



January 2006

Forest Industry News

NEW PROJECTS ANNOUNCED

Planning Phase

Pandawa Sakti, Malaysia has unveiled plans to build a 300 tpd greenfield hardwood kraft pulp mill in Sabah, Malaysia. The plant will be located on a 63 ha plot of land in the town of Mempakad. They signed up China's Changsha Engineering for the engineering design, construction, machinery and maintenance work. Construction is slated to begin in mid-2006 and be completed by mid-2009.

Lithuanian parliament has reiterated its support for a proposed new 500,000 t/a pulp mill.

Aracruz Celulose announced its "Optimization 2330 Project", the result of a study initiated in Nov 2005 to modernize the industrial structure of the company. Fiberlines A, B and C, are to be increased from the current 2.08 million t/a to 2.33 million t/a.

Asia Pacific Resources International (APRIL), has mapped out plans for a major expansion of the pulp capacity at its mill in Rizhao city, China. The company intends to install a new 1 million t/a bleached hardwood kraft pulp line at the site. Construction work will begin in the middle of this year and start-up is scheduled for mid-2008.

Klabin Irmaos e Cia., Brazil, has approved a project which increases the capacity of its Monte Alegre plant in Telemaco Borba (PR) from 700,000 t/a to 1.1 million t/a.

Abitibi-Consolidated plans to spend about \$17 million, most likely this year, at its 475,000 mt/a newsprint and corrugated medium Snowflake mill in Arizona, according to a company official. The money will be used to upgrade and improve production on the mill's PM3, which has the capacity to make 210,000 mt/a of newsprint.

Ecco Newsprint, a newcomer, has unveiled plans to build a new newsprint plant in the UK. Reports have suggested that the new mill could have a capacity of 300,000 t/a.

Forscot, Scotland, Research commissioned by the company, planning to build and operate a £1 billion integrated forest products operation at Invergordon in the northeast of Scotland, has confirmed that pulp made from Scottish Sitka spruce is at least as good as the best market pulps of a similar grade, which are currently only produced in North America.

Implementation Phase

Metsa Tissue has completed a revamp of the tissue machine at its Stotzheim mill, near Bonn, Germany. The project included an overhaul of the unit's wet end, transforming the fourdrinier PM into a crescent former unit, and the modernization of the approach flow system. Machine operating speed has increased from 1,200 m/min to 1,400 m/min, boosting its capacity from 21,000 t/a to 23,000 t/a of napkins and tablecloths.

Recard has completed the installation of a new tissue machine at Star Paper Mill's plant in Aba, Nigeria. The 60-65 tpd PM will have a design speed of 1,600 m/min, and a reel width of 2.75 m. Furnish will be 100% recovered fiber.

Malu Paper Mills has unveiled plans to build a new plant in Maharashtra state, India, with a 150 tpd newsprint and printing/writing paper machine. The mill will also feature a 6 MW cogeneration plant and a stock preparation system. Commercial production is expected to begin by April 2007. The project will cost an estimated \$16 million.

Yuen Foong Yu Paper Manufacturing (YFY), China plans to begin installation of a new recycled fluting machine at its greenfield mill in Yangzhou city, Jiangsu province, next month. Trial runs on the 150,000 t/a unit are scheduled for April 2006.

Estonian Cell has started test runs on the new alkaline peroxide mechanical pulp (APMP) line at its greenfield plant in Kunda, northeast Estonia. The 140,000 t/a facility is expected to begin commercial production at the end of April 2006.

Kingdecor, China has started trial runs on a 30,000 t/a specialty paper machine at its greenfield mill in Quzhou city, Zhejiang province.

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Tembec/Birla Group, N.B. The Nackawic pulp mill's new owners are gearing up to infuse the operation with a \$35 million investment. The mill resumed production after a 16-month hiatus on January 16, 2006 and is now preparing to convert its pulp production so that it can be used in rayon instead of paper.

Holmen, Spain has begun commercial production on a new recycled fiber-based newsprint machine, PM62, at its plant in Fuenlabrada, near Madrid. Trial runs on the 300,000 t/a unit started at the end of last year. Voith Paper and Andritz were the main suppliers for the scheme. The unit is part of a E306 million (\$371 million) investment at the site. The project also includes a new deinked pulp line.

Obeikan Industrial Investment Group has begun trial runs on a new 150,000 t/a white-lined chipboard machine at its greenfield mill in Riyadh, Saudi Arabia.

Kostenez-HHI has signed a contract with Over Meccanica to supply the new tissue machine for its mill in Kostenetz, Bulgaria. Start-up is slated for the first quarter of 2007 at the latest. The 2.8 m wide crescent former unit will have a capacity of 90 tpd of one to three-ply virgin fiber tissue in a basis weight range of 13-34 g/m² and a design speed of 1800 m/min.

Mondi Business Paper installed a new E28 million (\$34 million) wastewater treatment plant at its Richards Bay mill in KwaZulu-Natal, South Africa. Aquaflo supplied the equipment. Mondi started up a new 590,000 t/a bleached eucalyptus fiber line at the Richards Bay mill last year. The facility also manufactures 130,000 t/a of unbleached pine pulp, which feeds the plant's 230,000 t/a white-top kraft liner machine.

Saigon Paper, Vietnam has begun commercial production at a greenfield tissue and containerboard plant in the southern province of Ba Ria-Vung Tau. The facility has a capacity of 22,500 t/a of tissue and 60,000 t/a of linerboard. The project cost totalled Dong 160 billion (\$10 million).

International Paper has started installation of a new BCTMP line at its Svetogorsk mill in the Leningrad region of Russia. Start-up of the line's 200,000 t/a output is scheduled for the fourth quarter. The project forms part of a \$250 million investment at the mill. Last year, IP rebuilt both machines at the site, PM4 and PM1. PM4 produces over 300,000 t/a of uncoated woodfree paper, while PM1 churns out 100,000 t/a of liquid packaging board. The Svetogorsk facility currently produces over 300,000 t/a of bleached and unbleached kraft pulp.

Gulf Paper Industries Factory has begun installation of a new tissue machine at its mill in Riyadh, Saudi Arabia. Commercial production is slated for May or June 2006. The 2.8 m wide Over Meccanica unit, PM2, will have a capacity of 30,000 t/a and will produce tissue paper in a basis weight range of 12.5-45 g/m² with a design speed of 2,000 m/min.

MERGERS, ACQUISITIONS & PLANT CLOSURES

UPM, Finland shut down two kraft paper machines, PM1 and PM2, at its Kymi mill in Kuusankoski, southeast Finland, at the end of December 2006. The closures have removed some 20,000 t/a of bleached machine-glazed kraft paper from the market.

The North American Industry, is undergoing its deepest restructuring in about 25 years. Canada's pulp and paper industry last year announced the permanent shut of an estimated 9% of its total paper and board capacity. 15 different operations in five provinces totaling 2.73 million tons of pulp and paper capacity including 2.13 million tons of paper and board capacity were shut down. If all the shuts materialize, Canada's paper and board capacity by year-end would be 21.6 million tons, down from 23.8 million tons at the end of 2004. Along with Canada, U.S. companies announced permanent shuts of 1.24 million tons of pulp and paper/board capacity last year, including 850,000 tons of paper and board capacity – representing almost 1% of total U.S. paper and board capacity of 100.4 million tons

Stora Enso went ahead Thursday with a lockout at its newsprint and supercalendered mill at Port Hawkesbury in Nova Scotia after over 80% of more than 600 Communications, Energy and Paperworkers union members rejected the company's latest contract offer.

Potlatch Corporation, announced that it is consolidating its Midwestern tissue converting and transportation operations at its Elwood, Illinois, facilities. Its single converting line at Benton Harbor, Michigan, would be shut down on 28 February 2006, and the equipment relocated to Elwood.

Kimberly-Clark has sold its Villanovetta tissue mill in northwest Italy to the Italian holding company CDM. The mill produces 25,000 t/a of tissue paper, converted on-site into consumer products.



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Reno De Medici closed its El Prat de Llobregat plant near Barcelona in Spain at the end of last year. The fate of the plant's two machines, PM5 and PM3, has not been disclosed. PM5, has a capacity of 50,000 t/a of white-lined chipboard (WLC), the other machine has a 93,000 t/a capacity of WLC.

Hansol Paper, S. Korea, has decided to shut down its Cheongju mill in North Chungcheong province. The plant's only machine, a 60,000-70,000 t/a recycled cartonboard and plasterboard liner unit, will be scrapped.

SAICA, France has decided to shut its 55,000 t/a recycled containerboard plant in Orthez, southern France.

Tembec, as sold its OSB mill in Champlain, QC to Jolina Capital Inc. for \$98 million. The transaction is expected to be wrapped up by March 25, 2006.

Bowater, Thunder Bay, will close its 210,000 mt/a market kraft pulp mill (line A) in April of this year, saving \$20 million annually. The closure is not expected to impact the \$200 million newsprint machine conversion to ULWC.

PRODUCT PRICE SUMMARY (US\$)

Product	Units	1995	2001	2002	2003	2004	2005	2006E	Normalized	Current Price	Comments
NBSK Pulp (N.E.)	m. ton	880	547	462	525	617	611	655	630	605	Rising
BEKP (Europe)	m. ton	867	485	458	502	526	587	591	576	590	Flat
Newsprint	m. ton	670	585	465	503	547	610	650	605	650	Rising
Uncoated Freesheet	sh.ton	990	715	692	628	676	727	770	700	750	Rising
Light Weight Coated	sh.ton	1,226	1,017	867	829	859	997	1,060	1,015	1,000	Falling
Linerboard	sh.ton	510	444	427	421	468	478	490	450	515	Rising
Lumber #2&Btr.	Mbf	250	286	270	278	394	353	305	310	355	Rising
OSB	Msf	245	159	160	380	369	319	225	205	282	Flat
Canadian Dollar	US\$	0.73	0.65	0.64	0.72	0.77	0.83	0.82	0.79	0.87	Rising

E= estimated