



2018 Metro Production Conference

Newsprint/Paper

June 1, 2018

Items to cover

- The market
- Price...what is normal
- Tariff
- Transportation
- Market Summary



Questions

- **How many in the room are involved with newsprint or paper purchases?**
- **How many in the room have seen tight newsprint markets before?**
- **Are newsprint prices at historical high levels?**

The Market...Control of the Market

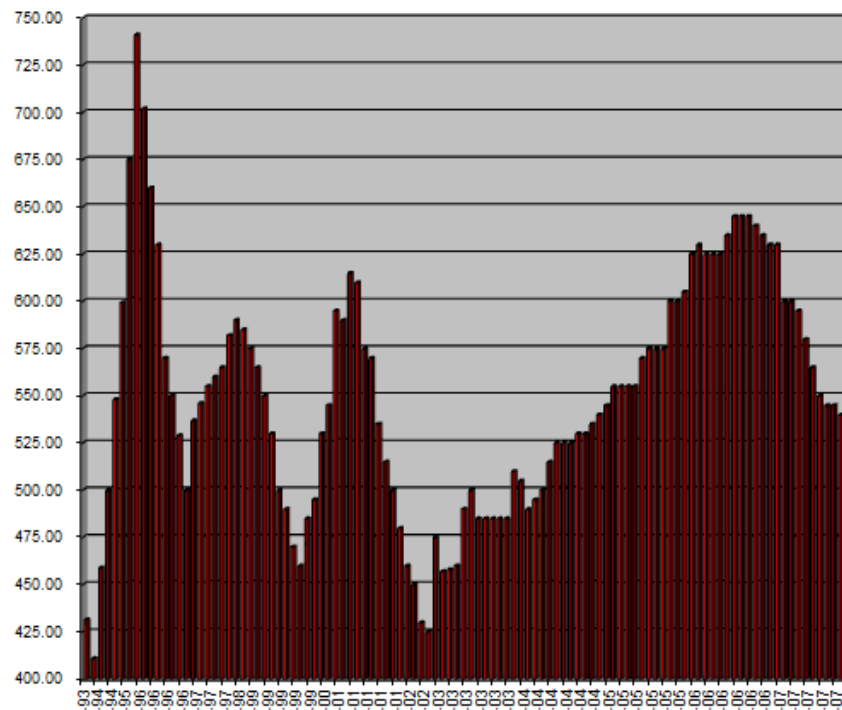
- **7 BUYERS CONTROL 60 TO 70% OF US NEWSPRINT MARKET**
- **8 SUPPLIERS PRODUCE 4,221,000 TONS**
 - 3 suppliers produce about 72% of all NA tons
 - Resolute, White Birch, and Kruger
- **NOT ALL TONS PRODUCED ARE NEWSPRINT**



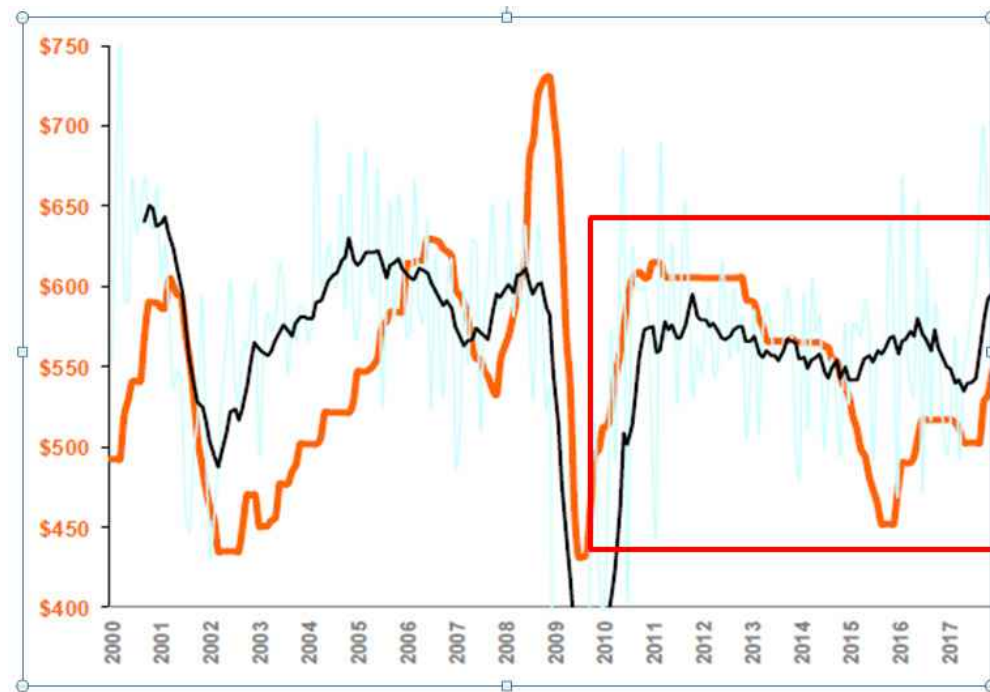
The Market

- **TOTAL NORTH AMERICAN DEMAND 2,571,000 TONS**
 - US Newspapers purchase about 1,400,00 tons
 - Commercial 500,000 to 600,000 tons
 - Canadian Newspapers purchase 540,000 tons
- **EXPORT FROM NORTH AMERICA 1,245,000 TONS**
- **NORTH AMERICAN DEMAND + EXPORT 3,815,000 TONS**
- **ABOUT 100,000 TONS OR LESS TO BALANCED SUPPLY/DEMAND**

Are Newsprint Prices High?



Are Newsprint Prices High...Normal



Tariffs

FACT OF LIFE

- Forest Products
- Aluminum & Steel
- What is on tap for tomorrow?

TARIFFS AFFECT FREE MARKETS

Transportation

THE PROBLEM MAY ONLY GET WORSE

- Rail...ugly
 - CP Engineers Strike.
 - Canadian rail not yet caught up with winter demand surge.
- Trucking
 - Shortage & regulation.
 - Spot market expensive.
 - Canada expected to be challenged again this summer.



Market Conditions

TIGHT MARKET

- Nothing to do with Tariffs (well...maybe a little)
 - Shipments deferred from the US to other regions.
 - Decisions on equipment (machine usage) are accelerating.
- Developed over time by individual decisions at newsprint companies
- Low consumer inventory last summer
- Changes in buying patterns (shifts must work their way through the system)

Market Conditions

TIGHT MARKET

– Caught Short

From E&P Tue 5/29

- A paper in southern Nebraska had to cut pages and make other adjustments as it was hit by the recent nationwide newsprint shortage. The McCook Gazette reported a "drastic cut" in pages in its May 22 edition. A scheduled load of newsprint failed to materialize at the paper when expected, putting the paper's supply at an unprecedented low.
- Meanwhile, the Buffalo News reported nearly running out of newsprint in April. "A week ago Monday, three truckloads of newsprint failed to arrive at The News' downtown printing plant," the paper reported. "We found enough paper to print The News two Sundays ago and every day since, but it hasn't been easy. That week, we reduced the number of pages in the newspaper."

