Pulp&Paper • News&Trends • Your June Newsletter

Rising Wood Prices are Making Toilet Paper More Expensive

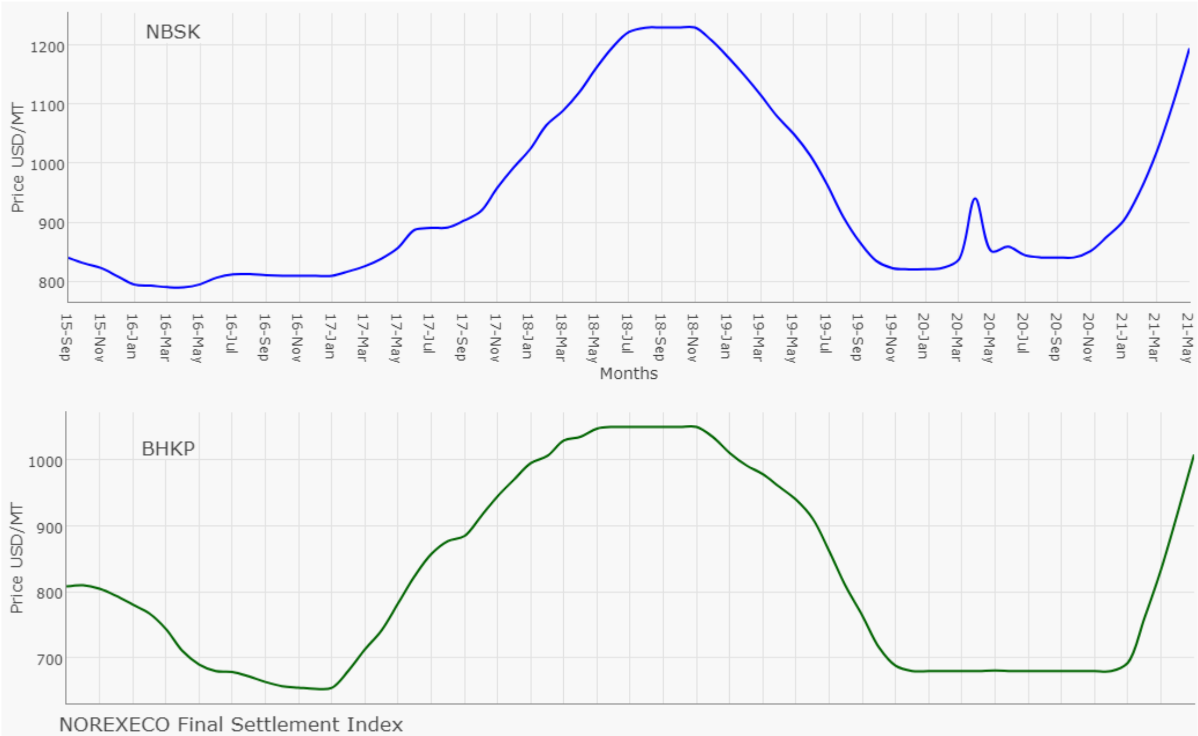
Just when you thought you were in the clear to stock up on toilet paper again, wood pulp, the primary raw material used to make it, is getting more expensive. "We've never seen monthly price increases like this in the history of the business," said Brian McClay, a pulp industry analyst. "It's unheard of."

Prices for market pulp have jumped from 606 $/mton in September to more than 907 $/mton in April, McClay said.

A combination of factors has driven prices higher, including a post-Covid recovery in China, the biggest buyer of pulp in the world, and global shipping delays, he said. Consumer manufacturers purchase pulp on the open market and then use it to make toilet paper and other tissue products. Around 70% of the pulp that US consumer manufacturers buy for toilet paper comes from Brazil, McClay said, followed by around 30% from Canada. Pulp is just the latest example of a raw-material shortage hitting the US economy as it recovers from shutdowns that disrupted supply chains and altered consumer behaviour. Lumber, steel, computer chips, chlorine, and even human labour is hard to find. Toilet paper prices for consumers have increased during the pandemic, and one leading toilet paper manufacturer said it's raising the prices it charges retailers for Scott in part because of higher pulp costs.

Toilet paper prices increased 15.6% during the 52 weeks ending May 1 compared to the year prior, according to the latest numbers from NielsenIQ, which tracks point of sale data from retailers.

Kimberly Clark (KMB), the maker of Scott toilet paper, plans to increase prices to retailers on Scott and its other brands by mid-to-high single-digit percentages next month. The increases "are necessary to help offset significant commodity cost inflation," Kimberly-Clark said.



Publication Paper Prices in Italy Set to Rise Further in June or July

Publication paper producers are looking back to a very challenging year, with margins falling to what they say are unsustainable levels. In this context, suppliers to the Italian market have recently started to implement price hikes where possible and plan further mark-ups for June or July.

Canadian Factory Prices Jump by Most Since 1980 mainly due to Lumber & Other Wood Products

Industrial prices across Canada are accelerating at the fastest pace in over 40 years amid surging demand for lumber products. According to Statistics Canada, the Industrial Product Price Index (IPPI) jumped 1.7% in April, and rose 14.2% from year-ago levels, marking the highest increase since February 1980. The majority of the increase stemmed from the lumber and other wood products category, which was up 6.5% for the fifth consecutive month.

Softwood lumber rose 10.2% last month, as prices for the group were 166.3% higher since April 2020. This is the largest year-over-year increase on records dating back to 1956, and marks the second straight month that the series has set a new record. The majority of the skyrocketing increase stems from a strong demand in the residential construction sector, particularly in the US. Similarly, prices for pulp and paper products, which are related to the lumber industry, were up 3.4%, as the cost of wood pulp jumped 7.1% from March.

Pulp Price Volatility: 7 Things You Need to Know

Volatility in global pulp markets has increased over the past 20 years, never more so than in 2021. Find out what's driving price and creating volatility, and what role pulp futures trading played in the recent price rally.

1. Key factors in the seemingly continual rise in prices over the past two decades are commodity price inflation and discount inflation for all markets outside of China net prices.
2. Annual price volatility currently stands at around 20%, which is comparable with Brent crude and copper.
3. The latest rally, which started in late November 2020, is one of the fastest and steepest the pulp market has ever seen.
4. China, which accounts for around 38% of market pulp consumption, was the main driver behind the recent rally.
5. RISI NBSK cif China assessments are at the highest level in their 20-year history. Prices have risen by nearly 70% year on year to above $,1000 per tonne.
6. Other regions are now playing catch-up. North American NBSK prices are also now at record highs and Europe's are very close.
7. There are many fundamental reasons for the surge in prices: demand has picked up from pandemic lows; unexpected downtimes and shipping constraints have hampered supply; stock levels are tighter than in 2020; and there has been a general rally in commodities prices since the start of the year.

What role did futures trading play in the 2021 price rally?

The China pulp market experienced one of its fastest and steepest rallies ever in the first few months of 2021, surpassing even that seen in the second half of 2017. This has had a knock-on effect on pulp prices around the globe, with Europe and the US also seeing unprecedented price hikes.

Both supply-side and demand-side fundamentals were strong going into 2021, but soaring futures prices on the Shanghai Futures Exchange drove prices up further and faster than expected. They created additional buying interest from traders, who could afford to pay higher prices in the local import and resale markets as they could sell on the exchange and still make a sizable profit.

High price volatility makes planning difficult

High price volatility creates a challenge for companies when it comes to managing their margins and costs. This is true for both buyers and sellers of pulp.

Pulp futures are here to stay

The incredible success of the SHFE softwood pulp contract has proven the use case for futures in the pulp market. Moving forward, this contract and new offshore contracts focused on industrial players will become an increasingly important part of the global market pulp landscape.

Healthcare PPE Market to Reach $27B by 2028

The global healthcare personal protective equipment (PPE) market size is expected to experience significant growth by reaching $27.3B by 2028 while exhibiting a CAGR of 11.2% between 2020 and 2028 (source: Fortune Business Insights). The report mentions that the market stood at $11.6B in 2020. Factors such as the rising cases of COVID-19 worldwide and the pivotal role of medical artificial intelligence will favour the demand for the product during the forecast period.

North America stood at $3.3B in 2020 and is anticipated to hold the highest position in the market in the forthcoming years. Asia-Pacific region is expected to showcase considerable growth backed by the exponential demand for PPE kits across countries such as China and India. Moreover, the rapid-paced improvement in the hygiene and safety standards across several healthcare settings will boost the product’s demand in the region between 2021 and 2028. The top companies covered in healthcare PPE market are Honeywell International, 3M, Kimberly-Clark (USA), ANSELL, Alpha ProTech (Australia), Superior Gloves (Canada), and more players profiled.

Wet tissues market is expected to be the fastest growing one in the coming years. The key players are Kimberly-Clark, Procter & Gamble, SCA, etc

M&A Activity / (Dis) Investments

- Suzano to invest nearly US$3B in new pulp mill in Mato Grosso do Sul, Brazil
- Spinnova and Suzano to produce 1M tons of fiber p.a. by 2031 - Valmet to supply technology for Spinnova-Suzano joint venture textile fibre factory in Finland
- Clearwater Paper to pull back on production
- Stora Enso launches new bio-based binder
- Stora Enso sells German newsprint mill to Swiss firm
- Graphic Packaging to acquire Sweden’s AR Packaging for $1.45B
- Paper Excellence to acquire Domtar for $55.50 per share in cash
- UPM sells its Shotton paper mill to Eren Paper Ltd
- Verso Corporation announces sale of Duluth, Minnesota, Mill
- Nippon Paper to shut down its coated paper-producing N6 paper machine at Ishinomaki Mill
- Kimberly-Clark's sale of its subsidiary and its paper mill in Niederbipp

New Developments

- Georgia-Pacific’s Camas paper mill installs new boiler in $15M investment
- Toscotec to supply a wet end rebuild to Dunn Paper in Michigan, USA
- Voith receives order from Nine Dragons Paper to deliver three XcelLine paper machines to China
- Andritz to supply two complete OCC lines at Nine Dragons Paper's mill in China
- Andritz to supply the world's first sulfuric acid plant in a pulp mill for Klabin’s Ortigueira, in Brazil
- Andritz to supply major expansion of OCC line to NORPAC, USA
- Andritz signs industrial maintenance contract with Smurfit Kappa Nervion in Spain
- Andritz installs stitchbonding line for Romatex, in South Africa
- Andritz to supply two semi-chemical fiberlines to Lee & Man Paper in China
- Andritz to supply approach flow equipment for two board machines to Shanying Paper in China
- Valmet to supply tissue making line to C&S in Tangshan, China
- Valmet signs an extensive Industrial Internet services agreement with ARAUCO for new pulp production line in Chile
- Valmet to supply the 12th tissue making line to C&S in China | Bioenergy International
- Valmet receives an order for two tissue lines from Zhejiang Jingxing Paper Joint Stock
- Ahlstrom-Munksjö invests in a new post-screening system at its Aspa plant, Sweden
- Norexeco to launch China-bound pulp contracts

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