



*June/July 2007*

## Forest Industry News

### NEW PROJECTS ANNOUNCED

#### Planning Phase

**[China] Henan Puyang Longfeng Paper Co. Ltd.** Metso Paper will supply a lightweight-coated papermaking line to the company's mill in Puyang city, China's Henan province. Start-up is scheduled for the first quarter of 2009. The value of the order is over €100 million. The PM will have a wire width of 7.9 m, a design speed of 1,800 m/min and will produce close to 1,000 tons of printing and writing paper grades daily.

**[Latin America]** Pulp manufacturers could be set to expand global market pulp capacity by over 11 million tonnes between 2006 and 2016, according to RISI's PPI Latin America News. The majority of these mills will use eucalyptus as furnish, and the average mill capacity is just over 1 million tonnes per year.

**[Vietnam] Samsung Corp.** is considering joining forces with the Vietnamese firm, **Nghe An Pulp**, for a \$240 million pulp mill project in Vietnam, according to the Vietnam Chamber of Commerce and Industry (VCCI). Vietnam's pulp and paper industry is seeing a spate of investments by foreign firms. According to the Ministry of Industry, these will bring an additional 1 million tonnes/yr of pulp and some 600,000 tonnes/yr of paper capacity to the country.

**[Brazil] International Paper** ordered a 200,000 t/yr uncoated freesheet machine from Voith Paper for a mill under construction adjacent to the **VCP** pulp mill (Tres Lagos) being installed in southwest Brazil. VCP will supply IP with 160,000 t/yr of pulp.

**[China] Nine Dragons Paper** ordered a 400,000 t/yr recycled fluting machine from Metso for its mill in Taicang city for a 2008 start-up. The 7.25 m wide PM21 will produce lightweight board (70-90 g/m<sup>2</sup>) at 1,400 m/min.

**[China] Lee & Man Paper Manufacturing** ordered two new OCC lines from Kadent Black Clawson. Each unit has a 1,000 t/day capacity. One will be installed at a greenfield mill in Sichuan province and will feed a 320,000 t/yr recycled linerboard machine, while the other will go to another greenfield site in Vietnam to feed a 400,000 t/yr recycled containerboard machine, set to start-up in early 2009.

**[Saudi Arabia] Arab Paper Manufacturing (Waraq)** announced plans to expand its 200,000 t/yr output to 1 million t/yr over the next 3-5 years. The current production of kraftliner, testliner, fluting and unbleached coreboard is all done on two machines at its Dammam mill. They are looking to buy 5 or 6 PMs for their current plant, as well as for other sites.

**[Russia] Stora Enso** is doing a pre-feasibility study for a pulp and paper complex in Nizhny Novgorod. No capacity has been announced, but it is expected to be in the range of 600,000 to 1 million t/yr of softwood pulp.

**[Germany] The Hamburger Group** plans to install a 2<sup>nd</sup> recycled containerboard machine at its mill in Brandenburg state. The 7.8 m wide PM will produce 450,000 t/yr of brown and white grades. The €400 million project is to be completed by 2010 and will be added to the existing 280,000 t/yr machine that went online in 2005.

**[USA] Pratt Industries** announced that it will build a 360,000 t/yr recycled containerboard mill in Shreveport, LA, in what would be the first new containerboard machine in 7 years in the US. The \$150 million project is scheduled to start in 2009.



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**[Mexico] Kimberly-Clark de Mexico** will start a new 50,000 t/yr tissue machine at the end of this year at the Ramos Arizpe mill in northern Mexico. The \$75 million project will increase the mill's capacity to 110,000 t/yr. A second PM (of similar size and price) will be installed at an unknown location in 2008.

### Implementation Phase

**[Chile] CMPC** started up its new 780,000 t/yr BEKP line, at its Santa Fe mill in Nacimiento, on June 1<sup>st</sup>, 07. The Andritz fiber line reached full production in just 171 days, beating the previous record of 174 days, held by the Veracel plant in Brazil.

**[Canada/USA] Fraser Papers** is in the process of optimizing its operations in Edmundston, N.B., and Madawaska, Maine. A \$CDN10 million rebuild of the recovery boiler was recently completed in Edmundston, increasing production by approximately 50 tonnes/day. In Madawaska, paper machines No.1 and No.2, representing 70,000 t/yr of freesheet paper capacity or 14% of the total plant capacity will be shut in late August 07. Specialty grades currently produced on these two paper machines will be transferred to the remaining six paper machines at the Madawaska operation.

**[Saudi Arabia] Gulf Paper Industries** started a new 30,000 t/yr tissue PM at its mill in Riyadh. The 2.8 m wide Over Meccanica unit produces tissue in a basis weight range of 12.5-45 g/m<sup>2</sup>. The plant currently produces some 30,000 t/yr of testliner, recycled fluting and coreboard on its PM1.

**[India] Tamil Nadu Newsprint and Papers** is expanding pulp capacity of its mill in the Karur district of Kagithapuram, southern India. A new elemental chlorine-free (ECF), bleached hardwood kraft (BHK) pulp line, supplied by Metso Paper, is expected to be completed by August 07. The equipment will boost the plant's total pulp capacity from 520 t/day to 820 t/day. The facility already houses a 120 t/day BHK pulp line and a 400 t/day bagasse pulp unit. The investment enables the mill to increase its newsprint and printing/writing paper capacity to 245,000 t/yr. It currently has a 105,000 t/yr machine, PM1, and a 125,000 t/yr unit, PM 2.

**[Poland] Mondi Packaging** has rebuilt PM1 at its Swiecie mill, changing the unit from producing mainly unbleached sack kraft paper to lightweight kraftliner in the 80-140-g/m<sup>2</sup> range. Capacity has also increased from 130,000 t/yr to 180,000 t/yr.

**[France] UPM** started a new biofuel power plant at its Chapelle Darblay mill in France. The €80 million investment includes a new boiler plant, which will produce 85 MW of thermal energy, and a backpressure turbine producing 20 MW of electricity. For energy, the plant annually burns 160,000 metric tons of wood from the region and all the sludge produced in its recovered paper recycling process. UPM Chapelle Darblay's production capacity is 340,000 t/yr newsprint based solely on recovered paper. €15 million will also be spent to improve product quality. The modernization will encompass the mill's existing deinking plant and PM6.

**[USA] Georgia Pacific** is currently constructing a \$200 million tissue machine at its Wauna mill in Oregon.

**[China] Zhenjiang Huaxing Paper** broke ground on a 500,000 t/yr recycled containerboard brownfield site in July 07. It will consist of a 200,000 t/yr fluting machine and a 300,000 t/yr linerboard unit.

**[Brazil] Suzano Pulp and Paper** expects to bring about 1 million t/yr of pulp capacity online at its Mucuri mill by October 1<sup>st</sup> of this year. The 23-month project cost \$1.3 billion.

## **MERGERS, ACQUISITIONS & PLANT CLOSURES**

**[USA] Neenah Paper** will permanently close its fine paper mill located in Urbana, Ohio. The mill, with capacity of approximately 39,000 tons per year, will phase out operations in an orderly manner over the next 12 months.



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**[Canada] Tembec** announced a series of short-term and indefinite closures at its sawmills located in Quebec, Ontario, and British Columbia, in addition to ongoing full or partial closures. Shutdowns include; the 3<sup>rd</sup> shift at its Elko sawmill and corresponding Cranbrook planer mill, in British-Columbia; the 3<sup>rd</sup> shift at its Cochrane sawmill and planer mill, in Ontario; and the 2<sup>nd</sup> shift at the Cranbrook finger joint mill in British Columbia, which will result in annualized curtailments of 120 million board feet. These curtailments are in addition to existing closures at Timmins, Ontario, sawmill; La Sarre, Quebec, sawmill; and Kirkland Lake, Ontario, Engineered wood products, resulting in a total annualized curtailment in excess of 300 million board feet.

**[China] APP China** bought bankrupt Chinese pulp and paper producer, Sichuan Yaan Pulp and Paper, for RMB 920 million (\$121 million). The government-owned firm owns an 80,000 t/yr bleached bamboo pulp line and a 25,500 t/yr printing/writing machine at its mill in Yaan city, Sichuan province.

**[Canada/USA] Abitibi-Consolidated and Bowater** voted in July 07 to combine the two newsprint giants in a "merger of equals", creating a single powerhouse company called AbitibiBowater. Abitibi shareholders approved the deal by an 80.4%. About 70% of Bowater's outstanding shares were cast in favor of the deal, which was also approved yesterday by 99.9% of shareholders in the US company's Canadian subsidiary, Bowater Canada.

**[Quebec] Bowater** shut down one of two paper machines at its Dolbeau mill. The 88,000 t/yr PM2 made book paper, which will now be made at Bowater's Thunder Bay mill. Dolbeau still has a 145,000 t/yr SC machine in operation.

**[Quebec] The Société de développement économique et industrielle de la municipalité (SDEIC)** have decided, once and for all, to the end the Gaspésia project. The existing mill site will sell its assets and the site will be reconditioned.

**[Canada] Domtar** plans to sell its forest products business in Quebec and Ontario to the newly-formed **Conifex** for C\$285 million. This includes 10 sawmills with a combined output of 4.8 million m<sup>3</sup> of annual harvest.

**[USA/Canada] Smurfit-Stone Container** will permanently shut two recycled corrugating medium mills, a 51,000 t/yr unit in Carthage, IN and a 148,000 t/yr mill in Vernon, CA. Workforce reductions are also planned for the company's Canadian mills and the 479,000 t/yr La Tuque, QC. linerboard mill and at the 222,000 t/yr Pontiac, QC mill.

**[Sweden] M-Real** ceased production at its mill in Wifsta in July 07. The sole machine, PM1 produced 175,000 t/yr of uncoated woodfree paper. The site's production has been distributed to other mills in the M-Real organization.

**[Canada] Domtar** will shut four sites that will result in a loss of 430 jobs. The company is permanently shutting its 125,000 t/yr Gatineau, QC mill and an associated converting centre in Ottawa. Also closing are two U.S. paper machines; one at its 125,000 t/yr UFS Woodland mill in Baileyville, ME, as well as its facility in 35,000 t/yr Port Edwards, WI.



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**PRODUCT PRICE SUMMARY (US Dollars)**

Product	Units	1995	2000	2005	2006	2007E	2008E	Normalized Price	Current Price	Comments
NBSK Pulp (N.E.)	m. ton	880	680	611	681	780	735	685	800	Rising
BEKP (Europe)	m. ton	867	652	587	642	696	653	655	700	Rising
Newsprint	m. ton	670	565	610	668	610	600	635	580	Falling
Uncoated Freesheet	sh. ton	990	755	727	823	820	790	730	810	Flat
Light Weight Coated	sh. ton	1,226	1,065	997	978	920	910	1,000	900	Rising
Linerboard	sh. ton	510	470	478	503	525	510	430	515	Flat
Lumber #2&Btr.	Mbf	250	295	353	296	265	300	325	257	Falling
OSB	Msf	245	205	319	218	160	170	220	188	Falling
Canadian Dollar	US\$	0.73	0.67	0.83	0.88	0.90	0.92	0.92	0.94	Rising

E= estimated

Sources: CIBC World Markets & RISI Info

