

PPI Europe

PAPER, PACKAGING AND FIBER MARKET NEWS AND PRICES FOR EUROPE, THE MIDDLE EAST AND AFRICA

Prices for brown PfR grades increase again in April

After prices for the brown paper for recycling (PfR) grades started to rise in March following a period of stable prices of almost six months, the development continued in April. According to market insiders, prices for the bulk grades sorted mixed paper and board, supermarket corrugated paper and board and old corrugated containers (OCC) accelerated by some Euro 5-15/tonne in continental Europe, while UK market experts usually reported hikes of £5-10/tonne.

As with the previous month, the development was first and foremost attributed to low collection volumes. While demand from domestic paper mills was still limited as order intake in the paper sector remained weak, PfR stocks continued to be low on both the selling and buying side, and paper mills were willing to pay higher prices again, a move which also aimed to compete with export levels.

Pressure on prices in the deinking sector continued to be high in April and market players usually reported more drops of around Euro 10/tonne or some £5-10/tonne.

»» continued on page 3

RDM Group to snap up cartonboard producer Fiskeby

RDM Group has signed an agreement to acquire Swedish white-lined chipboard (WLC) producer Fiskeby. The price of the deal was not made public.

Fiskeby has an annual capacity of 170,000 tonnes/yr of WLC on its sole PM in Norrköping, largely for use in the food and beverage and household products markets in Sweden, Germany and the UK. The company is one of the oldest paper and board manufacturers in Europe with roots dating back to 1637.

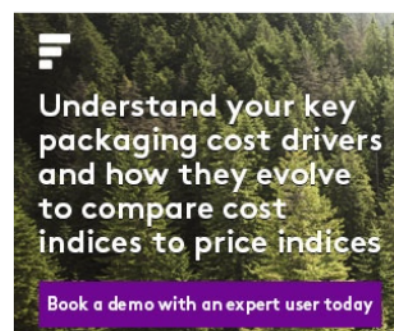
The deal is subject to regulatory approval and is expected to close by Q3 this year.

"Fiskeby fits into RDM's growth strategy [by] building upon our existing success and [presenting] new opportunities for the future," Fiskeby said in a press release.

"The acquisition we are announcing today demonstrates RDM Group's commitment to growing its market share in the recycled board market, to enhance the security of supply and to be able to serve pan-European customers in a multi-mill reinforced approach. We believe our recycled board offering is answering to the societal request to use more responsible recycled materials [...] After [a] couple of years of disruptive events, we are experiencing a major shift in economic trends and solution requirements, and our acquisition demonstrates the group's affirmative belief that fiber-based materials will continue to grow over the long term," said RDM Group CEO Michele Bianchi.

In this issue:

Graphic Paper Focus: April	2
Landslide hits Norske Skog mill	4
MM to convert Kwidzyn PM 1	5
Mondi taps Bellmer for Štětí PM	5
Essity starts strategic review	6



Fastmarkets RISI
News & Prices App



For more info:
risi.com/app

DID YOU KNOW...

...Regular copying or other redistribution of this publication—in whole or in part—violates U.S. copyright law and is punishable by fines plus attorney's fees. For subscription and other inquiries, including discounted bulk subscriptions, contact info.risi@fastmarkets.com.

Graphic Paper Focus: April

Newsprint prices drop: April saw a considerable decline in newsprint prices across the board. In the UK, where quarterly contracts remain the norm, prices came down £85-110/tonne in April, hitting £615-685/tonne for 42.5-g paper. Germany saw the smallest drop of around Euro 50-70/tonne, but given buyers there now largely eschew quarterly contracts and prices had already fallen in February and March, recent movements are comparable to the more abrupt April price declines in France and Italy. Across the three countries, 42-g and 42.5-g newsprint is selling in the range of Euro 790-840/tonne now. Spanish newsprint prices remained higher than in the other countries surveyed due to shipping costs from large producers, but dropped further on the low end, hitting Euro 810-870/tonne for 42-g paper.

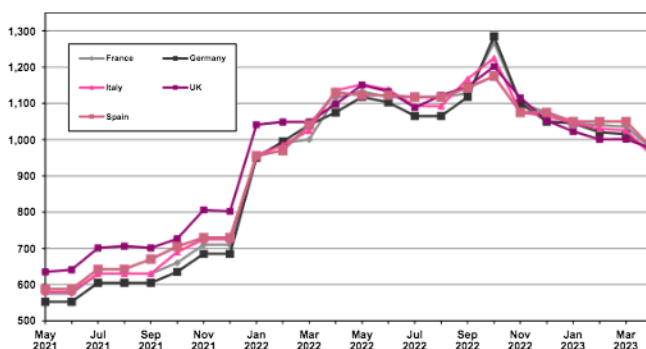
LWC still firmer than SC: Weak demand for magazine paper across the continent was reflected in plummeting supercalendered (SC) paper prices. High-end prices fell as much as Euro 120/tonne, faster than the bottom end, which fell around Euro 40-60/tonne, with most 56-g SC prices now reported in a tightened range of Euro 820-880/tonne in France, Germany and Italy. However, some prices north of Euro 900/tonne were still mentioned, especially in Spain.

Lightweight coated (LWC) paper prices were usually firmer on the low end of the range, where they were stable to down 35/tonne in France, Germany and Spain, but the high end of prices fell Euro 100-105/tonne, dropping and tightening most of the continental range for 60-g offset paper to Euro 950-1,000/tonne. Italy's bottom end fell further, down Euro 45/tonne to Euro 930/tonne, as shipments looked for buyers in a particularly weak market.

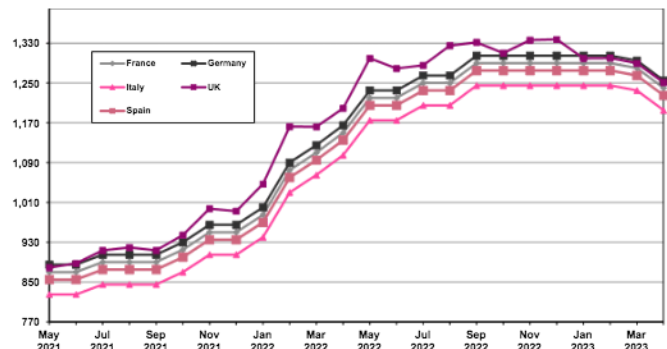
UWF prices head south: After prices for uncoated woodfree (UWF) paper, which had been stable for several months in spite of low demand and mounting pressure so far this year, started to crumble in March, April saw more widespread and higher decreases. According to market insiders, levels for both cut-sizes and offset reels and sheets fell by an average of around Euro 40-50/tonne, with only a few contacts still reporting unchanged levels or lower decreases. "Demand has been too weak for far too long. You can't create extra demand with lower prices, but in the end it's a question of supply and demand, and it is no secret that we have a huge imbalance there," a contact noted. While measures to reduce supply have been few and far between so far, MM Group announced last week that it will convert PM 1 at its Kwidzyn mill in Poland from copy paper to sack kraft paper production (see story on page 5). For now, it is still unclear when graphic paper production at the site will stop.

CWF levels fall: Prices for coated woodfree (CWF) paper also continued to decrease in April. Following initial drops of some Euro 20-40/tonne in March, levels fell by another Euro 40-50/tonne last month, with considerable higher drops also being mentioned in some cases. Consequently, it was no surprise that market players continued to resort to capacity management and called for permanent closures. Last week, a Lecta representative confirmed local press reports saying that the firm was eyeing options for its Condat PM 4, which can produce around 182,000 tonnes/yr. While he did not reveal whether or not the line was currently running, he said that it was being evaluated on a monthly basis, based on market conditions. "For the moment, a feasibility study is [being] done for a possible modification of PM 4, and all options are still on the table," he noted.

LWC offset reels - 60 g



Uncoated woodfree 80 g - A4 (B-grade) - sheets



Prices (Euro/tonne) are based on average monthly values.

Prices for high PfR grades fall amid tepid demand and decreasing pulp prices

»» continued from page 1

The same was true for the medium and high grades. Although arisings continued to be very low, demand was even weaker, and decreasing pulp prices added additional pressure. According to contacts, prices for the white grades, including the pulp substitutes, fell by around Euro 10-20/tonne or approximately £5-15/tonne in April.

"Regarding the high grades, the market is still adjusting prices downwards. Demand is very weak and although supply is also very limited, it exceeds the low demand, driving prices down month by month. In April we saw new reductions of Euro 10-20/tonne for all grades," a market insider commented.

Brown grade prices rise again:

Following the March increases, prices for sorted mixed paper and board, supermarket corrugated paper and board and OCC continued to accelerate in April. Market insiders attributed the development to low arisings and the need of domestic buyers to compete with export prices in order to safeguard volumes, although demand from domestic paper mills continued to be lackluster.

"Exports started to cause some tension in the domestic European markets. While buyers were still relaxed in recent weeks, the combination of new recycled containerboard capacities starting up, low OCC generation and continuing exports at prices that are considerably higher than domestic levels has given way to some nervousness," a market insider said in early April.

"Consequently, buyers are now trying to put a brake on exports by lifting domestic prices. Here

and there, OCC prices have increased by Euro 5-10/tonne, and in southern Europe, where prices were at very low starting levels, buyers paid up to Euro 20-25/tonne more," he added.

A contact in Spain confirmed the information. "Papermakers who did not move prices in March because they had healthier stock levels than many of their industry peers, were willing to pay up to Euro 25/tonne more [in April], and the ones who moved prices in March by Euro 10-15/tonne complemented those hikes with a new increase in April, bringing the total hikes since February to around Euro 25/tonne," he explained.

He added that collection volumes in the country were slowly starting to improve as expectations of a very strong tourist season were fueling overall business activity. At the same time, demand from Spanish paper mills was reportedly on the rise as well, while exports remained weak but showed steady prices. "All in all, the market is very calm even though domestic paper mills have very low stocks after the Easter holidays, and I don't expect this to change in May," he noted.

"The European paper industry remains weak with high [finished goods] inventories and poor order books. PfR prices have remained stable or increased slightly solely because of low arisings and paper mills' concerns that availability will get worse going forward," another market insider commented.

According to him, the only way to reduce losses on the paper production side has been downtime, a move that has become very common in all sectors. "With the advent of a further 3 million tonnes/yr of [recycled containerboard] capacity

in Europe this year, it is expected that the market will become even more saturated, that prices will continue to weaken and that there will be some casualties in this sector," he added.

Medium, high grades drop: Prices for the medium and high grades remained under high pressure in April, and market insiders reported that prices for all grades in this sector fell or continued to fall. "Practically all grades are on a continuous way down. Sometimes the drops are limited to around Euro 5/tonne, but there have also been decreases of up to Euro 25/tonne," a contact noted.

Several market sources said in April that prices for the pulp substitutes, which had been largely immune to the decreases in the medium and low white grade sectors so far, started to head south as well, attributing the development to weak demand and decreasing pulp prices.

"We are now also seeing lower prices for the pulp substitutes and it looks like more decreases are to come. This is strange because normally prices would rise during this time of year to prepare inventories for the upcoming bank holidays and the start of the summer vacation period," one of them said.

"Prices and demand in this sector are very weak. Prices have dropped by up to £20/tonne and we anticipate more reductions throughout Q2," a contact in the UK noted. He added that the reduced availability was a clear result of lower consumer spending and that the only hope for slowing down the current trend was that people start spending more with the onset of summer.

Stability in May? At the end of April, several contacts said that the PfR sector had become very quiet and that they were expecting stable prices in May, at least for the bulk grades.

"Arising are low, demand is low and papermakers are still taking downtime and trying to run down inventories. Exports used to bring some life to business in recent months, but that is no longer the case either," one of them said.

"Not that there are any dramatic price changes, but there is no or insufficient buying. The market has been at a standstill since the latest increases [for the bulk grades], and we don't expect that to change in May," he added.

A contact in Spain, where prices for the bulk grades saw the highest increases over March and April, shared a similar view. "We are not expecting any price movements for May. Spain is a big importer of material from France, and the May bank holidays in the country will make it difficult to import from there. So even if there is more supply and less export demand, low [domestic] inventories and the situation in France make everybody believe that prices will be unchanged," he explained.

Regarding the medium and high grades, most contacts said in late April that they were expecting more decreases in spite of the upcoming bank holidays and the usual trend at this time of year.

Graphic Paper

Landslide halts 260,000 tonne/yr SC machine at Norske Skog's Saugbrugs mill in Norway

A landslide early in the morning of April 27 has interrupted

operations on the larger of two supercalendered (SC) paper machines at Norske Skog's Saugbrugs mill in Halden, Norway. According to the firm, no one was injured.

Norske Skog announced that housing, machinery and equipment peripheral to the 260,000 tonne/yr PM 6 was damaged to the extent that it was not possible to enter the area for a full evaluation of the situation on the day of the event.

"We have engaged geologists and technical personnel to map and secure the landslide area and building," said a spokesperson for the company on Wednesday. "It will be a long stop, and we cannot currently give any time estimate for it," he added.

PM 4, a 100,000 tonne/yr SC paper machine at the Saugbrugs mill, remains in operation. The other unit at the site, PM 5, ceased production permanently at the end of 2020.

The spokesperson said that there would be no immediate interruption in SC paper deliveries to customers.

CEO steps down: The landslide took place the same morning Norske Skog announced that Tore Hansesætre would replace Sven Ombudstvedt as CEO on June 1.

Ombudstvedt became CEO of Norske Skog at the beginning of 2010. He left the position in May 2017 ahead of a refinancing measure and reassumed the position in April 2019.

Results down: In its announcement of the change, Norske Skog highlighted that Hansesætre had been leading the firm's diversification into the containerboard sector, referring to the conversion of newsprint

capacity in Austria and France.

The firm restarted the rebuilt PM 3 at its Bruck, Austria, mill at the end of Q1, and expects a 95% utilization rate of its 210,000 tonne/yr testliner and fluting capacity in H2 2025. PM 1 at its Golbey mill in France is still on track to restart as a 550,000 tonne/yr recycled containerboard machine during the final quarter of the year.

In the meantime, the firm's Q1 2023 results – which were also announced the morning of the landslide – saw its operating income decrease significantly from the year-earlier period and the final quarter of 2022.

The firm ascribed this to a weaker publication paper market, including on the pricing side relative to Q4 2022, and lower prices for the sale of excess energy.

"It is expected that the development of costs and paper demand will influence paper prices in Europe," the firm stated. "Norske Skog's European operations are cost-competitive, and the group will temporarily adjust production to customer demand. Simultaneously, Norske Skog will continue to develop the industrial sites, including further conversions and new initiatives within renewable energy and bioproducts," the company added.

Holmen invests in fluting swing capacity on graphic paper PM 52 at Braviken mill in Sweden

Holmen has announced it is investing SEK 450 million (\$43.7 million) in rebuilding PM 52 at its Braviken mill in Sweden to allow it to produce fluting as well as graphic paper.

The firm ascribed the move to

Braviken's access to local wood for furnish and to fossil fuel-free energy, as well as to Holmen's desire to continue diversifying into the corrugated packaging sector.

According to a spokesperson for the firm, the work, which will be carried out in mid- to late-2024, will not change the capacity of the 290,000 tonne/yr PM, which currently produces book paper and other publication paper grades.

Besides allowing for fluting production, the work will also enable the machine to produce a broader, heavier range of book paper. The spokesperson declined to estimate what the production split between graphic paper and fluting will be.

Besides PM 52, Holmen runs PM 53 at the site, a 310,000 tonne/yr graphic paper unit that can also produce some packaging paper.

Packaging

MM to invest Euro 660 million in Kwidzyn mill, convert PM 1 to sack kraft production

MM Group (MM) will invest some Euro 660 million (\$725.5 million) at its Kwidzyn, Poland, mill in a three-part project addressing energy reduction and carbon footprint, pulp integration and a conversion of the site's PM 1 from copy paper to sack kraft paper.

The conversion of the Kwidzyn PM 1 is a move which the company said would help to decrease exposure to the declining copy paper segment and establish a market presence in the strengthening sack kraft paper market.

In terms of energy, MM plans to install a new recovery boiler and steam turbine which will reduce energy costs as well as

carbon footprint. Eventually, the group hopes to achieve net zero carbon emissions.

Lastly, a second pulp line and pulp dryer will be installed to reduce the dependence on market pulp.

MM plans to finance the project with internally generated funds and the works are expected to last to 2026 with payments lasting until 2027.

The Kwidzyn mill, which was acquired from International Paper in 2021, will be the site of MM's first foray into sack kraft paper production. PM 1 currently has a capacity of 200,000 tonnes/yr and is the company's sole graphic paper machine.

Bellmer to supply new sack kraft PM for Mondi's Štětí mill

Mondi has chosen Bellmer to provide a new sack kraft PM at its flagship Štětí, Czech Republic, mill.

In October of last year, Mondi announced that it would be investing Euro 400 million (\$439.7 million) in a new PM at the mill.

The investment is due to growing demand for sustainable packaging and e-commerce and is part of a broader Euro 1 billion program from Mondi to accelerate sustainable packaging growth.

The new machine is expected to be commissioned in 2025 and is estimated to provide an additional 210,000 tonnes/yr of capacity. Full capacity is expected to be reached in 2027. Bellmer's scope of supply will also include automation solutions.

In 2021, Bellmer already rebuilt a PM to sack kraft paper production at the mill, a Euro

67 million project, which started up in October of that year.

Ranheim Paper & Board taps Toscotec for PM 5 rebuild

Norway's Ranheim Paper & Board has chosen Toscotec to carry out a rebuild of PM 5 at its mill in Ranheim. The price of the order was not made public.

The work is scheduled for Q3 of this year and the rebuild will increase the PM's capacity and efficiency. Currently, PM 5 produces a number of recycled board grades in a basis weight range of 220-540 g/m².

The first phase of the works includes the installation of new felt runs and some internal felt loops to enhance production efficiency. The scope of supply includes commissioning and start-up assistance as well as complete erection.

"This rebuild represents a strategic investment aimed to increase the production and efficiency of PM 5. We selected Toscotec because we knew their ability to successfully manage rebuild projects, and we were impressed with their technical solution during the discussion of the project," said Ranheim Paper & Board managing director Øistein Vedahl.

The Ranheim mill currently has 215 employees and a capacity of 120,000 tonnes/yr of paper and 50 million m² of solid board.

DS Smith and E.ON officially open new CHP plant at Kemsley mill in Kent

DS Smith and energy provider E.ON have unveiled a new combined heat and power (CHP) plant at DS Smith's Kemsley recycled containerboard mill in Kent, UK. Work on the project began in 2019, with E.ON financing, building

and operating the facility.

The CHP plant has a capacity of 73 MW, generating steam and power to help the Kemsley mill manufacture around 830,000 tonnes/yr of paper. It produced its first energy in 2022 and, according to DS Smith, will reduce CO2 emissions by 36,000 tonnes/yr. The official ribbon-cutting ceremony took place on April 25.

"Leading the way in reducing the impact papermaking has on our environment is something we are passionate about – it's important to us, our customers and the communities in which we operate. This is one of a number of projects we have across Europe and North America that will help us to reduce greenhouse gas emissions by 46% on an absolute basis by 2030, compared to 2019 levels, and to reach net zero emissions by 2050," DS Smith head of paper & recycling Niels Flierman commented in a statement.

Manfred Wirsing, managing director of E.ON energy projects, added: "We are delighted the new site for our partner DS Smith here in Kemsley has come online. This successful project is another example of how we are driving decarbonization for our industrial customers and their production processes across Europe. The new energy solution we have implemented on site will make DS Smith more independent and flexible and, with a high degree of automation, optimally positioned for the future."

Tissue

Essity starts strategic review of European consumer tissue private label business and Vinda share

Essity has decided to initiate a

strategic review of its consumer tissue private label Europe business and its stake in the Asian hygiene company Vinda. The firm aims to reduce the consumer tissue business' share of total sales.

"Essity continuously evaluates the product portfolios within the company's three business areas, health & medical, consumer goods and professional hygiene, to achieve increased long-term value creation. In line with this, Essity is initiating a strategic review of the company's ownership of Vinda and the consumer tissue private label Europe business," Essity said in a statement. "The strategic review includes exploring different options and may result in divestments, although no such decisions have yet been taken," the firm added.

Essity's net sales for 2022 amounted to approximately SEK 156 billion (\$15.1 billion), of which Vinda accounted for some 16% and the consumer tissue private label Europe business for about 6%.

The consumer tissue private label Europe business encompasses seven production facilities in Belgium, France, Germany and Italy with approximately 1,900 employees. Last year, the segment's net sales amounted to some SEK 9.8 billion, corresponding to about 15% of total net sales in the consumer tissue category.

Essity's ownership in Vinda amounts to 51.59%. The company is listed on the Hong Kong Stock Exchange and generated net sales of approximately SEK 25.1 billion last year, of which 83% were related to tissue and 17% to personal care.

Maximize value: According to Essity president and CEO Magnus Groth, consumer tissue is the group's most capital-intensive

business and also the business that is most dependent on fluctuating pulp and energy prices. However, the group is in no rush to take a decision about the future of the businesses subject to the review, he suggested.

"We are looking at different options and we are early on in this process, so no decisions have been taken. We are not in a hurry. We are aiming to maximize value. So this is something we are doing step by step, and as you can see, it is approximately 22% of Essity's sales that's subject to this review," Groth said during the firm's Q1 results presentation.

He added that Vinda was included in the strategic review because it generates 83% of sales in the consumer tissue area. "It is a fantastic company, well-managed, strong brands, strong market positions in attractive markets, but this dependence on consumer tissue is the reason why we are including it in this review," Groth noted.

"It's good timing for the entire strategic review now that the private label division is back on track after the pandemic and performing well, and I am convinced that Vinda will have a strong second half of the year as raw material prices are expected to decrease in China and in southeast Asia throughout the year," he added.

Sofidel finalizes takeover of Hakle trademark and other brands

Following the go-ahead from the German antitrust authority Bundeskartellamt, Italy's Sofidel has closed the previously announced deal to take over several brands, intellectual property rights and domains from the German tissue products

specialist Hakle. The price tag of the deal, which was made public in late March, was not disclosed.

According to Sofidel, the transaction included the brands Hakle in the toilet tissue segment, Hakle Feucht in the moist toilet tissue area and Dick&Durstig and Servus in the kitchen towel segment. "Thanks to the acquisition we significantly strengthen our positioning on the German market for toilet tissue and kitchen towels and also enter a new category, moist toilet tissue," Philippe Defacqz, Sofidel vice president marketing & sales – brand, said in a statement.

Hakle announced in early September last year that it would start a restructuring process under self-administration. The company ascribed the move to the development of costs for energy and raw materials.

"Since the beginning of the coronavirus pandemic in 2020, the energy-intensive paper industry has been subject to severe upheavals in the global raw materials, logistics and energy markets, and the war in Ukraine has further aggravated the situation," the firm said in a statement in September. "The massive cost increases for raw material and energy procurement as well as transport could not be passed on to customers in the retail and drugstore sectors in a timely manner," it added.

The Sofidel deal enables Hakle to continue paper production and processing at its site in Düsseldorf-Reisholz.

Ontex closes sale of Mexican business to Softys

The Belgian producer of disposable personal hygiene products Ontex has closed the planned sale of

parts of its business activities in Mexico to Softys, a wholly-owned subsidiary of Chile's Empresas CMPC. The Euro 265 million (\$291 million) transaction was announced in July 2022 and was originally expected to close by early 2023. Proceeds from the sale will be used to repay debt.

Ontex's business in Mexico develops, manufactures and distributes baby diapers, baby pants, adult diapers and feminine hygiene products. The transaction included the firm's manufacturing facility in Puebla and related exports to regional markets. The firm's plant in Tijuana was not part of the deal.

"With this transaction we make a significant step in the implementation of our strategy and in strengthening our balance sheet. While there is more to accomplish, reaching this milestone allows us to focus further on our partner brands and healthcare business in the core markets of Europe and North America, where we have significant growth drivers for the future," Ontex CEO Gustavo Calvo Paz commented in a statement.

Turkey's Predo enters adult and femcare market, orders new equipment from Andritz

Predo Health Products (Predo), one of Turkey's leading manufacturers of baby care products, is expanding its business to other hygiene sectors. The firm recently tapped Andritz for two high-speed converting lines to produce adult open diapers and feminine sanitary napkins, marking its entry into the growing adult and femcare market.

According to Andritz, the lines will be installed at Predo's factory in Gaziantep, where the firm already operates four Andritz baby diaper lines. Start-up of the new equipment is scheduled for the first half of 2024. The value of the order was not disclosed.

"We have again placed our confidence in Andritz as we are very satisfied with the installed lines and the first-class service," Predo owner Ibrahim Uygur said in a statement. "Especially during the difficult times we recently faced in Turkey due to the earthquake, Andritz supported us with perfect service. This enabled us to maintain our production level and serve our customers in time," he added.

PPI Europe

© 2023 RISI, Inc. All rights reserved. No part of this publication may be reproduced without the written permission of the copyright owner.

Editorial Staff

Steven Sachoff, Editor (market pulp) steven.sachoff@fastmarkets.com; +32.2.536.0736
Daniela Wortmann, Deputy Editor (PFR, woodfrees) daniela.wortmann@fastmarkets.com; +32.2.536.0737
Anne Grimbert, Senior News Editor (containerboard) anne.grimbert@fastmarkets.com; +32.2.536.0767
Jessica Zimbalatti, Senior News Editor (mechanical papers, containerboard Italy) jessica.zimbalatti@fastmarkets.com; +32.2.536.0756
Ben Fisher, News Editor (cartonboard, sack kraft) ben.fisher@fastmarkets.com; +32.465.88.61.83

Editorial office

Fastmarkets RISI, 231 Avenue Louise, B-1050 Brussels, Belgium; tel +32.2.538.6040

Subscriptions and customer service

Call +44 (0) 203 855 5581 (EMEA), +1 (708) 329-2641 (Americas) or +65 3163 3458 (Asia);
visit risi.com/catalog (new subscriptions) or risi.com/contact (online customer service);
email info.risi@fastmarkets.com; or mail to Fastmarkets RISI, 231 Avenue Louise, B-1050 Brussels, Belgium.
Published 48 times per year on a weekly basis.

Advertising

PPI Europe accepts advertising. For information on pricing and availability, please contact Remy Poos at: rpoos@fastmarkets.com; +32 497 050 735.

Executives

Raju Daswani Chief Executive Officer
Matt Graves Senior Vice President