

UTIPULP

Group of European Market Wood Pulp users

Answers to the questionnaire on the impact of covid-19 on pulp supplies

September 16, 2021

The objective of this questionnaire is to up-date the analysis of the covid-19 impact on the pulp supplies.

Summary of the answers

- 17 answers have been received (15 companies and 2 national association).
- For 8 respondents, in comparison to June, the situation has improved regarding pulp supply. This positive perception must be nuanced, because in most cases, the improvement of availability is perceived as limited. Remaining problems are restrictions and logistics matters. One respondent answered that the situation as improved only to a small extent for HW, but more substantially for SW (no other comments between HW/SW than this one).
- For 5 respondents, the situation is unchanged and for 1, the situation is worst.
- Regarding the forecast, all the respondents see an improvement for T1 2022. These improvements are related to both volumes and prices.
- Reasons for these improvements are twofold, and very similar to those that have been mentioned in June: (i) the peak in China is over, and it is expected that volumes shift from Asia to Europe (ii) new capacities will come on stream (Bracel, Arauco MAPA,...). Nonetheless, logistic issues (shipping constraints) could delay this improvement (remaining bottlenecks). The lack of truck drivers also is seen by one delegate as a matter of concern.
- No comments regarding the demand trends in Europe for the different paper grades.

BELOW SOME SELECTED COMMENTS RECEIVED FROM DELEGATES.

1. Regarding your pulp supply, has the situation improved or worsen since June 2021?

1.1 The pulp supply situation has slightly improved/improved

It has improved a bit.

Only small improvements as regards availability.

There is no difficulty to find pulp today. Market has changed and, in China, today prices are much lower than in Europe, where it is expected a price reduction during Q4. This reduction will continue next year due to new pulp capacities coming into the market (specially in Eucalyptus).

1.2 The pulp supply situation is more or less unchanged

We have stable supplies, still phasing restrictions in terms of quantities in special woodpulp grades. Readiness of reducing the base prices from current Pix values has not been existing per end of August. Even with addressed reduced order quantities no change of this behavior achieved.

There's a growing problem with a shortage of HGV drivers affecting all supply chains. Our understanding is that this is an issue across the EU, but seems more severe in the UK (estimated at around 100,000 driver vacancies) – caused by an aging workforce, a lack of testing to qualify new drivers (caused by Covid disruption), the loss of existing drivers returning to Eastern Europe and new drivers being unable to enter the UK as replacements. These driver shortages are affecting all parts of the supply chain, with no obvious short-term solutions.

2. In T1 2022, according to your forecasts, will the pulp supply improve or worsen?

We expect during Q4 some shifting of quantities from Asia towards Europe, especially in SF. Additionally startup quantities from Bracell mill should be available. Assuming that this supports increased stock levels some price relaxation should arise during Q4 into Q1 22, as current expected price reduction shows still a delay in Europe even though in China and N Amerika it has happened.

There will be surplus of short fibre. In fact the difficulties we have found have been mainly in long fibre and in particular during the first months of 2021.

Pulp supply will improve but it has absolutely to improve in term of costs. Pulp suppliers have to reduce their margins and look more at the long-term sustainability of their customers.

Should definitely continue improving with volume from new capacity reaching the market (Bracel / Arauco MAPA).

Market is expecting huge capacity expansion in pulp.

In our view, the supply situation should gradually improve significantly in the course of 2022, starting from Q4-2021 ...

We expect that the supply will remain stable, as verified so far. Forecasts indicate that those logistical issues mentioned in the previous point will remain until the end of the first quarter 2022. But as said, no major impacts from this situation in our normal activity.

Obviously, current tight freight situation is also influencing the pulp flow development.

We have seen the peak now or two months ago in China and market will be oversupplied the near future with all likelihood. Logistic issues can delay this weakness due to shipping constraints currently from Lat. Am. to Europe.

We are still experiencing difficulties with global deep-sea shipments, and we are not expecting an improvement in the transportation issues until the start of next year at the earliest.

3. Comments and suggestions?

If European Consumers of market pulp will continue to manage low pulp stocks, it will be very difficult to avoid again situation like the one we suffering.

It is unacceptable how openly the pulp manufacturers exchange information about their price plans and market developments via press releases in relevant forums ...

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