

Reduced production and temporary downtime in graphic paper sector in Germany

Kraftliner producers think further price hikes are possible amid short supply

Poor capacity utilisation is compelling fine paper producers to scale back production or even idle machines on a daily basis. Recycled graphic paper manufacturers also report experiencing a persistently challenging situation. Even though order backlogs were very good at the start of the year, paper mills are suffering amidst a recession in Germany and throughout Europe because of the coronavirus crisis.

Supply on the kraftliner market remains strained, but converters note that lead times have become a little shorter in the recent past. The core and coreboard business was strong in March and until the middle of April, before settling down more and more.

Situation in fine paper

market still fraught

Market players active in the woodfree coated and uncoated paper market in Germany are still facing a challenging set of circumstances in connection with the severe recession in Germany and Europe. Order books look bad, according to the most frequent comments made by sources during the latest survey by EUWID.

Industry representatives are reporting low capacity utilisation everywhere. Paper mills are scaling back output and idling paper machines temporarily. Merchants and printers have dialed back business dramatically and have resorted to short-time working. All market players still needed to "run on sight on a rocky road," one expert remarked. Many companies are on shaky ground in the current environment, sources added.

A few uncoated fine paper suppliers are seeing glimmers of hope here and there: demand for copy paper, for instance, had sometimes fallen "modestly" or "not as dramatically". That being said, sources describe the coated paper segment as "really bad". Supply agreements were increasingly fraught with inherent financial risks that were creating challenges for paper wholesalers.

EUWID sources generally agree that prices have not been revisited in the past few weeks. Market players are thus sticking to agreed prices, contacts pointed out. It is not unusual for current prices to apply until mid-year. One player said that, for one thing, there was a lack of orders that suppliers could compete for. For the other, paper suppliers lacked the flexibility to have a chance to compete for any short-term orders given restrictions in production processes. However, experts certainly expect an intense round of negotiations for third quarter prices. It was hard for paper mills and wholesalers to withstand the prevailing pressure on prices, sources said with confidence.

Insiders believe that buyers and sellers will not start discussing delivery terms for the third quarter or second half of the year until the start of June. It was already worth keeping an eye on what was happening on the pulp market, one paper manufacturer said. Pulp producers have reportedly announced plans to charge more. Therefore, businesses had to expect paper manufacturing costs to edge higher, this paper supplier concludes.

The situation facing paper wholesalers remains tense. Companies are posting losses. Coronavirus was thwarting the consolidation process that was already in progress. Market players felt that transactions involving Papierunion and Papyrus and, more recently, Antalis were stabilising factors. However, it was hard to advance restructuring in this economic crisis.

EUWID sources consider the situation facing the printing industry – where many companies were already on shaky ground even before coronavirus – as more than difficult, insiders told EUWID.

Coronavirus crisis nibbling away at recycled

graphic paper manufacturers' workloads

Recycled graphic paper manufacturers report still facing a challenging situation, as well. Even though order backlogs

were very good at the start of the year, paper mills are feeling the effects of a severe recession in Germany and Europe as a result of the coronavirus. On the one hand, restrictions to contain the spread of the pandemic are hampering export business. On the other hand, this segment was hit hard by cancellations and lower demand for paper on the whole.

Prices for recycled fiber-based LWC paper were mainly feeling the pinch. While the publishing business was "still going well" demand for commercial printing projects was very limited in some cases. Therefore, manufacturers are curbing output. For instance, the coated and uncoated recycled paper producer Steinbeis had announced plans to temporarily suspend manufacturing at both PM 6 and PM 4. K&N Paper had also temporarily idled its paper machine in Kriebstein, which has restarted production again. As recently reported, the process to find a new investor for the insolvent paper mill is continuing as planned.

Observers are also seeing signs of a sharp decline in incoming orders for uncoated recycled paper over the past few weeks. Several mills are still processing good order books in the first few months of the year. Producers said that there were "still enough orders around." Nonetheless, companies still had to use different ways of reducing output, insiders said.

Some market players from the buying side believe price pressure is mounting with a view to upcoming tenders and supply agreements. After all, the ratio between supply and demand had changed. Producers countered by pointing to raw material costs: the availability of recovered paper was limited at times with prices soaring of late, albeit from a low level. This was also a factor in upcoming talks about paper prices.

Insiders note that hopes of growth in the recycled paper business – not least for environmental reasons – have "temporarily faded into the background" because of the Covid-19 pandemic. The entire industry had suffered a setback. The issue of sustainability would continue to be fanned, which would also affect demand in medium or even short term.

In the current climate, market players are also seeing positive signs and are confident that the easing of the national coronavirus lockdowns will lead to a rapid bounce back in demand, viz. from public agencies and authorities, banks and insurance companies. This might help to improve the situation on the paper market.

Prices for white-top kraftliner

stay the same in May

On the back of scantly supply, brown kraftliner became €30/t more expensive across the board in Germany in April. Less kraftliner was being imported into Europe from the US in particular. Some problems with cargo shipping are mainly to blame, together with production at mills down and solid demand from the US. However, production curtailments in Europe because of technical issues and rebuilding projects also recently trimmed output. The market remains tight as a result, but converters said that lead times have become a little shorter in the recent past.

On the other hand, manufacturers think that supply will remain rather strained in May and likely June too and think that another price hike is not unrealistic. Market players said that they wanted to keep a close eye on what happened to recycled corrugated case material prices. However, it has emerged that renewed demands for higher recycled containerboard prices will fail.

White-top kraftliner prices have not altered, even though producers have very good order books in May, too, and supply is deemed to be even scantly than for unbleached grades. Suppliers of white-top kraftliner said they had taken no action because of the coronavirus pandemic. After all, nobody knew what the future had in store, insiders said. Moreover, they have so far lacked support from the white-top testliner segment where price stagnated in March/April.

While the order situation was "no longer as crazy as it was in March," EUWID sources said that additional demand from the food sector was still evident. Demand from the e-commerce segment was also still described as strong. Inventories remained low level, too. Manufacturers cautioned that a string of mills had postponed seasonal maintenance work. Staff needed to perform this work had not been able to fly in and workers in Germany could not be arranged at short notice, insiders said. Mills were thus postponing bottlenecks.

The semi-chemical fluting market in Germany is experiencing stable conditions. Prices are not under discussion.

Suppliers seek to charge more for
coreboard amidst good availability

Cores and coreboard were highly sought-after on the German market in March and up until the middle of April before demand started slowing more and more. Very strong demand from the film industry, underpinned by strong ordering from the food and pharmaceutical markets, cushioned the slump in orders from other areas at times.

The latter areas not only include the textile and automotive industries; stoppages and reduced workloads at graphic paper producers were also causing headaches for the core market from March onwards and increasingly in April. While companies think that the graphic paper market might recover a little in May, it was hardly possible to assess when a full recovery might happen. Customers from the graphic paper market are said to be ordering at very short notice, so it is impossible for core producers to make plans for May.

Market players are also witnessing well-filled warehouses along the supply chain more and more often. This situation is due to "backup purchases" at the start of the crisis when nobody could judge how supply and availability might pan out during the pandemic.

Coreboard producers have informed the entire market of plans to charge more from 1 or 15 May or "with immediate effect". However, these announcements come at a period when demand is cooling off and lead times are topping out at three weeks, regardless of batch sizes.

Coreboard manufacturers said that these plans are motivated by a huge mark-up in recovered paper prices over the last 4 to 5 weeks. While board manufacturers believed they could shoulder the higher recovered paper prices in April themselves, the price increase in May has turned out to be too substantial. Sources are currently reporting triple-digit prices for the fibre used in coreboard production.

Despite these additional costs board mills are facing, their efforts to increase prices are now being foiled by that fact that demand is slacking. The situation was being compounded by the fact that coreboard producers in neighbouring countries, which had not been operating at times in recent weeks, have ramped up production again.

In most cases coreboard producers have announced plans to tack on €25-30/t or even €40/t more. Some manufacturers are even seeking hikes of up to €60/t, though.

There have been first implementations of higher prices, but they vary wildly and do not paint a clear picture. However, the price bracket of €370-420/t has not altered in this phase of price talks. Core manufacturers will have to raise their prices, too, from 1 June at the latest in the event of a sharp upswing in costs, contacts said.

Statistical snapshot Germany

Many printing companies are at risk of closure

The German Federal Association for Printing and Media (Bvdm) and its state associations carried out a brief survey of the German printing and media industry between 20 and 26 April. The survey found that 94 per cent of companies are affected by orders decreasing or being cancelled because of coronavirus, with 75 per cent even reporting a significant impact. One third of companies expect their sales to be halved in the second quarter of 2020 compared with the same stretch last year. Another 37 per cent anticipate that their sales would drop by 26 to 50 per cent, creating an even bigger blow.

The survey also revealed that just one in five companies believe that they can keep operating until the end of June 2020 at most in the current circumstances; another 24 per cent said that they could make it into July. In a worst-case scenario, the number of businesses would be almost halved in summer.

According to the Bvdm economic barometer, the business climate in the German printing and media sector took a huge turn for the worse in April. One month earlier, it had already looked likely that coronavirus would have a massive impact on the printing industry. May will tell how much business has been actually harmed. In April, the business climate index calculated by the bvdem decreased by a seasonally adjusted figure of 16 per cent compared with March – the biggest slump since February 1991. The index lost as much as 18.3 per cent in a year-on-year comparison on a seasonally adjusted basis, plunging to a ten-year low.

The devastating scale of the coronavirus crisis was laid bare in the assessment of the business situation in the current month. Companies taking part in the survey reported a 15.3 percentage point slump in capacity utilisation in April 2020 compared with the same month in 2019, reaching a new all-time low of 68.3 per cent. Additionally, 83 per cent of respondents stated that they were currently battling production disruptions, with 63 per cent of those surveyed listing a lack of orders as a key factor for why production activity was limited.

Printing and media companies are very gloomy about the business outlook for the next six months. The seasonally adjusted index of business forecasts dived by 14.4 per cent between March and April, landing at the lowest level since April 2009 at 81.6 points.

Corona pandemic speeding up the changes in France's paper industry

France shedding more and more graphic paper production capacity

France is not only one of the European countries hardest hit by the current coronavirus pandemic. The current crisis might actually intensify the structural change in the French pulp and paper industry that has been playing out there over the past 12 years. Printing and writing paper manufacturers are especially severely affected by actions taken to stem the spread of Covid-19, having lost extensive and numerous printing orders. A great deal suggests that graphic paper consumption will be much lower than it was in February 2020 once coronavirus measures have ended. The packaging paper market might also be fundamentally different in the early days after the coronavirus pandemic ends, although it remains unclear whether factors boosting or trimming consumption will have the upper hand.

Graphic paper industry takes next step

in the process of structural change

The coronavirus crisis has left a deep imprint on paper manufacturers in France since the middle of March. Four mills were offline towards the end of the first week in May because not enough employees could come to work to run them, COPACEL, the association representing manufacturers said. Twenty more mills were only operating in a different format because demand plunged. The latter is mainly true of the companies in the printing and writing paper sector where numerous orders and deliveries to printers and publishers failed to materialise from mid-March onwards. Fine and publication paper manufacturers stated that, depending on the segment in question, their order intake in France had tumbled by 30-70% in April compared with the same month last year.

Newspapers in France have tended to have fewer pages since the start of measures to contain the coronavirus, with circulation falling even more. The latter was solely because a large proportion of newspapers are sold at kiosks, newsagents and tobacconists in France and they were not getting some of their walk-in customers. Many readers have switched from printed publications to online versions in recent weeks, and publishers are trying to win over these readers as online subscribers and will be successful in a few cases. It remains difficult for publishers to monetise the potentially growing number of online subscribers for online advertising.

As April came to an end, France's largest press wholesaler Presstalis, which handles all of France's newspaper distribution and about three-quarters of total press distribution in France, has entered administration and halted all payments after many crises in recent decades. Presstalis' looming liquidation would also have ramifications for printed newspapers and magazines sales in France that are difficult to predict.

The packaging paper and board market is likely only temporarily affected by the negative effects of the coronavirus pandemic. Market players in France initially reported at least stable, if not brisker demand from the middle of March but this started to subside in April. The prevalent opinion is that the forecast recession in France and Europe will not leave paper and board packaging consumption unscathed, and it will also lose a couple of percentage points in 2020, as well. In the view of market players, lasting changes in shopping habits are possible here too, for instance, if there is a significant uptick in the number of consumers ordering online after the coronavirus. Two years ago, this turn of events provided corrugated case material manufacturers with an unexpected boost in demand, not only fuelled by stronger demand for the delivery of goods but also because of additional inventories of packaged goods that have to be kept on hand for online retail.

Packaging paper output stagnant as

graphic paper manufacturing takes a dive

Printing and writing paper manufacturers however are facing bigger challenges. France's paper industry has seen its production in this segment subside from almost 4 million t in 2008 to a little over 2 million t last year. This represents a downturn of roughly 46%, with a 39% slump in the CEPI region. A comparison of consumption figures for CEPI and France shows that it has decreased by around 46% in both areas.

France has shed an extensive amount of printing and writing paper capacity in recent years, with Arjowiggins, Lecta,

UPM Docelles and Stora Enso Corbehem being just the prominent examples. In a probability, more printing and writing paper capacity will be eliminated soon in France with UPM's Chapelle Darblay mill. Even though the mill could be sold and not being shut down, UPM is ruling out the possibility of the new owner producing printing and writing paper at this mill. Therefore, another 240,000 tpy of newsprint production capacity will be removed.

At the presentation of financial restructuring measures at the beginning of the second full week in May, Lecta announced plans to rebuild its PM 8 at the Condat mill, which had been producing woodfree graphic paper and has been closed since last April, to make label paper.

Tissue panic-buying in Germany largely subsided by May

As the coronavirus pandemic spread around the world, demand for sanitary paper products skyrocketed. On the German market, consumers started stockpiling toilet paper and kitchen rolls in March and many shoppers were faced with empty shelves at their local supermarket.

Although shoppers were occasionally unable to find a package of toilet paper, German retailers and tissue paper and products industry repeatedly stressed there were no supply shortages. Production at tissue mills and converting facilities, as well as logistic activities at producers and retailers were stepped up to cater to increased demand from consumers.

This demand spike was reflected in the statistics compiled by the German pulp and paper association Verband Deutscher Papierfabriken (VDP) for the first quarter of 2020. According to VDP, total deliveries of sanitary and household paper amounted to 407,000 t, up by 4.4 per cent compared with the prior-year level. Of this amount, 399,000 t (380,000 t) remained in Germany, corresponding to an increase of 4.9 per cent. Sanitary and household paper production in the reporting period increased by 2.4 per cent to 383,000 t.

Higher sales volumes, but rising costs too

Despite the sharp increase in demand and higher deliveries, there was no "gold rush mentality" in the sanitary paper sector, respondents say. "We do not see ourselves as profiting from the crisis," one producer told EUWID, adding: "We had fixed contracts with our customers and we adhered to these." Producers are not seeing any positive changes in terms of earnings. On the contrary, the industry has faced additional expenses for health and safety measures for employees as well as higher costs for raw materials and logistics. So far, there have not been any problems with sourcing pulp or recovered paper, say EUWID respondents.

Looking ahead to future developments in this sector, it was already clear in May that the panic-buying was tapering off. Nevertheless, the tissue paper industry expects that household consumption will remain high in the coming month and will not immediately collapse.

German recycling association feels damage created by coronavirus crisis is enormous

The coronavirus crisis has caused enormous damage to the recycling industry in Germany. The number of companies struggling to stay alive is not small, says Eric Rehbock, director of the German secondary raw materials and waste management association (Bvse). Secondary raw materials markets are facing a severe supply and demand shock, he added. The scrap business is battling high overheads which sales of many companies cannot cover. Target markets of plastics recyclers are imploding and secondary plastics source sites are fighting low prices.

Surprisingly, the recovered paper industry in Germany has so far escaped getting trapped in the swirl, Mr Rehbock remarked. Recovered paper inventories built up over the last months have been virtually depleted and demand for recovered paper from the paper industry, especially from packaging paper and board producers, is reportedly very high. At the same time, collection volumes have plummeted, particularly from the commercial sector, resulting in rising prices.

Short-time work provides relief

Bvse, which represents over 950 member companies, greatly appreciates the assistance offered by the German government. Regulations governing shorter working hours and the proposed deferment of tax dues have been gratefully lapped up by many financially beleaguered companies and help to secure much-needed liquidity, a Bvse survey of member companies reveals.

"In effect, none of our member companies have stopped operations. The results show that introducing shorter hours was and is a key instrument for companies to overcome the economic crisis," Mr Rehbock stressed.

Bvse member companies have so far seemed unwilling to avail of most of the offered credit facilities. Only 10 per cent of the surveyed companies reported availing of government loans. However, the longer the effects of the crisis are felt, the more probable it is that more companies will follow suit, Bvse observed. The association advises member companies to closely study the fine print before accepting loans. Many of them might prove to be "funding traps", the association cautions, citing repayment interest rates of up to 3 per cent over a 10-year term. "Bvse therefore urges the German government to follow the example set by the European Commission which expressly permits member countries to offer interest-free loans," Mr Rehbock said.

Germany's tissue supply chain intact with high production

During the peak of coronavirus fears and consumers' panic buying for tissue paper products at the end of March, German retailers and tissue paper producers experienced a toilet paper boom. German drug store chain DM, for example, reported significantly more demand for toilet paper than in the previous year. At this time, the Port of Hamburg's marketing arm, Hafen Hamburg Marketing (HHM), issued a press release in order to explain why toilet paper and other sanitary paper products seemed so scarce and how paper supply chains work.

Because of its low weight and price, tissue paper and products can only be profitably shipped by lorry if it is transported less than 500 kilometres to the consumer, so numerous production sites are needed. Typically, individual shops place orders for toilet paper intermittently because they have limited storage capacity and toilet paper is not a product that is purchased often, such as milk, HHM explained. The sudden spike in demand led to an upset in the needs-based logistics chain and caused some shifting, it added.

The flood of orders during March had not led to delivery bottlenecks at sanitary and household paper producers, HHM wrote in late March. VDP stressed at the time that production and supply chains continued to function properly. Even measures such as stay-at-home orders and border closures had not adversely affected the flow of goods or the supply situation, HHM wrote in late March. To ensure this, tissue paper producers were operating their paper machines 24 hours a day, seven days a week, HHM cited the German tissue paper company Wepa as saying.

Germany is the second biggest producer of tissue paper in Europe with a total production amounting to approximately 1.5 million t. In terms of sanitary paper sales, Germany ranks eighth worldwide with a total worth of €4.98bn, HHM said, citing the statistics portal Statista. Against this background, Germany was not suffering from a "toilet paper emergency," and the industry and retailers were able to meet the temporary uptick in demand, HHM said.

In 2019, on average, each German purchased €20.22 worth of toilet paper. Each person reportedly consumes six rolls per month.

Despite tissue paper panic buying and stockpiling at consumers, and the changed order patterns at retailers, German consumers' overall demand is expected to remain steady in the long term, according to HHM. Therefore, VDP and Germany's tissue paper and products paper producers were expecting demand to dip following the stockpiling. However, in the long run, this could result in consumers having increased awareness of hygiene.

EUWID Price Watch Pulp Western Europe

April 2020

EUWID Price Watch Pulp Western Europe				
April 2020				
CIF North Sea ports	April 2020		March 2020	April 2019
	in US\$/t	in €/t *		
Bleached softwood pulp				
Softwood kraft				
from Scandinavia and Canada	840 - 860	774 - 793	773	929
Southern softwood from the US	790 - 810	728 - 747	727 - 736	875 - 884
Bleached hardwood pulp				
Birch pulp from Scandinavia				
	-	627	626	830 - 839
Eucalyptus pulp				
from Portugal/Spain	-	627	626	830 - 839
from South America	680	627	626	830 - 839
Southern hardwood	580 - 590	535 - 544	534 - 543	750 - 759
Hardwood BCTMP				
from Scandinavia and Canada	430 - 480	396 - 442	396 - 442	616 - 634
* Exchange rate as of 8 May 2020: 1 US\$ = 0.9219 €				
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Price hike for NBSK pulp in April has been partially implemented

Producers of eucalyptus pulp announce price increases as of May

After weeks of calm, prices were back at the top of the agenda in the European pulp industry at the beginning of May. Higher prices for softwood grades are being targeted, and were sometimes implemented in April, although not always to the extent that NBSK producers had wanted. However, not all negotiations had been concluded by the end of the first week in May. There is also movement on the market for eucalyptus pulp: Several producers, including the global market leader, have announced higher prices as of May.

By the end of the first week in May, suppliers and buyers of northern bleached softwood kraft (NBSK) pulp had not yet completed their negotiations for April contracts. Some pulp producers did confirm they had reached agreements with customers containing a price of \$860/t, representing an increase of \$20/t compared with March. However, some converters told EUWID that the final word has not been spoken and they are definitely prepared to continue negotiating into the second week of May. Buyers are not prepared to accept mark-ups on the previous month's price level. "If suppliers do not share our view of the market, we will take advantage of the option of purchasing pulp internally," said a representative of one major paper producer.

As previously reported, two Scandinavian producers of NBSK pulp announced price hikes for Europe in the week after Easter, but the amount and timing of these mark-ups varied. While one producer wanted to lift prices by \$40/t to \$880/t as of 1 May, the other wanted a rise of \$50/t to \$890/t with immediate effect. EUWID has learnt that yet another pulp producer also started asking \$860/t for April contracts. According to respondents, some converters accepted the latter mark-up, but the targeted hike to \$890/t could not be fully implemented. Since negotiations had not yet concluded as EUWID went to press, the price range for April spanned between \$840 and \$860/t.

This means at least one Scandinavian producer of NBSK pulp is therefore still calling for higher prices in May. Buyers, on the other hand, see no room for prices to rise, not least owing to the "catastrophic" demand trend for printing and writing paper. Critics also say the boom in the tissue segment will also soon peter out. Moreover, one converter noted there were now spot-market offerings of NBSK pulp in Europe at extremely cheap prices. He speculated these could be volumes from paper mills that are halting production and therefore require less pulp.

Producers of bleached softwood pulp, by contrast, point out demand remains strong from the tissue segment and there is growing interest from China. Production in China has ramped up again, but the paper industry is still taking a wait-and-see approach, admitted one Scandinavian pulp supplier. According to market players, there were slight price increases for NBSK pulp in China and the USA during April.

BEK producers want to raise prices

After months of steady prices, there is once again a bit of movement on the European market for bleached eucalyptus (BEK) pulp. The market leader has finally made a move, announcing a price increase of \$30/t to \$710/t as of May. This call was echoed by a different Latin American producer and a European supplier.

"This definitely took me by surprise," said one buyer, who suspects that producers' main aim with this step is to cushion any potential price reductions. Other converters also believe the producers' attempt has little chance of success. "This is completely unrealistic and the idea will be off the table by the end of May," one buyer asserted.

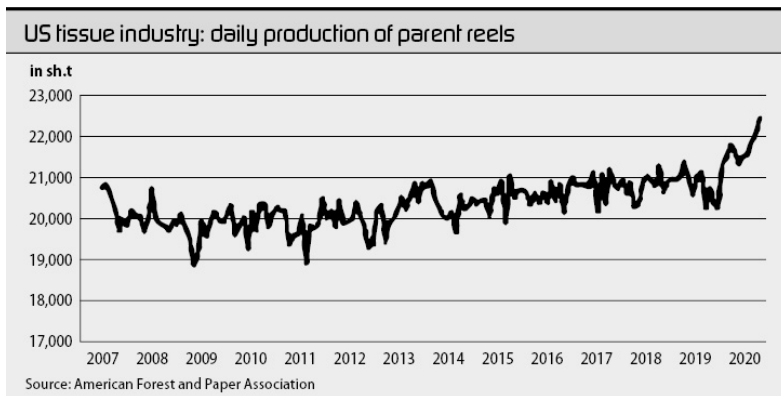
Naturally, producers of eucalyptus pulp believe they have a good chance of implementing their demands, pointing to increased BEK prices in China in April and the price announcements on the North American market for May. "Europe cannot be decoupled from the other regions," said one EUWID respondent. The aim is to return at least to the net prices applicable in December 2019, meaning to the level prior to the rebates that were introduced this year, he added.

Producers also believe that strong demand from the tissue and sanitary paper, packaging and specialty paper segments provides a good foundation for price hikes. They also cite the decline in stocks held at European ports.

In the first week of May, negotiations for May contracts had not yet started. In April, BEK pulp prices in Europe were unchanged at \$680/t.

US tissue industry reports record output amid Covid-19

United States paper industry reported a record-high level of tissue production in response to unprecedented demand amid Covid-19 and panic buying from customers. According to the American Forest and Paper Association (AFPA), US mills manufactured nearly 700,000 sh.t (635,000 t) of parent reel tissue in March, "more than any month since 2007, when AFPA began collecting related historical data." Daily production also reached a milestone, AFPA said. In February and March, AFPA members produced and delivered more than 22,000 sh.t (20,000 t) of parent reel tissue every day.



Austria's paper industry optimistic despite a decrease in sales and output in 2019

After 2018 had turned out to be an excellent year, the Austrian paper industry suffered a slight decline in sales and production in 2019. Some product areas suffered dramatic setbacks such as the massive fall in orders for graphic paper. Nevertheless, Austropapier, the association of the Austrian paper industry, is optimistic about the future of the industry. According to Austropapier, the corona crisis underlines the importance of the industry and its products for supplying the population with basic goods such as hygiene products and securing packaging for food and drugs. Moreover, in the association's opinion the paper industry is also gaining more and more importance as a producer of clean energy.

In 2019, production of paper dropped by 1.4 per cent to 5.0 million t, while that of pulp rose by 0.3 per cent to 2.1 million t. After the record year of 2018, the industry's sales decreased slightly by 2.6 per cent and totalled €4.2bn. Compared to the other EU member states, however, domestic industry showed more resilience to the negative trend in 2019. Austropapier. The entire European Union registered a 3.0 per cent output decline to 89 million t.

Growing by 2.3 per cent to 2.4 million t, production of packaging paper continued to rise, for the first time surpassing the volume of graphic paper produced. The latter decreased once again to 2.3 million t, down by 4.9 per cent. According to Austropapier, this negative trend is very likely to continue in the year 2020. Specialty paper production registered slight losses and amounted to around 310,000 t.

According to Austropapier, the industry used a total of 2.6 million t of recovered paper in 2019, 0.5 per cent less than in 2018. The recovered paper utilisation rate increased slightly from 51.6 per cent in 2018 to 51.9 per cent in 2019. 57 per cent of the recovered paper volume stemmed from imports. Domestic arisings came to 1.4 million t last year (down by 4.6 per cent) of which 1.1 million t were delivered to Austria's paper and board industry. The recycling rate stood at 76.2 per cent in 2019 (EU: 71.6 per cent).

Wood (in the form of primary or recycled fibres) is the most important raw material of Austria's paper industry. In the year 2019 the industry bought 8.9 million m³ of wood. All in all 71.5 per cent of the wood came from within the country, while 28.5 per cent were imported – especially from the mills' regional surroundings.

Paper industry as a pioneer in bio-economics

According to Austropapier, the paper industry is increasingly establishing itself as a pioneer in bio-economics, an economic system based on renewable resources. Meanwhile the industry has come to manufacture numerous bio-based by-products for the food industry, the chemical sector and the textile industry in addition to pulp, paper and textiles. Examples include Xylitol, a chewing gum sweetener, and vanillin as a flavouring, both products of the paper industry.

Furthermore, any residues that cannot be recycled as substances are transformed into green electricity and heat through thermal recovery. According to Austropapier, this has made the share of renewable energy sources in the form of bio lye, bark, etc. rise to 60 per cent in the paper sector.

Totalling €319m, investments reached the highest level since 2003 in Austria last year. Besides a new paper machine in Pöls, the sector's companies invested in their power generation facilities and measures to cut CO₂ emissions in particular. The association reports that the paper industry is already supplying 10 per cent of the country's domestic renewable energy. According to Austropapier, it is above all this mixture of traditional products and new fields of business that gives the industry reason to be optimistic about the future in spite of the Covid-19 pandemic.

Austrian pulp and paper industry
 2017 - 2019

	unit	2019	2018	2017
Production				
Paper	1,000 t	4,985	5,055	4,860
Pulp	1,000 t	2,090	2,083	2,056
Recovered paper consumption	1,000 t	2,586	2,598	2,282
Paper consumption				
Total	1,000 t	1,835	1,919	1,914
Per capita	kg	206	217	217
Industrial structure				
Companies	number	21	21	21
Plants	number	24	24	24
Capital expenditure	million €	319	220	227
Sales				
Total	million €	4,167	4,281	3,955

Source: Austropapier

Propak sees Austria's industry on solid ground, working time arrangements to secure employment

A total of 12 per cent of the entire staff working in Austria's paper and board converting industry are affected by short time work measures. This is one of the results of a survey conducted by Propak, the trade association of the Austrian paper and board converters. Reports indicate that the extent of short time work usually ranges between 10 per cent and 50 per cent of the respective normal hours of work.

The companies surveyed said they planned to make use of the possibility of introducing more flexible working hours for around 35 per cent of their employees as provided for in the "corona emergency agreement" concluded between management and the employee representatives in their industry. For example, a special working time account is to result in an equalisation between times of high and times of low workload in a cumulative period that ends at the end of the year. Propak explained that companies were turning to these working time arrangements to ensure the existence of their businesses while retaining employees and know-how.

According to the trade association, at the end of April Austria's manufacturers of paper and board-based packaging and products still had solid capacity utilisation. Although the individual product groups showed substantial differences depending on their significance to the chains of supply for providing the population with basic goods such as food, pharmaceutical products, hygiene articles and other daily necessities, capacity utilisation was on as high a level as the year before, Propak reported. In view of the imminent economic crisis, manufacturers of board and paper-based products, however, had to prepare themselves for a clearly negative overall trend accompanied by high volatility and capacity fluctuation in the future, Propak explained.

Paper associations fear far-reaching consequences of current definition of "plastic" in SUP Directive

In a joint letter dated mid-April, representatives of the European paper and board manufacturing and converting industries turned to the EU Commission. The intention of the position paper is to avoid that cellulose falls under the definition of "plastic" provided for in the European Single-Use Plastics (SUP) Directive. Otherwise, this would have far-reaching consequences on the entire paper and board value chain, claim FEFCO, Pro Carton, ECMA, Citpa, Cepi, EPPA as well as the Alliance for Beverage Cartons and the Environment. In more concrete terms, the associations challenge certain definitions in the guidelines which the EU Commission must develop in consultation with the EU member states by early July 2020, as laid down in the SUP Directive.

So far only a draft version of these guidelines has been submitted, and even the final version will not be binding on the member states when it comes to translating the Single-Use Plastics Directive into national law. However, Europe's paper and board industry fears that far-reaching consequences would have to be expected as a result of the definition of "plastic" in the Single-Use Plastics Directive (EU) 2019/904.

The SUP Directive defines "plastic" as "a material consisting of a polymer as defined in point 5 of Article 3 of the European Chemical Regulation (REACH) No 1907/2006, to which additives or other substances may have been added, and which can function as a main structural component of final products, with the exception of natural polymers that have not been chemically modified."

"Inclusion of natural polymers would prohibit any recyclable solution"

The European paper and board industries hold the view that the SUP directive does not apply to commercial cellulose fiber grades such as kraft pulp, sulphite pulp, CTMP, as well as dissolving pulp because the polymerisation of cellulose takes place in nature and the extraction process only causes unintentional changes to the molecular mass, while the polymer chain remains unchanged.

According to the industry associations, the inclusion of natural polymers in the directive's scope of application would effectively prohibit any renewable, recyclable and biodegradable solution, e.g., for paper-based packaging. They therefore recommend that ECHA (European Chemicals Agency) "only considers the endpoint of the manufacturing process when considering whether the chemical structure of a natural polymer has been modified or not."

The EU member states and the EU Commission discussed the guidelines for the implementation of the Single-Use Plastics Directive in a non-public meeting of the waste expert group on 24 April. When this issue went to press, no information was as yet available on whether or not the objections raised by the European associations were taken into account during these discussions.

The Directive (EU) 2019/904 "on the reduction of the impact of certain plastic products on the environment" was published in the Official Journal of the European Union on 12 June 2019 and came into force on the 20th day after its publication. The member states must now translate the required legal and administrative provisions into national law by 3 July 2021.

Nova-Institut also deals with consequences of the SUPD

At present, it is not only the European paper and board industries that are concerned with the consequences of the definition of "plastic" in the SUP Directive. The topic was also under discussion at the 1st International Conference on Cellulose Fibres held by Cologne-based Nova-Institut in February. For example, in his speech Dr K. Christian Schuster, who works for Austrian company Lenzing, dealt with the definition of "plastic" contained in the SUP Directive within the meaning of point 5 of Article 3 of the REACH Regulation No 1907/2006. Dr Schuster explained that the interpretation of the term "chemically modified" given by ECHA, the European Chemicals Agency, also included slight modifications

during the production process even if they were not existent in the end product.

In line with this interpretation of the term of chemical modification, each and every natural polymer would be regarded as a natural polymer that underwent chemical modification even if the physical-chemical process only lowered the degree of its polymerisation. Natural polymer would hence fall under the Single-Use Plastics Directive. The most varied paper and board grades, a number of processed cotton fabrics and even starch or proteins isolated from grains would therefore be affected, with only very few materials remaining as non-plastic alternatives, according to the Lenzing representative.

Burgo restarts operations after commercial downtime at Duino mill

Italy's paper and energy group Burgo resumed production at the Burgo Duino LWC paper mill in northern Italy on 7 May. Production was down for more than a week due to Covid-19 impact on demand and order situation.

The downtime was originally planned to come to an end on 5 May but commissioning had to be postponed due to an accident among the mill's staff.

At the Duino site, Burgo operates one paper machine and a wood fibre (TMP) line. The 8.45 m-wide PM 3 runs at a maximum construction speed of 1.500 m/min and can produce more than 200,000 tpy of LWC paper.

Duino workers protest accident

with three people injured

On 5 May, workers at the Duino paper mill walked out on a one-day strike to call attention to the working conditions at the site. The strike was organised by the combined trade union body RSU after three workers have been injured in an accident the day before.

According to information from the rescue services, the three workers were working on a platform at the paper machine when this collapsed. Production at the mill was down for a week due to lack of orders at the time of the accident, local media reported.

Burgo Group confirmed the 4 May accident at the Duino paper mill near Trieste. The three workers had already been discharged from the hospital, a company spokesperson explained. According to Burgo, the staff was working to prepare the start-up of the paper machine, which had been standing idle for a few days. The group expects production at the Duino paper mill to resume sometime this week.

Burgo is not excluding taking additional downtime at the Duino and other publication and graphic paper mills if the current market situation continues. The group is monitoring the downturn in demand for graphic papers and is managing the activities of the production sites accordingly, the company spokesperson said.

Shanying International invests €1.6 bn in “Shanying International Green Paper Project”

At the beginning of April, Chinese paper manufacturer Shanying International launched the "Shanying International Green Paper" project to build a state-of-the-art packaging plant covering the entire value chain.

Shanying International has earmarked CNY12bn (€1.56bn) for the entire project, which will be located in the Haiyan Economic Development Zone (between Shanghai and Hangzhou) on an area of 660,000 m². Shanying International expects that once the plant is fully operational, its annual production will have a value of CNY13bn (€1.7bn).

The goal is to develop modern, smart and environmentally friendly technologies along the entire value chain, from recovered paper collection to packaging development and printing and to set an international benchmark in green production, Shanying International said.

The entire project comprises 6 individual projects: an R&D and training centre, production of high-quality recycled packaging paper, a smart packaging project, a comprehensive utilisation project for recovered paper, a thermal power plant, also for external supply, and an industrial sewage treatment plant.

Amid lower prices, Shanying's profit
decreases in 2019 and Q1 2020

Recently, Shanying disclosed the 2019 annual and the 2020 first quarter reports. In 2019, the company achieved an operating income of CNY23.24bn and net profit of CNY1.36bn. The annual shipments of containerboard was 4.6 million t, an increase of 3 per cent over the same period last year. Deliveries of corrugated board and boxes reached 1.3 billion m².

The report shows that in 2019, due to China-US trade frictions and industry cycle fluctuations, prices of major products fell, while prices of major raw materials were relatively firm, resulting in a year-on-year decline in the company's gross profit margin and profitability.

In the first quarter of 2020, sales and profit of Shanying International decreased year-on-year. The company achieved an operating income of CNY3.84bn and a net profit of CNY231m. The sales volume of containerboard stood at 689,500 t, while deliveries of corrugated board and cardboard boxes were 236 million m².

In reaction to the impact of the Covid-19 epidemic on the global economy, Shanying International has divested financial services, maintained liquidity, and set up merger and acquisition funds to integrate the industrial chain. At present, the company believes that concentration and vertical integration within the Chinese packaging industry is still very low and "there is much room for improvement in the overall supply chain efficiency."

Lecta expects Q2 fine paper demand to fall by half

Paper group Lecta expects demand for its woodfree printing and writing paper to fall by half in the second quarter because of anti-coronavirus measures. In a communication addressed to investors when presenting its new ownership and financial structure on 11 May, Lecta estimates that demand for woodfree coated paper in the second quarter of the year might recede by roughly 45 per cent, for uncoated paper by roughly 50 per cent and for purchased products by 45 per cent. The company expects all market segments that are affected by the coronavirus crisis to improve again in June provided restrictions in private and economic life are eased as expected.

Lecta concludes that market conditions are good for paper used in self-adhesive labels and for single-sided coated paper thanks to demand from the food and pharmaceuticals sectors.

Klabin gradually resumes work on Puma II project

In mid-April, Brazilian pulp and paper manufacturer Klabin has started to gradually reintegrate some of the professionals involved in the construction and assembly works of the Puma II project in Ortigueira, Paraná. On 23 March, the company had demobilised these professionals as part of the coronavirus pandemic prevention measures.

Klabin informs it has now reinforced sanitary protocols and other measures to tighten up hygiene conditions. However, the full reestablishment of the works is still subject to evaluation in the coming weeks, depending especially on the situation in the state of Paraná.

The Puma II project involves investment of BRL8.1bn to build 920,000 tpy of kraftliner capacity by 2023 in Ortigueira. Klabin did not say to what extent the construction schedule will be impacted by the current interruption.

Apart from possible delays of works at the Puma II project, Klabin sees itself in a good position in the current crisis: 80 per cent of the company's total production is directed to the food, hygiene and cleansing segments.

Kraftliner currently makes up 12 per cent of Klabin's deliveries, coated board 20 per cent, packaging 23 per cent and pulp 45 per cent. Klabin is also the only manufacturer of fluff pulp, a raw material for many hygiene products, in Brazil.

Furthermore, Klabin's R&D department has developed a new formulation of gel alcohol made from micro-fibrillated cellulose. Gel alcohol as disinfectant is currently in short supply in the global market, as US-Americans are drinking it.

STI group restructures its Display segment

Germany's STI Group intends to relocate activities of its plant in Grebenhain to other sites. The group informs that Grebenhain, a part of the Display segment, has been making operative losses. With a view to making the group's display business more competitive, STI will consolidate the segment's sites.

According to STI, the measure stands to affect 283 employees. The company said it will make efforts to offer alternative employment at other sites to as many employees as possible. Talks with employee representatives have reportedly been scheduled in this context.

STI group offers several explanations for its decision. Price pressure on the market for sales displays is high and competition is intense. Moreover, progressively increasing use of digital sales channels is squeezing the business, the group adds. The group has seen sales recede in the display segment. The Grebenhain site, one of four of STI's production sites for displays, is particularly affected by market dynamics, due to which overall performance and site earnings have fallen markedly, STI explains.

Since the group's realignment in 2014/2015, profitability of the segment has reportedly not increased. In the first quarter of 2020, the coronavirus crisis amplified the negative effects, said the company. The ban on large public events and other publicity campaigns in the retail segment hurt planned sales by €20m, STI adds.

In contrast, the group's packaging segment has grown over the recent years but has been unable to offset for the negative effects. Aside from various kinds of displays, STI group also produces corrugated packaging, folding boxes, shelf ready packaging, dangerous goods packaging, labels, and bag in box solutions. The company's production sites in Germany, Hungary, Czech Republic and the UK employ around 2,000 persons.

Huhtamaki ramps up production of protective face shields

Finnish packaging producer Huhtamaki will ramp up production of plastic protective face shields (PFS) at five more plants in Europe and Russia. So far Huhtamaki has been producing PFS at its Northern Irish folding box plant in Belfast. PFS production would now be expanded to the company's plants in Blackburn, UK, Gliwice and Czeladz, Poland, Ivanteevka, Russia and Ennis, Ireland, Huhtamaki said. From June this year, production capacity will reportedly increase to about 8 million units per week. The Belfast plant currently produces around 4 million units for the British NHS healthcare system. PFS consignments to countries outside the UK would begin before the end of May, the company said.

In order to manufacture PFS made from PET, the Finnish company has undertaken technical modifications to its folding box machines. Responding to a query, a company spokeswoman explained that machines at all folding box plants had to be modified. The machines can be reverted to produce folding boxes when necessary, the spokeswoman told EUWID.

Huhtamaki entered the European folding box market in 2016 when it acquired Northern Irish producer Delta Print & Packaging and its Polish affiliate European Packaging Solutions Poland.

The business segment witnessed a sharp downturn since the outbreak of the coronavirus epidemic, so the company only recently revised its outlook for 2020. Huhtamaki blamed the downturn on plummeting demand for food service packaging resulting from the closure of fast food restaurants.

Valmet supplies automation to Austrocel in Hallein

Finnish engineering company Valmet has been contracted by Austrian firm Austrocel to supply automation technology for its new bioethanol plant. The technology will be delivered in June and the plant is scheduled to start operations at the end of this year, according to Valmet.

Austrocel is currently building a bioethanol refining plant at its pulp mill in Hallein. Starting from early 2021, the company expects to produce up to 30 million litres of bioethanol annually using residues from pulp production. The biofuel will be produced by fermenting and distilling wood sugar, according to Valmet.

News in brief: Vivendi acquires stake in Lagardère

Paris-based media conglomerate Vivendi has taken a stake in Lagardère, a fellow French media group. Vivendi announced it had acquired 10.6 per cent of Lagardère shares for an undisclosed sum. Vivendi's international activities include publishing, music, television, film, telecommunications and internet services. Lagardère has two main business areas: Lagardère Publishing, which includes books as well as e-books and games, and Lagardère Travel Retail, which, among other things, distributes printed media to train stations and airports.