

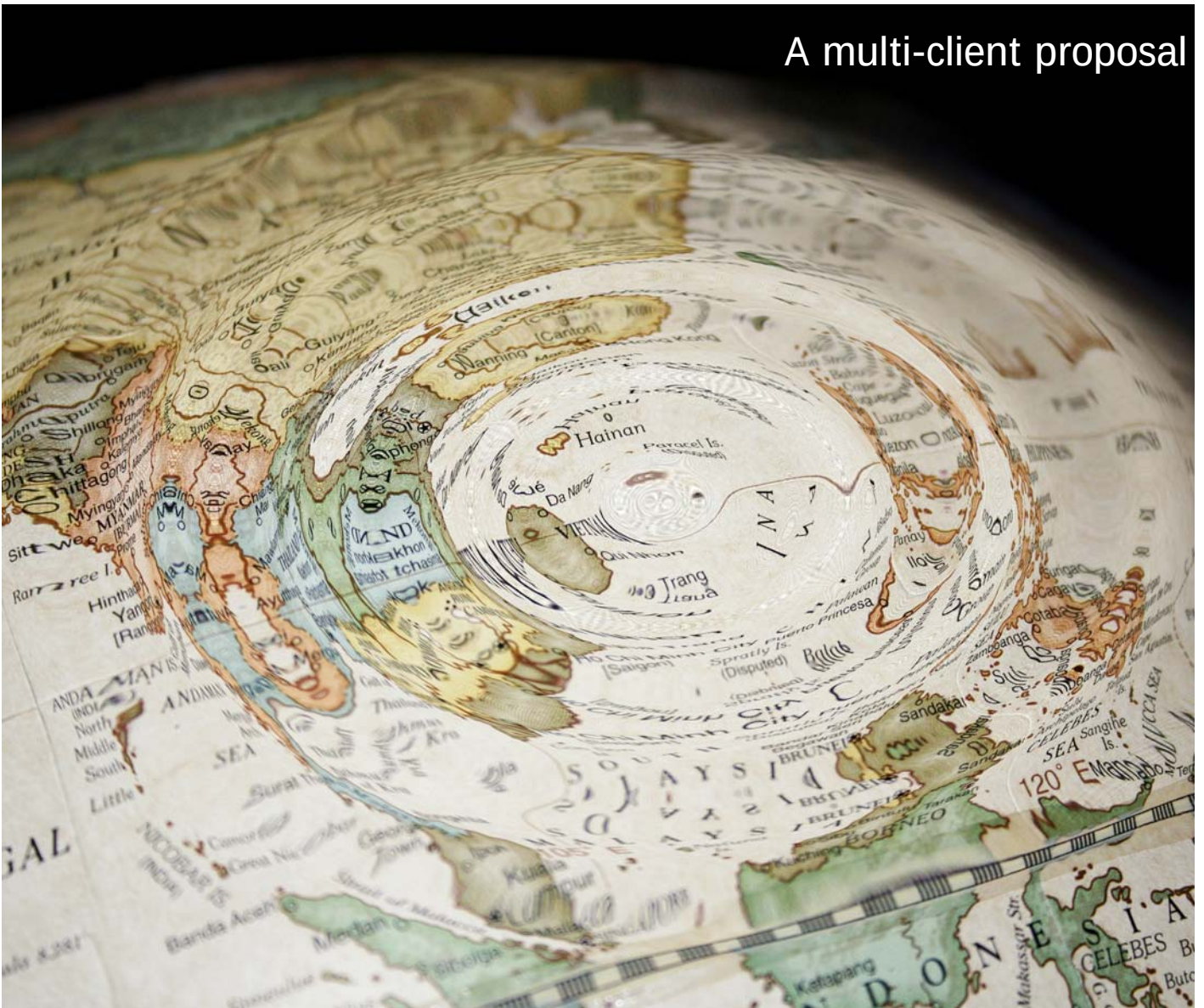


HAWKINS WRIGHT

Asian woodfree paper

The global implications

A multi-client proposal



Introduction

Since 1995 East Asia (excluding Japan) has been transformed from a net importer of some 600,000 tonnes of woodfree paper into a net exporter of over 2.3 million tonnes.

This transformation has been driven primarily by the explosive growth in Chinese woodfree paper capacity. But China is not solely responsible: output has also expanded quickly in Indonesia, South Korea and Thailand. The developments in Asia have global implications. New sources of supply have fundamentally changed the flows of intra-regional trade.

The excess capacity is putting downward pressure on prices in Asia and in the rest of the world. Combined with rising costs of raw materials, this is squeezing margins and eroding the profitability of papermaking.

In the more developed markets of North America, Europe, Japan and Oceania, the growing Asian supply is having a similarly profound impact. Faced with flat demand in domestic markets, Asia's growing export surplus is accelerating the restructuring process. In North America and Europe over 4 million annual tonnes of woodfree capacity has shut in the past two years. More closures will doubtless follow.

The speed at which this restructuring will take place depends on several factors, not least the competitiveness of non-integrated Asian mills versus integrated mills in Asia and the West. Clearly, Asia's export surplus will also hinge on how quickly Asian demand grows, and whether it can catch up with the rate of investment.

Market research in Asia has typically been over-reliant on rudimentary assumptions regarding relationships between GDP *per capita* and paper consumption. Such assumptions tend to ignore inequalities of income, which are far greater in Asia than in the west. Furthermore, several Asian countries are becoming economically mature by Western standards.

The rise in Asian supply presents major challenges to the woodfree paper industry, but Asia still offers exciting opportunities for producers that are correctly positioned to exploit them. A significant proportion of Asia's apparent consumption of printing and writing paper is directly or indirectly exported in converted form and, where printers and publishers specify high quality or speciality grades of printing and writing paper, European, Japanese and North America papermakers may find that they retain a competitive edge. Some western producers are also seizing opportunities to invest in Asia, either alone or in partnership with a local producer.

By whatever route a company chooses to confront the challenges and exploit the opportunities presented by the rise in Asian woodfree supply, it will be necessary for it to have a fundamental understanding of the dynamics of the Asian market, its current structure and its future prospects. Equipping subscribers with this understanding is the purpose of this report.

Although this study is a stand-alone report, it can be considered a companion study to Hawkins Wright's report *Defining the China Market for Pulp, Paper & Board*. While the latter focuses in detail on the whole Chinese pulp and paper market, this new *Asian Woodfree Paper* report focuses on just the woodfree paper sector at the same time as analysing developments from a wider regional and global perspective.

For the purposes of this report we have defined Asia as China, Hong Kong, Taiwan, South Korea, Indonesia, Malaysia, Singapore, Thailand, Vietnam and the Philippines.

The report is presented in Five chapters, preceded by an **Executive Summary**. **Chapter One** examines the supply of woodfree paper in Asia, identifying all existing and proposed woodfree paper mills, their capacities and the grades of paper they produce.

Chapter Two discusses the factors driving woodfree paper demand in Asia itself, including demographic trends, economic developments, literacy, advertising trends, the availability of substitute paper grades etc.

Chapter Three proceeds to develop forecasts of woodfree paper demand in each Asian country to 2015. It also discusses the structure of demand; for example trends in the printing and publishing industries, the importance of merchants in each country, folio versus cut-size.

Chapter Four examines trends in Asian exports and imports of woodfree paper and the likely future supply/demand balances through 2010 based on projections of paper capacity and forecasts of paper demand. The factors influencing the pattern of trade are discussed; for example, tariff and non-tariff barriers, anti-dumping duties, printers' and publishers' quality requirements etc.

Chapter Five explores the impact of the growing supply of Asian woodfree paper on the markets in North America, Europe, Japan and Australia, including the penetration of Asian paper into these markets as well as the displacement of Western papers from Asian markets.

Methodology

We have taken a similar approach to that which we adopted in the "Defining the China market for pulp, paper and board". That is, we have collected all published and semi-published information from trade press, company reports and websites, and customs statistics. Inevitably such data throws up contradictions caused by inconsistencies in the way papers are classified or simply by inaccuracies. We have therefore undertaken several months of fieldwork, interviewing producers, agents and trading companies, as well as printers, publishers, and other knowledgeable market sources.

In this way we have attempted to present a transparent and consistent piece of research which satisfies the majority of the primary data sources, and which is presented in a way which is useful to the majority of readers. Subscribers are encouraged to contact us with further questions or comments.

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The experience of Hawkins Wright

Hawkins Wright Ltd. is a business consultancy based in London, UK, specialising in the provision of business information and consultancy services to the international pulp and paper industry. The company was formed in 1982 and over the past twenty-four years we have developed an unequalled bank of data, qualitative information and senior contacts throughout the industry.

Our regular multi-client services include '*The Outlook for Market Pulp Demand, Supply, Costs and Prices*' (a detailed pulp market forecasting service) and *Pulpwatch* (a monthly newsletter.)

We also publish *Defining the China Market for Pulp, Paper and Board*. This annual report, now in its fourth edition, is recognised by the industry as the most detailed and comprehensive analysis available of the Chinese market.

In addition to these regular reports we provide single-client consultancy services covering a full range of marketing and strategic issues.

As part of these single and multi-client services we have been covering and regularly visiting Asia for the past fifteen years.

Availability and cost

Work on the study has already begun and four weeks of fieldwork in Asia has been completed. The study will be available by July 2006.

The cost of the study is **£3800**. Subscribers who also purchase the 2006 edition of our report *Defining the China Market* qualify for the discounted price of £2600.

The price of the study includes two copies of the report as well as a presentation meeting with the authors.

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Asian woodfree paper

The global implications

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