SECTION 2

SHORTAGE OF PAPER

There is no evidence in the literature of any serious shortage of paper. In fact, the reverse is probably true, with most mills working well under capacity.

Coated paper

The only area mentioned where demand currently outstrips supply is in the USA in the field of coated paper production (3). This lack of capacity is thought to be due to the increase in magazines and catalogues.

A review of coated paper and board production published at the beginning of 1977 (15) shows that coated paper and board production in North America, as a percentage of total paper and board production, was much lower than in other countries in 1974. The average coated paper production was about 11%, but for the USA it was only 1.5% and Canada 7%. Canadian mills have in the past concentrated on newsprint and market pulp production, but with the changing world situation it was recommended that Canada converted some of its mills to coated paper, and try to build up exports to EEC countries.

The statistics for 1976 show that for the USA, coated paper and board production had increased to about 11% of the total production. Figures for Canada are not available for comparison.

The recent survey by English China Clays (8) forecasts a change in the the overall long-term trend in the growth of printings and writings from 7% pa to 3.3% pa. This is likely to be caused by a switch in advertising from print to television, reduced grammage, and reduced pagination. Coated papers are expected to show a slightly higher growth rate (3.5% pa) than uncoated printings and writings (3.1% pa).

Consumption and capacity utilization

The overall capacity utilization rates from paper and paperboard indicate that there are few countries operating at 100% capacity. Table 6 shows the FAO capacity utilization rates from 1976 in different countries. Figures for 1977 are also given where they are available.

In the EEC countries (1) production and consumption has changed very little over the last year and the overcapacity situation is expected to continue during 1978.

A report (9) on the recent FAO studies on paper and board consumption and capacity up to 1990 points out that paper and board consumption is expected to rise by an average of 3.65% pa during the period 1975-1990, giving total consumption figures of 149m tons in 1975, 180m tons in 1980, 216m tons in 1985 and 256m tons in 1990. Consumption is expected to grow more in developing countries (5.1% pa), as compared to the developed countries (3.2% pa). A breakdown of these figures is given in Table 4. These figures are based on predictions of lower economic growth than in the period 1960-1975, but in view of the worldwide overcapacity situation these predictions have been criticized by certain paper industry representatives. Such over optimistic forecasts could lead to new plant being installed where it is not required. Consumption of printings and writings is expected to grow by 3.7% pa as compared with 6% for 1960-1975. The USA and Canada are expected to increase exports in this field.

In Brazil (5) expanding education programmes and growth in advertising should lead to above average market growth in white papers. A number of references have been made, however, to a disturbing trend in the South American developing countries, where high inflation and interest rates mean that some companies are finding difficulties in meeting debts for new plant.

Supply of market pulp

Recent reports (6), (10), (12) on the current slump in the world market pulp situation indicate that the following factors have contributed to the situation: (a) less use of paper per billion dollars of GNP; (b) increasing use of waste paper and indigenous fibres; (c) new fibre sources (Spain, Portugal, Brazil); (d) increased fibre recovery by closing-up water systems and increased use of chemicals (the EEC uses 12% less fibre/tonne of paper now as compared to 1970); and (e) failure of the Scandinavians to curtail production of pulp when paper markets were weak in 1975.

The excess of supply over demand is expected to continue for several years, as has been previously mentioned. Canada is estimated to have nearly 1m tons of pulp on hand at the present time.

Total world pulp capacity (13) was slightly more than 141m tons in 1975, and should increase by about 10m tons (based on announced expansion plans) by 1980, and reach 176-177m tons in 1985. Three-quarters of this capacity increase will be in chemical wood pulps. It is estimated that Latin America, Asia (excluding Japan) and Africa will account for about 38% (or 13.3m tons) of the world pulp capacity increase between 1975 and 1985. Graph 2 shows the regional demand/supply balances for bleached chemical pulp in 1973 and 1985. It is pointed out that the transfer of pulp industries to new areas requires heavy investment in infrastructure, plantations and mills. Relatively high pulp prices would be necessary to yield a satisfactory return on investment.

The difficulties involved in entering the market pulp field have been felt in Brazil, which has been severly hit by the recent slump (11). Export goals have not been reached partly due to the market situation, but also because European paper-makers prefer long fibre pulp to the unbleached short fibre pulp available from Brazil. Pulp and paper-makers in Brazil have called on the government to promote increased domestic paper consumption to help with the problem.

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