



# Forestry & Paper

## Textile Fibre Insights

**Key message:** Cotton and polyester in the red, while VSF and DP are stable. Spot DP is \$948/t. VSF inventory days tick up slightly (now at 27.0) and the average op. rate is stable at 69%. VSF theoretical profit remains in the red at -USD 173/t.

- Key w/w moves:** China cotton -1%; ICE cotton contract -6%; Polyester -4%; HW DP 0%; China-origin HW DP-1%, medium-grade VSF 0%; and high-end VSF 0% and Lyocell 0%. Cotton is trading at a 4% premium to VSF (2021 average premium: 30%) and a 92% premium to polyester (2021 average: 150%). The VSF premium to polyester is currently 85% (2021 average: 94%) and the lyocell premium to VSF is currently 26%.
- VSF prices stable, but not enough to entice buyers:** VSF operating is rate stable at 69% (from 69%) and VSF inventory days ticked up slightly to 27.0 (from 26.0) as delivery from some VSF plants was affected by production cuts from spinners on the back of epidemic prevention and control (also impacting logistics). The implementation of contracts by the spinners generally slowed down when yarn production was reduced. The theoretical VSF margin for Chinese producers remains in the red at -\$173t. The VSF/DWP spread was down 1% w/w (-12% YTD). CCF expects stable VSF prices, despite believing the market will be tough in December ("downstream plants may be taking the longest holiday since 2020 to balance supply and demand").
- Lyocell market slightly weaker:** Prices were stable (26% premium to VSF), while the operating rate of lyocell industry dropped further w/w to 48% (from 49%), due to the epidemic and weak sales, and some Shandong-based plants remained closed. Encouragingly, there appears to be more interest from the entire textile market and some traditional cotton textile enterprises keep trying to use more lyocell in production. CCF expects Lyocell prices to come under further pressure.
- DP prices stable:** The spot hardwood price is \$948/t and the DWP/pulp spread is currently \$82/t (this level generally supports preference for paper pulp production over DP production). Despite this, some DP was being produced in China this past week, which appears likely for the rest of the month. Domestic DP price was also stable at RMB 7,950/t (\$1,146/t, a \$159/t premium to imports). With current VSF operating rates, demand for DP remains muted. CCF expects further pressure on domestic and imported hardwood DP.
- October 2022 import/export update:** Total DP imports into China dropped 9% m/m (-22% y/y). Imports from South Africa increased by 237% m/m (+253% y/y) to 25kt (average price down 3% m/m to \$1,032/t), while imports from the US declined by 44% m/m (-35% y/y) to 15kt. Total VSF exports from China declined by 18% m/m.

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China textiles - Key price and operating changes			
Price details (CNY/t)	%bps w/w c/qg	YTD %bps c/qg	
ZCE cotton contract	-1%	-38%	
ICE cotton contract	-6%	-29%	
Polyester: PSF 1.4D *38mm	-4%	0%	
Cottonseed	0%	17%	
Cotton linter	-1%	-30%	
High-quality cotton linter	0%	-32%	
Industry-grade refined cotton	0%	-26%	
Food-grade refined cotton	0%	-25%	
Hardwood DWP (USD)	0%	5%	
China BHKP net (USD)	0%	52%	
DWP/pulp spread (USD)	-1%	-75%	
Softwood DWP (USD)	0%	-6%	
China-origin hardwood DWP	0%	17%	
China-origin hardwood DWP (USD)	-1%	4%	
Hardwood DWP spread: origin less import (USD)	-4%	-1%	
Medium-grade VSF	0%	8%	
USD/t	-1%	-4%	
Medium-grade VSF/HW DWP spread (USD/t)	-1%	-12%	
High-end VSF	0%	8%	
Lyocell fibre	0%	12%	
<b>Competing fibre premiums</b>			
Cotton premium to polyester	610	(11 958)	
Cotton premium(discount) to VSF	(70)	(7 851)	
Lyocell premium to VSF	(63)	401	
VSF premium to polyester	708	1 411	
<b>VSF plant operation</b>			
Operating rate (%)	-	(700)	
Physical inventory days	4%	8%	
VSF theoretical profit (USD/t)	0%	-2%	
VSF theoretical profit (yuan/t)	0%	-15%	
<b>FX</b>			
USD/RMB	1%	13%	

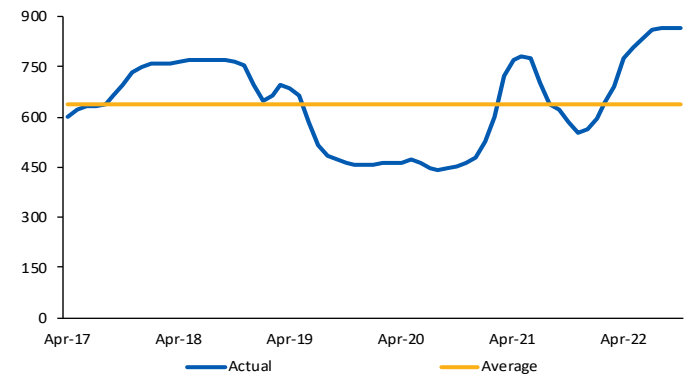
Source: Chronux Research, CCF

Check how VSF producers fair in terms of Canopy ratings:

[Canopy 2022 Hot Button Report](#)

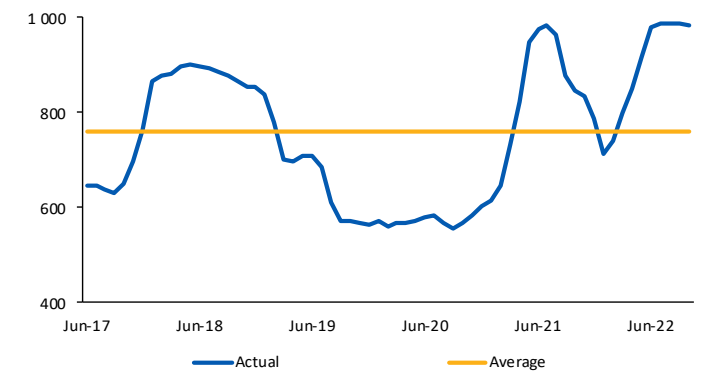
# Prices, Spreads, FX and Industry Stats: As at 31 October

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



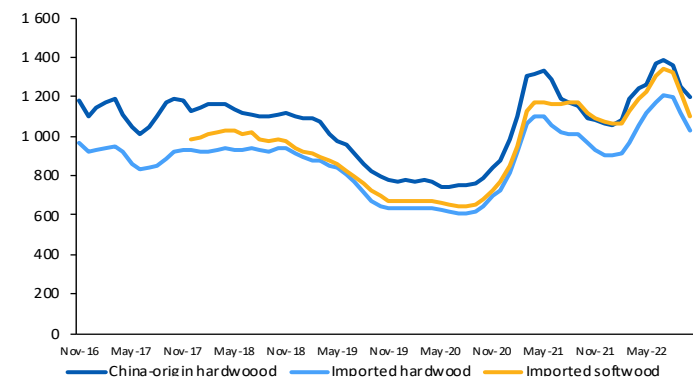
Source: Chronux Research, FOEX

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



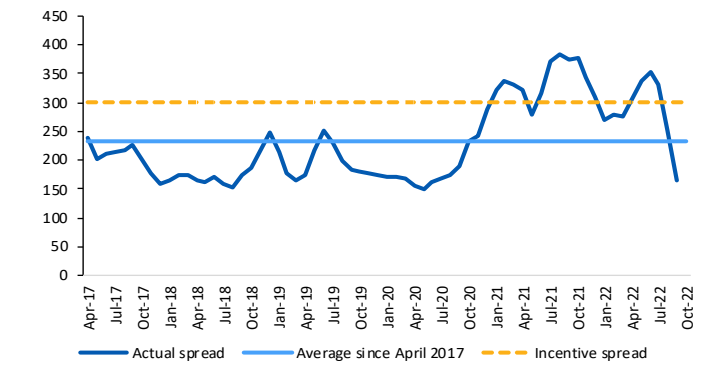
Source: Chronux Research, FOEX

**DWP prices (USD/t)**



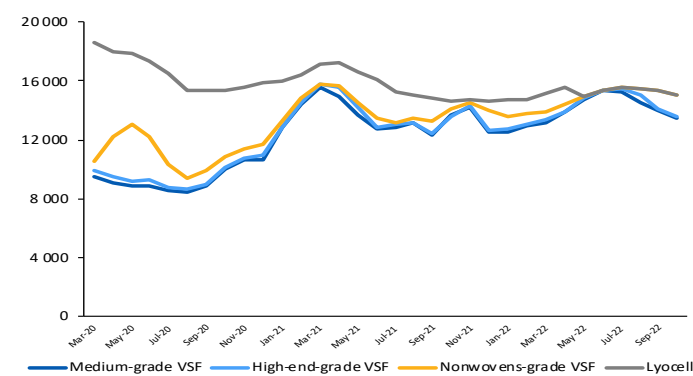
Source: CCF, Chronux Research

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



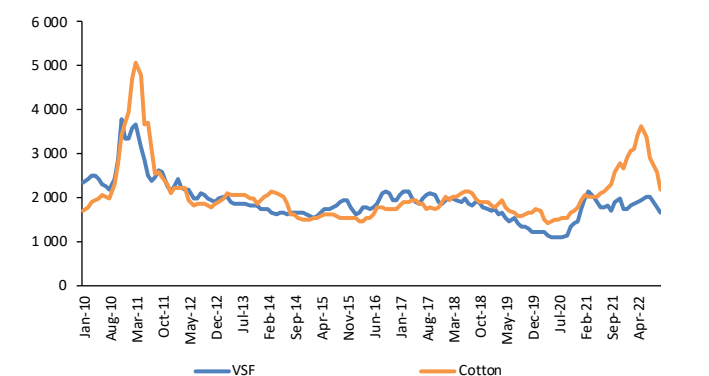
Source: CCF, Chronux Research, FOEX

**VSF prices (RMB/t)**



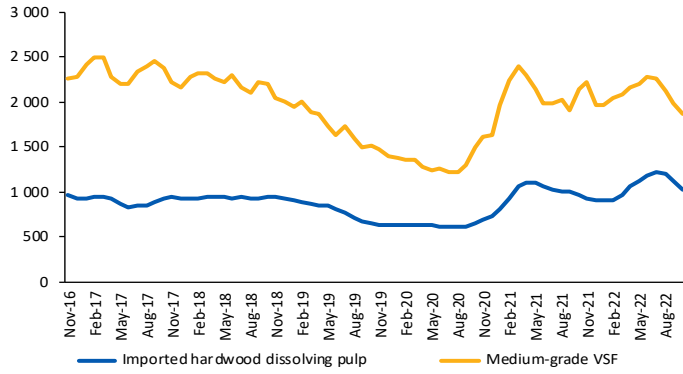
Source: CCF, Chronux Research

**Textile prices (USD/t)**



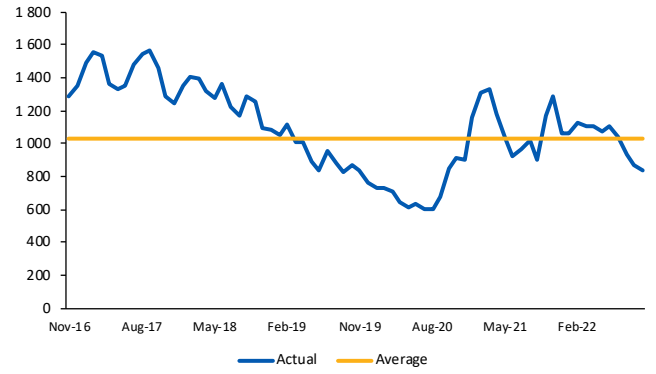
Source: CCF, Chronux Research

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



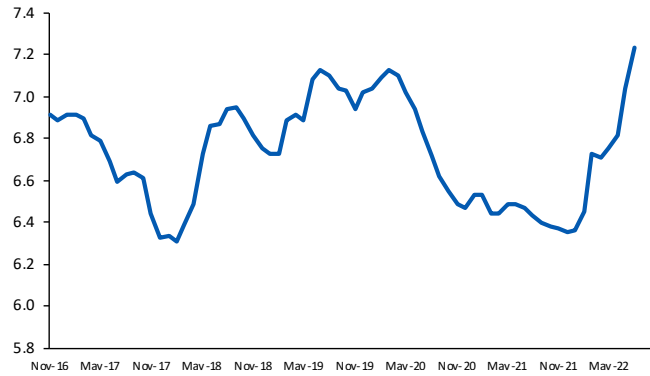
Source: CCF, Chronux Research

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



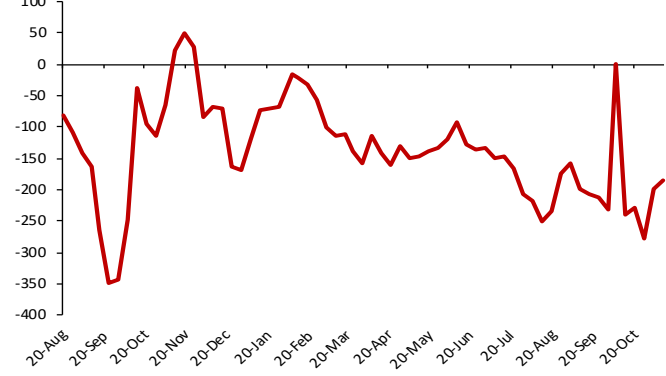
Source: CCF, Chronux Research

**USD/RMB exchange rate**



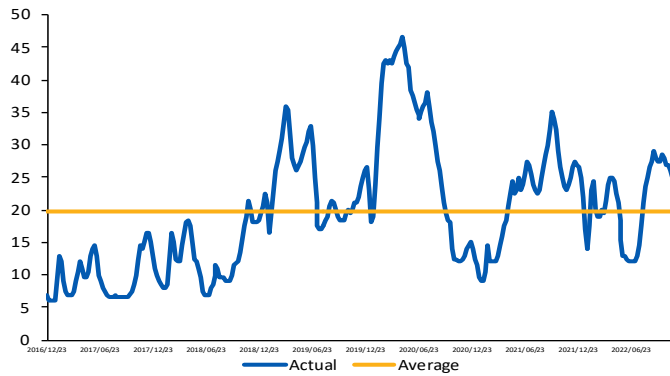
Source: CCF, Chronux Research

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



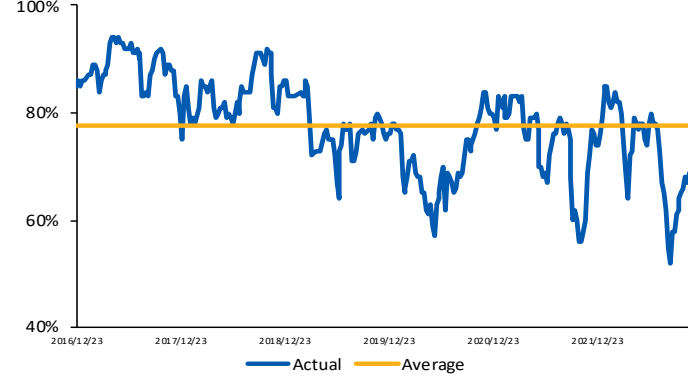
Source: CCF, Chronux Research

**China VSF inventory days (#)**



Source: CCF, Chronux Research

**China VSF operating rate (%)**



Source: CCF, Chronux Research

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