



HAWKINS WRIGHT



# Pulp Market Review

**AFVP seminar 2024**  
**Divonne-les-Bains**

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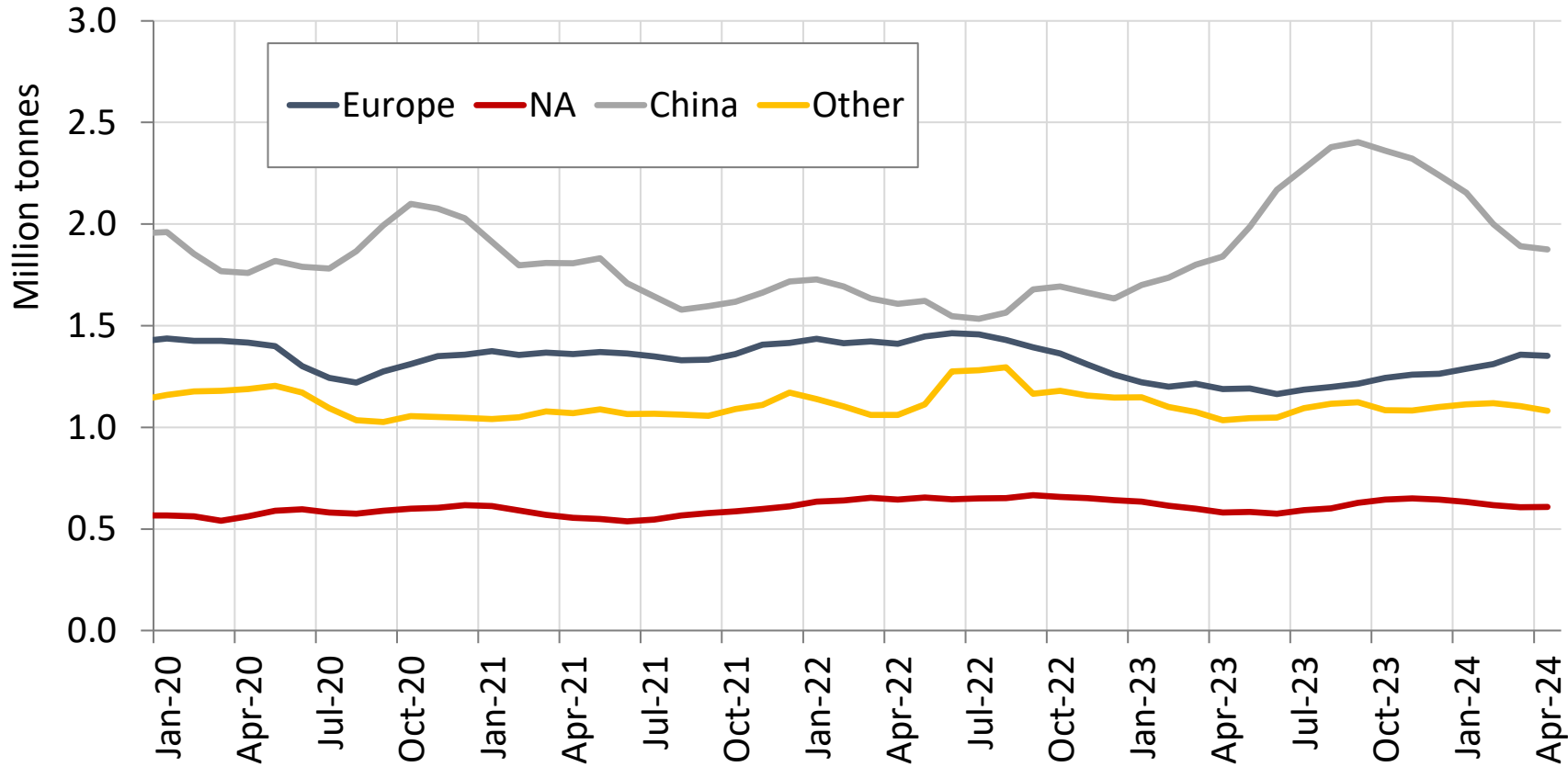
June 2024

[www.hawkinswright.com](http://www.hawkinswright.com)



# Bleached chemical pulp shipments by destination

3 month moving average



Q1 2024:

TOTAL SHIPMENTS: +6% (+0.8Mt)

By destination:

- China +5% (+0.3Mt)
- Europe +12% (+0.4Mt)
- NA -%
- Other +6% (+0.1Mt)

By grade:

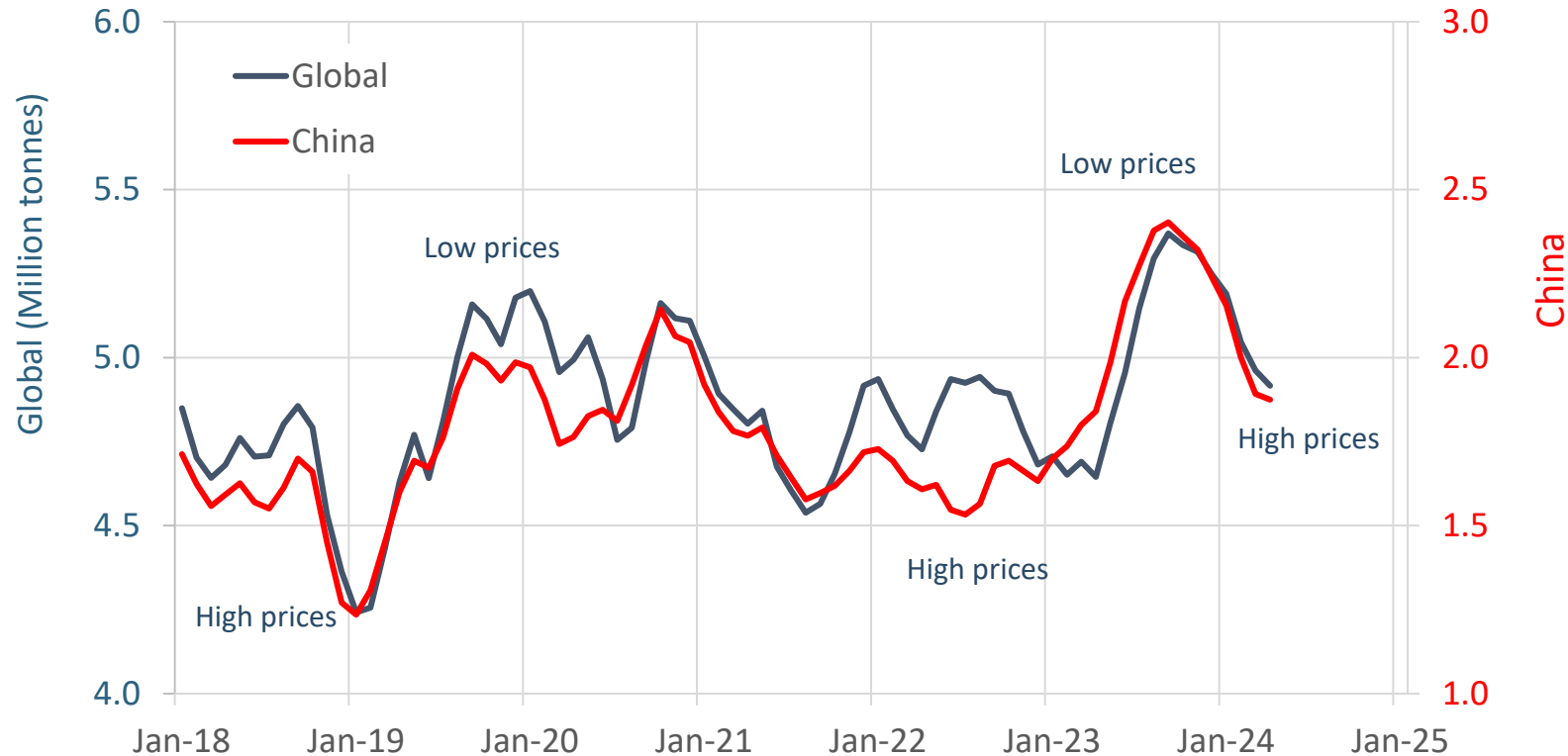
- BSKP +1% (+0.1Mt)
- BHKP +9% (+0.7Mt)

Source: Association statistics, Customs data, Hawkins Wright estimates. Data shown for World-20 sample + Russia and Indonesia



# Chinese pulp imports increased by 5.4Mt in 2023!

Global shipments and shipments to China



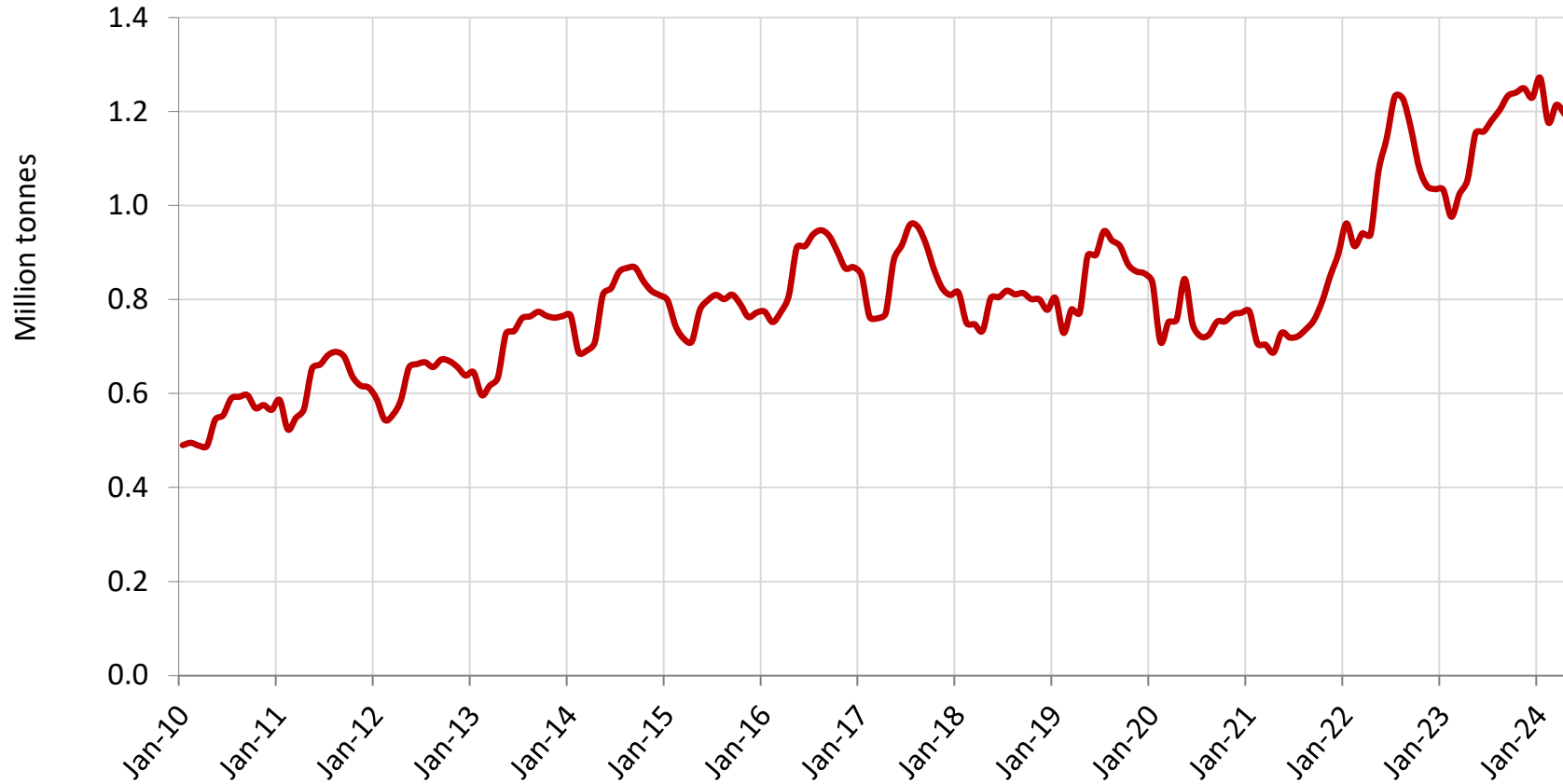
Source: Association statistics, Hawkins Wright

- Boom in Chinese pulp demand coincided with the opening-up of the economy, but was mostly related to price:
  - Displacement of local pulp
  - Speculation/ inventory build
  - Higher export of P&B



# Chinese exports of P&B

3 month moving average

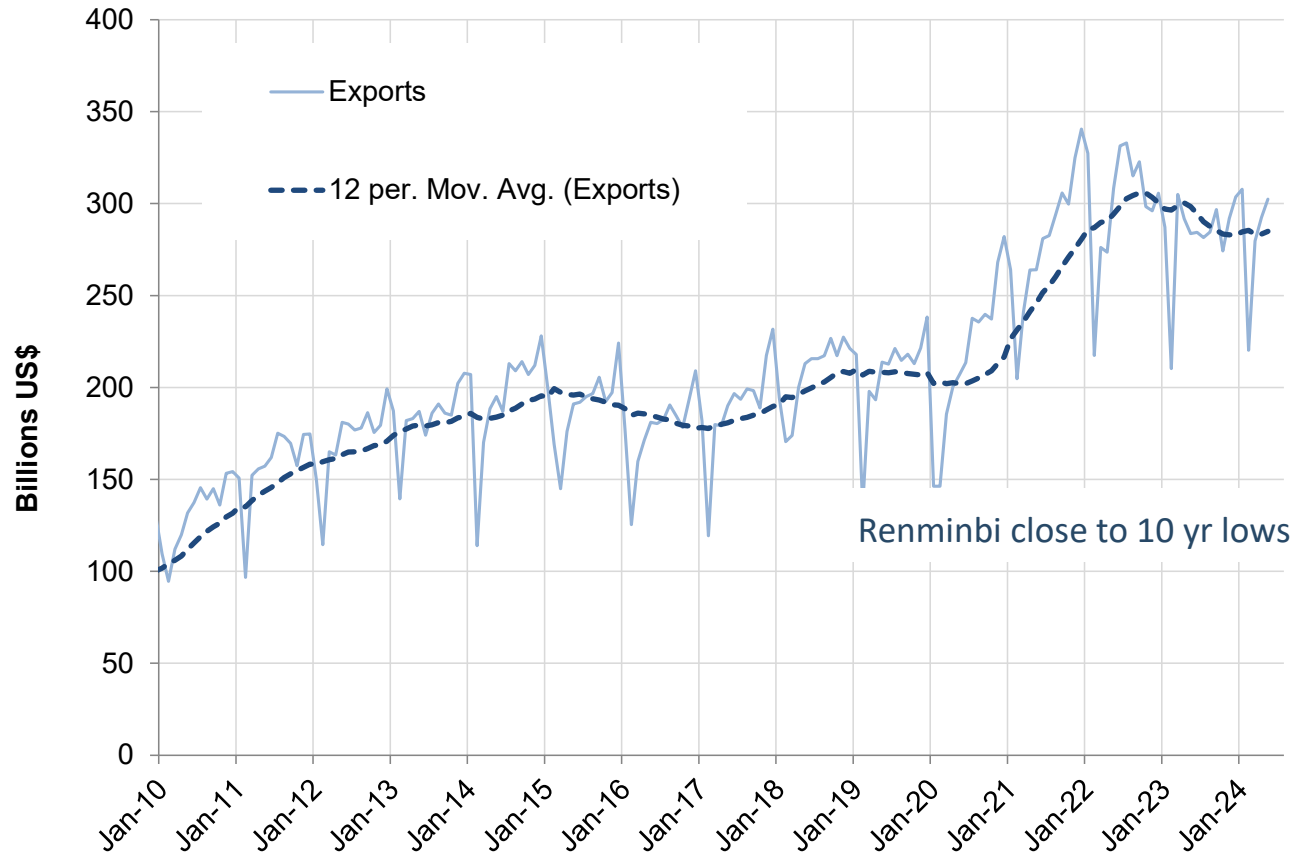


- Chinese exports hit a record high of 14Mt in 2023.
- Indonesian paper and board exports also reached a record high in 2023.
- Jan-April: Chinese exports up 17% (+0.7Mt). Strong growth in deliveries to SE Asian markets, accentuating concerns about oversupply and depressing prices.



# A macro-economic phenomenon...

Total Chinese exports

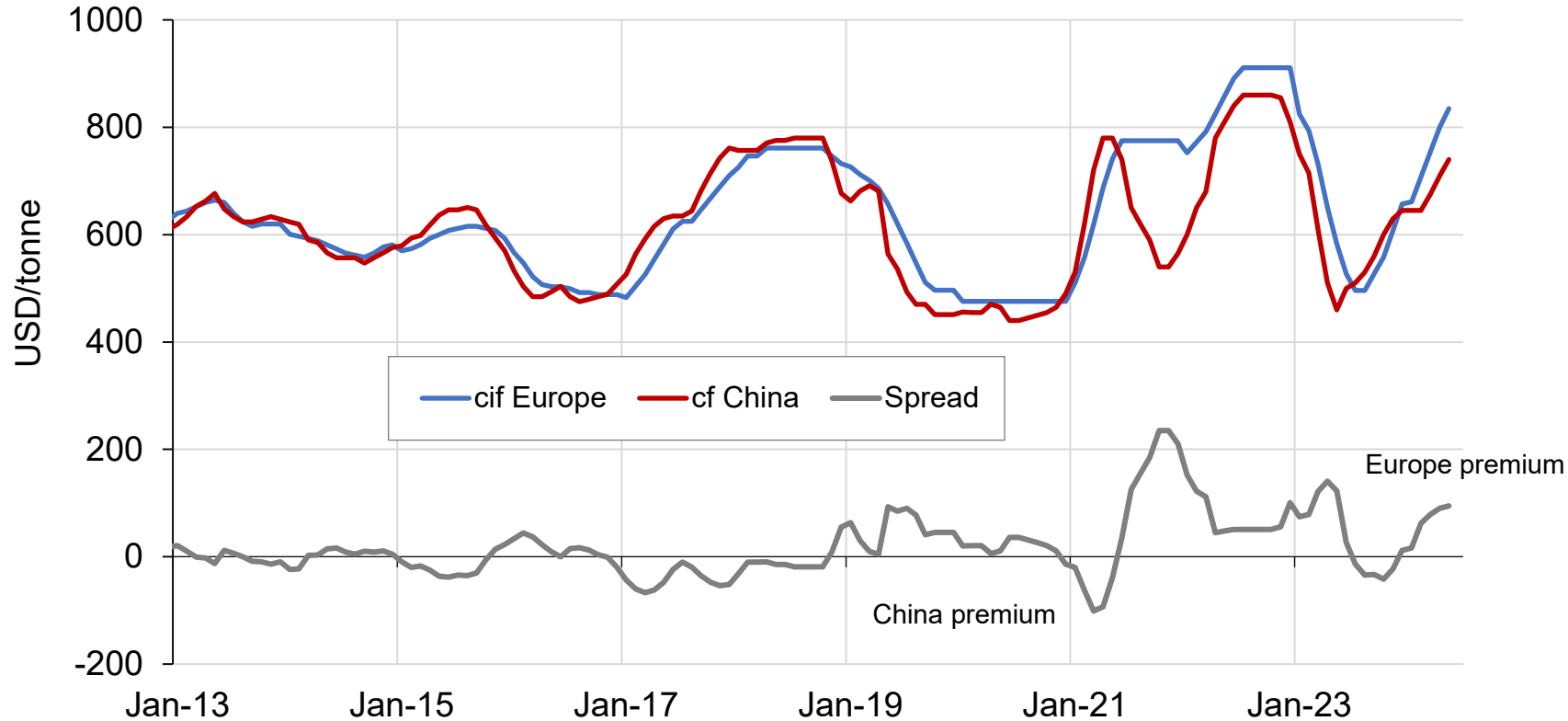


- China shifts growth due to collapse in property sector and slowing domestic consumption
- Focusing on batteries, solar panels, Electric Vehicles...
- ...but all industrial projects are approved to support investment and GDP – pulp & paper included
- EU follows USA putting tariffs on Chinese EVs (and décor paper!)



## European pulp prices at a premium once again

Net BHKP prices in China v Europe

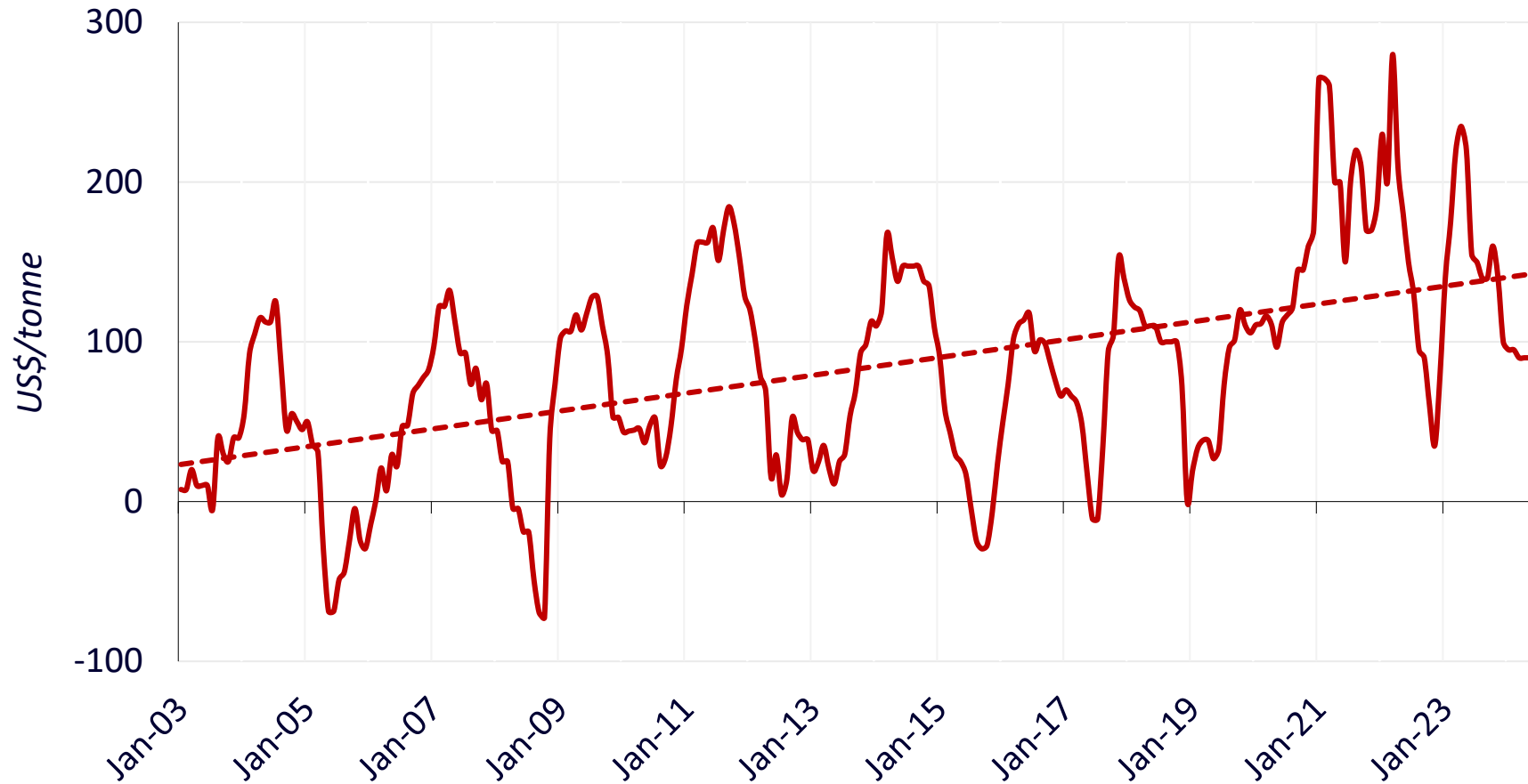


Note: May price data is estimated

- Europe paying a premium of \$90-100/t; but note the time-lag in deliveries. Some BEKP arriving in China this month was bought in March at \$680/t
- Price differential improves Chinese competitiveness
- Will Chinese paper reappear in EMEA if/when freight rates drop?



## Price gap between hardwood and softwood increases



- But currently below trend. Why?



## How to explain the relatively low differential SW v HW

- Shanghai futures exchange is only softwood – reflects general pessimism, influence of Russia
- Structure of softwood supply
- Long established trends, softwood sector operating poorly for some time and capacity closures “priced in”
- Hardwood mills don’t close, but take very significant temporary downtime (even Suzano cut 400Kt last year)
- Hardwood is easily substituted for other fibres when prices are low
- Structure of hardwood supply





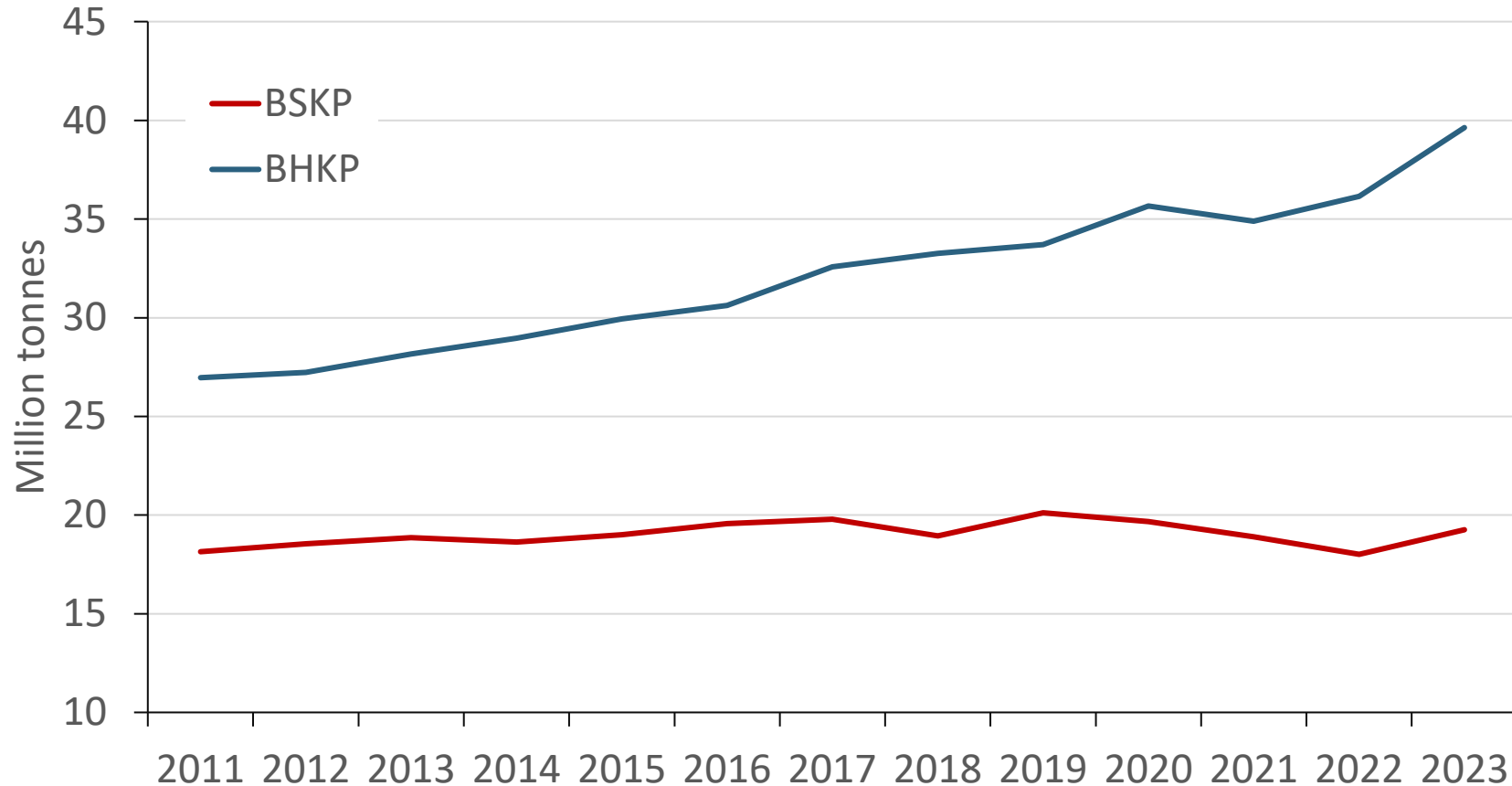
## Recent market pulp capacity closures

Year	Company	Mill/line	Country	Market capacity	Grade	Date of closure
<b>2024</b>	Canfor	Northwood	Canada	-300	NBSK	Q3 2024
	RAYAM	Temiscaming	Canada	-150	DWP	Q3 2024
	Birla	AV Terrace Bay	Canada	-320	NBSK	Q1 2024
<b>2023</b>	GP	Foley	USA	-450	DWP/fluff	Q4 2023
	International Paper	Riegelwood	USA	-300	SBSK/Fluff	Q4 2022
	International Paper	Pensacola	USA	-165	Fluff	Q3 2023
	Paper Excellence	Espanola	Canada	-160	NBSK	Q3 2023
	Arauco	Licancel	Chile	-160	UKP	Q3 2023
	West Rock	Tacoma	USA	-60	UKP	Q3 2023
	Stora Enso	Sunila	Finland	-375	NBSK	Q2 2023
	Canfor	Prince George	Canada	-155	UKP/NBSK	Q1 2023
	ND Paper	Old Town	USA	-180	UKP	Q1 2023
Canfor	Taylor	Canada	-230	BCTMP (SW)	Q1 2023	
<b>2022</b>	Resolute Forest Products	Calhoun	USA	-170	BSKP/NBHK	Q1 2022
	West Rock	Panama City	USA	-295	Fluff	Q2 2022
	West Fraser	Hinton	Canada	-125	BSKP	Q4 2022
	Cosmo	Cosmopolis	USA	-150	DWP	Q4 2022
<b>TOTAL 2022-24</b>				<b>-3,745</b>		

- 3.7Mt of indefinitely idled/closed capacity since Q1-2022.
- All the capacity is furnished with softwood, and most of it is in North America.
- Other temporary supply constraints, most recently: APP Jambi, CMPC Guaiba, Metsa Kemi.
- Chile disruption – Port of Coronel
- Threat of strike action in Canada and Finland



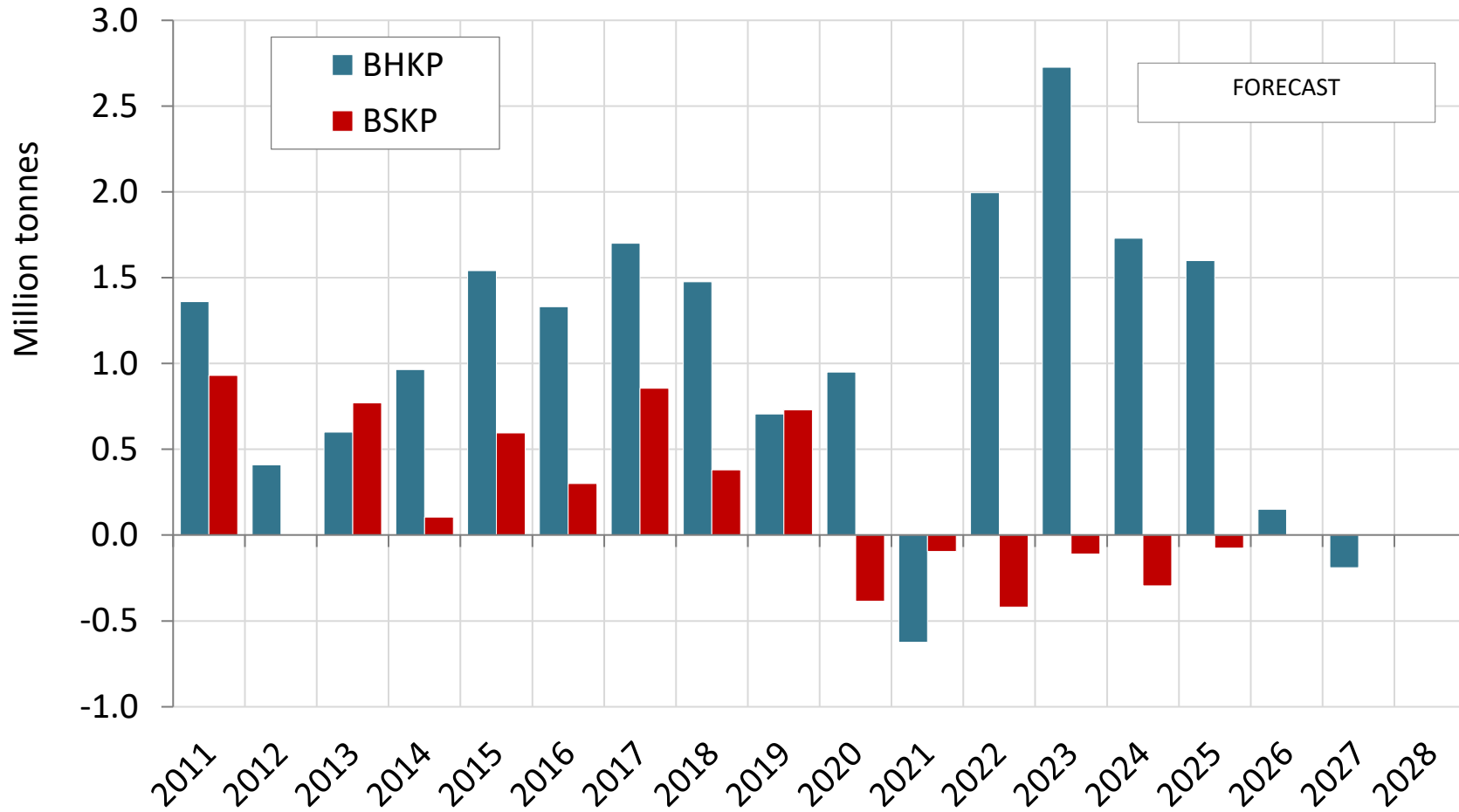
## Shipment trends reflect this, and buyers adjust accordingly



- Unexpected events such as Finland strike, or Kemi explosion are not “priced in”



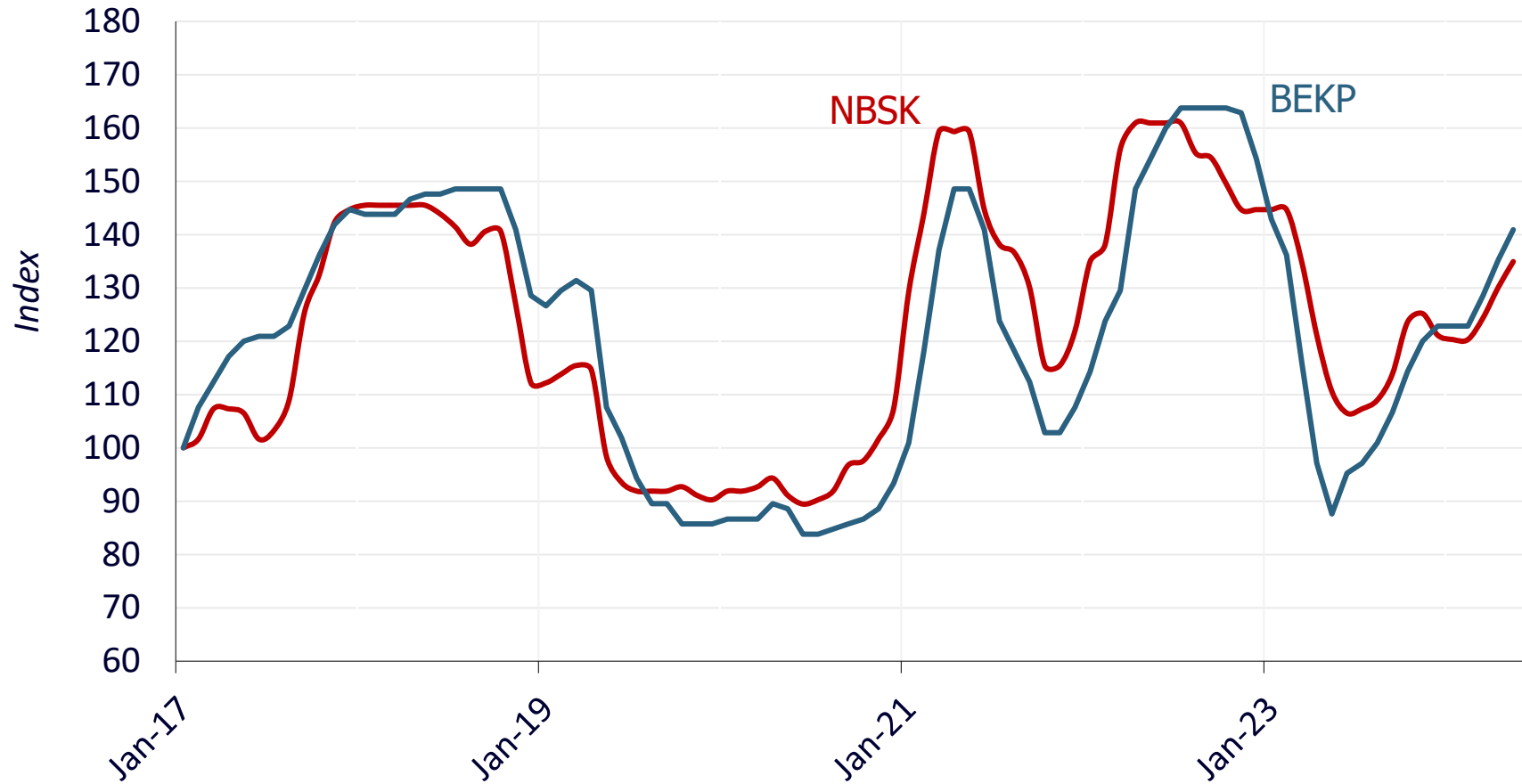
## Capacity growth diverging



- BSKP capacity shrinking since 2020, despite Kemi
- Klabin is the only major viable BSKP investment, TBC
- We have not yet included BEKP projects of Eldorado II, Arauco Sucuriú, CMPC Natureza, Paracel, but they will come...some before 2028



## Cycles are slightly larger for BEKP





## What are we monitoring in second half of 2024...?

- Expect to see shipments to China fall year over year...with global consequences
- Cycles are getting shorter and more volatile. Beware year over year comparisons.
- Speed of Cerrado ramp-up & Chinese BHKP lines; impact on Asian wood prices?
- EUDR...trade tensions and uncertainties. Geo-politics
- Fibre remains stressed in both Canada and Nordics. Is this fully “priced in” ? We will find out pretty soon...
  
- The football!!