Pulp and Paper Products Council

Market pulp and recovered fibres, a look at global trends

PRIMA Trend Tracking Seminar

Brussels – September 2nd, 2013

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In 2012, the world purchased 286 mill. tonnes of fibres

World purchased fibres demand

million of tonnes

Source: PPPC

In 22 years, world consumption increased 2.5 times

World purchased fibres demand

million of tonnes

Source: PPPC

Asia accounted for 55% of world purchased fibres

Market pulp demand, 2012

Recovered fibres consumption, 2012

Source: PPPC

Summary

- Chemical market pulp
  - “No shortage” for hardwood fibres
  - Softwood market will be tighter; returns don’t justify large investments
- Recovered fibres
  - Real cost of OCC will continue to rise; recovery rates already at peak; long term supply will fall short of demand, but market will adjust
  - Declining demand of newsprint and uncoated mechanical paper (mainly) in Western markets; availability of ONP might become an issue

World Chemical Market Pulp

(based on PPPC's Global-100 database)

Global pulp demand on long-term positive trend

Source: PPPC

This year, world demand up 2.5% after 6 months

Source: PPPC

World demand up 660 ktonnes

World Chemical Market Pulp Demand Growth by Grade

000s tonnes and % change, 6 months 2013 vs 2012

Source: PPPC

This year, HW demand stronger than SW

World Chemical Market Pulp Demand Growth by Grade

000s tonnes and % change, 6 months 2013 vs 2012

Source: PPPC

Growth of world demand shows regional differences

World Chemical Market Pulp Demand Growth by Region

000s tonnes and % change, 6 months 2013 vs 2012

Source: PPPC

Demand is positive in all key regions

World Chemical Market Pulp Demand Growth by Region

000s tonnes and % change, 6 months 2013 vs 2012

Source: PPPC

Chemical Market Pulp by End Use

World Shipments of Chemical Market Pulp by End Use

Source: PPPC

Pulp and paper demand have a strong correlation

Source: PPPC

Pulp and paper demand have a strong correlation

Source: PPPC

Tissue demand will continue to grow close to trend

World Tissue Demand

million tonnes

Source: PPPC

World P&W demand is in secular decline

Source: PPPC

Total paper demand will grow by 3 mill. tonnes

World P&W and Tissue Demand

million tonnes

Source: PPPC

Growth of pulp demand will average +1.3% /yr

World Chemical Market Pulp Demand

% growth per year

Source: PPPC

3.5 million tonnes over 5 years

World Chemical Market Pulp Demand Growth by Region

2012-2017, in 000s of tonnes and % change per year

Source: PPPC

Mature markets will be a drag to the growth

World Chemical Market Pulp Demand Growth by Region

2012-2017, in 000s of tonnes and % change per year

Source: PPPC

Capacity expected to grow faster than demand

World Chemical Market Pulp Capacity

% growth per year

Source: PPPC

World capacity to increase by close to 6 mill. tonnes

World Chemical Market Pulp Capacity

in millions of tonnes

Source: PPPC

Balance will remain below trend

World Chemical Market Pulp Balance

Delivery-to-Capacity ratio, in percent

Source: PPPC

Softwood vs Hardwood

World Chemical Market Pulp Balance by Grade

Delivery-to-Capacity ratio, in percent

Source: PPPC

World Recovered Fibres

(based on Numera's monthly sample)

Global RF consumption flat after 6 months

Global recovered fiber consumption

In 000s tonnes

Note: based on monthly sample

Source: Numera

Global growth equates to only +58 000 tonnes

Global recovered fiber consumption by Region

000s tonnes and % change, 6 months 2013 vs 2012

Note: import component only for China

Source: Numera

Mixed picture through regions

Global recovered fiber consumption by Region

000s tonnes and % change, 6 months 2013 vs 2012

Note: import component only for China

Source: Numera

OCC and ONP show largest changes

Global recovered fiber consumption by Grade

000s tonnes and % change, 6 months 2013 vs 2012

Source: Numera

A look at OCC

Global OCC consumption up 3.2% after 6 months

Global OCC consumption

In 000s tonnes

Source: Numera

3.2% growth amounts to 1.2 mill tonnes

Global OCC consumption by Region

000s tonnes and % change, 6 months 2013 vs 2012

Note: import component only for China

Source: Numera

Two thirds of the growth from N.A./W.E.

Global OCC consumption by Region

000s tonnes and % change, 6 months 2013 vs 2012

Note: import component only for China

Source: Numera

N.A. expansion due to strong recycled board shipments

Global OCC consumption by Region

000s tonnes and % change, 6 months 2013 vs 2012

Note: import component only for China

Source: Numera

Also in W.E., recycled containerboard sustains demand

Global OCC consumption by Region

000s tonnes and % change, 6 months 2013 vs 2012

Note: import component only for China

Box shipments: +1.0%
Non-durable production bottomed out
Cont. shipments: +0.6%
Kraft: -7.7%; Recycled: +2.6%

Easy y-o-y comparison

Source: Numera

Mixed development in Asia

Global OCC consumption by Region

000s tonnes and % change, 6 months 2013 vs 2012

Strengthening industrial production in many countries.

Stock-building ahead of new recycled containerboard capacity (1.5 mill tonnes in 2013).

Note: import component only for China

Source: Numera

Chinese imports 100 kt lower than 2012

Global OCC consumption by Region

000s tonnes and % change, 6 months 2013 vs 2012

Note: import component only for China

Source: Numera

In China, correlation between imports and prices

Chinese imports of OCC (6mma)

volumes vs. prices

Source: Numera, Custom Statistics

Global OCC recovery rate has maxed out

Source: PPPC/Numera

Real cost of OCC has been rising

US OCC price

In constant (2010) $US/tonne

Source: Trade press; Numera

Are we headed towards a shortage?

World containerboard production

In million tonnes

Source: PPPC/Numera

Are we headed towards a shortage?

Containerboard production by furnish

In million tonnes

Source: PPPC/Numera

Are we headed towards a shortage?

Containerboard production by furnish

In million tonnes

Source: PPPC/Numera

Are we headed towards a shortage?

Containerboard production by furnish

In million tonnes

Source: PPPC/Numera

Are we headed towards a shortage?

Containerboard production by furnish

In million tonnes

Source: PPPC/Numera

Are we headed towards a shortage?

Containerboard production by furnish

In million tonnes

Source: PPPC/Numera

Yes…a “notional” shortage…

Containerboard production by furnish

In million tonnes

Source: PPPC/Numera

Yes…a “notional” shortage…

Containerboard production by furnish

In million tonnes

Source: PPPC/Numera

…but the market will adjust

1) Increased use of chemical pulp

- upgrading/debottlenecking
- new integrated lines
- more market pulp (doubtful)

2) Slower growth in containerboard production

- higher cost dampens demand at the margins
- basis weight reductions

A look at ONP

Global Mech. paper production off 3.5% after 6 months

Global Nspt. and U.M. Production

In 000s tonnes

Source: PPPC/Numera

Result: ONP consumption -5.9% after 6 months

Global Nspt. and U.M. Production and ONP consumption

In 000s tonnes

Source: PPPC/Numera

5.9% drop represented close to 1 mill tonnes

Global ONP consumption by Region

000s tonnes and % change, 6 months 2013 vs 2012

Note: import component only for China

Source: Numera

ONP consumption negative in all regions

Global ONP consumption by Region

000s tonnes and % change, 6 months 2013 vs 2012

Note: import component only for China

Source: Numera

N.A. continues its fast declining trend

Global ONP consumption by Region

000s tonnes and % change, 6 months 2013 vs 2012

Note: import component only for China

Source: Numera

Over 300 kt drop in W.E. consumption

Global ONP consumption by Region

000s tonnes and % change, 6 months 2013 vs 2012

Note: import component only for China

Source: Numera

Chinese imports dropped 238 kt in 1H/13

Global ONP consumption by Region

000s tonnes and % change, 6 months 2013 vs 2012

Note: import component only for China

Source: Numera

In China, correlation between imports and prices

Chinese imports of ONP (5mma)

volumes vs. prices

Source: Numera, Custom Statistics

Imports from W.E. halved in 1H/13

Chinese imports of ONP by Origin

In 000s tonnes and % change

	June			6 months		
	2013	2012	% change	2013	2012	% change
North America	375	329	14%	2 312	2 187	6%
Western Europe	56	58	-3%	346	702	-51%
Japan	53	48	10%	303	290	4%
Non-Japan Asia	25	43	-42%	217	271	-20%
Other	33	19	74%	167	133	26%
Total World	**542**	**497**	**9%**	**3 345**	**3 583**	**-7%**

Source: China Customs; Numera

Mech. papers demand will lose close to 8 mill. tonnes

World Nspt & UM Demand

million tonnes

Source: PPPC

Leading to availability issues for ONP

World Nspt & UM Demand vs ONP consumption

million tonnes

Source: PPPC

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