



BY RAFAEL BARISAUSKAS

With a master's degree in economics from KU Leuven University in Belgium, he focused his research on analyzing the global value chain in the pulp and paper industry. Recognized as the top Economics student in his undergraduate class, having received merit-based scholarships throughout his academic journey. Rafael has served as Latin America economist at Fastmarkets since 2019, offering comprehensive insights into the local pulp, paper, and packaging markets while providing invaluable economic analyses on the region. Has crafted economic projections since 2013, possessing extensive knowledge of commodities trading and industrial organization. E-mail: rbarisauskas@fastmarkets.com

EL NIÑO, LOWER FOOD EXPORTS TRIM CONTAINERBOARD DEMAND IN LATIN AMERICA

This year, Fastmarkets resumes its column in O Papel magazine, covering various topics about the global pulp and paper industry. To kick off this new cycle of articles, Fastmarkets starts out addressing the decline in cardboard imports and packaging demand across Latin America in 2023, stemming from a series of unfavorable conditions.

Paperboard imports and packaging demand were weak across Latin America in 2023 because of a perfect storm of conditions.

Global food exports were weak last year due to the halt of demand stimuli issued during the pandemic and because of trade frictions on account of the armed conflict in Europe.



Lower food exports were reducing containerboard demand in Latin America from the peaks reached in 2021-22, as growers have opted for a hand-to-mouth strategy on purchases, satisfied mostly from unsold inventories, which has thus limited paperboard imports.

And to complete the perfect storm: climate phenomenon El Niño further curbed agricultural and food production across Latin America and diminished buyers' appetites for packaging consumption.

Drop in packaging paper consumption

With the exception of Brazil, which accounts for 30% of the regional demand, Latin America is a net importer of containerboard, meaning that domestic consumption is satisfied in part by imports. Preliminary customs data shows that total kraftliner imports were down 17% year-to-date through November, with monthly drops of more than 25% in every month between January and June across the entire region. It is very unlikely that complete data for December will revert this trend, although there was an expressive recovery in import figures in November.

The drops are significantly larger for huge importing kraftliner markets in the region, such as Ecuador, Mexico, Chile, Argentina and Peru, all of which have been negatively affected by lower food exports and, in the case of Argentina and Peru, additional political and economic struggles.

In the recycled paper market, the situation was also dramatic, enhanced by competition from relatively cheaper virgin papers as the gap between virgin and recycled paperboard prices has shrunk. Latin American testliner imports dropped by more than 15% considering preliminary data available for 2023.

Weak demand for paper packaging in the region led paper producers and converters to drastically reduce the consumption of raw materials as well. Despite the region being full of recycled paper producers, total OCC imports were down last year, driven by Mexico and Central American and Caribbean countries,

which together account for almost 85% of the region's OCC imports.

Lower food exports limit the outlook for packaging demand

The decline in Latin American food exports has several causes, none of which is more critical than the others. As mentioned, since the end of pandemic-related aid programs in the US and Europe, consumer consumption of goods, including food, has slowed. Additionally, due to the armed conflict in Europe, many food producers in Latin America had to stop shipping to Russia. These goods were diverted to local markets instead, which increased competition among food exporters and reduced the appetite for imports.

And as if this was not problematic enough for Latin American growers, who usually require packaging papers to ship their production offshore, the region's agricultural production has been hampered by El Niño, which affects weather patterns and causes excess rainfall or drought across the region and limits output — with a few exceptions, as detailed recently in Fastmarkets' [Latin American Paper Products Monitor](#).

Latin American food exports were down by around 5% in 2023, according to preliminary trade data, but with a few exceptions: Brazil, Mexico, and Peru. The unstable and lackluster consumption of containerboard so far this year will likely result in an annual drop of nearly 4.6%, according to our forecast in the latest [Latin American Pulp and Paper Forecast](#).

Wrapping up

Consumption was down in almost all countries, including Brazil and Mexico. Unsold domestic paper packaging inventories were being traded last year as agricultural producers adopted a hand-to-mouth strategy for their packaging purchases due to lackluster food exports, limiting overall consumption and trimming imports in countries that rely on them to supply their packaging – which is the case for every country in the region, except Brazil. There, where domestic producers supply the local and export markets, paper producers trimmed capacity by closing mills and turning off paper machines to avoid unnecessary inventory build-up and oversupplying the market. ■



Fastmarkets is the most trusted cross-commodity price reporting agency (PRA) in the agriculture, forest products, metals and mining, and new generation energy markets. We give our customers the insights to trade today and plan for tomorrow. **Learn more about our studies and research at: www.fastmarkets.com**