



Pulp&Paper • News&Trends • Your April Newsletter

Price Hikes for Recycled Containerboard in Germany

Recycled containerboard prices rose in Germany in March. While recovered paper prices were low, experts pointed to tightening supply in the corrugated case material segment. Although the increase was not as high as producers had sought for, certain market experts were surprised by this price hike given the sharp drop in recovered paper prices in recent months and rather mediocre activity levels at some corrugated board factories which mainly supply the automotive industry and export-oriented sectors. The implementation was possible because of the tight supply owing to downtime at key suppliers as well as strong demand from overseas. Converters confirm that individual deliveries were delayed or reduced.

Coated Paper Prices Rise Sharply as Coronavirus Hits Chinese Imports

Market prices have risen by 8-10% due to huge decline in the quantities China had been dumping into the country prior to the outbreak. Coronavirus seems to have benefitted paper companies, especially those such as Ballarpur Industries and JK Paper, which manufacture coated paper. The market prices of the product have increased by 8-10%, according to two dealers due to the huge decline the past two months in the quantities China had been dumping into the country prior to the outbreak.

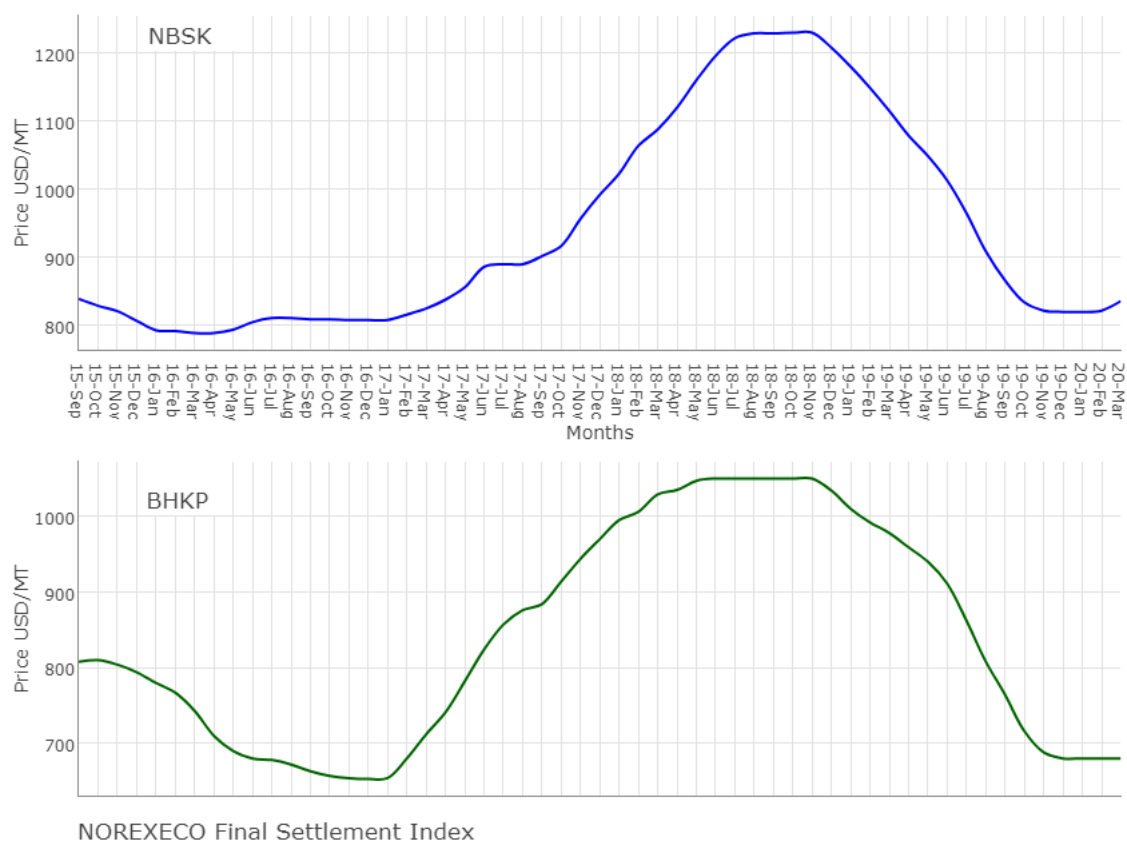
However, prices of other varieties of paper, such as writing, printing and copier have not improved as much. The January 31 decision of the government to ban the import of stock lots across all categories of paper has also helped the market to recover. Stock lots are those imports in which odd sizes, different sizes and unsold old stock of paper are imported at cheaper rates.

40% of Waste Paper Sorting Plants in France Closed

Sorting and recycling activity in France is severely hit by the impacts of coronavirus. Recovered paper supply is therefore expected to fall and prices to rise. French recycling organisation Citeo estimates that around 40% of sorting plants in France have shut down since the beginning of the coronavirus lockdown on 17 March. This corresponds to 69

plants or 34% of sorting capacities in France, including overseas territories. The organisation explains that the spread of Covid-19 has led to a lack of personnel in some facilities, forcing them to close. Moreover, some sites were reportedly not able to guarantee that social distancing recommendations be followed.

The reduced sorting activity inevitably leads to a decrease in recovered paper supply in the country. Market players on the French recovered paper market are already feeling the effects and say that stocks are declining. They expect a significant supply shortfall in the weeks ahead, with recovered paper prices rising considerably as a result.



Canfor to Restrict Production

Canadian based Canfor Pulp Products will curtail production at its Northwood Pulp Mill. This is only one of a package of actions the company announced in reaction to the Covid-19 pandemic and resulting economic uncertainty. Besides the measure to protect its staff, Canfor announced it was postponing the planned extended spring maintenance shut at Northwood Pulp Mill until later this year, and instead will curtail the mill for three weeks during the period the turnaround was originally scheduled to occur. This will result in a reduction of approximately 35,000 t of NBSK pulp production.

In addition, Canfor Pulp is reducing its planned capital expenditures for 2020 by \$15m to \$25m, representing a \$78m decrease from 2019 capital expenditures. This reduction will

be realised through the deferral of planned projects and suspension of in-progress initiatives that can be paused without significant impact.

Rayonier Stops Newsprint Production & Sawmills in Response to Covid-19

Rayonier Advanced Materials will take downtime at mills which are not deemed essential in times of coronavirus. Several sawmills and newsprint production are affected. The company has announced downtime or production curtailments at seven Canadian mills. The measures are related to the spread of coronavirus and affect mills that are not essential businesses. The company announced it would stop newsprint production at its Kapuskasing mill in Ontario, Canada. The site has a newsprint capacity of 220,000 tpy.

Norske Skog Ceased Some Production due to COVID-19

Norske Skog operates seven business units in five countries. Each country has imposed different measures in connection to the outbreak of the coronavirus. So far, Norske Skog's business units operate as normal except for Golbey, which has ceased production at PM2 due to one confirmed case of coronavirus at the PM2 line requiring a 14 day quarantine for co-workers. The length and financial consequences of this stop is currently uncertain. The Skogn mill has already given 50 employees notice of temporary layoff due to reduced operational capacity as a result of local restrictions due to the corona situation. The challenge in the forthcoming weeks will be to secure both in- and outbound logistics of raw materials and finished goods under the current cross border transportation restrictions.



How Coronavirus could Impact Pulp & Paper Demand

Coronavirus outbreaks have developed across the globe. Countries like Italy, Spain, China and USA have instituted blockades and quarantines to prevent the spread of the disease. Anxiety levels have risen along with the confirmed number of COVID-19 cases in China and beyond. American markets are nervous as the Dow Jones Industrial Index dropped nearly 2,000 points in a two-day span from Feb. 24-25, marking the measurement's largest two-day slide ever (in terms of points). According to Reuters, European shares recorded their worst one-day loss since June 2016 on Monday, Feb. 24.

"There is no question financial markets are coming round to the realization that **this particular crisis is likely to have a slightly longer shelf life than many thought** was the case a couple of weeks ago," said Michael Hewson, chief markets analyst at CMC Markets in London. "For now, there appears little prospect that financial markets look likely to settle down in the short term, which means investors will have to get used to an extended period of uncertainty and volatility."

As the world rallies to contain COVID-19, the potential impacts for individual industries are vast and varied. Fisher International has taken the time to analyse how this mysterious disease could impact demand for pulp and paper products.

Slowdown in Fast-Moving Consumer Goods

Concerns over the virus will, likely, affect consumer spending patterns, which will cascade across the entire economy. From a pulp and paper perspective, such a trend will most directly impact packaging demand. For example, Apple and Microsoft both warned investors their revenue for the March quarter would be lower than anticipated amid the COVID-19 outbreak. This indicates reduced demand for product packaging from two of the largest and most influential companies in the world. "Demand for our products has been affected," Apple said in a statement. "All of our stores in China and many of our partner stores have been closed. Additionally, stores that are open have been operating at reduced hours and with very low customer traffic."

Reduced Imports of Fiber, Domestic Oversupply

With reduced packaging demands comes reduced demand for pulp to make those products. China is the key buyer of pulp, paper, wood, and chips. According to FisherSolve Next, China accounted for one-third of the world's

market pulp imports last decade. If China stops importing as much product, countries reliant on exporting goods to China will have to look to domestic markets to mitigate oversupply issues. This especially concerns the US, which was by far the largest exporter of paper and pulp products to China from 2010-19.

Oversupply presents another problem for US exporters as unease in the global market has encouraged investment in the US dollar (USD), which is largely considered to be a safe haven asset in times of increased uncertainty. This drives up the USD value, makes American goods a tougher (and more expensive) sell to potential importers, and reduces profits for US sellers.

Towel and Tissue Consumption Could Increase

Health officials worldwide have stressed the importance of hygiene and disinfecting as efforts to contain COVID-19 intensify. Arguably the simplest measure to avoid spreading the disease – washing your hands – could have the biggest impact for pulp and paper demand. Disposable hand towels should be the preferred method for hand drying in public/shared bathrooms as a 2018 study by the American Society for Microbiology found hot-air hand dryers “can disperse bacteria from hands or deposit bacteria on surfaces, including recently washed hands.”

It's easy to see the US, which is already the largest consumer of tissue products by far, running to stores to stock up on throwaway products like toilet paper and paper towels as cautious citizens go above and beyond when disinfecting their homes — a trend we saw in China. According to Digiday, online sales of the disinfectant Dettol rose 643% year-on-year between Feb. 10-13 on the Chinese e-commerce website Suning.com.

Increased e-commerce

The public needs much more than disinfectant to make it through a potential pandemic, and much of what it needs will be bought online and delivered to homes. PracticalEcommerce.com reported earlier this month that “Chinese e-commerce platforms such as Alibaba and JD.com are hiring thousands of temporary workers, as government-imposed travel restrictions have increased consumer demand for online grocery delivery services.”

And while some governments have mandated people stay in their homes, many will voluntarily shelter themselves and rely on delivery services for food and

goods. This creates a serious need for packaging, which could drive an increase in demand for corrugated materials.

It's still too early to determine the impact of the coronavirus on the corrugated sector, but considering China is now delivering everything from toilet paper to margaritas, we can imagine American consumers will turn to Amazon and others to avoid human-to-human contact if anxiety over the disease continues to rise.

Kimberly Clark Increases Production to Cope with Coronavirus in the UK

Kimberly-Clark in Barrow is reassuring the public that there will be a 'steady supply of products' to cope with the growing demand. Shelves have been emptied around the UK during the coronavirus outbreak, with toilet paper becoming a sought-after commodity. In response to this, numerous supermarkets have imposed restrictions on the number of toilet rolls each customer can purchase.

Ori Ben Shai, MD and VP Kimberly-Clark in the UK and Ireland said: "We want to reassure people that Kimberly Clark is accelerating production of Andrex, Huggies and Kleenex products at its UK mills and just as importantly, the number of delivery trucks to retailers to ensure there is a steady supply of our products. "As we've all seen, demand has increased but we are all working to replenish shelves as quickly as possible."

Paper & Board Downward Trend in 2019 vs Pulp Production Dynamism

According to preliminary figures, the European paper and board production has decreased by 3.0% in 2019, compared to the previous year.

2019 saw new capacities coming on stream, and upgrades of existing ones, but closures and lower production operating rates dragged down paper and board production. This downward trend was observed in all the top paper and board producing countries.

The slowing down of the EU's economy in 2019 – from 1.9% in 2018 to 1.1% in 2019, combined with global instability and trade tensions, impacted the European paper and board consumption, which recorded a 4% decline. Domestic paper and board deliveries in Europe went down by 2.6% compared to 2018, while imports declined by 3.9% according to preliminary figures. Paper and board exports grew by close to 0.9%. Contrary to previous years, packaging paper and board production remain

relatively stable in 2019, unable to offset the on-going decline of graphic grades. The overall production of graphic grades – newsprint and printing & writing papers – fell by more than 8.0% in 2019. The production of sanitary and household papers registered a limited growth, +1.0%.

Total pulp production (integrated pulp, plus market pulp) increased by 0.8%. It was overperformed by market pulp production which jumped by 6.1%, as a result of recent massive investments in new capacities. This growth in production is driven by the export market demand. Similarly, exports of market pulp jumped by close to 40% in 2019 according to Eurostat.

To respond to this higher demand, the European paper industry has invested significantly to increase the production of market pulp and further implement the bio-refinery concept. These investments combine higher efficiency in raw material use and the production of highly innovative bio-based products, besides market pulp.



M&A Activity / (Dis) Investments

- Kimberly-Clark factory operating 24/7 to deal with shortages in Australia
- Total Fiber Recovery to invest \$49M in the City of Chesapeake, USA
- BillerudKorsnäs postpones the annual maintenance shutdown at Gruvön
- Svetlogorsk Pulp and Board Mill to ship first batch of bleached sulphate pulp to China by rail
- Andritz starts up the world's first fossil-free biomethanol plant at Södra, Sweden
- Chinese company abandons \$1.8B Arkansas paper mill plan

New Developments

- Valmet to supply key containerboard machine technologies to Sri Andal in India
- Valmet to supply the final stage of forming section rebuild to Stora Enso's Skoghall Mill in Sweden
- Valmet to supply the world's fastest coated board making line for APP's Guangxi Jingui Pulp and Paper
- Andritz successfully starts up the world's first fossil-free biomethanol plant at Södra, Sweden

- Andritz starts up PrimeLine™ W6 tissue machine at Arkhbum Tissue Group in Russia
- Andritz to rebuild PM3 at MOPAK Kağıt Karton's mill in Turkey
- Andritz to Supply Largest Pressurized Refining System to China
- Andritz to supply OCC line including detailed engineering to UPPC, Philippines
- Toscotec completes two drying section rebuilds for Lucart, Italy
- Toscotec to rebuild PM4 at Papeterie Le Bourray's mill, France
- Toscotec-supplied tissue line comes online at Picknik Marketing, South Africa
- Hergen to upgrade PM3 at Bragagnolo's Paper Mill in Brazil

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