EUWID Price Watch Pulp Western Europe

December 2023

CIF North Sea ports	December 2023*	November 2023	December 2022
Bleached softwood pulp			
Softwood kraft			
from Scandinavia and Canada in €/t	1,130 - 1,139	1,114 - 1,123	1,300 - 1,318
from Scandinavia and Canada in US$/t	1,240 - 1,250	1,200 - 1,210	1,405 - 1,425
Southern softwood from the US in €/t	1,084 - 1,093	1,067 - 1,077	1,244 - 1,253
Southern softwood from the US in US$/t	1,190 - 1,200	1,150 - 1,160	1,345 - 1,355
Bleached hardwood pulp			
Birch pulp from Scandinavia in €/t	966	909	1,276
Eucalyptus pulp			
from Portugal/Spain in €/t	966	909	1,276
from South America in €/t	966	909	1,276
from South America in US$/t	1,060	980	1,380
Southern hardwood in €/t	884 - 902	826 - 845	1,193
Southern hardwood in US$/t	970 - 990	890 - 910	1,290
Hardwood BCTMP			
from Scandinavia and Canada in €/t	583 - 638	594 - 650	1,045 - 1,091
from Scandinavia and Canada in US$/t	640 - 700	640 - 700	1,130 - 1,180

* Exchange rate as of 12 January 2024: US$1 = €0.911

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Fresh price hikes for softwood and hardwood pulp in December

No end in sight to rising prices for BEK and NBSK in Europe?

Plans for additional price increases are afoot on Europe's pulp market as 2024 begins. However, customers have secured bigger discounts for 2024 contracts, meaning that the price increase should have less of an impact. As expected, business in and with China has slowed in the run-up to preparations for New Year festivities in mid-February. On the other hand, the European market has reportedly been busier since the start of the year. Along with persistently decent demand from sanitary paper producers, pulp suppliers are also reporting an uptick in ordering activity from the specialty and graphic paper businesses and sporadically from the cartonboard industry.

Pulp prices have edged higher again in Europe. List prices for December deliveries of bleached eucalyptus kraft (BEK) pulp were lifted by $80 to $1,060/t as previously announced. List prices for northern bleached softwood kraft (NBSK) pulp have risen to $1,240-1,250/t for December deliveries.

Suppliers are looking to invoice more again for January deliveries. Prices for the reference grade BEK should then climb by another $80 to $1,140/t. Manufacturers are also striving to tack on more for NBSK, bringing prices to $1,300/t.

The knock-on effects of these fresh mark-ups would likely be less of a factor for customers this year. Sources on both sides of the market told EUWID that rebates on list prices had been adjusted by a few percentage points during negotiations about this year's contract volumes and sales term. This would mean that customers were not taking the full burden of the latest price hikes, but were saving $30-40/t, one supplier said.

However, the smaller burden on customers is just one reason why suppliers think that they will secure additional hikes. Manufacturers told EUWID that they needed this additional income to cover higher production costs and would not be satisfied with anything less but a full price hike. NBSK manufacturers, in particular, feel that there is an increased need for additional cost-related price hikes.

A few NBSK producers also underscored scanter and somewhat limited supply now and then. One major reason for that is that Canadian manufacturers have taken more volume out of the market. But some market insiders also reported that a few Nordic pulp mills cannot operate at full capacity because of the harsh winter temperatures.

Chinese market temporarily weaker, is Europe staging a comeback?

On the whole, pulp producers are pleased with how business is shaping up on the global pulp market at the start of the new year. Business with China is still good but has slowed a little, as expected. Sources told EUWID that preparations for the Chinese New Year festivities, also known as the Spring Festival, were in full swing, with orders and contracts being arranged accordingly. Pulp merchants are less thrilled with what is happening in China and report downward pressure on prices. Demand had gradually cooled in the past two to three months, and business had become much more challenging for traders and resellers, one merchant remarked.

At the same time, suppliers reported slightly stronger business in Europe. Along with tissue, other sectors of the market are reportedly a little livelier. A few pulp suppliers reported an improvement in ordering in the speciality and graphic paper segment and sporadically from the cartonboard industry, too.

The question is whether customers are now ordering more because they want to buy more pulp before prices edged higher again. Or perhaps they are actually busier again or at least expect that business will intensify after many quiet months.

The current crisis in the Red Sea might play a key role in how the pulp business will shape up in Europe. Several major shipping companies have been avoiding the route through the Red Sea and the Suez Canal since the attacks by the Houthirebels. The re-routing of shipments around Africa is already having an impact on freight rates from both Europe to Asia and from Asia to Europe. In addition to higher costs, longer shipment times also play a role. It takes up to two weeks longer for ships to sail around the Horn of Africa, meaning that more goods are on water and container availability has taken a turn for the worse.

Market players in Europe think that the availability of goods from Asia will take a turn for the worse. After all, Europe is a key sales market for uncoated fine paper and primary fibre-based cartonboard from countries like China and Indonesia. What's more, the rise in freight rates will lead to higher sales prices and less of a price advantage for Chinese goods in Europe. Quite a few paper and cartonboard manufacturers are said to have started producing more again and buying more pulp in the expectation that demand for European products might strengthen again.

A few EUWID contacts think that the problems in the Suez Canal could also have ramifications for pulp supply in Europe. One pulp merchant said that hefty freight cost increases and a scanter supply of containers in business with Asia might lead more than a few suppliers to offer more pulp in Europe again. □

EUWID Price Watch Western Europe Caustic Soda 2023

Prices in € per tonne free delivered	First quarter 2023	Second quarter 2023	Third quarter 2023	Fourth quarter 2023
NaOH*	1,600 - 1,900	700 - 1,000	650 - 800	650 - 750

* 50% solution, calculated on a 100% concentration basis

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First quarter negotiations on caustic soda market likely to yield a rollover

Planned price hikes for NaOH fail to gain market-wide traction

Negotiations for the first quarter on the caustic soda market began with producers stating their demands. Several suppliers would have liked to see Europe-wide NaOH prices increase, in some cases by significant amounts. Although negotiations are still to be concluded in some cases, a rollover of prices from the fourth quarter of 2023 appears increasingly likely. In general, price hikes cannot be implemented under prevailing market conditions, except in regions where prices are comparatively low or supply has sharply receded of late, experts explain.

Market players on the caustic soda market interviewed by EUWID report threadbare demand from many sectors. They also have little hope for a near-term economic recovery. The dry spell which has already lasted a year could persist in 2024.

NaOH producers nevertheless tabled demands for hikes ahead of negotiations for deliveries from January 2024. They argued that costs are mainly driven by energy prices, which for months and weeks have remained at a high level without changing much. On top, chlorine derivatives offered only poor margins, which increased pressure on companies.

NaOH producers had clear ideas about implementing hikes at least in low-price regions where buyers benefited especially from cheaper imported goods. In this, they even succeeded to some extent, industry experts report. Availability of caustic soda is undeniably an issue in several regions of Europe. Generally speaking, not only demand but also supply is low, they add.

However, there is no room for a market-wide price hike, players underscore. While prices are quite likely to move in western and southern Europe, they will again stage a rollover in Central Europe. In Germany, the market will therefore follow the trend that emerged in the fourth quarter of 2023.

Price movements in the fourth quarter

Several industry representatives as well as buyers confirm that NaOH prices in the fourth quarter were also discounted in competition for large orders. Producers, however, see no need to offer further rebates in January 2024.

The price bracket for 50 per cent caustic soda based on 100 per cent concentration was very wide at the end of last year, but slipped only rarely – e. g. in the Benelux markets – below the €650 threshold. Price in excess of €700/t were also reached, but more frequently and significantly in Italy than in Germany.

Demand development uncertain

Chlorine industry representatives expect that current balanced market conditions will continue. There is no supply overhang in the market in their opinion.

Contracted volumes called-in by the paper industry move at a low level. The much-discussed temporary idling of paper mills in central Europe as well as in Scandinavia – latterly in Finland – suggest that demand will recede.

Demand from many sectors is weak, chlorine industry representatives explain. The same holds for business in chlorine derivatives. In response, many companies have curtailed production. On top, production has also suffered disruptions. These events make production more expensive, players add. On the other hand, operating plants to capacity would also not be economical in view of the costs and low margins.

Under these circumstances, there are few options to run electrolysis plants to capacity. Forecasts based on expectations of large consumers of chlorine derivatives indicate a protracted lean spell: business with the German automobile industry, for instance, will remain at a low level. German ifo-Institut reports that the mood in the German automobile industry is sombre. For the construction industry, the outlook for 2024 is grim, too, as residential construction in Germany has fallen to all-time low since 1991, according to the ifo business climate index. Companies fear that business will recede further in the first half of 2024.

The outlook for the paper industry is no different, according to paper industry representatives. Experts therefore say that low demand for chlorine and NaOH will be balanced out with reduced industrial output.

NaOH suppliers are exploring different avenues to recast financial results more positively, but their precarious financial situation does not evoke much interest in the paper industry. However, NaOH industry representatives also caution that permanently operating electrolysis plants at around 60 per cent of their capacity is not sustainable. The industry is pushed to its limits by having to wind down production again and again without jeopardising capacities in Germany and Western Europe. "The situation is difficult to control," industry experts comment with view to the increasingly volatile situation. □