



HAWKINS WRIGHT

Defining the Specialty Cellulose Market, 2023

A multi-client report available from April 2023

Report prospectus



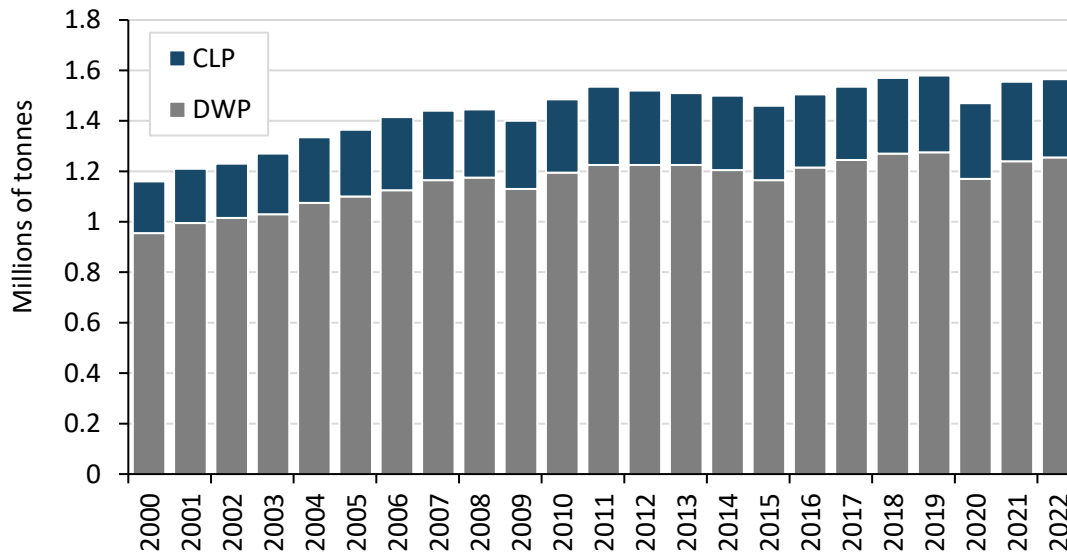
Background

The specialty cellulose market is opaque. Supply is concentrated among just a handful of suppliers, whilst demand is highly fragmented across multiple sectors. Unlike the paper grade pulp industry, there are no formal association statistics that quantify shipments. This has created a wide range of opinion about the size of the market, and contrasting representations about the historical and future evolution of shipments.

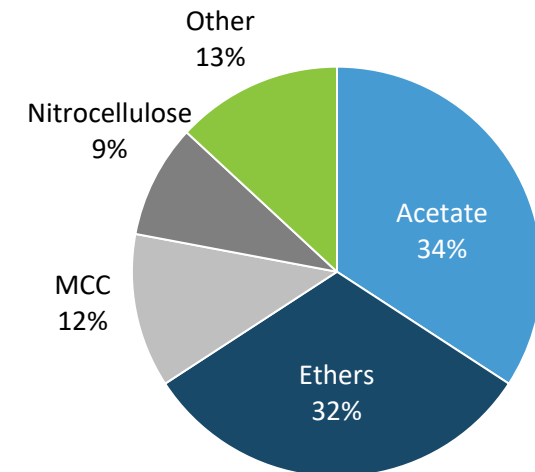
This ambiguity has prompted us to conduct our own in-depth appraisal of the sector, with the aim of mapping shipments by grade and by destination. These estimates have been derived from multiple sources including discussions with industry contacts, information published in company reports, and from global trade statistics.

The results show a market that has struggled to grow in recent years, as a secular decline in acetate grade shipments has offset much of the growth derived amongst the other grades. With the emergence of low-cost specialty cellulose capacity in the market, these conditions have given buyers considerable pricing power over the past 10 years, and ultimately pressured prices back to the marginal cost level.

World specialty cellulose shipments, 2000-2022, Millions of tonnes



World specialty cellulose shipments by end-use market, 2022



Note: includes CLP and DWP



Background

In our view, this era of structural oversupply is coming to an end. On the supply side, capacity growth in future years will be limited and restricted to a few higher cost commodity grade mills swinging to speciality grade production. Their success is far from guaranteed, whilst some existing supply is vulnerable to closure owing to an aging assets base and increasingly constrained fibre supply.

Meanwhile demand growth looks to accelerate, as specialty cellulose benefits from the growing popularity of bio-based material across multiple end-use markets. Leading the growth will be cellulose ethers and MCC, underpinned by the positive long-term trends in the pharma and construction industries, especially in Asia. Additional support should be forthcoming from both new and re-emerging markets for cellulose acetate, which are starting to generate enough demand to offset much of the consumption decline associated with falling rates of tow production for the cigarette industry.

Our goal is to update this report every two years, using feedback from industry participants to improve the accuracy of our data, and ultimately allow for a more transparent understanding of the opportunities and challenges of the sector.

Global exports of cellulose ether, MCC, nitrocellulose and acetate derivatives

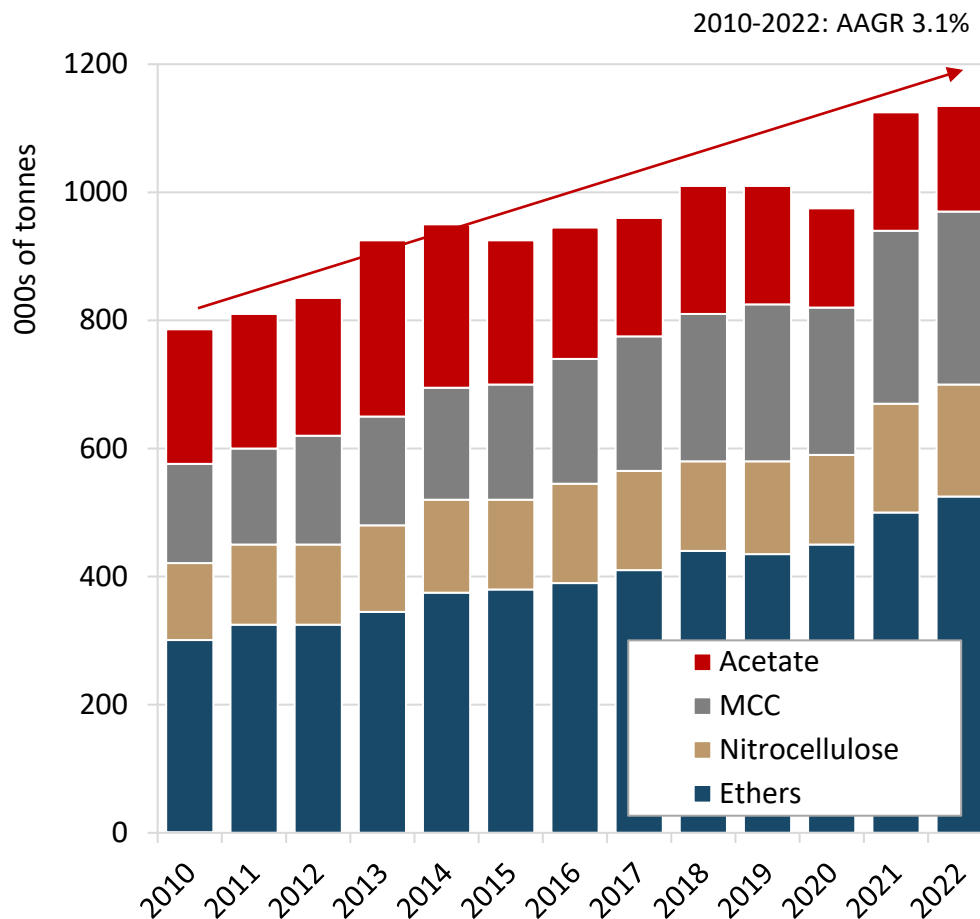




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This report provides context to the different end use markets for specialty cellulose (both dissolving wood pulp and cotton linter pulp), providing estimates for shipments by region and subgrade, with forecasts to 2027. A brief appraisal of current and future global supply by mill is also included. The report concludes with a price forecast for acetate and ether grades, expressed as an index.

Chapter 1. Defining the Global Fibre Market.

- An overview of global fibre demand by grade (waste paper, virgin paper grade pulp, fluff pulp, dissolving pulp and cotton linter pulp).
- World chemical cellulose shipments by grade, 2022 (DWP & CLP) and end-use market (VSF, lyocell, textile filament, cellophane, acetate, ether, MCC, technical paper, nitrocellulose, casings, tire cord and sponges).

Chapter 2. Defining the Specialty Cellulose Market, 2000-2022

- Historical shipments of specialty cellulose by furnish (DWP & CLP) and grade (acetate, ether, MCC, technical paper, nitrocellulose, casings, tire cord and sponges).
- Regional focus. A breakdown of deliveries by grade and destination: North America, Europe, Latin America, Japan, China, Other Asia.

Chapter 3. Specialty Cellulose Shipments Forecast by Grade and Region, 2022-2027

- A discussion about the challenges and opportunities facing each grade of specialty cellulose.
- Shipments forecast for each grade, by region.

Chapter 4. Specialty Cellulose Supply

- An overview of the supply base, by mill and by grade. Forecasts until 2027.

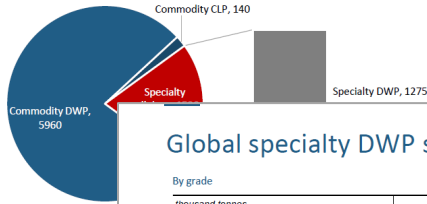
Chapter 5. Specialty Cellulose Price forecast

- An overview of prices by grade for 2022.
- Price forecast for ether and acetate grades, as an index, 2022-2027

METHODOLOGY

This report has been prepared using desk research which has been supplemented by interviews with specialty cellulose suppliers, buyers, traders and other industry participants. We have also made full use of Hawkins Wrights existing information resources, contacts and relevant research material.

Shipments of chemical cellulose by grade & furnish type, 2022 (000s tonnes)



Specialty chemical cellulose.

Every customer is unique, with different requirements on viscosity, density, purity, resin levels, and

Page extracts



Global specialty DWP shipments by region

By grade

thousand tonnes	2000				2005				2010				2013				2019				2021				Prelim. 2022	% p.a.				Volume change			
	2000	2005	2010	2013	2019	2020	2021	2000-'13	2013-'22	2000-'13	2013-'22	2000-'13	2013-'22	2000-'13	2013-'22	2000-'13	2013-'22	2000-'13	2013-'22	2000-'13	2013-'22	2000-'13	2013-'22	2000-'13		2013-'22							
Acetate	455	510	550	585	505	450	485	480	2.0%	-2.2%	+130	-105																					
Ethers	180	210	245	250	285	270	295	310	2.6%	2.4%	+70	+60																					
MCC	120	135	140	150	190	180	180	185	1.7%	2.4%	+30	+35																					
Technical paper	25	35	35	40	35	40	35																										
Casings	35	40	35	45	35	45	35																										
Nitrocellulose	85	105	85	105	85	105	85																										
Tire Cord	35	45	35	45	35	45	35																										
Sponges	30	30	30	30	30	30	30																										
TOTAL	965	1,110	965	1,110	965	1,110	965																										

By region, 2000-2022

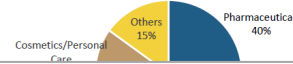
thousand tonnes	2000		2005	
	2000	2005	2000	2005
North America	315	370	315	370
Europe	390	380	390	380
Latin America	70	85	70	85
Japan	95	105	95	105
China	30	70	30	70
Asia/Africa	65	100	65	100
TOTAL	965	1,110	965	1,110

MCC

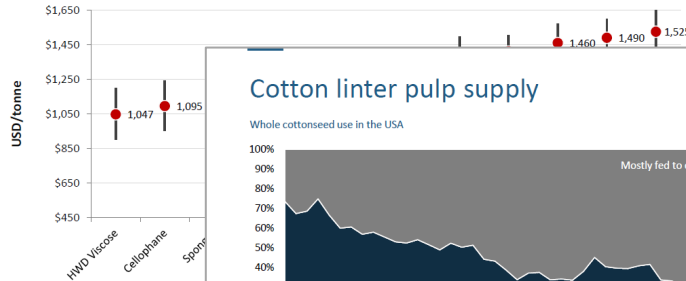
MCC demand is most heavily driven by prevailing trends across the food, medical and cosmetic industries, sectors which tend to be relatively resistant to changes in the economic cycle.

- Within the pharmaceutical industry, MCC is the most used excipient, offering excellent compressibility properties for solid dose forms of medicine such as tablets and capsules. Research has been conducted with excipients helping to improve MCC's performance. Each excipient has a specific function, but MCC is the exception as it is used for multiple purposes: direct substitutes and barrier agents for drug companies, 10+ compounds/ingredient forms for consistent robust growth in the pharmaceutical industry, and a global population, increased access to healthcare.
- MCC can also be used as a thickener, emulsifier in various food products. Producers are seeking to reduce the cost of MCC via novel biorefinery and comminution is a long-term trend into this market.

MCC demand by end-use application



Specialty grade relative sales price ranges (2022)



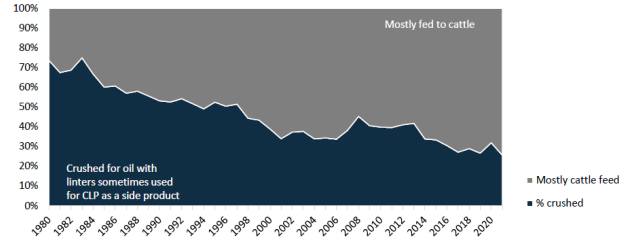
Pricing in the specialty cellulose sector is highly volatile due to the grades, the timing of the contract, and the offer results in a broad range of price quotes.

For this reason, the only pricing information available is from a few major participants. This methodology has been used through 2022.

Section 5: Prices

Cotton linter pulp supply

Whole cottonseed use in the USA



Source: USDA

- In the US, as much as 75% of the cotton seeds are now sent directly to be used as cattle feed, up from around 30% 40 years ago. This has significantly reduced the availability of linters to the US cotton linter pulp industry, driving up costs and prompting capacity closure. Today, only 2 CLP mills remain and we believe they run considerably lower than their design capacity owing to the lack of economically viable feedstock.
- The same dynamic is playing out in China and has obliged the closure of significant volumes of CLP capacity over the years. Other mills have been forced to close for environmental reasons. For those that remain operational, most produce specialty grades of CLP which affords them better margins and great purchasing power when procuring linters relative to running commodity grades.

Section 3: Specialty Cellulose Supply



Availability and cost

Available from April 2023, a subscription to Defining the Specialty Cellulose Market is priced at £3,450.

Existing subscribers to Hawkins Wright's Outlook for Dissolving Pulp service qualify for a discounted price of £1,650.

The price includes an electronic copy of the main report; Hawkins Wrights responses to any (within reason) questions on global specialty cellulose markets that may arise during the year; and a presentation meetings with one of our consultants. (Such meetings are normally arranged to coincide with major industry events – for example London Pulp Week or MPA – or when a consultant is travelling in the region. However, for specially arranged meetings we reserve the right to charge travel and subsistence costs. Such costs will always be agreed in advance.)

Contact

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