



Forest Industry News

NEW PROJECTS ANNOUNCED

Planning Phase

Sarawak, Malaysia, the state government is wrapping up an environmental study on a greenfield 650,000 t/a hardwood kraft mill.

Nine Dragons Paper, China plans to set aside HK\$1,614 million (\$208 million) from its IPO proceeds to fund three new machines, PMs 11, 12 and 13. The rest will be used to pay down debt and for working capital. PM11, a 500,000 t/a cartonboard unit, will be supplied by Voith Paper and installed at the Dongguan plant. Start-up is scheduled for early 2007. Its main output will be grayback coated duplex board. PM12, a 400,000 t/a recycled linerboard unit, will also be erected at the Dongguan site, and PM3, a 400,000 t/a recycled fluting machine, will be installed at the Taicang facility. Construction of both PMs 12 and 13 is slated to begin in fiscal 2006 and the units are due to come online by mid-2007. In addition, the group aims to build more machines that will have a combined capacity of 800,000 t/a in fiscal 2007, with start-up penciled in for mid-2008.

Papierfabrik Palm, Germany has unveiled plans to build a €90 million (\$108 million) corrugating plant alongside its recycled containerboard mill in Worth, near Karlsruhe, Germany. Construction will begin in the middle of this year and the project is set to be wrapped up in 2008. The facility will house a 3.35 m wide corrugator and will have a capacity of 250 million m²/yr of corrugated board. The company started commercial production on a 600,000 t/a recycled containerboard machine at its greenfield mill in Worth in 2002.

APP China is moving forward with more expansion plans. The firm has signed a letter of intent with the state-owned company, Shanghai Kailun Papermaking & Printing, to invest RMB 20 billion (\$2.5 billion) in building a 2 million t/a paper and board mill in Shanghai.

Portucel Soporcel, Portugal has decided to install a new 500,000 t/a uncoated woodfree paper machine at its plant in Setubal. The investment cost is estimated at €490 million (\$584 million) with start-up planned for the second half of 2008.

GP Cellulose (now owned by Koch Industries), is moving ahead with an estimated increase in fluff pulp capacity at the Brunswick, GA mill from 749,000 t/a to 953,000 t/a.

Botnia, Finland, plans to upgrade the bleaching process and wastewater treatment at its Rauma mill in Finland. Andritz will supply the bleaching equipment and Eka the chlorine dioxide plant. The rebuild will boost capacity from 550,000 to 605,000 t/a and improve quality.

Implementation Phase

Papierfabrik Koehler, Germany has completed a rebuild of the press section of PM4 at its Oberkirch plant in southern Germany. The German supplier Bellmer changed the unit's third press to an offset press.

North-West Timber Company (NWTC) is still working on the construction of a third machine house at its Neman mill in Kaliningrad, Russia. The firm said that the project is running according to schedule, and is likely to be wrapped up in May 2006.

M-real Kemiart Liners invests in Europe's first ValFormer forming section for boardmaking applications. This latest investment of roughly €7.0 million will result in improved product quality and it will increase the mill's production capacity from 345,000 t to 360,000 t/a.

Bahia Pulp, Brazil Metso Paper will supply them with a new fiber line will start-up during the third quarter of 2007. The scope of Metso Paper's delivery will cover a complete new line from cooking to ready reeled or baled pulp. The value of this type of fiber lines ranges from €50 to €100 million, depending of the scope of delivery and the production capacity. The order is a part of Bahia Pulp's \$375 million investment to triple its dissolving pulp production capacity from the current 115,000 t/a to 365,000 t/a.



Norske Skog, Australia has started an upgrade of its PM1 at the Albury mill in Australia. The work will increase capacity from 225,000 to 275,000 t/a.

Orchids Paper, will start two new tissue machines in the coming months. This includes a 35,000 t/a machine in Pryor, OK and a 40,000 t/a one in Haines City, FL.

MERGERS, ACQUISITIONS & PLANT CLOSURES

Stora Enso's announced that its Grycksbo Fine Paper Mill and Linghed Sawmill are being divested as part of Stora Enso's Asset Performance Review (APR), which aims to secure a competitive European production base. The Grycksbo mill is a non-integrated producer of on-machine coated woodfree paper, with annual capacity of around 250,000 metric tonnes.

Norske Skog stopped production on PM6 at its Union plant in Skien, Norway, yesterday, and shut down the mill. The company idled the facility's other machine, PM7, on February 1, 2006.

SMART Papers idled its No. 3 paper machine at its Park Falls, Wis. paper mill and is placing a moratorium on new orders of its commercial offset and opaque printing papers until further notice. Its other paper machine in Park Falls will continue operating. The No. 3 machine has a capacity of 84,000 st/a.

SCA ceased production at its 200,00 t/a recycled containerboard mill in Grenaa, Denmark, on March 31, 2006. The firm has not revealed the fate of the Djursland site and its two PMs.

West Fraser Timber Co. Ltd. announced it will permanently close the No. 1 pulp machine and wood room at its pulp mill in Hinton, Alberta, in the fourth quarter of 2006. The operational changes will result in the loss of approximately 100 jobs at Hinton Pulp and reduce by approximately 70,000 tonnes the mill's annual production of northern bleached softwood kraft (NBSK) pulp.

Smurfit Kappa Group, France has released plans to cut capacity, removing a total of 270,000 t/a from the market. The group intends to shut the Papeterie d'Uzerche, Papeterie d'Aubazinbe, Usine de Bigny and Papeterie de Vernon recycled containerboards' mills in France.

Fraser Papers, will permanently close its 230,000 t/a NBHK market pulp mill in Berlin, N.H., citing high wood, energy and chemical costs.

Domtar, will permanently close its 120,000 t/a New Westminister coated freesheet paper mill in Vancouver, BC. This is part of Domtar's previously announced profitability plan that will eventually cut 450,000 t/a.

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	650	670	655	635	Rising
BEKP (Europe)	m. ton	867	652	502	526	587	613	577	610	620	Rising
Newsprint	m. ton	670	565	503	547	610	670	690	635	665	Flat
Uncoated Freesheet	sh.ton	990	755	628	676	727	780	800	725	790	Rising
Light Weight Coated	sh.ton	1,226	1,065	829	859	997	1,050	1,080	1,030	995	Flat
Linerboard	sh.ton	510	470	421	468	478	530	540	480	515	Flat
Lumber #2&Btr.	Mbf	250	255	278	394	353	340	320	320	333	Falling
OSB	Msf	245	205	380	369	319	280	220	220	290	Rising
Canadian Dollar	US\$	0.73	0.67	0.72	0.77	0.83	0.87	0.87	0.87	0.86	Falling

E= estimated