South African Pulp and Paper Industry
Summary findings from 2013 production, import and export statistics
June 2014

OVERVIEW

Sector contribution to GDP	2013	2012
• Forestry-Paper contribution to Total SA GDP • Forestry-Paper contribution to Manufacturing GDP • Forestry-Paper contribution to Agricultural GDP	0.6% 3.8% 26.1%	0.6% 3.9% 27.0%
Balance of trade (BoT)	**2013**	**2012**
• All papers and pulps • Pulp • Paper and board	R2,156 billion R6,384 billion - R4,228 billion	R1,653 billion R5,390 billion - R3,737 billion

PRINTING AND WRITING PAPERS

Production volumes for 2013 are some 30% below 2008 levels (2012: 25%). Year on year declines appear to be continuing. Apparent consumption is approximately 91% of 2008 levels, indicative of the combination of consumer difficulties, cost reductions and electronic media.

Local production levels continue to suffer as a result of higher imports – in spite of a weaker Rand over the period. Exports, in this segment, are about 18% up from 2012, but still 60% off 2008 peak levels.

While recessions (economic cyclic downturns) usually lead to headwinds for paper, there are structural issues adding to domestic industry woes. The major production declines, in this segment, remain driven by uncoated wood free (UWF) papers. Local UWF production is down with imports marginally up, with fairly static exports.

Trends for coated grades show local production under continued pressure with imports maintaining high levels. Coated grade exports have taken up stocks built over the past few years (exports higher than production).

Local production of newsprint is 20% off 2012 levels, with imports and exports broadly static, indicative of a reduced newsprint consumption overall. National paid newspapers appear to be driving this, as opposed to free local papers which continue to show some growth.

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PACKAGING PAPERS

Production volumes are marginally (5%) off 2012 levels. While imports are up around 13% on 2012, exports are trending down (off 11% from 2012) leaving apparent consumption fairly static 2012 to 2013. This indicates that the growing/developing market remains intact but under pressure mid-way up the economic cycle.

The majority of activity sits within liner board (production marginally off 2012, with imports up and exports down) and fluting (production up with exports up and imports up). The segment classified as "other kraft papers" continues to show a rapid growth, driven by imports. Clearly consumption in this segment has recovered, is growing and showing opportunity.

TISSUE PAPER

Broadly, production volumes are static. Adjusted imports (for diaper move from Chp48 to 96) show minor declines; similarly with exports. Overall apparent consumption per person (adjusted) remains static. Accounting for diaper effects, it would seem that tissue imports take the early knock when demand is under pressure.

IMPORTS AND EXPORTS

Overall imports (excluding pulp) are marginally up from 2012. The negative balance of trade (BOT) Rand value of paper and board (excluding pulp) remains high, but it appears to have stabilised. Movements from 2012 are most likely as a result of foreign exchange rate changes rather than fundamental volume changes.

There does appear to be a gradual improvement in exports over imports, indicative of expected adjustments in the structure of the local paper and pulp industry post the 2008 recession. Pulp BOT remains strong but static from 2012 to 2013, with the major contribution from dissolving pulp.

CONSUMPTION

Consumption per person remains strong among end consumer basics (packaging), gradually developing in print media (coated/newsprint), weak in UWF (effectively A4) and static in tissue grades, apparently driven by declines in discretionary income with rising basic services costs. We are mid-way through the rising economic business cycle.





Photographs courtesy of Sappi, Mondi and Mpact

PAPER MANUFACTURERS ASSOCIATION OF SOUTH AFRICA (PAMSA)

EMPLOYMENT

Job shedding continues in manufacturing/beneficiation sector while the forestry sector shows an increase in employment numbers. According to the Statistics SA Labour Survey, the forestry, pulp and paper and recycling sector employs around 187,000 people**, which includes the job and income opportunities created through recycling, formally and informally, for 38,000 people.

(**Includes contractor labour for construction and upgrade projects at mill sites)

RECYCLING

Paper recovery trends remain good with an absolute increase of 17,981 tonnes in 2013. The total collected paper is up to 1,169,296 tonnes, equating to 62% of total recoverable paper. This is up from 2012's 57.3%, whereas overall end user consumption has declined by 5.9% while production declined by 4.6%.

Recovered paper usages are up as are collections but increasing use of recycled fibres are leading to shortfalls and thus the rise in imports of recovered paper. The industry drive to use more recycled fibre is partly driven by the incessant rise in the cost of production.

In addition the weaker currency has seen a continued increase in the export of recovered paper by traders. This further aggravates the supply to local manufacturers of this important raw material.

It is noted that approximately 8% of recovered/collected fibre is held in stock at any point in time. Stock is assumed to be constant year on year and therefore excluded from recycling statistics.

SUMMARY TABLES AND GRAPHS

TABLE 1

											Actual		
Production summary Tonnes ('000)	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Production	(tonnes)	(tonnes)	(tonnes)	(tonnes)	(tonnes)	(tonnes)	(tonnes)	(tonnes)	(tonnes)	(tonnes)	(tonnes)	(tonnes)	(tonnes)
Printing and Writing Papers	863	913	920	1 019	925	1 050	1 132	1 066	922	939	790	796	740
Packaging Papers	1 245	1 265	1 265	1 306	1 365	1 369	1 400	1 440	1 097	1 341	1 251	1 419	1 356
Tissue Paper	150	154	152	197	193	191	195	220	224	217	219	216	222
Total Paper	**2 258**	**2 332**	**2 337**	**2 522**	2 483	2 610	2 727	2 726	2 244	2 497	2 261	2 431	2 318
Total Pulp	**2 138**	**2 183**	**2 317**	**2 073**	2 193	2 222	2 311	2 572	2 130	2 307	2 321	2 277	2 016
Imports*	(tonnes)	(tonnes)	(tonnes)	(tonnes)	(tonnes)	(tonnes)	(tonnes)	(tonnes)	(tonnes)	(tonnes)	(tonnes)	(tonnes)	(tonnes)
Paper	254	265	371	399	449	670	708	666	734	753	786	865	825
Pulp	53	64	71	71	70	127	82	114	99	77	79	88	144
Value	(mill. rand)	(mill. rand)	(mill. rand)	(mill. rand)	(mill. rand)	(mill. rand)	(mill. rand)	(mill. rand)	(mill. rand)	(mill. rand)	(mill. rand)	(mill. rand)	(mill. rand)
Value of Paper Production	10 428	12 357	11 659	11 753	11 938	13 179	14 911	16 533	14 237	16 377	15 859	17 444	17 713
Value of Pulp Exports (Mill Data)	2 320	2 737	2 570	2 484	2 445	2 851	3 747	5 054	4 046	5 672	6 553	6 051	7 099
Value of Paper Exports (Mill Data)	2 704	3 429	2 746	2 716	2 481	2 816	3 684	3 859	3 880	3 839	3 550	3 127	3 258
Notes Import data obtained from Customs and Excise data. The following tariff headings were used to calculate paper imports: 4810 - 4816													





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TABLE 2

Table 4: Pulp and Paper Imports

Pulp and Paper Imports Value (Rands '000)	2006 YTD	2007 YTD	2008 YTD	2009 YTD	2010 YTD	2011 YTD	2012 YTD	2013 YTD
TOTAL : ALL PAPERS AND PULPS	980,458	1,174,242	2,856,239	2,263,073	2,990,528	2,765,479	1,653,488	2,156,352
TOTAL PAPER & BOARD	-1,627,935	-2,027,123	-1,621,202	-1,657,289	-2,236,240	-3,232,275	-3,736,868	-4,227,855
TOTAL PULP	2,608,393	3,201,365	4,477,441	3,920,363	5,226,768	5,997,754	5,390,357	6,384,207

Table 45.1: Balance of Trade (Exports - Imports)
Table 4: Pulp and Paper Imports

Pulp and Paper Imports Value (Rands '000)	YTD	YTD	YTD	YTD	YTD	YTD	YTD	YTD
PAPER AND BOARD								
PRINTING AND WRITING PAPERS	**-1,921,412**	**-1,971,563**	**-1,662,155**	**-1,984,611**	**-2,690,169**	**-3,428,462**	**-4,601,600**	**-5,383,951**
Uncoated Paper	656,542	1,072,940	1,916,069	1,052,870	451,603	25,115	-426,692	-688,507
Coated Paper	-2,500,630	-3,126,331	-3,750,119	-3,200,617	-3,311,869	-3,593,227	-4,270,929	-4,813,591
Newsprint and Telephone Directory Paper	-14,572	97,344	232,336	213,876	225,153	231,970	178,014	164,688
SC Mechanical and LWC paper	-62,751	-15,514	-60,442	-50,739	-55,057	-92,320	-81,992	-46,542
PACKAGING PAPERS	**945,020**	**810,242**	**1,289,114**	**1,265,282**	**1,168,811**	**1,069,203**	**1,016,389**	**1,275,608**
Liner Board	935,556	886,233	1,363,892	1,335,927	1,182,297	1,216,619	1,193,546	1,484,758
Fluting	281,425	168,952	278,977	235,022	281,447	246,732	206,442	255,900
Other Kraft paperboard and fibreboard	-271,962	-244,943	-353,756	-305,667	-294,932	-394,149	-383,599	-465,049
TISSUE PAPER	**-651,543**	**-865,803**	**-1,248,160**	**-937,960**	**-714,882**	**-873,015**	**-151,657**	**-119,512**
Tissue Paper	-651,543	-865,803	-1,248,160	-937,960	-714,882	-873,015	-151,657	-119,512
TOTAL PAPER AND BOARD	**-1,627,935**	**-2,027,123**	**-1,621,202**	**-1,657,289**	**-2,236,240**	**-3,232,275**	**-3,736,868**	**-4,227,855**
PULP								
Mechanical Pulp	-314	-431	310	-348	154	523,631	222	813
Thermo-Mechanical Pulp	-	-	-	-	-	-	-	-
Semi-Chemical Pulp	-21,631	-26,748	357,741	-15,174	-12,943	-22,444	-14,955	-21,755
Chemical Pulp	2,619,825	3,208,328	4,137,693	3,988,988	5,237,653	5,420,217	5,272,750	6,301,306
Other Pulp	10,513	20,216	-18,303	-53,102	1,904	76,349	132,339	103,843
TOTAL PULP	**2,608,393**	**3,201,365**	**4,477,441**	**3,920,363**	**5,226,768**	**5,997,754**	**5,390,357**	**6,384,207**

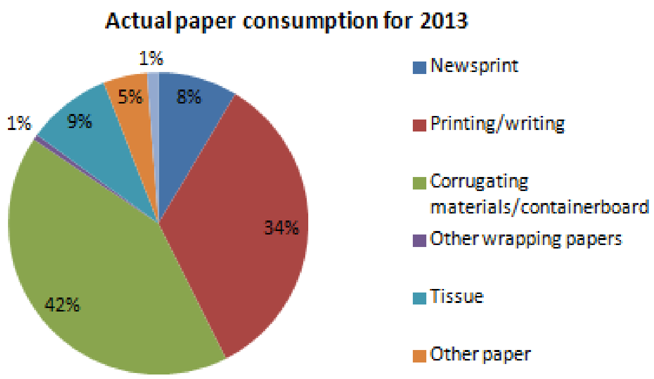
TABLE 3

Paper production and consumption

All values in metric tons	Paper Production	Paper Imports	Paper Exports	Paper Consumption
Newsprint	241 722	16 140	40 756	217 107
Printing/writing	498 571	585 510	223 049	861 032
Corrugating materials/containerboard	1 197 699	141 355	279 861	1 059 193
Other wrapping papers	15 411			15 411
Tissue	221 656	22 370	14 651	229 374
Other paper	111 995	59 254	52 251	118 998
Board	31 129			31 129
Total	**2 318 183**	**824 629**	**610 568**	**2 532 244**

GRAPH 1

Pie chart representation of consumption of 2,532,244 tons by category



Photographs courtesy of Sappi, Mondi and Mpact

TABLE 4

Recovery of recyclable paper

All values in metric tons	Paper Recovered in South Africa	Recovered Paper Imports	Recovered Paper Exports[1]	Consumption of Recycled Paper in SA
Newspapers	115 715	737	20 302	96 150
Magazines	53 845	538	12 194	42 189
Corrugated, solid cases, kraft papers	815 229	25 575	57 202	783 602
Office, graphic papers	81 965	8 454	515	89 904
Mixed and other papers	102 541	3 993	6 160	100 374
Total	**1 169 296**	**39 297**	**96 374**	**1 112 219**

TABLE 5

Recoverable paper

Paper consumption	2 532 244
Less paper exported in agric products[2]	211 671
Less paper unsuitable for recovery[3]	438 093
Recoverable paper	**1 882 480**





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