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A LOOK INTO THE FUTURE OF PULP...

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I don't know if I'm alone in this, but the announcement that both Eldorado and Fibria will build two new BEKP lines, almost simultaneously, makes me wonder if there is room for all this additional capacity arriving at the same time.

If this incremental increase is realized, does that mean we should project a BEKP price collapse in short order? The "apocalypse" would come in the form of low-cost producers (e.g., Fibria) hurting its competitors with dire consequences. But before we run for shelter from this doomsday scenario, why don't we try to see what is waiting for us in the future... Maybe there is still hope.

We can segment the BEKP usage in a number of ways. However, tissue is a safe place to look since eucalyptus consumption is growing frenetically in this grade. Studying announcements of new tissue

capacities, supported by a tool called *Capacity Trend* in FisherSolve™, we find reassurance in the data.

Between 2015 and 2018, worldwide tissue production will increase by 2.7 million tons - that's tissue alone. Naturally, we cannot say that BEKP will be the sole fiber for the additional capacity. But look how much overall paper production will grow in the same period (P&W, tissue, specialties). As it turns out, almost 8 million tons!!!

Obviously not all these announcements will see the light of day. Maybe the 8 million tons of new paper production wouldn't materialize. But who says all that new pulp production capacity is a sure thing? If tissue grows at about 1% per year in the period (half of the announcements) and all other grades combined add 0.75% per year (also half of the announcements), the new pulp capacity probably will be absorbed right away. ■

