

Uncoated Groundwood Continues to Gain Ground in Labor-Troubled Markets

But growth could slow in the next couple of years as new capacity comes online and strikes end. — **By Harold M. Cody, Contributing Editor**



While strike related issues—notably the lockout in Finland and its impact on mills producing SCA grades—have substantially altered the picture, North American uncoated groundwood markets were doing fine even before labor related issues con-

stricted supplies. A strike at Canada’s largest lightweight coated mill has further tightened paper supply in many key groundwood markets.

Thus, at roughly the halfway point of 2005, the near term outlook remains very positive. While most observers think it unlikely the Finnish strike would last more than a few months at most, strike related downtime has already led to further price gains. It’s also made it nearly impossible to make any reasonably reliable price projections. That said, prices are likely to spike this summer, but how long and how high they stay there depends on whether mills are operating.

Prices have already moved up, with increases in the spring being gradually passed on, but an extended strike

would lead to more significant price gains. In fact, a second round of price increases has been announced for SC-A grades, even before the initial round of increases enacted in the spring worked its way to customers—many of whom are protected under contract. The second increase would have been much more uncertain without labor strife.

Demand Still Growing. Last year uncoated groundwood demand continued to expand, growing nearly 6%. SC shipments to North American markets rose to 3.1 million metric tons, versus just under 3 million tons in 2003.

In contrast to strong gains in 2004, overall North American printing and writing paper demand has been sluggish so far in 2005, and for the year may not post a gain of much more than a couple of percentage points due to weakness in freesheet grades and LWC shipments. Uncoated groundwood papers are an exception, as North American demand for all SC grades through April 2005 is running 15% ahead of 2004, based on shipment data from the SC Council.

UCGW Shipments to North America

January - April 2005 (000 Metric Tons)

PRODUCERS		CAPACITY	SC-A	OTHER	TOTAL	% GRAND TOTAL
North America:						
<i>Sub-Total</i>	2004	2,672	449.3	339.2	788.5	83.6
	2005	2,903	487.8	437.4	925.2	85.4
Europe:						
<i>Sub-Total</i>	2004	4,834	128.0	27.0	155.0	16.4
	2005	4,930	137.0	21.0	158.0	14.6
Grand Total:						
	2004	7,506	577.3	366.2	943.5	100.0
	2005	7,833	624.8	458.4	1,083.2	100.0
% Increase	—	—	8.2	25.2	14.8	—

Note: The above includes every manufacturer of SC paper produced both "in-line" and "off-line" delivered to North America. Source: SC Council.

