UTIPULP

VERONA - APRIL 16th, 1999

GENERAL MEETING

MINUTES

UTIPULP

VERONA - April 16th, 1999

- ATTENDEES -

UTIPULP CHAIRMAN :			
Mr	José Manuel	BYRNE	Chairman
UTIPULP Secretary :			
Mr	Bernard	LOMBARD	Secretary
AUSTRIA :			
Mr	Paul	BARTMANN	NEUSIEDLER Aktiengesellschaft
Mr	Helmut	MEISL	KNP
BELGIUM :			
Mr	Joao	FERNANDES	SCA HYGIENE PAPER
Mr	Firmin	FRANCOIS	COBELPA
Mr	Fred	VAN DEN KEYBUS	DENAEYER PAPIER N.V.
DENMARK :			
Mr	Eilif	LADEGAARD	STORA PAPYRUS A/S
FRANCE :			
Mr	Michel	BALDUIN	AHLSTRÖM PAPER GROUP
Mr	Dominique	BINET	ARJO WIGGINS
GERMANY :			
Mr	Klaus-Dieter	KIBAT	V.D.P.
Mr	Klaus	KRIEG	PAPIERFABRIK SCHEUFELEN GmbH
Mr	Andreas	LÖHR	ZANDERS
Mr	Franz-Josef	OHLE	STORA CELL INTERNATIONAL
Mr	Peter	WINKLER	HAINDL PAPIER Gmbh
ITALY :			
Mr	Antonio	BOTTEGA	CARTIERE FEDRIGONI & C s.p.a.
Mr	Luigi	LAZZARESCHI	DELICARTA
Mrs	Gloria	RICCIONI	CARTIERE BURGO
Mr	Roberto	TARANTO	ASSOCARTA
Mr	Armando	CAFIERO	ASSOCARTA
NETHERLAND :			
Mr	Ivan	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	Nicolas	MUHLEMANN	PAPIERFABRICK BIBERIST AG
Mr	Jörg	BITTERLI	TELA AG
Mr	Christian	GRUNDER	ZIEGLER PAPIER AG
UNITED KINGDOM :			
Mr	Chris	DEEVEY	UK PAPER
Mr	Brian	DILLON	INVERESK plc

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- AGENDA -

I - APPROVAL OF THE AGENDA

II - APPROVAL OF THE PREVIOUS MEETING'S MINUTES

- The previous meeting was held in Brussels on October 9th, 1998.
- Minutes were circulated on November 4th, 1998.

III - GENERAL ISSUES

a) UTIPULP statistics release to international press, trade associations and private companies

b) UTIPULP statistics :

- Analysis of UTIPULP statistics
- Quality of UTIPULP statistics
  - Structure and calculations
  - Data revisions
- Other issue(s)

c) UTIPULP 1998 accounts and 1999 budget

d) EUROPULP : the European Pulp Sellers Association

e) Date and location of next meeting

IV - ANALYSIS OF THE PULP AND PAPER MARKETS

V - EURO AND PULP & PAPER PURCHASING

VI - ENVIRONMENTAL ISSUES

VII - MISCELLANEOUS

VIII 12.15 - General economic outlook

- MINUTES -

Mr José Manuel BYRNE, Chairman of UTIPULP, opened the meeting at 8 : 30 a.m. He welcome the participants with a special address to Mr Franz Joseph OHLE (Germany) and to Mr Christian GRUNDER (Switzerland). He transmitted to the Assembly the regards of Mr Richard BAXENDALE (previous Chairman now retired) and Mr Michel FÄSSLER who left recently his company.

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 Zürich on October 9th 1998 were circulated on November 4th,1998. Mr LOMBARD introduced a little change concerning the item III.c dealing with the UTIPULP accounts in order to give the power of attorney to Mr José Manuel BYRNE and himself.

Further to this change, the minutes of the previous meeting were unanimously approved.

III - GENERAL ISSUES

a) UTIPULP statistics release to international press, trade associations and private companies

- 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 monthly release therefore consists in : global consumption tonnes), global inventories (tonnes) and global inventories (days) for the 10 countries considered as a whole. The Secretariat makes the release by e-mail as soon as possible.
- Mr LOMBARD provided a list of all the participants e-mail address and encouraged them to provide the Secretariat with the missing ones in order to make easier the datas transmission.

b) UTIPULP Statistics

- <u>Analysis of UTIPULP statistics</u>

  Mr. LOMBARD made a short comment on UTIPULP statistics.

Refering to the total inventories graph that shows the evolution of the « world » inventories both on the producers side and on the consumers side, it appears that a very high level was reached during the summer 1998. The inventories at the producers' mills increased from May to August very rapidly in North America and in Scandinavia as well. During the 2nd part of 1998, we saw the opposite evolution : the inventories decreased but more slowly and essentially at the producers' mills.

On the consumers' side, the inventories have grown step by step from September (when the prices were at their bottom) till today.

On January and February 1999, the world total inventories were very high. The 2 main reasons are : 1) the inventories went up in Scandinvia as usual during the wintertime and 2) the European purchasers decided to raise their inventories as price increase became more likely.

The information we have concerning March are composed of the NORSCAN inventories : 1.543 million tonnes (-164,000 tonnes in comparison with February, usually the evolution is about -50,000 tonnes), and the UTIPULP statistics :1.386 million tonnes (+1.0% compared to end February and +8.0% compared to end December). This is one of the highest level since we have collected monthly figures. Hardwood inventories have increased much more than softwood inventories (respectively +14% and +4% compared to end December).

It was noticed also that the global consumption was very high : 1.165 million tonnes (+1.0% compared to end March 1998).

On the average, the NORSCAN inventories decrease by roughly 100,000 tonnes at end April.

- <u>Quality of UTIPULP statistics</u>

  Structure and calculations

Further to a remark from some members at the previous meeting regarding the **UTIPULP statistics reliability** and to some comments heard on UTIPULP figures credibility at some international events gathering pulp and paper companies officials, Mr LOMBARD presented a new set of documents, which aims are to improve the presentation of UTIPULP statistics to the members and to any other interested people and to increase the transparency of the collection, the calculations and the release.

A global presentation of the monthly and the quarterly statistics is made and a list of all the people addressed (press, associations and private companies is given). A table present the **datas availability** country by country. Also joined is a description of the programs and the formulas. A **simulation document** is provided which allows the Secretariat to see whether the statistics are elaborated and reported properly.

Data revisions

Regarding the revision of the statistics, a table shows the recent revisions that have been made by UTIPULP and NORSCAN. **The revisions made by UTIPULP (especially on the stocks figures) are much higher than the ones made by NORSCAN** which has a longer experience (20 years) in collecting and releasing datas.

Mr BYRNE said that the revision have to remain possible, as it is the price to pay for estimations and quick information. But he asked all the countries to **be very carefull with the statistics they provide** the secretariat with. Only limited revisions are acceptable if we want UTIPULP statistics reliability to improve.

- Other issue(s)

In January, the way of **calculating the inventories in days of consumption** has changed : the last 12 months of consumption are taken into account instead of the last 3 months in order to lower the weight of August and December, period of low activity in some countries. Limited revisions on tables 3 and 6 of the monthly statistics have been made, back to mid-1996.

Mr BYRNE asked all the Associations and especially Austria and Switzerland, to give the best estimations they can of their national volumes, even if an extrapolation is required. The aim of this is to be the most precised regarding **the volumes covered by UTIPULP** and to establish as well as possible the position of UTIPULP on the international scene.

Mr BYRNE talked with Mr GARRIDA from ASPAPEL (the Spanish pulp and paper producers Association) about **the membership of Spain**. He said that he will try to meet officials from the main Spanish paper companies and from ASPAPEL. According to Mr BYRNE, an important volume of market pulp is consumed by the Spanish companies.
Mr BALDUIN, from France, said that if the Spanish Association was ready to provide the Secretariat with monthly figures, it could be better to wait a little to integrate them in order to stabilize the existing series first.
Mr TARANTO, from Italy, added that there will be a CEPI meeting gathering the General Managers of all the European pulp and paper Associations within a few weeks and that he will try to talk with the representatives of ASPAPEL.
A participation to the UTIPULP meetings could be proposed to Spain, without providing statistics in order to get them interested and step by step involved in our Association according to Mr BYRNE.

Mr LOMBARD have tried to start some **statistics exchanges with South Korea** concerning market pulp volumes. Despite several attempts, he hasn't got any answer so far.

It has been asked to Mr LOMBARD to give the source of the NORSCAN published figures as soon as possible, and to contact the Japanese Association in order to see whether it's possible to get statistics on the trade companies inventories or not.

c) UTIPULP 1998 accounts and 1999 budget

- Mr LOMBARD presented the 1998 UTIPULP accounts in French Francs and in euros. A **small loss of 2,708.09 FF** is registered. The 1998 accounts were unanimously approved by the participants who asked the Secretary to provide the accounts in euros only from now on.
- Mr LOMBARD presented a budget proposal for 1999. **It was decided to let the contributions at their 1998 level.** The 1999 budget was approved by the participants. Mr LOMBARD said it was a little optimistic if we consider the cost of having a speaker from time to time. Mr LOMBARD will send to all the Associations a proposal for the share of expenses table and will ask them to check the total market pulp consumption volume declared for 1998.

d) Europulp : the European Pulp Sellers Association

- EUROPULP is **a new European Association which aim is to collect and to provide statistics concerning market pulp inventories in the ports**. It gathers for the time being, U.K, the Netherlands, Belgium and France. Mr TARANTO added that Italy could join EUROPULP soon. Statistics are not ready yet according to Mr LOMBARD. UTIPATES (the French equivalent of UTIPULP) and the French pulp sellers Association (A.A.P.P.T.) are already exchanging statistics. The A.A.P.P.T. provides UTIPATES with datas concerning the inventories of market pulp in the ports, making the distinction between the invoiced and the uninvoiced inventories and the pulp grades.

- The participants said that **the definition of the figures have to be clearly checked concerning the inventories and especially the « rules » of property** used by the sellers declaring tonnages. Another question was risen : market pulp on ships belong to the purchaser or to the seller ? Normally, if it is carried on the ship in the name of the purchaser, it belongs to him. Mr LOMBARD was asked to check how the inventories on the ships declared by the NORSCAN countries (for exemple Sweden or Canada) are taken into account.

- Furthermore, it was said that, as for UTIPULP, **problems of accuracy** will occur with the figures released by EUROPULP during a certain period of time.

- It was suggested that the Secretariat support **an exchange of statistics with EUROPULP** rather than a unilateral release of statistics. But, actually, UTIPULP can't refuse to send its statistics to this Association if they ask for our monthly statistics.

e) Date and location of the next meeting

The British Delegation was thanked for the invitation in **the United Kingdom**. The British Delegation proposed to hold the fall meeting **on the 17th of September in Edinburgh**, with an official dinner on the 16th. Mr LOMBARD will contact Mr Bryan BATEMAN from the Paper Federation of Great Britain to confirm the invitation.

IV ANALYSIS OF THE PULP AND PAPER MARKET

a) Paper markets :

- **The economic environment in 1999 seems less favourable** than in 1998 and the war in Kosovo could have direct and indirect effects on the European economic activity.

- **The paper demand is less dynamic** than 1 year ago, but the volumes are on the overall correct. 1999 won't be anyway as good as 1998 in terms of volumes and prices as well. The **pressure on prices**, whatever the countries and the grades, is actually quite high.
- Concerning the **printing and writing papers**, the demand is not very strong and the order books are not very high. The **packaging grades** suffer from the current slowing down of the European economy. The situation is relatively good concerning the specialty papers ; the tissue markets have to face a fierce competition on prices according to the participants.

- By the end of the year, the **millenium effect** could help the paper demand to increase by stimulating publications and packaging.

b) Pulp markets :

- All the participants agree to say that the pulp prices are on the way up. The **price increase could be higher than expected** because of numerous downtimes and closures. Some participants said that no weakness with regard to pulp prices are to be expected during the summertime.

- « Have the pulp producers learned from the past ? » said a participant. A threat still remains : **the pulp producers could decide to reopen closed mills** in order to take benefit from the recent price increase. One said that the utilisation rate of the NORSCAN mills was about 89% at end-March, which is quite low a level.

- The **short fiber markets seem to be stronger** than the long fiber markets, and some problems have occured with regard to the availability. But considering the US Dollar recent rise (roughly 10% versus Euro within a few months), some participants said that the long fiber price rise is not lower than the short fiber price rise.

V EURO AND PULP & PAPER PURCHASING

- Mr LOMBARD presented an article from PPI, 16-20 November 98, concering Euro. According to this article, « the paper industry will not benefit as much as other industries with more closely confined European business. The denomination for international deals will stay in dollars ».

- An invoice in euros and a quotation in euros are 2 different things according to the participants. Concerning hardwood pulp, quite often the prices are discussed in euros but the sellers still have in mind the value in US dollars, said a participant.

- The evolution towards the use of euros is a question of time. Things will go faster in 2002 when Euro is the unique currency used in Europe.

VI ENVIRONMENTAL ISSUES

- Mr LOMBARD presented an article : « The green movement : where have we gone wrong ? », Patrick Moore, PIMA'S PAPERMAKER, February 1999. It deals with the **consequences of the forest industry on the evolution and the survival of the species**. In spite of the fact that wood is the most renewable of all materials, some green organisations call for a reduction in the wood use.

- Mr Klaus KIBAT (Germany) made a short presentation of the **main forest certification programs** : the F.S.C. and the P.E.F.C. Armando CAFIERO (Italy), a member of the CEPI Forest Committee, proposed to have a speaker on this issue at our next meeting. The Assembly accepted this proposal.

VII MISCELLANEOUS

- Concerning the future markets, it seems that the traded volumes are still very low. The paper industry is not used to these markets yet as it refers to a financial concept instead of an industrial one.

- Having gone through all the items of the agenda, the Chairman closed the meeting at 12 : 15 p.m.

VIII GENERAL ECONOMIC OUTLOOK

- Mr Giuseppe SCHIRONE from the PROMETEIA company gave a general outlook on the economic evolution country by country and give some information on the main commodity markets (recent history and prospects). The text of his speech and the graphs and tables he presented are joined in the appendix.