

## Recovered paper price assessments

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RISI



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## Agenda

- Help you understand what RISI/PPW/OBM prices represent, how they are determined
- Clear up misconceptions
- Explain current process improvement initiative

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## About RISI

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## About RISI



- The leading information provider for the global forest products industry
- Covering all sectors of forest products: timber, wood products, fiber, paper, packaging
- Relied on by more companies in more parts of the value chain than any other source
- Global
- Independent

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## RISI's recovered paper services

Price assessments	PPI Pulp & Paper Week (incorporating OBM/The Yellow Sheet) Weekly export prices (RISI Index)
Procurement cost benchmarking	Bench\$mart
News	Pulp & Paper News Service
Forecasts	World Recovered Paper Monitor (monthly) 5-Year Forecast
Data	Mill Asset Database (including recovered paper consumption)

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## Weekly RISI Index export prices

- Published weekly
  - Based on actual transactions
  - Objective calculation method
  - Separate from PPI Pulp & Paper Week
  - Free for data contributors
- Grades:
- OCC
  - Mixed paper
  - News
- Locations:
- Los Angeles, FAS
  - New York, FAS

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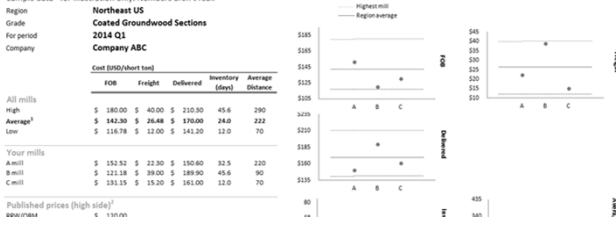
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## RISI Recovered Paper Procurement Cost Benchmarking (Bench\$mart)

- Quarterly report of actual average mill FOB and delivered costs.
- Reflects mills representing ¾ of RCP mill consumption

RISI Recovered Paper Procurement Cost Benchmarking (Bench\$mart)

Sample data - for illustration only. Numbers aren't real.



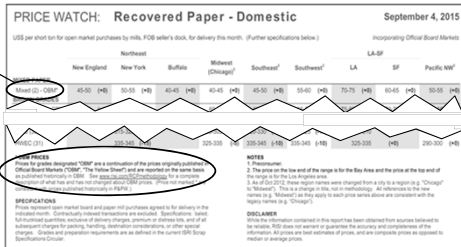
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## Monthly Price Watch

PPI PULP & PAPER WEEK

Mixed (2) – OBM\*

\*OBM PRICES  
Prices for grades designated "OBM" are a continuation of the prices originally published in Official Board Markets ("OBM", "The Yellow Sheet") and are reported on the same basis as published historically in OBM.



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## RISI's recovered paper price assessments

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## History of recovered paper price assessments

1993	PPI Pulp & Paper Week (PPW) started reporting recovered paper prices
2012	RISI acquired Official Board Markets (OBM/The Yellow Sheet) Overlapping PPW and OBM price series rationalized
2012	RISI acquired Bench\$mart and Fore\$ight from Bill Moore
2013	Introduced RISI Index weekly export prices
2015	RISI Indices separated from RISI Analytics Implementation of IOSCO standards for commodity price reporting

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## What prices represent

RISI's assessment of the open market price for purchases by mills, excluding premiums, based on actual transaction prices and supporting data gathered from a systematic survey of buyers and sellers that has been rigorously evaluated.

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RISI's **assessment** of the open market price for purchases by mills, excluding premiums, based on actual transaction prices and supporting data gathered from a systematic survey of buyers and sellers that has been rigorously evaluated.

Structured decision-making based on data with judgment applied in specific ways (described in methodology)

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RISI's assessment of the **open market price** for purchases by mills, excluding premiums, based on actual transaction prices and supporting data gathered from a systematic survey of buyers and sellers that has been rigorously evaluated.

Open market price = price based on negotiation

Spot transactions	Included
Contract/recurring – negotiated	Included
Contract/recurring – indexed/formula	Excluded

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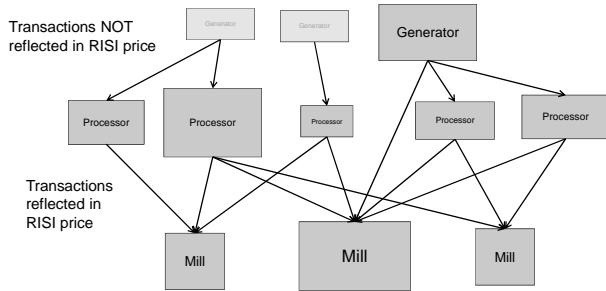
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RISI's assessment of the open market price for **purchases by mills**, excluding premiums, based on actual transaction prices and supporting data gathered from a systematic survey of buyers and sellers that has been rigorously evaluated.



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RISI's assessment of the open market price for purchases by mills, **excluding premiums**, based on actual transaction prices and supporting data gathered from a systematic survey of buyers and sellers that has been rigorously evaluated.

Price assessments exclude market-wide premiums that may prevail in a given region.

To maintain consistency over time, RISI reports gross prices that *hold the premium constant* from month to month.

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RISI's assessment of the open market price for purchases by mills, excluding premiums, **based on actual transaction prices and supporting data** gathered from a systematic survey of buyers and sellers that has been rigorously evaluated.

Actual transaction prices form the bulk of data in each assessment; supporting data like price offers made or received is used to support transaction data where necessary. (Forecasts/speculation NOT included.)

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RISI's assessment of the open market price for purchases by mills, excluding premiums, based on actual transaction prices and supporting data gathered from a **systematic survey of buyers and sellers** that has been rigorously evaluated.

Thorough representation of the market, including:

- both buyers and sellers
- range of players from small to large

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RISI's assessment of the open market price for purchases by mills, excluding premiums, based on actual transaction prices and supporting data gathered from a systematic survey of buyers and sellers that has been **rigorously evaluated**.

Assessment procedures include evaluation, verification, weighting and aggregation, plus confirmation of the assessment by a supervising editor

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## How we ensure accuracy

- Independence of RISI
- Thorough representation: buyers and sellers, large and small players
- Ensuring input from a large number of contacts (players representing a majority of recovered paper tonnage included)
- Multiple assessors involved
- Market review
- New measures in 2015 based on IOSCO standards:
  - Sign-off of each assessment
  - Quality assurance review
  - External methodology audit

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## Implementation of IOSCO's PRA Principles

- IOSCO study of oil price reporting produced Principles for Oil Price Reporting Agencies (PRAs)
- RISI chose to adapt Principles to its markets
  - More detailed reporting methodology (including more detail about how different types of data are used, how judgment is applied)
  - [www.risi.com/pricemethod](http://www.risi.com/pricemethod)
  - Variety of new process controls
- *What isn't changing*: Basics of what we are measuring and how; continuity of price assessments
- *What is changing*: Greater consistency and transparency

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## Specifications

- "Open market prices" = all transactions except contracts tied to a published index
- Timeframe: transactions in the month to date (prices published on the 5<sup>th</sup> of the month)
- Gross price (i.e. NOT including premiums)
- Deals for delivery in the indicated month
- Domestic: Mill purchase price, FOB seller's dock
- Export: FAS
- Baled
- Arm's-length transactions (i.e. no internal transfers)
- Full truckload quantities
- Standard quality; no distressed lots

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## Challenges

- Over-reliance on published price index as price setting mechanism (at the processor-to-mill level)
- Bidding up premiums
  - Everyone can't be above average

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## All market participants are invited to be data providers

- Help ensure price assessments reflect your experience of the market
- Participation is strictly confidential

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## Thank you!

Person	Area	Contact info
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