

Transacted Paper Stock Prices – Low Grades

	Mixed Paper (1)	Boxboard Cuttings (4)	News (6)	News (8)	OCC (11)	SOP (37)	Sorted White Ledger (40)
Chicago	\$15-20 (0)	20-25 (0)	5-10 (0)	35-40 (0)	30-35 (0)	85-90 (-5)	150-160 (0)
New England	15-20 (0)	25-30 (0)	5-10 (0)	45-50 (0)	40-45 (+5)	90-100 (0)	160-170 (0)
Buffalo	15-20 (0)	25-30 (0)	5-10 (0)	45-50 (0)	40-45 (+5)	90-100 (0)	160-170 (0)
New York	15-20 (+5)	25-30 (0)	5-10 (0)	45-50 (0)	40-45 (+5)	90-100 (0)	160-170 (0)
Southeast	20-25 (+10)	20-25 (0)	10-15 (0)	40-45 (0)	40-45 (0)	85-90 (-5)	150-160 (0)
Southwest	20-25 (+10)	20-25 (0)	10-15 (0)	45-50 (0)	35-40 (0)	85-90 (-5)	160-170 (0)
Los Angeles	50-55 (+10)	55-60 (+10)	60-65 (+5)	75-80 (+5)	55-60 (+5)	100-110 (0)	155-165 (0)
San Francisco	50-55 (+10)	55-60 (+10)	60-65 (+5)	75-80 (+5)	50-55 (+5)	100-110 (0)	155-165 (0)
Pacific NW	25-30 (+5)	55-60 (+10)	35-40 (+5)	60-65 (+5)	30-35 (0)	75-80 (-20)	155-165 (0)

Source: Official Board Markets

For up-to-date commentary on recovered paper prices, listen to The Bottom Line podcast at www.TheBottomLinePodcast.net.

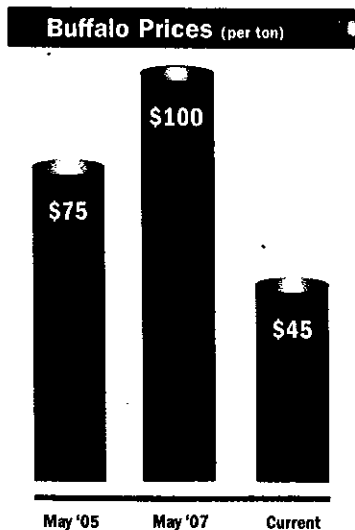
OEM

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MARKET REPORT

OCC Prices Settle

Over the past four weeks OCC prices can best be described in three words: quiet and stable. Yes, \$5 per ton bumps up occurred in the Northeast and on the West Coast. But this was more board mills reacting to a strong export market. The healthy export activity has puzzled industry players, with numerous sources pointing out that Chinese buyers have backed off a bit in their traditionally aggressive buying patterns. However, over the past couple of weeks two countries have come into the U.S. market and picked up any tons that China was no longer interested in buying: India and Indonesia. Reports are that recovered paper inspections in these two countries could tighten up in the months ahead. So the recovered paper buyers there are trying to make certain that they have healthy inventories sooner rather than later.



In almost every conversation with recovered paper suppliers and mill buyers, the issue of falling generation came up. If the U.S. economy was anywhere near what it was a year ago at this time, recovered paper prices would surely be at record lows. But lack of generation and strong export activity has led to an eerie balance. Yes, board mills continue their best to match supply with demand by taking selective downtime. But be-

cause of the two aforementioned factors the word *glut* has not been uttered in recent weeks.

“There is currently no domestic pressure upward or downward”
continued on page 12

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Chicago	\$25-30 (+10)	20-25 (0)	5-10 (0)	35-40 (0)	40-45 (+10)	90-95 (+5)	160-170 (+10)
New England	25-30 (+10)	25-30 (0)	5-10 (0)	50-55 (+5)	55-60 (+15)	100-110 (+10)	170-180 (+10)
Buffalo	25-30 (+10)	25-30 (0)	5-10 (0)	50-55 (+5)	55-60 (+15)	100-110 (+10)	170-180 (+10)
New York	25-30 (+10)	25-30 (0)	5-10 (0)	50-55 (+5)	55-60 (+15)	100-110 (+10)	170-180 (+10)
Southeast	30-35 (+10)	20-25 (0)	10-15 (0)	40-45 (0)	55-60 (+15)	95-100 (+10)	160-170 (+10)
Southwest	30-35 (+10)	20-25 (0)	10-15 (0)	50-55 (+5)	50-55 (+15)	95-100 (+10)	170-180 (+10)
Los Angeles	60-65 (+10)	65-70 (+10)	60-65 (0)	75-80 (0)	75-80 (+20)	115-125 (+15)	165-175 (+10)
San Francisco	60-65 (+10)	65-70 (+10)	60-65 (0)	75-80 (0)	70-75 (+20)	115-125 (+15)	165-175 (+10)
Pacific NW	35-40 (+10)	65-70 (+10)	35-40 (0)	65-70 (+5)	40-45 (+10)	90-95 (+15)	165-175 (+10)

Source: Official Board Markets

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OBV

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MARKET REPORT

OCC Prices Jump Up

If you've ever visited London, you've probably ridden on the underground tube and heard the automated announcer say, "mind the gap" as the train doors open. That's exactly what OCC buyers have been doing in recent weeks, except the gap they're watching closely is not between a train carriage and the station floor but between the price they're willing to pay locally and current export prices.

The past few weeks have seen OCC prices rise quickly, taking some by surprise. It is only in the past couple of days that the two major OCC buyers in China have realized that they need to stop bidding against each other. They're just now putting on the brakes. But what they did caused many OCC-consuming domestic board mills to become nervous about supply. After a period where OCC prices crept up ever so slowly, buyers now find themselves having to offer more than \$5 more per ton to keep their tons coming in the door.

Southwest Prices (per ton)



“The combination of very low OCC generation and the huge gap between the domestic and export OCC price has many mill buyers concerned and ready to do something about it,” emails a supplier in the Southeast. He admits that even though he makes a point of being loyal to the

domestic board mills he regularly supplies, OCC export prices (even if they soften a few dollars per ton over the next couple of weeks) still look very attractive to him. Many suppliers say that if they can export tons, they're doing it.

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Chicago-Home Office (312) 337-7822
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Transacted Paper Stock Prices – Low Grades

	Mixed Paper (1)	Boxboard Cuttings (4)	News (6)	News (8)	OCC (11)	SOP (37)	Sorted White Ledger (40)
Chicago	\$30-35 (+5)	30-35 (+10)	25-30 (+20)	45-50 (+10)	50-55 (+10)	105-115 (+20)	180-190 (+20)
New England	30-35 (+5)	35-40 (+10)	25-30 (+20)	50-55 (0)	60-65 (+5)	115-125 (+15)	190-200 (+20)
Buffalo	30-35 (+5)	35-40 (+10)	25-30 (+20)	50-55 (0)	60-65 (+5)	115-125 (+15)	190-200 (+20)
New York	30-35 (+5)	35-40 (+10)	25-30 (+20)	50-55 (0)	60-65 (+5)	115-125 (+15)	190-200 (+20)
Southeast	40-45 (+10)	35-40 (+15)	25-30 (+15)	45-50 (+5)	70-75 (+15)	110-120 (+20)	180-190 (+20)
Southwest	40-45 (+10)	35-40 (+15)	25-30 (+15)	50-55 (0)	70-75 (+20)	110-120 (+20)	190-200 (+20)
Los Angeles	60-65 (0)	65-70 (0)	65-70 (+5)	80-85 (+5)	75-80 (0)	130-140 (+15)	185-195 (+20)
San Francisco	60-65 (0)	65-70 (0)	65-70 (+5)	80-85 (+5)	70-75 (0)	130-140 (+15)	185-195 (+20)
Pacific NW	35-40 (0)	65-70 (0)	40-45 (+5)	70-75 (+5)	50-55 (+10)	115-125 (+30)	185-195 (+20)

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MARKET REPORT

Demand for OCC Strengthens

This month it's difficult to sum up the OCC market in a pithy phrase. It's a classic case of mixed signals that depends on the region you're in. But the question that was heard over and over again in recent days was simple and profound: Where has all the OCC gone? The answer is that it is simply not being generated right now. Sure, not every board mill is asking this question. But you have a lot of them (especially in the Southeast and Southwest) that are calling up their suppliers and saying, "Don't worry about the price. Just assure me that you can get me the tons I need to keep my mill's machines running."

No doubt about it: It has taken a while but board mills are starting to see a pickup in orders. This is most likely due to their customers letting their inventories run down to very

low levels. Now they need to replenish. It has nothing to do with a strong demand for corrugated boxes. Box makers are never all that busy during the summer.

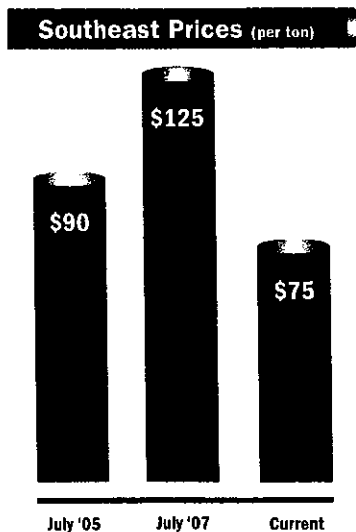
"Buyers [in the Southeast] are scrambling for OCC in a way that I have not seen since probably 1995, although at much lower current prices," emails a supplier in that region. "OCC generation is still terrible. Suppliers are off 15 percent to 20 percent in volume from where they were a year ago."

Another supplier in this

region reports that his operation is almost totally out of paper.

Many mill buyers figured that when they needed to start buying OCC again they would have no problem finding what they

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New England	35-40 (+5)	40-45 (+5)	30-35 (+5)	55-60 (+5)	60-65 (0)	125-135 (+10)	200-210 (+10)
Buffalo	35-40 (+5)	40-45 (+5)	30-35 (+5)	55-60 (+5)	60-65 (0)	125-135 (+10)	200-210 (+10)
New York	35-40 (+5)	40-45 (+5)	30-35 (+5)	55-60 (+5)	60-65 (0)	125-135 (+10)	200-210 (+10)
Southeast	45-50 (+5)	40-45 (+5)	25-30 (0)	45-50 (0)	75-80 (+5)	120-130 (+10)	190-200 (+10)
Southwest	45-50 (+5)	40-45 (+5)	25-30 (0)	50-55 (0)	75-80 (+5)	120-130 (+10)	200-210 (+10)
Los Angeles	75-80 (+15)	80-85 (+15)	75-80 (+10)	90-95 (+10)	90-95 (+15)	145-155 (+15)	200-210 (+15)
San Francisco	75-80 (+15)	80-85 (+15)	75-80 (+10)	90-95 (+10)	85-90 (+15)	145-155 (+15)	200-210 (+15)
Pacific NW	55-60 (+20)	80-85 (+15)	50-55 (+10)	80-85 (+10)	60-65 (+10)	130-140 (+15)	200-210 (+15)

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MARKET REPORT

OCC Demand Remains Strong

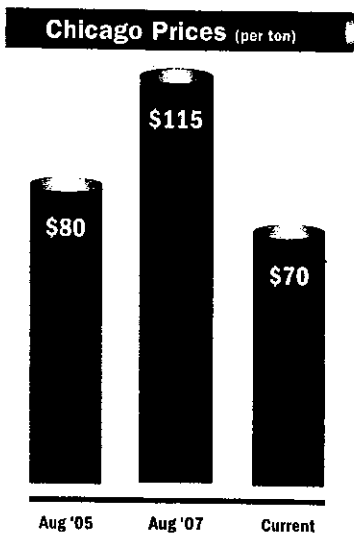
Export demand for OCC remains strong while some domestic board mills are playing the game of "where can I find the best U.S. OCC price?" That's what caused the Chicago OCC price to jump \$15 per ton. A number of mills in this region report that they're in great shape and have thousands of tons in inventory. But mills in the Southwest have been able to draw away tons from the Midwest by offering higher prices. In recent days this "invasion" has slowed down, but the end result is that there is no longer a big price gap between Chicago and the Southwest.

OCC supply remains fairly tight in the Southeast. Export pricing has risen to \$125 per ton delivered Florida docks and there are ample containers to fill orders, reports a supplier in this region. As is often the case in the Southeast, some OCC consumers have more than enough tons during what is always a slow generation season, while others are making phone calls to their suppliers, asking them to send as many tons as possible, ASAP.

It is hard to understand why OCC export prices remain so strong. A lot of this activity can be attributed to the relative low cost of shipping containers right now. Buyers for the Chinese board mills

are looking beyond next month and reason that in this very tough recession, OCC prices are much more likely to go up than down so buy them while the buying is still good.

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