

FISHER INTERNATIONAL



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## AN ANOMALY OR A REAL LOCAL TREND?

**B**razil's Pulp and Paper Industry, as any other in the world, has its standard beliefs and practices. Usually, they're right. Almost all the time, in fact. However, singular events and advances in technologies force us to rethink our business.

As we all might assume off the top of our heads, the big bar in green in the Figure 1 represents production cash cost for Bleached Eucalyptus Kraft Pulp (BEKP) in Brazil, while the red bar represents the cash cost for Bleached Softwood Kraft Pulp (BSKP) in Canada. BEKP is, as we all know, cheaper than BSKP.

Let's look at the curve for Brazil now (Figure 2), by company.

The curve is pretty much flat, meaning we don't

have a huge cost difference between players. And this makes sense, right? After all, they're in the same country with similar equipment, relatively new lines, and low technology variation.

But do you see the tiny column on the far left of Figure 2 (orange arrow)?

Immediately, we would assume this column represents some small production of BEKP. Wrong! This is actually BSKP. Are you shocked? We're not.

This is the beauty of accurate and reliable data.

Fisher International's sister company Forest2Market has a vast, comprehensive collection of transaction-based data that aggregates stumpage costs for eucalyptus (hardwood) and conifer (softwood) in Brazil (Figure 3).

Wood raw material costs represent more than 50% of

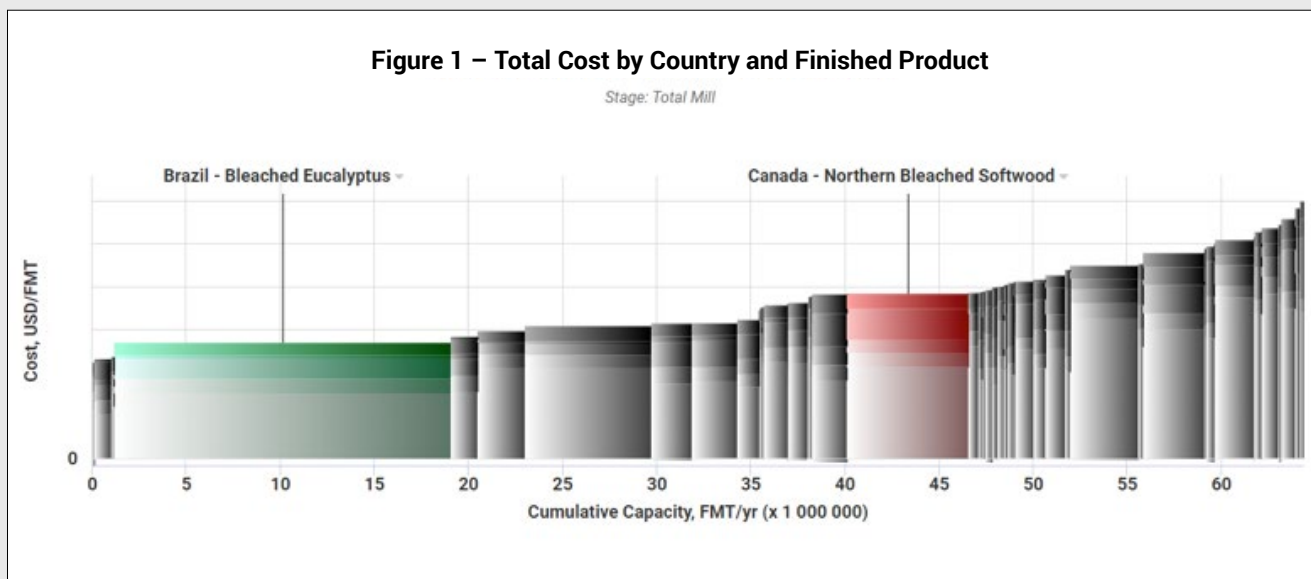
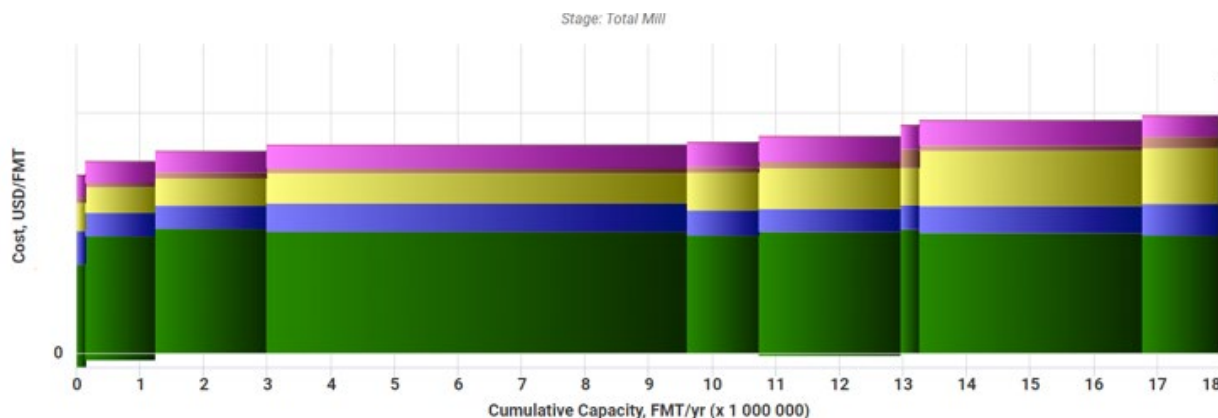


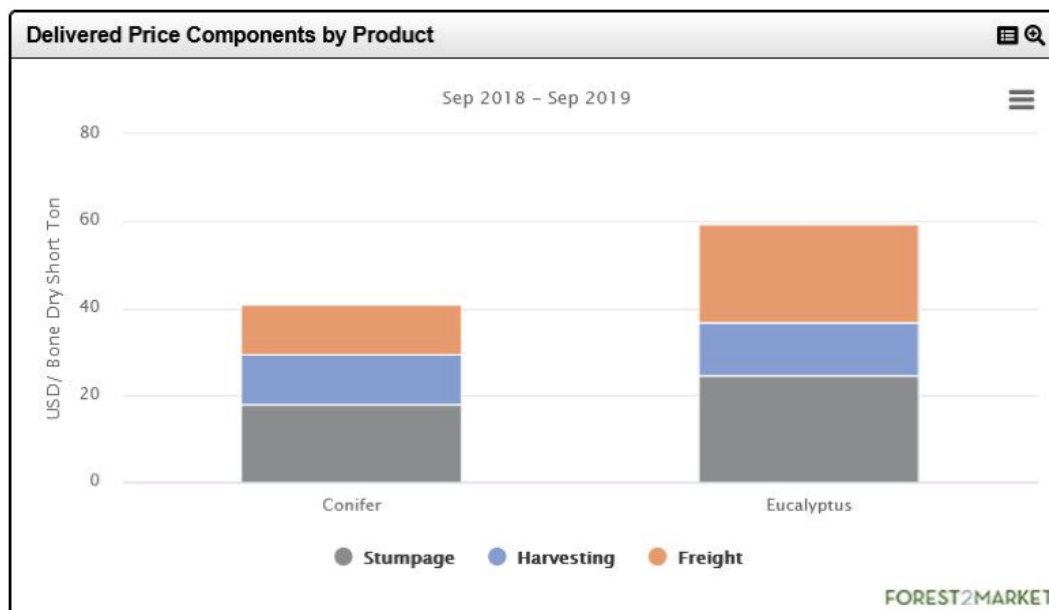


Figure 2 – Total Cost by Finished Product and Company



Note: Although Brazilians report its cash cost considering the wood at transfer price from its own farms, we are in this view considering the wood at a market price, as if the companies could buy its supply of wood in the market, just like happens in North America.

Figure 3 – Delivered Price Components (Eucalyptus and Conifer)



the market pulp cash cost but even factoring in digester's yields, mill energy-mass balance, etc., we still get a lower production cost for softwood than hardwood.

the softwood market the same way eucalyptus did in the last century?

Is this an anomaly or a real local trend? Can this shift

Our experts at Fisher International and Forest2Market are here to help you answer these questions. ■



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