Wood Fibre Supply: Global Trends and Changing Forces

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The World Needs Wood
What is influencing global wood demand?

- **Population**: More people = More wood
- **Economic growth**: Rich people use more wood
- **Demographic Changes**: City people use wood differently to rural people
- **Technological change**: Modern industries can use new wood supplies
- **Environmental issues**: Recycling, carbon issues, climate change
Population increases challenge global wood supply

Source: FAO data
More People = More Wood Fibre: Paper and Paperboard

World Demand for Paper and Paperboard

Courtesy Jaakko Poyry Consulting

IFC Indian Farm Forestry Workshop: Global Supply
Wealth strongly linked to consumption of paper and board products

Courtesey Jaakko Poyry Consulting

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China’s Wealth and Wood Fibre Consumption

GDP and Paper Consumption in China

2015 estimate = 56 kg/person

Jaako Poyry and derived data

GDP per Capita
P&B Consumption per Capita

Rmb12 000, 2004

IFC Indian Farm Forestry Workshop: Global Supply
Vietnam’s Expanding Economy

Paper consumption Vietnam:
- 2001 – 7 kg/person
- 2006 – 19 kg/person.

Courtesy: Nguyen Phuc, Vietnam-Japan Chip Corporation
Technological Change: new products allow utilisation of new fibres

OSB
Technological Change: new products use new fibres

MDF
Technological Change and Wood Products Demand 1993 to 2020

Million m³ (actual)


- Softwood lumber
- Hardwood lumber
- MDF
- OSB
- Particleboard
- Plywood
- Other fiberboard

Forecast

x3

Courtesy Jaakko Poyry Consulting

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The Environment:

Recycling

Water

Carbon

Biofuels and Biomass Energy

Climate Change
We recycle more: Global Papermaking Fibre Demand 1993-2020

Forecast

Million mt

- Recycled fiber (pulp)
- Non-wood
- Sulphite
- Unbleached kraft
- Bleached hardwood kraft
- Bleached softwood kraft
- Mechanical & semichemical


Courtesy Jaakko Poyry Consulting

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What about India

• Expanding population
• More city dwellers
• Increasing wealth
• Adapting new technology
• Increasing environmental concern.
The consequences of high demand for industrial wood

- Trade and Imports Increase
- Price increases/ Increased demand for plantation fibre
- Increased competition for resources
- Increased engagement with smallholders
Global wood trade is large ... and growing

China -

China's forecast trade in wood chips

2008:
Imports Av US$170/bdmt CNF
Exports Av: US$120/bdmt FOB

Courtesy RISI 2007
India’s Imports of wood and wood products
(Indian Fiscal Years 1996/97 – 2004/05)

USDA GAIN Report, 2006
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### Will the imports continue?

Estimates of commercial wood deficits: 2010

<table>
<thead>
<tr>
<th>Country</th>
<th>Study</th>
<th>Import volume needed to match demand (Deficit) (M m³)</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>WWF, 2004</td>
<td>125 mill</td>
</tr>
<tr>
<td>India</td>
<td>Khanduri and Mandel (2005)</td>
<td>90 mill</td>
</tr>
<tr>
<td><strong>Australia’s total harvest 2010</strong></td>
<td><strong>Parsons et al (2007)</strong></td>
<td><strong>40 mill</strong></td>
</tr>
</tbody>
</table>
Price Increases

• Hardwood pulpwood global average prices at record highs

• Australia/Japan prices for plantation eucalypt wood chip: Indian Rs 7817/bdmt FOB.

• Regional mill gate prices for pulp logs (Indian Rs per green tonne):
  • Thailand: 1597
  • Vietnam: 2229
  • China: 2682
  • India: 2800
Competition for Resources: Veneer

- **Southern China (Indian Rs/green tonne):**
  - Farm Gate for Veneer (>12 cm sed): 4567
  - Farm Gate for Pulp: 2486
- **Pulp mills purchase at Year 3.**
Competition for Resources

- Biomass for Fuel:
- MDF
- Set the standards – particularly for outgrowers/ smallholders
Global supply: Who can provide?

Geography will Win!!
Geography will Win! 
Shipping Costs: 
2002 - 2008

Handy size (27,000 dwt) Daily Hire Rates Trans Pacific Round Voyage

Week ending

Data courtesy of Seawise Chartering Melbourne
Conclusions

• Global demands for industrial wood will increase
• Plantations the dominant source of industrial timber
• Increasing competition for resource – new products, biofuels, ethanol.
• India has serious resource problems: Look after your smallholders!
Thank you