



June 2006

# Forest Industry News

## NEW PROJECTS ANNOUNCED

### Planning Phase

**Mondi Packaging Akrosil** plans a \$4.4 million expansion project at its Lancaster, Ohio, plant that makes pressure-sensitive silicone-coated release liners. The expansion calls for a \$1.2 million, 35,000-ft<sup>2</sup> addition to the existing 86,000-ft<sup>2</sup> plant. It also includes \$3.2 million in new equipment and machinery.

**Sappi, South Africa** will expand its Saiccor dissolving pulp mill in Umkomaas, near Durban, South Africa. The company plans to add a new production line at the facility, which will boost its capacity by 200,000 t/a up to 850,000 t/a. The investment will also result in environmental improvements, such as a reduction of the mill's reliance on fossil fuels and an improvement of wastewater quality.

**UPM and Lappeenranta Energia Oy, Finland** have started negotiations to investigate the profitability and prerequisites for building a joint power plant at UPM's Kaukas mill site in Lappeenranta, Finland. The study covers a plant with a fuel power equivalent of 400 MW, consisting of energy sources such as bark and energy wood i.e. logging residues and stumps as well as peat. Additionally, it would use sludge from the Kaukas mill's biological effluent treatment plant.

**Ence, Uruguay**, is considering whether to move ahead with the erection of its new pulp plant in M'Bopicia, western Uruguay, after the 90-day moratorium on building work expires at the end of June 2006. The firm postponed work on the 500,000 t/a bleached eucalyptus pulp mill on March 28, 2006 in response to Argentina's request for a three-month suspension of Ence and Botnia's projects.

**Ecco Newsprint, UK**, has received planning permission to build a new newsprint mill, reported to be in the 300,000 t/a range. Project is in the early stages.

**Hokuetsu Paper Mills, Japan**, has unveiled plans to install a 350,000 t/a lightweight coated (LWC) paper machine at its plant in Niigata city. Start-up is scheduled for the end of 2008.

**Sun Paper, China**, plans to install a new woodfree fine paper machine, PM 21, at its Yanzhou mill in China's Shandong province. The Voith unit will have a capacity of 250,000 t/a and is slated for a March 2007 start-up.

**Heinzel Group, Austria**, plans to increase its northern bleached softwood kraft market pulp output at its Zellstoff Pöls mill in northern Styria, central Austria, from 320,000 t/a to 410,000 t/a by 2010, and up to a maximum of 450,000 t/a. Andritz will be the main supplier.

### Implementation Phase

**AV Nackawic, NB.**, Nearly two years after its impromptu shutdown, AV Nackawic is back in business. The official opening, celebrated by leading community, government and company stakeholders, took place on Thursday, June 15, with joint owners Tembec and Aditya Birla Group in attendance. The mill will make dissolving grade pulp for the production of rayon fibre.

**Abhishek Industries, India**, has ordered a new printing/writing paper machine from Allimand in France. The 100,000 t/a unit will be installed at the firm's Barnala mill in Punjab state.

**An Hoa Paper and Pulp Factory, Vietnam**, has kicked off construction of a greenfield pulp mill in Tuyen Quang province. The Dong 3.2 trillion (\$200 million) plant will have a 130,000 t/a pulp capacity of a yet unknown fibre source.

**Heywood Pulp, Australia**, will begin construction in December of this year following the recent government approval of the 350,000 t/a chemi-thermomechanical pulp mill. Start-up is slated for mid-2008.



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## MERGERS, ACQUISITIONS & PLANT CLOSURES

**Smurfit Kappa Group**, has halted production at 4 recycled containerboard mills in France and one in Germany. The move follows the group's announcement earlier this year that it would close some 270,000 t/a of recycled containerboard capacity in these two countries. The French plants comprise Papeterie d'Uzerche, which can produce up to 45,000 t/a, Papeterie d'Aubazine (35,000 t/a), Usine de Bigny (50,000 t/a) and Papeterie de Vernon (50,000 t/a). In Germany, the 86,000 t/a Wiesloch mill is currently down, but the group is still wrapping up the consultation process with employees before the closure is finalized. Smurfit Kappa plans to take more capacity out of the European recycled containerboard market by closing some high-cost mills. A source close to the group said last month that it aims to cut at least 200,000 t/a of capacity in the second half of this year. The location of the plants that will be affected has not yet been finalized.

**International Paper** has signed a definitive agreement to sell its coated and supercalendered papers business to CMP Holdings LLC, an affiliate of Apollo Management L.P. for approximately \$1.4 billion, subject to certain post-closing adjustments. The purchase price consists of approximately \$1.37 billion in cash plus approximately \$30 million in the form of a 10-percent limited partnership interest in CMP Investments LP.

**Domtar, B.C.**, officially shut its 120,000 t/a coated paper mill in New Westminster, BC on June 16<sup>th</sup>, 2006. The move was previously announced along with a slew of other closures from Domtar.

**Stora Enso, Port Hawkesbury**. Workers narrowly approved a labour agreement in late June 2006. The mill now needs lower energy costs before the 577,000 t/a SC and newsprint mill can restart.

**Canadian Pulp and Paper Industry**, surveys show that overall capital spending for six major companies will drop 7% to C\$955 million in 2006 from C\$1.02 billion the year prior. The drop follows an increase in 2005 of 4.1% and 11.5% in 2004.

## PRODUCT PRICE SUMMARY (US\$)

Product	Units	1995	2000	2003	2004	2005	2006E	2007E	Normalized	Current Price	Comments
NBSK Pulp (N.E.)	m. ton	880	680	525	617	611	665	680	665	670	Rising
BEKP (Europe)	m. ton	867	652	502	526	587	629	594	620	640	Flat
Newsprint	m. ton	670	565	503	547	610	675	700	645	675	Flat
Uncoated Freesheet	sh.ton	990	755	628	676	727	820	800	725	840	Flat
Light Weight Coated	sh.ton	1,226	1,065	829	859	997	1,020	1,050	1,040	995	Flat
Linerboard	sh.ton	510	470	421	468	478	550	550	480	565	Flat
Lumber #2&Btr.	Mbf	250	255	278	394	353	335	325	325	300	Falling
OSB	Msf	245	205	380	369	319	270	220	220	208	Falling
Canadian Dollar	US\$	0.73	0.67	0.72	0.77	0.83	0.88	0.89	0.89	0.90	Stable

*E= estimated*