



August 2005

Forest Industry News

NEW PROJECTS ANNOUNCED

Planning Phase

Stora Enso announced that it has signed a letter of intent to start a joint venture with Chinese board producer Foshan Huaxin Packaging Co., Ltd., which has begun investing \$160 million in building a white lined chipboard (WLC) machine with a production capacity of 250,000 t/a. Machine to be completed during the second half of 2006.

Georgia-Pacific plans to upgrade several tissue paper production lines at the larger of its two Green Bay, Wis., facilities, the world's largest tissue mill with 426,000 t/a capacity. G-P's plans include dryer replacement and vacuum system upgrades to PM 1.

Korindo Group, S. Korea plans to invest in a greenfield integrated paper mill in Kalimantan, Indonesia with a capacity of 130,000 t/a of lightweight coated paper and 100,000 t/a of mechanical pulp.

Estonian Pulp plan to build a new bleached chemi-thermomechanical pulp (BCTMP) mill. Construction is slated to begin in July 2007. The plant will produce 600,000 t/a of BCTMP in the Dyedovich area of Pskov, northwest Russia at an estimated cost of E400 million (\$486 million).

Tiger Forest & Paper has unveiled plans to build a greenfield pulp mill in Changde city, Hunan province, China. The plant will house a 300,000 t/a chemi-thermomechanical pulp (CTMP) line. The company is also planning a 100,000 ha poplar plantation to feed the facility.

Sappi is planning a further expansion at its Saiccor dissolving pulp mill in Umkomaas, near Durban, South Africa. The proposed \$300 million investment includes the addition of a new production line and will increase the facility's capacity by 200,000 t/a to a total of 850,000 t/a.

UPM is to install a new 400,000 t/a supercalendered (SC) paper machine at one of its mills in continental Europe. The firm plans to decide on the PM's location by the end of the year, but has said that the Augsburg and Schongau plants in Germany and the Stracel facility in France are likely contenders. The new SC-A machine is scheduled to come online during the fourth quarter of 2007.

Indonesia's Ministry of Forestry says that a US\$1.3 billion greenfield pulp and paper mill is being investigated for construction in Borneo. Unnamed investors from India and Malaysia are looking to tap into timber-rich Kalimantan, the Indonesian part of Borneo, which occupies the southern two-thirds of the island. It is estimated that around 300,000 ha in either West or Central Kalimantan would be turned into plantation forest if the project gets the green light. A feasibility study is under way, and will be completed in either November or December this year.

Forscot has completed the first phase of fundraising to develop its proposed \$1.8 billion forest products complex in Invergordon, Scotland. The facility will house a 550,000 t/a pulp mill and a 420,000 t/a SC paper facility, as well as a saw mill and a renewable energy plant.

Implementation Phase

Arauco, Chile will restart its Valdivia pulp mill after the board of directors authorized the resumption of operations. The decision marks the end of over 60 days of downtime that began when Arauco voluntarily closed the eucalyptus and radiata pine pulp plant in Chile's Los Lagos region on June 8 due to COREMA's (the regional environmental authority), decision to substantially alter the plant's operating license. The 550,000 t/a capacity has been capped at 80%, or 440,000 t/a.



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Kruger Inc., Quebec, Canada started building a 23 MW biomass cogeneration plant at its Kruger Bromptonville mill.

Puyang Longfeng Paper, China has started trial runs on a 100,000 t/a alkaline peroxide mechanical pulp (APMP) line at its greenfield mill in Puyang city, Henan province. Commercial production is expected to begin in one to three months.

International Paper has begun construction of a 250,000 t/a aspen BCTMP pulp line IP's Svetorgorsk mill in Russia. The line is scheduled to start in Q4 2006.

MERGERS, ACQUISITIONS & PLANT CLOSURES

Smurfit-Stone Container Corporation announced plans to permanently close production capacity at three NA containerboard mills as part of the company's ongoing assessment and restructuring efforts. To close are; the #2 paper machine at its Fernandina Beach, Florida linerboard mill, its New Richmond, Quebec linerboard mill, and its Bathurst, New Brunswick corrugated medium mill.

Kimberly-Clark, Australia will shut down its Lonsdale mill near Adelaide. The mill produces personal hygiene products.

Shandong Chenming Paper Holdings and **ArjoWiggins** plan to form a joint venture for the production of decor paper in China. The company will be based in Shouguang, Shandong province, a city where Shandong Chenming already has four paper and board mills. The companies plan to spend some \$40 million on a new 50,000 t/a decor paper machine, although it is not yet clear where it will be installed.

International Paper announced that it has signed a locked in agreement with Rank Group Investments Limited (based in New Zealand) to sell its shares of Carter Holt Harvey Limited (CHH) for US\$1.16 billion.

Stora Enso has acquired a majority stake in VLAR Papier from the Belgian waste management company Indaver. VLAR Papier collected nearly 190,000 tonnes of paper and board for recycling last year at its two facilities in Tiselt and Ghent. The firm brought a new 400,000 t/a newsprint machine, PM 4, online at the plant in May 2003.

Cascades Inc. has announced a plan to streamline activities at Cascades Fine Papers Group, Thunder Bay Inc., in Ontario, Canada, which specializes in the manufacturing of coated and specialty papers. This plan involves the closing of the #5 paper machine and the converting operations.

International Paper confirmed it is in discussions with Shandong Sun Paper Ltd. about forming a joint venture for coated paperboard production in China.

International Paper has announced a decision to relocate its global headquarters to Memphis, TN., from Stamford, CN. The company expects the move to be complete by Aug. 1, 2006.

PRODUCT PRICE SUMMARY (US\$)

Product	Units	1995	2001	2002	2003	2004	2005E	2006E	Normalized	Current Price	Comments
NBSK Pulp (N.E.)	m. ton	880	547	462	525	617	625	640	625	585	Falling
BEKP (Europe)	m. ton	867	485	458	502	526	568	550	576	590	Falling
Newsprint	m. ton	670	585	465	503	547	605	630	595	625	Rising
Uncoated Freesheet	sh.ton	990	715	692	628	676	750	770	700	715	Falling
Light Weight Coated	sh.ton	1,226	1,017	867	829	859	1,000	1,050	1,010	1,035	Rising
Linerboard	sh.ton	510	444	427	421	468	490	490	450	445	Falling
Lumber #2&Btr.	Mbf	250	286	270	278	394	355	300	305	296	Falling
OSB	Msf	245	159	160	380	369	305	220	200	260	Rising
Canadian Dollar	US\$	0.73	0.65	0.64	0.72	0.77	0.80	0.77	0.77	0.84	Rising