



## The outlook for pulpwood supply & demand in the Asian Pacific Rim

*A multi-client proposal, available April 2021*



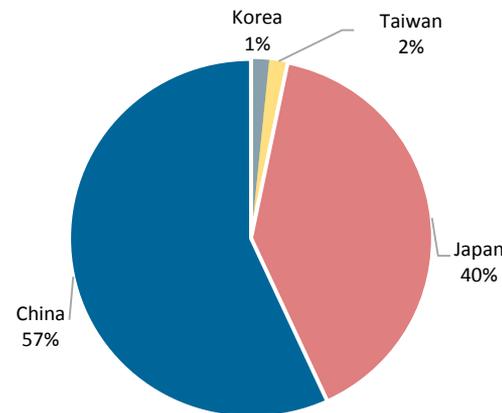
# Overview of the Asian wood chip market

Asian demand for imported wood chips increased by 9 million BDMT, or 4% pa, from 2008-19. This growth was almost entirely accounted for by China, which overtook Japan as the largest market in 2016. Although Japanese chip imports did not grow over the same period, Japan still accounted for 43% of the 25Mt market in 2019. Japanese companies continue to play a dominant role in global trade, but the market dynamics differ somewhat to China.

Global chip trade suffered a contraction of 2.5Mt, or 10%, in 2020 which was the first decline since the global recession of 2009. Record low pulp prices obliged lower operating rates in China, particularly amongst dissolving pulp mills. Nevertheless, imports still increased by 7% due to strong growth in underlying capacity. Meanwhile, Japanese demand contracted by 2.5 million BDMT, or 25%, in line with the fall in integrated printing and writing paper production.

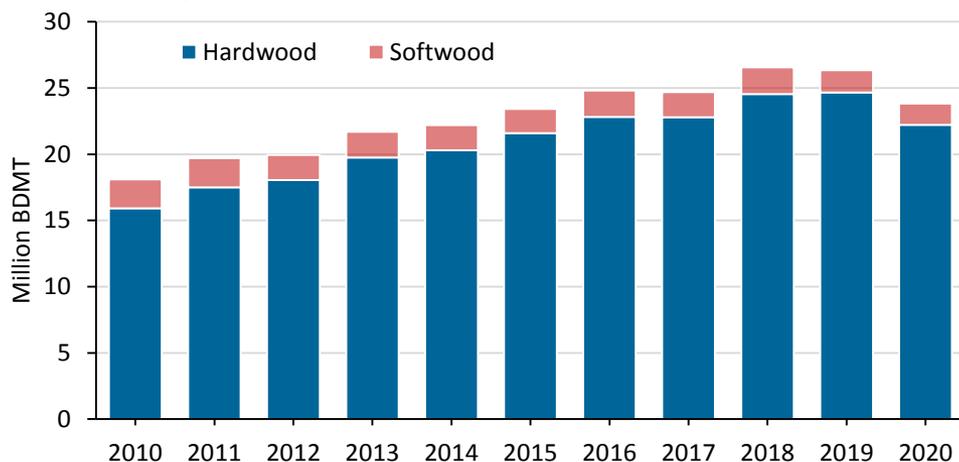
Hardwood chip prices declined by around 12%, averaging \$167/BDMT cif China compared to \$190 in 2019. Demand for the highest quality chips from Australia, Chile, and South Africa suffered most, whilst lower cost suppliers such as Vietnam and Brazil managed to increase exports, and grow market share.

Asian hardwood & softwood chip demand, 2020



Total: 23.8 million BDMT

Hardwood and softwood chip imports to South East Asia, 2008-20



**Data sources**  
 Data is sourced primarily from trade statistics, cross referencing import and export data. We have also drawn information from other well established multi-client studies, as well as discussions with chip suppliers and consumers, and other industry participants.



## Report scope

Chip demand is recovering through the first half of 2021, but the dramatic rally in pulp prices has yet to make much impact on spot chip prices, with contracted volumes still under negotiation. Chinese and Japanese pulp producers have therefore maintained their more competitive position for the time being, but remain relatively high cost.

### A major investment boom in Chinese pulp capacity will have far reaching impact on global fibre markets

Chinese wood pulp production was estimated at almost 12Mt in 2020, comprising 6.1Mt kraft, 5.5Mt high-yield, and the remainder dissolving pulp. There is currently over 22 million tonnes of pulp capacity under construction or in the planning phase in China. For context, the global pulp market is currently around 69Mt, and Brazilian pulp production reached 21Mt in 2020. However, the commercial and plantation forest resources of China and Brazil are vastly different in size and productivity, and China will be heavily dependent on imported wood to feed further pulp production growth.

Chinese companies are aiming to follow the Japanese model by integrating as far as possible, and several are also attempting to replace recycled fibre with virgin fibre in packaging boards, following the full implementation of the recycled fibre import ban in January of this year. However, the explosion in investment activity also coincides with a major stimulus package announced by the Chinese government in the wake of the coronavirus pandemic. The Chinese pulp projects are a mixture of greenfield and brownfield, chemical and high-yield pulp, and spread across around 10 different provinces. Some of the companies already produce pulp from imported chips, but many are entering the sector for the first time. Almost all of them are large (often publically listed) companies who have delivered major capex expansions over the past ten years.

The volume of pulp and paper capacity growth is in excess of domestic market demand trends, and implies a major deficit in pulpwood supply. Some projects will be cancelled or postponed, but even accounting for the currently installed and soon-to-be installed capacity implies major challenges in fibre procurement. This challenge may be exacerbated by the import ban on Australian logs and export ban on Russian logs which is proposed for 2022. Both have been significant suppliers to China, who will be obliged to increase imports of lumber, meaning fewer residuals available for other Chinese wood processing facilities including pulp mills.

Although Japanese pulp production is expected to decline further in the long term, additional demand for biomass (in the form of pellets, chips, and PKS) is emerging in both Korea and Japan as a result of renewable energy incentives.

As a result of these issues it is increasingly important to monitor global wood chip markets, and analyse them with reference to **pulp market dynamics and wider global paper and board production and trade trends in particular**. Hence the need for this report, which is now in its fourth year of publication.



## Report scope

The 60 page report is structured as follows:

- **Market overview** and trading matrices for softwood and hardwood.
- Hardwood chip **demand** by country (China, Japan, Korea, Taiwan, Indonesia, and India). Historical wood chip imports by origin, from 2005. Main chip consumers, detailing the location, capacity, pulp grade, capacity and degree of integration. Pulp production trends and new capacity plans.
- Hardwood chip **supply** by country (Vietnam, Australia, Thailand, Indonesia, South Africa, Brazil, Chile). A description of the plantation resource and roundwood harvest, by species and end use sector. Leading wood chip suppliers, and potential future export availability.
- Wood chip **price trends** and **drivers**. Impact on pulp production costs, differentiating between dissolving, kraft, high yield, integrated and market pulp. Pulp market outlook and BHKP supply curve.
- Chip demand from the **bioenergy** sector.
- Outlook for chip **demand** and **supply**, based on plantation resource development, pulp production trends, and pulp & bioenergy market dynamics.
- Outlook for chip **prices**

The 2021 report is available now, for a price of **USD3850\***, and includes:

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