



Pulp&Paper • News&Trends • Your October Newsletter

2Q19 Global Sawlog Price Index Reaches Two-year Low

In the 2Q 2019, the European Sawlog Price Index (ESPI) fell to a nine-year low, reported Wood Resources International in its Wood Resource Quarterly. In Euro terms, average sawlog prices in Austria and Germany have fallen almost 20% over the past two years, thus improving the competitiveness of the two countries sawmilling industry. US softwood log shipments to China have fallen by \$124M in value since the trade war started May 2018. These factors varied by region, but included reduced fiber demand, lower pulp prices, insect-damaged forests, and favourable logging conditions.

Södra's Spruce Log & Pulpwood Prices Decreased

Södra is adjusting the price of spruce logs and pulpwood. For instance, the price adjustment for softwood pulpwood was SEK 20/m³sub, applied in September. "The timber price adjustments are due to both high supply and external factors, which are having a negative impact on demand and creating market uncertainty," said Olof Hansson, President of the Södra Skog business area.

The global economy is showing continued signs of a slowdown, which is affecting the finished goods market, and market prices for spruce logs are declining in general. The cyclical slowdown is reducing demand for market pulp, with an adverse impact on price formation. Due to high supply and declining demand, the market price of softwood pulpwood is falling. The market price of fuel wood is also decreasing.

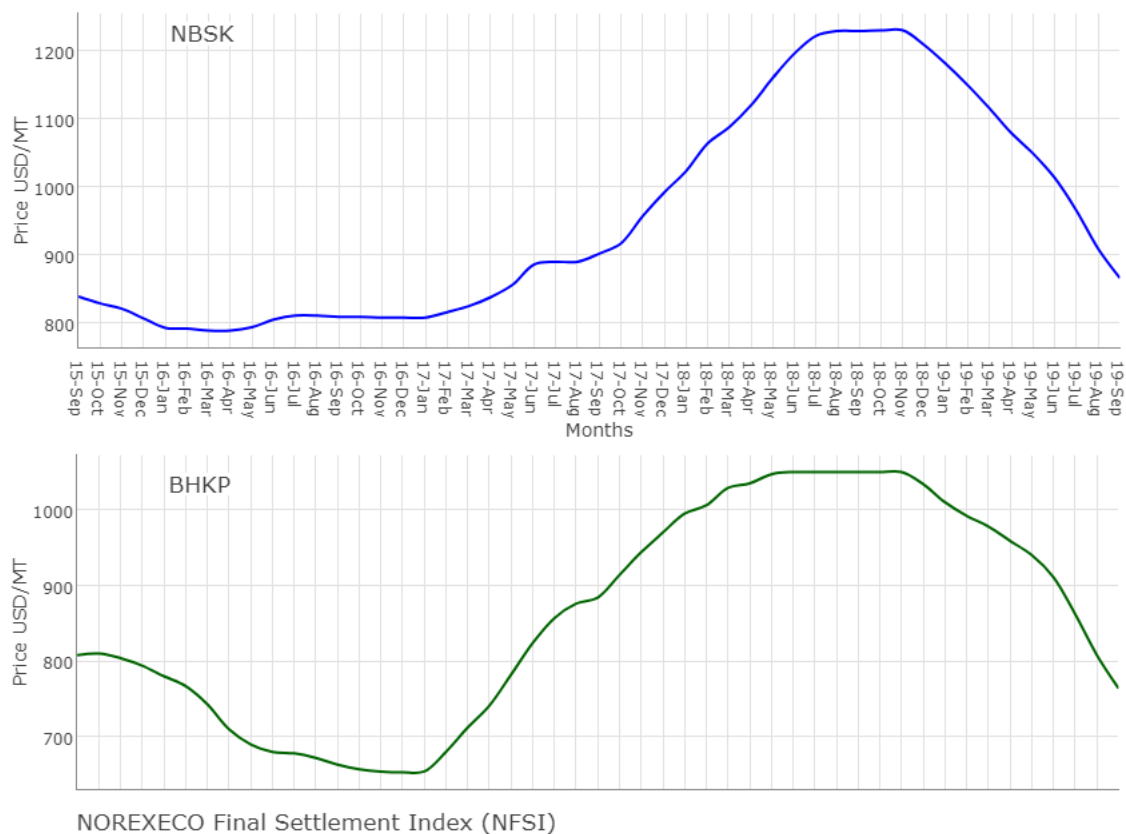
UK Recovered Paper Prices Point Down in September

Even though supply is scant, buyers and sellers doing business on the UK market reported a slight reduction in recovered paper prices in September.

Weak Demand and Lower Spot Prices on Italy's Newsprint Market

Newsprint suppliers are suffering from weak demand and are reportedly prepared to make concessions in deals with Italian customers. In August and September, players from both sides of the market were already reporting continuous price pressure and new mark-downs for standard newsprint and improved grades. Market experts expect that the lower prices will find their way into the contract prices, although this might occur only in quarterly agreements or entirely new deals.

Players on the Italian newsprint market say the main reason for the continued price pressure is the sharp drop in demand. In 2018, European producers sold approximately 500,000 ton less newsprint in Europe. A further complicating factor for suppliers is the sluggish trend on the export market, where slightly more paper is being sold in recent months, but sometimes at extremely unfavourable prices.



Pulp Mill Shutdown Extended Two Weeks due to Low Price

A scheduled week-long shutdown for maintenance at PG Pulp and Paper will be followed by a two-week closure in response to weak prices for its product, a Canfor Pulp spokesperson confirmed Wednesday. The mill will not resume operating until at least 7-Oct. According to Canfor Pulp's second quarter report, issued July 25, the price of northern bleached softwood kraft shipped to China fell by 18% over the quarter while that shipped to the United States dropped 8%. Moreover, China is "no longer propping everything up as their economy struggles amidst a massive trade war with the U.S. and high debt levels."

Stora Enso in Talks on Market-Related Downtime

Newsprint and magazine paper price are on a downward path in 2019 amid weak demand abundant supply. Publication paper producer Stora Enso is now looking for ways to match supply to demand. The company is considering temporary output curtailments at the Anjala paper mill in Finland. Anjala paper mill employs 300 people and runs two paper machines with a capacity to produce 435,000 tpy of coated magazine paper, improved newsprint and book paper.



Huggies Diapers Made of Plant-Based Materials Lead Kimberly-Clark's Turnaround

The new diapers are selling like hotcakes and are priced at a premium to most other Huggies and rival offerings.

Sporting edgy black packaging (against a sea of traditional white packaging down the diaper aisle), the diapers are made from plant-based materials and are said to be absurdly soft (per the parental reviews out there). It is the most ideal diaper for picky millennial parents: cool-looking box, soft fit, and an Earth-saving story. "Somebody told me to call it Beyond Diapers," joked Kimberly-Clark CEO Michael Hsu in an interview with Yahoo Finance. Of course, Hsu was referencing the wildly popular plant-based food maker Beyond Meat (BYND).

Dow and UPM Partner to Produce Plastics Made with Renewable Feedstock

Dow, in partnership with UPM Biofuels, announces the commercialization of a plastics offering for the packaging industry made from a bio-based renewable feedstock.

Dow is integrating wood-based UPM BioVerno renewable naphtha – a key raw material used to develop plastics – into its slate of raw materials, creating an alternative source for plastics production. Dow is using this feedstock to produce bio-based polyethylene (PE) at its production facility in Terneuzen, The Netherlands, for use in packaging applications such as food packaging to reduce food waste. Following a successful year-long trial program, Dow is now planning to scale production and address the increasing global demand for renewable plastics. This process also significantly reduces CO2 emissions.

Stora Enso Sees Higher Expenses in 2020 on Renewables Push

Finland's Stora Enso Oyj, one of the largest paper and board makers in the world, said in September its capital expenditure will increase to €800-850M (\$884-939M) in 2020 as it revamps its operations.

This year's forecast capital expenditure was €610-660M. "The capital expenditure spend has been raised temporarily in order to accelerate Stora Enso's transformation into a renewable materials company," it said in a statement.

Japan is Going Wild for Luxury Toilet Paper at \$12 per Roll

The latest must-have product to take Japan by storm isn't high-tech and it certainly isn't garnering rave reviews in glossy design magazines. The country where electronically controlled, heated, bidet-accessorized, high-tech toilets are commonplace has in fact made another contribution to lavatory luxury. High-end toilet paper is rolling off the shelves.

So, what's convinced Japanese consumers to fork out more than \$12 per roll? After 5-years of tinkering, 63-year-old Ryosui Morisawa finally discovered the balm for his behind by essentially inverting the process of modern paper manufacturing. Instead of large-volume, high-speed production, Morisawa's "Usagi" (Rabbit) brand toilet paper is made by delicately processing the paper pulp fiber and precisely managing the water temperature used in the process. It yields a softer wipe. The resulting **three-ply toilet paper is so fragile it has to be rolled by hand**. The original 10-person Mochitsuki Seishi factory is too small, so the rolling work is farmed out to part-timers who do it in their homes. One roll of the Rabbit brand white toilet paper retails for 500 yen, or about \$5 — roughly the price of 12 regular rolls. But that's the budget option. The company is now struggling to meet demand as it can only produce 12,000 rolls in a week. However, "we sell 8,000 rolls in half a day," said Masayo.



M&A Activity / (Dis) Investments

- Voith Group to acquire BTG for €319M
- Saica group has inaugurated its first biomass plant at its paper mill in Venizel, France
- Northwood Paper buys Sidcot Group - recycled tissue mill at Chesterfield and converting operations
- Essity's \$3.6M investment in South Glens Falls could cut recycled material costs in half
- Kimberly-Clark will invest \$42M in its production and supply centre, as well as in its Global Shared Services Center in Costa Rica
- Finland's Valmet building pilot bioenergy R&D facility in Sweden
- Stora Enso and Fiskeby team up to help turn used paper cups into white-lined chipboard
- Stora Enso to close Kitee sawmill in Finland
- Billerud Korsnäs' to cut 300 jobs and reduce costs

New Developments

- Stora Enso's 5G technology solution in mill maintenance receives recognition
- Recard started a PM for Klippans Bruk AB, in Sweden
- Cartiera Confalone selects Toscotec for the turnkey supply of a new energy-efficient tissue line
- Toscotec to rebuild the dryer section of PM1 at Gulf Paper Manufacturing on a turnkey basis
- Andritz successfully starts up rebuilt paper machine at PJSC Kyiv Cardboard and Paper Mill
- Valmet to deliver TwinRoll dewatering press to Metsä Board in Finland
- Mosaico & A.Celli rebuilding of the PM#5 machine
- Nordic Paper and SKF in agreement in order to increase productivity in Säffle mill
- Global Adult Diapers Market High Growth Possible during 2019 – 2025
- Andritz to Supply Three Paper Machine Approach Flow Systems to Hamburger Rieger in Germany
- Valmet to supply a board machine to JK Paper Limited in India
- Mosaico Group and A.Celli Paper rebuilding of the PM#5 machine, in Italy (Burgo Group, a well-known producer of graphic and special papers)
- Toscotec-supplied tissue machine comes online at Marutomi mill in Japan

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