

Year in Review: Top News in Chinese Disposable Hygiene Products

Industry in 2018

China National Household Paper Industry Association (CNHPIA)

In 2018, Chinese disposable hygiene products industry was under heavy pressure from all sides at home and abroad, including RMB devaluation, China-US trade war, rising raw material prices, stricter environmental protection policies and disorderly competition phenomena such as price wars in the industry. Faced with such pressure, the disposable hygiene products industry still struggled to move forward. Leading enterprises and backbone forces worked hard to train their internal skills, upgraded the level of technique, equipment and enterprise management, strengthened independent research and development, adhered to the position of domestic brands, and waited for the spring of Chinese disposable hygiene products industry.

I. The existing domestic disposable hygiene products enterprises invested in expanding production, upgrading the automation level of equipment, and building digital, intelligent and garden-style factories, such as Daddybaby, Hangzhou Qianzhiya, Guangdong Best Seller, U-play, PurCotton Era, Innova Lianbin, etc.

Leading enterprises explored the markets in the Belt and Road countries and developed countries. Hengan (Oriental) Hygiene Products Co., Ltd. was registered in Volgograd, Russia. Daddybaby continued to explore the Korea market. Hunan Cosom's baby diapers were launched into the markets in Australia and New Zealand at the same time.

There were still some enterprises from other industries entering the hygiene products industry to seek development, such as Hubei Mayinglong, Fujian Jinlu, Mickey Science and Technology, etc.

The famous online retailers and Wechat brands invested to build factories or extend to production field through mergers and acquisitions. For example, Anhui

Yanon Maternal and Child Products Technology Co., Ltd. was founded relying on China Fortune Land Development and Panda Mama maternal and baby products e-commerce platform. Care Daily and Hong Kong Su's integrated resources in the form of merger. The factory of Su's will operate independently as Care Daily's subsidiary.

II. The disposable hygiene products industry attached importance to the cooperation of upstream and downstream industrial chains in R&D. Many enterprises invested in establishing R&D centers or enterprise research institutes.

III. Disposable hygiene products continued to develop towards the high-end direction. Innovative products which can satisfy consumers' needs for personality, high quality and healthy life continued to show up.

1. Menstrual care products became more abundant. The functions of breathability and skin care were emphasized in sanitary napkins. The market of tampons and menstrual pants developed rapidly.
2. In response to the high-end consumption need in China, multinational brands continued to import the latest baby diapers. Domestic baby diaper brands strived for excellence. They started with details, constantly upgraded products and paid more attention to the breathability, comfort and safety of products.
3. Leading adult incontinences manufacturers conducted R&D aiming at the upgraded needs of skin friendliness, odor control, breathability, etc. after meeting the basic absorbency requirement. The multinational brands paid more attention to the light incontinent patients. In the current price-oriented market competition, leading enterprises abandoned the price means and concentrated on improving product performance and cultivating high-end market..
4. Wet wipes tend to use natural raw materials, such as cotton, linen, degradable viscose fibers. The functionality and degradability of products were attached greater importance.

IV. In order to meet the individualized and differentiated needs for disposable hygiene products, raw materials providers including nonwovens, fluff pulp, super absorbent polymer and hot melt adhesive providers, continued to develop and innovate, starting with details to create unique selling points.

V. Disposable hygiene products machinery providers focused on the stability, intelligence and customization of machinery and further improved production efficiency while increasing production speed. They not only met the requirements of domestic disposable hygiene products manufacturers but also strode forward to a broader international market.

VI. Revision of national standards and formulation of relevant new standards further standardized the production and promoted industry development.

Standard	Implementation Date	Notes
WS/T 575—2017 Hygienic Standard for Wet Wipes	Mar. 1, 2018	Formulated
GB/T 34448-2017 Measuring of Formaldehyde in Tissue Paper and Paper Products	May 1, 2018	Formulated
GB/T 35613-2017 Green Products Evaluation Paper and Paper Products	Jul. 1, 2018	Formulated
GB/T 22875-2018 Super Absorbent Polymer for Diapers and Sanitary Napkins	Jan. 1, 2019	Revised
GB/T 36420-2018 Safety Evaluation and Management System of Tissue Paper and Paper Products Chemicals and Raw Materials	Jan. 1, 2019	Formulated
GB/T 8939-2018 Sanitary Napkins (including pantliners)	Jul. 1, 2019	Revised

VII. New retail development was in full swing. The enterprises such as Hengan, Vinda, Kimberly Clark, P&G, Unicharm, Kingdom, Daddybaby, Chiaus, Hunan

Idore, Yinyin, Fitti, PurCotton Era, Little Nurse, Teddy Bear, Quanzhou Tianjiao, have actively tried the O2O, social marketing, Wechat business and other new marketing models to develop the new marketing patterns.

VIII. Import and export developed steadily. The change of foreign trade policy may benefit the disposable hygiene products industry.

- In the first three quarters of 2018, the import and export of disposable hygiene products developed steadily. The total import volume was 164,200 tons. Compared with the same period of last year, the import volume decreased while the price increased. The average price of export products was clearly lower than that of import products. Baby diapers accounted for the biggest share of export products, which was 34.02%. The main export destination was Russia.
- In order to ease the burden of enterprises and maintain stable growth of foreign trade, the State Council decided that from Nov. 1 2018, the export rebate rate would be raised to 16% for those goods with original rate of 15% and some with 13% (sanitary napkins, diapers and wet wipes probably included), 10% (some to 13%) for those with original rate of 9%, 6% (some to 10%) for those with original rate of 5% (toilet tissue, handkerchief tissue, facial tissue and paper napkin).
- On November 26, 2018, the pulp futures were formally listed on the Shanghai Futures Exchange, trading in Bleached Softwood Kraft Pulp. This will help the formation of an open and transparent pricing mechanism in the pulp market and provide effective risk management tool for the upstream and downstream enterprises in the industry.

IX. In 2018, the exchange rate fluctuated sharply, resulting in the devaluation of the RMB. China-US trade frictions led to the increase of the tariff on fluff pulp originating in the United States from 0 to 5%. This caused sharp price rise of most of the fluff pulp imported from the United States in Chinese disposable hygiene products industry. In addition, the prices of other kinds of raw materials

also kept increasing. The manufacturers were under tremendous operating pressure and the market competition became fiercer. Enterprises strived to improve the automation of equipment, strengthen production management, improve production efficiency, reduce waste of materials and energy, and develop high-end, differentiated products to ensure a certain profit margin.