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As a result companies are fighting “tooth and nail” for customers by offering attractive prices.

In this market environment, medium-sized businesses currently feel that they are competing with large integrated manufacturers which try to lure away volumes and keep their own machines running at full capacity. These large manufacturers are trying to secure orders in sizes that they used to consider unattractive in a different market environment, one source told EUWID.

In order to retain customers, the small and medium-sized companies had to proactively offer attractive prices, which was wrecking their margins. Sources said that an extremely fierce price war had broken out in the sheet market, in particular.

This trend was gradually intensifying. At first companies repealed the additional shifts they had introduced to respond to booming demand during the Covid-19 pandemic, especially in the online shopping segment, but now taking downtime was unavoidable. Corrugators were still only idled for days at a time, but the outlook, at least for the first and second quarters, did not exactly bode well.

Brisker demand for cartonboard expected to surface at the start of April at the earliest

German cartonboard and cartons markets continued to battle the knock-on effects of full warehouses and lacklustre demand in early February. Even though inventories are gradually declining throughout the supply chain, market players forecast that ordering will remain sluggish at least into the second quarter.

Producers of primary fibre-based cartonboard are reporting that demand continued to dwindle in early February. Insiders still describe order cushions as “relatively decent” at four to six weeks. Lead times are halfway normal, with short-notice orders apparently still feasible. Not all manufac-

turers are considering taking downtime at the moment, with these stoppages being considered a final resort. Contracts continue to be valid for three months, with six-month contacts only mentioned in a few instances involving larger orders.

Good demand is still being reported in product categories like cigarettes, pharmaceuticals and beauty care. The food business is a mixed picture. Budget-friendly own-brand products were selling especially well because of the rising cost of living, and a trend towards cheaper cartonboard grades was evident.

Carton makers claim that they are still filling many orders from their well-stocked warehouses so they do not need to order raw materials and are not under time pressure to do so. Therefore they could afford to act rather price-conscious.

Sources told EUWID that a few GC II manufacturers were willing to compromise and negotiate discounts. Insiders noted that discounts were being granted for individual project transactions. “But we talking only about moderate price cuts,” one carton maker said.

Folding boxboard manufacturers are concerned about Finnish unions’ plans to stage upcoming strikes, which might in some cases start on 15 February. Sources told EUWID that there were no signs of cartonboard buyers overreacting at the moment, with only isolated reports of orders being brought forward.

Recycled cartonboard manufacturers and converters still see no market improvement. Workloads were especially poor in the GD-II business, in particular. Lacklustre demand in the wake of inflation had an adverse impact on the entire supply chain. Order backlogs were currently amounting to three to four weeks.

Products packaged in recycled cartonboard, such as frozen foods or cereals, remained highly sought-after. The situation for packaging used in special promotions was much worse. Demand for

Statistical snapshot Germany

VDW forecast: no stability until Q3 2023

Towards the end of 2022, the German Corrugated Board Industry Association (VDW) issued rather pessimistic forecasts suggesting that a degree of stability will not emerge until the third quarter. The first quarter is expected to end with a 10.1 per cent drop in sales, followed by a 5.6 per cent decrease in the second quarter, a 0.1 per cent dip in the third quarter and a 1.6 per cent growth in the final quarter of 2023.

industrial products, such as screws, had also subsided, sources noted.

Manufacturers are worried that prices of recycled cartonboard might follow in the footsteps of sales volumes. While volumes were falling, prices had yet to subside to the same degree. Producers said that they would rather take downtime as a means of stabilising the situation than cede to price pressure from converters.

Despite this, prices are coming under mounting pressure due to short-term validity of only one month and persistently low recovered paper prices.

The development on the greyboard market is similar to one in the GD segment. Market players here are also waiting for demand to reverse course – possibly from the start of the second quarter. Order backlogs are still three to four weeks long.

Ongoing collective bargaining talks are another hot topic. Businesses had to wait and see how much wages might increase. The EU ban on importing diesel from Russia was also a cause of concern at times, as it was unclear whether fuel prices and already high haulage costs would climb further as a result. □

Thermal paper buyers show little sympathy for latest price hike

Business expected to normalise after inventory destocking

After a turbulent year in 2022, players all agree the situation is easing on the market for thermal paper. The availability of paper has clearly improved and there is overall good demand from the point-of-sale (POS), labels and tickets segments. Depending on the segment, both paper producers as well as converters still have some gaps in their order books. But once the inventory destocking is complete, ordering by users and converters should return to normal, EUWID was told. Meanwhile, some voices are critical of the latest price hike for thermal paper. Paper industry representatives stress that

the temporary cost-side easing does not mean a considerable downward price correction in Europe should be expected simultaneously.

The thermal paper market saw enormous price increases during 2022. Driven by the sometimes extreme rises in costs for energy, raw materials, chemicals and logistics, paper mills introduced several price steps. Prices for thermal paper basically increased quarter after quarter, all players confirm. In Western and Central Europe, all of these mark-ups were implemented but not always at the upper limit of the announced price

steps, commented one market expert. Cost pressure had forced paper producers to raise prices and the market accepted them because of the positive demand development, EUWID was told.

Criticism of latest price hike

While saying they “completely understand” the need for last year’s approach, critics say the latest price hike – which was usually announced as of February 2023 – is “overwhelming” the market. Paper industry representatives all agree that the announced mark-ups in Central Europe will usually be applied in most segments in fixed delivery contracts as well as in tender deals. By contrast, it appears there is some resistance in the overseas markets. In these markets, which are more fiercely competitive, paper producers are already being confronted with demands to cut prices.

But in Western and Central Europe too, given the good paper availability and recently modest demand, buyers are starting to hope that mark-downs may be possible. As a counterargument, paper industry representatives say they were unable to pass on all of the rising production expenses with the 2022 price hikes. Moreover, costs are still relatively high right now and further cost effects are expected in 2023, they note. In their view, there is no leeway to reduce thermal paper prices.

Thermal paper converters are more cautious with their ordering. While it had previously been possible to pass along paper price hikes to customers, this is becoming increasingly difficult, they say. According to observers, it is noticeable that paper is readily available on short notice again and orders are only "trickling in" at the paper mills.

Drawdown of stocks built up in 2022

In 2022, the massive uncertainty on the market prompted buyers to stock up on paper to ensure they would be able to deliver to their own customers. Over the course of the year, converters as well as their customers built up inventories. As a result, paper mills started noticing order intake was slowing in the fourth quarter. This trend became even more apparent in the new year, since some buyers now prefer to draw down inventories rather than place new orders, say industry experts.

Destocking of paper inventories is now taking place, EUWID was told. Players believe the paper industry's customers will likely resume normal ordering behaviour by the second quarter. These developments appear to affect the POS segment less than other segments. As a result, activity levels at companies vary, with several converters

having rather low utilisation rates right now.

The effects of this are also being felt at the paper mills. In many places, paper machines have to be temporarily idled, according to industry experts.

Paper industry representatives commented that full utilisation of production capacity is less of a priority than maintaining stable prices. Paper machines are being idled "everywhere." By reducing supply, producers aim to support the current price level and prevent volatility.

Strong results in 2022

According to paper industry representatives, there was very strong demand in the POS market in 2022. And so far, the new year 2023 has also proven to be "crisis-proof." Demand from the food segment in particular has picked up.

Last year, the label segment was influenced not least by the strike in Finland and the associated tightening of paper availability. Moreover, the general crisis-related decline in consumer spending had a negative impact on e-commerce and the demand for labels.

Many paper producers and converters felt this in their order books. It appears the situation is slowly normalising in the new year. Experts stress that e-commerce is seeing strong growth compared to pre-crisis levels and therefore demand for labels is growing. However, the stockpiling of paper and paper products had especially noticeable effects in this segment.

The tickets segment is still grappling with the trend towards digitalisation and the looming decline in business worldwide. However, observers say that companies are reporting good results because digitalisation is progressing slower than expected.

Cepi highlights shortcomings of planned EU packaging regulation

The Confederation of the European Paper Industry (Cepi) has issued a response to the European Commission's legislative proposal for packaging and packaging waste. The Commission intends to replace the EU Packaging and Packaging Waste Directive with a Packaging and Packaging Waste Regulation. Among the key goals of the new legislation is reducing the amount of packaging waste generated. The change from a Directive to a Regulation is intended to bring about greater harmonisation in the application of EU packaging law in the member states, and to strengthen the internal market.

Cepi feels that the targets set out in the proposed revision are right but has identified shortcomings in the way that they are implemented. The Commission calls for action to foster multi-use packaging. "If adopted, the reuse targets provided in the Commission proposal will disrupt the highly per-

formant recycling system that the paper and board industry has invested in and committed to further improve," the Confederation writes. It stressed that paper-based packaging already had the highest recycling rate in Europe. In 2019, 82 per cent of fibre-based packaging was recycled, the association said, adding that the industry had set a voluntary recycling target of 90 per cent to be achieved by 2030.

Cepi is confident that reuse and recycling are complementary and recognises that greater circularity can be achieved by adding reuse systems to the current recycling model. The association cautioned, however, that reuse need not always be the better option in countries with well-functioning recycling schemes and high recycling rates. Recycling played an essential role in reducing dependence on finite/fossil-based materials, and the planned reuse targets would replace a significant share of paper and board packaging, which was



Industry prepared for digitalisation

Despite the growth in 2022, players anticipate that digitalisation will further reduce demand for thermal papers in the coming years. "The paper industry is prepared for this trend," according to experts. The producers have diversified their portfolios, especially in the packaging paper and specialty paper segments, which enables them to further optimise the utilisation of their production facilities.

Against this backdrop, industry watchers also expect changes in the portfolio of the Flensburg mill that Mitsubishi Paper recently sold to Quantum Capital. Market experts believe the site will continue to produce thermal paper, but production will likely change, even if not immediately in the coming months.

The closing of the transaction is still pending, with the acquisition of the Flensburg mill by an external player meaning there is a new competitor on the market. □

both renewable and recyclable, with fossil-based alternatives, Cepi argues. This approach fostered fossil-based packaging solutions without considering their long-term impacts on the environment, the association criticised, adding that decisions on whether to introduce a recyclable or reusable packaging solution should be based on independent science-based assessment of the respective environmental benefits. Cepi also called for the creation of an exemption for packaging achieving a 90 per cent recycling rate without a reuse system.

The Confederation welcomed the introduction of design for recycling (DfR) criteria and urged policymakers to draw on the paper industry's expertise in these areas. Industry stakeholders should be consulted when drafting the DfR guidelines, Cepi said, noting that "this should be explicit in the legislation."

Cepi also highlighted the lack of a uniformity in the implementation of separate collections in the EU. The association concluded that those needed to be harmonised before considering additional targets, measures or obligations to boost the circularity and recyclability of paper-based packaging. □