

UTIPULP

VIENNA - OCTOBER 6th, 2000

GENERAL MEETING

MINUTES

UTIPULP

VIENNA - October 6th, 2000

- ATTENDEES -

UTIPULP CHAIRMAN :

Mr José Manuel BYRNE Chairman

UTIPULP Secretary :

Mr Bernard LOMBARD Secretary

AUSTRIA:

Mr Paul BARTMANN NEUSIEDLER Aktiengesellschaft

DENMARK:

Mr Eilif LADEGAARD STORA PAPYRUS A/S

FRANCE:

Mr Dominique BINET ARJO WIGGINS
Mr François LATOUR INTERNATIONAL PAPER
Mr Christophe LEPIN COPACEL
Mr Jean-Olivier ROUSSAT PAPETERIES DE CLAIREFONTAINE

GERMANY:

Mr Klaus-Dieter KIBAT V.D.P.
Mr Klaus KRIEG PAPIERFABRICK SCHEUFELN
Mr Franz-Josef OHLE STORA ENSO PULP Int. Gmbh
Mr Peter WINKLER HAINDL PAPIER Gmbh

ITALY:

Mr Antonio BOTTEGA CARTIERE FEDRIGONI & C s.p.a.
Mr Luigi LAZZARESCHI DELICARTA

THE NETHERLAND:

Mr Victor KAMM SAPPI EUROPE S.A.
Mr Théo Van Der STEENSTRAETEN Inkoop-combinatie De EENDRAGT b.v.

PORTUGAL:

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

UNITED KINGDOM:

Mr James DAGLISH TULLIS RUSSELL
Mr Jim HARWARD THE PAPER FEDERATION OF G. B.

UTIPULP

General Meeting

Vienna - October 6th, 2000

- AGENDA -

I - APPROVAL OF THE AGENDA

II - APPROVAL OF THE PREVIOUS MEETING'S MINUTES

- The previous meeting was held in Amsterdam on 7 April, 2000
- Minutes were circulated on 5 June, 2000

III - GENERAL ISSUES

- UTIPULP structures:
 - Election of the Chairman, the Vice-Chairman and a new Executive Committee Member
 - Evolution of the Secretariat
- Communication:
 - Statistics release
 - Report on PPI market pulp conference in Brussels (15th-16th May)
 - Presentation and launching of the website
- Statistics:
 - Analysis of UTIPULP statistics
 - Quality of UTIPULP statistics: outcome of the survey
 - Other issues:
(Market pulp definition, NORSCAN inventories definition, South Korean statistics)
- Other issues:
 - 2000 accounts and change in the statutes regarding the date of closure
 - Date and location of next meeting

IV - ANALYSIS OF THE PULP AND PAPER MARKETS

V - FUTURE MARKETS: PULPEX DEVELOPMENT

VI - MARKET PULP SUPPLY

- E-Commerce
- Situation of the market pulp agents in Europe: outcome of the survey

VII - MISCELLANEOUS

VIII - 12:15 – PRESENTATION OF PAPEREXCHANGE.COM BY MR. A. PAUL

- MINUTES -

Mr. José Manuel BYRNE, Chairman of UTIPULP, opened the meeting at 8:30 a.m. He thanked the Austrian Delegation for the very nice evening they all enjoyed on the 5th October and welcomed the participants with a special address to Mr. Christophe LEPIN from COPACEL (FRANCE). He presented the apologies of Mrs Gloria Riccioni who is not in a position to attend this meeting. He informed the participants that Mr. Fred VAN DEN KEYBUS has just left the industry and read the letter received from Mr. Firmin FRANCOIS, General Manager of COBELPA, explaining that the Belgian Association will provide UTIPULP with a new Belgian Delegate.

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 Amsterdam on 7 April 2000, were unanimously approved. The minutes were circulated on 5 June 2000.

III - GENERAL ISSUES

a) **UTIPULP structures**

- Election of the Chairman, the Vice-Chairman and a new Executive Committee member

Mr. BYRNE said that it was his last meeting as Chairman of UTIPULP as it is the end of his 2-year mandate. **Mrs Gloria RICCONI, member of the Italian Delegation and previous Vice-Chairman, was elected as new Chairman**, her chairmanship starting at the end of this meeting till the fall 2002. AUSTRIA was proposed for the Vice-Chairmanship. All the participants agreed on the name of **Mr. Paul BARTMANN, who becomes the new Vice-Chairman**.

Mr. LOMBARD presented the list of the Chairmen, Vice-Chairmen and Secretaries since 1979.

- Evolution of the Secretariat

Mr. LOMBARD said that it was fair to ask the members their opinion about the current situation of the Secretariat, as he left COPACEL and moved to CEPI in Brussels on the early days of June. The statistics are still prepared in COPACEL for the time being.

After some discussion, **the members agreed to let the situation as it is today in order to avoid a new change in the Secretariat**. Actually, the great majority of the members declared to be satisfied with the work of Mr. LOMBARD and his Assistants and the way meetings are prepared.

This item can be put on the agenda of the next meeting and discussed again if there is a request or a proposal from a member country.

- Other issues

Mr. WINKLER pointed out the fact that the number of participants could be higher at the meetings and suggested that the National Associations should nominate **deputies** when possible. It will help to present full delegations at each meeting and to avoid “empty seats”. The participants agreed on this proposal.

⇒ *The National Associations are asked to appoint deputies for the next meeting in order to present full Delegations. Information regarding the number of Delegates by country can be obtained from the Secretariat if necessary.*

Mr. James DAGLISH said that it was his last meeting because he was going to retire at the end of the year. All the participants thanked him for his participation over the years.

b) **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 mostly by e-mail. More than 70 persons receive every month our statistics: 15 from the press, 7 from trade associations and 51 from private companies.

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

Mr LOMBARD reported on the presentation he was asked to do at the PPI Market Pulp Conference, which took place on the 15th and 16th of May in Brussels. The text was elaborated in co-operation with the Executive Committee Members. The Association and its statistics were presented and explained to quite a large audience (around 150 attendees from all the continents). **It contributed to give UTIPULP a higher profile.**

No question was heard on the reliability of UTIPULP monthly figures. One question was made on the fact that Finland, Sweden and Norway were not represented within UTIPULP. Mr. LOMBARD answered that UTIPULP is opened to any application from these countries providing that they have net market pulp buyers. According to some participants, a significant number of tissue producers are net market pulp buyers in Sweden.

⇒ *In order to avoid any criticism regarding the National Delegations to UTIPULP in the future, Mr. LOMBARD is asked to prepare a letter, which will be sent to the Finnish, Swedish and Norwegian Paper & Board Producers Associations, presenting UTIPULP and the conditions for application. This letter will be prepared in co-operation with the Executive Committee Members.*

- Presentation and launching of the website

Further to the decision of the last meeting, Mr. LOMBARD gave a presentation of the first draft of the UTIPULP website. The address will be “**utipulp.org**”.

It is not already reachable on the net under this address. It can be consulted with the provisional following address: <http://193.121.42.41/>.

This first draft was prepared by PERGOT & PARTNERS, which is the company that worked on several websites (CEPI, CEPIFINE and EPIS) and has maintenance contracts with these associations.

The website is made of several pages: the homepage, “what is UTIPULP”, “some statistics”, “news”, “links”, “members”. A button gives the possibility to send an e-mail directly to the Secretariat. A special access for the members will give some information on meetings, special events and detailed information.

PERGOOT & PARTNERS confirmed that the cost for the first year will not exceed 3000 euros, including the building of the website and all the changes and updating operations required, as agreed at the last meeting in Amsterdam. Then for the 2nd year and the followings, the cost will be around 1000 euros (hosting, maintenance and updating).

⇒ *Mr. LOMBARD has to ask the members for their comments by e-mail shortly in order to have the website ready on the net before the end of the year.*

b) Statistics

- Analysis of UTIPULP statistics

Because of lack of time, Mr. LOMBARD made no comments on UTIPULP statistics.

- Quality of UTIPULP statistics: outcome of the survey

Mr. LOMBARD pointed out the significant revisions of roughly 30,000 tonnes made on inventories over the last 2 months. UTIPULP have had to face criticism further to these revisions.

Mr. LOMBARD presented **a few graphs showing the evolution of market pulp deliveries in parallel with “purchases” country by country.** It is a pure theoretical exercise made with

the statistics given by the producers through EPIS and UTIPULP statistics. Purchases are calculated as follows: consumption + variation of inventories.

For some countries, increasing gaps are noticed. A few reasons can explain that: limited coverage of market pulp volumes at the users' and no extrapolation of the figures to reach 100%, underestimation or overestimation, discrepancies in market pulp definition and inventories definition...

Mr. LOMBARD reminded the participants **the decision taken at the previous meeting** regarding the quality and the reliability of UTIPULP statistics. 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.

The **outcome of the survey** sent to the National Associations was presented:

- Some members complain about the delay to get the release. - Some efforts are also required on the printing side: printed version of the pages shouldn't exceed A4 size.
- Reliability has to be improved.

No real solution to improve the situation was proposed by the members. Regarding the presentation of the monthly statistics report, it was suggested that a front-page could be added with a summary showing the main figures for the current month and the previous one (consumption, inventories in tonnes and in days).

Some discussion took place on **the revision process**. According to some members, even the biggest revision looks pretty small compared to the total volumes. A significant revision of the inventories (let's say 30,000 tonnes) represents indeed less than 3% of the total volume... "Actually, buyers or sellers don't pay attention to previous month level and revision to take their decisions, they just gather the most recent data", said a participant. The best way to avoid these big revisions would be of course to raise the quality of the statistics collected and released.

Further to this long discussion, it was decided that no revision would be made to the monthly statistics anymore in order to save UTIPULP credibility. The National Associations have still to provide their revised figures to allow the Secretariat to monitor the improvements.

⇒ *Mr. LOMBARD was asked to improve the quality of the release format, especially with regard to printing, to introduce a front-page with a summary and to add the EUROPULP data to the set of statistics if possible.*

⇒ *The National Associations are urged to improve their data collection systems and to give a picture as good as possible of the market pulp volumes in their country, through good estimate and extrapolation, in due time.*

- Other issues (Market pulp definition, Spanish membership, NORSCAN inventories definition, South Korean statistics)

Mr. LOMBARD presented some elements on the **market pulp definition**. He stressed the fact that it could be interesting to have such a definition on UTIPULP website.

According to CEPI (Confederation of European Paper Industries), market pulp is defined as such: "market pulp is pulp that is sold in open competition with that of other producers. All pulp exported from the producing country is considered to be market pulp". It seems quite clear that as soon as pulp crosses a border, it becomes market pulp, even if the mills concerned belong to the same group.

To most of the participants, this definition seems a bit contradictory. This definition is anyway the one used by CEPI and the pulp producers, when dealing with the statistics.

⇒ *Mr. LOMBARD is asked to collect the opinions of the members on this issue in order to agree on a common definition regarding market pulp at the next meeting.*

Some report was given by Mr. BYRNE and Mr. LOMBARD on their contacts with Spain. Mr. LOMBARD had the opportunity to meet Mr. Carlos REINOSO, new General Manager of ASPAPEL (the Spanish National Association of Papermakers). Mr. REINOSO said that he wants to avoid any conflict with the pulp producers but that some progress has been observed over the recent period. He seemed more positive than a couple of months ago. Mr. LOMBARD told him that **Spanish companies** would be invited to join the meeting without requirement on statistics at this stage.

Mr. LOMBARD presented a few elements of information he has gathered on **NORSCAN figures** from various sources: National Associations, EPIS...

He also reported on consumers' statistics from **South Korea**. A new fax has been sent to the Korean Association to convince them that an exchange of monthly statistics could be of interest for both parts. A message was let on their website as well. Mr. DAGLISH proposed to send a letter translated in Korean pretty soon. He was thanked for this proposal.

⇒ *Talks with Spanish companies' officials and ASPAPEL have to go on. An invitation has to be sent to ASPAPEL for the next meeting in 2001.*

Mr. LOMBARD talked about the market research company **HAWKINS WRIGHT**, which published UTIPULP monthly statistics on its website but only for subscribers. The participants agreed to say that there is no problem with this way of forwarding our statistics as long as the source is mentioned.

- 2000 accounts and change in the statutes regarding the date of closure

Mr. BYRNE presented the UTIPULP accounts for the first 3 quarters. **A net profit of 5,781.22 euros is registered.** It must not be forgotten that the expenses of the current meetings are not taken into account yet, the website building either (a maximum of 3,000 euros).

Mr. LOMBARD presented his apologies for the mistake that occurred in the **calculation of the contributions**. This calculation didn't take into account the extra contribution decided at the last meeting to cover the 1999 loss. Consequently, a new letter will be sent to all the National Associations to ask for the remaining amount of money (one third of the total).

Mr. LOMBARD reported that further to the decision of the last meeting regarding the **official closure of the financial year**, a letter was sent to the Belgian Administration to amend the statutes on the "Article 7, alinéa 1er" as follows: L'exercice social est clôturé le 31 décembre." That is to say the 31st of December instead of the 31st of August.

⇒ *M. LOMBARD has to send a new letter to the National Associations in order to get the full contribution as soon as possible.*

- Date and location of the next meeting

The German Delegation was thanked for the invitation in **Germany**. The German Delegation proposed to hold the spring meeting **on the 30th of March in Hamburg**, with an official dinner on the eve. Mr. LOMBARD will contact Mr. Klaus KIBAT from Germany and the V.D.P. to prepare the organisation.

IV - ANALYSIS OF THE PULP AND PAPER MARKETS

a) Paper markets:

- The **economic environment remains favourable in most of the European countries**. Inflation, despite slight increases in some countries due to the rise of energy prices and the ongoing weakness of the Euro, remains roughly under control.
- Paper & board markets remain globally well orientated with respect to volumes. Order books for most of the grades remain pretty good. Nevertheless, **a real but limited slowdown of the activity has been observed lately in some countries and for some grades** compared to the level reached a couple of months ago.
- **Newsprint and magazine papers** look quite dynamic. **Printing & writing papers** have rather good order books. **Tissue markets** have registered good volumes but there is some oversupply.
- Some price increases were noticed on some grades but they seem insufficient to save margins, which have been under pressure for months. **For small and medium companies the situation is harder and harder**. The pace of concentration is accelerating in most of the sectors.
- Outside Europe, **some downtimes have been taken in America and Asia**. Is it the situation that can be expected for Europe in the next future? Some volumes of paper coming from Asia have been noticed and could unbalance the markets.

b) Pulp markets:

- A **stabilisation of prices** seems to have taken place after successive months of increases for both softwood and hardwood. The **ongoing weakness of the Euro** explains also to some extent the stabilisation of the prices proposed by the producers in dollars.
- The availability seems better for most of the grades, except on eucalyptus, but no dramatic changes are observed.
- Evolution of American and Asian markets remains an important factor. Asian buyers do not seem to be present on the European market today.
- It is a crucial period for market pulp prices, which could experience **stability or erosion**. Some factors could be in favour of a “collapse” scenario happening at the end of the year or at the beginning of 2001 according to some pessimistic participants. Producers could go on with the same level of production, as they don't like downtimes. Moreover, new capacities are coming on stream and some reopening operations are taking place, which will add new volumes on the markets. Eventually a soft landing or a slowing down of the paper & board demand may occur in the next few months.

V - FUTURE MARKETS: PULPEX DEVELOPMENT

No comment was made on the evolution of the future markets.

VI - MARKET PULP SUPPLY

Mr. LOMBARD presented the outcome of the survey regarding the market pulp agents. For most of the countries, answers have been received from only a few companies, giving therefore not a full picture of the situation.

The situation varies actually from one country to another. It seems that **merchant companies have experienced significant mergers & acquisitions in the recent years**. Independent merchant companies are loosing ground obviously. This evolution is considered quite logical as the number of players within the pulp & paper industry has decreased step by step. Mixed feelings were expressed about this evolution depending on the countries. The impact of developing e-commerce on the supply side seems pretty limited according to the participants.

According to this survey, **UTIPULP has no specific role to play** with regard to this evolution. Supporting the development of associations able to produce good and reliable statistics was nevertheless mentioned.

⇒ *The participants accepted the proposal of Mr. BERARD (Chairman of UTIPULP and Executive Manager of JOHN CLAES), forwarded by the Secretary, to come at the end of the next meeting for a presentation of his Association. Mr. LOMBARD is asked to send him an invitation.*

VII- MISCELLANEOUS

- Mr. LOMBARD presented selected documents and articles of interest for the participants.
- As Secretary of the Starch Working Group within CEPI, Mr. LOMBARD proposed to the interested participants to have a short discussion and an exchange of views on **starch markets and production refund** after the lunch.

Mr. José-Manuel BYRNE said that this meeting was his last one as he won't be part of the Portuguese Delegation any more. He said that he enjoyed the work and the meetings within this Association and thanked all the participants for their co-operation over the years. The participants thanked him in return for his chairmanship and his involvement in the Association.

Having gone through all the items of the agenda, the Chairman closed the meeting at 12:15 p.m. and asked the members to welcome 2 speakers: Mr. Anthony PAUL and Mr. Jörn J. SCHIMDT from PAPEREXCHANGE.COM. The thanked them for the proposal to sponsor the following lunch.