

# Market Report Bristle 2016

## **FEIBP 2016**

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## Agenda

- New challenge - new solutions
- Recent market developments
- Search for alternative products
- Outlook - solutions

## New challenge - new solutions



- Currently it is a hard time for the happy pig on the photo below
- Main production UNIT CHINESE PIG is on average living shorter

## New challenge - new solutions

- Changes need new ideas, being a pioneer and being ready for any kind of innovations, we have to be open for anything new
- let me first give you some background info about market developments
- And in the second part proposals & solutions

## FACTS and recent developments

### TAMPICO FIBRE

As reported in 2014 by Urte we had due to changed climate conditions difficulties in finding enough Tampico plants to cover worldwide demand of Tampico Fibre. This forced some producers in our business field, especially Chinese brush producers, to staple their polishing brushes with alternative natural raw material like hair and bristle. Due to antistatic reasons synthetic was not an option.



## Horsetail hair

This influenced the market of bristle and even more it influenced the small niche market of Chinese double drawn horsetail hair.

To give you an example we had in horsetail hair which is around 20% of our turnover a price rise of like 30% for short sizes and up to 100% on the longer sizes of 18-21 inch. Which means partly prices doubled.

With the increasing availability of Tampico since mid of 2016 this additional demand for bristles and horsehair has nearly evaporated. We assume these polishing brushes are now produced with Tampico fibre like it was done before 2014.



## Horsetail hair

### Consequence

The price of horsetail hair is currently falling step by step. This is good for the industry; it clearly supports the selling of natural horse tail hair in any kind of brush, be it polishing brush, strip brush or washing/cleaning brushes.



## Bristle Market

What I have said beforehand is as well valid for the bristle market. Additional demand from other business fields for polishing purposes shrunk to nearly zero.

As you can imagine I would have liked to give you in my BRISTLE report today the same message, which I gave for Horsetail hair. Unfortunately, bristle is a bit more complicated.

Despite the fact that this supplement demand has disappeared, we still see prices are rising and we see reduced availabilities in sizes of especially white 64mm and up.

Black is surprisingly less hot, prices are already that high that only a few buyers with special niche products, can afford to pay such high prices.

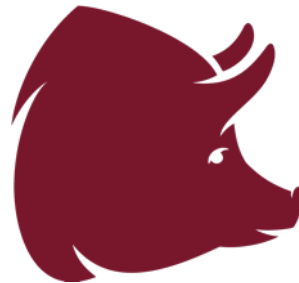




## Bristle Market

An interesting side effect is to see prices of black 90% tops did not rise further which means today we have to pay partly higher prices for a white bristle in sizes 76/83mm compared with a black bristle.

In my reports of past years, I gave you the reason for this development, breeding pigs is Intended for meat- and not for brush production.



## Export Statistic

Looking on the Chinese export statistics of HS Code 5202 we still see in the past years a constant export quantity of like 6500 to 7000 metric tons.

Why is this figure nearly constant despite reduced availability of bristle?

First it is clear, lots of export markets like Vietnam, Ukraine, South America, and Indonesia - the world's biggest consumers after China itself, are mainly consuming short sizes 44mm and 51mm which are still available. Secondly, the percentage of bristle mixture BSHP for the so-called European sizes 64mm and up has again increased.

In future, it will most probably increase further.

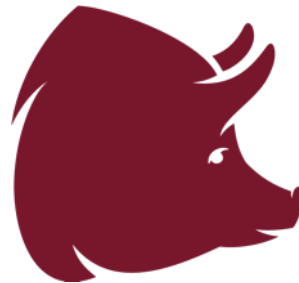


## Chinese Bristle Dressing factories

What happens with the Chinese bristle factories in such a changing environment?

The trend is moving to the smaller and more flexible family dressers. Bigger dressers who in the past made their profit in the middle sizes do not have a basis for their expensive cost structures anymore.

In the last 3 years, I had each year on my trip seen less of these big factories, either they were closed or working under Chapter 11. Currently we are watching this problem of the bigger companies with the help of our sourcing guy Wang Yong DKSH Shanghai very closely. As you can imagine in a market of usual prepayment practice this is a vital point.

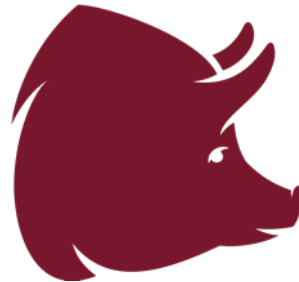


## Chinese Bristle Dressing factories

Why is the number of big factories shrinking?

Those big companies cannot produce the short sizes in a competitive way. Selling a white 44mm or white 51mm 60% tops is at current market price not profitable for the bigger companies. New business model is a small family workshop, which is located in the countryside, which is as well doing all kind of farming and breeding animals. This combined business model is still profitable in today market environment.

Actually, those small factories regard the bristle business as quite interesting and profitable.

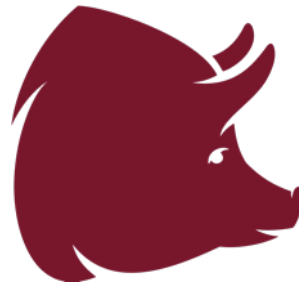


## Chinese Bristle Dressing factories

Moreover, the biggest advantage for them, buying only short sizes means no or only small bank credits. Cheap short sized bristle is plenty available, at one stage I guess it might even be for free.

No big amounts invested, family and farmers workers are cheap. It's a growing business model and to my surprise you find even in these small factories a considerable degree of mechanization: ranging from pure raw hair processing to bristle mixture producing.

Bristle dressing is becoming more like a modernized industry, rather than traditional handicraft. This can offset the production cost increase which is caused by raising labor cost and raw hair cost in China.



## Typical farm house with a bristle dressing factory in the backyard



Farm house



Washing part



## Typical Farm House with a bristle factory in the backyard a safe stock of raw material



## High mechanization



Typical Farm House with a bristle factory in the backyard and a safe stock of raw material and high mechanization





## First solution



Our job is to find all these small factories, which is a kind of challenge. Reason behind, in each of these small workshops who are producing container after container of short sizes we can as well find some quantities of middle sizes for our markets.

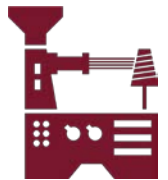


## Second solution



Second movement we observe, bigger bristle factories who managed to survive this change of the market, and still have enough capital are investing on a big scale into synthetic extrusion production, be it pure PET or PET/PBT or pure PBT Chemically tapered to either being blended with bristle or sold as pure synthetic.

For DKSH this change means, travelling around China and finding the best producer of synthetic, suitable for the different market demands in price and quality.



## Third solution: all kind of mixtures



**Chinese mixing machine**

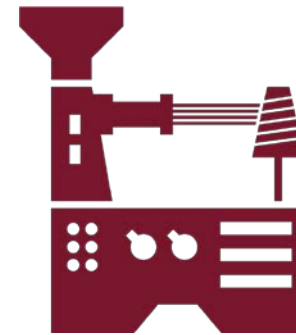


**Metal ROD with THREAD**



## Consequence

This is what we can offer to the changing market, appreciate and invite you for any more detailed discussion with me or my colleagues Marija and Eberhard.



## New challenge - new solutions



- If you have grandchildren you certainly know Shaun the sheep. In our family I am meanwhile the biggest fan of Shaun.
- Always stay hungry for new experiments.

Thank you for your attention

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