



April 2006

# Forest Industry News

## NEW PROJECTS ANNOUNCED

### Planning Phase

**Hindustan Paper, India**, unveiled plans to build a 300,000 t/a greenfield fine paper plant in India's Uttar Pradesh state. The project is part of a range of investments aimed at raising the company's total capacity from 300,000 t/a to 800,000 t/a in 2010. The project is expected to cost around Rupee 12.5 billion (\$280 million). Start-up is penciled in for late 2010.

**Klinge Paperwerke, Germany** will rebuild PM2 at its recycled containerboard mill in Weener, northwest Germany. The overhaul is slated for mid-2007. The 220,000 t/a unit will be fitted with a Boost Dryer from Voith Paper.

**Ilim Pulp Enterprise** will build a greenfield corrugated packaging plant in the Leningrad region of Russia. Construction of the 140 million m<sup>2</sup>/yr facility is set to begin in Q4 of this year. The total investment is estimated at \$25-30 million.

**Boise Paper**, has approved a USD 72 million capital project to expand its production of pressure sensitive paper to meet growing customer demand. The project involves adding new capability to the existing 250-inch No. 3 paper machine at Boise's mill in Wallula, Washington, with state-of-the-art equipment that will increase the company's pressure sensitive capacity by 200,000 t/a.

**Guangdong Dingfeng Paper, China** will spend \$200 million on a new 200,000 t/a bleached eucalyptus kraft pulp line at its mill in Zhaoqing city, Guangdong province, China. Trial runs are slated for the end of 2008. The project will boost the plant's capacity to 300,000 t/a from 100,000 t/a with a mixture of bamboo and eucalyptus as furnish.

**Pskov, Russia**. The regional government is making progress with plans to build a new bleached chemi-thermomechanical pulp mill in Dyedovich, northwest Russia. Construction of the 600,000 t/a plant is slated to begin in July 2007, with start-up to follow in July 2009. The project will cost around €460 million (\$563 million). Andritz will be the main supplier.

**Pulp United, South Africa**, is proceeding with a feasibility study to build a new 300,000 t/a eucalyptus-based bleached chemi-thermomechanical pulp plant in Richards Bay.

**Lee & Man Paper Manufacturing**, has ordered 3 new linerboard machines, boosting the company's total containerboard capacity to 3.03 million t/a. The first machine (PM 9) is a Metso machine producing 430,000 t/a and will be installed at the Hongmei mill at a cost of €26 million (\$31 million). The other two will be 300,000 t/a machines purchased from Kanematsu and Kobayashi for Yen 3.6B (\$31 million) total.

**Whitefield Paper Mills, India**, has signed an MOU with the local government to set-up a greenfield 200,000 t/a printing and writing paper facility.

### Implementation Phase

**SAICA, Germany**, PM10 went into operation successfully on 17 March 2006. The first paper, with a basis weight of 90 g/m<sup>2</sup>, was wound at a speed of 1030 m/min. PM10, with a wire width of 8550 mm and a design speed of 1800 m/min, produces corrugating medium and testliner in a basis weight range of 75-145 g/m<sup>2</sup> from 100% recycled furnish. The output of the machine will be 400,000 t/a

**Augusta Tissue Mill**, has ordered a 2<sup>nd</sup> tissue machine from Metso Paper for its Augusta, Ga., mill, raising capacity to 66,000 t/a. The Metso PM would start-up first by the end of this year or early next year, according to company plans. The second PM, ordered from OverMeccanica, is set for start-up in second or third quarter 2007. Each machine has capacity of 33,000 t/a.

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**Andhra Pradesh Paper Mills (APPM)**, brought a new recovery island online at its Rajahmundry mill, in India's Andhra Pradesh state. The Andritz equipment comprises an evaporation plant, recovery boiler, recausticizing plant and a limekiln. The mill's pulp capacity will increase from 450 t/d to 500 t/d. An upgrade of the site's wood room is slated for completion in June 2006 as well. The investment is part of a Rupee 6.35 billion (\$141 million) scheme, which will raise the mill's total paper and board capacity from 98,500 t/a to 194,000 t/a through upgrades of some of the facility's five paper machines. The company is also considering installing a new paper machine at the site to increase its total capacity to 250,000 t/a.

## **MERGERS, ACQUISITIONS & PLANT CLOSURES**

**West Fraser Timber Co. Ltd., BC**, announced that it will permanently close the No. 1 pulp machine and wood room at its pulp mill in Hinton, Alberta, in Q4 of 2006. This will result in the loss of approximately 100 jobs and reduce production by approximately 70,000 t/a of northern bleached softwood kraft (NBSK) pulp.

**Irving Tissue, NY**, will shut down its #1 paper machine in Fort Edward, NY effective April 10, 2006. The paper making machine (PM#1) dates back to 1946 and produces approximately 12,000 t/a.

**DS Smith, UK**, has ceased production at its Sudbrook mill, South Wales. The facility produced up to 150,000 t/a of SC fluting on its sole machine, PM1. The mill was the UK's only SC fluting production site.

**Smurfit-Stone Container Corporation**, announced it will discontinue operations at its Smurfit-MBI corrugated container facility located in Pembroke, Ontario. The plant is tentatively scheduled to close before the end of July 2006. During the coming weeks, production will gradually be transferred to nearby Smurfit-MBI facilities.

**International Paper**, ceased producing coated freesheet at its 922,000 t/a Courtland, Ala., mill, as a result, none of Courtland mill's operations are any longer part of IP's coated paper div., and will not be included in the company's upcoming sale of coated and supercalendered paper assets. Courtland is one of the lowest cost uncoated freesheet mills in North America, according to RISI's North American Uncoated Freesheet Competitive Cost Study. The coated freesheet machine, PM33, is now producing C1S specialties and labels.

**SCA**, plans to cease production at its 33,000 t/a tissue mill in Tilburg, the Netherlands, on July 1<sup>st</sup>, 2006. It also halted production at its Djursland containerboard mill in Grenaa, Denmark, where PMs 1 & 3 combine for 100,000 t/a of recycled board.

**Tembec**, announced that its market pulp mill located in Smooth Rock Falls, Ontario will be idled indefinitely, effective July 31, 2006. The Smooth Rock Falls mill produces 200,000 t/a of Northern Bleached Softwood Kraft (NBSK) pulp. The idling will affect approximately 230 employees.

**Cascades**, is buying Carastar's coated recycled board mill in Sprague, CT for \$14.5 million. The facility has an annual production capacity of close to 180,000 shorts tons, which represents an estimated 7% of the North American coated recycled boxboard manufacturing capacity.

**MeadWestvaco**, shut PM1 at its 180,000 t/a Evadale, Texas SBS mill, although some production was shifted to other machines at the facility.

**Weyerhaeuser**, sold six composite mills to Flakeboard Company Ltd. of Markham, ON. The mills capacity to produce a total of 1.1 billion square feet annually. Also, 5 separate wood operating units were merged under one company called iLevel. Together, these businesses represent more than one-third of Weyerhaeuser's \$22.6 billion in company-wide revenue.

**Weyerhaeuser**, announced its intent to divest its uncoated freesheet paper business, possibly as a sale or merger.



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**PRODUCT PRICE SUMMARY (US\$)**

Product	Units	1995	2000	2003	2004	2005	2006E	2007E	Normalized	Current Price	Comments
NBSK Pulp (N.E.)	m. ton	880	680	525	617	611	650	670	655	650	Rising
BEKP (Europe)	m. ton	867	652	502	526	587	626	587	610	620	Rising
Newsprint	m. ton	670	565	503	547	610	670	690	635	670	Rising
Uncoated Freesheet	sh.ton	990	755	628	676	727	780	800	725	840	Rising
Light Weight Coated	sh.ton	1,226	1,065	829	859	997	1,050	1,080	1,030	995	Flat
Linerboard	sh.ton	510	470	421	468	478	530	540	480	565	Rising
Lumber #2&Btr.	Mbf	250	255	278	394	353	340	320	320	340	Rising
OSB	Msf	245	205	380	369	319	280	220	220	265	Rising
Canadian Dollar	US\$	0.73	0.67	0.72	0.77	0.83	0.87	0.87	0.87	0.89	Rising

*E= estimated*