

”We are fully confident in our forecast model and we believe in a strong pulp market even in 2015”

Despite the market’s concerns over a significant injection of new market pulp capacity, Bright Market Insight is standing by its belief in a continuously strong pulp market the coming 12 months.

“We expect a balanced market for NBSK and a price rise even for BHKP in 2015. We don’t think we’ll see prices dipping until 2016-2017,” says Leonard Johard, the architect of the forecast model and editor of the Bright Market Index, in this interview.

Why is it that, in monthly forecast after monthly forecast, Bright Market Insight retains its positive view of the pulp market for 2015?

“We are extremely confident about our forecast model, which has proven highly accurate over time. We estimate its hit rate to 86 percent on forecasts over an 18 month horizon, but our track record has been even better with a accuracy for the NBSK forecasts close to 100%. The Bright Market Index is a unique proprietary forecast model for pulp based on artificial neural networks (ANN). The model distinguishes itself by including a large amount of fundamental data and taking into account the frequencies of market fluctuations. This makes it unique in the commodity market.”

Most other analysts has for a long time believed that there has to be a downturn in 2015 – at least in the price of BHKP – as a direct consequence of the current and future overcapacity in the market?

“The Bright Market Index takes the opposite view. We expect a balanced market for NBSK and even a price rise for BHKP during 2015. We don’t think we’ll see prices dipping until 2016 and 2017 depending on market.”

How does the model account for the capacity changes happening in the market – particularly in 2013 and 2014?

“Based on the data we input, our current forecast focuses on expected supply and demand over the next 6-30 months. Our forecast model is a self-learning system that has learned how prolonged capacity changes have historically affected market prices. History shows that the pulp market is a very effective market over time, with correspondent changes in closures and qualities over the years. There is, however, an inefficient window up to three years, as the market actors fail to share and utilize information that will impact future capacity. Due to the capital-intensive nature of the market, this can be months or years after the decision is taken ,which gives the market a cyclical nature.

But the market has never seen such sizable capacity increases before, has it?

“No, that’s right, but on the other hand the global market and global demand have never been as great as they’re expected to be during 2014 and 2015 in particular.”

What input data is most affecting the model’s price forecasts at the moment?

“It’s mainly imports to China and global deliveries.”

Do you think increased demand in China will be able to soak up all the new capacity?

“Yes, mainly there, but also in other places around the world. We’re seeing increased demand in markets such as tissue and board. And don’t forget that a large amount of old capacity is also being shut down.”

How right have you been before?

“When all the other market analysts were talking about the Asian locomotive in 2011 and the absence of anything that could negatively impact on prices, in May that same year we issued a press release warning of a buck in the trend and a drop in prices starting in the summer. No-one believed us. As far as they were concerned, the sky was the limit. They were wrong and we were right. Just over a year later – in autumn 2012 – we again issued a press release that we had reached the bottom and pulp prices would rise by the autumn. Again, no-one believed us. But again we were right. And I promise that when the market reaches its peak in 2016, nobody will believe us about the expected new drop in prices. That is the psychology of the market, and what makes our pulp forecasts so unique and valuable.”

MORE NEWS FROM BRIGHT MARKET INSIGHT

With the new dryer Mondi Syktyvkar will produce an additional 100,000 tonne/Yr BSK market pulp

Mondi has launched a new pulp dryer at its Syktyvkar pulp and paper mill in the Komi Republic, Russia. The Euro 30 million (\$37 million) investment enables the mill to produce more than 100,000 tonnes/yr of bleached softwood kraft (BSK) market pulp.

UPM and WWF in a versatile cooperation to promote sustainable wood-based biofuels

The Biofore Company UPM and the conservation organisation WWF Finland have agreed on versatile cooperation covering promotion of sustainable wood-based biofuels as well as sustainable forest management and sourcing of raw materials in Finland.

“Now growth is a key feature of our strategy moving forward”

Södra is investing heavily in its mills so that, after 2016, it will be able to produce almost two billion tonnes of pulp per year. This will make Södra Cell a market leader.

“We enjoy a strong position in Europe, but globally we’re still a minor player. All our initiatives over the past few years have made us incredibly cost-efficient. Now growth is a key feature of our strategy moving forward,” explains Gunilla Saltin, President of Södra Cell, in an interview at the website Bright Market Insight.

Extensive investments in three Södra mills in southern Sweden

Södra has now started the expansion of its Värö pulp mill in Sweden, which will make it to one of biggest softwood sulphate pulp mills in world. In recent years Södra has decided to invest SEK 4.7 billion in increasing pulp production at the two mills Södra Cell Mörrum and Södra Cell Värö.

Södra to invest over SEK 100 Million at its Mönsterås pulp mill in Sweden

Södra will invest more than SEK 100 million in its pulp mill in Mönsterås. The investment will result in more efficient energy utilisation and enhanced productivity at the mill.

Portucel’s Mozambique pulp project slated for 2023 startup

A new 1.5 million tonne/yr bleached eucalyptus kraft (BEK) pulp mill, part of Portucel’s planned \$2.3 billion integrated forestry pulp and energy project in Mozambique, is expected to be completed in 2023, according to a summary of investment information (SII) released recently by the World Bank’s International Finance Corporation (IFC).

Increased demand for hardwood chips from southeast Asia

Wood fiber consumption by the Japanese pulp industry was up six percent in first half of 2014 with hardwood chip supply from Vietnam and South Africa increasing the most, reports the Wood Resource Quarterly.

FPIInnovations and Kruger dedicate world's first cellulose filament demonstration plant

FPIInnovations and Kruger Inc have dedicated the world's first cellulose filament (CF) demonstration plant at Kruger's Trois-Rivières Mill. The five ton/day plant will provide enough CF tonnage to permit commercialization and application development.

Chempolis and Numaligarh Refinery will build a new biorefinery for cellulosic ethanol production in India

Chempolis Ltd, a Finland based biorefining technology corporation signed Partnership Agreement today with Numaligarh Refinery Limited (NRL, A Government of India Enterprise). Parties have agreed to jointly partner to build a world class biorefinery using Chempolis formicobio™ technology in North East India (Assam) for producing bioethanol with co-production of furfural and acetic acid from locally available cellulosic biomass.

Ence Plans for biomass facilities on Canary Islands

Spain's Ence is moving ahead with its plan to develop two biomass facilities on the Canary Islands. According to the Las Palmas port authority, the legal entity Ence Energía Gran Canaria Dos has applied for a land use concession for an area of around 41,000 m² for the generation of energy from biomass in the service area of the port of Las Palmas.

Borregaard invests in production facility for Exilva microfibrillar cellulose

Borregaard's Board of Directors has decided to invest in a facility for the production of Exilva microfibrillar cellulose (MFC). The plant will be built at the Borregaard site in Sarpsborg. The investment is estimated to NOK 225 million.

Exciting start to the 210,000 tonne/yr Ngodwana DP line in South Africa

The successful upgrade to produce Specialised Cellulose (also known as dissolving wood pulp) at Sappi's Ngodwana Mill in Mpumalanga marks an exciting phase of growth and development for the company, and the province.

UPM and WWF in a versatile cooperation to promote sustainable wood-based biofuels

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THIS IS BRIGHT MARKET INDEX

Bright Market Insight offers a dedicated forecast model for pulp (NBSK and BHK) based on artificial neural networks (ANN). The model, which is called Bright Market Index (BMI), stands out for its inclusion of large quantities of fundamental data and allows for the frequencies of market fluctuations. This makes it unique in the commodity market.

The models have passed extensive cross-validation tests to make sure they uphold high standards for statistical accuracy over time. Details of our evaluation process are available in our technical reports.

We are evaluating our long-term forecasts after 18 months. The last long-term evaluation of the model were published in May 2014 and the report can be ordered fromleonard.johard@calejo.se

EXCLUSIVE MARKET REPORT AND FORECASTS

Get access to our exclusive website with market analyses and updated pulp forecasts 12 times a year with a time horizon of up to 30 months. The forecasts are published at the beginning of each new month.

Don't miss the price peak and the coming price fall. Subscribe now and you get twelve monthly Bright Market Index forecasts from either North America, Europe or China/Asia for just EUR

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