



July-August 2008

Forest Industry News

NEW PROJECTS ANNOUNCED

Planning Phase

[Russia] Groundbreaking for the new Boguchanskiy Pulp and Paper Mill in Yarki, in the Krasnoyarsk area of eastern Russia, has been pushed back to September 2008. The delay with the construction start is not expected to affect the overall scheme. In 2009, a 350,000 m³/a sawmill is planned to come online, while the start-ups of the 730,000 tonne/a bleached softwood kraft pulp mill, a kraftliner machine and a wood based panel plant are due in 2011. The Boguchanskiy P&P Mill project is closely connected with the construction of a hydro power station in the same region, which will generate electricity for the facility. The start-up of the hydropower station is slated for 2009. This Boguchanskiy mill is one of the several priority investment projects in the forestry sphere developed in the Krasnoyarsk area. Other schemes include a 900,000 tonne/a BSK pulp mill in Lesosibirsk, in the Yenisey region, which is due to be completed by 2011, and a 600 million m³/a plywood plant in Sosnovoborsk, also in the Yenisey region, expected to start-up in 2009. (PPI Europe, July 24, 2008)

[Belgium] VKP Packaging Group has revealed plans to build a new recycled containerboard mill in Europe. The investment is expected to cost Euro 200 million (\$313 million). The Belgian group is considering two potential locations for the plant – one in Zeitz, eastern Germany, and the other in Wroclaw, southwest Poland. Construction will take two years, with start-up targeted for 2011. The 300,000 tonne/a facility will be able to produce lightweight materials, with output planned in the 80-160 g/m² range. (PPI Europe, July 31, 2008)

[Europe] The European Commission (EC) has approved under the European Union (EU) Merger Regulation a proposed 50/50 joint venture, Borea, between UPM and Sveza Group. By 2012, the Finnish and Russian companies intend to start-up a 800,000 tonne/a pulp mill, a 300,000 m³/a sawmill and a 450,000 m³/a oriented strand board, building panels facility, in Sheksnin, the Vologda region, northwest of Russia. The whole investment is worth approximately Euro 1.2 billion (\$1.9 billion). Borea is set to complete a feasibility study during the third quarter. (PPI Europe, July 31, 2008).

[Belarus] The state-owned company Bellesbumprom has revealed details of the construction of a new 150,000 tonne/a bleached hardwood pulp mill in Belarus. The project, which has been high on the government's agenda for at least five years, will be implemented on the site of the Svetlogrsky Pulp and Board Mill in Svetlogorsk, in the Gomel region, and will become the first stage in the mill's complex modernization program for 2008-2018. The plant's design and construction works are scheduled to begin in 2009. The facility is expected to start-up in 2012. (PPI Europe, August 21, 2008).

[Russia] Ilim Group has announced that an investment in its mill in Koryazhma, in the Arkhangelsk region of Russia, has been granted the status of a priority investment project by the federal authorities. According to a spokesman, the priority status will enable the group to lease forest land for the scheme at 50% of the base tariff. In addition, expenses from the development of social and economic infrastructure in the region can be partially covered by the country's Federal Investment Fund and the regional authorities. Under the scheme, in the board division, the group will modernize the existing equipment and install some new gear to increase production and improve the quality of kraftliner and fluting for its developing corrugating business. (PPI Europe, July 17, 2008)



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(China) Sun Paper has unveiled plans to install a 100,000 tonne/a alkaline peroxide mechanical pulp (APMP) line at its plant in Yanzhou city, Handong province, China. Start-up is scheduled for May next year. Andritz will supply the pulp line. Sun Paper has already started the groundwork in July 2008. Installation work for the equipment is slated to kick off in December 2008. (PPI Asia, August 11, 2008).

(Australia) Gunns is unlikely to meet a deadline for providing environmental information for its planned new market pulp mill in the Australian state of Tasmania, according to the federal Environmental Minister Peter Garrett. Just last July, a report by **Access Economics** cast doubt on the project, saying construction of the mill was “less likely to happen with every passing day”. Earlier in August 2008, local newspapers reported that the chief executive of **Leighton Holdings**, the company contracted to build the plant, has also expressed doubts about the realization of the scheme. (PPI Asia, August 25, 2008).

(Brazil) Just one week after Aracruz announced it could build three new market pulp mills by 2015 (July 18), Suzano announced a major capacity expansion plan that could bring its total pulp and paper capacity to 7.2 million tonnes/a. Suzano plans to increase its pulp capacity by 4.3 million tonnes/a from 2008 to 2015 with three pulp lines and the expansion of the Mucuri mill. The plan includes a new pulp mill in the south of State of Maranhão, one mill in the state of Piauí, and debottlenecking projects on two Mucuri lines. The third new line could be installed at one of the greenfield mills or another location. (Pulp & Paper Week, July 25, 2008)

(Venezuela) Venezuela’s basic industries ministry announced an \$813 million project to construct a state-owned pulp and newsprint mill in north eastern Venezuela. Start-up is slated for the first half of 2010. The new complex will be located in Independencia municipality, Anzoátegui state, and named Empresa de Producción Social de Pulpa y Papel (Pulpaca). The first part of the facility to begin operation will be the newsprint machine, which will have a capacity of 250,000 tonnes/a, including 36,000 tonnes/a of improved newsprint. (Pulp & Paper Week, August 22, 2008)

Implementation/Start-up Phase

(Finland) UPM has started-up a new chemical recovery plant at its Kymi pulp mill in Finland. It replaces two outdated chemical recovery lines, increasing energy self-efficiency, cutting production costs and reducing the environmental impact. Construction of the new recovery plant, said by the firm to be the biggest investment project in the whole Finnish forest industry, started in May 2006. The final value of the project exceeds Euro 340 million (\$541 million). (PPI Europe, July 17, 2008)

(Russia) Solombalsky Pulp and Paper Mill has launched a project to build a wood preparation plant with an annual capacity of 1 million m³ of chips at its facility in the Arkhangelsk region of northern Russia. Andritz has signed up to do the basic engineering of the plant, while Giprobum-Pöyry will conduct detailed project planning. Construction work will start at the beginning of 2009. (PPI Europe, July 17, 2008)

(Germany) Progroup has pushed back the start date of a new recycled containerboard mill it will build in Germany. It was aiming to bring the 650,000 tonne/a plant online at the end of next year. But is now scheduled for February 2010, as the project is delayed for two months. Metso Paper will supply the production line, including stock preparation equipment and the board machine, PM2. At 650,000 tonnes/a of capacity, it will be the world’s largest containerboard unit, with a working width of 10.85 m and a design speed of 1,900 m/min. Earlier this year, the European Commission approved state aid totalling Euro 83 million (\$132 million) for the Euro 640 million project. (PPI Europe, July 24, 2008).



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(Russia) Investlesprom has chosen **Vaahto Pulp and Paper Machinery** to supply equipment for the modernization of PM7 at Kama Pulp and Paper Mill in Krasnokamsk, the Perm region, Russia. Under the scheme, PM7 will be converted from newsprint production to light weight coated (LWC) paper production. Vaahto will deliver a new wire section with top former and a headbox. The firm will also install an online coater, multi-nip calendar and a center-wind assisted reel. After the overhaul, the PM7's capacity is expected to increase from 45,000 tonnes/a to 80,000 tonnes/a. The total cost of the order is about Euro 30 million (\$45 million). The rebuild is set to be completed by the end of 2009. (PPI Europe, August 21, 2008).

(China) **Nine Dragons Paper (Holdings)** has brought online four recycled containerboard machines with a combined capacity of 1.6 million tonnes/a at two board mills in China. These include a 350,000 tonne/a lightweight fluting unit, PM18, and a 450,000 tonne/a linerboard machine, PM19, at the group's plant in Dongguan city, Guangdong province, as well as the 450,000 tonne/a linerboard PM20 and the 350,000 tonne/a lightweight fluting PM21 at its facility in Taicang city, Jiangsu province. (PPI Asia, July 14, 2008).

(China) China's **Zhejiang Jingxing Paper** has unveiled plans to install a white-top liner machine at its mill in Pinghu city, Zhejiang province. Start-up is scheduled for the end of 2009. The new unit, PM13, would have a capacity of 200,000 tonnes/a. The machine will have a width of 4.88 m and a design speed of 800 m/min. The firm has ordered three headboxes and a top former from Finland's Vaahto Pulp and Paper machinery. The order is valued at Euro 4 million (\$6.3 million). (PPI Asia, July 14, 2008).

(Vietnam) **Tan Mai Paper** has received permission from The Lam Dong authorities to build a Dong 600 billion (\$35 million) pulp plant in the province, located in the Central Highlands region. Construction is due to begin this year, with start-up scheduled for 2010. The plant is expected to produce 200,000 tonnes/a of pulp, but the specific grade is not clear. In addition, Tan Mai will install a 200,000 tonne/a second-hand coated fine paper machine at the Bien Hoa mill later this year. (PPI Asia, July 14, 2008).

(China) **Lee & Man Paper Manufacturing** has started-up a 300,000 tonne/a recycled containerboard machine, PM13, at a greenfield mill in China's southwestern municipality of Chongqing. The firm aims to commission another recycled containerboard unit, the 420,000 tonne/a PM17, at the Hongmei facility in December 2008. It is also set to bring online a 420,000 tonne/a recycled containerboard machine, PM15, and a 150,000 tonne/a BHK pulp line at a greenfield mill in Hau Giang, southern Vietnam, in 2009. The firm plans to install another recycled containerboard unit at the Chongqing plant, the 300,000 tonne/a PM16. Start-up is slated for December 2009. Such big expansions by the two top Chinese producers (together with Nine Dragons) have raised overcapacity concerns amid price falls in the domestic market. (PPI Asia, July 14 & 28, 2008).

(China) **Shandong International Paper & Sun Coated Paperboard** has started-up a 400,000 tonne/a cartonboard machine at a brownfield site in Yanzhou city, Shandong province, China. The new machine, PM22, is the first in the country that is capable of producing liquid packaging board (LPB). The company is a 50/50 joint venture between US giant International Paper (IP) and China's Sun Paper. China relies on LPB imports and consumes around 150,000 tonnes/a. Output on PM22 is aimed at replacing those imports. Metso Paper provided the whole production line. This includes a complete three-ply machine with five coating stations, enabling the production of folding boxboard, art board and LPB in a basis weight range of 150-350 g/m². The PM has a wire width of 5.1 m and a design speed of 900 m/min, with a capacity exceeding 400,000 tonnes/a. (PPI Asia, August 11, 2008).



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(China) Hunan Tiger Forest & Paper has kicked off trial runs on a 400,000 tonne/a pulp line at a greenfield mill in Huaihua city, Hunan province, China. The pulp line is carrying out trial production of bleached softwood kraft (BSK) pulp, made with woodchips of masson pine harvested from the company's plantations in the area. The unit, which was provided by Andritz, is the largest BSK pulp line in China. The country's biggest pulp line is owned by APP China's subsidiary Hainan Jinhai Pulp & Paper and has a BHK capacity of 1 million tonnes/a. (PPI Asia, August 11, 2008).

(China) Japanese giant **Oji Paper** has picked **Voith Paper** to supply a coated woodfree paper machine for its greenfield mill in Natong city, Jiangsu province, China. Start-up is scheduled for mid-2010. Voith will build the complete production unit from the stock preparation to the rewinder. The 8.2 m wide machine, PM1, will have a capacity of 400,000 tonnes/a. Oji Paper aims to install a 700,000 tonne/a bleached hardwood kraft (BHK) pulp line at the plant, making it an integrated facility. The BHK line is due to come on stream in 2011. (PPI Asia, August 25, 2008).

(Canada) The long awaited conversion project at **AV Nackawic** should be completed by mid-August 2008, swinging operation in New Brunswick from northern bleached hardwood kraft (NBHK) market pulp to dissolving pulp output. The conversion allows the mill to produce 190,000 tonnes/a of viscose staple dissolving pulp mostly for parent company Aditya Birla Group's plants in Asia. (Pulp & Paper Week, August 1, 2008).

MERGERS, ACQUISITIONS & PLANT CLOSURES

(Italy) **The Burgo Group** will close its 210,000 tonne/a coated woodfree paper mill in Chieti, Italy. The facility is currently operating at around 40% of its full capacity as a result of market-related downtime. Production will cease entirely on August 4, 2008. No decision has been taken on what will become of the Chieti site and its two paper machines, although Burgo has ruled out any solution involving future production of similar grades at the mill. (PPI Europe, July 17, 2008)

(Europe) The newsprint market has been tightening steadily since producers were forced to accept price declines of up to 6% in the first quarter of 2008. Over 1 million tonnes of temporary and permanent capacity curtailments are scheduled to take place before the end of 2009. Several producers including **Norske Skog, Holmen Paper, UPM, Stora Enso and Myllykoski** have taken measures recently, or are in the process of reducing newsprint output, and several manufacturers have indicated that they are prepared to take any further steps necessary to manage supply and ensure a return to profitability. (PPI Europe, July 24, 2008)

(Europe) **Sappi** has announced plans to slash 190,000 tonnes/a of unprofitable coated woodfree paper capacity from its European operations. The company is looking to shut down its 120,000 tonne/a coated fine paper Blackburn mill in the UK and intends to cease production on PM5 (60,000 tonne/a capacity) at its Maastricht plant in the Netherlands. (PPI Europe, August 7, 2008).

(USA) Responding to the rapidly deteriorating market for coated printing and writing papers in the USA, **Newpage** said it plans to shut its large coated freesheet (CFS) mill at Kimberly, WI, at the end of the month. The closure removes about 500,000 tons/a of coated papers production, and cuts Newpage's overall production cost average by \$18-20/ton. It also reduces the company's total coated paper capacity by roughly 12.5%. The shut capacity at Kimberly represents about 5% of the 10 million tons of coated paper capacity in the USA. Newpage said the Kimberly mill is disadvantaged compared to other mills in the company's system because it does not have an integrated pulp supply. (Pulp & Paper Week, August 1, 2008)



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(USA) International Paper (IP) completed the acquisition of **Weyerhaeuser's** Containerboard, Packaging, and Recycling assets in a \$6 billion transaction that makes IP the world's largest containerboard/corrugated box producer, and the biggest recycler and consumer of recovered paper in North America. Because the transaction is a purchase of assets rather than of stock, IP will realize a tax benefit that has an estimated net present value of about 1.4 billion, resulting in a net purchase price of \$4.6 billion. (Pulp & Paper Week, August 1, 2008)

(USA) While trying to develop a biomass energy solution, **Katahdin Paper** will indefinitely shutter on September 2, 2008 its 180,000 tons/a supercalendered (SC-A) paper mill at Millinocket, ME. A solution to restore Millinocket's competitiveness is using biomass energy from wood waste to replace the mill's dependence on oil. According to the State Governor, the mill's 208 employees would be hired back and operation started again if a new biomass gasification system was installed. Operations at East Millinocket mill, which has two 115,000 tonne/a directory paper machines, are unaffected by the Millinocket mill's closure. (Pulp & Paper Week, August 29, 2008)

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	869	831	880
BEKP (N.E.)	m. ton	485	458	502	520	587	642	707	811	771	840
Newsprint 48.8 g/m ² (US East)	m. ton	585	465	503	547	610	668	585	696	774	728
Uncoated. Freesheet No.3 Offset 50 lb (US)	sh. ton	715	692	628	676	727	815	832	919	1,014	945
LWC 34 lb (US)	sh. ton	1,017	867	829	859	997	978	923	1093	1,170	1,115
Linerboard 42 lb (US East)	sh. ton	430	391	371	418	428	488	517	570	603	630
Lumber #2&Btr. (W-SPF 2x4, FOB)	Mbf	286	270	278	394	353	296	250	238	277	265
OSB 7/16" (N-C US)	Msf	159	160	380	369	319	218	160	171	187	196
Canadian Dollar	US\$	0.65	0.64	0.72	0.77	0.83	0.88	0.93	0.981	0.948	0.941

E = estimated

Sources: RISI Monthly Commentaries (August 29, 2008), Wood Markets Monthly (August 2008) & Foreign Exchange Consensus Forecasts (August 11, 2008)



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