



March 2008

Forest Industry News

NEW PROJECTS ANNOUNCED

Planning Phase

[Swaziland] Sappi has signed a letter of intent with US Company **Global Green Solutions** regarding the installation of new biomass facilities at its 220,000 tonnes/a unbleached kraft mill in Usutu, Swaziland. The investment is likely to include a new steam turbine and a boiler. The companies plan to conclude a contract this August for work next year. (PPI This Week, March 20, 2008)

[Sweden] SCA has signed up Metso power to supply a new evaporation plant to its pulp and paper mill in Obbola on the east coast of Sweden. The order is valued at around Euro 30 million (\$44 million). Installation work will begin by the end of this year, and start-up is scheduled for the third quarter of 2009. The new plant will have the capacity to evaporate 270 tonnes/hr of water and will enable the firm to save energy and reduce the maintenance cost for its evaporation system. (PPI This Week, March 6, 2008)

[Russia] Ruukki Group has abandoned plans to build a new sawmill and pulp plant in Kostroma, western Russia. The move comes after the administration of the Kostroma region decided not to support the Ruukki Group's priority investor status applications for both the sawmill and the pulp mill. Ruukki Group is looking into initiating legal procedure against the **Kostroma Oblast**. The group aims to get compensation from damages based on the breach of agreements. It already spent about Euro 3.5 million as expenses related to the project in 2007 and a further Euro 0.5 million in 2006. (PPI This Week, March 6, 2008)

[China] Nine Dragons aims to splash out RMB 1.6 billion in the next two and a half years on the greenfield plant in Leshan, which will have BSK and bleached bamboo pulp capacity of 150,000 tonnes/a and a specialty paper capacity of 50,000 tonnes/a. Start-up is scheduled for June 2010. The company has also unveiled plans to invest RMB 1.4 billion in 520,000 tonnes/a liquid packaging board (LPB) machine for its facility in Taicang city, Jiangsu province. Start-up is slated for December 2010. Still in the packaging area, Nine Dragons is forging ahead with the construction of six new recycled containerboard machines at some of its mills in China. The PMs, which have a combined capacity of 2.4 million tonnes/a, are all slated to come on stream by June 2008. They will take the group's total recycled containerboard capacity from 5.35 million tonnes/a to 7.75 million tonnes/a, making it the largest producer of corrugating materials. (PPI This Week, March 13, 2008).

[China] Gugian Nanping Paper has ordered equipment from three suppliers for a greenfield mill in Nanping city, Fujian province. Start-up is scheduled for late 2009. Metso will supply a 200,000 tonnes/a newsprint machine, and Andritz will provide the stock preparation and approach system for the unit. Quatroll will deliver the rewinder. The company also plans to install an 800 tonnes/day deinking pulp line to feed the machine. The cost of the greenfield mill is expected to be around RMB 1 billion (\$141 million). (PPI This Week, March 13, 2008).

[China] Zhanjiang Chenming Pulp & Paper, a subsidiary of Shandong Chenming, has inked an agreement with a group of Chinese banks, led by Chinese Development Bank, for two 15-year loans to help finance the RMB 9.4 billion (\$1.3 billion) project. It plans to build a Greenfield plant housing a 1 million tonne/a of bleached hardwood kraft pulp line and develop 200,000 ha of eucalyptus plantations in the region. The company has completed the bidding process and chosen several of the main equipment suppliers for the project, including Metso Paper and Andritz. The timetable has yet to be sorted out. (PPI This Week, March 13, 2008).



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(Indonesia) **International paper (IP)** is studying the feasibility of investing \$4 billion in Indonesia. This would include building a pulp mill with a capacity of at least 1.5 million tonnes/a and developing 500,000 ha of plantations. IP is looking at two locations, one in central Kalimantan, on the island of Borneo, and the other in Papua province. The company will spend six months conducting surveys on the scheme, before making a decision about whether to proceed. The plantations would take seven years to be mature enough for harvesting. So, IP might start construction work on the pulp plant in the fifth year after establishing plantations. IP delegates had visited the Ministry of Forestry twice, once in February and again for a follow-up meeting in March, in which the firm expressed an interest in investing in the country. (PPI Asia, March 31, 2008).

(Vietnam) China's **Nine Dragons Paper (Holdings)** has unveiled plans to acquire a paper mill in Vietnam. The target's name has not been disclosed. Upon finalizing the deal by mid-May, Nine Dragons aims to transfer delivery of a 400,000 tonnes/a recycled containerboard machine it has ordered for an expansion in China to the Vietnamese mill. The company aims to bring the new PM at the site in Vietnam by the end of 2009. However, China's second largest containerboard producer, Lee & Man Paper Manufacturing, is a step ahead of Nine Dragons in foraying into Vietnam. It will have a 400,000 tonnes/a recycled containerboard machine, PM15, and a 150,000 tonnes/a pulp line at a greenfield mill in the southern province of Hoi Giang. Start-up is scheduled for late 2008 or early next year. (PPI Asia, March 31, 2008).

(India) **Hindustan Paper** has formed a subsidiary, **Jagdishpur Paper Mill**, to set up a greenfield fine paper plant in northern India. The 300,000 tonnes/a facility will be located in the Jagdishpur district of Sultanpur city, in Uttar Pradesh state. It will cost Rupee 27.4 billion (\$687 million) to build, which is significantly higher than the original estimate of Rupee 12.5 billion. Start-up is scheduled for late 2010. (PPI Asia, March 31, 2008).

(Switzerland) **CPH Chemie + Papier Holding** is planning a new newsprint machine for its subsidiary **Perlen Papier**. A recent feasibility study concluded that it would make economic sense to replace the existing 130,000 tonnes/a machine by a new 360,000 tonnes/a machine. The cost of the project would be SFr 500 million (\$504 million). A final decision will be taken in December 2008 and, if the green light is given, PM7 will start-up during the third quarter of 2010. (PPI This Week, March 20, 2008)

(Germany) **Mercer International's** subsidiary, **Zellstoff-und Papierfabrik Rosenthal (ZPR)** has put on hold plans to raise pulp capacity at its Rosenthal mill in Germany. The firm hoped to increase the plant's BSKP from 325,000 tonnes/a to 400,000 tonnes/a by 2010. It has since decided that current market and economic conditions are unfavorable and intend to look at the project again once the situation improves. (PPI This Week, March 27, 2008)

Implementation/Start-up Phase

[Sweden] **SCA** has started construction work on a building to house a new 440 tonnes/day TMP line at its Ortviken mill in Sweden. The building is expected to be complete by September 2008. Installation of the Metso-supplied line will then begin. Start-up is estimated to take place in June 2009. The Ortviken plant already houses five TMP lines, which can produce up to 750,000 tonnes/a of pulp. Following the latest addition, total TMP capacity will rise to over 2,500 tonnes/day. (PPI This Week, March 20, 2008)

(Bulgaria) **Duropack** plans to overhaul the sole PM at its Trakia mill in Bulgaria. The firm has chosen PAMA to rebuild the PM's wet end over a 12-day shutdown in August 2008, with the restart planned for September 2008. The work should see the unit's 55,000 tonnes/a recycled linerboard capacity climb to 80,000 tonnes/a. If the firm is satisfied with the outcome of the wet end rebuild, it may contract PAMA to overhaul the PM's press section and part of its hydraulic system, hopefully raising its capacity to 100,000 tonnes/a. (PPI This Week, March 20, 2008).



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(Israel) American Israel Paper Mills (AIPM) has contracted Voith and Metso to build a new recycled packaging paper machine, PM8, at its Hadera mill in Israel. The machine will have a 230,000 tonnes/a capacity. PM8 is scheduled to start commercial production in the middle of 2009. The total budget of the project is Shekel 690 million (\$192,000 million). (PPI This Week, March 13, 2008).

(Finland) UPM is forging ahead with the construction of a new biofuel power plant at its Kaukas mill in Lappeenranta, eastern Finland. Construction work started in July 2007 and the new plant is scheduled to come on line in spring 2010. **Foster Wheeler** is supplying a 385 MWh circulating fluidized-bed boiler island. The project will cost Euro 244 million (\$375 million). (PPI This Week, March 13, 2008).

(Norway) Norske Skog has reached full capacity on the 560 tonnes/day TMP line relocated from the closed Union mill in Skien, Norway, to its Follum plant in Hønefoss, north of Oslo. The line started up on December 17, 2007. (PPI This Week, March 13, 2008).

(China) China Metallurgical Meili Paper has started commercial production on a 300,000 tonnes/a cartonboard machine at a greenfield mill in Zhongwei city, in the Chinese autonomous region of Ningxia, which borders Inner Mongolia. The 5.4 m wide unit, which has an operating speed of 600 m/min, mainly came from Handong Changhua Paper machinery, with some equipment, such as the headbox, calendar, coating section and a rewinder, provided by European manufacturers. Andritz supplied a 100,000 tonnes/a alkaline peroxide mechanical pulp line. Kadant Black Clawson provided a 160 tonnes/day deinking line for processing sorted office waste paper and a 570 tonnes/day deinking line for processing old newspapers, as well as three virgin fiber refining systems. (PPI This Week, March 13, 2008).

(China) Taiwan's Long Chen Paper is forging ahead with the installation of three new recycled containerboard machines at its two mills in China. The units were supplied by Germany's Voith Paper and Gold Star of South Korea, and will have a combined capacity of 900,000 tonnes/a. They include a 250,000 tonnes/a fluting machine PM3, to be installed in Wuxi city, Jiangsu province, a 400,000 tonnes/a linerboard machine and another 250,000 tonnes/a fluting unit at a Greenfield mill in the Dushan port zone in Pinghu city, Zhejiang province. Long Chen plans to add one more recycled containerboard machine, with a capacity of 300,000 tonnes/a, at the Pinghu plant in 2009. (PPI This Week, March 13, 2008).

(USA) Pratt Industries is moving speedily ahead with plans to start-up a new 326,000 tonnes/a recycled containerboard machine in Shreveport, LA. The company plans to start the machine by November or December 2008. The Pratt machine would be the first one started-up in the North America containerboard sector since Atlantic packaging started one three years ago in Scarborough, ON. (Pulp & Paper Week, March 21, 2008)

(USA) USG, America's largest gypsum wallboard producer, will start a facing paper PM at the end of this month or at the beginning of April 2008 at the **Menasha's** former 253,000 tonnes/a corrugated medium mill in Otsego, MI. The trim of the machine was 163-in and the machine ran at 3,000 fpm. USG purchased the two-PM Otsego mill from Menasha in 2006. (Pulp & Paper Week, March 21, 2008).

(China) Shandong International Paper & Sun Coated Paperboard has begun installation work for a new 400,000 tonnes/a cartonboard machine, at a brownfield site in Yanshou city, Shandong province, China. Start-up is scheduled for August this year. This is a 50/50 joint venture between US giant **International Paper** and Sun Paper. The new PM will be the first in China that is capable of producing liquid packaging board (LPB). Metso is supplying the whole production line. This will include a complete 3-ply machine with five coating stations. It will have a wire width of 5.1 m and a design speed of 900 m/min, with a capacity exceeding 400,000 tonnes/a. (PPI Asia News, March 31, 2008).



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[China] Sun Paper has started producing alkaline peroxide mechanical pulp (APMP) on a new Andritz 100,000 tonnes/a line at its mill in Yanzhou city, Shandong province. Wood chips to feed the pulp line come partly from the firm's own poplar plantations nearby, while the shortfall is met by purchase from the market. The APMP pulp will replace imported BCTMP pulp as the furnish for fine paper made on two machines, the 160,000 tonnes/a PM19 and the 250,000 tonnes/a PM21, at the Yanzhou facility. (PPI Asia News, March 31, 2008).

[France] Tembec is carrying out several energy-related investments at its mills in France. The firm has brought a new biomass power plant online at its Tartas facility, southwest of France. The unit, supplied by Austrian Energy & Environment, will begin commercial production shortly. The biomass plant has a steam production capacity of 85 tonnes/hour, using a bubbling fluidized bed boiler. The new unit replaces three existing bark boilers. The investment cost around Euro 33 million (\$51 million) and will help to bring its energy expenses down. (PPI This Week, March 27, 2008).

MERGERS, ACQUISITIONS & PLANT CLOSURES

[Norway] Speculations are mounting on the fate of **Norske Skog**. On March 4 2008, national public broadcaster NRK identified **UPM** and Sweden's Wallenberg family, who has a significant stake in **Stora Enso**, as potential buyers for the beleaguered Norwegian firm. But an analyst at Deutsche Bank, rules out the possibility of any potential bid from Stora Enso and UPM, stating that neither Stora Enso nor UPM would have any intention of expanding their respective newsprint operations given the bleak outlook for the grade. Furthermore, combining Stora Enso's and/or UPM's newsprint assets with Norske Skog's would significantly exceed the 30% market share regulated threshold in Europe. (PPI This Week, March 6, 2008).

[Europe] Newsprint capacity cuts are to take effect: Norske Skog, Stora Enso, UPM, Holmen Paper and **Myllykoski** plan to implement a total of over one million tonnes of temporary and permanent shutdowns this year in a bid to solve the overcapacity problem. Last week the board of Norske Skog gave its final approval to the permanent closure of the firm's 130,000 tonnes/a Steti newsprint mill in the Czech Republic and the indefinite shutdown of the 190,000 tonnes/a Cheongwon facility in South Korea and the 130,000 tonnes/a PM2 at the Follum plant in Norway. However, upcoming newsprint capacity changes are not all in the form of reductions. (PPI This Week, March 20, 2008).

Papierfabrik Pakm has begun work on its new 400,000 tonnes/a newsprint plant in eastern England and expects to start the machine assembly toward the end of the year, while **Perlen Papier** is currently mulling over replacing its old newsprint machine with a new unit which would lead to an increase in output of 230,000 tonnes/a. (PPI This Week, March 20, 2008).

[Italy] Cascades' European recycled cartonboard assets have been merged into Italy's **Reno De Medici (RDM)**. The deal was finalized on February 26 and went into effect March 1, 2008 following its recent approval by German and Italian anti-trust regulators. The union sees RDM becoming the second biggest recycled cartonboard producer in Europe, with 1.1 million tonnes/a just behind Austria's Mayr-Melnhof, at 1.7 million tonnes/a. Cascades no longer produces recycled board in Europe. Its board production here is now limited to two folding boxboard (FBB) mills in Djupafors, Sweden and La Rochette, France, with a combined capacity of 200,000 tonnes/a. (PPI This Week, March 6, 2008)



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(Hungary) The **Mondi Group** has announced plans to shut down its non-integrated uncoated woodfree paper plant in Szolnok, Hungary. The group blamed the move on uncoated fine paper market dynamics, with sustained high pulp prices and a weak US dollar, which has resulted in rising imports into Europe. Mondi revealed last month that it was considering temporarily or permanently taking some capacity at selected European uncoated woodfree paper plants, located in Slovakia, Russia and Austria. Mondi has to purchase the pulp from external sources for the Hungarian mill. Mondi is also looking at cutting divisional overheads and reducing mill headcounts. (PPI This Week, March 6, 2008).

(UK) **M-real** has completed the sale of its New Thames office paper mill located in Kemsley, the UK, to **DS Smith**. The £60 million (\$119 million) transaction took effect on February 29. The facility houses one 230,000 tonnes/a office paper machine, PM6, as well as a 110,000 tonnes/a recycled fiber (RCF) plant. DS Smith plans to convert the plant's PM to produce lightweight corrugated case materials (CCM) later this year. (PPI This Week, March 6, 2008).

(China) China's largest containerboard producer, **Nine Dragons Paper (Holdings)**, is seeking a foreign partner to set-up a joint venture for pulp production in North or South America. The source indicated that the joint venture must have a secure supply of raw materials for pulp production, such as having its own plantations. Output from the joint venture's facility would not be limited to just unbleached kraft but would also comprise a variety of pulp grades, such as bleached softwood kraft. (PPI This Week, March 13, 2008).

(USA) **International Paper (IP)** on March 13 agreed to acquire archrival **Weyerhaeuser's** containerboard, packaging, and recycling business in a \$6 billion cash transaction that would significantly increase consolidation in the North American corrugated box industry. The deal more than double IP's North American containerboard capacity and would make the company the world's largest producer of linerboard and corrugated medium with 11.4 million tonnes of capacity or 29% share of the North American containerboard capacity, exceeding current market leader **Smurfit-Stone Container's** 19% share of capacity. However, Wall Street reacted negatively to the deal with IP's stock price dropping roughly 17% from before the deal was announced. Wall Street was concerned about the level of debt that IP will have to take on and some analyst said the company was paying too high a price for the Weyerhaeuser division at what might be the top of the market cycle. In the meantime, the **Assn of Independent Corrugated Converters (AICC)** expressed concerns about IP/Weyco consolidation and feared an ever-tighter supply of containerboard available for independents at a competitive price. (Pulp & Paper Week, March 21, 2008)

(Canada) **Tembec**, citing the high cost of recycled fibre, told customers it would shut its 37,000 tonnes/a deinking line at its newsprint mill in Pine Falls, MB. The line is to be shut by no later than April 4, 2008. The mill will produce only 100% virgin newsprint. (Pulp & Paper Week, March 17, 2008).

(USA) **Mid-America Packaging (MAP)** has announced a global alliance with Russia's Segezha Packaging, the world's second largest manufacturer of paper sacks with 12 plants in Europe, Turkey and Russia. The company produces 1.3 billion sacks/a and has sales/service offices in 24 countries. MAP's part in the alliance helps Segezha's global supply position in North America and the alliance allows MAP to expand in Europe. (Pulp & Paper Week, March 21, 2008).



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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	850	846	880
BEKP (N.E.)	m. ton	485	458	502	520	587	642	707	796	765	800
Newsprint 48.8 g/m ² (US East)	m. ton	585	465	503	547	610	668	585	666	717	634
Unc. Freesheet No.3 Offset 50 lb (US)	sh. ton	715	692	628	676	727	815	832	905	972	880
LWC 34 lb (US)	sh. ton	1,017	867	829	859	997	978	923	1083	1,140	1,040
Linerboard 42 lb (US East)	sh. ton	430	391	371	418	428	488	517	553	575	540
Lumber #2&Btr. (W-SPF 2x4, FOB)	Mbf	286	270	278	394	353	296	250	217	236	203
OSB 7/16" (N-C US)	Msf	159	160	380	369	319	218	160	148	151	138
Canadian Dollar	US\$	0.65	0.64	0.72	0.77	0.83	0.88	0.93	0.98	0.92	1.00

E = estimated

Sources: RISI Monthly Commentaries (March 28, 2008) & Wood Markets Monthly (Mar. 2008)

