

Newsprint availability and prices : the international scenario

1995

Newsprint availability and prices : the international scenario. (1995). In Newsprint and Newsink Economy and Quality in the Face of Rising Prices : Workshop, Hong Kong 13-14 June 1995. Singapore: Asian Media Information & Communication Centre.

<https://hdl.handle.net/10356/92364>

**Newsprint Availability And Prices -
The International Scenario**

Session 1:

Newsprint availability and prices - the international scenario

An update on sources,
availability and pricing of
newsprint in the international
market



The newsprint market



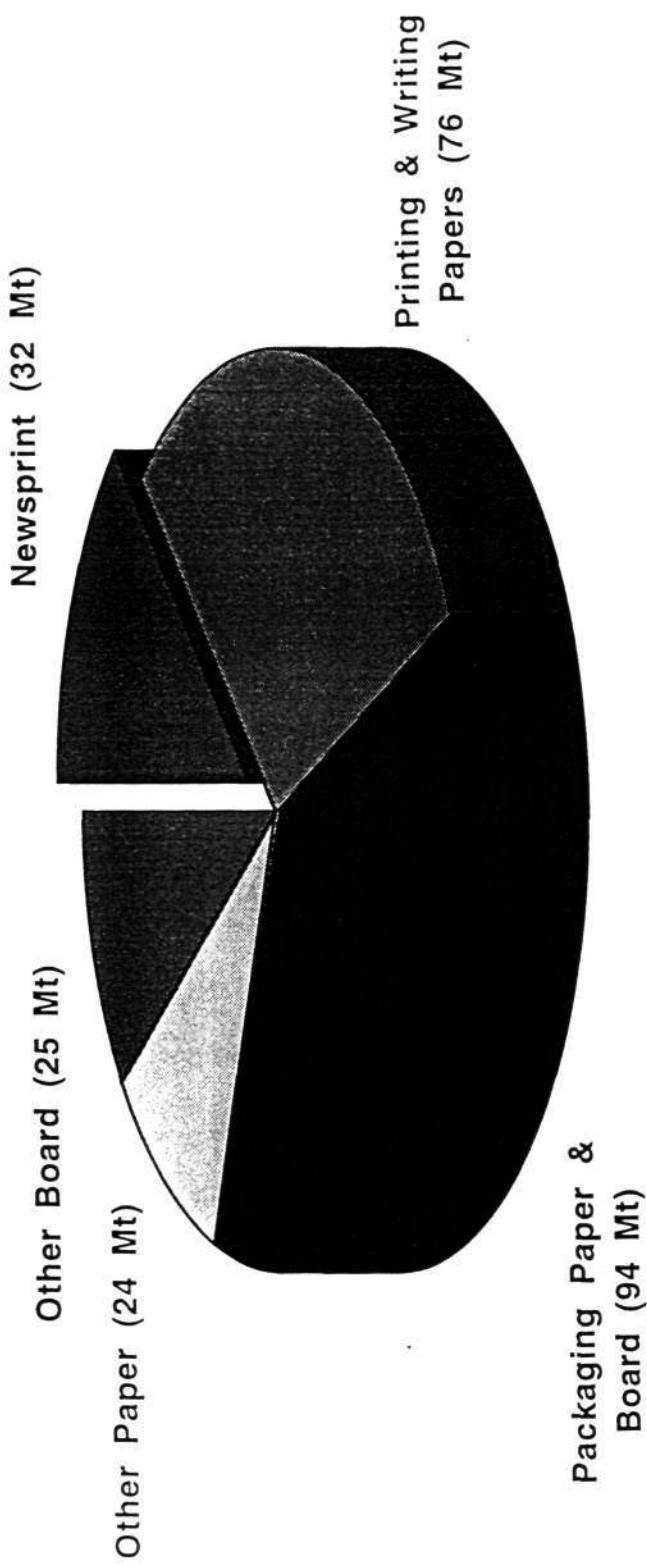
World Paper & Board Production (in 1,000 tonnes)



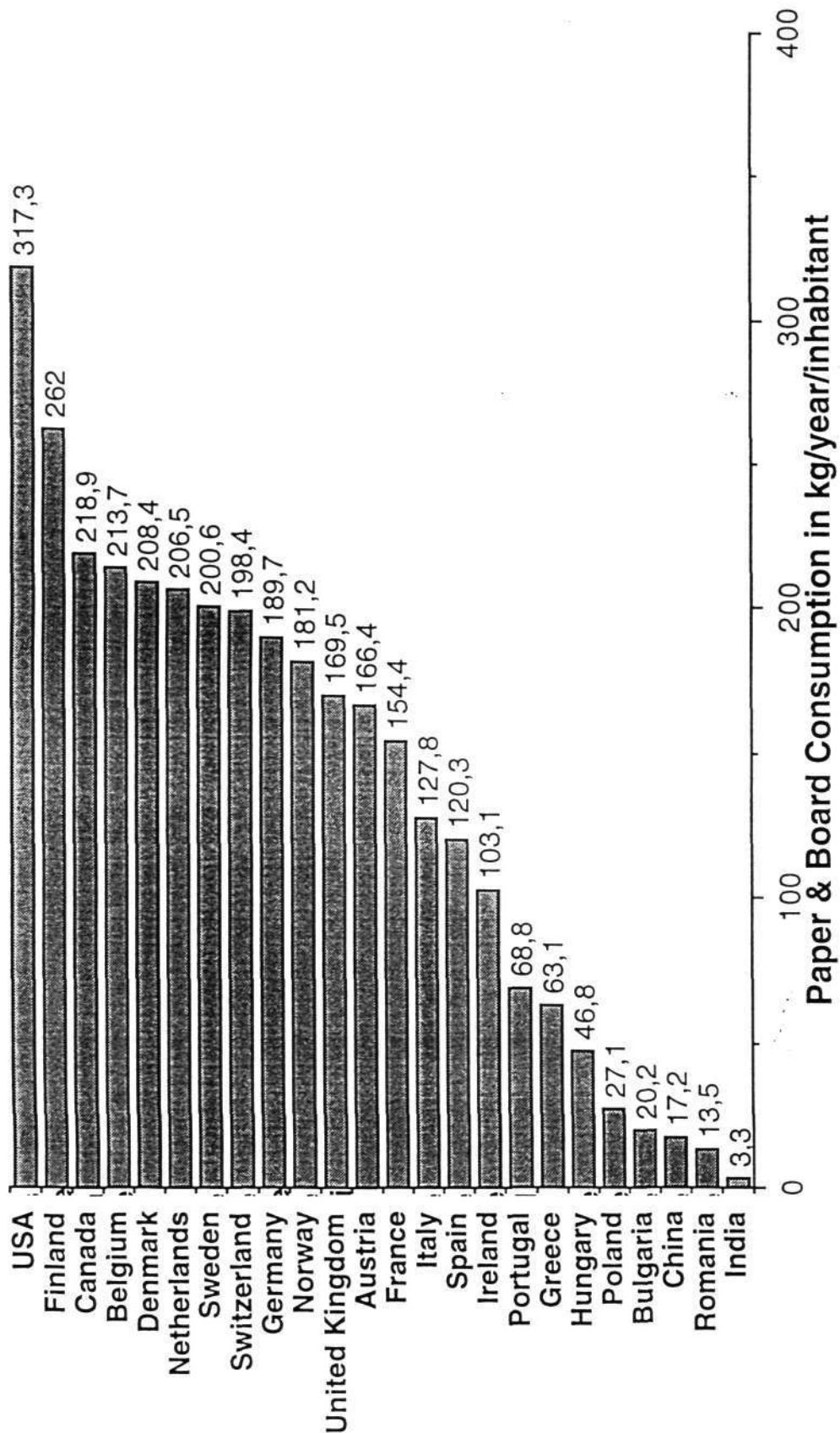
Average growth: + 3.1 %/year
1986 : 200 million tonnes, 1993 : 250 million tonnes



World Paper & Board Production by Grade (1993)



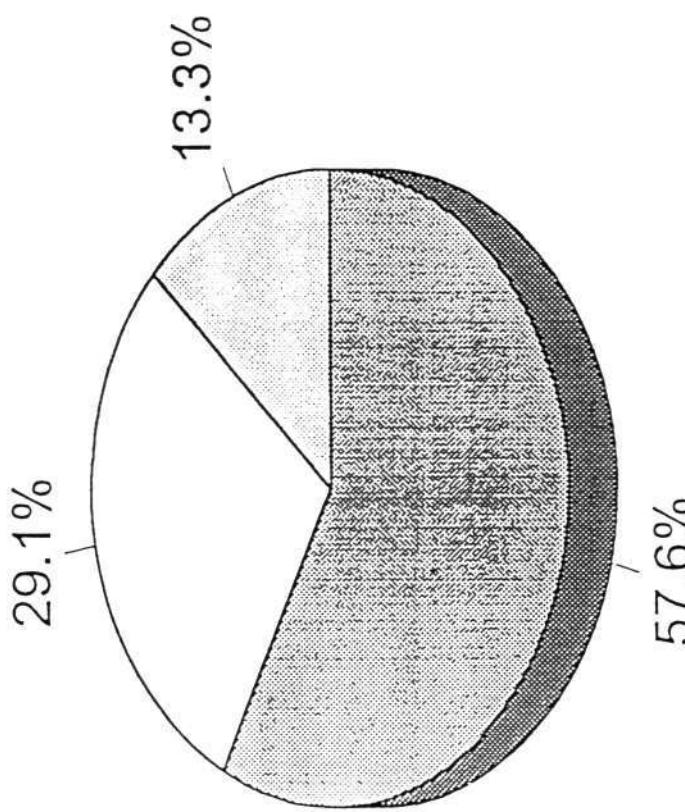
Paper & Board Consumption in kg/year/inhabitant for selected countries in 1993



Composition of Paper Consumption

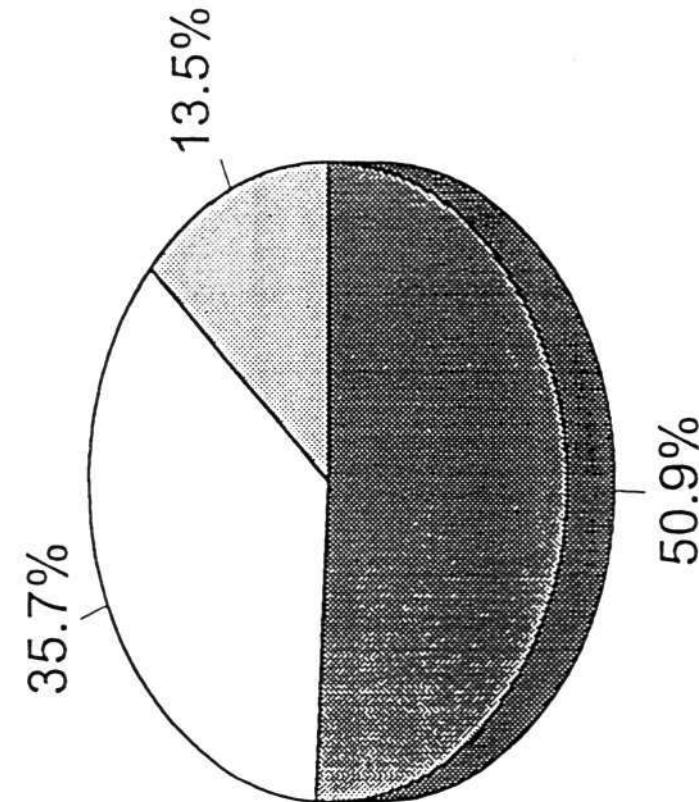
1991

Total= 243 million M.T.



2010

Total= 443 million M.T.



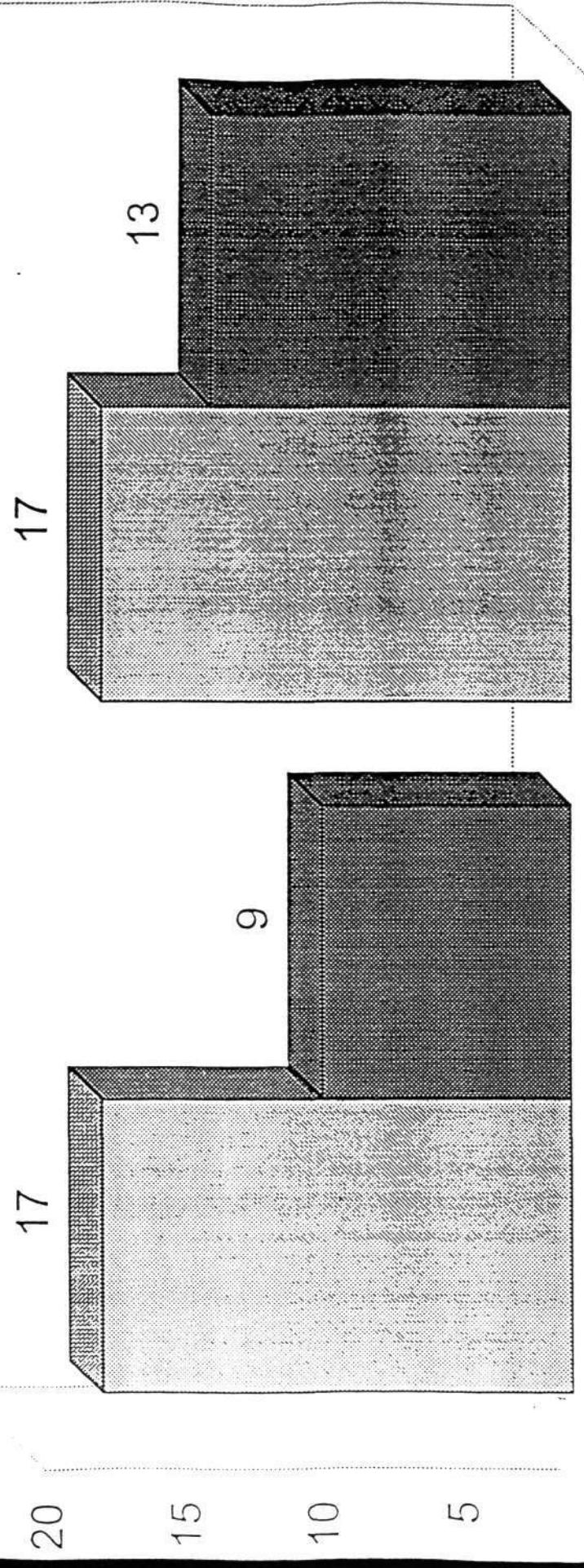
Newsprint Printing and Writing

Other

Paper Consumption

Per Unit of GDP

Consumption (KG)/\$GDP



1961

1991

■ Developed ■ Developing



Per Capita Paper Consumption

- 1991 -

Kilograms

180

160

140

120

100

80

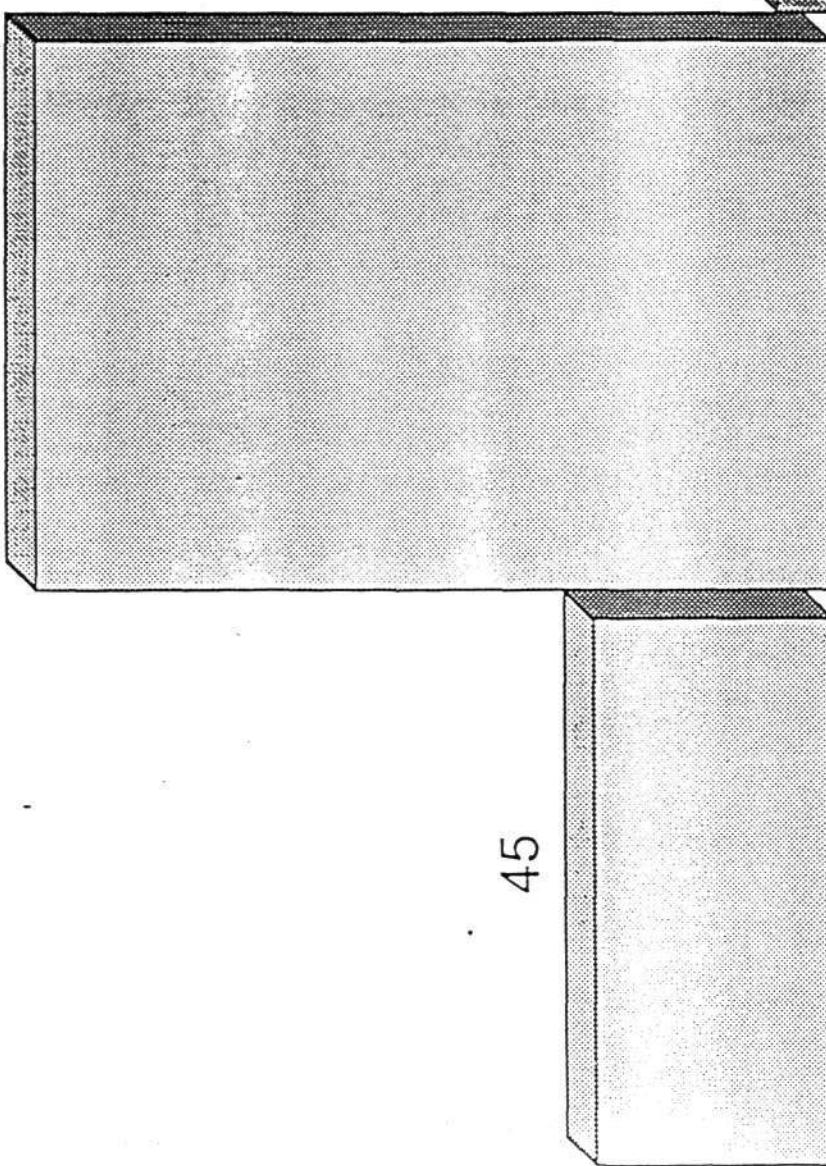
60

40

20

45

10



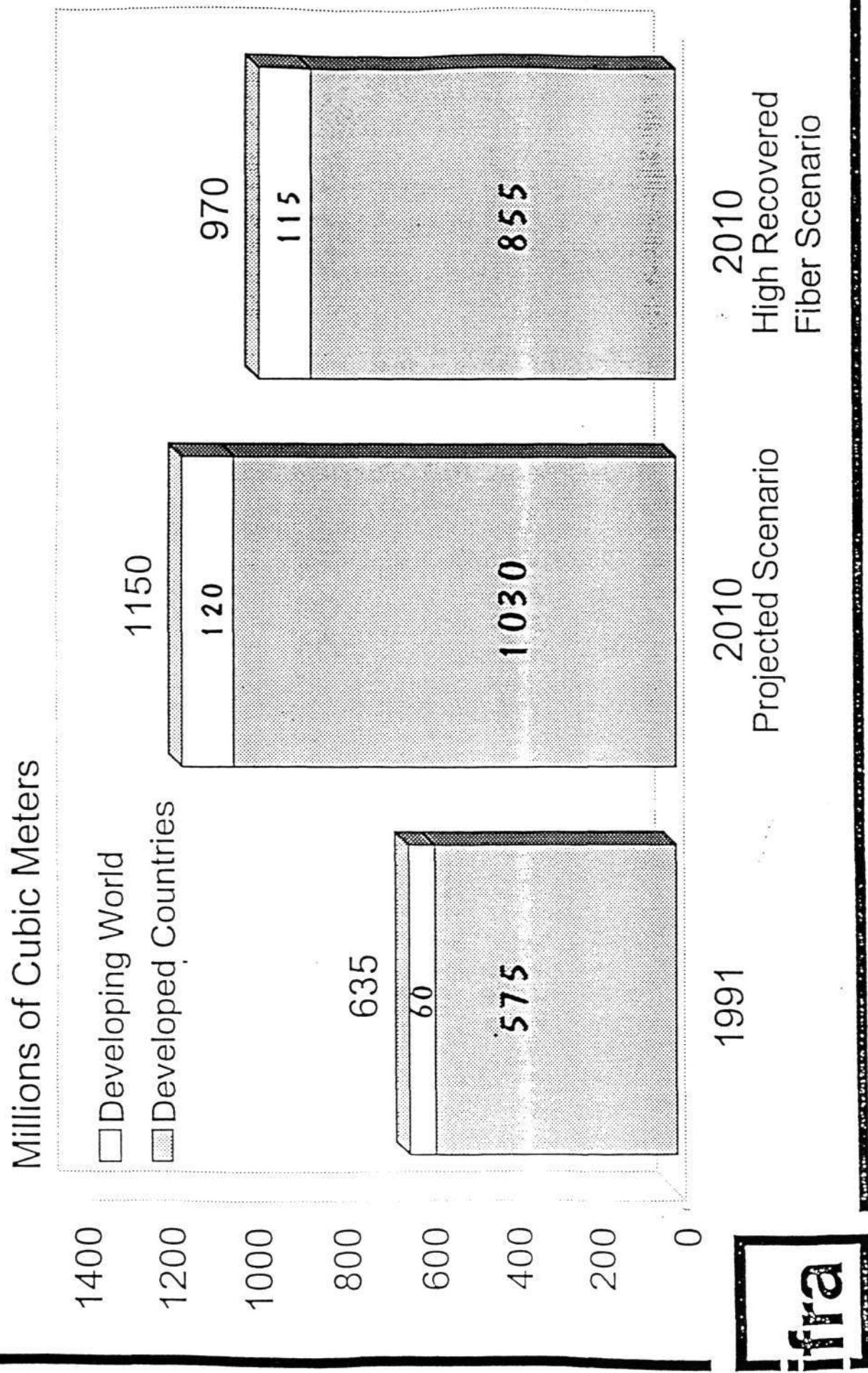
World

Developed

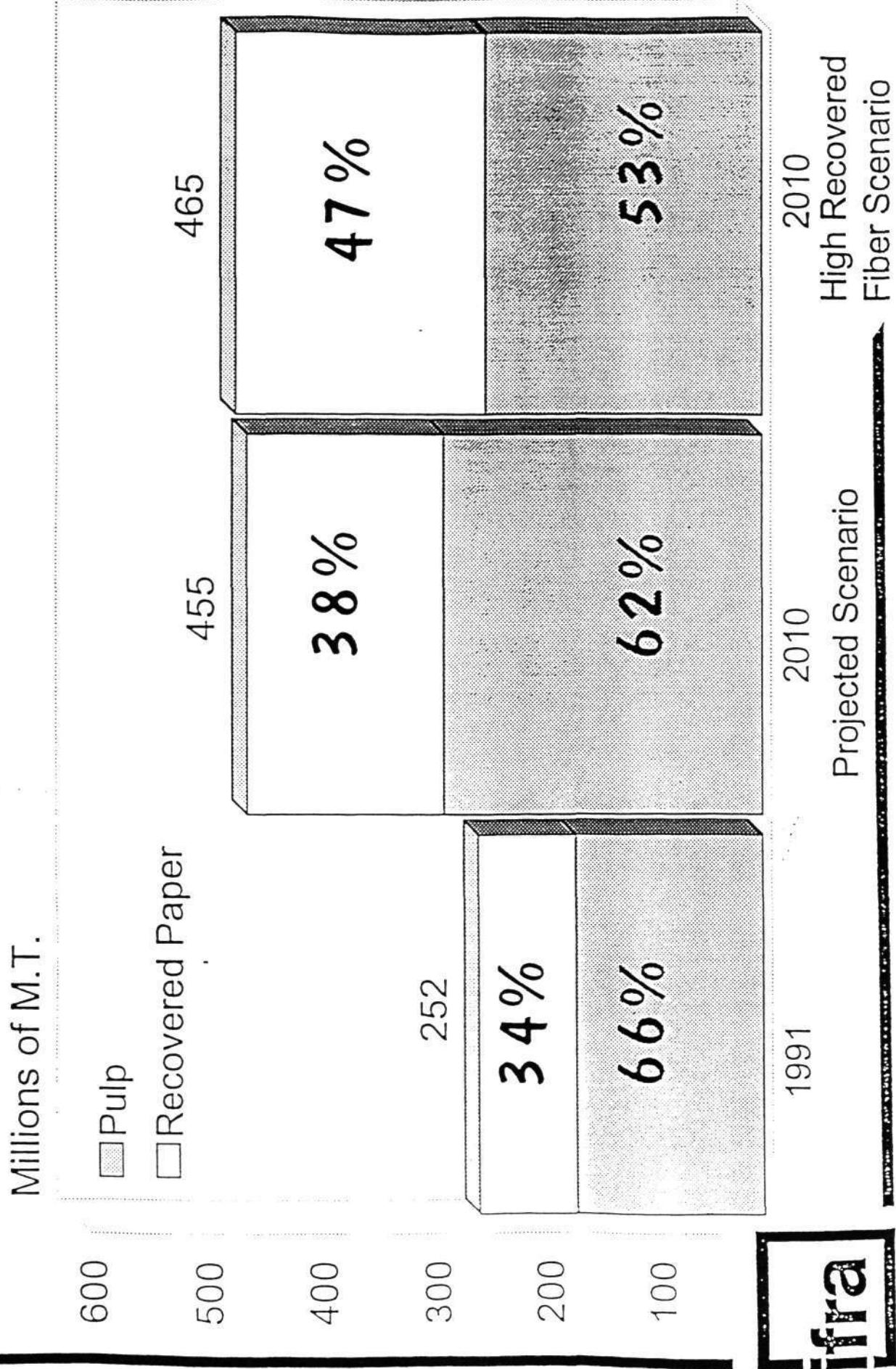
Developing

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World Pulpwood Consumption

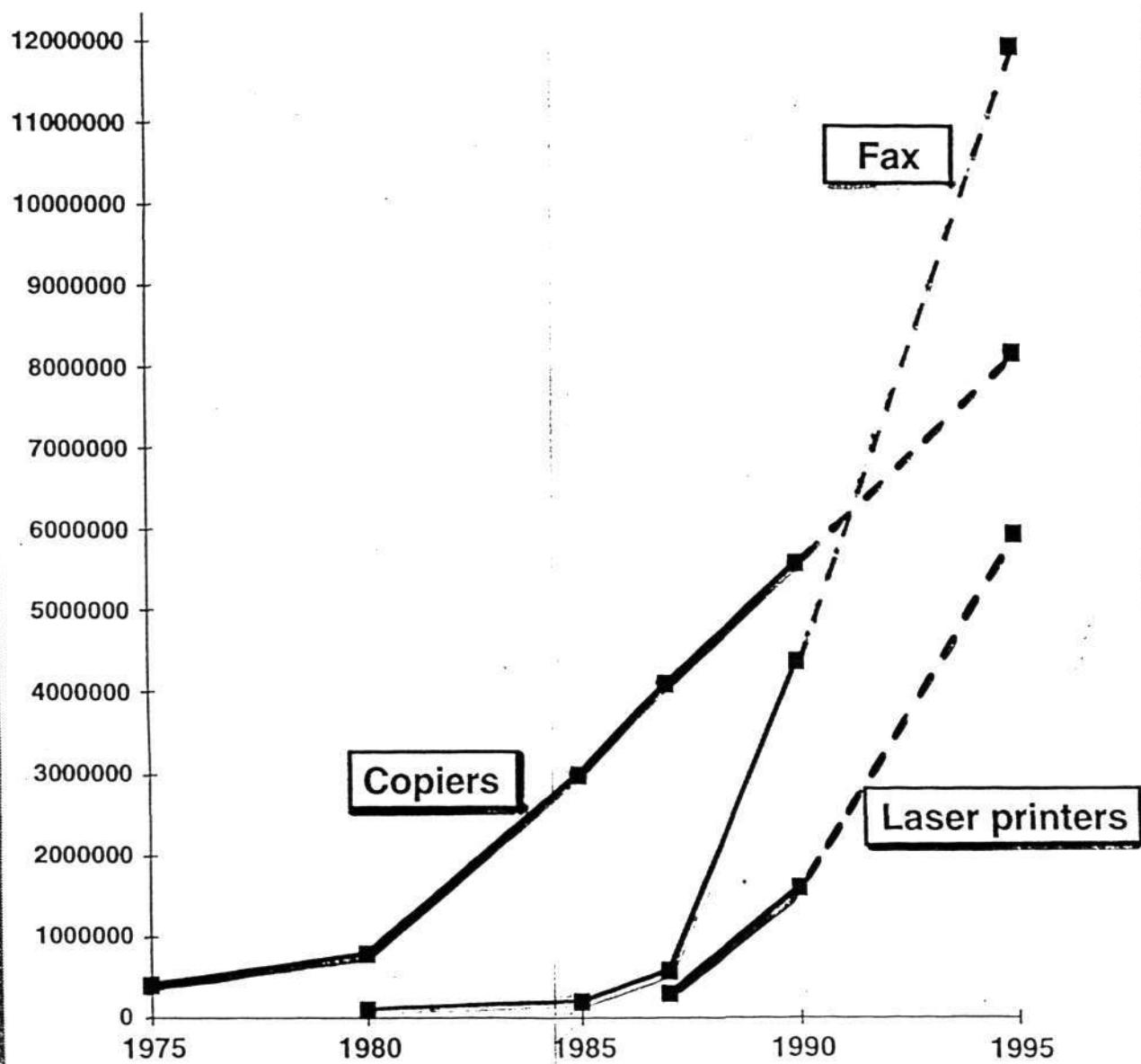


World Fiber Consumption



The Paperless Office?

Copiers, fax machines and laser printers
in Western Europe



Remarks on the newsprint market

- > Worldwide consumption in 1993: 32.7 million tonnes.
- > 80% of this was used in three main markets:
North America, Europe and Japan.
- > There is a correlation between the "degree of development" of a country and its newsprint demand. There are other influencing factors (cultural characteristics, traditional readership, alphabet used,...)
- > The developing countries only account for 18% of world newsprint demand today.



Newsprint Market Trends

--> **Increase of the demand in the USA:**

- Low stocks in newspapers
- Increase of the newsprint consumption

--> **Increase of the demand in Europe:**

- Great Britain = + 300,000 t in 1994
- Germany and France will increase their consumption in 1995
- Better economical situation in Europe

--> **Development of some Asian countries:**

For example:

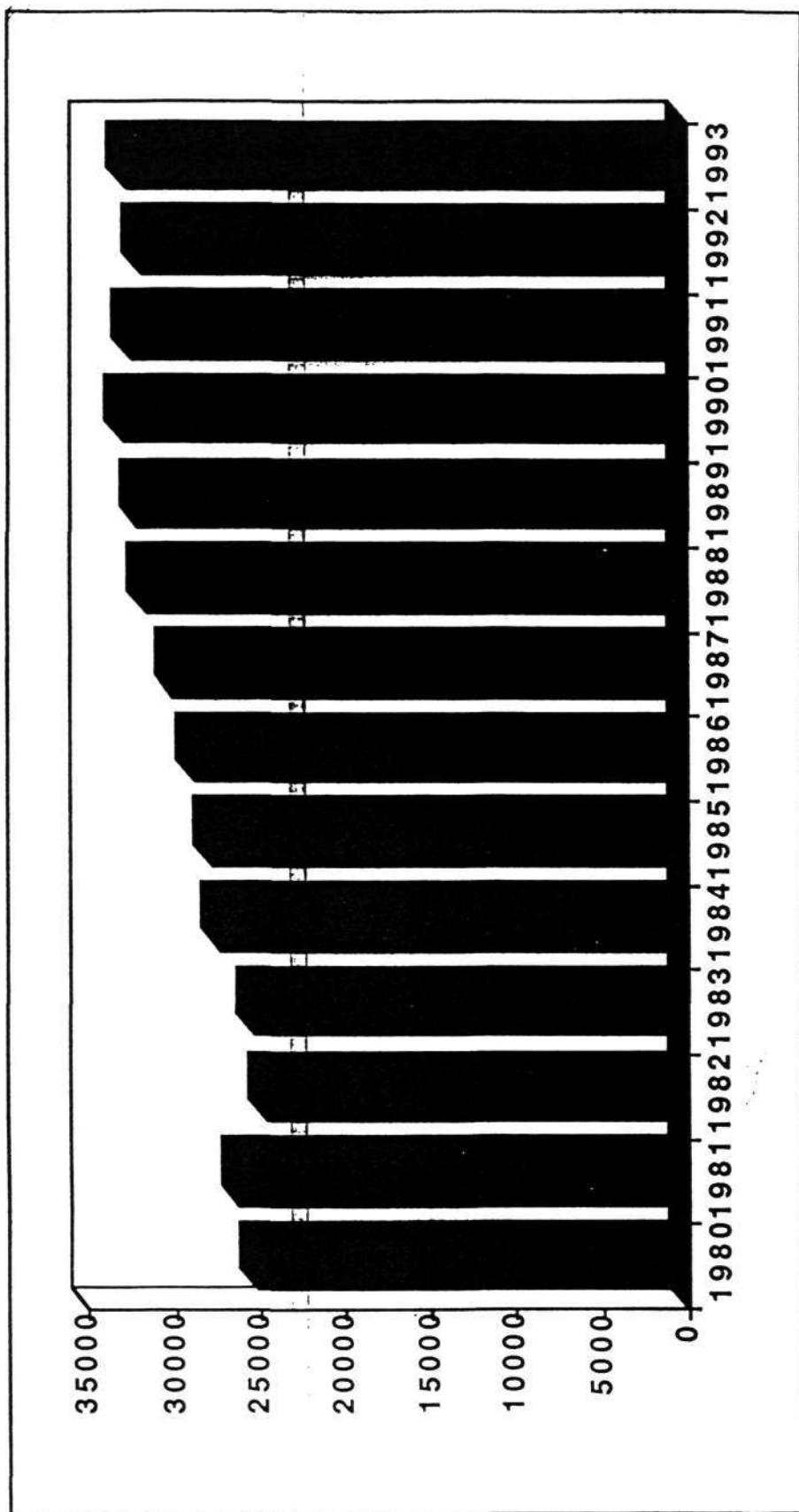
- Korea (900,000 t in 1994)
- China (800,000 t in 1994)

Estimation for newsprint consumption:

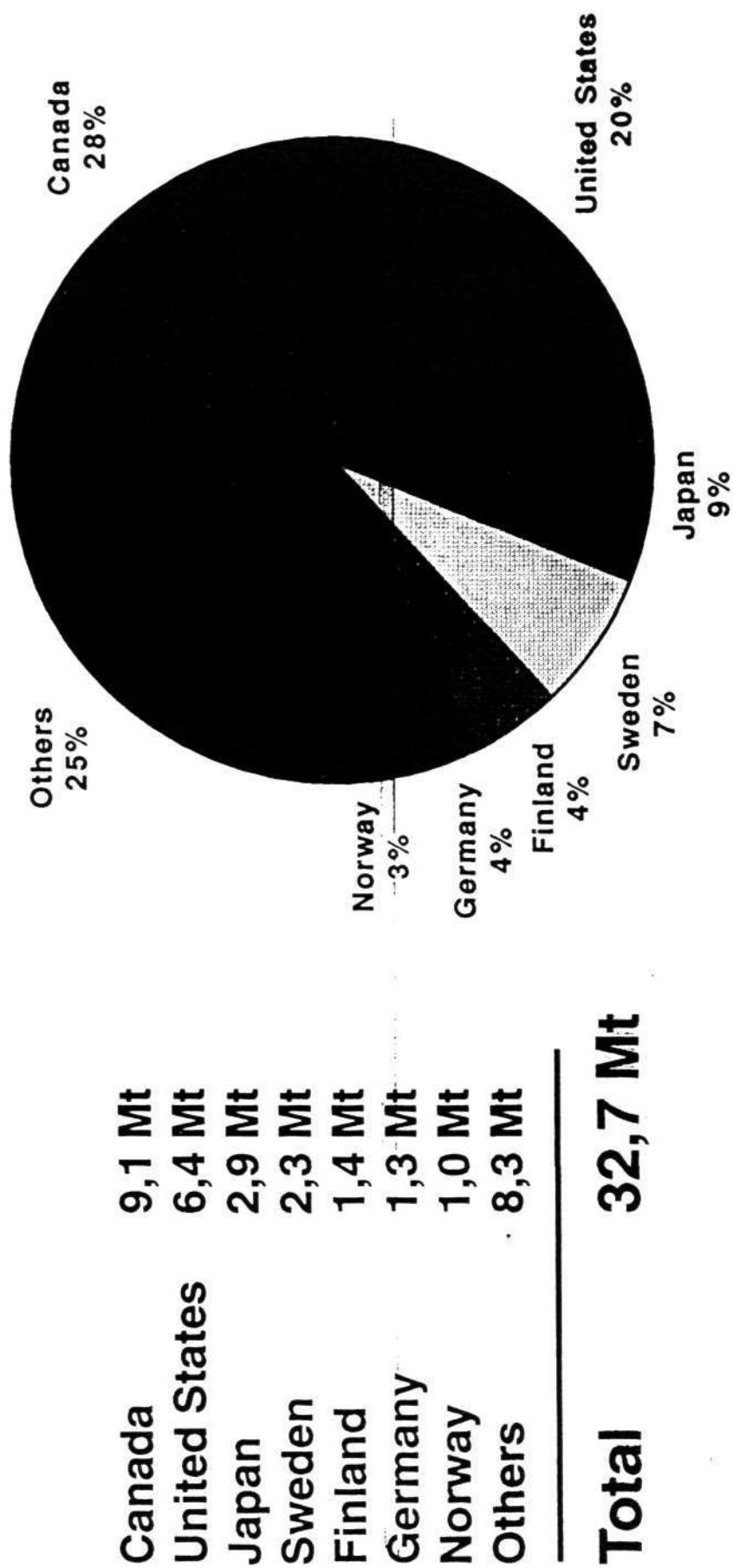
	1993	1994	1995	1996
North America	12.7	12.9	13.2	13.3
West. Europe	8.1	8.4	8.7	8.9
East. Europe	1.1	1.1	1.1	1.1
Asia	7.5	8	8.5	9
Others	2.7	2.8	3	3.2
Total	32.1	33.2	34.5	35.5



Newsprint Production 1980-1993 (in 1,000 tonnes)

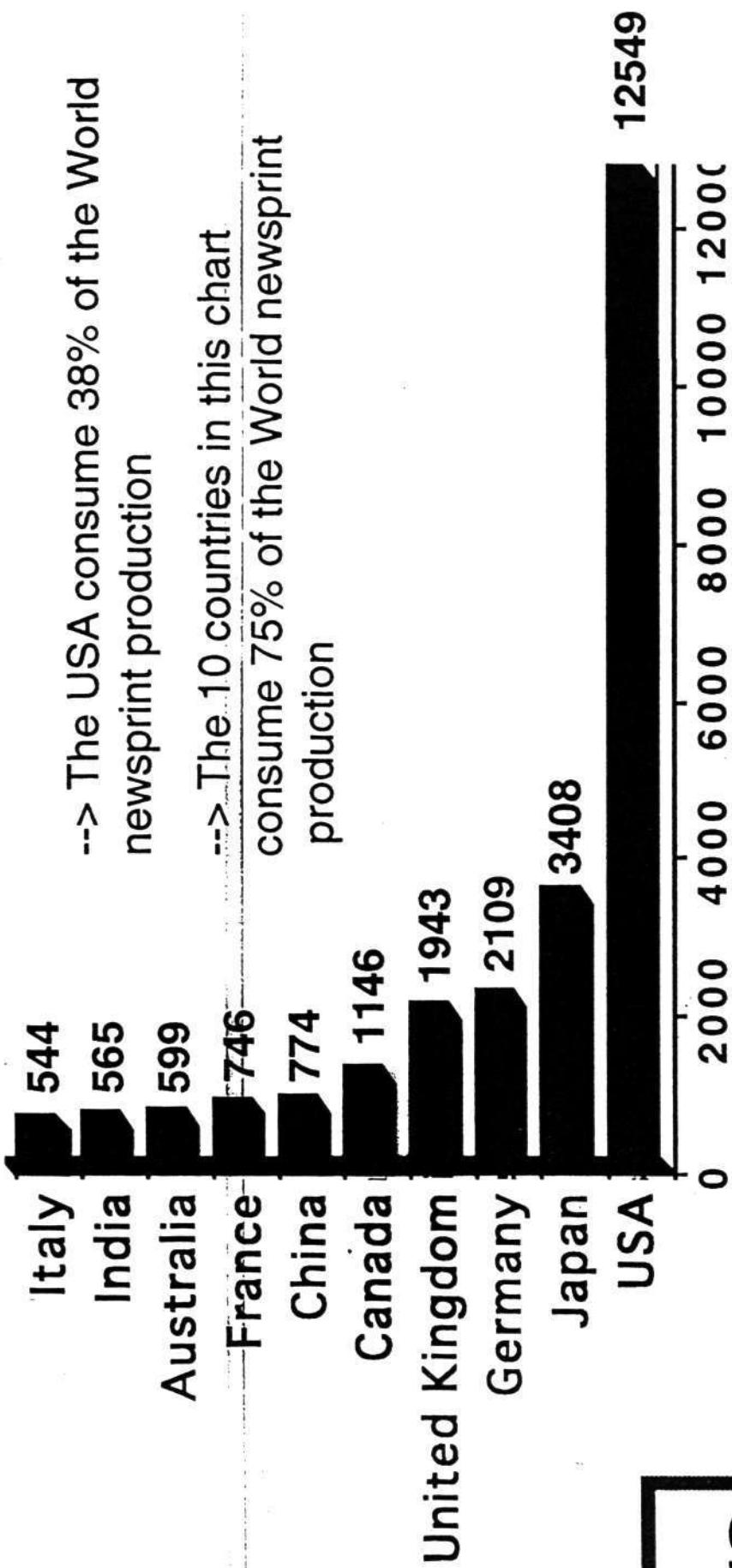


The main producers of newsprint in 1993

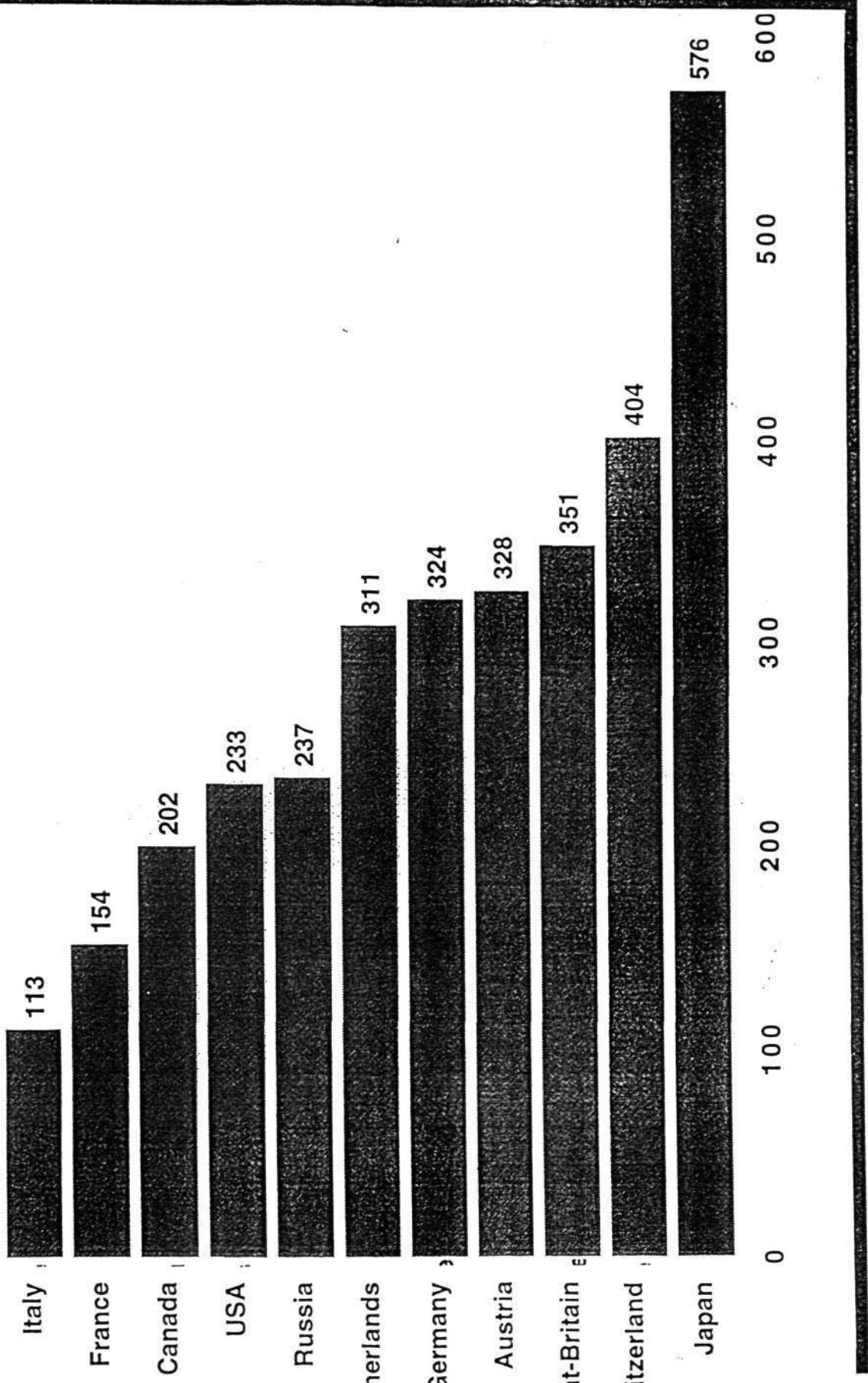


--> Seven countries represent 75%
of the World newsprint production

Newsprint consumption for selected countries in 1993 (in 1,000 tonnes)



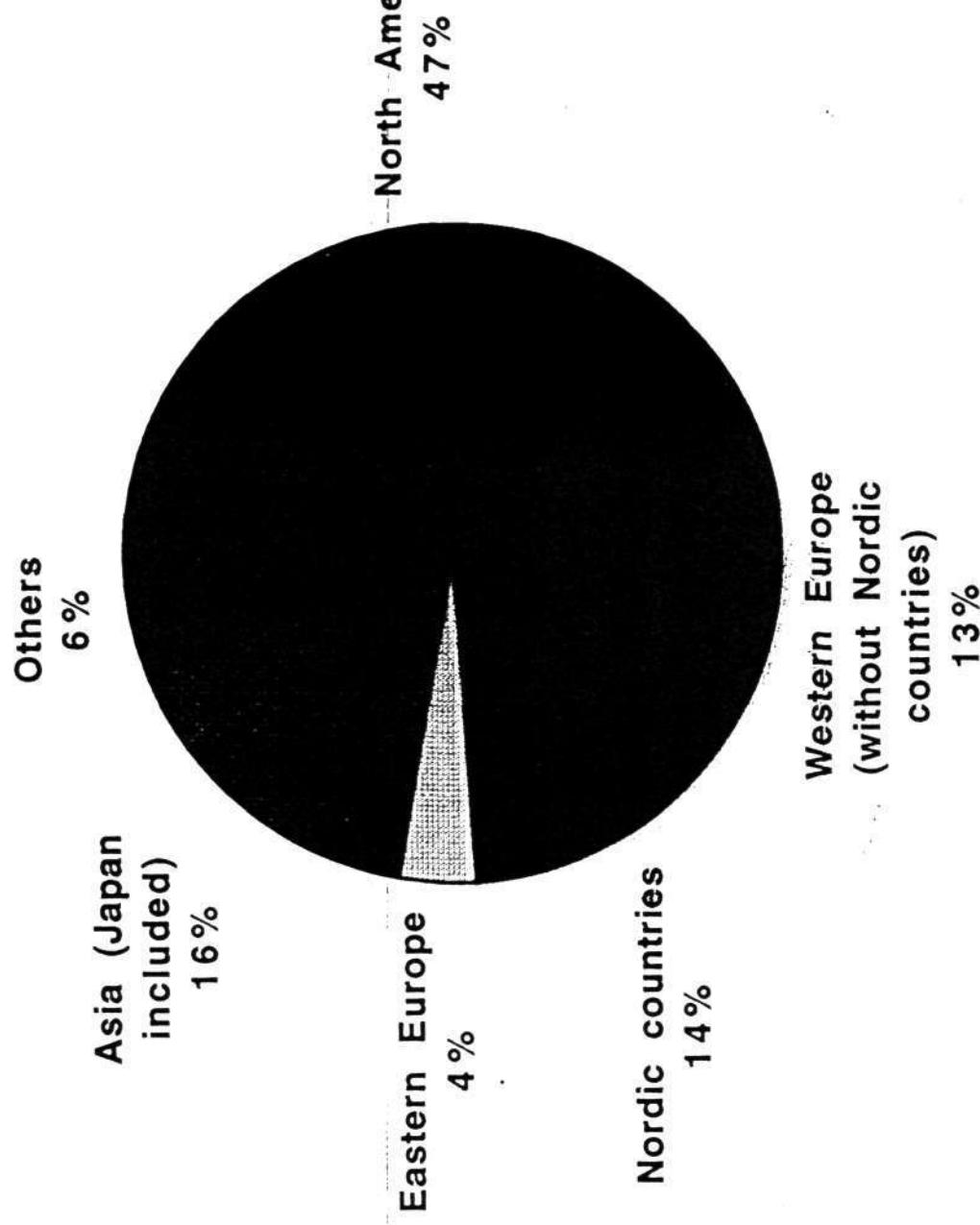
Newspaper copies sold for 1000 inhabitants



Newsprint 1993 - 1994

	1993	1994	Evolution
World Consumption	32,7	33,6	+0,9 (Mt)
Capacities	36,7	37,7	+0,7 (Mt)
Europe	9.3	9.7	+0,4
USA/Canada	16.3	16.3	+0
Other	11.1	11.4	+0.3
Utilisation			
Europe	93.5 %	95 %	
USA/Canada	96 %	97 / 98 %	
Asia	82 %	84 %	

Newsprint Production by Region in 1994

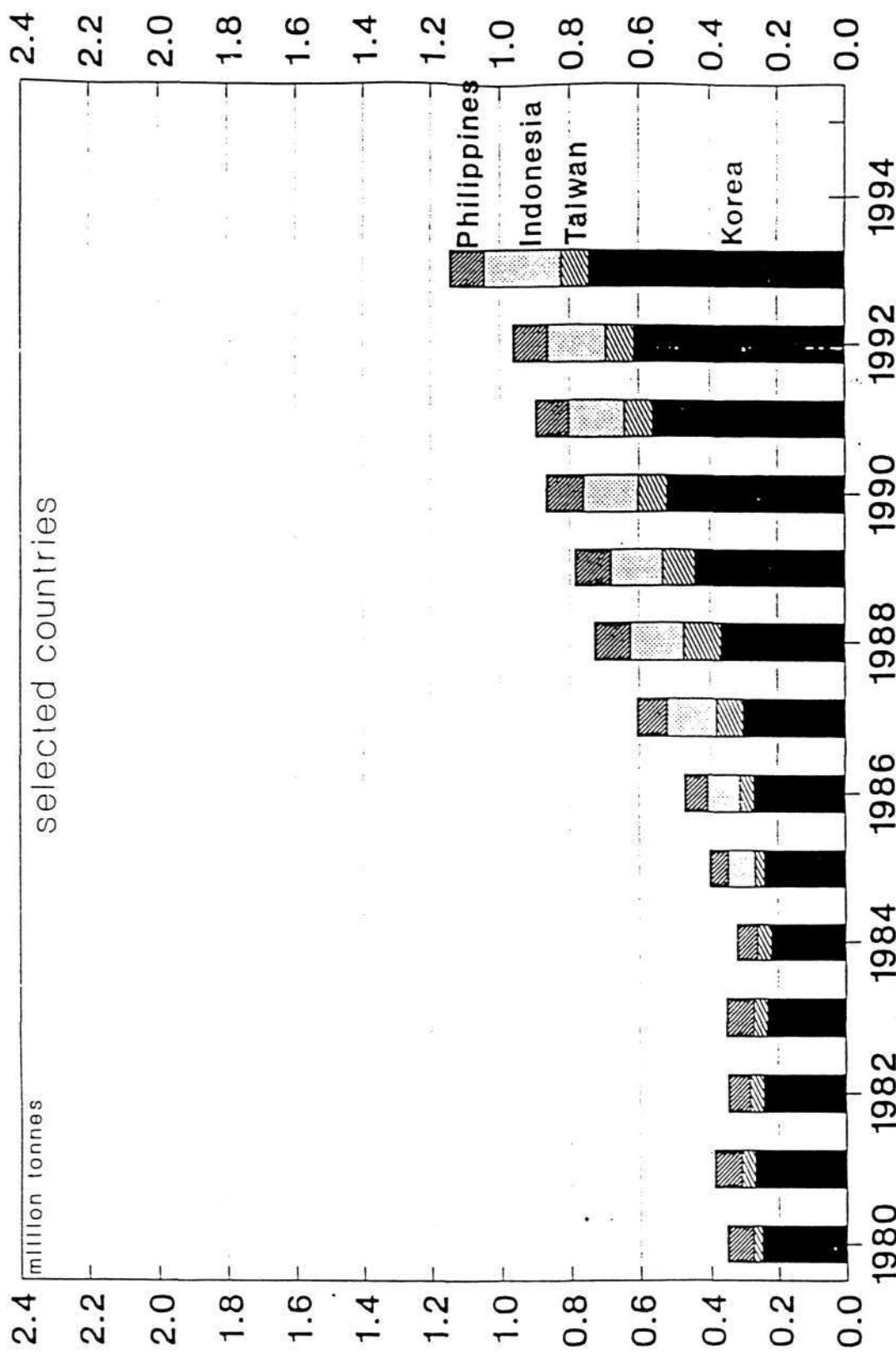


Newsprint demand in 2000

Region	1992	Est. 2000	Difference	% p.a.
North America	12733	13788	1055	1
Western Europe	8025	9778	1753	2,5
Eastern Europe	1323	1811	488	4
Japan	3699	4686	987	3
Asia/Africa/Oceania	4654	6876	2222	5
Latin America	1760	2409	649	4
Total	32194	39348	7154	2,5



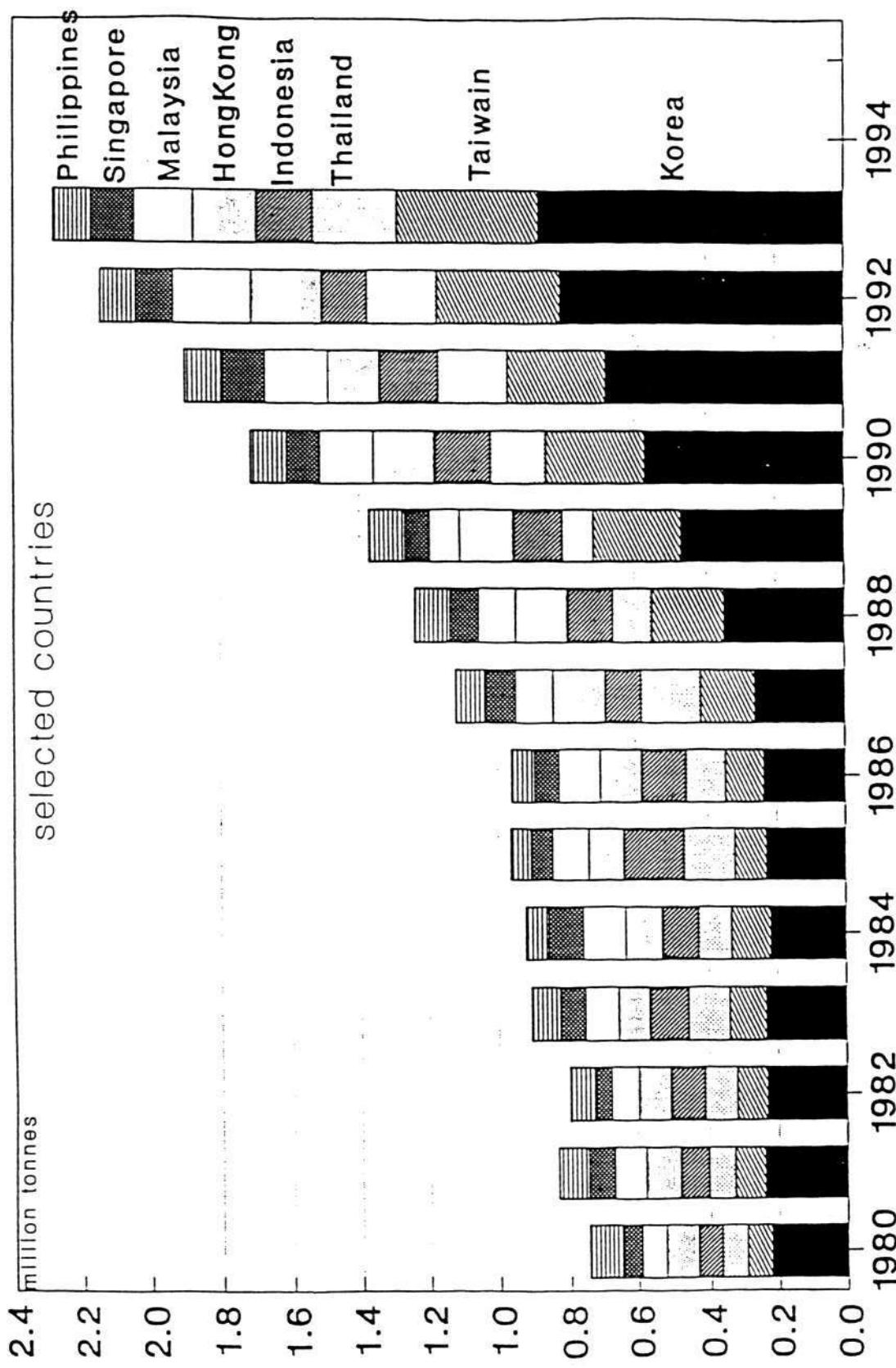
Asia-Pacific Newsprint Production



Equity Research Associates



Asia-Pacific Newsprint Demand

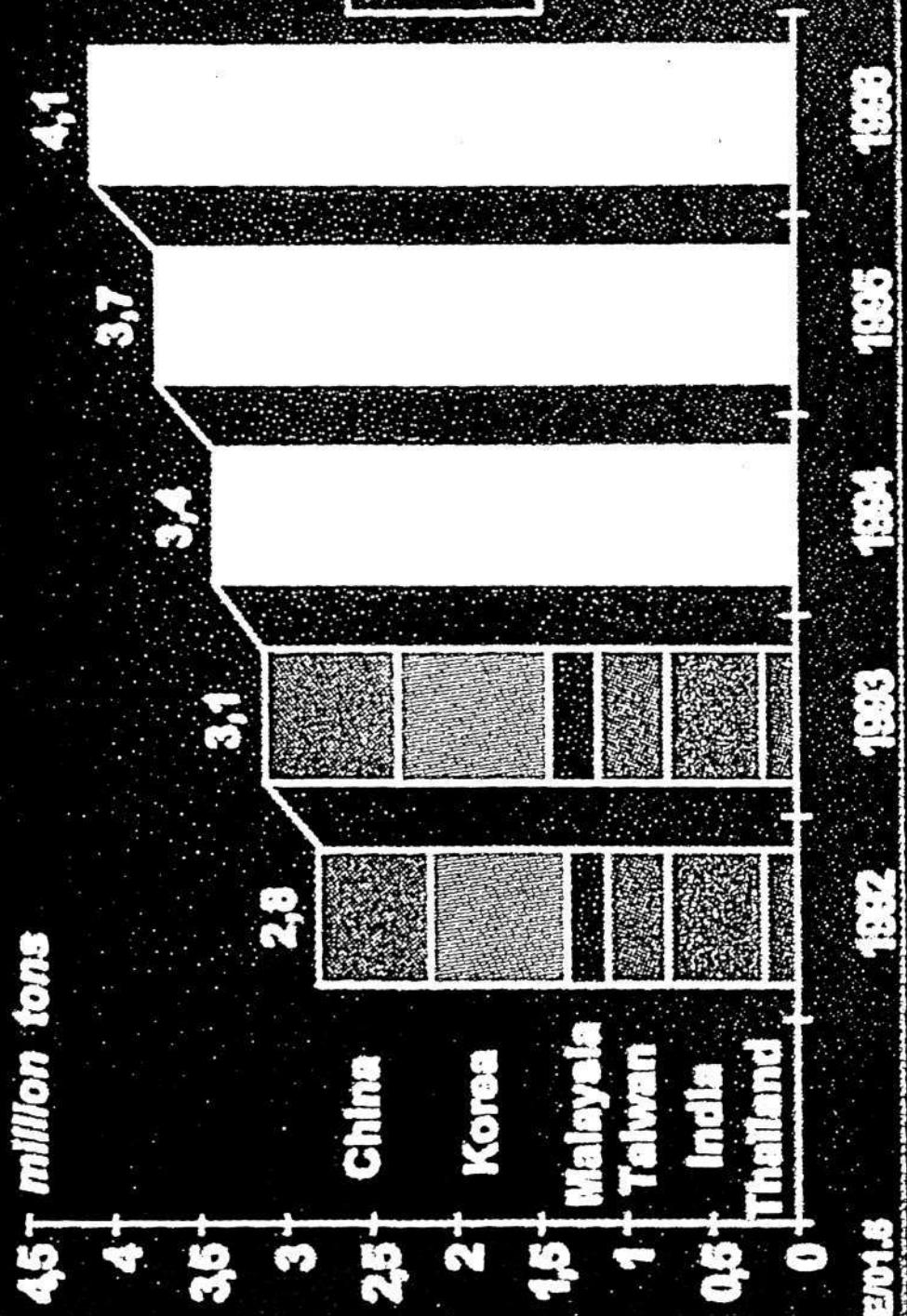


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Strong demand in Asia

Newsprint demand forecast

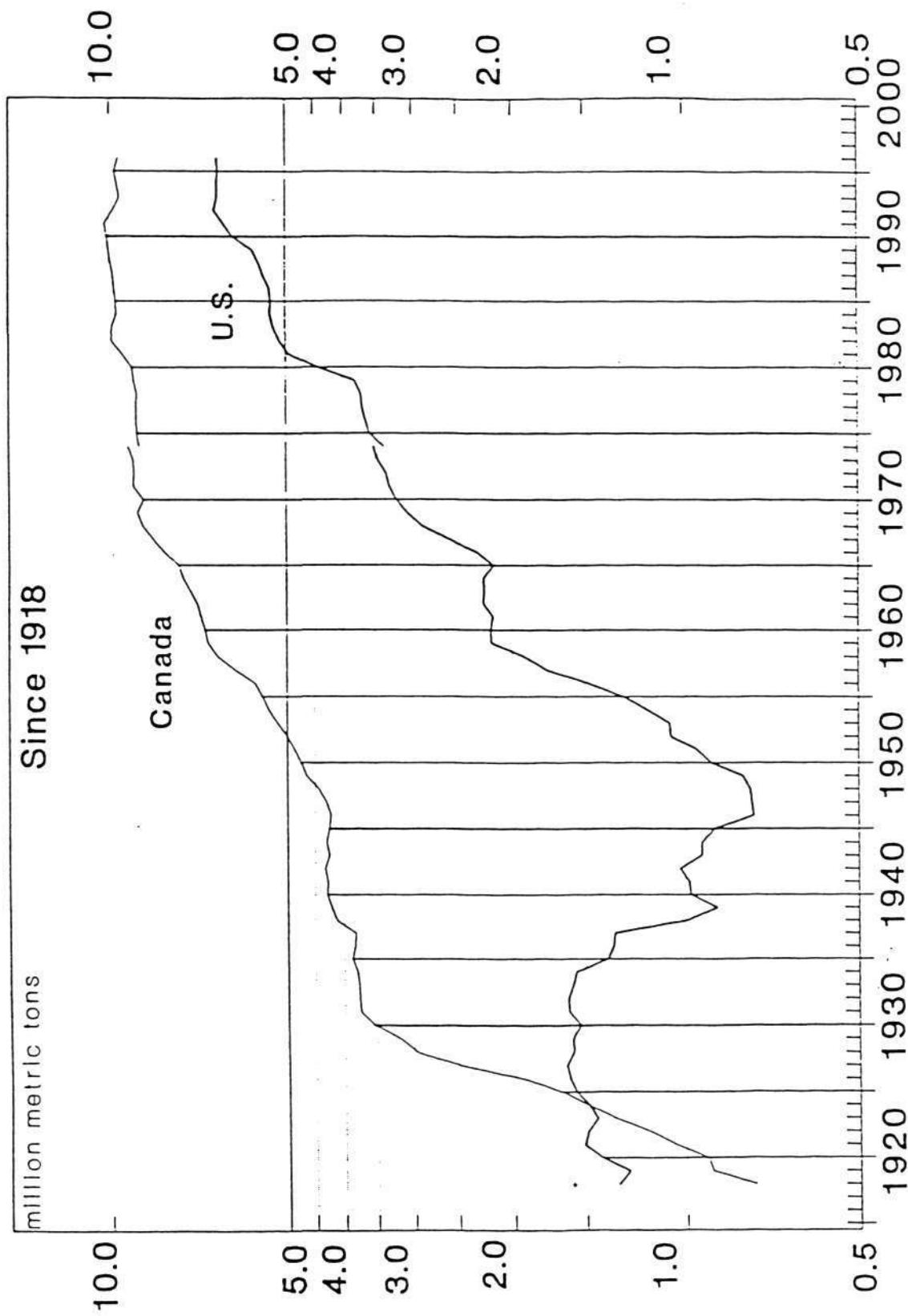


+ 6 to +10 %
/ year
(84 à 96)

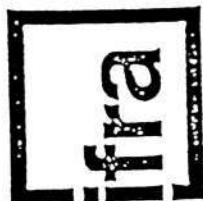
CFPP
PSP

fifa

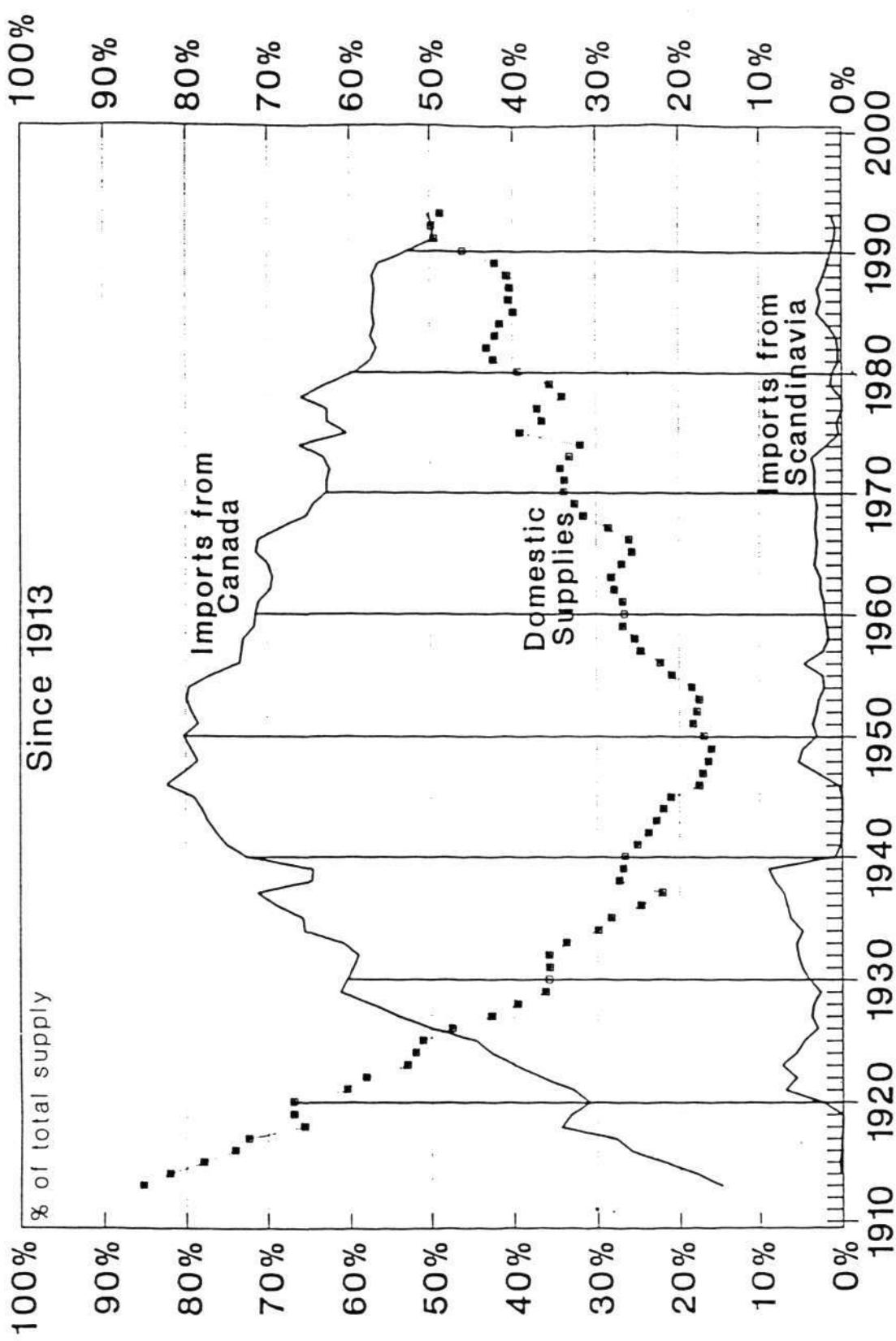
Newsprint Capacity in North America



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Sources of U.S. Newsprint Supply

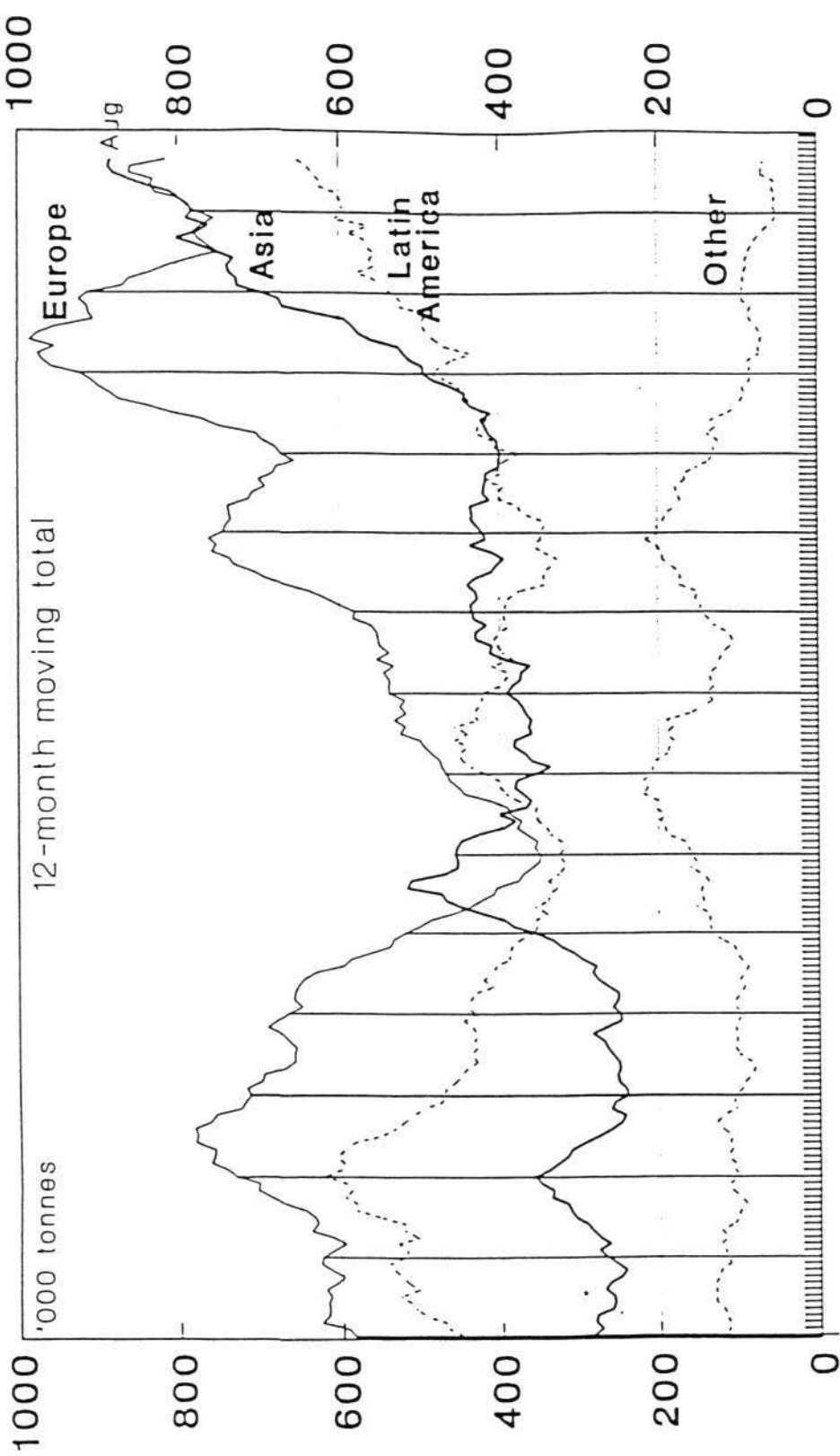


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Canadian Newsprint Shipments Overseas

in Thousands

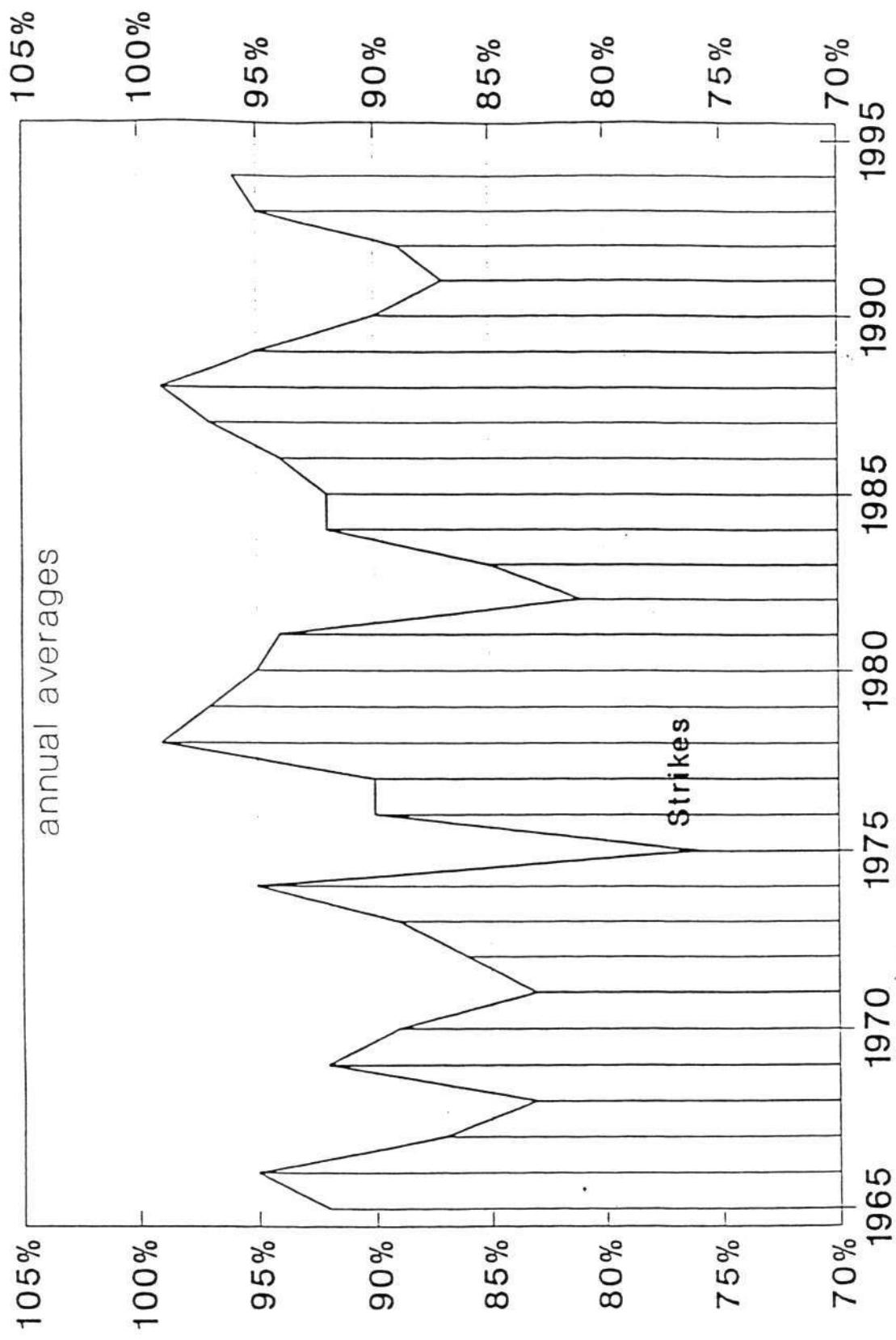


|| 80 | 81 | 82 | 83 | 84 | 85 | 86 | 87 | 88 | 89 | 90 | 91 | 92 | 93 | 94 |

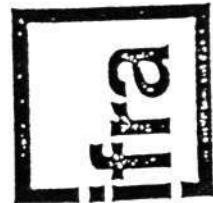
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Canadian Newsprint Operating Rates



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Importance of advertising on newsprint demand

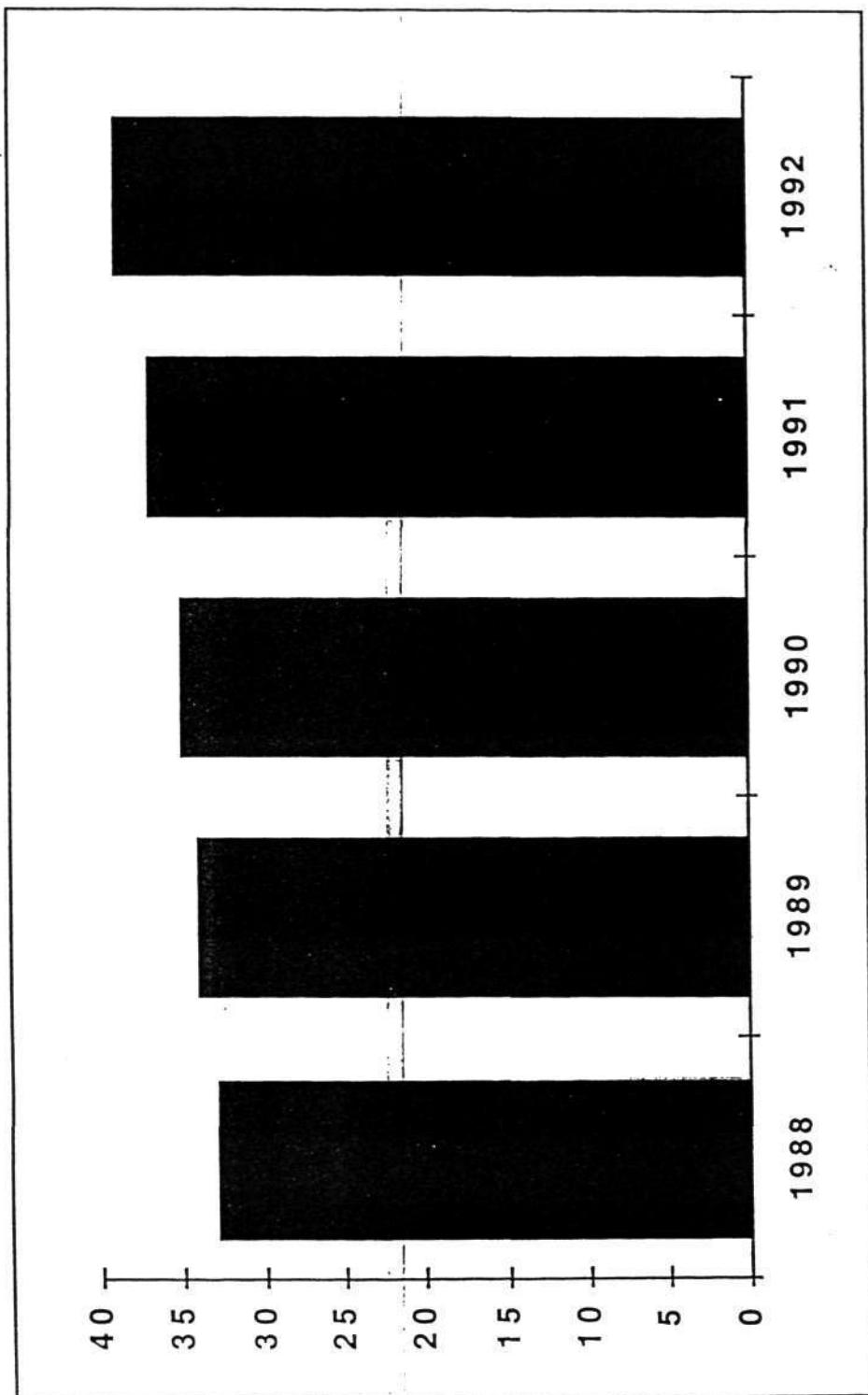
- > Circulation in markets such as USA, Western Europe or Japan are static or declining
- > The driver for newsprint demand is advertising: 1/3 of newspaper pages and 40% of revenue are attributable to advertising.
- > Different forms: printed in the newspaper, ROP advertising, new supplements with heavy ad. content.
More and more non-newspaper applications: up to 10% of the newsprint market in certain regions.
- > **Advertising directly influences the half of newsprint demand.**

Newsprint is an essential component in the freedom of expression:

- Just having ideas is not enough.
- One must be able to express and spread them.
- The only true vector of these ideas is paper.
- Even with the competition of TV and radio,
paper has a better "reaching effect".

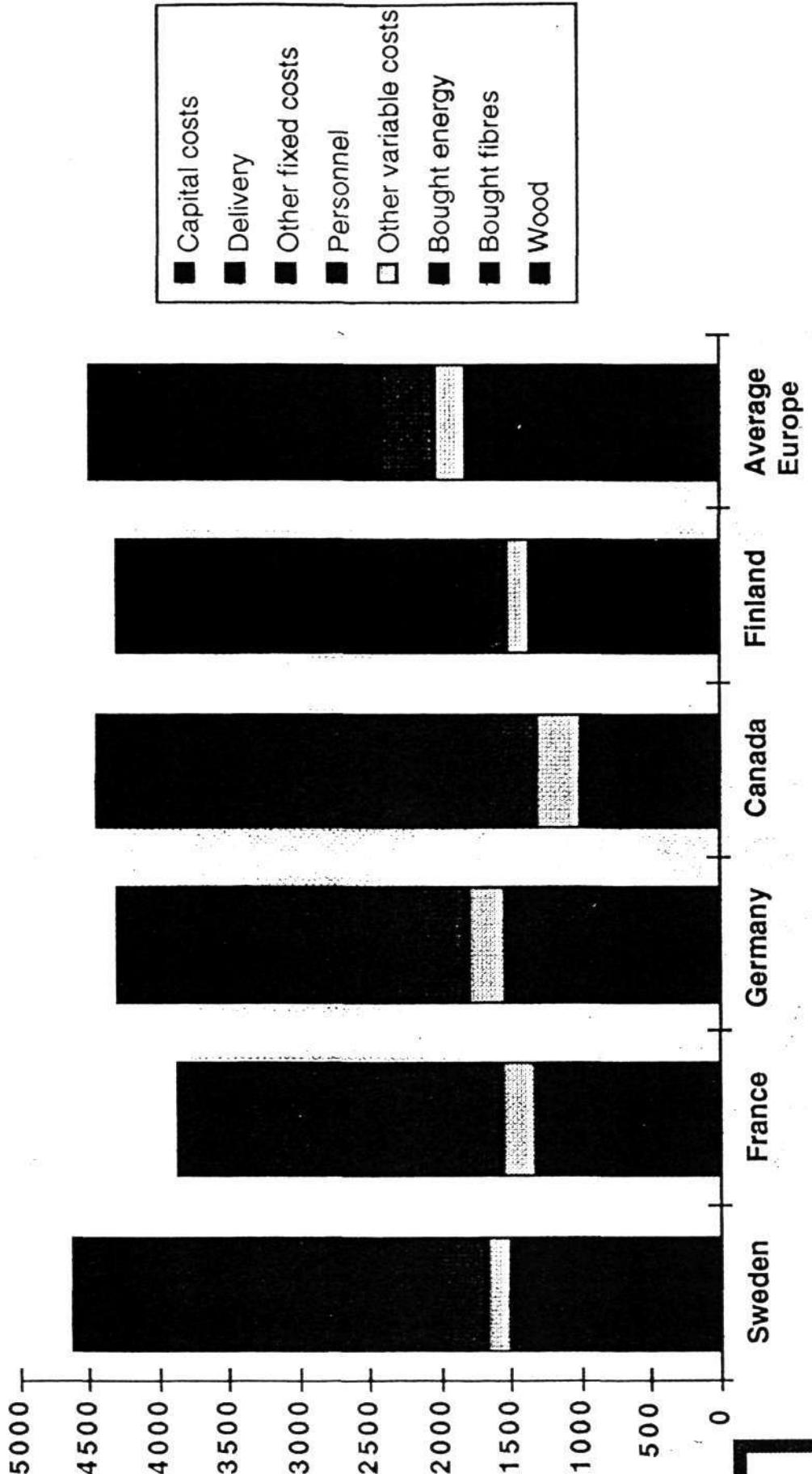


Utilisation Rate of Waste Paper in the World



How much is it to make newsprint?

(Prices in SEK)



North American Newsprint Industry

Manufacturing Costs

(expressed in US \$ per finished tonne)

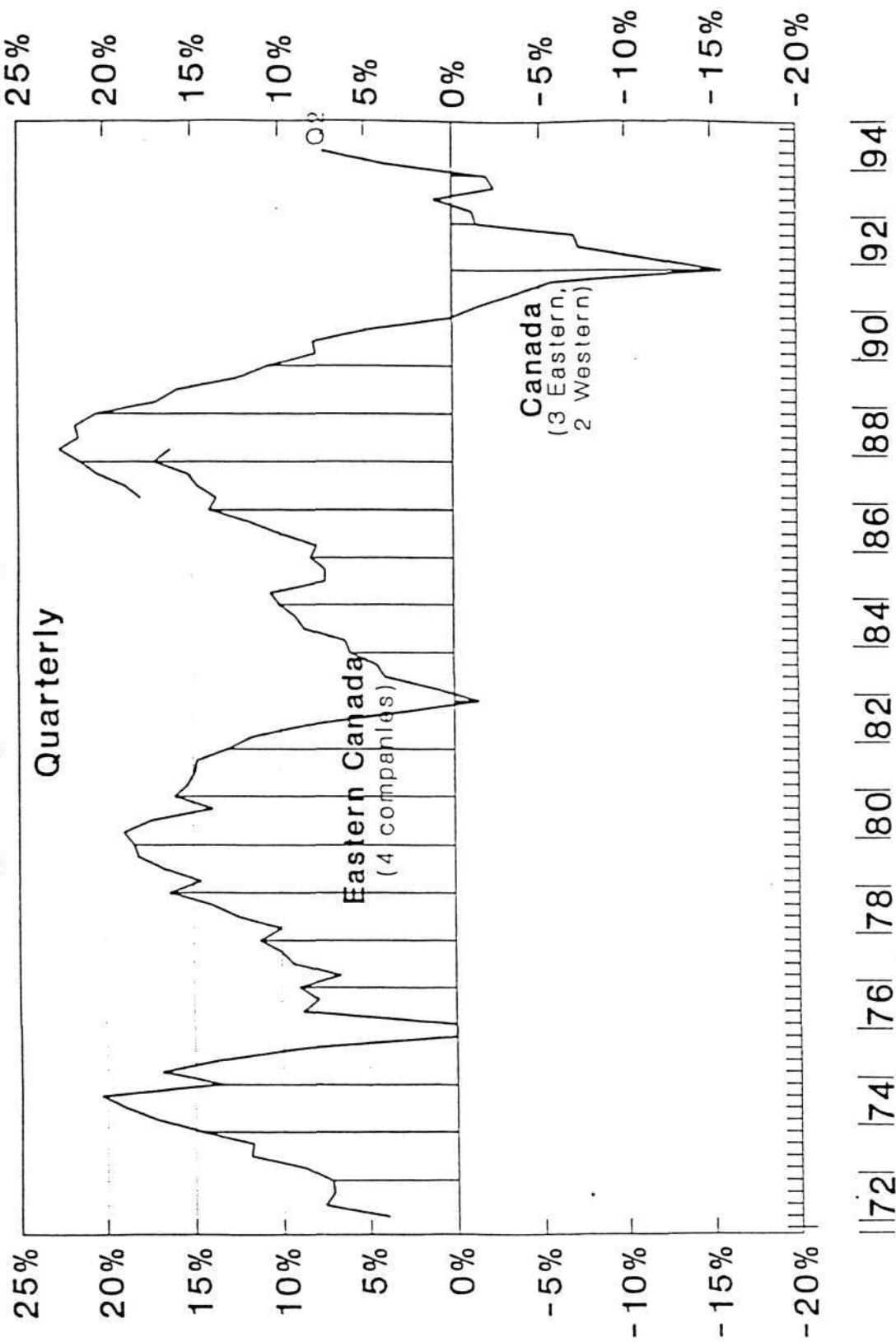
	US South		NW Ontario	
	1993	1994	1993	1994
Furnish - Wood	35	42	60	58
BKP	30	38	15	20
ONP *	20	35	20	35
	85	115	95	113
Chemicals	32	35	43	46
Energy	75	77	69	70
Labour	50	52	51	52
Maintenance	50	53	42	43
Other	20	21	20	21
Mill Level Cost	312	353	320	345
	====	====	====	====
Change		+13.1%		+ 7.8%

* 25% ONP/OMG

source: DIR

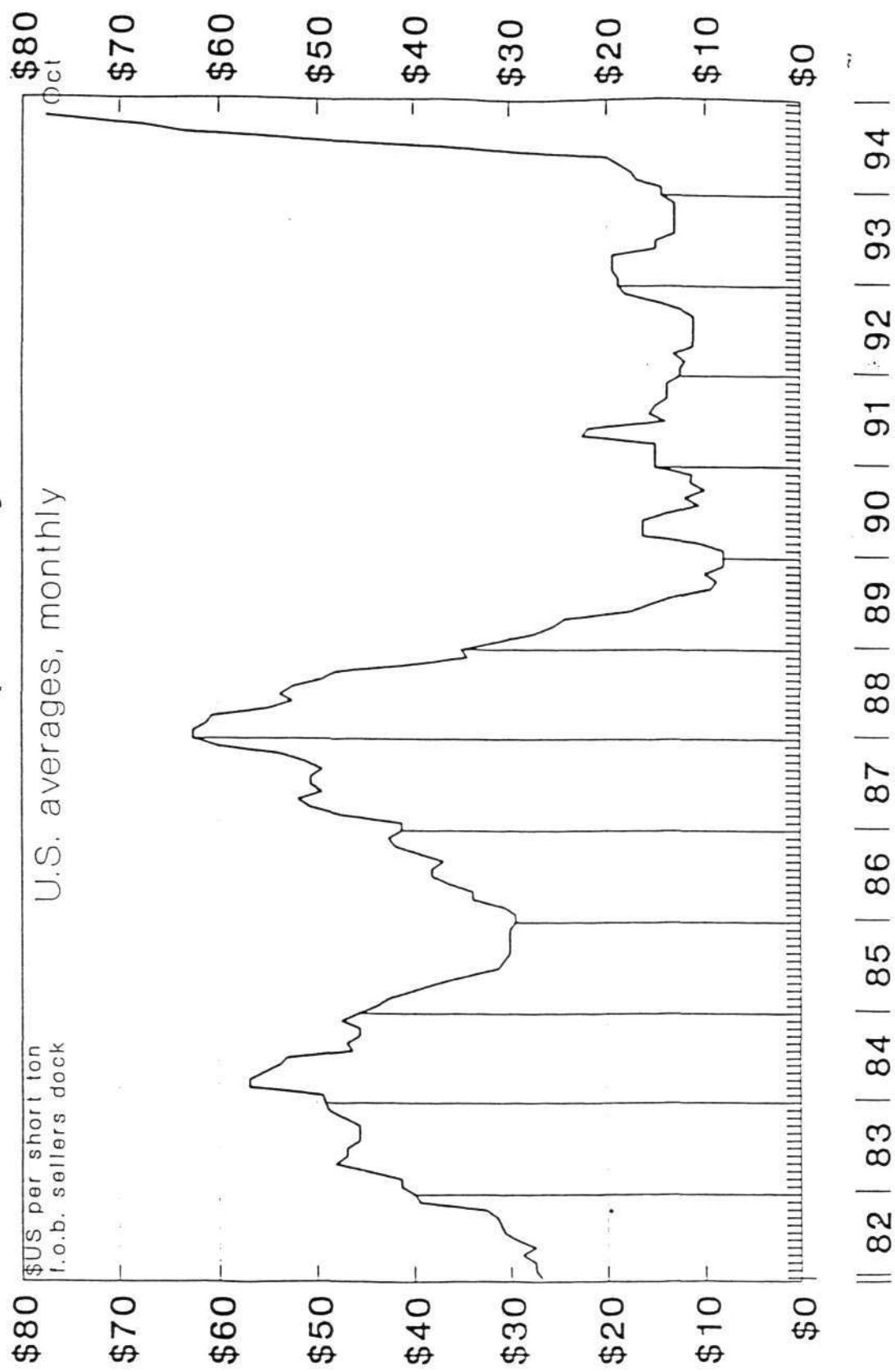


Canadian Newsprint Average Operating Margin Profitability



Equity Research Associates · Up to Q3/93, Abitibi is newsprint only;
new curve, starting Q1/93, includes specialties.

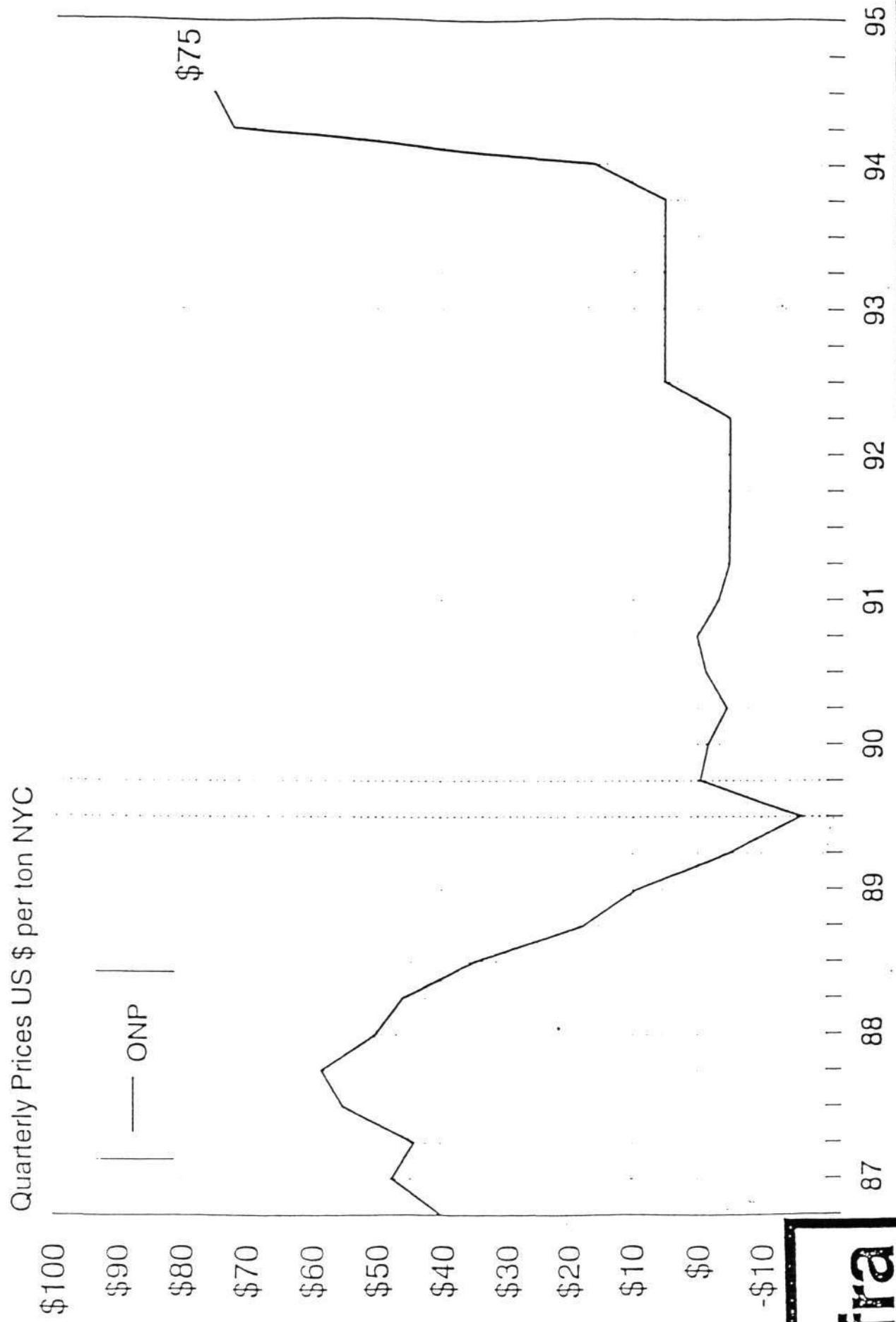
Old Newspaper Prices (raw data: Paper Recycler)



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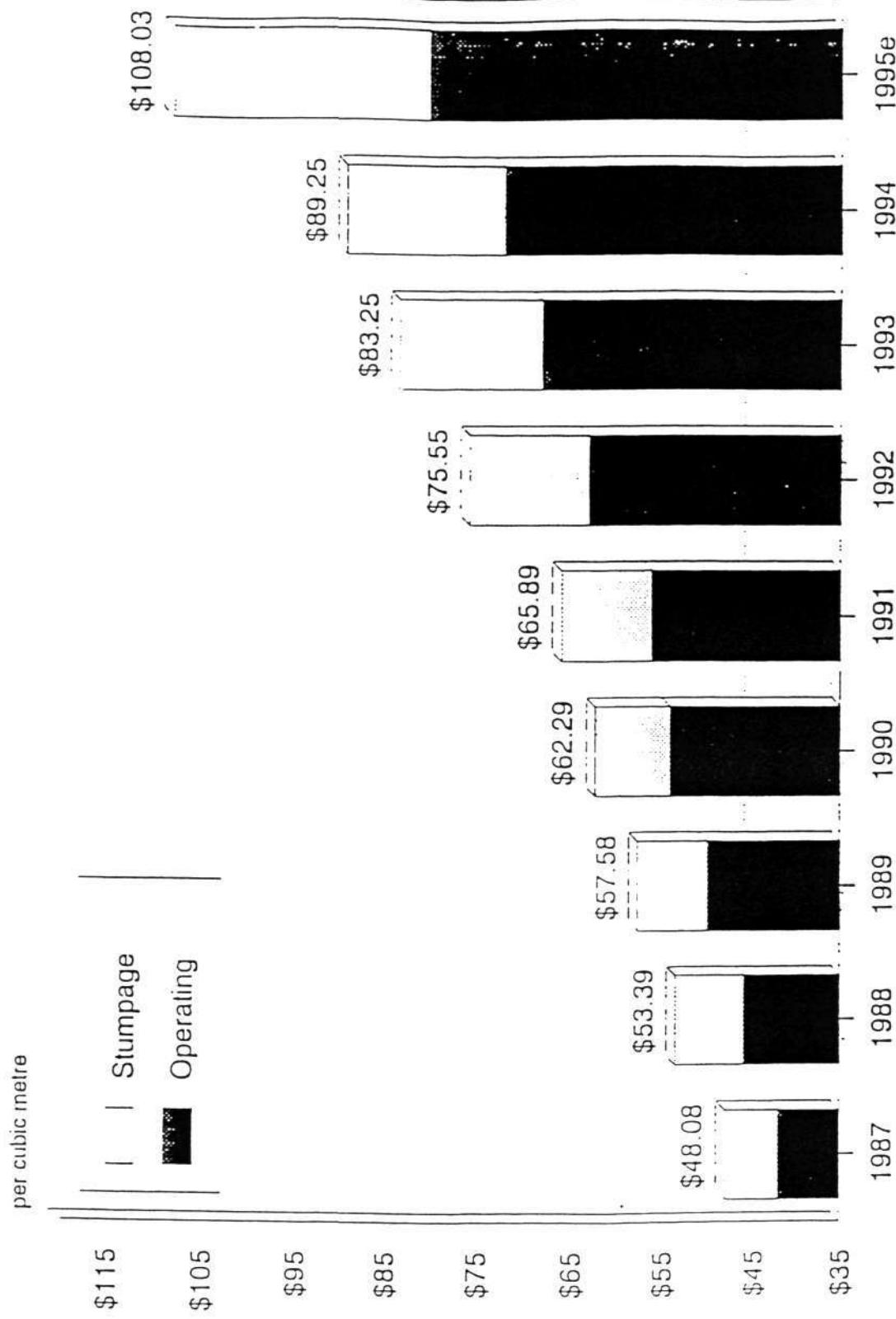


Wastepaper Prices



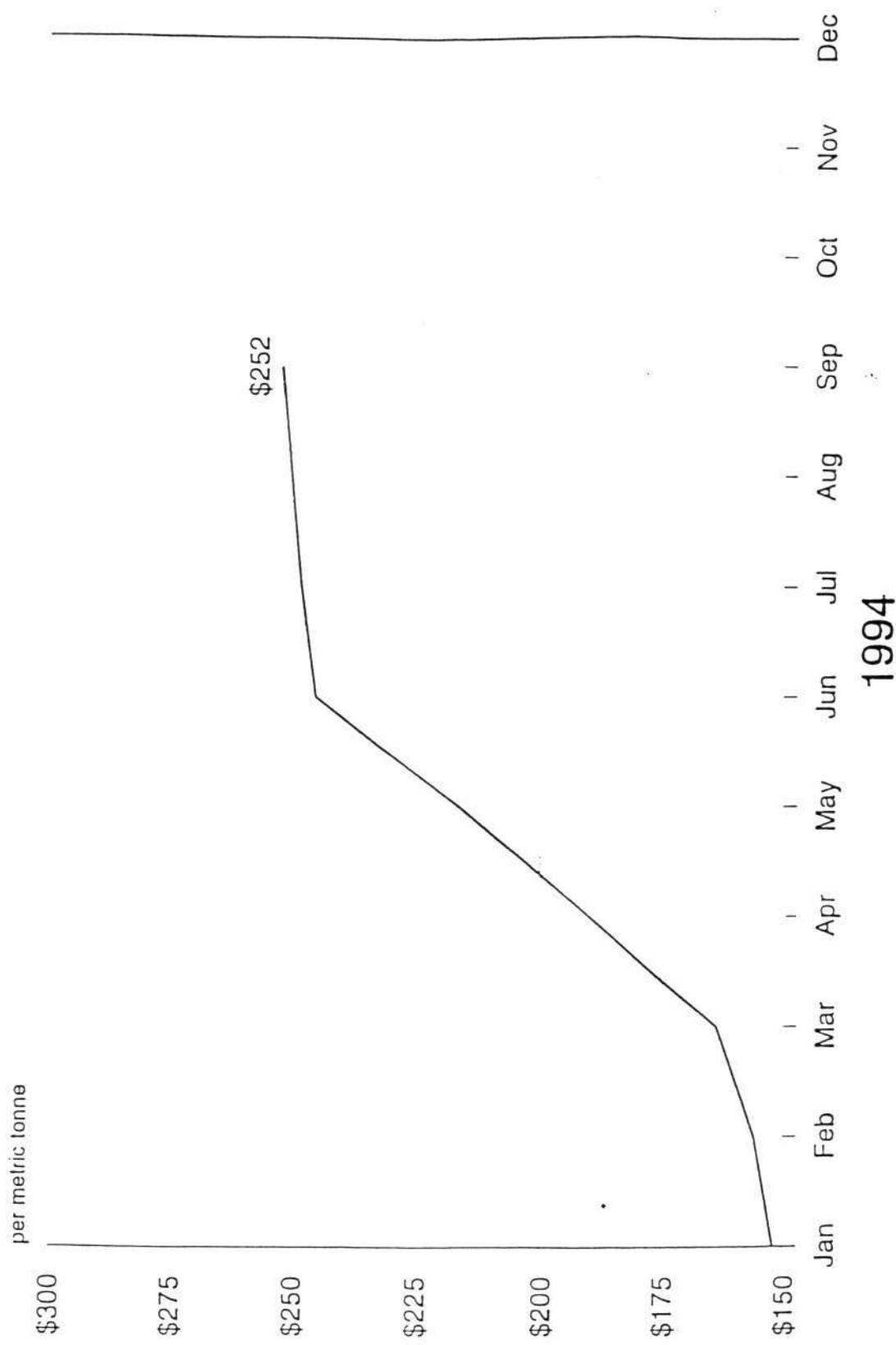
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Delivered Log Costs - B.C. Coast



Source: DIR

Wood Chip Costs - B.C.



Source: DIR



Delivered Pulpwood Costs - US South

US \$ per cubic metre

\$40

\$35

\$30

\$25

\$20

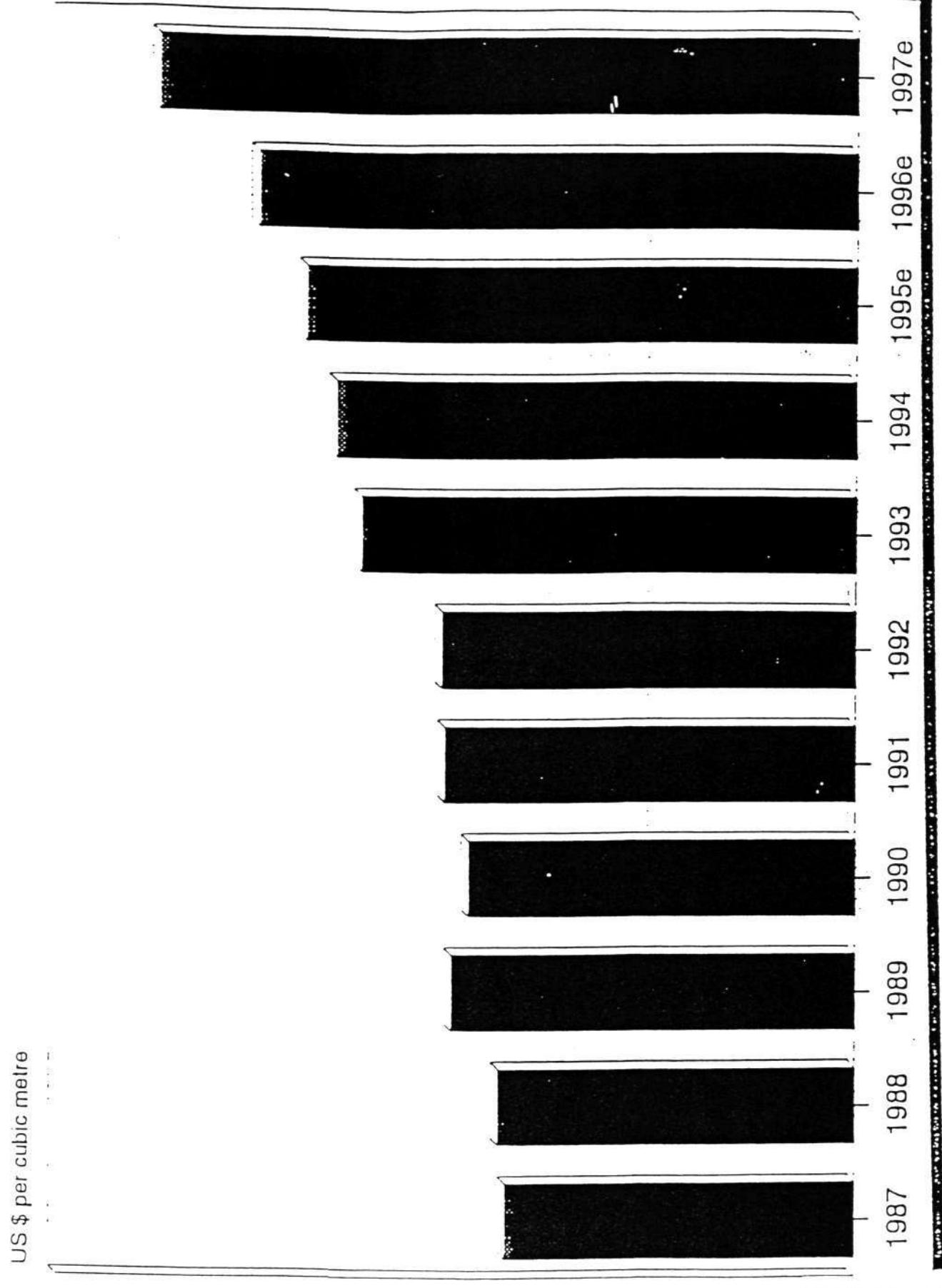
\$15

\$10

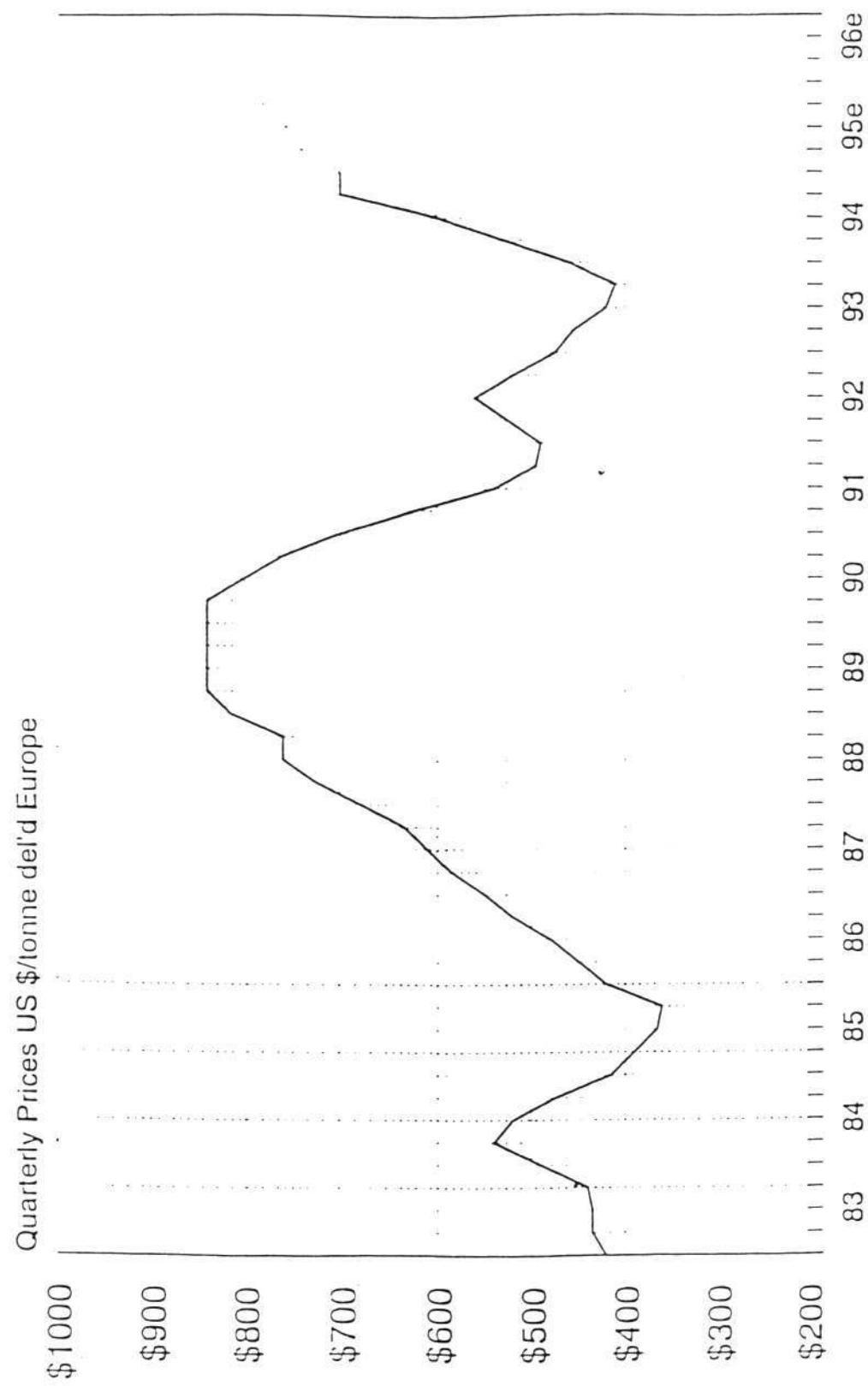
\$5

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1987 1988 1989 1990 1991 1992 1993 1994 1995e 1996e 1997e



Pulp Prices Bleached Northern Softwood Kraft



Cost Pressures

- Sharp Increase in Raw Material Costs
 - BC Wood Costs Increase 65% - 1991-1995
 - US South Pulpwood Costs Increase 75% - 1991-1997
 - BKP Prices Increase 100% - 1993-1995
 - ONP Prices Increase 400% - 1993-1995
 - Secondary Treatment Adds \$15 per Tonne

Supply Pressures

- No New Capacity in North America
 - 375,000 tonnes of Surplus Capacity
- Major Capacity Additions in Europe and Asia
 - New Machines Start Up in Korea, Thailand
 - Two New Machines Start Up in Germany
 - New Machine to Start Up In UK - March 1995
 - New Machine Proposed in Sweden 1996

NORTH AMERICAN NET NEWSPRINT CAPACITY*

	(000 Metric Tons)
1989	15,732
1990	16,267
1991	16,574
1992	16,466
1993	16,155
1994	16,243
1995	16,243

*SOURCE: AMERICAN FOREST & PAPER ASSOCIATION, CANADIAN PULP AND PAPER ASSOCIATION

NORTH AMERICAN DEMAND

(000 Metric Tons)

	1990*	1991*	1992*	1993*	1994E**	1995E**	1996E**
15,121	15,081	15,061	15,177	15,548	15,710	15,850	16,035

*SOURCE: AFPA, CPPA **GOLDMAN SACHS

NORTH AMERICAN NEWSPRINT CAPACITY UTILIZATION

	1990*	1991*	1992*	1993*	1994E**	1995E**	1996E**
96%	93%	91%	92%	96%	97%	96%	97%

*SOURCE: AFPA **GOLDMAN SACHS

**WORLDWIDE CAPACITY INCREASES
(000) MT/YEAR**

<u>FIRM</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>NO. DATE</u>	<u>TOTAL\$</u>
NORTH AMERICA	--	--	--	--	--	--
CENTRAL AMERICA	--	--	--	--	--	--
SOUTH AMERICA	--	--	--	--	--	--
EUROPE	20	--	250	--	--	270
ASIA/OCEANIA	401	145	35	70	--	651
AFRICA	--	50	--	--	--	50
TOTAL "FIRM"	421	195	285	70	--	971
SPECULATIVE	280	555	200	330	<u>1,515</u>	<u>2,880</u>
TOTAL CONSIDERED	<u>701</u>	<u>750</u>	<u>485</u>	<u>400</u>	<u>1,515</u>	<u>3,851</u>

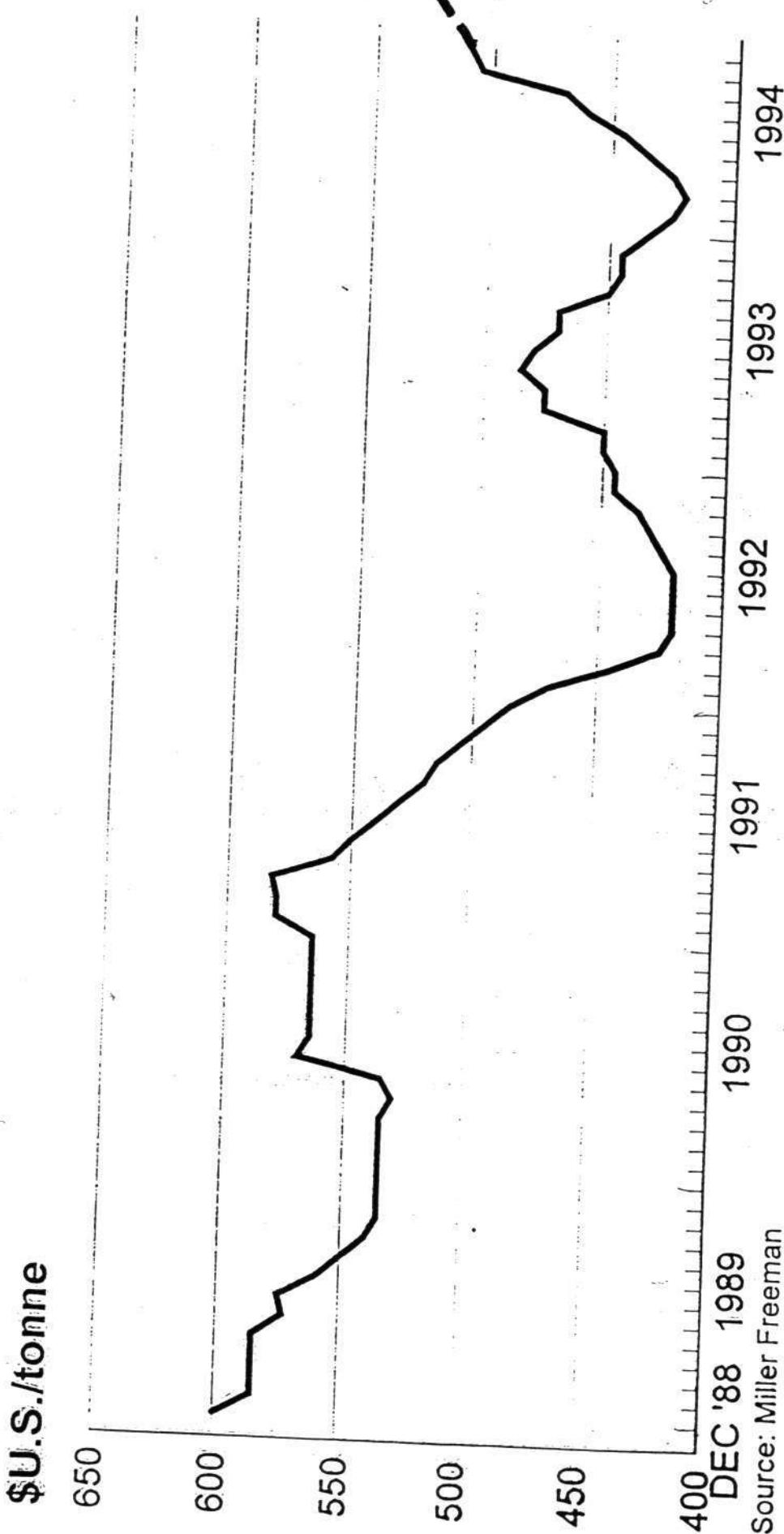
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Source:

Food and Agricultural Organization, United Nations

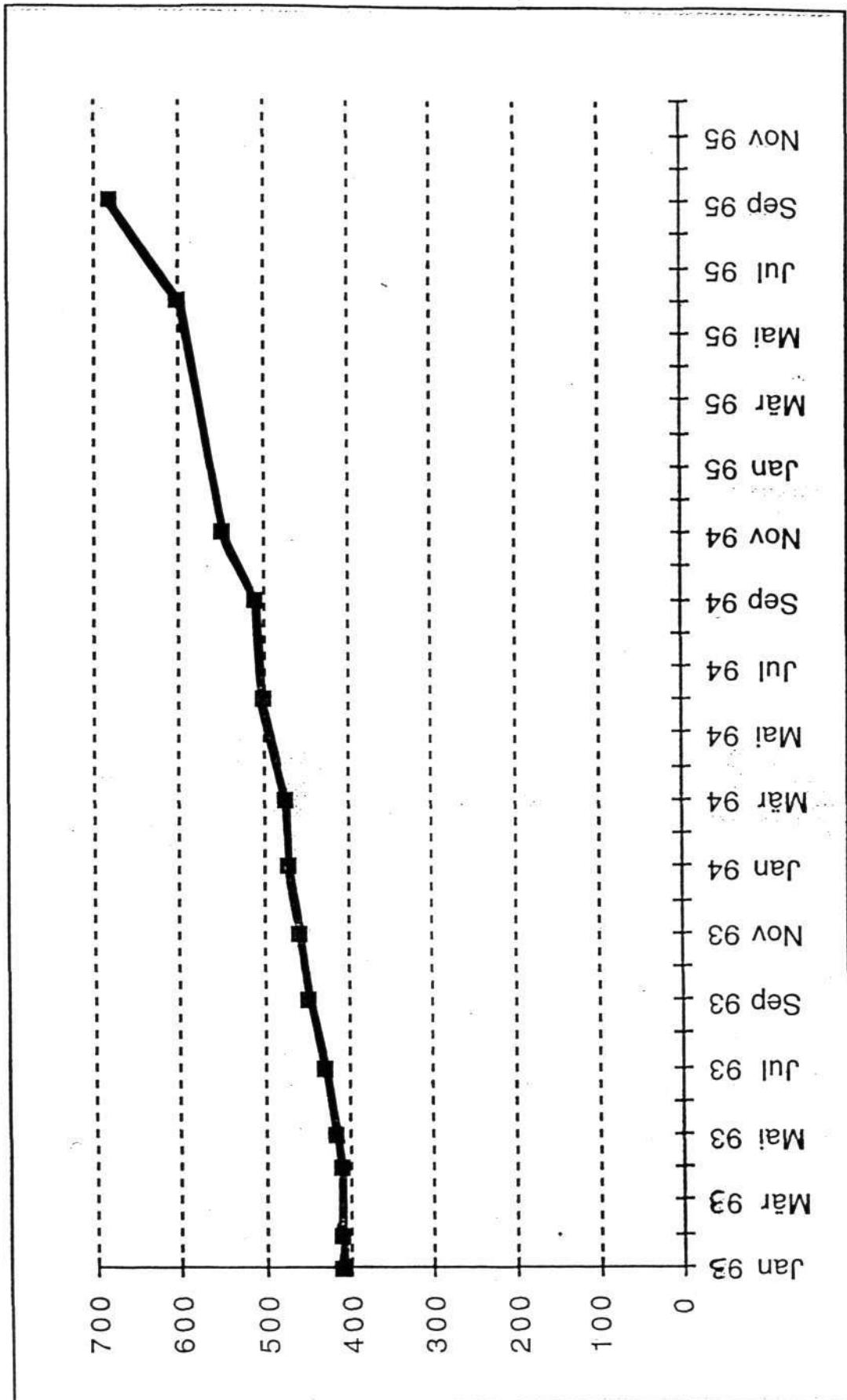
Eastern U.S. Newsprint Prices

Dec. 1988 - Oct. 1994



Forecast for Newsprint Prices

(Source: Pulp & Paper Week,
prices for 45 g/m² standard newsprint in \$/t)



Capacity evolution

	1993	1994	1995	1996
Germany	250	460	-	-
Great Britain	-	-	260	-
Sweden	-	-	-	300
Russia	-	100?	-	-
Korea	260	-	390	450
Thailand	-	100	-	-
China	-	100?	-	-
Australia	200	-	-	-

Estimation Capacity / Consumption

Year	Capacities	Consumption
1993	+0.7	+0.3
1994	+0.8	+1.1
1995	+0.65	+1.3
1996	+0.75	+1



New machines in Europe

Companies	Countries	Capacities	Period
■ Haindl (D)	Germany	250	end 1993
■ Enso (F)	Germany	280	09 / 1994
■ Palm (D)	Germany	200	10 / 1994
■ SCA/Mondi (S)	Great Britain	260	mid 1995
■ Holmen (S)	Sweden	270*	mid 1996

But : machines conversions reduce the
Increase in capacities
(* example : Holmen 270 → 130)

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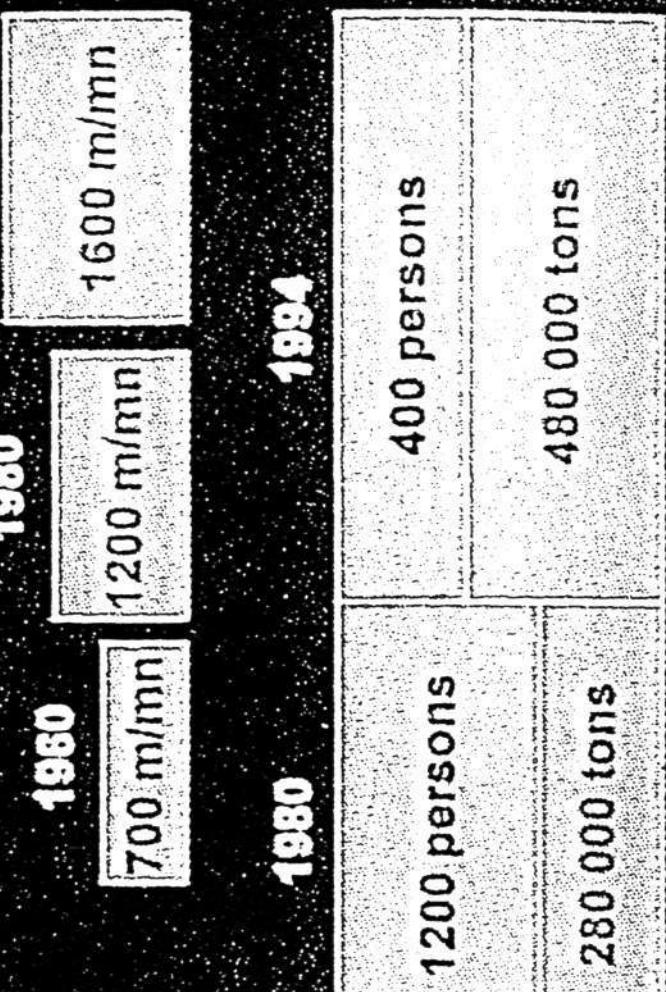
EE01.8

CFPP
PSP

Producers / editors partnership = responsible price policy

A responsible price policy should take into account gains in productivity

■ Speed



■ Higher width
2,6 m → 9,2 m

■ Employees

1200 persons

400 persons

480 000 tons

280 000 tons

fra

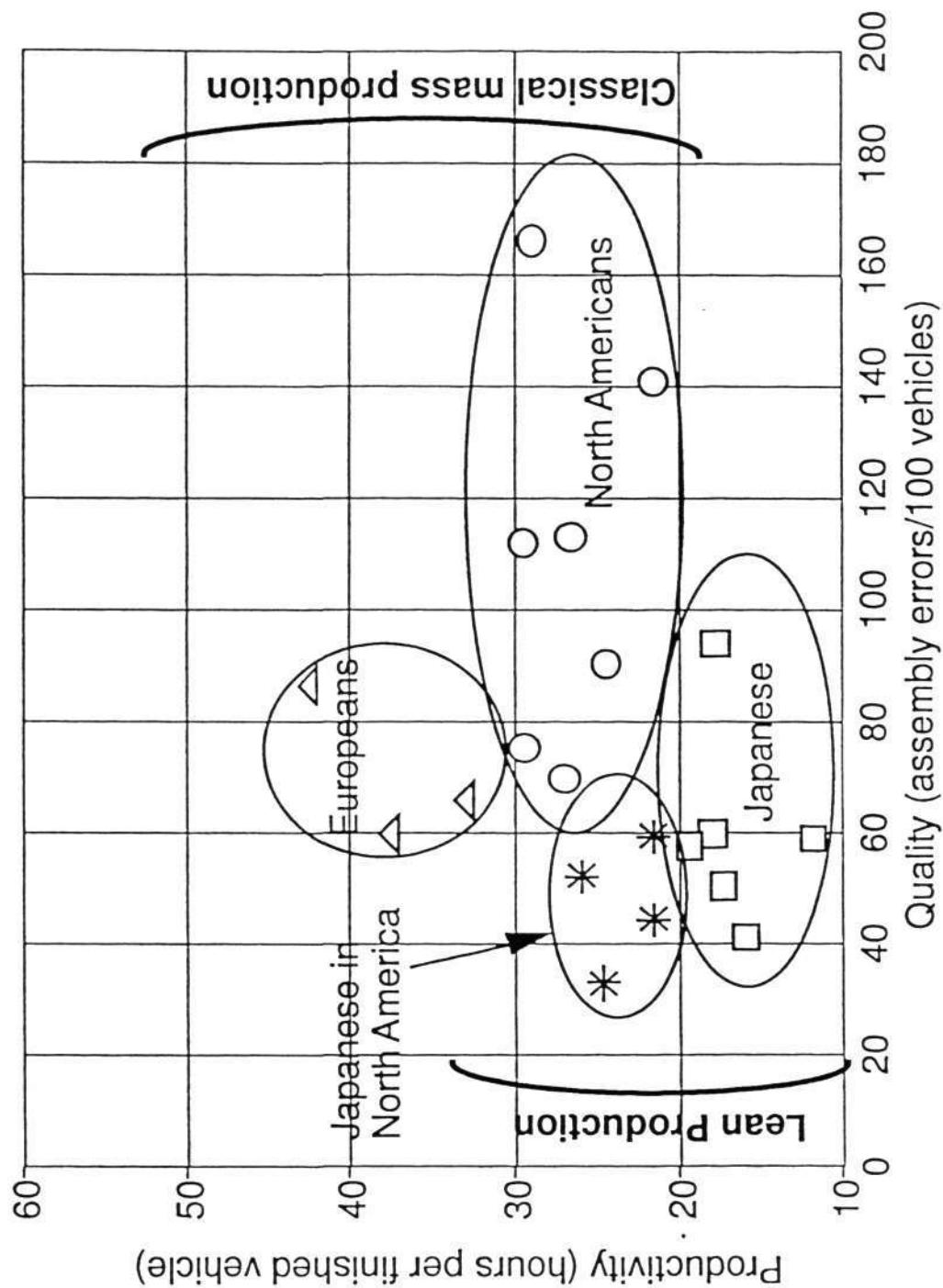
EED 1.6

Partnership between producers / editors = responsible price policy

■ Price rises are too strong



The productivity and finished quality of the assembly plants covered by the IMVP



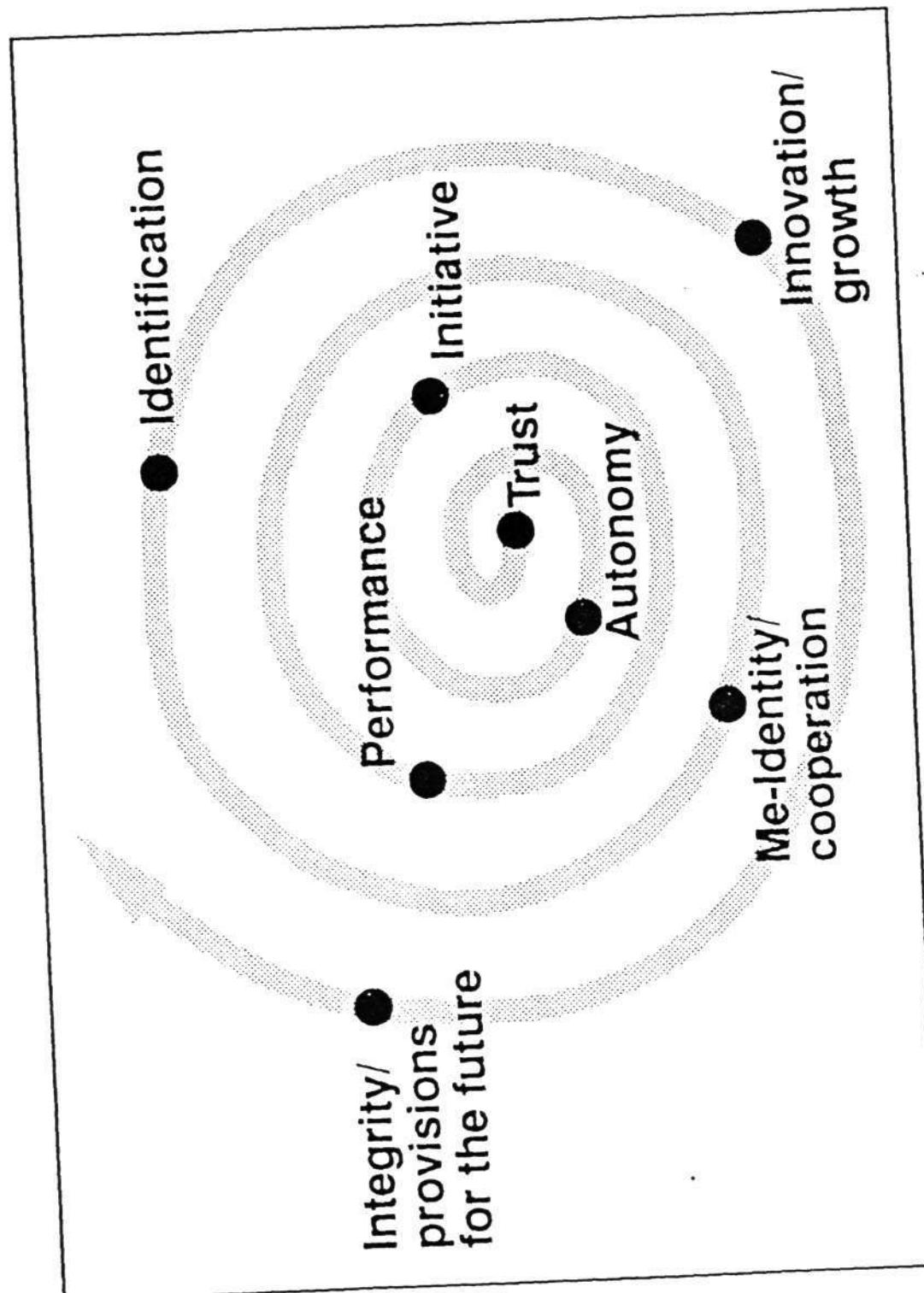
Source: "The machine that changed the world"

KAIZEN

- Customer-orientation
- TQC (Total Quality Control)
- Mechanisation
- QC (Quality Circles)
- Suggestions
- Automation
- Work discipline
- TPM (Total Productivity Management)
- Kamban
- Quality enhancement
- Just-in-time
- Fault-free
- Working in small groups
- Cooperation of the management levels
- Productivity enhancement
- Development of new products

Source: Imai, KAIZEN





Apply the rules of lean production

1. Deal with a reduced number of suppliers – suppliers of the first order; i.e. component suppliers who themselves deal with suppliers of the second order and so forth.
2. Exchange information with suppliers regarding expected changes in production volume, but also in analysing production methods and by doing joint cost analysis and definition of the supply prices.
3. Establish a close relationship with the suppliers based on partnership by means of:
 - framework agreements on business relations;
 - joint responsibility of cost;
 - agreement on cost reductions to be achieved;
 - freedom to effect product changes within the framework of the standard functions;
 - assistance in the event of production problems; and
 - mutual financial participation.

