



# Forestry & Paper

## Industry Insights

**Key message:** Strikes in Finland are already impacting production of pulp and paper producers. Meanwhile, the containerboard market in Europe is now exhibiting early signs of recovery, with the testliner price surging 6%.

- The increase in pulp prices by 3-4% in Europe contrasts with the stable prices observed in China:** *Arauco* expressed concerns about the Chinese market during its recent results, noting uncertainties regarding both demand and the overall economic situation. The upcoming *Shanghai Pulp Week*, scheduled between March 18-22, is anticipated to significantly influence market sentiment in the short term.
- Textile market faces declining demand post-holiday, triggering price dips and increased negotiations for discounts:** CCF has recently noted the excessive pre-Spring Festival inventory, coupled with reduced post-holiday purchasing intentions and slow end-user demand recovery, shortens the promising start seen last year in the textile market, leading to increased caution, suppressed enthusiasm, and a resurgence of "strong supply, weak demand," evidenced by partial dips in yarn and fabric prices and increased discount negotiations. Currently, the *VSF operating rate* is stable at 85%. *Inventory days* eased slightly to 12.0 days, while the *theoretical margin* for Chinese VSF producers has moved further in the red to -\$18/t as DP prices increased.
- Dissolving wood pulp prices edge up another 1%:** The spot *imported hardwood DP* is now \$931/t. The domestic DP price has too increased, now trading at ¥7,620/t (\$1,057/t, a \$127/t premium to imports). The two Chinese major pulp mills were steadily producing dissolving pulp, with both pulp mills running with higher operating rates given the *DP/pulp spread* of \$277/t.
- Strikes in Finland already impacting production of pulp and paper producers:** The Finnish Transport Union AKT launched a two-week strike at the country's ports on March 11 to protest labour market reforms proposed by the government. The strike is scheduled to run until March 26. *UPM* suspended production at various graphic paper mills this week, while *Stora Enso's* operations have too been impacted at its Imatra mill (virgin cartonboard and pulp) and its Varkaus mill (containerboard).
- The containerboard market in Europe is now exhibiting early signs of recovery:** Kraftliner prices remained steady, while testliner prices surged by 6%, equivalent to roughly €30 per ton. Additionally, OCC saw a 4% increase in price.
- Sack kraft price momentum continues to gain traction:** *Norpac* has announced a \$60 per ton price increase for its kraft paper in North America, effective from April 1st. In other news, *Nordic Paper's* major shareholder, Shanying International, has declared its intention to divest its 48.16% stake in the company.
- In North America, the five largest uncoated freesheet paper producers (83% of capacity, have announced price increases for April ranging between 5-7%:** Producers attribute the increase to higher production costs and reduced supply caused by extended maintenance downtime at several mills, along with the indefinite shutdown of output at *Domtar's* Ashdown, AR, paper mill (216Kt/yr). Meanwhile, in Europe, *Burgo* has also announced a 7% price increase for deliveries in April 2024.
- MM Group Q4 23A Insights (European Carton board):** Positive volume trend is observed amid ongoing margin pressure, with destocking in the supply chain largely completed. However, market recovery is anticipated to be slow due to weak economic conditions in Europe and restrained consumer spending. Difficulties in non-European export markets are expected to persist, maintaining oversupply and dampened capacity utilization in Europe.

Date: 15 March 2024

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### Forestry & Paper Key w-o-w price changes

| Details                                     | w-o-w | YTD  | y-o-y* |
|---|-------|------|--------|
| <b>Pulp (\$/t)</b>                          |       |      |        |
| NBSK Europe                                 | 3%    | 12%  | 1%     |
| BHKP Europe                                 | 4%    | 21%  | -5%    |
| NBSK Europe (€)                             | 3%    | 13%  | -1%    |
| BHKP Europe (€)                             | 4%    | 22%  | -7%    |
| US NBSK (gross)                             | 2%    | 7%   | -16%   |
| China hardwood DP                           | 1%    | 3%   | 1%     |
| DP/pulp spread                              | 4%    | 12%  | 44%    |
| China BHKP net                              | 0%    | 0%   | -10%   |
| China NBSK net                              | 0%    | -2%  | -19%   |
| <b>Paper (€/t)</b>                          |       |      |        |
| LWC   | 0%    | -3%  | -20%   |
| Ctd WF                                      | 0%    | -2%  | -16%   |
| A4 B-copy                                   | 0%    | 0%   | -17%   |
| Newsprint                                   | 0%    | -3%  | -31%   |
| <b>Packaging (€/t)</b>                      |       |      |        |
| Kraftliner                                  | 0%    | -2%  | -14%   |
| White-top Kraftliner                        | 0%    | -2%  | -8%    |
| Testliner 2                                 | 6%    | 3%   | -13%   |
| Testliner 3                                 | 8%    | 6%   | -12%   |
| RB-Fluting                                  | 6%    | 3%   | -15%   |
| OCC   | 4%    | 1%   | 35%    |
| ONP/OMG                                     | 5%    | 9%   | -9%    |
| <b>Spreads (€/t)</b>                        |       |      |        |
| A4 B-copy/BHKP (30% discount to list price) | -8%   | -30% | -33%   |
| CWF/BHKP (30% discount to list price)       | -11%  | -39% | -35%   |
| Kraftliner/testliner 2                      | -15%  | -15% | -18%   |
| White-top Kraftliner/kraftliner             | 0%    | -6%  | 38%    |
| Testliner 2/OCC                             | 6%    | 4%   | -20%   |

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

### NOREXECO futures price

|                     | Q2 24E vs. spot | Q3 24E vs. spot | CY 25E vs. spot |
|---------------------|-----------------|-----------------|-----------------|
| NBSK Europe (\$)    | 4%              | 0%              | -4%             |
| BHKP Europe (\$)    | 4%              | -3%             | -7%             |
| <b>SW/HW spread</b> | <b>1%</b>       | <b>16%</b>      | <b>19%</b>      |
| China NBSK net      | 2%              | 3%              | 8%              |
| China BHKP net      | 3%              | 3%              | -8%             |
| <b>SW/HW spread</b> | <b>-3%</b>      | <b>5%</b>       | <b>35%</b>      |

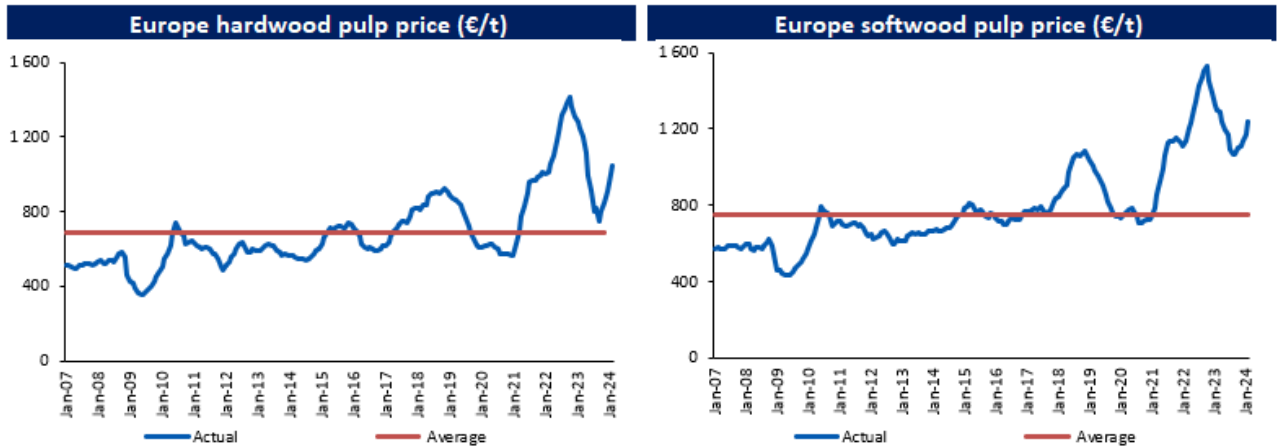
Source: Chronux Research, FOEX

### China textiles - Key price and operating changes

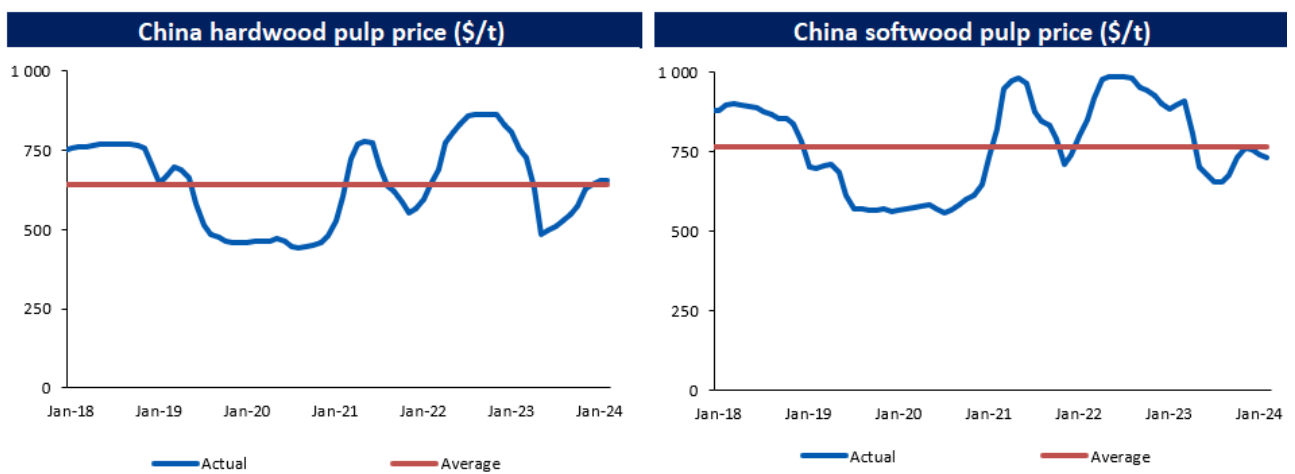
| Price details (CNY/t)                        | w-o-w     | y-t-d     |
|--|-----------|-----------|
| ZCE cotton contract                          | 0%        | 4%        |
| ICE cotton contract                          | -2%       | 9%        |
| Polyester: PSF 1.4D *38mm                    | 0%        | 1%        |
| Cottonseed                                   | 0%        | -2%       |
| Cotton linter                                | 0%        | 3%        |
| High-quality cotton linter                   | 0%        | 4%        |
| Industry-grade refined cotton                | 0%        | 0%        |
| Food-grade refined cotton                    | 0%        | 0%        |
| <b>Hardwood DWP (\$)</b>                     | <b>1%</b> | <b>2%</b> |
| China BHKP net (\$)                          | 0%        | 0%        |
| DWP/pulp spread (\$)                         | 4%        | 8%        |
| Softwood DWP (\$)                            | 1%        | 3%        |
| China-origin hardwood DWP                    | 2%        | 1%        |
| China-origin hardwood DWP (\$)               | 1%        | 0%        |
| Hardwood DWP spread: origin less import (\$) | 4%        | -14%      |
| Medium-grade VSF                             | 1%        | 4%        |
| \$/t   | 0%        | 3%        |
| Medium-grade VSF/HW DWP spread (\$/t)        | 0%        | 4%        |
| High-end VSF                                 | 0%        | 3%        |
| Lyocell fibre                                | 0%        | 1%        |
| <b>Competing fibre premiums</b>              |           |           |
| Cotton premium to polyester                  | 157       | 629       |
| Cotton premium/(discount) to VSF             | (25)      | (22)      |
| Lyocell premium to VSF                       | (53)      | (293)     |
| VSF premium to polyester                     | 169       | 551       |
| <b>VSF plant operation</b>                   |           |           |
| Operating rate (%)                           | -         | (340)     |
| Physical inventory days                      | -4%       | -1%       |
| VSF theoretical profit (\$/t)                | 162%      | -58%      |
| VSF theoretical profit (yuan/t)              | 162%      | -57%      |
| <b>Lyocell plant operation</b>               |           |           |
| Lyocell op. rate (%)                         | -         | 1 090     |
| <b>FX</b>                                    |           |           |
| \$/RMB                                       | 0%        | 1%        |

Source: Chronux Research, CCF

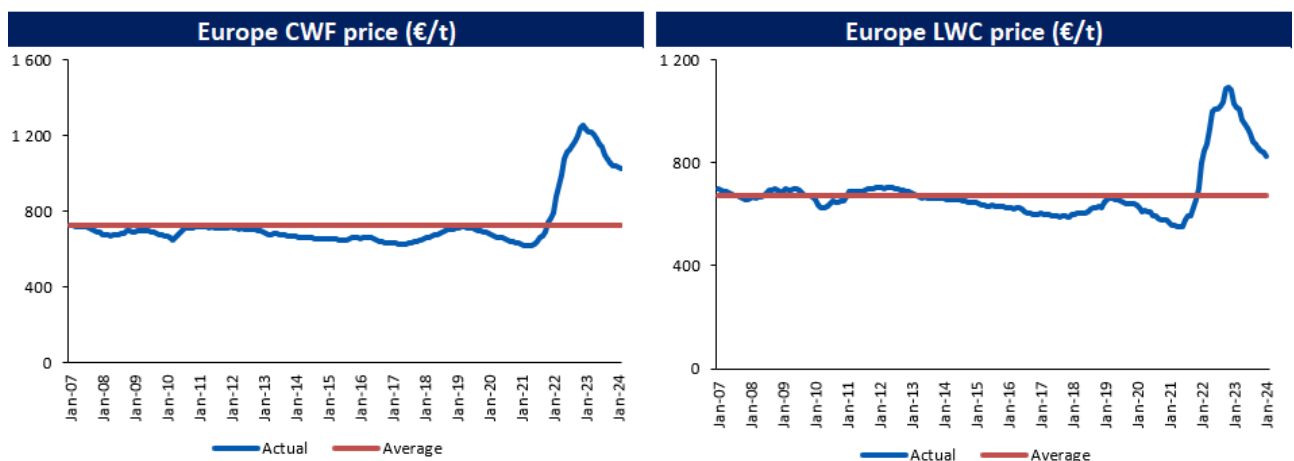
## Pulp, Graphic Paper, and Paper Packaging Prices



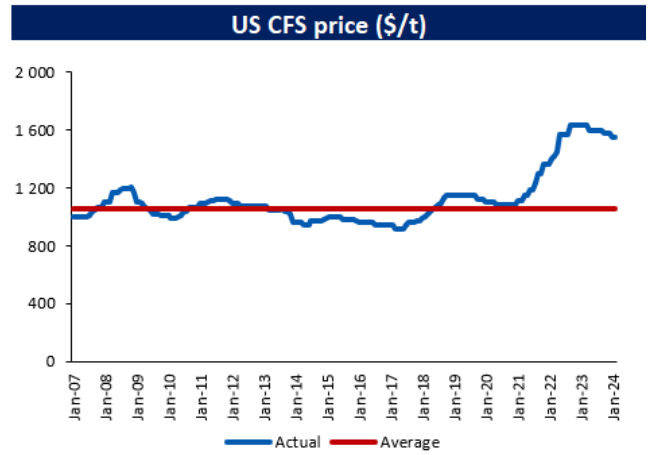
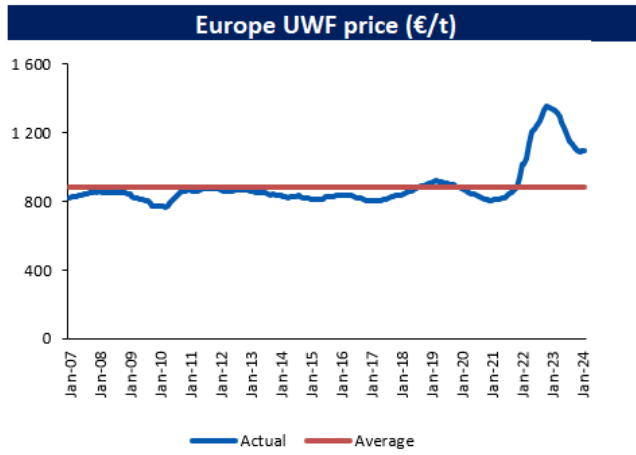
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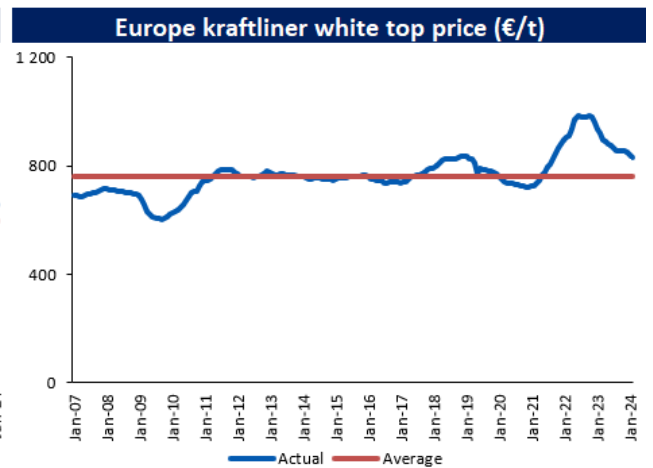
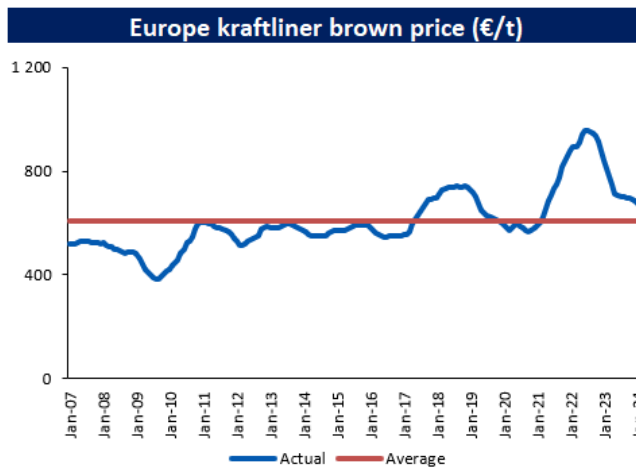
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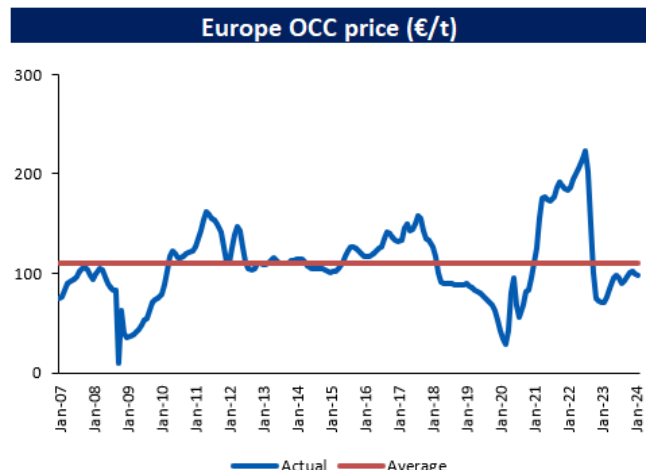
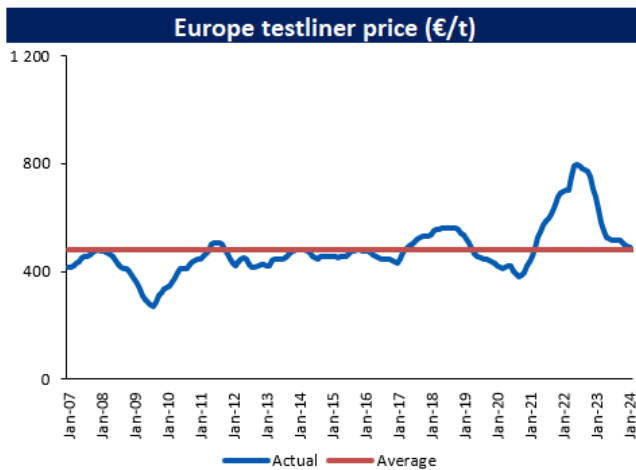
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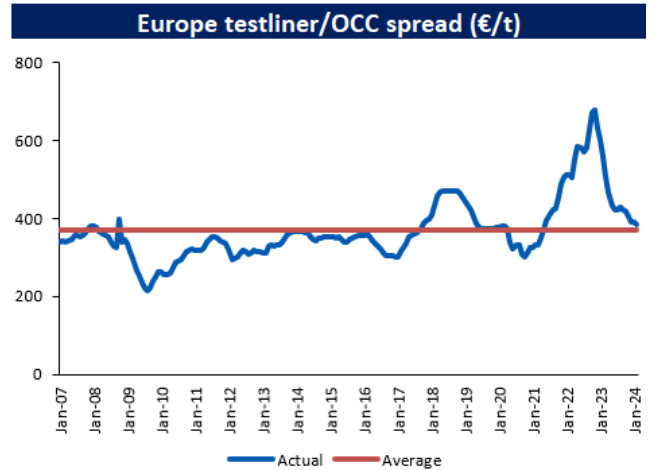
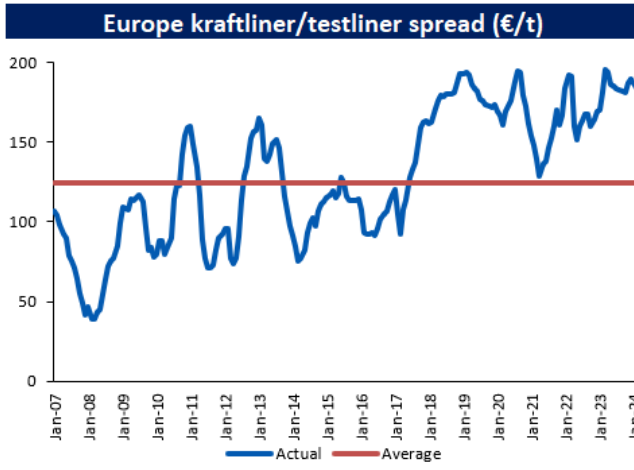
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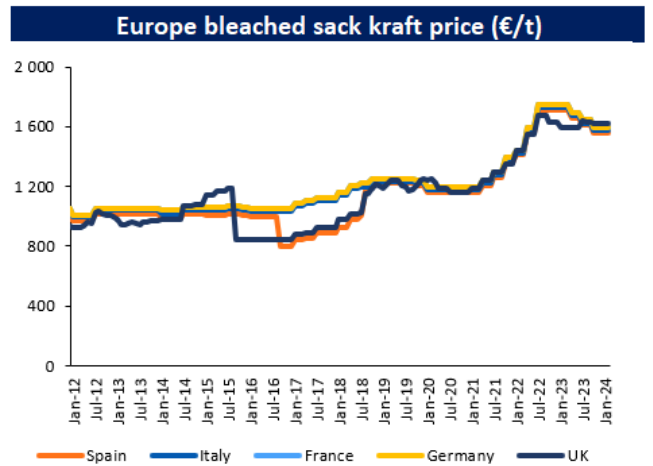
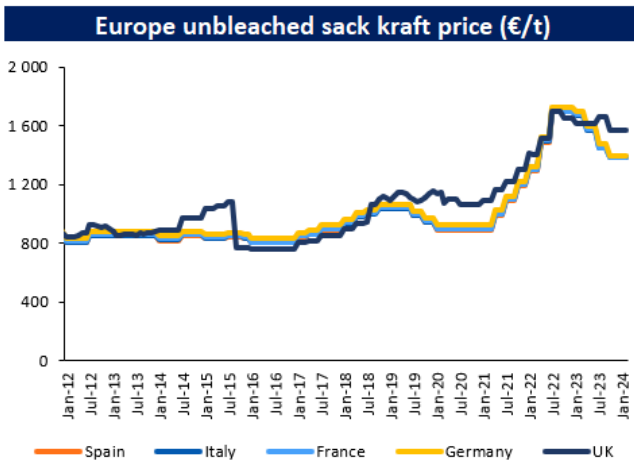
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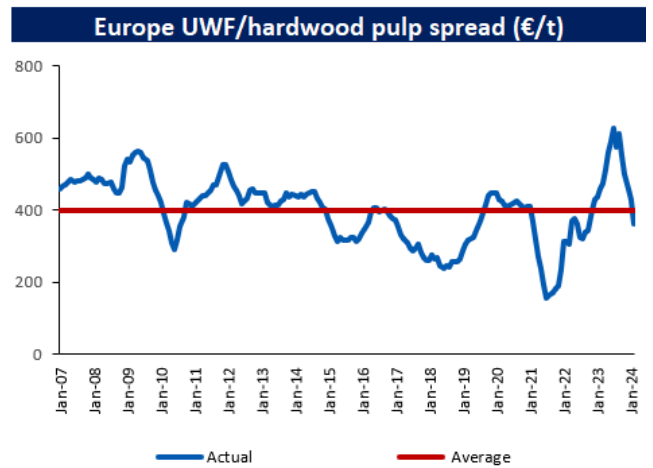
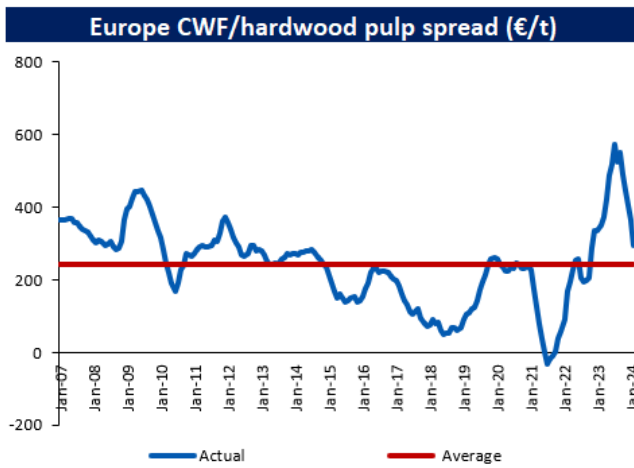
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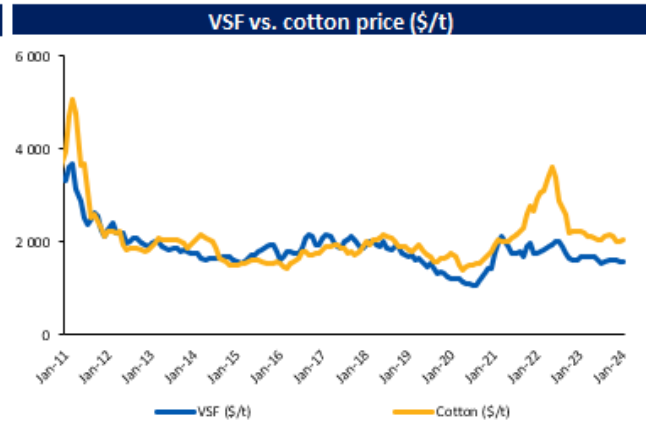
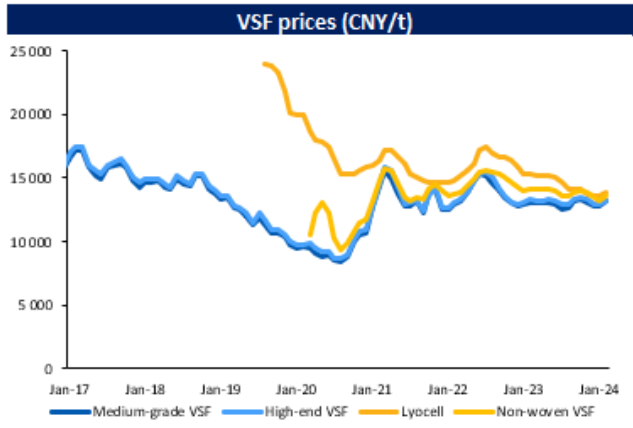


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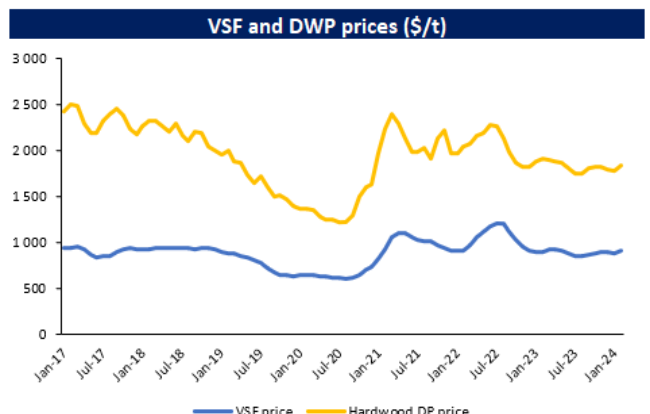
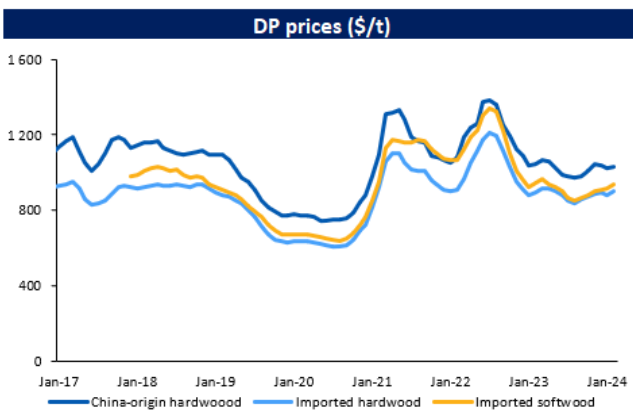


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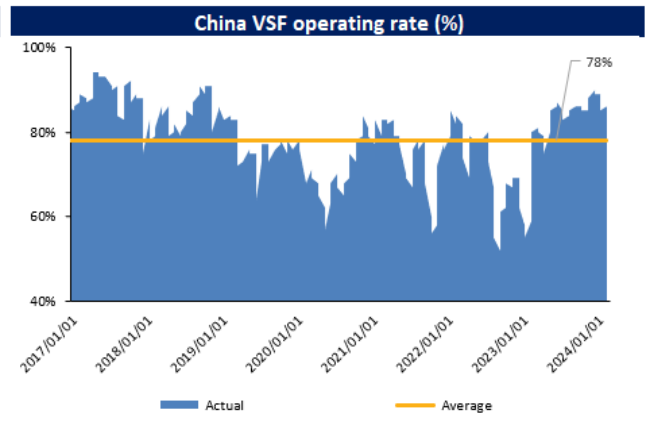
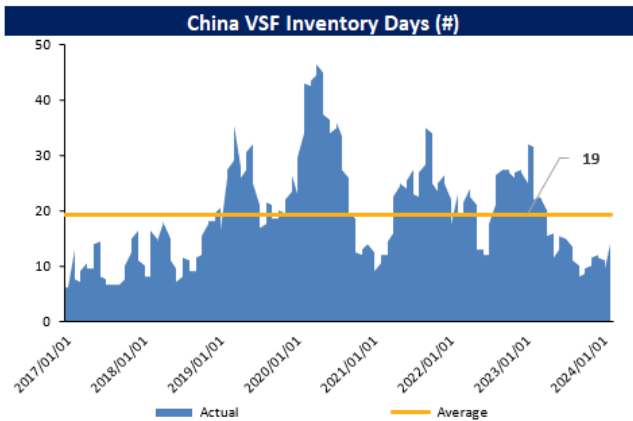
# Textile Fibre Prices, Spreads, FX, and Industry Stats



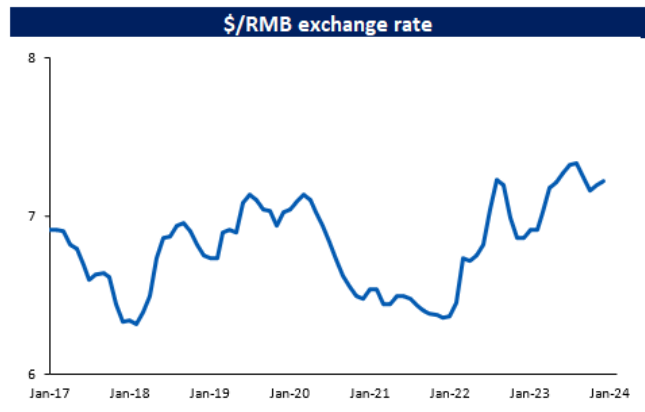
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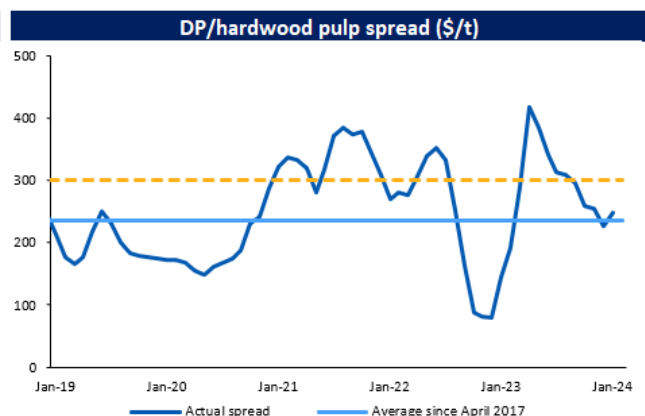
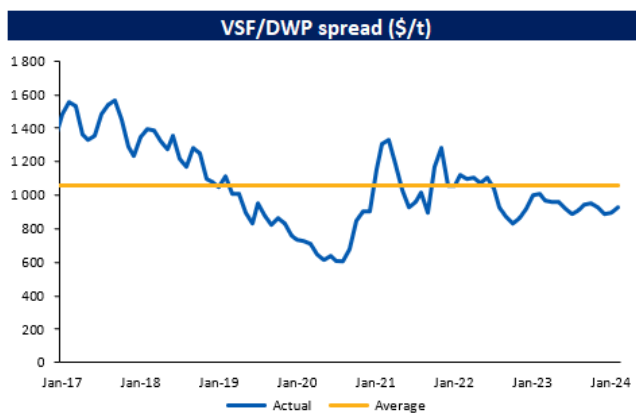
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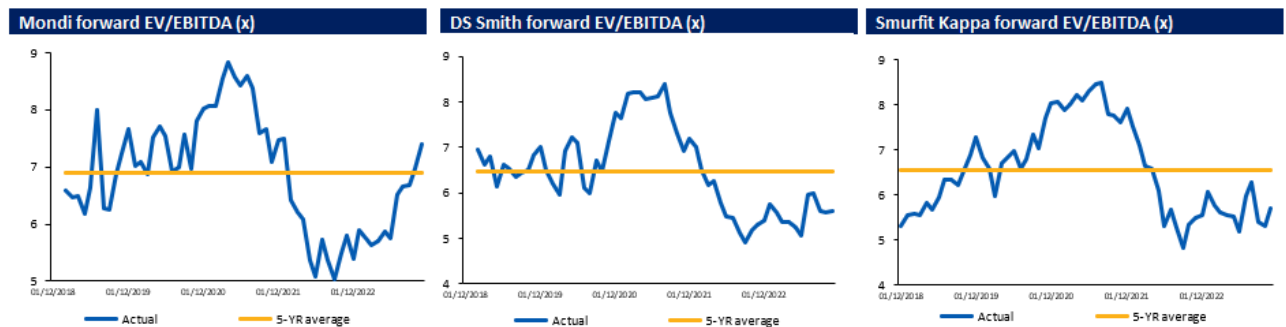


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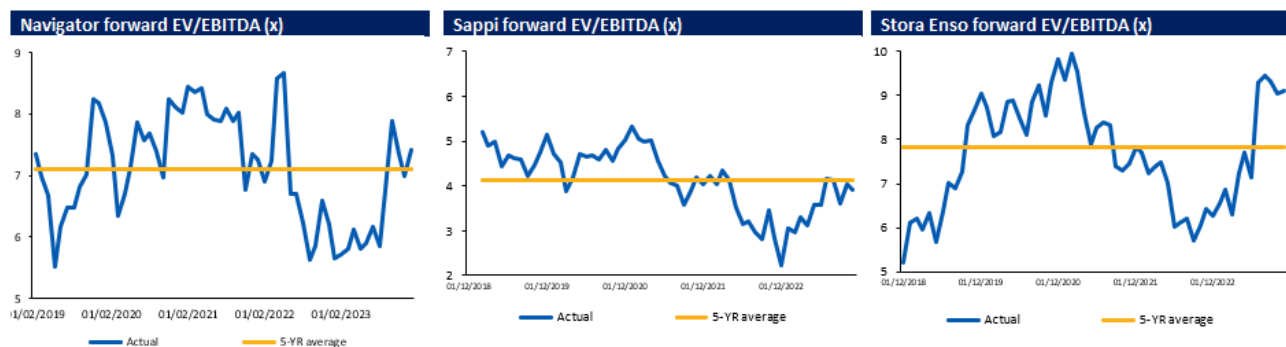
## Peer rolled EV/EBITDA (x)

| 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%                             |                                 |  |  |

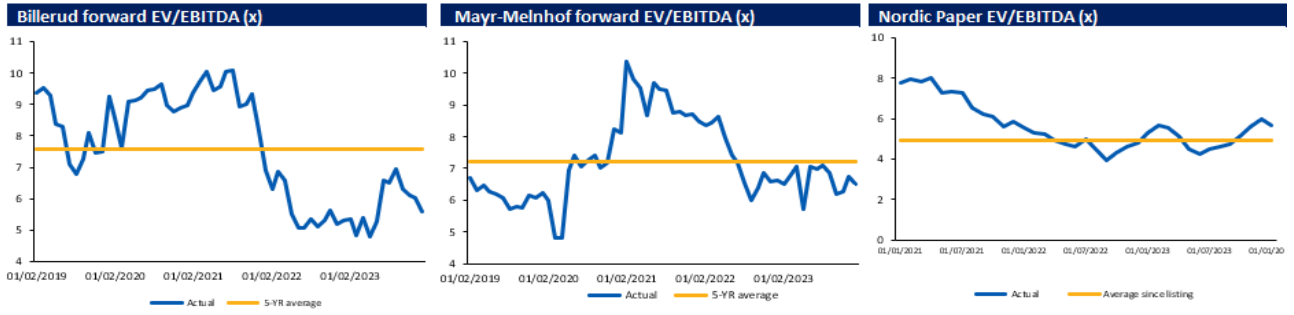
Source: Chronux Research, Bloomberg consensus



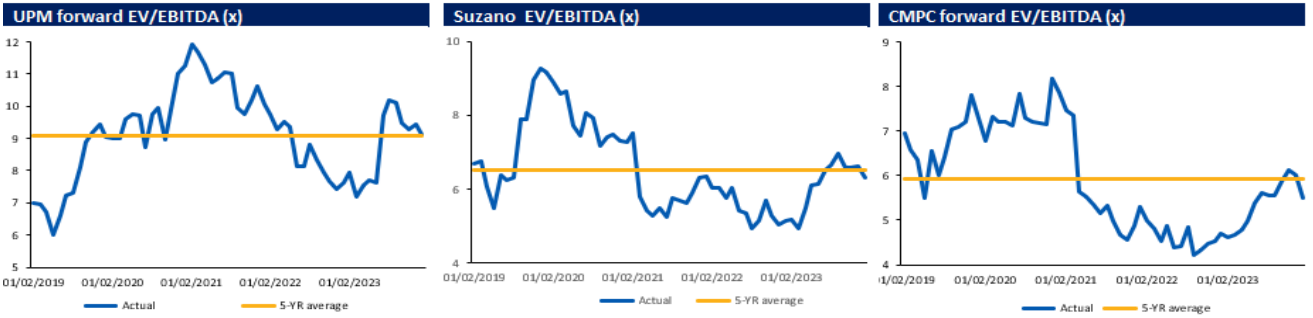
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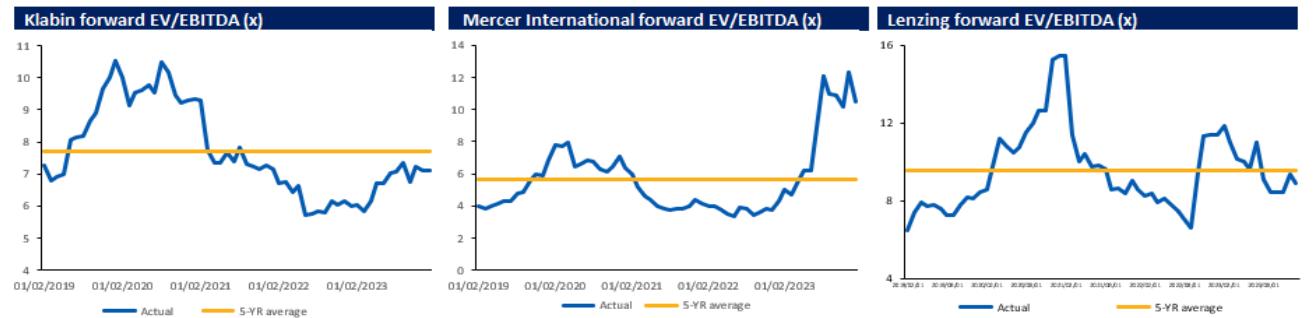
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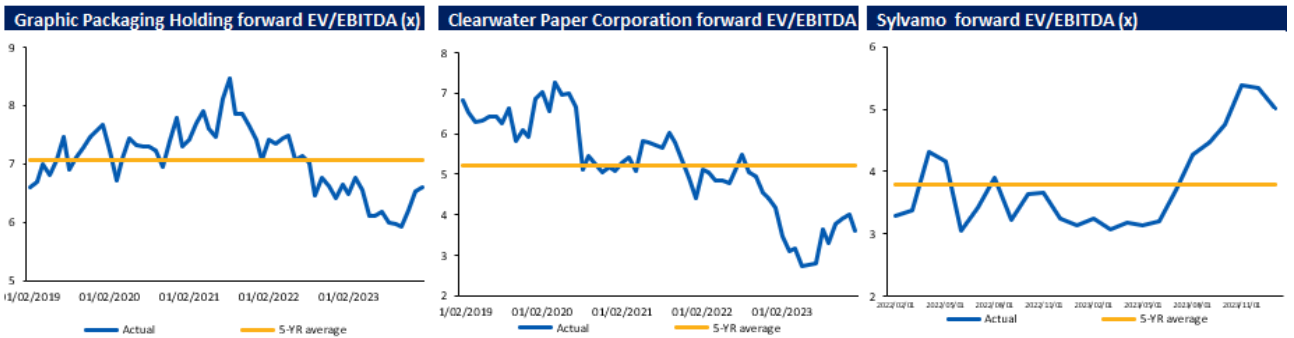
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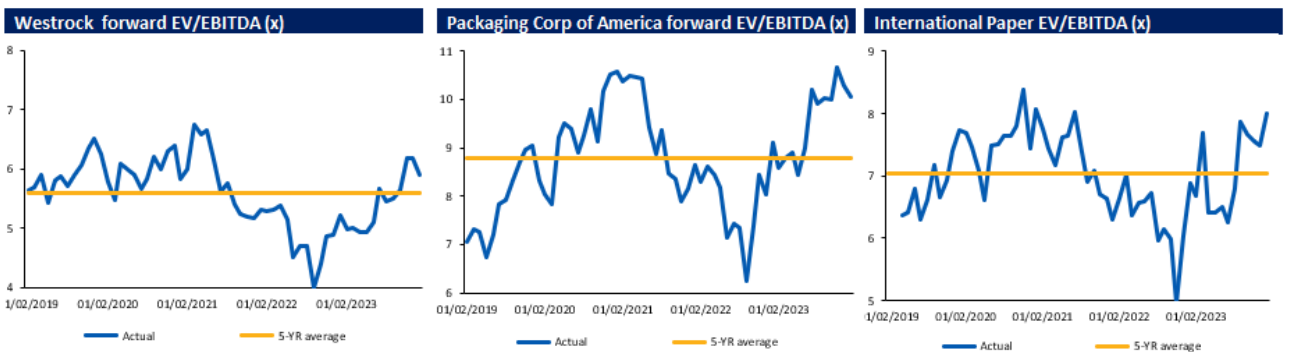
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