



HAWKINS WRIGHT

Pulpwatch

Monthly analytical newsletter and podcast 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.

Every report is accompanied by a new **Pulpwatch, the Podcast** episode, summarising the market commentary for those who wish to tune into market developments on the go. The podcast is typically released within a day of the written report.



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
- Shipments of bleached chemical market pulp by region and by grade
- Pulp producer's operating rates
- Consumers' inventories of purchased pulp by region
- Producer stocks in days of supply
- China's import of pulp by grade and origin
- **Market pulp price indications** (30 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

HAWKINS WRIGHT Volume 21 No. 10 - 30 April 2015

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 \$670-\$680/t. BEKP prices increased and consolidated around \$600/t.
- In Europe, NBSK pricing was stable or fell by \$1 in April, trading within a range of \$450-\$460/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 included upward by \$10/t, with NBSK at \$630-\$650/t.

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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 regulation, higher collection rates coupled with a slowdown in container-board 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 farms, 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 above 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% BSNP, 80% BHP) 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) and fewer volumes available for collection, deinked pulp mills had further to travel to collect their waste, adding to their costs.

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

West Europe, expressed as an index (2009=100), in €/tonne

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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-o-y.
- Q1 shipments of BSFP 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 (+280,000 t), Other Asia/Mexico (+145,000 t), West Europe (+100,000 t) and Latin America (+95,000 t).

Shipments of bleached chemical pulp

Produced in:	2014			2015			% change
	Jan-15	Feb-15	Mar-15	2014	2015	% change	
North America	1,205	1,106	1,235	3,510	3,545	+1.0%	
West Europe	770	736	830	2,500	2,336	-6.0%	
Latin America	1,200	1,600	1,816	4,655	4,916	+5.6%	
Japan & South Korea	85	80	85	240	250	+4.2%	
Total World-20	3,260	3,680	4,015	10,315	11,056	+6.1%	
Shipments adjusted total	2,560	2,720	3,120	7,240	7,650	+5.7%	
Other producers	765	710	890	2,400	2,406	+0.2%	
TOTAL WORLD	4,025	4,390	4,905	12,735	13,462	+5.5%	
Seasonally adjusted total	4,260	4,540	4,970	12,760	13,470	+5.4%	

Shipments of chemical pulp

Produced in:	2014			2015			% change
	Jan-15	Feb-15	Mar-15	2014	2015	% change	
Global	1,160	1,210	1,265	3,610	3,690	+2.2%	
BSPK	1,266	1,810	2,260	4,716	5,436	+15.1%	
Subtotal	0	0	0	0	0	-	
Total BCP	3,260	3,680	4,020	10,316	11,010	+6.6%	
Other	100	125	120	315	300	-3.8%	
TOTAL CHEMICAL PULP	3,460	3,720	4,150	10,631	11,310	+6.2%	

Demand for bleached chemical pulp

Destination	2014			2015			% change
	Jan-15	Feb-15	Mar-15	2014	2015	% change	
North America	985	670	850	1,390	1,315	+3.1%	
West Europe	1,000	1,180	1,220	2,485	2,265	-2.9%	
East Europe	90	100	185	275	260	+1.9%	
Latin America	270	270	320	765	860	+12.4%	
Japan	145	130	180	455	455	-	
China	775	880	840	2,395	2,560	+12.1%	
Other Asia/Mexico	410	436	480	1,300	1,325	+1.9%	
Oceania	20	30	25	80	75	-29.0%	
WORLD TOTAL BCP	3,265	3,610	4,020	10,305	11,015	+6.6%	

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	Annualised kg prices for May
	December	January	February	March	April	
WEST EUROPE (€)						
NBSK (Europe/Canada)	€ 600-605	610	610	625-635	625-635	(60-600)
NBSK RV index (monthly avg)	€ 115-115	115-116	115-116	115-116	115-116	604-611
NBSK RV index (monthly avg)	€ 744-653	700-710	747-642	620-613	600-613	600-613
Southern (USA)	€ 880	880	940	920	915-920	
Ecology/Blue/Gulf/Americas	€ 714-740	700-710	710-700	700-710	710-700	(700-700)
PM index (monthly average)	€ 341-6	343-3	343-3	343-3	343-3	167-16
PM index (monthly average)	€ 800-12	828-24	828-27	828-27	828-27	114-41
PM index (North America)	€ 710-710	724	730	740-710	740	(700)
Southern mixed (USA)	€ 685-710	711	725	730-710	740	(NBS)
ICTMP Hardwood (Canada)	€ 625-625	625-645	640-800	640-610	640-610	(640-610)
LIMITED STATES (US\$)						
NBSK (Canada)	€ 1015-1025	1010-1020	891-1010	870-910	870-910	(870-910)
PM index (p/ month average)	€ 1028-11	1018-17	1017-23	890-88	870-89	970-89
Southern (US)	€ 970-980	980-970	950-980	940	940	(940)
Ecology/Blue	€ 825-840	840-855	830	800-810	810	810-800
Northern mixed (Canada/US)	€ 820-840	820-840	840-860	845-815	845-815	815-815
Southern mixed (US)	€ 830-840	820-840	840-860	845-815	845-815	815-815
CHINA (RMB/1000 kg)						
NBSK (Canada)	€ 700-800	700-710	700	710	710	710
Ecology/Blue	€ 640	650	650	660-670	680	680
Acacia (Indonesia)	€ 640	650	650	670	670	670
ICTMP Hardwood (Canada)	€ 620	640	640	620	620	620
CHINA (RMB/1000 kg) - 1000kg price (reference value)						
NBSK (Canada) gross prices	€ 690-710	690-690	690-670	650-610	650-610	650-610
NBSK import price in RMB/1000kg	€ 810	807	492	492	492	492
NBSK RV index (monthly avg)	€ 717-25	701-15	692-79	660-68	660-68	660-68
Market price (China, net price before year end rebate)	€ 690	626-950	620-615	620-610	620-610	620-610
BSAP (China, net price before year end rebate)	€ 810-840	810	820	820	820	820
Ecology/Blue (China, gross price)	€ 590-610	600-620	620-620	620-615	620-610	620-610
BEKP import price in RMB/1000kg	€ 450	440	450	464	464	464
Q&P RV index (monthly avg)	€ 844-59	810-10	821-22	820-82	820-82	820-82
Acacia (Indonesia)	€ 580	600	610-620	615-610	620-610	620-610
ICTMP Hardwood (Canada)	€ 485-515	480-500	480	470	460	460
Clonishing (reference grade)	€ 810-820	800-820	810-815	780-810	780-810	780-810
LMP (NBSK/Blue)	€ 620	620-640	620-620	580-610	570-580	570-580

Notes: Estimated transaction prices for delivery in the period shown, before any expiry 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 financing is 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 **£1,380** (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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