

UTIPULP

AMSTERDAM - April 7th, 2000

GENERAL MEETING

MINUTES

UTIPULP

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- ATTENDEES TO THE MEETING -

UTIPULP CHAIRMAN :

Mr José Manuel BYRNE Chairman

UTIPULP Secretary :

Mr Bernard LOMBARD Secretary

AUSTRIA :

Mr Paul BARTMANN NEUSIEDLER Aktiengesellschaft
Mr Helmut MEISL SAPPi EUROPE

DENMARK :

Mr Eilif LADEGAARD DALUM PAPIR A/S

FRANCE :

Mr Michel BALDUIN AHLSTRÖM PAPER GROUP
Mr Dominique BINET ARJO WIGGINS
Mr François LATOUR INTERNATIONAL PAPER
Mr Jean-Olivier ROUSSAT PAPETERIES DE CLAIREFONTAINE

GERMANY :

Mr Andreas LÖHR ZANDERS
Mr Peter WINKLER HAINDL PAPIER GmbH

ITALY :

Mr Antonio BOTTEGA CARTIERE FEDRIGONI & C s.p.a.
Mr Armando CAFIERO ASSOCARTA
Mr Luigi LAZZARESCHI DELICARTA
Mrs Gloria RICCONI CARTIERE BURGO

THE NETHERLANDS :

Mr Théo Van Der STEENSTRAETEN Inkoop-combinatie De EENDRAGT b.v.

PORTUGAL :

Mr Joào Gorjao CLARA RENOVA S.A.
Mr Joào A. LANCA RODRIGUES CELPA

SWITZERLAND :

Mr Jörg BITTERLI TELA-KIMBERLY
Mr Rudolf MARTY CHAM PAPER GROUP

UNITED KINGDOM :

Mrs Kathy BRADLEY THE PAPER FED. OF GREAT BRITAIN
Mr James DAGLISH TULLIS RUSSELL
Mr Brian DILLON INVERESK PLC

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AMSTERDAM - APRIL 7th, 2000

- AGENDA -

I - APPROVAL OF THE AGENDA

II - APPROVAL OF THE PREVIOUS MEETING'S MINUTES

- The previous meeting was held in Edinburgh on September 17th, 1999.
- Minutes were circulated on October 21st, 1999.

III - GENERAL ISSUES

- a) Communication :
 - Statistics release
 - Interview with the press
 - PPI market pulp conference in Brussels (15th-16th May)
 - Launching of a website
- b) Statistics :
 - Analysis of UTIPULP statistics
 - Quality of UTIPULP statistics
 - EUROPULP : Port inventories statistics
 - Other issues (NORSCAN inventories definition, South Korean statistics)
- c) Other issues :
 - Spanish membership
 - Future markets : Pulpex development
 - E-commerce
 - Situation of the market pulp agents in Europe
 - 1999 accounts and 2000 budget
 - Date and location of next meeting

IV - ANALYSIS OF THE PULP AND PAPER MARKETS

V - MISCELLANEOUS

- a) Pulp & Paper Products Council : a new pulp & paper group with international reach
- b) The Canadian Market Pulp Producers Association
- c) Some press articles :
 - « Forest products shippers and ports face stiff competition », Papermaker, Mar., 2000
 - « Pulp prices set to rise in 2nd quarter », Papercast, February, 2000
 - « Pulp enjoys rare balance between supply & demand », Financial Times, Feb. 17th 2000
 - « Brazilian pulp producer upbeat on prices », Financial Times, Feb. 1st 2000
 - « Paper tigers hit the recovery trail », PPI, Feb. 2000
 - « The market pulp scene in Europe », Paper Europe, Jan. 2000
 - « Keeping a lid on as prices heat up », PPI, Jan. 2000
 - « Logos, labels and standards », Paper Europe, Jan. 2000
 - « One year older, but is the euro any wiser ? », PPI, Jan. 2000
 - « Market pulp : a painful past, a bright future », Papercast, Dec. 1999

VI 12.00 – EUROPULP / Martien LAAN, Secretary of EUROPULP

VII 12.15 - FOREST CERTIFICATION / Kathy BRADLEY, P.F.G.B.

- MINUTES -

Mr José Manuel BYRNE, Chairman of UTIPULP, opened the meeting at 8:30 a.m. He welcomed the participants with a special address to Mrs Kathy BRADLEY from the PAPER FEDERATION OF GREAT BRITAIN (U.K.) and Mr Rudolf MARTY from CHAM PAPER GROUP (SWITZERLAND).

He read a letter from Mr Chris DEEVEY from UK PAPER (U.K.), who is now retired.

I - APPROVAL OF THE AGENDA

The agenda was approved.

II - APPROVAL OF THE PREVIOUS MEETING MINUTES

The minutes of the previous meeting which took place in Edinburgh on September 17th,1999 were unanimously approved. The minutes were circulated on October 21st,1999.

III - GENERAL ISSUES

a) **Communication**

- Statistics release

Mr Bernard LOMBARD, Secretary of UTIPULP, provided the **list of the newspapers, the trade associations and the private companies to whom are sent the UTIPULP statistics** (tables 4,5,6) every month. The Secretariat makes the release by e-mail as soon as possible. More than 50 persons receive every months our statistics: 11 from the press, 7 from trade associations and 41 from private companies. The number of financial institutions and broker companies is gradually increasing.

- Interview with the press

As agreed at the last meeting, **an interview of the Chairman of UTIPULP has been prepared with PPI to promote the image of our organisation**. Mr LOMBARD presented the article that has been written in co-operation with the Executive Committee members. It gives some elements regarding the structure of UTIPULP and some guidance on the statistics.

This article was approved by the participants. It will be released within the Pulp & Paper International May issue.

- PPI Market Pulp Conference in Brussels (15th-16th May)

UTIPULP received an invitation to come to the 12th Market Pulp Conference on the 15th of May in Brussels to address the participants and give a presentation of UTIPULP statistics.

UTIPULP statistics reliability has been highly criticised according to some participants over the last few months. So, **it seems very important for UTIPULP to be represented at this Conference** and to explain how is organised our Association and how our statistics are collected, managed and released.

⇒ *Mr LOMBARD is asked to prepare this presentation in co-operation with the Executive Committee members. He will have to represent UTIPULP at this Conference.*

- Launching of a website

At the last meeting, it was said that “UTIPULP should have its own website” and Mr LOMBARD was asked to make some proposals concerning the creation of a website for UTIPULP.

Mr LOMBARD said that the EPIS website (EPIS: European Pulp Industry Sector) could provide a good basis for reflection.

About the content: the EPIS’s website gives some background on EPIS and its statistics. There is a special access for the members which may give them some information on meetings, special events and detailed information. Mr LOMBARD presented some suggestions for the content of “utipulp.org”. A special access may be envisaged for the members, but as such a development is quite expensive, it has to be postponed for some time.

About the budget: Mr LOMBARD got some information from PERGOT & PARTNERS which is the company that worked on several websites (CEPI and EPIS). The cost of EPIS website: 750 euros per month (9,000 euros per year) to build the website and for maintenance and expansion whenever necessary.

Mr LOMBARD received some proposal for UTIPULP’s website from PERGOT & PARTNERS: around 4,000 euros for the 1st year (building of the website + maintenance and expansion) and 1,500 euros for the 2nd year and the followings.

According to Mrs Kathy BRADLEY, this website should give some basic information on woodpulp and would have to be often updated.

The majority of the participants agreed to say that a website is now a must for a trade organisation, especially a European one, and that the building of the UTIPULP's website has to start as soon as possible with a limited budget. Amendments will be made if necessary after the launching.

⇒ *Mr LOMBARD is asked to set a website for UTIPULP with the co-operation of some volunteers. This creation must not exceed 3,000 euros as a starting point.*

b) Statistics

- Analysis of UTIPULP statistics

Mr. LOMBARD made a short comment on UTIPULP statistics :

Referring to the total inventories graph that shows the evolution of the « world » inventories both on the producers side and on the consumers side, **a sharp decrease has been noticed since August 1998**. The situation at the producers' mills is mainly responsible for that evolution. A relative stabilisation has been registered since November 1999.

The utilisation rate at the NORSCAN mills has been very high over the last 3 months. **At end-March, a decrease of 100,000 is "normally" registered concerning NORSCAN inventories.**

The **market pulp consumption remains particularly high**, especially in Western Europe where its level is 5%-10% higher than the level reached one year ago. Between August and November 1999, the decrease of the UTIPULP inventories was about 10%. A relative stabilisation has been registered since November 1999 till end-February as well. The inventories reached 1,312 thousand tonnes at end-February, i.e. -5% compared to last year level. It represents 35 days of consumption.

Some charts showing the evolution of **NORSCAN and non-NORSCAN shipments compared to UTIPULP's purchases** (consumption – stocks variation) since 1997 were presented. These graphs concerns bleached softwood, bleached hardwood and bleached total. It provides a good picture of the current situation according to the participants.

- Quality of UTIPULP statistics

As previously said, **UTIPULP's statistics have been "under fire" over the last few months**. According to some agents, UTIPULP's inventories are too high at the beginning of this year and don't correspond to the current situation on the pulp markets and the tightness observed. Some accusation of "figures manipulation" have been heard, reported a participant.

Regarding the reliability, one has to acknowledge that **significant revisions have been made** concerning July and August 1998 inventories and September 1999. It has to be noticed that these revisions were made a few months afterwards. It seems that such revisions made a long time after the original release do not have any impact on market pulp buyers' and producers' decisions on the one hand, and that they weaken UTIPULP's statistics reliability on the other hand.

According to Mr Dominique BINET (France), a survey could be carried out with the National Associations to answer the following questions:

- 1) What can be done to increase the reliability of our statistics?
- 2) Are the members satisfied with the way statistics are presented to them and to the public?
- 3) What is the methodology used in each country regarding data collection, estimate calculation...?

⇒ *It has been fully agreed by all the participants that the countries or the Secretariat can make from now on revisions only on the previous month, i.e. no revisions can be made on the months prior to the previous month.*

⇒ *Mr LOMBARD is asked to see with the National Associations what could be done to improve UTIPULP's statistics quality and reliability.*

Moreover, it seems that the definition of market pulp is not very clear. Does pulp that is shipped within a group have to be considered as market pulp or not?

⇒ *Mr LOMBARD is asked to check the definition of market pulp that is used by the main pulp & paper associations (AFPA, CPPA, JPPA, EPIS...)*

- EUROPULP : port inventories statistics

Some charts given by EUROPULP (the European Association of Pulp Agents which includes the Netherlands, Belgium, France, the United Kingdom and Switzerland at the moment) were also presented. **UTIPULP fully supports EUROPULP in its approach.**

⇒ *EUROPULP's statistics have to be added to the monthly set of statistics the members usually receive, if possible, depending on the date of release.*

- Other issues (NORSCAN inventories definition, South Korean statistics)

Mr LOMBARD reported that in spite of on-going efforts, only pieces of information have been gathered so far by the Secretariat on the **NORSCAN** inventories definition. It seems that the various trade organisations committed in NORSCAN statistics are not very talkative.

No statistics have been obtained from **South Korean statistics** despite several attempts.

c) **Other issues :**

- Spanish membership

Mr BYRNE reported on the contacts that he has got with the Spanish Association (ASPAPPEL) and the meeting with Mr Carlos REINOSO (its new General Manager) and some companies representatives.

It seems that at this point, 30% to 40% of the market pulp volumes could be “quite easily” covered in Spain. The **national consumption of market pulp could represent around 1 million tonnes** according to some estimates.

⇒ *Concerning the Spanish membership, talks with Spanish companies' officials and ASPAPPEL have to go on.*

- Future markets : Pulpex development

Very different opinions were expressed about **future markets**. Some participants reported on the attempts they have made. According to them, PULPEX remains a narrow market with a low level of liquidity. It will develop in the future as it has been the case for other commodities.

- E-commerce

The number of e-commerce websites has developed significantly over the last few months. Paper can be traded on internet as well (paperexchange.com...). This evolution will lead to a new way of trading paper. Most of the companies have working groups dedicated to this issue.

It seems difficult at this point to have an idea about the **impact of e-commerce on the supply chain** and especially merchants and pulp agents.

⇒ *The suggestion of inviting a speaker on e-commerce at the next meeting could be considered. Mr LOMBARD is asked to see whether it is already possible to get some market pulp on the net or not.*

- Situation of the market pulp agents in Europe

France expressed its concerns about the current situation concerning market pulp agents. Some independent agent companies have merged or closed over the last few years in France. According to the French Delegation, **pulp agents constitute a very useful intermediary for the market pulp buyers.** Most of the participants agreed to say that their weakness could represent a threat to market pulp buyers.

Can UTIPULP really do something to influence this evolution? In most of the markets, the customers express their will and lead the markets, but the current period is definitely not really in favour of the market pulp buyers. It may be difficult to have the suppliers listen to the buyers' voice.

⇒ *Mr LOMBARD is asked to carry out a survey on the current situation in all the member countries with the co-operation of the National Associations. He will have to report on its outcome at the next meeting.*

- 1999 accounts and 2000 budget

Mr BYRNE presented the UTIPULP accounts for the whole year of 1999 in euros. **A loss of 4,290 euros is registered.** This loss is higher than the one expected (see previous meeting minutes). Two reasons explain this loss:

the speaker of the Verona meeting was not budgeted (1,882 euros) as well as UTIPULP presentation at EPIS General Assembly (856 euros), and the Edinburgh meeting costs appeared to be higher than expected.

UTIPULP is not facing financial problems by now as it is backed up by COPACEL but an extra-contribution has to be asked to the National Delegations to cover this loss. All the National Delegations agreed also on the need to build UTIPULP's website and to allocate a sum of 3,000 euros for this purpose. **The provisional budget for 2000 was fully agreed by the National Delegations:**

Contributions:	17,000 euros
Extra contributions (1999 loss):	4,300 euros
Website expenses:	3,000 euros

Total:	24,300 euros

Concerning the **financial year date of closure (Article 7 of the statutes)**, from years the UTIPULP year accounts have been closed on December 31st (calendar year) instead of the 31st of August as written within the statutes.

Mr LOMBARD reported that it seems easier to make a minor change within the statutes than he previously expected, since no lawyer is needed for such a change and no extra cost either. It simply requires time. Consequently, **the General Assembly decided to change the date of closure of UTIPULP financial year.**

⇒ *M. LOMBARD will proceed to this minor change within the statutes as soon as possible and will keep the members informed.*

- Date and location of the next meeting

The Austrian Delegation was thanked for the invitation in **Austria**. The Austrian Delegation proposed to hold the Fall meeting **on the 7th of April in Vienna**, with an official dinner on the eve. Mr LOMBARD will contact Mr Paul BARTMAN from Austria and AUSTROPAPIER to prepare the organisation.

IV - ANALYSIS OF THE PULP AND PAPER MARKETS

a) **Paper markets :**

- The **economic environment is quite favourable in most of the European countries.** America has experienced a long period of economic growth and Asia is now slowly recovering. The strength of the US Dollar versus Euro has supported the activity in most of the European countries. Economic forecasts remain bright for the years 2000 and 2001. Mr LOMBARD gave some elements regarding

Europe and the exchange rate of Euro, which is not expected to recover in the near future (source: CONSENSUS).

- **Regarding paper & board production, the 1st quarter of 2000 appeared to be much higher than the 1st quarter of 1999** which was still affected by the Asian crisis. This evolution has been observed in most of the European countries. U.K. paper mills suffer from the strength of the Sterling Pound.
- **Paper machines are running at a very high level.** Downtimes for maintenance are often postponed. Markets are quite strong for newsprint, LWC and magazine papers. Printing & writing papers have good order books and customers are on quota in some cases. Good volumes are registered concerning the packaging grades, in line with the good economic environment. Tissue markets are well orientated.
- **Despite paper price increases, the situation remains very difficult.** The gap between paper prices and raw material prices has been cut significantly. Paper prices are currently 10% lower than the 1995 level. One of the reason for reduced margin may partly result from the fact that integrated mills do not need high paper price increase. Furthermore, the customers within a context of no inflation period do not understand price increases.

b) Pulp markets :

- **Pulp demand is 5-10% higher than 1 year ago** according to the statistics. Pulp availability is relatively low in most of the countries. Strong pressure exists on short fibres, especially eucalyptus. It is difficult to find additional tonnage. Spot volumes are pretty rare, market pulp from Asia (Thailand & Indonesia) either.
- **The supply seems relatively stable.** The availability of market pulp is not expected to increase over the next few months because of structural factors. SOPORCEL is starting up a new paper machine and will integrate the pulp previously sold on the market and the US pulp mills have to face the cluster rules, which leads in some cases to closures. New pulp capacities are expected to come on stream in Asia, but not before the year 2001.
- **670 \$ will be the price to pay to have NBSK and Eucalyptus in April**, as announced by the producers. In euros, this is roughly the price of 95, but it remains below the peak of 1990. Prices increase every quarter. This step by step evolution could be seen as a change of philosophy from the market pulp producers' side. It has been noticed that recovered paper prices have been multiplied by 3 or 4 over the same period of time. Substitute grades of waste papers are very closed to virgin fibres price wise. One participant said that chemical product prices might increase as well pretty soon.
- **What can be expected from the next future? Here is the question mark.** What will be the next step? 1st of July as announced or 1st of June instead? Quarter price increase pace will be maintained according to some participants. Anyway, further pulp price increases are expected within the next few months.
- **The only possible factor that can withdraw part of the current pressure is an economic slowing down.** The experts do not expect such scenario to happen before 1 or 2 years.

⇒ *M. LOMBARD is asked to produce a graph representing both market pulp prices in Dollars and in Euros.*

V - MISCELLANEOUS

a) Pulp & Paper Products Council : a new pulp & paper group with international reach

A new organisation, the Pulp & Paper Products Council, has been formed within the Canadian Pulp & Paper Association to co-ordinate the activities of several new product groups and to provide them with market research services. These groups include the Market Pulp Producers Association, the Printing and Writing Papers Association and the Paper Recycling Association.

b) The Canadian Market Pulp Producers Association

Mr LOMBARD gave a copy of the Canadian Market Pulp February issue.

c) Some press articles :

- Mr LOMBARD presented some documents and articles that could be of interest for the participants.
- Having gone through all the items of the agenda, the Chairman closed the meeting at 12 : 00 p.m. and asked the members to welcome 2 speakers : Mr Martien LAAN, Secretary of EUROPULP and former UTIPULP Chairman, and Mrs Kathy BRADLEY from the PAPER FEDERATION OF GREAT BRITAIN (see copies of presentations attached).