

Corrugated Market Briefing

March 2022

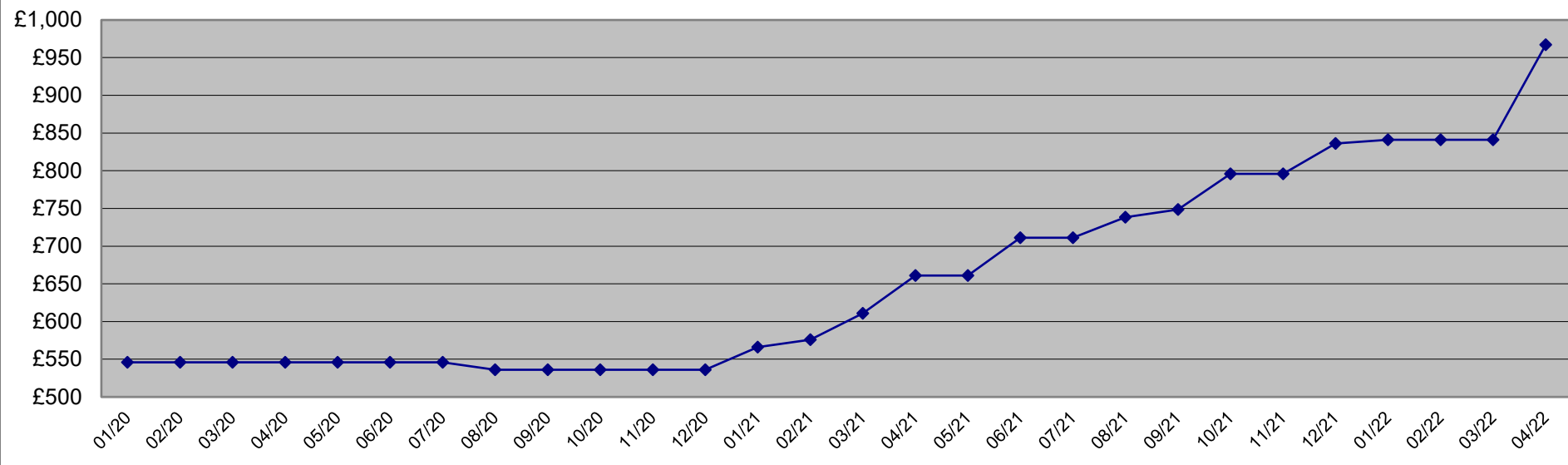
Know It All packaging newsletter

Situation Overview

- The price of energy has spiked in the UK and throughout Europe because of the Russian war in Ukraine
 - Papermaking is energy intensive and mills need €263/tonne to stand still
 - An initial paper price rise of €150/tonne is being applied in March and April
- Other inflationary pressures are also biting
 - The price of oil is up 47% so far this year
 - The UK minimum wage is rising by 6.6% in April
 - Waste paper for making recycled boxes is up by 5% so far this year
 - General UK factory input inflation is running at 13%
- The above factors are combining to prompt a circa 14% price rise in sheet board

Kraftliner Paper Prices +16% Since Dec 2021

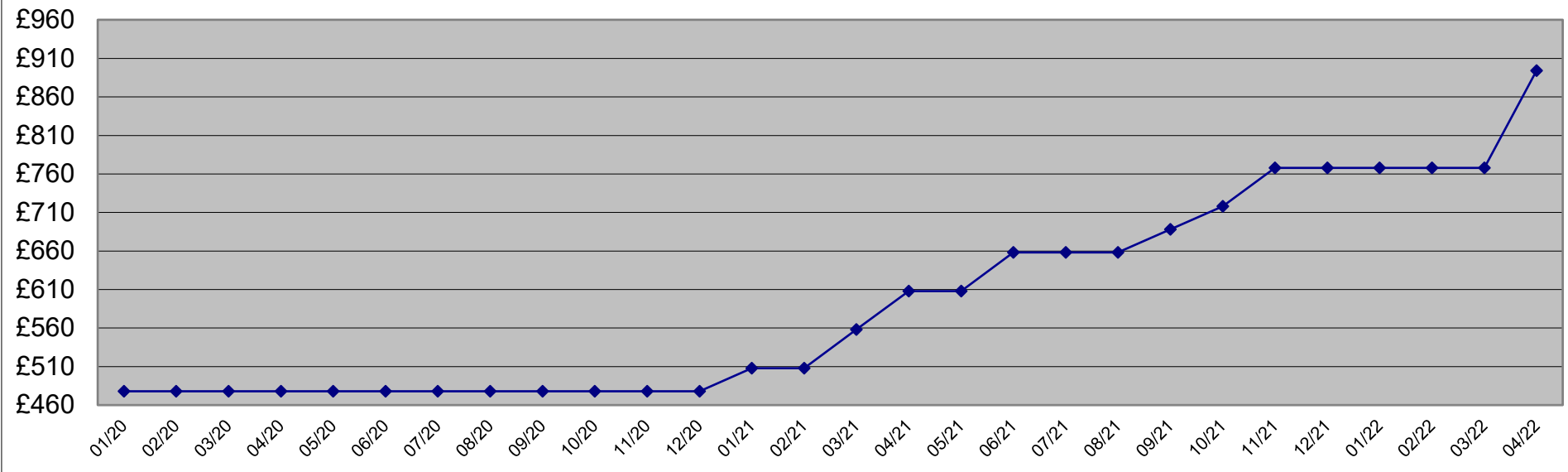
Monthly Prices - Kraft



Source : Know It All packaging newsletter

Fluting Paper Prices +16% Since Dec 2021

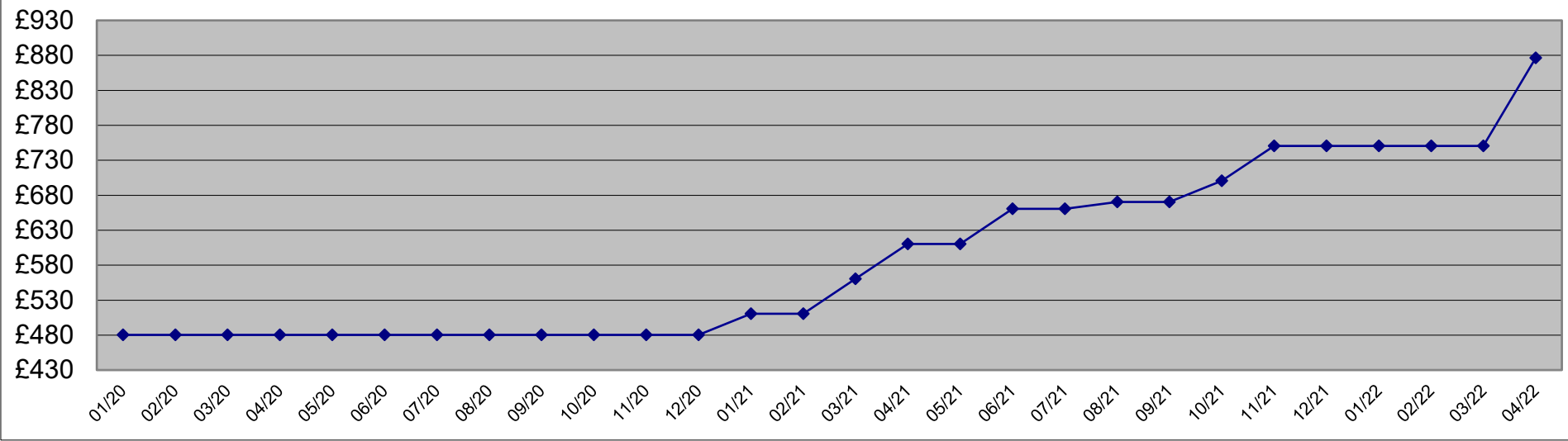
Monthly Prices - W/B Fluting



Source : Know It All packaging newsletter

Testliner 3 Paper Prices +17% Since Dec 2021

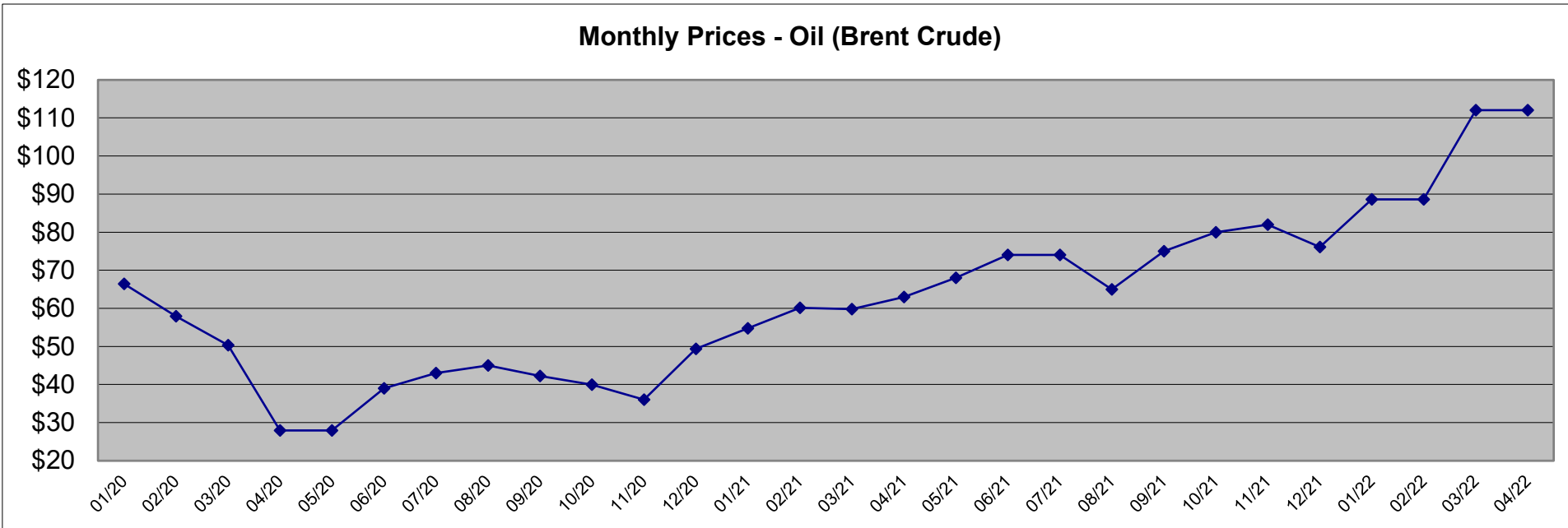
Monthly Prices - Test 3



Source : Know It All packaging newsletter

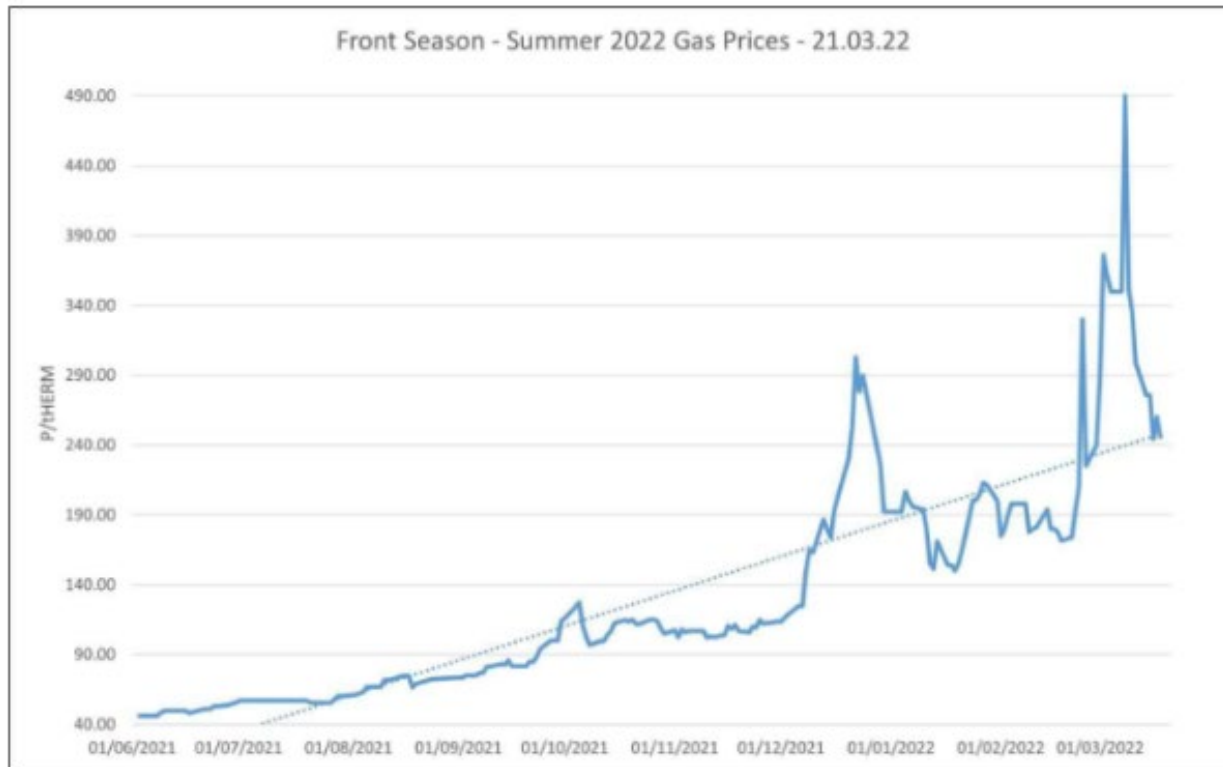
Oil Prices +47% since Dec 2021

Monthly Prices - Oil (Brent Crude)



Source : Know It All packaging newsletter

UK Wholesale Gas Prices +600% since June 2021



Source : <https://www.catalyst-commercial.co.uk/wholesale-gas-prices/>

Looking Ahead

- This upcoming price rise will not be enough for those paper mills that are dependent on gas
 - They need €263/tonne but the market is only applying €150/tonne at this stage
- Hence, a number of paper mills have temporarily closed throughout Europe
 - This will soon cause a shortage of paper and will probably drive a second Europe-wide price rise by the summer
- Security of supply will be at least as critical as price

Supporting articles

APPENDIX

European CEOs weigh Ukraine-Russia, energy and sustainability during panel at Fastmarkets RISI's 2022 European conference

BRUSSELS, 9 March 2022 (Fastmarkets RISI) - "If [the energy crisis] lasts much longer for the industry, it will be devastating," Sappi CEO Marko Eikelenboom warned the audience during a CEO panel discussion that also included MM Group CEO Peter Oswald and Progroup CEO *Jürgen* Heindl at Fastmarkets RISI's annual conference in Lisbon on Wednesday. The discussion was wide ranging, touching on topics from the energy fallout of the Russian invasion of Ukraine to the bubble seen on the graphic paper market to the impact of e-commerce on the industry

Oswald agreed with Eikelenboom's assessment on energy, adding, "Europe is in a very difficult situation. Eighty percent of gas in Austria comes from Russia. The question is: Will the deliveries stop, and what will it mean for our industry?" Oswald laid out a few possibilities for companies grappling with the skyrocketing energy costs which, according to him, are higher today than the full price of the paper and board products a year ago.

"[Mills] may have to shut down for some time, [maybe] weeks or months. The second alternative is you pay enormous prices today. [The third option] is that many companies will declare force majeure. Everyone is hedged to a certain degree, but the question is, if you don't get gas, then it doesn't help you that it would be much cheaper than the market price [...]. For months to come, maybe years to come, it will be part of our lives," he added.

Italian paper mills temporarily stop production due to extremely high gas prices

BRUSSELS, 9 March 2022 (Fastmarkets RISI) - Some Italian paper mills are temporarily suspending production because of skyrocketing energy prices.

According to the Italian paper producer association Assocarta, the cost of gas to produce one tonne of paper is currently much higher than sales prices.

Assocarta said that gas prices were five times higher in December 2021 compared to the beginning of last year, but during the last few days they are ten or even fifteen times higher.

“We resisted, even by producing below break-even, but today more and more paper mills are either stopping or reducing their activity,” Assocarta president Lorenzo Poli said in a statement. He added: “The pandemic did not stop us, but the energy shock due to the conflict between Ukraine and Russia is managing to do so.”

Pro-Gest announces suspension of production at its six paper mills operating in Italy due to further increase in natural gas prices

ISTRANA, Italy , 7 March 2022 (Press Release) - Pro-Gest, Italy's leading player in the paper industry, announces that production at the Group's 6 paper mills operating in Italy will be suspended due to the further increase in natural gas prices. Following the rapid escalation of natural gas prices, now at historic highs, Pro-Gest is resorting to force majeure and deciding to temporarily stop production of all 9 of its corrugator and tissue paper machines.



Saica to lift prices for brown and white containerboard grades in Europe from March 16 and April 1

BRUSSELS, 9 March 2022 (Fastmarkets RISI) - Saica has started to inform customers in Europe of a price increase for its recycled containerboard (RCCM) grades due to the rising energy and paper for recycling prices as well as transport costs.

In Iberia, the company plans to lift prices for its Duosaica, Saica Medium and Interliner grades, as well as its Hidrosaica and Hidroplus Saica grades and its standard white coated qualities, by Euro 125/tonne (\$136/tonne) from March 16, the firm told Fastmarkets RISI. The standard white uncoated grades will increase by Euro 100/tonne. Prices for the Saikraft and Nature Kraft kraftliner substitutes will also move up by Euro 50/tonne from March 16, with another potential increase from April 1, according to the firm.

In the rest of Europe, Saica also plans to raise prices for all its RCCM grades by Euro 100/tonne from April 1.

Palm to slap Euro 200/tonne surcharge on newsprint deliveries from mid-March

BRUSSELS, 10 March 2022 (Fastmarkets RISI) - Germany's Papierfabrik Palm has informed customers of an upcoming surcharge on newsprint deliveries. From March 16 until the end of the month, the firm will charge an extra Euro 200/tonne (\$220/tonne).

Delkeskamp closes down production due to energy costs

High energy costs force Delkeskamp to close down

10 Mar 2022 – **German manufacturer of corrugated case material Delkeskamp Verpackungswerke is permanently closing down paper production at the Nortrup site due to high energy costs.**

The company, which has a capacity to produce 135,000 tpy of corrugated case material per annum, says that current energy costs make production economically unviable. The 70 employees at the Nortrup site will lose their jobs.

Ukraine conflict might entail severe setbacks to paper business in Germany

Industry worried that gas prices might rise even higher

In response to the Ukraine conflict and potential sanctions on Russia, market experts anticipate severe setbacks also in the paper business. Future deliveries of pulp and paper should be viewed under a large question mark, say market sources. Meanwhile, newsprint availability remains limited with no relief in sight. Producers have rung in higher prices in the second quarter.

Recovered paper prices in France increase amidst shorter supply

22 Feb 2022 – Although paper mills have still sufficient amounts of recovered paper on stock, prices for several grades increased in February on the French market.

Prices have again started to rise on the French recovered paper market. The ordinary grades and some of the higher grades became more expensive

in February. Market reports indicate that supply is not excessive and demand is healthy.

February is generally a month of low collection volumes. Several merchants furthermore noted that demand from Germany for ordinary recovered paper grades had been strong and occasionally gave rise to high spot prices on the market. Some suppliers also found better selling opportunities in Asia.

