

The Future of Pulp: Pricing Clarity and Market outlook for 2026

3rd December 2025

Your Fastmarkets speakers



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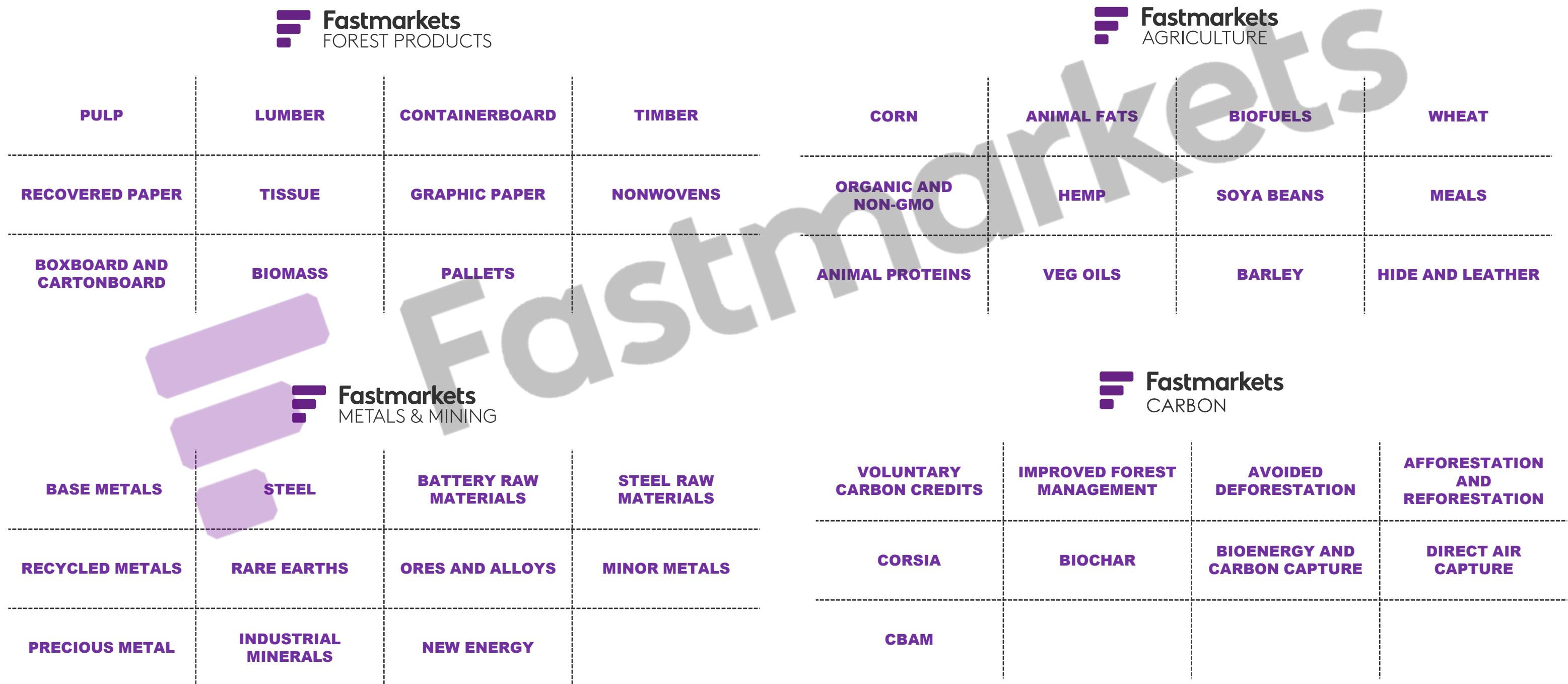
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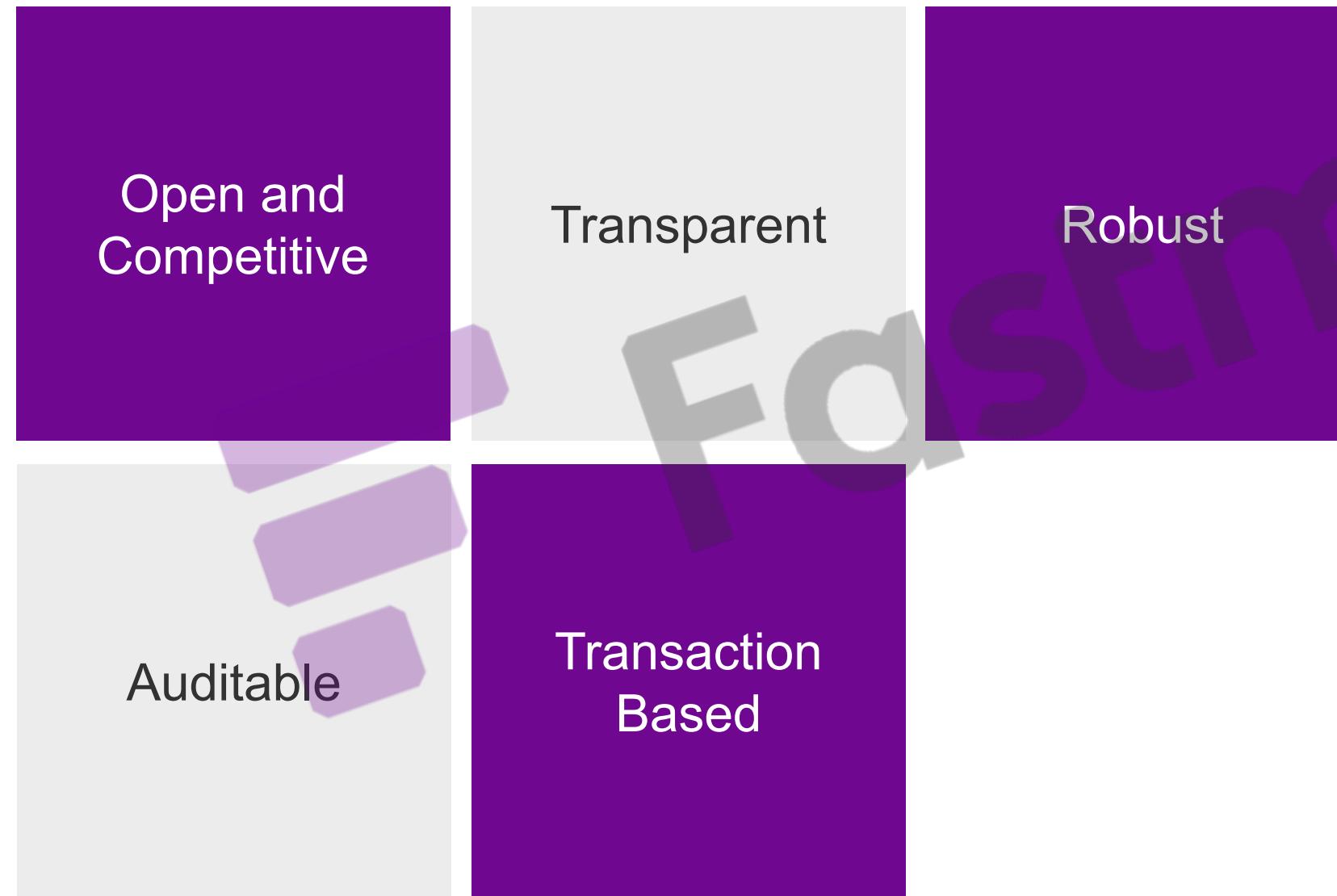
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NA Market Pulp Price Assessments

Fall-out from London Pulp Week: US BSK markets drop, BHK bottoms

December 2025

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Senior Price Reporter, global pulp
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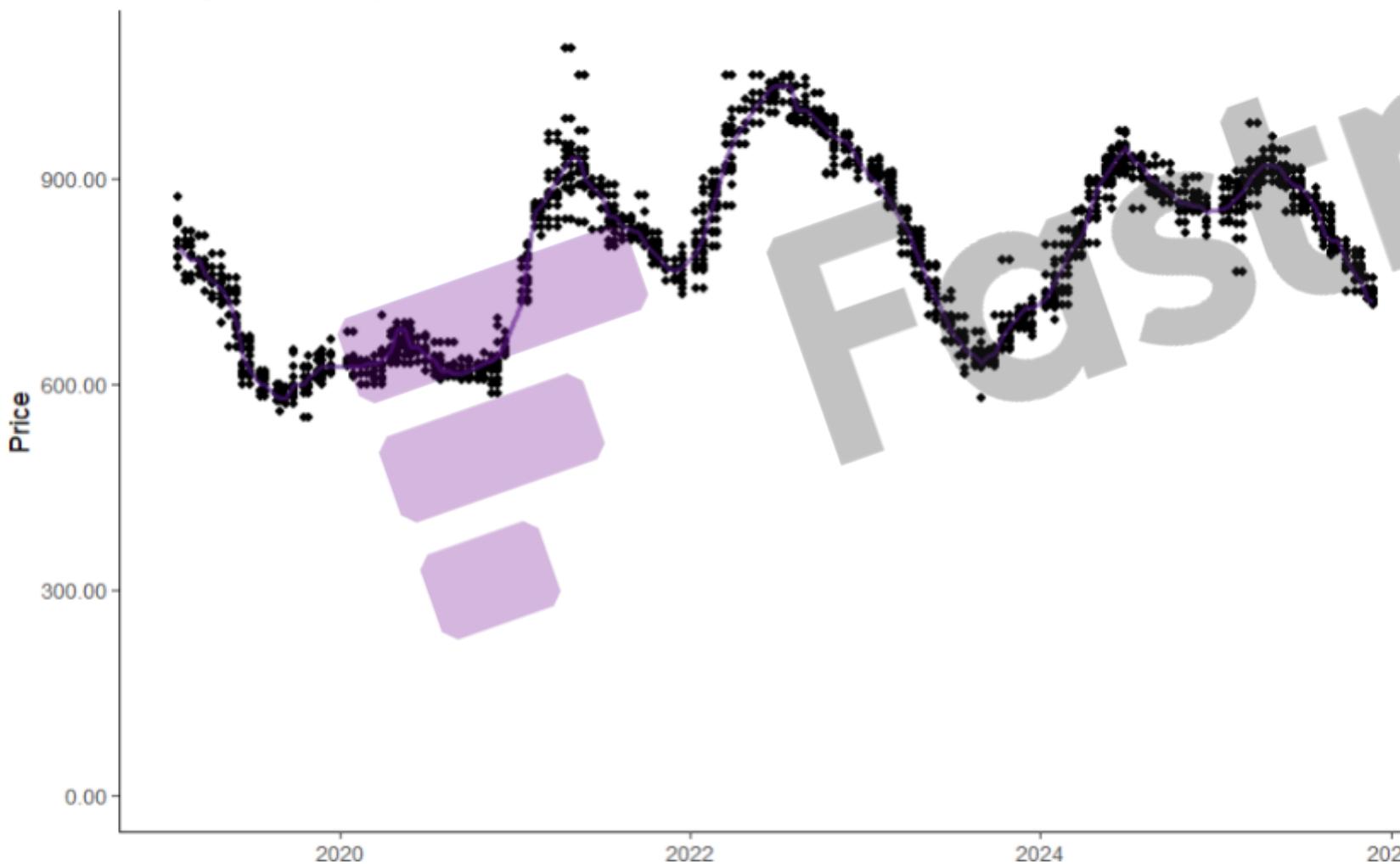
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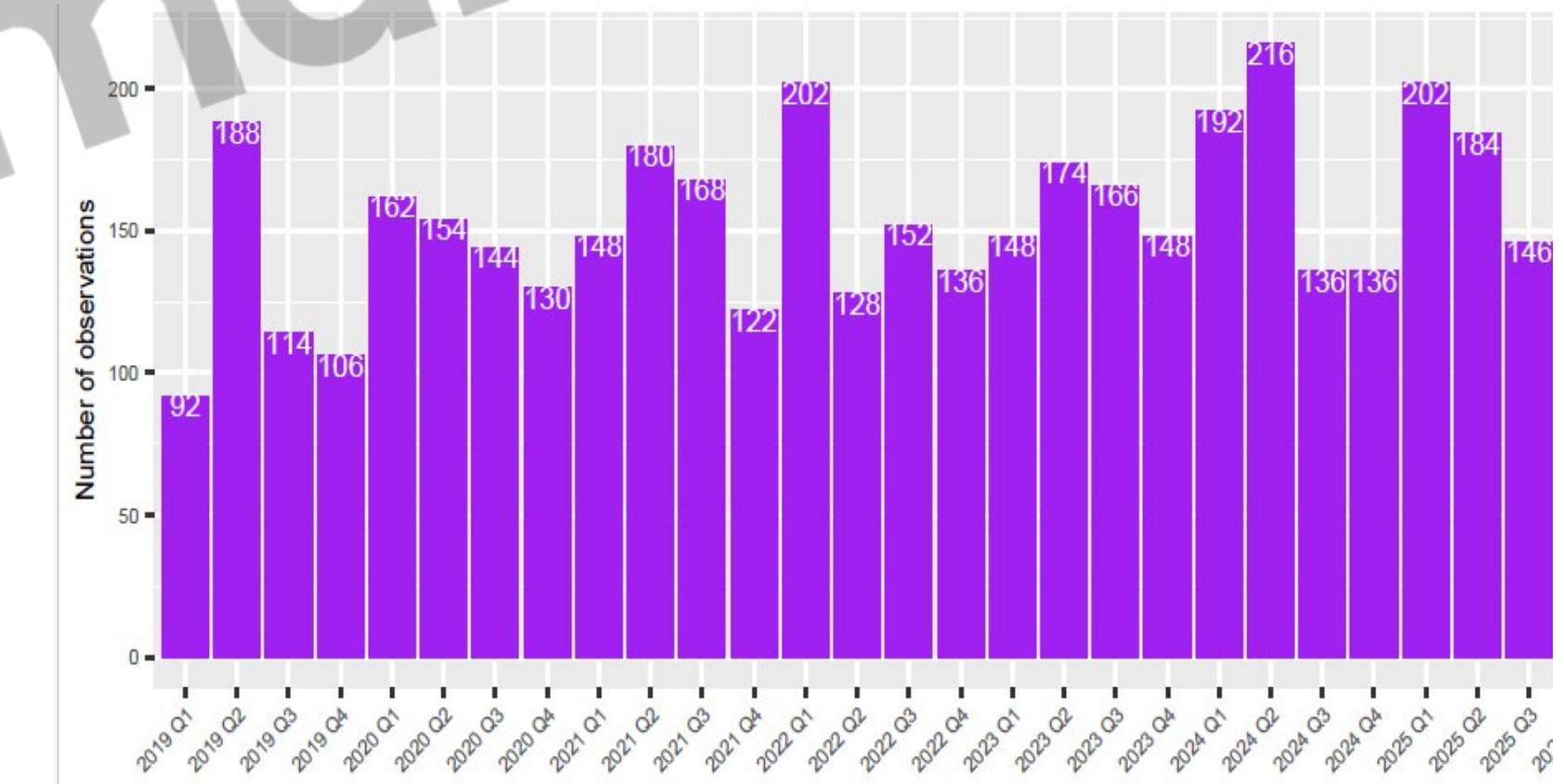


Price point analysis - NBSK (spot price), delivered US East, \$/tonne

Price Points - Scatter Plot

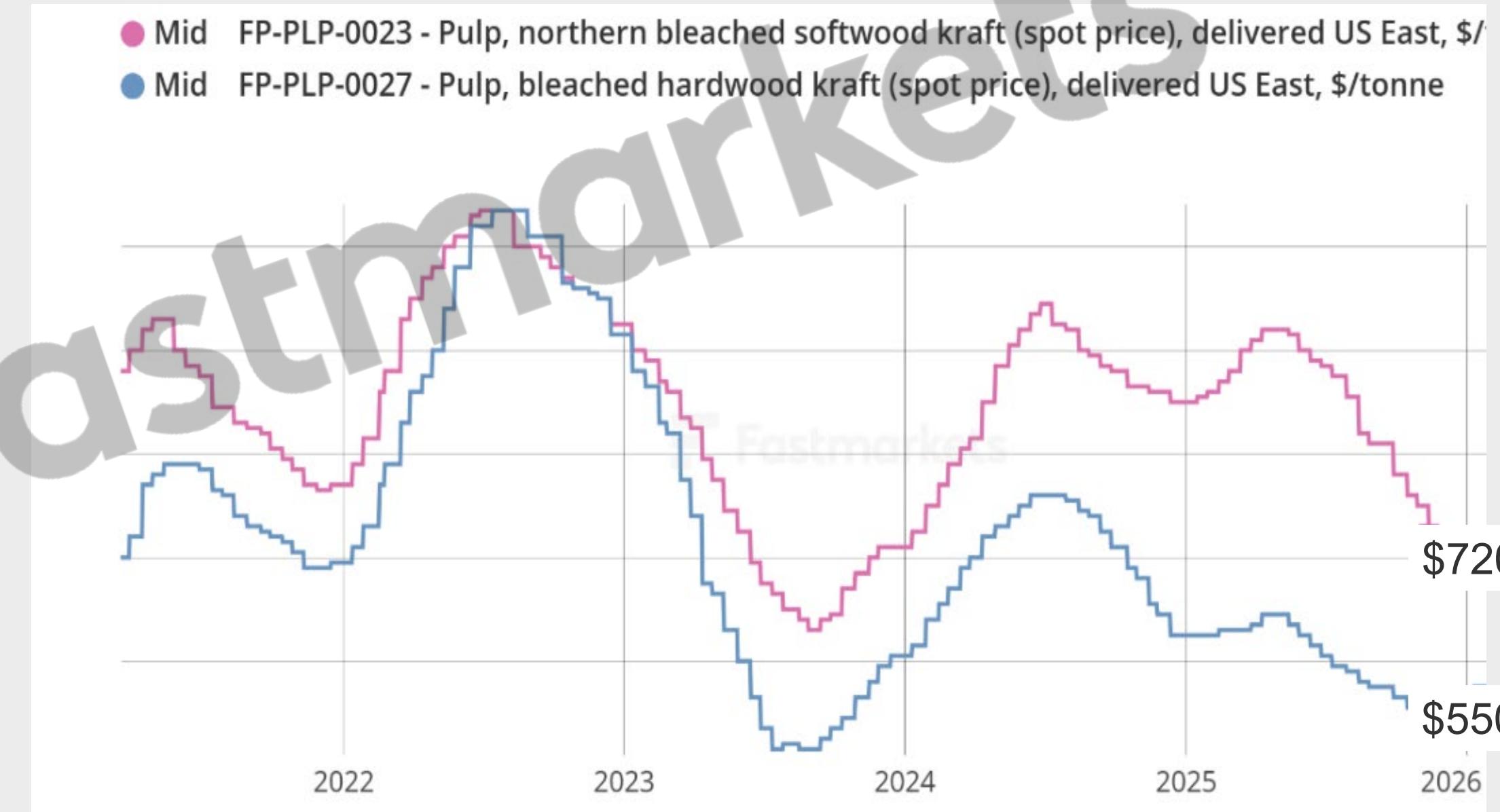


Number of Observations



US spot market erosion reflects high supplies

2025 US NBSK and BHK spot market prices peaked in April and reversed down in May after an early spring rally ran out of steam. Typically, global prices bottom in Chinese or US spot markets, then a rebound occurs in contract markets and other geographic regions.



London Pulp Week: Sentiment weak

Coming out of London Pulp Week, sentiment was weak in BSK and balanced in BHK. New contracts were being negotiated with bigger discounts YoY, and focus turned to when BSK prices would bottom.

- US BHK spot market prices bottomed in November, but a significant rebound had not occurred. Spot BSK prices tumbled, and market participants believed a reversal would not occur until downtime, rationalization, or a market event cut oversupply.
- Producer inventories were elevated from May to August 2025, according to the PPPC. Stocks closed September down an estimated 287,000 tonnes, reducing a massive overhang and bringing tonnage to its lowest since March 2025.
- When cash cost levels are reached for high-cost producers, downtime increases and markets typically bottom. Time is running out for BSK mills to do so due to cold winter conditions that can freeze pipes and essential equipment, however.



Market Downtime

Downtime has begun in BEK but it's not occurred at North American BSK mills despite ongoing price erosion. Fluff and paper grade BSK markets are oversupplied, and downtime at European producers has not tightened markets.

Black Swan events

As we saw in 1Q2025 with the closure of 7 million tonnes of Shandong Chenming mill capacity, events often swing markets. The risk of mill closures, a sharp upswing in unplanned downtime, or bankruptcies remain.





Key takeaways from London Pulp Week and predictions for 2026

December 3, 2025

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Key takeaways from LPW 2025

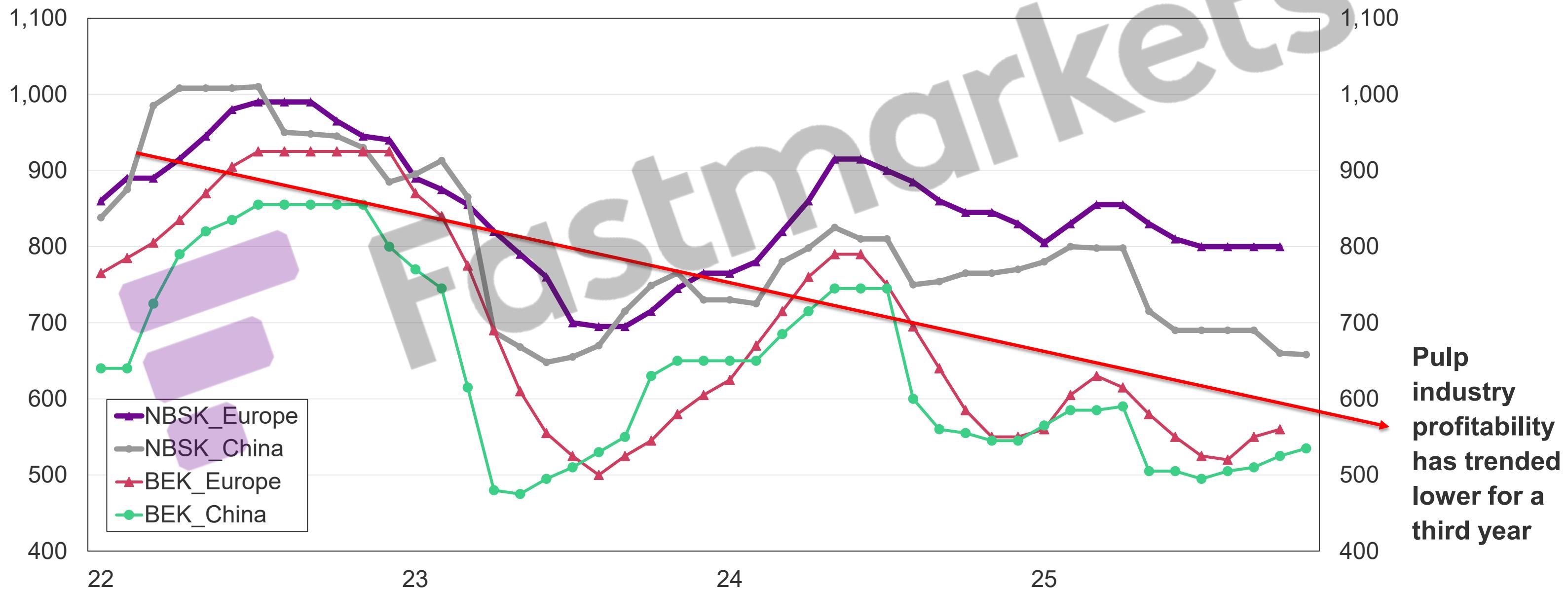
Main market themes

- Ultra-low profitability will continue to drive curtailments or trigger permanent capacity closures.
- Over capacity in paper & board markets in China is acting as a ceiling for the global industry, however, wood costs have increased in China, signaling that a demand/supply balance is within sight.
- Shifts to specialty pulp, increased usage of BHK and higher virgin furnish shares will combine with closures to tighten the demand/supply balance in 2026-27,
- The dollar is weak and is likely to remain weak in the short-term.

European net prices remain aligned to China, especially BEK

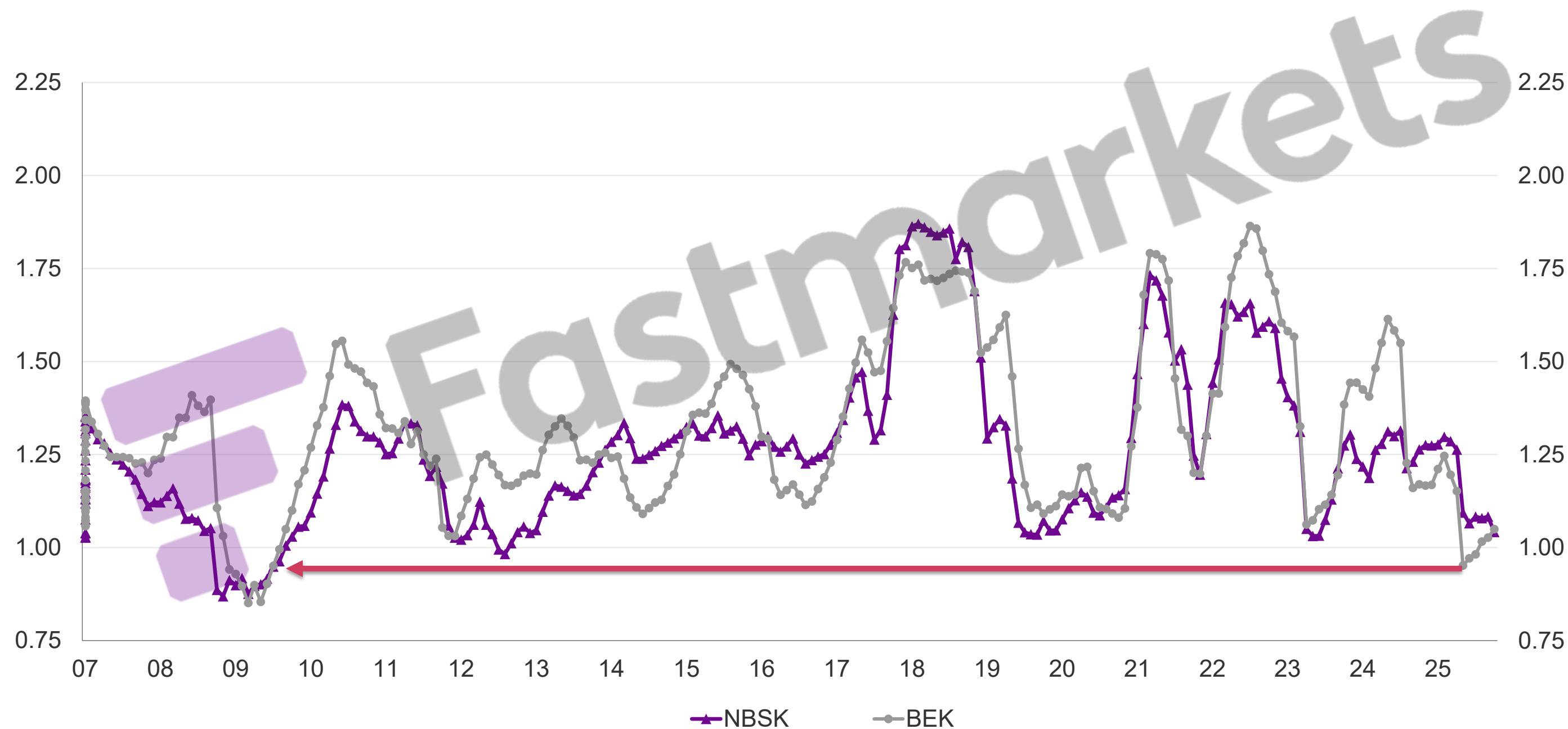


NBSK and BEK: Net CIF, Northern Europe and China, US dollars per tonne

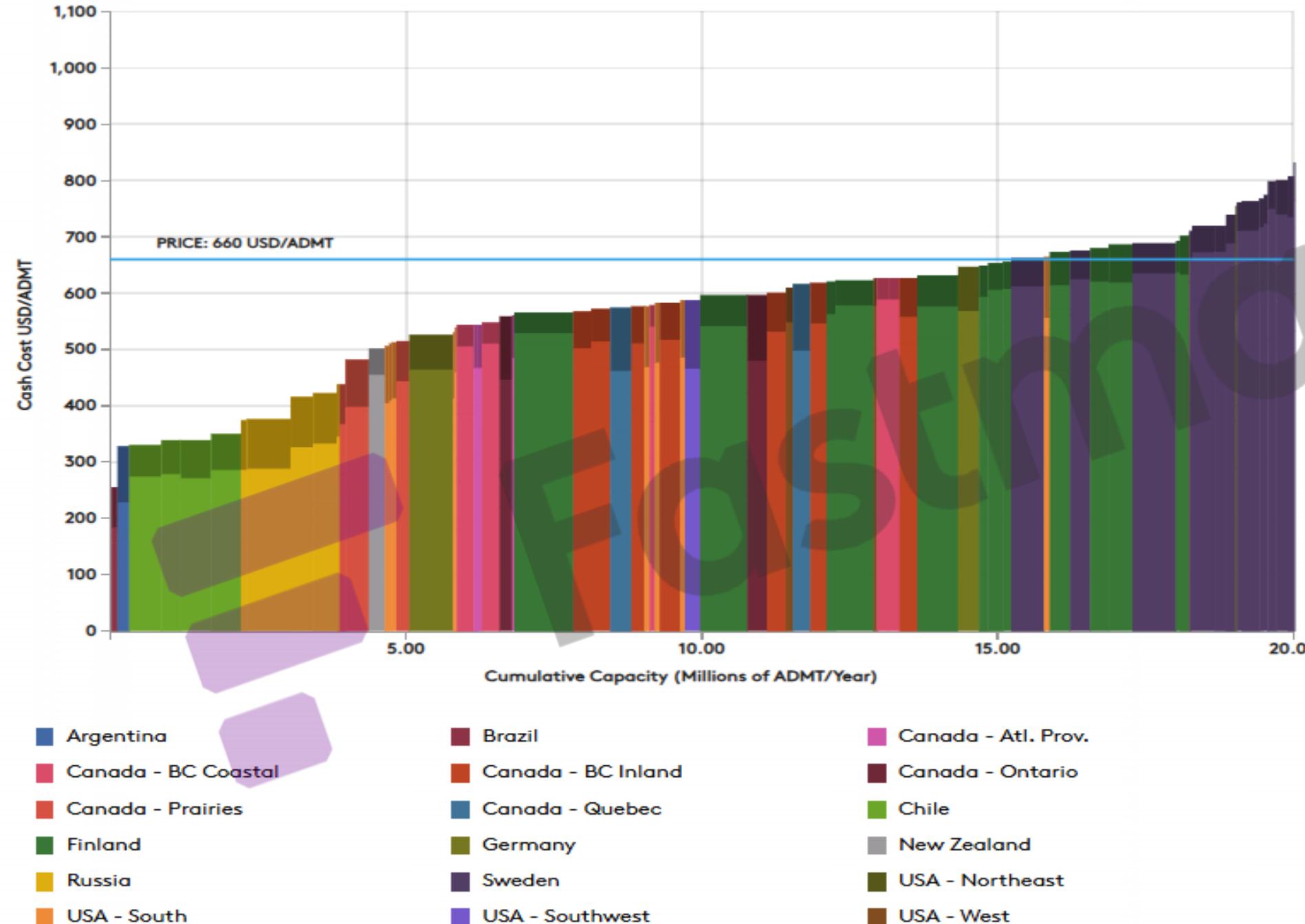


BHK profitability touches lowest since GFC

Net price China / cash costs of high-cost producer



BSK cash cost curve delivered to Shanghai



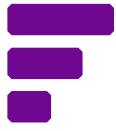
Source: Fastmarkets Analytical Cornerstone, 2Q25.

- The entire fourth quartile is underwater at October net price level
- The cost curve will likely flatten and reorder as Canadian wood costs rise (lumber duties) and Finnish pulpwood costs decline.

BHK total cost curve delivered to Rotterdam

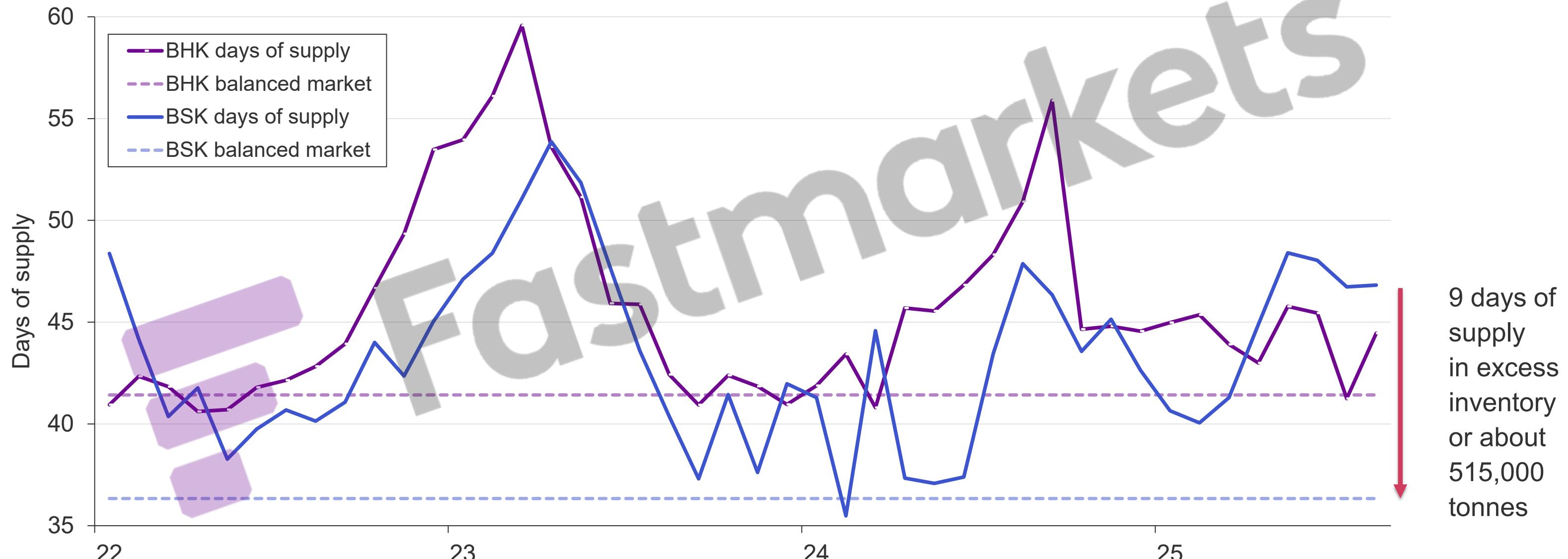


Source: Fastmarkets Analytical Cornerstone, 2Q25.



Producer inventories show more oversupply of BSK

Days of supply, seasonally adjusted



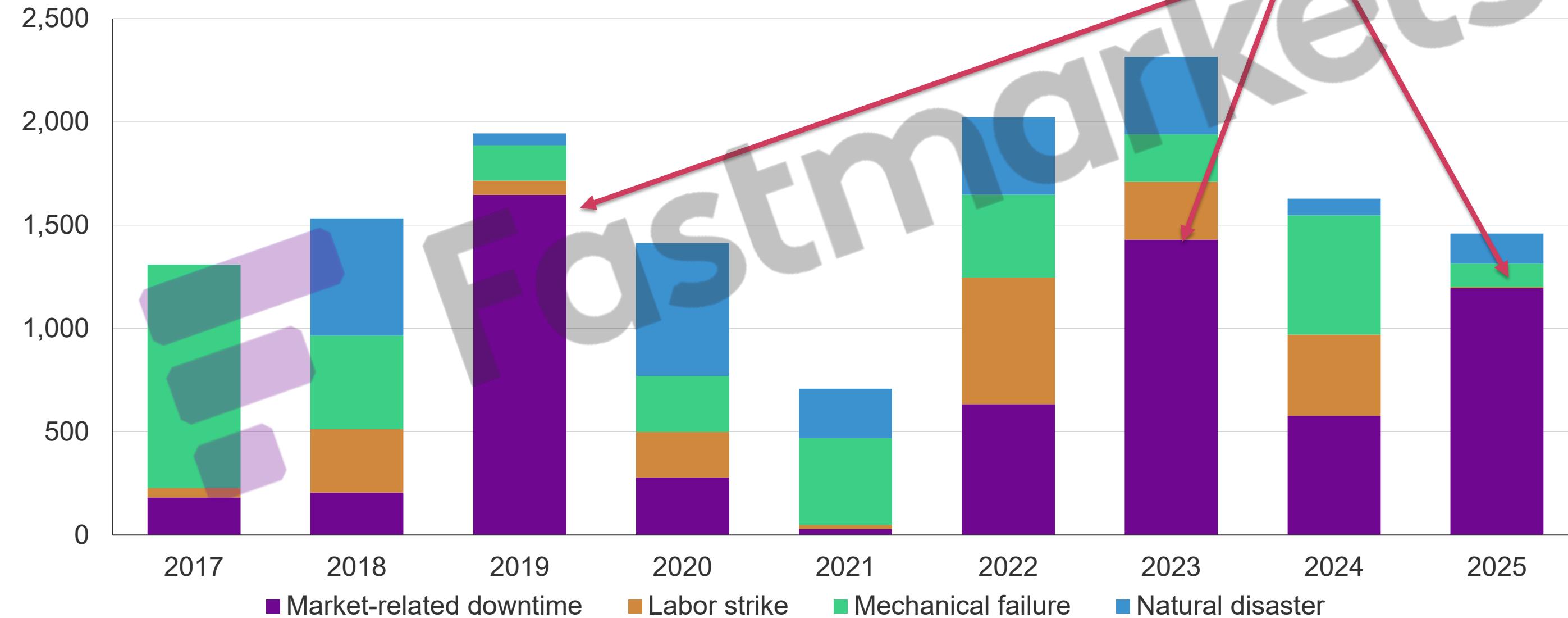
Source: PPPC World 20, Fastmarkets *World Pulp Monthly*.



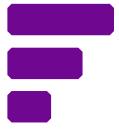
Market-related downtime has accelerated across all grades and regions in 2025

Unexpected market pulp capacity downtime by type

Thousand tonnes



Source: Fastmarkets *World Pulp Monthly*.



North American pulp producers face strong headwinds from 2H25

Canadian Lumber tariffs + duties amount to about ~45%.

BC lumber production expected to decline about 1 BBF by end of 2026, equivalent residuals to produce about 275,000 ADMT of NBSK

Nordic producers rush pulp shipments to land ahead of tariff deadlines, focus on higher margins in NA

BSK exports to China decline ~75%, trade detente does not result in removal of 10% tariff on US pulp

Tariffs on BSK, BHK and UKP are dropped

Excess BHK supply increase competition among Latin American producers

Woodland pulp announces 1-month of market related downtime

European markets are weighed down by multiple stressors but there are avenues for lower cost to develop



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Economic stress from the trade war with the US.

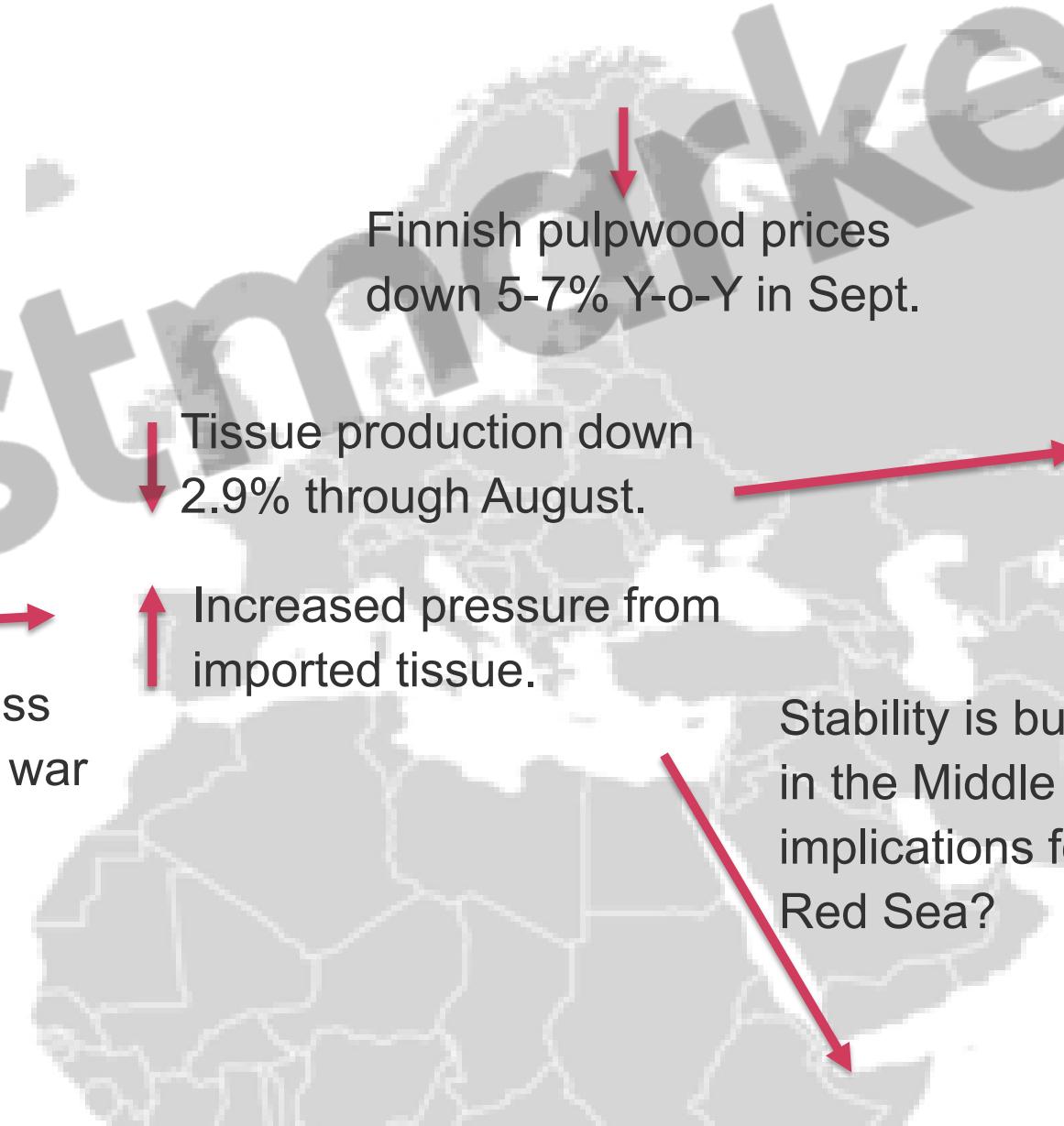
Tissue production down 2.9% through August.

Increased pressure from imported tissue.

Finnish pulpwood prices down 5-7% Y-o-Y in Sept.

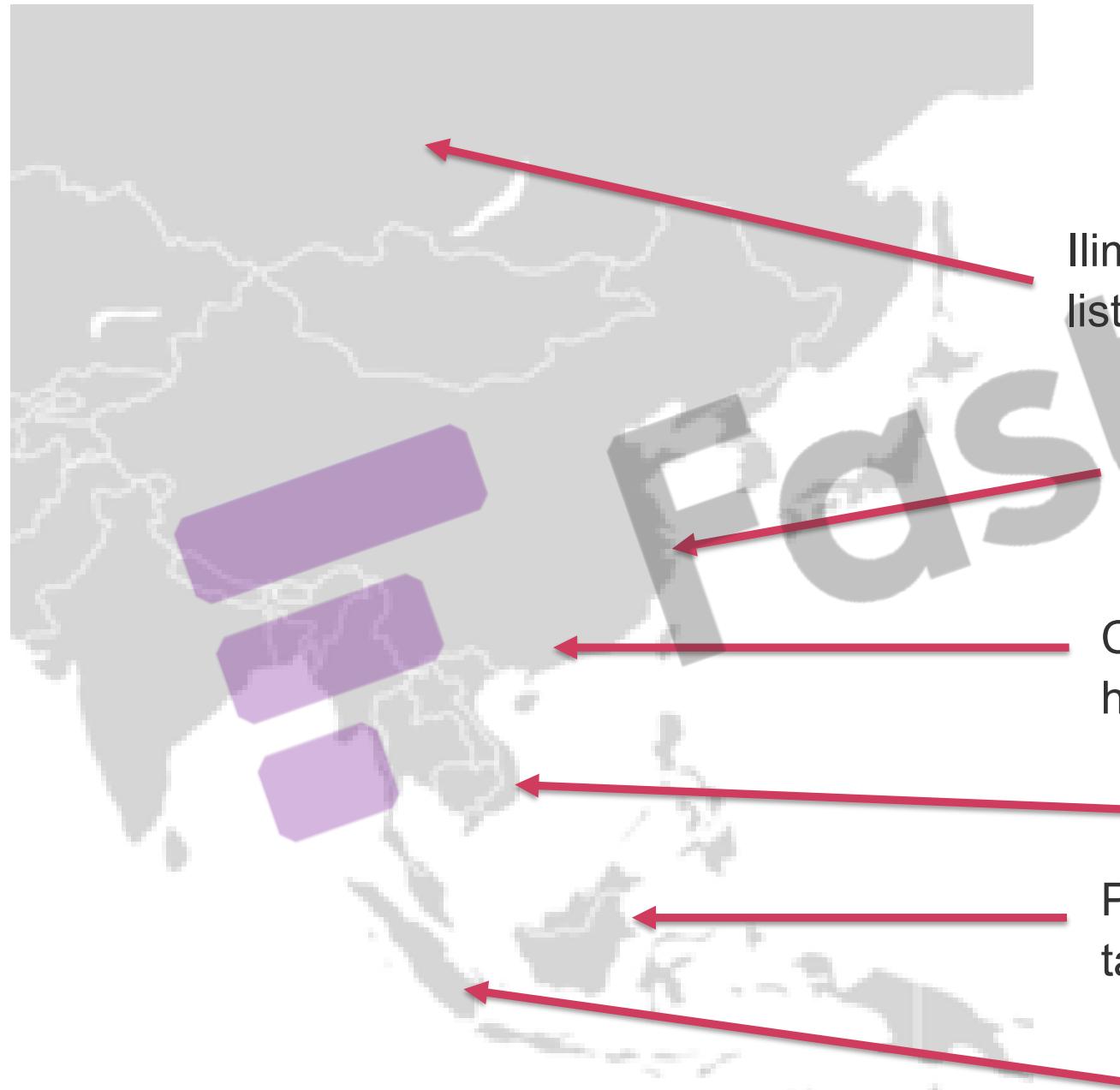
Stability is building in the Middle East, implications for Red Sea?

More spending on defense. No immediate end in sight for the war.





Over capacity in downstream markets will remain the main barrier to higher pulp prices in China



Ilim's Bratsk and Polar Bear BSK brands are excluded from the list of deliverable manufacturers for the SHFE BSK contract

Recycled pulp imports face increased scrutiny, dry-grinding grade accounts for about 2.5 million tonnes

Chinese woodchip prices increase 200 yuan per tonne, driven higher by seasonal factors and steadily increasing demand

Vietnamese hardwood chip prices increase \$6 per tonne

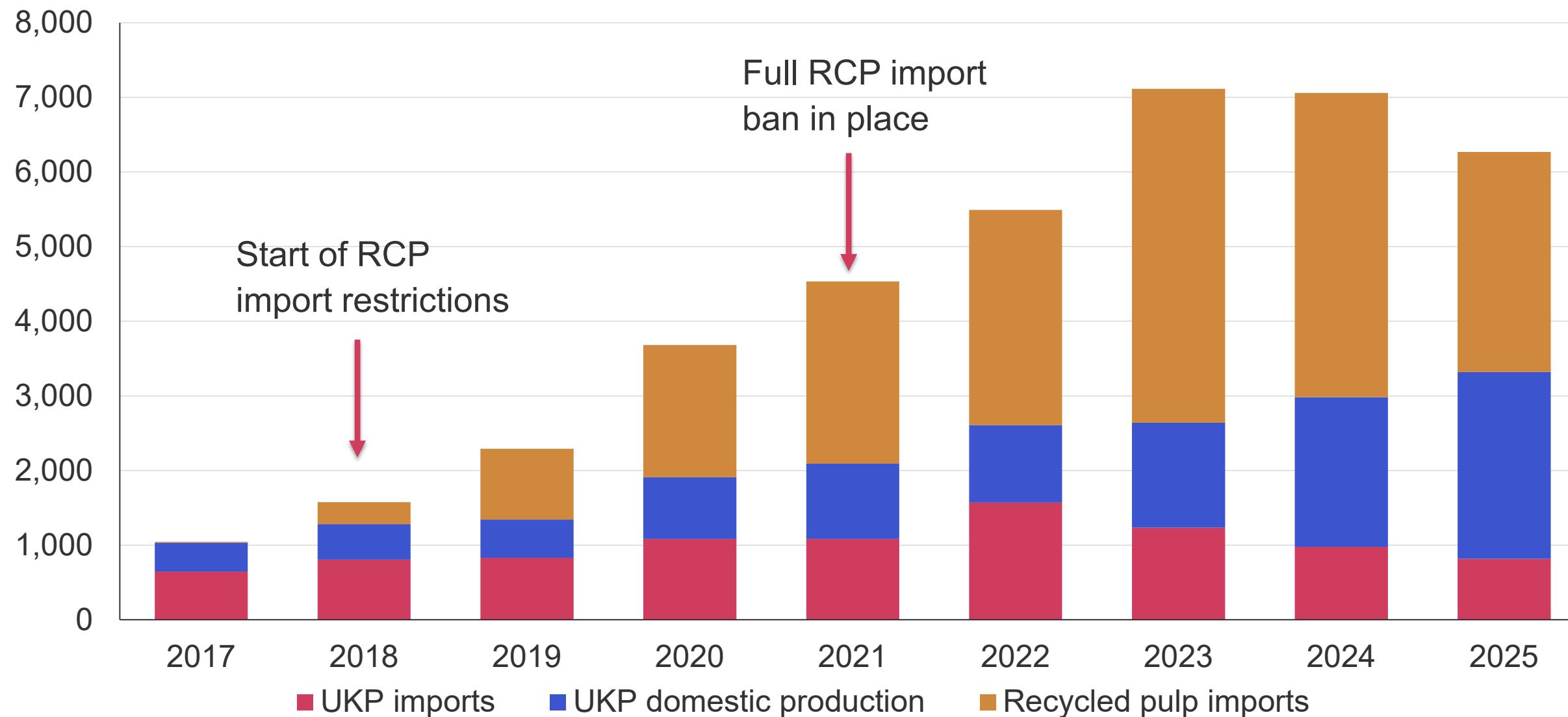
Pheonix Resources Tarakan greenfield 850kt BCTMP ramps up, taking market share in China from offshore producers

OKI II expansion 2 x 1.4Mt BHK lines, about 1.7Mt market pulp
First line startup in 2H26?

Recycled pulp regulation could boost UKP imports, but an increase in domestic production is more likely

Sources of brown fiber consumption in China

Thousand tonnes



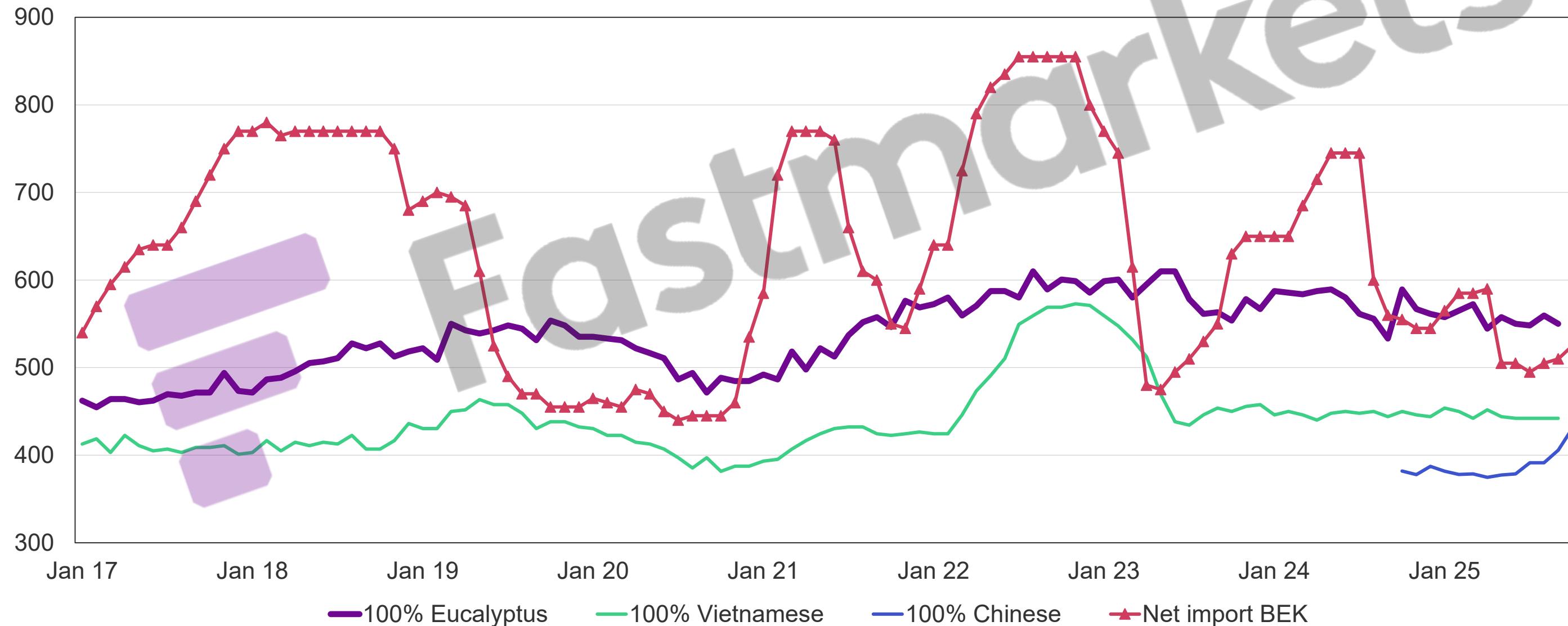
Source: Fastmarkets *World Pulp & Recovered Paper Forecast*, 15-year.

- There is only about 700kt of 'excess' UKP capacity available in 2025.
- However, there are over 4.4 million tonnes of excess mechanical pulp capacity.



BEK suppliers are once again competing with chip suppliers Chinese hardwood chip market sheds invulnerability

Imported pulp price vs production costs for Chinese pulp producer from various chip suppliers
US dollars per tonne, excludes VAT, assumes 1.85-2.0 BDMT/ADMT + flat \$120 converting cost

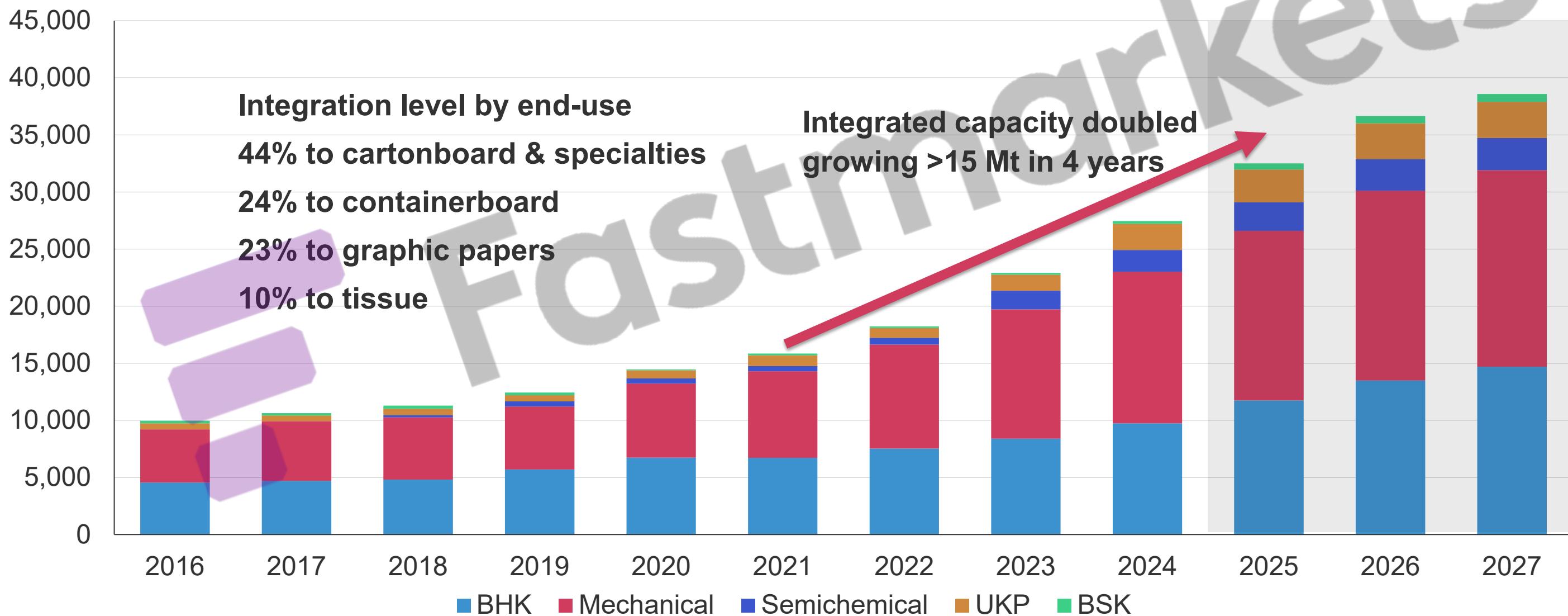


Integrated wood pulp capacity continues to surge higher in China



Integrated pulp capacity in China by grade

Thousand tonnes



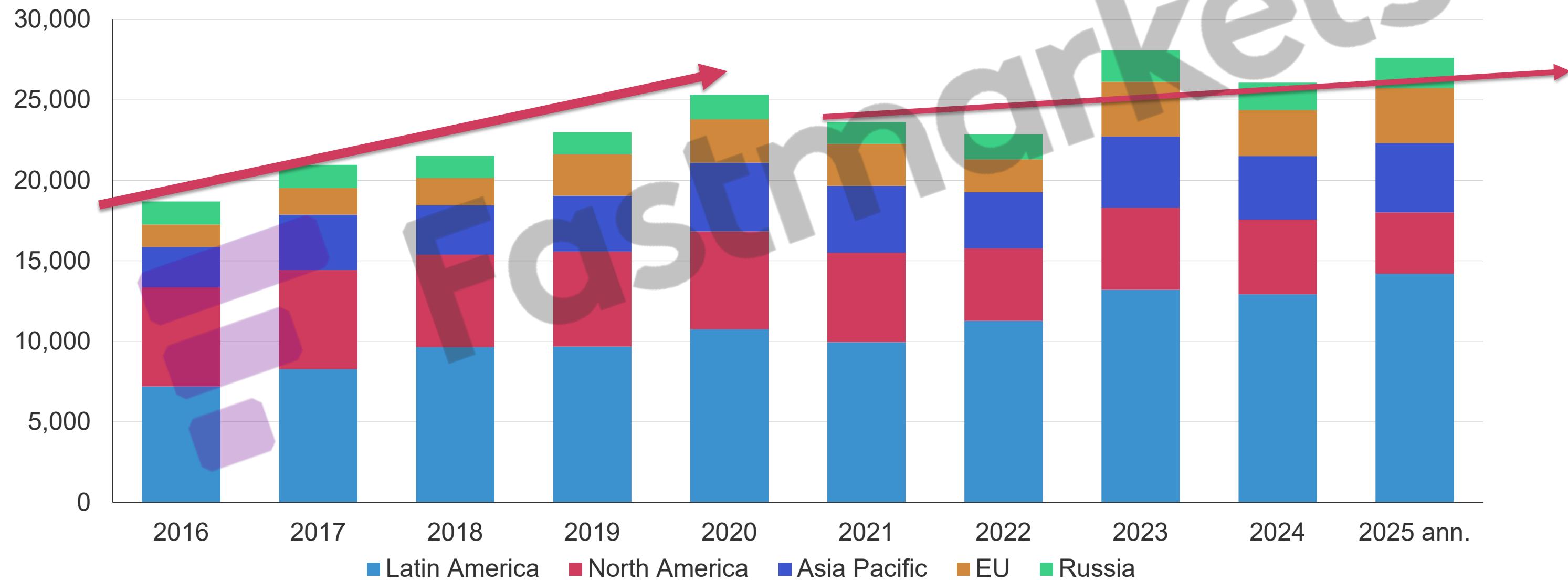
Source: Fastmarkets World Pulp & Recovered Paper Forecast, 15-year.

Chinese pulp imports showing slower growth, but still on track for 1.6 million tonnes of growth in 2025



Paper grade pulp imports by origin

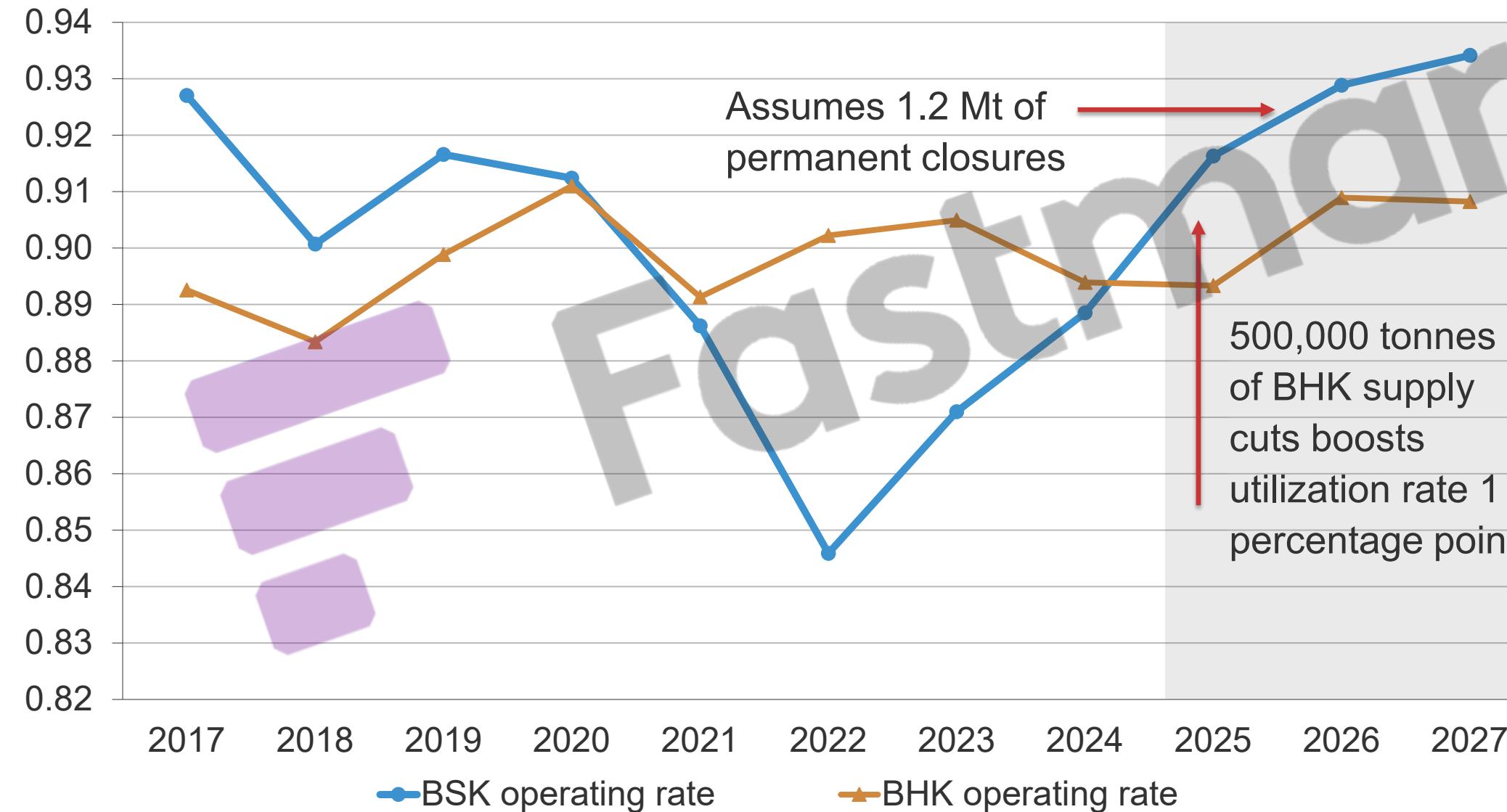
Thousand tonnes



Source: Global Trade Tracker, Fastmarkets *World Pulp Monthly*

Global BHK operating rates expected to recover in 2026, BSK to rise due to downtime and closures

Global market pulp utilization rate



Source: Fastmarkets World Pulp & Recovered Paper Forecast, 15-year.





Conclusions and predictions for 2026

Upside risk is growing

- As US trade policies are revised or rejected, inflationary pressures could ease, opening a pathway for additional rates cuts in 2026.
- Market conditions for paper & board producers have only worsened in the year since Shandong Chenming first exited the market. The risk for similar debt and market related closures in China remains high, which will support paper & board prices.
- End to direct hostilities in Ukraine paves way for reconstruction boom.
- Delays to new capacity startups (APP, Arauco) unexpected capacity outages (labor strike, mechanical failures, natural disasters, etc.), when we see operating rates over the 90% mark, this is when unexpected downtime have a major impact on prices



Thank you

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