



Forestry & Paper

Industry Insights

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Key message: Mixed moves for Paper pulp, while DP is stable. Graphic paper grades mostly hold steady. Containerboard prices further in the red, while OCC is stable. ICE Dutch TTF Gas Futures now drop further this week to €50/MWH.

- Mixed moves for pulp this week:** Prices in Europe were up c.1% (but down in \$). Softwood gained further ground in China, while hardwood came under pressure. NOREXECO pulp futures for CY 23E imply an 8-13% decline in Europe (2024: -15-26% decline), and a decline of 9-15% in China (2024: -10-16% decline). UTIPULP stats for December saw consumer inventories in Europe increase 5% m-o-m (+9% y-o-y, however consumption was deep in the red (-15%).
- Graphic Paper prices hold steady, except for coated mechanical:** After factoring in a 30% discount to list pulp prices, the CWF/HW spread declined by 2% w/w to €349/t, while the UWF/HW spread declined by 1% w/w to €459/t. AF&PA US P&W report for January 2023 points to further weakness in demand (only uncoated mechanical was in the green), with total shipments down 9% y-o-y.
- Containerboard prices under further pressure with kraftliner and testliner both down 1% w-o-w:** The kraftliner/testliner spread was flat w-o-w at €176/t, while the testliner/OCC spread decreased by 1% to €569/t. OCC is stable at €70/t. ICE Dutch TTF Natural Gas Futures are down 6% w-o-w to €50/MWH.
- Finnish logistic strikes began this week:** On Wednesday, industrial action kicked off across the Finnish logistics sector. So far this has impacted the Finnish ports, terminal operators, workers in the trucking, tanker and oil products industries. If the strike continues, factories in the paper, assembly and steel industries face the threat of shutdowns. Approximately 90% of Finland's foreign trade is carried out via its ports. Mondi has 11% of its containerboard capacity located in Finland, while Sappi's graphic paper exposure is limited following the planned disposal of Kirkniemi (750Kt/year of CM) in CY Q2 23E.
- The Navigator Company reported Q4 22A results yesterday (UWF, Pulp and Tissue Insights):** Top line improved by 6% q-o-q and +35% y-o-y, while EBITDA came under pressure q-o-q (down 11%) as UWF sales volumes declined by 8% q-o-q (-7% y-o-y). Despite this, the EBITDA margin was still robust at 28.7% and net debt/EBITDA of only 0.5x. The company expects destocking to remain an issue in Q1, with potential industry downtime and closures in light of weaker demand and higher costs. The conference call is next week.
- VSF prices stable this week:** The VSF op. rate jumped to 65% (from 59%) as VSF plants in Hebei and Sichuan raised run rates. VSF inventory days decreased to 31.5 (from 32.0) as spinners were seeing mixed feedback from end-ser orders. The theoretical VSF margin for Chinese producers weakened slightly to \$29/t. The Lyocell market was stable to slightly stronger, with the operating rate improving slightly to 56% (from 55%).
- Import hardwood DP stable, with some further gains for domestic producers in China:** The spot hardwood price is now \$900/t. The DP/pulp spread is currently \$136/t (this level generally supports preference for paper pulp production over DP production). The domestic DP price increased by 1% w/w to ¥7,160/t (\$1,050/t, a \$150/t premium to imports).

Forestry & Paper Key w/w price changes			
Details	w/w % chg.	YTD % chg.	*y/y % chg.
Pulp (\$/t)			
NBSK Europe	-1%	-2%	11%
BHKP Europe	-2%	-3%	17%
NBSK Europe (€)	1%	-4%	17%
BHKP Europe (€)	0%	-4%	24%
US NBSK (gross)	0%	-3%	16%
Hardwood DP (\$/t) - imported	1%	0%	-1%
Hardwood DP (CNY/t) - China origin	1%	-1%	4%
China BHKP net	-1%	-9%	27%
China NBSK net	2%	2%	13%
Paper (€/t)			
LWC	-1%	-6%	35%
Ctd WF	0%	-2%	54%
A4 B-copy	0%	-1%	31%
Newsprint	0%	1%	67%
Packaging (€/t)			
Kraftliner	-1%	-6%	-7%
White-top Kraftliner	0%	-3%	3%
Testliner 2	-1%	-8%	-8%
Testliner 3	-1%	-8%	-11%
RB-Fluting	-2%	-9%	-10%
PIX OCC 1.04 dd	1%	-4%	-62%
PIX ONP/OMG 1.11 dd	-1%	-6%	-20%
Spreads (€t)			
SW/HW Europe (\$)	12%	25%	-49%
SW/HW China (\$)	19%	166%	-28%
NBSK China/Europe (\$)	-26%	-37%	-9%
BHKP China/Europe (\$)	-50%	-63%	-85%
A4 B-copy/BHKP (30% discount to list price)	-1%	7%	47%
CWF/BHKP (30% discount to list price)	-2%	4%	11%
Kraftliner/testliner 2	0%	2%	-4%
White-top Kraftliner/kraftliner	2%	30%	33%
Testliner 2/OCC	-1%	-8%	11%

Source: Chronux Research, FOEX, CCF, * vs. the PY monthly average

NOREXECO futures price			
	Q2 23E vs. spot	Q3 23E vs. spot	CY 24E vs. spot
NBSK Europe	-8%	-8%	-15%
BHKP Europe	-13%	-13%	-26%
China NBSK net	-9%	-9%	-10%
China BHKP net	-15%	-15%	-16%

Source: Chronux Research, FOEX

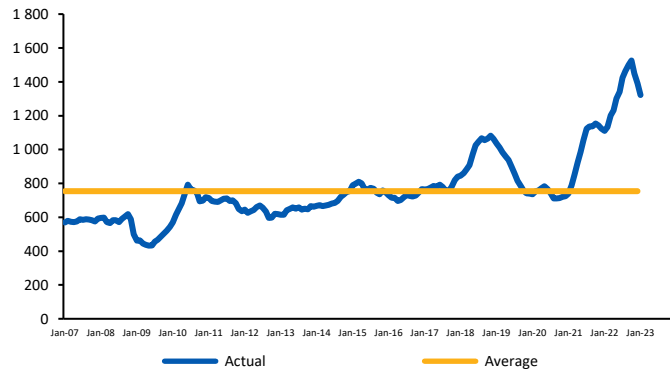
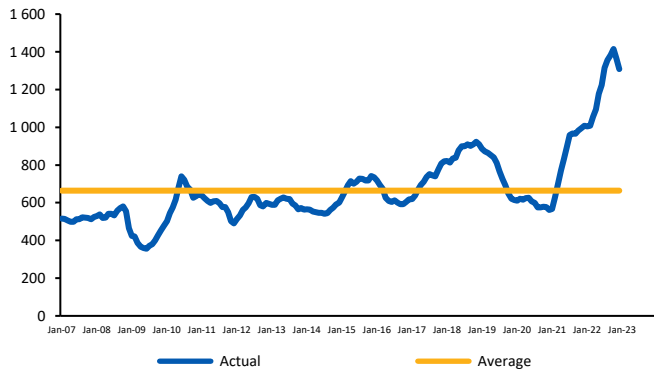
China textiles - Key price and operating changes			
Price details (CNY/t)	%bps w/w chg.	YTD %bps chg.	
ZCE cotton contract	-4%	2%	
ICE cotton contract	0%	4%	
Polyester: PSF 1.4D *38mm	-3%	-1%	
Cottonseed	0%	2%	
Cotton linter	1%	11%	
High-quality cotton linter	2%	13%	
Industry-grade refined cotton	1%	6%	
Food-grade refined cotton	1%	6%	
Hardwood DWP (\$)	1%	0%	
China BHKP net (\$)	-3%	-8%	
DWP/pulp spread (\$)	38%	88%	
Softwood DWP (\$)	1%	-1%	
China-origin hardwood DWP	1%	-1%	
China-origin hardwood DWP (\$)	0%	2%	
Hardwood DWP spread: origin less import (\$)	-7%	13%	
Medium-grade VSF \$/t	0%	2%	
Medium-grade VSF/HW DWP spread (\$/t)	-1%	5%	
High-end VSF	0%	3%	
Lyocell fibre	0%	-1%	
Competing fibre premiums			
Cotton premium to polyester	(174)	553	
Cotton premium(discount) to VSF	(449)	(78)	
Lyocell premium to VSF	(4)	(434)	
VSF premium to polyester	569	625	
VSF plant operation			
Operating rate (%)	600	300	
Physical inventory days	-2%	17%	
VSF theoretical profit (\$/t)	48%	72%	
VSF theoretical profit (yuan/t)	49%	73%	
Lyocell plant operation			
Lyocell op. rate (%)	(1 001)	899	
FX			
\$/RMB	1%	-2%	

Source: Chronux Research, CCF

Pulp, Graphic Paper and Paper Packaging Prices

Europe hardwood pulp price (€/t)

Europe softwood pulp price (€/t)

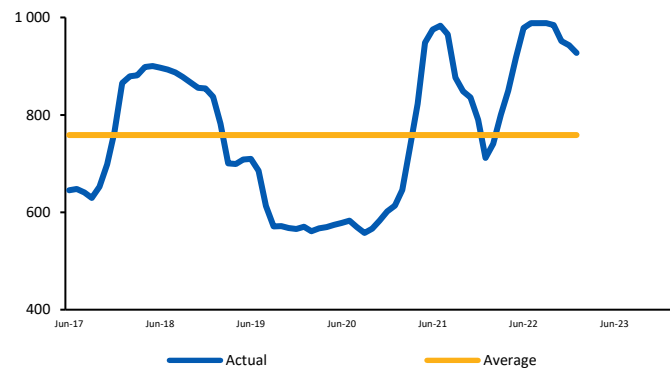
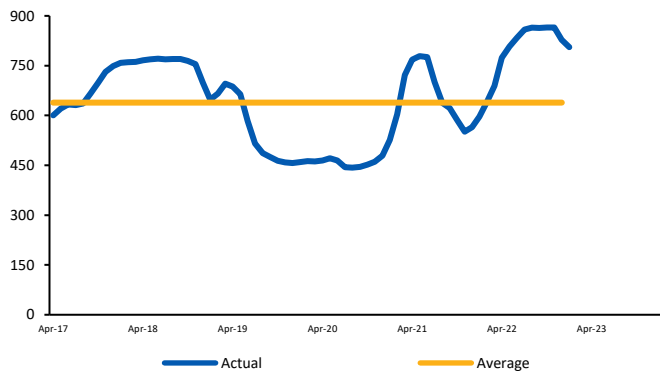


Source: Chronux Research, FOEX

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China hardwood pulp price (\$/t)

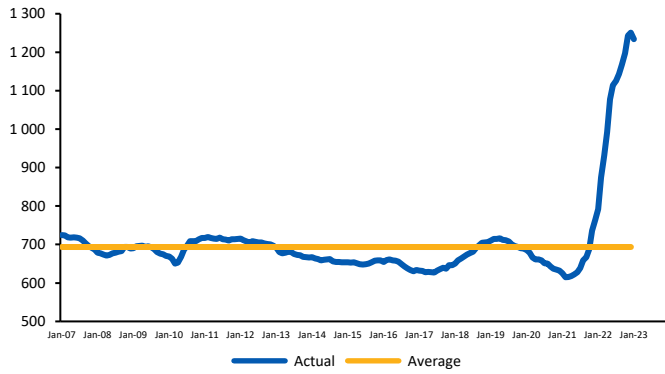
China softwood pulp price (\$/t)



Source: Chronux Research, FOEX

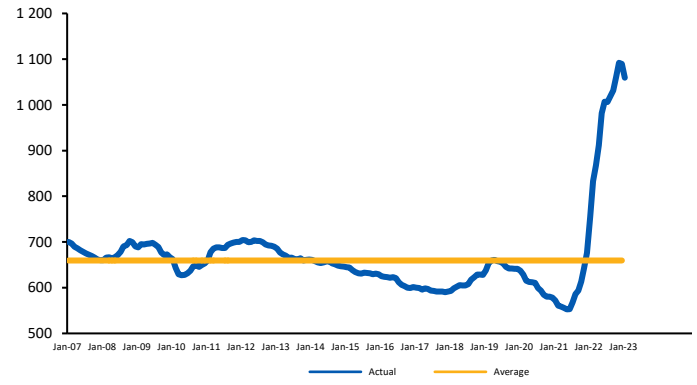
Source: Chronux Research, FOEX

Europe CWF price (€/t)



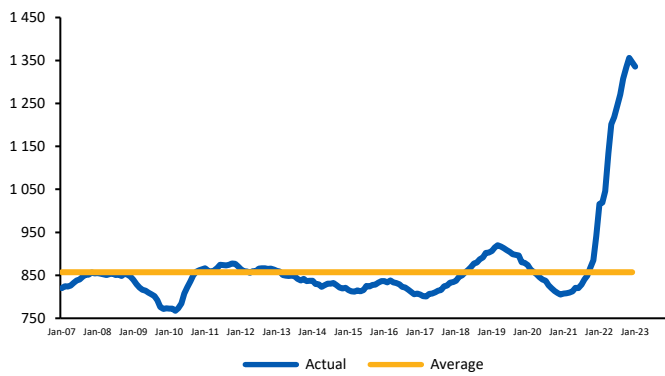
Source: Chronux Research, FOEX

Europe CM price (€/t)



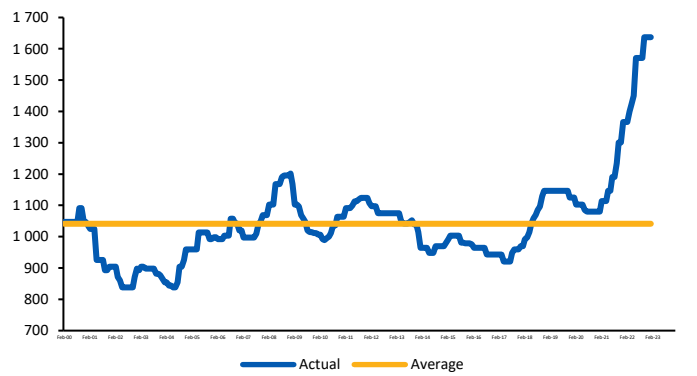
Source: Chronux Research, FOEX

Europe UWF price (€/t)



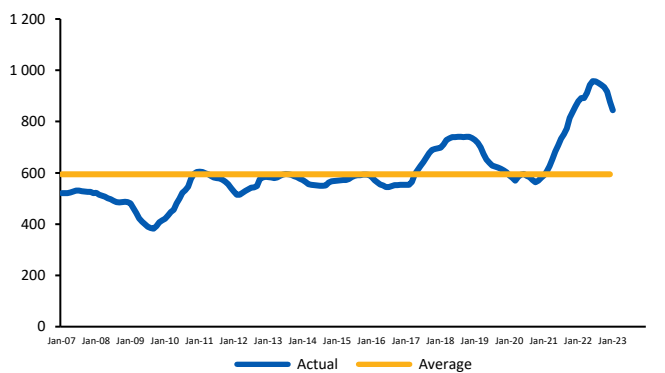
Source: Chronux Research, FOEX

US CFS price (€/t)



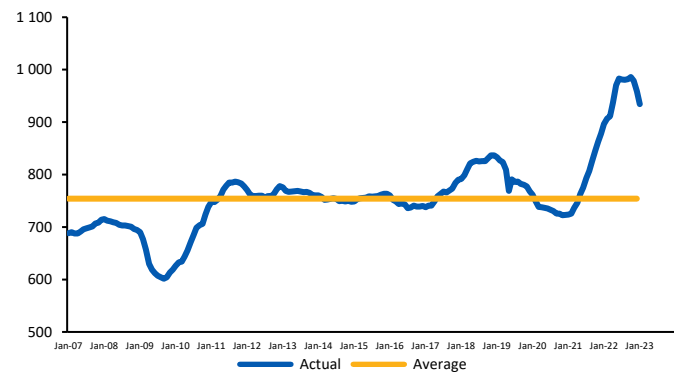
Source: Chronux Research, FOEX

Europe kraftliner price (€/t)



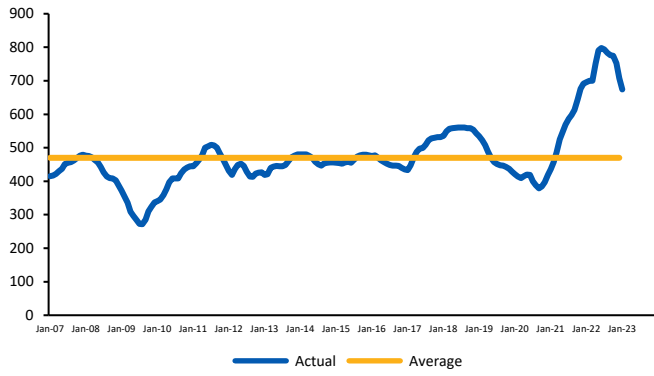
Source: Chronux Research, FOEX

Europe white-top kraftliner price (€/t)



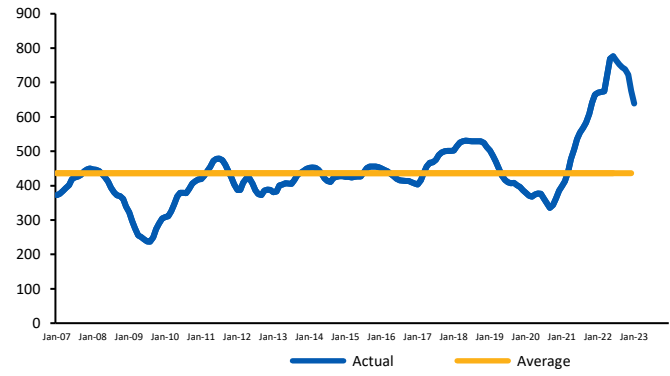
Source: Chronux Research, FOEX

Europe testliner price (€/t)



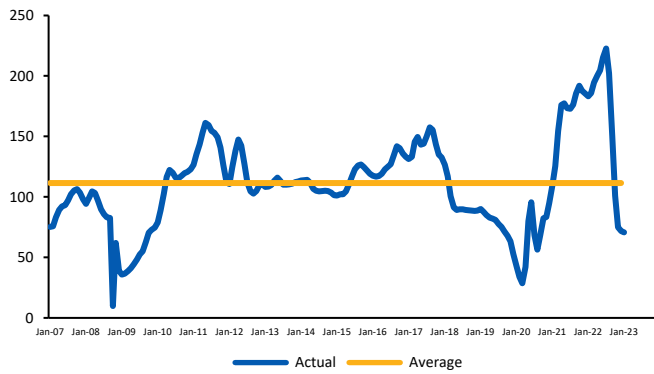
Source: Chronux Research, FOEX

Europe RB-fluting brown price (€/t)



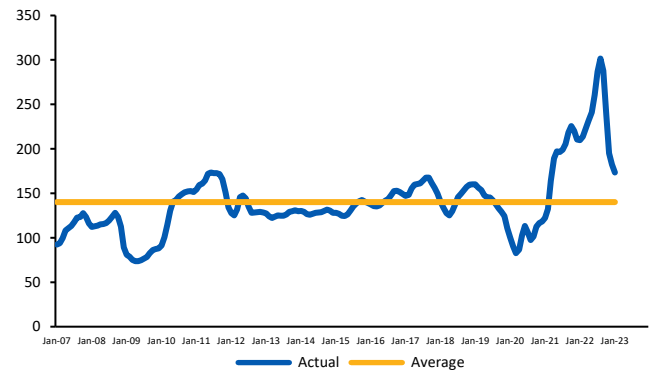
Source: Chronux Research, FOEX

Europe OCC price (€/t)



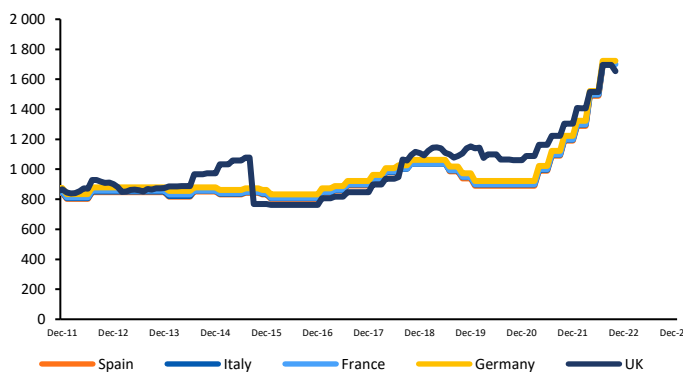
Source: Chronux Research, FOEX

Europe ONP/OMG price (€/t)



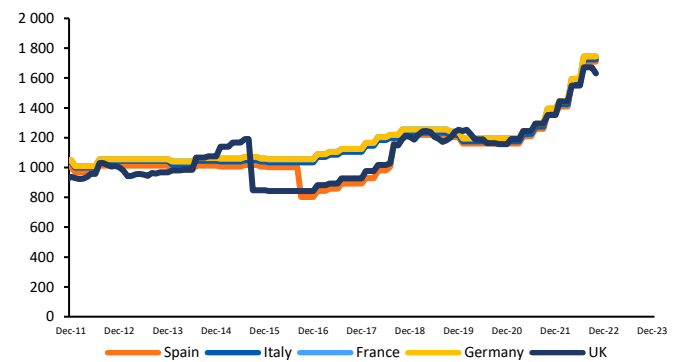
Source: Chronux Research, FOEX

Europe Unbleached Sack kraft price (€/t)



Source: Chronux Research, FOEX

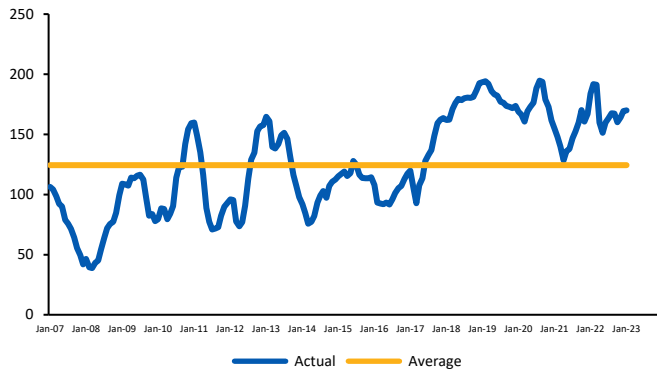
Europe Bleached Sack kraft price (€/t)



Source: Chronux Research, FOEX

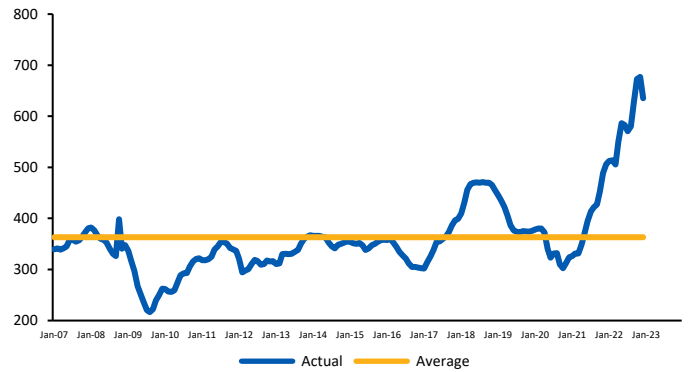
Pulp, Graphic Paper and Paper Packaging Spreads

Europe kraftliner/testliner spread (€/t)



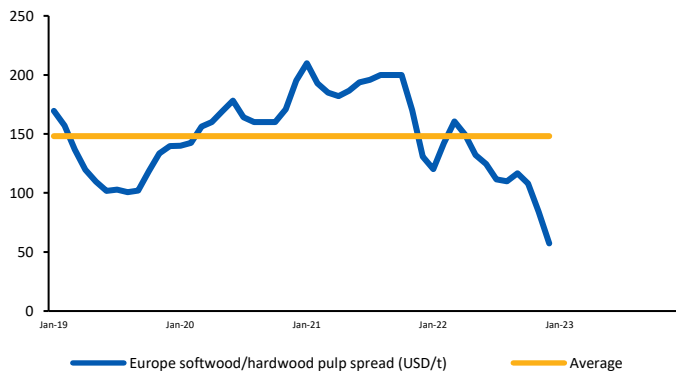
Source: Chronux Research, FOEX

Europe testliner/OCC spread (€/t)



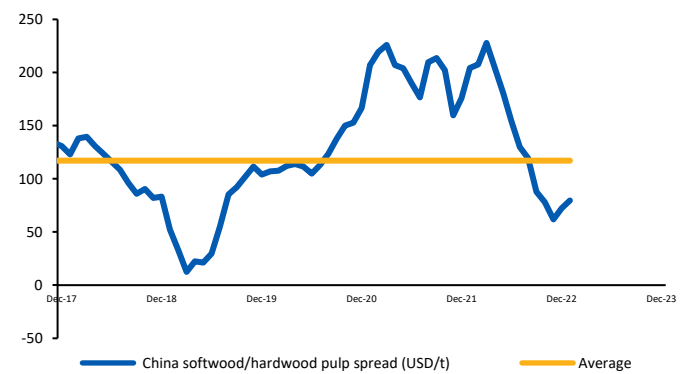
Source: Chronux Research, FOEX

Europe softwood/hardwood pulp spread (\$/t)



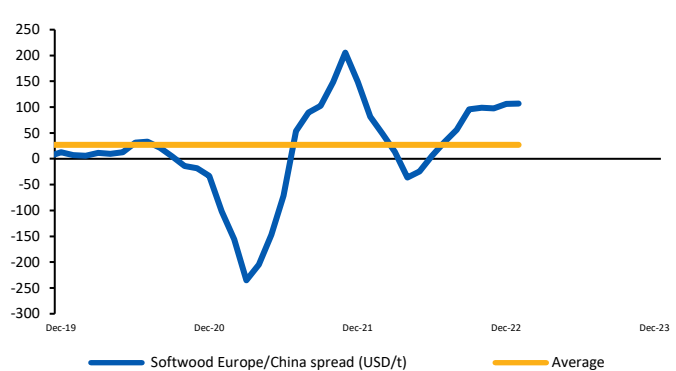
Source: Chronux Research, FOEX

China softwood/hardwood pulp spread (\$/t)



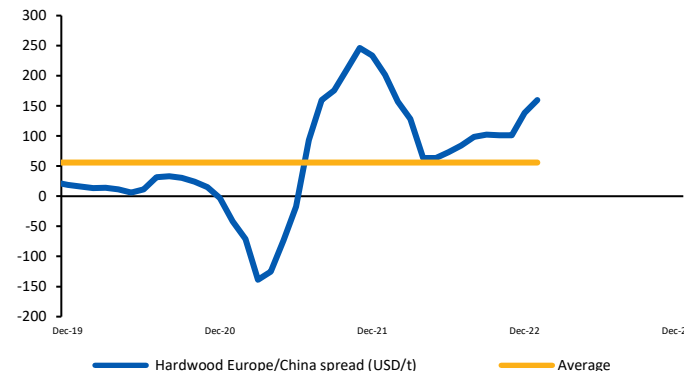
Source: Chronux Research, FOEX

Softwood Europe/China spread (\$/t)



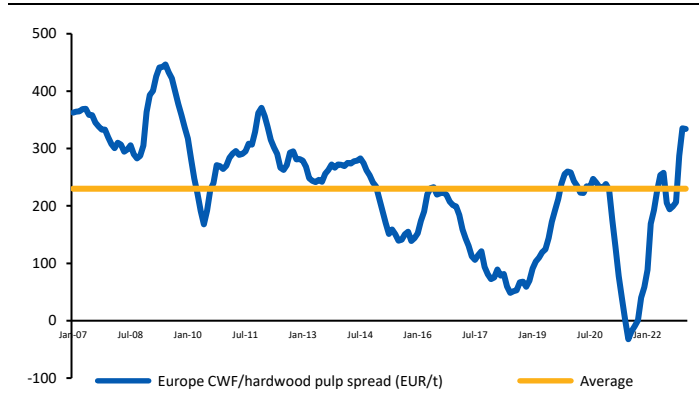
Source: Chronux Research, FOEX

Hardwood Europe/China spread (\$/t)



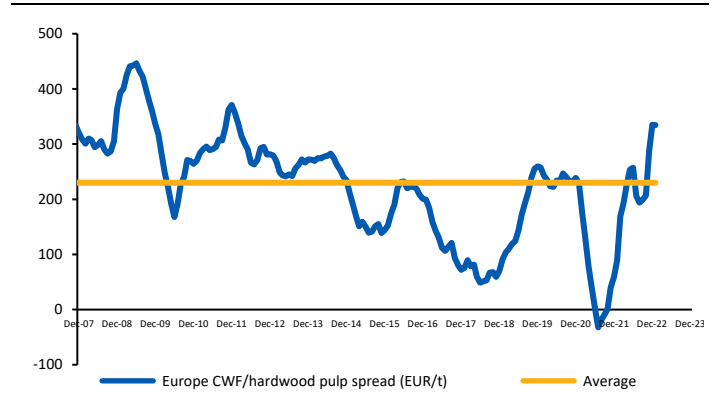
Source: Chronux Research, FOEX

Europe UWF/ hardwood pulp spread (€/t)



Source: Chronux Research, FOEX

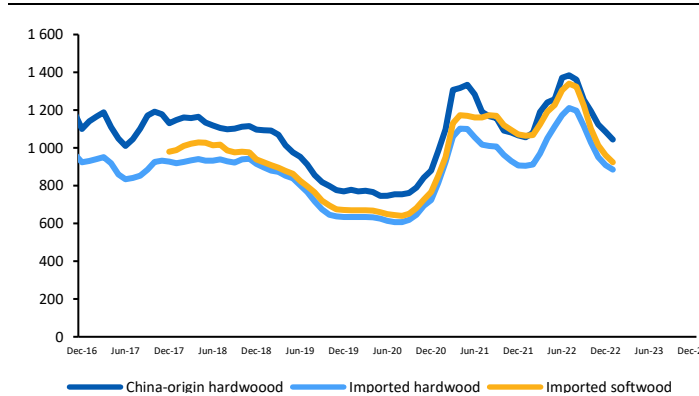
Europe CWF/ hardwood pulp spread (€/t)



Source: Chronux Research, FOEX

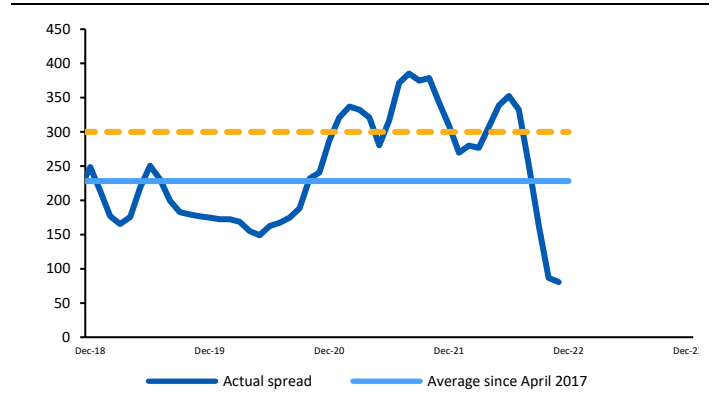
Textile Fibre Prices, Spreads, FX and Industry Stats

DP prices (\$/t)



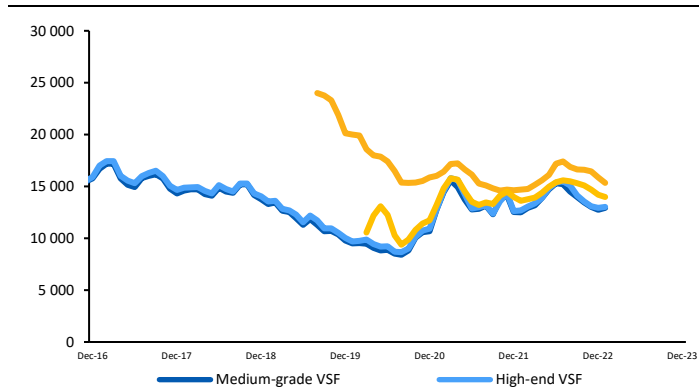
Source: CCF, Chronux Research

DP/ hardwood pulp spread (\$/t)



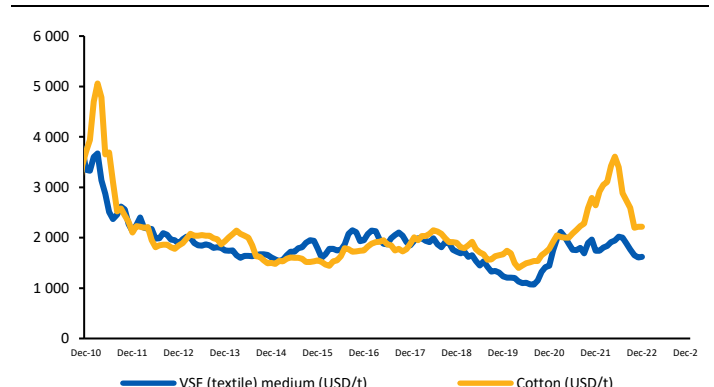
Source: CCF, Chronux Research, FOEX

VSF prices (CNY/t)



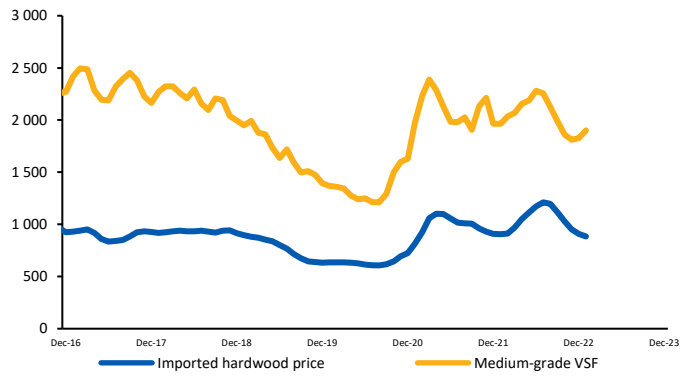
Source: CCF, Chronux Research

Textile prices (\$/t)



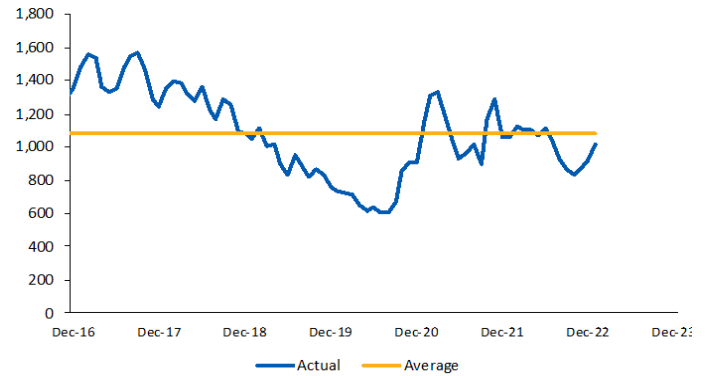
Source: CCF, Chronux Research

VSF and DWP prices (\$/t)



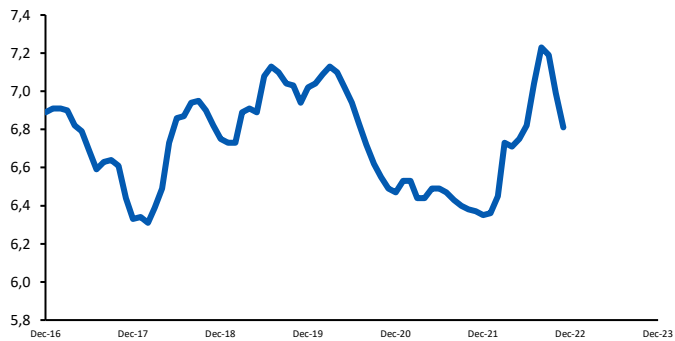
Source: CCF, Chronux Research

VSF/DWP spread (\$/t)



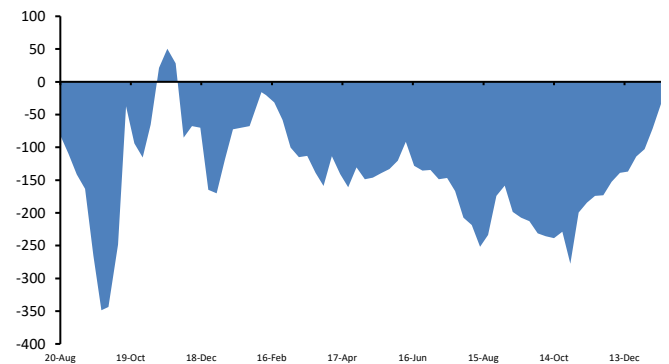
Source: CCF, Chronux Research

\$/RMB exchange rate



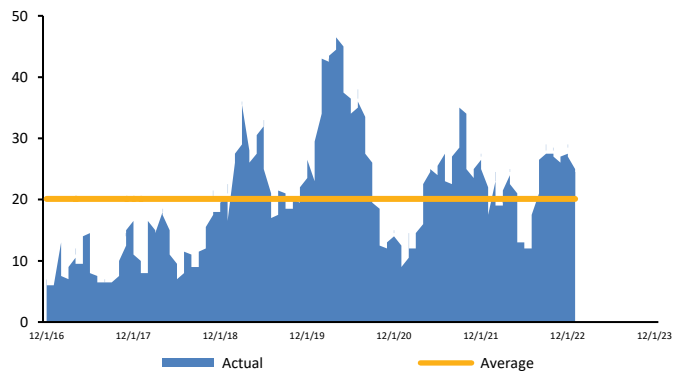
Source: CCF, Chronux Research

China VSF theoretical profit (USD/t)



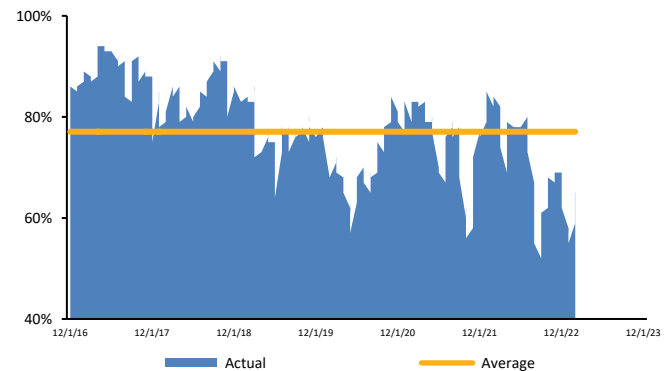
Source: CCF, Chronux Research

China VSF inventory days (#)



Source: CCF, Chronux Research

China VSF operating rate (%)



Source: CCF, Chronux Research

Industry stats

European paper sack deliveries

Units	2017	2018	2019	2020	2021	18/17 % chg.	19/18 % chg.	20/19 % chg.	21/20 % chg.
Cement	1 789 532	1 792 820	1 687 148	1 846 320	1 909 006	0.2%	-5.9%	9.4%	3.4%
Building materials except cement	2 445 295	2 489 977	2 491 301	2 574 515	2 785 478	1.8%	0.1%	3.3%	8.2%
Mineral products	197 440	191 524	192 450	199 202	227 873	-3.0%	0.5%	3.5%	14.4%
Milk powder	166 074	170 195	168 911	174 342	172 451	2.5%	-0.8%	3.2%	-1.1%
Food products except milk powder	883 624	897 426	863 026	837 742	865 110	1.6%	-3.8%	-2.9%	3.3%
Animal feed	560 902	553 833	553 734	550 961	544 801	-1.3%	0.0%	-0.5%	-1.1%
Chemical products	492 587	494 031	445 239	450 034	483 206	0.3%	-9.9%	1.1%	7.4%
Seeds	179 454	184 924	184 766	208 674	200 775	3.0%	-0.1%	12.9%	-3.8%
Miscellaneous	360 696	367 783	349 011	285 084	280 565	2.0%	-5.1%	-18.3%	-1.6%
Total	7 075 604	7 142 513	6 935 586	7 126 872	7 469 265	0.9%	-2.9%	2.8%	4.8%
Tonnage	2017	2018	2019	2020	2021	18/17 % chg.	19/18 % chg.	20/19 % chg.	21/20 % chg.
Cement	178 802	176 323	165 870	181 211	187 144	-1.4%	-5.9%	9.2%	3.3%
Building materials except cement	223 435	227 873	227 028	233 879	252 686	2.0%	-0.4%	3.0%	8.0%
Mineral products	25 542	24 995	24 989	25 743	29 233	-2.1%	0.0%	3.0%	13.6%
Milk powder	46 924	47 594	47 658	49 121	48 244	1.4%	0.1%	3.1%	-1.8%
Food products except milk powder	142 002	143 590	137 299	133 742	137 782	1.1%	-4.4%	-2.6%	3.0%
Animal feed	99 974	98 513	98 275	97 544	95 891	-1.5%	-0.2%	-0.7%	-1.7%
Chemical products	89 917	90 811	81 586	81 695	89 347	1.0%	-10.2%	0.1%	9.4%
Seeds	30 235	31 256	31 112	35 146	33 675	3.4%	-0.5%	13.0%	-4.2%
Miscellaneous	62 097	62 353	60 172	49 411	47 016	0.4%	-3.5%	-17.9%	-4.8%
Total	898 928	903 308	873 988	887 492	921 018	0.5%	-3.2%	1.5%	3.8%
End user contributions	2017	2018	2019	2020	2021	18/17 % chg.	19/18 % chg.	20/19 % chg.	21/20 % chg.
Cement	20%	20%	19%	20%	20%	(37)	(54)	144	(10)
Building materials except cement	25%	25%	26%	26%	27%	37	75	38	108
Mineral products	3%	3%	3%	3%	3%	(7)	9	4	27
Milk powder	5%	5%	5%	6%	5%	5	18	8	(30)
Food products except milk powder	16%	16%	16%	15%	15%	10	(19)	(64)	(11)
Animal feed	11%	11%	11%	11%	10%	(22)	34	(25)	(58)
Chemical products	10%	10%	9%	9%	10%	5	(72)	(13)	50
Seeds	3%	3%	4%	4%	4%	10	10	40	(30)
Miscellaneous	7%	7%	7%	6%	5%	(1)	(2)	(132)	(46)

Source: Chronux Research, EUROSAC

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