

Logistics disruptions squeezing pulp supplies

Industry speculates about background circumstances of EU inspections

After pulp prices remained unchanged in Europe in September, there are currently mixed views about how prices will develop in October. EUWID respondents often believe that prices will stay stable. However, some paper producers will vehemently demand price reductions from their pulp suppliers because they urgently need some cost relief in their mills.

In September, for the fourth month in a row, the price for bleached hardwood pulp stood at \$1,140/t, while for bleached softwood pulp it was \$1,340/t. This means that from December 2020 until today, BEK and NBSK pulp prices in euro terms have increased by around 75 per cent and 55 per cent, respectively, for European buyers.

Although pulp producers have been facing growing pressure for a few weeks, buyers have not had much leverage to achieve price reductions. As in the previous monthly negotiations, they have widely varying ideas about where prices should be heading, ranging from "unchanged" to "a \$50 price cut" and even "a decrease of \$70." "There has never been a more dramatic need for reductions than right now," one pulp buyer told EUWID.

Most of the paper machines in Europe, regardless

of the grade, are running at full tilt and still cannot meet the high demand for various packaging papers, fine and publication papers and specialty papers. Activity levels on the tissue market have also reportedly picked up since the summer, even though the price level there is entirely insufficient. Accordingly, raw materials are highly sought-after and securing volumes is a priority for many buyers. At the moment, it is practically impossible for buyers to reduce their purchasing volumes in order to convince suppliers to grant discounts, EUWID was told.

However, market watchers are wondering how long converters, including those from the tissue industry, can continue to operate their paper machines in light of the spiking costs and inadequate or no increases in sales prices. In Italy, some machines have reportedly been idled already. "Eventually you reach a point where demand [for pulp] declines because it is too expensive to produce paper," said one industry expert.

On the other hand, the tense delivery situation for pulp has only barely eased or not at all. In Scandinavia and northern Europe, planned maintenance downtimes are reducing supply, especially of soft-

wood pulp. Deliveries of hardwood pulp from South America are sometimes arriving at European ports with extreme delays because of major problems in international shipping. One producer of eucalyptus pulp said that a current shipment of volumes that was planned for October will only arrive at the end of November. There is absolutely no transport capacity available for additional volumes, EUWID was told. This could pose a problem in the short and medium term for Latin American companies that are in the process of starting up new capacities. Moreover, freight rates for break bulk cargo have skyrocketed, as they have for containers.

Given this complex and tense logistics situation, there is no shifting of volumes, for example, from China to Europe. Pulp that was originally destined for China but is not needed there due to weaker demand is not being sent to Europe, so even though net prices for pulp in China are as much as \$200 below European levels, this is not having much impact, experts say. "Pulp is generally available, but not where it is needed," said one buyer. Without these logistics bottlenecks, prices would have already declined, he added.

EU Commission's antitrust concerns about NBSK pulp producers still unclear

Industry experts had very mixed reactions – from "completely astounded" to "not that surprised" –

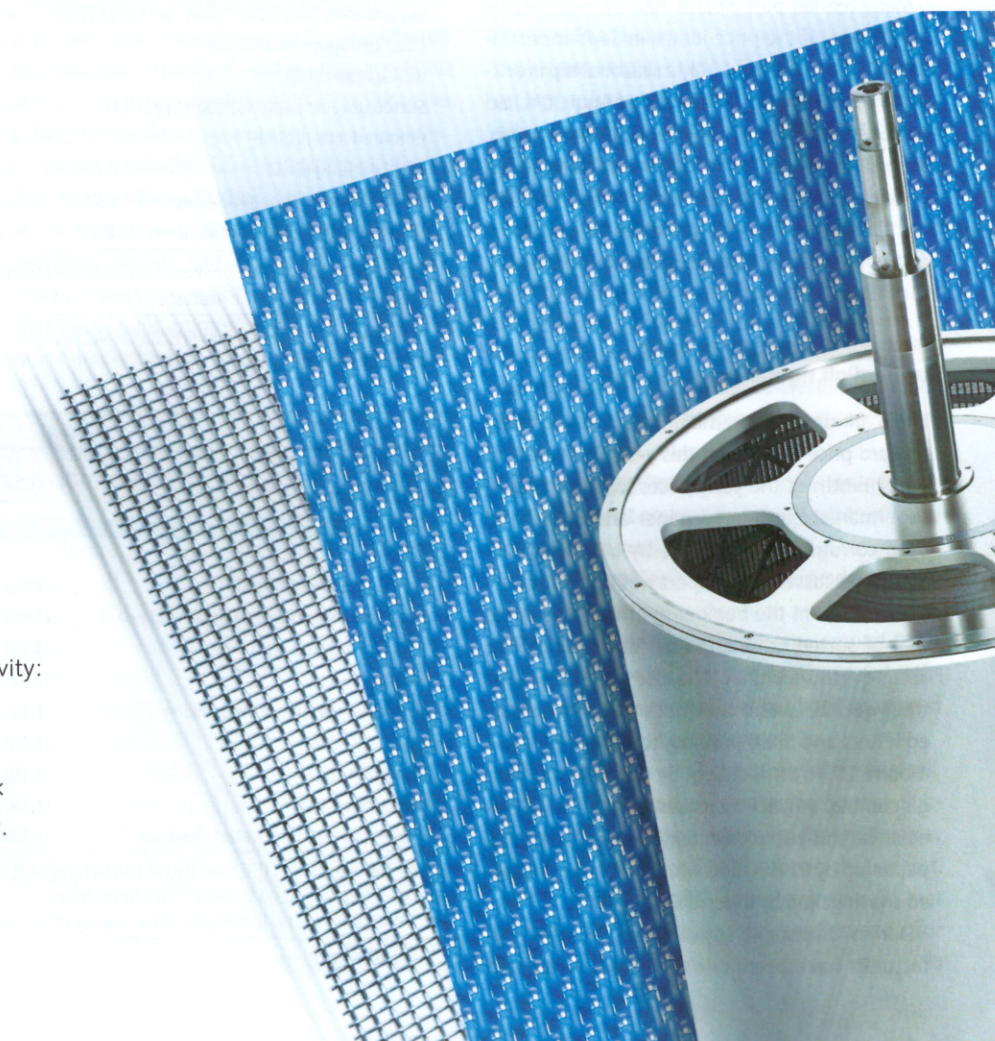
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EUWID Price Watch Pulp Western Europe

September 2021

CIF North Sea ports	September 2021*	August 2021	September 2020
Bleached softwood pulp			
Softwood kraft			
from Scandinavia and Canada in €/t	1,158	1,138	713
from Scandinavia and Canada in US\$/t	1,340	1,340	840
Southern softwood from the US in €/t	1,107	1,078 - 1,087	671 - 680
Southern softwood from the US in US\$/t	1,280	1,270 - 1,280	790 - 800
Bleached hardwood pulp			
Birch pulp from Scandinavia in €/t	986	968	577
Eucalyptus pulp			
from Portugal/Spain in €/t	986	968	577
from South America in €/t	986	968	577
from South America in US\$/t	1,140	1,140	680
Southern hardwood in €/t	908	883 - 891	493 - 501
Southern hardwood in US\$/t	1,050	1,040 - 1,050	580 - 590
Hardwood BCTMP			
from Scandinavia and Canada in €/t	769 - 813	756 - 798	365 - 408
from Scandinavia and Canada in US\$/t	890 - 940	890 - 940	430 - 480

* Exchange rate as of 14 October 2021: 1 US\$ = 0.8645 €

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to the unannounced inspections carried out by the European Commission last week (see separate article). One theory is that the initiative came from (several) pulp buyers. An interesting aspect is that the inspections apparently targeted only a few major producers of softwood pulp but not all of them. No inspections have been carried out at Navigator, Ence or Altri thus far. SCA is also not involved in the investigations. The extent of the investigations can apparently vary considerably, ranging from questioning to seizing of sales staff's computers. So far, there is not much information available and the industry is speculating about what might have raised antitrust concerns.

Topics such as the widespread and official announcements of price hikes or the uniform approach taken by the industry in many price rounds have repeatedly been called into question by buyers. It was only a matter of time until someone looked into this, said an industry expert. "It would be much worse if producers colluded to set prices or divide up the markets between themselves," said one respondent. Another player said this was unimaginable: "Nobody would be dumb enough to risk that." Yet another respondent said: "where there's smoke, there's fire." One converter commented: "There is no doubt we are unhappy about the unusual developments on the pulp market.

But we do not have any substantive evidence that something dodgy is happening."

European pulp stocks grow, consumption declines

Pulp stocks held by European paper manufacturers grew by 6,000 t from July to August to reach 687,000 t, according to Utipulp statistics. Once again, this equates to 22 days' worth of inventory. Stocks stood at 808,000 t in August of last year, 121,000 t above current levels. At the same time, consumption by converters in Europe declined markedly from July to August, falling by 151,000 t to 859,000 t of pulp. □

Inventories and consumption of pulp consumers in Europe

August 2021

tonnes		UNBLEACHED	BLEACHED / SEMI-BLEACHED				Total	Previous year
		Sulphite & Kraft	Softwood sulphite	Hardwood sulphite	Softwood kraft	Hardwood kraft		
Inventories								
July	2021	8,526	9,143	8,086	231,745	423,548	681,048	812,197
August	2021	10,526	10,966	8,126	233,778	423,429	686,825	807,859
Consumption								
July	2021	10,855	26,266	13,486	309,164	650,211	1,009,982	879,828
August	2021	8,687	24,163	11,336	281,845	532,765	858,796	790,163

As of now, data for hardwood pulp are published in the monthly report. Quarterly 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