

Global Market Pulp Outlook

**Fastmarkets Forest Products
North American Conference
Chicago, October 2024**



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Metsä Fibre's Kemi pulp and bioproducts mill restarts production



Government ends CN, CPKC strike with arbitration, averting big economic hit, pulp shipment train wreck



to close 300,000-tonne NBSK line



Unpacking the 2024 pulp market boom and bust

- A review of labor strikes and other **unexpected supply disruptions**
- Supply-side developments including **closures, new projects and downtime**
- Assessing **production cost trends** for marginal pulp producers
- **Overview of demand** so far this year in the US and globally
- **Price trends and expectations** for pulp market conditions in 2025

Labor disputes played an active role in pulp markets this year





US East and Gulf Coast port strike impacts

Monthly pulp **imports** through East Coast and Gulf ports, thousand metric tons



BSK: 75,000 tonnes (mostly Nordic NBSK)
BHK: 190,000 tonnes (mostly LatAm BEK)
UKP: 3,000 tonnes
MEC: 3,000 tonnes

**45% of monthly market pulp consumption in the US
or about 5% of global demand**



US East and Gulf Coast port strike impacts

Monthly pulp **exports** through East Coast and Gulf ports, thousand metric tonnes



BSK: 365,000 tonnes (mostly fluff)

BHK: 25,000 tonnes

UKP: 2,000 tonnes

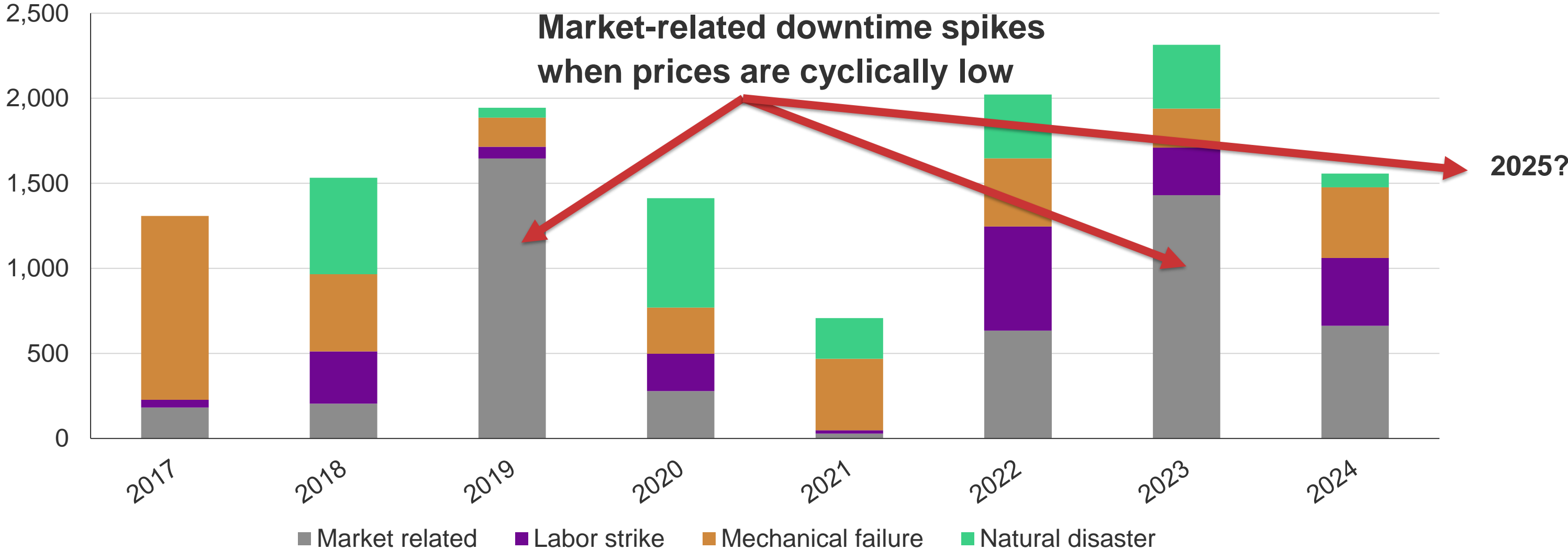
MEC: 3,000 tonnes

**About 8% of monthly global pulp exports
but more than 80% of monthly fluff pulp exports!**

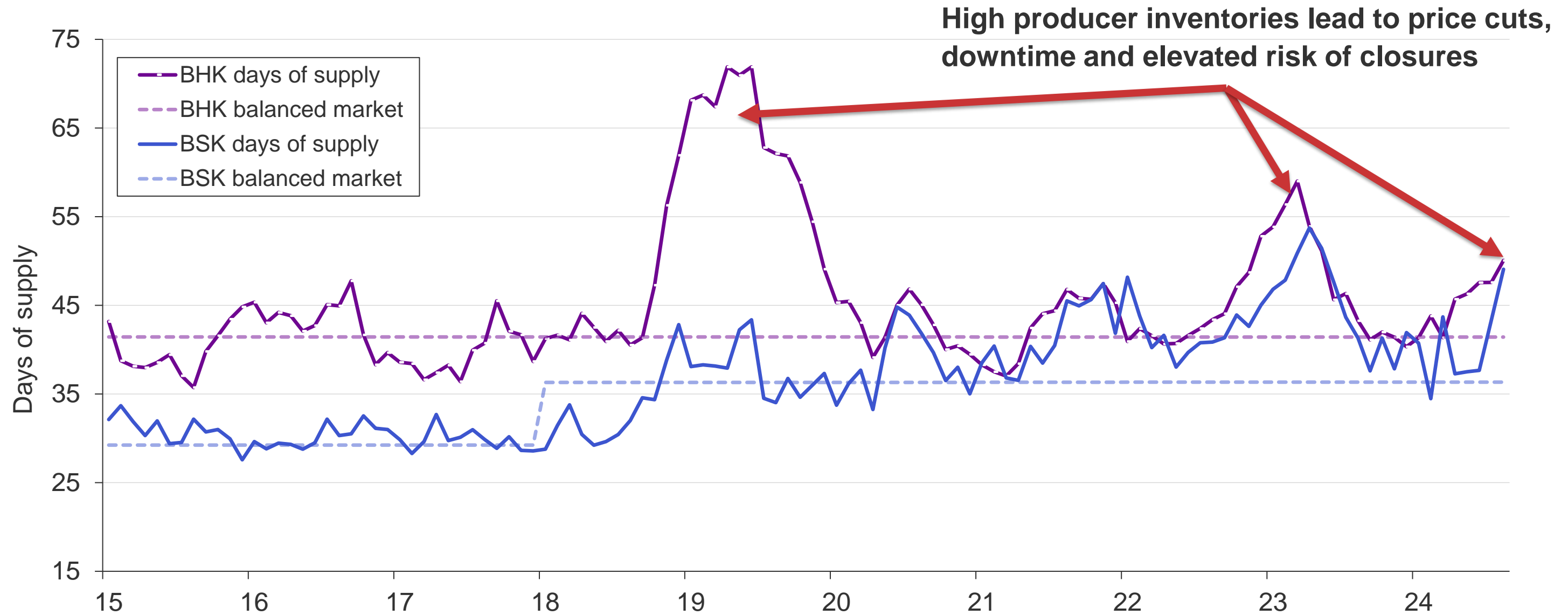
As strike threats ease, market-related downtime reappears



Unexpected downtime by cause
Thousand tonnes



Producer inventories surged over the summer



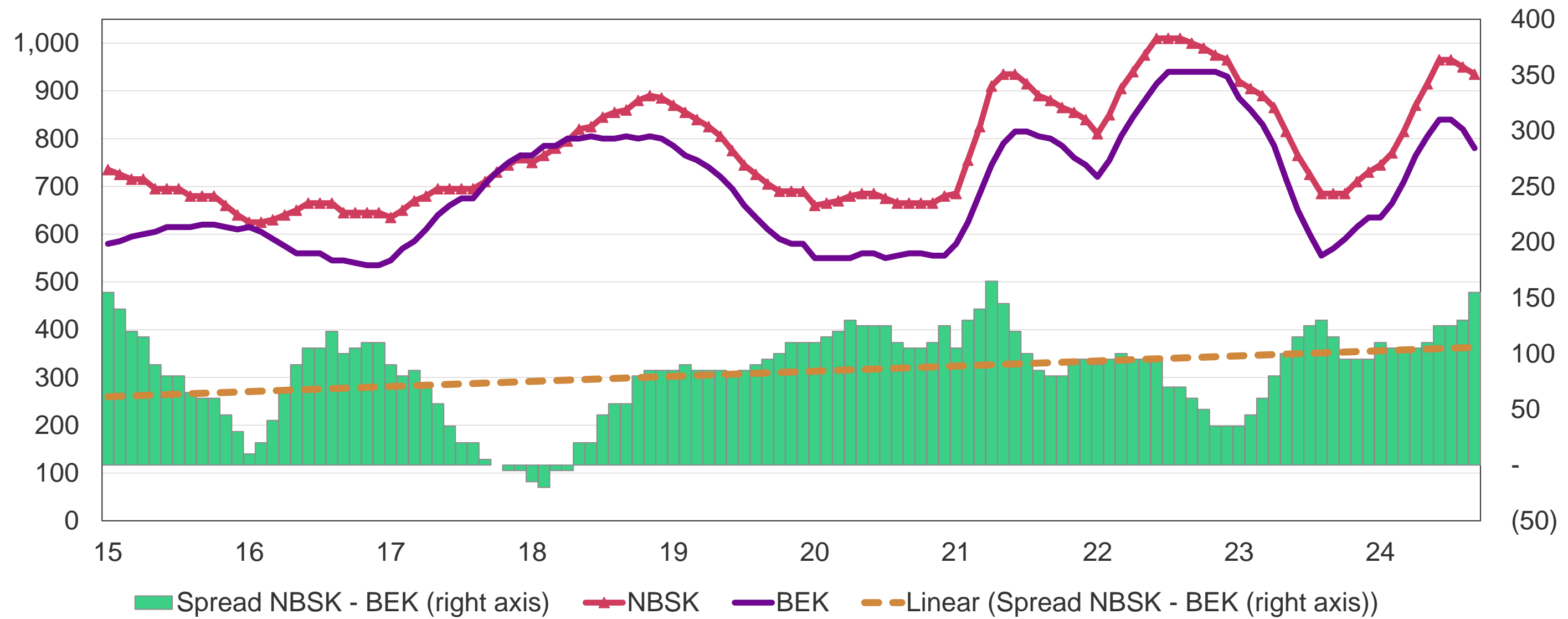
Source: PPC World 20, Fastmarkets *World Pulp Monthly*.

The softwood-hardwood price differential continues to grow...



NBSK and BEK net prices

US dollars per tonne delivered to US East

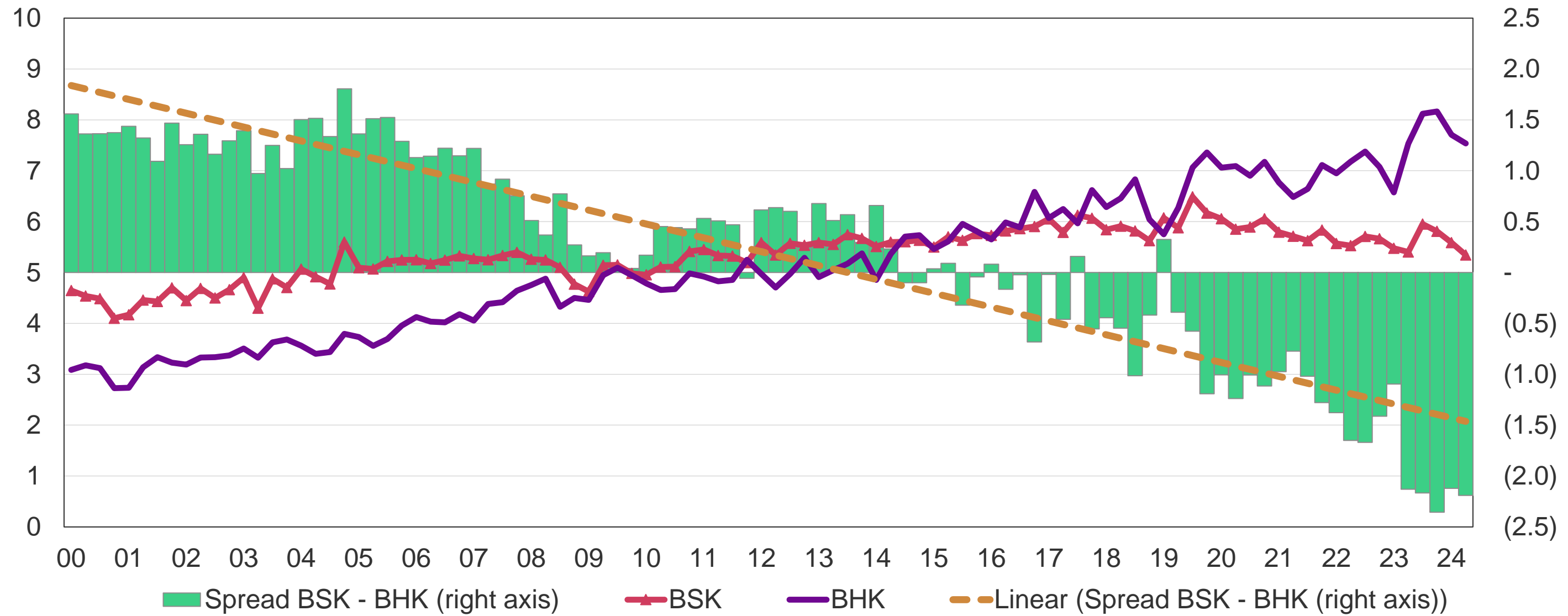


Source: Fastmarkets *World Pulp Monthly*.

Resulting in strong tailwinds for BHK usage and substitution

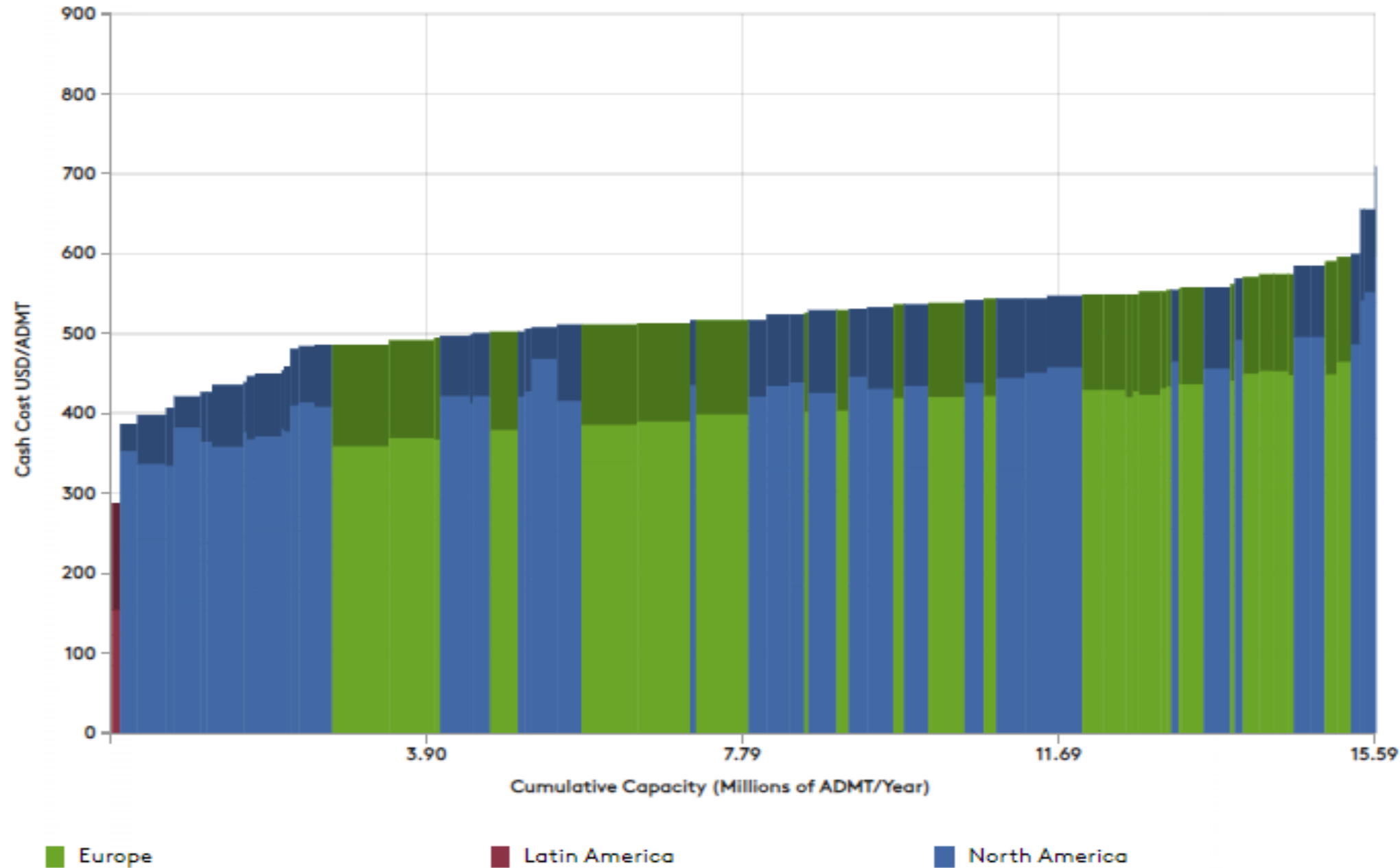


Global BSK and BHK market pulp shipments
Million tonnes per quarter



Source: Fastmarkets, PPC World 20.

BSK cash cost curve delivered to Chicago, 2Q20

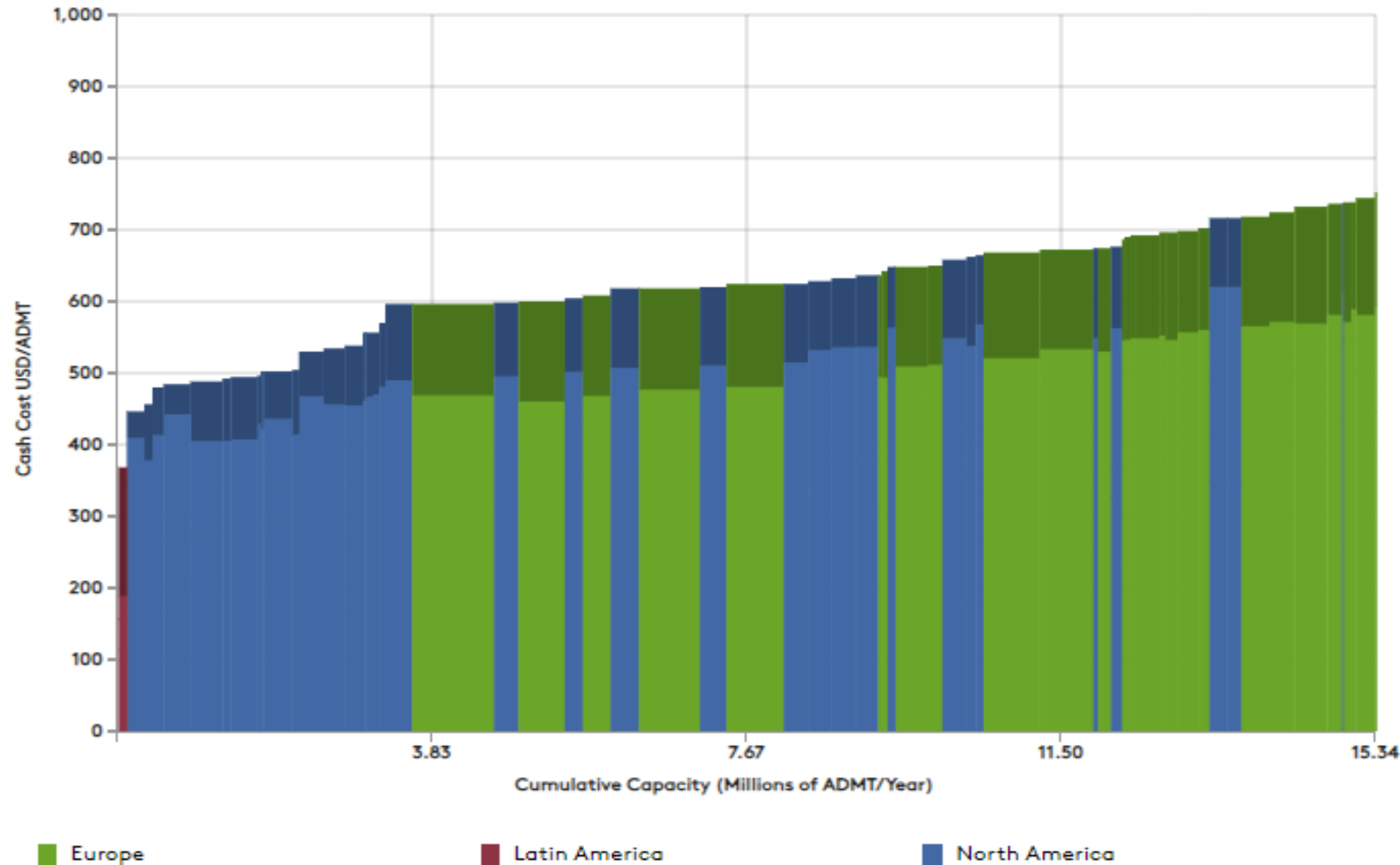


NORTH AMERICAN PRODUCERS WERE LESS COMPETITIVE PRIOR TO THE PANDEMIC AND THE WAR IN UKRAINE

- Lack of economical wood fiber has driven closures in Western Canada
- Aging assets and high borrowing costs have shuttered BSK mills in Eastern Canada and the US South
- Average delivered cash costs have risen over \$100 per tonne since 2020

Source: Fastmarkets Analytical Cornerstone.

BSK cash cost curve delivered to Chicago, 2Q24



EUROPEAN PRODUCERS HAVE CLIMBED THE COST CURVE, AND THE HIGHEST COST LINES HAVE CLOSED

- The lack of Russian wood imports has pushed Nordic wood costs to record highs, along with increased competition from bioenergy markets, **increasing the steepness of the BSK cost curve**
- North American capacity base has shrunk considerably, but **remaining lines are more competitive globally**
- Average delivered cash costs have risen over \$100 per tonne since 2020, while **marginal producer costs have increased \$150 per tonne**

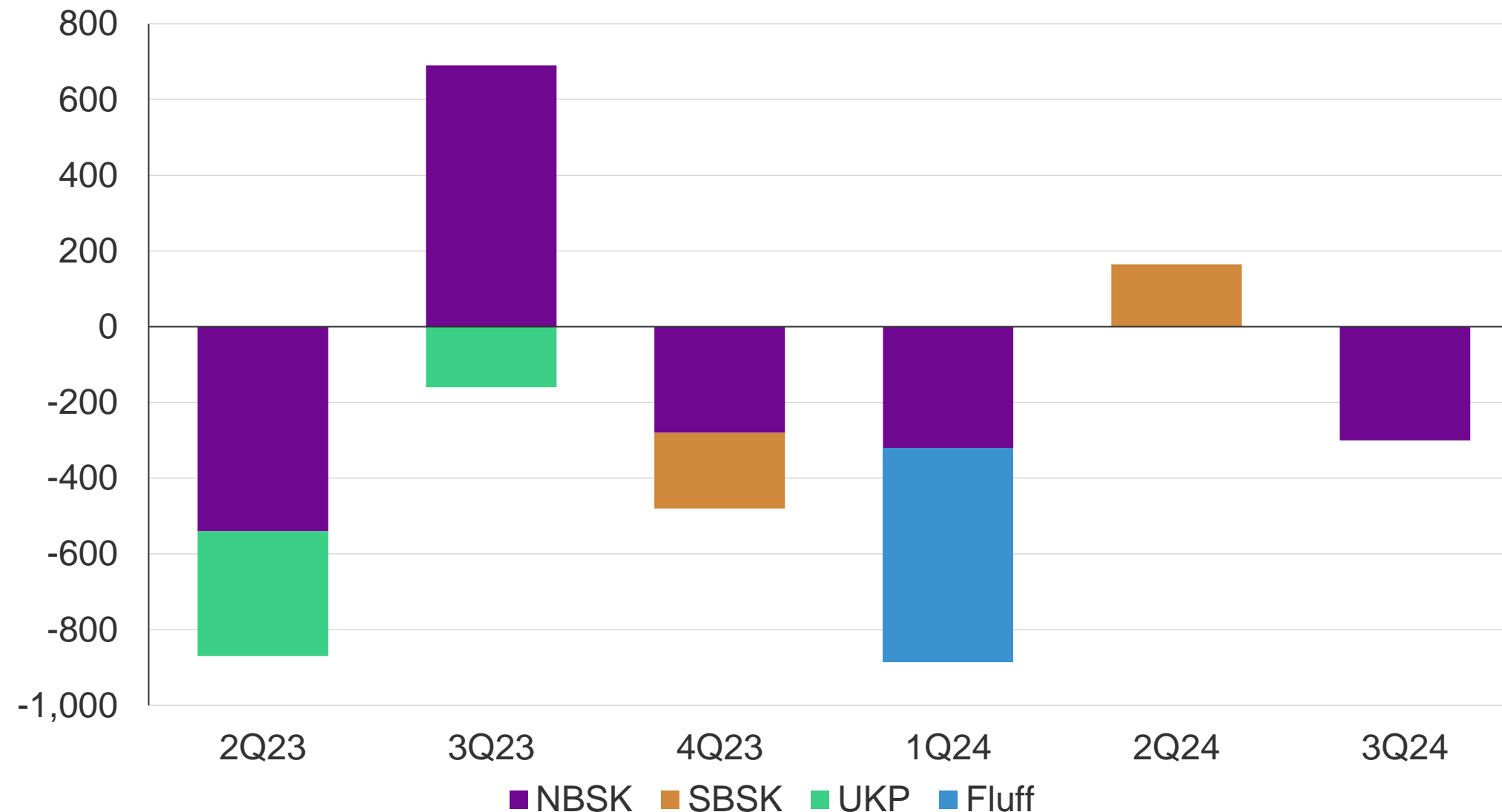
Source: Fastmarkets Analytical Cornerstone.

Recent softwood market pulp capacity developments



Softwood market pulp capacity expansion (+), closure (-)

Thousand tonnes



**3 MILLION TONNES OF
SOFTWOOD CAPACITY
REMOVED FROM THE MARKET
IN 1.5 YEARS**

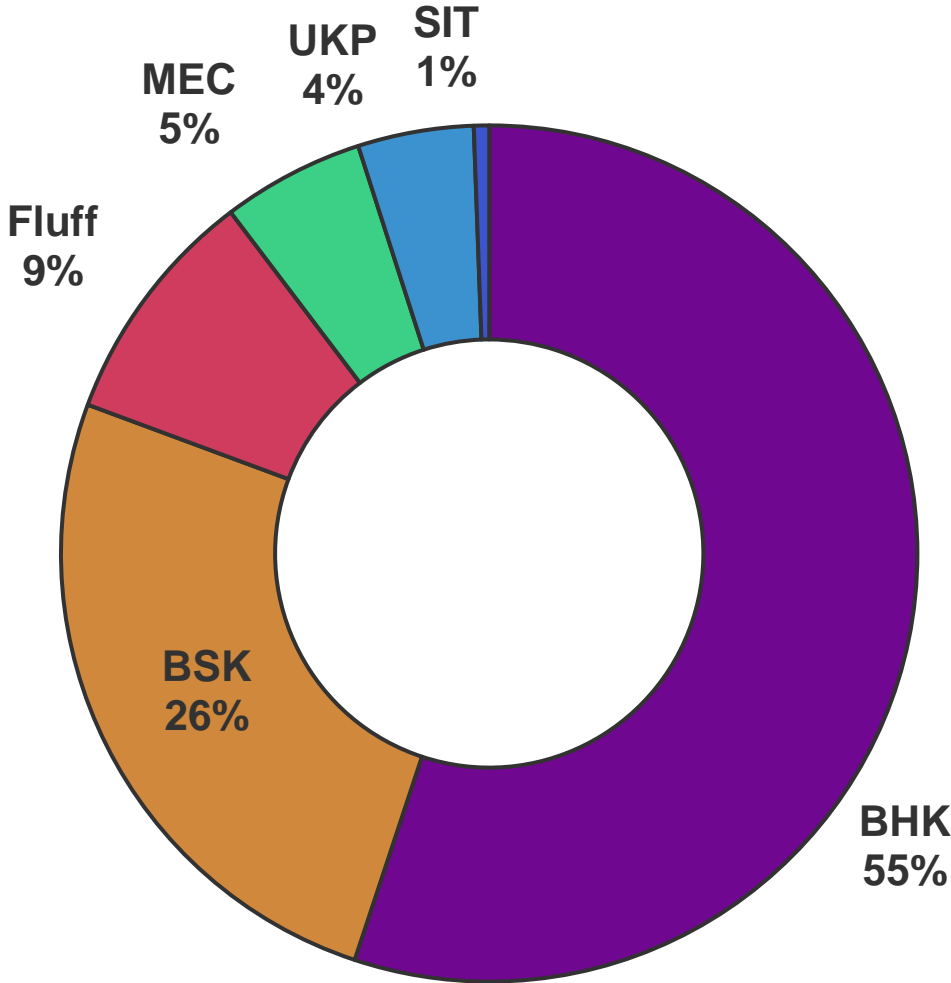
- North America accounted for more than 70% of closures
- Net of new capacity starting up, global softwood pulp supply has been reduced by 1.84 million tonnes
- NBSK capacity has declined 750,000 tonnes, despite a new greenfield expansion in Finland

Source: Fastmarkets *World Pulp & Recovered Paper Forecast, 5-year.*

There was about 70 million tonnes of market pulp demand globally in 2023



Grade shares

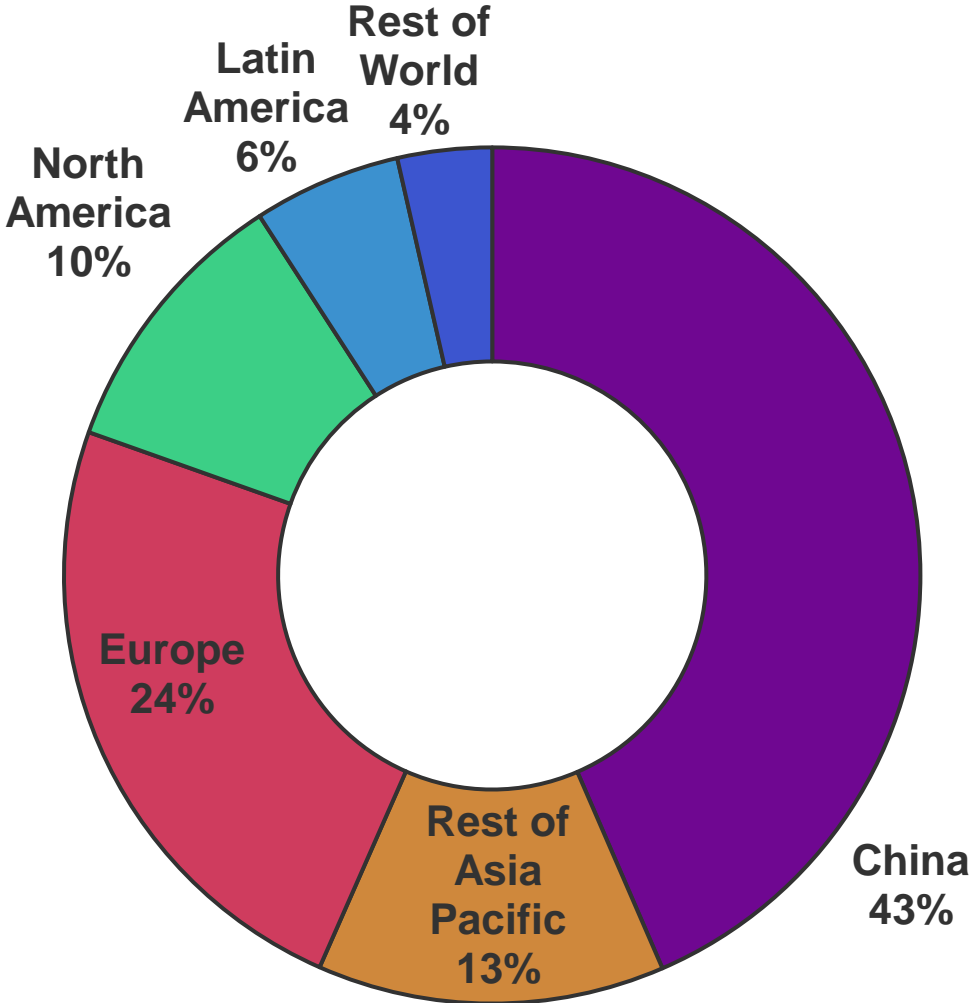


Source: Fastmarkets *World Pulp & Recovered Paper Forecast*, 5-year.

China consumed more market pulp than North America, Europe and Latin America combined



Regional shares

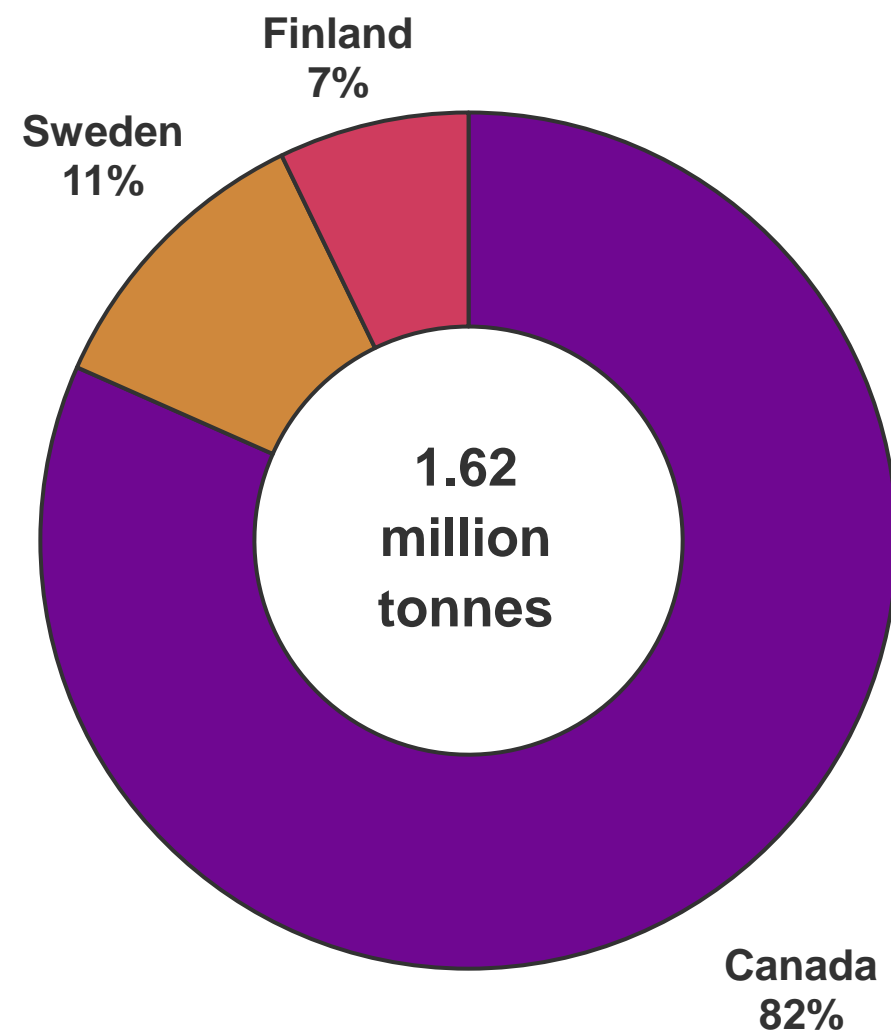


Source: Fastmarkets *World Pulp & Recovered Paper Forecast*, 5-year.

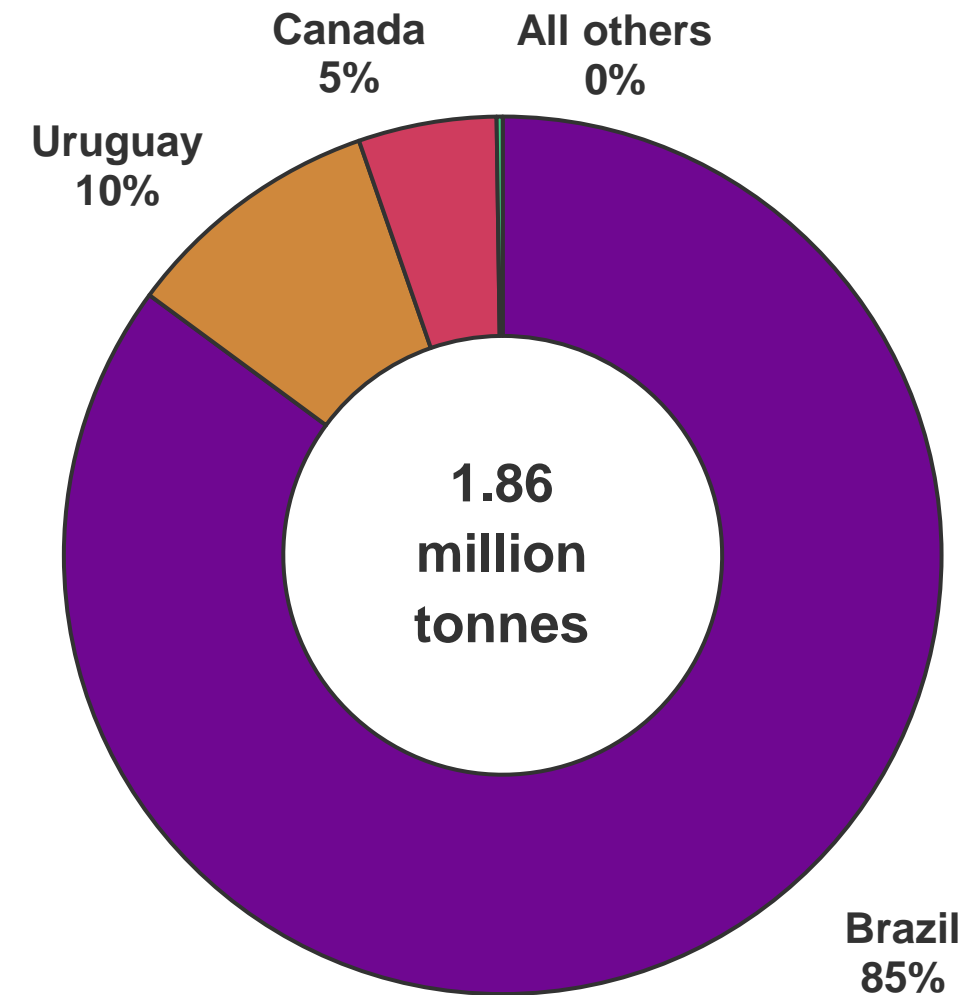
US imports of BSK and BHK are down 2.5% so far in 2024



Origin of **BSK** imports, year-to-date



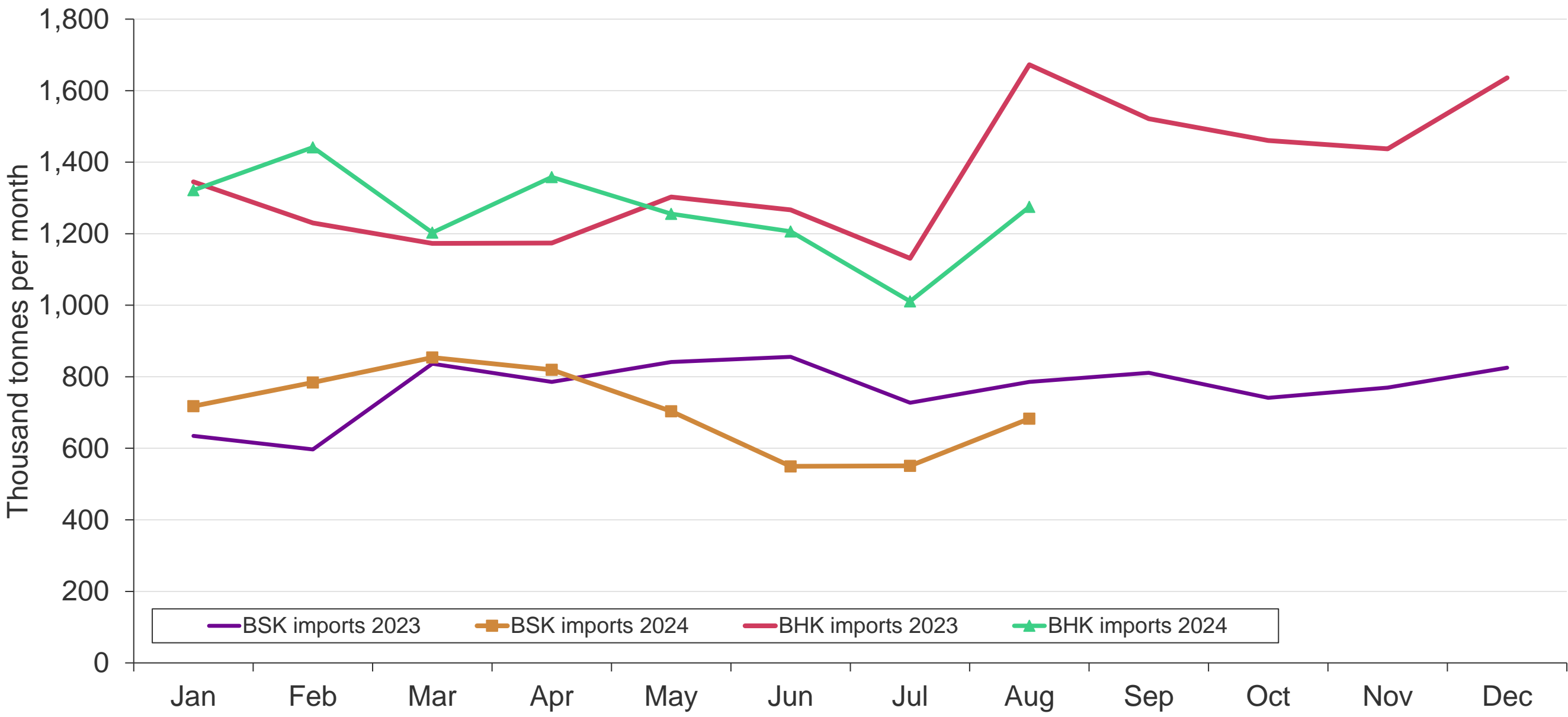
Origin of **BHK** imports, year-to-date



Source: S&P Global, Fastmarkets.



Chinese pulp imports slipped lower year over year in May-August, down 3.8% from 2023

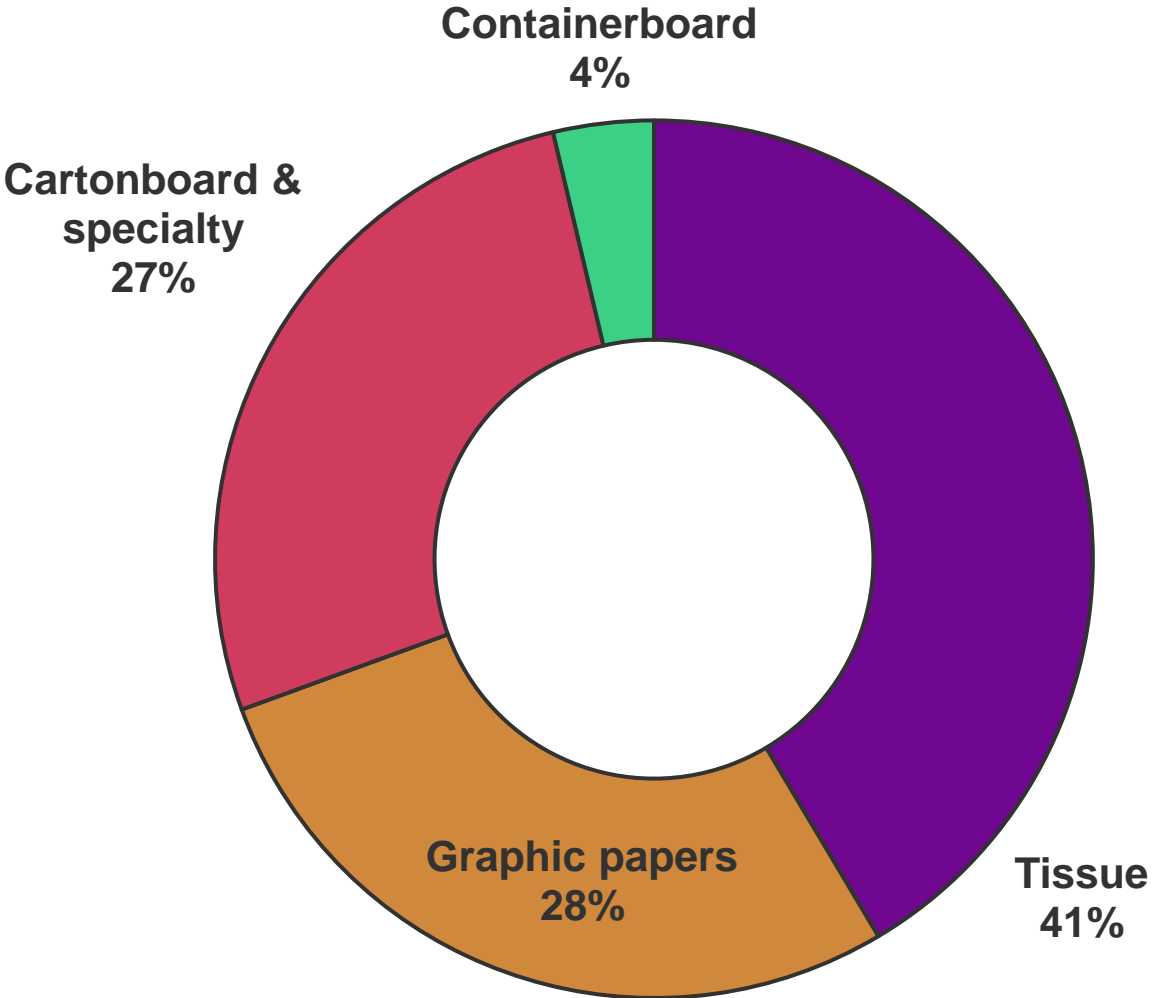


Source: S&P Global, Fastmarkets *World Pulp Monthly*.

There was about 70 million tonnes of market pulp demand in 2023



End-use shares

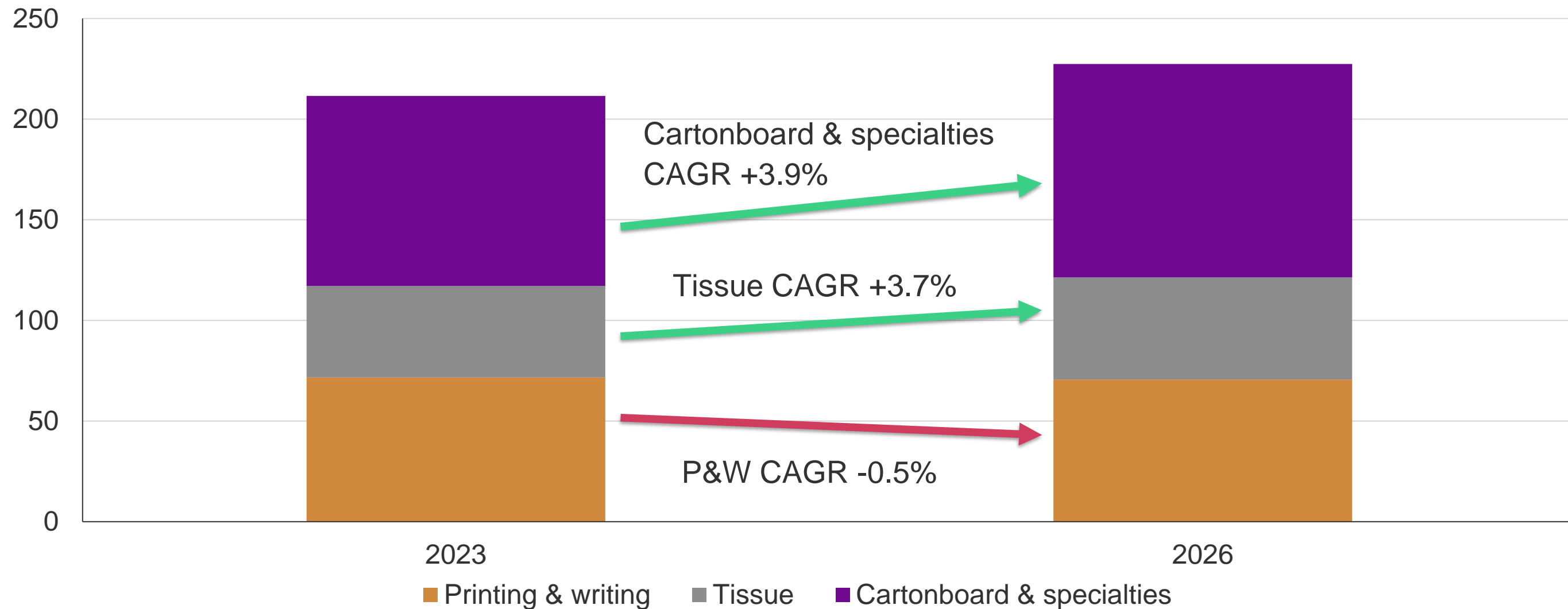


Source: Fastmarkets *World Pulp & Recovered Paper Forecast*, 5-year.

Paper & board production forecast by grade



Global production volume Million tonnes



Source: Fastmarkets *World Paper & Board Data Digest*.

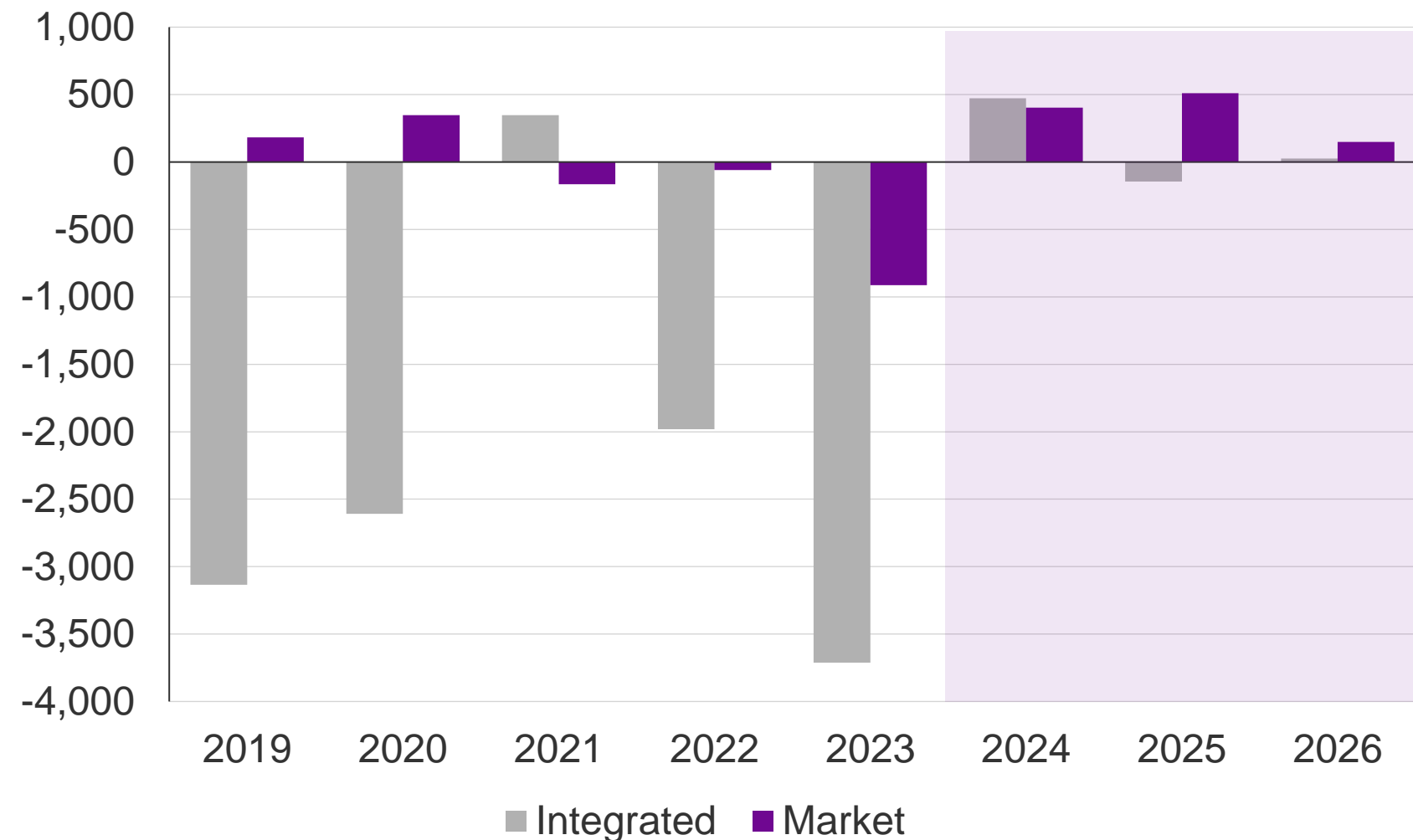
Regional pulp demand highlight: North America



RESTOCKING AND TIGHT SUPPLY SUPPORT PAPER PRICES

- Large volumes of integrated capacity have closed in recent years, as **aging assets, high interest rates and increased usage of recovered paper has led to virgin wood pulp capacity closures**
- **Tissue is the main driver of market pulp usage** in North America, but imports are taking share
- Graphic papers demand saw improvement from restocking, the Finnish labor strike, and election related printing, but the segment is still in decline
- Next year, inventory pressure and election tailwinds will diminish, but **tissue machine expansions will benefit market pulp demand**

Total pulp incremental demand growth
Thousand tonnes



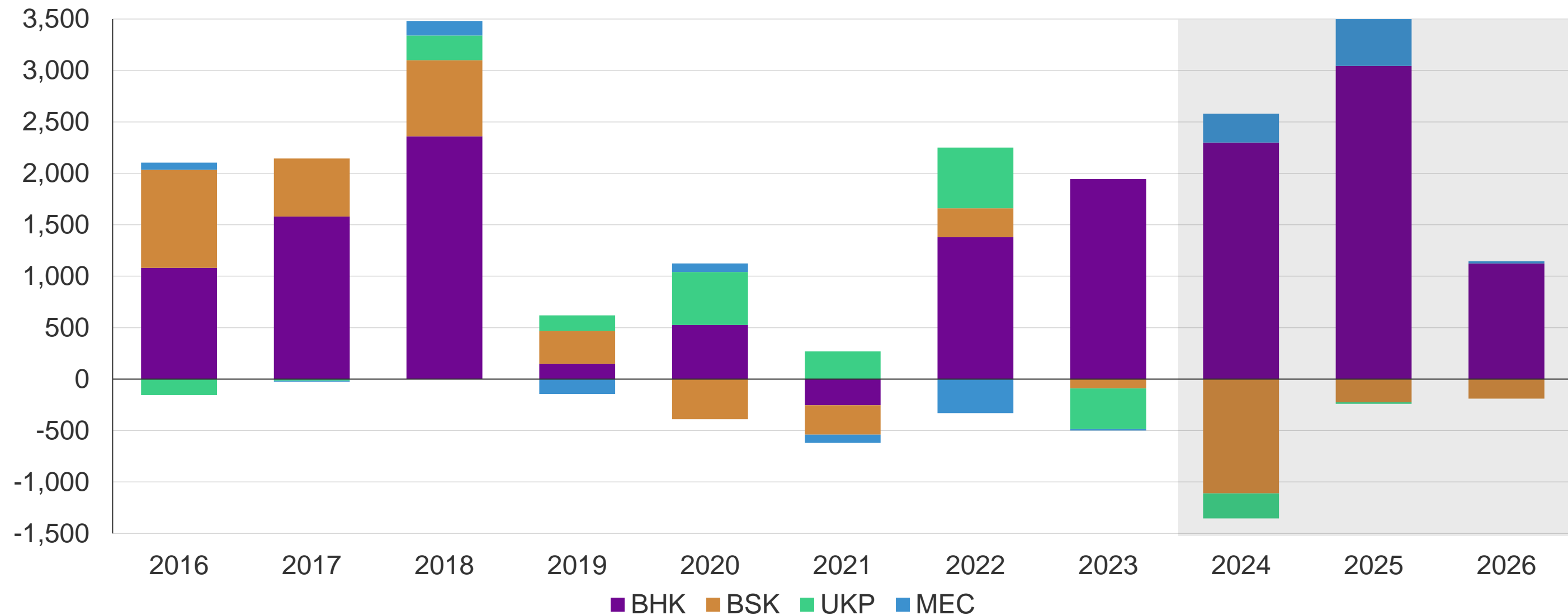
Source: Fastmarkets *World Pulp & Recovered Paper Forecast*, 5-year.

Global market pulp investment cycle nears completion



Incremental market pulp capacity expansion by grade

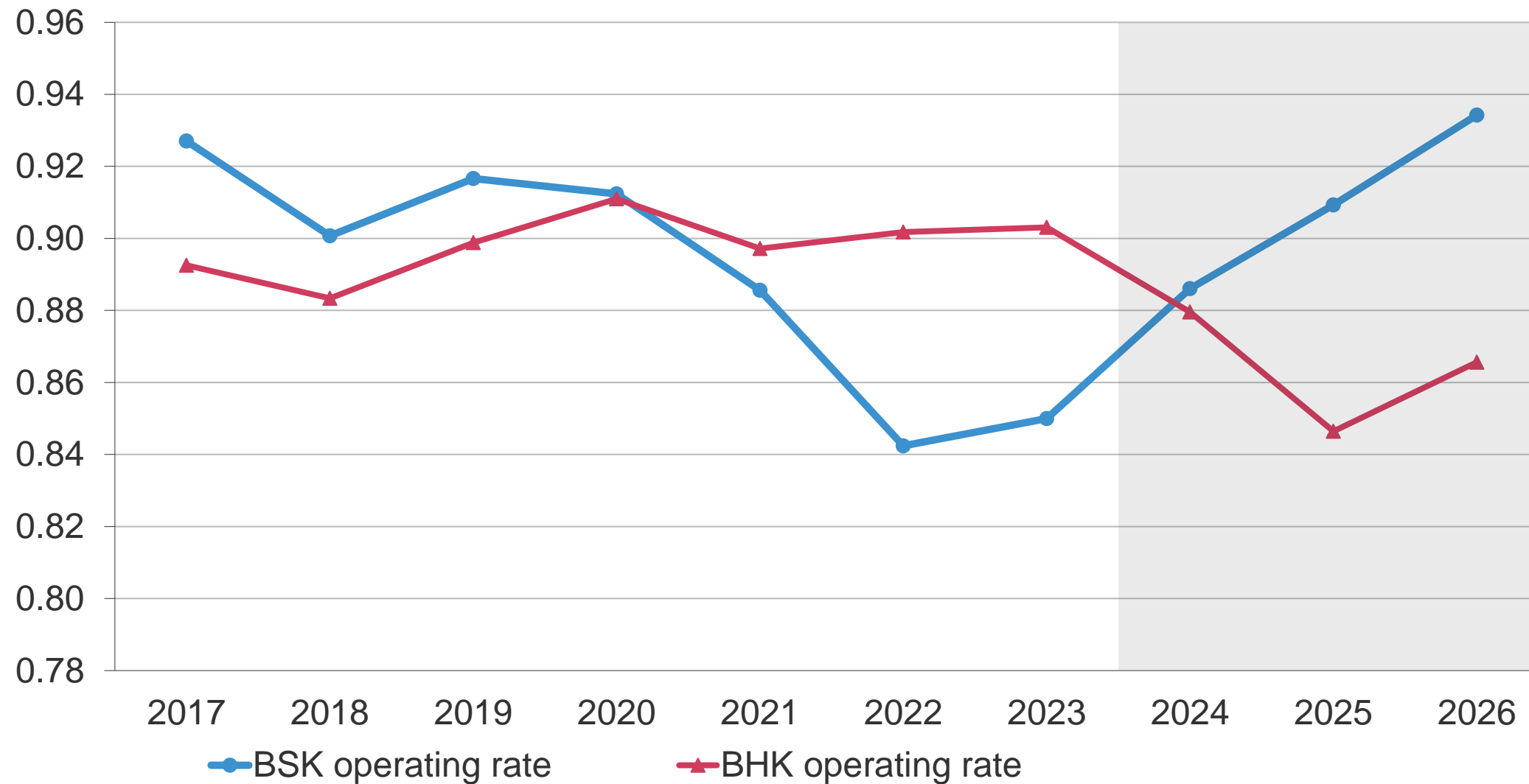
Thousand tonnes



Source: Fastmarkets *World Pulp & Recovered Paper Forecast*

Global BHK operating rate expected to reach record low in 2025, BSK rises on back of closures

Global market pulp utilization rate



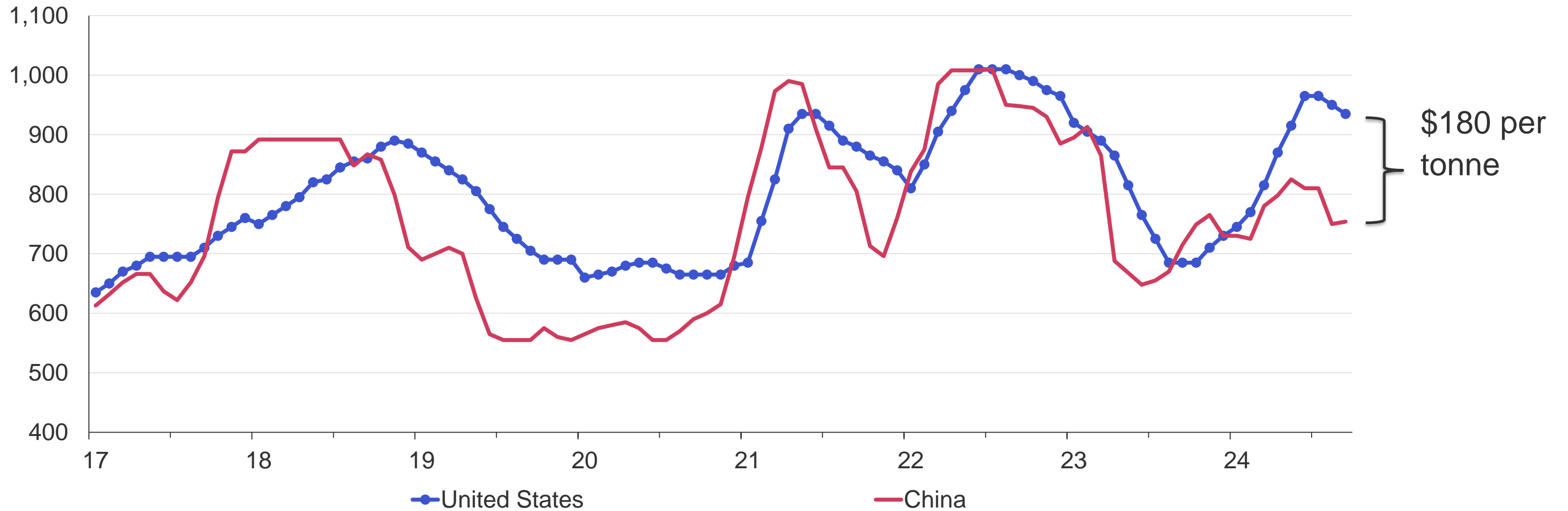
Source: Fastmarkets *World Pulp & Recovered Paper Forecast*.



Net prices for NBSK



Net NBSK prices delivered to the United States and China
US dollars per tonne



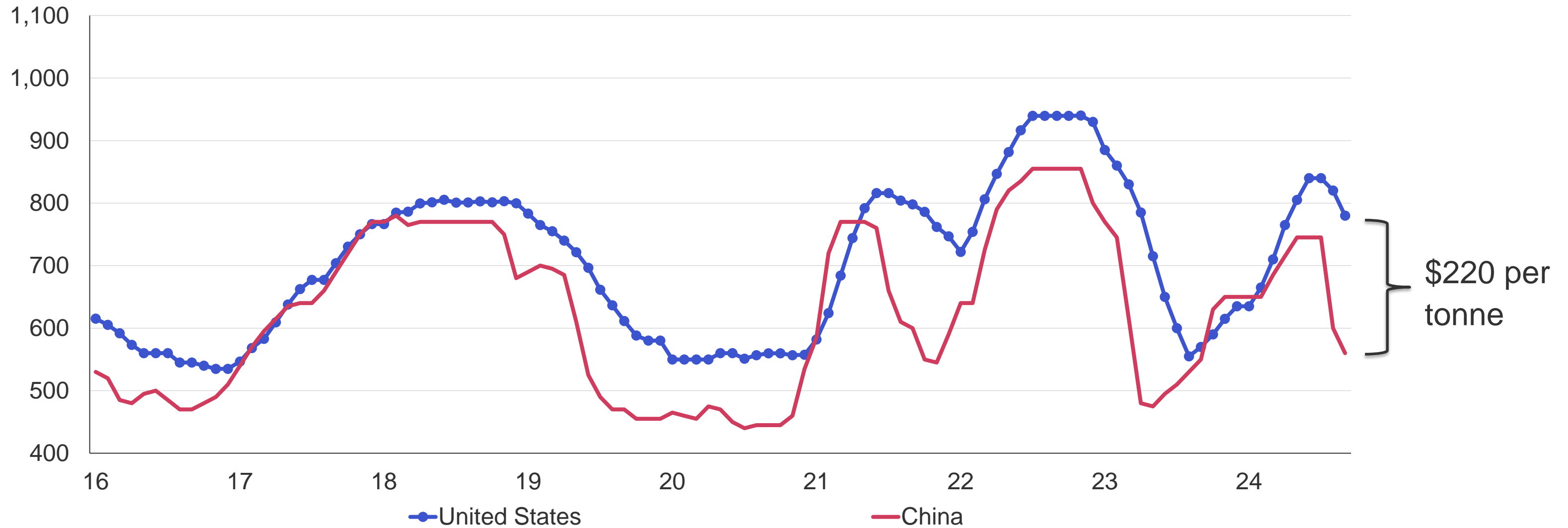
Source: Fastmarkets *World Pulp Monthly*, *Pulp & Paper Week*, *PPI Europe* and *PPI Asia*.

Net BEK prices



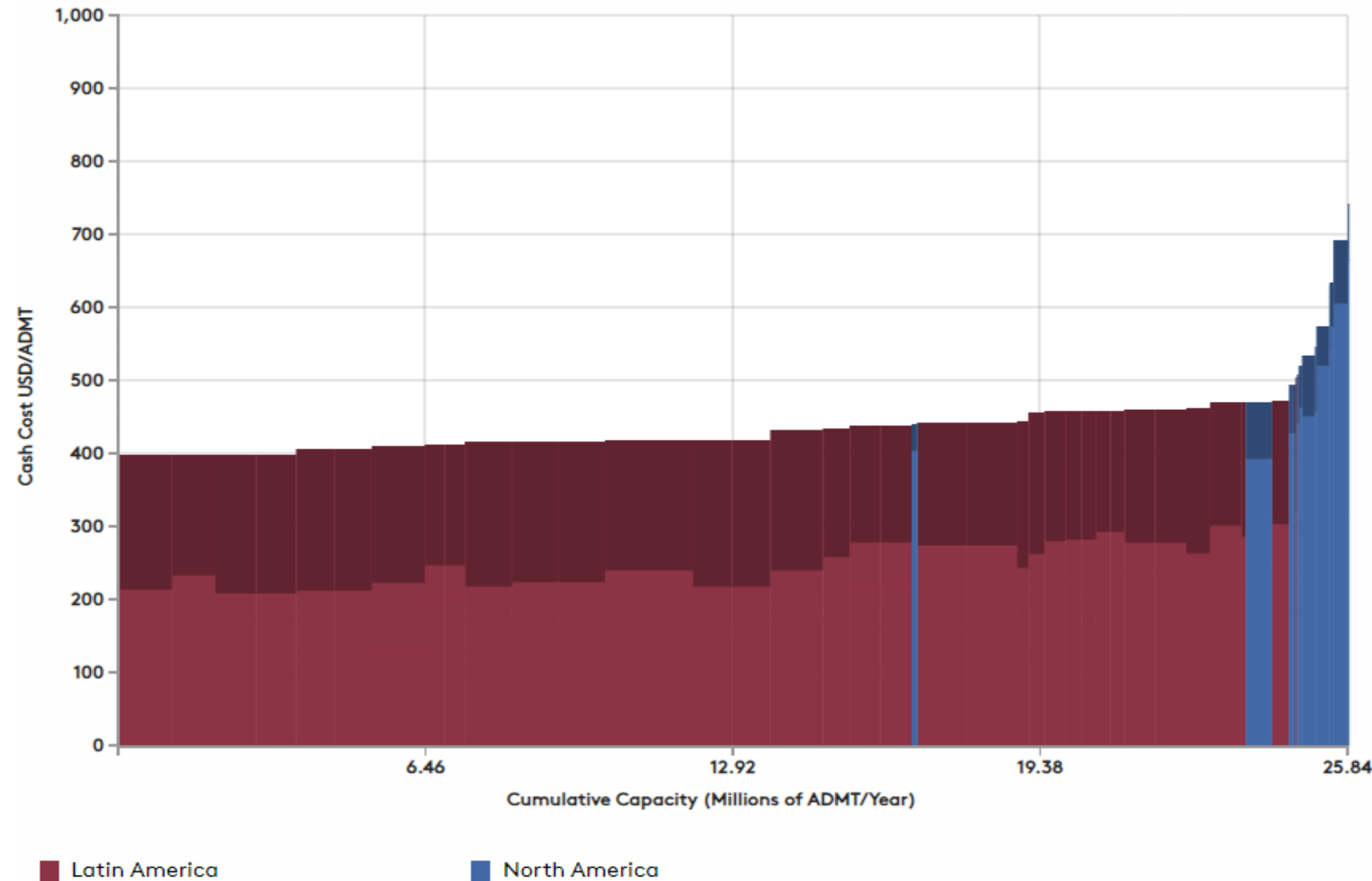
Net BEK prices delivered to the United States and China

US dollars per tonne



Source: Fastmarkets *World Pulp Monthly*, PPI Global.

BHK cash cost curve delivered to Chicago, 2Q24



NORTH AMERICAN HARDWOOD PRODUCERS AT RISK

- Despite closer proximity to the US market, North American BHK producers face **significantly higher wood and labor costs**
- Latin American BEK importers enjoy industry-leading wood costs and **positive foreign exchange tailwinds**
- Average delivered cash costs have risen over \$100 per tonne since 2020, while **marginal producer costs have increased \$130 per tonne**

Source: Fastmarkets Analytical Cornerstone.



Conclusion and predictions for 2025

- **Market-related downtime will play an essential role** in managing producer inventories and feathering in new mills
- **The risk of closures remains elevated** but perhaps less focused on North America during this cycle
- Restoring consumer confidence and **demand strength in China will be essential** for supporting a global rally
- The fundamentals call for relatively loose market conditions, but **unexpected supply disruptions have the power to move markets!**





Thank you!



Please feel free to ask any questions using Slido

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