

*March/April 2009*

## Forest Industry News

### NEW PROJECTS ANNOUNCED

#### Planning Phase

**(Indonesia)** **Korindo Group** has revealed more details on its plans to build a new market pulp mill on the Indonesian side of the island of Borneo. The group is now planning to build a 750,000 tonne/a bleached chemi-thermomechanical pulp (BCTMP) facility at a cost of US\$500 million. Construction of the BCTMP mill was due to begin last year, with start-up in early 2009. But work has been hindered by funding problem and construction has not yet begun. In 2006, the South Korean conglomerate announced that it was planning to construct a 200,000 tonne/a BCTMP plant in Central Kalimantan, at a cost of US\$400 million. (PPI Asia, March 16, 2009).

**(China)**. Another major planned pulp investment in China has also gained support from the authorities. **Shandong Chenming Paper Holdings'** subsidiary **Zhanjiang Chenming Pulp & Paper** has inked an agreement with five major banks, led by the China Development Bank, for two 15-year loans. The loans will help finance construction of a Greenfield BHK pulp mill in Zhanjiang city, Guangdong province. The new pulp plant is due to come online in October 2010 and will have a capacity of up to 1 million tonnes/a. Metso will supply the main equipment for the facility. (PPI Asia, March 16, 2009). However, the project was facing a delay as a spokesman said the firm is renegotiating certain terms and conditions it signed with Metso Paper to supply the main equipment for the new pulp plant. The company has inked with Metso Paper in August last year, with a contract value totalling Euro 194 million (US\$264 million). However, with steel and oil prices falling since September due to the global downturn, Shandong Chenming felt that manufacturing costs for the pulp equipment must have gone down. As a result, it asked Metso to reduce the price tag and the Finnish supplier agreed to renegotiate the deal. (PPI Asia, March 30, 2009)

**(India)** **The Emami Group** plans to build a Greenfield paper plant in the Indian state of West Bengal, some 185 km of Calcutta. The group has signed an agreement with the state's West Bengal Industrial development Corp (WBIDC) to buy land for the integrated facility. The mill will house a 200,000 tonne/a printing and writing paper machine and a pulp line of unspecified capacity. Emami is currently in negotiations with unnamed potential equipment suppliers in Europe. The Rupee 22 billion (US\$437 million) scheme, which will also include a 40 MW captive power plant, is expected to be completed by 2012. (PPI Asia, March 30, 2009)

**(Uruguay)** Spanish-based **Ence** has developed conversations with other European companies in order to find a partner for its planned 1 million tonnes/a bleached eucalyptus kraft pulp mill in Punta Pereyra, Colonia, Uruguay. There are apparently four companies interested in joining Ence's project in Uruguay and a first offer might be presented in May-June. Despite the confidentiality of the firm's names, there are rumours that Stora Enso and Portucel Soporcel are on the candidates list. In parallel, Stora Enso is studying to build two Greenfield pulp mills in South America: one in Rio Grande do Sul, Brazil, and another in Uruguay. Each one will demand about 100,000-120,000 ha of eucalyptus plantation. (PPI Latin America, March 18, 2009)

**(Brazil)** **Aracruz** and its partner **Stora Enso** have announced they will put off expansion of the Veracel II project for at least a year. The companies had previously announced plans to start-up a second 1.4 million tonnes/a pulp line at Veracel at the beginning of 2012. The partners believe the expansion project postponement is a prudent step, due to the current and near term outlook for markets. (PPI Latin America, March 25, 2009).



**March/April 2009**

**(Brazil) Suzano** reaffirmed investments in the forestry base to support the company's two new greenfield market pulp mills planned in the south of Maranhão state and in Piauí state, both in Brazil. According to the company, the mills' start-up is estimated for 2013 and 2014, respectively. The original industrial projects costs were estimated at 1.8 billion for each facility. (PPI Latin America, April 1, 2009)

**(Germany) The European Commission (EC)** has authorized Euro 40.6 million (US\$55.1 million) worth of aid to the **Hamberger Group**. The funds will go toward the construction of a new recycled containerboard machine at its Spremberg mill, in Brandenburg state, Germany. The PM will have a working width of 7.8 m and will produce 450,000 tonnes/a of brown and white grades of recycled containerboard. Start-up is scheduled for 2011. The scheme will also include the construction of a power station at the site. The project is set to cost Euro 400 million. (PPI Europe, March 26, 2009)

**(Hungary) The Hamburger Group** has shut down PM4 at its Csepel recycled containerboard mill in Budapest, Hungary. The plant's other unit, PM6, is due to be retired at the end of May 2009. The two machines have a combined capacity of 130,000 tonnes/a, of which 120,000 tonnes/a is recycled containerboard and 10,000 tonnes/a is sack kraft paper. The containerboard production from the closed mill will be transferred to a new unit, PM7, at the group's other plant in Hungary, located in Dunaujvaros. The 400,000 tonne/a PM7 is due to begin commercial production around July 1 of this year. (PPI Europe, April 9, 2009).

**(North America)** Despite the current sharp drop in containerboard demand, two North American producers, **Norampac and Interstate Resources**, continue to study plans to position themselves for the next market upturn and what could be a possible shift to lightweight recycled containerboard. Norampac has been evaluating a new lightweight machine to replace its Red Rock, ON, kraft linerboard mill, where it ran two PMs, that closed more than two years ago and left a gap in the sixth largest North American integrated producer's mill/box plant system. The company is studying possible locations in the US and Canada including its existing Niagara Falls, NY corrugating medium mill complex. On the other hand, Interstate Resources' **United Corrstack** plans to begin a new 33 MW biomass boiler at its Reading, PA, medium mill this fall. The additional power would eventually allow the company to install a new board machine that would be at least twice as large as its existing machine. (Pulp & Paper Week, April 3, 2009)



**March/April 2009**

### Implementation/Start-up Phase

**(China)** Downturn forces **Nine Dragons** to push back or cancel several projects. It has decided late last year to cancel plans to install a 400,000 tonne/a recycled linerboard machine, PM31, at the mill in **Vietnam**, due to the poor economic outlook there. It also postponed the start-up of four recycled containerboard machines to 2011 or later. The units, PM27, PM28, PM29 and PM30, located in Guangdong and Jiansu provinces, which will have a combined capacity of 1.6 million tonnes/a, were originally slated to come on stream by the end of 2009. However, the group is still set to bring online two recycled containerboard machines at a Greenfield facility in Tianjin municipality in the 3<sup>rd</sup> quarter this year. The units are PM25 (450,000 tonnes/a of linerboard) and PM26 (350,000 tonnes/a of lightweight fluting). It said packaging demand in the Tianjin area remains strong, while supply has been limited. (PPI Asia, March 2, 2009)

**(Japan)** **Oji Paper** has started commercial production on a 350,000 tonnes/a light weight coated (LWC) paper machine at its Tomioka mill in Anan city on Shikoku island. The Japanese giant kicked off trial runs on the unit in November last year, but the group pushed back commercial production from January to February due to weak demand. The machine was supplied by Metso Paper. The 10.2 m wide machine has a design speed of 2,000 m/min and features the first online multi-nip calendar in Japan. However, a spokesman said that the start-up comes at a tough time. The group has been walloped by plunging orders because of the global economic downturn and the recession in Japan. (PPI Asia, March 2, 2009).

**(China)** **Asia Pacific Resources International (APRIL)** is making progress with a project to build a 1 million tonne/a pulp line at its plant in Rizhao city, Shandong province, China. Construction work for the scheme started in mid-2008. Trial runs on the new bleached hardwood kraft (BHK) pulp line are scheduled for the second quarter of 2010. Around 85% of the equipment for the project has been delivered to the site. Metso Paper is providing the bulk of the new pulp line, but the lime kiln is from Andritz. Siemens and ABB are supplying an electrification package. Honeywell the control and automation, and Aquaflo the wastewater treatment equipment. The total cost is expected to reach RMB 11.3 billion, with RMP 3.77 billion coming from APRIL itself and the remaining from a group of four Chinese banks. (PPI Asia, March 16, 2009)

**(Brazil)** **VCP** on March 30, 2009 started-up its new greenfield pulp mill in Três, Mato Grosso do Sul state, Brazil. The plant has an annual capacity of 1.3 million tonnes of bleached eucalyptus kraft pulp and initiated operation one month before the planned schedule. VCP invested a total of US\$1.5 billion in the Horizonte project, including the pulp facility and 200,000 ha of forest – 140,000 ha of eucalyptus plantations and 60,000 ha of preserved forests. Plantations are in a radius of 60 km from the mill. (PPI Latin America, April 1, 2009)

**(Venezuela)** The new pulp and newsprint complex named **Empresa Básica Socialista de Pulpa y papel (Pulpaca)**, which is under construction in the Independencia municipality, Anzoátegui state, northeastern Venezuela, is following the original schedule despite the global economic recession. According to Pulpaca's president Luis Salinas, Voith Paper will ship the first containers with parts of the equipment in August 2009. Voith Paper is in charge of the first line of the Pulpaca complex, which includes 250,000 tonnes/a newsprint paper machine, while Andritz will provide equipment and specialized services for wood supply. (PPI Latin America, April 8, 2009).



**March/April 2009**

**(Switzerland) Perlan Papier** has commenced work to prepare for a new newsprint machine, PM7, at its plant in Perlen, in the Lucerne area of Switzerland. The 120 km/hr **Voith**-supplied unit, which will have a capacity of 360,000 tonnes/a, will be installed at the start of 2010. Start-up is scheduled for September 2010. Perlan itself will supply around 60% of the SFr 460 million (US\$ 360 million) required, while the remaining 40% will be covered by a syndicated loan, with UBS acting as lead bank. (PPI Europe, March 5, 2009)

**(Portugal) Portucel Soporcel** is installing a new 500,000 tonne/a uncoated woodfree paper machine at its mill in Setúbal, Portugal. **Metso Paper** supplied the PM, while GL&V and Andritz are providing some of the stock preparation equipment. Pöyry is the main engineering consultant. Commercial production is expected to start in the middle of the 3<sup>rd</sup> quarter 2009. The group aims to build a new 543 GWh/a combined-cycled natural gas cogeneration plant at the Setúbal mill, which will supply the steam requirements of the new paper machine. The unit will also start-up in the middle of the 3<sup>rd</sup> quarter. (PPI Europe, March 26, 2009)

**(USA) Pratt Industries USA** recently started trial production of a 400,000 ton/a machine at its new greenfield lightweight recycled containerboard mill in Shreveport, LA. The new PM's daily design capacity is 1,108 tons/day, with capability to produce board in the 16.4- to 32.8-lb (80- to 160-g/m<sup>2</sup>) range from 100% recovered paper supplier Over Meccanica said in a release. The machine has a wire width of 6.35 m and a design speed of 1,200 m/min. The PM will run on a lower cost, non-old corrugated container grade such as mixed paper. In first announcing the mill back in July 2007, Pratt said the project would have a remarkably low capital cost of US\$150 million and a capacity of 360,000 tons/a. (Pulp & Paper Week, March 13, 2009).

**(USA) Temple-Inland** has been ramping up production of white top linerboard at its Premier Boxboard Ltd. (PBL) Cayuga Mill in Newport, Indiana since December and expects to produce at least 100,000 tons of the new product in 2009. The higher value-added white top linerboard is replacing recycled corrugating medium production at the 339,000 tons/a recycled paperboard mill, which also produces gypsum wallboard facing paper. (Pulp & Paper Week, April 24, 2009).

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

**(Australia) Nippon Paper** is set to take over **PaperlinX's** paper manufacturing business, **Australian Paper**. The acquisition will include all outstanding shares of Australian Paper, as well as the firm's Maryvale mill in Victoria and the Shoalhaven plant in New South Wales. The former produces 570,000 tonnes/a of printing/writing paper and containerboard, while the latter makes 16,000 tonnes/a of specialty paper. However, the deal will not include Australian's two printing/writing paper facilities in Tasmania. The transaction is valued at A\$700 million (US\$452 million). (PPI Asia, March 2, 2009). In April, Australia's Foreign Investment Review Board (FIRB) has given the go-ahead for the sale of Paperlin X's manufacturing arm, Australian Paper, to Japanese giant Nippon Paper group. (PPI Asia, April 20, 2009)

**(Japan)** Four leading Japanese producers have unveiled plans to idle or shut down some paper and board machines due to the poor conditions in their home market. **Nippon Paper group** has announced it will permanently shut a range of equipment at several mills. The move will take a total 575,000 tonnes of annual paper and board capacity out of the market. The packaging company **Rengo** has also ceased production on two board machines due to weak demand, taking 168,000 tonnes of recycled fluting and coreboard out of the market. **Daio Paper** also idled two printing/writing paper machines at its Mishima mill in Shikokuchuo city, in early April 2009. Another leading Japanese producer, Oji Paper, has already revealed plans to close two paper machines and a kraft pulp line due to the tough conditions in Japan. (PPI Asia, April 20, 2009).



**March/April 2009**

**(Europe) Botnia** kicked off the permanent closure of its 450,000 tonne/a bleached hardwood and softwood kraft pulp plant in Kaskinen, Finland on March 11, 2009. However, the services are still provided to the M-Real's bleached chemi-thermomechanical pulp (BCTMP) mill, which is located on the same site. There were 223 employees involved in the statutory negotiations. Botnia explained that the Kaskinen plant is its oldest facility and its profitability had deteriorated due to poor wood availability at uncompetitive prices and increased production costs. Most of the hardwood fiber was imported, with birch coming from Russia and the Baltic countries. (PPI Europe, March 12, 2009)

**(Russia) Continental Management** has announced that production at its Baikalskiy Pulp and Paper Mill in Baikalsk, in the Irkutsk region of eastern Russia, might not resume after it was halted in October 2008. Since then, the firm has laid off some 1,823 employees out of 2,300 at the site. Another 300 people are to be made redundant soon. The mill's management has asked the government of the Irkutsk region, who owns 49% of the plant's shares, for financial help. The mill can produce some 200,000 tonnes/a of bleached and unbleached softwood kraft pulp and 12,000 tonnes/a of sack kraft and kraftliner. (PPI Europe, March 19, 2009).

**(Scotland) International Paper (IP)** has taken both paper machines at its Inveturie fine paper plant in Scotland off line. The firm is still mulling over what to do with the two units, which together have a capacity of some 255,000 tonnes/a of uncoated woodfree paper. The shut marks IP's exit from the UK paper market, with the loss of 371 jobs. Some employees are still on site, working to complete the closure of the mill. (PPI Europe, April 16, 2009).

**(USA)** with weak demand, depressed pulp prices, and no recovery in sight, **Domtar** plans to shut its Woodland pulp mill in Baileyville, ME, for an undetermined period beginning May 5, 2009. Woodland's capacity represents 9.8% of North American market bleached hardwood kraft capacity of 4,080 million tonnes/a, according to the Pulp & Paper Council's Wood Pulp Data 2008 report. Domtar closed all of Woodland's paper machines years ago, and the mill increasingly relied on China as a destination for its output. The market collapse in China impacted Domtar's decision to close it down. (Pulp & Paper Week, March 6, 2009)

**(Canada) Terrace Bay Pulp** applied for court protection from creditors in Ontario under the Companies' Creditors Arrangement Act (CCAA), and will continue idling its market northern bleached softwood kraft (NBSK) market pulp mill. Last February, the NBSK mill began what was originally planned as a six-week shut. Citing the rapid decline in the demand for pulp, the general economic downturn, and the general financial crisis, Terrace Bay filed for CCAA protection. (Pulp & Paper Week, March 13, 2009)

**(North America) AbitibiBowater** seeks creditor protection in USA and Canada. North American papermakers and their customers are pondering the market implications after the eighth-largest publicly-traded pulp and paper manufacturer filed for bankruptcy protection from creditors on April 16, 2009. AbitibiBowater manages 40% of North American newsprint and 5% of market pulp production. The company listed assets of US\$9.9 billion and debts of US\$8.78 billion on September 30, 2009 in its court filing. (Pulp & Paper Week, April 17, 2009).

**(Europe) Stora Enso** has unveiled plans to reorganize its operation in a bid to reduce total annual fixed costs by Euro 250 million (US\$ 331 million) compared to the 2008 level. Up to 2,000 employees will be affected, mostly as a result of leaner management structures. The savings will be obtained mainly by reducing top and middle management and by downscaling certain functions and country organizations by one third. Most of the cost reductions will be realized during 2009 and the remainder by the end of 2010. (PPI Europe, April 30, 2009 )



**March/April 2009**

**(North America)** Tembec's former pulp and paper mill at St. Francisville, LA, is to restart, perhaps before the end of the year, but the new owners are not disclosing for competitive reasons what it will manufacture. Tembec said that it has sold the mill for US\$6 million in cash and US\$ 10 million in interest bearing notes to West Feliciana Acquisition. In 2001, Tembec purchased the mill from Crown Vantage for C\$215 million as well as C\$64 million (5.2 million shares) of Tembec stock. Louisiana state officials identified the purchasers as an investor group led by New York-based **Pan American Capital Group**, and said the state would provide PanAmerican with US\$6 million in incentives. (Pulp & Paper Week, April 24, 2009).

**(Canada)** After losing a chip and bark supply contract with **AbitibiBowater** late last March, **SFK Pulp** still plans to restart its idled Saint Félicien, QC, market northern bleached softwood kraft (NBSK) pulp mill on Thursday May 7, 2009 as initially planned. The mill's pulp line will run on existing chip supply as the company seeks new chip supplies and also tries to negotiate a new deal with the bankrupt AbitibiBowater. Contacts also believe the Quebec government may enter the fray and help the mill, which produces black spruce NBSK. (Pulp & Paper Week, May 1, 2009).

## PRODUCT PRICE SUMMARY (US Dollars)

Product	Units	2002	2003	2004	2005	2006	2007	2008	2009E	2010E	Current Price
NBSK Pulp (N.E.)	m. ton	462	525	617	611	681	800	839	602	678	580
BEKP (N.E.)	m. ton	458	502	520	587	642	707	782	493	581	475
Newsprint 48.8 g/m <sup>2</sup> (US East)	m. ton	465	503	547	610	668	585	695	670	634	632
Uncoated. Freesheet No.3 Offset 50 lb (US)	sh. ton	692	628	676	727	815	832	912	860	840	880
LWC 34 lb (US)	sh. ton	867	829	859	997	978	923	1,085	975	994	980
Linerboard 42 lb (US East)	sh. ton	391	371	418	428	488	517	569	505	483	550
Lumber #2&Btr. (W-SPF 2x4, FOB)	Mbf	270	278	394	353	296	250	220	168	192	155
OSB 7/16" (N-C US)	Msf	160	380	369	319	218	160	171	165	172	151
Canadian Dollar	US\$	0.64	0.72	0.77	0.83	0.88	0.94	0.937	0.801	0.825	0.825

E = estimated

Sources: RISI Monthly Commentaries (April 29, 2009), Wood Markets Monthly (April 2009) & Foreign Exchange Consensus Forecasts (April 14<sup>th</sup>, 2009) and spot rate of April 14<sup>th</sup>