

Tuesday, June 29, 2004

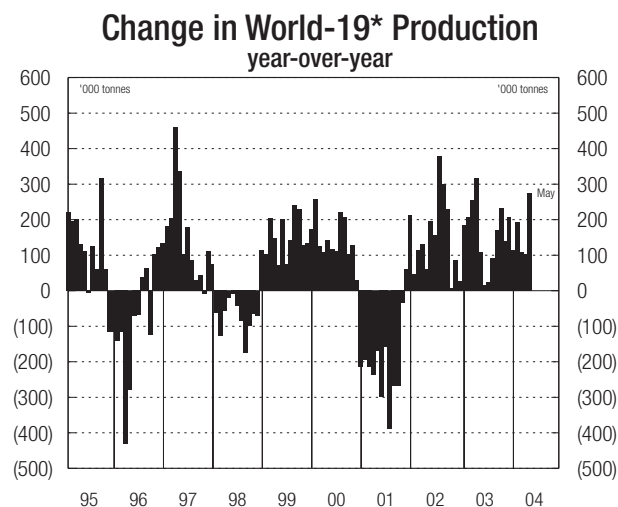
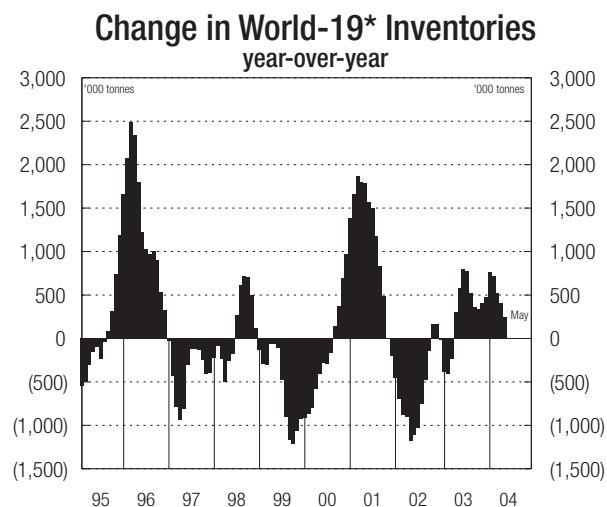
**STOCKS FALL ONLY 14,000 TONNES DESPITE STRONG SHIPMENTS;
BLAME PRODUCTION — AGAIN!**

Despite relatively strong shipments during May (3,142,000 tonnes), producers' inventories fell only 14,000 tonnes to 3,397,000, as mills in aggregate took much less downtime than they had intended (185,000 tonnes). While virtually all of the downtime was maintenance-related; swing mills and delayed outages caused the operating rate to reach 94%, versus 88% a year ago. Producers' days' supply rose to 33, up from 32 a month earlier; this was despite the decline in stocks and stronger shipments. The ten-year average change for producers' stocks is a decline of 123,000 tonnes (1994–2003). At the end of May, stocks were still 246,000 tonnes higher than a year ago, but falling rapidly in 2004.

Year-over-year, production rose by a significant amount (+275,000 tonnes) to reach 3,127,000 tonnes, despite what had been reported in terms of maintenance downtime.

Compared to April, production was higher by 45,000 tonnes in May. The fact that NBSK prices held up in May (despite stronger supply), and have continued to rise in June, indicates strong demand led by recovering economies.

While many customers decided to buy ahead of the June 1 price increase, while experiencing robust to strong consumption due to seasonal demand, shipments to most regions were up in May versus April — with the exception of Japan and Asia/Africa, as customers there appeared to draw a line in the sand and indicate that planned June price increases were not welcome. Besides, several customers had decided to work off some of their hardwood inventories, having purchased large amounts earlier in the year. Shipments to North America rose to 649,000 tonnes, up 48,000 versus April; Western Europe, 1,383,000 (+110,000); Eastern Europe, 55,000 (+10,000);

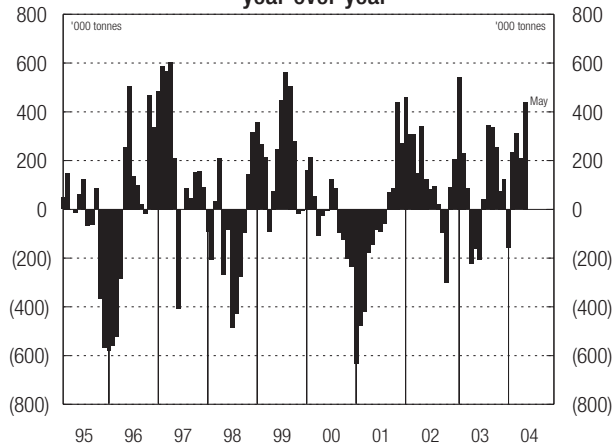


*World-19 includes Canada, the U.S., Sweden, Finland, Norway, Argentina, Austria, Brazil, Chile, France/Belgium, Japan, South Korea, South Africa/Morocco, New Zealand, Portugal, Spain, and Swaziland as released by the PPPC.

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Change in World-19* Shipments year-over-year



Latin America, 183,000 (+21,000); Japan, 210,000 (-8,000); Asia/Africa, 622,000 (-10,000); and Oceania, 40,000 (+14,000).

Bleached softwood kraft shipments reached 1,649,000 tonnes, up 111,000 versus April and up 287,000 versus May/03, which appears to indicate clearly the relative strength of today's market for this grade. Bleached hardwood kraft shipments reached 1,331,000 tonnes, up 67,000 versus April and up 135,000

versus the year-ago result. Even demand for hardwood is stronger than last year, in part because the price relative to softwood is \$100 less on average, spurring consumers to use more of it.

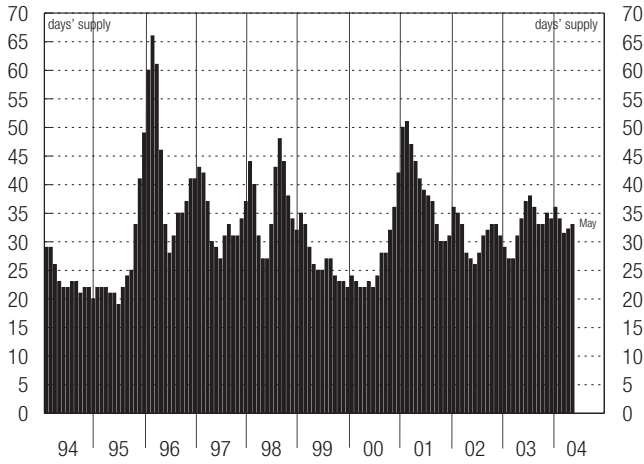
Bleached softwood kraft stocks rose 33,000 tonnes in May to 1,589,000, while hardwood fell 51,000 to 1,531,000. UKP stocks rose 5,000 tonnes to 209,000, while sulphite inventories fell 2,000 to 68,000.

In Q2/2003, rising producers' inventories — due mainly to soft demand — caused prices to edge down. Obviously, consumers would like to see a repeat of this going into Q3. NBSK prices were still rising at the end of June, according to the latest FOEX release. The NBSK PIX increased by \$2.99 to \$661.68. However, the PIX for NBHK fell by \$1.93 to \$556.01.

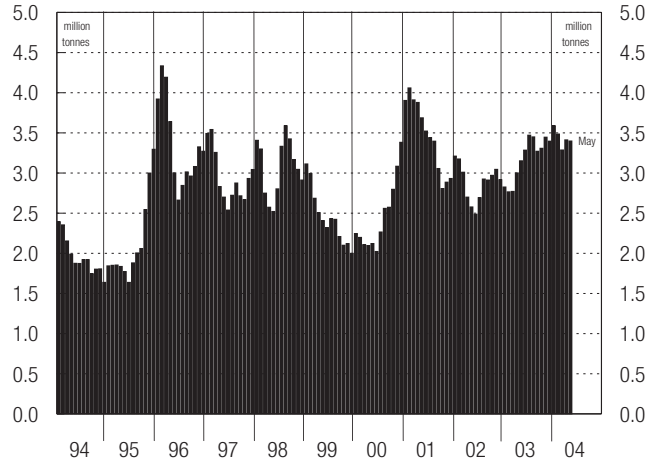
The bottom line is that, even though producers' inventories declined, the drop was barely noticeable. Consumers will probably want to view the results as a victory for their side. Nonetheless, NBSK prices continue to rise, in spite of swing capacity aimed at taking advantage of much stronger softwood yields in comparison to those for hardwood, as well as delayed maintenance outages.

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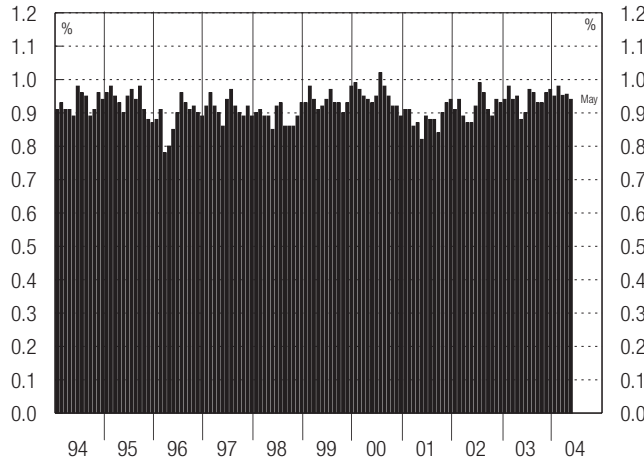
World-19* Pulp Days' Supply



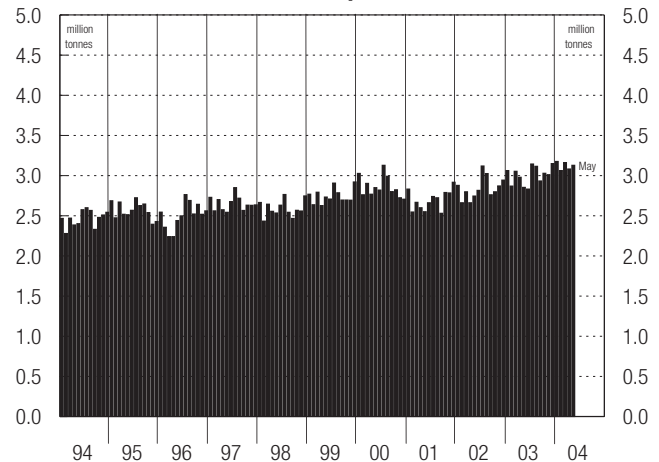
World-19* Pulp Inventories



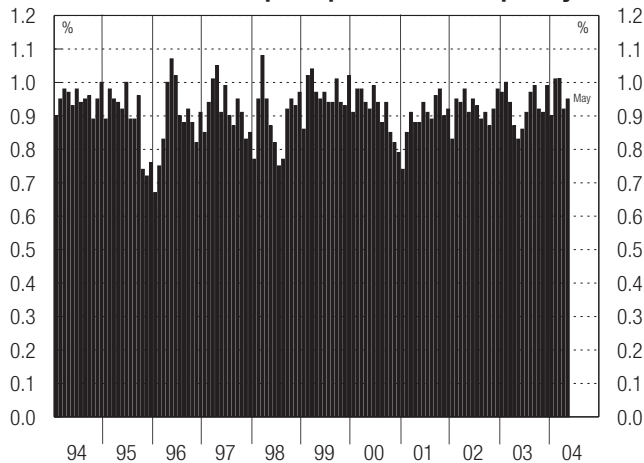
World-19* Pulp Operating Rate



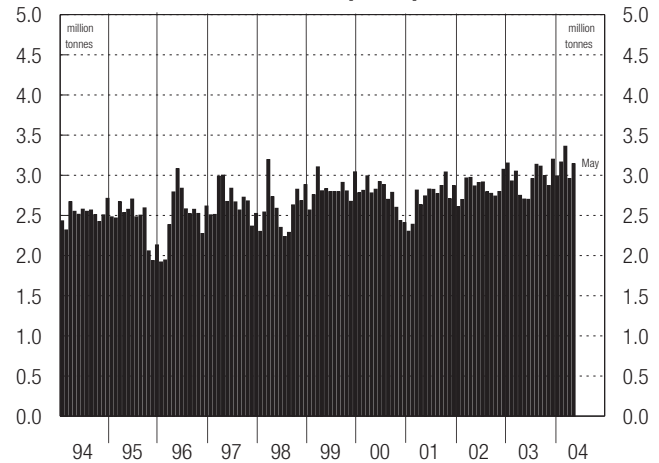
World-19* Pulp Production



World-19* Pulp Shipments-to-Capacity

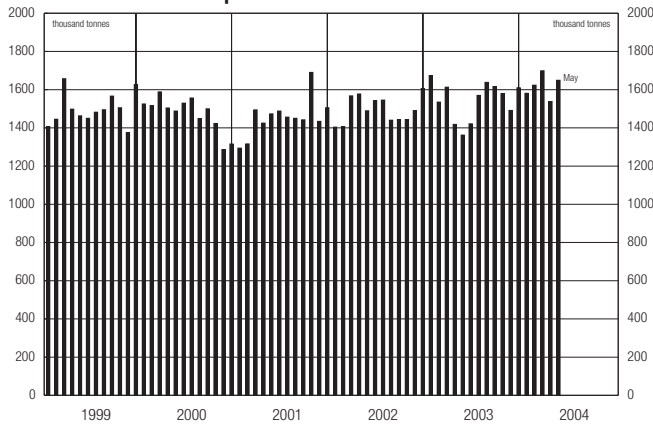


World-19* Pulp Shipments

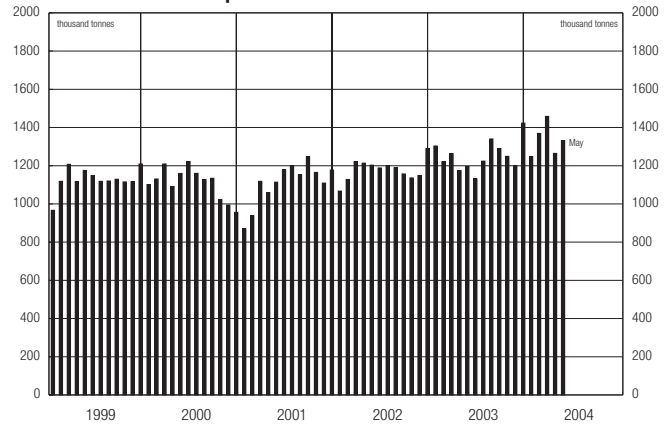


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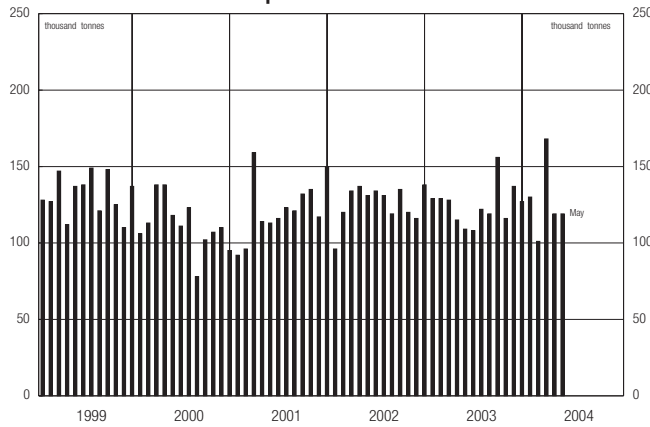
World-19* Shipments of Bleached Softwood Kraft



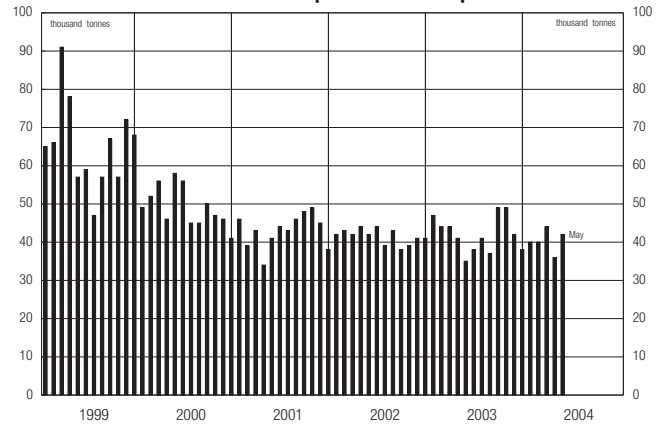
World-19* Shipments of Bleached Hardwood Kraft



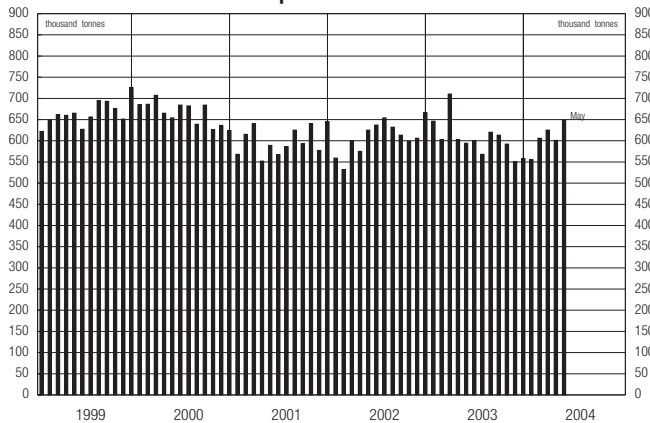
World-19* Shipments of Unbleached Kraft



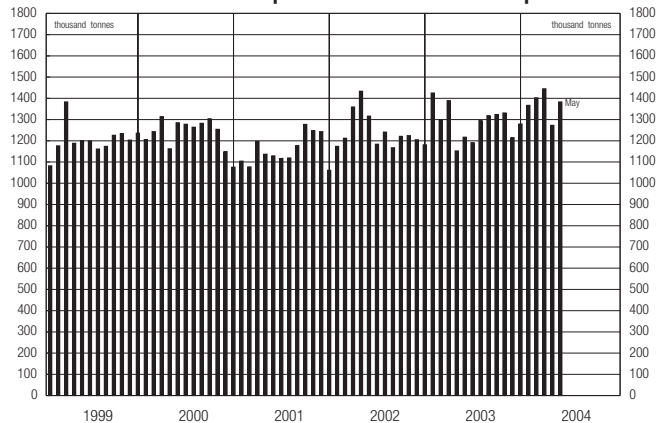
World-19* Shipments of Sulphite



World-19* Shipments to North America

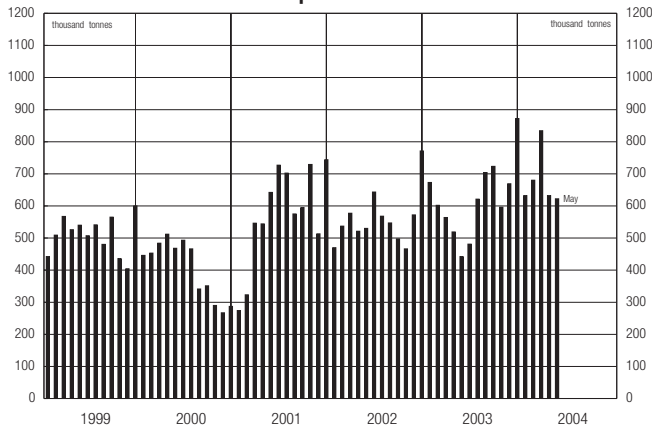


World-19* Shipments to Western Europe

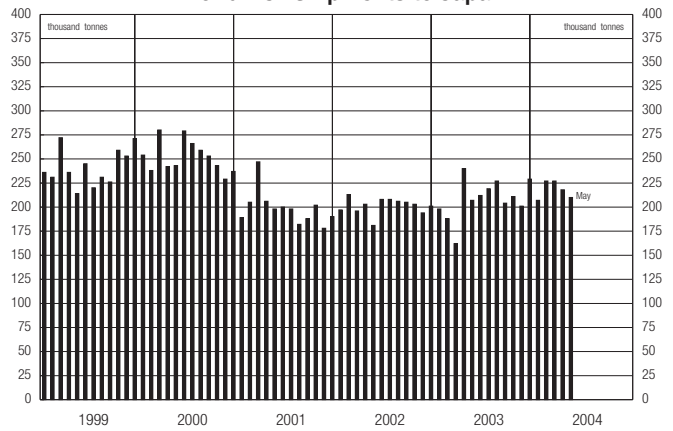


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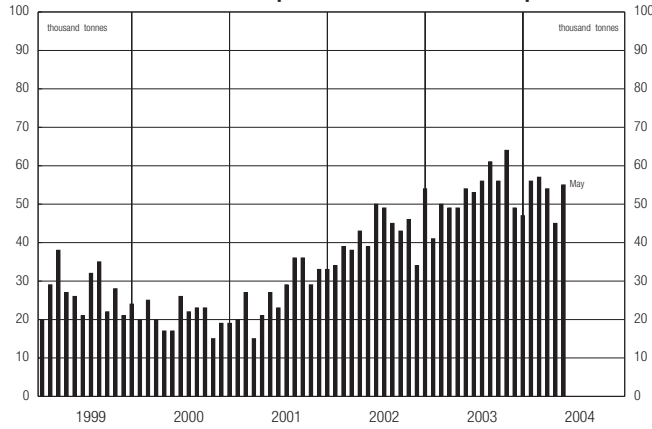
World-19* Shipments to Asia/Africa



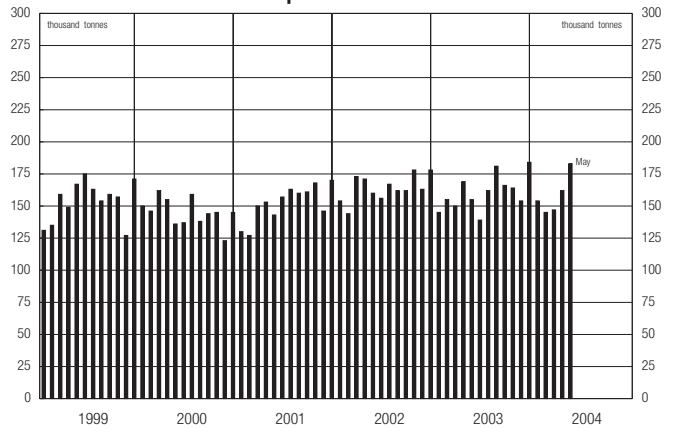
World-19* Shipments to Japan



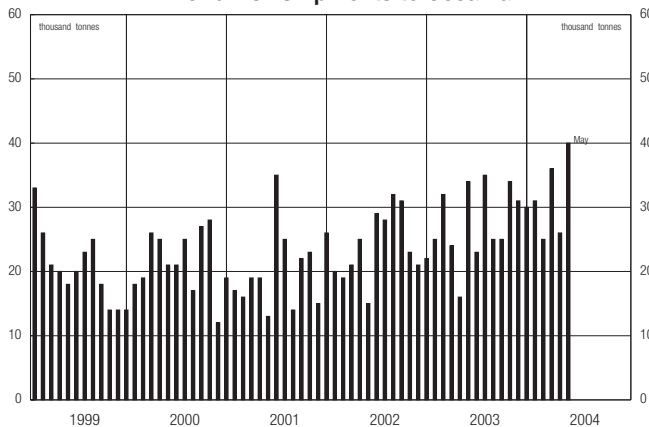
World-19* Shipments to Eastern Europe



World-19* Shipments to Latin America



World-19* Shipments to Oceania



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