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Forest Industry News

NEW PROJECTS ANNOUNCED

Planning Phase

[Czech Republic] Wanemi CZ has pushed back the start-up date of its proposed new recycled containerboard plant in the Czech Republic. The plant hopes to build a 250,000 t/a facility to produce testliner and welenstoff, which would be located in an industrial zone in Zabreh, North Moravia and employ 160 people. The project would cost 261-314 million US\$ and include a power plant at the site, which would consume 195,000 t/a of biomass. (PPI, Oct. 31, 2007)

[Sweden] Holmen has announced its intention to invest around \$172 million in a new sawmill adjacent to its Braviken newsprint mill in Norrköping, Sweden. Its capacity will reach 750,000 m³ of whitewood sawn timber per year within three to five years of start-up. (PPI, Oct. 31, 2007)

[Russia] Solikamsk is planning on installing another paper machine at its newsprint and kraft paper mill in Russia's Perm Region. The \$661 million plan will see the facility fitted with a new virgin newsprint machine within the next two or three years. The mill currently has a virgin newsprint capacity of 600,000 t/a from the four paper machines and also about 10,000 t/a of sack kraft paper on PM6. (PPI, Nov. 15, 2007)

[Hungary] Dunnapack has unveiled plans to install a new recycled containerboard machine at its mill in Dunaujvaros, in Hungary. The firm, a subsidiary of Austria's Prinzhorn Holding, has ordered a 400,000 t/a PM from Voith Paper. The unit has a reel width of 7.8 m and a speed of 1,500 m/min. The Euro 200 million (\$294 million) project includes a coal and residue-fired power plant at the site. (PPI, Nov. 15, 2007)

[Russia] Segezha Packaging has announced it will invest Rubble 750 million (\$31 million) in a new sack kraft converting plant in Saransk, Russia. The facility will have a capacity of 400,000 million paper sacks a year when it starts up next May (2008). It will be located in Russia's heavily industrialized "cement belt" in the republic of Mordovia. (PPI, Nov. 22, 2007)

[Israel] The board of directors of AIPM has raised the budget for a new recycled packaging paper machine at its Hadera mill in Israel from Shekel 6000 million (\$149 million) to around Shekel 690 million. AIPM ascribed the need to rising prices for raw materials and civil engineering contracts, as well as to fluctuations in exchange rates and to its decision to buy equipment from leading global suppliers. The proposed PM8 will have a 230,000 t/a capacity of recycled packaging paper. (PPI, Nov. 22, 2007)

[China] The Hong Kong-listed trader **Samson Paper Holdings** is to build its first paper mill in China. The greenfield plant will be located in Nantong city, Jangsu province. It will house a 150,000 t/a recycled linerboard machine and a 100,000 t/a recycled fluting unit. Trial production is expected to begin in January 2009, and be fully operational in April that year. Suppliers for the main equipment were from an undisclosed Chinese firm and Taiwan's Yue Li Machinery. (PPI Asia, Oct. 22, 2007)

[India] **Century Pulp and Paper** has ordered a new tissue machine from Metso Paper. The unit will be installed at a Greenfield site next to its printing/writing paper mill in Uttaranchal state, India. The PM, an Advantage DCT 100 HS model, will have a trim width of 2.85 m and an operating speed of 2,000 m/min and will produce up to 120 t/day of paper from baled pulp. It will mark the firm's entry into the tissue business. (PPI Asia, Oct. 22, 2007)



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[China] China's **Shandong Chenming Paper** has drawn up plans to diversify into tissue production. The firm aims to erect a 30,000 t/a tissue machine at a plant owned by its subsidiary Qihe Board, in Qihe county, Shandong province. A second 30,000 t/a tissue unit is slated to be installed at the facility after the first PM comes on line. In late 2008. The investment is expected to cost RMB 618 million (\$82 million). (PPI Asia, Oct. 22, 2007)

[Australia] **Protavia** has struck an agreement with Osiris Energy to buy geothermal energy from the firm for its proposed Penola pulp mill in South Australia, if Osiris can successfully establish a power plant in the region. (PPI Asia, Oct. 22, 2007)

[China] **Oji Paper** has established a joint venture with the Chinese government-owned firm, **Nantong Economic and Technological Development Zone Corporation** to build a large pulp and paper mill at a greenfield site in Nantong city, Jiangsu province, China. The first phase includes a 400,000 t/a fine paper machine, PM1, scheduled for the first half of 2010 and also included a coater, a coal boiler and a port facility. The second phase will comprise another 400,000 t/a fine paper machine, a coater and a 700,000 t/a bleached hardwood kraft pulp line and a recovery boiler (2012). The third phase will include the installation of one more 400,000 t/a wood free paper machine, PM3. (PPI Asia, Nov. 5, 2007)

[China] **Shandong Chenming Paper Holdings** has obtained the permit for its joint venture with Arjowiggins to install a 120,000 t/a coated fine paper machine at a brownfield plant adjacent to the Chinese firm's No. 5 mill in Shouguang city, Shandong province. Shandong Chenming bought the idled machine from Domtar's closed Vancouver mill in New Westminster, Canada, last year. (PPI Asia, Nov. 5, 2007)

[Philippines] Thailand's **Siam Cement** has announced plans to raise the containerboard capacity at its **United Pulp and paper (UPP)** plant in Calumpit city, in the Northern Philippine province of Bulacan. The details have yet to be finalized but it is likely to happen soon to take advantage of the strong baht against the US dollar. Siam cement has targeted three ASEAN countries for growth – Malaysia, Vietnam and the Philippines. (PPI Asia, Nov. 19, 2007)

Implementation/Startup Phase

[Portugal] **Portucel Soporcel** has selected Metso Paper to supply the new 500,000 t/a UCWF paper machine it plans to install at its mill in Setúbal, Portugal. Construction work is set to start early next year, and commercial production scheduled to start in the 3rd Q of 2009. The new machine will boost Portucel Soporcel's total uncoated fine paper capacity to nearly 1.6 million t/a, making it the largest UCWF paper producer in Europe. (PPI, Oct. 31, 2007)

[Greece] **Papyrus Paper Mill** has begun commercial production on its first tissue machine, following trial in October 2007. The 80 t/day PM was installed at the firm's converting plant in Katerini, Greece, by the Italian supplier Recard, which provided the complete production line. The crescent former machine has a reel width of 2.75 m and a maximum speed of 1,400 m/min. (PPI, Nov. 8, 2007)

[Turkey] **Lila Kagit** has begun production on its first tissue paper machine. The 195 t/day PM is located at a new mill in Corlu, Turkey. The crescent former unit was supplied by Metso (5.65 m wide and 2,200 m/min) and the converting line by Fabio Perini. (PPI, Nov. 8, 2007)

[China] China's second largest containerboard producer, **Lee & Man Paper Manufacturing**, has started commercial production on two recycled containerboard machines with a combined capacity of 600,000 t/a. The 5.5 m wide machines were both supplied by Japan's Kobayashi Engineering Works and Gold Star of South Korea. PM10 was installed at Chanshu city, Jiangsu province whereas PM11 at Hongmei mill in Dongguan city, Guangdong province. Lee & Man is currently building a 330,000 t/a recycled containerboard machine, PM12, at the Hongmei facility. Start-up is scheduled for April next year. (PPI Asia, 22, 2007)



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[China] Shandong Chenming Paper Holdings has chosen the main equipment suppliers for equipment for its new pulp mill in Zhanjiang city, Guangdong province, China. Metso will provide most of the pulp line and Andritz will provide the lime kiln. The capacity of the pulp line will be 1 million t/a, larger than the original planned 700,000 t/a. Construction is expected to begin by the end of this year. Start-up is scheduled for December 2009. (PPI Asia, Nov. 5, 2007)

[Pakistan] Packages has started to take delivery of equipment for a new tissue machine that will be installed at its mill in Lahore, Pakistan. Voith Paper is supplying the 100 t/day machine, which will produce toilet and facial tissue. It will have a trim of 2.85 m, a design speed of 2,200 m/min. and an operating speed of 2,000 m/min. (PPI Asia, Nov. 5, 2007).

[India] Ballarpur Industries (BILT) has ordered a new coated woodfree machine from Voith. The unit will be installed at the firm's Bhigwan facility in Pune city, in the Indian state of Maharashtra. Trials on the 190,000 t/a PM are slated for October 2008. A second paper machine, a 160,000 t/a uncoated woodfree PM will be installed in early 2009. (PPI Asia, Nov. 5, 2007)

[Japan] Nippon Paper Group has begun commercial production on a new 350,000 t/a publication paper machine at its Ishinomaki plant on Honshu Island. The unit, N6, came on stream on November 1st, 2007. It can produce bitokoshi and lightweight coated paper in basis weight range of 51-79 gsm. The Metso paper machine has design speed of 1,800 m/min, operating speed of 1,500 m/min and a wire width of 9.45 m. Nine other paper machines are in operation at the Ishinomaki facility with a total capacity of almost 850,000 t/a. (PPI Asia, Nov. 19, 2007)

[Uruguay] Botnia said it finally got approval to start its new \$1.2 billion BEKP mill in Fray Bentos, Uruguay, making it Botnia's sixth mill and the first outside Finland. The 1 million t/a of BEKP capacity is planned for export to markets in Europe and Asia. (P&P Week, Nov. 12, 2007)

MERGERS, ACQUISITIONS & PLANT CLOSURES

[Finland] Stora Enso has revealed its plan to close two paper mills and two pulp mills by June 2009. The moves will result in a total net capacity reduction of some 505,000 t/a of paper and 550,000 t/a of pulp. They will also lead to the loss of 1,400 jobs; about 1,100 mill employees in Finland and some 300 in Sweden. The Summa publication paper mill (415,000 t/a) in Finland will be shut in the first quarter of 2008. Also in Finland, Angela's PM1 (120,000t/a) will also be shut down by early next year. Stora Enso will also close two NBSKP mills, one in Finland (250,000 t/a Kemijärvi mill) and the other one in Sweden (300,000 t/a Norrsundet mill). (PPI, Oct. 21, 2007)

[Europe] Following **Stora Enso's** footsteps, in view of the current business environment, several other European firms have announced that they are currently reviewing assets or closing capacity. **M-real** is set to unveil a new restructuring program before the end of the year and **UPM** also unveils plans to conduct asset review. **Norske Skog** is to commence a complete review of all its paper machines with a view to adapt production to the expected demand. (PPI, Nov, 8, 2007)

[Europe] There has been considerable speculation that **Norske Skog** will seek an alliance with **Stora Enso**. However, some market analysts are skeptical whether such a partnership would be in Stora Enso's interests, or in line with the company's current direction. Stora Enso's CEO, Jouko Karvinen, hinted that the firm's first choice would be an asset swap, followed by mergers, spin-offs or joint ventures. (PPI, Nov, 8, 2007)

[Netherlands] Stora Enso has closed the 134,000 t/a PM8 at its Berghuizer UCFS plant in Wapenveld, the Netherlands. The company had previously shut down the 111,000 t/a PM7 in April. (PPI, Nov. 8, 2007)



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[Finland] M-real unveiled a new profit improvement plan to improve profitability and cover higher production costs. The new program included the closure of its BCTMP mill (105,000 t/a) in Lielähti and the coated magazine paper machine, PM2 (100,000 t/a), at the Kangas plant, both located in Finland. In the mean time, market watchers anticipate further rationalization could be in the cards in Europe in the wake of disappointing third quarter, affecting other business units of **UPM and Stora Enso**. (PPI, Nov. 15, 2007)

[Japan] Nippon paper Group (NPG) has unveiled a plan to take over a fellow Japanese firm the specialty paper producer Mishima Paper. As part of this, it will carry out a major restructuring which will include the closure of three of NPG's mills, housing six paper machines with a combined capacity of 231,000 t/a. The group aims to become one of the world's top five pulp and paper companies. (PPI Asia, Nov. 5, 2007)

[North America] Dept. of Justice OKs AbitibiBowater merger if Snowflake mill is divested. The key point with the DOJ requires the new AbitibiBowater to sell the 375,000 t/a Snowflake, AZ, newsprint mill that also includes 125,000 t/a of corrugated medium capacity. The company launched a 30-day strategic review of its combined assets to determine where costs can be cut and profits can be maximized. They also saw \$250 million in synergies from the merger being delivered in the first quarter of 2009, six months earlier than planned. (P&P Week, Oct. 29 & Nov. 12, 2007)

[USA] Wausau Papers plans to permanently shut its 105,000 tons/a UFS mill in Groveton, NH, effective Dec. 31st, 2007 citing rising costs, especially for market pulp and energy and flattening demand for its UFS grades. (P&P Week, Oct. 29, 2007)

[USA] Weyerhaeuser is moving ahead with various strategic alternatives for its **Containerboard, Packaging and Recycling business**, including "continuing to hold and operate the business, a possible sale, disposition or a combination. Investment sources said that between five and seven parties have signed confidentiality agreement to see the books. But there is no ongoing auction with set deadlines taking place. Most contacts placed the potential value of Weyerhaeuser's containerboard business at between \$5.3 - 5.5 billion. (P&P Week, Nov. 19, 2007)

[USA/Canada] More UFS downtime, shut. North American producers met lower demand of UFS with downtime and closure of high cost mills. **Domtar**, NA's largest UFS producer based on capacity, took 84,000 tons of downtime in the third quarter in addition to 76,000 tons in the second quarter and 60,000 tons in the first quarter. **IP** also announced that it will cease production of UFS and bristols at its 250,000 tons/yr Bastrop, LA, mill and convert the mill to SBSKP market pulp and fluff pulp late this year. **Domtar** continues to evaluate UFS production at its Dryden, ON, mill which produces cutsize copy paper and offset rolls for printing/converting markets. UFS demand was down almost 5.6% (about 530,000 t) year-to-date through September in North America, compared with demand last year through September 2007, according to the Pulp and Paper Products Council. (P&P Week, Nov. 19, 2007).



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PRODUCT PRICE SUMMARY (US Dollars)

Product	Units	1995	2000	2005	2006	2007E	2008E	Normalized Price	Current Price	Comments
NBSK Pulp (N.E.)	m. ton	880	680	611	681	795	785	735	870	Rising
BEKP (Europe)	m. ton	867	652	587	642	687	640	675	765	Rising
Newsprint	m. ton	670	565	610	668	600	615	615	560	Falling
Uncoated Freesheet	sh. ton	990	755	727	823	815	790	790	840	Flat
Light Weight Coated	sh. ton	1,226	1,065	997	978	915	925	1,015	975	Rising
Linerboard	sh. ton	510	460	428	503	585	570	500	555	Flat
Lumber #2&Btr.	Mbf	250	295	353	296	255	290	325	221	Falling
OSB	Msf	245	205	319	218	160	160	225	175	Falling
Canadian Dollar	US\$	0.73	0.67	0.83	0.88	0.93	1.00	1.00	1.03	Rising

E= estimated

Sources: CIBC World Markets (Nov. 07, 2007) & RISI Info

