Pulp&Paper • News&Trends • Your April Newsletter

Pulp Prices Continue Upward Trend in March

Tight supply leaves little scope for pulp buyers to negotiate on prices. In March, demand has continued to be outstripping supply. The situation for hardwood and softwood pulp is equally strained, insiders said. If producers get their way, prices will climb again in Europe and move into line with those charged in China.

Insiders noted that most pulp buyers are still leading a hand-to-mouth existence, so they have no choice but to accept these demands. Producers unanimously agreed that additional pulp could not be delivered.

Shipments of contractual volumes are regularly curtailed. Maintenance stoppages in Scandinavia and South America that were postponed from last year because of the pandemic are playing a key role in this scarcity.

Sourcing process chemicals is currently an additional problem for paper mills, insiders stated. Over the next few weeks, it might become so bad that paper machines will have to shut down.

Suzano Raises Pulp Price

Suzano raised pulp prices and unveiled an optimistic outlook for the coming years, despite some logistics problems. "We see global demand for hardwood pulp growing by 4.6 ton through 2025," said executive officer Leonardo Grimaldi, adding the increase in production will be smaller.

Amid higher demand, Suzano raised prices by 60 $/ton in China, to 780 $/ton, and by 100 $/ton in the U.S. and Europe, to between 1,240 and 1,010 $/ton.

Paper & Ink Manufacturers to Increase Prices

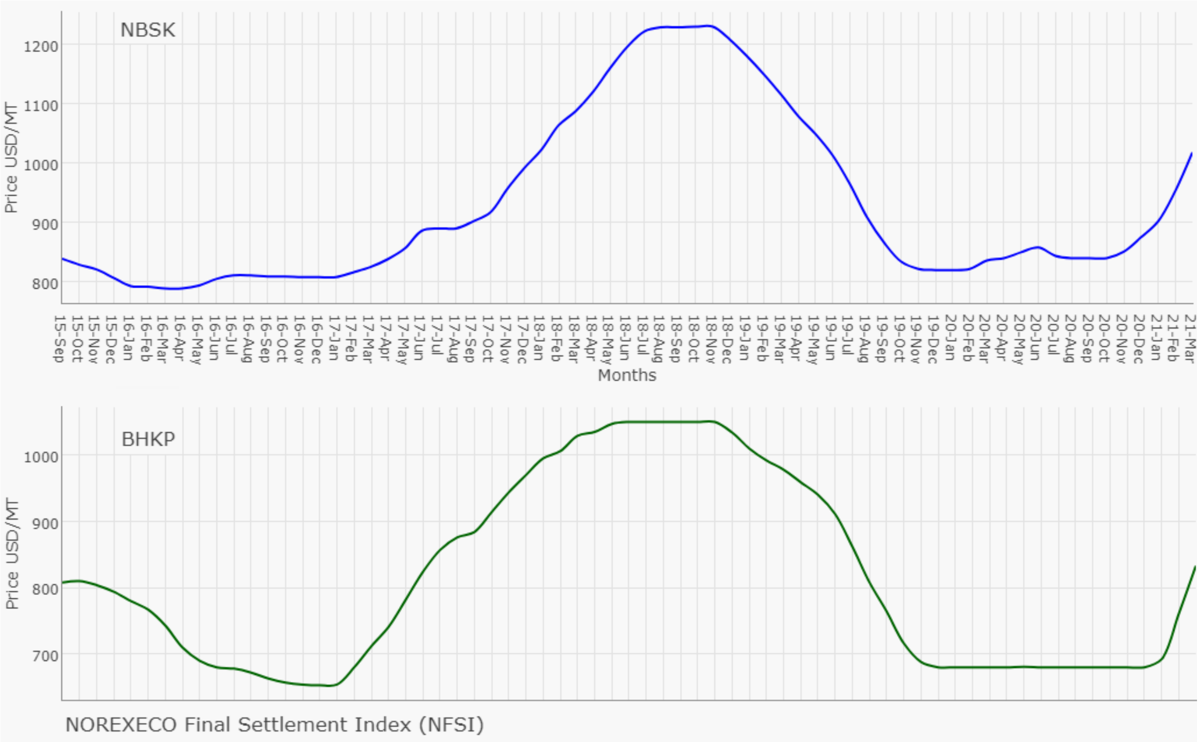
Two major paper and ink manufacturers have outlined details of price rises due to come into effect from April.

Sappi Europe will increase prices of all of its packaging and speciality paper grades by 7%-11%, valid for deliveries from 1 April 2021. In a statement, the paper manufacturer said: “Sharply rising input costs, particularly relevant to pulp and energy in combination with very high freight rates due to global logistic constraints make price increases unavoidable. In January the company had already announced an increase to the price of its coated and uncoated woodfree paper grades by 8%-10% across Europe. This increase, on sheets and reels, was due to be implemented “by 1 March at the latest”.

Separately, Flint Group Packaging said it intends to increase the prices of its ink and coating products, also effective as of 1 April 2021, due to “an extraordinarily turbulent set of supply chain conditions, exacerbated by the global pandemic” and that its costs are increasing and supply is tightening across almost all procurement categories. Recent upstream force majeure announcements and the acute global freight imbalance is impeding some of its corrective actions. “Some raw materials, such as UV resins, additives and pigments, are reaching cost peaks not witnessed in the last ten years or more.”

Price Increase for Coated Inkjet Papers

Mitsubishi HiTec Paper is adjusting the prices for coated inkjet papers due to the permanently increasing costs for logistics and raw materials, especially pulp. The price increase of 5% applies to deliveries of the entire jetscript inkjet paper range from May 1, 2021.



Coreboard Prices in Italy Rising Sharply

Recovered paper has become very expensive and demand for coreboard is said to be robust, with buyers having a hard time securing their supplies at times. Prices for coreboard therefore went up during the first quarter of the year.

Mounting recovered paper costs have made adjusting coreboard prices in Italy inevitable over the past few months. Manufacturers saw their margins eroded despite exceptionally good order books because recovered paper prices skyrocketed to record high levels and other items like energy and plastic also became more expensive.

In addition, coreboard manufacturers reported robust demand from within Italy and on the export market during the first quarter. Market players mentioned low inventories at core plants, delivery delays and lengthy lead times for coreboard of up to eight weeks, at least for new customers or additional amounts.

Tight Supply & Rising Prices on UK Kraftliner Market

After first mark-ups in January, kraftliner prices in the UK have increased again in March. Suppliers benefit from lower kraftliner imports into the UK.

American suppliers are said to be focusing more on their domestic market, while Russian paper mills are able to sell their kraftliner at high prices to Asia and the

Middle East. Against this backdrop, prices for unbleached kraftliner in the UK rose again in March. White-top kraftliner prices also increased, but to a lesser extent.

Rising Fibre Costs in France, Paper Companies Push for Price Increases

Recovered paper prices rising strongly in March, consumption of graphic papers remains subdued.

The main factors shaping the paper and board markets in France are the bustling business in the packaging segment, the pandemic-related steep declines in the consumption of printing and writing paper and the skyrocketing fibre costs faced by producers. In many segments, with the exception of publication paper, prices therefore rose or producers have announced hikes.

As long as the measures to contain the coronavirus pandemic remain in place in France, subdued consumption of printing and writing paper is expected to continue. It remains to be seen if and how much of the pandemic-related decline in consumption will eventually be reversed.

Sonoco to Increase North American Prices for Uncoated Recycled Paperboard

Sonoco is implementing a 50 $/ton price increase for all grades of uncoated recycled paperboard (URB) in Canada and the U.S., effective with shipments beginning Apr. 16. In a statement, the company says the price increase was in response to strong demand across its U.S. and Canada mill network, which is driving significantly longer backlogs as well as stepped up inflation of input costs, especially freight, papermaking chemicals and packaging supplies.

K-C Announces Price Increases for North American Consumer Products Business

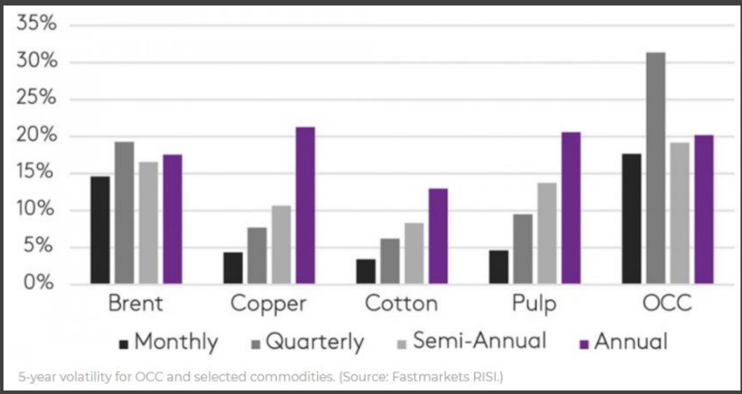
Kimberly-Clark says it will raise prices on ‘a majority of its North America consumer products business,’ including toilet paper and baby-care items, due to rising commodity costs. “The percentage increases are in the mid-to-high single digits,” the company said in a press release. “Nearly all of the increases will be effective in late June.”

OCC Volatility is Off the Charts

Compared to some commodity markets over the last five years, Old Corrugated Containers (OCC) leads the pack when it comes to volatility Recycled paper, and old corrugated containers (OCC) in particular, has always been a volatile commodity. Over the past few years, the market has seen boosts in demand from rising recycled containerboard production, followed by a sharp fall in export opportunities as countries, including China, introduce quality restrictions on imports and then supply-side disruptions. All this has naturally led to major swings in pricing.

A comparison of OCC volatility versus other more liquid, mature commodity markets over the last five years, shows OCC is the leader of the pack. Monthly, quarterly, bi-annual and annual volatility outstrips that of Brent crude, copper and cotton. Quarterly volatility stands at a whopping 31%.

The volatility in 2020 was off the charts as was the case with many other commodities. Who can forget U.S. crude oil prices going negative for the first time in history back in May, after demand for oil almost dried up? Prices of industrial metals such as copper and zinc also slumped, only to recover following the temporary shutdown of some mining activities.



The resurgence of the COVID-19 pandemic in October/November 2020 and new lockdown measures across Europe led to renewed supply restrictions, pushing prices higher. Far from the expected drop, Q1 2021 has seen a strong rally in OCC prices. By the end of February 2021, Fastmarkets FOEX's PIX OCC 1.04 dd index had risen by 60% compared with the levels of October 2020.

Toilet Paper is Next Likely Victim of World's Container Crisis

The world really does not need more toilet paper problems. But unfortunately, the biggest producer of wood pulp is warning that the global crunch in shipping containers could start creating supply snags. Suzano primarily ships its pulp in cargo vessels, known as break bulk. With demand surging for ships that carry ribbed steel containers, the squeeze is starting to spill over to break bulk and threatens to delay the company's shipments, Chief Executive Officer Walter Schalka said in an interview.

Schalka is concerned that the shipping problems are going to snowball and only get worse from here. Significant disruptions to the pulp trade could eventually impact supplies of toilet paper if producers do not have ample inventories.

Port traffic has gotten snarled, freight costs have gone up and deliveries have slowed.

The container crisis, sparked by huge demand from China, has been playing out for months. But Suzano's warning is among the first major signs showing the spill over into other shipping markets. If the squeeze continues to increase freight costs, it also raises the spectre of accelerating inflation.

M&A Activity / (Dis) Investments

- Stora Enso is “moving away from the global soluble pulp segment for viscose production” in China
- DS Smith invests £100M in two new packaging facilities in Poland and Italy
- Smurfit Kappa invests €40M in North Wales
- Smurfit Kappa to double output of Pruszkow plant in Poland
- Essity negotiates closure of TM 7 at Nokia tissue mill
- Suzano and Spinnova to open commercial-scale factory in 2022
- Lucart has acquired 100% of the share capital of Essential Supply Products, Britain's leading independent manufacturer of professional hygiene products
- Kruger Products starts up TAD tissue plant in Sherbrooke and announces $240M expansion project
- Green Bay packaging new recycled paper mill begins production
- Essity starts testing of first CO2 emission-free large-scale paper production
- Mondi Gronau starts production of more than one million medical face masks per day in Germany
- Asaleo Care snared by Sweden's Essity for $788M
- International Paper to sell Poland mill for $812M to Mayr-Melnhof Karton

New Developments

- ABB delivers machine modernization plan for one of the world’s most advanced pulp and board mills
- Toscotec to supply tissue machine for MEPCO’s new tissue mill in KAEC
- Valmet receives the third tissue line order from Aktül Kagit Üretim Pazarlama in Turkey
- Valmet to supply coated board and fine paper making lines and a line for chemi thermo mechanical pulp production (BCTMP) to Fujian Liansheng in China
- Voith starts up complete paper production line to Green Bay Packaging, in the U.S.
- Voith modernizes and expands stock preparation plant for Modern Karton PM 3 in Ergene, Turkey
- Andritz signs maintenance contract with UPM for the Paso de los Toros mill, Uruguay
- Andritz starts up complete LC pulping system at Papeleira Coreboard, Portugal
- Andritz starts up two tissue production lines to Suzhou Taison Paper, China
- Andritz starts up tissue production line delivered to Berli Jucker Cellox, Thailand
- Andritz starts up refrigerator recycling plant at EMP Recycling UAB, Lithuani
- Andritz starts up new disc filter technology to Lee & Man Paper, Malaysia
- Essel Selüloz | Yöntem Kağıt select Futura and Plusline for converting investment
- Liansheng Pulp & Paper relies on A.Celli for the supply of six E-WIND® T200S Rewinders

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