



HAWKINS WRIGHT

The Outlook for Unbleached Fibre Demand, Supply, Costs & Prices, 2020-2025

A multi-client report available from March 2021

Report prospectus



Background

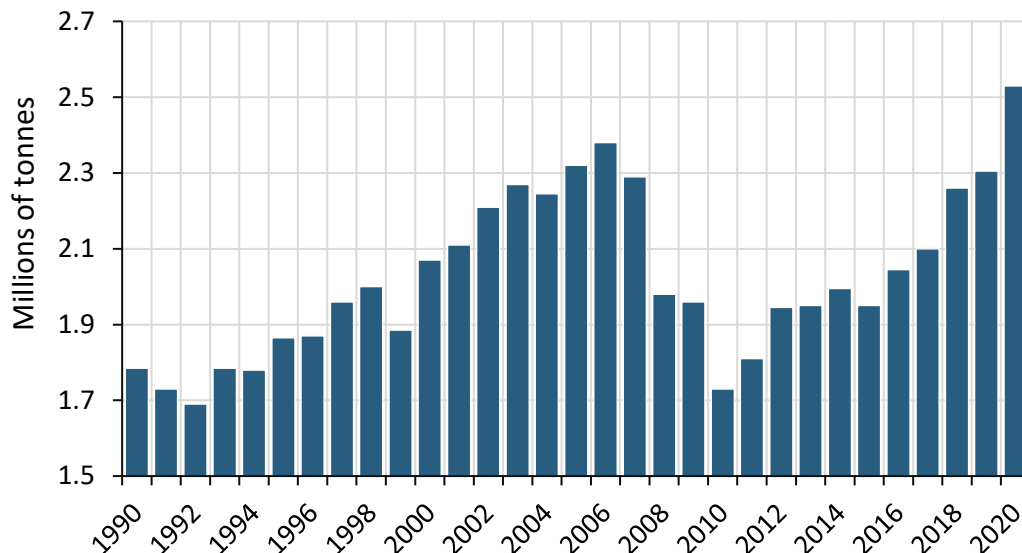
The market for unbleached fibre comprises two principal grades: **unbleached kraft pulp (UKP)** and **unbleached recycled pulp (URP)**.

The market for UKP has existed for many years, with most consumed by kraft paper and board manufacturers. In recent years the growth in UKP demand was driven mostly by fibre cement and electrical or filtration paper applications. Sales of these niche grades expanded by a combined 365Kt during the period 2010-2019, whilst sales of UKP for paper and board manufacturing remained relatively flat.

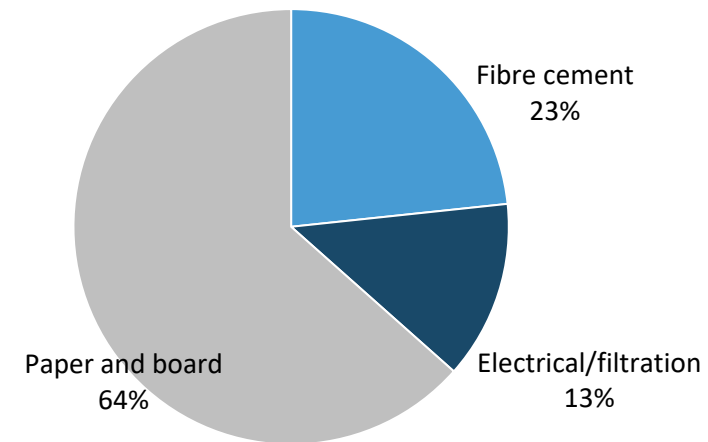
However, last year saw a reversal of this trend, as global UKP demand growth was propelled by a 235Kt jump in sales to paper and board manufacturers, whilst demand for the niche grades was relatively unchanged.

The surge in demand for commodity grade UKP last year is entirely attributed to China, where a major fibre deficit has emerged following the implementation of **Operation National Sword**, a policy directive which has led to the complete ban on imports of wastepaper from 1st January 2021.

World UKP sales, 1990-2020, Millions of tonnes



World UKP sales by end-use market, 2020





Background

This phasing out of imported wastepaper has encouraged Chinese board manufacturers to increase local collections, which is usually of a lower quality than imported grades. In order to compensate, the Chinese are now blending recycled fibre with UKP to provide additional strength.

However, the relatively high price of UKP limits the potential to fill the deficit with virgin fibre, and instead a new grade of pulp has emerged in China - unbleached recycled pulp (URP).

URP is waste paper (ONP and OCC) that has been processed and dried into sheets for onward shipment to the consumer. The market for URP was virtually non-existent in 2017 but last year global shipments reached almost 2Mt, all of which was directed to China. Supply was concentrated in South East Asia where much of the waste paper that was being shipped to China is now being allocated.

With Chinese imports of waste paper ceasing altogether this year, and with domestic collection of waste paper unlikely to improve significantly, the Chinese market for URP seems set for strong growth during future years. The prospects for UKP demand also remain positive, with commodity grades expected to benefit significantly from rapid growth in board production globally. Meanwhile, the niche grades should continue to prosper as the global economy recovers. On the other hand, a huge amount of integrated packaging board capacity (based on recycled and virgin fibre) is being added in Europe, North America, Russia, Brazil, China and South East Asia. Although underlying demand for renewable packaging is expected to accelerate, the market will become increasingly competitive.

This report provides context to the different end use markets for UKP and URP, providing estimates for demand by region and subgrade, with forecasts to 2025. A comprehensive appraisal of current and future global supply by mill and grade is also included, with an analysis of production costs. The report concludes with a price forecast for UKP and URP, CIF China.

Chinese imports of unbleached recycled pulp (URP), 2010-2020

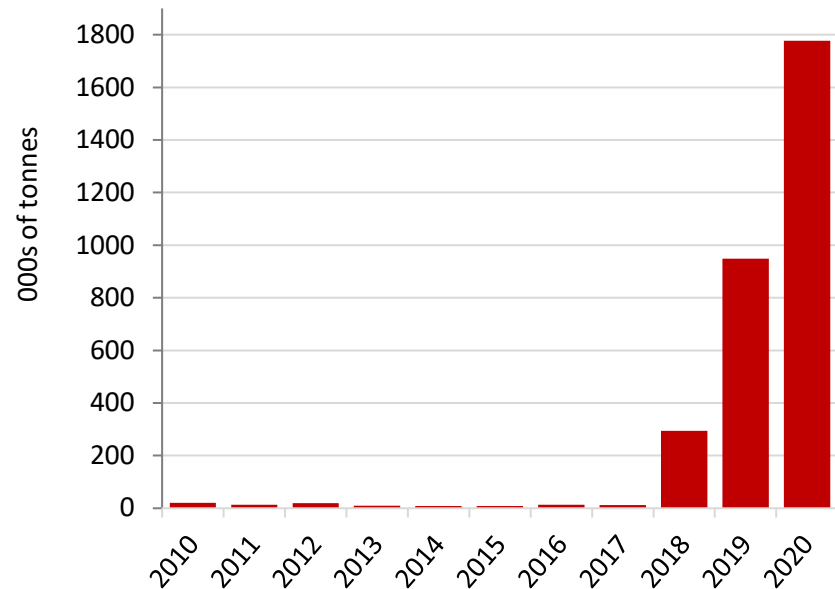




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METHODOLOGY

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



Page extracts

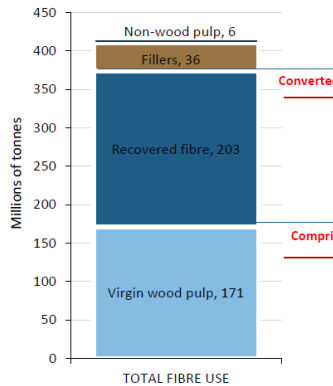
World fibre consumption, 2020



The global paper industry consumed around 381Mt of fibrous raw material in 2020, of which 203Mt was recovered fibre (RCF) and 178Mt was primary (virgin) fibre. Of the latter, 6Mt is based on non-wood fibres (mostly bamboo, straw, bagasse and reed). The industry also consumed around 36Mt of non-fibrous materials (fillers).

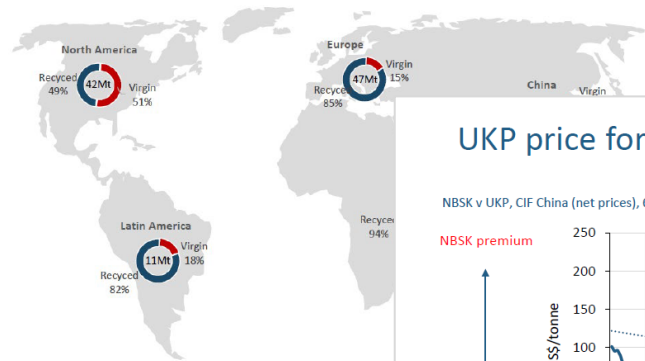
Although it varies by region and grade, our model assumes that the average yield from recovered fibre was around 74%. The 203Mt of RCF thus yields about 150Mt of deinked pulp. An estimated 147.5Mt of this was integrated, and 2.5Mt sold to the market either as unbleached recycled pulp (URP) or bleached market deinked pulp (MDIP).

Of the wood pulp consumed, approximately 142Mt was chemical (mostly kraft), and 36Mt was unbleached (UKP).



Section 1: Defining the unbleached fibre market

World containerboard production by grade, 2020e



North America – which is the largest UKP producing region in the world, with output estimated at 20Mt last year vs approx 15Mt in 2019. Most of the growth in UKP production last year was attributable to growth in the US, where some of the growth in UKP production can also be attributed to increased capacity.

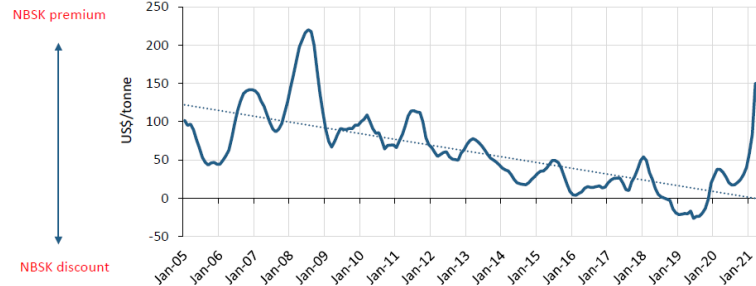
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Section 2: The market for unbleached fibre

UKP price forecast



NBSK v UKP, CIF China (net prices), 6 month-moving-average



The price premium of NBSK over UKP has narrowed over the past fifteen years. Over the period 2010-2017, UKP demand growth was largely supported by higher priced niche grades, whilst demand for commodity grade UKP stagnated. Furthermore, a number of UKP mill closures took place (e.g. Samoa, Usutu, Solombalsky) without any investment in dedicated UKP capacity, meaning any demand growth has been satisfied by swing production from bleached mills or roll pulp supply from US kraftliner mills.

Bleaching costs are estimated at \$30-60/t depending on chemical market conditions, mill location, type of feedstock, bleaching process etc. However, not all BSKP mills are easily able to produce UKP and efficiency losses can offset some of the cost savings derived by not bleaching. Nevertheless, as the price gap between commodity grades narrows an increasing volume of swing production may be incentivised.

Section 5: Costs & Prices



Availability and cost

Available from March 2021, a subscription to the Outlook for UKP supply, demand, costs and prices is priced at £3,450.

Existing subscribers to Hawkins Wright's Outlook for market pulp service qualify for a discounted price of £2,750.

The price includes an electronic copy of the main report; Hawkins Wrights responses to any (within reason) questions on global UKP and URP 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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