



# Forestry & Paper

## Textile Fibre Insights

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### Analyst

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**Key message:** Cotton, polyester and VSF in the green. VSF inventory days tighten further to 12.5, while the average op. rate is down to 75%. VSF theoretical profit improves but still in the red at -USD 92/t (VSF/DWP spread +17% YTD). Spot DWP is up 4% today to USD 1,190/t.

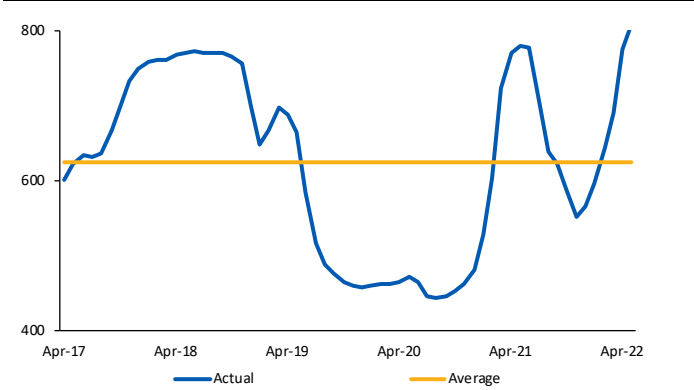
- Key w/w moves:** Cotton +4%; Polyester +10%; HW DWP +0%; China-origin DWP +2%, medium-grade VSF +2%; and high-end VSF +1% and Lyocell +1%. Cotton's premium to VSF is 33% (2021 average: 30%) and a 119% premium to polyester (2021 average: 150%). The VSF premium to polyester is currently 65% (2021 average: 94%) and the lyocell premium to VSF is currently 11%.
- VSF price was up 2% w/w:** The VSF operating rate is drops to 75% (from 78%) as Sateri shut some lines for maintenance and the schedule of raising operating rate by the plant in West China was delayed. VSF inventory days tighten further to 12.5 days (from 13.0). The theoretical VSF margin for Chinese producers improves but remains in the red at -USD 92/t and the VSF/DWP spread improved by 2% w/w (+17% YTD).
- The Lyocell price was up 1% w/w:** Lyocell demand continued to perform well, especially from open-end yarn, but there was less buying interest at RMB 17,500/t. Some lyocell units restarted production this week, but the production had not been confirmed and the operating rate of the industry remained at 50%.
- Domestic DWP prices gain further traction:** The spot hardwood price is up 4% to USD 1,190/t and the DWP/pulp spread is currently USD 326/t (this level generally supports preference for DWP production over paper pulp production). Chinese dissolving pulp mills kept stable operation as Sun Paper was running steadily and Hunan Juntai planned to switch back to DP production.

China textiles - Key price and operating changes		
Price details (CNY/t)	%bps w/w chg.	YTD %bps chg.
ZCE cotton contract	0.2%	-7.0%
ICE nearby contract	4.3%	28.8%
Polyester: PSF 1.4D *38mm	10.1%	32.4%
Cottonseed	2.8%	28.1%
Cotton linter	-0.2%	12.1%
High-quality cotton linter	-1.6%	13.6%
Industry-grade refined cotton	0.0%	0.8%
Food-grade refined cotton	0.0%	0.8%
Hardwood DWP (USD)	0.0%	26.0%
China BHKP net (USD)	0.1%	42.6%
DWP/pulp spread (USD)	-0.4%	-2.4%
Softwood DWP (USD)	0.0%	21.1%
China-origin hardwood DWP	2.2%	35.3%
China-origin hardwood DWP (USD)	1.9%	28.6%
Hardwood DWP spread: origin less import (USD)	12.6%	43.7%
Medium-grade VSF USD/t	1.5%	27.7%
High-end VSF	1.2%	21.4%
Medium-grade VSF/HW DWP spread (USD/t)	2.3%	17.1%
Lyocell fibre	1.0%	26.4%
Lyocell fibre	1.3%	16.4%
<b>Competing fibre premiums</b>		
Cotton premium to polyester	(2 154)	(9 264)
Cotton premium/(discount) to VSF	(168)	(4 945)
Lyocell premium to VSF	(17)	(1 074)
VSF premium to polyester	(1 399)	(612)
<b>VSF plant operation</b>		
Operating rate (%)	(300)	(100)
Physical inventory days	-3.8%	-50.0%
VSF theoretical profit (USD/t)	23.9%	46.2%
VSF theoretical profit (yuan/t)	23.6%	43.5%
<b>FX</b>		
USD/RMB	0.3%	5.2%

Source: Chronux Research, CCF

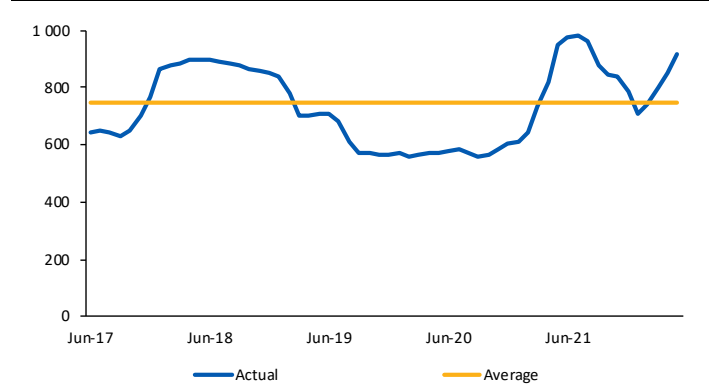
# Prices, Spreads, FX and Industry Stats: As at 31 May 2022

**China hardwood pulp price (USD/t)**



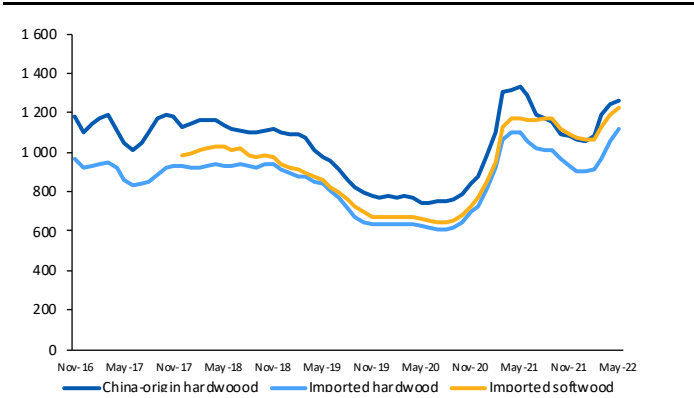
Source: Chronux Research, FOEX

**China softwood pulp price (USD/t)**



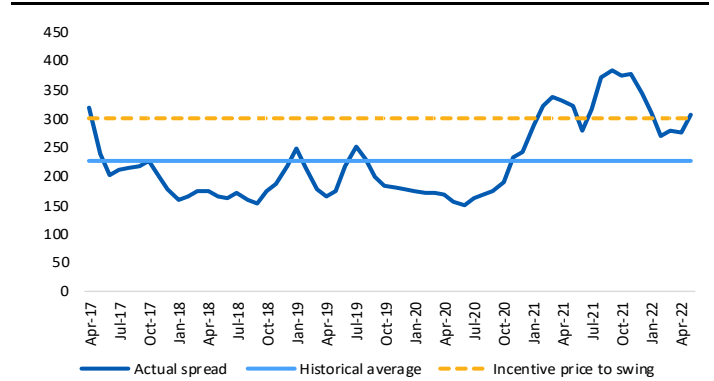
Source: Chronux Research, FOEX

**DWP prices (USD/t)**



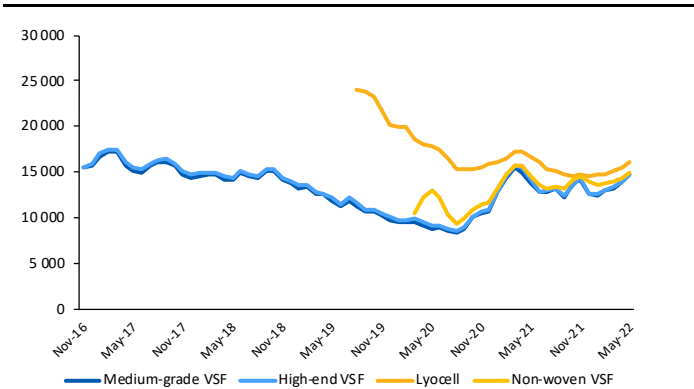
Source: CCF, Chronux Research, FOEX

**DWP/hardwood pulp spread (USD/t)**



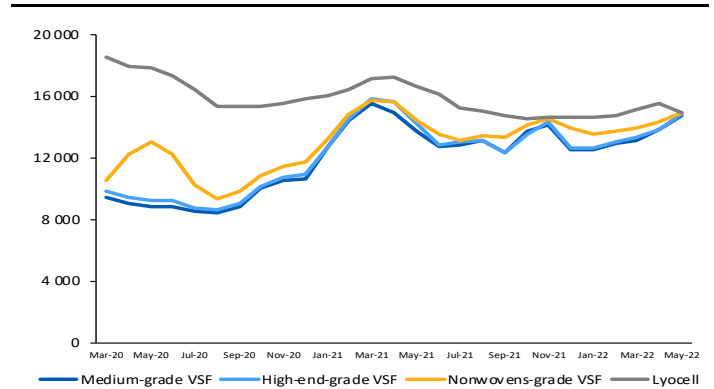
Source: CCF, Chronux Research, FOEX

**VSF prices (RMB/t)**



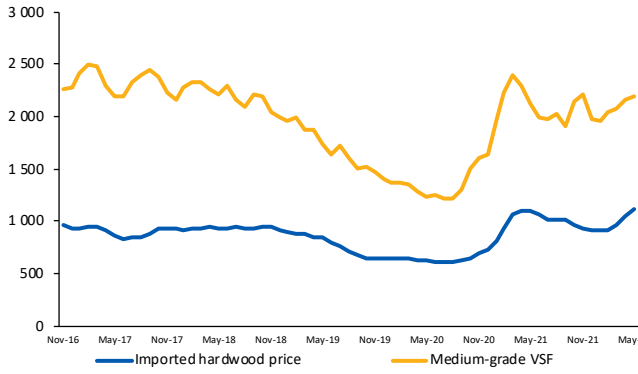
Source: CCF, Chronux Research

**Textile prices (CNY/t)**



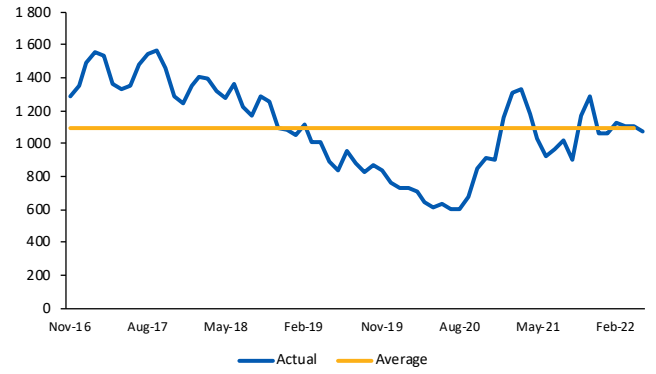
Source: CCF, Chronux Research

**VSF and DWP prices (USD/t)**



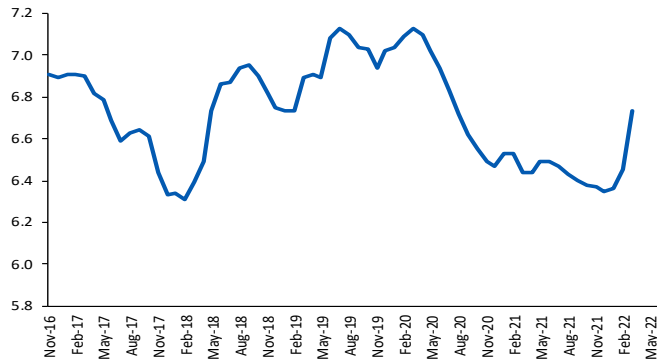
Source: CCF, Chronux Research

**VSF/DWP spread (USD/t)**



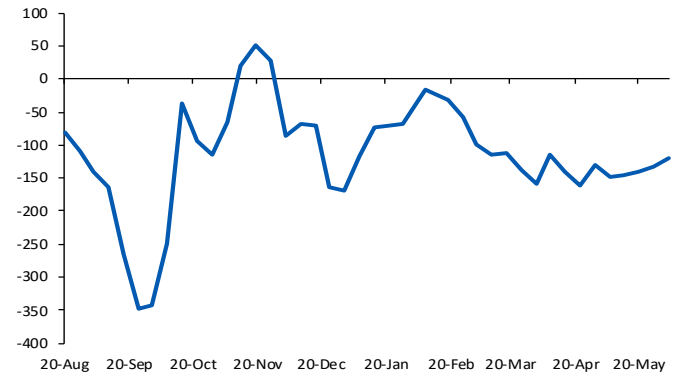
Source: CCF, Chronux Research

**USD/RMB exchange rate**



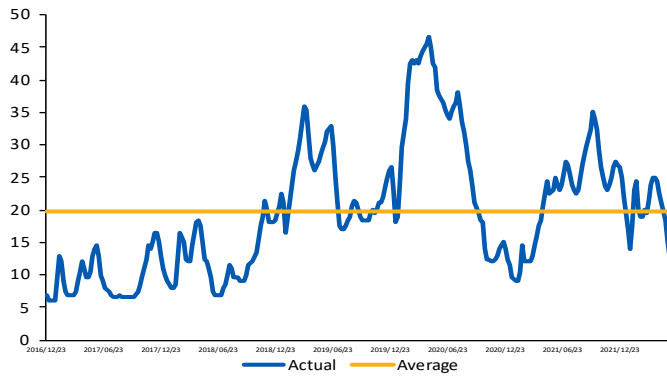
Source: CCF, Chronux Research

**China VSF theoretical profit (USD/t)**



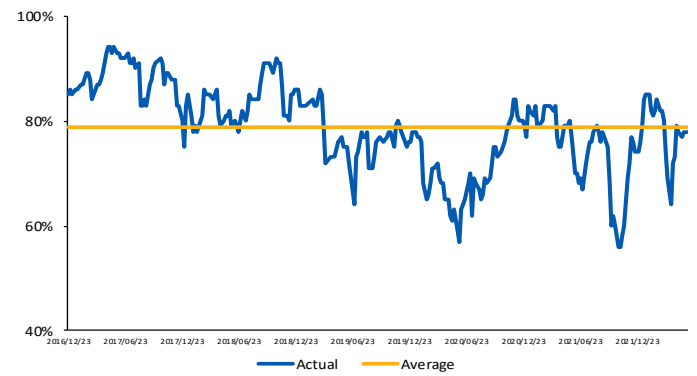
Source: CCF, Chronux Research

**China VSF inventory days (#)**



Source: CCF, Chronux Research

**China VSF operating rate (%)**



Source: CCF, Chronux Research

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