

Verso paper mill idling

Drafted By:

DNR Forest Products Services

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Overview:

On June 9, Verso announced idling of their Duluth, MN and Wisconsin Rapids, WI pulp and paper mills by the end of July 2020, leading to a loss of approximately 1,000 jobs at the two facilities. The Wisconsin Rapids Mill has the capacity to make 540,000 tons of graphic paper used in commercial printing, media and marketing applications. This mill is a major user of hardwood and softwood pulpwood. The mill is being idled indefinitely with potential plans to reopen in better market conditions or sell the mill. This announcement follows a recent change in species mix from hardwood to softwood in April due to COVID-related decline in market demand and internal sourcing needs across sister mills. Furthermore, graphic paper demand has steadily declined since the mid 2000's. Recently, demand has fallen 38% since April 2019, and producers are expected to operate below 70% capacity through the second quarter of 2020 (RISI markets).

In 2019, the Wisconsin Rapids mill employed 915 workers. The company notified Wisconsin Department of Workforce Development of 900 potential layoffs at the Wisconsin Rapids location. This mill represents one of the largest employers in the community of Wisconsin Rapids and in Wood County. Conservatively, it is estimated that the mill represents 10-15% of the total roundwood consumption in the state, and 25% of over two million cords processed by pulp mills in Wisconsin. This idling will negatively impact the regional economy and pulpwood suppliers (i.e. loggers), and both public and private forest owners will face challenges with marketing pulpwood.

Other Information:

Verso Press Release: [Verso Announces Necessary Actions to Offset Unprecedented Market Decline Due to COVID-19](#)

Market Watch: [Verso to lay off more than a quarter of its employees as its idles mills in Minnesota, Wisconsin](#)

Verso Supplier Letter:



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June 9, 2020

Dear Verso Fiber Supplier:

Verso just publicly announced that we are taking immediate actions to offset unprecedented market decline due to the COVID-19 pandemic and to reposition the company for future success.

It is critical we maintain a healthy balance sheet and focus on cash flow, while balancing our supply of products and our customers' demand. After a comprehensive review of post-pandemic demand forecasts and capacity, we made the difficult decision to indefinitely idle our paper mills in Duluth, Minnesota, and Wisconsin Rapids, Wisconsin, while exploring viable and sustainable alternatives for both mills, including marketing them for sale, restarting them if market conditions improve, or closing them permanently. Verso expects to idle the Duluth Mill by the end of June, and the Wisconsin Rapids Mill by the end of July.

As you are well aware, North American printing and writing paper has been in secular decline, and the COVID-19 pandemic has accelerated that decline over the last few months. According to Fastmarkets RISI, North American printing & writing demand fell by 38% year-over-year in April, and operating rates are expected to drop well below 70% during the second quarter.

Our fiber suppliers are always top-of-mind as we implement these types of decisions that have an impact your business. We are counting on and appreciate your continuing support as we idle the mills in an orderly manner. Please work with your local mill fiber procurement contacts to address these sudden changes in our fiber supply requirements.

Sincerely,

A handwritten signature in black ink that reads 'James Contino'.