



Pulp&Paper • News&Trends • Your June Newsletter

US Pulp Prices Drop \$30-40/Ton Amid Aggressive Competition, High Producer Inventory, China 'Collapse'

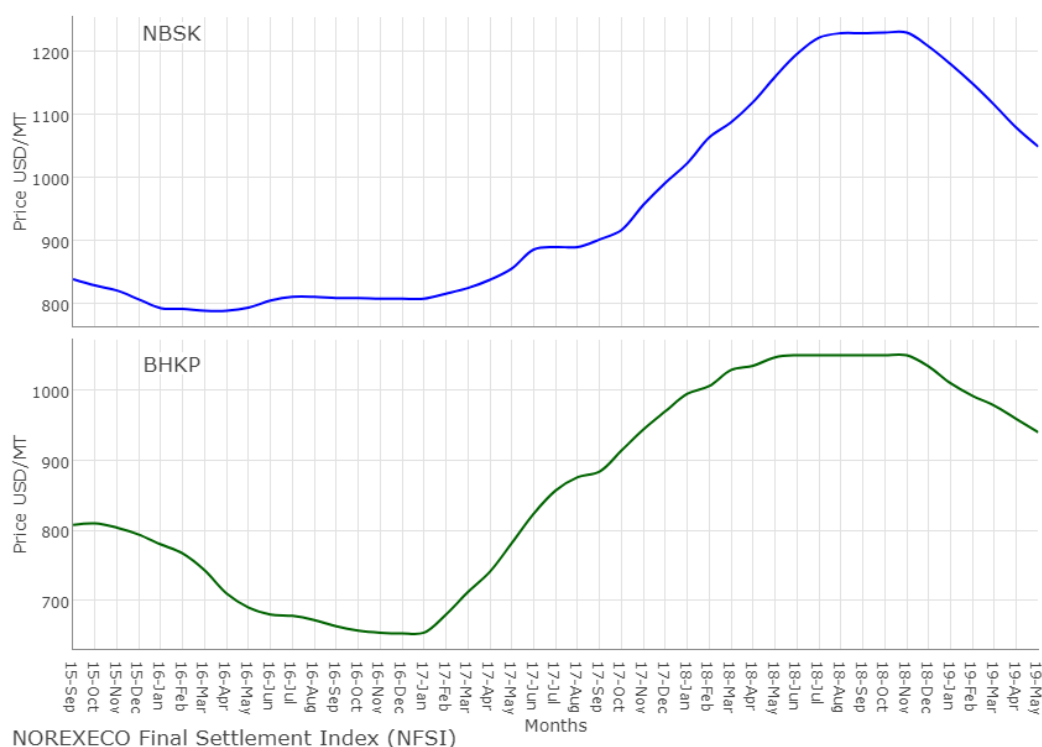
European Pulp Buyers Strike Renewed Cuts to Prices

Negotiations on pulp prices in April once again dragged on well into May. Players report more price cuts for both softwood and hardwood pulp. Pulp prices continue to fall on the European market at the beginning of the second quarter of 2019. In monthly contracts for April, prices of all key pulp grades receded further against the backdrop of weak market conditions.

Industry experts expect that prices for European NBSK pulp buyers will recede further in May. Buyers of hardwood pulp also said they would try to push down prices further in May. They cite full port warehouses and high stock levels of pulp producers as well as weak demand in Europe as in the Far East.

Price Slump for Graphic Papers in Italy Continues

Fine paper producers continue to report weak sales volumes in Italy. Especially in the uncoated segment, sellers are fighting for contracts. The intense competition on the Italian market is attributed to the presence not only of European producers, but also of Asian suppliers.



Domtar Announced Price Increases

North American paper manufacturer Domtar reported that paper prices will further improve as the company's recently announced price increases continue to be implemented.

Essity to Try Making Pulp from Wheat Straw to Stem Rising Costs

On 23-May Essity said it will build a test plant in Germany to produce pulp from wheat straw and other plant-based agricultural by-products to reduce its dependence on wood based pulp. Tough market conditions and rising costs for raw materials such as pulp has put pressure on Essity, the world's biggest maker of incontinence products and hygiene solutions for businesses, since its 2017 listing.

CEO Magnus Groth said the facility would have a capacity of 35,000 ton, the equivalent of about 1% of Essity's total pulp needs. If the project is successful, others would hopefully be interested in commercial production, he said. The plant would be built at its existing factory complex in Mannheim, Germany, at a cost of c. \$41.5M and that it would be up and running in the 2H20.



Global Tissue Paper Market to Surpass 50.51M tons by 2027

The global tissue paper market was pegged at 36.70M tons in 2017 and is projected to exhibit a CAGR of 3.6 % over the forecast period (2019 – 2027).

Factors such as rising awareness about hygiene & cleanliness among populace coupled with abundance of raw material is predicted to boost the tissue paper market over the forecast period.

North America held the largest market share in the global tissue paper market in 2017. This is attributed to growing health awareness and increasing healthcare spending, which is propelling the growth of tissue paper market in this region. According to the Centers for Medicare & Medicaid Services (CMS), U.S. healthcare spending increased 4.3% to reach US\$3.3 trillion or US\$10,348 per person in 2016.

Carbon Neutral Tissue

LC Paper Joan Villa predicts an EU CO2 market price of 100 €/t based on two parameters: CO2 emitted during manufacturing & CO2 for the product cycle. The CO2 market has been priced between 5-15 €/t CO2 but in 2018 it increased to 25 €/t CO2 due to EU communication that would withdraw market right.

The price is expected to go up to 35 €/t and 45 €/t CO2 in 2019 and 2020, respectively, the year in which the rights granted to each sector of the economy will be reviewed. For the manufacture of standard tissue paper with a Crescent Former machine, with an emission of 790 €/t CO2 of tissue in production, that would mean an extra cost of 20 €/t CO2.

Recycle Market in the UK

DS Smith has published new research, in conjunction with Central Saint Martins, University of the Arts London, showing that the **UK will fall short of its 2035 recycling targets by more than a decade.**

The Tipping Point report outlines new consumer behaviours which are compounding the recycling challenges the UK is facing, including the rapid adoption of e-commerce and therefore the exponential growth in the delivery of packages. The UK is now the third largest B2C e-commerce market in the world, with around 18% of all retail sales in the UK now made online. The reality is that 1.9B parcels – and the corresponding required packaging – are currently delivered directly to doors across the UK annually. Within 10 years the number of parcels will have grown by over 50%.

However, the recycling infrastructure was designed in a pre-e-commerce era and official figures **today** expose a creaking **recycling infrastructure that is nearing overload.** This is further exacerbated by a **chronic under-investment in the UK's waste management system** over the past decade (down 10%) that led to lower recycling rates in 173 of the 350 councils in England in 2016-17, compared to 2011-12.

Jochen Behr, Head of Recycling at DS Smith, said: "The Tipping Point report makes for uncomfortable reading and our research demonstrates just how close our bins are to overflowing. We see a system that doesn't consider the volume of today's recycling, infrastructure which could be close to breakdown and a number of local authorities looking to adopt the cheapest waste treatment rather than improving the quality of collected dry recyclables."

With up to 300 different council recycling systems across **England**, it's easy to see why the nation is **close to the recycling tipping point.** The **lack of consistency, recycling labelling confusion, and the throw-away single-use culture in cities** are some of the key triggers leading to the low rate.

Stora Enso Explores Recycling Paper Cups for Magazine Paper

Stora Enso aims to start recycling used paper cups on a large scale at its Langerbrugge Mill in Belgium. Based on production trials, Stora Enso says it possesses the technical feasibility to recycle paper cups for use in other paper applications. The company is now looking into partnerships for the collection and sorting of used paper cups to ensure that this high-quality fibre material is captured and given a second life.



M&A Activity / (Dis) Investments

- Kimberly-Clark pumps in additional S\$25M to double Tuas factory exports, in Singapore (Asia-Pacific headquarters)
- Oji to reduce capacity of graphic paper by 400,000 t/year
- Stora Enso to convert Finnish paper mill into packaging operation (c. €350M)
- Stora Enso invests €45M in a new CLT production unit at Gruvön sawmill in Sweden
- Stora Enso finalises the restructuring of Bergvik Skog's forests holdings in Sweden
- Plans to commission sulfated bleached pulp plant in Belarusian Svetlogorsk in 2019, as per Prime Minister of Belarus Sergei Rumas statement
- Mondi invests €30M in one of its most innovative corrugated packaging plants
- Oregon mill closing after 128 years in business
- Naheola Mill's \$120M investment to grow bath tissue business
- Metsä starts pre-engineering related to investments worth €1.7B
- Metsä & Pöyry signed an agreement on Kemi bioproduct mill and Rauma sawmill pre-engineering projects
- CorrVentures to build containerboard mill in New York
- Rottneros mill (Sweden) invests in a fossil-free production process

New Developments

- Andritz receives major order for Klabin's pulp mill, in Brazil
- A.Celli will supply a paper rewinder to Shan Don Sun Honghe Paper, in China
- Valmet to deliver second tissue production line to Faderco, in Algeria
- Valmet to deliver board making technologies to Kraft of Asia
- AMUT supplies extrusion lines to Jiangsu Canlon for PVC and TPO membranes

- Clearwater Paper severs ties with mill manager / unions
- Andritz will supply a tissue machine to Xuan Mai Paper, in China

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