

Study On
PROSPECT OF PULP AND PAPER INDUSTRY IN THE MIDDLE OF
RAW MATERIAL CRISIS, 2008
November, 2008

Facing the recent global economic crisis, pulp and paper industry in Indonesia receives a serious challenge, because some of its product is export commodity. Even, the government has decided that pulp and paper product as one of the ten largest export products in obtaining foreign exchange. During the last five years, foreign exchange gained from this commodity was increased averagely 8.9% each year, from US\$ 2.7 billion to US\$ 4.1 billion in 2007, so currently, Indonesia ranks 13 in global pulp production.

It was noted that before the global economic crisis, pulp and paper export of Indonesia tended to increase, along with the high needs of paper product utilization domestically or abroad. Paper export within the last five years was increased averagely 3.7% per year. While its raw material (pulp) export was stagnant at the level 2.4 million tons. The high export performance was caused by the more competitive pulp and paper industry compared to the same product from other countries, especially from advance countries, such as United States of America and Canada.

But currently, according to the Association of Pulp and Paper Indonesia (APKI), paper industry by the end of 2008, is predicted would suffer loss, as a result of the global financial crisis. For example, there are many cancellation of export to USA and European Union, while domestic sales were also decreasing. The decreasing demand affected the increase of potential loss of pulp and paper producer about US\$ 864 million. Even currently, Riau Andalan Pulp & Paper, the largest domestic producer of pulp industry has lain off their employees up to 1,000 persons.

In November 2008, pulp price in global market has decreased from US\$ 800 per ton to US\$ 600 per ton, or decreased about 44.4%. As the weakening of demand, domestic production of pulp and paper is also decreased. At the same time, production cost is increased as the decrease of Rupiah exchange rate against US Dollar.

Until now, the productivity of pulp and paper industry in Indonesia is still obstructed by the raw material, because the supply from Industrial Plant Forrest (HTI) has not fully replaced the raw material from natural forest.

The increase needs of pulp and paper is reflected from the increasing capacity. During the period of 2003-2008, domestic pulp capacity was increased averagely 0.6% per year, which was from 5.2 million tons to 6.4 million tons per year. And in 2010, the installed capacity of pulp industry is predicted to increase again to 7.5 million tons per year, in line with the operation of the new factory. At the same period, paper production

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capacity was increased significantly, from 9.0 million tons to 10.3 million tons per year. This increase was in line with the factory extension in this industry sector. In Indonesia, at least there were 84 pulp and paper factories, consisting of 14 integrated paper factories with its raw material industry (pulp), 67 paper factories, and 3 pulp factories.

Then, the government gave a chance to pulp factories to conclude their HTI at least in 2009. So, with this time limit, it is expected that the pulp factory is able to fulfill the raw material needs from its HTI areas continuously.

In this study, which was prepared by PT Media Data Riset, also discussed the performance aspect of each company, such as competition level, business map and strategy of large corporation (Group). Even, it also discussed the role of its supporting industry, such as machinery and spare parts industry, and electric energy availability, waste treatment of pulp and paper industry, and so on.

Furthermore, this 400 pages study is equipped with government regulation concerning pulp and paper business. So, hopefully, this study would be beneficial to the decision makers from the pulp and paper producers, banking, supplier, investor, capital market, and other involved business circle.

This comprehensive study is offered at the price of **Rp 5,000,000.00 (Five million rupiah)** per copy for the Indonesian version and **US\$ 750 (Seven hundred and fifty US dollar)** for the English version with negotiable exchange rate. . For those who is interested, please do not hesitate to contact PT Media Data Riset through telephone 021-8093140, mobile phone: 085217061945 or through e-mail: info@mediadata.co.id / mediadatariset@yahoo.com .The order form is attached to this letter. For overseas or outside Jakarta order, additional delivery fee would be charged. Thank you for your kind attention.

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