



August to November 2009

Forest Industry News

NEW PROJECTS ANNOUNCED

Planning Phase

(China) Guangdong Zhongshun Paper is building a greenfield tissue paper mill in Tangshan city, Hebei province, China. The plant will house four virgin fibre-based PMs with a total capacity of 1,000,000 tonnes/a. The investment will cost around RMB 550 million (US\$80.5 million). Start-up of the first PM is penciled in for April 2011. The equipment suppliers have not been chosen. Construction work on the mill buildings and a power plant at the site started in July. (PPI Asia, August 17, 2009).

(China) Despite substantial falls in revenue and profit, **Nine Dragons Paper** (Holdings) has restarted four projects which were previously put on hold late last year. PMs 27, 28, 29 and 30, are all scheduled to come online before the end of next year. At the Dongguan mill, PM27 will be producing greyback and whiteback coated duplex board, and folding boxboard for food packaging, and the unit's capacity will be increased from 450,000 tonne/a to 600,000 tonne/a. The new 350,000 tonne/a PM28 will produce lightweight corrugated medium. (PPI Asia, Sept. 28, 2009)

(Canada) Domtar, Canfor, and West Fraser stand to gain one-third of Canada's C\$1 billion federal Pulp and Paper Green Transformation Program (PPGTP), which was developed largely in response to the US government's roughly \$7 billion black liquor alternative fuel funding program. Eligible firms have until March 2012 to gain federal approval for their mill projects. Local press reports indicated mill officials were considering a variety of proposals which are expected to range from new boiler projects to air pollution remediation or research and development. The top 10 allocations were: Domtar (\$143.5M), Canfor Pulp (\$122.2M), West Fraser (\$88.4M), AlPac (\$62.9M), Daishowa-Marubeni (\$59.1M), Mercer Celgar (\$57.8M), Howe Sound Pulp and Paper (\$45.5M), AV Group (\$33.4M), Irving Pulp and Paper (\$33.4M) and AbitibiBowater (\$33.2M). (Pulp & Paper Week, Oct. 16, 2009)

(USA) Magnolia BioPower will locate its \$130 million pellet mill/power plant complex in Brantley County, Georgia. It will consume an estimated 2.3 million green tons/a of wood, producing 1 million tons/a of pellets and 30 MW of electricity. The announcement will put North America's largest pellet mill in one of the continent's most competitive woodbaskets. Startup is anticipated in spring, 2012, a local press report said. Magnolia CEO John Swann (founder of Pacific BioEnergy and former director of the Wood Pellet Association of Canada) told reporters the Magnolia mill would steer away from using sawlogs or pulpwood in its process. However, a source suggested there would be grave concerns among nearby wood consumers, given Magnolia's supply requirements (which are equal to top-quartile pulp mills). Pellets produced at the facility will be shipped to Europe. (RISI, Oct. 16, 2009)

(USA) Green Circle Bio Energy announced plans to build a second wood pellet mill in either Georgia or Mississippi, almost identical to its year-old operation in Cottdale, FL. The new \$140 million project will begin operation in spring 2011 with an annual production capacity of 560,000 tons/a. The new mill will use softwood in its process, consuming about 1.2 million green tons/a. As with the Florida location, roundwood will comprise about 90% of the feedstock, with the rest in the form of sawdust. (RISI, Oct. 16, 2009)

(USA) Domtar will convert its Plymouth, NC, mill to 100% fluff pulp output, nearly tripling its fluff pulp capacity to 440,000 tonne/a in the fourth quarter of 2010 when it will complete the \$73.5 million project. The firm targets the new output at export markets where disposable diaper use is growing. (Pulp & Paper Week, Oct. 23, 2009)



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(Poland) Weyerhaeuser will build a cellulose fibers processing plant in Gdansk, Poland, the country's largest port city. The facility, which will process cellulose fibers for use in hygiene products, will employ at least 45 people when completed in 2012. It will be Weyerhaeuser's first cellulose fibers manufacturing plant outside of North America, and Procter & Gamble will be the plant's main customer. (PPI Europe, Nov 5, 2009)

(Russia) UPM has postponed its greenfield pulp and sawmill project in the Vologda region of northwest Russia. The project, which is still at the feasibility stage, includes an 800,000 tonne/a pulp plant, a 300,000 tonne/a sawmill and a 450,000 m³/a oriented strand board panels facility to be started by 2012. According to UPM, any decisions on the next steps of the project can be expected at the end of 2011 at the earliest. New alternative site options are being assessed, both in the Vologda region and outside of it. (PPI Europe, Nov 5, 2009)

(China) Lee & Man Paper Manufacturing, has decided to go ahead with the installation of a planned kraftliner machine, PM15, at a greenfield mill in Hau Giang province, Vietnam. It is slated to come online before the end of 2010. Lee & Man already signed up Metso to supply PM15 back in 2007. The three-ply kraftliner machine will have a wire width of 7.25m and a design speed of 1,150 m/min, with a capacity of 400,000 tonne/a. (PPI Asia, Nov. 23, 2009).

Implementation/Start-up Phase

(UK) Paperfabrik Palm has finished the installation of a new newsprint machine at its mill in King's Lynn in the UK, at the end of July 2009 and is now conducting test runs. The unit, PM7, was scheduled to kick-off production in mid September, but according to CEO Wolfgang Palm, the company is ready to start-up the machine a bit earlier, perhaps even in August. The PM will produce 400,000 tonne/a of newsprint in a basis weight range of 42-48.8 g/m² using 100% recovered paper and it should reach full capacity in four or five years. (PPI Europe, Aug. 6, 2009)

(China) Nine Dragons Paper (Holdings) has started mechanical tests on two recycled containerboard machines at a greenfield mill in Tianjin municipality, China. The 450,000 tonne/a linerboard PM25 and the 350,000 tonne/a lightweight fluting PM26 are slated to produce their first sheets of paper at the end of August 2009. The start-up of the two machines will take the packaging giant's total containerboard and cartonboard capacity in China from 7.75 million tonne/a to 8.85 million tonne/a. (PPI Asia, Aug. 17, 2009).

(China) Metso Paper has revealed more details about a new coated woodfree machine ordered by **Shandong Chenming Paper Holdings**. The 800,000 tonne/a PM will be installed at the firm's mill in Shouguang city, Shandong province, China. The Finnish supplier will provide the complete line from headbox to reel with two winders, in an order valued at Euro 170 million (US\$ 243 million). The PM will have a wire width of 11.15 m. Start-up is scheduled for the first quarter of 2011. (PPI Asia, Aug. 17, 2009).

(China) Shandong Huatai Paper has bought a second-hand newsprint machine for a Greenfield mill in Jiangmen city, Guangdong province, China. Instead of installing a new 400,000 tonne/a PM as originally planned, the country's largest newsprint producer has decided to erect the 220,000 tonne/a second-hand unit at the new site. The machine, which was previously called PM8, came from the bankrupt Chinese producer Qiqihar Paper's defunct plant in Qiqihar, Heilongjiang province. (PPI Asia, Aug. 31, 2009)

(China) Yueyang Paper has started trial runs on a printing/writing paper machine at its mill in Yueyang city, Hunan province, China. The 200,000 tonne/a unit, PM10, was supplied by Voith paper. It has a wire width of 5.85 m and a design speed of 1,400 m/min. It is fed with deinked pulp (DIP) from a 550 tonne/day line provided by Andritz. PM10 will produce mainly uncoated printing/writing paper with basis weights of 70-80 g/m². Output will be predominantly sheeted to make copy paper, for sale on the domestic market. (PPI Asia, Aug. 31, 2009)



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(South Korea) Donghae Pulp has signed up Voith paper to supply a 450,000 tonne/a fine paper machine for its Onsan mill in Ulsan city, South Korea. Start-up is scheduled for the first half of 2011. The unit will have a wire width of 9.3 m and a design speed of 1,500 m/min. It will produce uncoated and coated woodfree paper in the basis weight range of 75-150 g/m². (PPI Asia, Aug. 31, 2009)

(Poland) Mondi has brought a new 470,000 tonne/a recycled containerboard machine on stream at its Swiecie mill in Poland. The firm is also set to start-up a related 250 million m²/a box plant at the facility. Total cost of the project was Euro350 million (\$503 million). PM7 produces lightweight grades and has a wire width of 8.6 m, a 7.8 m winder width and a design speed of 1,800 m/min. Metso Paper supplied the complete production line, including the machine, a 1,550 tonne/day old corrugated container line and the winder. (PPI Europe, Sept. 10, 2009)

(China) Fujian Liansheng Paper has ordered a 300,000 tonne/a containerboard machine for its mill in Zhangshou city, in Fujian province on the southeast coasts of China. Start-up of the Metso Paper unit is scheduled for the fourth quarter of 2010. PM3 will have a wire width of 6.4 m and a design speed of 1,100 m/min. Output will comprise recycled fluting in a basis weight range of 80-120 g/m². (PPI Asia, Sept. 14, 2009)

(China) MCC Paper Yenhe has brought an uncoated woodfree paper machine online at its North plant in Linqing city, Shandong province. The 200,000 tonne/a Metso Paper unit has a wire width of 5.28 m and a design speed of 1,3000 m/min. The project cost totalled RMB 1.18 billion (\$172.8 million). The PM is fed by a mixture of imported bleached hardwood and softwood kraft pulp. It produces 40-120 g/m² uncoated fine paper for sale to converters, for processing into book and copy paper. (PPI Asia, September 14, 2009)

(Australia) Visy Industries has successfully started-up a new kraftliner machine at its Tumut mill in New South Wales, Australia. The Over Meccanica machine, PM10, has a width of 7.49 m and a design speed of 1,200 m/min with a capacity of 414,000 tonne/a, according to the Italian supplier. Andritz carried out the fiber expansion, which has boosted the plant's USK pulp capacity from 270,000 tonne/a to 700,000 tonne/a and its recovered paper processing capacity from 50,000 tonne/a to 120,000 tonne/a. (PPI Asia, Nov. 9, 2009)

(China) Sun Paper has kicked-off trial runs on a new bleached hardwood kraft (BHK) pulp line at its mill in Yanzhou city, Shandong province, China. The company is presently fine-tuning the new line after starting it up on November 15, 09. Commercial production is expected to follow within a month. The BHK line, which was supplied by Andritz, has a capacity of 200,000 tonne/a, larger than the previously reported figure of 170,000 tonne/a. The new addition will take the Yanzhou complex's total pulp capacity to 530,000 tonne/a. (PPI Asia, Nov. 23, 2009)

MERGERS, ACQUISITIONS & PLANT CLOSURES

(Brazil) Votorantim Celulose e Papel (VCP) finalized its acquisition of **Aracruz Celulose**, creating the world's largest producer of market pulp with about 5.7 million tonnes/a of bleached eucalyptus (BEK) pulp capacity. **Fibria**, the newly combined Brazilian based company, has over 6 million tonne/a of total pulp and paper capacity and 15,000 employees. The combination of what are already two of the world's lowest-cost producers will produce operational and commercial efficiency gains estimated as R\$4.5 billion (about \$1.9 billion). The new company's estimated pulp cash cost would be the lowest in the world at just \$240/tonne. (Pulp & Paper Week, Sept. 4, 2009)



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(China) Norske Skog has entered into an agreement with a Chinese producer to sell off its last remaining mill in China as part of a global cost-cutting exercise. Shandong Huatai paper has agreed to buy NorskeSkog Hebei in Zhaoxian, China, for NOK 800 million (\$137 million), which cut Norske Skog's debt and boost its effort to improve profitability at its remaining mills. The sale of the mill, which has a newsprint capacity of 330,000 tonnes/a and employs around 250 employees, is subject to approval by the Chinese authorities and is expected to be concluded by the end of the year. (PPI Asia, Sept. 28, 2009)

(Slovakia) Smurfit Kappa Group (SKG) has announced plans to close its Sturovo mill in Slovakia, the group's only site producing semi-chemical (SC) fluting. SKG expects final production to take place in March 2010. The Sturovo mill has the capacity to produce 200,000 tonnes/a of semi-chemical fluting in a basis weight range of 112-210 g/m² and employs 350 people. SKG blames the excess capacity in the European containerboard market and the reduction in demand caused by the global economic downturn. Further factors contributing to the proposal to close the mill have reportedly been currency swings and new recycled containerboard capacities in central and eastern Europe. (PPI Europe, Oct. 8, 2009)

(Brazil) Fibria on Oct. 8 signed the final contract with **CMPC** to sell its Guaíba pulp unit, located in Rio Grande do Sul state, southern Brazil, to the Chilean based company for \$1.43 billion. The Guaíba unit includes a 450,000 tonnes/yr bleached eucalyptus kraft (BEK) pulp mill and a 58,500 tonnes/yr uncoated woodfree paper mill as well as forests and plantations. (PPI Latin America, Oct. 14, 2009)

(USA) International Paper (IP) announced permanent US capacity closures totalling 2.1 million tons or 13% of the company's total global capacity of 16 million tons/a. The closures include the company's Franklin, VA, uncoated freesheet (UFS) mill and its Pineville, LA, and Albany, OR, linerboard mills. The closures include 1.4 million tons/a of containerboard capacity, of which 720,000 tons was not previously announced with the remainder from two machines indefinitely idled since last fall. The shutdown of Franklin would eliminate 600,000 tons/a of UFS capacity and 140,000 tons/a of coated paperboard. (Pulp & Paper Week, Oct. 23, 2009)

(Canada) West Fraser will permanently close its 450,000 tonne/a Eurocan linerboard and kraft paper mill in Kitimat, BC, effective Jan. 31, 2010. The 40-year-old mill, which has a capacity of 335,000 tonnes/a of kraft linerboard and 115,000 tonnes/a of extensible sack kraft paper, "historically struggled with high costs and negative returns," the company said. Eurocan is one of only two kraftliner mills left in a shrinking Canadian containerboard industry that has become increasingly recycled fiber-based in recent years. The mill accounts for an estimated 15% of Canadian and 1% of total North American containerboard capacity. (Pulp & Paper Week, Oct. 30, 2009)

(Russia) Russia will postpone increasing the export duties on certain roundwood timber by one year, maybe two, according to prime minister Vladimir Putin. The higher tariffs would thus not come into effect in 2010, possibly not in 2011 either. According to a source at the Finnish foreign ministry, an official decision has yet to be made by Russia. (PPI Europe, Nov. 5, 2009).

(South Africa) Sappi said it will close its 190,000 tonne/a mill in Usutu, South Africa on Jan. 31, 2010 due to "adverse market conditions" and a fire that destroyed 40% of the mill's timber crop. The closure means Sappi exits softwood unbleached kraft (UBK) market pulp. (PPI Europe, Nov. 5, 2009)

(Finland) Stora Enso restarted production at its Enocell pulp mill in Uimaharju, eastern Finland, on October 26, 09. Production was halted at the end of March due to weakened demand and was only supposed to restart in January 2010. The mill produces some 435,000 tonnes/a of bleached softwood kraft pulp and 215,000 tonnes/a of bleached hardwood kraft pulp. (PPI Europe, Nov. 19, 2009).



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PRODUCT PRICE SUMMARY (US Dollars)

Product	Units	2002	2003	2004	2005	2006	2007	2008	2009E	2010E	Current Price
NBSK Pulp (N.E.)	m. ton	462	525	617	611	681	800	839	667	758	800
BEKP (N.E.)	m. ton	458	502	520	587	642	707	782	564	658	700
Newsprint 48.8 g/m ² (US East)	m. ton	465	503	547	610	668	585	695	560	584	480
Uncoated. Freesheet No.3 Offset 50 lb (US)	sh. ton	692	628	676	727	815	832	912	863	859	855
LWC 34 lb (US)	sh. ton	867	829	859	997	978	923	1,085	936	922	890
Linerboard 42 lb (US East)	sh. ton	391	371	418	428	488	517	569	545	498	530
Lumber #2&Btr. (W-SPF 2x4, FOB)	Mbf	270	278	394	353	296	250	220	178	215	189
OSB 7/16" (N-C US)	Msf	160	380	369	319	218	160	171	161	177	158
Canadian Dollar	US\$	0.64	0.72	0.77	0.83	0.88	0.93	0.942	0.883	0.995	0.942

E = estimated

Sources: RISI Monthly Commentaries (Oct. 2009), Wood Markets Monthly (Nov. 2009) & BMO Capital Markets Economic Outlook (Nov. 20, 2009) and spot rate of Nov. 24