



November 2005

Forest Industry News

NEW PROJECTS ANNOUNCED

Planning Phase

Weyerhaeuser launched a multimillion-dollar upgrade to its 240,000 t/a liquid packaging board PM in Longview, Wash., according to local press reports. In late-October, the company started to rebuild a boiler that is intended to make the mill more energy efficient. Weyerhaeuser also still plans to add two new calendar stacks to give its Longview paperboard a surface that will accept multicolour printing, which is in demand in Japan.

Canadian Federal Government, Timmins, ON has unveiled a \$1.5 billion aid package for the forestry sector. The package comes in two parts. A total of \$800 million will be made available in loan insurance for companies looking to invest in their operations. The remaining money will then be subdivided into 5 categories. (\$150M to support workers and their communities, \$215M to buy the latest technology to improve competitiveness, \$90M for strategies to innovate the forestry sector, \$66M to market development and growth, and \$50M to support bioenergy and the encouragement of alternative energy sources).

Penola Pulp, Australia has unveiled plans to build a new A\$650 million (\$475 million) pulp mill near Penola, in South Australia. The plant would produce CTMP pulp based on eucalyptus fiber, specifically blue gum. The new facility is expected to produce 350,000 t/a using some 700,000 tonnes of wood.

Jaakko Pöyry, has been contracted by a Finnish company to conduct a feasibility study on building a greenfield newsprint plant in India. The Nordic firm is considering constructing a 400,000-t/a mill in either Gujarat or Maharashtra state, according to India's Central Pulp and Paper Research Institute (CPPRI). The institute is assisting the Finns in evaluating potential locations for the \$250 million facility.

Korindo Group has completed a feasibility study on building a greenfield pulp and paper mill in Central Kalimantan, Indonesia. The facility is to produce 130,000 t/a of lightweight coated (LWC) paper and 100,000 t/a of mechanical pulp. Project cost is expected to surpass the original estimate of \$250M and reach \$400M. Construction is set to begin in the Q2 of 2007. Start-up is penciled in for June or July 2008.

Implementation Phase

Ripasa is set to commission a new pulp drying line at its Limeira mill in Sao Paulo state later this month. The 3.9 m wide unit from Metso Paper will allow the firm to debottleneck pulp production at the plant.

Andritz and Suzano Bahia Sul Papel e Celulose S.A. have signed a letter of intent under which Andritz will supply the woodyard and fiberline (washing, screening, bleaching) for a new pulp line of Suzano to be built at the Mucuri mill in the state of Bahia, Brazil.

Yash Papers, India has started installation of a new paper machine and power plant at its Faizabad mill in Uttar Pradesh, India. PM 3 will have a 70 t/d capacity of kraft paper, while the power plant will be able to generate 6 MW of energy.

Shandong Huatai Paper has installed a large newsprint and lightweight coated (LWC) paper machine, PM 11, at its mill in Dongying city, Shandong province, China. The Voith Paper unit has a capacity of up to 400,000 t/a, with a wire width of 10.2 m and a design speed of 2,000 m/min. Voith also provided a 1,000 t/d deinking line while Metso supplied a 100,000 t/a BCTMP pulp line and Andritz an approach flow system and a white water system.

Tembec, India's Aditya Birla Group and the provincial New Brunswick government have invested \$100 million cash into the idled Nackawic pulp mill. The mill was closed over a year ago, by New York-based Parsons and Whittemore. Roughly 250 of the former 400 employees will be rehired and the mill is expected to be back in operation early in the New Year. According to CP Atlantic Regional News, the refurbished mill will be making several different grades of wood pulp, including one variation that can be used to produce rayon.



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MERGERS, ACQUISITIONS & PLANT CLOSURES

Marubeni, Japan has acquired a majority stake in two Indonesian companies, Tanjungenim Lestari Pulp and Paper (Marubeni now owns 85%) and Musi Hutan Persada (now 60% owned).

Domtar Inc. announced a series of closures of paper mills and sawmills, the sale of a paper mill and other cost-cutting initiatives.

IN SUMMARY: Production was stopped at its Lebel-sur-Quévillon pulp mill, (300,000 t/a of kraft pulp, 425 people), permanent closure of the Cornwall, Ontario mill (265,000 t/a of uncoated and coated printing grades on 3 machines), permanent closure of PM 10 and PM 11 of the Ottawa, Ontario mill (Mar 31, 06 - 65,000 t/a of paper capacity and 185 jobs), seeking a buyer for a Vancouver, BC mill (120,000 t/a of coated paper and 285 employees), Closure of the sawmills at Grand Remous and Malartic (160 MBF transferred elsewhere). In total, 5 machines, 330,000 tonnes of production and 1800 jobs were cut. Some kraft pulp production was also cut at the Espanola, ON mill.

Weyerhaeuser, WA is closing its Plymouth containerboard machine producing 350,000 t/a of linerboard. Roughly 200 people will lose their jobs as a result of its closure. The closure marks the fifth operation the company has shut down in recent months.

Cascades, Kingsey Falls, QC is closing its Thunder Bay, ON plant by January 21st 2006, at the latest, a move that will see 375 people lose their jobs. The mill produced 165,000 t/a of coated freesheet and groundwood specialty paper.

MeadWestvaco today announced plans to idle the No. 1 PM the company's Evadale, Texas, paperboard mill. The machine produces about 180,000 t/a of various bleached board products for food service, office products and packaging applications.

SCA, Switzerland has ceased production at its Argovia and Oftringen plants. The facility's two recycled containerboard machines were halted on Nov. 17 and have a combined capacity of 100,000 t/a. The closure forms part of SCA's restructuring plans for its packaging and tissue businesses, which will see 350,000 t/a of testliner capacity removed from the market and a net reduction of 40,000 t/a of its tissue capacity.

Papier Masson is for sale. The integrated, one machine newsprint mill has enlisted the services of BMO Nesbitt Burns to act as its selling agent. It produces over 225,000 t/a.

Georgia-Pacific Corp. and Koch Industries, Inc., announced a definitive agreement for Koch Forest Products, Inc., a wholly owned Koch subsidiary, to make a \$48 per share cash tender offer for all shares of Georgia-Pacific. The transaction has an equity value of \$13.2 billion and a total enterprise value of \$21 billion, including all Georgia-Pacific debt.

PRODUCT PRICE SUMMARY (US\$)

Product	Units	1995	2001	2002	2003	2004	2005E	2006E	Normalized	Current Price	Comments
NBSK Pulp (N.E.)	m. ton	880	547	462	525	617	615	655	630	610	Rising
BEKP (Europe)	m. ton	867	485	458	502	526	586	563	576	595	Flat
Newsprint	m. ton	670	585	465	503	547	610	650	605	635	Rising
Uncoated Freesheet	sh.ton	990	715	692	628	676	725	770	700	705	Rising
Light Weight Coated	sh.ton	1,226	1,017	867	829	859	995	1,060	1,015	1,010	Flat
Linerboard	sh.ton	510	444	427	421	468	475	490	450	475	Flat
Lumber #2&Btr.	Mbf	250	286	270	278	394	350	305	310	339	Rising
OSB	Msf	245	159	160	380	369	305	225	205	265	Falling
Canadian Dollar	US\$	0.73	0.65	0.64	0.72	0.77	0.82	0.82	0.79	0.86	Rising

E= estimated