

# Good gunns and the australian pulp and paper manufacturing industry case study ex...

[Business](#), [Company](#)



## **What ‘ industry’ are we analyzing?**

The industry that we are analyzing today is Australia’s largest integrated hardwood and softwood forest products industry titled as Gunns Ltd. The year in which Gunns Company Ltd. established was 1875. This company has 3 major divisions that are forest products, plantations and others. The involvement of this company with the pulp and paper industry was as an exporter of hardwood and woodchips. The key market for this company was Japan. The traditional industry model had used woodchips to produce pulp to proceed with paper manufacturing operations.

## **What are the key drivers of growth in the industry and what is the expected future industry growth level?**

The highly competitive industry in the global market was pulp and paper industry in the year 2010. In this year, major exports had been taken place internationally. Nearly 30% paper produced and was traded in the global market. Whereas the prices started fluctuating, which was due to demand growth and increase in supply capacity.

## **What are the key drivers of profitability in the industry and what is the expected future profitability level?**

The annual turnover of Australian industry of pulp and paper was 8.6 billion in 2005-2006. The company started to make 3.2 million tonnes of paper in order to grab the demand of domestic market. The total world paper and paperboard product was up to 1.1%.

For the usage of raw material wood different technologies were emerged for the production of pulp through hemp, cotton and jute.

## **How do you expect this industry to evolve over the next 5 years? Why?**

The major source of the paper product is wood that is grabbed through pulp that has a higher percentage of pulp available in Australia and this country is the major exporter of the pulp in the world market.

Whereas future expectations from this industry for the next 5 years are potentially strong based on economic and environmental benefits. The vision for 2020 is that area for commercial tree crops will be trebled. A great expectation of economic growth, but major growth is expected in the Asian Pacific region. Also, there will be a major shortfall in the supply of timber and paper products by 2020.

## **Should Gunns enter this industry? If so, how and on what basis?**

Yes Gunns should enter into the paper production industry, because it will have the facility of pulp being produced on its own. This own pulp production will be used for the company itself for producing paper, so that it can lead the world as a massive paper producer and giant market shareholder for the paper product in the world market. Due to the development of Australian forestry standards it will bring more advancement in 8.5 million of native forest hectares and plantation with a certified endorsement from the Australian Forest certification scheme. This will help in growing a more profitable business, if the company enters to the manufacturing of the paper and its product.