



Forestry & Paper

Industry Insights

Key message: Across various grades, including pulp, graphic paper, containerboard, and specialty papers, there is a trend of price increases or stability in Europe, driven by factors such as improved demand, production cost pressures, and logistical challenges.

- February price update:** Pulp producers experienced a positive trend with prices rising by 6-8% in Europe and 4% in the US, although prices in China slightly decreased, with hardwood DP edging up by 2%. Conversely, graphic paper prices faced pressure, with most grades declining by 1-2%, while UWF paper prices remained stable. Packaging sector witnessed a softening as containerboard prices decreased by 1% across the board, and US solid bleached sulphate (SBS) board prices fell by 3%. Meanwhile, in the textile fibres market, VSF grades saw a 3% increase in prices, with inventory days rising by 6% to 12, while the VSF operating rate remained high at 89%.
- Pulp prices continued to rise further this week in Europe:** Suzano has announced further price increases for BEK pulp starting from March 1st, with a \$30/t increase in China and an \$80/t increase in Europe and North America. These price hikes are driven by lower inventories throughout the supply chain, particularly in Europe, compounded by ongoing logistical challenges affecting shipping routes. Additionally, there are preliminary positive indications of demand growth in Asia following the Lunar New Year. January's *Europulp statistics* revealed an 8% m-o-m increase in wood pulp stocks at European ports, yet notably, these stocks were down 15% y-o-y. *UTIPULP statistics* confirmed a decline in European consumer pulp inventories by 8% m-o-m (+8% y-o-y), alongside a consumption increase of 9% m-o-m.
- Since the Chinese New Year, cotton and VSF prices have rebounded:** The VSF operating rate eased slightly to 84% as Shandong Yamei started to shut VSF lines for maintenance. Inventory days increased to 14.5 days, while the theoretical margin for Chinese VSF producers has improved to -\$17/t. In other news, *Renewcell* has filed for bankruptcy. The company had developed a patented process that enables the recycling of cellulosic textile waste into a pristine new material called CIRCULOSE.
- Following the Spring Festival, dissolving pulp prices generally increased, driven by the strong performance of the downstream sector:** The spot *imported hardwood DP* is now \$920/t, and the *DP/pulp spread* is \$266/t. The domestic DP price has too increased, now trading at ¥7,500/t (\$1,039/t, a \$119/t premium to imports).
- Mondi, Saica, Klingele, Smurfit Kappa, SCA, Hamburger, Heinzl and Billerud have announced price increases in the range of 10-12%, equal to €70-80/t:** Testliner producers are aiming to implement price increases starting from March. Concurrently, kraftliner producers are planning to raise prices for virgin grades, with the adjustments expected to take effect from April onwards. Many of the companies concerned cited increased production costs and difficult profit margins as the reasons for the hikes, though some also pointed to improvements in demand.
- Graphic paper prices in Europe continue to remain steady this week:** The Navigator Company announced that it will increase the price of all UWF papers up to 5% in Europe from 25th March onwards. This price increase is mainly cost driven, coupled with a recovery in demand visible. In other news, *Norske Skog's* PM6 (CM: 260Kt/yr) at its Saugbrugs mill will remain offline for the whole of 2024.
- Packaging & Specialty producers (Sappi, Burgo & Lecta) too have their eyes set on price increases in the range of 8-10% from 1 April:** In other news, Sappi has successfully produced and converted its new Parade Label WS wet-glue label paper in Gratkorn, Austria

Date: 01 March 2024

Analyst

Sean Ungerer CA (SA), CFA
+27 82 319 3373

sean@chronuxresearch.com

Associate Analyst

Koena Enoch

koena@chronuxresearch.com

Forestry & Paper Key w-o-w price changes			
Details	w-o-w	YTD	y-o-y*
Pulp (\$/t)			
NBSK Europe	4%	12%	0%
BHKP Europe	0%	14%	-14%
NBSK Europe (€)	0%	10%	-4%
BHKP Europe (€)	0%	16%	-15%
US NBSK (gross)	0%	5%	-19%
China hardwood DP	2%	2%	2%
DP/pulp spread	8%	8%	84%
China BHKP net	0%	0%	-13%
China NBSK net	0%	-2%	-18%
Paper (€/t)			
LWV	0%	-4%	-21%
Ctd WF	0%	-1%	-16%
A4 B-copy	0%	0%	-18%
Newsprint	0%	-3%	-31%
Packaging (€/t)			
Kraftliner	0%	-2%	-18%
White-top Kraftliner	0%	-2%	-10%
Testliner 2	0%	-2%	-24%
Testliner 3	0%	-1%	-25%
RB-Fluting	0%	-2%	1%
OCC	0%	-3%	40%
ONP/OMG	1%	4%	-18%
Spreads (€/t)			
A4 B-copy/BHKP (30% discount to list price)	1%	-22%	-23%
CWF/BHKP (30% discount to list price)	2%	-28%	-18%
Kraftliner/testliner 2	0%	-1%	4%
White-top Kraftliner/kraftliner	0%	-4%	51%
Testliner 2/OCC	0%	-2%	-32%

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

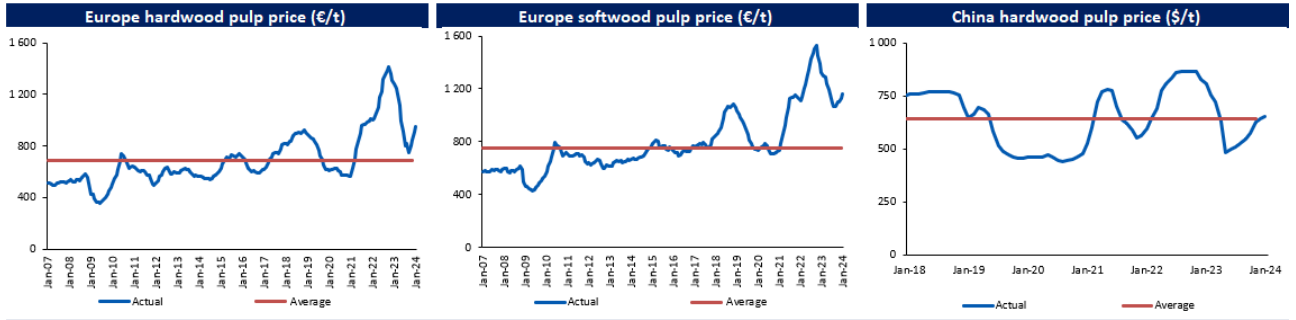
NOREXCO futures price			
	Q2 24E vs. spot	Q3 24E vs. spot	CY 25E vs. spot
NBSK Europe (\$)	-1%	-2%	-6%
BHKP Europe (\$)	2%	-2%	-3%
SW/HW spread	-14%	-3%	-19%
China NBSK net	0%	1%	6%
China BHKP net	-2%	-3%	-11%
SW/HW spread	14%	30%	62%

Source: Chronux Research, FOEX

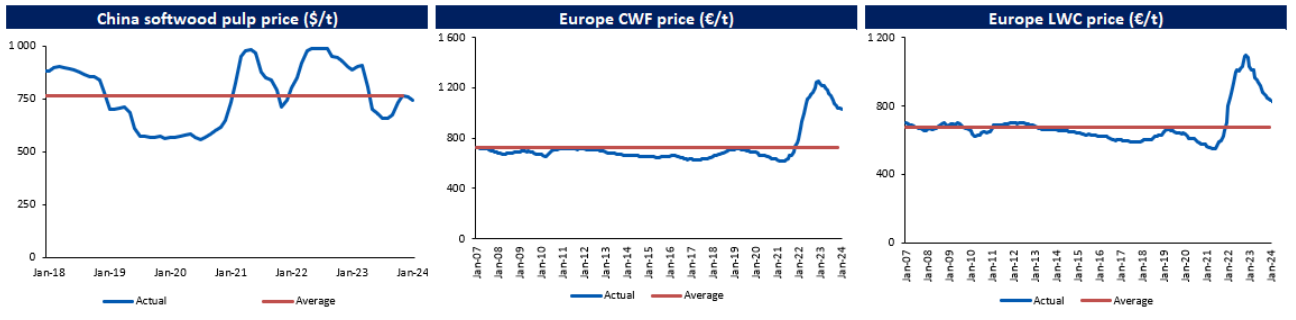
China textiles - Key price and operating changes		
Price details (CNY/t)	chg.	YTD chg.
ZCE cotton contract	2%	4%
Polyester: PSF 1.4D *38mm	-1%	1%
Cottonseed	-1%	-1%
Cotton linter	0%	2%
High-quality cotton linter	0%	3%
Industry-grade refined cotton	0%	0%
Food-grade refined cotton	0%	0%
Hardwood DWP (\$)	3%	1%
China BHKP net (\$)	0%	0%
DWP/pulp spread (\$)	11%	5%
Softwood DWP (\$)	3%	2%
China-origin hardwood DWP	2%	0%
China-origin hardwood DWP (\$)	1%	-1%
Hardwood DWP spread: origin less import (\$)	-9%	-12%
Medium-grade VSF \$/t	3%	3%
High-end VSF \$/t	3%	2%
Medium-grade VSF/HW DWP spread (\$/t)	3%	3%
Lyocell fibre	0%	1%
Competing fibre premiums		
Cotton premium to polyester	618	560
Cotton premium/(discount) to VSF	(111)	27
Lyocell premium to VSF	(293)	(239)
VSF premium to polyester	670	421
VSF plant operation		
Operating rate (%)	(200)	(325)
Physical inventory days	53%	-1%
VSF theoretical profit (\$/t)	-64%	-50%
VSF theoretical profit (yuan/t)	-64%	-50%
Lyocell plant operation		
Lyocell op. rate (%)	(100)	988
FX		
\$/RMB	0%	1%

Source: Chronux Research, CCF

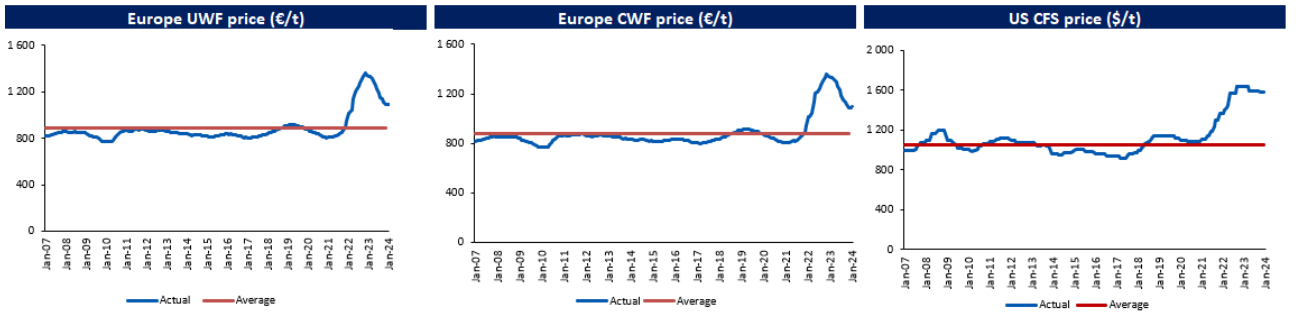
Pulp, Graphic Paper, and Paper Packaging Prices



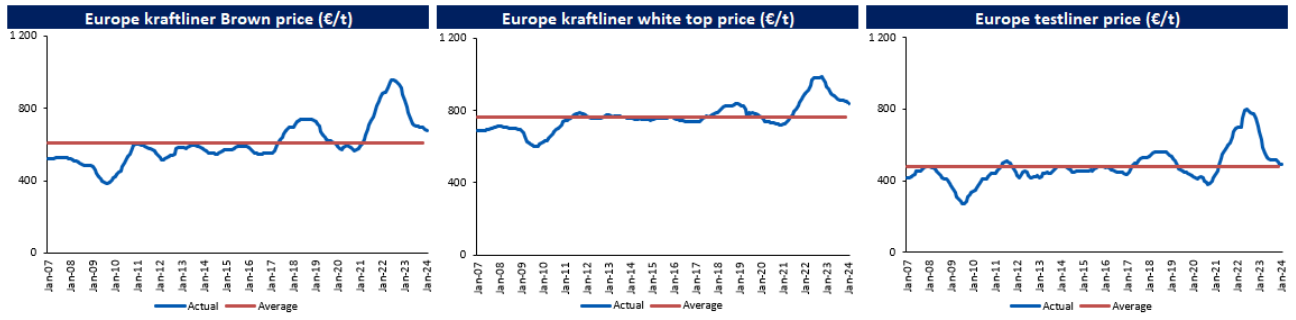
Source: Chronux Research, FOEX, RISI



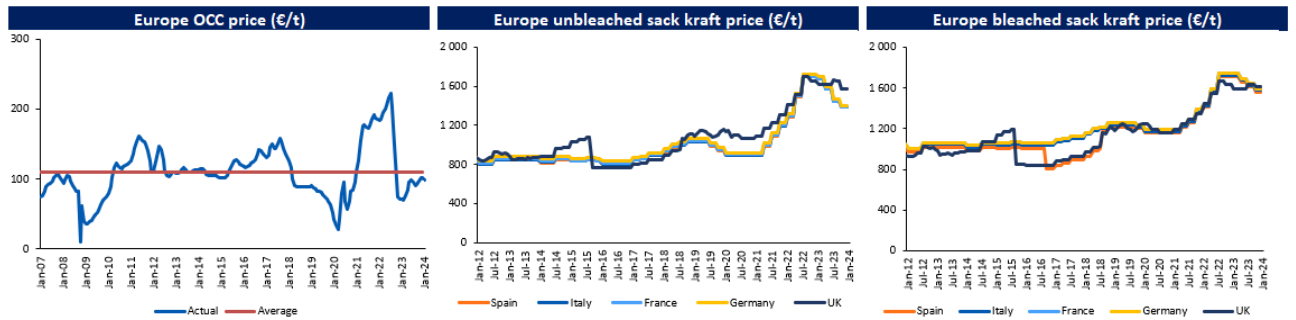
Source: Chronux Research, FOEX, RISI



Source: Chronux Research, FOEX, RISI

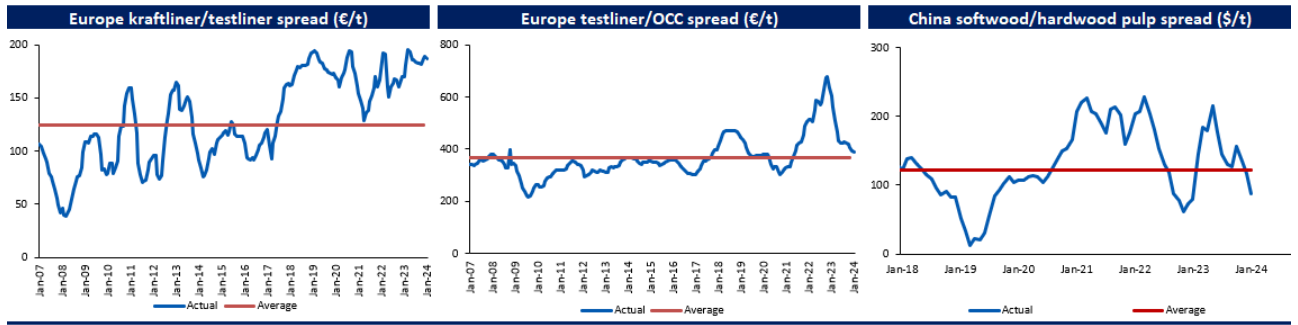


Source: Chronux Research, FOEX, RISI

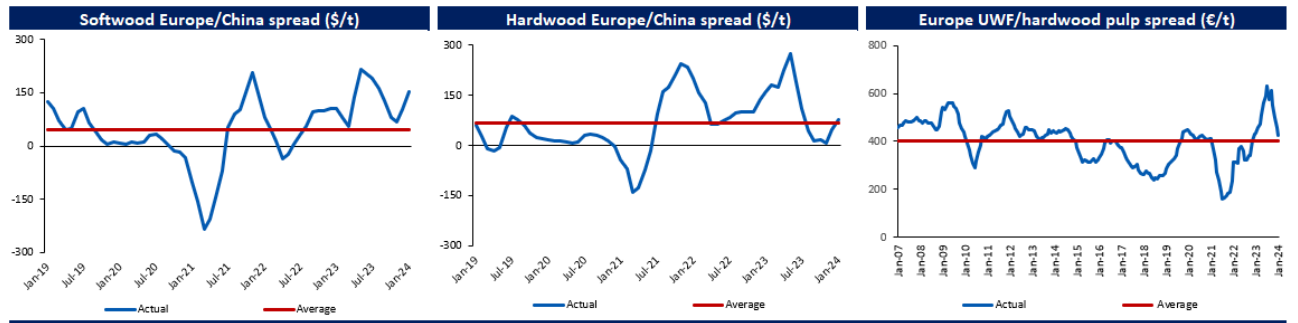


Source: Chronux Research, FOEX, RISI

Pulp, Graphic Paper, and Paper Packaging Spreads

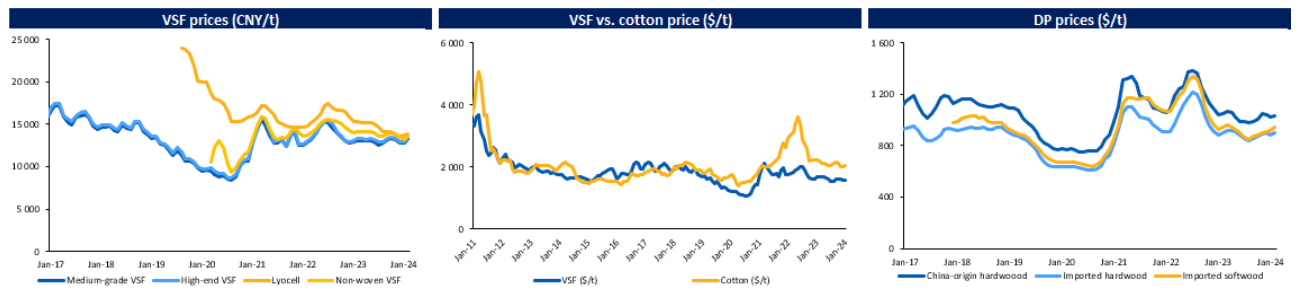


Source: Chronux Research, FOEX, RISI

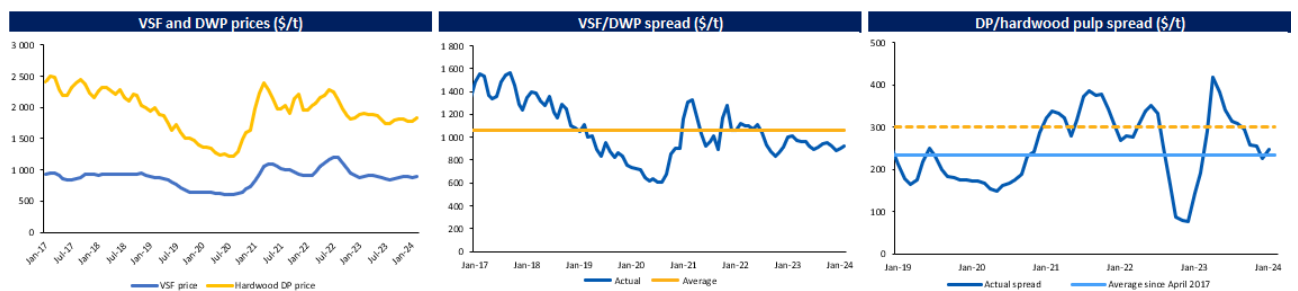


Source: Chronux Research, FOEX

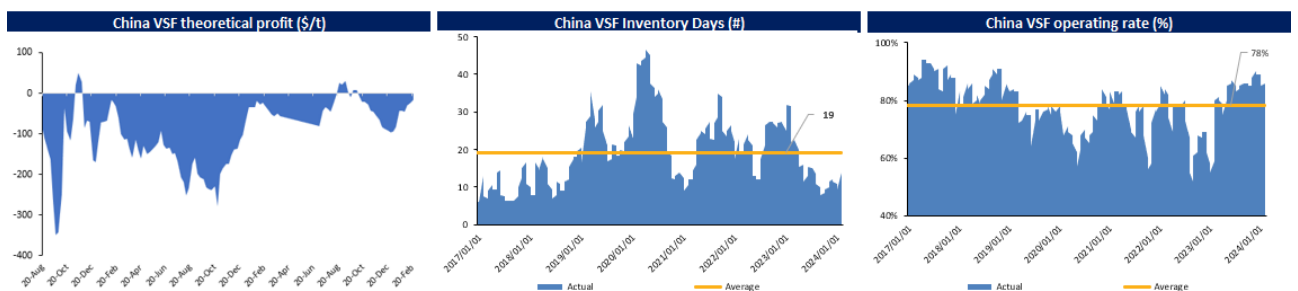
Textile Fibre Prices, Spreads, FX, and Industry Stats



Source: Chronux Research, CCF



Source: Chronux Research, CCF

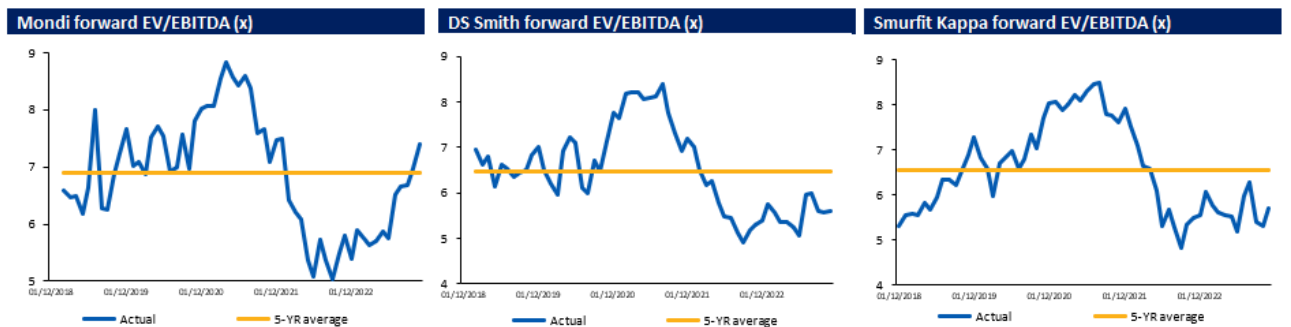


Source: Chronux Research, CCF

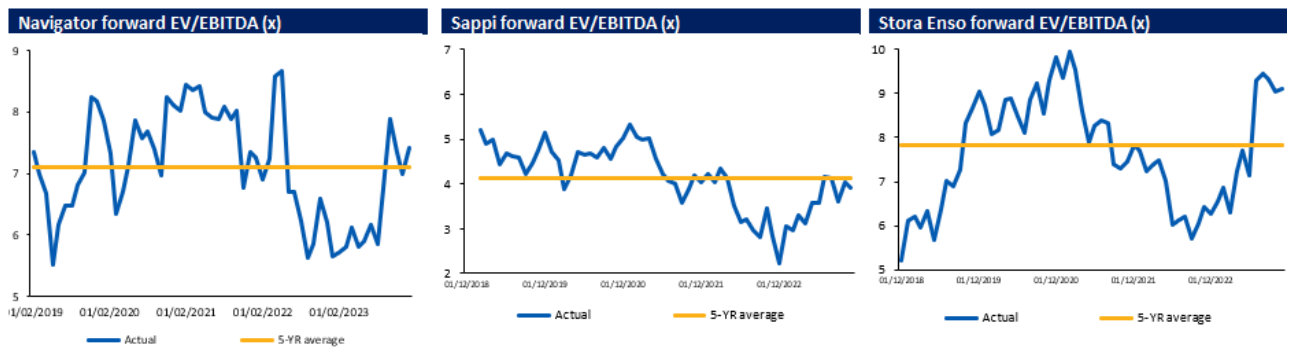
Peer rolled EV/EBITDA (x)

Historical forward EV/EBITDA (x)								
Company	Current	1-YR	3-YR	5-YR	10/MAX-YR	Premium/(discount to 5-yr av.)	Premium/(discount to 10-yr av.)	
Billerud	5,6	5,8	6,9	7,6	8,0	-26%	-30%	
Clearwater Paper	3,6	3,4	4,6	5,2	6,1	-31%	-41%	
CMPC	5,5	5,4	5,2	5,9	7,1	-7%	-22%	
DS Smith	5,6	5,5	6,3	6,5	7,3	-14%	-24%	
Graphic Packaging	6,6	6,3	7,0	7,1	7,3	-7%	-9%	
Grasim	7,7	8,5	10,6	9,4	8,5	-18%	-10%	
Holmen	12,8	12,0	13,7	14,2	11,9	-10%	8%	
IP	7,4	7,2	6,9	7,0	7,0	5%	6%	
Klabin	7,1	6,8	6,8	7,7	8,6	-8%	-18%	
Lenzing	8,9	9,7	9,5	9,6	8,3	-7%	7%	
Mayr-Melnhof	6,5	6,6	7,7	7,2	6,8	-10%	-4%	
Mercer	10,5	8,6	5,6	5,7	5,5	84%	91%	
Mondi	7,0	6,5	6,7	6,9	7,2	2%	-3%	
Navigator	7,4	6,5	7,0	7,1	7,6	5%	-2%	
Nordic Paper	5,6	5,1	4,9	-	-			
Norske Skog	5,1	3,7	4,7					
PCA	10,1	9,6	8,9	8,8	8,3	14%	21%	
Sappi	4,0	3,7	3,8	4,1	5,0	-3%	-19%	
SCA	15,3	14,8	15,4	15,2	13,1	1%	17%	
Smurfit Kappa Group	5,6	5,6	6,5	6,6	6,4	-15%	-13%	
Stora Enso	9,1	8,3	7,7	7,8	7,5	16%	22%	
Sylvamo	5,0	4,0	0,0					
Suzano	6,3	6,2	5,8	6,5		-3%		
UPM	9,1	8,8	9,3	9,1	8,3	0%	9%	
WestRock	5,9	5,5	5,4	5,6	6,1	5%		

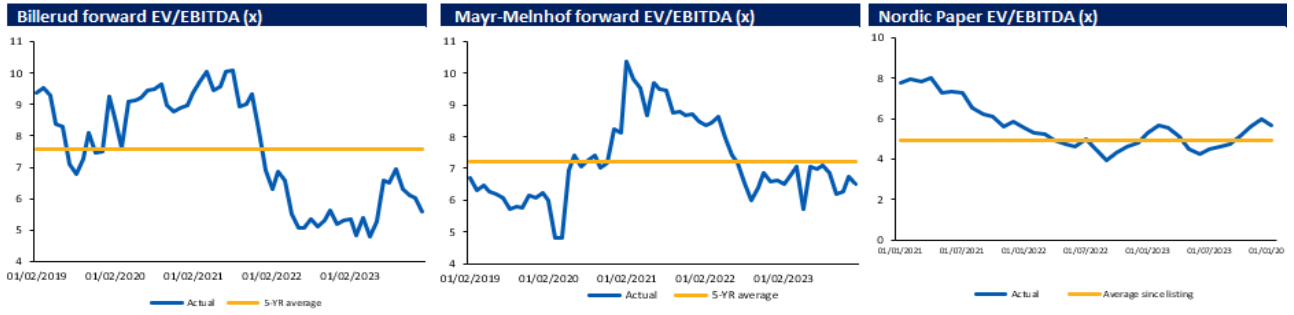
Source: Chronux Research, Bloomberg consensus



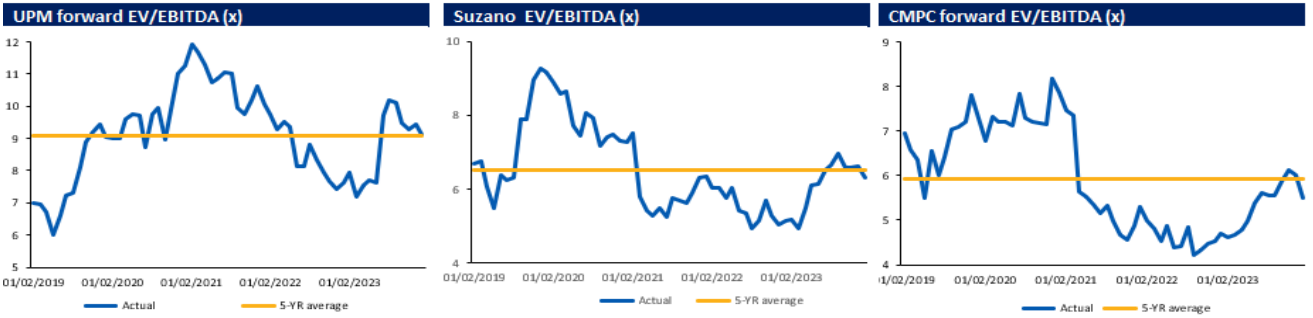
Source: Chronux Research, Bloomberg



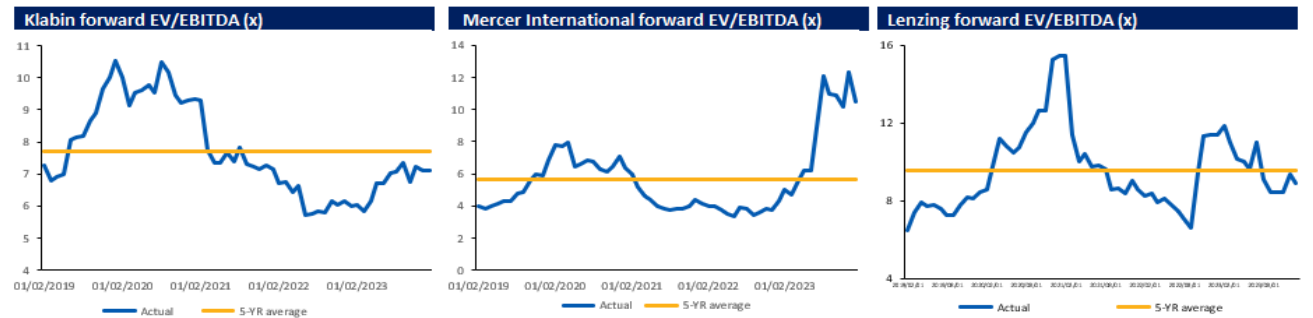
Source: Chronux Research, Bloomberg



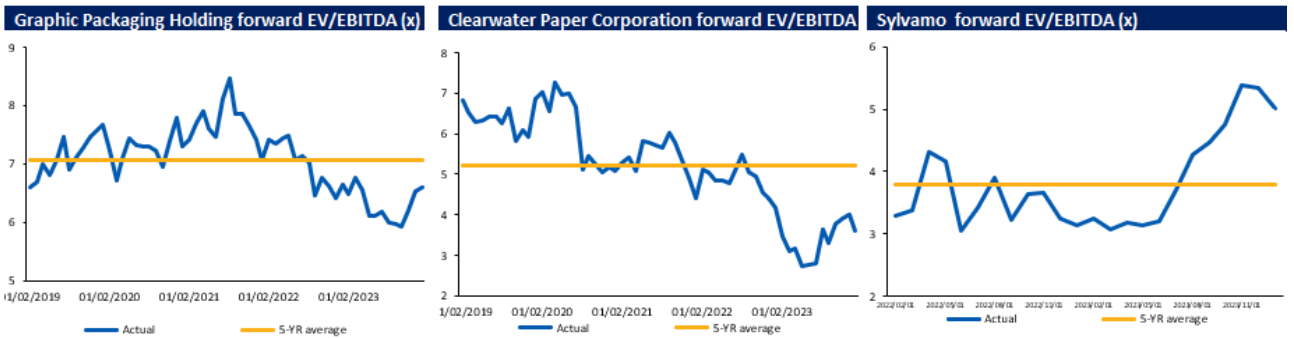
Source: Chronux Research, Bloomberg



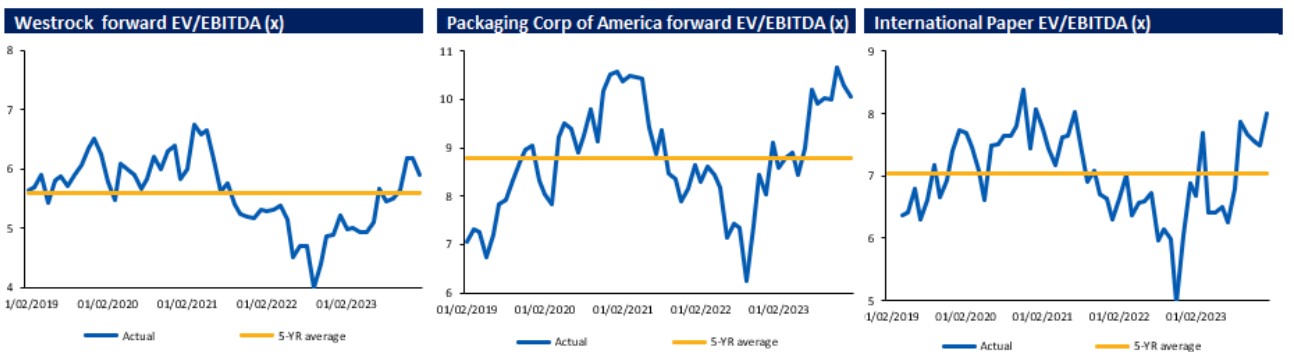
Source: Chronux Research, Bloomberg



Source: Chronux Research, Bloomberg



Source: Chronux Research, Bloomberg



Source: Chronux Research, Bloomberg

Disclaimer:

This report is not investment, financial, accounting or tax advice and is provided for information purposes only. In preparing this report we did not take your specific needs and investment objectives into account. Any prices or quotations provided are indicative only and may not be used or relied on for any purposes, including valuation purposes. Opinions expressed in this communication may change without any notice. This communication is not a solicitation to buy or sell any product. To the extent permitted by the law, Chronux Research Pty. Ltd. and/or the author(s) accept no responsibility or liability (in negligence or otherwise) for loss or damage resulting from the use of or relating to any error in the information provided. This information has been prepared in good faith and is based on information obtained from third party sources. Any modelling, scenario analysis past or simulated past performance (including back testing) contained in this information is no indication of future performance. Analysts at Chronux Research might have direct exposure to companies they cover. This product may not be eligible for distribution in all jurisdictions and is directed at institutional investors who have professional experience as defined by the applicable law and/or regulation in the relevant jurisdiction. It is not for retail investors and may not be distributed into any jurisdiction where the information is not permitted. This communication is for the intended recipient only and if you have received this communication in error or in an unlawful manner the report must be destroyed, and the author notified immediately. These disclaimers and exclusions shall be governed and construed in accordance with South African law. If any provisions of these disclaimers and exclusions shall be unlawful, void or for any reason unenforceable then that provision shall be deemed severable and shall not affect the validity and enforceability of the remaining provisions. © Chronux Research Pty. Ltd. All rights of Chronux Research Pty. Ltd are reserved.