

Newsprint Update: International Newspaper Group

September 29, 2018

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Newsprint Industry: Overview

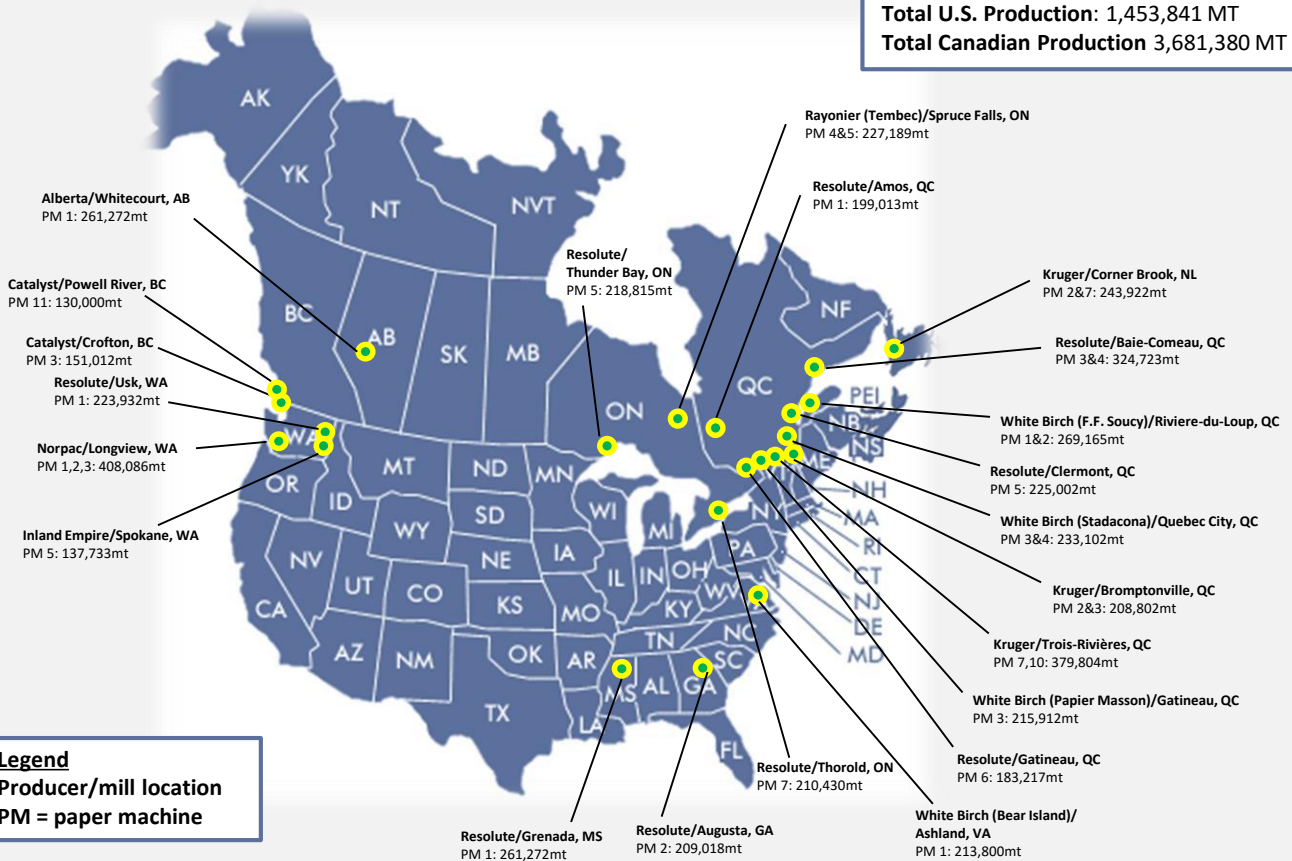
Landscape	Newsprint Suppliers	Publishers
Ongoing:	Mills right-size supply via closures and conversion to packaging materials in contracting newsprint market.	Newsprint demand consistently falling year over year. Overall North American newsprint demand was down 11.3% for 2017 and demand is forecasted to decline another 11% in 2018.
2017:	North American newsprint capacity removed in 2017 was greater than the decrease in demand.	Supply shortages begin to increase in Q4 2017.
2018:	<p>U.S. DOC CVDs*/ADDs** implemented in January and March, respectively, ranged as high as 32%.</p> <p>Newsprint supply to U.S. reduced as Canadian mills shipped offshore for better margins.</p> <p>Duties removed after ITC decision on August 29 but newsprint supply remains tight.</p>	<p>Publishers face serious threats to adequate supply, business continuity, and increased newsprint cost.</p> <p>Since October 2017, price increase announcements totaled \$146-\$234/MT.</p>

***Countervailing Duties (CVDs):** Apply to products where foreign government subsidies allow the manufacturer to sell goods at a lower rate than domestic manufacturers; the duty represents the value of the subsidy.

****Anti-Dumping Duties (ADDs):** Apply to products where foreign manufacturers sell goods into the U.S. at less than fair market value, causing injury to the U.S. industry; the duty is calculated to bridge the gap to fair market value.

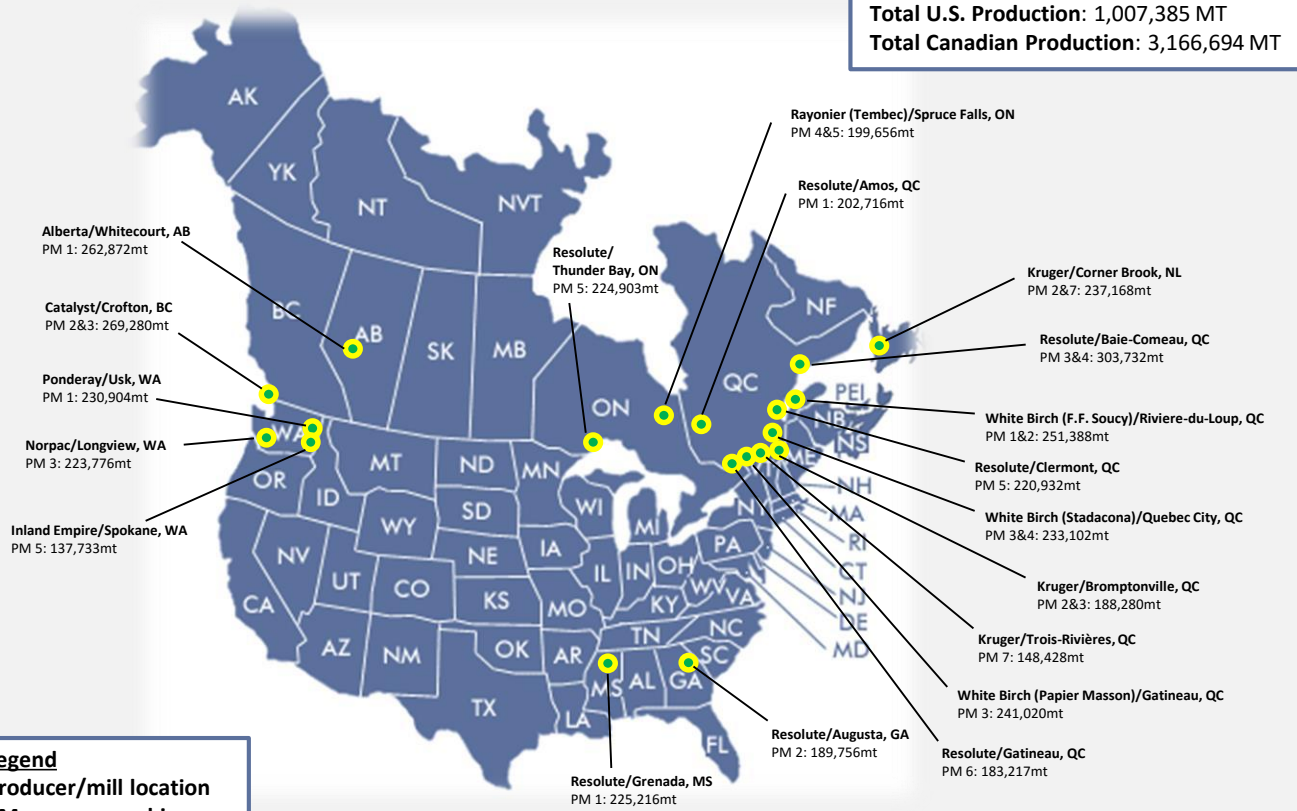
Annual Newsprint Production by Mill; Total 2016 Capacity of 5.1M (MT)

Total U.S. Production: 1,453,841 MT
Total Canadian Production 3,681,380 MT



Annual Newsprint Production by Mill; Total 2018 Capacity of 4.2M (MT)

Total U.S. Production: 1,007,385 MT
Total Canadian Production: 3,166,694 MT



Legend
Producer/mill location
PM = paper machine

Timeline: Q1-Q3 2017

Q1 2017



February/March: Conversion plans at Kruger's Trois-Rivières mill and Resolute's Thorold mill reduce North American newsprint capacity by a combined 424,000 MT/year.

Q2 2017



May: White Birch announces the closure of the Bear Island mill (240,000 MT/year). The mill ceases production in June 2017. Closure represents 5% of North America's newsprint capacity.

Q3 2017



August: Norpac files petition with the US International Trade Commission (ITC) calling for antidumping (ADD) and countervailing (CVD) duties on US imports of newsprint manufactured in Canada. The Department of Commerce (DOC) then initiates ADD and CVD investigations. In September, ITC's preliminary determination finds "a reasonable indication" of US producers suffering material injury.



September: Kruger announces it will gradually transition Bromptonville (207,000 MT/year on 2 machines) and Trois-Rivieres (260,000 MT/year on 1 machine) into "new growth markets."

Timeline: Q4 2017

Q4 2017



October: Resolute ceases newsprint production at the Calhoun mill (~100,000 MT/year) and Norpac idles PM1 (246,000 MT/year). Together, the reduction of capacity matches the 2016-2017 demand declines in North America.



December: Electronic Log Device (ELD) mandate goes into effect in Dec. and new hours-of-service rules limit truck drivers to 60/70 hours on duty in 7/8 consecutive days. New regulations increase trucking costs and constrain availability.

Timeline: Q1-Q3 2018

Q1 2018



January/March: In January, Department of Commerce (DOC) imposes CVDs. In March, DOC imposes ADDs.

Q2 2018



May: Norpac restarts PM1 that was idled the previous fall. It is believed to be producing 50% (123,000 MT/year) newsprint.

Q3 2018



July: ITC hears testimony from 19 members of Congress opposing tariffs. More than 50 members of Congress also wrote letters to the DOC and/or ITC opposing the tariffs.



August 2: DOC reduces level of U.S. import tariffs in its final determination.



August 29: ITC ruled in its final determination that there was no injury on U.S. industry, eliminating U.S. antidumping and countervailing duty orders on imports of uncoated groundwood paper from Canada.

Newsprint Market



ITC: ITC will elaborate on the basis for their decision with a written determination expected to be released shortly.



Duties: The duties will be revoked based on the ITC decision and deposits made by Canadian mills to US customs are to be refunded.



Exports: Canadian producers who expanded offshore exports will evaluate their interest in returning that production to the US market.



Supply: White Birch will temporarily operate the Bear Island mill for newsprint production prior to its conversion to linerboard in 2021.

Canadian supply should resume however challenges remain as suppliers continue to evaluate conversions to non-newsprint grades (i.e. specialty and packaging).