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Upcoming RISI Events

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Recycled containerboard prices rise in Europe

Recycled containerboard prices have moved up over September and October in all major markets across Europe.

In Germany, producers managed to secure Euro 40/tonne hikes in September, while in France and Italy, prices grew by Euro 30-40/tonne over September and October.

In the UK, levels have started moving up this month and are expected to advance, on average, by £25/tonne by mid-November.

Price hikes in Germany could have increased to Euro 50-60/tonne if the industry had remained united in pushing for full increases, sources reckoned.

"We could have gotten [an additional] Euro 10-20/tonne if [all producers] had pushed harder on their customers. Instead, we made the same mistake as earlier this year when we also failed to implement full hikes," one German producer commented.

The pricing situation in France, where increases were in the range of Euro 30-40/tonne, was reportedly used as an argument among buyers to reset bigger hikes in Germany.

"Up until mid-October, there were open discussions [in Germany] regarding the remaining Euro 10/tonne [of

Euro 50/tonne] increases. Some corrugators even accepted those. But when the market saw that French producers lifted their prices by only Euro 40/tonne, buyers in Germany called mills to refuse additional hikes," one player said.

Since the beginning of the year, Germany and France have seen levels climb by Euro 105-120/tonne, while in Italy prices increased by up to Euro 90/tonne. In the UK, the hikes will amount £105/tonne if the current price increases are successfully implemented.

Most suppliers are relatively satisfied with the overall price increases achieved in the course of the year, but note that costs remain high especially in view of the recent price hikes for starch.

Recovered paper (RCP) prices, which softened slightly after peaking in March/April, have remained largely stable since then. In Germany, levels for the 1.04 supermarket corrugated paper and board grade currently amount to Euro 85-95/tonne, free-delivered, while in France, the 1.05 old corrugated containers grade changes hands at Euro 95-105/tonne, ex-works.

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RCP prices remain largely stable in October

After the slight increases in recovered paper (RCP) prices over the summer months, price movement has slowed down again in the major euro-zone markets and the UK in October.

The main reason for the summer increases was the combination of brisk demand and low arisings (*No. 35, p.1*). After the end of the holiday season in Europe, collection volumes increased again and supply and demand were rather balanced despite the high operating levels of the packaging industry in particular.

Another factor that contributed to the more balanced ratio of RCP supply and demand was the subdued demand from China in the run-up to and during the National Day holiday week. Even after the end of the holidays, market insiders reported that the ordering activity from China was anything but brisk.

In Europe, a few grades saw minor hikes of a maximum of Euro 5/tonne in some countries in October. But most prices remained largely unchanged in comparison to September. Only some market contacts in Italy reported drops of approximately Euro 5-10/tonne for the lower grades toward the end of the month.

Here, prices for mixed paper and board (1.02) and old corrugated containers (1.05) that stood at Euro 100-115/tonne and Euro 120-140/tonne free delivered in September were quoted at approximately Euro 100-110/tonne and Euro 120-130/tonne respectively in October. In France, prices for 1.02 and 1.05 remained at the September levels of Euro 75-85/tonne and Euro 95-105/tonne ex works.

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BIR gathering examines China's impact on global recovered paper market

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In Germany, where the prices for high grades rose especially over the summer months, they were virtually unchanged in October. However, the country remained severely affected by Propapier's new containerboard machine in Eisenhüttenstadt and the Hamburger and Mondi PMs in Hungary and Poland. As a consequence of the rise in RCP demand in these regions, prices in eastern Germany tended to be considerably higher than in the rest of the country.

The UK saw some minor price hikes for some of the low and high grades in October. Prices for sorted graphic paper for deinking (1.11) and newspapers (2.01) were still quoted at the September levels of £110-120/tonne and £115-125 ex works.

Prices might drop: While several market insiders expect RCP prices to remain stable in November as well, others do not rule out price drops in the coming months. "This year's Christmas business in China is over, collection volumes in Europe tend to be high in the fourth quarter and paper mills usually run down [RCP] inventories toward the end of the year," commented a market insider who believes that RCP prices are likely to decrease in the near future.

Others were of the opinion that paper mills in Europe will take greater care of their RCP stocks at the end of 2010. "Mills have learned from the first quarter," one of them said.

In the first three months of the year, low RCP inventories, reduced collection volumes and brisk demand from China caused prices to rise considerably (*No. 10, p.1*). Several paper mills in Europe even

had to resort to temporary stoppages due to the high costs and low availability of recovered paper (*No. 10, p.4*).

Several market players now expect that paper mills will try to avoid a similar situation in the first quarter of 2011 and continue buying normal RCP volumes toward the end of year, keeping prices stable.

Rising prices in China: Meanwhile, RCP prices in China and Southeast Asia have been rising, *PPI Europe's* sister publication *PPI Asia* reported. According to the latest report, falling supply from the US has pushed up the prices of most grades in the Asian RCP market.

However, the general consensus on the outlook for the Asian market in the coming months is that prices have peaked and will start decreasing in the near future.

Chinese RCP imports down: Asia, and China in particular, were a focal point during this year's Bureau of International Recycling (BIR) paper autumn round-table sessions that took place in Brussels on October 25.

According to Ranjit Baxi, chairman and CEO of J&H Sales and president of BIR's paper division, China's RCP imports have dropped considerably this year. After steady increases from 22.6 million tonnes in 2007 to 24.1 million tonnes in 2008 and 27.6 million tonnes last year, projections for 2010 see imports falling back to approximately 24 million tonnes this year.

Baxi reported that China's RCP imports still exceeded the previous year's figures in the first quarter (Q1 2010: 6.4 million tonnes; Q1 2009: 6.1 million tonnes). However, imports dropped to approximately 6.1 million tonnes in the sec-

ond quarter, down from 7.9 million tonnes in the year-earlier period. Projections for the third quarter see a further drop to 5.4 million tonnes.

Baxi's breakdown of China's RCP imports into different supply regions showed that North America has maintained its share while Europe has lost market share. Baxi said that quality standards in Europe this year have not been as good as in the past and warned against looking to meet demand by any means rather than focusing on quality.

Moreover, Baxi explained that the growth in Asian collection programs is affecting Europe's RCP exports to Asia and might do so even more in the future. According to him, one or two countries in Asia are about to pass legislation that will enforce the collection of recovered paper within three years.

Different market influences: During the panel discussion on factors that cause movements in the recovered paper markets, Bill Moore, president of the international consulting firm Moore & Associates, presented different kinds of market influences. He distinguished between older, newer, constant and occasional influences.

According to Moore, demand and pricing used to be driven by local mill conditions rather than the global market development, and regional prices could vary widely from global averages.

Today, Asian, particularly Chinese, demand drives the worldwide market, old newspapers (ONP) and deinking grades are in chronically low supply and price changes are rapid and connected around

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PROVISIONAL CONSUMER PULP CONSUMPTION AND INVENTORY STATISTICS FOR JULY, AUGUST AND SEPTEMBER 2010*

	Unbleached	Sulfite ¹		Kraft ¹		Total 2010	Total 2009	% change 2010/2009
		Softwood	Hardwood	Softwood	Hardwood			
Consumption (tonnes)								
July	12,615	18,159	15,442	405,971	581,070	1,033,258	993,718	4
August	13,036	15,511	11,495	374,235	514,335	928,611	834,057	11
September	12,464	20,141	15,070	411,424	603,590	1,062,689	1,035,997	3
Inventories (tonnes)								
July	7,904	11,323	8,843	284,068	328,010	640,148	754,730	-15
August	8,817	14,841	10,406	296,225	375,931	706,219	761,816	-7
September	8,142	17,073	10,778	297,495	376,865	710,353	748,533	-5
Inventories (days)								
July	19	14	17	21	17	19	23	-4 days
August	21	19	20	22	19	21	23	-2 days
September	20	23	21	22	19	21	23	-2 days

1: Bleached or semi-bleached. * Statistics include information from Austria, Belgium, Denmark, France, Germany, Italy, Netherlands, Portugal, Spain, Switzerland and the UK. Figures have been rounded. DIP and CTMP statistics are no longer available and unbleached sulfite and kraft figures have been combined. Source: UTIPULP.

New capacity squeezes white-top testliner market

In October, Germany's Niederauer Mühle revealed plans to bring online a 250,000 tonne/yr white-top testliner machine PM 3 at its Kreuzau mill, near Cologne (*No. 39, p.7*).

The Euro 50 million (\$70 million) investment will see the former Perlen Papier 5.3 m wide newsprint PM 5 converted to produce containerboard in the second quarter of 2011.

The news of the additional capacity to be brought to the open market within the next seven months has evoked considerable consternation among market players.

Contacts on the producer side expressed fears that the white-top testliner market, which has so far enjoyed a relatively healthy demand/supply balance, might become oversupplied.

But buyers have welcomed the initiative to start up new capacity. They feel that prices have held high amid the tight market this year and say that in view of expected white-top testliner market growth next year, additional capacity is necessary.

"Everyone knew that extra [white-top testliner] capacity would soon come to the market, but it was difficult to predict who would do it and when. Personally, I thought that Hamburger would raise its capacity," one contact said.

Lower-quality market targeted: Sources speculated that Niederauer Mühle will most probably focus on the middle to lower quality range and produce the so-called C and D grades of white-top testliner, with a brightness of ISO ≥ 65 .

"It is a one-layer machine, so the rebuild will include the installation of a second layer. But I haven't heard of any plans to further modernize and improve the unit, which would allow them to produce higher qualities," one market expert commented.

Several contacts speculated that the new capacity would be sold mostly to the German market as well as neighboring countries in western Europe.

In Germany, the firm's customer base would largely include big integrated companies, sources reckoned.

"In Germany, some 60-70% of independent corrugators, which are traditionally family-owned, specialize in high quality corrugated boxes, so I don't think they will be interested in [the machine's white-top testliner] quality unless the PM is further upgraded. But big integrated companies like Smurfit Kappa, Mondi or SCA could well be on the list of potential customers," a German player said.

Sources did not rule out the possibility that the new capacity might eventually lead to the closure of some plants which oper-

ate in the same quality segment and have smaller and older machines.

"I would watch firms such as [Italy's Cartiera] Romanello and Norampac in France. They have less efficient machines, and also, the former company has been in financial trouble for some time now," an observer said.

"Certain producers, which sell lower qualities and already offer low prices for their material, will definitely feel the pressure [from the new capacity]. It will be hard for them to compete with Niederauer [Mühle]," another player added.

RCP shortage to worsen: Additional recycled containerboard capacity will also put more pressure on the recovered paper (RCP) supply/demand balance in Germany, sources fear.

The RCP shortage, which was much felt in the market earlier this year, is expected to remain a sensitive issue next year. Increased demand from extra containerboard capacity will keep RCP prices high, sources warned.

Niederauer Mühle, however, might be less sensitive to the issue, having a long-term contract with the beverage cartons producer Tetra Pak and being located in an industrial region of Germany, contacts noted.

"Growing RCP prices will only benefit them since they have recently renegotiated a long-term contract [with Tetra Pak] for recycling their carton waste," a player said.

Other suppliers to raise capacity: Apart from Niederauer Mühle, several other producers are looking to increase white-top testliner capacity over the coming months.

Papier- und Kartonfabrik Varel is set to rebuild its 5.1 m wide PM 4 at the Varel mill in northern Germany by mid-February 2011 (*No. 31, p.7*). The capacity of the 220,000 tonne/yr unit will rise to 300,000 tonnes/yr. Half of the output will be white-top testliner.

Smurfit Kappa plans to start white-top testliner production at its Wrexen mill in western Germany. The plant's 220,000 containerboard PM 3 will churn out some 50,000 tonnes to 60,000 tonnes in the short-term over 2011. Further, the group plans to raise its white-top testliner capacity to 250,000 tonnes/yr.

Besides, Hamburger has recently finalized the revamp of PM 2 at its Rieger plant in Trostberg, southern Germany (*No. 40, p.5*). Following the investment, the unit's white-top testliner capacity will gradually increase from 133,000 tonnes/yr to 150,000 tonnes/yr by 2013.

Legislative changes to affect German RCP market

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the world. Moreover, the Chinese holidays play a decisive role in global RCP prices.

Constant market influences include currency fluctuations, freight costs, the general state of the economy and some seasonal fluctuations, such as the drop in RCP collection volumes during the summer months and the European summer holiday period.

Among the occasional market influences – or the "wild cards of the business" – Moore counted the availability of credit and the fact that RCP market movements can be contrary to the general state of the economy as, for instance, in late 2009 and early 2010 when many economies were still soft but the RCP market was robust.

Operative and legislative changes in Germany: Hubert Neuhaus, managing director of Neuhaus Handel and former vice president of the German recovered paper association BVSE and president of the BVSE recovered paper board, concentrated on operative and legislative changes that affect the German RCP market.

On the operative side, Neuhaus pointed to the new containerboard capacities in Poland (Swiecie), Hungary (Dunaujvaros) and Germany (Eisenhüttenstadt). The new machines added a total capacity of more than 1.5 million tonnes/yr. The additional RCP demand changed the previous north-west price divide in Germany into an east-west divide. Whereas in the past, RCP prices were higher in northern Germany than in the south when demand from Asia was high, prices are now higher in the eastern parts of the country than in the west.

Moreover, Neuhaus said that RCP consumption has grown to a bigger extent than collection volumes. According to him, the fact that collection is at its highest level while demand is not might cause further changes to the German RCP market.

On the legislative side, Neuhaus expects changes due to the imminent renewal of the German recycling and waste management act. The new act has to be finished by December 2010 by order from the European Union.

According to Neuhaus, the current wording of the new act allows local communities to manage household collections. So far, private recycling companies have handled household collections in Germany. Neuhaus fears that the latter will face considerable job cuts if the communities become the new partners of the paper industry.