



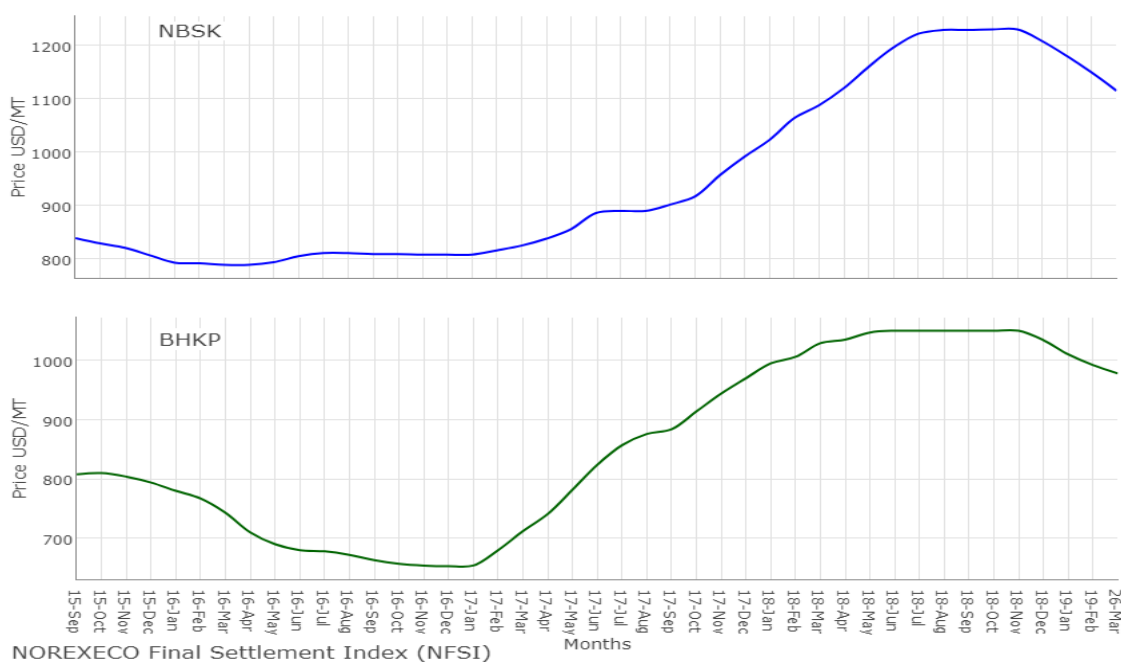
Pulp&Paper • News&Trends • Your March Newsletter

Pulp Prices are Finally Levelling

The gap between BSKP and BHKP prices in Europe is abnormally wide and will gradually normalise as the substitution of BSKP by BJKP accelerates and forces the gap down. If the BSKP prices do not fall enough, BHKP prices may stay on the current level a little longer.

Some Sawmill Residues Prices are Down to 2009 Level

Suppliers and buyers reportedly agreed on price cuts in April. The last time sawmill residues were selling at a similarly low level of prices was in September 2009; a comparably sharp turning point last arose from the first to the second quarter of 2014. Aside from the latest new contracts, there are also various long-term contracts with terms of one to three years in which the lodged prices are considerably higher than those in the latest agreements. According to market players, the decisive factors behind the most recent cuts in prices were a very high supply of sawmill residues and an extremely high supply of industrial wood as well.



Packaging Investors Saw \$3B Wiped Out in One Hour

In the face of disappointing March data, the S&P 500 Containers & Packaging Industry Index (S5CONP) dropped as much as 4.5% on May 16, and fell below its 50-day moving average for the first time since early January. It was the worst single day for the benchmark since mid-Dec., and trading volume was above average too. A decline in box shipments is the main takeaway from the March box data. The consensus among analysts right now is that that'll show still another price cut.

No Relief on the Way for Printing Paper Prices

Printers expecting a reversal of the price hikes from last year are doomed to disappointment as industry Pulp & Paper Edge predicts they'll hold steady at best or even rise again this year. Tim Woods predicts that prices for printing and communication paper grades will not be going down in 2019, with importers and overseas mills feeling the squeeze from sustained input price pressures.

No Change in Sack Kraft Paper Price in Germany

The German sack kraft paper market eased a little during the course of the first quarter, with lead times becoming shorter as a result. No movement has occurred on the price front going into the second quarter after another round of mark-ups took hold with effect from 1 January. Besides the traditionally weaker demand in the first few months of the year, some market players also pointed to decreasing raw material prices.

Solenis Raises Prices on Some Papermaking Chemicals

Solenis, a global producer of specialty chemicals, is increasing prices on all polyacrylamides and acrylamide monomer across the North America and EMEA regions, with effective in April, given the steep increase of key feedstock material costs. Several unforeseen situations at major acrylonitrile producers have caused a shortage in product availability and significant cost increases.



China's Economic Slowdown and the New Green Regime is Rippling Across the World

According to an estimate by Picket Asset Management more than 1000 smaller pulp and paper mills have been forced to close in China over the last five years thanks to the country's "new-found environmentalism". Moreover, it's anticipated that many more mills will be shuttered over the coming years. Given recent **investments in China**, the production of hygienic paper has dramatically increased, thus projecting the country as the **largest market in the world**. In addition, the **quality has improved** reaching high standards.

What do these seismic changes to the Chinese pulp & paper industry mean for western businesses who struggle to compete with Asian rivals on price?

Historically the three main requests from customers were the price, quality and service. However, in recent years the market has seen a fourth request, which is committed to the environment.

At the moment many Western businesses may have the upper hand over rivals on the other side of the globe when it comes to abiding by stringent environment standards, but as the Chinese government continues its clampdown on high polluting industry sectors, we could see this vital point of difference erode over the coming years. In addition, if a tissue producer or retailer can claim to use sustainable solutions in the production or the source of goods, it can make a further difference by using sustainable solutions in the delivery and the whole supply chain. Consumers will become more and more conscious about **sustainable solutions and carbon footprint products**. Moreover, the quest for carbon neutral tissue is vital and possible.

Premium Quality & Private Label are the Trend

The US tissue market is approximately a 9.1m ton market with the retail portion accounting for around 70% of the total. The ultra-premium and premium are almost the same size at c.40% each of the total, leaving 20% for value/economy. In five years, the retail market is forecast to have grown at a rate of ~1%/year. The ultra-premium will be the only segment to grow share. The **premiumsation** trend is bigger in private labels than in brands and will continue to grow. Some forecasts have growth in premium private labels as high as 5-6% per year.

Retail channels have sold most tissue products through grocery (1/3 of sales), mass merchandisers (1/4) and warehouse clubs (1/9) and these together account for nearly 70% of the sales.

Changes are taking place in retailing and new stores are opened by discounters: Aldi, Target, Dollar Tree, Dollar General. Costco and Walmart keep also growing. In terms of **e-commerce** share of sales, it is estimated that 6-7% of bath tissue and paper towels are sold online. Amazon share is over 60% and these sales are mainly based in brands but since 2017 Amazon has been promoting Presto! its private label.

How will the retail environment changes impact tissue products and producers? The private label will steadily increase its share from 25-27% and there will be more demand for premium products.

Eucafluff Expands Businesses in Europe, Asia, and in the United States

Developed by Suzano and resulting from 11 years of research, Eucafluff is the first bleached kraft pulp of eucalyptus fluff type in the world, and is applied in absorbent products as well as personal hygiene products, disposables like children and adult's diapers, sanitary napkins for women, amongst other applications. The key benefits provided by this unique fiber are a higher liquid absorption and retention at product cores and greater comfort and discretion to the end user, such as in the case of application in incontinence pants. These benefits are due to the greater compressibility of the eucalyptus fiber, a feature that has also brought other associated benefits as reduction in packaging size, transportation, and storage costs.



M&A Activity / (Dis) Investments

- Metsä to invest €1.5B in new bioproduct mill in Finnish Lapland
- Ence closes the financing of its solar thermal plant in Puertollano
- Valmet acquires American-based GL&V
- Mitsubishi HiTec Paper continues to invest: new quality control system, environmentally friendly barricade barrier papers for food packaging
- K-C Huggies nappy Sydney factory to close and manufacturing sent offshore
- Fire at K-C in New Milford on April 21, USA

New Developments

- Single-use plastics banned by EU Parliament; and BillerudKorsnäs and ALPLA to join forces to pioneer paper bottles for a sustainable future
- Charmin unveils giant toilet paper rolls that claim to last a month
- DS Smith Tecnicarton designs a more resistant folding cardboard packaging developed an export packaging solution in cardboard with a 5-wave laminated body and folded into a single piece that is stronger and saves time and space
- New gas-tight tray from Stora Enso and AR Packaging
- Softys is the name of the CMPC's tissue in eight countries
- Andritz pulp drying line at ALTRI Celbi, Portugal, achieves **new production world record** of 2,456 admt/d
- Valmet installed the main equipment of board machine-2 (BM-2) at Arkhangelsk PPM plant, which will be the biggest and most advanced board machine in Russia
- Valmet supplies second paper machine to Faderco, in Algeria
- Valmet to supply a containerboard making line with an extensive scope for Papierfabrik Palm, in Germany
- Andritz to supply biomass handling system to Eldorado Brazil
- Andritz starts up new dewatering technology at Zellstoff Pöls, Austria
- A.Celli started up at Yibin Paper, which is using 100% bamboo slush pulp as raw material
- A.Celli delivered another Yankee to Grupo Corporativo Papelera, in Mexico
- A.Celli supplied a winder and rewinder to Spunlace, in Poland
- A.Celli supplies rewinder to Berli Jucker Cellox, in Thailand
- Hergen supplies paper machine to Filar, in Poland
- Hergen supplies a crescent former to a Cipel, in Brazil

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