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Forest Industry News

NEW PROJECTS ANNOUNCED

Planning Phase

[Poland] Mondi has selected its Swiecie mill in Poland as the location for a new lightweight recycled containerboard machine. The unit, PM7, will have a capacity of some 470,000 tonnes/a and will be supplied by Metso paper, along with a 1,550 tonnes/day old corrugated container line. Start-up is scheduled for mid-2009. The project cost will total Euro 350 million ($519 million). This includes Euro 305 million for the new PM investment and Euro 45 million for a new corrugated box plant with a capacity of some 250 million m^2/a. (PPI This Week, Feb. 7, 2008)

(Finland) UPM has teamed up with Lassila & Tikanoja (L&T) to develop a new ethanol and energy production concept that uses commercial and industrial waste, such as paper, cardboard, wood and plastic, for the first time. UPM and L&T have studied the concept in cooperation with the Technical Research Centre of Finland (VTT). Deinking sludge, which is generated in mills that use recycled fiber when printing inks are removed for recovered paper, would also be a suitable raw material. These planned ethanol and energy production plants could operate in connection with a waste treatment unit or a paper mill. A portion of the waste used as raw material would also be used for generating ethanol and a portion for generating energy. "There is no such plant in existence today" UPM' s executive VP, Hans Sohlstrom, said. (PPI This Week, Feb. 7, 2008)

(Russia) German businessman Karl Poschenreiter is looking to build a new pulp plant in Arkhangelsk Oblast, Russia, according to the federal district's official website. The German plans to build a roundwood timber and pulp facility in the region. The plant is expected to have a capacity of 1.5 million m^3/a of timber. No figure was released for pulp. (PPI This Week, Feb. 14, 2008)

(Russia) Ilim Pulp has unveiled preliminary plans to expand its activities in Russia's Irkutsk province, which includes its mills in Bratsk and Ust-Ilimsk. The project will roll out between now and 2012. The company is aiming to increase its total pulp and paper production at the two mills by 195,000 tonnes/a to just over 1.6 million tonnes/a. Ilim will install a new printing and writing PM at the Bratsk mill. This machine will be the first office PM between the Urals and the Far East. In addition, Ilim is planning on stepping up its production at the Bratsk and Ust-Ilimsk mills by expanding its wood harvesting activities in Siberia from 8 million m^3/a to 9.2 million m^3/a. (PPI This Week, Feb. 21, 2008).

(Turkey) The Turanlar Group plans to start-up a new tissue machine at its mill Vezirkopru, Turkey, in 2009. PM2, with a capacity of 45,000 tonnes/a, will be significantly bigger than PM1, which has an effective capacity of 4,000 tonnes/a. Neither cost nor machine's suppliers have been announced. (PPI This Week, Feb. 21, 2008).

(Russia) Ruukki Group's planned new sawmill project in Kostroma, western Russia, has been removed from the Kostroma region's register of investments. The priority investor status application for the sawmill has been turn down. The status of the group's pulp mill has not changed, though. The first phase of the project would include the construction of a 300,000 m^3/a sawmill in Manturovo, 500 km northeast of Moscow. In the second stage, the group aims to build either an 800,000 tonnes/a BKP or a 300,000-500,000 tonnes/a BCTMP plant, also in Manturovo. The pulp facility would start-up toward the end of 2010. (PPI This Week, Feb. 28, 2008).

(USA) Georgia Pacific (G-P) plans to spend almost $100 million on efficiency improvement projects at tissue mills in Green Bay (Broadway Operation), WI and Halsey, OR. G-P will spend $50 million at the recycled-content 407,000 tonnes/a Broadway mill for a deinking line that replaces an old one, and provides better cleaning equipment and fiber yield for what has become a major issue. The new line should run in first quarter 2009 and the focuses on increasing yield from recovered paper. Recycled-content tissue makers in North America are struggling with declining quality for office paper, their main furnish, since the escalation of shredders began in 2000. Five years ago, the average recycled-content tissue mill yield in North America was 65-72%. Today, it's 60-66%. (Pulp &Paper Week, Feb.18, 2008)

Implementation/Start-up Phase

[South Germany] Myllykoski has started up a new 380,000 tonnes/a super calendered (SC) paper machine at its Plattling Papier mill in Bavaria, southern Germany. The 11.3 m wide unit, which has a design speed of 2,000 m/min, produces its first paper at the beginning of December 2007. The firm aims to produce 285,000-300,000 tonnes on the machine this year. Metso Paper supplied the machine. The new site employs 114 people. (PPI This Week, Feb. 7, 2008)

(Poland) Polpak Karton is working on an overhaul of the paper machine at its plant in Poldeno, Poland. The facility is currently used for box converting. The firm has commissioned 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. After the work, the unit will be producing testliner and fluting. It was previously used for producing book paper. (PPI This Week, Feb. 7, 2008)

(Germany) Progroup has signed up a couple of suppliers for its project to build a new 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 in the 4th Q 2009. Metso has landed the machine order for a 650,000 tonnes/a PM, which will be the world's largest containerboard unit. The machine will be able to make liner and fluting in the 70-130 g/m^2 range. The Metso order is valued at approximately Euro 200 million (US$296 million). Pöyry has secured a Euro 10 million contract to provide engineering for the scheme. The total cost for the project was estimated at Euro 630 million. (PPI This Week, Feb. 7, 2008)

(Europe) More new capacity of containerboard is due to come on stream soon. Modern Karton hopes to begin testing a new 400,000 tonnes/a containerboard machine, PM4, at its facility in Corlu, Turkey, this month. Several more new machines are planned in Europe. Besides Mondi and Progroup, The Hamburger Group plans to invest in two new paper machines. One 450,000 tonnes/a PM will be installed in Dunaujvaros, Hungary. Start-up is scheduled for July next year, and a 450,000 tonnes/a unit will be erected at Hamburger's plant in Spremberg, Germany. But this machine is not due to come online until the first half of 2010. (PPI This Week, Feb. 7, 2008)

(Russia) North-West Timber Company (NWTC) has begun preliminary work for the installation of a new paper machine, PM10, at its pulp and paper mill in Neman, Russia. The unit will produce uncoated woodfree paper. Its capacity has not been specified. The site currently produces some 150,000 tonnes/a of paper and board on eight PMs. The company is also looking to install a new wastewater treatment facility at the site this year. (PPI This Week, Feb. 14, 2008)

(Egypt) Islamic Paper Manufacturing Company has unveiled major expansion plans that include the start-up of two additional PMs at its plant in Menofeya, Egypt. In April, the company will start-up a newly acquired recycled carton board machine, PM2, purchased from Mayr-Melnhof's Neusss mill, Germany. The machine will have a capacity of about 95,000 tonnes/a. The firm is also working toward the start-up of another machine, PM3, which will reconstitute from a range of sources. Installation will begin after the start-up of PM2. (PPI This Week, Feb. 28, 2008)

(Australia) Amcor has revealed that it will close three recycled containerboard machines at its Fairfield plant, neat Melbourne, in Victoria, after the start-up of a new plant near Sydney, in New South Wales, Australia. A spokesman has confirmed that construction of the new 345,000 tonnes/a facility will start in the third quarter of this year and will take about 30 months to complete. It will cost some A$400 million ($369 million) to build the mill. The new unit will produce 105-200 g/m^2 testliner and 80-190 g/m^2 recycled fluting. (PPI Asia News, March 03, 2008).

(Indonesia) United Fiber System (UFS) has picked up a new turnkey supplier for its project to build a 600,000 tonnes/a bleached hardwood kraft (BHK) pulp mill in South Kalimantan, Indonesia. Its Subsidiary Marga Buana Bumi Mulia (MBBM) signed a similar deal with China National machinery & Equipment Import & Export Corporation (CMEC) in December 2003. But the scheme hardly progressed since then. MBBM has now inked an agreement with China MCC20 Construction, a subsidiary of the China Metallurgical Group Corporation. Under the deal, valued at some $863 million, MCC20 will be responsible for the design, procurement and supply of all equipment, civil work and installation. The company will also provide supplier's credit for the project. It expects to complete the pulp plant in 2010. (PPI Asia News, March 03, 2008).

(Indonesia) Asia Pulp & Paper's subsidiary **Indah Kiat Pulp & Paper** is building a 700 tonnes/day recycled containerboard machine at its Serang mill in West Java, Indonesia. Start-up of PM5 is scheduled for the end of July 2008. PM5 will focus on producing white-top liner. Equipment for the machine has been sourced from a number of foreign and domestic suppliers. The headbox and a calendar have been ordered from a Polish supplier PMP Group. (PPI Asia News, March 03, 2008).

MERGERS, ACQUISITIONS & PLANT CLOSURES

[UK] M-real has agreed to sell off its New Thames office paper mill located in Kemsley, UK, to DS Smith for £60 million ($118 million). DS Smith plans to convert the planes PM to produce lightweight corrugated case materials (CCM) later this year. The transaction also included the remaining 50% of Grovehurst Energy, a joint venture between the two companies, which provides energy, and other services to the entire site. (PPI This Week, Feb. 7, 2008)

(Europe) Norske Skog has announced further details of its planned newsprint capacity reductions. The firm proposes total shuts of 450,000 tonnes/a across Europe and South Korea, amounting to around 7 of its global capacity. Among the affected mills is the Steti mill in the Czech Republic (130,000 tonnes/a), the 130,000 tonnes/a PM2 at the Follum mill in Norway and the permanent closure of the 190,000 tonnes/a Cheongwon newsprint in South Korea has also been advocated. (PPI This Week, Feb. 14, 2008)

(Italy) German and Italian anti-trust regulators have approved the plan to merge **Cascades**' European recycled carton board assets into Italy's **Reno De Medici (RDM)**. The deal is expected to be finalized by the end of the month. The deal will make RDM the second biggest European carton board producer behind Austria's Mayr-Melnhof, which has a capacity of about 1.7 million tonnes/a. Post-merger, this will bring RDM's recycled cartonboard capacity up to around 1.1 million tonnes/a. (PPI This Week, Feb. 14, 2008)

(Italy) The **Burgo Group** has permanently shut down PM7 at its Villorba mill in Italy. The unit, which has a capacity of 40,000 tonnes/a of uncoated mechanical and brown kraft paper, is up for sale. Burgo has also completed the shutdown of its mechanical paper mill in Marzobotto, northern Italy, in December 2007. The plant, which manufactured some 70,000 tonnes/a of lightweight coated paper and 45,000 tonnes/a of deinked pulp, had been idle since June 2006. (PPI This Week, Feb. 14, 2008).

(Europe) Several producers took some much-needed uncoated freesheet capacity out of the market last year in the hope of tightening supply. **Stora Enso** closed its 235,000 tonnes/a Berghuizer uncoated woodfree paper facility in the Netherlands at the end of October. Meanwhile, **M-real** shut its 175,000 tonnes/a uncoated woodfree paper mill in Wifsta, Sweden, toward the end of July. The latter is set to take some more capacity out of the market by the end of this year. Meanwhile, the **Mondi Group** is considering temporarily or permanently shut taking out some capacity at selected European uncoated woodfree paper plants if needed. (PPI This Week, Feb. 14, 2008).

(Spain) **Grupo Alfonso Gallardo** has completed the acquisition of newsprint producer **Papresa**. The rice tag was not disclosed. The firm plans to invest some Euro 100 million (US$145 million) in Papresa's facility in Renteria in the Basque region, over the next few years. The group aims to install a new deinking plant at the site, rebuild PMs 5 and 6 as well as improve its water treatment process and storage system. Papresa has three machines at the plant and can produce 375,000 tonnes/a of newsprint. Papresa employs some 275 people. (PPI This Week, Feb. 14, 2008).

(Finland) **M-real** has stopped production on PM2 at its Kangas mill in Finland on February 20. The company has yet to reach a decision on the fate of the machine, which produced 100,000 tonnes/a of coated mechanical paper. The Kangas plant houses another unit, PM4, which manufactures 205,000 tonnes/a of LWC. Also the firm's BTCMP mill in Lielahti is set to be shutdown during the spring. The mill is the company's oldest and smallest BCTMP facility, with a capacity of 105,000 tonnes/a. (PPI This Week, Feb. 21, 2008).

(Finland) **UPM** is to begin a 10-month temporary shutdown on PM4 at its 610,000 tonnes/a Kajaani publication paper mill in Finland on February 26, 2008. The unit is to be shut as part of the firm's plan to curtail its standard newsprint output by 250,000 tonnes in 2008. (PPI This Week, Feb. 21, 2008).

(Finland) **The VTT technical research Center** of Finland (VTT) has announced a second enhanced paper and wood product project, this time centering on nanotechnology applications of cellulose. VTT will carry out research at the future Finnish Center for Nanocellolosic Technologies, which is set to open on March 1st, 2008, in partnership with **UPM** and the **Helsinki University of technology TKK**. 40 scientists will look into how nanofibrils, the microscopically small components of cellulose fibres, can be produced uneven qualities and used to alter wood derivatives. Possible products could include enhanced high-strength products, films, adhesives, insulators and filters. (PPI This Week, Feb. 21, 2008).

(Finland) **Metso Paper** has acquired the pulp and paper machinery business of Japan's Mitsubishi Heavy Industries (MHI). The move will see MHI's activities in the sector transferred to the Finnish company and to its Japanese subsidiary, Metso Paper Japan. Both companies hope it will be settled by March 31 2008. (PPI This Week, Feb. 21, 2008).

(Finland) **Myllykoski** said it would consolidate all its business operations in Europe into a single organization and divide them into coated and uncoated papers divisions to improve profitability and customer service. The company's North American operations would remain unaffected and would retain their existing organizational structure, the company said. (Pulp &Paper Week, Feb.18, 2008).

(Sweden) Rotteneros is set to shut down its 180,000 tonnes/a stone groundwood and CTMP mill in Utansjö, Sweden in May 2008. A total of 140 positions will be affected. GWD pulp production will cease by the end of May 2008, while CTMP production will stop a month earlier. The cost of closing the facility will be around SEK 90 million ($14 million). (PPI This Week, Feb. 28, 2008).

(USA) Catalyst expands newsprint clout with buy of Snowflake mill from AbitibiBowater for $161 million. AbitibiBowater will use the proceeds to repay debt. The acquisition of Snowflake boots Catalyst's total newsprint production capacity by 60% to about 980,000 tonnes/a, and moves the company into fourth place in the North American newsprint production hierarchy with 8.6% market share, behind AbitibiBowater, White Birch and Kruger. However, there is wide spread belief that newsprint industry consolidation in Western North American is not yet over. Some sources suggested that SP Newsprint purchaser **White Birch** would exit the West Coast and sell its Newberg mill and recycling operation to Catalyst. (Pulp &Paper Week, Feb.18, 2008).

(USA) Sinar Mas moved into a major position in the North American pulp market after gaining court approval on February 12, 2008 for its purchase of bankrupt **Pope & Talbot's (P&T)** three NBSK pulp mills in Oregon and British Columbia. Sinar Mas, the parent of major Asian papermaker Asia Pulp and Paper (APP), gains 820,000 tonnes of mostly NBSK capacity at mills in Halsey, OR, and Nanaimo and Mackenzie, BC. Last year, Sinar Mas also acquired the Meadow Lake, SK, market pulp BCTMP mill. (Pulp &Paper Week, Feb.18, 2008)

(Canada) Catalyst Paper's board of directors last week approved a C$12 million upgrade of TMP capacity at the Port Alberni, BC, mill and the restart of its directory machine PM4 by mid year. The decision resulted from efforts by community and local union leaders to improve the mill's cost competitiveness. The five-year agreement reduces Port Alberni's costs by $45/tonne, and Catalyst hopes similar contracts could be negotiated for all the company's mills. (Pulp &Paper Week, Feb.18, 2008).

(Canada) Domtar once again began discussions with government official about reopening the Prince Albert, SK, mill that was idled in 2006, as a standalone market pulp operation. If the two sides work out a deal quickly, it would take months to restart the mill. Meanwhile, Domtar is finalizing a plan to move the paper machine out of Price Albert to a mill in the US South, most likely Plymouth, NC. It is expected a milder climate in US South will preserve the machine better than in the colder weather of Prince Albert. Another smaller mill, Evergreen Pulp, recently shifted to bleached softwood kraft output in Samoa, California. (Pulp &Paper Week, March 03, 2008).

KSH Consulting

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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	838	840	880
BEKP (N.E.)	m. ton	485	458	502	520	587	642	707	783	755	800
Newsprint 48.8 g/m^2 (US East)	m. ton	585	465	503	547	610	668	585	663	717	615
Unc. Freesheet Offset 50 lb (US)	sh. ton	715	692	628	676	727	823	815	832	905	862
LWC 32 lb (US)	sh. ton	1,017	867	829	859	997	978	923	1083	1,130	1,040
Linerboard 42 lb (US East)	sh. ton	430	391	371	418	428	503	517	540	553	540
Lumber #2&Btr. (W-SPF 2x4, FOB)	Mbf	286	270	278	394	353	296	250	229	243	210
OSB 7/16" (N-C US)	Msf	159	160	380	369	319	218	160	146	148	135
Canadian Dollar	US$	0.65	0.64	0.72	0.77	0.83	0.88	0.93	0.99	0.92	1.01

E = estimated Sources: RISI Monthly Commentaries (Feb. 29, 2008) & Wood Markets Monthly (Feb. 2008)