



# Forestry & Paper

## Industry Insights

**Key message:** Pulp prices start to rise in China, while European prices finally to ease. Graphic Paper prices continue to improve and the kraftliner prices reaches a new record high.

- Mixed pulp price moves this week:** Pulp prices in China in the green after weeks of being under pressure. Surging BSK prices on the Shanghai Futures Exchange prompted Chinese buyers to stock up on NBSK imports, with an aim to arbitrage or hedge for quick gains, or to manage risk. Finally - NBSK prices erode in Europe (BEK prices stable), despite robust demand. NOREXECO pulp futures for Q1 21E imply a 4-8% decline in Europe, while prices in China are expected to increase by 3%.
- Graphic paper continues to make further gains:** YTD, CWF and UWF prices are now up 21% and 16%, respectively. After factoring in a 30% discount to list pulp prices, the CWF/HW spread improves to EUR 57/t (UWF margin EUR 224/t). The Navigator Company intends to increase UWF prices by 10-15% from January. Additionally, the energy surcharge of EUR 50-100/t will still apply and will be revised monthly, and the price list will have a maximum validity of two months.
- Containerboard back in the green and reaching new highs:** European OCC prices continue to be stable. In contrast, the average pricing for US OCC has fallen for three months in a row. These decreases follow September's high of USD 167/t (now USD 137/t), OCC's fourth-highest US average in 30 years. The OCC pressure has been driven by continual shipping struggles meaning export volumes are now staying domestic; US mills are sitting on considerable stock (October 21 +6% y/y); increased OCC generation from retail and distribution centres as well as curb side recycling plants (+15-30% for some companies like Home Depot and Costco); and there is no further additional recycled containerboard capacity expected to start up in North America until Q2.

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### Forestry & Paper Key w/w price changes

Details	w/w % chg.	YTD % chg.	y/y % chg.
<b>Pulp (USD/t)</b>			
NBSK Europe	-3%	44%	44%
BHKP Europe	0%	68%	68%
NBSK Europe (EUR)	-3%	55%	55%
BHKP Europe (EUR)	0%	81%	80%
US NBSK (gross)	0%	29%	29%
China BHKP net	1%	12%	16%
China NBSK net	1%	7%	11%
<b>Paper (EUR/t)</b>			
LWC	2%	15%	15%
Ctd WF	0%	21%	21%
A4 B-copy	2%	16%	16%
Newsprint	3%	14%	14%
<b>Packaging (EUR/t)</b>			
Kraftliner	2%	47%	48%
White-top Kraftliner	1%	21%	21%
Testliner 2	0%	62%	65%
Testliner 3	0%	66%	69%
RB-Fluting	3%	72%	76%
PIX OCC 1.04 dd	0%	81%	98%
PIX ONP/OMG 1.11 dd	-3%	77%	77%
<b>Spreads (EUR/t)</b>			
SW/HW Europe (USD)	-24%	-39%	-63%
SW/HW China (USD)	4%	-7%	-45%
NBSK China/Europe (USD)	-8%	161%	138%
BHKP China/Europe (USD)	-2%	4397%	111%
A4 B-copy/BHKP (30% discount to list price)	7%	-46%	-23%
CWF/BHKP (30% discount to list price)	-6%	-76%	-76%
Kraftliner/testliner 2	10%	5%	-8%
White-top Kraftliner/kraftliner	-24%	-85%	-85%
Testliner 2/OCC	0%	56%	55%

Source: Chronux Research, FOEX

### NOREXECO futures price (USD/t)

	Q1 22E vs. spot	Q2 22E vs. spot	CY 22E vs. spot
NBSK Europe	-4%	-12%	-11%
BHKP Europe	-8%	-21%	-19%
<b>SW/HW spread</b>	<b>31%</b>	<b>70%</b>	<b>57%</b>
China NBSK net	3%	4%	4%
China BHKP net	3%	3%	3%
<b>SW/HW spread</b>	<b>5%</b>	<b>8%</b>	<b>8%</b>

Source: Chronux Research, FOEX

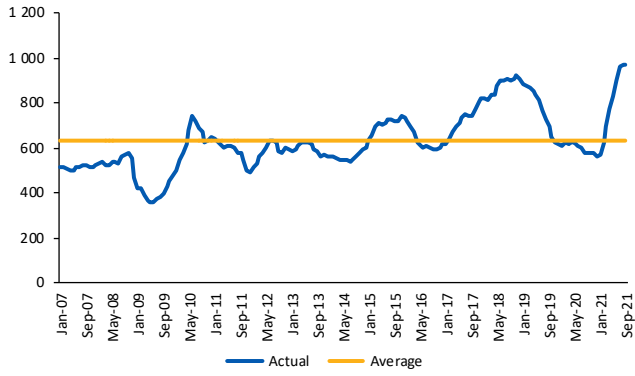
### Newsflow

**IP to spend USD 40mn for new equipment to lift converting capacity at corrugated plants in France and Spain:** The investment will enable IP to raise its converting capacity by 10% in the region, especially e-commerce (c.10% of the total corrugated packaging demand in the region).

**Smurfit Kappa Group has tapped Caddick Construction to build a 14,500 m<sup>2</sup> factory extension at its Mold packaging plant in Flintshire, North Wales:** The order is part of a EUR 40mn investment project announced last March by the company in order to expand production capacity at the site. The investment will make it the largest box factory in the UK and enable the plant to reduce its CO2 emissions by 15%/t. The construction of the new building is expected to be completed in summer 2022, with production ramping up until early 2023.

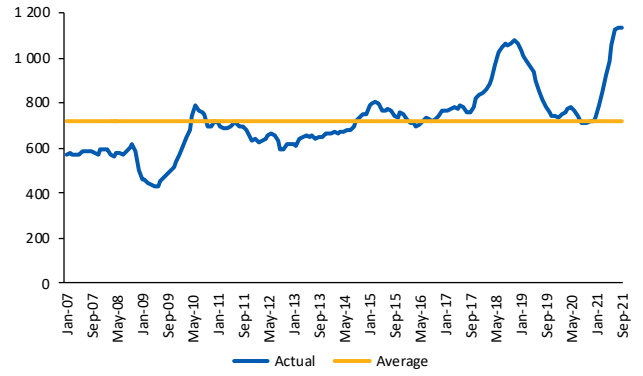
Source: Chronux Research, RISI

**Europe hardwood pulp price (EUR/t)**



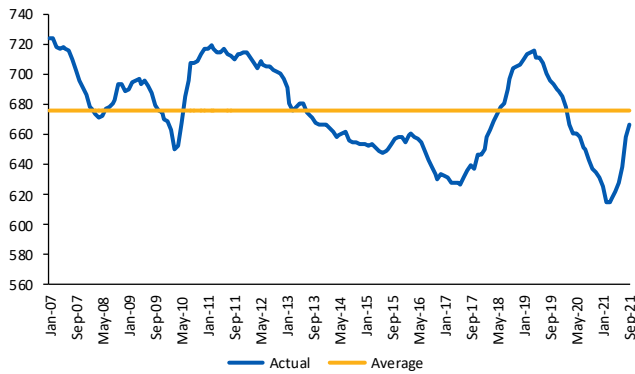
Source: Chronux Research, FOEX

**Europe softwood pulp price (EUR/t)**



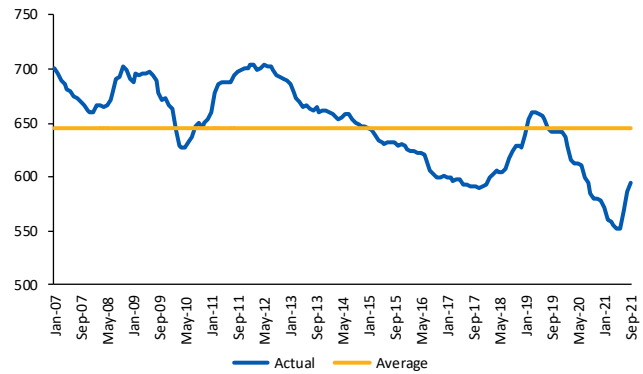
Source: Chronux Research, FOEX

**Europe CWF price (EUR/t)**



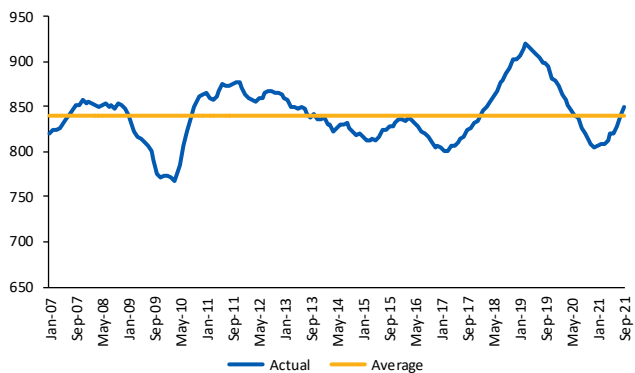
Source: Chronux Research, FOEX

**Europe CM price (EUR/t)**



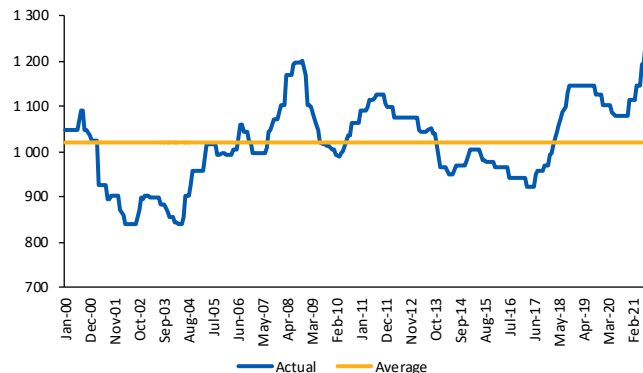
Source: Chronux Research, FOEX

**Europe UWF price (EUR/t)**



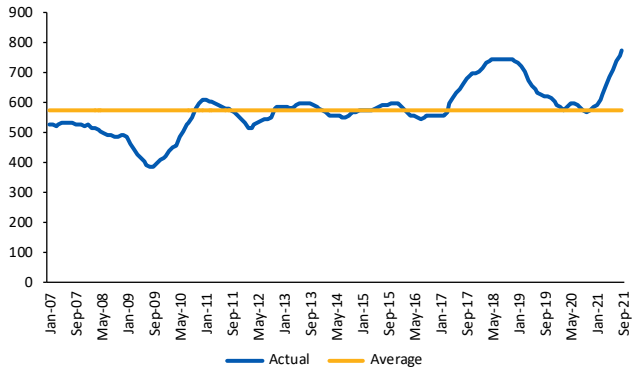
Source: Chronux Research, FOEX

**US CFS price (USD/t)**



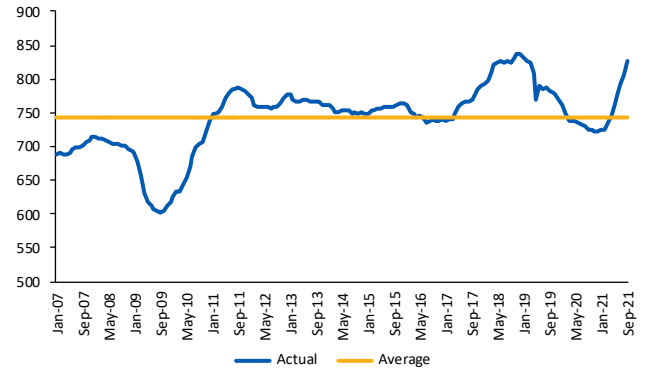
Source: Chronux Research, FOEX

**Europe kraftliner price (EUR/t)**



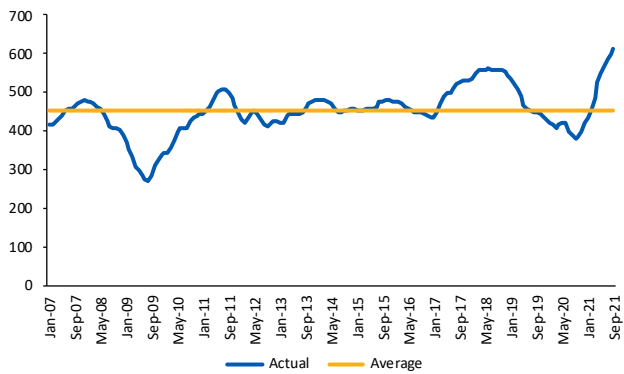
Source: Chronux Research, FOEX

**Europe white-top kraftliner price (EUR/t)**



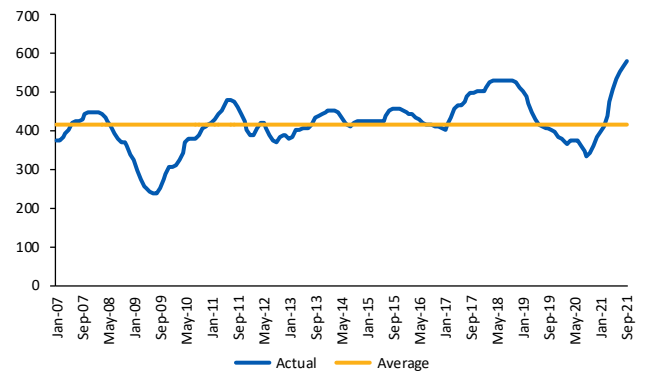
Source: Chronux Research, FOEX

**Europe testliner price (EUR/t)**



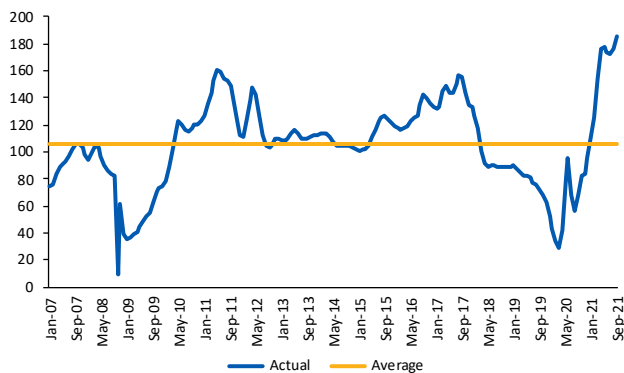
Source: Chronux Research, FOEX

**Europe RB-fluting brown price (EUR/t)**



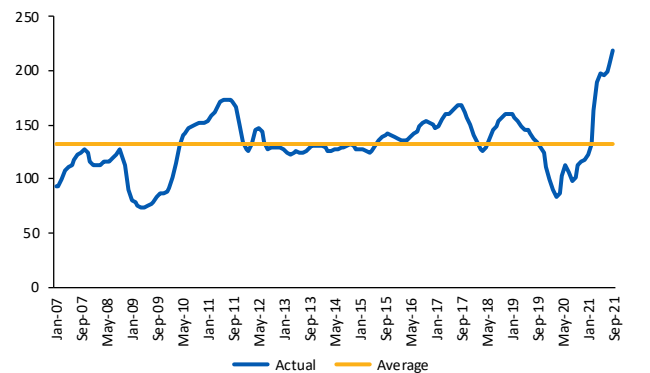
Source: Chronux Research, FOEX

**Europe OCC price (EUR/t)**



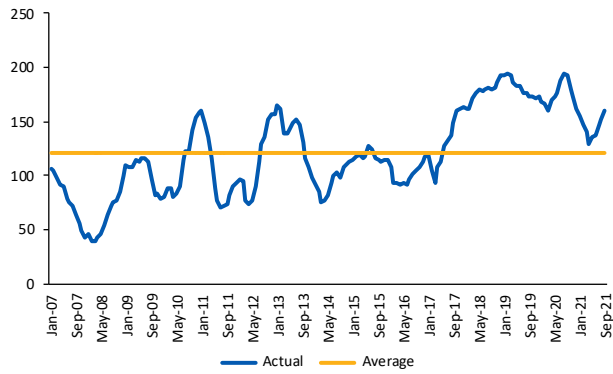
Source: Chronux Research, FOEX

**Europe ONP/OMG price (EUR/t)**

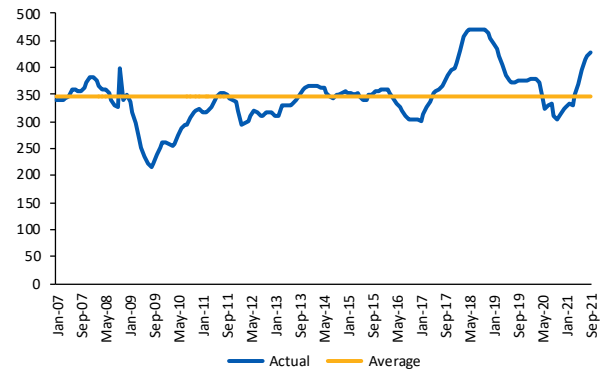


Source: Chronux Research, FOEX

Europe kraftliner/testliner spread (EUR/t)



Europe testliner/OCC spread (EUR/t)



Source: Chronux Research, FOEX

Source: Chronux Research, FOEX

Europe Graphic Papers 2021 YTD Printing-writing stats (%)

Details	Jan-21	Feb-21	Mar-21	Apr-21	May-21 y/y % change	Jun-21	Jul-21	Aug-21	Sep-21	Feb-21	Mar-21	Apr-21	May-21 q/q % change	Jun-21	Jul-21	Aug-21	Sep-21
<b>Graphic Papers</b>																	
Total European Shipments	-22.3%	-14.1%	-4.7%	13.9%	27.3%	33.9%	10.6%	16.2%	5.8%	3.3%	16.1%	-10.3%	2.1%	6.5%	-8.6%	4.7%	3.9%
To Europe	-22.1%	-14.6%	-2.9%	20.0%	35.5%	32.0%	5.7%	11.0%	3.9%	3.7%	14.5%	-12.3%	1.5%	8.4%	-7.6%	4.0%	6.6%
To Outside Europe	-22.9%	-12.0%	-10.9%	-8.3%	-23.0%	-0.9%	-3.9%	0.0%	1.0%	1.6%	22.5%	-2.6%	3.8%	0.2%	-12.5%	7.2%	-6.2%
European demand	-22.3%	-15.1%	-4.5%	17.5%	32.9%	30.7%	4.5%	9.9%	2.5%	3.3%	14.1%	-11.9%	1.1%	8.0%	-7.7%	3.4%	6.7%
<b>Newsprint</b>																	
Total European Shipments	-23.2%	-20.3%	-12.2%	1.5%	8.5%	11.4%	6.9%	6.1%	0.9%	4.4%	20.5%	-10.7%	3.2%	1.9%	-3.2%	0.0%	2.6%
To Europe	-26.1%	-24.0%	-11.2%	5.6%	27.7%	16.3%	10.8%	8.4%	0.9%	0.0%	20.4%	-7.4%	3.0%	3.9%	-0.9%	-2.8%	4.5%
To Outside Europe	-13.5%	-9.7%	-14.6%	-8.3%	-23.0%	-0.9%	-3.9%	0.0%	1.0%	16.7%	20.5%	-18.5%	3.6%	-3.5%	-10.0%	9.1%	-2.8%
European demand	-26.7%	-24.3%	-12.3%	4.4%	23.7%	14.0%	8.0%	6.1%	-0.6%	0.4%	20.9%	-7.7%	2.6%	4.7%	-2.7%	-3.4%	5.8%
<b>SC-Magazine</b>																	
Total European Shipments	-26.7%	-15.7%	2.4%	20.9%	17.1%	27.9%	9.0%	7.6%	-2.3%	18.8%	16.7%	-12.4%	-3.6%	8.0%	0.9%	3.9%	5.4%
To Europe	-22.4%	-15.4%	3.2%	23.7%	11.7%	20.0%	1.0%	2.9%	-3.5%	14.7%	19.8%	-13.8%	-5.7%	8.8%	-1.5%	8.7%	4.2%
To Outside Europe	-51.4%	-17.6%	-3.6%	3.8%	66.7%	121.4%	89.5%	64.7%	6.7%	55.6%	-3.6%	0.0%	11.1%	3.3%	16.1%	-22.2%	14.3%
European demand	-22.4%	-15.4%	3.2%	23.7%	11.7%	20.0%	1.0%	2.9%	-3.5%	14.7%	19.8%	-13.8%	-5.7%	8.8%	-1.5%	8.7%	4.2%
<b>Coated Mechanical Reels</b>																	
Total European Shipments	-25.2%	-15.3%	-12.4%	10.3%	25.7%	-29.0%	10.7%	20.5%	2.9%	2.6%	13.8%	-5.9%	1.5%	-47.0%	73.2%	19.4%	-5.1%
To Europe	-25.0%	-15.4%	-9.6%	15.3%	29.5%	-27.1%	2.6%	11.9%	2.9%	10.5%	8.3%	-11.7%	3.7%	-40.8%	58.1%	20.5%	-0.7%
To Outside Europe	-25.7%	-14.5%	-20.6%	-1.1%	15.8%	-36.7%	46.2%	60.0%	2.9%	-21.3%	37.3%	13.6%	-4.3%	-64.8%	145.2%	15.8%	-19.3%
European demand	-25.0%	-15.4%	-9.6%	15.3%	29.5%	-27.1%	2.6%	11.9%	2.9%	10.5%	8.3%	-11.7%	3.7%	-40.8%	58.1%	20.5%	-0.7%
<b>Uncoated Mechanical (improved &amp; others)</b>																	
Total European Shipments	-20.0%	2.4%	0.6%	17.1%	14.0%	152.8%	6.0%	8.8%	2.4%	17.4%	5.9%	-4.5%	0.0%	109.9%	-55.7%	1.3%	6.2%
To Europe	-18.6%	2.3%	5.6%	30.8%	30.3%	143.4%	0.8%	3.1%	1.4%	15.3%	11.8%	-7.9%	1.4%	93.7%	-52.7%	1.5%	9.8%
To Outside Europe	-25.7%	3.1%	-20.6%	-20.5%	-29.3%	189.7%	38.1%	45.0%	8.3%	26.9%	-18.2%	14.8%	-6.5%	189.7%	-65.5%	0.0%	-10.3%
European demand	-18.6%	2.3%	5.6%	30.8%	30.3%	147.8%	0.8%	3.1%	1.4%	15.3%	11.8%	-7.9%	1.4%	97.2%	-53.6%	1.5%	9.8%
<b>Coated Woodfree</b>																	
Total European Shipments	-27.4%	-19.2%	-2.8%	18.9%	49.5%	56.8%	30.5%	31.9%	19.5%	2.3%	21.9%	-16.9%	3.5%	10.1%	-7.0%	2.7%	14.3%
To Europe	-29.9%	-21.9%	-3.6%	34.7%	72.5%	52.8%	15.0%	17.0%	14.5%	1.3%	20.7%	-20.2%	2.1%	15.5%	-8.0%	3.2%	21.1%
To Outside Europe	-16.7%	-8.0%	0.0%	-10.9%	10.0%	71.4%	125.0%	121.6%	46.2%	6.2%	26.1%	-5.7%	7.3%	-4.5%	-3.6%	1.2%	-7.3%
European demand	-29.7%	-22.3%	-4.5%	33.7%	70.8%	52.2%	14.2%	16.2%	13.5%	0.4%	20.6%	-18.8%	0.8%	14.8%	-8.2%	3.5%	20.3%
<b>Uncoated Woodfree</b>																	
Total European Shipments	-15.0%	-8.1%	2.4%	21.7%	46.5%	41.7%	5.7%	20.2%	8.8%	-6.0%	13.6%	-9.3%	3.4%	7.7%	-12.7%	1.4%	3.2%
To Europe	-13.2%	-5.9%	3.4%	22.9%	44.0%	38.8%	2.8%	16.5%	5.1%	-3.7%	9.0%	-11.8%	2.3%	8.4%	-8.9%	-1.5%	4.3%
To Outside Europe	-23.0%	-19.1%	-1.9%	17.0%	56.3%	53.9%	21.4%	38.0%	27.6%	-17.2%	40.3%	2.0%	7.8%	5.4%	-27.4%	15.3%	-1.0%
European demand	-13.7%	-8.3%	-1.6%	15.4%	38.0%	35.5%	0.9%	13.7%	1.4%	-4.0%	7.9%	-11.0%	1.8%	6.8%	-8.2%	-2.5%	4.3%

Source: Chronux Research, EURO-GRAPH, \* Western and Eastern Europe excluding Russia

## US 2021 YTD Printing-writing stats (%)

	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21
Total printing-writing paper shipments	-25%	-29%	-20%	-3%	11%	10%	5%	14%	-4%	1%
US purchases of total printing-writing papers	-22%	-24%	-18%	-6%	6%	16%	9%	12%	-1%	6%
Total printing-writing paper levels (m/m)	3%	-1%	-5%	-2%	0%	-4%	0%	-3%	-2%	-1%
<b>UFS</b>										
Shipments	-20%	-19%	-14%	13%	22%	16%	7%	12%	-8%	4%
Inventory level m/m	3%	0%	-6%	-3%	2%	-3%	0%	-3%	-1%	-1%
Imports	41%	39%	5%	-21%	10%	-5%	4%	13%	31%	15%
Exports	-40%	-32%	-39%	14%	25%	33%	18%	17%	19%	-9%
<b>CFS</b>										
US purchases	-32%	-32%	-29%	-17%	-16%	-4%	3%	20%	15%	-6%
Inventory level m/m	2%	-2%	-6%	-1%	-1%	-6%	-2%	-3%	-4%	0%
Imports	-21%	-26%	-23%	-21%	-14%	-6%	32%	46%	50%	56%
Exports	-6%	-3%	-2%	14%	32%	58%	53%	6%	-3%	-4%
<b>CM</b>										
Shipments	-33%	-38%	-40%	-35%	-14%	41%	16%	-5%	-9%	0%
Inventory level m/m	0%	-3%	-2%	-3%	1%	-3%	-3%	-3%	-5%	-9%
Imports	-34%	-22%	-2%	-9%	-17%	29%	60%	27%	1%	4%
Exports	12%	24%	-9%	-29%	5%	41%	31%	15%	27%	-9%
<b>UM</b>										
US purchases	-24%	-31%	-15%	-21%	16%	-9%	28%	14%	-1%	34%
Inventory level m/m	14%	-6%	-8%	12%	-15%	-5%	-4%	-6%	16%	2%
Imports	-19%	-22%	-20%	-1%	10%	26%	61%	33%	14%	13%
Exports	-8%	24%	-28%	-47%	-17%	52%	180%	33%	15%	96%

Source: AF&amp;PA, Chronux Research

## US 2021 containerboard stats (%)

Containerboard (y/y % chg.)	Q1 21A	Q2 21A	Q3 21A
<b>Production</b>			
Monthly total	9%	9%	9%
YTD	2%	5%	7%
<b>Exports</b>			
Monthly total	-15%	-15%	10%
YTD	-25%	-25%	-15%
<b>Operating rates</b>			
Actual	98.4%	92.7%	95.6%
y/y chg. (points)	2.8	1.4	1.7
YTD y/y chg. (points)	-0.3	1.4	1.5
<b>Mill inventories (short tons)</b>			
Monthly total	(77 000)	(74 000)	35 000
YTD	(56 000)	(76 000)	19 000

Source: AF&amp;PA, Chronux Research

**Disclaimer:**

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