



HAWKINS WRIGHT

Outlook for Market Pulp

Supply, Demand, Costs and Prices

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What our Outlook for Market Pulp service offers...

The Outlook for Market Pulp service was launched in 1984. It is now established as a vital planning tool for any company or organisation that requires access to the most authoritative analysis of the market pulp sector. Because this programme of research has continued without interruption for many years, Hawkins Wright has been able to develop an extensive bank of data, experience and contacts.

Over ninety organisations regularly support The Outlook service. These include pulp producers — who together account for more than 85% of world supply — buyers, international agents and trading houses, state and provincial governments and financial institutions.

The Outlook for Market pulp service comprises 12 reports per year that provide analysis of:

- **Demand and trade:** global market pulp demand trends and 5-year forecasts by grade, and by region/country. Imports by country of origin.
- **Supply:** global market pulp supply trends and 5-year capacity forecast by grade, and by region/country. The analysis includes a market pulp capacity listing by mill.
- **Supply/demand balances:** global supply deficit or capacity surplus, 5-year forecast by grade.
- **Production costs:** detailed analysis of the production costs of the global market pulp industry by grade and by region. The analysis presents the costs by individual component (wood, chemicals, energy, labour, maintenance, other mills costs, freight and marketing/sales). The data is sourced from Hawkins Wright's unique annual production cost survey and allows for the provision of costs curves for the softwood, hardwood and mechanical pulp sectors.
- **End use market review:** detailed appraisal of the end use markets for pulp, looking at paper and board demand trends and the outlook for supply. Global project listing for graphic papers and tissue.
- **Price Forecasts:** five year price forecast for BEKP and NBSK, delivered to North America, CIF West Europe and CIF China.

The following pages include a table of contents and list of figures and tables included in a typical Outlook for Market Pulp report.

About Hawkins Wright

Hawkins Wright is an independent consultancy providing a range of strategic, forecasting, market intelligence and business information services to the international forest products and bioenergy industries.

Since 1982 Hawkins Wright has provided authoritative and cost-effective services based on in-depth research of the global forest, pulp & paper and bioenergy industries. These services include private consultancy assignments covering a full range of marketing and strategic subjects as well as regular multi-client reports and newsletters.

Our consultancy services build on our global perspective of the macro- and micro-economic trends driving the international forest industry and downstream product markets. Assignments can range from advice on a client's business development or feedstock sourcing strategies to highly detailed market feasibility assessments of prospective projects.



The contents of a typical report

Section One:

Market pulp demand

Historical BCP demand by region and by grade

Chinese imports of market pulp

Consumer stocks

BCP demand forecast by region and by grade

Section Two:

Market pulp supply

Current market pulp capacity

Capacity forecast summary

Supply forecast risks

Confirmed changes to supply

Projects with uncertain schedules

Impact of dissolving pulp

Section Three:

Supply/Demand balance

Historical supply/demand balance

Supply/demand projections by grade

Short term supply and demand

Section Four:

Production costs

Global weighted average production costs

BSKP cash cost by region

BHKP cash cost by region

Global cost driver review

Net equilibrium price

High yield pulp costs review

Section Five:

Prices

Global economic review

Commodities

Exchange rates

Price forecast:

CIF West-Europe, CIF China, Del North America

Appendix 1:

Market pulp mill capacity listing, by region and by grade

Softwood kraft pulps

NBSK & SBSK

Radiata and other softwood

Fluff pulp

Hardwood kraft pulps

Birch

NMHW & SMHW

BEKP

Asian BHKP (including Acacia)

High-yield pulps (including BCTMP)

Unbleached kraft pulps

Sulphite

Appendix 2:

Top 20 market pulp producers by capacity, grade and market share

Appendix 3:

Paper capacity changes

Appendix 4:

Tissue capacity changes

The grades covered in the report include: NBSK, radiata, fluff/SBSK, birch, NBHK, SBHK, BEKP, BAKP, sulphite, UKP and HYP.

The regions covered by the report include: North America, Nordic, West Europe, Latin America, Japan, China, East Europe, Oceania and Other Asia.



List of Tables and Figures contained in a typical report

| |
|---|
| Table 1: World BCP demand, by region |
| Table 2: World BCP demand, by grade |
| Table 3: World BCP demand forecast by region |
| Table 4: World BCP demand forecast by grade |
| Table 5: World BSKP demand forecast by region |
| Table 6: World BHKP demand forecast by region |
| Table 7: World market pulp capacity, by grade and by region |
| Table 8: World market pulp capacity by region (all grades) |
| Table 9: World market pulp capacity forecast summary |
| Table 10: World market pulp capacity forecast summary |
| Table 11: World market pulp capacity forecast by region |
| Table 12: Projects with uncertain schedules |
| Table 13: Recently active swing capacity |
| Table 14: BSKP cash costs by region, CIF China |
| Table 15: BSKP cash costs by region, CIF West Europe |
| Table 16: BHKP cash costs by region, CIF China |
| Table 17: BHKP cash costs by region, CIF West Europe |
| Table 18: IMF GDP forecast |
| Table 19: Pulp price, US\$/t, CIF Europe to 2019, before discounts |
| Table 20: Pulp price, US\$/t, delivered North America to 2019, before discounts |
| Table 21: Pulp price, US\$/t, CIF China to 2019 |
| Table 22: Market pulp capacity by mill, Canadian NBSK |
| Table 23: Market pulp capacity by mill, Scandinavia and Germany, NBSK |
| Table 24: Market pulp capacity by mill, NBSK mixed species/other softwood |
| Table 25: Market pulp capacity by mill, other softwood |
| Table 26: Market pulp capacity by mill, US southern softwood |
| Table 27: Market pulp capacity by mill, US fluff pulp |
| Table 28: Market pulp capacity by mill, Scandinavian birch |
| Table 29: Market pulp capacity by mill, Northern mixed hardwood |
| Table 30: Market pulp capacity by mill, Southern mixed hardwood and Asian hardwood |
| Table 31: Market pulp capacity by mill, eucalyptus |
| Table 32: Market pulp capacity by mill, sulphite |
| Table 33: Market pulp capacity by mill, unbleached kraft |
| Table 34: Market pulp capacity by mill, high yield pulp |
| Table 35: Top 20 market pulp producers by capacity |
| Table 36: Paper capacity changes, Europe |
| Table 37: Paper capacity changes, North America |
| Table 38: Paper capacity changes, China |
| Table 39: Tissue capacity changes, China |
| Table 40: Tissue capacity changes, Asia, Middle East & Africa |
| Table 41: Tissue capacity changes, Europe |
| Table 42: Tissue capacity changes, Latin America/North America |
| Figure 1: BCP demand by grade |
| Figure 2: Relative growth performance of BHKP/BSKP demand by market |
| Figure 3: BCP demand, mature vs. emerging markets |
| Figure 4: Chinese imports of BSKP and BHKP |
| Figures 5-12: World-20 shipments by grade and by region |
| Figure 13: Consumer stocks |
| Figure 14: Chinese BSKP pulp imports by month |
| Figure 15: Chinese BHKP pulp imports by month |
| Figure 16: Global fibre consumption by grade: market pulp vs. integrated pulp vs. recovered fibre |
| Figure 17: World BCP demand forecast by region |
| Figure 18: World BCP demand forecast growth by grade |
| Figure 19: World BCP demand forecast by grade |
| Figure 20: World market pulp capacity, by grade and by region |
| Figure 21: Annual change in BCP capacity and growth by grade |



List of Tables and Figures contained in a typical report (continued)

- Figure 22: World BSKP capacity by grade
- Figure 23: World BHKP capacity by grade
- Figure 24: Latin American pulp projects by location
- Figure 25: Cost (per tonne) of newly installed or converted capacity (excl. forestry resource)
- Figure 26: Historical DWP price premium vs. BEKP and NBSK (net prices), CIF China
- Figures 27-28: Illustration of long term annual BCP supply and demand projections
- Figure 29: Illustration of long term annual BSKP supply and demand projections
- Figure 30: Illustration of long term annual BHKP supply and demand projections
- Figure 31: BHKP and BSKP ratios
- Figure 32: World-20 producer inventories, days of supply
- Figure 33: World-20 BSKP/BHKP production
- Figure 34: Latin American market pulp production (BCP only)
- Figures 35-38: BSKP seasonality
- Figures 39-42: BHKP seasonality
- Figures 43-46: BCP seasonality
- Figure 47: World weighted average production cost history
- Figure 48: Index of selected major pulp producing currencies against the US dollar since 2011
- Figure 49: BSKP net equilibrium price, CIF China
- Figure 50: BSKP cash costs by region, CIF China
- Figure 51: BSKP cash costs by region, CIF West Europe
- Figure 52: BHKP net equilibrium price, CIF China
- Figure 53: BHKP cash costs by region, CIF China
- Figure 54: BHKP cash costs by region, CIF West Europe
- Figure 55: Evolution of the BHKP cost curve
- Figure 56: Evolution of the BSKP cost curve
- Figure 57: High yield costs by region, CIF China
- Figure 58: The US dollar Index
- Figure 59: Pulp prices against major commodities indices
- Figures 60-65: Exchange rates: currency vs. US dollar
- Figure 66: Exchange rates and pulp prices: BSKP vs Euro/Dollar
- Figure 67: Exchange rates and pulp prices: BHKP vs Euro/Dollar
- Figure 68: Printing & writing shipments from the mature markets
- Figure 69: European market pulp vs P&W paper prices
- Figure 70: European P&W shipments
- Figure 71: North American UWF imports by month
- Figure 72: North American P&W shipments
- Figure 73: Chinese paper exports by month
- Figures 74-79: Paper producers' converting margins
- Figure 80: Converting margins for European CWF producer
- Figure 81: Printing & writing paper prices as an index
- Figure 82: Global tissue capacity investment by region
- Figure 83: Global tissue production by region
- Figure 84: Pulp price, US\$/tonne, CIF Europe (before discounts)
- Figure 85: Pulp price, US\$/tonne, CIF China (net)
- Figure 86: Pulp prices, €/t, CIF Europe
- Figure 87: Pulp prices, reais/t, Canadian\$/t, CIF Europe
- Figure 88: Hardwood price forecast, CIF Europe, different US\$ scenarios
- Figure 89: Softwood price forecast, CIF Europe, different US\$ scenarios
- Figure 90: NBSK price, US\$/t, by region, to 2017
- Figure 91: BEKP price, US\$/t, by region, to 2017
- Figure 92: Top 20 market pulp producers by capacity

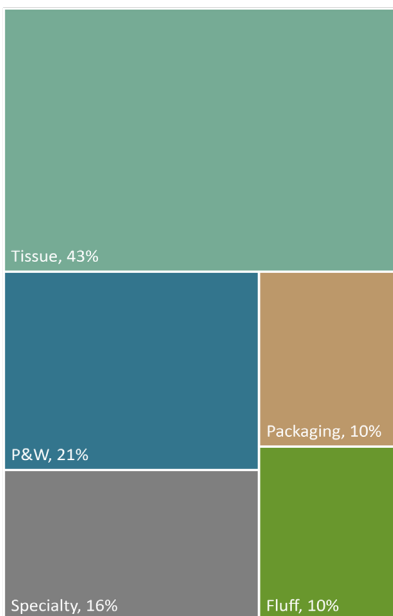


Sample pages

World BCP shipments by end use, 2022



BCP end use, 2022



Our shipments forecast is based partly on the results of end-use surveys which are conducted every other year. The survey records the volume of market pulp consumed by each region and end use application. The first survey was completed using 2008 shipment data and since then we have built up a proprietary database that shows the evolution of deliveries by grade, geography and segment. Although we have not finalised our survey results for 2022 yet, we have made preliminary estimates which are illustrated in the chart opposite.

Last year the tissue industry accounted for 43% of global BCP shipments, with 21% of deliveries going to the P&W sector, 16% to the specialty sector and 10% to the packaging industry. Meanwhile, 10% of shipments were fluff pulp used in the manufacture of absorbent hygiene products.

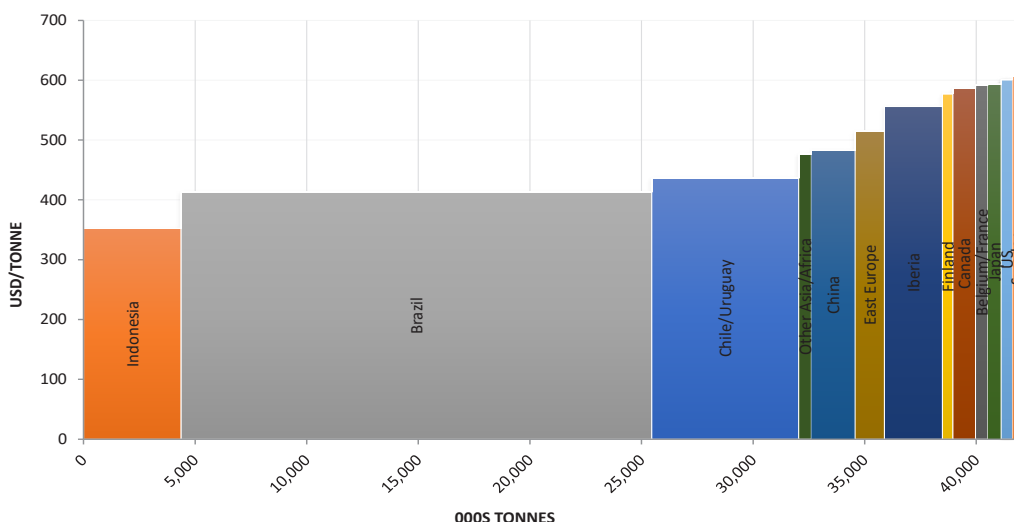
Shipments to the tissue industry have grown consistently, boosting global BCP shipments by around 4.3Mt since 2017. This has mostly offset a contraction of approximately 4.4Mt in deliveries of BCP to the P&W sector. Of the other end use markets, shipments of BCP to the specialty and packaging sectors have grown by 0.7Mt and 1.4Mt respectively, while deliveries of fluff pulp have increased by just 0.2Mt.

In the pages which follow, we appraise the long-term outlook of the different end-use markets and provide commentary as to how they are likely to impact upon shipments of market pulp through 2027.

BHKP production costs by region



BHKP cash costs by region, CIF China, August 2023



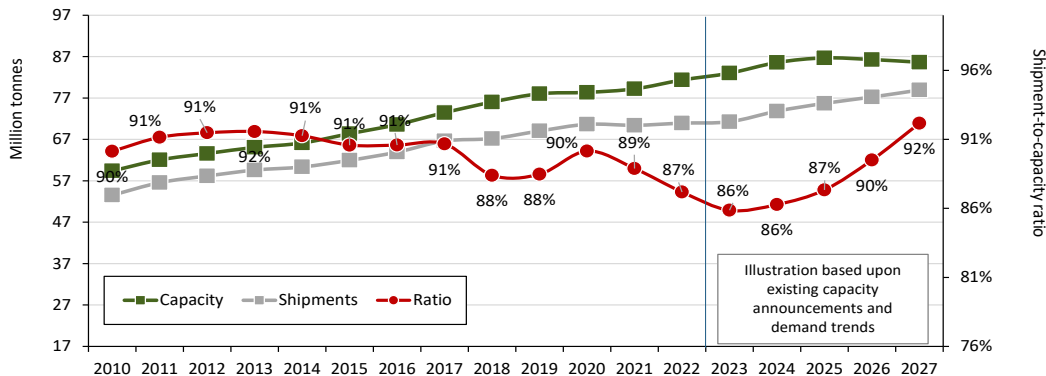


Sample pages

Shipment-to-capacity ratio, all chemical grades



Illustration of long-term annual supply and demand projections, BCP, UKP and DWP, 2010-2027, assuming trend rate of mill closure



If the ratio remains stagnant at 85% and prices languish below the marginal cost level, economic pressures will necessitate the closure of certain mills. Furthermore, we should anticipate the closure of other mills for environmental considerations.

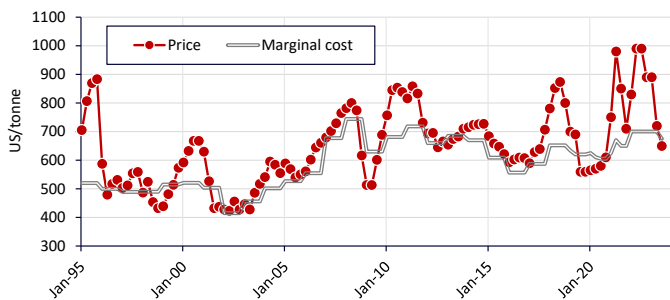
Since 2006, an average of 400Kt of chemical market pulp capacity (including DWP) has permanently closed every year; if we assume this trend rate continue through 2023-2027, the ratio is seen tightening to 92% by the end of the forecast period

We regard this adjusted scenario as the most indicative reflection of the potential trajectory of the BCP ratio until 2027. This scenario serves as the foundation for our price forecast assumptions detailed in Chapter 6.

Prices v marginal costs



NBSK prices v marginal costs, quarterly 1995-2023

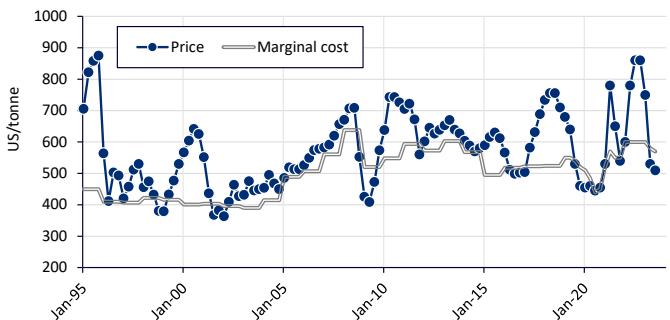


The charts illustrate the strong relationship between pulp prices and costs. We can identify four major cycles in 1995, 2000, 2010, and 2017, where prices rose far above the marginal cost levels, for a period of 12-24 months. On each occasion prices fell back to marginal cost level, or below for at least 12 months.

Prices fell well below marginal cost levels in China through Q2, as short-term cyclical forces are too strong for suppliers to control the down-cycle. However, BHKP prices have recovered by \$50-60/t over the past three months and look likely to rise modestly higher by the end of Q3. Nevertheless, this will still imply losses for many northern hemisphere pulp mills.

Although we have yet to see much permanent capacity closure, there has been a great deal of production curtailment, and some displacement of higher cost integrated capacity in China.

BEKP prices v marginal costs, quarterly 1995-2023





Deliverables and order form

An annual corporate subscription to the Outlook for Market Pulp service costs **£6,150** (or the equivalent in US dollars or euros). The service comprises:

- Three main reports published in April, August, and December. These comprehensive reports include detailed analyses of supply, demand, and pricing, along with five-year forecasts. Notably, the August report features the results of Hawkins Wright’s exclusive Cost Survey. These reports are distributed electronically.
- In addition to the main reports, nine forecast updates are released in the intervening months. These updates, combined with the main reports, ensure that the critical forecast data, particularly price forecasts, are refreshed monthly. These updates are distributed electronically.
- Subscribers also benefit from Hawkins Wright’s commitment to addressing any inquiries related to the international pulp and paper market throughout the year. This service effectively allows Hawkins Wright to serve as a virtual extension of the subscriber’s marketing or market research department.
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