



HAWKINS WRIGHT

Pulpwatch

Monthly analytical newsletter and dedicated website covering developments in the international pulp and paper markets.

www.hawkinswright.com



What our Pulpwatch service offers...

Market pulp is an internationally traded commodity at the heart of the global fibre cycle, serving as a sustainably sourced raw material to an increasing amount of industries. Pulp markets are dynamic and complex; the factors driving their monthly fluctuations are often obscured by a lack of price transparency. Pulpwatch strives to present a timely and objective analysis of such fluctuations, essential to develop an understanding of the market's likely future direction. Over the years, our readership has grown to include companies controlling over 85% of global market pulp capacity.

Drawing on decades of industry expertise and an unparalleled network of industry contacts – cultivated by our extensive travels and frequent interactions with industry leaders – our **market commentary** interprets and contextualises the constantly changing balances in the pulp market, taking a view on the market's short and medium-term prospects. Other regular sections of the newsletter focus on changes in **printing and writing paper and tissue markets**, and on the impact of **exchange rates**.

The Pulpwatch newsletter also includes a unique **Industry Focus** section each month, providing the reader with an in-depth analysis of a particular development or market dynamic that is shaping our industry. The coverage includes, for example, a review of the important pulp producing and consuming markets; the impact of investment plans on regional and world pulp and paper supply/demand balances; the influence of changing raw material costs and exchange rates on producers' competitive advantages.

The **Key Statistics** section of Pulpwatch is the most timely and comprehensive source of publicly available pulp and paper market data, including:

- Printing and writing paper shipments by region
- Papermakers' converting margins by region
- Demand for bleached chemical market pulp by region
- Shipments of bleached chemical market pulp by region and by grade
- Production of bleached chemical market pulp by region
- Pulp producer's operating rates
- Producers' inventories of bleached chemical pulp by grade
- Consumers' inventories of purchased pulp by region
- Producer stocks in days of supply
- China's import of pulp by grade and origin
- Global average wood fibre price by quarter
- **Market pulp price indications** (32 pulp price series are updated monthly)

All of the data published in Pulpwatch is available to subscribers in Microsoft Excel format.

Most is available online at <http://www.hawkinswright.com/>

About Hawkins Wright

Hawkins Wright is an independent consultancy providing a range of strategic, forecasting, market intelligence and business information services to the international forest products and bioenergy industries.

Since 1982 Hawkins Wright has provided authoritative and cost-effective services based on in-depth research of the global forest, pulp & paper and bioenergy industries. These services include private consultancy assignments covering a full range of marketing and strategic subjects as well as regular multi-client reports and newsletters.

Our consultancy services build on our global perspective of the macro- and micro-economic trends driving the international forest industry and downstream product markets. Assignments can range from advice on a client's business development or feedstock sourcing strategies to highly detailed market feasibility assessments of prospective projects.



Sample pages

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PulpWATCH

Monthly news and analysis of the international pulp market

Low producer stocks prompt further price hikes but significant supply growth imminent

- In North America, softwood list prices were mostly unchanged in April from the previous month, with NBSK at \$970-\$980/t. BEKP prices increased and consolidated around \$880/t.
- In Europe, NBSK pricing was stable or fell by \$51 in April, trading within a range of \$650-\$660/t. BEKP prices mostly increased by \$10/t, to \$770-\$780/t.
- In China, BEKP suppliers succeeded in raising their prices by \$5-\$10/t in April, taking the net price to within a range of \$600-\$625/t. Softwood prices inched upwards by \$10/t, with NBSK at \$630-\$660/t.

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PulpWATCH

Industry focus

The displacement of recovered fibre by virgin fibre

During the past few years, we have frequently drawn attention to the growing tendency for virgin fibre to displace recovered fibre. The following analysis presents a brief update of this development, with a special focus on West Europe.

GLOBAL RECOVERED FIBRE markets mostly endured a difficult 2014, albeit with notable differences by region and by grade. Much of the turbulence stemmed from China, where tighter environmental regulations, higher collection rates coupled with a slowdown in containerboard production prompted a 6% decline in waste paper imports. Since China is the world's largest importer of waste paper, this created an oversupply of recovered fibre in most of the world's major exporting markets, ultimately depressing prices for the two main grades, OCC and ONP. In general this price erosion afforded cost savings for producers of recycled based paper and board, however those mills dependent on high quality waste paper saw little-to-no benefit. Prices for the higher quality grades of waste paper mostly continued to rise last year due to a combination of robust demand and supply constraints.

The highest quality grades of waste paper include sorted office paper and ledger grades, which are usually sourced from document shredding, office forms, printers' scrap and envelopes. Deinked pulp manufactured using these grades of waste paper has been losing market share to virgin fibre during the past few years, especially in the tissue sector. The economic incentive for using deinked pulp has been steadily eroding for several years, and this trend seems to have accelerated through most of 2014.

The chart across shows the historical evolution of the typical fibre cost, as an index, of producing one tonne of tissue paper in Europe using 100% virgin fibre (20% BSKP, 80% BHPK) or 100% recovered fibre (SOP). It can be seen that since 2013, the fibre cost of using SOP has risen by almost 75% whilst the cost of using virgin fibre has only recently started to appreciate, rising by 30% since the summer last year.

While the cost appreciation of using virgin fibre has mostly been currency driven since last summer, the cost appreciation experienced by SOP and ledger grades owes mostly to cost pressures and tightening supply and demand fundamentals. In contrast with OCC and ONP grades which were in abundant supply last year, the supply of SOP continued to contract in line with lower consumption and production levels of graphic paper. With fewer volumes available for collection, deinked pulp mills had further to travel to collect their waste, adding to their costs.

The economic incentive for using deinked pulp has been steadily eroding for several years, and this trend seems to have accelerated through most of 2014

Fibre costs for one tonne of tissue produced using virgin fibre vs. SOP

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Key statistics - Demand

- World-20 shipments of BCP totalled more than 4 million t in March, the second-highest volume on record.
- Q1 2015 shipment volumes are 6.7% higher than in 2014, due to a surge in BHPK shipments, up 15.1% y-t-d.
- Q1 shipments of BSKP are just 25,000 t lower than in 2014, despite strong March shipments of almost 2 million t.
- Three months into the year, demand from all regions has grown except in Japan where it has remained flat. Most of the growth came from China (+250,000 t), Other Asia/Africa (+145,000 t), West Europe (+100,000 t) and Latin America (+95,000 t).

Shipments of bleached chemical pulp

Country of origin	2014			2015			% change
	Jan-15	Feb-15	Mar-15	2014	2015	% change	
North America	1,205	1,105	1,235	3,510	3,545	+1.0%	
West Europe	778	736	830	2,500	2,336	-6.8%	
LATAM, Africa & NZ	1,208	1,000	1,045	4,055	4,015	-0.9%	
Japan & South Korea	65	60	65	240	250	+4.2%	
Total World-20	3,398	3,880	4,015	10,315	11,005	+6.7%	
Seasonally adjusted (total)	3,560	3,720	3,750	10,340	11,030	+6.7%	
Other producers	765	760	980	2,420	2,625	+8.5%	
TOTAL WORLD	4,155	4,380	4,995	12,735	13,640	+5.5%	
Seasonally adjusted (total)	4,260	4,540	4,570	12,780	13,470	+5.4%	

Shipments of chemical pulp

Grade	2014			2015			% change
	Jan-15	Feb-15	Mar-15	2014	2015	% change	
BSPK	1,190	1,130	1,865	5,510	5,465	-0.9%	
BHPK	1,596	1,878	2,350	4,780	6,515	+19.1%	
Subtotal	0	5	0	0	10	-	
Total BCP	3,396	3,885	4,020	10,390	11,910	+8.9%	
UNP	105	125	125	380	395	+3.9%	
TOTAL CHEMICAL PULP	3,490	3,730	4,155	10,870	11,375	+8.9%	

Demand for bleached chemical pulp

Destination	2014			2015			% change
	Jan-15	Feb-15	Mar-15	2014	2015	% change	
North America	565	570	850	1,780	1,815	+2.1%	
West Europe	1,008	1,165	1,220	3,485	3,295	-5.2%	
East Europe	98	100	185	275	295	+7.3%	
Latin America	278	270	320	785	968	+12.4%	
Japan	145	130	180	455	455	-	
China	775	900	940	2,335	2,565	+12.1%	
Other Asia/Africa	418	435	480	1,180	1,225	+12.3%	
Oceania	28	30	25	88	78	-9.2%	
WORLD TOTAL BCP	3,365	3,810	4,020	10,365	11,915	+8.9%	

Shipments of bleached chemical market pulp by the World-20 producers

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Market pulp price indications

All prices are per metric tonne

	2014	2015	2015	2015	2015	Announced list prices for May
WEST EUROPE (€P)						
- NBSK (Phos/CANADA)	€	930-935	930	980	959-955	(959-955)
- NBSK Pk Index (monthly ave)	€	822-823	831-88	804-87	881-82	859-84
- NBSK Pk Index (monthly ave)	€	754-53	788-78	797-82	809-29	800-03
- Southern (USA)	€	890	850	940	820	(815-820)
- Eucalyptus (Latin America)	€	740-745	758-760	759-765	760-770	(770-780)
- FX Index (monthly average)	€	741-6	743-53	748-31	756-70	787-25
- PK Index (monthly average)	€	800-12	829-80	859-37	891-50	714-47
- Northern mixed (N. America)	€	785-715	725	735	740-750	(750)
- Southern mixed (USA)	€	885-710	715	725	738-740	(740)
- BCTMP Hardwood (Canada)	€	825-835	835-845	840-850	849-850	(849-850)
UNITED STATES (delivered)						
- NBSK (Canada)	€	1015-1025	1000-1020	990-1000	878-890	(878-890)
- PK Index (qtr/month average)	€	1009-81	1018-17	1007-23	988-80	978-89
- Southern (US)	€	878-980	868-870	850-980	840	(840)
- Eucalyptus	€	925-940	840-855	980	868-890	980
- Northern mixed (Canada/US)	€	930-940	830-840	840-850	945-855	855-875
- Southern mixed (US)	€	928-840	830-840	840-850	945-855	855-875
SOUTH KOREA (C/P)						
- NBSK (Canada)	€	785-805	755-755	755	755	755
- Eucalyptus	€	640	650	650	668-670	688
- Acacia (Indonesia)	€	640	650	650	670	688
- BCTMP Hardwood (Canada)	€	628	640	640	620	620
CHINA (C/P - 90 days credit, list prices unless otherwise stated)						
- NBSK (Canada, gross price)	€	690-710	690-890	698-870	655-890	650-870
- NBSK (import price in RMB)	RMB	5153	5077	4963	4890	4928
- NBSK Pk Index (monthly ave)	€	717-25	781-15	892-79	888-89	856-11
- Faldata pine (CN, net price before year and rebate)	€	609	626-650	630-635	628-625	628-635
- BSHF (Phos/IA, net price)	€	638-640	630	620	620	638
- Eucalyptus (Brazil, gross price)	€	590-810	800-820	820-830	625-635	638-640
- BHPK (import price in RMB)	RMB	4359	4486	4561	4834	4870
- BHPK Pk Index (monthly ave)	€	804-59	813-33	821-22	830-82	638-18
- Acacia (Indonesia)	€	590	600	610-820	615-625	628-630
- BCTMP hardwood (Canada)	€	498-515	480-500	480	470	458
- Dissolving (viscose grade)	€	985-920	800-820	918-915	780-810	795-815
- LUKP (N/A/Chile) (net)	€	650	620-640	600-620	590-600	578-590

Notes: Estimated transaction prices for delivery in the period shown, before any loyalty or large order discount. Figures in brackets are unconfirmed or based on partial information.
 (†) The import price expressed in RMB has been estimated by making adjustments for the exchange rate, VAT (17%), local transportation, a port handling fee and a bank charge for insurance and financing (assuming it carried out by a third party).

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Subscription scope and order form

The cost of a **single user 12 month subscription** to the Pulpwatch service is **£1,280** (or the equivalent in US dollars or euros). An single annual subscription includes:

- twelve Pulpwatch reports, published at the beginning of each month, providing in-depth analyses of the market’s short and medium-term prospects
- access to historic data, charts and analysis upon request (e.g. wood pellet prices)
- access to a personalised client area at www.hawkinswright.com, where both current and historic reports can be accessed at any time

The cost of a **corporate user 12 month** subscription to the Pulpwatch service is **£2,500** (or the equivalent in US dollars or euros). A corporate annual subscription includes all of the above, plus:

- a licence to distribute the Pulpwatch newsletter and data throughout your company or organisation, along with an unlimited number of online accounts with access to the Pulpwatch website (within reason).

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