

Strikes started at most UPM mills in Finland

The Situation

In yet another shock to the global graphic paper supply chain, members of the Paperworkers' Union, the Finnish Electrical Workers' Union and the Trade Union Pro have begun strikes at UPM Communication Papers, UPM Pulp, UPM Biofuels, UPM Specialty Papers and UPM Raflatac units in Finland, inclusive of the Kymi, Kaukus, Jämsänkoski, and Rauma mills. The strikes were initially set to continue until January 22, 2022, but as of January 5th the Finnish Paperworkers' Union has extended the strike by two weeks, until February 5, 2022, unless a new collective labour agreement is reached before that. The Paperworkers' Union has not excluded any work from the strike, not even tasks such as operating and maintenance of water treatment and power plants.

What UPM is saying

Jyrki Hollmén, Vice President, Labour Markets, UPM, said, "UPM's goal remains the same – we want to negotiate business specific collective agreements with the Paperworkers' Union as soon as possible. The only way forward is through negotiations." To date, negotiations had begun only in UPM Biofuels, but they were interrupted by the Paperworkers' Union just before Christmas. UPM will service its customers from its mills located outside of Finland to the extent possible.

What end users need to know

- Any orders that were entered with UPM to be produced at a Finnish mill with requested delivery dates of mid-February through 3/31/22 could be impacted.
- There is a chance that orders with earlier delivery dates will also be affected, but this has not yet been confirmed.

Impact on supply

According to RISI, UPM produces 350,000 MT/year of SC paper in Finland, which equals roughly 28% of UPM's European SC production and 8% of total European SC capacity. UPM also produces 980,000 MT/year of Coated Mechanical in Finland, which equals about 53% of UPM's European CM production and 18% of total European CM capacity. The supply disruption caused by the strike, even if short-lived, will create even greater tightness in the global graphic paper market.

New round of surcharges by European mills

Sappi Europe announced that will be passing higher energy, transportation and raw materials costs on to its customers in the form of price increases of 10-25% dependent on the product segment, to be implemented by the beginning of February 2022 at the latest.

Holmen announced that the price for energy has increased approximately 200% since October forcing them to add an Energy Surcharge of 85 €/tonne to current pricing for a period of two months beginning January 15.

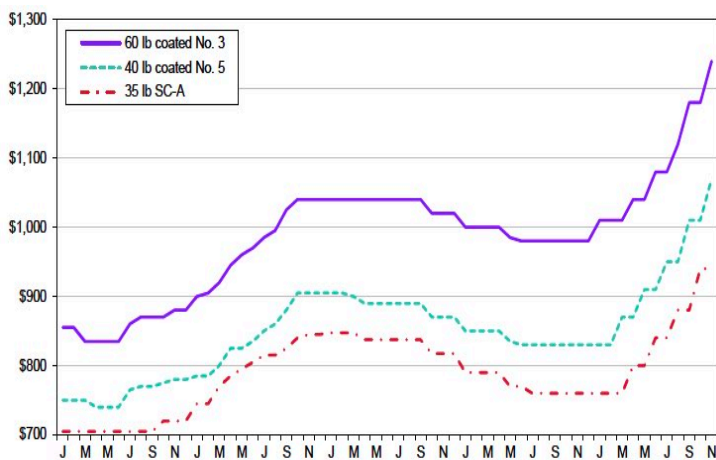
Kabel will implement a 200 €/tonne (\$227/tonne) energy surcharge for deliveries of coated mechanical reels (CMR) beginning January 10.

Norkse Skog is planning to implement energy surcharges on all paper deliveries from its Bruck mill in Austria. The firm will apply a 125 €/tonne (\$142/tonne) surcharge on lightweight coated (LWC) paper deliveries and a 95 €/tonne surcharge on newsprint shipments.

BillerudKorsnäs acquires Verso

The European virgin boxboard producer BillerudKorsnäs announced the acquisition of Verso, the largest N.A. coated paper producer, for \$825 million, with the intention of converting Verso's largest mill, in Escanaba, MI, to boxboard production. The conversion of the two machines at Escanaba will take several years but will ultimately add around 1.2 million tons per year to a 5 million tpy N.A. boxboard market. However, N.A. SBS production/demand has been on a downward trajectory; operating rates have been consistently below 95%; and input costs have risen dramatically in recent years, meaning BillerudKorsnäs' move will create further challenges for the overall market and other SBS manufacturers like Graphic Packaging, WestRock, and Pactiv Evergreen. In addition to continued paper production in Escanaba during the conversion, BillerudKorsnäs plans to continue operating the Quinnesec mill and is committed to continuing to serve Verso's existing customers.

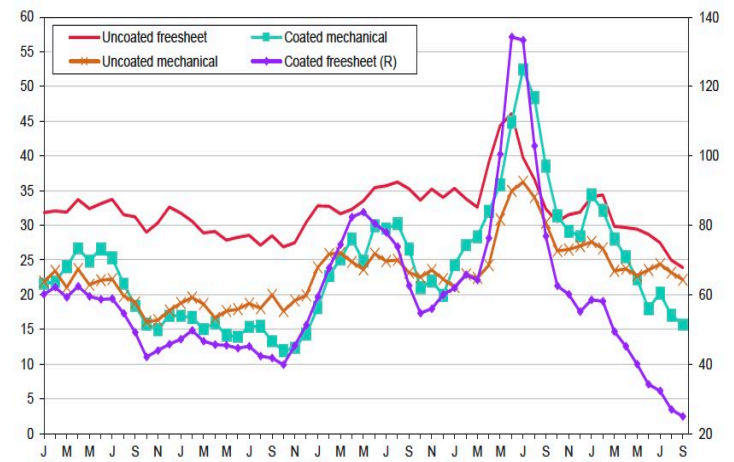
U.S. Publishing Paper Prices



Data source: Fastmarkets RISI estimates.

N.A. P&W Paper Producer Inventories

Days of supply



Data source: Calculated by Fastmarkets RISI from PPPC data.