60-9C PAPERBOARD
PACKAGING
MO. 5,200

FEB 1976

MARKET TRENDS

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Markets Editor

What's ahead for U.S. recovery and "real" growth in a year that will be influenced by Bicentennial celebrations and national elections engrosses the economic experts. The consensus case is for relatively moderate growth of 5 to 6½ percent. O.E.C.D. looks for the U.S. to lead the world out of recession at a sluggish pace. *Morgan Guaranty Survey* sees the case for moderate growth grounded both in the cautious attitudes still prevalent among consumers and businessmen . . . and in the special well-identified weaknesses of the housing and state and local government sectors of the economy. While First National City Bank suggests that how businessmen view the future often depends on how they see the present. "In that case, most of them will opt for a middle-of-the-road forecast — continued recovery but at a modest rate, and from such a low base that the problems left by the boom-and-bust cycle of 1973-75 will not soon disappear." Marketing men will like this quote from the bank's Monthly Economic Letter: "Concern about resource depletion and soaring prices for scarce commodities periodically pervades some economic thinking. But historical evidence shows that t4the profit motive and human ingenuity can lay these fears to rest once again." In short, it will be a year for selling not for order-taking. We name it "The Year of the Salesman."

Aftermath of the Boom-and-Bust Cycle. One of the major — if not the chief culprit — problems left by the 1973-75 "boom and bust" cycle was, as always, a drop in selling power. In any seller's market, we use our energies and ingenuities in striving to meet shortnesses of grades with what is available at a profit to producer and consumer.

Thus was developed what the American Paper Institute (API) labels "found tonnage" during the 1973-74 period of *tight supply;* better product mixes, streamlining of mill lines, increased efficiencies enabled the industry to keep supply in better balance with demand. During the recession, marketing conditions developed some erosion of this *found* capacity, particularly among the marginal mills which were glad to accept orders in order to keep rolling.

Now that we are back to a buyer's market at home and a recessive economy in many of our world markets, marketing must rally its energies to see and seize opportunities that are profitable for the short and for the long term. Studying astrological forecasts may be an engrossing subject for some, entertainment for others. To salesmen, *any economic forecasts, like horoscopes, should be viewed* as a challenge to overcome. This Bicentennial year should give us that vision and guts to exceed the best prognostications.

Slow, Uphill Recovery with Problems. Which is not to say there won't be problems for, like the poor, they will always be with us. But what *live person* wants to coast, except on a snowy slope?

To the members of the waste paper industry, the 1976 dip in the recycling rate was not merely a slide; it was a shambles. N.A.R.I. (National Assn. of Recycling Industries) put the year's drop at an estimated 26 percent from 1974 utilization. API indicated that the decline would probably be close to the 21 percent drop in recycled board production. Using Census data — without the API adjustments which included consumption by molded pulp and other — we have total waste paper consumption for the first nine months of 6,647,000 tons, a 42.5 percent drop from the 1974 period. By any calculations, this is a disappointing performance *considering the major efforts invested in* the recycling program nationwide.

M. J. Mighdoll, executive vice president for NARI, sees the possibility that the recovery signs in the paper sector could emerge into a general industry recovery in 1976. He warned, however, that the prognosis is relatively pessimistic, noting that the vast majority of his members expect a 25 percent decline in sales volume this year and that they plan to cut back on their capital investment plans accordingly.

By any marketing measure, one must rate this a setback for any sales effort, for though one appraises his obstacles, he must set his goals to overcome them. Surely, it must be true that too many dealers are *being defeated* by their problems. We note with satisfaction that one of the most progressive organizations has added two proven paper industry *salesmen* to his new Chicago division. Surely it must be true that no one of the associated arms of the industry's suppliers puts forth less actual selling effort than most of the paper stock dealers!

Consumers' Division President Reports. Richard W. Wand, administrative vice president, Bergstrom Paper Co., is president of the Consumers' Division of N.A.R.I. He looks for 1976 to be "a slow, agonizing climb back to profitable operational levels." For 1975 he reported that the recycled paperboard mills were particularly *impacted* by the recessive economic conditions, adding that "at midyear, over 20 paper machines which formerly produced

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recycled products stood indefinitely idled, giving mute testimony to the recession's ravages. Low operating levels in most recycling mills, coupled with the abandonment of paper stock as a fiber source when other papermaking fibers become more readily available, resulted in a very significant decline in the consumption of paper stock in 1975," Wand said. "Clearly, paper stock recycling was dealt a sharp blow by the economic conditions in the past year, one from which it will not easily recover."

Bergstrom's own recycling mill in Ohio was idled by the recession but will be reactivated, the company indicated, as market conditions demand. Wand sees continuing recovery for the paper/board industry. However, the climb to more efficient and profitable operation levels remains, said he "an agonizingly slow process."

"Also significant are the new waste paper pulping operations being put into use. In concert with the improved overall condition of the economy, this could lead to record levels of consumption of paper stock if — and this is a very big IF," Wand indicated "the paper and paperboard industry is able to operate at capacity. The vitality and growth of paper recycling has not been lost, only temporarily impeded. But we have much left to accomplish if resource recovery through recycling is ever to achieve its potential," he declared.

PCB Chemicals Worry Paper/Board Recyclers. Part of that which remains to be accomplished is, of course, in the laps of the Congress. Unfortunately, the need for tax incentives and for nondiscriminatory freight rates has been setting too long; it cries out for action that will encourage paper and paperboard mills to use greater amounts of recyclable stock.

There are inhibiting factors to progress and prosperity, some of which stem from environmental zealots who fail to equate the needs of our society with the facts of the economy. Clyde A. Maynard, president of Mead Paper-

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[redacted]

board Division — a member of the Consumers Division of N.A.R.I. — put it this way: "The point of significance for producers and users of secondary fibers is that, although recycling and greater utilization of waste materials generated by our society has become an important issue on the political scene, it is still a matter of marginal economics. It is, of necessity, a struggling contestant in the continuing battle royal which pits recycling advantages against marketplace acceptance and the achievements of technology against the realities of economy."

One prime example of industry concern is PCB chemicals, the polychlorinated biphenols which are used primarily as the insulating fluid in electrical and heat transfer equipment. According to Mr. Wand, these PCBs have been in use since 1929 in the production of ink, paints, adhesives, hydraulic and electrical fluids, paper coatings, sealants and food packaging. Reporting in his company's *Bergstrom Bulletin*, September-October issue, on "PCB Chemicals Worry Paper Industry", Mr. Wand noted that; "Not until the late 1960's did PCBs become suspect to environmental pollution. Evidence of contamination now is being discovered far from industrial plants. According to EPA officials, PCBs are being found everywhere they look — even in rain and snow."

Monsanto is the only known domestic producer, he said, marketing their products under the name "Aroclor". The firm has limited its sale of PCBs to manufacturers of sealed electrical equipment since 1971. Several foreign nations also manufacture PCBs.

The toxic chemical compounds have recently been found in paper mill effluent in trace amounts, Wand indicated. At Bergstrom, "a discharge level of PCBs of 0.0185 part per million was found at the main outfall. It was assumed that the source of PCBs was carbonless wastepaper which was part of the Bergstrom raw material to be recycled into new paper. Also 14 wastepaper samples have been tested and showed detectable amounts of PCBs in seven," the article stated.

"The recycling segment of the paper industry does not use PCBs in its papermaking processes," it declared. "It finds itself caught in the middle of this controversy only because some of the wastepapers which are recycled contain trace amounts of PCBs."

Noting that the Wisconsin Department of Natural Resources (WDNR) had urged a total ban of the chemical, Bergstrom's spokesman said that decision "very simply will put virtually all paper recyclers out of the recycling business." Members of the Wisconsin Paper Council asked the Wisconsin DNR to refrain from taking any action on its proposed rules until the U.S. Environmental Agency (EPA) has promulgated its PCB effluent guidelines, a draft of which is expected this month (February 1976). Meanwhile, The Paper Council has urged all firms to cooperate fully with the DNR in effluent testing.

New Booklet — "Waste Paper Recycling". Published by the Paper Stock Conservation Committee of API, the informative and colorful publicity piece points out that recycling can provide income to collectors, dealers and processors at the same time as it reduces solid waste, recovers a valuable resource and improves environmental quality.

The 32-page, four-color booklet also includes information on such subjects as changes in waste paper markets, how recycled paper is made, the export market for waste paper, and an overview of recycling in other countries. A single copy of "Waste Paper Recycling" is free; additional copies are $1.00 each. Order from the Paper Stock Conservation Committee, Box AP, American Paper Institute, 260 Madison Ave., New York 10016.

Paper Stock Markets are Quiescent. As we go to press, the consuming mills are getting underway after the year-end holidays and trading is termed dull. Foreseen is some tightening of the supply of Old Corrugated for, at current

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Hopes for Stability. Despite these recognized problems for recycling, industry advocates like Clyde Maynard and Richard Wand are expecting growth in resource recovery. There are, said Maynard, opportunities that together we can utilize for substantial advances and that will help achieve the kind of stability that most of us have, to date, only dreamed of." (See PAPERBOARD PACKAGING, October 1975, page 32.)

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Paper Stock Markets are Quiescent. As we go to press, the consuming mills are getting underway after the year-end holidays and trading is termed dull. Foreseen is some tightening of the supply of Old Corrugated for, at current prices, the loose stuff is not being picked up, local sources say. (After all, weather conditions do not encourage pick up of loose stock.) By early spring, dealers look for this market to firm considerably.

Also indicated is some easing in the prices of deinking high grades and pulp substitutes; the premium offers temporarily are being trimmed as export inquiry subsides. However, a watch is being kept on this area of fiber supply as the Canadian walkout continues and wood pulp inventories shrink. Canadian stockpiles of chemical grades of paper pulp have declined from the 832,000 tons of July 31 to 513,000 on October 31, the latest figures available. The pulp supply is still relatively high but held to be declining rapidly. However, U.S. producer stocks of market grades of chemical paper pulp totaled 321,000 short tons at the close of November, only slightly less than at the end of October and 130 percent higher than at the close of November 1974. The combined North American stocks (NORSCAN) plus heavy Scandinavian tonnage are therefore sufficiently large to brake any ambitions toward early price advances, U.S. pulp representatives say. Until world recovery is established — possibly late this year — they do not see any possible price change, arguing that it is not higher costs that determine price but market demand.

Just what those higher costs will be to Canadian pulp mills when the unions, company negotiators and the Canadian Anti-Inflation Board came to agreement on the months-long strike interests U.S. mills also. For though any price increase developed by the agreements in the Canadian industry for domestic mills would not set export prices — to the U.S. and world markets — it is likely they would pressure price levels for U.S.-produced market pulps as world demand normalizes.

The big Canadian Paperworkers Union has asked for an average wage increase of 35 percent or $2.00 an hour. Company negotiators are resisting the demands declaring that the Canadian wages were above their counterparts in the U.S., their competitor in world markets. The New Brunswick agreement which the CPU ratified provided increases of 24 percent. The Anti-Inflation Board has ruled that it will accept increases of no more than 14 percent.

Meanwhile, U.S. publisher stocks of newsprint are decreasing and some U.S. newsprint mills have announced price lifts amounting to $20 a ton on 30-lb standard. Canadian producers are suggesting that a $25 per ton hike can be expected during 1976. The last major increase amounted to $30 a ton effective January 1, 1975. □

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