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# FOREST PRODUCTS

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AREA OF INDUSTRIAL OPERATIONS 2

SECTORIAL MANAGEMENT

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## PULP AND PAPER - THE IMPACT OF THE "REAL" PLAN

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### 1. Apparent Consumption of Paper

Growth in the consumption of paper is directly affected by economic activity and by variation in income. In Brazil, as a consequence of the implementation of the "Real" Plan, the apparent consumption of all grades of paper increased, between 1993 and 1996, from 4,184 thousand tons to 5,560 thousand tons, meaning a growth rate of 9.94% p.a., considerably higher than that registered in the period 1990-1996 (5.41% p.a.). In quantitative terms, the rise in consumption was 33%, corresponding to a volume of 1,376 thousand tons.

The improved distribution of income after the "Real" Plan led also to an increase in *per-capita* consumption of paper, which rose from 27.5 kg in 1993, to 35.2 kg by the end of 1996.

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**Brazilian consumption of all grades of papers increased 33% after the "Real" Plan.**

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Brazil: Apparent Consumption of Paper - 1990/1997

Million tons

1990 1991 1992 1993 1994 1995 1996 1997  
Projection

The continuing economic stability in Brazil and the perspective of an increase in GDP between 4% and 5% this year (1997) allow a projection of a growth in the consumption of paper in the country of at least 4% by the end of the year, when the level of 5.78 million tons should be reached.

## 2. Apparent Consumption of Paper by Category

Brazil: Apparent Consumption of Paper by Category - 1996

Tissue 10%	board 9%	Other 6%	Packaging 42%
	Newsprint 11%		Printing/Writing 22%

The consumption of paper in Brazil is concentrated in the categories *packaging* and *printing and writing* which comprised about 64% of demand in 1996.

The categories newsprint and tissue presented the largest growth between 1993 and 1996 (47% and 38% respectively). Worthy of attention also, due to the high volumes involved, are the increases recorded in the consumption of packaging paper and printing and writing paper.

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**Brazilian consumption of newsprint grew 47% after the "Real" Plan.**

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Brazil: Apparent Consumption of Paper by Category

thousand tons				
Category	1993	1996	Growth	%
Packaging	1,896	2,294	398	21
Printing/Writing	952	1,249	297	31
Newsprint	426	628	202	47
Tissue	388	534	146	38
Board	449	504	55	12
Other	73	351	278	301
<b>Total</b>	<b>4,184</b>	<b>5,560</b>	<b>1,376</b>	<b>33</b>

Source: ANFPC - Associação Nacional de Fabricantes de Papéis e Cartões (Brazilian Association of Paper and Board Producers)

It should be observed that in the "Other Papers" category, the consumption figures are affected by the difficulty of separating imports into the various categories, which interferes with the statistics and in assigning the correct breakdown of apparent consumption to the different types.

Brazil: Consumption of Paper by Category

thousand tons

2,500  
2,000  
1,500  
1,000  
500  
0

Packaging Printing/Writing Newsprint Tissue Board Other Total

### 3. Brazilian Exports of Paper

The upward trend of Brazilian exports of paper was interrupted by the good performance of the domestic market and fell from 1,424 thousand tons in 1993 to 1,234 thousand tons in 1996. These sales are concentrated in the printing/writing and packaging categories, the first being responsible for 58% of total exports in 1996. The forecast

for external sales in 1997 is around 1.34 million tons, the volume of packaging papers exported being the same as in 1996, and increasing exports of printing/writing papers.




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**Paper imports tripled after the  
“Real” Plan.**

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Figures for paper exports varied from US\$ 797 million to US\$ 935 million between 1993 and 1996, respectively, after the record high in 1995, when, due to the favorable prices in force, export figures reached US\$ 1,230 million.

#### **4. Brazilian Imports of Paper**

Brazilian paper imports are concentrated in newsprint and printing/writing coated papers categories, which together represent 70% of the volume imported in 1996. The opening of the Brazilian market to imports and the significant growth in the domestic market led to a leap in the volume of paper acquired abroad: from 294

thousand tons in 1993, to approximately 910 thousand tons in 1996. The forecast for 1997 is for the previous year's level to be maintained.

In figures, paper imports rose from US\$ 277 million in 1993 to about US\$ 845 million in 1996, with a record of US\$ 920 million in 1995. The value of newsprint bought abroad reached approximately US\$ 318 million in 1996. It should be emphasized that 60% of Brazilian consumption of newsprint is met by international suppliers.



## 5. The Demand for Corrugated Board Products

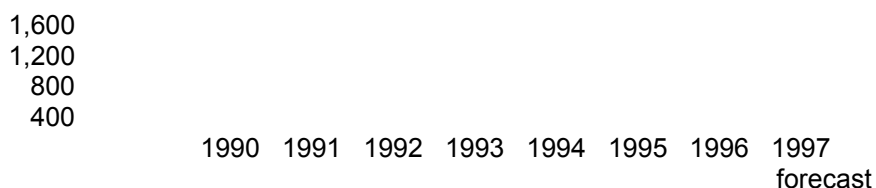
Corrugated board products are widely used to package a variety of goods, the demand for these products customarily being used as an indicator of the country's economic activity.

The impact of the "Real" Plan was felt strongly in this sector: the average monthly level of shipments of corrugated board products went up from 98 thousand tons in 1993 to 123 thousand tons in 1996 (an increase of 25.5%). The first quarter of 1997 (124 thousand tons) has maintained the same average level as 1996.

In annual figures, shipments of corrugated board rose from 1,178 thousand tons to 1,474 thousand tons between 1993 and 1996. Estimates for 1997 are for a steady demand and for a 6% to 7% growth in volume shipped.

Brazil: Shipment of Corrugated board - 1990/1997

thousand tons



Source: ABPO (Brazilian Association of Corrugated board Producers)

## 6. Apparent Consumption of Market Pulp

The apparent national consumption of market pulp (basically chemical pulp) rose from 703 thousand tons in 1993 to approximately 946 thousand tons in 1996, registering a 35% growth rate. In Brazil, the largest part of pulp consumption originates from integrated paper mills. The apparent consumption of only 946 thousand tons, in 1996, being the sum of 732 thousand tons acquired in the domestic market and 214 thousand tons acquired abroad.

Brazil: Destination of Chemical Pulp Production

Breakdown	thousand tons			
	1993	1996	Growth	%
Cellulose Production	5,010	5,762	752	15
Integrtd mills Consumption	2,570	2,717	147	6
Domestic Sales	605	732	127	21
Exports	2,008	2,203	195	10
Imports	98	214	116	118

<b>Apparent Consumption*</b>	<b>703</b>	<b>946</b>	<b>243</b>	<b>35</b>
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Source: ANFPC (Brazilian Association of Paper and Board Producers)

\* Apparent Consumption = Domestic Sales + Imports

Exports of pulp were also affected by the “Real” Plan, though to a lesser extent than paper, since the proportion sold in the domestic market is small (30%). Sales abroad rose from 2,008 thousand tons in 1993 to 2,203 thousand tons in 1996. The forecast for 1997 is for external sales in the region of 2.3 million tons.

Brazil: Pulp Exports - 1990/1997

millions of tons




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**The paper and pulp sectors need a total of US\$ 13 billion in investments in the next ten years.**

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## 7. Conclusion

The combination of good perspectives for the world economy, continuing economic stability and the growth of the Brazilian GDP in the next few years presents the Brazilian pulp and paper industry with a considerable challenge, namely, high investment needs for the industry to maintain its present position as supplier for both domestic and external markets.

Studies carried out by ANFPC and BNDES show that the total investments reach US\$ 13 billion in the next ten years. Investments already in progress are calculated to stand at US\$ 3 billion, the greater part being concentrated in pulp plants.

In this scenario, and further adding the Government's concern with the trade balance, the increase of the national production of paper (especially packaging, newsprint and printing and writing grades for books and magazines) becomes a matter of urgency.

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