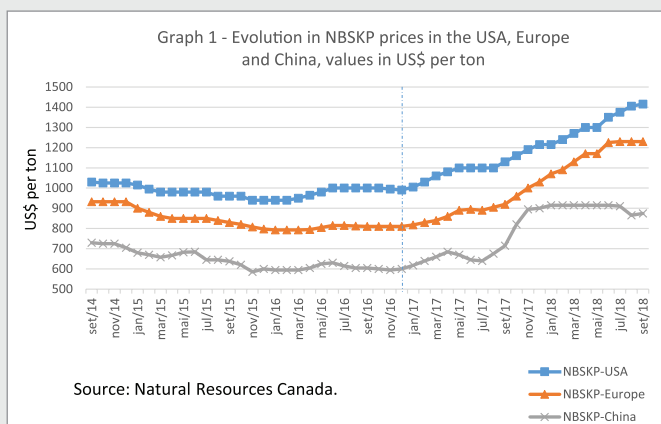




BY CARLOS JOSÉ CAETANO BACHA
Full Professor at ESALQ/USP
E-mail: carlosbacha@usp.br

DOLLAR PRICE INCREASE PER TON OF NBSKP IS CONFIRMED IN THE UNITED STATES IN THE 3RD QUARTER OF 2018

The information already consolidated for September (see Graph 1 and Tables 1 and 2) confirms that the dollar price for the ton of Northern Bleached Softwood Kraft Pulp (NBSKP) is in fact increasing in the United States in the second semester of 2018. Note in Table 1 that the price quote for this product reached a list price of US\$ 1,415 per ton in the United States in September, and RISI, in its news website, informed that the product was traded at US\$ 1,420 per ton at the end of October in the USA. And there are producers still asking for new values in November of up to US\$ 1,460 per ton of NBSKP to be sold in the USA. However, there are analysts who believe this peak is reaching the end.



In Europe, different from the USA, this price increase in dollar per ton of NBSKP is not happening in the third quarter of 2018, despite the increase in euro quotes for this product. This increase in the euro price per ton of NBSKP is due to the euro's devaluation in relation to the US dollar in the last two months.

The price increase in euros per ton of pulp in Europe has led paper manufacturers to increase prices in euros for some of their products. For October, there are European manufacturers asking for increases of 7% to 8% on offset paper prices in euros, justifying this increase with the cost increase they incurred buying pulp.

In Brazil, we see a stable list price of US\$ 1,050 per ton of BHKP between August and November (see Table 3). But with average size clients, we are seeing a reduction in discounts, resulting in a higher average price paid by these clients per ton of BHKP (see Table 3).

In sales of printing and writing paper and packaging from large industries to big buyers in the São Paulo market (see Tables 4 to 6), we did not see any price variation in Brazilian reais in November compared to October prices. But there was a significant price drop in offset and coated paper in November compared to October in sales from distributors to small print and copy shops in the Campinas region (see Table 7). This drop is partially due to the exchange rate reduction in the dollar versus

Table 1 – Dollar prices of Northern Bleached Softwood Kraft Pulp (NBSKP) in the United States, Europe and China and the price per ton of Bleached Chemithermomechanical Pulp (BCTMP) in China

Product	June/18	July/18	Aug/18	Sept/18
NBSKP – USA	1,350	1,375	1,405	1,415
NBSKP – Europe	1,225	1,230	1,230	1,230
NBSKP – China	915	910	865	875
BCTMP – China	620	608	595	595

Source: Natural Resources Canada

Notes: NBSKP = Northern Bleached Softwood Kraft Pulp;
BCTMP = Bleached Chemithermomechanical Pulp

Table 2 – Prices per ton of Northern Bleached Softwood Kraft Pulp (NBSKP) and Newsprint in the United States

Product	4Q2017: average	1Q2018 average	2Q2018: average	Jul/18	Aug/18	Sept/18
NBSKP	1,155.70	1,213.50	1,277.80	1,286.00	1,286.00	1,346.00
Newsprint	557.00	577.80	611.10	603.00	647.00	647.00

Source: Haver Analytics, Bloomberg, RBC Economics Research

Table 3 – Prices per ton of hardwood pulp (dried) put in São Paulo – in US dollars

			Sept/18	Oct/18	Nov/18
Domestic sales	List price	Min.	1,050.00	1,050.00	1,050.00
		Avg.	1,050.00	1,050.00	1,050.00
		Max.	1,050.00	1,050.00	1,050.00
	Avg. client	Min.	763.88	763.88	763.88
		Avg.	930.90	936.03	937.06
		Max.	1,015.96	1,028.30	1,030.43
External sales	Avg. price		536	548	n.a.

Source: Grupo Economia Florestal – CEPEA/ESALQ/USP and MDIC, n.a. Value not available.
Note: Selling prices in the internal market do not include taxes.

the Brazilian real (R\$) following the presidential elections in Brazil, which reduced prices in reais of imported paper that competes with local paper. This places pressure for discounts on paper sales from distributors to small print and copy shops.

In the São Paulo recycled material market, we see consistent price increases of these products in October compared to September (with few exceptions) and are due to the increased demand for recycled material by paper manufacturers because of the increase in pulp prices.

Table 4 – Average prices per ton of paper put in São Paulo (in R\$) – without ICMS and IPI but with PIS and COFINS – domestic sales by the industry to big consumers or dealers

Product		Jul/18	Aug/18	Sept/18	Oct/18	Nov/18
Skid	Packaging	5,640	5,825	5,668	5,668	5,668
Duplex Board	Ream	6,109	6,296	6,183	6,183	6,183
	Reel	6,059	6,240	6,176	6,176	6,176
Offset Paper		3,033	3,030	3,106	3,084	3,084

Source: Grupo Economia Florestal – CEPEA/ESALQ/USP. / Note: prices of cut size paper are under review.

Table 5 – Average prices per ton of paper put in São Paulo (in R\$) – with PIS, COFINS, ICMS and IPI – domestic sales by the industry to big consumers or dealers

Product		Jul/18	Aug/18	Sept/18	Oct/18	Nov/18
Skid	Packaging	7,222	7,458	7,258	7,258	7,258
Duplex Board	Ream	7,823	8,062	7,917	7,917	7,917
	Reel	7,759	7,991	7,908	7,908	7,908
Offset Paper		3,884	3,880	3,978	3,948	3,948

Source: Grupo Economia Florestal – CEPEA/ESALQ/USP. / Note: prices of cut size paper are under review.

Table 6 – Average prices without discount and without ICMS and IPI (but with PIS and COFINS) per ton of fluting, testliner and kraftliner paper (in R\$) put in São Paulo – DOES NOT INCLUDE INTERNAL TRANSFER PRICES

	Jun/18	Jul/18	Aug/18	Sept/18	Oct/18	Nov/18
Fluting	2,097	2,117	2,156	2,155	2,155	2,155
Testliner	2,150	2,150	2,192	2,206	2,206	2,206
Kraftliner	2,811	2,938	2,938	2,938	3,040	3,040
Sack kraft	3,017	3,017	3,017	3,017	3,017	3,017

Source: Grupo Economia Florestal – CEPEA/ESALQ/USP.

Note: Some prices in this table were revised in relation to previous publications. These revisions continue underway.

Table 7 – Prices per ton of offset paper cut into sheets and coated paper as sold by dealers (in R\$ and per kg) – put in the Campinas (SP) region

		Aug/18	Sept/18	Oct/18	Nov/18
Offset cut into sheets	Min. price	3.45	3.45	3.45	3.45
	Avg. price	6.55	6.56	6.56	6.28
	Max. price	11.06	11.06	11.06	11.06
Coated	Min. price	5.80	5.80	5.80	5.80
	Avg. price	7.18	7.40	7.53	7.43
	Max. price	8.50	8.50	8.50	8.50

Source: Grupo Economia Florestal – CEPEA/ESALQ/USP.

Table 8 – Prices per ton of kraftliner paper in US\$ FOB for export – without ICMS and IPI - Brazil

		Jul/18	Aug/18	Sept/18	Oct/18
Exports (US\$ per ton)	Min.	750	534	620	633
	Avg.	751	707	685	684
	Max.	760	779	760	909
Imports (US\$ per ton)	Min.	493	490	485	485
	Avg.	493	490	485	485
	Max.	493	490	485	485

Source: Aliceweb, NCM code 4804.1100

INTERNATIONAL MARKETS

Europe

It is clear in Graph 1 that dollar prices per ton of NBSKP in Europe are stable from July through September (at US\$ 1,230 per ton, see Table 1), while the price in dollars for this product increases in the United States.

As already mentioned, in the last two months the dollar has devalued in relation to the euro, with the exchange rate going from US\$1.15 per €1.00 to US\$1.12 per €1.00. As such, US\$1,230 two months ago equaled €1,070 and is now worth €1,098, a significant increase of almost 3%.

This price increase in euros for pulp in Europe has led paper manufacturers to increase prices in euros for their products and/or increase the use of recycled material. In the first example, we see offset paper manufacturers which announced increases of 7% to 8% in their list prices for October. In the second category, increasing the use of recycled material, we see manufacturers of brown line packaging paper, like kraftliner. With the use of more recycled material, these manufacturers are trying to not increase prices in euros. In fact, in the last three months ended October, there were no list price increases in euros for kraftliner paper in Europe (according to Euwid graphs).

USA

The information for September regarding dollar prices per ton of NBSKP in the USA from Natural Resources Canada (Table 1) and from Royal Bank of Canada (Table 2) coincide in reporting an increase in prices, even though they are not the same regarding how much. As previously mentioned, we see a price increase in dollar for this product in October and new increases announced for November. According to NRC (see Table 1), the list price per ton of NBSKP in the USA was US\$1,415 in September and there's news in RISI's website reporting prices of US\$1,420 per ton at the end of October. And there are manufacturers asking for US\$1,460 per ton of NBSKP in the USA for November. But there are analysts indicating that this price may not hold.

The dollar price per ton of newsprint in the USA in September remained stable in relation to August (US\$647 per ton see Table 2).

Table 9 – Prices per ton of recycled material put in São Paulo (in R\$)

Product		September 2018			October 2018		
		Min.	Avg.	Max.	Min.	Avg.	Max.
White recycled material	1 st	780	1,233	2,200	780	1258	2300
	2 nd	420	659	1,250	420	672	1250
	4 th	300	537	850	300	545	880
Brown recycled material (corrugated)	1	310	551	750	310	563	750
	2	280	521	720	280	537	720
	3	280	418	640	280	448	660
Newsprint		290	548	1,100	290	613	1300
Folding Board	1	500	634	720	500	634	720
	2	300	475	650	300	525	750

Source: Grupo Economia Florestal – CEPEA/ESALQ/USP

Table 10 – Brazilian imports of brown recycled material (NCM code 4707.10.00)

Months (not continuous)	Values in US\$	Amounts (in kg)	Avg. price (US\$ t)
September 2016	67,589	370,670	182.34
October 2016	256,265	1,405,339	182.35
November 2016	181,572	981,422	185.01
December 2016	154,892	822,562	188.30
January 2017	34,560	216,000	160.00
March 2017	34,560	216,000	160.00
April 2017	34,560	216,000	160.00
May 2017	36,720	216,000	170.00
June/2017	6,940	48,360	143.51
July/2017	110,160	648,000	170.00
August/2017	22,950	135,000	170.00
October 2017	84,240	486,000	173.33
November 2017	184,509	966,600	190.88
December 2017	150,123	886,225	169.39
January 2018	175,292	1,013,024	173.04
February 2018	42,163	284,244	148.33
March 2018	51,053	313,500	162.85
April 2018	167,566	1,068,000	156.90
May 2018	71,100	468,000	151.92
June/2018	236,349	1,389,326	170.12
July/2018	560,694	3,307,592	169.52
August/2018	282,299	1,681,449	167.89
September 18	187,568	1,092,574	171.68
October 2018	208,042	1,222,851	170.13

Source: Aliceweb System.

Note: Months not mentioned in the first column of this table (like November 2014 to July 2015, for example) did not have data on imports of brown recycled paper.

China

We see in Table 1 that the dollar price per ton of NBSKP in China suffered a small increase in September compared to the price charged in August. However, the US\$875 price per ton of NBSKP in China is still 61.8% of the price paid for this product in the United States and 71.1% of the value paid in Europe.

BRAZILIAN MARKET

Pulp market

Following the behavior of the European market, the list price per ton of BHKP has remained stable in Brazil in the second semester of 2018 (at US\$1,050 per ton). However, medium-size clients are seeing small increases in the amounts they pay, whereby these increases stem from discount reductions. We see in Table 3 that the average price paid by medium-size clients per ton of hardwood pulp in São Paulo in September was US\$930.90, increasing to US\$936.03 in October and US\$937.06 in November. As a result, the average discount dropped from 11.3% in September to 10.8% in November of this year.

Paper market

Prices in reais remained stable for sales of printing and writing paper and packaging from big industries to big buyers in November compared to their October prices in the state of São Paulo. We see in Tables 4 and 5 that prices in reais (R\$) per ton of paperboard and offset paper in November are the same as in October. This price stability in reais is also seen in brown line packaging paper (see Table 6).

According to the data in Table 7, significant price drops occurred in reais for offset and coated paper in sales from distributors to small print and copy shops in Campinas in November compared to October. The average price reduction amounted to 4.3% for offset paper and 1.3% for coated paper.

Recycled paper

As already mentioned in the introduction of this column, recycled material prices in reais (R\$) increased significantly in October in the state of São Paulo. The reason for this the increased demand on the part of paper manufacturers due to significant price jump in pulp prices in reais.

It is important to point out the strong increase in average prices for newspaper recycled material and type 2 folding board, of 12% and 11%, respectively. ■

Observation: the calculation methodologies for prices presented in Tables 3 to 9 are provided in the following link <http://www.cepea.esalq.usp.br/florestal>. Note that prices in Tables 3, 4 and 6 are without ICMS and IPI (which are taxes), but with PIS and COFINS (which are contributions).

Check production and sales indicators for pulp, paper and corrugated board in O Papel's website at: www.revistaopapel.org.br