MANUFACTURERS ASSOCIATION OF SOUTH AFRICA (PAMSA)

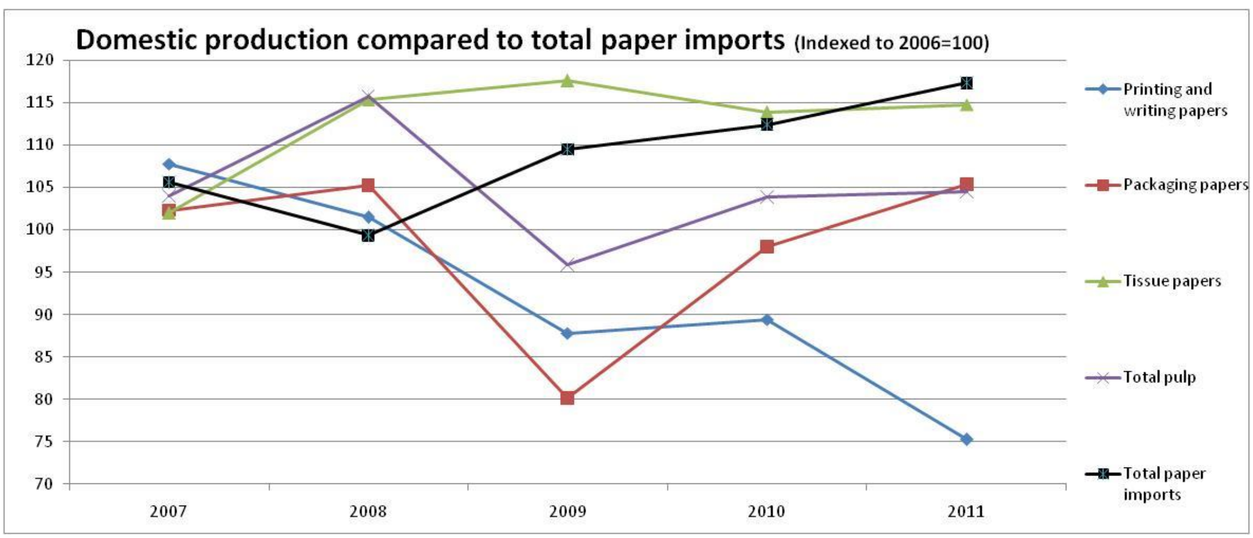
SOUTH AFRICAN PULP AND PAPER INDUSTRY

Summary findings from 2011 production, import and export statistics
June 2012

Overview

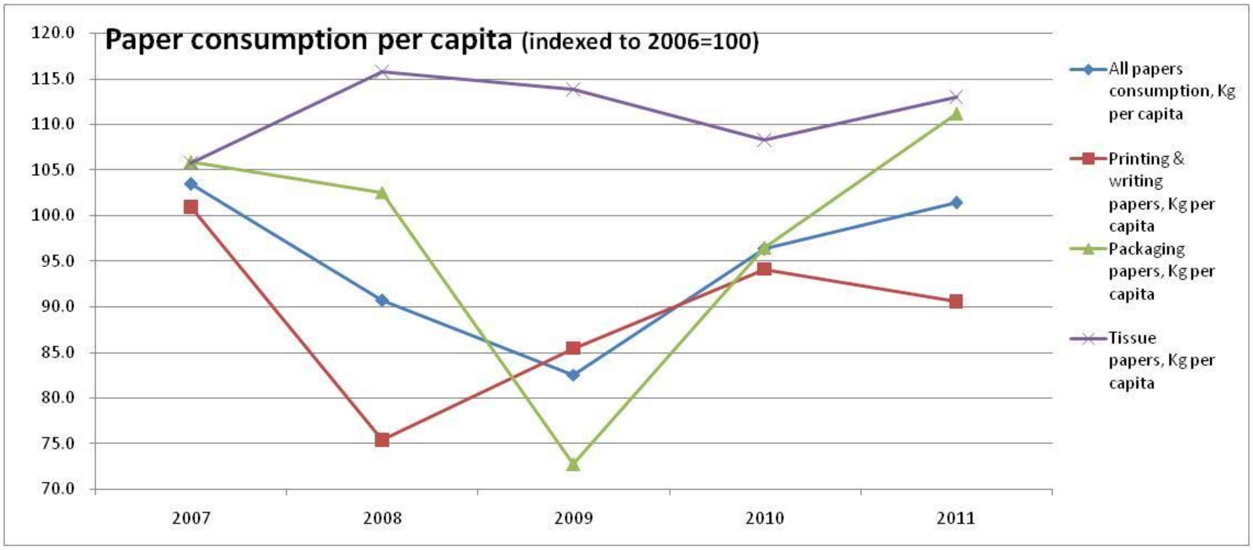
As the worldwide recession pales, the local pulp and paper industry has settled out with some grades of paper showing small growth in demand. Selected grades of pulp, packaging and tissue are still produced sustainably in South Africa, however, with rising imports, increasing costs and global over capacity in products like newsprint; profitability and therefore the sustainability of producing certain grades in South Africa may be a challenge going forward. Printing and writing grades are definitely under some pressure.

Please note that all graphs are indexed against 2006, which has the value of 100.The left axis is a numerical value given to a product relative to its performance in the base year of 2006.



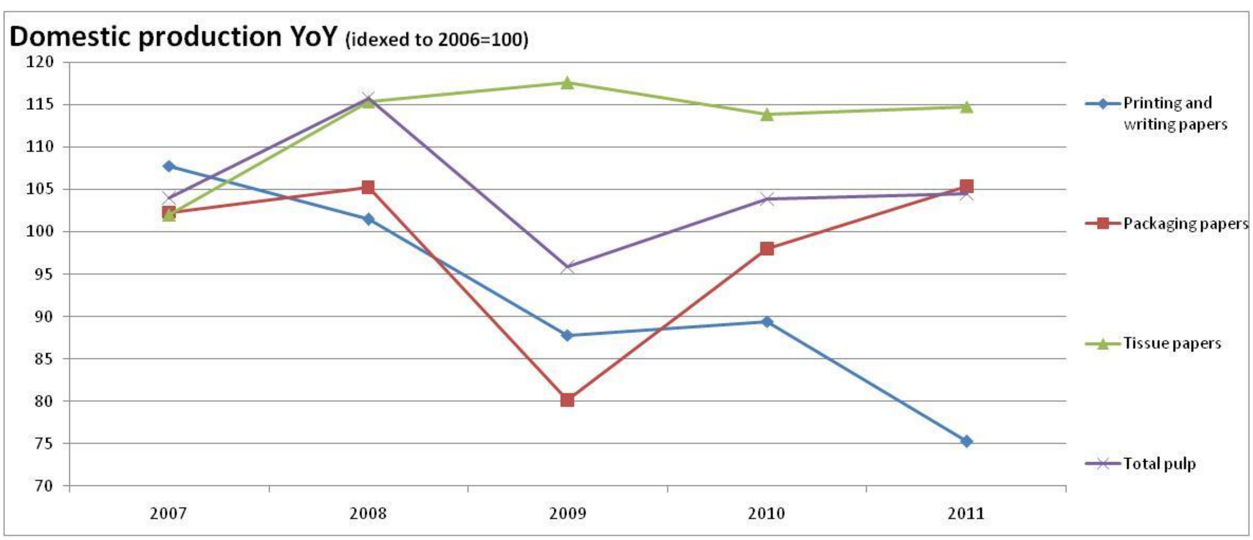
South African consumption profile

Overall, consumption per capita has risen, driven by the increased consumption of packaging and tissue. Printing and writing grades are, however, showing the first indications of a per capita decline. The 0,86 kg/per person change is a statistically significant movement given that, generally speaking, we are no longer seeing the effects of massive stock changes related to the recession’s impacts on packaging and paper. However, as South Africa's Living Standards Measure profile develops, so tissue and packaging demand should grow.



South African production

Comparative statistics (indexed to 2006) show the following: printing and writing 75 (or 25% lower than 2006), packaging 104, tissue 114 and pulp 105. This is a fair representation of where the productive focus has moved to. One would expect this focus to continue into the future.



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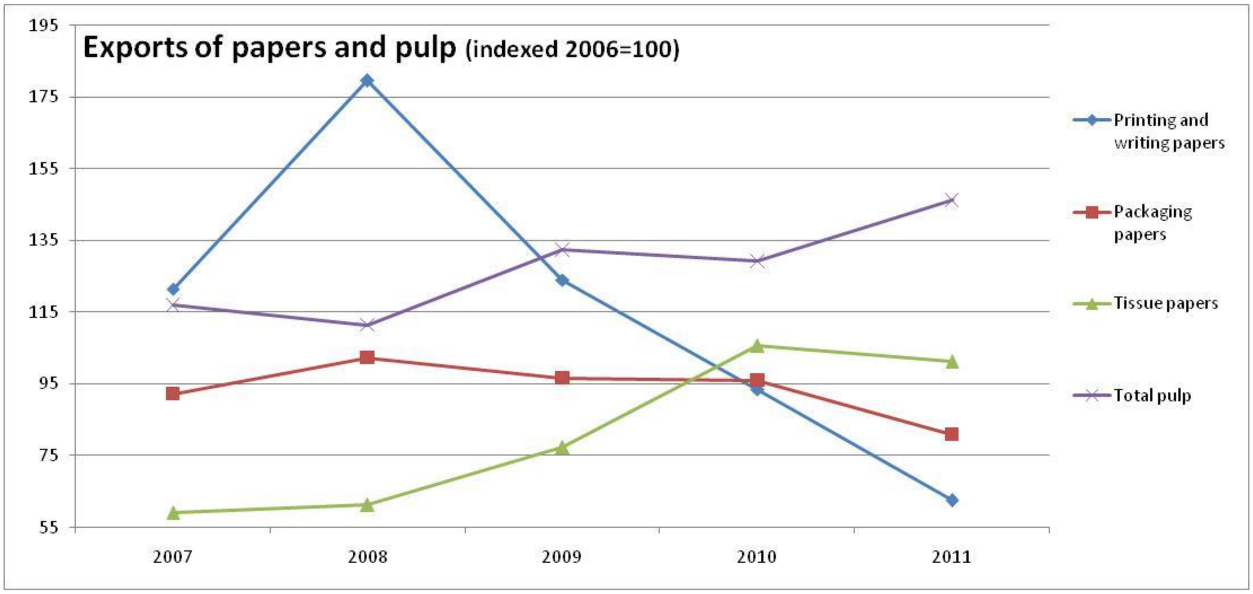
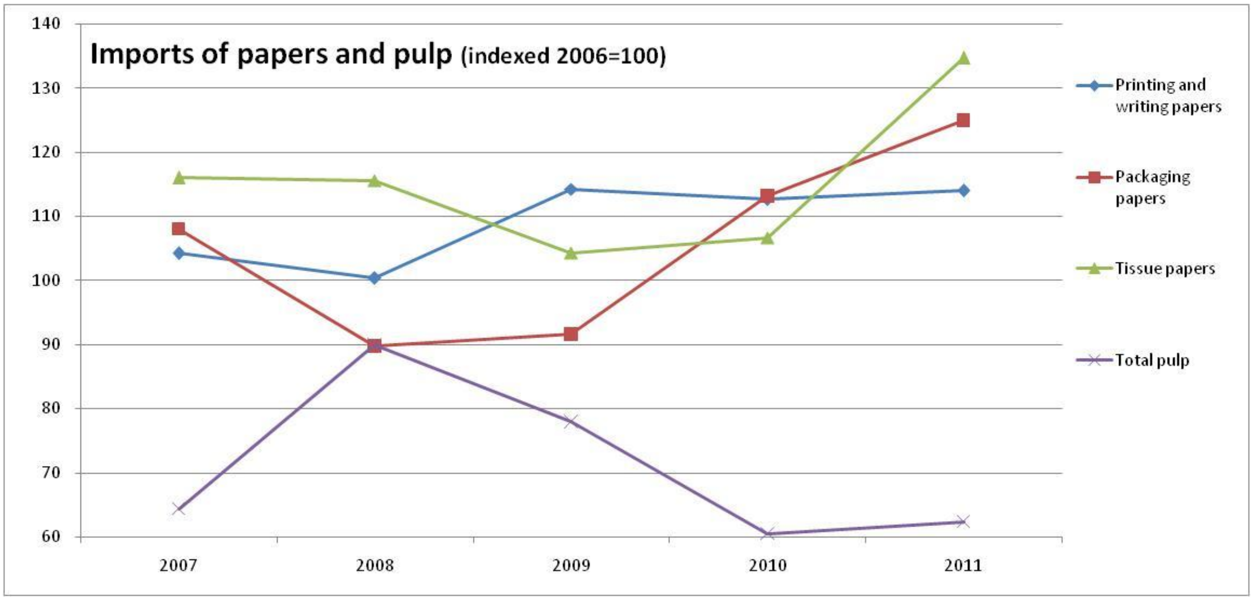
South African exports

Pulp exports are growing strongly, with most other grades decline as exports. Again, as an indexed comparison, printing and writing 62, packaging grades 81, tissue 101 and pulp 146. These trends appear to be well established.



South African imports

Almost across the board, imports have continued to increase fairly strongly at around 3.5% per annum since 2006. This is of grave concern to the sector and unless something is done to stem the tide, further machine closures can be expected. Given that consumption is marginally lower and production is broadly off peak, substitution appears to be gaining momentum in some areas. As an indexed comparison we see printing and writing at 114, packaging grades 125 (plus local production up, emphasising market growth), tissue 135 (as with packaging) and pulp 62.



Raw materials

Rising costs in energy and fibre will see the greater use of recovered fibre or collected waste paper in paper manufacture. A potential feed in tariff for bagasse for energy could threaten two of the country's paper mills in KwaZulu-Natal. Water licences for planting trees have been granted for some 30,000 hectares but tree licences are still not easily obtained despite the government's promise of 100,000 hectares of land for trees by 2018.

Recycling

It appears there is increasing pressure for the collection of recycled materials, specifically to drive the reduction of costs and therefore remain competitive. The recycling rate continues to improve, with some grades increasingly being exported. Over a million tonnes of paper was collected for recycling with a value of approximately R640 million.

Recycling rates	2011	2010
Recovered paper as a % of recoverable paper	59.5%	58.0%

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Production summary in ’000 tonnes

Production summary Tonnes ('000)	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Production	(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
Packaging Papers	1,245	1,265	1,265	1,306	1,365	1,369	1,400	1,440	1,097	1,341	1,223
Tissue Paper	150	154	152	197	193	191	195	220	224	217	219
Total Paper	**2,258**	**2,332**	**2,337**	**2,522**	2,483	2,610	2,727	2,726	2,244	2,497	2,233
Total Pulp	**2,138**	**2,183**	**2,317**	**2,073**	2,193	2,222	2,311	2,572	2,130	2,307	2,321
Imports*	(tonnes)	(tonnes)	(tonnes)	(tonnes)	(tonnes)	(tonnes)	(tonnes)	(tonnes)	(tonnes)	(tonnes)	(tonnes)
Paper	254	265	371	399	449	670	708	666	734	753	786
Pulp	53	64	71	71	70	127	82	114	99	77	79
Value	(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
Value of Pulp Exports (Mill Data)	2,320	2,737	2,570	2,484	2,445	2,851	3,747	5,054	4,317	5,672	6,553
Value of Paper Exports (Mill Data)	2,704	3,429	2,746	2,716	2,481	2,816	3,684	3,859	5,592	3,839	3,550
Notes											
Import data obtained from Customs and Excise data.											
The following tariff headings were used to calculate paper imports: 4810 - 4816											