



May 2008

## Forest Industry News

### NEW PROJECTS ANNOUNCED

#### Planning Phase

**[Vietnam]** **Tan Mai Paper** has revealed plans to spend Dong 3,000 billion (\$186 million) on building a new newsprint plant in central Vietnam. The firm intends to install a 150,000 tonne/a PM and a 100,000 tonne/a deinked pulp line at the facility, which will be located in the Binh Son district of the central province of Quang Ngai. Metso has been named as the main supplier. The company will also install a 200,000 tonne/a second-hand coated fine paper unit at the Bien Hoa mill in Dong Nai province later in 2008. This involves a new 230,000 tonne/a BCTMP line as well. The second-hand machine was previously located at the closed Papiers Gaspesia mill in Chandler, Quebec, in Canada. A spokesman for Tan Mai said dismantling of the machine would commence soon. Installation will begin in July or August 2008 with start-up to follow early next year. (PPI Asia News, May 2 & May 19, 2008)

**[Australia]** The **Australian financial institution ANZ** has confirmed that it has withdrawn as lead financier for **Gunns'** controversial A\$1.7 billion (\$1.6 billion) pulp mill in northern Tasmania. However, Gunns insisted that the project is on schedule, with strong international interest in financing the 1.1 million tonne/a bleached softwood and hardwood pulp plant. Sources said talks to assemble a syndicate of several local and overseas banks were under way. (PPI Asia News, May 2, 2008)

#### Implementation/Start-up Phase

**[China]** China's second largest containerboard producer, **Lee & Man Paper Manufacturing**, continues with its expansion program. The company has started-up a 350,000 tonne/a recycled containerboard machine, PM12, at its Hongmei mill in Dongguan city, Guangdong province. Another recycled containerboard machine, PM17, is being erected at the Hongmei facility, The 420,000 tonne/a unit is slated to come online in December 2008. Metso is supplying the three-ply machine, which will have a wire width of 7.25 m and a design speed of 1,150 m/min. Its output will include kraft-top liner and testliner. The Hongmei plant already housed two recycled containerboard units, The start-up of PM17 will bring the facility's total capacity to 1.65 million tonnes/a. (PPI Asia News, May 2, 2008)

**[China]** **Lee & Man** is also gearing up to commission a bleached hardwood kraft (BHK) pulp line and a recycled linerboard machine at a greenfield mill in the municipality of Chongqing, which neighbors the province of Sichuan. The 150,000 tonne/a pulp line and the 300,000 tonne/a machine, PM13, are due on stream in June 2008. Installation work at the Chongqing mill has not been affected by the 7.9 magnitude earthquake that struck Sichuan on May 12, 2008. A deinked pulp (DIP) line, supplied by Andritz, is also scheduled to start-up shortly at the company's plant in Changshu city, Jiangsu province. The firm is also set to bring a 420,000 tonne/a recycled containerboard machine, PM15, and a 150,000 tonne/a BHK line online at a greenfield mill in Hau Giang, southern Vietnam, in 2009. It would also install a 300,000 tonne/a recycled containerboard machine, PM16, at the Chongqing plant. Start-up is slated for December 2009. (PPI Asia News, May 2, 2008).



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**(China)** Asia's largest packaging producer, **Nine Dragons Paper (Holdings)**, may slow the pace of its capacity expansion in China, particularly of recycled containerboard, after a decade of rapid growth. It has built a total of 17 board machines at two mills, one in Dongguan city, Quangdong province, and the other in Taicang city, Jiangsu province. Since its first PM came on line in July 1998. Nine Dragons is set to bring on stream another 13 board machines from now until the end of 2009, of which 6 will be commissioned by June 2008 and the remaining in 2009. By the end of 2009, Nine Dragons' total packaging capacity will reach 10.55 million tonnes/a, of which 9.6 million tonnes/a will be recycled containerboard. This will make it the largest producer of corrugating materials. Beyond 2009, Nine Dragons has no more expansions in the pipeline. Soaring costs of raw materials and energy are eroding profitability, and the problem will not go away. The company is looking at diversifying into production of more value-added grades. The group is seeking a foreign partner to set up a joint venture for pulp production in North America, or acquire a small pulp mill in Southeast Asia. (PPI Asia News, May 2, 2008).

**(China)** **Yuayang Paper** has signed up **Andritz** to supply the fiber systems for a greenfield mill in Yueyang city, Hunan province, in China. The order comprises a deinked pulp (DIP) line, stock preparation and PM approach flow systems. Start-up is scheduled for between June and August 2009. The DIP line will have a capacity of 550 tonnes/day and will use US sorted office paper and domestically collected office waste as furnish. (PPI Asia News, May 2, 2008)

**(China)** China's **Hunan Tiger Forest & Paper** has started dry tests on a new 400,000 tonne/a bleached kraft pulp line at a greenfield mill in Huaihua city, Hunan province. Trial runs are expected to follow in June 2008. Andritz supplied the main equipment for the mill. The pulp line will be fed with 70% softwood, including masson pine and fir and 30% hardwood, such as alder, poplar and eucalyptus. Most of the wood chips will come from Hunan Tiger's plantations in the area. (PPI Asia News, May 19, 2008)

**(India)** **West Coast Paper Mills** has kicked off installation work for a new bleached hardwood kraft (BHK) pulp line at a greenfield plant in the southern state of Karnataka. The 230,000 tonne/a line was supplied by Metso and is scheduled to come on stream in November 2008. It is part of a Rupee 11 billion (\$260 million) scheme which also includes a 135,000 tonne/a Voith fine paper machine and a 30 MW power plant. Both are scheduled to start-up in May 2009. (PPI Asia News, May 19, 2008)

**(Poland)** The **Mondi Group** has wrapped up an overhaul of PM4 and the neutral sulphite semi-chemical plant at its Swiecie mill in Poland. The Euro 13 million (\$20 million) project was aimed at lowering manufacturing costs and improving quality. Mondi also plans to install a new recycled containerboard machine at the Swiecie facility. The 470,000 tonne/a unit, PM7, will be supplied by Metso Paper. Start-up is slated for the third quarter of next year. The Euro 350 million project also includes construction of a new box plant at the site. The group is also considering taking out 350,000 tonnes/a of testliner capacity once it brings its new 470,000 tonne/a recycled containerboard PM on stream. (PPI This Week, May 9, 2008).

**(Russia)** **Syassky Pulp and Paper Mill** has scheduled the start-up of the new Over Meccanica 26,900 tonne/a tissue machine at its plant in the Leningrad region of Russia for May 22, 2008. The company plans to sell the machine's output in Russia, the Ukraine, Kazakhstan and Belarus. (PPI This Week, May 22, 2008).

**(USA)** **Kimberly-Clark (K-C)** recently started running a new 65,000 ton/a tissue paper machine at its mill in Beech Island, SC. The PM, the fourth one at Beech Island, started-up in February 2008. With the new PM, the Beech Island capacity expands to about 250,000 tons/a. The new PM runs on virgin pulp. (P&P Week, May 16, 2008).

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**(USA) Smart Papers** in April 2008 began constructing a new \$30 million biomass cogeneration plant at its paper mill in Hamilton, OH, that is to start-up next year, allowing the company to produce all its printing and writing papers with 100% fossil fuel-free energy. The energy plant will consist of four turbines, two condensers, and auxiliary equipment, and will replace four existing turbines and eliminate the use of coal. (P&P Week, May 16, 2008).

**(Portugal) Portucel Soporcel** will install the world's largest cut-size sheeter for its uncoated freesheet expansion at its Setubal mill in Portugal. The company chose two cut-size converting and packaging lines from E.C.H. Will and Pemco as part of a new 500,000 tonne/a paper machine addition in an estimated Euro 500,000 million project. The first converting line, a 16-pocket cut-size sheeter, will have a 3.48 m width, the widest of its kind in the world. The second line will consist of a 8-pocket sheeter, a Pemco flexible packaging line and palletizer. The machine is expected to start up in the third quarter 2009. (P&P Week, May 23, 2008).

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

**(Europe) SCA** has unveiled plans to take some containerboard capacity out of the market during the second quarter. The company planned to shut approximately 80 million m<sup>2</sup>/a of corrugated board and 200,000-300,000 tonnes/a of containerboard capacity. The company did not specify which mills and PMs would be affected, but said the restructuring would take place over the next three years. However, the firm is considering bringing forward earlier capacity closure plans. Overcapacity, high stocks and the weak dollar are putting pressure on prices in the corrugating packaging sector. SCA is also forging ahead with its plans to optimize production further through the closure of a number of units, phasing out some 100,000 tonnes/a of capacity as a result. The company plans to close its 30,000 tonne/a Skelmersdale mill in the UK during the third quarter. More shuts are likely to be announced during the second half of 2008. The cuts have been triggered by the acquisition of Procter & Gamble's (P&G) European tissue operations on October 1. (PPI This Week, May 8, 2008)

**(Finland) M-Real** announced plans to curtail its use of wood raw material by some 2 million m<sup>3</sup> per annum, which could amount to 400,000 tonnes/a of pulp, according to RISI estimates. The move will affect pulp production at its own plants in Finland and Sweden as well as those of its partly owned subsidiary Botnia. Low wood fiber availability and the new round of tariff increases on imported Russian wood were the main reasons behind this curtailment. (PPI This Week, May 15, 2008)

**(Hungary) Mondi** shut down its non-integrated uncoated woodfree paper plant in Szolnok, Hungary, ahead of schedule. Production ceased on March 20, 2008 and the remaining stock has been sold off. The facility employed about 275 people. The group is hoping that the removal of 140,000 tonnes of uncoated woodfree paper from the market, coupled with European industry closures totaling 410,000 tonnes last year, will lead to a further improvement in operating rates. But the CEO believes more cuts may be needed in the market. (PPI This Week, May 9, 2008).

**(Europe) Norske Skog** has finalized the timetable for its upcoming capacity shuts. The board approved plans to reduce newsprint capacity by 450,000 tonnes/a, a curtailment amounting to 7% of its total global capacity, on March 12, 2008. The company has shut its 130,000 tonne/a Steti mill in the Czech Republic by the end of May 2008. The closure of the 130,000 tonne/a PM2 at its Follum plant in Norway will follow by the end of June 2008. The firm's 190,000 tonne/a Cheongwon newsprint facility in South Korea will also be indefinitely idled at the end of 2008. The combined closures and curtailments by **Holmen Paper, UPM, Stora Enso and Myllykoski** will result in one million tonnes coming out of the European market. (PPI This Week, May 15 & 22, 2008)



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**(Austria) Constančia Packaging** is set to become the sole shareholder in Austrian packaging company **Duropack** after buying out the **Smurfit-Kappa Group's (SKG)** minority interest in the business. Constantia is buying out SKG due to increasing competition between the two companies in eastern and southeastern Europe, following Jefferson Smurfit's merger with Kappa Packaging in 2005. The price of the buy-out has been put at Euro 55 million (\$85.5 million). (PPI This Week, May 22, 2008)

**(Russia) North West Timber Company (NWTG)** has filed for insolvency proceedings for its facilities in Neman and Kamennogorsk, in Russia. The firm could not meet its credit payments and applied for bankruptcy proceedings for its two mills. The company produce a total of 150,000 tonnes/a of pulp and 170,000 tonnes/a of paper and board. (PPI This Week, May 29, 2008)

**(USA) NewPage** said it expects to generate annual synergies of about \$265 million as a result of its acquisition last December of Stora Enso's eight North American mills. The company plans to permanently close its pulp mill and two paper machines in Niagara, WI, in the fall of 2008 and a paper machine in Kimberly, WI, by the end of May 2008. A paper machine in Rumford, ME, was closed in February 2008. (P&P Week, May 9, 2008)

**(USA)** A recovery boiler explosion at IP's Vicksburg mill will idle 1,600 tons/day of unbleached kraft linerboard for around six months. The downtime represents 290,000 tons of lost production this year. The explosion on May 3 at its kraft linerboard mill in Vicksburg, MS, killed one worker and injured 17 others, all contractors. The mill has total capacity of 575,000 tons/a, including 485,000 tons/a of kraft linerboard and 90,000 tons/a of corrugating medium (produced on a swing basis). The mill is the third largest in IP's containerboard system, and accounts for 11% of IP's total domestic containerboard capacity and 1.5% of North American industry capacity. (P&P Week, May 9 & 23, 2008)

**(Canada) Neenah Paper** is making rapid progress on its previously announced plan to sell its last market NBSK pulp mill in Pictou, NS. The firm signed a binding agreement with **Atlas Holdings**, which operates four mills and nine packaging plants in North America, and the New York equity firm **Blue Wolf Capital Management**, which said in the statement they expect to finish the transaction in the second quarter. The firm previously sold its other market NBSK mill to Buchanan Forest products. (P&P Week, May 9 & 16, 2008)

**(USA) Pope & Talbot (P&T)**, which shut down market pulp production at its three NBSK mills last week after a deal to sell them to a **Simar Mas** and **Asia Pulp and Paper** division fell apart, switched its bankruptcy status from a Ch. 11 to a Ch. 7 liquidation, according to court filings. . (P&P Week, May 16, 2008)

**(USA) Laidlaw Energy** signed a definitive agreement to acquire the former **Fraser Papers** pulp mill in Berlin, NH, that Laidlaw plans to convert to a 60 MW biomass energy plant as part of a \$100 million investment. The Berlin project is expected to use more than 700,000 tons/a of whole tree wood chips. The mill will partly supply energy to Fraser's UFS mill in nearby Gorham, NH, which used to be furnished by the Berlin pulp mill. (P&P Week, May 23, 2008)

**(USA) Katahdin Paper** said it would indefinitely shutter its 180,000 tons/a supercalendered (SC-A) paper machine No.11 in July 2008 at its Millinocket mill in Maine due to "sharply rising input costs". Record high oil prices have doubled the mill's fuel costs over the last 12 months. Katahdin's directory papers business, including two 115,000 tonnes/a directory PMs, and related pulp and energy operations located nearby East Millinocket, is not impacted by the machine shutdown. (P&P Week, May 30, 2008)



**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	912	965	900
BEKP (N.E.)	m. ton	485	458	502	520	587	642	707	828	864	840
Newsprint 48.8 g/m <sup>2</sup> (US East)	m. ton	585	465	503	547	610	668	585	684	752	672
Uncoated. Freesheet No.3 Offset 50 lb (US)	sh. ton	715	692	628	676	727	815	832	913	972	900
LWC 34 lb (US)	sh. ton	1,017	867	829	859	997	978	923	1093	1,145	1,090
Linerboard 42 lb (US East)	sh. ton	430	391	371	418	428	488	517	555	593	540
Lumber #2&Btr. (W-SPF 2x4, FOB)	Mbf	286	270	278	394	353	296	250	226	246	226
OSB 7/16" (N-C US)	Msf	159	160	380	369	319	218	160	153	153	161
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 (May 30, 2008) & Wood Markets Monthly (May 2008)

