

*April 2008*

Forest Industry News

NEW PROJECTS ANNOUNCED

Planning Phase

[Germany] The **European Commission (EC)** has approved state aid totaling Euro 83 million (\$131 million) granted to **Progroup**. The funds will go toward its project to build a new 650,000 tonne/a recycled containerboard mill in Germany. The group plans to construct a greenfield plant in Eisenhüttenstadt, Brandenburg state, in the east of the country. Start-up is due at the end of 2009. The scheme is expected to cost Euro 640 million. The machine, PM2, will be the world's largest containerboard unit. It will have a working width of 10.85 m and a design speed of 1,900 m/min. Output will comprise liner and fluting in the 70-130 g/m² range, mostly for conversion by Progroup itself. (PPI This Week, April 10, 2008)

[Indonesia] **United Fiber System (UFS)** is making progress with its plan to build a 600,000 tonne/a bleached hardwood kraft (BHK) pulp mill in South Kalimantan, Indonesia. Its subsidiary Marga Buana Bumi Mulia (MBBM) has signed an EPC contract with China MCC20 Construction. The agreement includes the supplier providing credit for 75% of the \$863 million project, which represents \$670 million. MBBM must finance the remaining 25% of the project. The EPC contract was signed on April 30, 2008. The plant is expected to be completed approximately 30 months later. (PPI Asia News, April 14, 2008)

[Russia] Russia's **Aspec Group** has signed an agreement with the Kostroma oblast to build a new pulp and paper plant and a sawmill in Manturovo, in the Kostroma region of western Russia. The group follows in the footsteps of Finland's Ruukki Group, which pulled out of the project earlier this year. The group plans to invest a total of Euro 2 billion (\$3.1 billion) into building a 800,000 tonne/a hardwood pulp mill, a 400,000 tonne/a paper mill and a 300,000 m³/a sawmill. The Kostroma regional authorities will provide 4.5 million m³ of forest resources for the project. Meanwhile, Ruukki Group is looking into other possible areas in Russia to build a new sawmill and a pulp plant. According to official information from the Russian Ministry of Industry and Energy (Minpromenergo), 13 investment projects in the forest industry have been granted a priority status since the resolution on priority investment projects in Russia was issued in June 2007. (PPI This Week, April 24, 2008).

[Russia] **Gotek** has announced plans to construct a new 280,000 tonne/a containerboard mill in Novomoskovsk, near Tula, Russia. Construction work is due to start at the beginning of 2009 and the firm hopes that the facility will be in operation in 2010. Suppliers for the project have yet to be chosen and will be announced in August. The project will cost around Rouble 8 billion (\$340 million). The paperboard mill is part of a Rouble 46 billion investment project, initiated by the Tula Regional Authorities and aimed at the social and economical development of the Tula oblast and the city of Novomoskovst. (PPI This Week, April 24, 2008).

[Russia] **UPM** has just signed an agreement with the Russian **Sveza Group** to form a joint venture company. The JV will invest Euro 1.2 billion (\$2 billion) into building a state-of-the-art industry facility in the Vologda region of northwest Russia. The letter of intent on the project was signed on December 19, 2007. The planned industrial complex would include a new pulp mill, a sawmill and a building panels (OSB) plant in the community of Sheksna, in the southern part of Vologda. The planned capacity of the pulp mill would be 800,000 metric tonnes, the sawmill 300,000 cubic meters and the OSB mill 450,000 cubic meters per annum. Ensuring sufficient logging rights on financially sound conditions is the essential precondition for future investment decisions. The estimated start-up of the mill would be in 2012. (PPI This Week, April 24 and April 30, 2008).



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[Russia] The **Krasnoyarsk regional authorities** have confirmed plans to build a 900,000 tonne/a bleached softwood kraft pulp (BSKP) mill in Lesosibirsk, the Yenisey region, eastern Russia. The facility, **Angara Paper Wood Chemical Plant**, will also produce 60,000 tonnes/a of tissue, 220,000 tonnes/a of chemi-thermomechanical pulp, 320,000 tonnes/a of coated boxboard, and 320,000 tonnes/a of uncoated boxboard. Angara Paper will invest Rouble 30.7 billion (\$1.3 billion) into the project. The mill is slated to start up in 2011. The investor hopes to sell its pulp in China, Europe, southeastern Asia and the USA. The Krasnoyarsk local authorities have also announced that construction of **Boguchanskiy Pulp and Paper Mill** in Yarki, the Boguchansk region, is scheduled to start toward the end of May. The project will include a 730,000 tonne/a BSKP mill, a 350,000 m³/a sawmill, a wood-based panel plant and a kraftliner PM. The sawmill is scheduled to come online in 2009, while the start-up of the pulp and paper mill and the wood-based panel plant are due in 2011. The total costs of the project will reach Rouble 72 billion (\$3 billion). Vnesheconombank of Russia will provide the financial support for the scheme. According to the regional authorities, investments in building transport infrastructure and developing the natural resources potential in the area will reach a total of Rouble 223 billion. (PPI This Week, April 30, 2008)

Implementation/Start-up Phase

[Sweden] **LPC** has brought a new tissue PM online at its Swedish Tissue plant in Kisa, Sweden. The 40,000 tonne/a PM3, which was originally scheduled to start-up at the end of last year, came on stream on March 15, 2008. It replaces an old 18,000 tonne/a PM, which has been dismantled. The site also houses one other unit, PM4, which produces some 22,000 tonnes/a of tissue. (PPI This Week, April 03, 2008)

[Poland] **Polpak Karton** has started-up a paper machine at its box converting plant in Poldeno, Poland. The company expects to begin regular production in April 2008. The start-up follows a Euro 20 million (\$30 million) revamp of the 2.8 m wide second hand Allimand paper machine, which was acquired from an unnamed Polish seller toward the end of 2006. The machine's new capacity should reach 80,000 tonnes/a of testliner and fluting, at a speed of 600 m/min. (PPI This Week, April 03, 2008).

[Germany] **Fripa Papierfabrik** has brought a new tissue PM online at its mill in Miltenberg, Germany. The Andritz-supplied unit, PM6, started-up in March 2008. It can produce some 28,000 tonnes/a of supersoft tissue, which will be converted on site into rolls and supplied directly to supermarkets in Germany. The mill also houses a 24,000 tonne/a unit, PM5. (PPI This Week, April 10, 2008).

[Russia] **Mondi** has begun work on a modernization program at its Syktyvkar plant in Russia's Komi Republic. The Euro 525 million (\$827 million) investment is due to be wrapped up in mid-2010. The project includes a new recovery boiler, evaporation plant and woodyard from Andritz, which will also rebuild the mill's two pulp lines. Metso is to upgrade the white liquor plant, and Pöyry will provide engineering services for the work on the pulp mill. FMW Austria is to supply the automated chip storage and reclaiming system. The woodyard will have the capacity to support pulp production of 875,000 tonnes/a and will comprise two debarking lines, one for softwood and one for hardwood. The plant's pulp capacity currently stands at 680,000 tonnes/a. The project includes rebuilds of the mill's uncoated woodfree PM14 and containerboard PM21. (PPI This Week, April 17, 2008).

[Russia] **Continental Management**, the controlling shareholder in the Baikal pulp and paper Mill in Baikal in the Irkutsk region, Russia, has confirmed plans to start-up a closed-loop water purification system at the plant on September 15, 2008. The mill has faced several court charges to suspend operations initiated by Russia's environmental watchdog, Rosprirodnadzor, since November 2007. According to an official report, published in April of 2008, concentration of mercury, sulfur, chlorides, phenol and suspended matter far exceeds the permitted levels in Lake Baikal. (PPI This Week, April 17, 2008).



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(Thailand) Siam Pulp & Paper (SPP) has begun installation work for a new uncoated woodfree machine at a Greenfield site in Thailand's Khon Kaen province, some 500 km northeast of Bangkok. Start-up is scheduled for late this year 2008. Voith paper is supplying the 200,000 tonne/a paper machine. It will have a wire width of 5.85 m and an operating speed of up to 1,300 m/min. The PM will produce copy and offset paper in a basis weight range of 55-140 g/m². Phoenix Pulp and Paper, a subsidiary of SPP, will provide furnish for the new machine. Phoenix's mill has a capacity of 235,000 tonnes/a of bleached hardwood kraft pulp and non-wood pulp. (PPI Asia News, April 14, 2008).

(China) Shandong Bohui Paper has placed an order with Metso Paper for a 1,400 tonne/day cartonboard machine for its mill in Zibo city, Shandong province. Start-up is scheduled for the second half of 2009. The value of the order is around Euro 100 million (\$157 million). The machine, which will have a wire width of 6.25 m and a design speed of 900 m/min, will produce mainly folding boxboard. (PPI Asia News, April 14, 2008).

(Russia) Estonian Pulp has started the construction of a new bleached chemi-thermomechanical pulp (BCTMP) plant in the Dyedovich area, Pskov region, Russia. In the first phase of the project, the mill capacity will reach 270,000 tonnes/a of hardwood BCTMP by 2010, for a total investment of Euro 300 million (\$470 million). In the second phase, by 2014, an extra 180,000 tonnes/a of softwood BCTMP will be added. The investor also plans to build a carton board machine of 480,000 tonnes/a at the site. Estonian Pulp and Andritz will invest a total of Euro 1 billion into the project, which is the biggest in northwest Russia. (PPI This Week, April 24, 2008).

(Turkey) Modern Karton has begun production on a new 400,000 tonne/a recycled containerboard machine, PM4, at its mill in Corlu, Turkey. The unit started production on April 18, 2008. PM4 will manufacture both brown testliner and recycled fluting, in a basis weight range of 70-120 g/m². Metso Paper supplied the 8 m wide PM, which has a design speed of 1,800 m/min and an operating speed of 1,500 m/min. (PPI This Week, April 24, 2008).

(Russia) Syktyvkar Tissue Group is in the final stage of installing a new Metso Paper tissue machine and a slitter/rewinder at its facility in the republic of Komi, Russia. Start-up for the machine is scheduled for July 2008. The new crescent former machine, PM2, will be able to manufacture up to 92 tonnes/day in the basis weight range of 13-28 g/m², based on 100% virgin pulp. Output will be sold on the Russian market. (PPI This Week, April 24, 2008).

(Saudi Arabia) Middle East Paper Company (MEPCO) is taking delivery of equipment for a third containerboard machine at its mill in Jeddah, Saudi Arabia. The unit is from an undisclosed source in the USA. It will have a capacity of 275,000 tonnes/a and produce testliner and recycled fluting in a basis weight range of 75-150 g/m². PM3's start-up is scheduled for August 2009. Civil works have been underway at the site for the past two months. MEPCO is financing the project itself. (PPI This Week, April 24, 2008).

(China) APP China is forging ahead with an expansion plan of its pulp and paper complex on the southern Chinese island of Hainan. The firm's subsidiary **Hainan Jinhai Pulp & Paper** has begun construction of a building at the site that will house the world's largest fine paper machine. The unit, PM2, will have a wire width of 10.96 m, a design speed of 2,000 m/min and a capacity of 900,000 tonnes/a. Start-up is scheduled for June next year. Voith Paper will supply the machine and its auxiliary systems, stock preparation, ventilation technology, automation and finishing gear. Siemens is providing the drives and electrical equipment. The supplier said PM2 at the Hainan complex would feature an online coater and would focus on making heavy weight coated fine paper, such as 250 g/m² grade. PM2 will be fed by the 1 million tonne/a bleached eucalyptus kraft (BEK) pulp line at the complex. A spokesman said production on the pulp line has reached 10,000 tonnes/month or 1.2 million tonnes/a. (PPI Asia News, April 28, 2008).



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(China) APP China has also established another subsidiary, **Hainan Gold Hongye Paper**, to operate a tissue plant at the Hainan complex. Four of the six tissue machines APP China has ordered from A Celli have come online at the mill and the remaining two units are slated to start-up in mid-2008. Each of the six machines is 2.8 m wide, with a design speed of 1,800 m/min and a capacity of 28,000 tonnes/a. On top of that, Hainan Gold Honigye is erecting six 20,000 tonne/a tissue machines at the plant manufactured by another APP China subsidiary, Jin Shun, whose factory is located in Dagang, near Gold East's Dagang mill. Jin Shun aims to supply another 12 PMs to the plant by the end of 2009, if the first six run smoothly. The BEK pulp line at the Hainan complex also feeds all the tissue machines there. (PPI Asia News, April 28, 2008)

(China) Oji Paper has started construction work for a large pulp and paper mill at a greenfield site in Nantong city, Jiangsu province, in China. Ground levelling has been nearly completed on the 203-ha site. The company has brought forward the commissioning of a 700,000 tonne/a bleached kraft pulp (BKP) line from 2012 to 2011 and has pushed back the start-up date of the mill's second 400,000 tonne/a fine paper machine from 2012 to 2011. However, the schedule for the facility's first 400,000 tonne/a woodfree paper machine is unchanged, with start-up slated for 2010. (PPI Asia News, April 28, 2008).

(China) Yueyang Paper has signed up Voith Paper to supply two new printing paper machines for a greenfield mill in Yueyang city, Hunan province in China. The units, PMs 9 and 10, will be identical, each with a wire width of 5.85 m, a design speed of 1,400 m/min and a capacity of 200,000 tonnes/a. The order is valued at RMB 900 million (\$129 million). Start-up is scheduled for the third quarter of 2009. The company aims to produce mechanical grades, such as SC paper, as well as copy paper, on the two machines. It also plans to install a 550 tonne/day deinking line at the mill to process mixed office waste paper to feed the machines, as well as a power station housing two 60 MW generator and a waste water treatment plant. The cost of the entire project is expected to cost RMB 2.6 billion (\$373 million). (PPI Asia News, April 28, 2008).

(Canada) White Birch said it will convert 100,000 tonnes of newsprint capacity to specialty grades, starting in May 2008 as US newsprint consumption declined 21% over the last three years for a total of two million tonnes. The conversion will take place F.F. Soucy mill in Rivière-du-Loup, QC. The company said production of 100,000 tonnes of standard newsprint will be switched to groundwood specialty grades, including hi-brites, lightweight directory paper, bulky news and others. Meanwhile, **AbitibiBowater** could announce more capacity cuts in the next few weeks following its review of high cost mills in Eastern Canada. (P&P Week, April 18, 2008)

MERGERS, ACQUISITIONS & PLANT CLOSURES

[Spain] The Irish packaging giant **Smurfit Kappa Group** has revealed plans to close its Valladolid recycled containerboard mill in northern Spain. The plant has a capacity of 130,000 tonnes/a and houses two machines. There are no plans to reuse the equipment elsewhere within the group or sell it. On top of the permanent capacity withdrawal, up to 80,000 tonnes of market-related downtime will be taken at plants across Europe, mostly during March or April 2008. The Group has spearheaded capacity reduction in recent years, removing an estimated 425,000 tonnes of recycled containerboard from the market by shutting seven mills during 2006 and 2007. (PPI This Week, April 03, 2008)

[Nordic Countries] **Stora Enso** plans to shutdown its 250,000 tonnes/a BSK pulp mill in Kemijärvi, Finland by the end of the month. The company is reportedly selling off the plant's final tonnes onto the open market. The firm is also set to close its 300,000 tonnes/a BSK Norrsundet mill in Sweden by the end of the year. (PPI This Week, April 03, 2008).



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(Italy) **Reno De Medici (RDM)** and **Cascades** are following last month's merger of their European recycled cartonboard operations with the creation of a commercial division joint venture (JV) and selecting a new board of directors. The JV will operate under the name of **Careo**. RDM will hold 70% of the new division and Cascades the remaining 30%. Giuseppe Garofano is now the board's chairman. Bernard Lemaire is the vice chairman and Ignazio Capuano has become the company's managing director. (PPI This Week, April 03 and April 10, 2008)

(USA) **US capacity** to produce paper and paperboard moved down again in 2007 - continuing a seven-year fall - but is expected to rise somewhat in 2009 and 2010 behind new tissue machine projects, according to the **American Forest & Paper Association (AF&PA)**. In total, US capacity is off almost seven million tons since a peak of nearly 104 million tons in 2000. US capacity of paper and paperboard totaled 97.1 million in 2007. Looking ahead, paper and paperboard capacity is to decline 0.7% in 2008 - a projected eighth consecutive year in decline - then rise a marginal 0.2% in 2009 and 0.3% in 2010, according to the survey. Sixteen machines are expected to close this year, equaling 845,000 tons. Most of the shuts are in coated and uncoated freesheet (UFS) printing and writing papers. Between 2008 and 2010, almost 1.4 million tons of printing and writing grade capacity will shut, nearly 70% of which is UFS. (P&P Week, April 4, 2008)

(USA) Seven different companies toured the shut **Tembec** mill in St. Francisville, LA, and a company official said the operation could be sold by the end of May 2008, according to a report in the Advocate News in Baton Rouge. (P&P Week, April 4, 2008).

(USA) **MeadWestvaco (MWV)** reached a definite agreement to sell its North Charleston, SC, unbleached kraft mill and related assets to **Kapstone Paper and Packaging** for \$485 million in a deal that is expected to close by the end of the third quarter. The three-machine North Charleston mill has capacity of 882,000 short tons/a and last year produced 833,000 short tons of saturating kraft (used as a laminate in furniture and countertops), linerboard, and unbleached kraft boxboard. (P&P Week, April 11, 2008).

(USA) **Producers and Publishers** continue to move toward lighter weight newsprint as standard 30-lb (48.8 g/m²) newsprint - the benchmark basis weight for pricing in North America - is losing ground to the lighter weight 45g/m² or less. About 60-70% of newsprint production in the Eastern USA is now 45g/m² or less, and in the West the lighter weights account for more than 90% of shipments, according to mill sources. As a result, the average basis weight of all North American shipments last year was 46.5 g/m², which according to RISI contributed 395,000 tonnes to the decline in US newsprint consumption in 2007. (P&P Week, April 11, 2008).

(USA) North American newsprint consumption fell drastically in the first quarter of 2008, with a 12.8% decline in consumption or 205,000 tonnes, according to the **Pulp and Paper Council (PPPC)** newsprint statistics flash report. Major sources blamed the weak economy and the drastic drop in advertising as the main causes of newsprint consumption decline. Web width reductions and circulation are a very small percentage. Advertising is off more than 30% in some categories and is not coming back. (P&P Week, April 25, 2008).

(Finland) **Stora Enso** has shut its 250,000 tonne/a bleached softwood kraft pulp mill in Kemijärvi, northern Finland. A spokesman for the firm stated the official closure on Sunday April 27, took place peacefully, despite a continuing controversy regarding the loss of 214 jobs in an isolated area where the mill was the primary employer. In January, Stora Enso signed a letter of intent to sell part of the real estate to the Finnish technology growth company Anaika Group. The group intends to establish high-quality engineering works and glue laminated timber beam operations at the site. (PPI This Week, April 30, 2008)



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PRODUCT PRICE SUMMARY (US Dollars)

Product	Units	2001	2002	2003	2004	2005	2006	2007	2008E	2009E	Current Price
NBSK Pulp (N.E.)	m. ton	547	462	525	617	611	681	800	882	900	900
BEKP (N.E.)	m. ton	485	458	502	520	587	642	707	801	810	840
Newsprint 48.8 g/m ² (US East)	m. ton	585	465	503	547	610	668	585	666	717	652
Unc. Freesheet No.3 Offset 50 lb (US)	sh. ton	715	692	628	676	727	815	832	905	972	900
LWC 34 lb (US)	sh. ton	1,017	867	829	859	997	978	923	1083	1,140	1,090
Linerboard 42 lb (US East)	sh. ton	430	391	371	418	428	488	517	547	583	540
Lumber #2&Btr. (W-SPF 2x4, FOB)	Mbf	286	270	278	394	353	296	250	224	244	226
OSB 7/16" (N-C US)	Msf	159	160	380	369	319	218	160	147	151	147
Canadian Dollar	US\$	0.65	0.64	0.72	0.77	0.83	0.88	0.93	0.98	0.92	0.99

E = estimated

Sources: RISI Monthly Commentaries (April 30, 2008) & Wood Markets Monthly (April 2008)

