



Pulp&Paper • News&Trends • Your JANUARY Newsletter

First Price Reductions for Pulp

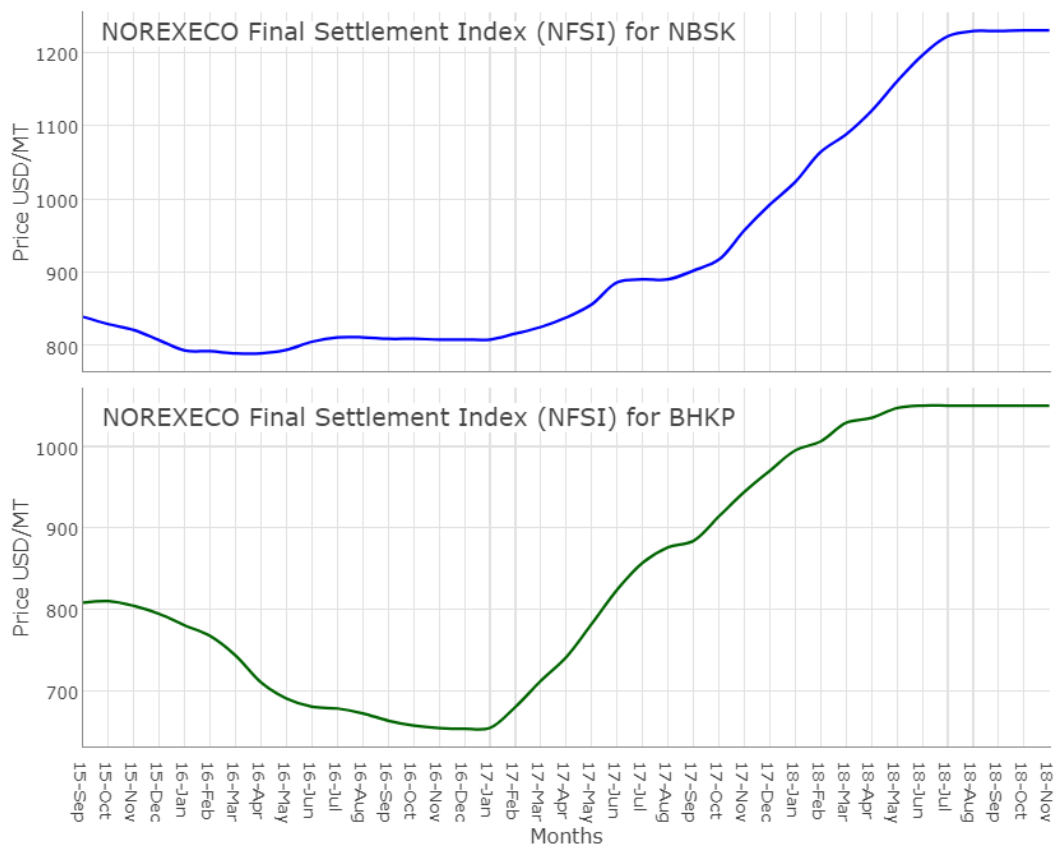
Prices have started to move in the pulp market. After a long period of continuously rising and then stable pulp prices, the trend has now started to turn around. The market is witnessing what nobody expected to see before the end of the year: prices of northern bleached softwood kraft (NBSK) pulp are yielding in Europe. Converters, as well as, some suppliers report signing contracts in November at lower prices than the month before. However, these cuts were not yet seen across the whole market. Several producers report having defended the existing price in November and granted discounts only in December. The price trend for eucalyptus pulp also turned around in November. In many contracts, prices were reduced, while several deals were still transacted at unchanged prices.

Containerboard Prices Continue to Spiral Lower in Italy

Prices for brown recycled containerboard continued to decline in Italy in December, and white-top testliner and brown kraftliner started to reduce as well. While prices for brown kraftliner from the USA had been coming down in Italy for three months now, European grades were able to resist a bit longer. Expert reported "limited" reductions for European kraftliner deliveries in December, but buyer and sellers confirmed additional price cuts for January deliveries.

Buckman Announces Paper Chemicals Price Increase

Buckman has announced global price increases between 15% to 20% for its paper division that will be effective in January. The increases are being driven by rising raw materials, constraints from supply chain tightness and growing challenges associated with freight costs.



Coated Papers Market

One of the major drivers for this market is growth in packaging industry, in particular the increase in demand for flexible packaging. The global packaging market is expected to grow at a CAGR of 4.56% and will reach \$1.1B by 2020. The latest trend gaining momentum is cost-effective biodegradable packaging driven by the change in consumer attitudes and the increasing preference for eco-friendly packaging materials.

Global Demand for Paperboard Cups and Lids to Grow 4% Annually to \$10.2B in 2022

Paperboard usage will continue to grow, in particular in the Asia/Pacific region for foodservice and instant noodle packaging.

Nanocellulose Technology Market to Witness Massive Growth by 2023

The key players are highly focused on innovation to improve efficiency and shelf life. The best long-term growth opportunities for this sector can be captured by ensuring ongoing process improvements and financial flexibility to invest in the optimal strategies. The main players are Borregaard, UPM, CelluForce, American Process, Nippon Paper, Axcelon Biopolymers, Innventia AB, Melodea, Oji, Stora Enso, Sappi. The global

nanocellulose technology market can be divided into CNF (Cellulose Nano Fibrils), CNC (Cellulose Nano Crystals), BNC (Bacterial Nano Cellulose), & Industry Segmentation (Composites Manufacturing, Paper Processing, Food and Beverage, Paints and Coatings, Medical and Pharmaceutical, Personal Care).



Americans are ‘Obsessed’ with Paper Towels

The privilege of buying 36 rolls of toilet paper at once. No other nation even comes close: France, the runner-up in nationwide spending only purchased about \$635M worth of paper towels in 2017, and the U.K., Germany, and Italy rounded out the top five paper-towel-buying countries.

According to the market-research firm Euromonitor International, global spending on paper towels for consumer (use at home) added up to about \$12B in 2017, and Americans accounted for about \$5.7B. The U.S. spends nearly as much on paper towels as every other country in the world combined. Of course, the U.S. has the largest population on that list. However, the average American spent \$17.50 on paper towels in 2017. The closest country is Norway with \$11.70 per person.

Based on Nielsen, another market-research firm, “homes with higher relative incomes rely more heavily on disposable options like paper towels.” To sum up, Americans use so many paper towels because they can afford to.

Fragmenting US Tissue Industry

The comparison between 2008 and 2018 confirms that the US tissue industry is now more fragmented than 10 years ago. The 3 largest companies had a capacity share of 70% in 2008, however this was reduced to 62% in 2018. The share of the 5 largest firms dropped from 81% to 75%. Fragmentation is likely to continue in the foreseeable future.

Based on currently known committed capacity changes, in 2020 the top 3 companies will have a share of circa 59% and the top 5 of 72%.

New Investment Change the US Regional Industry Concentration

New investments are heavily concentrated on private label consumer tissue. For instance, of the nine new machines starting up in 2018-20 not a single PM is focused on AfH products. The technology used is also relevant. Four of the new PMs are TAD and three are equipped with the possibility to make textured NTT tissue. Thirdly, many investments have targeted regions with the highest growth in population and economy with the US South/Southeast region having been the main winner and the US Midwest region the main loser.



Orchids Paper: Toilet Paper never Looked so Dirty... Bankruptcy?

The hygienic paper industry has been the worst it has ever been for producers for a couple of years now, and it keeps getting worse for Orchids Paper. Analysts believe the equity is worthless and the banks will not extend Orchids' deadline for a sale of its assets. Each 2018 quarter, Orchids Paper has had a consecutively worse financial performance. For the past two quarters, Orchids' gross margin was almost 0%.

Andritz offers Metris addIQ control systems

Andritz has launched the Metris addIQ, a digital control system for separation applications which enables users to analyse and optimise processes.

Plastic, Be Gone! Unilever Developing Better Sachets

Unilever to invest €100K in crowdsourced alternative to plastic packaging that has the potential to replace single-use sachets of laundry powder, a popular format for laundry detergents in the developing world that is problematic in terms of plastic waste. It can provide an affordable solution for low-income consumers in developing markets. The chosen idea was one of 10 new solutions to emerge from Unilever's "Rethink Plastic" Hackathon, a one-day event that brought together Unilever teams with leading designers, innovators, venture capital and packaging experts. The Hackathon was hosted in partnership with One Young World — the premier global forum that connects young leaders to create lasting positive change around the world; and A Plastic Planet,

an international campaign with a single goal to ignite and inspire the world to turn off the plastic tap.

Unilever has recently joined a number of collaborative efforts towards driving system-wide packaging solutions, on its way to making 100% of its plastic packaging fully reusable, recyclable or compostable by 2025.

M&A Activity / Investments

- **Asaleo** Care sells Handee, Sorbent, Deeko to **Solaris** Paper for \$180M
- **APP** signs corrugated container joint venture agreement with Japan's Oji Holdings
- **Stora Enso** and **Sulapac** partner to create biodegradable straws
- **Zeus** acquired **Aldar Tissues**, Ireland
- **Kadant** acquired **Syntron Material** Handling for \$179M
- **Kimberly-Clark** (K-C) to close Conway paper facility affecting around 350 jobs, and future in Corinth is still unclear
- **Stora Enso** makes an environmental investment of €22M in an expansion of the existing water treatment plant in Sweden
- **SureWerx** acquires Jackson Safety® and Wilson brands from **K-C**
- **ABC Tissue** Products for sale? Will they find a buyer willing to pay 10x earnings? They are the second largest maker and wholesaler of tissue or sanitary paper in Australia and its brands include Quilton toilet paper, Naturele hand towels and Symphony tissues
- **UPM** plans to invest €2B in a new pulp mill in Uruguay
- **Stora Enso** considering 500 temporary layoffs at Oulu, in Finland, as it looks to reduce production in response to weak market conditions for woodfree papers

New Developments

- Valmet to deliver key pulp mill technology for ARAUCO's new pulp line in Chile
- Valmet to supply a new brown stock washing and screening line to Sappi in South Africa
- Valmet receives second tissue line order from Century Pulp and Paper, India
- Andritz started up turnkey tissue production line at Bashundhara Paper Mills, India
- A.Celli Paper will deliver a second high performance E-Wind® P100 rewinder to Dongguan Jintian Paper, China
- Andritz to upgrade thermo ground wood line at Melhoramentos Florestal, Brazil
- Lucart started up a Toscotec tissue machine at its Porcari mill, Italy. Lucart's production capacity is c. 400K tpa on 12 continuous machines and 65 converting lines
- Voith installs a VariFlex™ winder at Copamex mill in Chihuahua, Mexico
- Voith modernised paper machine at Ahlstrom-Munksjö in Jacareí, Brazil
- Four Toscotec tissue machines began production at APP's OKI mill, Indonesia

- Andritz to supply process technology for fiberline modernization to Iggesund Paperboard, Sweden

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