The Asia Pacific Panel and Surfacing Industry – Investment Hot Spots
Introduction

This Pöyry ViewPoint report focuses on the Asia Pacific region. We provide in-depth analysis of the fundamentals of the local market, industry and fibre supply chain dynamics. Our conclusions provide thought leadership and direction to our industry clients and investors on how to best capture the Asian growth opportunity.

In our last industry ViewPoint report “The Global Panel and Surfacing Business – Economic downturn, restructuring and new trends”, published in 2010, we highlighted major global industry trends:

• The struggling Western European and North American panel and surfacing demand recovery; consolidation, asset rationalisation and performance improvement remaining key themes whilst product innovation bringing optimism
• The shift in the economic balance of power from West to East, in particular Asia, offering new investment opportunities but also major challenges, such as the gap between growing demand and availability of fibre supply
• China as the global panel and surfacing sectors’ growth driver.

Growth in Asia is characterised by unfamiliar business fundamentals for our sector. The typical investment model, where plants are located in close proximity to fibre and market is not easily achievable. This creates challenges for investors and leads to various scenarios of how the industry landscape will evolve in the region.

For this report, Pöyry will undertake an extensive interview program with key industry stakeholders, and an analysis of key industry and market factors with the aim of addressing the following questions:

FIBRE RESOURCE AND LAND MANAGEMENT
• Where are the baskets with available fibre?
• Which fibre baskets offer cost-competitive and long-term security of supply?
• Do formal and informal forest plantations offer a realistic solution to the Asian fibre shortage?
• What are/will the major fibre trade flows be?
• Where are the forest resource investment opportunities?

MARKETS AND INDUSTRY STRUCTURE
• Who are the top players and what are the key success factors?
• How is production/capacity going to evolve?
• Where do the marginal cost of fibre supply and panel and surfacing demand meet?
• Which countries will be the major suppliers to China, and “what will they supply”, i.e. raw materials, semi-finished or finished products?

GROWTH
• What is the impact of various economic scenarios in Europe and North America on Chinese demand?
• Which other markets, in addition to China, are expected to grow?

• What are the changes in regulations and Government policy that influence investments?
• Where will the new production clusters emerge?
• How will the growing demand be served?

CHANGE
• Where are the ageing assets, and what is the new optimum industry structure?
• Will technology development play a role in shaping new operating models?
• What is the impact of the growing bioenergy sector?
• How will pulp and paper capacity growth affect fibre cost and availability?
• Will the export-driven capacity shift towards capturing the domestic demand growth in China, and under which ownership?

INVESTMENT
• Which economic/fibre-supply scenario leads to increased investment activity and which to a decrease in such activity?
• Where are the hot spots for new investment?
WHO SHOULD PURCHASE THIS REPORT AND WHY

• Asian panel and surfacing players – To plan growth, new investments, study competition
• European panel and surfacing players – To understand the threat of Asia as well as explore growth opportunities and manage risk
• Chemicals, printing and impregnation – To understand the customer business better and plan for growth
• Machinery suppliers – To explore growth opportunities and manage risk
• Private equity and investment banks – To identify investment opportunities, and to mitigate risk
• Forest resource owners – To quantify the growth potential for their business
• Bioenergy investors – To understand competition for woody biomass
• Supply chain and logistics companies – To capture the opportunity in Asia
• Importers and distributors – To identify the regions where their role in the trading of wood-based, raw materials, semi-finished and finished products can grow.

DETAILED REPORT CONTENTS

FIBRE MARKETS
• Outlook scenarios for the fibre-supply availability, and anticipated trade flow changes to 2020
• Environmental sustainability in key fibre baskets
• Major wood species
• Plantations (formal and informal) development and role in supplying the panel sectors
• Major trade flows and supply chain models
• Typical cost of fibre supply, and expected evolution (scenarios)
• Fibre investment opportunities.

PANELS AND SURFACES MARKETS
• Supply/demand and trade analysis
• Demand drivers, furniture, construction, flooring, trade, exchange rates etc.
• Product substitution and penetration rate trends
• Industry structure
  – Key players
  – M&A/consolidation
• Asset quality and typical operating models- need for new investments
• Fibre-paying capability of new investment
• Profitability (publically-available), modelled industry margins
• Cost competitiveness of typical assets, operating, value chain models and integration scenarios (from source to consumer) – Pöyry’s view on “what really works”.

COMPETITION
• Pulp and paper competition for fibre
• Regional bioenergy overview, current and expected investment evolution
• Bioenergy demand for wood-based biofuels, competition, and opportunities for synergies.

STRATEGIC CONCLUSIONS
• Opportunities for producers/generators, fibre suppliers, investors, financial institutions, machinery suppliers, chemicals, printers, impregnators etc.
• Growth, investment hot spots, asset renewal cases
• Asia’s role in the global trade
• Asia’s competitiveness
• Impact of economic scenarios
• Risk analysis, what to avoid or how to mitigate.

PRODUCT SCOPE
• Panels – particleboard, MDF/HDF, plywood/blockboard and OSB
• Surfaces – low-pressure melamine, laminates, veneer, paper foils (incl. LBWP), paint/lacquer and plastics (thermoplastics, PVC, etc.)
• Fibre – Small-diameter roundwood, sawmill residues, peel or rotary logs, plantations and large-diameter logs as appropriate
• Bioenergy – Wood-based dedicated biomass energy.

GEOGRAPHICAL SCOPE

PANELS & SURFACES
• Oceania – Australia, New Zealand
• East Asia – China, Hong Kong, Japan, South Korea, (Taiwan, Singapore)
• South Asia – India
• South-east Asia – Indonesia, Malaysia, Thailand, Vietnam.

FIBRE
• Oceania – Australia, New Zealand
• East Asia – China, Japan, South Korea
• South-east Asia – Indonesia, Malaysia
• Africa and South America – tropical log suppliers and potential opportunities for plantations with domestic processing operating models
• Russia – Far-East Russia, Siberia
• Indochina – Cambodia, Laos, Myanmar, Thailand, Vietnam.