



Corrugated Industry Conditions

AICC 2009 Annual Meeting
October 7, 2009

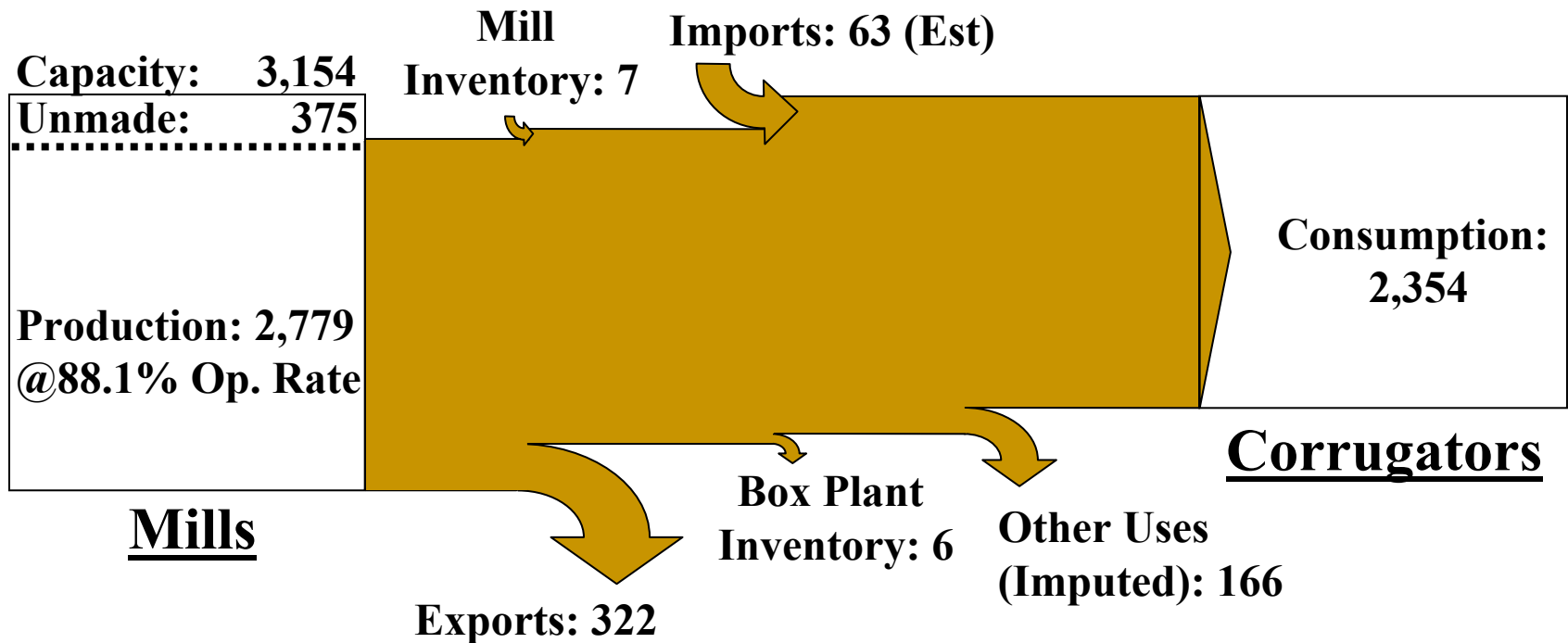
Dick Storat, President,
Richard Storat & Associates, Inc.

Today's Agenda

- Current Industry Conditions
- Economic Drivers for Corrugated Business
- The Changing Marketplace – “New Age Dynamics”
- Wrap-up

Containerboard Flows – August 2009

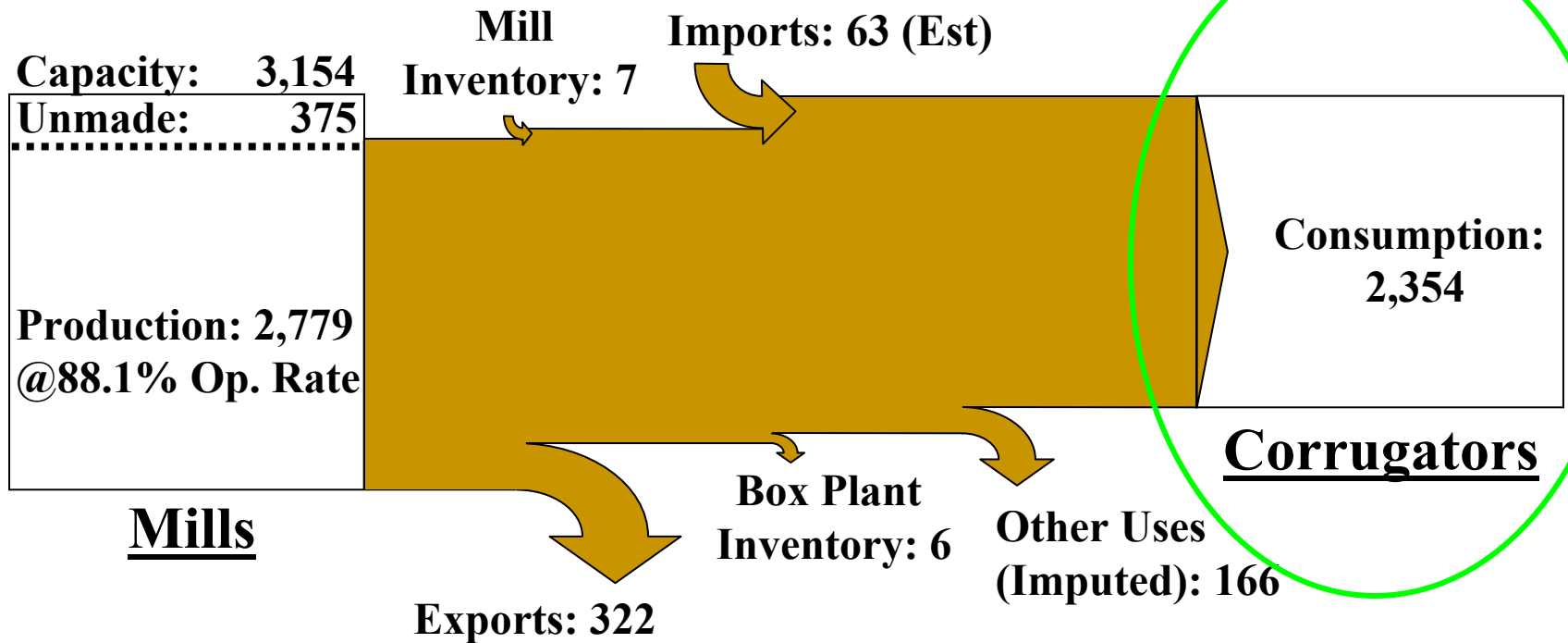
(000 Tons)



Source: AF&PA, FBA, RSA

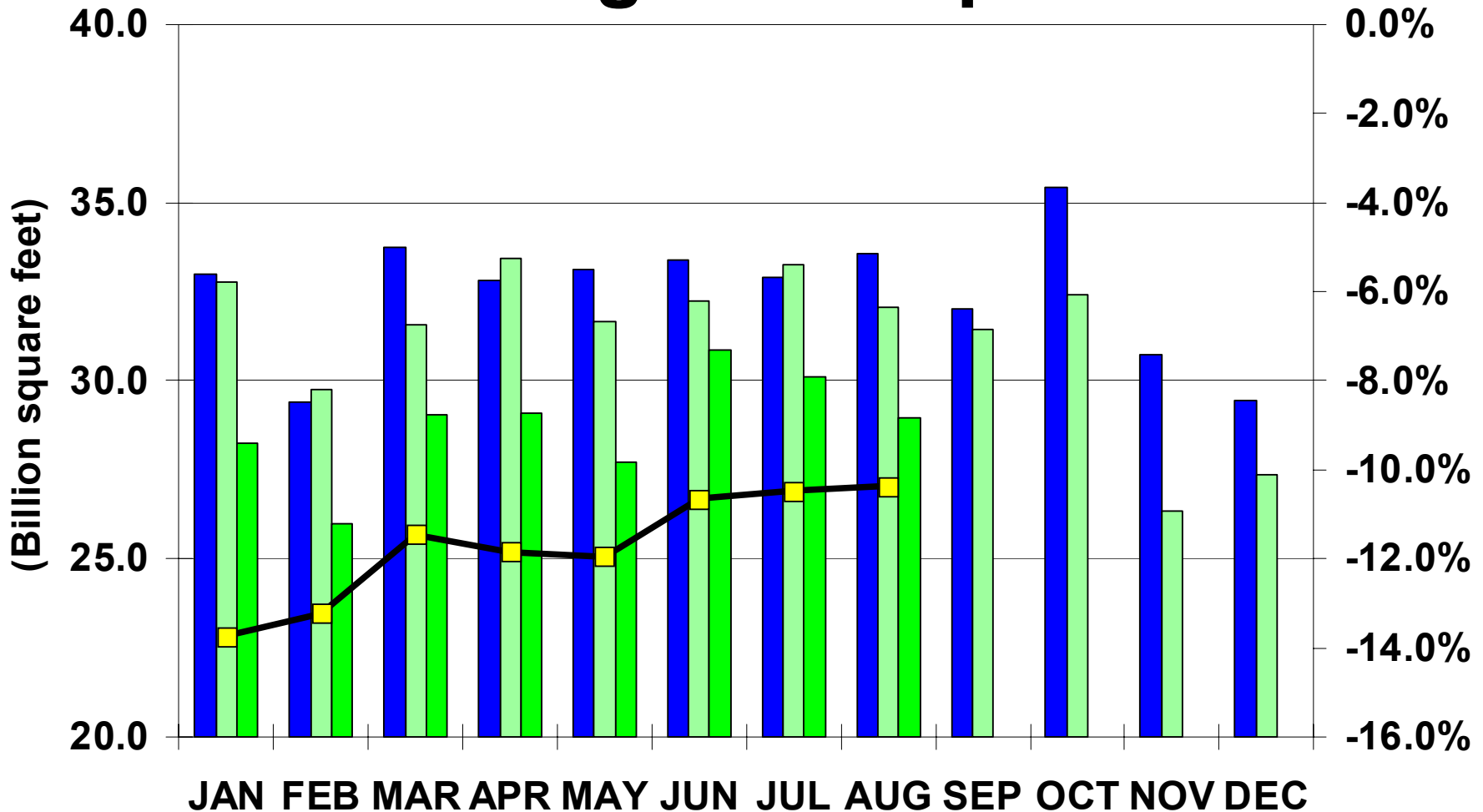
Containerboard Flows – August 2009

(000 Tons)



Source: AF&PA, FBA, RSA

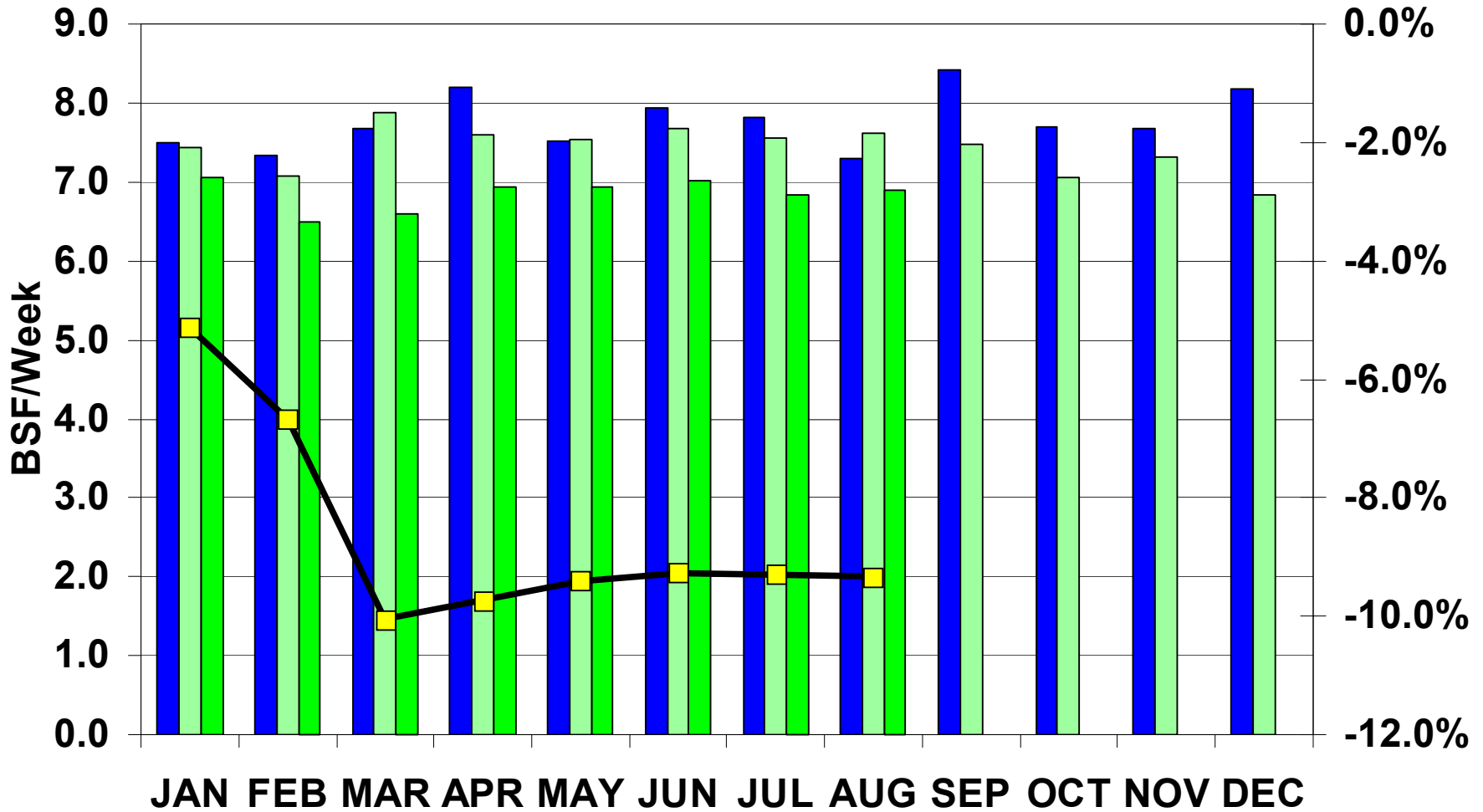
US Corrugated Shipments



Source: FBA

■ 2007
 ■ 2008
 ■ 2009
 —■— Percent Change 2009-to-date

Average Week Box Shipments



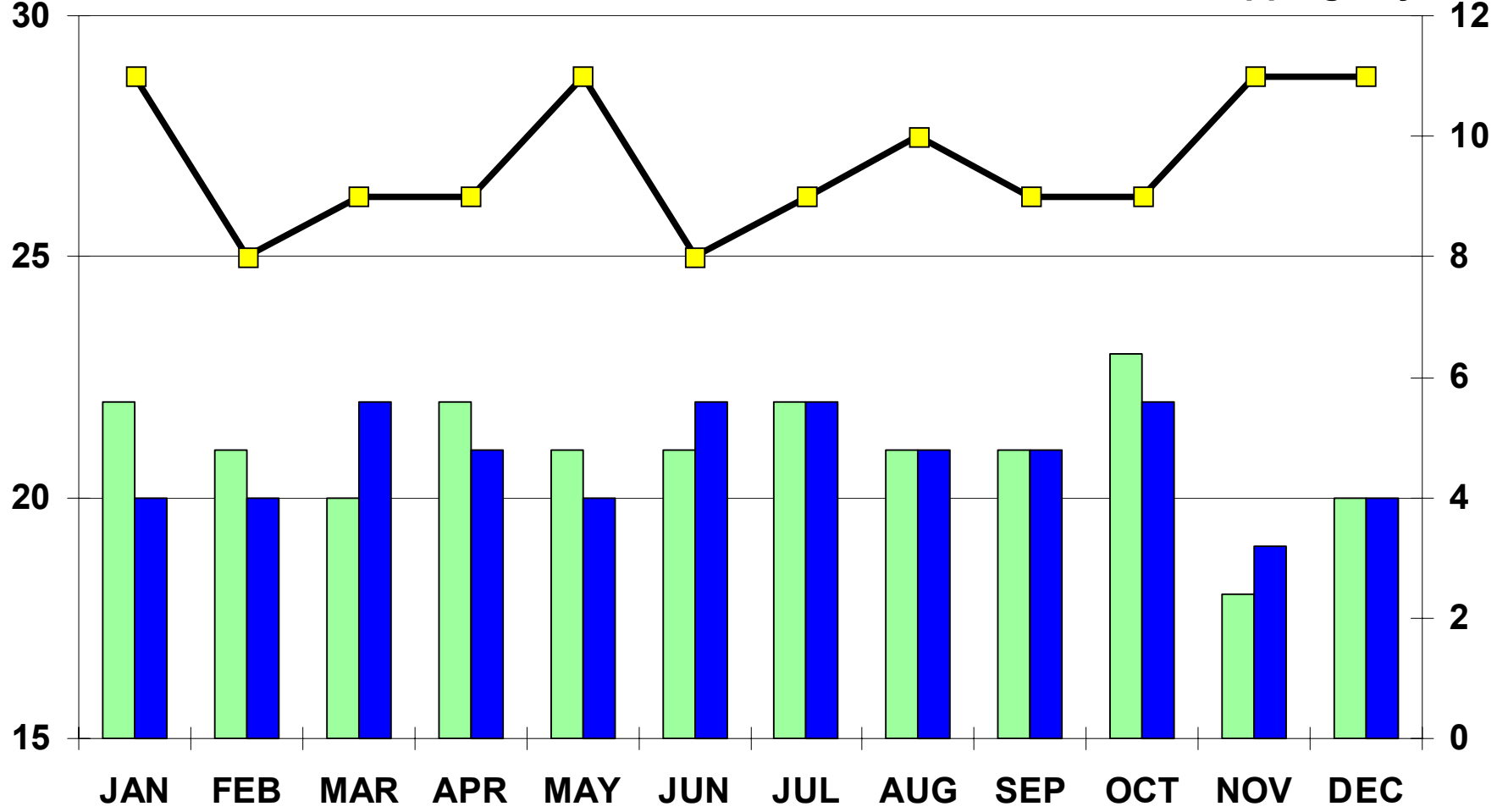
Source: FBA ■ 2007 ■ 2008 ■ 2009 —■— 2009-to-date



Box Plant Shipping Days

Box Plant Shipping Days

Mill Days-Box Plant Shipping Days

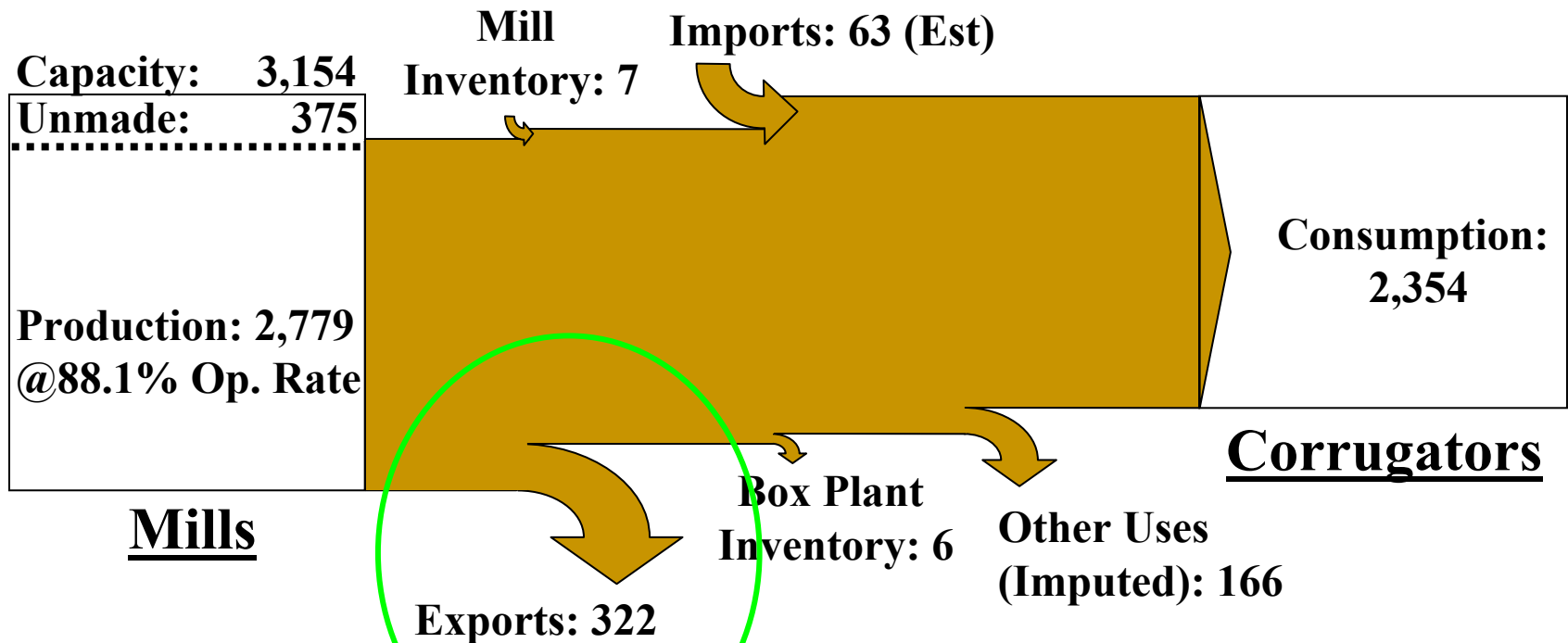


Source: FBA

2008 2009 Mill Days Less Box Plant Shipping Days

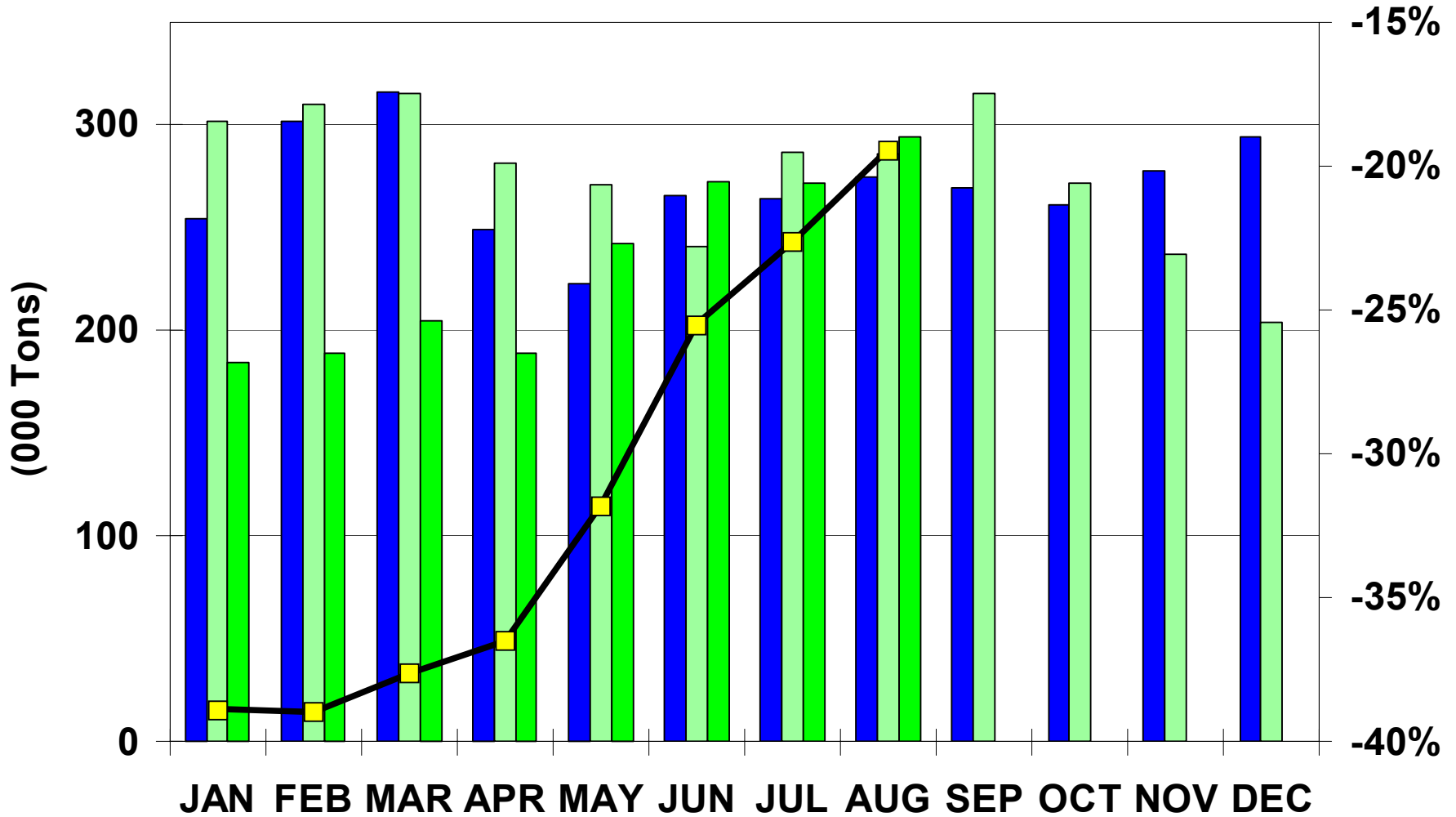
Containerboard Flows – August 2009

(000 Tons)



Source: AF&PA, FBA, RSA

Linerboard Production for Export



Source: AF&PA

2007

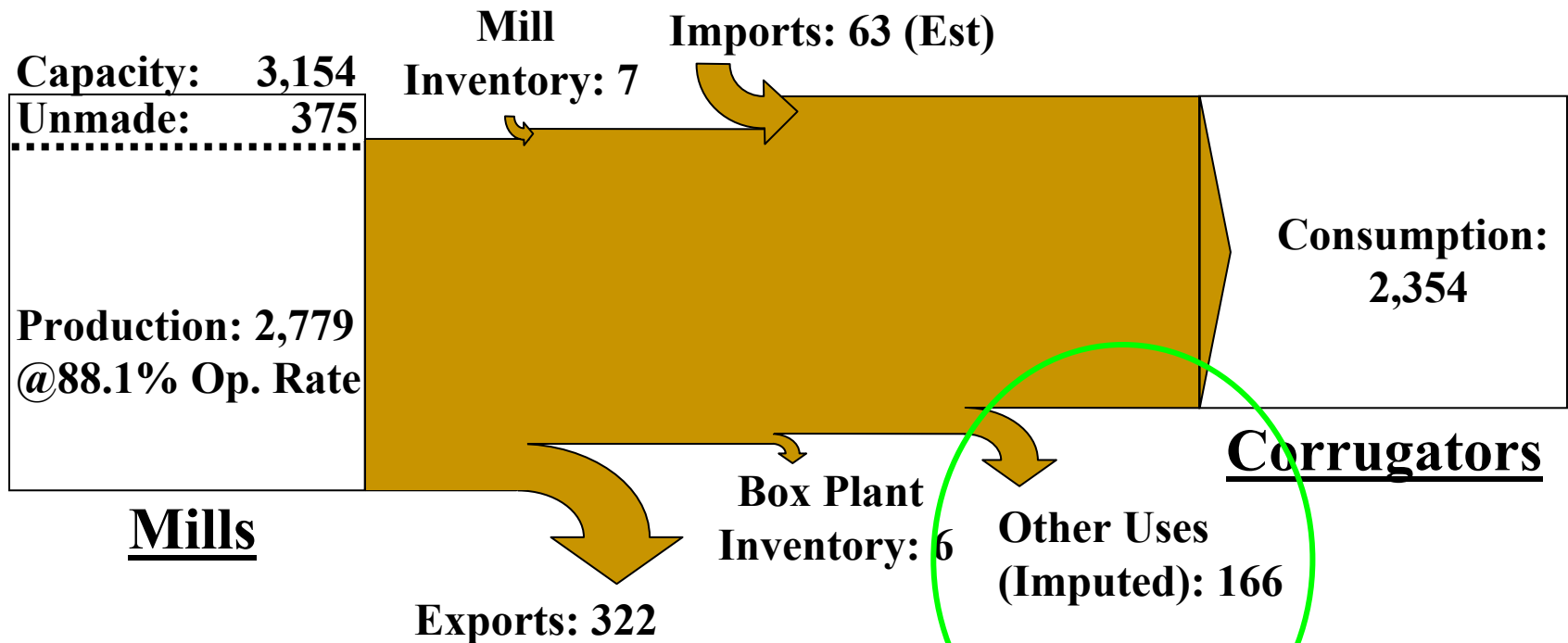
2008

2009

Percent Change 2009-to-date

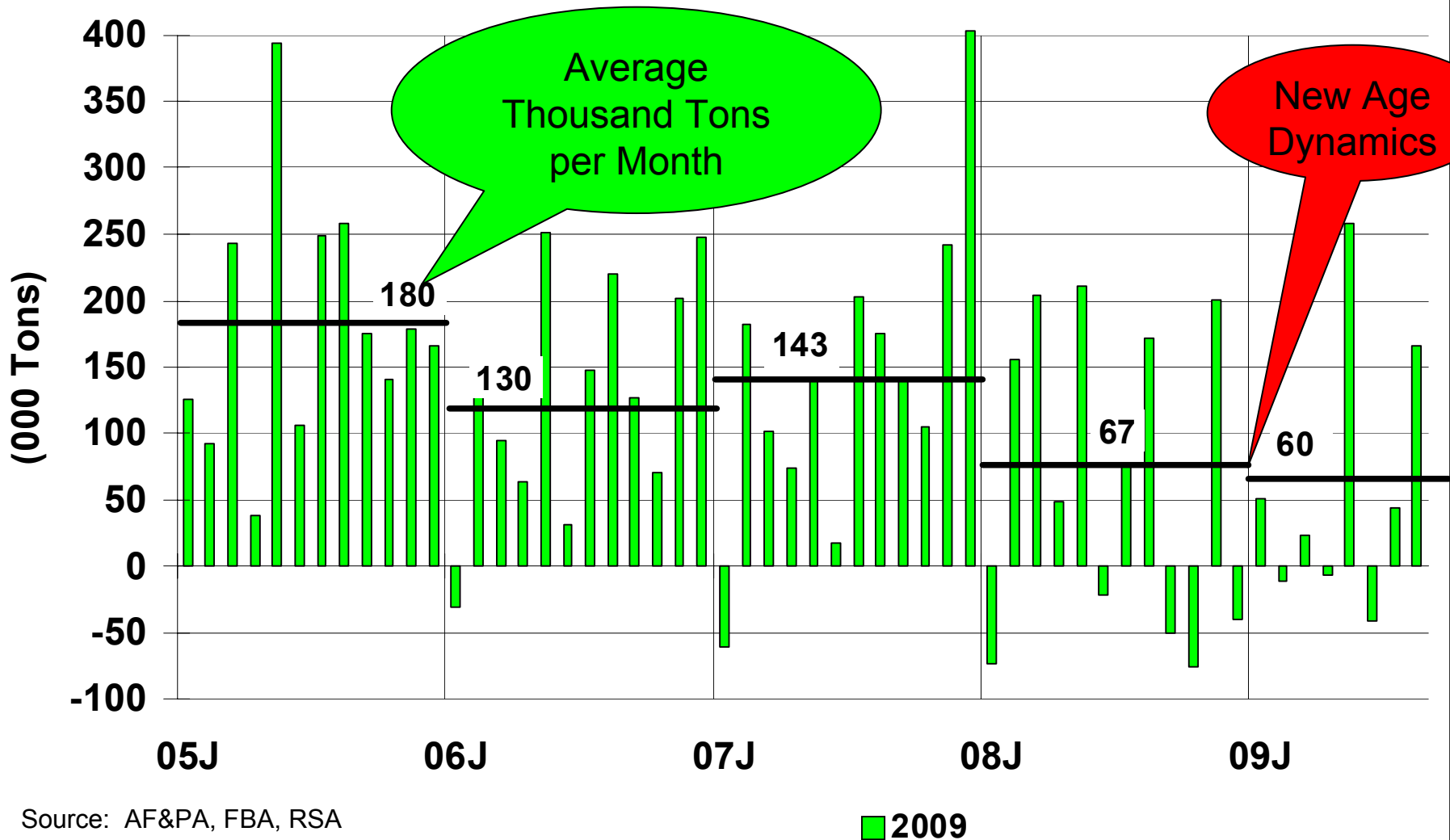
Containerboard Flows – August 2009

(000 Tons)

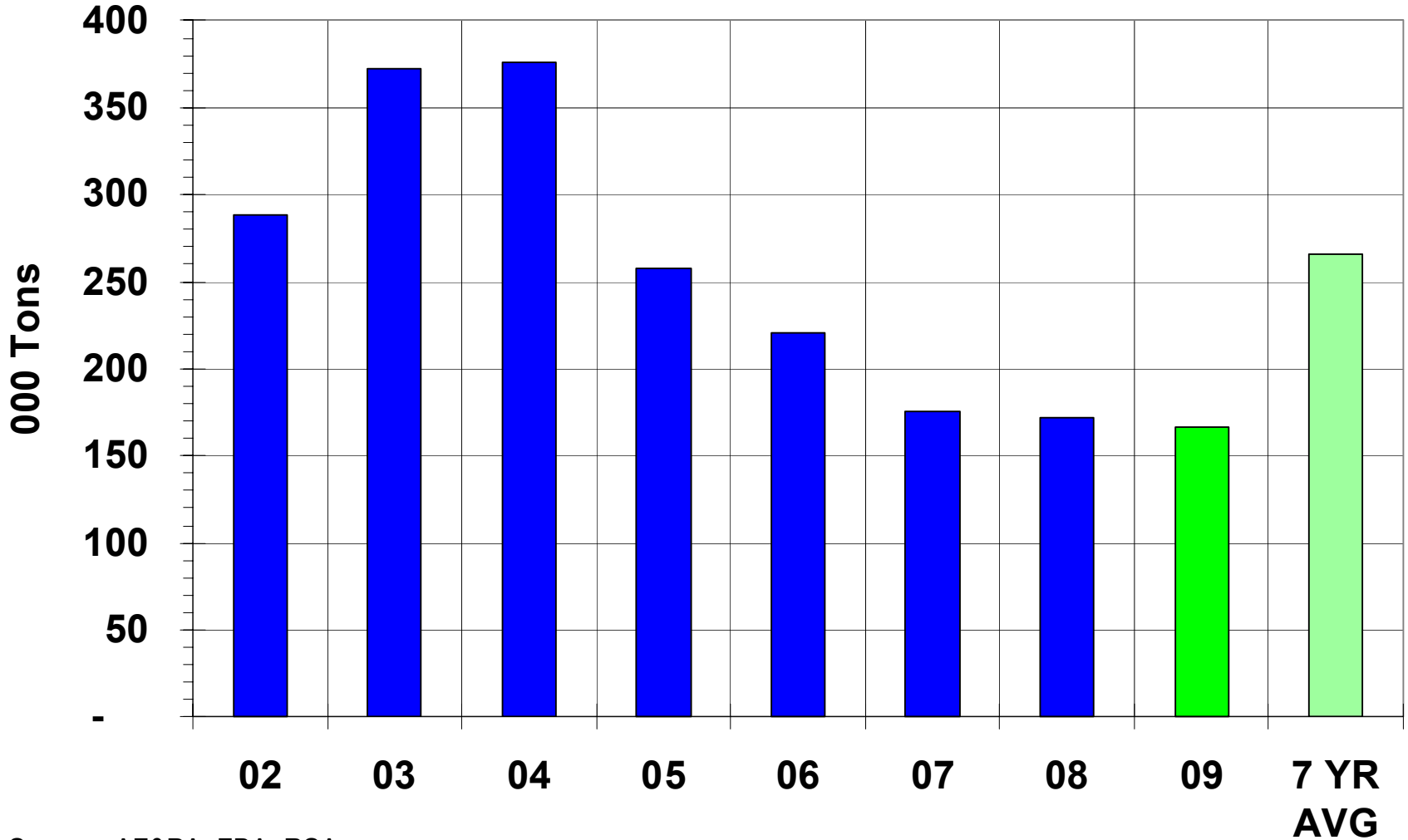


Source: AF&PA, FBA, RSA

Unidentified Uses of Containerboard



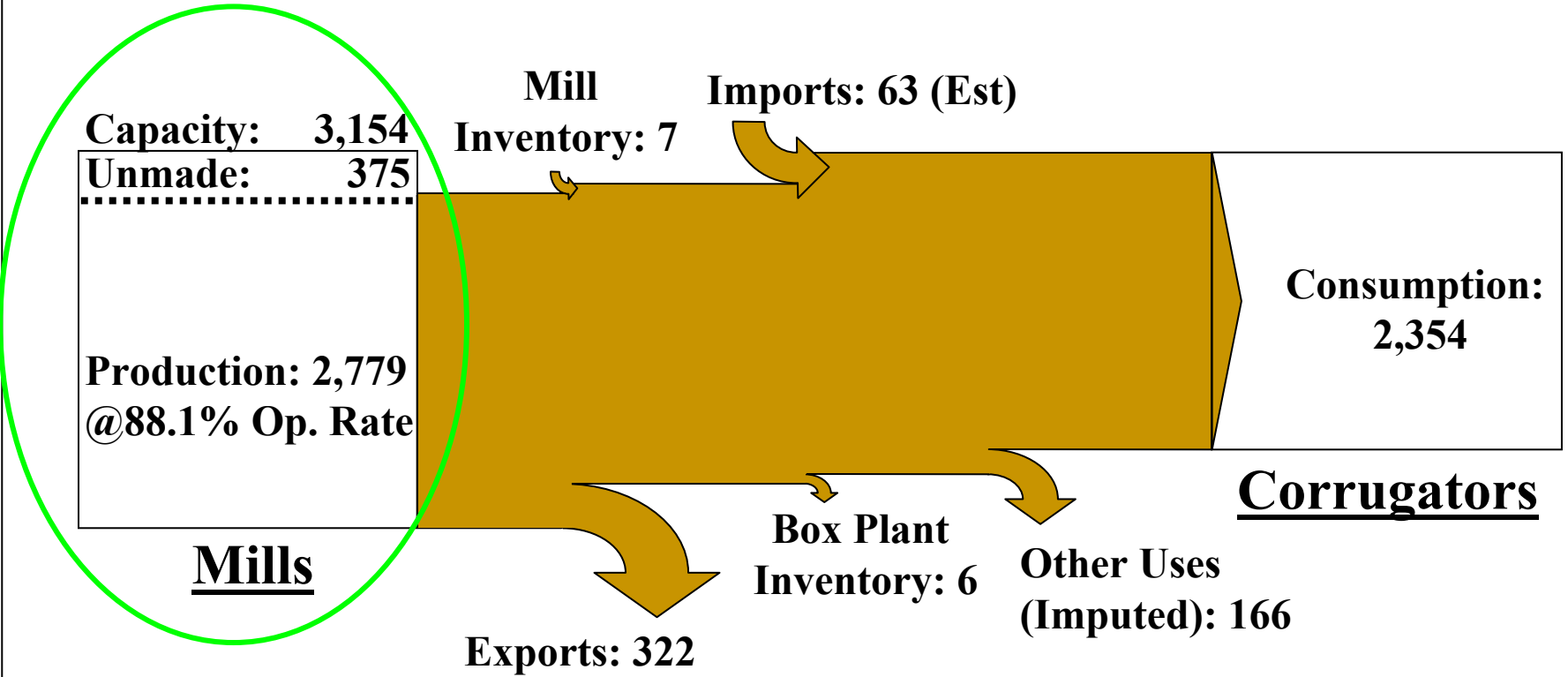
Historical August Unidentified Uses



Source: AF&PA, FBA, RSA

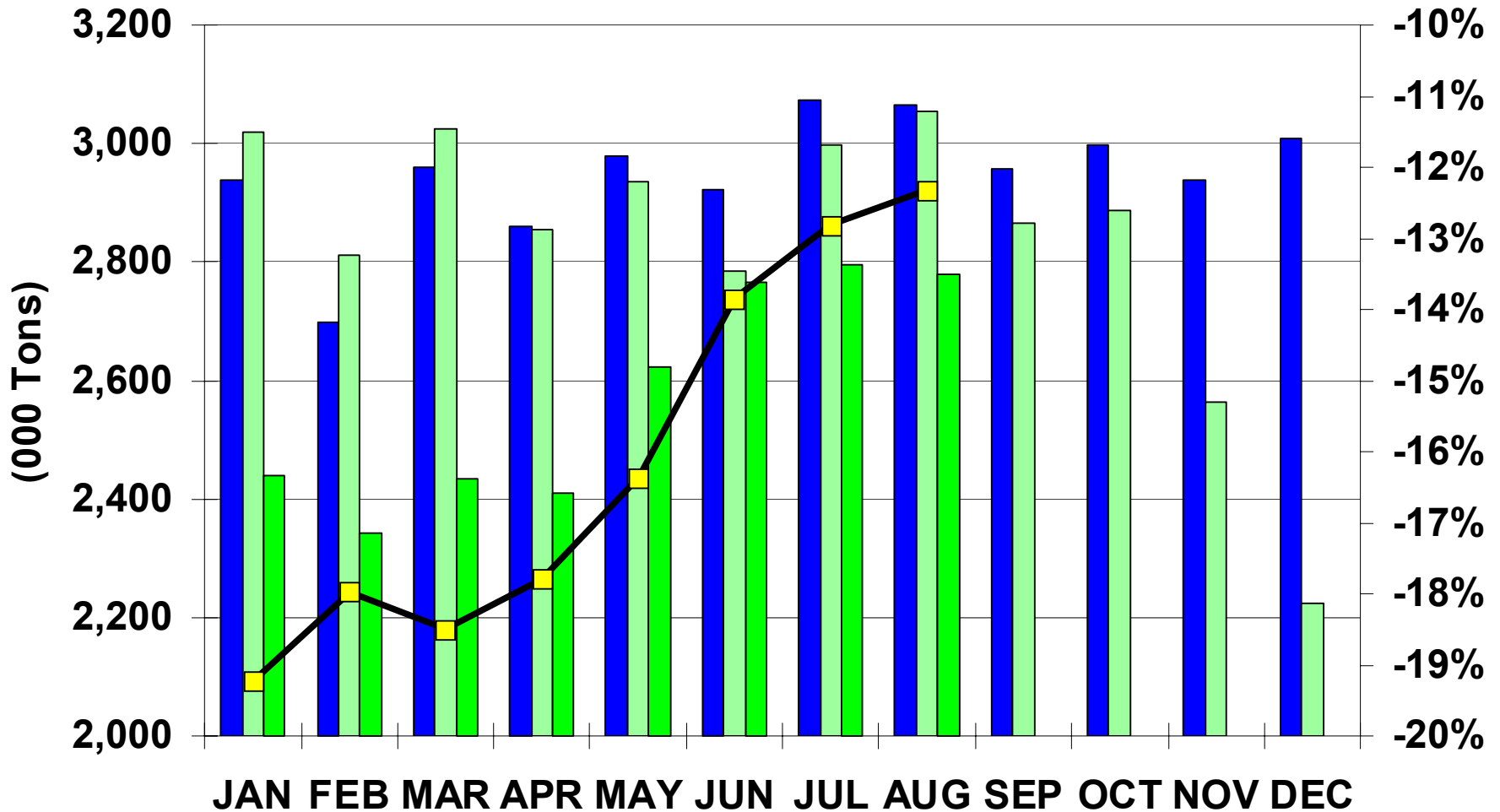
Containerboard Flows – August 2009

(000 Tons)



Source: AF&PA, FBA, RSA

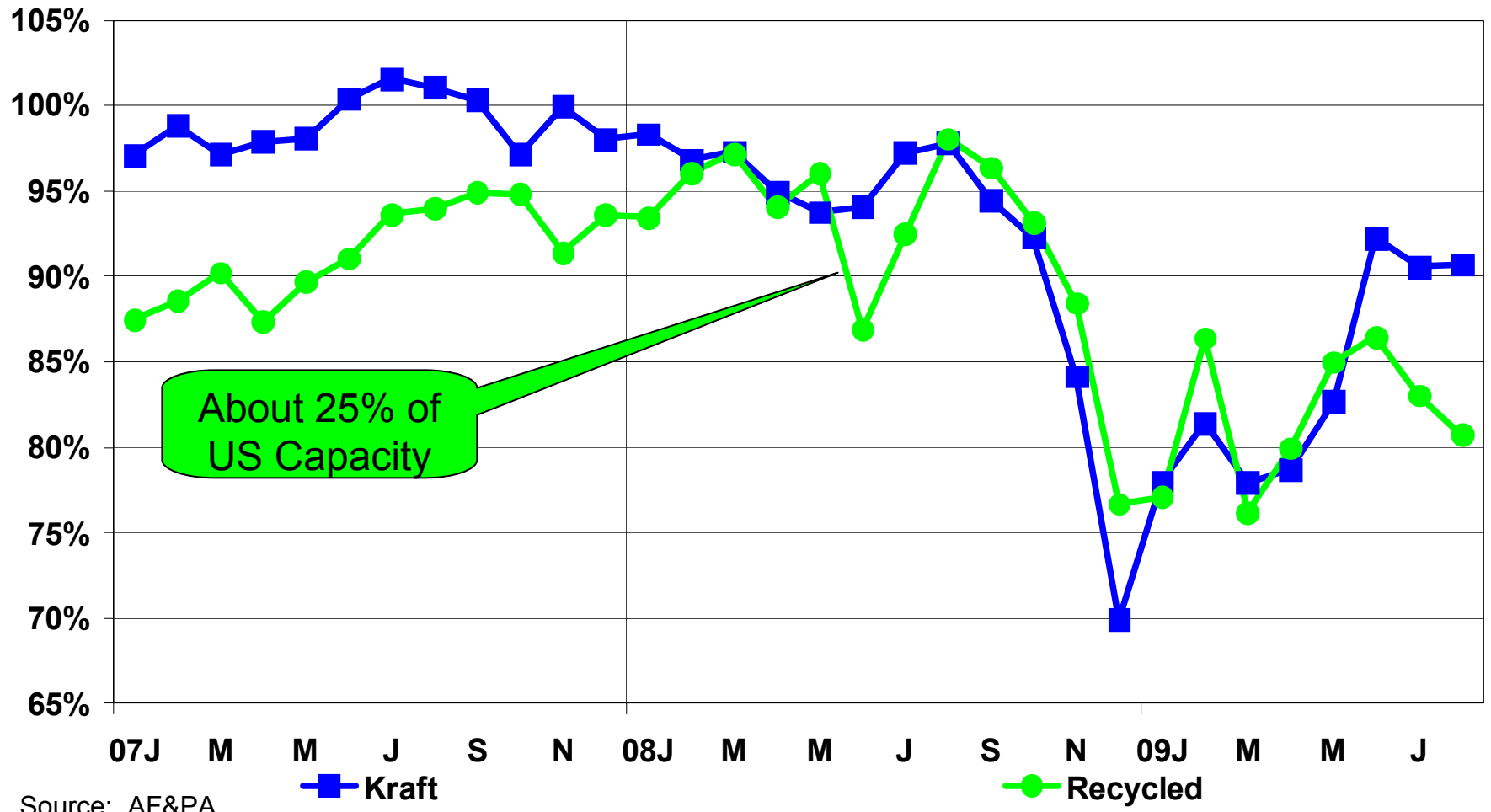
US Containerboard Production



Source: AF&PA

■ 2007
 ■ 2008
 ■ 2009
 —■— Percent Change 2009-to-date

Kraft & Recycled Containerboard Operating Rates

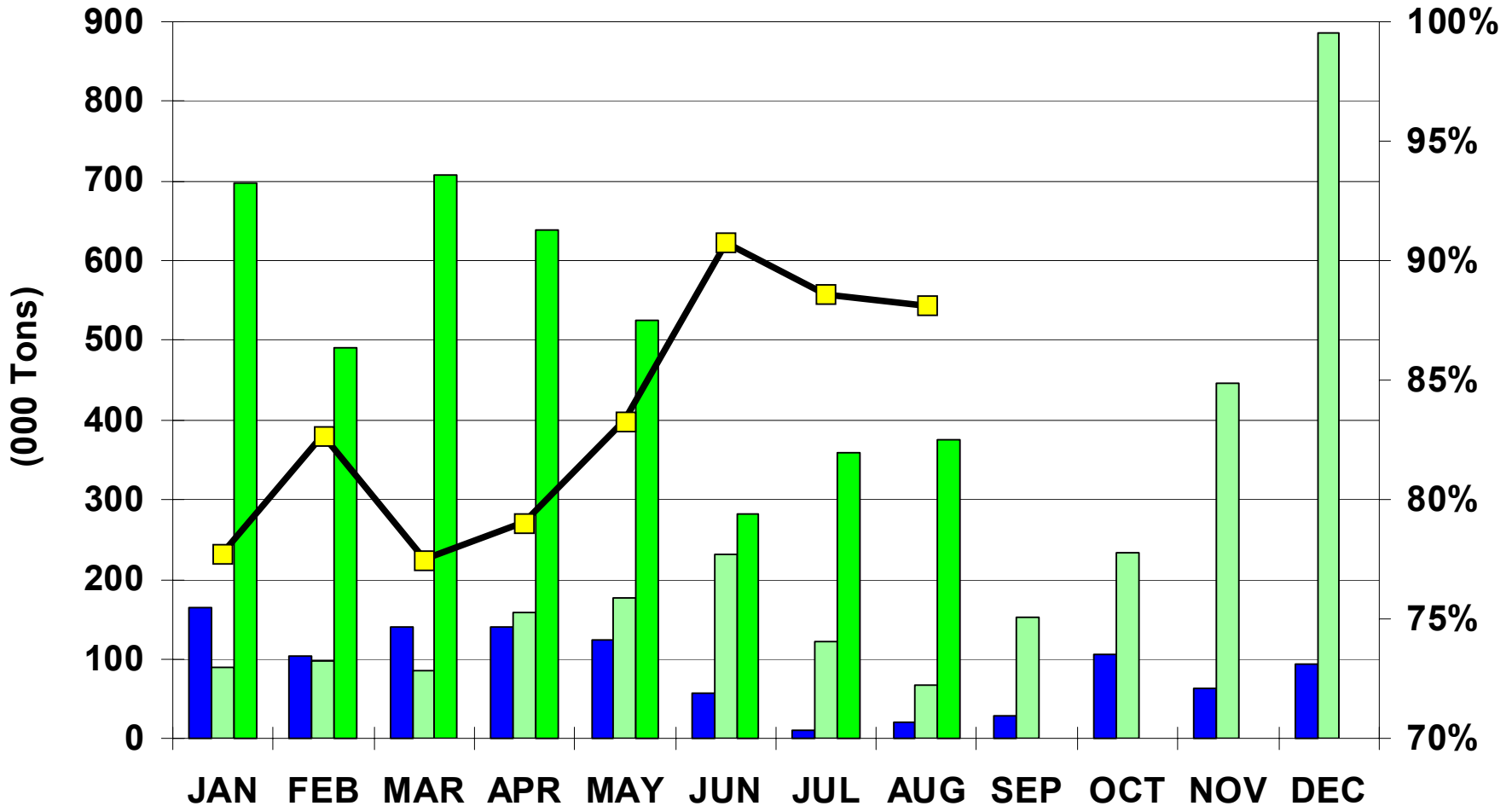


Source: AF&PA

■ Kraft

● Recycled

Containerboard Downtime & Operating Rate



Source: AF&PA

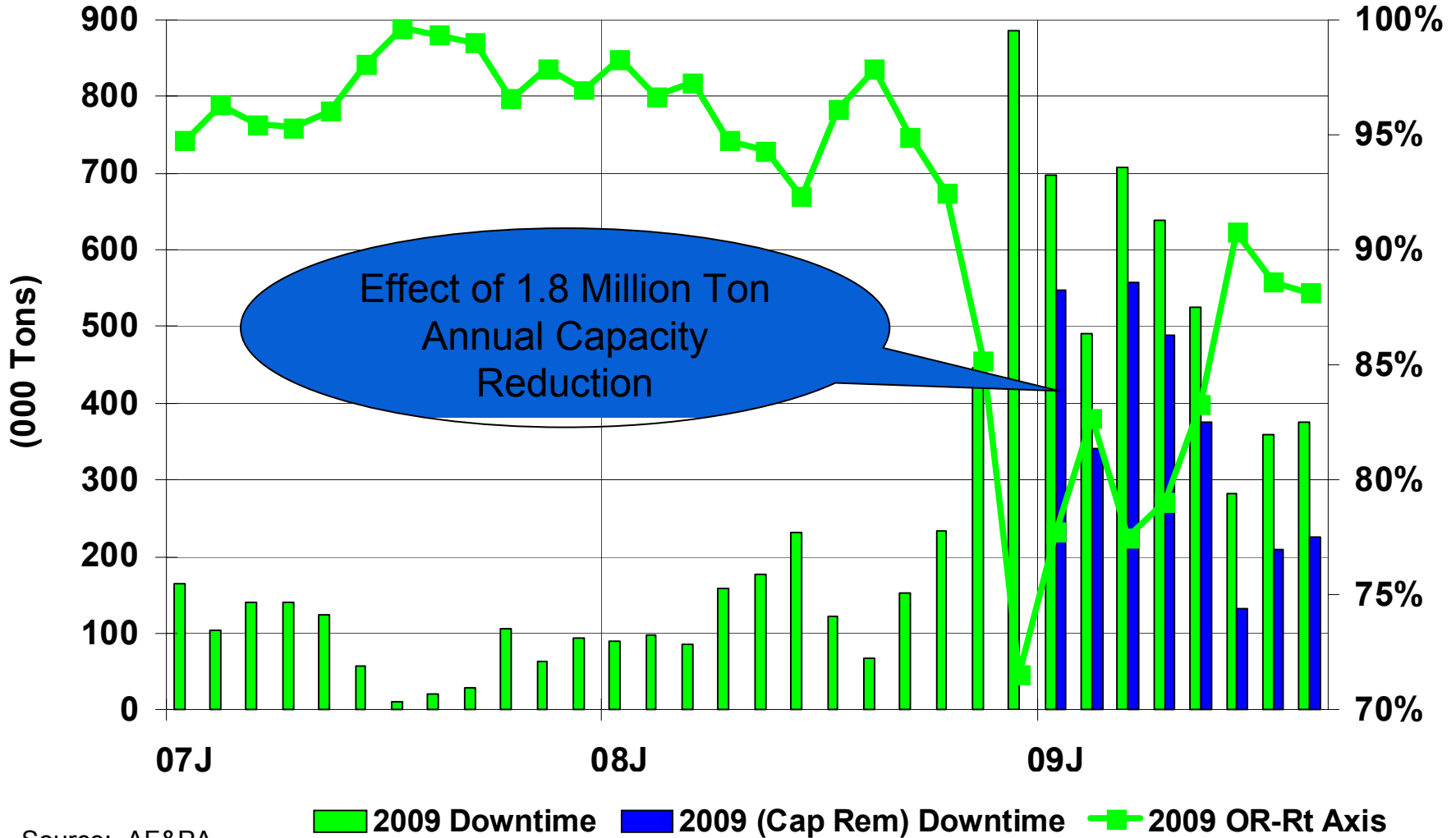
2007

2008

2009

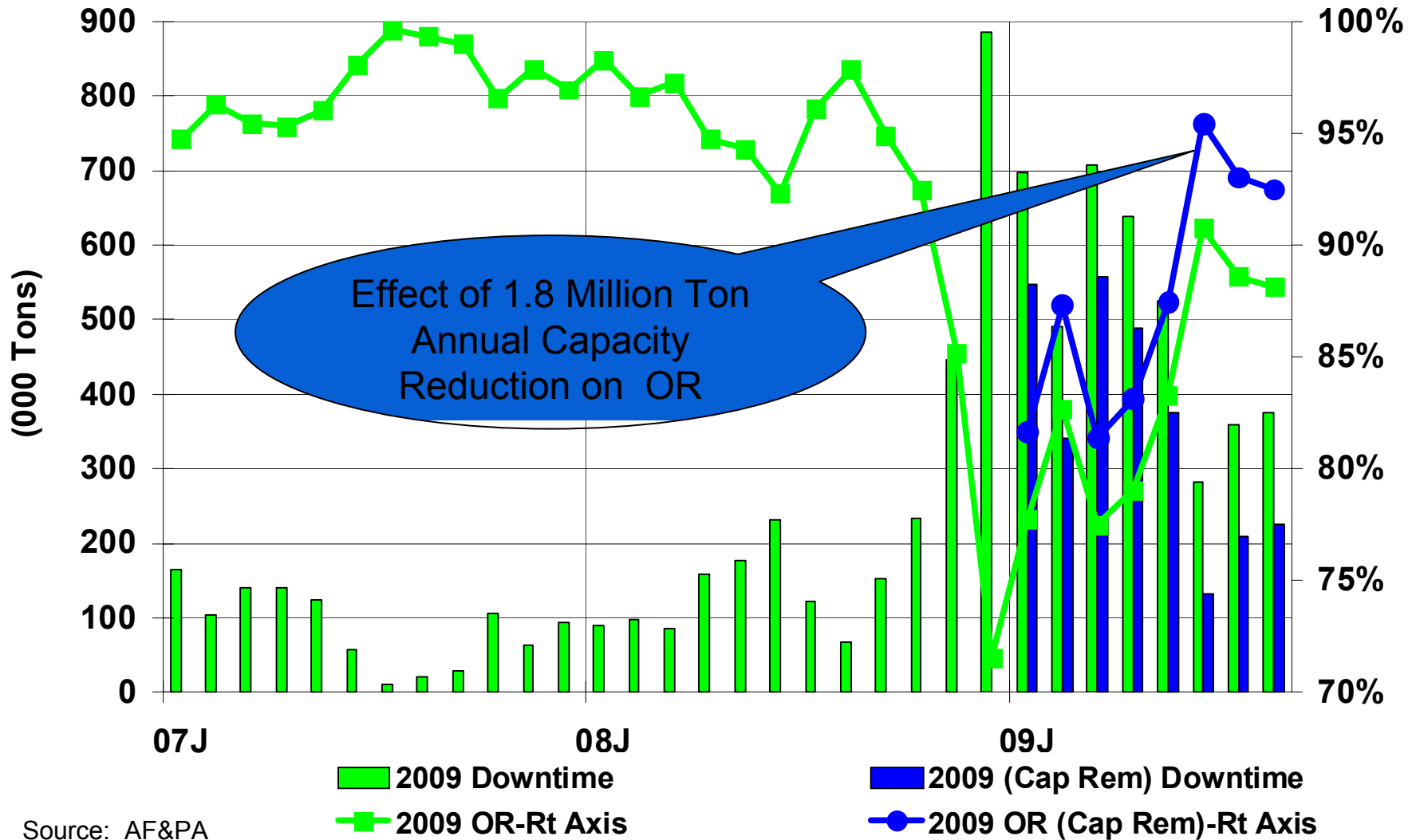
2009 Operating Rate-Right Axis

Containerboard Downtime & Operating Rate



Source: AF&PA

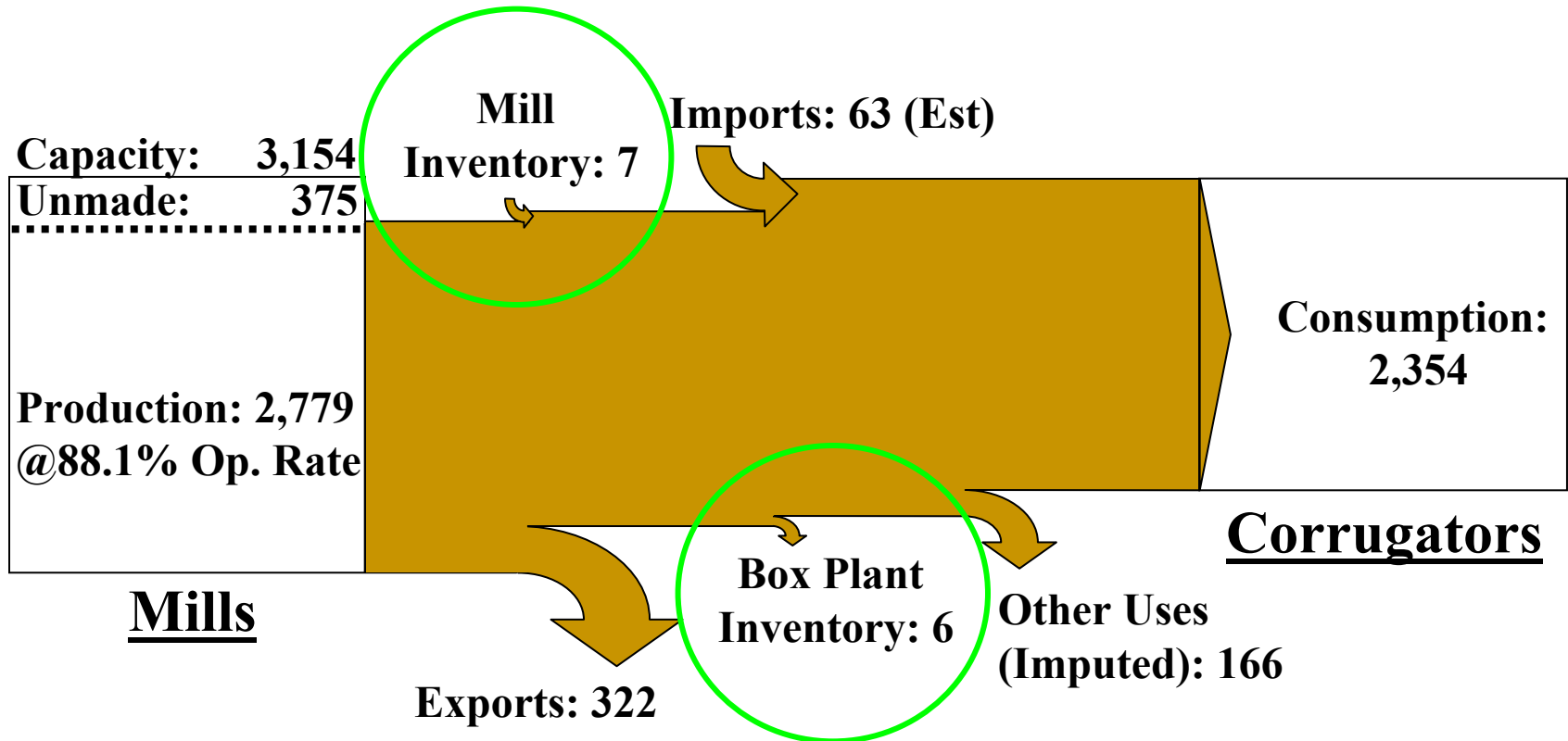
Containerboard Downtime & Operating Rate



Source: AF&PA

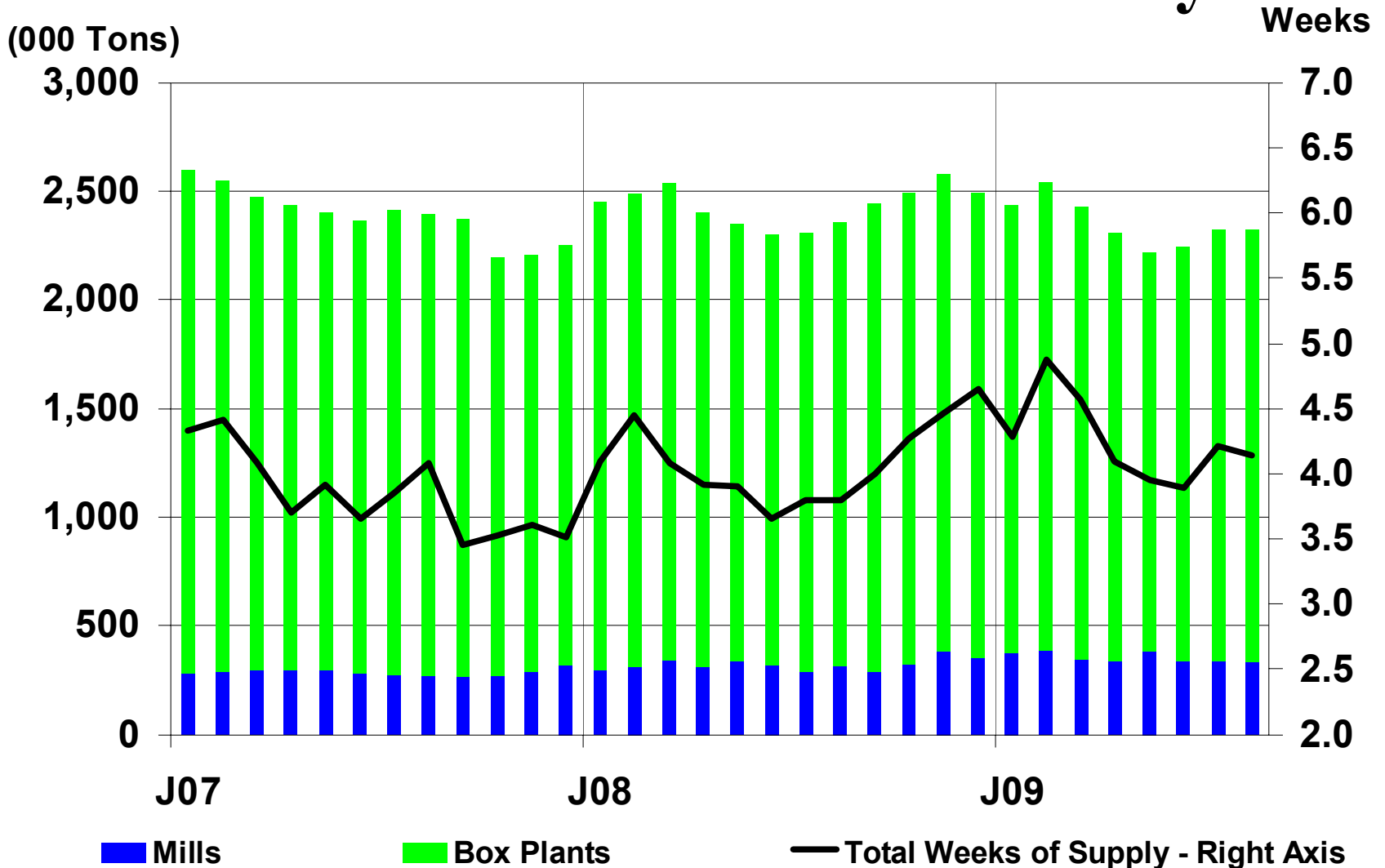
Containerboard Flows – August 2009

(000 Tons)



Source: AF&PA, FBA, RSA

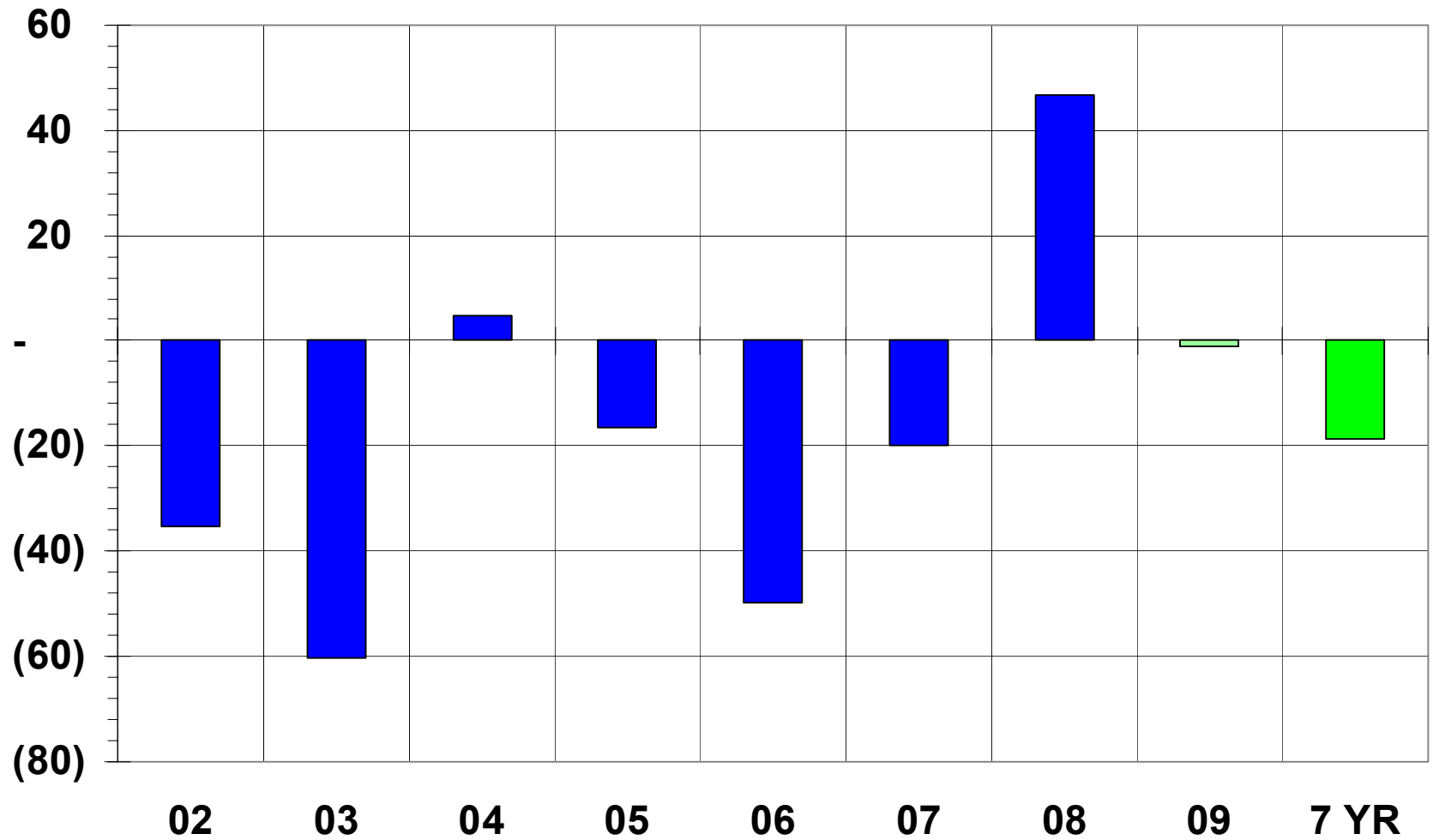
US Containerboard Inventory



Source: AF&PA, FBA

Historical August Inventory Changes

000 Tons

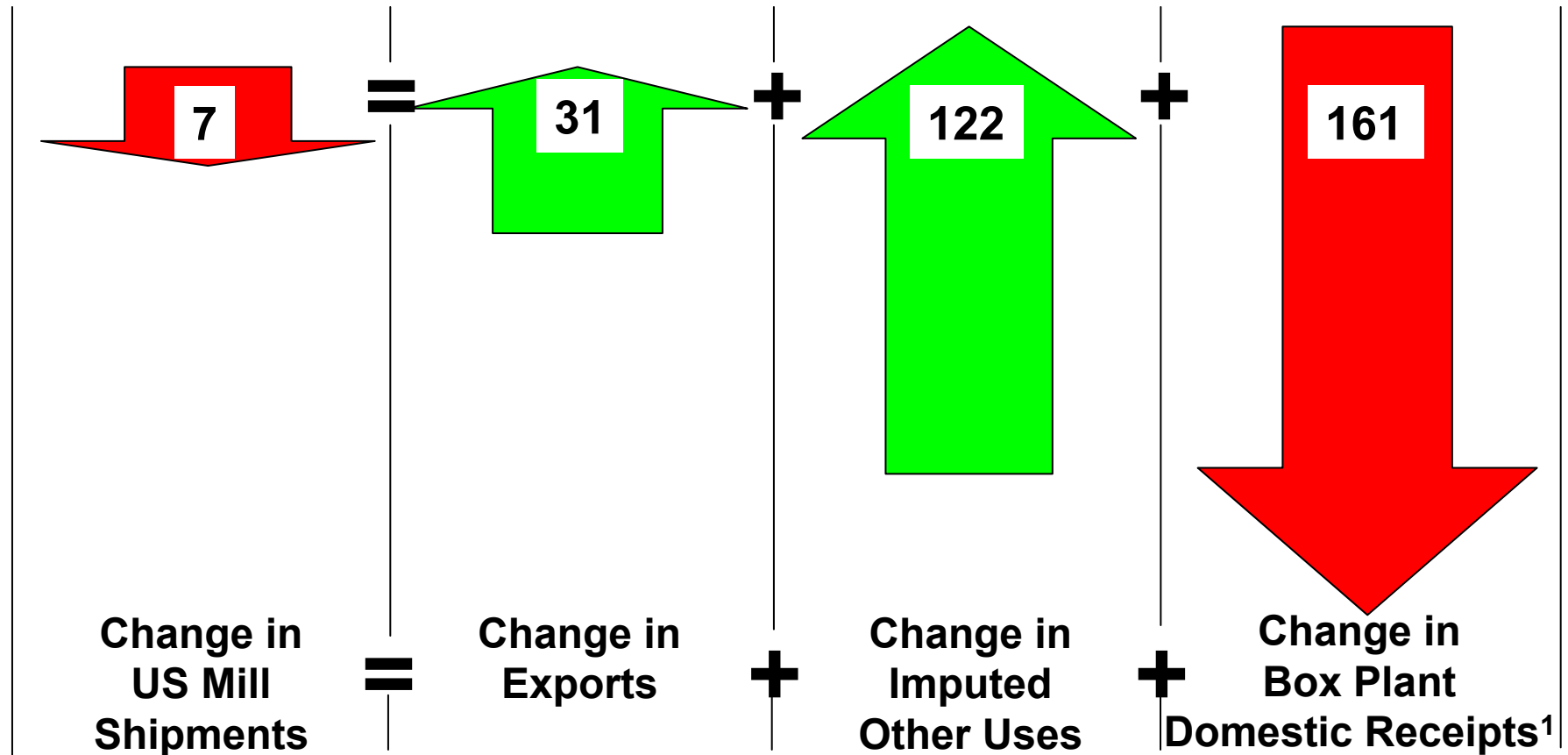


Source: AF&PA, FBA

AVERAGE

Monthly Change in Containerboard Flows July 2009 → August 2009

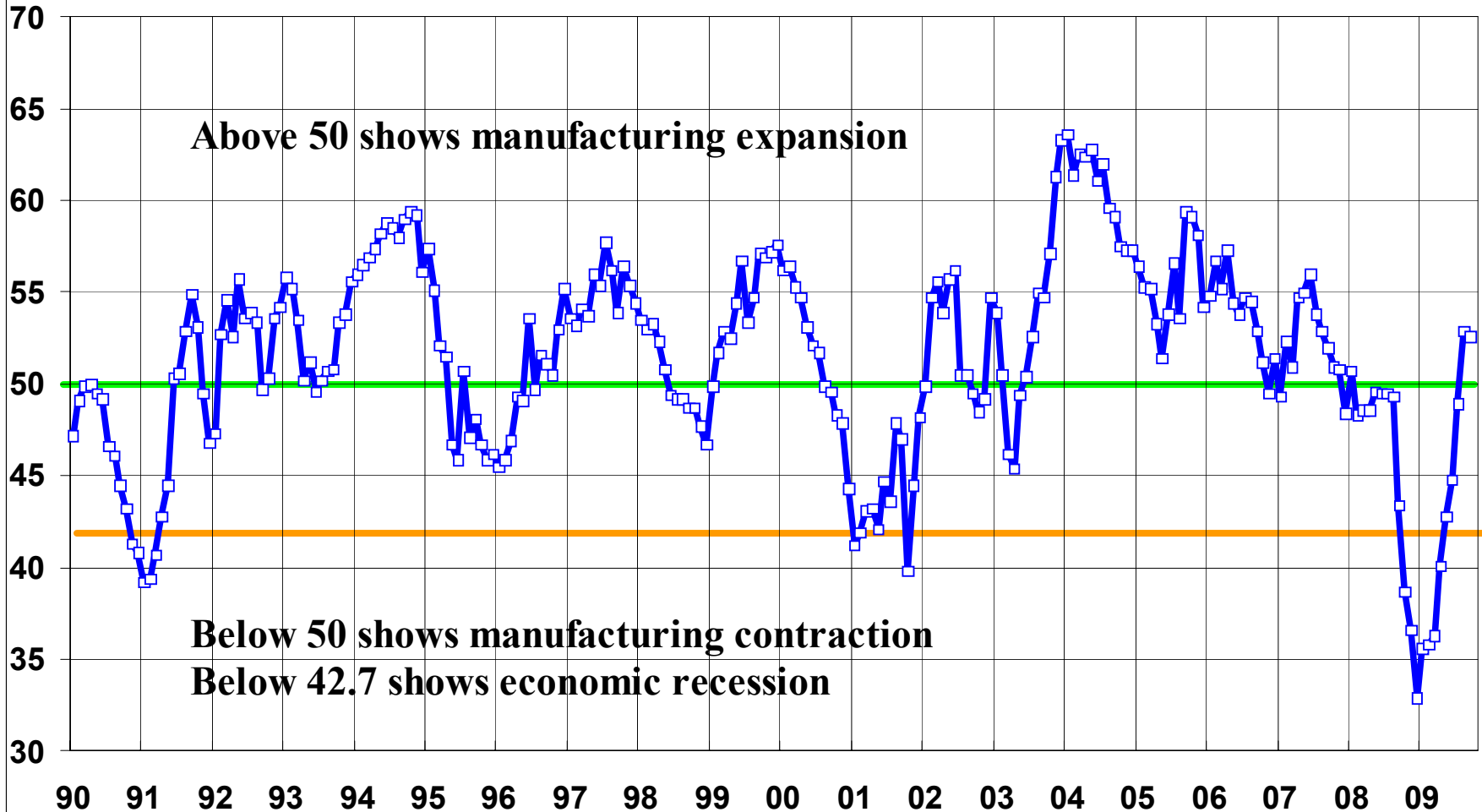
(000 Short Tons)



¹ Box Plant Domestic Receipts = Corrugator Consumption + Inventory Accumulation - Imports

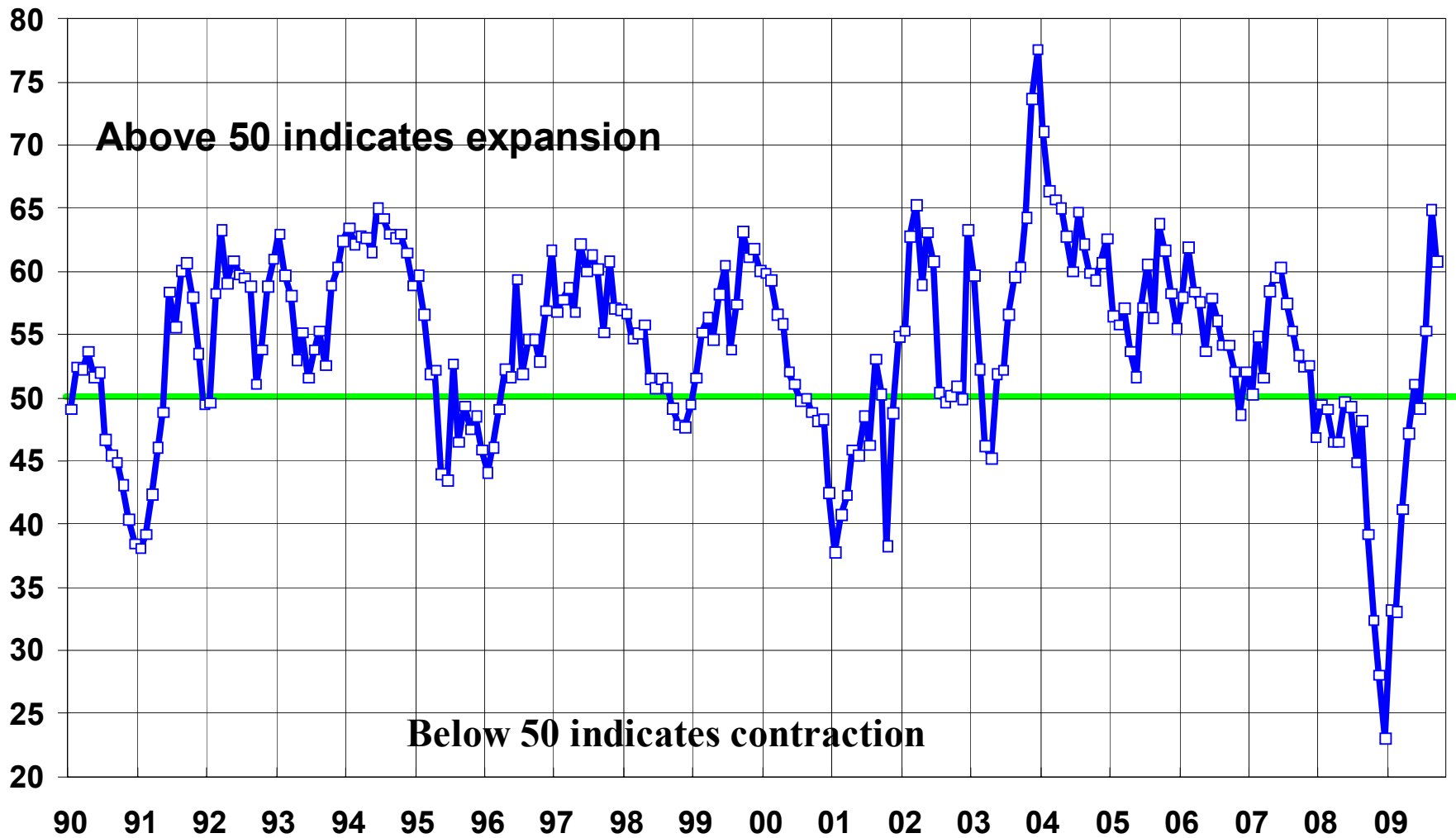
Source: AF&PA, FBA, RSA

Purchasing Managers' Index



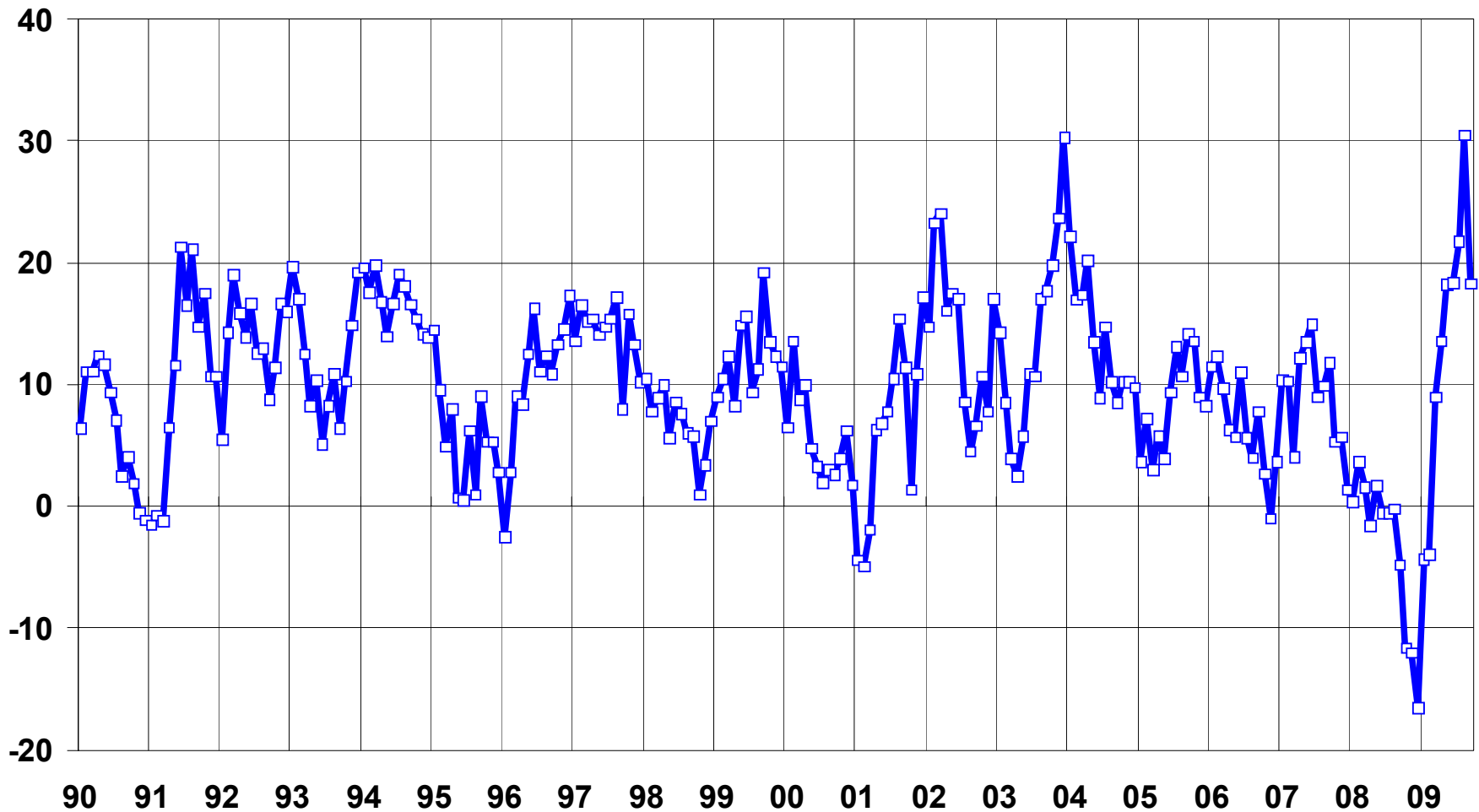
Source: Institute for Supply Management

Purchasing Managers' New Orders Index



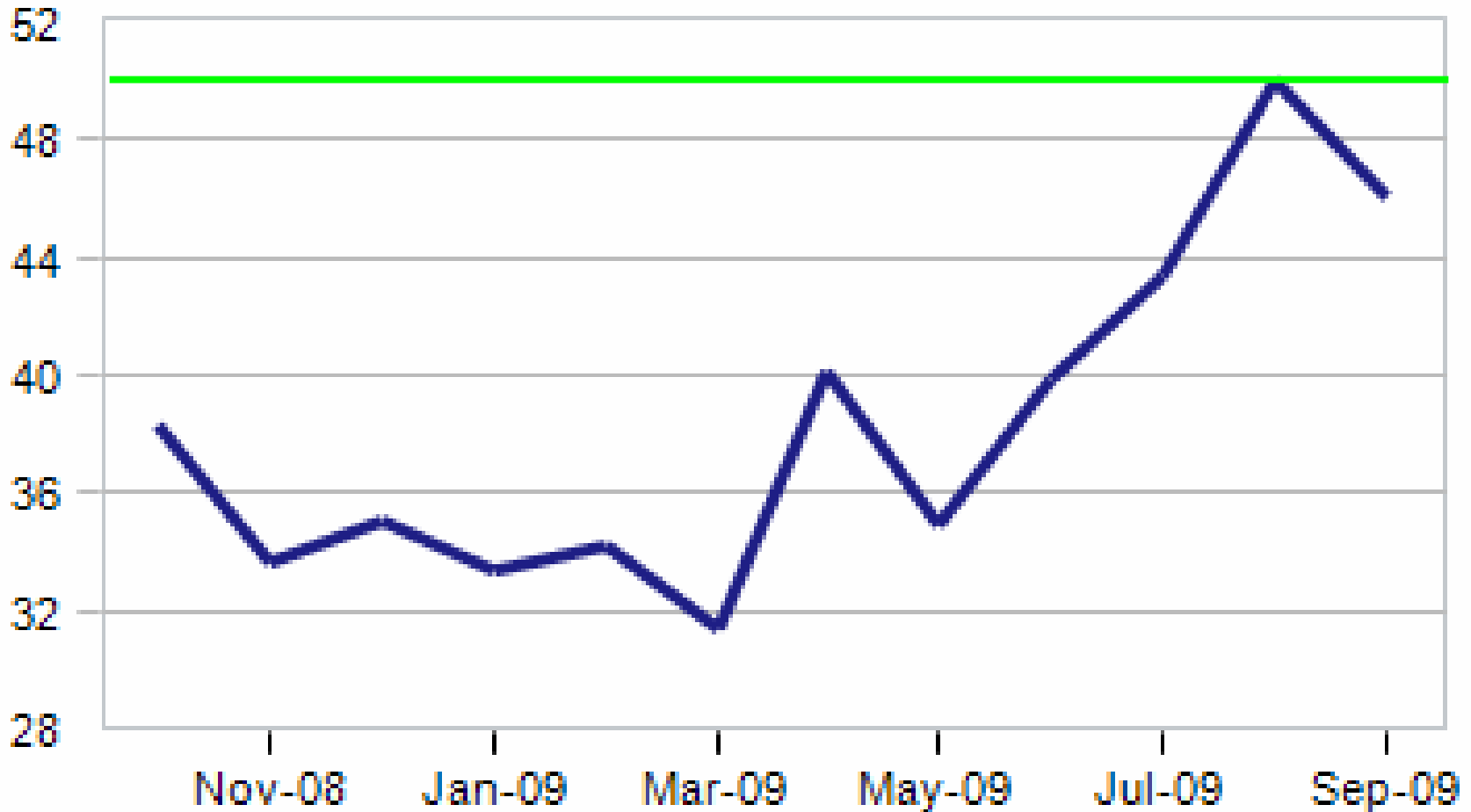
Source: Institute for Supply Management

New Orders - Inventories: Proxy for Future Production



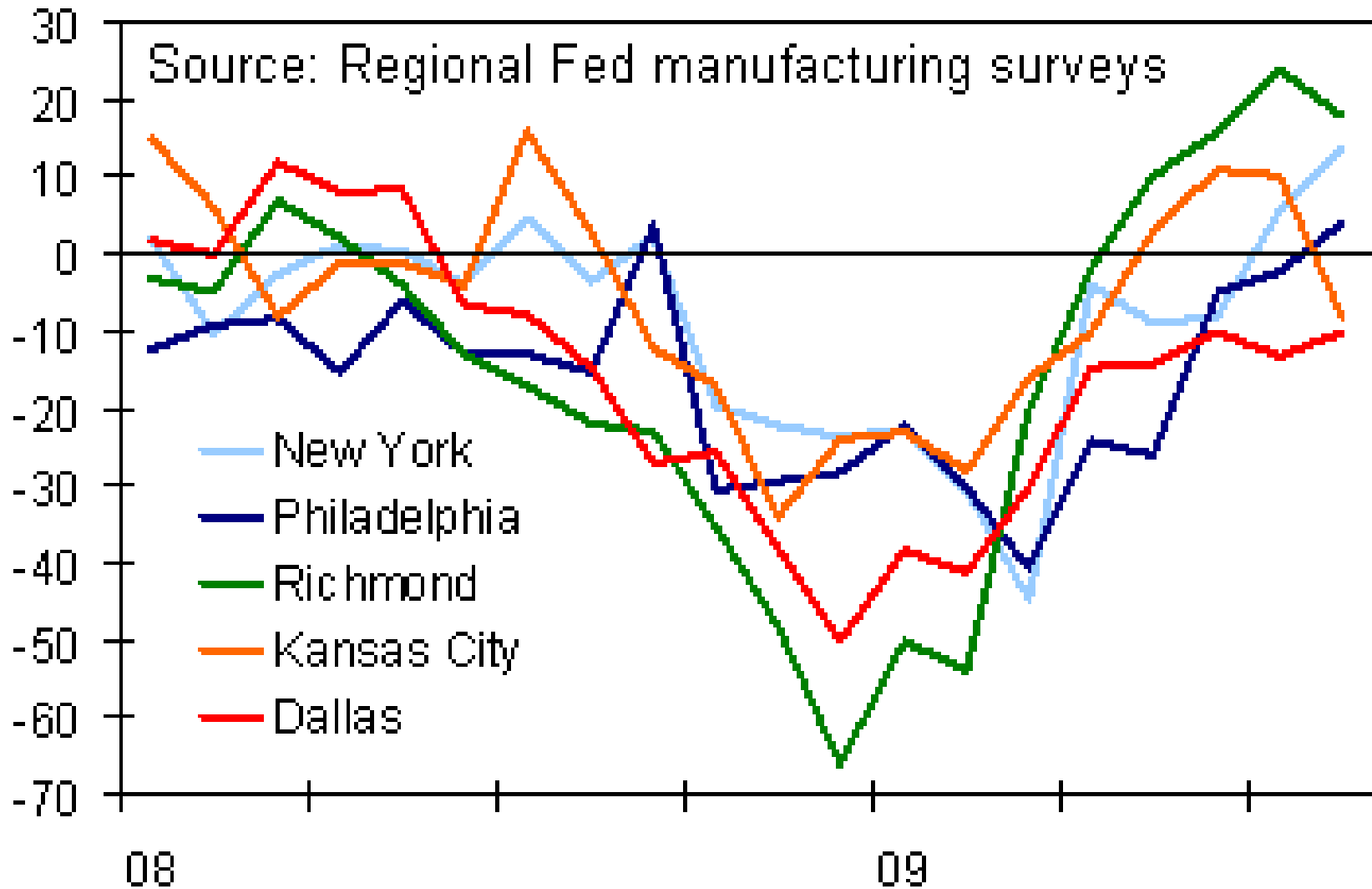
Source: Institute For Supply Management, RSA

ISM Chicago Diffusion index, SA



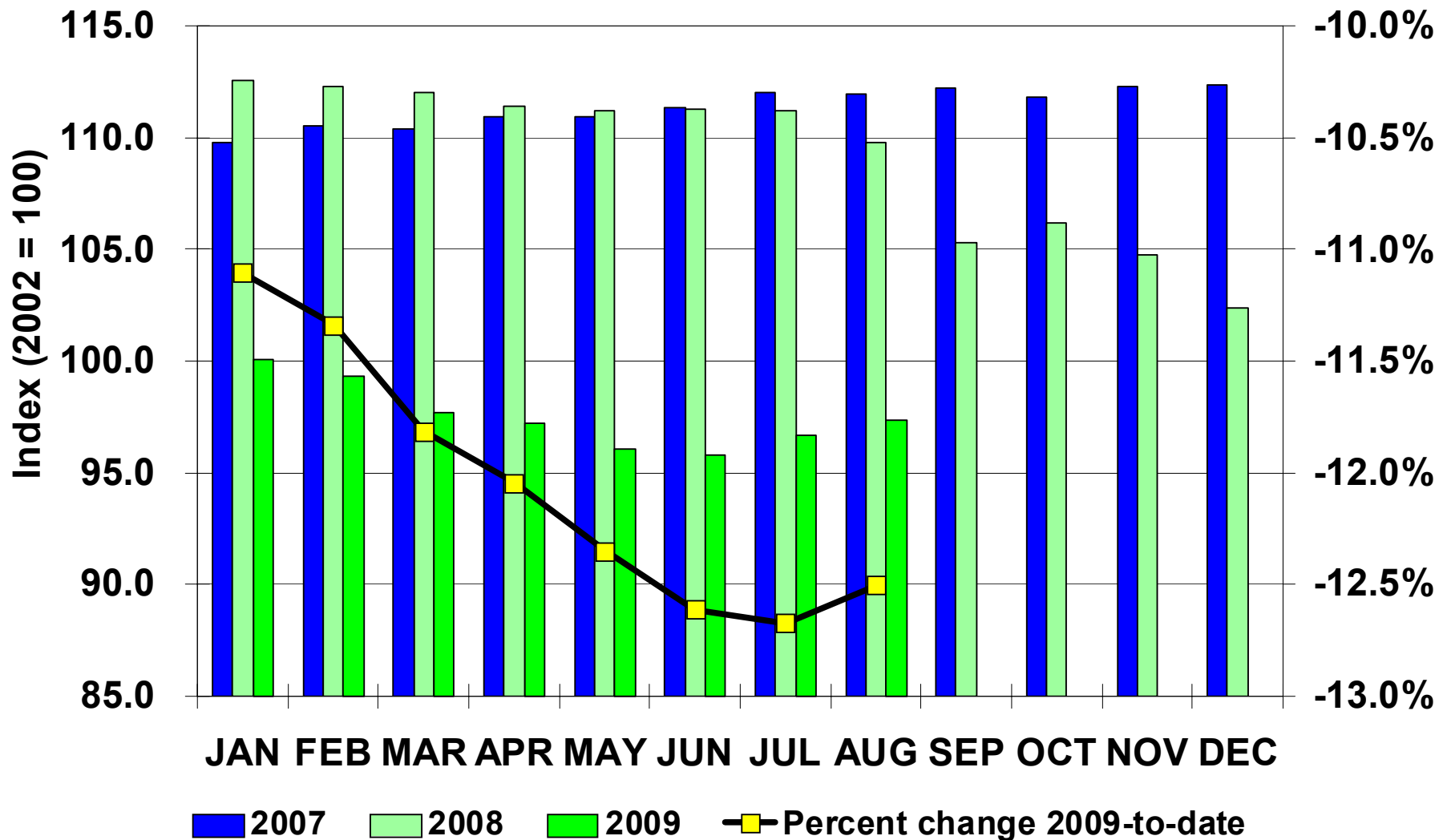
Mfg. Orders Rise in Northeast and Industrial Midwest

New orders, diffusion index



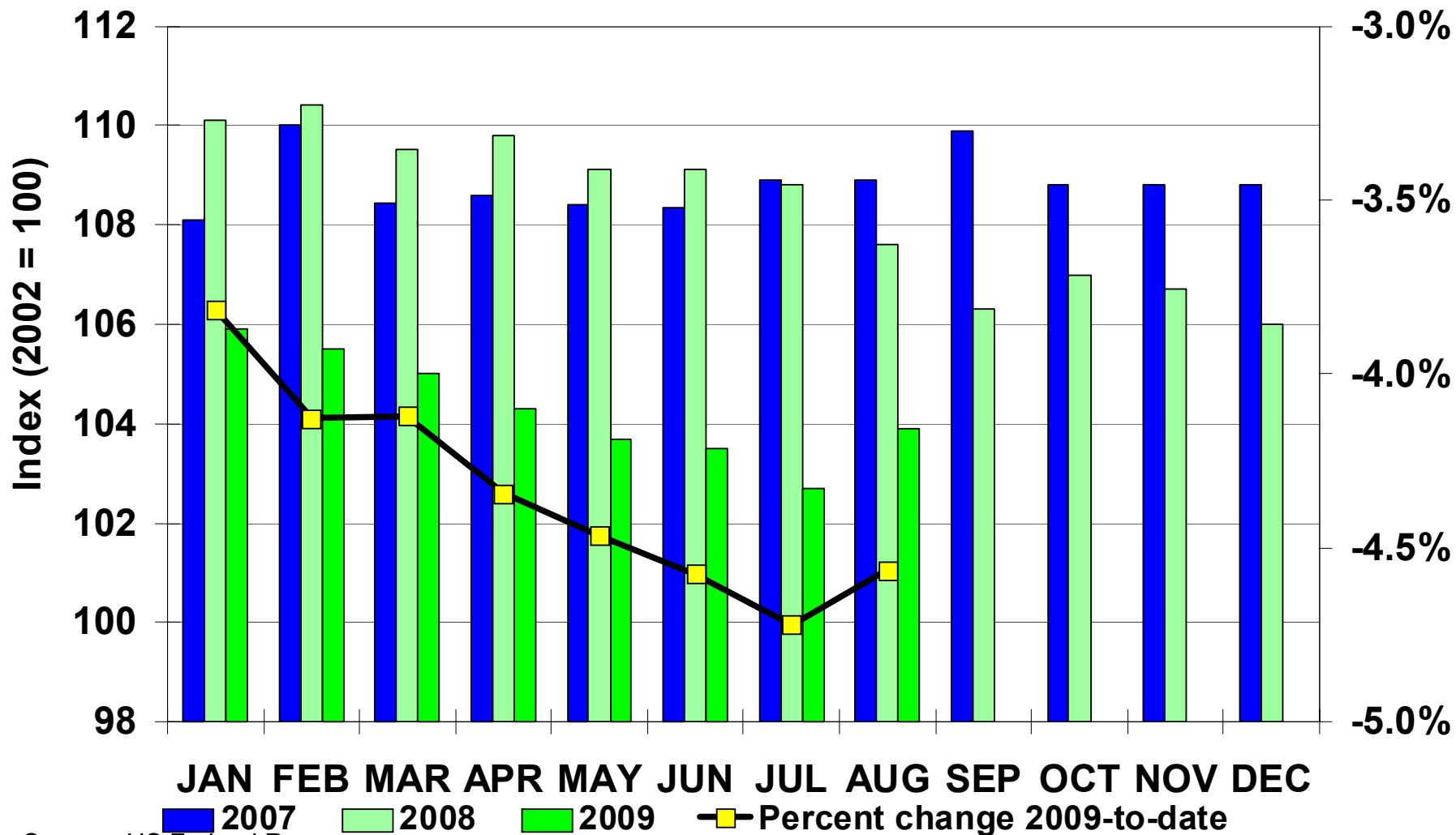
Source: Moody's Economy.com

Industrial Production



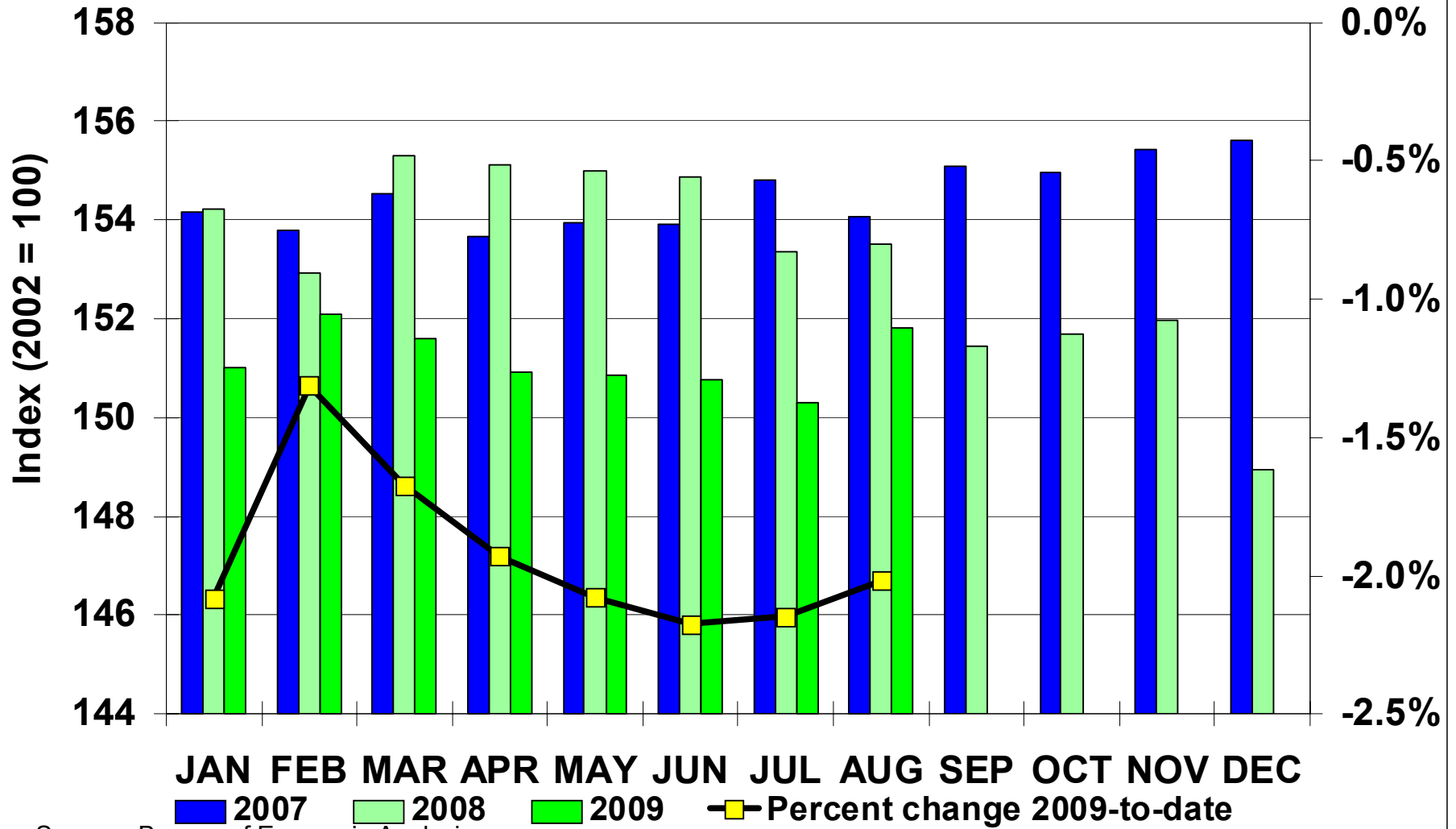
Source: US Federal Reserve

Industrial Production Nondurable Consumer Goods



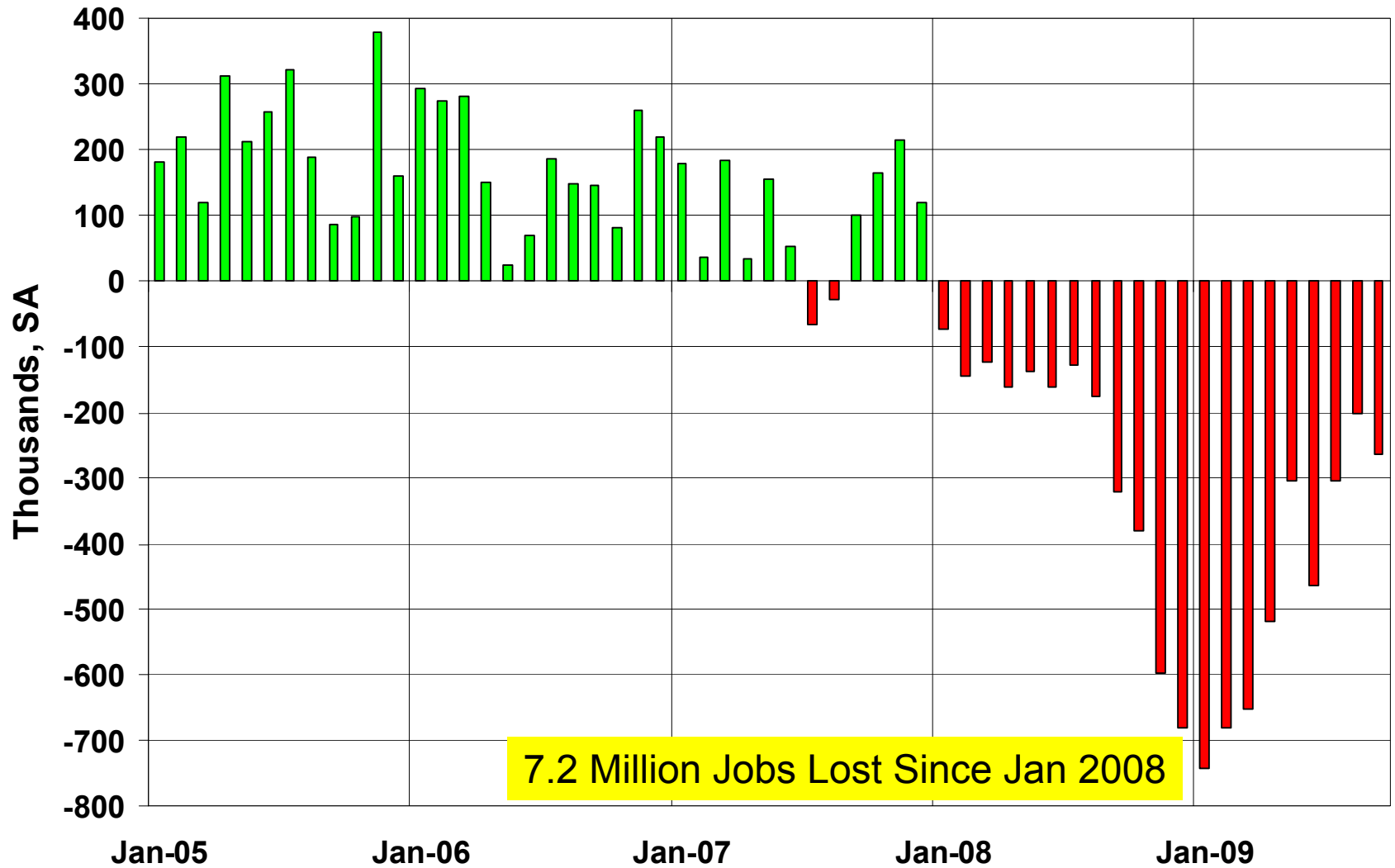
Source: US Federal Reserve

Consumer Spending Nondurable Goods



Source: Bureau of Economic Analysis

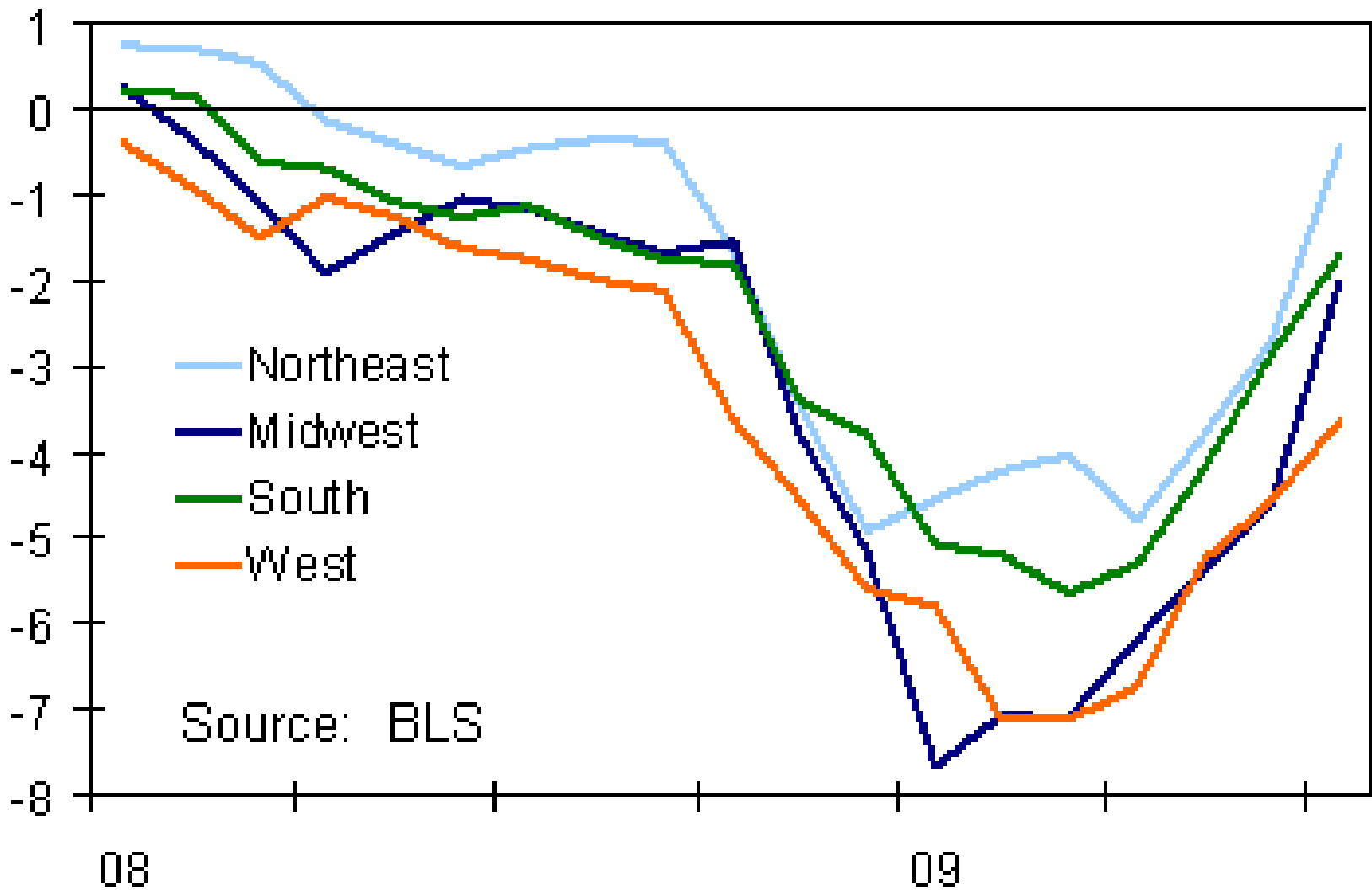
Net Change in US Nonfarm Payrolls



Source: Bureau of Labor Statistics

West's Labor Market Remains the Weakest

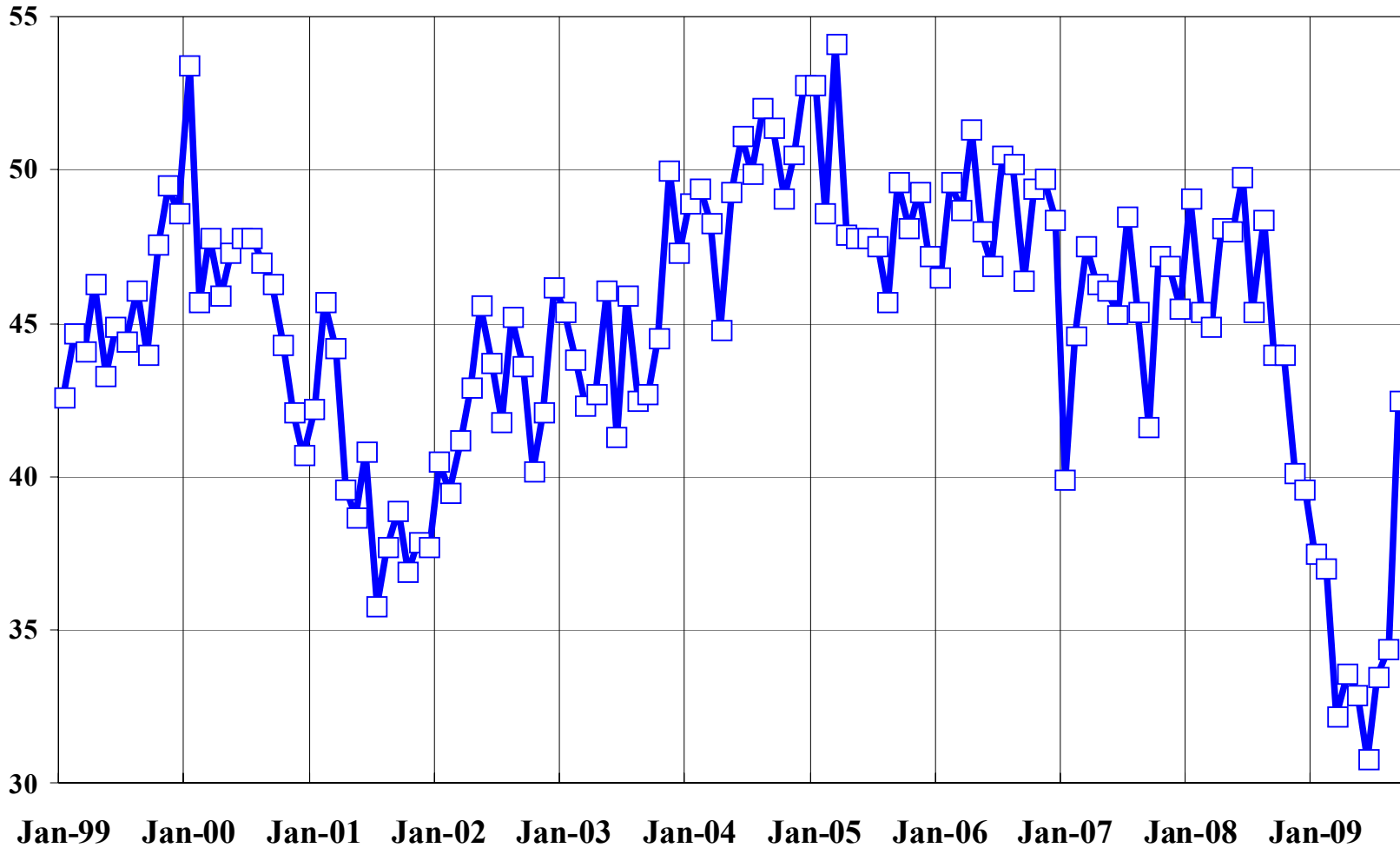
Employment, 3 mo. MA, annualized monthly % change



Source: BLS

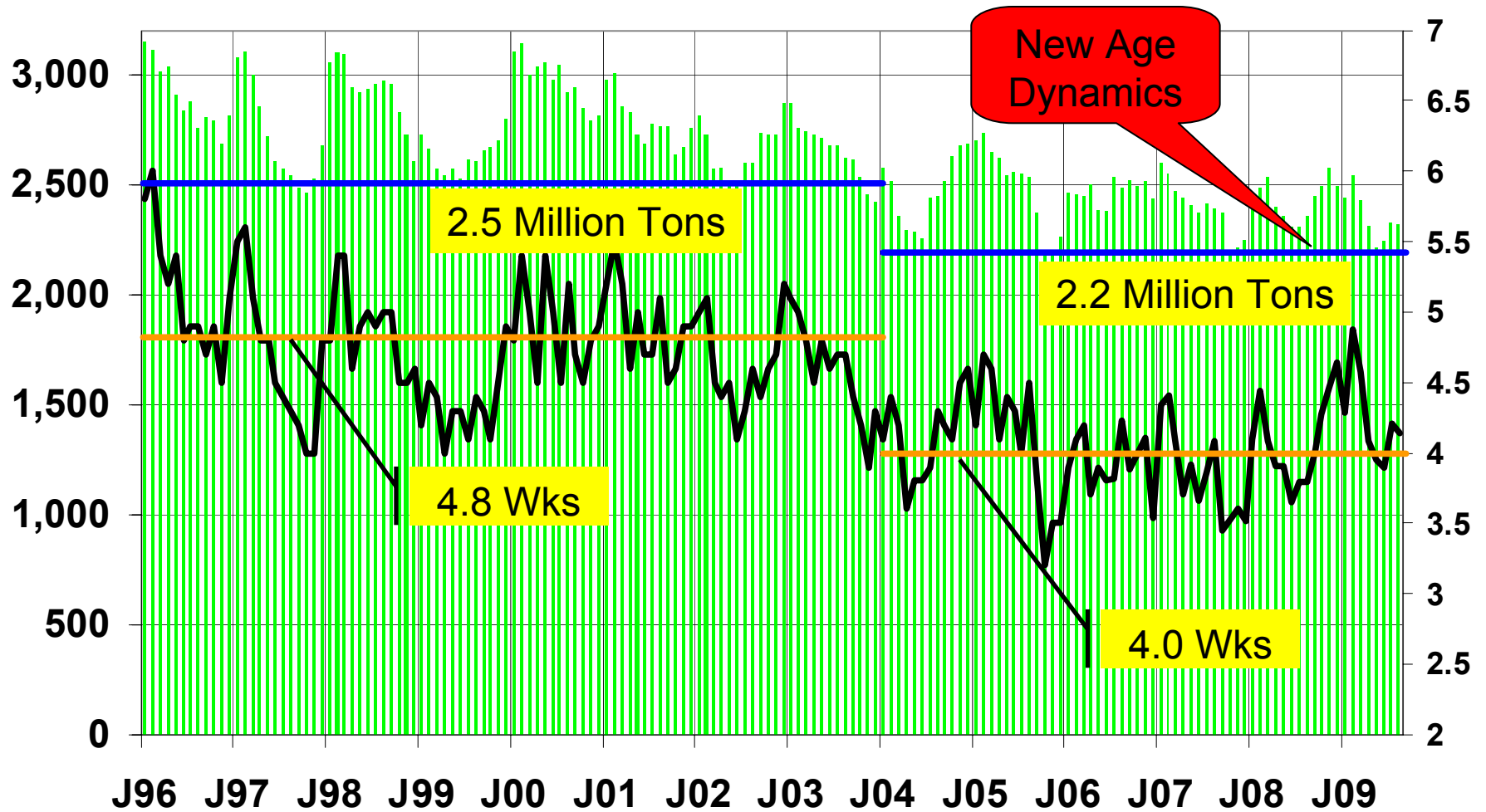
Source: Moody's Economy.com

Institute For Supply Management Inventory Index



US Containerboard Inventories

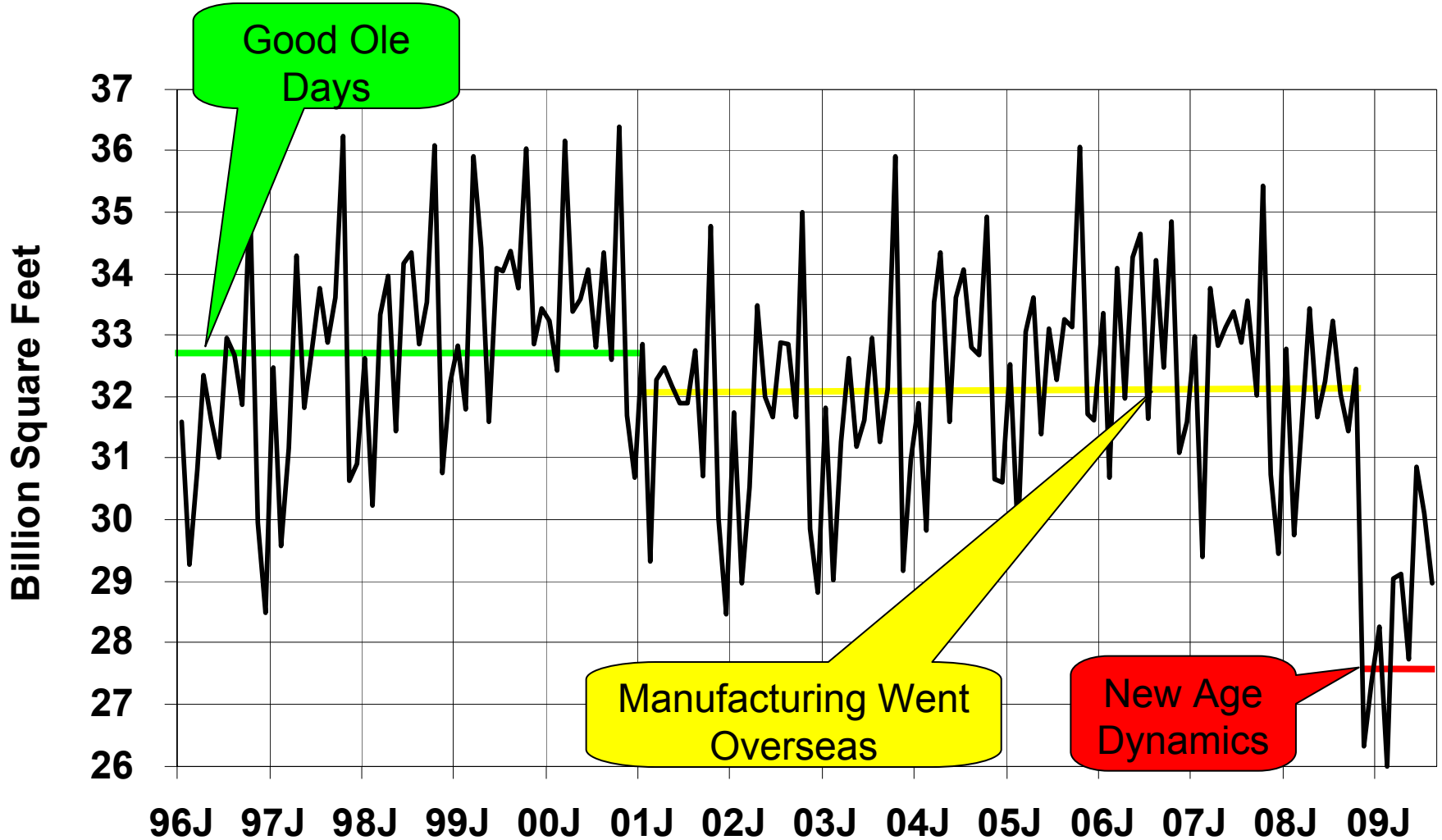
000 Tons



Source: AF&PA, FBA

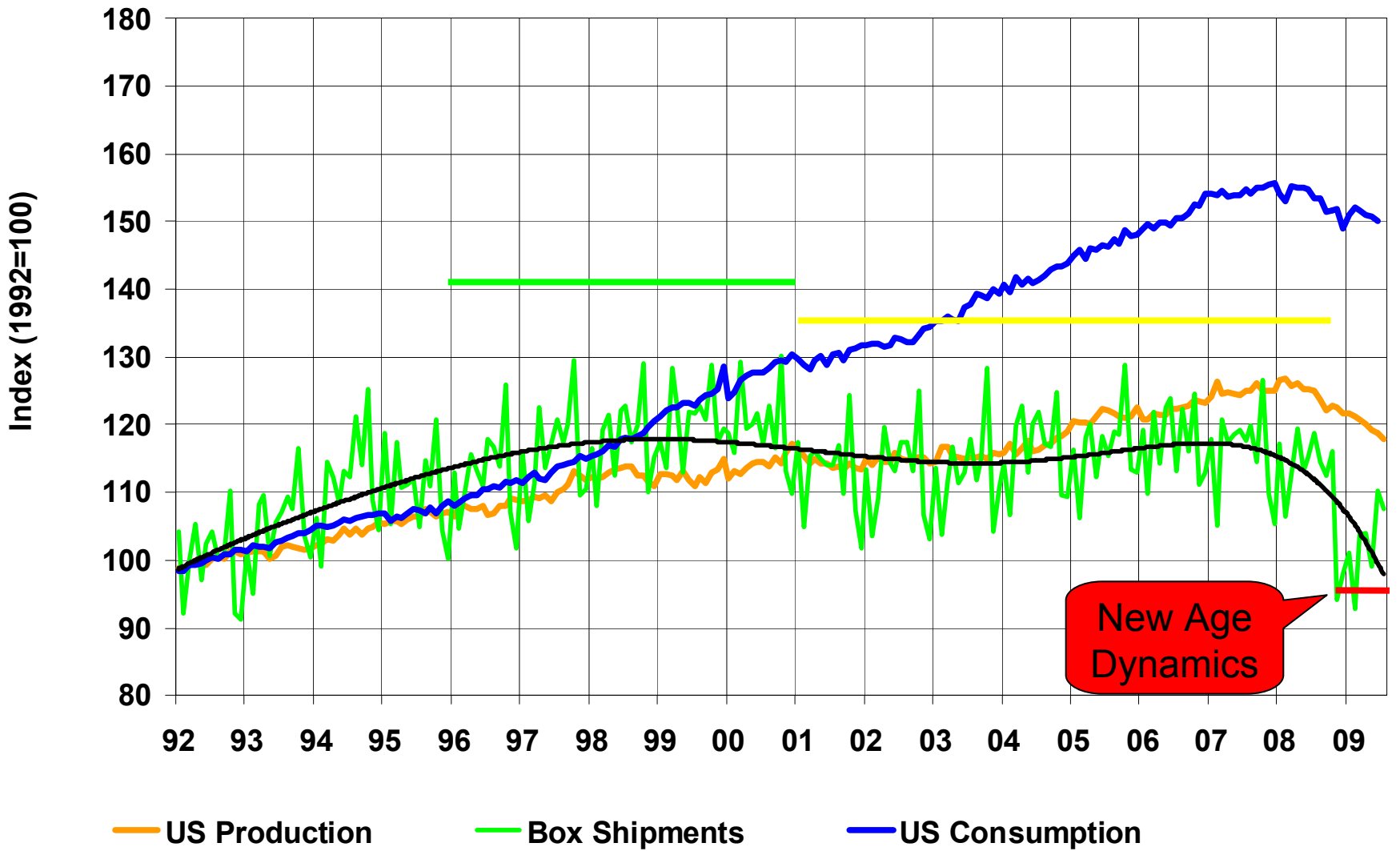
Inventory-Left Axis — Weeks of Supply-Right Axis

US Monthly Corrugated Shipments



Source: FBA

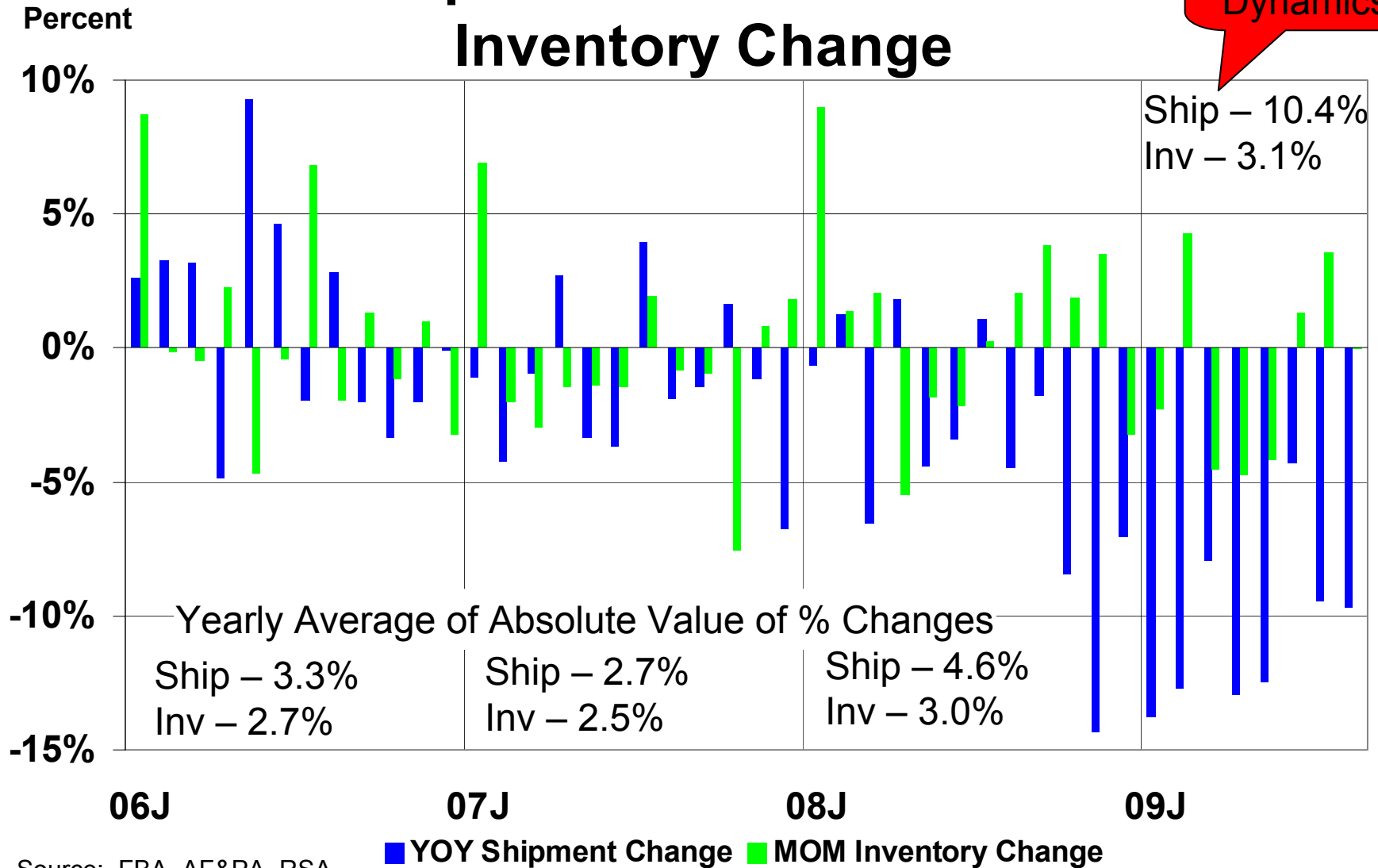
Box Shipments vs. US Production & Consumption of Nondurable Goods



Source: US Federal Reserve, BEA, FBA

Box Shipment Vs. Containerboard Inventory Change


New Age Dynamics



Source: FBA, AF&PA, RSA

Wrap Up

- Manufacturing Sector is Improving – Inventory Driven Expansion
- Overall Recovery Slow and Fitful –CAUTION! Head Fakes Ahead!!
- Corrugated YOY Expansion before Year End
- Containerboard & Corrugated Products Producers are Adapting to “New Age” Dynamics
- Supply and Demand Remain Well-Balanced – At New Benchmarks!



Thank You!!

Questions or Discussion?