



North American Corrugated & Containerboard Market Conditions

May 20, 2010

Dick Storat



Agenda

- Macroeconomic Overview
- Industry Economic Drivers
- Corrugated and Containerboard Industry

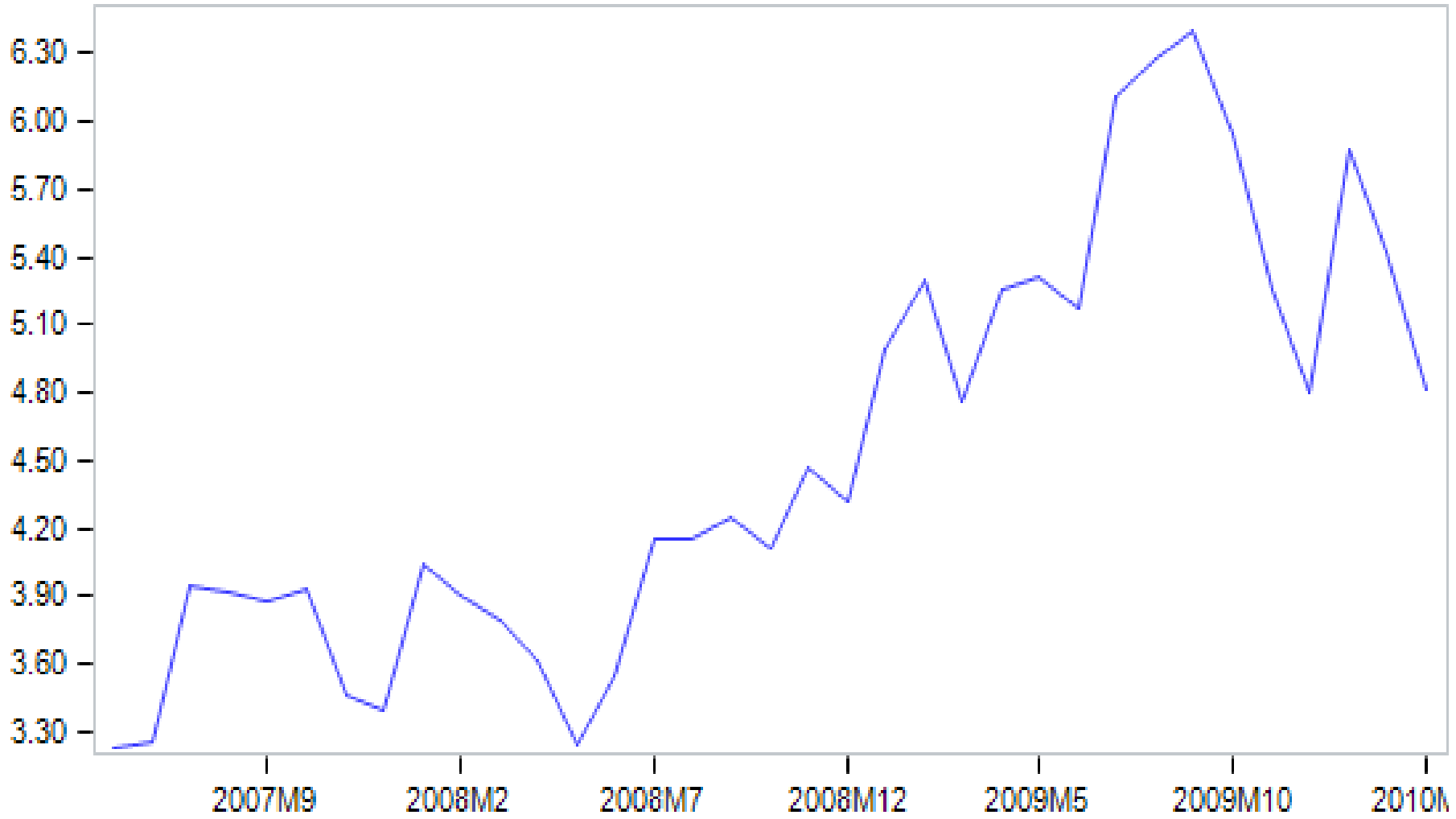
Greece's debt problems won't slow the global recovery

- 6% spread on 10 year bond yields compared to Germany
- Euro has slid 8% from its January peak
- Crisis mainly the European monetary union's growing pains.
- Euro zone current account deficit (forces borrowing of foreign capital) is small – 2.5% of GDP
 - Thus Europe has means to deal with crises in Greece and elsewhere
- Central & Eastern European Countries have greater debt service requirements
 - 13% of GDP compared to 5% in Western Hemisphere.

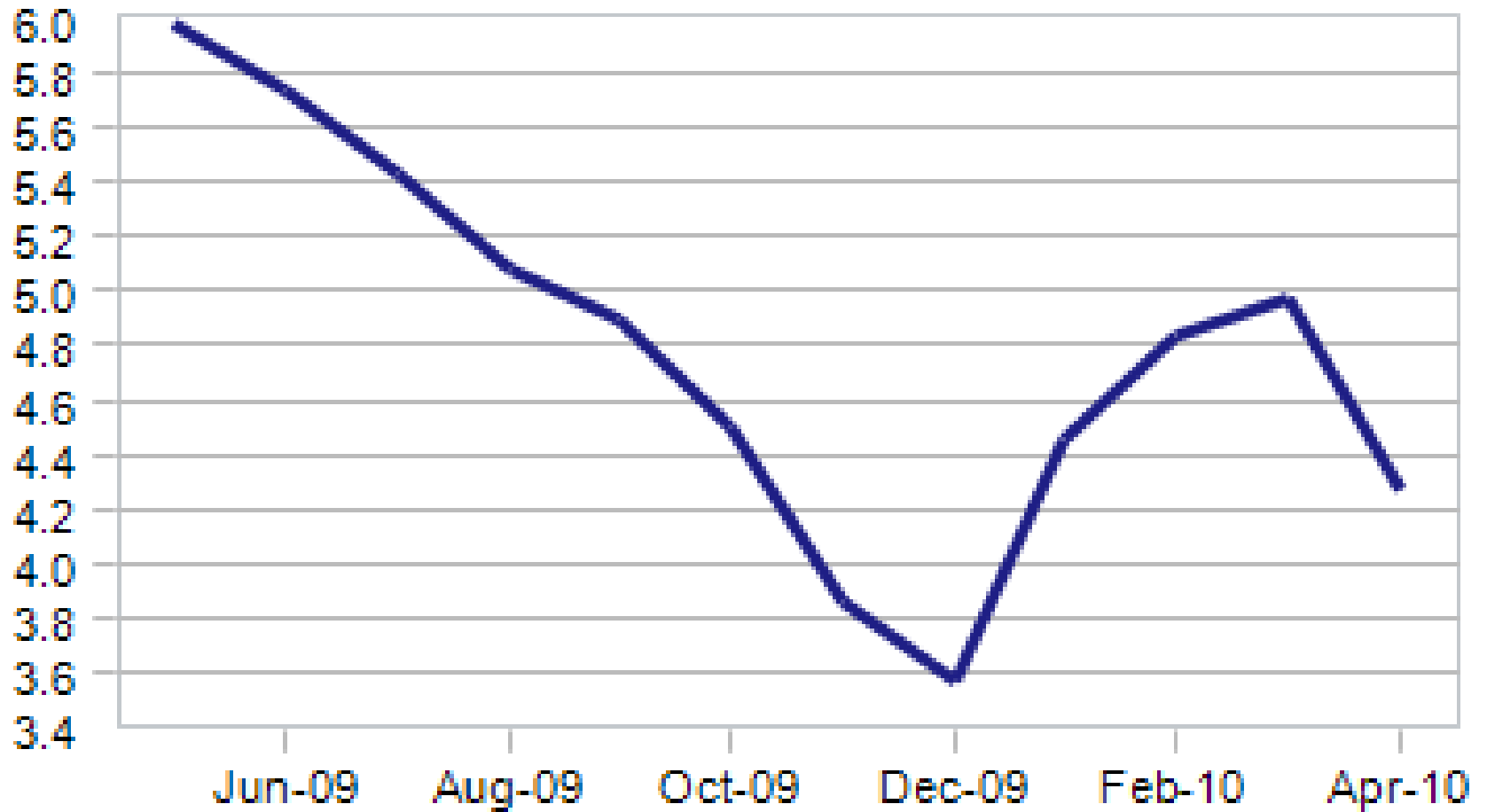
Mexican Economy Advancing Toward Potential

- Growth driven by stronger external demand
- February economic activity up 3.4% following 2.4% in January
 - Nearing 3.5% potential
- All Sectors are growing:
 - Agriculture +8%
 - Industry +4.4%
 - Services +2.5%
- Expect 2010 GDP growth of 4%

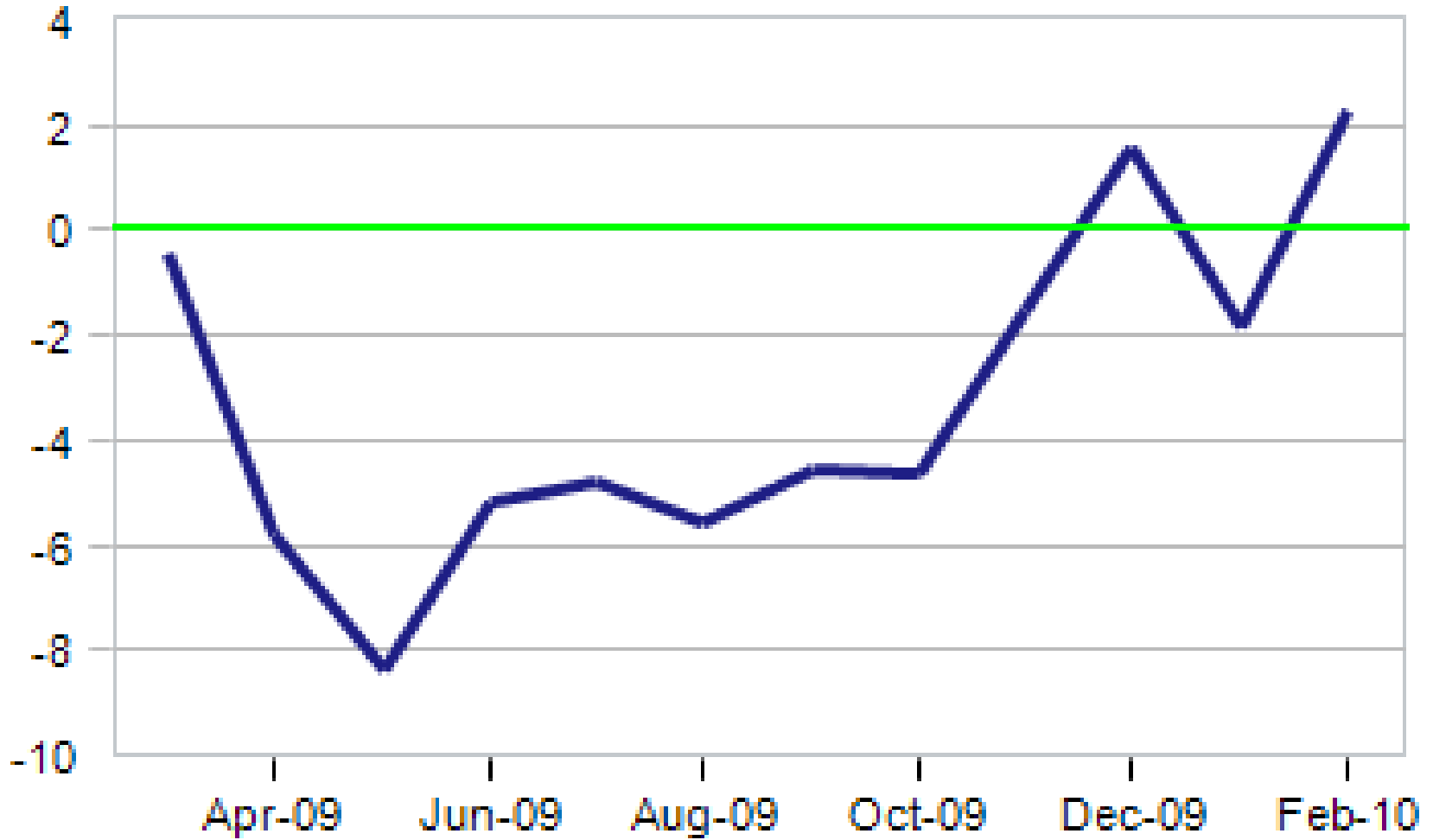
Unemployment Rate: Total - 32 Cities, (Percent, NSA)
Mexico



Mexico CPI % change year ago

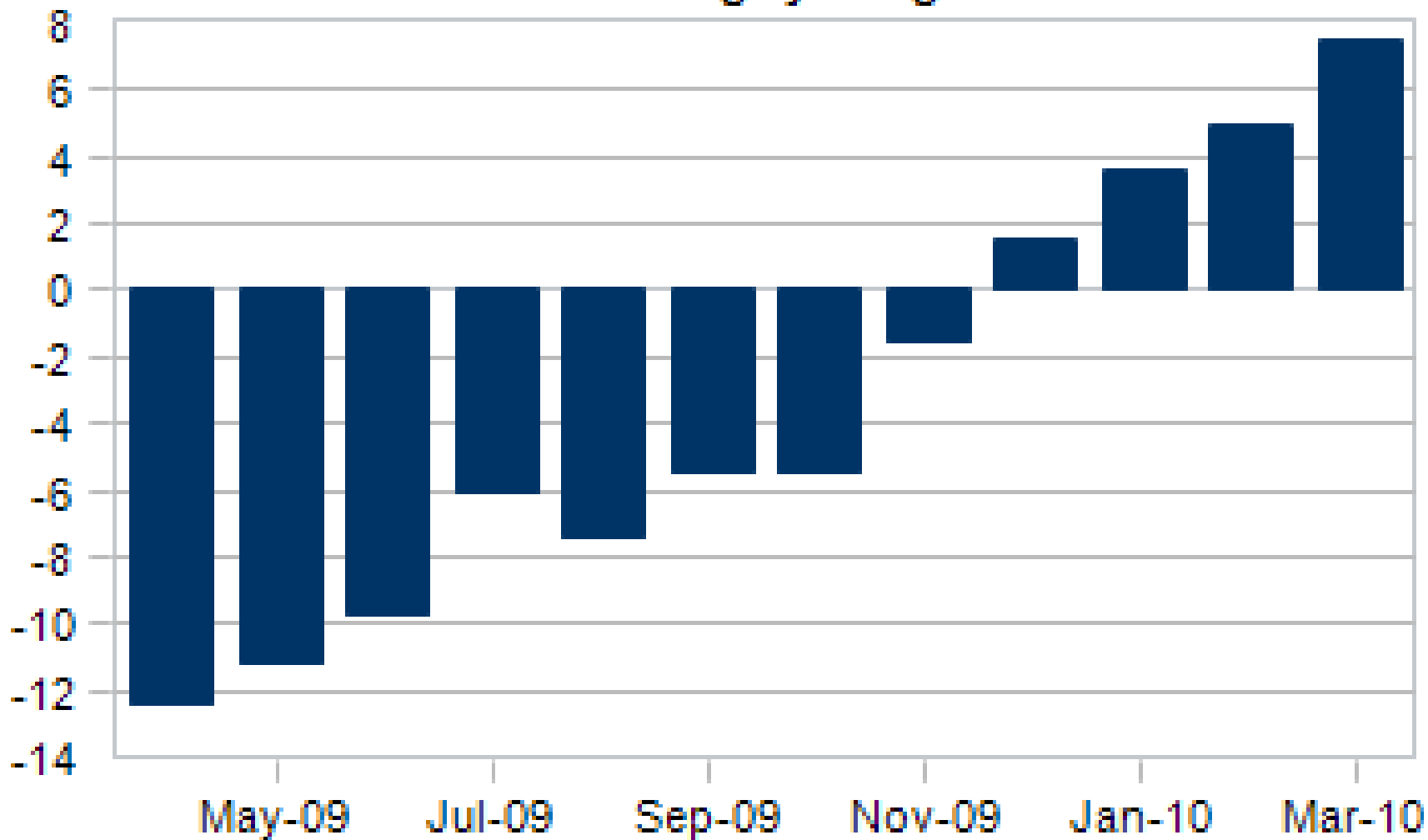


Mexico Retail Sales 2003=100

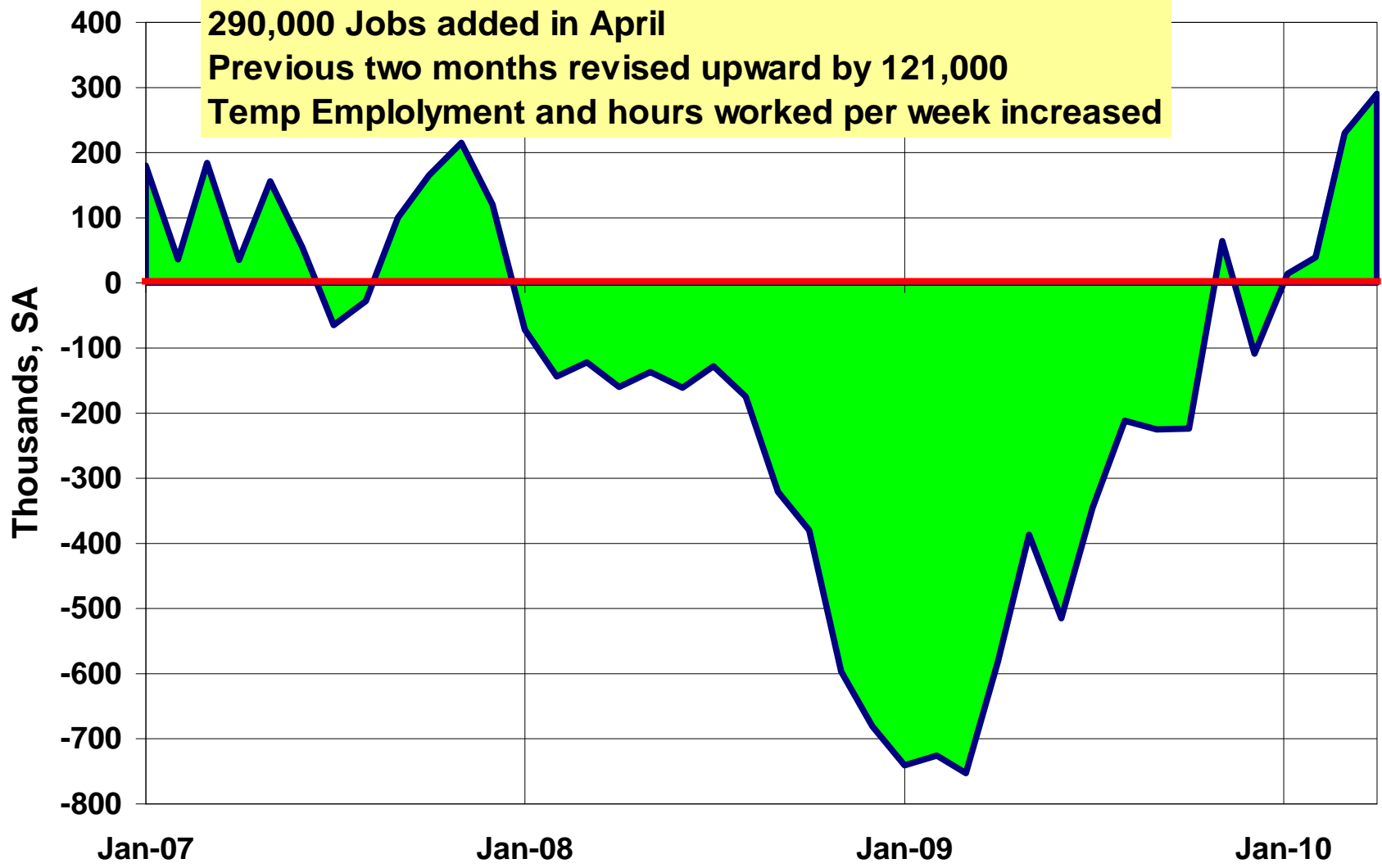


Mexico Industrial Production

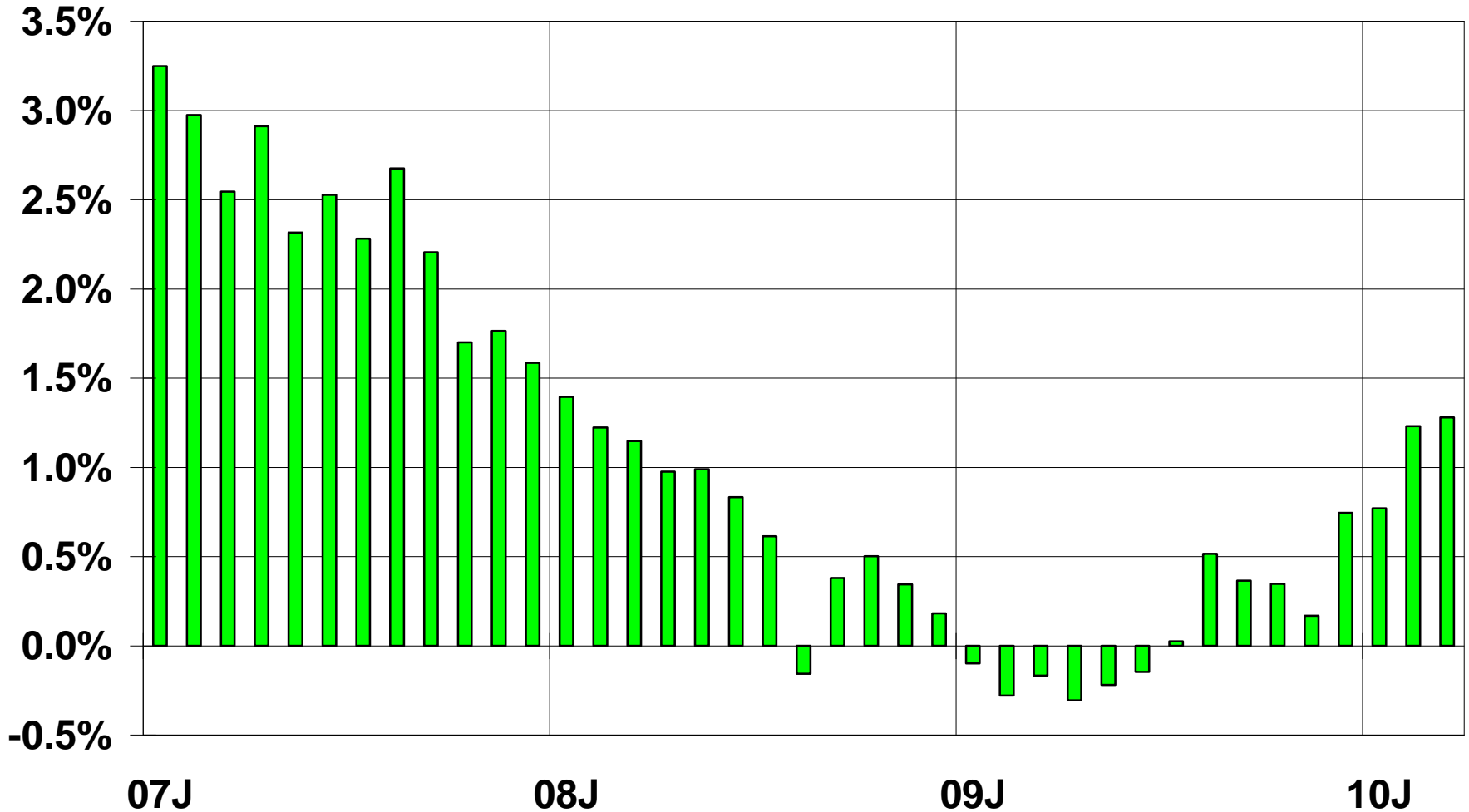
% change year ago



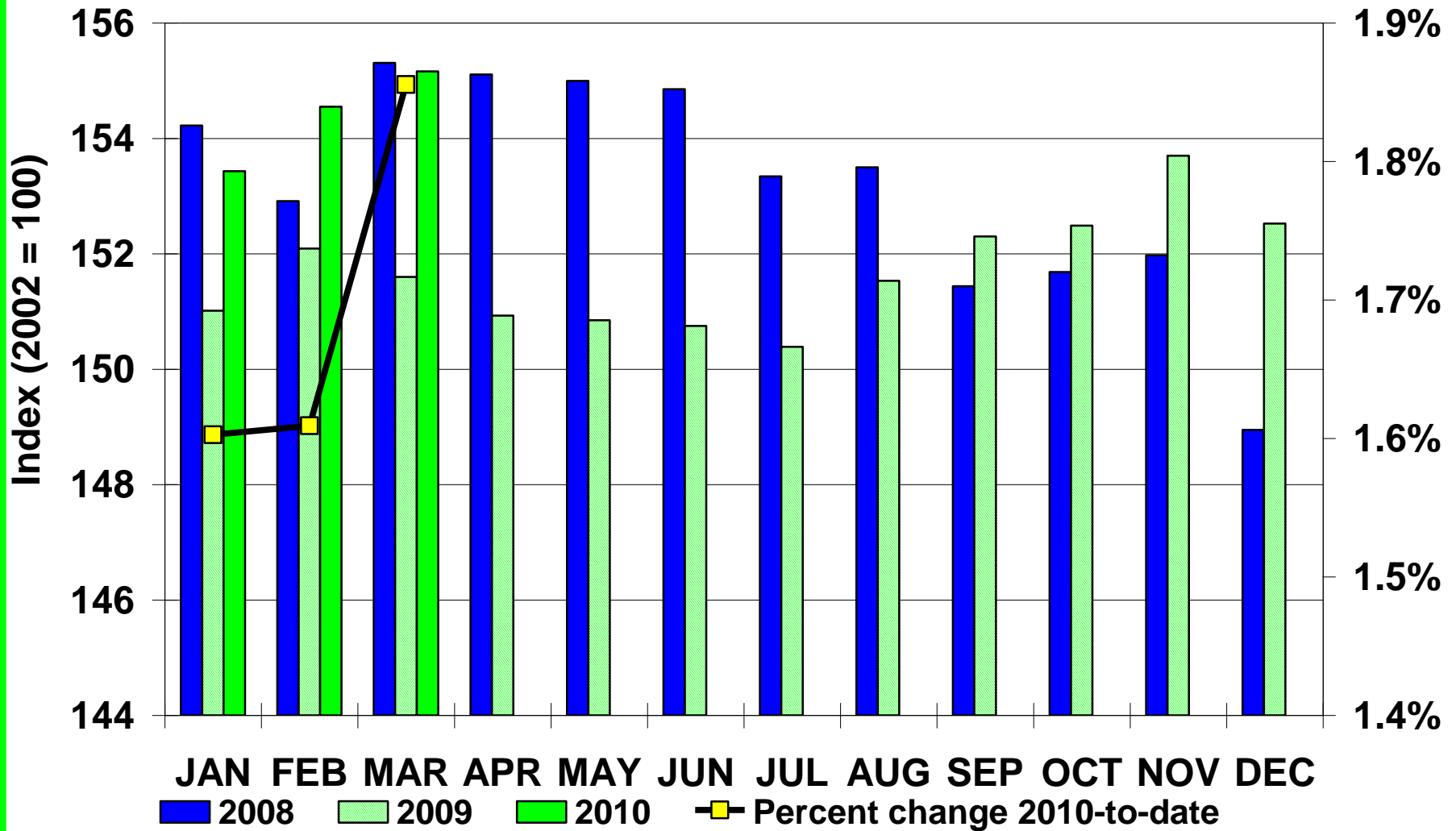
Net Change in US Nonfarm Payrolls



Consumer Spending Year-over-Year Percentage Change

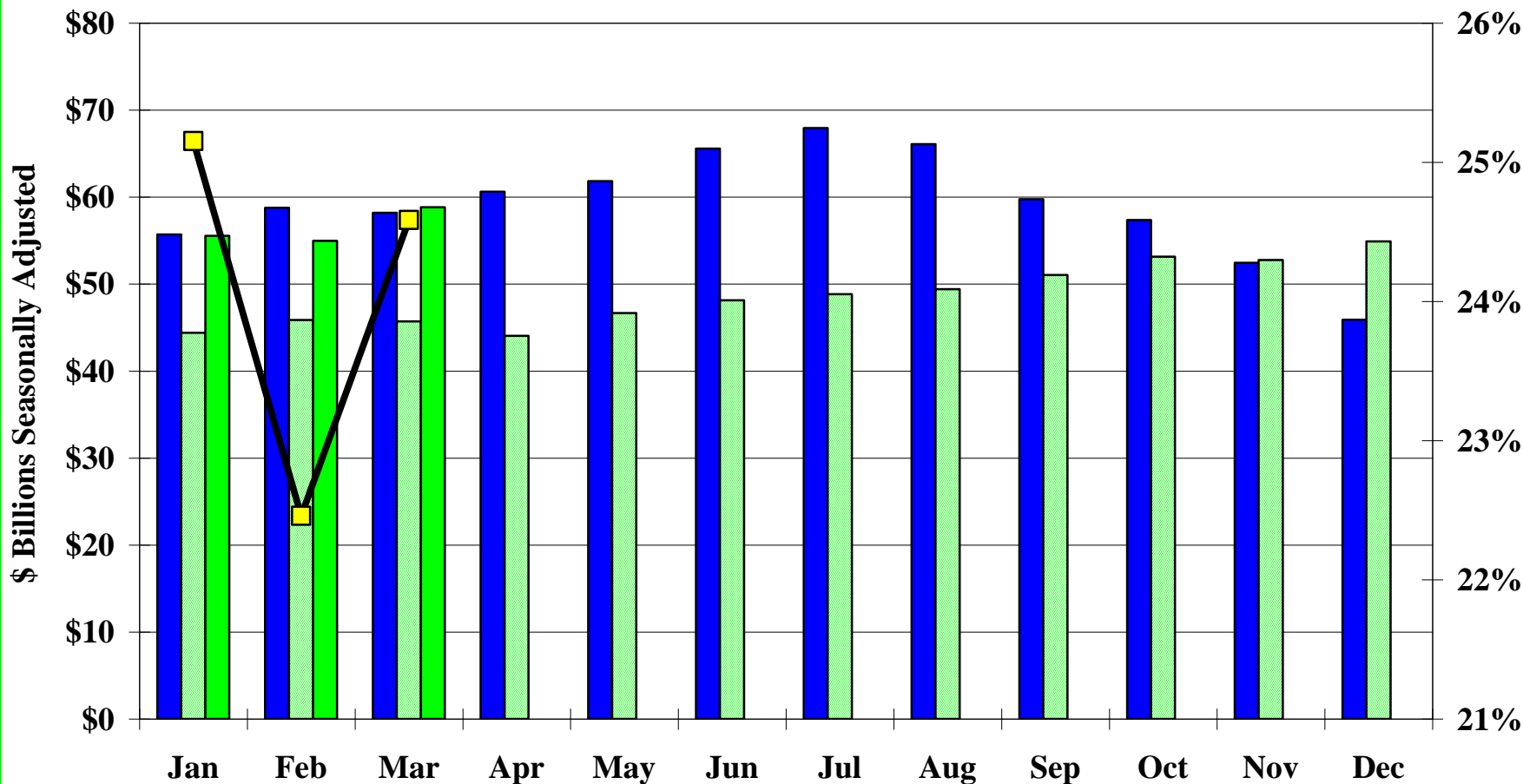


Consumer Spending Nondurable Goods



Source: Bureau of Economic Analysis

US Exports of Nondurable Goods



Source: Bureau of Economic Analysis

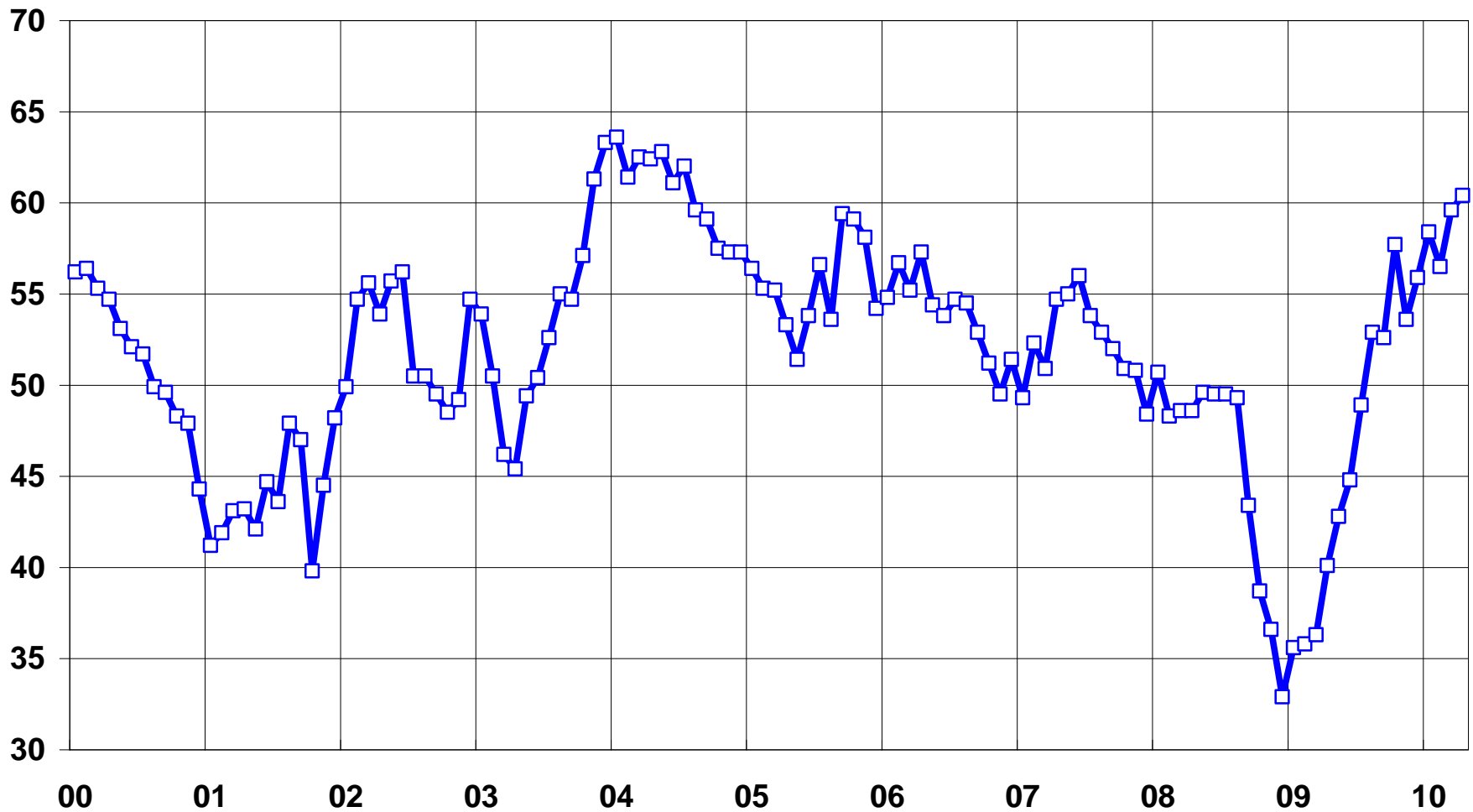
■ 2008

■ 2009

■ 2010

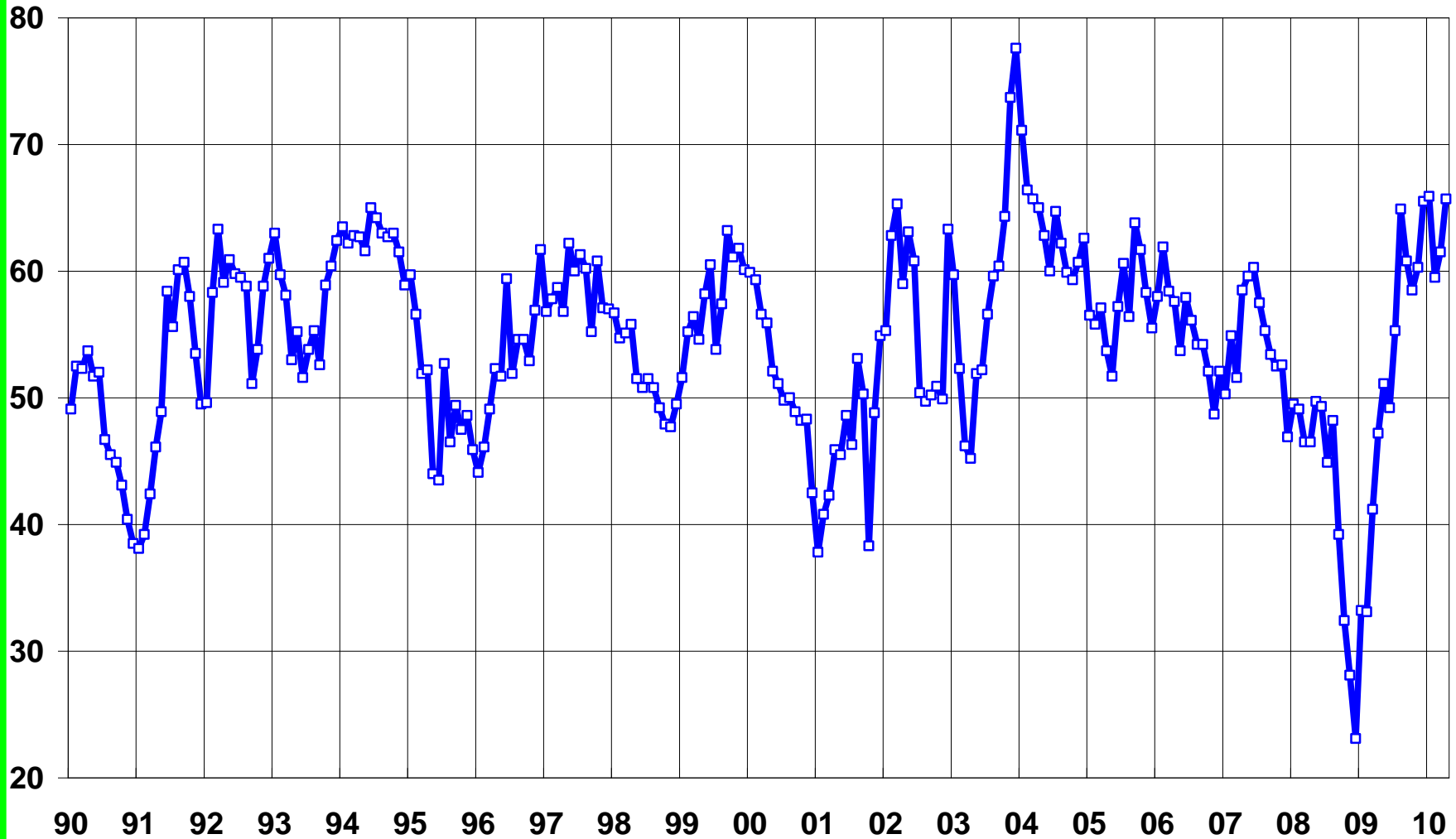
■ % Change YTD-Right Axis

Purchasing Managers' Index

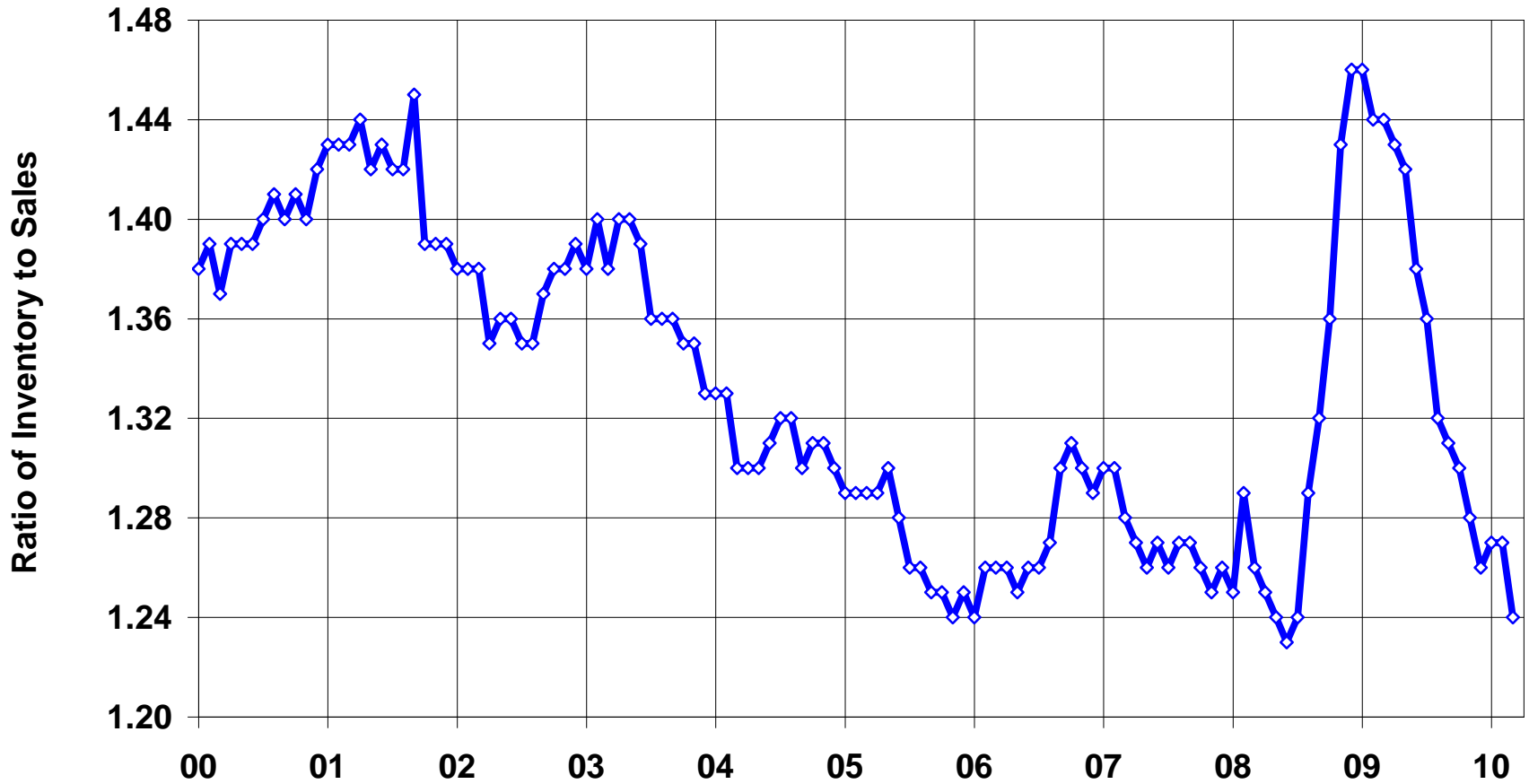


Source: Institute for Supply Management

Purchasing Managers' New Orders Index

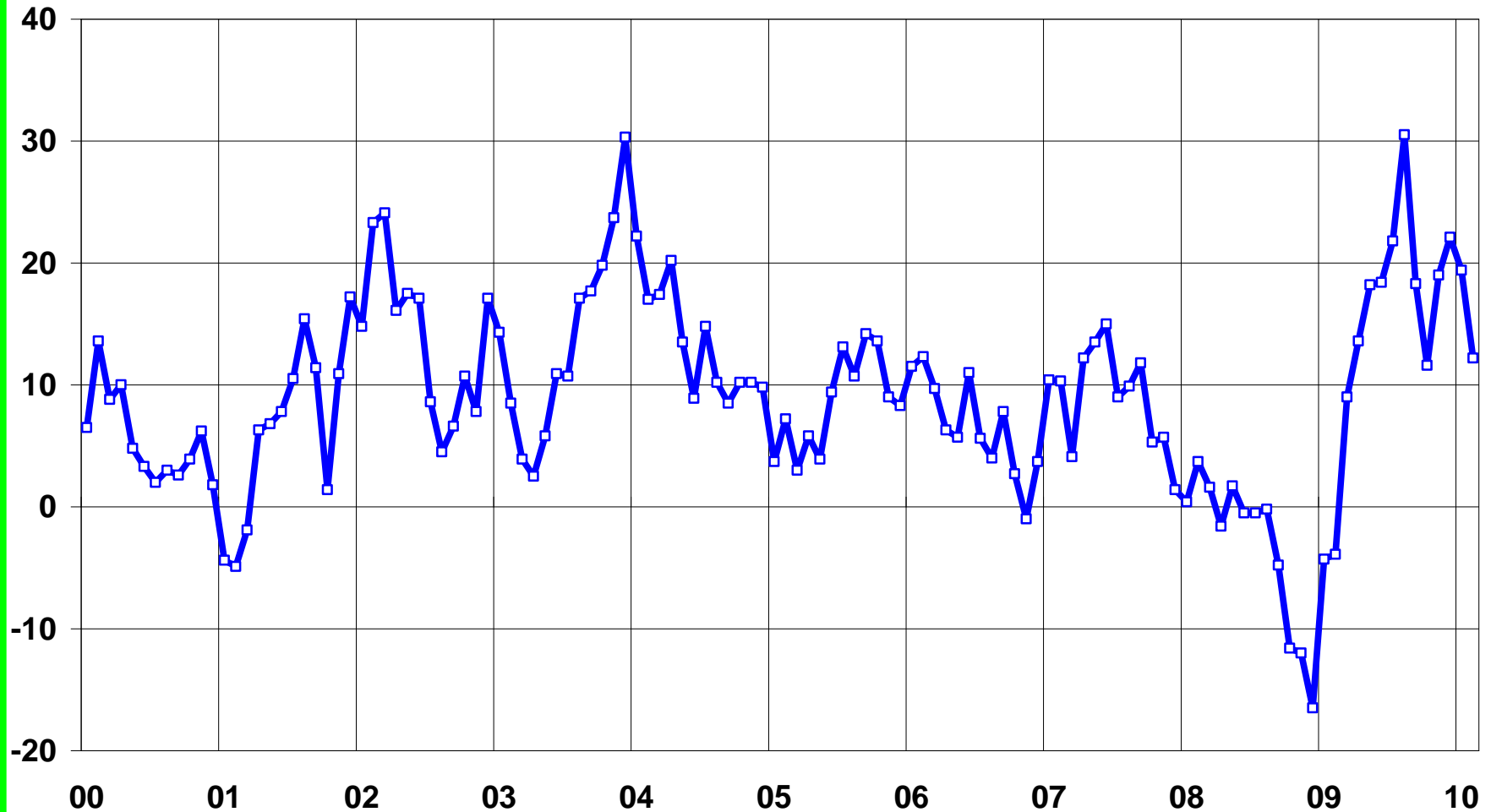


Total Business Inventory/Sales Ratio



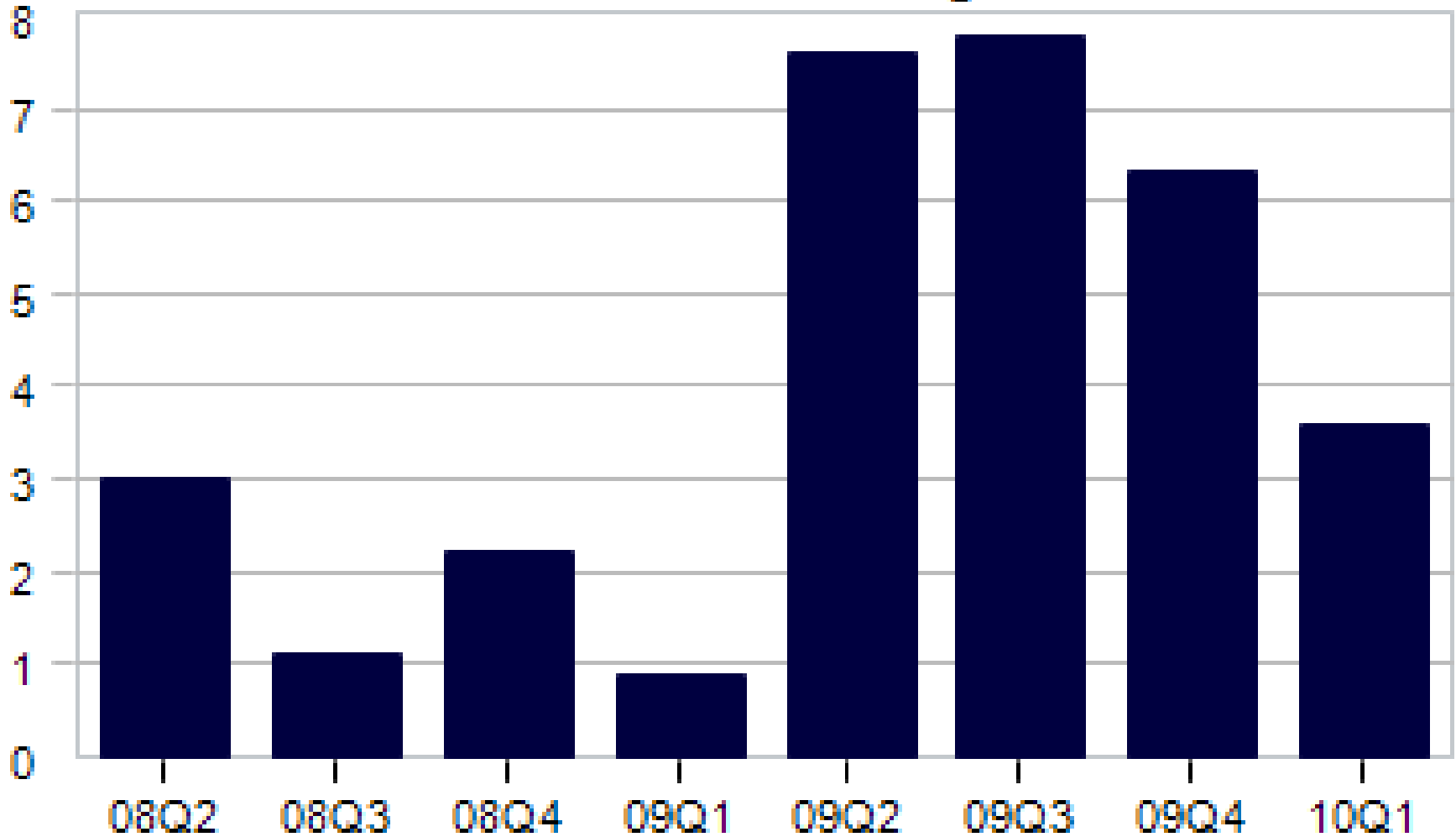
Source: US Census Bureau

New Orders - Inventories: Proxy for Future Production

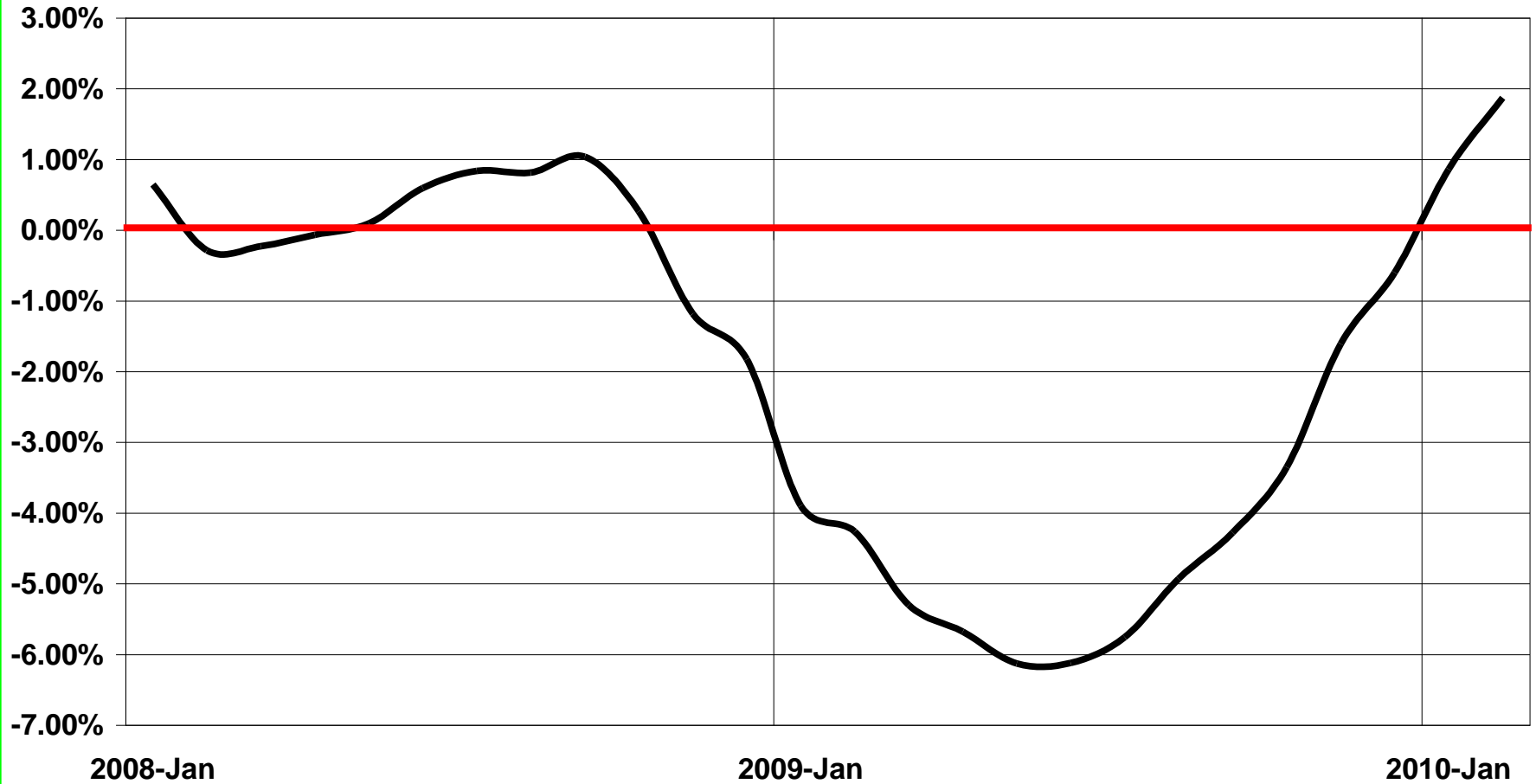


Source: Institute For Supply Management, RSA

Productivity Annualized % change



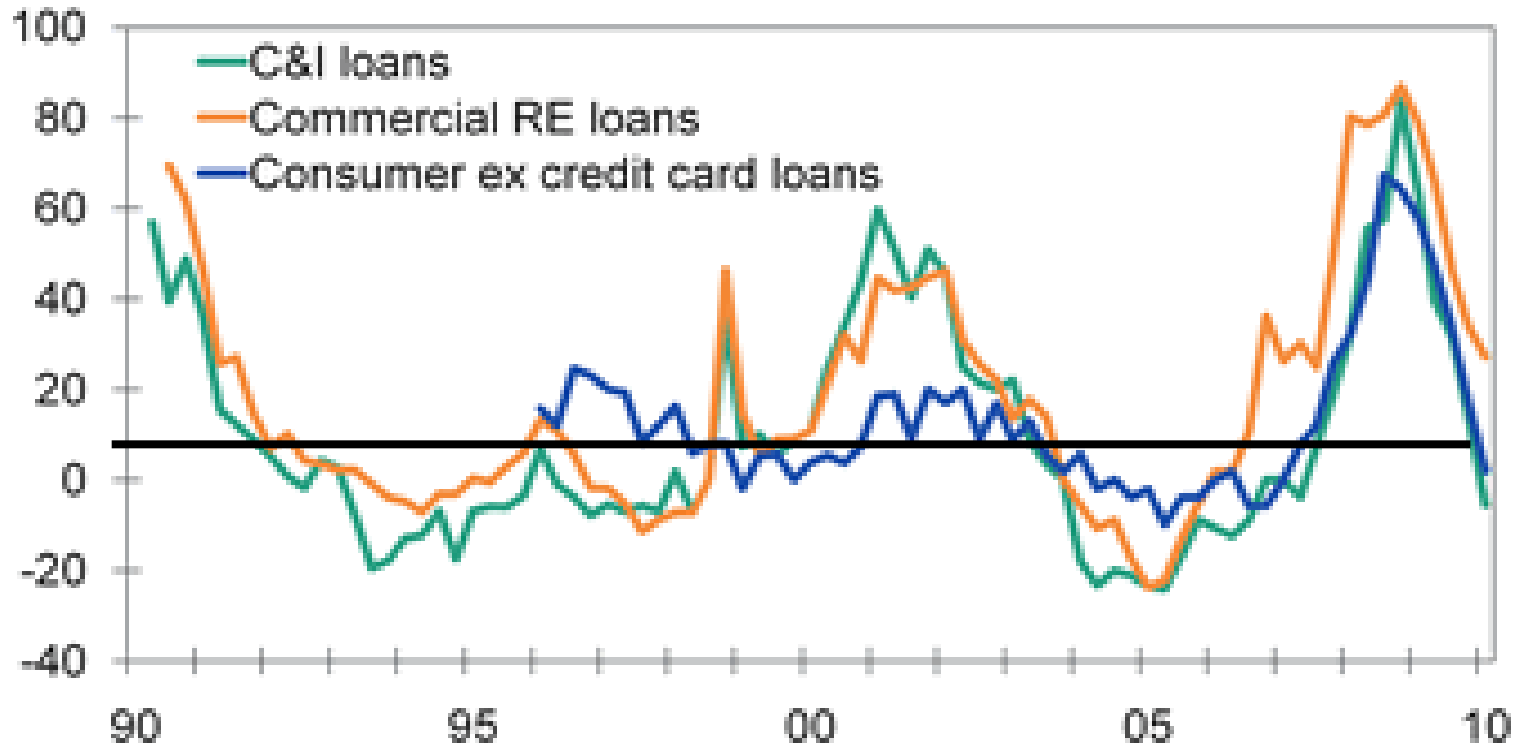
Monthly % Change Non Farm Profits



Source: BEA

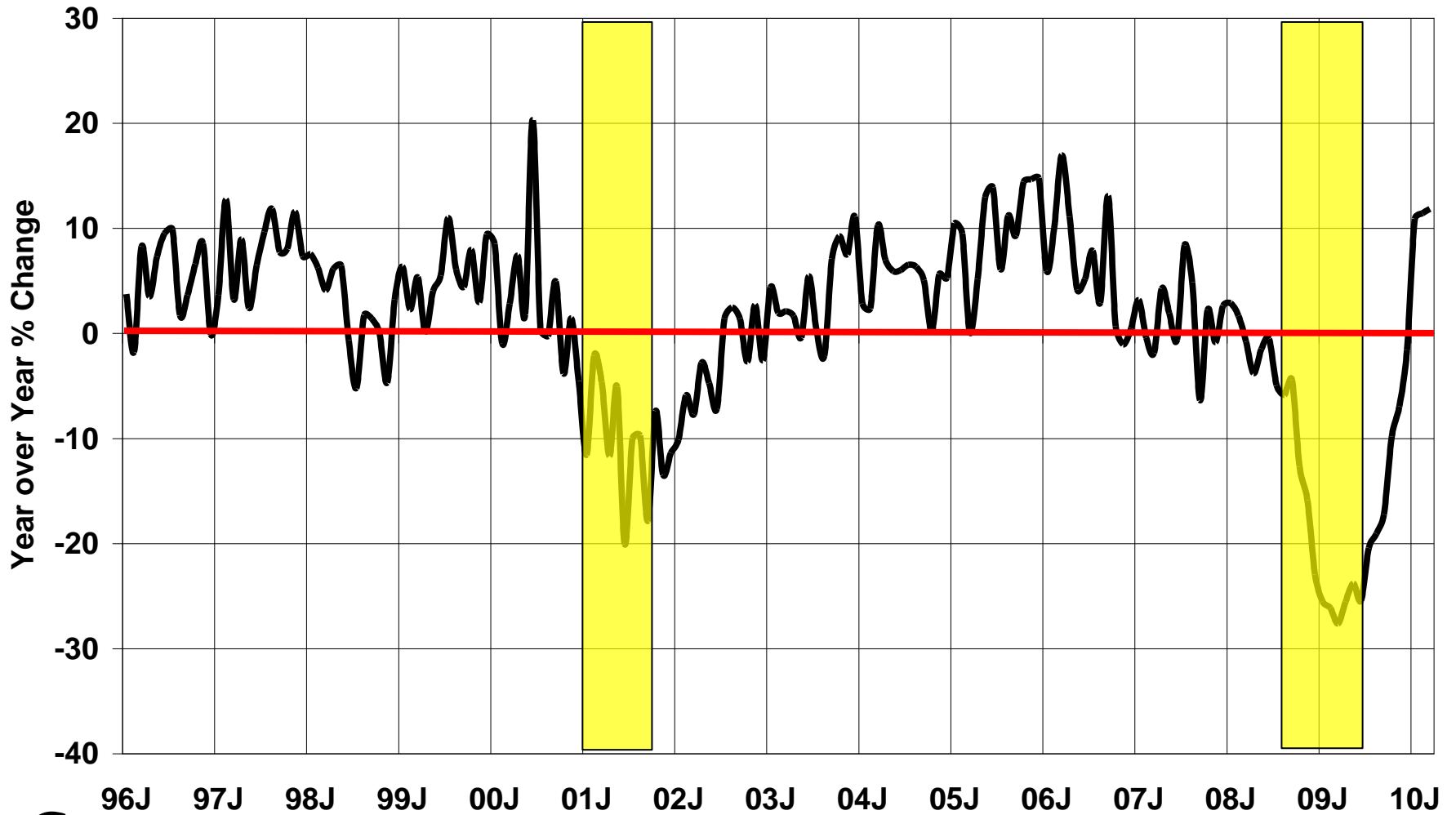
Lenders Finally Ease Up

Net % of senior loan officers tightening lending standards

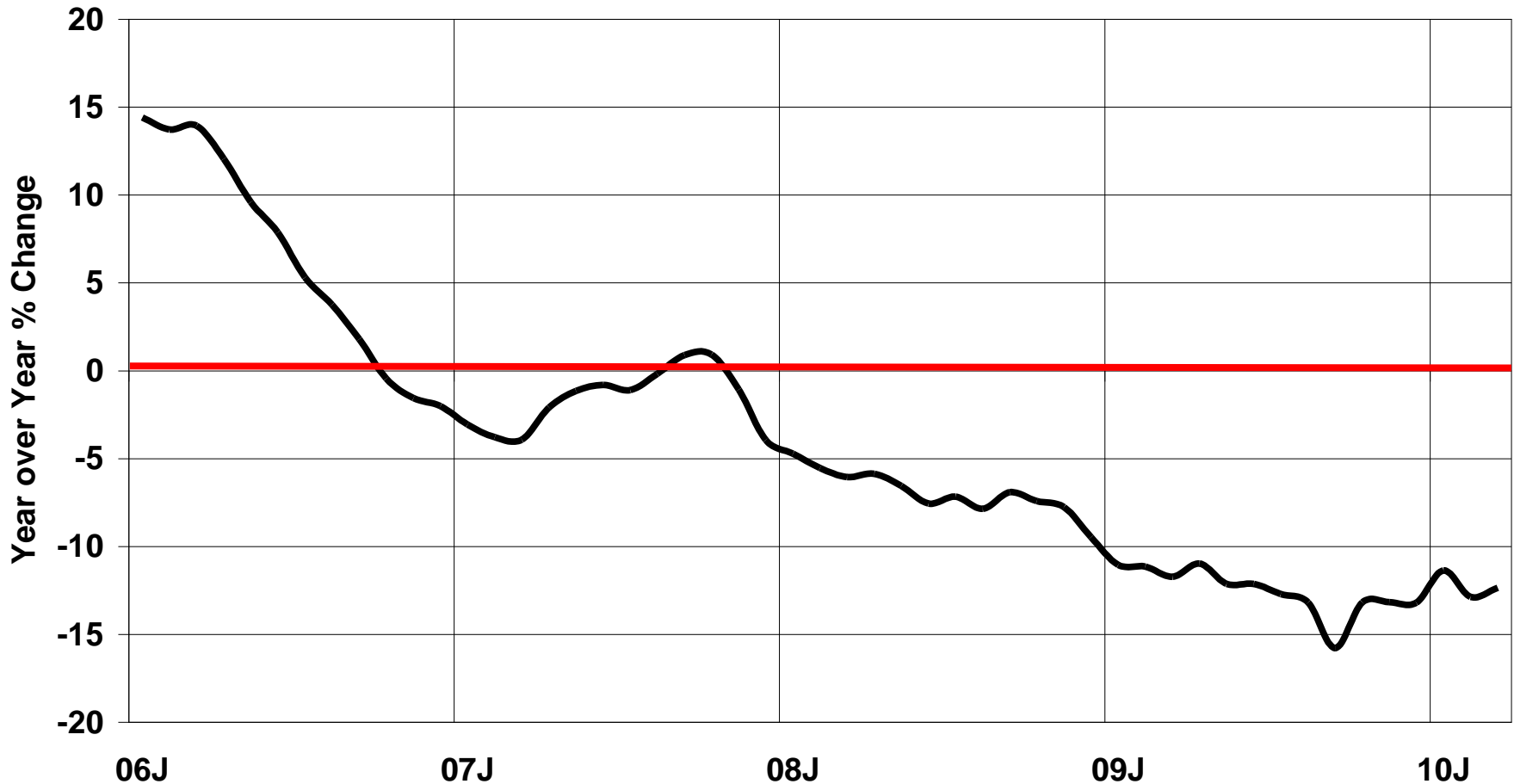


Sources: Federal Reserve Board, Moody's Economy.com

New Orders for Durable Goods

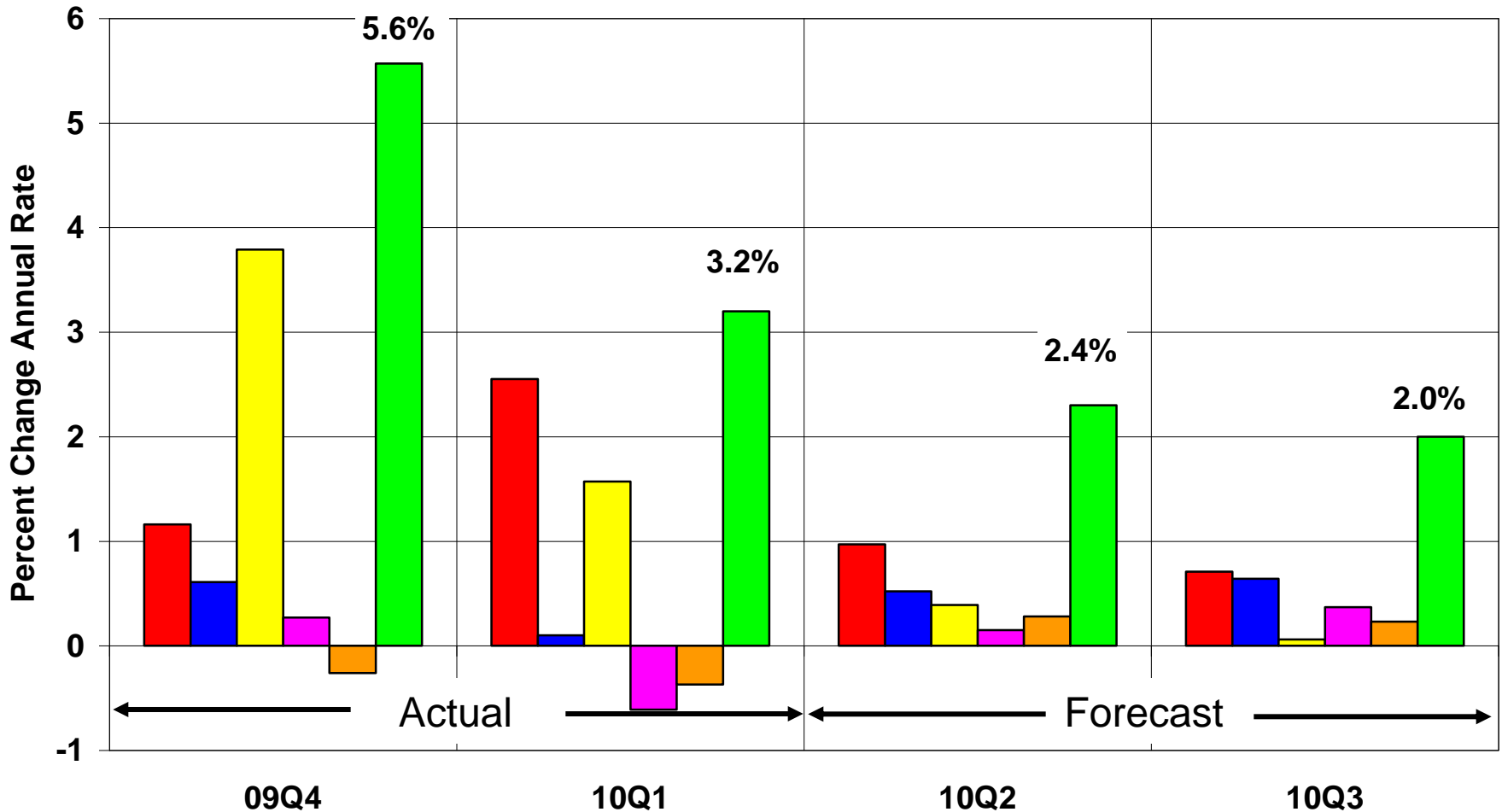


US Construction Spending Growth Year-over-Year % Change



Source: Census Bureau

US GDP Actual & Outlook by Component & Total

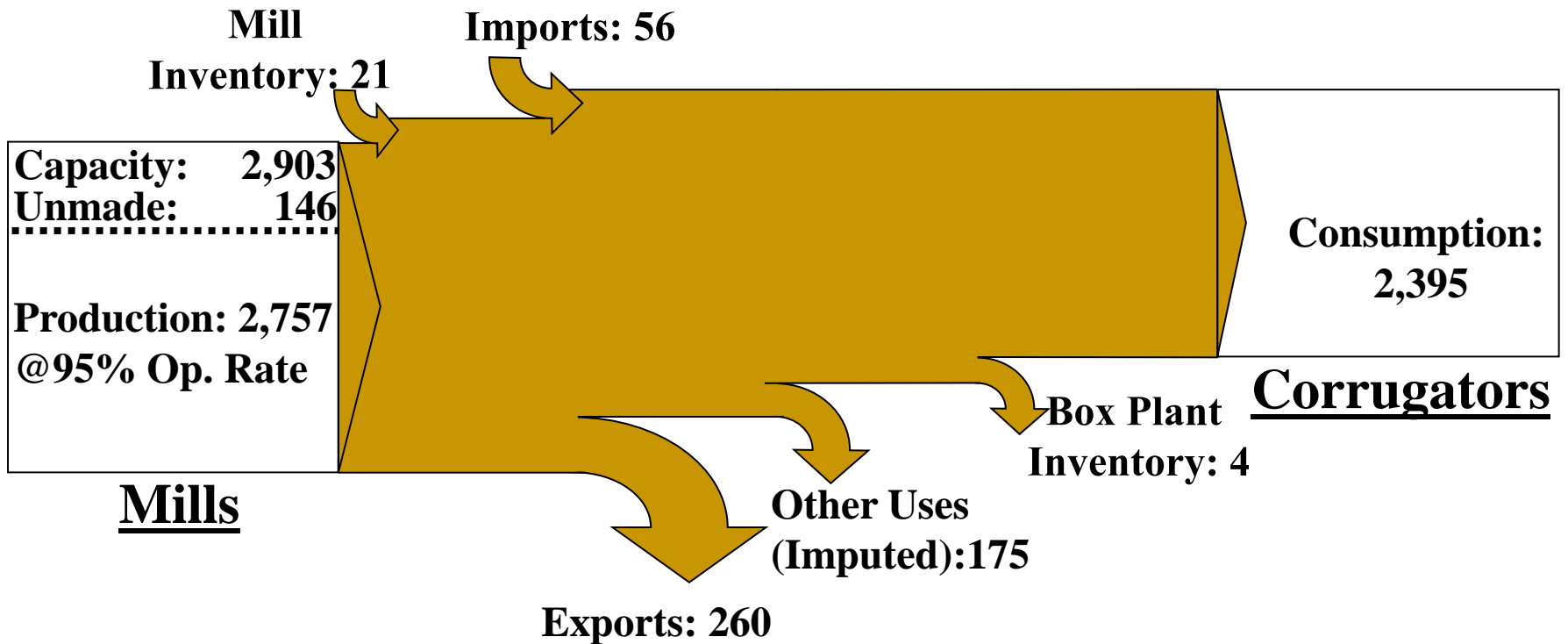


Source: BEA & Economy.com

■ Spending
 ■ Investment
 ■ Inventory
 ■ Trade
 ■ Gov't
 ■ Total

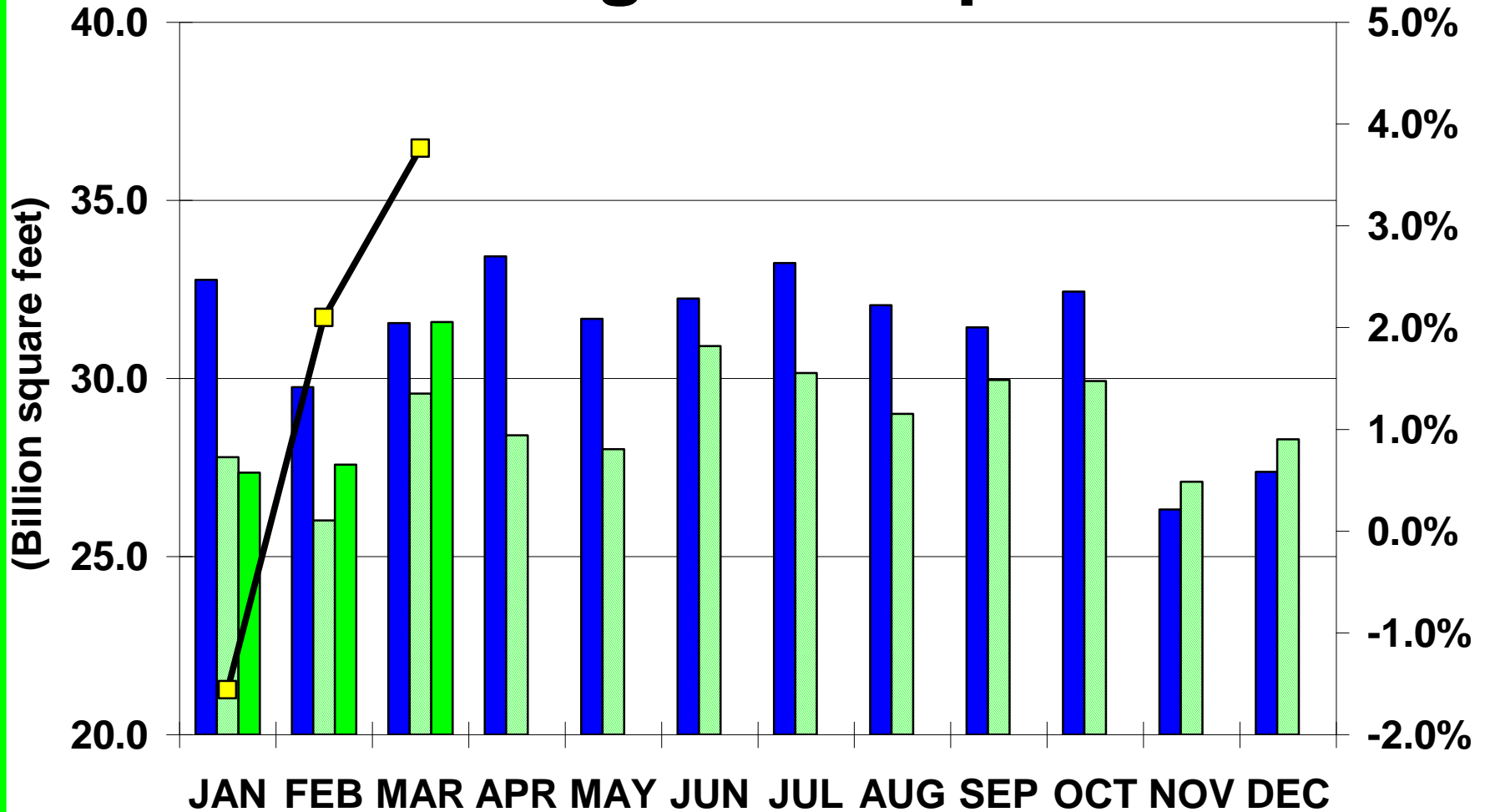
Containerboard Flows – April 2010

(000 Tons)



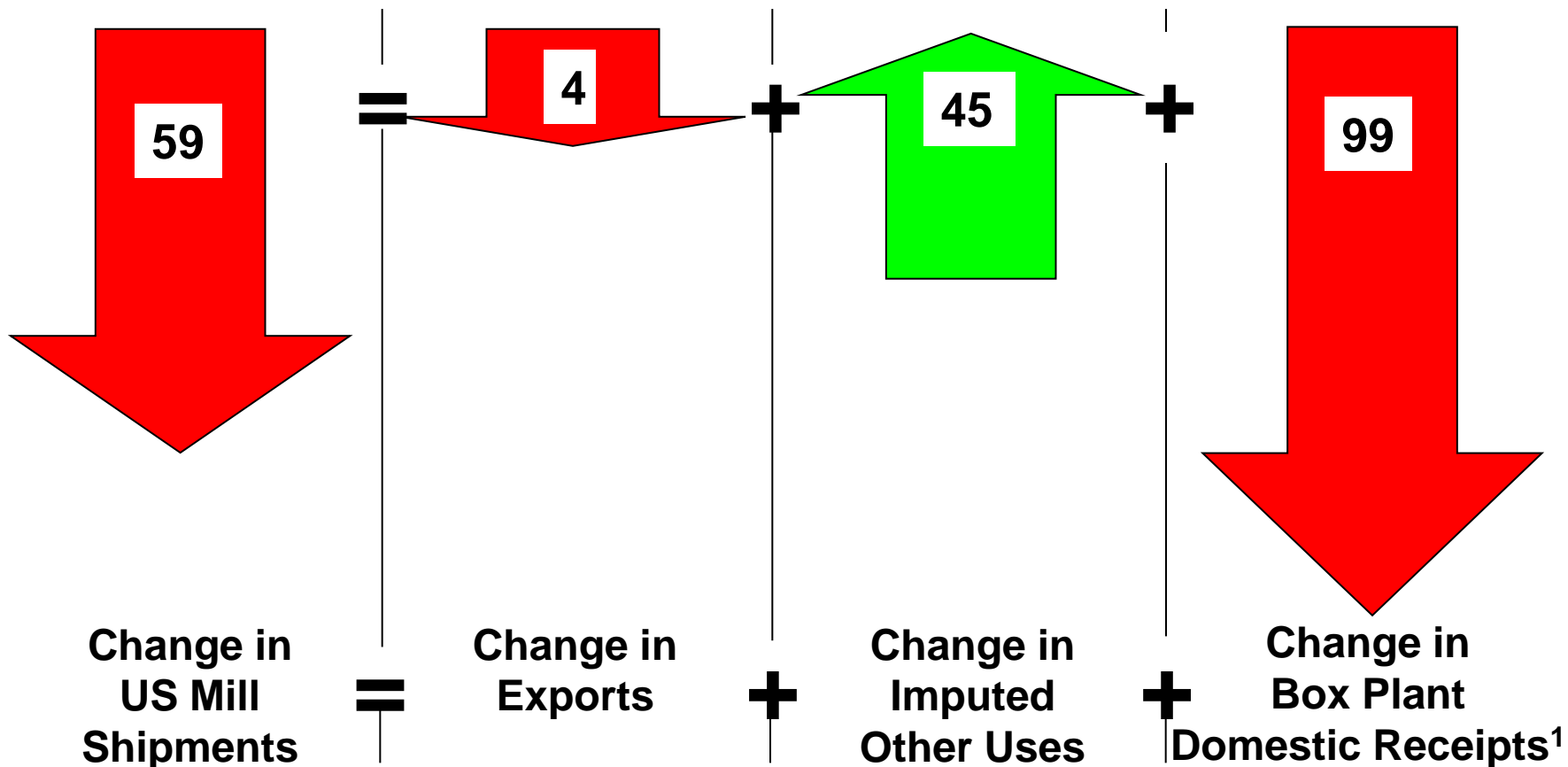
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US Corrugated Shipments



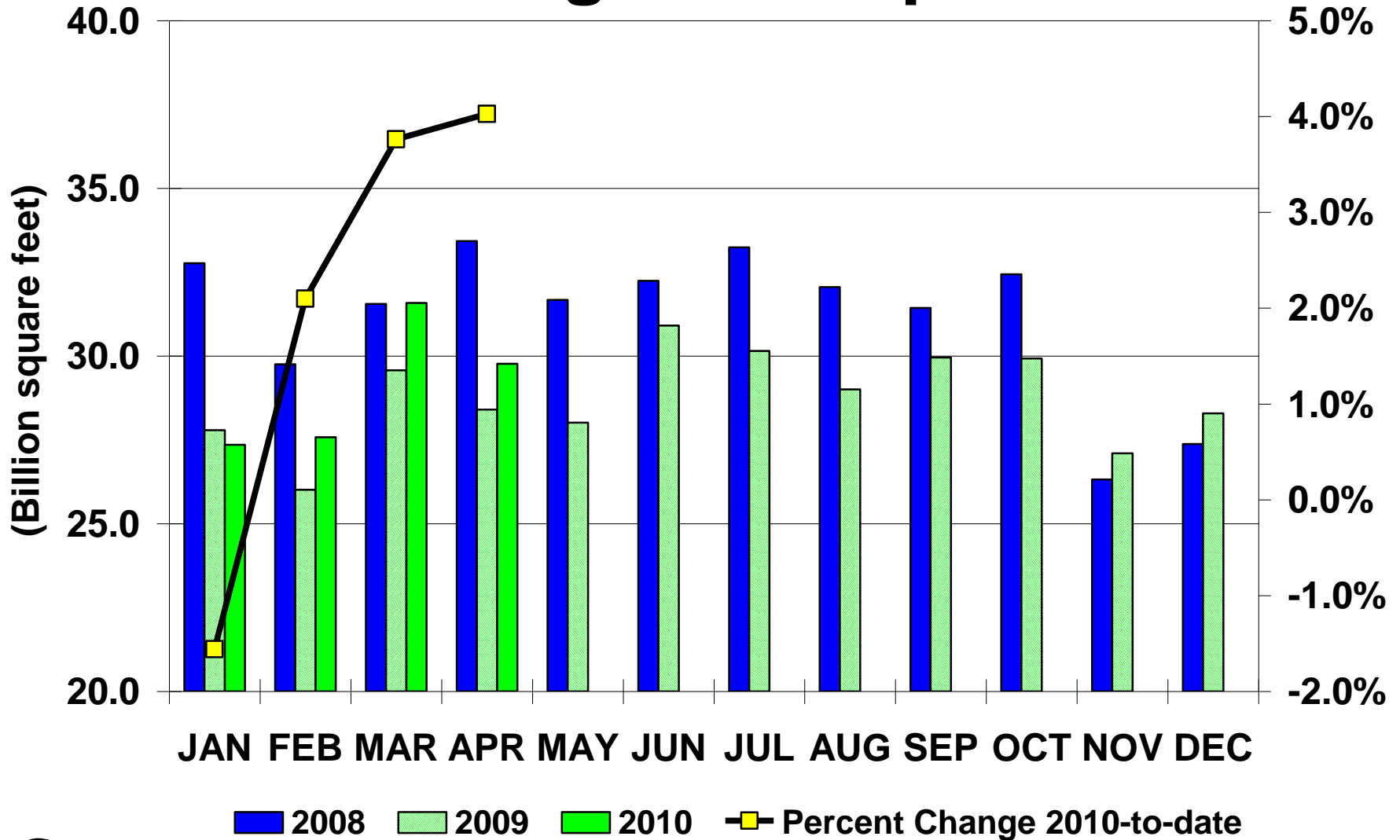
Monthly Change in Containerboard Flows March 2010 → April 2010

(000 Short Tons)

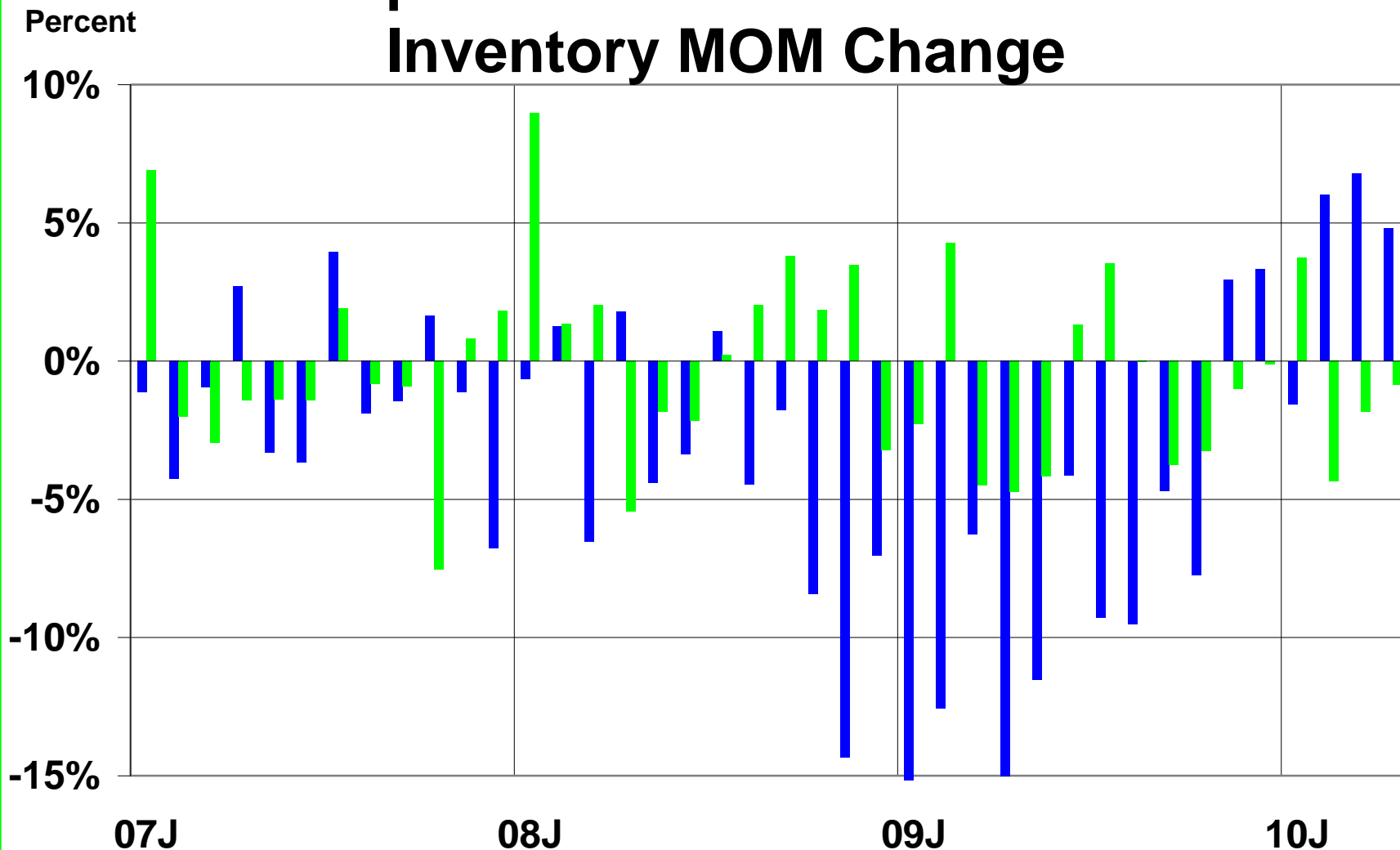


¹ Box Plant Domestic Receipts = Corrugator Consumption + Inventory Accumulation - Imports

US Corrugated Shipments



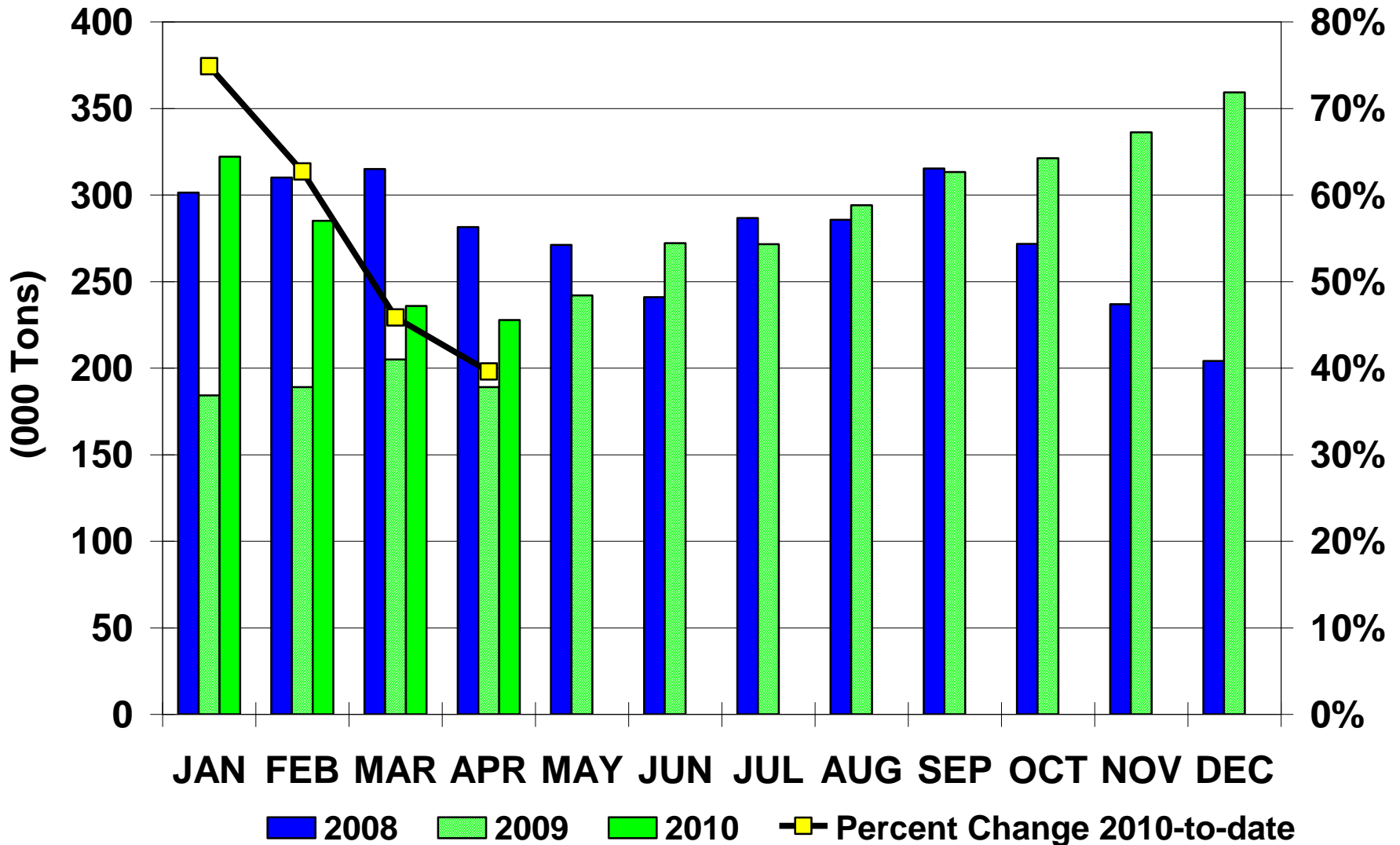
Box Shipment YOY Vs. Containerboard Inventory MOM Change



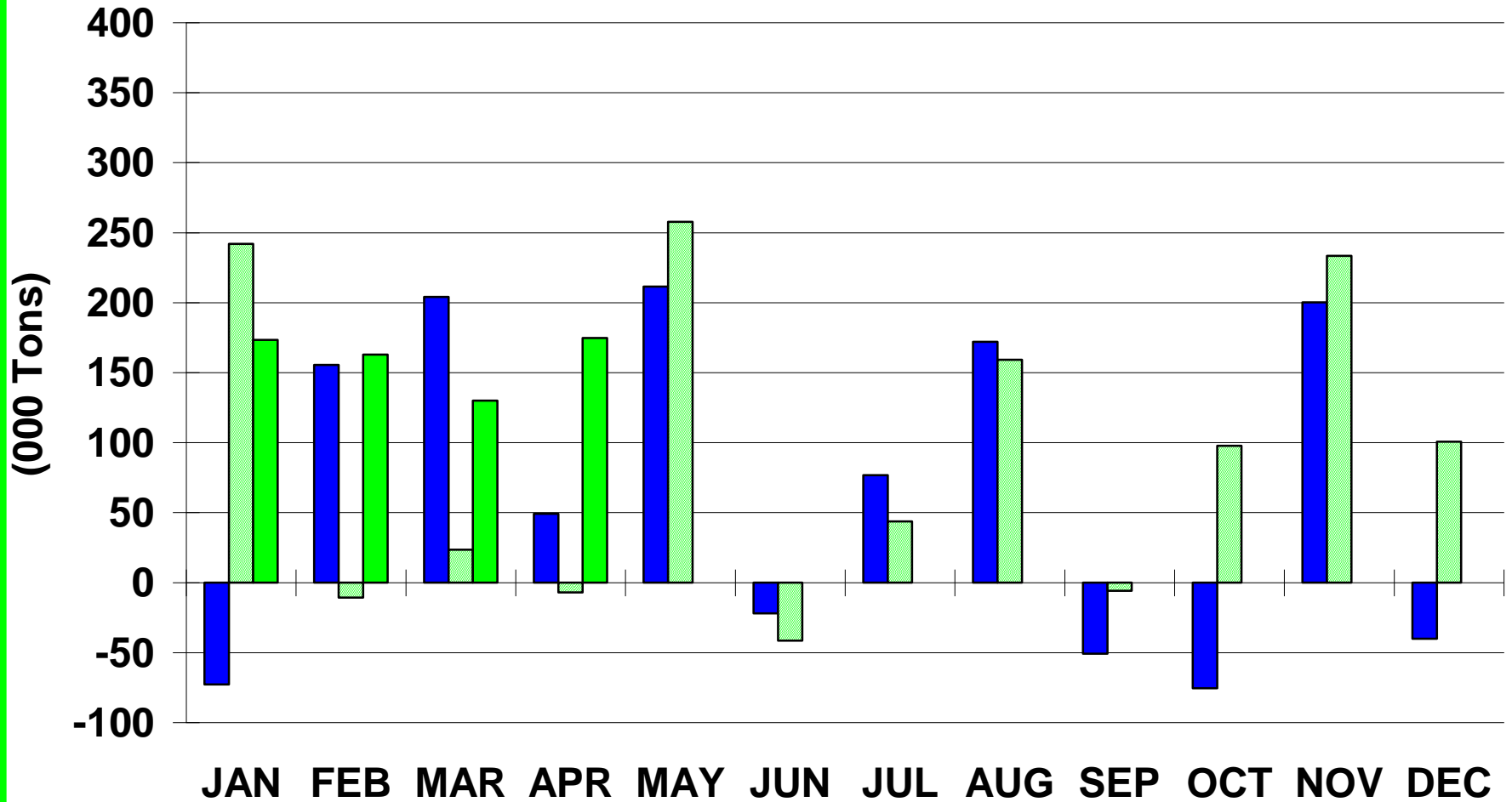
Source: FBA, AF&PA

■ YOY Shipment Change ■ MOM Inventory Change

Linerboard Production for Export



Unidentified Uses of Containerboard



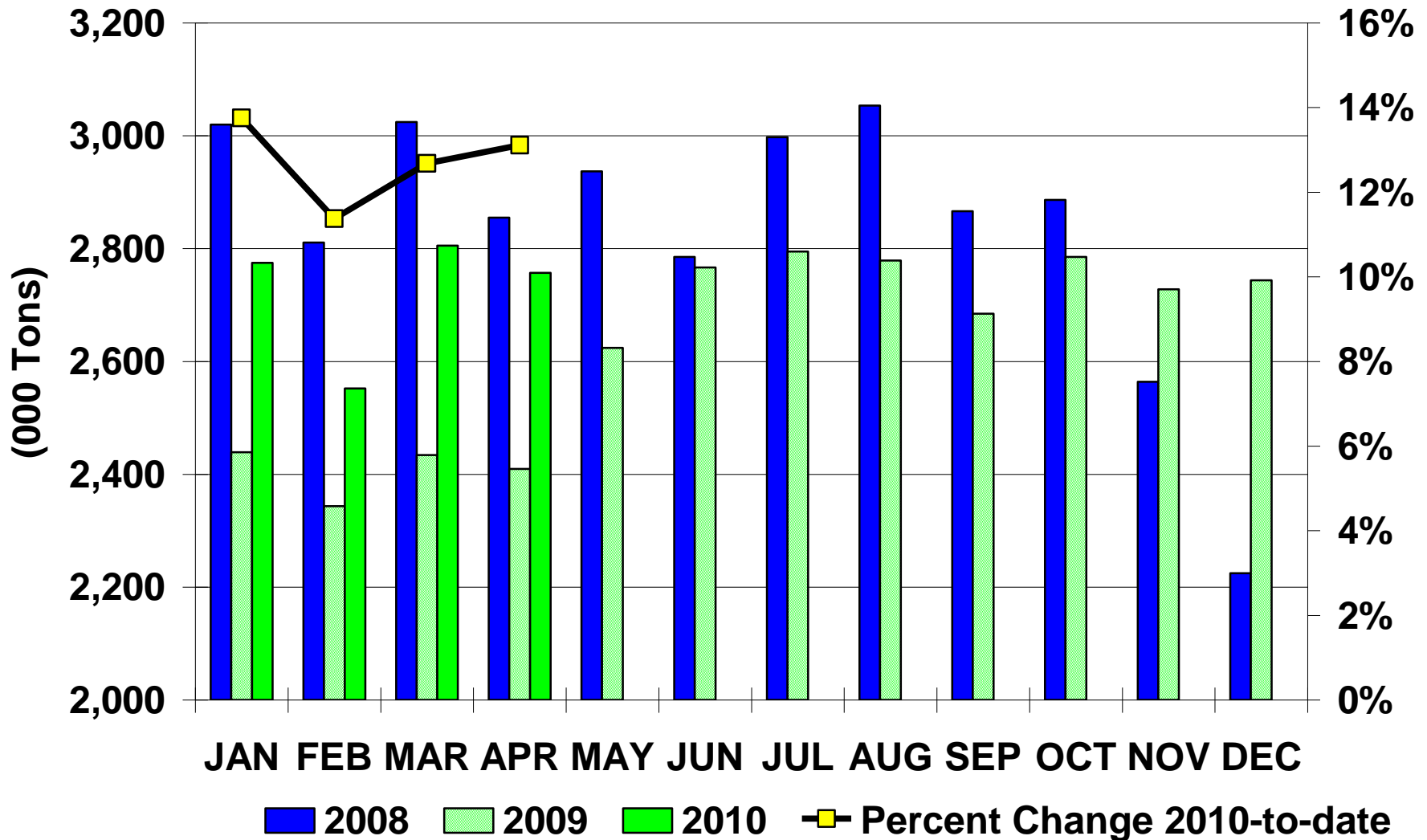
Source: AF&PA, FBA,

■ 2008

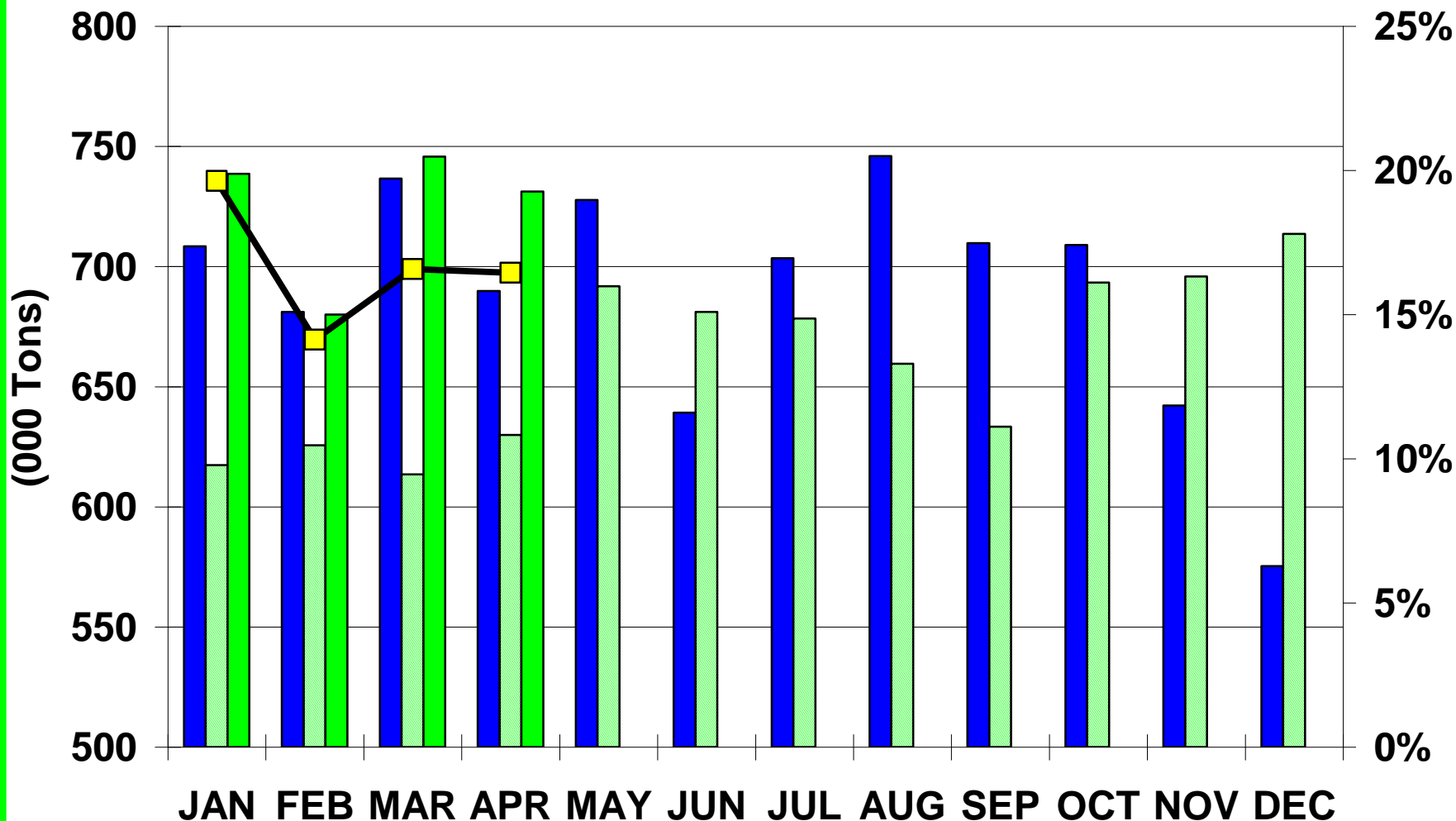
■ 2009

■ 2010

US Containerboard Production

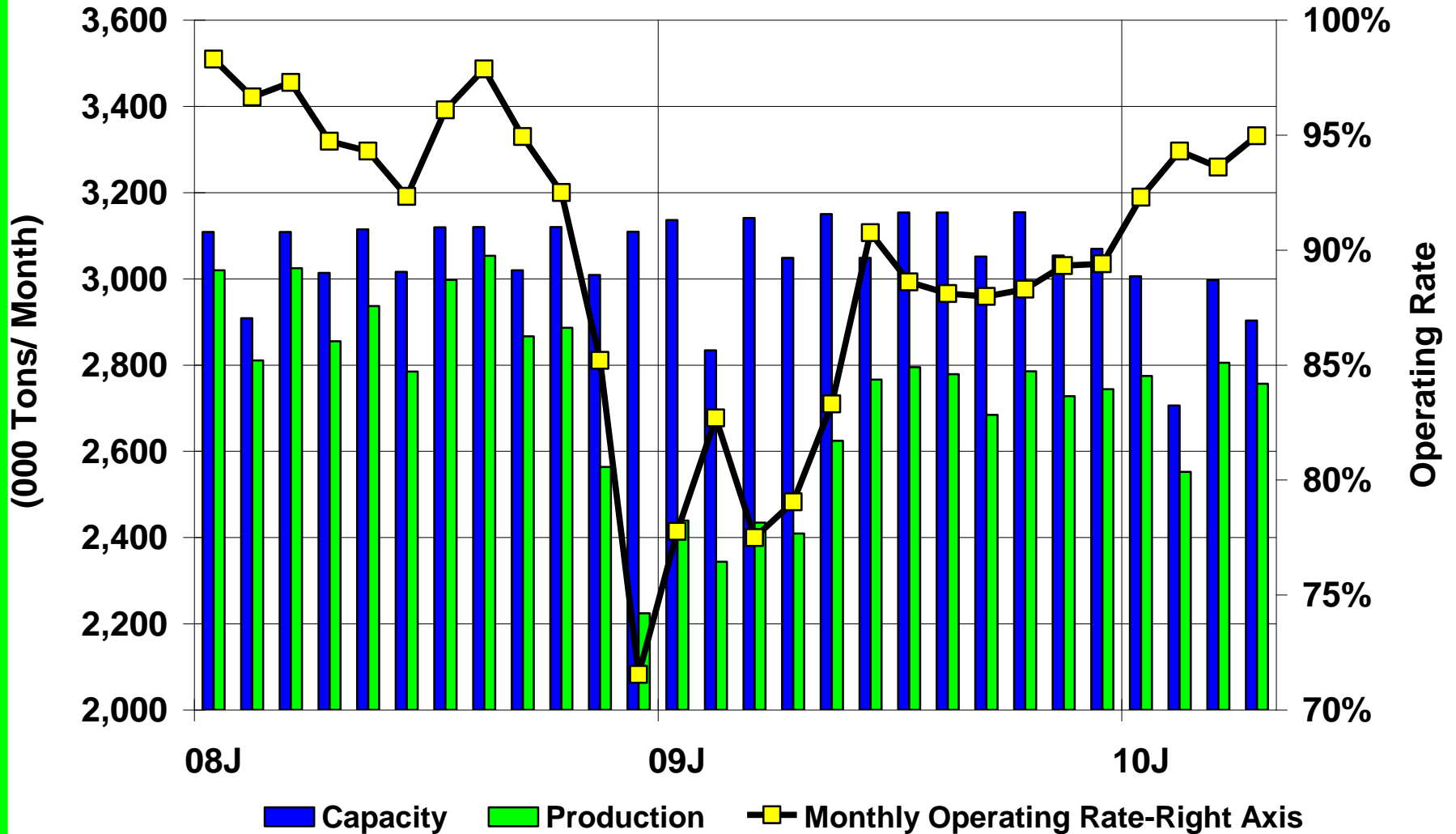


Recycled Containerboard Production



■ 2008
 ■ 2009
 ■ 2010
 ■ % Change 2010 YTD

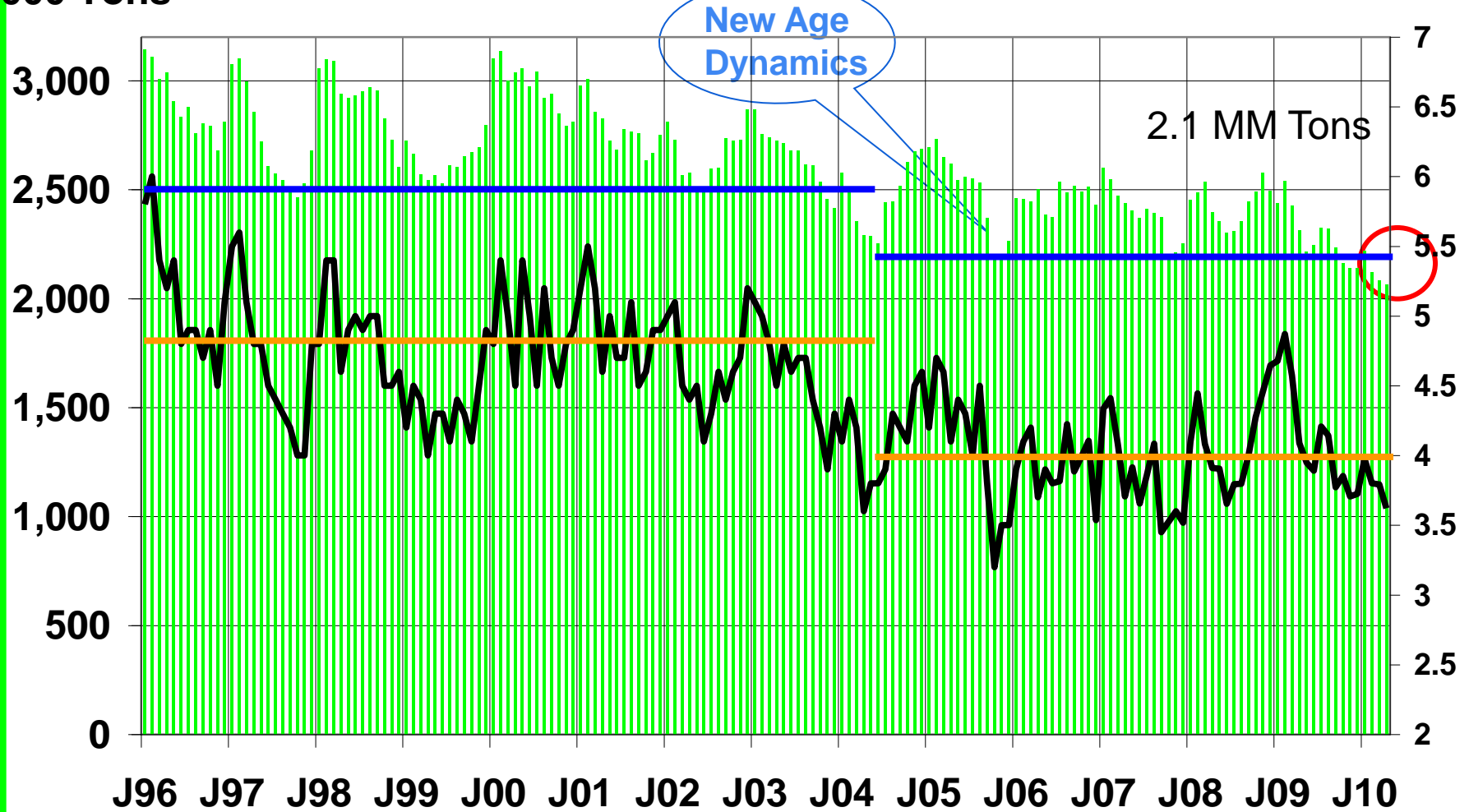
Containerboard Capacity, Production & Operating Rate



Source: AF&PA

US Containerboard Inventories

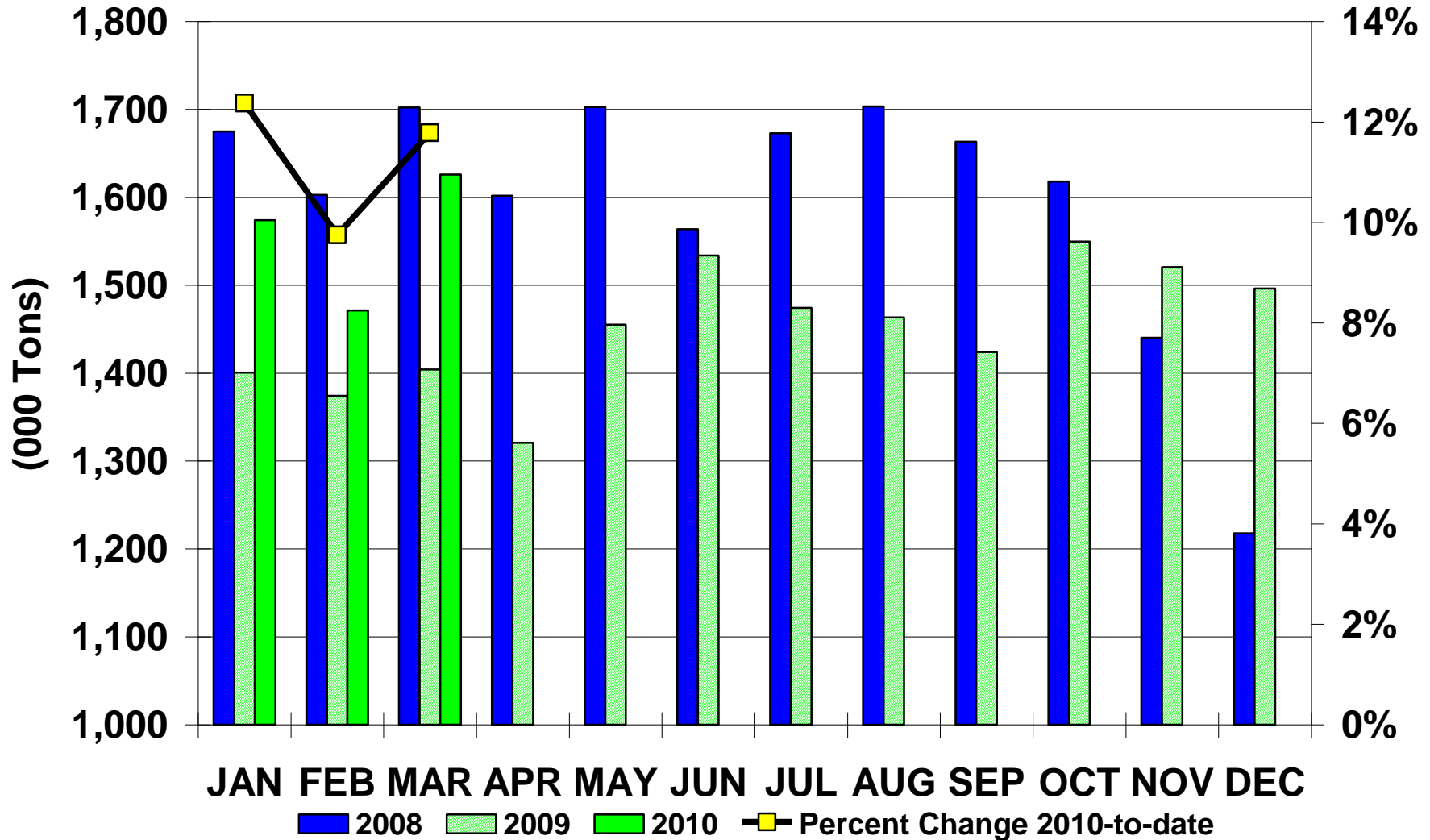
000 Tons



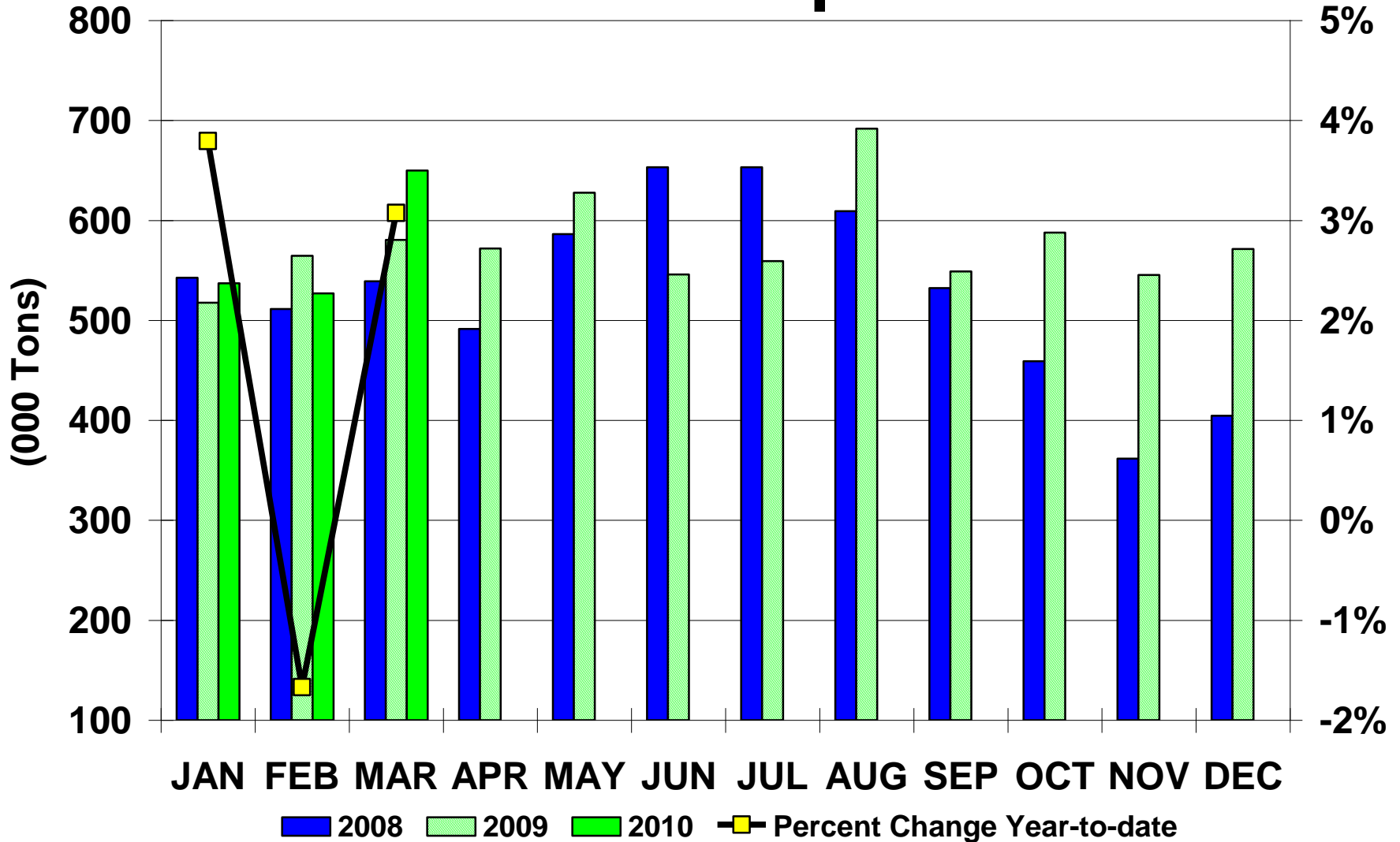
Inventory-Left Axis — Weeks of Supply-Right Axis

Source: AF&PA, FBA

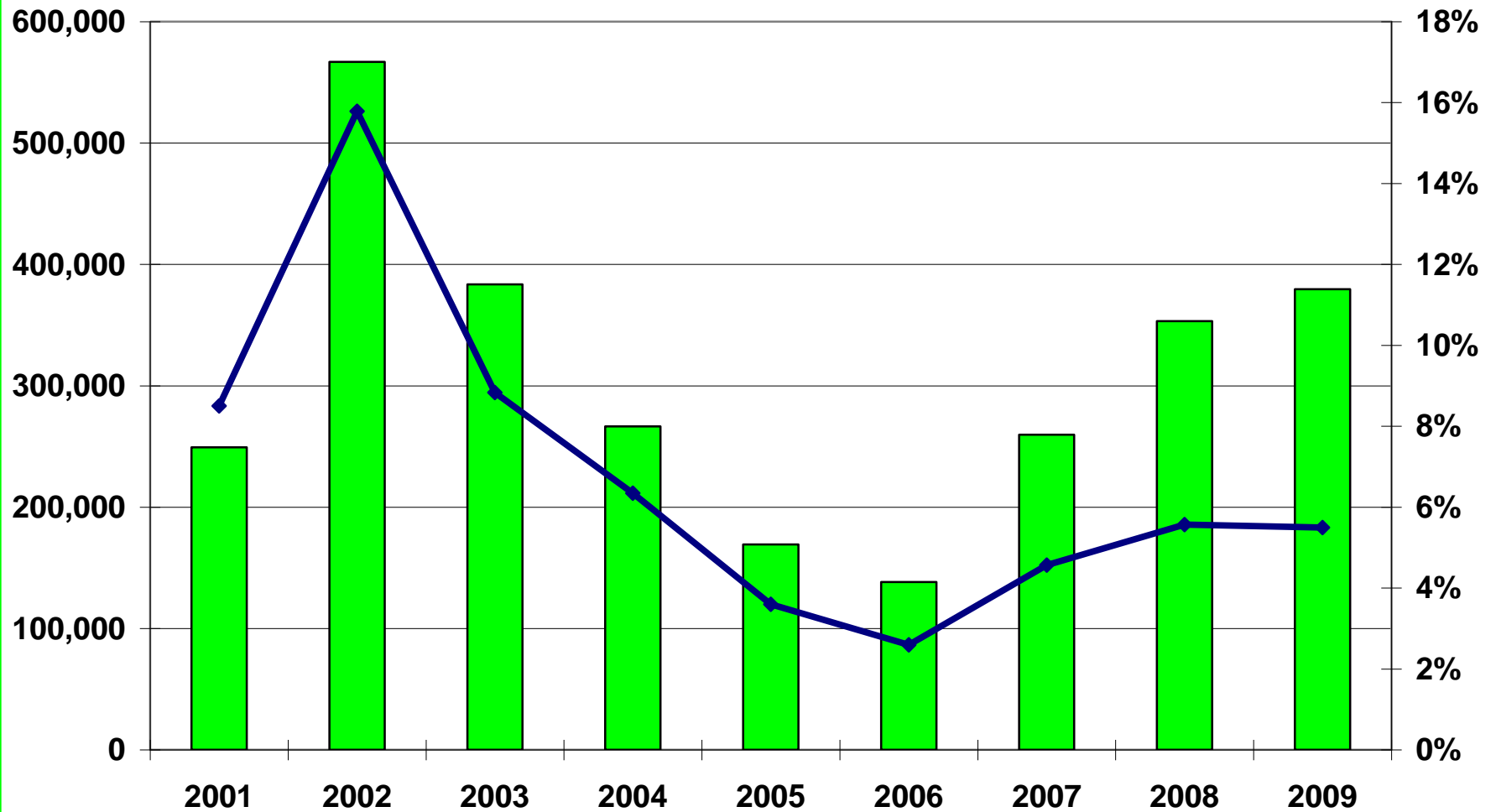
US OCC Consumption



US OCC Exports



Mexican Imports of US OCC

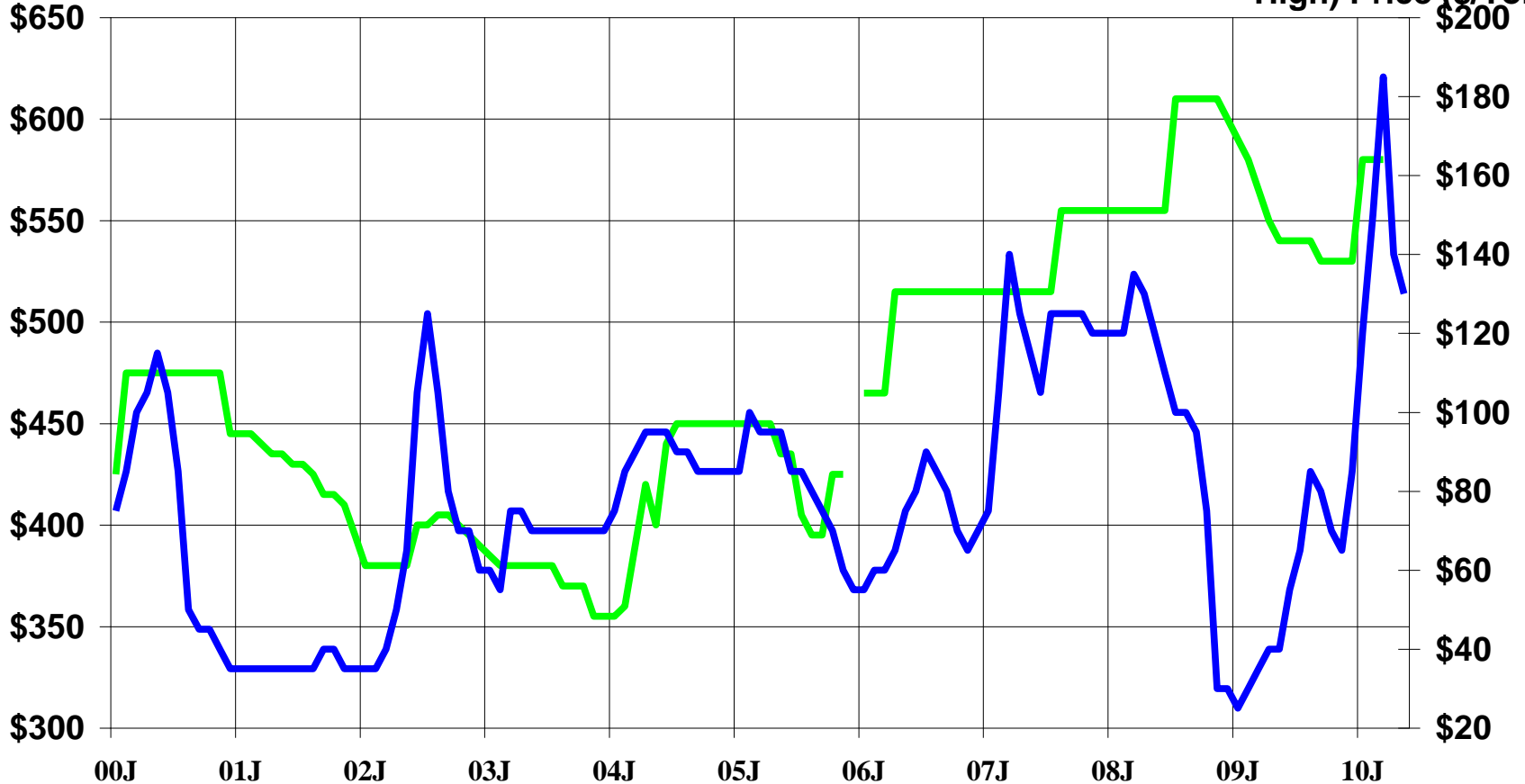


■ OCC Imports ◆ % of Total US OCC Exports

Linerboard & OCC Price Trends

42# Liner (Avg East) Price (\$/Ton)

OCC (Chicago High) Price (\$/Ton)



— Linerboard (Left Axis)

— OCC (Right axis)

Source: RISI

Corrugated Packaging Industry Summary

- Demand stronger – nearing cycle peak
- Inventories at historical lows
- OCC Price Spike Abating
- Linerboard exports not easing
- Operating rates reaching 95%

THANK YOU

 *Richard Storat & Associates, Inc.*
5050 Blue Church Road, Coopersburg, PA 18036

Dick Storat
President

Office: 610-282-6033
Fax: 610-282-1577

Cell phone: 847-867-1521
Email: storatre@aol.com