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Forest Industry News

NEW PROJECTS ANNOUNCED

Planning Phase

(Australia) Gunns has obtained partial environmental approval for its planned 1.1 million tonnes/yr bleached hardwood and softwood kraft pulp mill in the Australian state of Tasmania, but the final nod is subject to a further detailed study of waste discharge and its potential marine impact, the country's environment minister Peter Garrett said in a statement. The federal government has given Gunns until March 3, 2011, to resubmit parts of the environmental impact management plan (EIMP) for the A\$2.2 billion (\$1.4 billion) facility. Garrett said 13 of the 16 modules of the EIMP have already been approved. However, the company will be able to start construction well before then. In a separate statement, Gunns' chairman John Gay said the firm has already been given final approval to begin building work. (PPI Asia, Jan. 12, 2009)

(China) Stora Enso held a stone-laying ceremony at the site of a proposed new pulp and paper mill in China. The Nordic giant acquired 250 ha of industrial land for Euro 27 million (\$37 million) in April 2007, after signing an agreement with the Beihai city government, in the Chinese autonomous region of Guangxi. The site is located in Tieshan Harbor Industrial Zone, in Beihai. Stora Enso currently has some 90,000 ha of industrial hardwood plantations and land-use rights in Guangxi. The company is looking to build a plant that will produce 1 million tonnes/yr of chemical and chemi-thermomechanical pulp, as well as 1 million tonnes/yr of paper and board. However, the firm said it has not yet made a final decision on the investment. It indicated that this would be assessed when all pre-requisites are in place. One of Stora Enso's major concerns is whether it can secure a sufficient fiber base. (PPI Asia, Jan. 12, 2009)

(Uruguay) Ence is reported to be seeking partners for its planned 1 million tonnes/yr bleached eucalyptus kraft pulp mill in Punta Pereyra, Colonia, Uruguay, which is expected to start-up in June 2010. Madrid-based Ence is evaluating offers from six leading groups in the forest products sector, which it did not name. The \$1.4 billion pulp mill project also includes a harbour and a 140 MW renewable energy plant. Ence controls 170,000 ha of forests in Uruguay managed by its **Eufores** subsidiary, which was established in 1990. Eufores, with 800,000 m³/yr of wood chipping capacity, is the country's leading exporter of wood for pulp production and also controls a eucalyptus sawmill in Uruguay that produces 35,000 m³/yr of sawn timber. (PPI Latin America, Jan. 21, 2009)

(Brazil) Aracruz announced the resumption of its Guaíba pulp plant expansion project, in the state of Rio Grande do Sul, as from the first half of 2011. The \$2 billion new pulp line and water port project was initially expected to start-up in the second half of 2010. The project was delayed in October 2008 as Aracruz struggled with financial losses tied to currency trading as well as a downturn in the global pulp market. Construction of the Rio Pardo terminal was to begin in January 2009, with completion expected at the end of the first half of 2011, however, the timing of this project was not detailed. The Cachoeira do Sul terminal will be built in a second phase, and its start-up was initially scheduled for the end of 2015. (PPI Latin America, Jan. 21, 2009)



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(Brazil) Suzano Papel e Celulose talked to representatives from the state of Tocantins, northern Brazil, about the possibility of planting eucalyptus in the state. The state of Tocantins has been attracting investments in eucalyptus plantations since 2006. "We have 5 million ha of degraded areas which could be planted with eucalyptus," said José Elias, secretary's director of silviculture and fruit culture. The state currently has 36,950 ha of eucalyptus plantations owned by farmers. In July 2008, Suzano announced a \$6.6 billion investment which includes one pulp mill in Maranhão state and another one in Piauí state, as well as a third line to be built in one of these regions, adding 4.3 million tonnes of pulp by 2015. Maranhão and Piauí states are in Tocantins border, which would facilitate the transport of wood from the Tocantins forests to the potential Suzano plants. (PPI Latin America, Jan. 21, 2009)

(China) Sun Paper has ordered a 350,000 tonne/yr uncoated fine paper machine from Metso Paper for its mill in Yanzhou city, Shandong province, China. Start-up is scheduled for the first quarter of 2010. The unit, PM 23, will have a wire width of 7.85 m and a design speed of 1,600 m/min. It will feature Metso's first ValZone metal belt calender for fine paper production, enabling the machine to produce top quality printing paper grades with excellent bulk and stiffness properties, according to the Finnish supplier. Metso's delivery will include the complete PM from headbox to reel, with related automation systems. The market value of this type of machine is approximately Euro 60 million (\$77 million). (PPI Asia, Jan. 26, 2009)

(Malaysia) Sabah Forest Industries (SFI) has submitted a detailed environmental impact assessment (EIA) report to the Malaysian government for the planned expansion of its Sipitang facility by 2010. The plant is located in Sabah, on the Malaysian side of the island of Borneo. SFI is seeking to expand the integrated mill's bleached hardwood kraft pulp capacity to 210,000 tonnes/yr from the current 120,000 tonnes/yr. This would give sufficient pulp to increase the plant's current 145,000 tonne/yr printing/writing paper capacity to 210,000 tonnes/yr. Some 63,500 tonnes/yr of market pulp would also be available for sale overseas. (PPI Asia, Jan. 26, 2009)

(Vietnam) An Hoa Paper has signed up the South Korean firm Hansol EME to supply a 140,000 tonne/yr specialty coated paper machine for its greenfield facility in the northern Vietnamese province of Tuyen Quang. The \$200 million deal is part of the second phase of a project which also involves a \$135 million investment in a 130,000 tonne/yr bleached acacia pulp line, supplied by Sweden's Elof Hansson and Japan's Marubeni Corp. (PPI Asia, Jan. 26, 2009)

(Columbia) CMPC's board has approved the construction of a new 27,000 tonnes/yr tissue paper mill in Bogota, Colombia. The plant project involves an investment of \$60 million and start-up is scheduled in March 2010. Italian Recard will supply the PM while Gambini will supply the converting line.

(PPI Latin America, Jan. 28, 2009)

Implementation/Start-up Phase

(Vietnam) Vietnamese company **Long Van** inaugurated a new pulp plant in the northeastern Laotian province of Huaphanh on December 24, 2008. Long Van, a privately owned company based in Vietnam's Bac Ninh province, invested a total of \$2 million to build the facility. It is not clear what pulp grade the 36,000 tonne/yr plant will produce, but output will be sold in neighboring Vietnam. The pulp mill, the first of its kind in Laos, is expected to employ some 300 Lao and 60 Vietnamese workers. (PPI Asia, Jan. 12, 2009)



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(China) Puyang Longfeng Paper has brought on stream a new printing/writing paper machine at its mill in Puyang city, Henan province. Metso Paper provided the 7.9 m wide machine, which has a design speed of 1,800 m/min and an operating speed of 1,600 m/min. According to the supplier, the PM produces close to 1,000 tonnes/day of printing/writing paper, which is much higher than the preliminary capacity figure of 250,000 tonnes/yr. The new unit's output comprises mainly lightweight coated and uncoated paper based on virgin fiber. (PPI Asia, Jan. 12, 2009)

(China) Taiwan's Long Chen Paper has started trial runs on two recycled containerboard machines at its two mills in China, despite lackluster demand and falling prices in that market. The units are the 250,000 tonne/yr fluting PM 3 at the firm's plant in Wuxi city, Jiangsu province, and the 400,000 tonne/yr linerboard PM 5 at a greenfield facility in the Dushan port zone of Pinghu city, Zhejiang province. They were supplied by Germany's Voith Paper and Gold Star of South Korea. A Long Chen spokesman said that commercial production on the two machines is slated to begin in late February 2009, after the two-week Chinese New Year holiday starting on January 26, 2009. The company is also set to kick off trial runs on a third unit, the 250,000 tonne/yr fluting PM 6, at the greenfield mill in late February 2009, with commercial production expected to follow in March 2009. (PPI Asia, Jan. 26, 2009)

(China) Hebei Yongxin Paper has kicked off mechanical tests on a 400,000 tonne/yr recycled linerboard machine at its mill in Tangshan city, Hebei province. Trial runs are slated to start in February 2009, with commercial production to follow a month later. Andritz supplied the complete production line, including the stock preparation, machine, winder and automation. The PM has a wire width of 6.2 m and a design speed of 1,100 m/min. Hebei Yongxin has another five recycled containerboard machines with a combined capacity of 300,000 tonnes/yr at the facility. The new PM will bring the company's total capacity to 700,000 tonnes/yr, making it the largest containerboard producer in northern China. (PPI Asia, Jan. 26, 2009)

(Peru) Industrias de Papel in Peru will start up a new 16,000 tonnes/yr paper machine. The new PM will increase the plant's capacity to 32,000 tonnes/yr of paperboard. The plant also has two rewinders and one sheeter. (RISI, Feb. 6, 2009)

(Bolivia) Tissue producer Compañía Papelera Mendoza will start-up in March 2009 a new tissue paper machine at its mill located in Cochabamba, Bolivia. The company invested \$8 million in the PM 3, which will have a capacity of 19,200 tonnes/yr. Currently, the mill has a capacity of 9,000 tonnes/yr of tissue on two paper machines. The new crescent former PM 3 will be supplied by Hergen from Brazil and will produce 2.76 m wide paper reels at speeds up to 1,200 m/min. (RISI, Feb. 6, 2009)

(India) Seshasayee Paper & Boards has brought on stream a second-hand pulp line at its Erode facility in the southeastern Indian state of Tamil Nadu. The 170,000 tonne/yr bleached kraft pulp line, which was previously operated by Sappi Fine Paper North America at one of its mills in Maine, USA, started production in December 2008, after some delays. A spokesman said the line is expected to reach full capacity in February 2009. The Rupee 3.5 billion (\$72 million) expansion scheme comprised new chemical recovery, chlorine dioxide and recausticizing plants, a recovery boiler, a lime kiln and a turbo alternator set. (PPI Asia, Feb. 16, 2009)

(China) Taiwan's Yuen Foong Yu Paper Manufacturing has started commercial production on an 18,000 tonne/yr tissue paper machine at its mill in Beijing, China. The start-up follows successful trial runs that kicked off in November 2008. (RISI, Feb. 16, 2009)

(Japan) Oji Paper has started commercial production on a 350,000 tonne/yr lightweight coated (LWC) paper machine at its Tomioka mill in Anan city on Shikoku island. (RISI, Feb. 16, 2009)



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MERGERS, ACQUISITIONS & PLANT CLOSURES

(Finland) Botnia has announced plans to permanently shut down its 450,000 tonne/yr bleached hardwood and softwood kraft pulp plant in Kaskinen, Finland, during the quarter. Operations are ongoing for the time being and are expected to stop in early March 2009. The Kaskinen plant is currently producing 300,000 tonnes/yr of hardwood kraft pulp and 100,000 tonnes/yr of northern bleached softwood kraft pulp. Most of the hardwood fiber is being imported, with birch coming from Russia and the Baltic countries. The domestic raw material, which will become available following the closure, will be directed to other Botnia and Metsäliitto Group production facilities in Finland to secure their long-term operations. (PPI Europe, Jan. 15, 2009)

(Europe) Stora Enso has closed the Baienfurt folding boxboard (FBB) mill and a magazine paper machine at its Kabel plant, both in Germany, as well as the 100,000 tonne/yr coreboard Corenso mill in Varkaus, Finland. According to the company, the shuttering of the 140,000 tonne/yr PM 3 at the Kabel facility, the Corenso mill and the 190,000 tonne/yr Baienfurt FBB plant represent a permanent reduction in European capacity, as the machines will be used for spare parts or scrapped. The moves are part of the firm's plans to reduce its paper and board capacity by 600,000 tonnes before 2010, which will also see the shutdown of a 170,000 tonne/yr cartonboard machine at its Imatra mill in Finland sometime this year. (PPI Europe, Jan. 15, 2009)

(Europe) M-real has unveiled further details about its plans to discontinue standard coated fine paper production at its Hallein and Gohrsmühle mills, located in Austria and Germany, respectively. The closures will take 600,000 tonnes of annual coated woodfree capacity out of the market. The company has kicked off statutory negotiations at the Hallein plant, which houses two machines and produces some 310,000 tonnes/yr of coated woodfree paper and 150,000 tonnes/yr of bleached sulfite pulp. The firm also aims to discontinue standard fine paper output at the 310,000 tonne/yr woodfree paper Gohrsmühle plant in April 2009. The company will expand the production of specialty papers as well as uncoated fine paper reels and folio sheets at the site. It plans to develop the Gohrsmühle and Reflex mills, also located in Germany, together as its specialty paper business. (PPI Europe, Jan. 15, 2009)

(USA) Georgia-Pacific (GP) plans to indefinitely shut the machine No. 3 that makes corrugating medium at its Cedar Springs, GA, containerboard mill starting Jan. 26, 2009. The machine would resume production once the economy improves, but no further details were provided by the company. About 100 of the mill's 550 employees are affected by the closure. Cedar Springs is one of the lowest-cost North American containerboard mills with production capacity of around 1.2 million tons/yr on three machines. PM 3 is the smallest of the three with capacity to produce 268,000 tons/yr of semichemical medium. PM 1 has capacity to produce 500,000 tons/yr of heavyweight unbleached kraft linerboard (42-90 lb), while PM 2 has capacity to produce 425,000 tons/yr of lightweight kraft linerboard (26-47 lb). The mill would continue to produce some medium, most likely on the lightweight PM, contacts said. (Pulp & Paper Week, Jan. 16, 2009)

(Brazil) Votorantim Celulose e Papel (VCP) announced Jan. 20, 2009 the conclusion of negotiations with **Arapar** (Lorentzen, Moreira Salles and Almeida Braga families) to acquire 127.5 million common shares in **Aracruz Celulose**, which represent 28.03% of its voting capital, for Real 2.71 billion (\$1.16 billion). Together, Aracruz and VCP have a patrimony of 680,000 ha of plantations and 460,000 ha of preserved forests spread throughout the Brazilian states of Rio Grande do Sul, Minas Gerais, Bahia and Mato Grosso do Sul. The new company will have a capacity of around 5.7 million tonnes/yr of bleached hardwood kraft pulp, including the 1.3 million tonnes/yr Três Lagoas plant (Horizonte project), the 1.1 million tonnes/yr Jacaré plant, the 1 million tonnes/yr Veracel plant, the 450,000 tonnes/yr Guaíba plant and the 2.3 million tonnes/yr Barra do Riacho plant. According to an executive, the new company's estimated pulp cash cost is \$240/tonne, the lowest in the world. (PPI Latin America, Jan. 21, 2009)



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(USA) US containerboard giant **Smurfit-Stone Container** on Jan. 26, 2009 filed for Chapter 11 protection for its US and Canadian subsidiaries, the biggest bankruptcy filing in the history of the paper/forest industry. The company said it plans to use the process to restructure its debt, resulting in a capital structure more suited to support its long-term growth and profitability. It said normal day-to-day operations will continue without interruption. Smurfit-Stone is the second largest containerboard producer behind International Paper and is one of the world's largest paper recyclers. (Pulp & Paper Week, Jan. 30, 2009)

(USA) **Domtar** Corporation announced that it will permanently reduce its fine paper manufacturing at its Plymouth, North Carolina mill, by shutting down one of the two paper machines comprising the mill's fine paper production unit. This will result in the curtailment, at the end of February 2009, of 293,000 short tons of the mill's uncoated freesheet production capacity. Domtar plans to reduce staff across various parts of the mill by approximately 185 employees. (RISI, Feb. 5, 2009)

(USA) Continuing a rationalization of uncoated freesheet (UFS) paper production, **Domtar** will permanently close the larger of two paper machines and a sheeter at its Plymouth, NC, mill by the end of February 2009, cutting 293,000 tons/yr of capacity. The shutdown of PM 5, a Bel-Baie unit installed in 1976 and rebuilt in 1991, is due to "adverse economic conditions and the decline of fine paper orders," the company said. The remaining PM 4, a fourdrinier installed in 1965 and rebuilt in 1995, runs on capacity of 199,000 tons/yr. (Pulp & Paper Week, Feb. 6, 2009)

(Canada) **Kruger Inc.** announced today its decision to curtail coated paper production for 10 days, from February 27 to March 9, 2009 at the Trois-Rivières and Kruger Wayagamack mills. During the same period, the Company will also curtail the production of supercalendered paper at the Trois-Rivières Mill. This curtailment will allow the company to re-balance its order book by reducing coated paper by 10,000 tonnes and supercalendered paper by 1,500 tonnes. (RISI, Feb. 9, 2009)

(Canada) **AbitibiBowater** ceased newsprint manufacturing operations at its Grand Falls, Newfoundland mill, six weeks before the mill was slated to shut permanently. The facility's 55,000 tonnes/yr PM 7 shut at 2:30 AM and its 145,000 tonnes/yr PM 3 stopped production almost five hours later at 7:20 am, a company official said. (RISI, Feb 12, 2009)

(Canada) **Tembec** will indefinitely idle a 196,000 tonnes/yr market NBSK mill at Marathon, ON. Marathon Pulp became the latest closure at Tembec, which recently slashed pulp production with the indefinite closure of their Matane BCTMP mill in Quebec. In a press release, Marathon Pulp, a joint venture in which Tembec and Kruger each hold 50% shares, said it filed a notice of intention to make a proposal under the Bankruptcy and Insolvency Act in Canada. The Marathon filing cited the significant recent weakness in global pulp markets that hampered cash flow. The mill will close on Feb. 28. Tembec also plans to idle its market NBSK mill at Skookumchuck, BC, for six weeks beginning Feb. 23, in addition to shuttering two other BCTMP mills. (Pulp & Paper Week, Feb. 13, 2009)

(UK) **International Paper** will close its Inverurie fine paper mill in Scotland by the end of March 2009, thus exiting the UK paper market. A three-month consultation process with employees failed to conclude a financially viable alternative for the 250,000 tonne/yr plant, which produces uncoated woodfree paper on two machines. (PPI Europe, Feb. 19, 2009)

(Canada, BC) **Catalyst Paper** announced that it will indefinitely curtail pulp production at its Crofton kraft mill due to the decline in market demand. The curtailment will remove approximately 400,000 tonnes of annual pulp capacity and affect approximately 375 employees. (RISI, Feb. 25, 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	591	660	600
BEKP (N.E.)	m. ton	458	502	520	587	642	707	782	505	565	550
Newsprint 48.8 g/m ² (US East)	m. ton	465	503	547	610	668	585	695	691	687	729
Uncoated. Freesheet No.3 Offset 50 lb (US)	sh. ton	692	628	676	727	815	832	912	865	880	910
LWC 34 lb (US)	sh. ton	867	829	859	997	978	923	1,085	980	1,047	1,010
Linerboard 42 lb (US East)	sh. ton	391	371	418	428	488	517	572	510	500	570
Lumber #2&Btr. (W-SPF 2x4, FOB)	Mbf	270	278	394	353	296	250	220	174	189	149
OSB 7/16" (N-C US)	Msf	160	380	369	319	218	160	171	170	175	162
Canadian Dollar	US\$	0.64	0.72	0.77	0.83	0.88	0.93	0.94	0.81	0.83	0.77

E = estimated

Sources: RISI Monthly Commentaries (February 27, 2009), Wood Markets Monthly (February 2009) & Foreign Exchange Consensus Forecasts (February 9th, 2009) and spot rate of March 2nd