

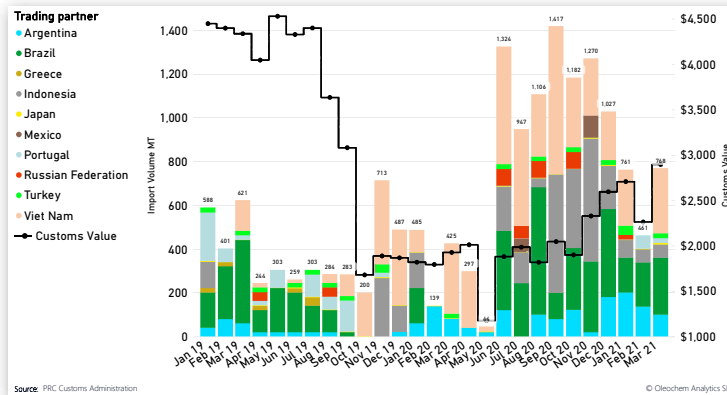
GUM TURPENTINE - CONTINUED

At end May, gum turpentine was traded at around RMB 30,500/Mt (\$4,788/Mt) for super grade *P. massoniana* and traded at around RMB 30,000/Mt (\$4,710/Mt) for super grade *P. elliottii* EXW Guangxi.

New supply of gum turpentine will be available in beginning or middle of June, but quantity is expected to be small at the beginning of the new harvest. The gum turpentine market will not face large volumes of new supply until July.

China's imported gum turpentine volumes in March were higher than the levels seen in February, but they were still reduced compared to the second half of 2020.

China Gum Turpentine Imports
(Volume in Metric Tons, Customs Value in USD Millions)



Brazil

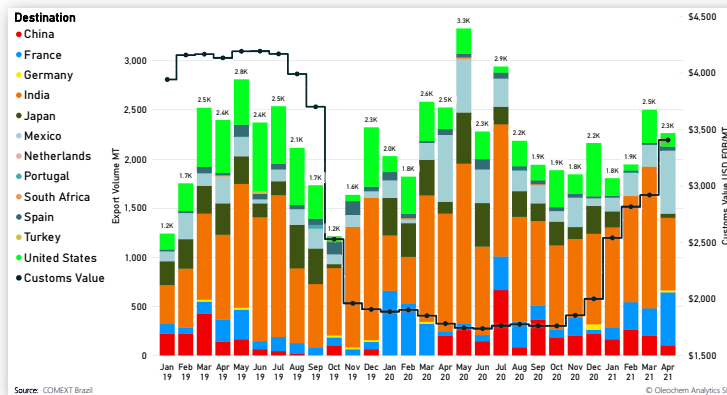
Gum turpentine prices for domestic consumption in Brazil are surging as there is strong competition among local buyers for volume.

Export price levels pulled back slightly, but continue to be at high levels.

With firm gum rosin prices, it is expected that the production volumes of gum rosin and gum turpentine will continue at current levels.

In April, export volumes were above 2,000 Mt with the main destinations being India, Mexico, and France and the customs value per MT continued to tick upwards.

Brazil Gum Turpentine Exports
(Top 15 Destinations, Volume in Million Kg, Customs Value in USD Millions)



ROSIN ESTERS & C5 HYDROCARBON RESIN

With the arrival of the new tapping season, most rosin ester producers were not actively adding to their inventories as they are waiting for more competitive prices.

Demand of rosin esters has been steady and the recovering economy in China has helped keep prices elevated.

In the south of China, gum rosin glycerol ester (gum rosin *P. elliottii* based) was quoted at RMB 13,800/Mt (\$2,166/Mt) EXW. Quotes for gum rosin pentaerythryl ester (gum rosin *P. elliottii* based) were at RMB 14,150/Mt (\$2,221/Mt) EXW.

The hydrocarbon resin sector faced margin pressure in May due to sufficient supply and a slow export market because of elevated maritime freight and limited container space available.

Hydrocarbon resins remained competitive against rosin esters, but hydrocarbon resin does not easily replace rosin esters as there are different chemical properties between them.

At end May, C5 hydrocarbon resin for road marking paint was traded at around RMB 9,500/Mt (\$1,491/Mt) EXW in east of China while product for adhesives applications were trading around RMB 11,500/Mt (\$1,805/Mt)/Mt EXW in east of China.

Hydrocarbon resin production has been at steady levels in the past several months and supply is available. However, lack of support from export markets could limit any upward price pressure in the short term.

GUM ROSIN TRADE CONFERENCE

2021 Chinese Gum Rosin Trade Conference

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On May 20, 2021, the annual meeting of the Chinese Forest Chemicals Association was held in Guangzhou, GD, China. Li Yi, the Secretary-General of the Chinese Forest Chemicals Association, has been organizing the event since 2003. Almost 200 participants attended this face-to-face meeting that had presenters from China and abroad.

Li Peitao from China Songtao Business (globally known as the rosin.com) presented a review of gum rosin and gum turpentine markets in 2020 and an outlook for the 2021 production season.

The new production season has already started with *Pinus massoniana* slowly flowing again back into the market since the close of the previous tapping season. Key points extracted for Li Peitao presentation were:

- Chinese total output in 2020 amounted to 315,000 Mt, or 23% below 2019.
- The mayor gum rosin producer Province is Guangxi with a volume of 81,500 Mt, followed by Jiangxi with 78,000 Mt and Yunnan with 46,000 Mt.
- At the end of 2020, the Chinese domestic gum rosin inventory was of 93,000 Mt, or 22.5% lower than the previous year. The reduction in inventory was not offset by imports.

GUM ROSIN TRADE CONFERENCE

- Chinese domestic demand for gum rosin remains relatively stable.
- *Pinus massoniana* and *Pinus yunnanensis* pine oleoresin will remain at high price levels due to tight supply in 2021.
- Very high market risk in 2021 because of high prices and tight supply.

Zeng (Jack) Guangjian, the head of KOMO Resins, and a regular presenter at this conference, presented a slide deck titled: “Forest Chemical Industry: An industry that can be sustainable”. Through a short set of slides, he stated that the industry needs vertical integration as complete as possible, from the forest to derivatives manufacturing.

Zhang Ruifen, from Hekou Golden Valley Bio-Industry Co., in Kunming, Yunnan Province, China, brought to the attention of the participants two policy documents from the provincial government that put pressure on the pine oleoresin extraction industry. Meetings between government and industry have taken place to strengthen links between stakeholders to manage forest resources and pine tap with scientific and standardized procedures. The 2021 production season for *Pinus yunnanensis* and *Pinus simao kesiya* pine oleoresin starts in November 2021, so let’s see how this new policy will affect the production of pine oleoresin in Yunnan Province.

We also presented at the conference via video recorded presentation, together with Michel Baumassy and Fredo Arias King. Our presentations are going to be discussed in next month’s report.

COVID 19

Covid-19 Restrictions In Place Across Asia

Governments in southeast Asia are increasing restrictions and implementing movement control orders (MCO) to curb a rise in regional COVID-19 cases.

Malaysia will go into a total nationwide lockdown for all social and economic sectors from June 1-14. Prime Minister Muhyiddin Yassin’s announcement on May 28 comes as the country reported its fourth straight day of record infections. Only essential economic sectors and services will be allowed to operate.

Malaysia also imposed a stricter implementation of the Movement of Order Control (MCO) on agribusinesses, limiting workforce capacity in all agri-commodity sectors to 60% in a move to curb the spread of COVID-19. The stricter policy is effective immediately and failure to comply will be subject to legal action taken against the business, the Plantation Industries and Commodities Minister said.

The epidemic is worsening in Indonesia, where 1.79mn cases and around 50,000 deaths have been recorded. The country has restricted domestic travel this month to counter the spread of Covid-19.

COVID 19 - CONTINUED

Vietnam is experiencing its third wave of Covid-19 cases, prompting the government to reimpose restrictions and movement curbs in the country.

CTO & TOFA

Americas

Tall oil fatty acids (TOFA) were assessed higher for June to reflect upward price pressure because of strengthening demand across some sectors, firming feedstocks and numerous price increase announcements announced in the market.

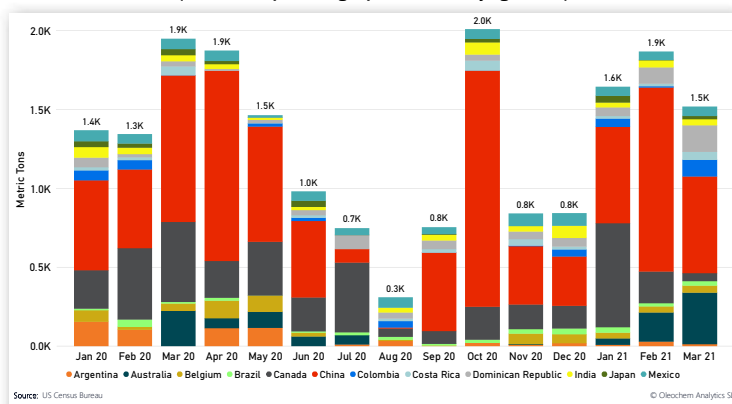
Kraton announced a new general price increase of 20% across its CTO refinery products and derivatives. This increase will be effective June 1, 2021, and/or subject to the terms of any applicable contracts and obligations.

Ingevity announced a general price increase for all merchant and derivatized tall oil rosin, TOFA and kraft lignosulfonate products associated with its industrial specialties portfolio. The increase is due to continued strong market demand as well as increasing raw materials and logistics costs and will range from 10% to 20%. The new prices will be effective July 1, 2021, or as contracts allow.

Fractionators are heard raising operations to full rates after running at lower operating levels in the second half of 2020. However, there is discussion that Tall Oil Rosin (TOR) supply is tight in the US .

When looking at US trade data, there were some larger volumes exported to China in recent months, which could have tightened the US market some.

US Tall Oil Rosin Exports
(Countries Representing Top Destinations by Kg Volume)



The elevated prices of Chinese gum rosin is a continued positive signal of improving supply-demand dynamics.

US crude tall oil (CTO) demand is increasing and prices have firmed since the beginning of the year as fractionation rates are rising. Additionally, increasing export volumes of CTO into Europe have been seen, mostly destined for renewable fuels production.