

UTIPULP

Group of European Market Wood Pulp users

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

June 25, 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 (16 companies and 1 national associations).
- For 8 respondents, the pulp supply situation has slightly improved/improved compared to April 2021.
- For 9 respondents, the situation is more or less unchanged. Reported problems are delays on releases at the ports and logistics. Some companies still face limitations from their suppliers.
- Regarding the forecast, all the respondents see an improvement for T4 2021. Some considers that the still on-going pandemic makes the forecast complicated.
- Reasons for these improvements are manyfold: (i) the peak in China is over (ii) world-wide supply chains should come back to normal (reallocation of vessels to trades toward Europe...) (iii) new capacities will come on stream (Bracel, Arauco,...).
- Nonetheless, some drivers might strengthen the demand of pulp (i) re-opening restaurants etc. might foster demand of Away-from-Home tissue (ii) shortage of white grades of Paper for Recycling might increase the pulp demand.

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

1.1 The pulp supply situation has slightly improved/improved

"Improved even if still not at normal level - there are still some delay on releases at the ports – on the other hand some more availability of spot volumes mostly on SW side – increasing HW spot volume availability in North Africa and middle East as far as I understood"

"The situation has slightly improved in terms of physical availability but it still remains difficult in case of additional needs"

"The situation improved slightly"

"There has been a slight improvement. There is less delay in ships arriving and no more supply allocations"

"It is still difficult for Eucalyptus pulp, but a bit better for NBSKs"

"Supply/demand balance is a little better globally with some regions already seeing more availability but no significant change yet in Europe"

"Situation is a bit better although the costs pressure is still out of control and not sustainable"

1.2 The pulp supply situation is more or less unchanged

"Neither improvement nor deterioration vs. April. Situation stable"

"The situation is largely the same. There still are shortages, lower availability and delays caused by logistics. This is however a general overview of the market rather than our particular case as our supplies are secured. Additionally, it's important to underline that prices appear to have reached their peak in this cycle which indicates market softening in the nearest future."

"More or less same situation in Softwood, improving in Hardwood"

"Situation has remained unchanged"

"Stable, with further improvements"

"Since end of April situation has remained unchanged. We don't have major supply issues since May"

"Supply situation is stable except special pulp grades where we still face limitations. With some supplier also general monthly allocations are limited which most probably is related to the price increase"

"Remained the same"

"Pulp supply has been stable through the pandemic, some minor logistical issues, but nothing that could really impact normal activity. No major impact has been reported amongst our members"

"In general, no problems for pulp deliveries"

2. In T4 2021, according to your forecasts, will the pulp supply improve or worsen?

"Improve, and I guess that it will improve a lot with a lot of vessels moved from Asia/China to EU – maybe even some new fresh quality/start-up grades"

"Pulp supply should improve with the worldwide supply-chain which should come back to normal in the coming months. Furthermore, the new capacities of Bracell and Arauco should increase the supply for the hardwood"

"The situation will improve, because of new capacities coming on stream (Bracel) and because the Chinese market shows signs of easing"

"Improvement expected by the end of the year. The supply problems are mainly the result of unplanned stops or planned stops that lasted longer than expected or "slow" restarts"

"The pulp supply should improve in the 2nd half of this year, however due to the pandemic it's difficult to predict how deep the correction will be. Continued logistics constraints don't make these predictions easier either"

"I think it will clearly improve since logistic issues should be much better"

"Difficult to balance out which of the prevailing effects might dominate:

- Seasonality speaks for improved availability*
- Re-opening might improve sales of Away-from-Home-tissue; those are predominantly based on Paper for Recycling, but limited availability of suitable grades might then improve demand for pulp.*

- Constant with too high pulp prices with regards to the limited ability to pass on increases to customers might again limit pulp demand from tissue during summer, especially from those producing Jumbos for the market"

"We will see a market correction"

"As off today we see new capacities going online in Q 4 / Q 1 (3,5 Mio to). Forecast is difficult, because of circumstance's caused by world supply chain – issues, will have also negative impact on our papers"

"Following the consultants, we expect a relaxation but still high price level for the 4th quarter. Currently difficult to judge what happened in current strong booking situation in respect of "prebuying" to mitigate announced price increases. 2nd big question is how positive will be the influence of covid opening actions into the summer and 4 quarter"

"It will improve. High prices improve supply and lower demand and availability"

"Supply will be much better, as we have now the peak in Europe. The peak in China is over and China is already weakening significantly right now"

"Improve, the market is finely balanced, a significant event could easily tip the balance in either direction"

"We expect that the supply will remain stable, as verified so far. Probably with a surplus in the market because of the lack of demand in some grades that keep the reduction trend despite the re-opening of the economic activities"

"Pulp supply should improve; one unknown is the potential impact on pulp demand in case recycled supply cannot keep pace with demand"

"I estimate that from the summer on there will be surplus of pulp, that means lower pulp prices and no delivery problems"

"It should improve both in term of availability and costs"

3. Comments and suggestions?

"Considering the high volatility of the market and the high concentration of suppliers it could be better to increase the quota of annually needs covered by regular supply contracts with higher tolerance of volumes (from +/-10% -> +/- 20% at least ... already existing in the market)"

"The season for negotiations which starts after summer should be exciting in given circumstances"

"I think we should push for the Europulp to be organized in Barcelona next September"

"As sustainability request (EU green deal...) are coming more and more in the focus, I would be interested that we maybe invite experts for the autumn meeting to get insight information to specific issues related to sustainability"

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