro 40-60/tonne in Europe, effective March 1](#) - February 1, 2011

DIEGEM, Belgium, Feb. 16, 2011 (Press Release) - Driven by tight market and increasing input costs, [SCA](#)  Containerboard is announcing a price increase, valid as of March 1st, of € 50/t (£ 45/t) for Kraftliner White Top, in all European markets.

M-real Press Release

From: Abbie Carter <Abbie.Carter@PortfolioComms.com>
To: Sheila Gimson
Cc:
Subject: M-real to increase prices for white-top kraftliner in Europe

Sent: Tue 15/02/2011 14:10

M-real to increase prices for white-top kraftliner in Europe

M-real is raising the prices of all Kemiart white-top kraftliner grades by € 50/t (GBP 45/t) in Europe, effective for deliveries as of 15 April 2011. The increase is a result of the continuous rise in production input costs and logistic costs.

For further information please contact M-real Consumer Packaging:

Risto Auero, Vice President, Sales Linerboards & Wallpaper Base

Mobile +358 (0)50 598 8828

E-mail: risto.auero(at)m-real.com

M-real in brief:

M-real is Europe's leading primary fibre paperboard producer and a major paper supplier. The company's customers include brand owners, carton printers, converters, publishers, printing houses, merchants and office suppliers.

M-real supports its customers' businesses by providing high-performance paperboards and quality papers for consumer packaging, communications and advertising end-uses.

Together with its customers and partners, M-real develops products and services for demanding end uses. The company's paperboard is mainly used for the packaging of beauty care and healthcare products, foods, cigarettes, and consumer durables as well as graphics. Paper is mainly used for office papers as well as wallcoverings and other speciality end uses.



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SAICA increased recycled containerboard prices by €60/tonne in Europe, effective February 1

SAICA has nudged up prices for all its recycled containerboard grades in Spain and Portugal as well as in the rest of Europe.

The increase of €60/tonne was implemented with effect from the 1st of February.



KORSNÄS increases white top

Kraft liner prices by £65/ton in UK & Ireland, effective from March 1

Korsnäs AB have announced a price increase in the UK & Ireland of £65/tonne on all white top Kraft liner grades (Korsnäs Classic, Korsnäs Decor, Korsnäs Design and Korsnäs Supreme).

This price increase results from negative differences in UK price levels, compared to continental Europe. That is, we have not been paying as much for the good stuff as our neighbours on the mainland.

The price increase takes effect on all deliveries and invoices from Tuesday 1st March, 2011.

Know It All Newsletter March 2011

Global pulp statistics reported: deliveries rise 14.8%, inventories drop by 3 days while operating rate lifts to 102%

Global pulp shipments rose in December to a figure of 3.99 million tonnes, which is an increase of 14.8% on the November figures of 3.47 million tonnes. Compared to the same period the previous year, shipments were 14.6% higher.

Bleached softwood Kraft (BSK) pulp shipments went up from 1.731 million tonnes to 1.9 million tonnes between November and December, while bleached hardwood Kraft (BHK) pulp deliveries also saw an increase across the same period from 1.597 million tonnes to 1.936 million tonnes. Global producer inventories stood at 30 days' worth of supply in December (25 days for BSK and 37 days for BHK), down from the figure of 33 days in November and 3 days more than for the same period in 2009.

Mondi tickles up white top Kraft by €40-60/tonne in Europe

Mondi have announced a price increase, depending on levels and markets, of €40-60/tonne for White Top Kraft liner grades for all Europe including the UK and Russia. The price rise takes effect from 1st of March 2011.

The reason for this announcement is generally good demand combined with increased input costs. The increase is valid for Baywhite produced in South Africa and Komiwhite produced at the recently rebuild PM 21 in Syktyvkar, Russia.

Print, paper and packaging insolvencies dropped by 24.6% last year

Insolvencies amongst paper, print and packaging firms reduced last year by 24.6% - with only 52 companies going bust. The failure rate in 2010 was 1.71%, compared with 2.69% in 2009. The total UK rate of business insolvencies in 2010 fell by 18. Some 1.04% of UK businesses failed in 2010, compared with 1.25% in 2009. The total number of insolvencies decreased by 18% from 24,209 to 19,946 in 2010. Corporate affairs director for BPIF, Andrew Brown, reported that its research had also revealed that the level of print industry insolvencies had fallen in Q4 of 2010. He said: "Begbies Traynor Red Flag Alert statistics reveal that 66 print and packaging companies became insolvent, down from 79 in the third quarter of 2010. Insolvencies in the fourth quarter are considerably less than the Q4 levels (105) recorded in each of the last two years and the lowest quarterly recording for two and a half years." He continued to say that this was a welcome reduction, but that it didn't mitigate the fact that around 10% of companies in the print industry had failed in the past three years.

Price rises announced by SCA, M-real and Smurfit - Kappa

Smurfit Kappa Group (SKG) has unveiled plans to raise prices for White Top Kraft liner grades by €60/tonne across Europe with effect from April 1, 2011. Driven by tight market and increasing input costs, SCA Containerboard has also announced a price increase, from March 1st, of €50/t (£45/t) for Kraft liner White Top, in all European markets. Similarly, M-real is raising the prices of all Kemiart white-top Kraft liner grades by €50/t (£45/t) in Europe, effective for deliveries as of 15 April 2011.



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Oil prices rising too high, too fast CEO



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ABU DHABI | Sun Jan 16, 2011 7:57am EST

(Reuters) - Global oil prices have risen too high, too quickly but increased OPEC output will not stem the rise as the climb is driven by demand, the chief executive of French oil major Total said on Sunday.

"The world economy is just recovering," Christophe de Margerie told Reuters ahead of an energy conference in the UAE capital Abu Dhabi. "It would have been better for the prices not to go too high too quickly.

"The market is bullish because there is increasing demand in emerging markets ... it (demand) is higher than expected."

Brent crude rose above \$99 a barrel on Friday in New York, gaining 5.73 percent on the week. Meanwhile, U.S. crude oil for February delivery rose 14 cents to settle at \$91.54 a barrel.

A Reuters poll last week showed U.S. crude oil is expected to hit \$100 a barrel in the first quarter, but a new record high above \$147 is far less likely.

Asked whether OPEC should raise production, de Margerie said that may not help curb rising prices.

"It's difficult because there is no shortage of oil. Today it is much more determined by the market," he said, adding: "Too high oil would not be well received by consumers."

Iran's oil minister said on Sunday no OPEC countries had requested an emergency meeting to discuss the rising price of crude. Massoud Mirkazemi called \$100 oil a "real" price and said it was not a matter of concern for producers.

(Reporting by Humeyra Pamuk; Writing by Amran Abocar; Editing by David



FTSE falls as factory gate inflation shows 'rate hike risk still alive'

by [Max Julius](#) on Feb 11, 2011 at 10:31

[Comment](#) [Email a friend](#) [Print](#)

The FTSE 100 fell as official data showed that producer price inflation surged more than expected in January, piling more pressure on the Bank of England to hike interest rates.



By 9:40am Britain's benchmark stock index dropped 0.28%, or 17 points, to 6,003 and the Mid-250 index shed 0.21%, or 25 points, to 11,696, following a mixed performance overnight on Wall Street and in Asia.

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[London Capital reveals potential £7.7m liability to](#)

Powerful aftershock in Japan results in temporary closure of Nippon Paper mills

A powerful aftershock in Japan in early April, whose epicentre was too close for comfort to March's catastrophic 9.0 earthquake, has taken some of the paper mills for Nippon Paper Group (NPG) offline. Thankfully, the quake was not followed by the same devastating tsunami that caused so much damage last time and much of the damage caused by the quake was limited. NPG confirmed that workers at its Daishowa Paperboard mill in the Akita region and its Kitakami Paper mill in the Iwate prefecture were both forced to stop production due to a disruption to their power supplies.

However, their electricity has since gradually been restored, and the mills are expected to come back online shortly.

The Daishowa mill's capacity is around 714,000 tonnes pa of virgin and deinked pulp. Following the first major quake, the mills managed to get up and running again within a fortnight.

Elsewhere, some machines at NPG's Asahikawa mill in Hokkaido prefecture (which can manufacture 267,000 tonnes pa of deinked and Kraft pulp) also had to briefly stop production due to power shortages. Two other NPG mills, Iwanuma and Ishinomaki, both in Miyagi prefecture, are still both shut temporarily due to the effects of the March earthquake and tsunami.

No deadline has as yet been announced for the restart of the Ishinomaki mill, where the damage was extensive, but the company has committed to restarting eventually.

Know It All Newsletter May 2011

Price Increase Letters

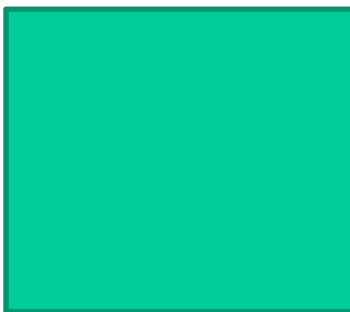
Redacted to protect the innocent!



St Regis Paper Company Ltd
Head Office
Kemsley Mill
Sittingbourne
Kent ME10 2TD

Tel 01795 518900
www.stregis.co.uk

31st January 2011



The extraordinary global demand for recovered fibre has continued unabated and has resulted in both low inventory levels across Europe and significant recent further price increases for all grades of waste paper.

The impact of fibre pricing has also been compounded by sharp increases in some of our other input costs, notably starch, which is now at historically high price levels. Presently, there appears to be no sign that we will see reductions in these price levels in the short term and we are therefore faced with major additional costs going forward.

In light of the extent of these cost increases, we must regrettably pass these on in our product pricing. Prices for all grades of paper supplied by us will increase for deliveries from Monday 28th February 2011 and your revised prices are shown on the attached schedule.

I appreciate that this represents a further increase in the cost of your key raw material, however I would like to assure you that we are doing all we can to mitigate the impact of these price increases. I would also like to thank you for your support to date and we will be working hard to ensure that we can continue to do so going forward.

Yours sincerely

Nick Britton
Sales and Marketing Director



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ses Ltd

Mil Street,
Snodland,
Kent ME5 5AX
Telephone: 0845 6026574
Sales Facsimile: 01634 248 055

14th February 2011,



Price Increase – WTK Grades – 1st April 2011

In line with our announcement in mainland Europe to increase White Top Kraft Grades by €60 per tonne, it is our intention to implement an increase of £50 per tonne on all White Top Grades effective 1st April 2011 in UK and Ireland.

Should you require any further information please do not hesitate in contacting me.

Yours sincerely

A handwritten signature in black ink, appearing to read 'M. Ferrari', is written over a horizontal line.

Martin Ferrari
Sales and Marketing Director UK and Ireland

From: Watkins Denver <DenverW@ifpcorp.com>

Date: 4 February 2011 [REDACTED]

To: [REDACTED]

Cc: [REDACTED], Containerboard <Containerboard@ifpcorp.com>

Subject: Peters price increase.

Hello [REDACTED]

Please be advised that the price for Peters test liners, both brown and white top, will increase by £30m.t. for deliveries on March 1st onwards.

Best regards,

Denver Watkins

UK Sales Manager

International Forest Products (UK)

St. Anne's House

Oxford Square

Oxford Street

Newbury

Berkshire

RG14 1JQ

Croydon Tel (MAIN): 0208 681 7026

Croydon Fax (MAIN): 0208 681 7033

Mobile: 07860 234291

Newbury Tel: 01635 581732

Newbury Fax: 01635 581735

denverw@ifpcorp.com

www.ifpcorp.com



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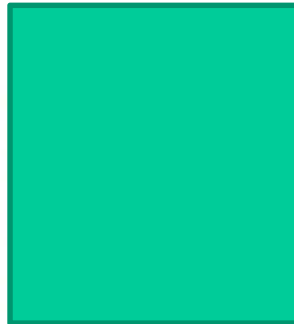
Caps Cases Ltd



Les Papeteries

Emin Leydier

Emin Leydier UK Ltd.,
1 Sefton Way, Duffield,
Derbyshire, DE56 4HS



3rd February 2011

I am sure this letter comes as no surprise to you.

Since our last UK price increase in 2010, the margin being achieved continues to be unacceptably low. Waste paper prices in Europe have risen since the beginning of 2011. Many other costs have increased, starch, energy and logistics. Therefore, I have to inform you that we will be increasing our prices in the UK by £30 per tonne on all grades for deliveries from Tuesday, 1st March 2011.

I will contact you in the near future to discuss in further detail and to forward you an updated price list.

I trust that we can count on your continued support in this difficult period and that Les Papeteries Emin Leydier remains a long-term supplier to your business.

Yours sincerely,

Phil Bond
Sales Manager



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11th February 2011



We have now had confirmed that there will be further raw material price increases applied as from February 2011.

Regrettably due to the magnitude of these increases we will be unable to absorb the additional costs therefore we will need to increase our sheet board prices for all deliveries on or after Monday 14th March 2011.

Whilst we appreciate this may be unwelcome news please be assured that we are continually working hard to minimise the impact of these increases.

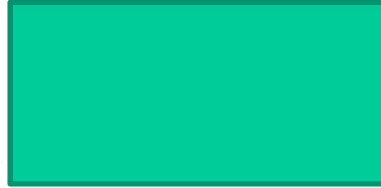
We have taken this opportunity to give our customers as much advance notice as possible and your revised price list will be forwarded shortly.

We thank you for your much valued business and continued support.

Yours sincerely

Steve Webb

Sales Director



14th February 2011



You will be aware of accelerating price inflation across a wide range of commodities and outsourced service.

Waste paper prices are no exception as global demand relentlessly drives up prices for this key component in paper production, and as a result we are now being forced to accept further price increases on a wide range of paper grades. We also face unavoidable rises for fuel, energy, timber and starch.

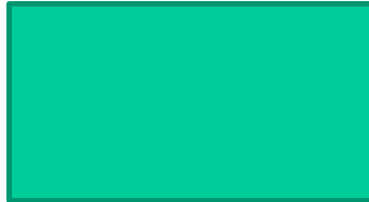
Despite intense negotiations with our suppliers, the combined effect of these new increases is more than we are able to absorb. As a result, we must raise our box selling prices, effective on deliveries from Monday March 14th 2011.

We continue to value your business and realise that this is very unwelcome news in these difficult times.

Your account representative will be in touch soon to explore ways in which our packaging and services may be able to help optimise your overall supply chain costs and to agree your revised pricing details.

Yours sincerely
For and on behalf of
DS Smith Packaging

Mark Dewhurst
Managing Director



28th April 2011



We have now had confirmed that there will be further raw material price increases applied as from May 2011.

Regrettably due to the magnitude of these increases we will be unable to absorb the additional costs therefore we will need to increase your sheet board prices for all deliveries on or after Tuesday 31st May 2011.

Whilst we appreciate this is unwelcome news please be assured that we are continually working hard to minimise the impact of these increases.

We have taken this opportunity to give you as much advance notice as possible and your revised price list will be forwarded shortly.

We thank you for your much valued business and continued support.

Yours sincerely

Steve Webb

Sales Director