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BOARD CONVERTING NEWS™

An N.V. Publication

Converters' Outlook 2011

Acme Corrugated

Hatboro, Pennsylvania: Bob Cohen reports, "As I write this I have just finished reading a RISI article on containerboard. It seems that paper inventories are rising but the market remains in balance (a slight reduction in operating rates reflect the over supply concern). The statistics seem to point to a surprisingly strong November with box shipments up 2.8 percent for November (from last November's results) and 3.4 percent for the year. This mirrors the activity our company has seen in November.

"It's hard not to forget that the numbers are still off over 9 percent from the period of 2007-2009. Yet some industry economists are predicting a 2 percent decline for next year. It's hard for me to be that pessimistic when December's business activity remains strong.

"Part of my optimism is based on the new political

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realities in Washington. It is also based on the belief that you can only hold down the American spirit, American entrepreneurial impulses and our economic engine for so long. From our view we see increased activity across all industrial sectors with some customers being busier than any time since the 2007-2008 downturn.

"There is no doubt that our national debt situation is a mess. Dealing with entitlements and government largess will take more than the few 'Tea Party' members now in Congress. It will take huge sacrifice. Something everybody wants someone else to do. Do we have the strength, as a nation, to do what's necessary to avoid being the next Greece? (I believe that

our debt to GDP is around 83 percent. Greece is at 115 percent. China is about 18 percent).

"Historically high debt, the increasing risk of state insolvency, the relatively weak dollar, higher commodity prices, gold at an all time high, all while supporting two wars calls into question whether our political leaders have the foresight and the political will to avoid the crippling inflation that remains a possibility. As someone who lived through 18 percent interest rates, I shudder to think of the impact inflation may have on our fragile economy.



"In the same issue of RISI, it was rumored that Smurfit-Stone may be a merger or acquisition candidate. Most independents are concerned about the further concentration of the means of supply. It can mean artificially moving prices upward without a clearly defined basis (i.e. the last unrealistic attempt in October 2010). Yet removing a marginal player like Smurfit-Stone will help all of us be more profitable.

"Over the years many of my company's immediate competitors have been purchased, have merged or have just disappeared. The regional operators that have survived are normally the best of the group; I guess you could call it a form of economic Darwinism. I think it is a strength to compete with 'better operators.' So it seems to follow that if the assets of Smurfit-Stone were purchased by one of the more thoughtfully managed integrated companies, the market would see needed converting plant rationalization and a change for the better.

"Last year I wrote, 'At Acme we embrace change. Continuous improvement guides all our actions. Improvement is measured on every level-process, operational, personnel, direction. This year we are

planning a major upgrade to our existing corrugator, new software applications, and a continuation of our extensive employee training programs. Investment in infrastructure-people, equipment, and technology are high on our agenda for 2010.

“There is very little I would change in that paragraph today. It clearly spells out where our company’s priorities lie. With the exception of the corrugator upgrade, which we completed this summer, everything else is moving forward with very little let-up.

“Among the things already put in motion are leader-

ship and basic business classes for all employees, English as a Second Language conducted at our site, and wellness training (and responsibility) to meet the burden of ever increasing health care costs. On the technology side, we are implementing Amtech’s Mobile Force to enhance the ways information is provided for our sales group and our shipping department. We are also considering a major upgrade in our scheduling software with CTI. So as you can see, we view 2011 in similar terms to 2010 - moving forward optimistically no matter what barriers we encounter!”