

How paper mills in APAC and the Middle East can use NOREXECO SHFE futures to secure future pulp costs

Turning China-linked price exposure into an opportunity to optimise procurement, manage inventory and protect margins

NOREXECO offers trading in a financially settled “mirror” contract of the Shanghai Futures Exchange (SHFE) pulp futures contract, traded in USD per tonne ex VAT. For paper mills in APAC and the Middle East whose purchase prices move with the Chinese pulp market, it is an additional tool for managing future pulp cost.

The opportunity is to separate two procurement decisions: when to secure a future price level, and when to buy and receive physical pulp. By combining existing supplier arrangements with a financial hedge, mills can use favourable futures prices to make future costs more predictable while keeping flexibility over physical purchasing.

Turning volatility into buying opportunities

Falling futures prices can offer a chance to secure attractive price levels for future requirements. Instead of buying extra physical pulp and storing it until needed, a mill can buy futures to establish the price exposure and purchase the pulp later through its usual suppliers.

This is an alternative or addition to building inventory only to secure a price; it does not secure physical supply.

Used alongside reliable supplier relationships and disciplined risk management, the SHFE mirror contract adds a new dimension to procurement for mills in APAC and the Middle East with China-linked exposure. It can help turn volatility into buying opportunities, improve cost predictability and create a competitive advantage.



How the NOREXECO SHFE mirror contract works

A mill seeking protection against rising pulp prices buys futures for a period that matches its expected physical purchases as closely as possible:

- If the futures settlement price rises above the price at which the mill bought, the position gains, offsetting higher physical purchasing costs.
- If the settlement price falls, the position loses, which is offset by lower physical purchasing costs.

The aim is not to profit on every futures trade, but to make the combined cost of physical pulp and the hedge more predictable.

NOTE — This material is for illustration and education only. It is neither legal nor financial advice, nor an invitation to trade. Derivatives may not suit all investors; seek professional advice before acting.

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