## EUWID Price Watch Germany Envelope and Shipping Bag Paper

First quarter 2022

| Prices in € per tonne | First quarter 2022 | Fourth quarter 2021 | First quarter 2021 |
|---|---|---|---|
| White woodfree envelope paper, 80 g | 1,740 - 1,880 | 1,140 - 1,180 | 830 - 880 |
| Recycled envelope paper, 80 g | 1,270 - 1,520 | 970 - 1,020 | 770 - 790 |
| Shipping bag paper VKP 3 | 1,300 - 1,550 | 1,000 - 1,050 | 800 - 810 |
| Shipping bag paper VP 4 | 1,250 - 1,500 | 950 - 1,000 | 750 - 760 |



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the course of the first quarter to €1,270-1,520/t. For VKP 3 shipping bag paper the figures were €1,300-1,550/t and for VP 4 €1,250-1,500/t.

The already insufficient supply will become even tighter from next month. Leipa has announced that it will cease production of envelope and shipping bag paper at its Schrobenhausen site, meaning that the market will lose about 12,000 tpy. The Schwedt mill is currently examining whether it will be possible to produce recycled grades there in the future. However, the project is still in the test phase, market insiders report, so that it is not yet known when the first saleable quantities can be expected.

Extraordinary conditions also prevail at many envelope producers. "All this time Covid has disrupted production, and now the paper shortage is causing shift cancellations as well," complains one envelope producer. And although there is not enough paper, they have to pay unprecedented prices for it, paper buyers say.

Added to this are higher gas and electricity prices, as well as higher prices for glues, films, freight and packaging. As in the last EUWID survey, the industry does not expect any relief in the near future, but rather thinks that the still limited supply capacity of customers will further increase the substitution pressure towards digital media. □

# Extreme shortage of BEK pulp leads to rising prices in March and April

## Varying announcements about increases for NBSK pulp

**On the European pulp market, the second quarter started the way the first one ended: with extremely tight availability leading to rising pulp prices. This was particularly true for hardwood pulp.**

In March, prices for bleached eucalyptus pulp (BEK) rose as expected on the European market. The targeted increase was $30/t and went through without any resistance. The new list price is now $1,200/t. For April, producers want to charge another $50 and – given the tight supplies – will once again apply this without any discussions, market participants all said in mid-April. "We cannot rule out an announcement of a further increase in May," one seller of eucalyptus pulp added.

Normally, buyers in Europe would take advantage of the stronger US dollar to try to at least bargain down the amount in the upcoming talks, which will take place at the end of April. However, as one converter put it: "We have absolutely no negotiating power and we cannot hope for any understanding, either." One paper producer said that markets are primarily tight owing to logistics problems and the strike, yet suppliers were using this to their advantage, which was leaving a "bad aftertaste."

The supply squeeze in Europe is now not only due to the sometimes extreme delays in deliveries from South America, but also to the massive restriction of birch pulp production, especially in Finnish mills, as a result of the ban on trading wood products from Russia that was introduced in early March. Previously, converters in Finland

## Inventories and consumption of pulp consumers in Europe

February 2022

| tonnes | | UNBLEACHED | BLEACHED / SEMI-BLEACHED | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Sulphite & Kraft | Softwood sulphite | Hardwood sulphite | Softwood kraft | Hardwood kraft | Total | Previous year |
| **Inventories** | | | | | | | | |
| January | 2022 | 10,375 | 15,274 | 9,720 | 219,311 | 385,597 | 640,277 | 784,912 |
| February | 2022 | 9,289 | 15,675 | 9,445 | 215,409 | 377,840 | 627,658 | 799,316 |
| **Consumption** | | | | | | | | |
| January | 2022 | 12,133 | 28,861 | 13,294 | 308,054 | 638,201 | 1,000,543 | 988,122 |
| February | 2022 | 12,645 | 26,165 | 12,191 | 288,792 | 610,069 | 949,862 | 936,006 |

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

## EUWID Price Watch Pulp Western Europe

March 2022

| CIF North Sea ports | March 2022* | February 2022 | March 2021 |
|---|---|---|---|
| **Bleached softwood pulp** | | | |
| Softwood kraft | | | |
| from Scandinavia and Canada in €/t | 1,244 | 1,211 - 1,220[1] | 948 |
| from Scandinavia and Canada in US$/t | 1,350 | 1,340 - 1,350[1] | 1,120 |
| Southern softwood from the US in €/t | 1,189 | 1,165 | 889 - 897 |
| Southern softwood from the US in US$/t | 1,290 | 1,290 | 1,050 - 1,060 |
| **Bleached hardwood pulp** | | | |
| Birch pulp from Scandinavia in €/t | 1,106 | 1,057 | 770 |
| Eucalyptus pulp | | | |
| from Portugal/Spain in €/t | 1,106 | 1,057 | 770 |
| from South America in €/t | 1,106 | 1,057 | 770 |
| from South America in US$/t | 1,200 | 1,170 | 910 |
| Southern hardwood in €/t | 1,023 | 976 | 686 - 694 |
| Southern hardwood in US$/t | 1,110 | 1,080 | 810 - 820 |
| Hardwood BCTMP | | | |
| from Scandinavia and Canada in €/t | 875 - 922 | 831 - 876 | 559 - 601 |
| from Scandinavia and Canada in US$/t | 950 - 1,000 | 920 - 970 | 660 - 710 |

* Exchange rate as of 14 April 2022: 1 US$ = 0.9216 € [1] revised retroactively

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imported substantial volumes of birch from Russia. Since March, they have had to replace these or switch to producing other pulp grades. Moreover, as part of expanded sanctions announced in April, the European Union introduced a complete ban on imports of wood and CTMP pulp from Russia.

In addition, UPM's pulp mills in Finland remain idled as the union of paper industry workers prolonged its strike once again until mid-May. "Every day I am being contacted by customers who want to replace birch pulp with eucalyptus. Major corporations are in a difficult situation because they do not have enough hardwood pulp," said one supplier. In Spain, too, a strike is having effects on Spanish producer Ence and its pulp shipments. The strike by the country's truckers started in mid-March and was temporarily suspended as of 5 April. During this time, outbound shipments of pulp were very limited and key raw materials could not reach the Ence mills.

Another unfavourable piece of news was the further delay of Arauco's MAPA project in Chile. The start-up of the new pulp line is now scheduled for mid-June, the company recently announced.

### NBSK pulp producers have differing price plans in April

There were no official price announcements for softwood pulp for March. In most cases there was an adjustment for customers who only paid $40 more (instead of $50) in February, to bring prices in line with the prevailing level of $1,350/t, according to industry representatives.

For April, some producers of northern bleached softwood pulp have announced mark-ups of between $30-50/t in Europe. Other suppliers had yet to make a move by calendar week 15 and wanted to decide after Easter. "We will try to raise our prices and catch up with one of our competitors, but we also know that we cannot endlessly increase prices, or else we will cause harm to our own customers," said one company spokesperson.

At the moment, various experts and analysts expect significant declines in demand in some cases, for both hardwood and softwood pulp, in the second half of this year. Owing to the very dynamic situation, it is difficult to predict whether the situation might change next month and if a trend turnaround will actually occur in the third quarter. However, various market participants forecast that the pulp price level will stabilise as summer draws nearer. □

# EU adds paper products to list of Russian sanctions

The European Union has expanded its package of sanctions against Russia to include trade with paper, board and pulp. Depending on the paper grade, this can affect imports and/or exports. The regulation, which entered into force the day after its publication in the Official Journal of the European Union on 8 April, contains some exceptions, such as trade contracts signed prior to 9 April.

According to the official announcement of the amendment of Regulation (EU) No 833/2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine, the Council of the European Union adopted decision (CFSP) 2022/578 on 8 April amending decision 2014/512/CFSP.

According to article 3i, it is forbidden to import the goods listed in Annex XXI. This applies to goods in category 4804, comprising uncoated kraft paper and paperboard, in rolls or sheets, other than that of heading 4802 or 4803. It also applies to goods under 4705, namely wood pulp obtained by a combination of mechanical and chemical pulping processes (CTMP). Russian newsprint is not affected.

At the same time, according to article 3k, EU producers are not allowed to export the paper and board grades listed under Annex XXIII to Russia. This regulation applies to goods in the categories 4802, 4804 to 4811, 4814, 4819, 4822 and 4823. These include exports of kraft paper and kraft board, testliner, filter paper, specialty paper and printing and writing paper such as LWC. The ban also applies to exports of cartonboard and folding cartons, recovered paper (4707 10 and 4707 30) and chemical pulp (4701, 4703 to 4706). Exports of dissolving pulp are not affected.

Belarus is not directly affected by the sanctions. □