

Utipulp

Group of European Market Wood Pulp Users

GENERAL ASSEMBLY

14 September 2023 (8:30 – 13:00)
Hotel Balmes – Barcelona (Spain)

Minutes

Attendees:

Burkhard	KRÜCKE	WEPA (President)
Steve	ABDULLA	ESSITY
Paul	BARTMANN	MONDI
Andrea	BETTIN	BURGO
Federico	DE MATTEIS	SOFIDEL
Peter	DONNABAUER	DELFORT
Martin	DREWS	DIE PAPIERINDUSTRIE
Ute	GIERDEN	KANZAN SPEZIALPAPIERE
Antonio	HITA MARTINEZ	MIQUEL Y COSTAS
Victor	KAMM	SAPPI
Klaus	KRIEG	PAPIERFABRIK AUGUST KOEHLER
Paul-Antoine	LACOUR	UTIPULP
Jacek I.	LOS	ARCTIC PAPER
Gregory	MEZIERE	MATIV
Stéphane	MOZDYNIEWICZ	PAPETERIE DE CLAIREFONTAINE
Peter	OFFNER	BRIGL & BERGMEISTER
Lorenzo	PASQUINI	LUCART
Andrea	PIAZZOLLA	SOFIDEL
Luis Fernando	RUIZ ARRUE	PAPELERA DEL ORIA
Mariusz	RUPIK	VELVET CARE
Norman	SNEL	SAPPI
Charo	VIEJO CHAVES	LECTA
Martin	WERNER	FELIX SCHOELLER
Mustapha	ZAUG	PPG
Lars	HALÉN (partly)	FASTMARKETS
Perrine	FAY (partly)	FASTMARKETS
Anna-Maija	WESSMAN (partly)	EPIS
Paul	BORGES (partly)	SUZANO

1. Introduction (Chairman)

1.1 Welcome/new delegate

Burkhard KRÜCKE welcomes all the participants, and in particular Grégory MEZIERE (MATIV), who attends the General Assembly for the first time. Delegates are invited to briefly introduce themselves.

During this round of presentation, Paul BARTMANN informs the delegates that he will retire end of October, and consequently attends for the last time the General Assembly.

The President then presents the safety procedure in case of fire.

1.2 Legal guidelines for attending UTIPULP meetings

The Chairman stresses that the Guidelines pertaining to the competition laws have been sent prior to the meeting, and that participants have strictly to comply with.

1.3. Approval of the minutes of the last meeting (Gdansk, 30 March 2023)

The minutes are approved without amendments.

1.4. Membership

One delegate had a contact with a Czech company who expressed interest to join UTIPULP.

Agreed: The UTIPULP Secretariat will provide all the necessary information so that the interested company and the Czech National Association can decide on the next steps.

2. Market analysis

2.1. Preliminary discussion on the PIX index

The President mentions that, as a follow-up of the last General Assembly, it has been decided to invite Lars HALÉN, Director with FASTMARKETS FOEX, in charge of the PIX Pulp Index. He adds that Perrine FAY will also make a general presentation of FASTMARKETS.

Members are requested to think on the questions that could be asked to the FASTMARKETS representatives.

A short survey made during the meeting indicates that 7 companies (out of the 20 present) answer the PIX questionnaire.

2.2. Presentation of FASTMARKETS and of the PIX index

The two FASTMARKETS representatives carry out their presentations (see Appendix 1 and 2) and answer the questions of the delegates. Some key elements can be stressed:

- The question of the volume corresponding to each release of the index is a long-lasting issue. Lars HALÉN reports that the annual volume of pulp considered to calculate the index is 12 Mt (with a large part of double counting, as buyers and sellers report on the same volumes).
- FASMARKETS has renounced to undertake audit among the declaring companies, considering that, as some of them refuse, it would be unfair vis-à-vis those who accept.
- In order to avoid manipulation, a cut-off procedure is in place (lowest and highest 10% of the prices are eliminated before calculating the average).
- Regarding the application of INCOTERMS, prices are calculated delivered to customers.
- Cherry-picking (answering only when “favorable”) is not allowed.

Agreed:

- ***Despite these explanations, some questions remain unclear (do sellers and buyers both need to have a licence to refer to PIX in a contract, or one party only having it is enough? What are the volumes corresponding to the transactions ...)? The EXCOM will prepare a set of questions that will be sent to Lars HALÉN.***
- ***In parallel, the EXCOM will prepare a short questionnaire, to be sent to all the delegates, in order to characterize better the type of answer provided by the responding companies.***

2.3. Implementation of the new Index

PA LACOUR reminds that, during the UTIPULP General Assembly that took place on 15 March 2023, it was agreed to set up an index reflecting the perception by the delegates of the pulp market. It was more specifically agreed that “*The index will be calculated to be as consistent as possible with the Purchasing Manager Index (PMI)*”.

It is proposed that the value of each index is calculated using the following formula: $INDEX\ VALUE = 1 \times (\% \text{ “strong improvement”}) + 0.75 \times (\% \text{ “slight improvement”}) + 0.50 \times (\% \text{ “steady”}) + 0.25 \times (\% \text{ “slight deterioration”}) + 0.0 \times (\% \text{ “strong deterioration”})$

The resulting index values are therefore bounded between 0 (all companies respond strong deterioration) and 100 (all companies respond strong improvement), with a theoretical no-change mark at 50 (all companies respond “steady” or equal proportions respond up as do for down). Index values above 50.0 indicate improvement and below 50.0 report deterioration. The index will be reported on a curve that will give a long-term vision.

Agreed: the calculation method is agreed by the General Assembly.

2.4. Synthesis of the questionnaire pertaining to pulp supply

PA LACOUR presents the answer he has received. Answers are very similar regarding the evolution of the pulp supply, but more heterogeneous as regards the demand. In the light of a growing supply a pulp, the demand will play an even more significant role in the coming months to balance the market.

Regarding the pulp supply, all respondents forecast an increase of the pulp availability. Most of them anticipate that the increased capacities will be more substantial for hardwood than for softwood pulp. For hardwood pulp, UPM (Paso de los Toros) and Arauco (MAPA) capacities will be ramped up. One answer refers to the upgrade of Guaiba. For softwood, Metsä (Kemi) will be on the learning curve.

Regarding the pulp demand, respondents have different forecasts, depending on either macroeconomic drivers (global economic rebound, recovery in China ...) or the prospects of the paper demand. Even if there are variations, the perception is all in all not very optimistic regarding a prompt and quick increase of the paper and board production.

2.5. Synthesis of the questionnaire pertaining to pulp supply

Following this presentation, the chairman invites the delegates to report on the key features impacting the pulp market in their respective countries.

As a summary:

- Many delegates consider that the situation is highly degraded and that the low levels or order books are in some cases unforeseen.
- This analysis applies to almost all grades, with an exception for hygiene products, whose demand has not shrunk.
- Some delegates see some signs of hope. Customers inventories have substantially decreased, and inflation is likely to normalize.

3 Special Subject Dossiers

3.1 EU Deforestation Regulation

Burkard KRÜCKE welcomes Anna-Maija WESSMAN (EPIS Secretary General) and Paul BORGES (SUZANO) for an informal discussion regarding EUDR.

PA LACOUR introduces the topic and recalls that market pulp users support the objective of the EUDR but see major hurdles regarding its implementation. He adds that UTIPULP is interested to see how EPIS members perceive this regulation.

Based on the explanations made by the two EPIS representatives, it appears that:

- Alike UTIPULP, EPIS waits for the implementing acts of the EUDR (especially on the Information System) in order to understand better what the obligations of the companies will be,
- They consider that pulp producers will be able to fulfill the obligations of the EUDR,
- One key issue among EPIS is the classification of the countries in three categories (low, standard, and high risk), especially in a context where the risk level is the same for all of the seven commodities.

This discussion indicates that there might be some misconception among some EPIS members. Some seem to consider that a Due Diligence Statement stating that “this delivery is OK” is enough, and that there is no need to communicate to the customer the geolocation of the plots (seen as a sensible matter). PA LACOUR mentions that the provisions of Annex 2 of the EUDR are not written as such.

3.2 PFAs Update

PA LACOUR reports that no new media campaign concerning PFAS in paper products has been identified since the last meeting. This issue of the PFAS will nonetheless keep on being on the radar of journalists/public authorities, as the EU process to achieve a regulation banning PFAS is on-going. The major issue for the paper mills is that some traces of PFAS could be found in the pulp, because of the migration of these molecules from pulping machineries to pulp.

4 Association Topics

4.1 EXCOM composition

The Chairman mentions that, as Paul BARTMANN attends for the last time an UTIPULP meeting, any volunteer of countries not represented in the EXCOM should let him/her know.

Paul BARTMANN adds that AUSTROPAPIER is investigating if one delegate could apply to join the EXCOM.

4.2 Review of the monthly statistics report

PA LACOUR asks if delegates have comments pertaining to the monthly report. Delegates do not have comments but consider the possibility that the public report applies to the same period as the report sent to the members.

Agreed: the public report will refer to the same period as the report sent to the members.

5 Any other business

Before closing the meeting, Burkhard KRÜCKE warmly thanks Paul BARTMANN for his very substantial engagement in UTIPULP during these past years. Paul BARTMANN indeed joined UTIPULP in 1994 and since then (even if he left for a few years), played a prominent role in the governance and the orientation of this association.

6 Close out

6.1 Date & location

PA LACOUR recall that the next meetings will take place in Lisbon, at the following dates.

Wednesday 17 April 2024:

EXCOM (14:30/15:45)

Social Program (16h00/22h00)

Thursday 18 April 2024:

General Assembly (8:30/12:30) followed by a lunch.

Agreed: from now on, delegates will be asked about their participation via a link (and not anymore with a form to be sent back).
