

Future price trend for kraftliner in Germany still unclear in mid-March

In the middle of the month, another round of price hikes for all kraftliner grades was announced on the German market. Some companies justified these by pointing to the good demand and the need to compensate for high costs. Other companies said the move was necessary to maintain the price gap to recycled corrugated case material, for which increases have also been announced.

According to the EUWID market survey, the announced hikes amount to around €100/t for brown kraftliner and semi-chemical fluting and between €100-130/t for white-top kraftliner. This measure comes at a time when availability of all grades is once again being described as adequate and converters had been speculating on price reductions. The negotiations have not yet started, so at the time of the EUWID market survey it was unclear to what extent the potential adjustments would be implemented.

The sanctions against Russia and measures introduced by producers who no longer want to work with or in the Russian market will cause some shifting, although this may take some time to affect the market. Wholesalers and paper mill agencies supplying Russian kraftliner for the German market said that ordered goods would still be delivered, but they would be ceasing business with Russian producers from the beginning of April and looking for other sources. However, it

seems there are already problems with ordered goods being able to leave Russian ports.

The German corrugated board industry had recently told EUWID that around 78,000 t of kraftliner were imported from Russia, which would now have to be sourced and replaced from elsewhere. Some of this could come from kraftliner substitute paper while deliveries from other countries might also be possible, according to market participants. Since kraftliner availability had improved somewhat recently, as of mid-March the market was not yet panicking about a reoccurrence of the shortfalls seen last year. Moreover, market players had also recently built up some inventories.

Costs rising everywhere for corrugated board producers in Germany

Owing to the extreme price increases in the energy sector, the corrugated board industry in Germany is facing significant production-related cost burdens. In addition, there are high transport costs: Corrugated board is a voluminous product that takes up a lot of space but is not in the high-priced segment. However, high paper prices are the biggest expense and they will possibly rise again as of 1 April. In March and following the outbreak of war in Ukraine, the first paper producers reacted quickly and announced further price hikes. In the market survey conducted in mid-March, it was not yet clear if, when, and for which grades these might apply. At the moment,

converters do not believe the hikes will be fully implemented. Moreover, paper is readily available and the situation on the recovered paper market is unclear.

Producers of corrugated board were long forced to bear the cost of the last round of paper price hikes – and sometimes they still are. Although corrugated board and packaging companies were able to adjust prices at several occasions in the past – and by more than they typically can – they are still a long way from passing on all of their costs.

In terms of volumes, the market for corrugated board in Germany remains strong in the first quarter. Industry players report that overall volumes were down marginally compared with the previous year, but the start of 2021 saw extreme increases owing to the pandemic and the lockdown. In the first quarter of 2021, deliveries were up by 7.6 per cent on a square-meter basis compared with the prior-year quarter. Compared with these figures, volumes have only eased off slightly.

There are mixed expectations for the second quarter. On the one hand, companies expect that a slowdown will have to occur at some point. On the other hand, some German consumers appear to be panic-buying again in response to the war in Ukraine. They are stockpiling not only cooking oil but also shelf-stable products. However, it remains to be seen whether this will have an effect on the market. □

High energy costs and fibre shortage pose headaches to pulp converters

Price hikes for BEK pulp in March inevitable, NBSK prices stable for now

The situation for pulp converters in Europe is becoming increasingly difficult. Over and above sustained problems in fibre supply, the paper industry is struggling to cope with extremely high energy costs, among others. Mounting industry reports indicate that paper machines and entire mills are closed for days, weeks or even months because companies simply cannot afford to keep them running in the face of high energy costs. Machines have been temporarily stopped especially in Italy, e.g. those of Pro-Gest and Cartiere del Polesine. Companies add that they are forced, not infrequently, to resort to such measures also in other parts of Europe. "If we don't produce, then we stand to lose less money than when we continue production," explained a renowned producer, who idled machines in all mills on some days.

Similar measures are apparently common in all segments of the paper market: producers of graphic and packaging paper as well as tissue

have also resorted to sporadic closures, EUWID's research indicates. As of now, market players can only speculate on whether demand for pulp will ease and availability will improve. Producers reported in the middle of March that order inflow from most segments is still very high but qualify that some buyers from the tissue industry no longer buy maximum volumes. In contrast, several producers e.g. of graphic paper are said to be scouting for extra tonnes.

"The situation can change very quickly. Many different factors are concurrently at play," a pulp supplier observed. Many companies from the paper and tissue industries have hardly any financial leeway because of exploding costs and already stand with their backs to the wall. Despite hikes to paper prices, they find it hard to "stay abreast" with cost increases and pass them on swiftly to their customers, a market player reports. In his opinion, the situation will surely threaten the survival of one or the other company.

At the same time the shortage on the Western European pulp market is unprecedented, say respondents from different quarters of the industry. Some paper machines in Europe stand idle because of insufficient availability of hardwood pulp. "We committed the cardinal error last autumn when we did not contract enough pulp. No one expected that demand for paper would hold up in the face of exorbitant prices," a company spokesman explained.

The renewed extension of the strike at UPM is equally responsible for the shortage. Moreover, supply chains and material streams have also been impacted by the war, which is also true for sea freight. Almost all suppliers are struggling with delays. Especially arrival of ships from South America at European ports are inordinately delayed. The Russian invasion in Ukraine has also affected other supply channels, it is learnt. Railway logistics are "irregular" and companies expect bottlenecks in lorry traffic because Ukrainian drivers are unavailable.

Pulp buyers have fallen into passivity of sorts due to the complicated framework conditions. Negotiations on monthly contracts are not held in the first place, they report. "We don't want to

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Inventories and consumption of pulp consumers in Europe

January 2022

tonnes		UNBLEACHED		BLEACHED / SEMI-BLEACHED			Total	Previous year
		Sulphite & Kraft	Softwood sulphite	Hardwood sulphite	Softwood kraft	Hardwood kraft		
Inventories								
December	2021	9,855	14,569	9,814	219,803	398,401	652,442	815,833
January	2022	10,375	15,274	9,720	204,913	387,450	627,732	784,912
Consumption								
December	2021	11,958	30,987	12,782	301,734	599,774	957,235	871,870
January	2022	12,051	28,861	13,294	304,278	638,736	997,220	988,122

As of now, data for hardwood pulp are published in the monthly report. Quartely reports will not be published any more.

NB: Total and previous year total do not include DIP and CTMP, figures are constantly revised.

Each national Association has to provide an estimation for 100% of the national volumes out of their samples (from 80% to 100% depending on the countries).

Source: UTIPULP

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waste the time, we have enough to do," a converter says. Prices of bleached eucalyptus pulp increased to \$1,140/t while those of northern bleached softwood pulp finally settled at \$1,340-\$1,350/t, surprising many respondents. Some suppliers voluntarily offered to reduce the hike for NBSK from \$50 to \$40/t, respondents from both camps added.

An additional \$30 will be tacked on to BHK prices in March, which will take prices to \$1,170/metr.t. There is little doubt about the implementation. "We should be glad that the amount is so low," a buyer remarked. No announcements have been made for NBSK so prices are expected to remain put for now. However, market players believe that fresh announcements will be made for both benchmark grades in April.

Pulp stocks down in January

In January, pulp stocks in European paper mills fell by 24,000 t to 628,000 compared to December 2021. Stocks are also lower than in January 2021 when they amounted to 785,000 t. According to Utipulp, pulp consumption in Europe increased significantly by 40,000 t to 997,000 t in January. In January 2021, paper mills in Europe used around 988,000 t of pulp. □

German sawmill residues markets clearly more balanced again in mid-March

Price negotiations still pending for deliveries in second quarter

A high level of cutting activity since the beginning of 2022 contributed to some cooling on the German sawmill residue markets, which had previously been described as rather overheated. For some weeks now, both the sawdust and the pulp/MDF woodchips markets are said to have been restored to equilibrium. The outflow of products under existing contracts has been mostly prompt. Supply has returned to normal. At the same time, sawmills have not accumulated any stocks of residual wood yet.

Pulp and wood-based panel production is running at a high level in Germany as well as in its neighbouring countries.

No significant changes are anticipated in the supply of sawmill residues either, at least for the next few weeks. In view of a rather regressive supply of roundwood in the sawmilling industry again recently, cuts in output are no longer being ruled out from April onwards.

Aside from existing quarterly contracts, one or two spot market contracts at over €20/m³ ex works were concluded on the spot markets for sawdust as well as for pulp/MDF woodchips in

February. Minor upward adjustments have been made at the lower end of the existing price ranges, too. Due one-off effects, individual batches of

sawdust have also been offered at lower prices in some regions.

Expectations of prices for deliveries in the second quarter still differed widely until the end of February. While buyers have announced that they want to cap price peaks or even generally reduce prices, suppliers still see further scope for price increases. The sharp increases in transport costs recently as well as more commonplace pan-

EUWID Price Watch Sawmill Residues Germany

March 2022

€/loose m ³ or €/bone dry ton	17 Mar 2022	27 Jan 2022	18 Nov 2021	11 Mar 2021	% Change 2022/2021
Southern Germany					
Woodchips*	17.50 - 20.50	16.50 - 19.50	10.00 - 12.50	4.00 - 5.50	+ 300.0
Sawdust*	17.50 - 20.50	16.50 - 19.50	10.50 - 12.50	4.50 - 5.50	+ 280.0
TMP woodchips	130 - 140	125 - 140	80 - 90	65 - 85	+ 80.0
Northern/Western Germany					
Woodchips*	17.00 - 20.00	17.00 - 20.00	10.50 - 12.50	4.00 - 4.50	+ 335.3
Sawdust*	17.00 - 20.00	16.50 - 20.00	11.00 - 13.00	3.80 - 4.50	+ 345.8
TMP woodchips	130 - 140	130 - 140	80 - 95	60 - 80	+ 92.9
Eastern Germany					
Woodchips*	17.00 - 20.00	17.00 - 20.00	10.50 - 12.00	4.00 - 5.50	+ 289.5
Sawdust*	17.00 - 20.50	17.00 - 20.00	10.50 - 13.50	3.70 - 4.50	+ 357.3

* without bark

Average prices for sawmill residues sold to industrial clients, ex mill

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