

The British paper and board market: containerboard producers increase prices

Negotiations underway about mark-ups for GD board

Packaging paper

(UK) – **Kraftliner:** Brown kraftliner was readily available in the UK in March, with imports from North America increasingly topping up deliveries from Continental European manufacturers. This was one of the reasons why prices had dipped slightly, but the market remained relatively balanced nonetheless, one manufacturer commented. The movement in prices had varied depending on the producer, but by and large prices had dropped by another \$10/t or so in March.

White-top kraftliner remains highly sought-after. Price increases of around £45/t announced by a number of manufacturers have yet to take full effect in the UK. Nevertheless, sources anticipated that talks would end in this sector at the end of March or in April and produce higher prices.

The semi-chemical fluting business saw few changes in March, with prices holding steady.

Recycled corrugated case material: The British recycled corrugated case material market

enjoyed brisk demand and elevated ordering in the month of March. After a quiet February, business had picked up in March, sources told EUWID. A recently announced price increase of £30/t for all recycled grades was implemented during the course of the month. Converters have accepted these higher prices and are trying to pass them on to their customers. Demand is expected to continue to strengthen over the next few months for seasonal reasons. The Easter holidays and the Royal Wedding will boost demand for packaging, market players believe. Some suppliers have also announced plans to once again increase prices for recycled containerboard by another €40/t or £30/t in Europe from 1 April, citing consistently high raw material costs, especially for energy and recovered fibre. Converters might also order more over the next few weeks given looming price rises in April, one manufacturer added. A similar picture was painted for white-top testliner. A few stakeholders confirmed that this market is growing at present. Demand is good and producers' efforts to charge £30/t more succeeded in March.

Board

The main topic of conversation within Britain's board industry in mid-March was the issue of mineral oil components migrating from newspaper and packaging printing inks into food packaged in board. Although the industry has been discussing this problem for some time, a TV report by the BBC at the start of March raised the profile of this issue in the UK.

Virgin fibre board manufacturers, in particular, told EUWID that they had been contacted by major brand owners enquiring about the option of switching from recycled board to virgin fibre board. Many experts said that these concerns had been exaggerated by the media, but increased reporting would have an impact on the market sooner or later. However, the real impact could only be speculated on.

Broadly speaking, no major shake-ups have occurred on Britain's cartonboard market so far in March, although a few companies have announced mark-ups primarily for GD board, but also for GC board in isolated instances. Most talks were still in progress as the middle of March neared. Two manufacturers stated that the last talks should be completed by the end of March in order to raise GD board prices by up to £40/t from the start of April. Another producer announced

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EUWID Price Watch Paper and Board UK March 2011

Prices in pound/tonne free delivered unless otherwise stated	March 2011		February 2011		March 2010	
	£	in €* -	£	-	£	-
Recovered paper (prices ex works)						
Mixed paper and board (1.02)	80	- 95	91	- 108	80	- 95
Old corrugated containers (1.05)	*100	- 115*	114	- 131	95	- 115
Mixed newspapers and magazines (1.08/1.09)	95	- 118	108	- 135	95	- 118
Newspapers (2.01)	100	- 123	114	- 140	100	- 123
Coloured letters (2.06)	165	- 185	188	- 211	160	- 180
White woodfree letters (3.05)	190	- 220	217	- 251	190	- 220
White newsprint (3.14)	190	- 220	217	- 251	190	- 220
White woodfree uncoated shavings (3.18.01)	330	- 370	376	- 422	330	- 370
Corrugated case material						
Recycled grades						
Fluting 100 g	430	- 455	490	- 519	400	- 425
Fluting 90 g	445	- 470	507	- 536	415	- 440
Testliner II	450	- 475	513	- 542	420	- 445
Testliner III	430	- 455	490	- 519	400	- 425
Unbl. kraftliner 175 g + (duty paid delivered)	710	- 760 \$	504	- 539	720	- 770 \$
White-top kraftliner 140 g	590	- 645	673	- 735	590	- 645
Semi-chemical fluting	450	- 490	513	- 559	450	- 490
Cartonboard						
GD II	580	- 725	661	- 827	580	- 725
GC II	890	- 1,030	1,015	- 1,174	890	- 1,030

*Exchange rate as of 18 March 2011: 1 £ = 1.14 €, 1 \$ = 0.71 €

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plans to charge £40/t more for recycled board from the start of May, too.

Two other manufacturers announced higher prices for virgin fibre board and intended to up their prices for this grade by £70/t or £95/t respectively from the start of April. Converters had mixed reactions to these plans: a few were convinced that these hikes would take effect, others noted that they had no intention of giving in to manufacturers.

A few experts explained that it would not be so easy to raise GD board prices in a market that is facing dwindling demand at present. Lead times for recycled board varied significantly, ranging from 2-3 weeks for some producers to as much as 6-8 weeks for others.

Virgin fibre board producers reported that the state of the British market had not altered since February and that they could still sell much more board than they could make. Some market players added that it was either impossible or very costly to acquire board beyond allocated amounts. Nonetheless, sources noted that the situation had cooled a little compared with the fourth quarter. A few manufacturers said that their lead times were now just 6 weeks long, with others reporting delivery periods of 8 to 12 weeks. Sources said that these variations were linked to differing allocation policies. Furthermore, lead times varied

between GC board grades. It was especially hard to procure food packaging at present, while lead times for board for cigarette packaging or graphic applications were much shorter, several insiders told EUWID.

Recovered paper

No dramatic changes occurred on the UK's recovered paper market in March. EUWID sources almost unanimously reported relatively stable prices at high levels. Merchants continue to be concerned about comparatively low arisings, which had apparently dipped again in March compared with last year. However, industry insiders hoped that the Easter holidays this April and the Royal Wedding just one week later would generate significant additional amounts of all grades. The downside was that not very much paper would be recycled over the holidays, a few market experts countered.

The latest figures published by the British Confederation of Paper Industries (CPI) in March show that apparent collection volumes had fallen just 1.9% last year compared with 2009 to stand at 8.002 million t (8.154 million t). The country's paper mills purchased a total of 3.76 million t of paper in 2010, some 0.5% less than in 2009. Recovered paper imports leapt sharply in percentage terms last year, jumping 21.8% compared with 2009 to stand at 112,433 t.

The UK's paper machines had reportedly been busy in March, with manufacturers having relatively full order books. Merchants pointed to steady ordering. However, mills' inventory levels were apparently slightly lower than desired.

The British domestic market continues to be influenced by sizeable exports. Old corrugated containers (1.05) prices edged slightly higher again in March to stand at £100-115/t ex works. Medium grades have also become slightly more expensive. Coloured letters (2.06) apparently cost £5-10/t more at £165-185/t ex works. The British quality multi grade continues to fetch £185-195/t. Other grades saw no change in their prices (per tonne, ex works): Mixed paper and board (1.02) £80-95, mixed newspapers and magazines (1.08/1.09) £95-118, newspapers (2.01) £100-123, white woodfree letters (3.05) £190-220, white newsprint (3.14) £190-220 and white woodfree uncoated shavings (3.18.01) £330-370.

Export prices for old corrugated containers had apparently peaked at up to £137/t ex works in March. However, these prices reportedly only reflected spot transactions, with this grade fetching £125-130/t in the vast majority of cases. Mixed paper and board (1.02) exports cost £102-112/t ex works. Now and again, insiders voiced suspicions that a turnaround was emerging on the export market and that prices had now peaked. □