



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 **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.

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/MT. BEKP prices increased and consolidated around \$600/MT.
- In Europe, NBSK pricing was stable or fell by \$5/MT in April, trading within a range of \$850-\$860/MT. BEKP prices mostly increased by \$10/MT, to \$770-\$780/MT.
- In China, BKP suppliers succeeded in raising their prices by \$5-\$10/MT in April, taking the net price to within a range of \$600-\$625/MT. Softwood prices increased by \$50/MT, with NBSK at \$630-\$660/MT.

HARDWOOD PULP PRICES continued to rise through April, with modest gains reported in all markets and for all grades. Despite rising affordability concerns, demand remains robust as low consumer stocks have left buyers little room in which to negotiate. With supply still constrained from ongoing maintenance shut, producers remain optimistic that the upwards momentum will continue and many have announced their intention to raise prices further in May.

The success or failure of these announcements may largely depend on the development of short-term supply. Although certain large BLP mills in Latin America and Asia have further maintenance outages in May, three pulp lines are expected to start imminently: APP's 300,000 t/y AMP integrated line at Guangxi (line 3), Paper Excellence's 240,000 t/y hardwood BCTMP mill in Chetwynd, and CMPC's 1.3 million t/y BEKP line at Guabá. Meanwhile, the 400,000 t/y Sotogrande mill (which will swing between BSKP, BHPK and DWP) in Belarus is nearing completion with a scheduled start up for July. Although the physical impact of this additional 2.25 million t of additional supply is unlikely to be felt until late in the summer, the psychological impact may be felt much sooner. Anecdotal reports suggest that APP has already reduced its buying activity, perhaps in anticipation of new supplies.

In the softwood market, conditions were mixed through April, with modest price hikes in China contrasting with stability or modest price declines in Europe and North America. The price hikes in China were supported by a surge in demand from traders, who adjusted the market to have reached a floor as Northern Hemisphere mills entered their traditional maintenance season. This positive sentiment has been reinforced by further price hike announcements for May business. Suppliers hope that increased Chinese demand will soon absorb any surplus supply in Europe and North America where attractive spot deals continued to weigh on the announced list prices during April.

As an end of quarter month, March is invariably a strong month for shipments, which have averaged 12% higher than the annual average over the past ten years. However, this time demand was particularly strong, as World-20 shipments of bleached chemical pulp totalled 4.02 million t, the second highest volume on record. Shipments jumped by 9.7% y-o-y, contributing to a 6.7% increase in shipments through the year-to-date. While shipments of softwood market pulp contracted by 0.4% through the first quarter, deliveries of hardwood market pulp surged by 14.9%, mostly owing to an 18.2% y-t-d jump in shipments of BHPK.

The key driver of the hardwood demand growth this year has been China, with World-20 hardwood shipments to the country up 33% y-t-d, equal to 0.3 million t of growth. Interestingly, Chinese customs data suggest that the growth in hardwood demand has been more subdued, with Chinese

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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.

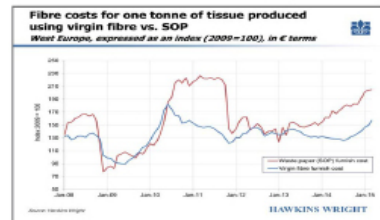
The economic incentive for using de-inked pulp has been steadily eroding for several years, and this trend seems to have accelerated through most of 2014.

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 de-inked 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% BSKP, 80% BHPK) or 100% recovered fibre (60% BSKP). 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 OCC 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.



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PulpWATCH

Key statistics - China Analysis

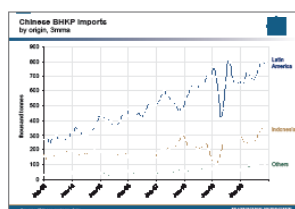
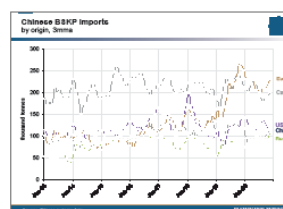
- Chinese imports of market pulp totalled 2.40Mts in November, up 12.3% y-o-y. Cumulatively, imports have grown by 9.8% y-t-d, equal to 2.09Mts.
- Adjusting for price reveals that in terms of real value, imports have shrunk by 12% y-t-d, or just under US\$ 1.40M.
- Imports of softwood pulp are down 1.5% (-0.12Mts), while imports of BHPK have soared 15.4% (+1.5Mts). Volume growth from Brazil (+0.75Mts) has overtaken that of Indonesia (+0.69Mts).
- Imports of UNP and BCTMP have also risen significantly, posting gains of 30% and 18% respectively through the y-t-d, equal to +0.47Mts combined.

Chinese imports of pulp by grade and by origin

Grades & country of origin	Aug-20	Sep-20	Oct-20	Nov-20	Year-to-date (11 months)		
					2019	2020	% change
UNP - total	626	724	731	832	8199	8875	-15%
Canada	659	219	88	96	2439	2212	-9%
Russia	88	86	59	134	899	1054	-15%
China	80	104	111	111	1514	1681	-10%
USA	135	126	36	120	1258	1332	-6%
Sweden	10	40	40	46	136	168	-18%
Poland	111	84	44	120	633	1333	-52%
Others	70	63	52	75	453	528	-14%
BHPK - total	1238	1347	1269	1339	8860	10507	-16%
Indonesia	361	368	366	366	2508	3205	-21%
Brazil	694	681	653	669	5805	5406	+7%
Uruguay	84	83	81	76	745	778	-4%
Thailand	5	19	11	80	115	131	-12%
China	89	74	180	56	733	586	+25%
Russia	8	23	6	19	227	125	+81%
Canada	26	43	42	34	334	334	0%
USA	4	4	11	30	114	41	+176%
Others	66	48	73	76	424	543	-22%
Market total	1864	1871	1700	1771	17059	19382	-11%
UNP	91	115	116	127	737	905	-19%
BHPK	1147	1256	1184	1242	8322	9477	-12%
TOTAL MARKET PULP	2038	2366	2284	2519	15701	18544	-15%
MARKET VALUE (million US\$)	1884	1984	1857	1948	12548	14888	-16%

Notes:

- f = revised since previous issue.
- e = estimated by Hawkins Wright.
- = not available or not meaningful.
- Source: Chinese Customs Data

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Market pulp price indications

	2014	2015	2016	2017	2018	2019	2020	Amended 2020 prices for May
	December	January	February	March	April			
WEST EUROPE (CPI)								
- NBSK (Europe/Canada)	\$	800-805	801	801	803-815	(810-880)		
- NBSK Pk index (monthly avg)	\$	812-82	821.08	804.97	804.43	809.14		
- NBSK Pk index (monthly avg)	€	744.53	788.78	787.42	808.33	800.83		
- Southern (USA)	\$	880	881	940	823	(915-920)		
- Eucalyptus (Latin America)	\$	748-749	750-751	751-752	760-773	(770-780)	760-810	
- Pk index (monthly avg)	\$	741.8	743.53	748.31	758.78	787.55		
- Pk index (monthly avg)	€	800.12	828.54	828.37	881.51	714.47		
- Northern mixed (N. America)	\$	710-715	721	730	740-751	(750)		
- Southern mixed (USA)	\$	685-710	711	725	730-741	(740)		
- BCTMP Hardwood (Canada)	\$	825-835	825-845	840-850	840-850	(840-850)		
UNITED STATES (unweighted)								
- NBSK (Canada)	\$	1015-1025	1010-1021	891-1010	870-881	(870-900)		
- Pk index (unweighted avg)	\$	1028.81	1018.17	1027.23	886.88	970.89		
- Southern (US)	\$	970-980	980-971	950-980	941	(940)		
- Eucalyptus	\$	825-840	840-851	830	880-881	880		880-900
- Northern mixed (Canada/US)	\$	820-840	820-841	840-850	845-851	851-875		
- Southern mixed (US)	\$	830-840	830-841	840-850	845-851	851-875		
SOUTH AMERICA (CPI)								
- NBSK (Canada)	\$	720-805	755-751	755	751	710		
- Eucalyptus	\$	840	851	850	880-871	880		
- Acacia (Indonesia)	\$	840	851	850	871	880		
- BCTMP Hardwood (Canada)	\$	820	841	840	821	820		
CHINA (CPI - 33 days credit, 1st price unless otherwise stated)								
- NBSK (Canada, gross price)	\$	840-710	880-891	891-870	850-881	851-870		
- NBSK import price in Rmb	Rmb	4953	5377	4953	4933	4933		
- NBSK Pk index (monthly avg)	\$	717.35	701.15	692.79	686.88	688.11		
- Pk index price (China, net price before year and inflation)	\$	680	636-658	630-635	628-635	620-635		635
- BSKP (Russia, net price)	\$	610-640	631	630	621	610		
- Eucalyptus (China, gross price)	\$	590-610	600-620	620-630	625-635	620-640		
- BSKP import price in Rmb	Rmb	4569	4468	4561	4634	4610		
- BSKP Pk index (monthly avg)	\$	614-620	613-621	621-622	620-621	620-621		
- Acacia (Indonesia)	\$	580	601	610-620	615-621	620-630		
- BCTMP Hardwood (Canada)	\$	485-515	480-501	480	471	460		
- Dissolving (pulp grade)	\$	810-820	800-821	810-815	760-811	761-815		
- UNP (NAC/China) (avg)	\$	650	620-641	600-620	580-611	570-580		

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 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 **£1,580** (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 **£2,850** (or the equivalent in US dollars or euros). A corporate annual subscription includes all of the above, plus:

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