

North American Mechanical Printing Papers Capacity to Decline 1.3% in 2007-09

The Pulp and Paper Products Council reported that North American capacity to produce newsprint, uncoated mechanical and coated mechanical papers is forecast to decline at an average annual rate of 0.4% to reach 24.1 million tonnes in 2009.

The 2007 capacity survey's conclusion is the same as a year ago — during the forecast period, only the Uncoated Mechanical sector will experience any growth.

The PPPC survey put the revised 2006 total at 24.457 million tonnes, down from the total forecasted a year ago of 24.695 million tonnes.

The total is now forecast to be 24.068 million tonnes for 2007, a 1.6% drop, rising to 24.122 million tonnes in 2008 and to 24.139 million tonnes in 2009. The difference from 2006 is 318,000 tonnes, a 1.3% decline over the three-year forecast period.

The survey covered all North American mills producing newsprint, uncoated mechanical and coated mechanical printing grades.

Following is the summary from the 2007 report:

Newsprint

Final estimates for North American newsprint capacity amounted to 12.6 million tonnes in 2006. Capacity reduction in this sector picked up speed as the 520,000 tonne loss in 2005 was followed by a further 600,000 tonne decrease in 2006.

In 2006, North American newsprint capacity declined by 600,000 tonnes, or 4.5%, to 12.6 million tonnes. Capacity in Canada fell to 7.7 million tonnes, which represents a drop of 460,000 tonnes over 2005, whereas U.S. capacity was down 140,000 tonnes from the previous year to 5.0 million tonnes.

Close to half (285,000 tonnes) of the North American decline last year was due to the carry-over effect of the closure of Abitibi-Consolidated's Stephenville, Nfld., and Kenora, Ont., mills in October 2005.

The conversion of Bowater's Calhoun, Tenn., PM #4 in Q2-2006 and changes in the product mix at several mills explain an equivalent part (290,000 tonnes) of the overall drop in 2006.

U.S. newspaper publishers' continued move towards lighter grammage newsprint resulted in a 120,000-tonne decline in capacity. Partly offsetting these declines was an increase of 90,000 tonnes mainly due to increased efficiencies and speed-ups at various mills.

From the peak of 16.6 million tonnes reached in 1997, North American newsprint capacity has come down 4 million tonnes, or 24%. Almost two-thirds of the decline came from the closure of over 20 machines.

Just over one-fourth of the drop resulted from machines undergoing significant investments to convert them to produce other grades, mainly uncoated and coated mechanical papers.

Another 27% was due to changes in grade mix resulting in lesser newsprint being produced. Finally, 6%, or 250,000 tonnes, of the 4 million tonne decline was due to U.S. publishers using more of lighter grammage newsprint. Machine improvements, speed-ups, and efficiency gains over the nine-year period contributed to offset these declines by an amount of 1 million tonnes, or roughly 0.6% per year.

North American newsprint capacity is expected to decrease by another 525,000 tonnes in 2007, to 12.1 million tonnes, a level where it is forecast to remain for the following two years. The decline in 2007 will partly result from the continued move towards 45 grams newsprint, but will be mostly due to further changes in product mix benefiting non-newsprint grades.

Uncoated Mechanical

In 2006, both US and Canadian uncoated mechanical capacity each gained around 80,000 tonnes. Although the combined North American capacity is estimated to grow at an annual average of 1.3% over the forecast period, much of this growth is attributed to gains through grade-switching in Canada.

Uncoated mechanical capacity in North America will increase by 1.3% annually, on average, over the forecast period with capacity growth in the other uncoated mechanical grade slightly outpacing growth in the high-gloss sector.

Output at one mill has been reclassified from standard grades to high-gloss. This change was conducted retroactively back to 2004. In 2006, the resulting effect was a shift of roughly 200,000 tonnes of capacity from the other uncoated mechanical sector to the high-gloss sector.

Few projects have occurred in the North American uncoated mechanical sector. In 2006, Abitibi-Consolidated converted its mill in Belgo, Que., newsprint to high-bright papers, adding 100,000 tonnes to capacity, while the rebuild of PM #1 at Irving's St. John, N.B., mill shifted capacity from standard to high-gloss.

In February 2007, Abitibi-Consolidated idled its mill in Fort William, Ont., which was producing 145,000 tonnes of standard grades. St. Mary's Paper recently announced its decision to shut down the mill in Sault Ste. Marie, Ont., which was producing 220,000 tonnes of high-gloss grades, by June 2007. The tonnage for both these mills remains in the official estimates, but is considered idled for the majority of the forecast period.

Coated Mechanical

North American coated mechanical capacity closed 5.5% lower in 2006 compared to the year before, with the majority of the loss occurring in the US (-5.6%). Over the forecast period, the combined capacity is projected to slip marginally on an average annual basis, as gains in Canadian capacity are not expected to sufficiently offset projected closures in the US.

Between 2006-09, North American capacity for coated mechanical will shrink 0.3% per year, on average.

PPPC reclassified 270,000 tonnes of capacity from coated mechanical to coated woodfree at Tembec's St. Francisville mill in Louisiana. This change affects capacity from Q4 2005 to the end of the forecast period and is the main factor in the strong decline in capacity from 2005 to 2006.

No startups have been announced during the forecast period, but of note are the 2006 shutdown of the Cascades Thunder Bay, Ont., mill which decreased capacity by 100,000 tonnes in January and the idling of Bowater's Benton Harbor, Mich., mill in September, which removed 75,000 tonnes of coated mechanical capacity. Both of these projects have been removed from the official estimates.