



Forest Industry News

NEW PROJECTS ANNOUNCED

Planning Phase

Hunan Tiger Pulp & Paper, China will team up with the government-owned conglomerate, China Metallurgical Group, to build a 1.5 million t/yr greenfield kraft pulp mill in Yuanjiang city, Hunan province. The project's first leg will comprise a 300,000 t/yr bleached kraft pulp (BKP) line. Start-up is penciled in for 2008. The fibre will mainly be sourced from poplar plantations in the area. The remaining 1.2 million t/yr has not been detailed.

Ballarpur Industries (BILT), India will expand its Bhigwan mill in Pune city, India. It will boost the facility's printing/writing paper capacity by 300,000 t/yr in two stages, at a cost of Rupee 12 billion (\$263 million). The Bhigwan facility currently houses one machine with a 130,000 t/yr capacity of coated woodfree paper.

New Forest, Ontario is opening a new containerboard mill in Scarborough, ON. A joint venture shared by Atlantic Packaging and Mitchel-Lincoln Packaging, the mill will recycle used corrugated cartons collected in the Greater Toronto Area in order to produce product from 23 pound medium to 50 pound liner.

Long Chen Paper, Taiwan has unveiled plans to add 900,000 t/yr of new recycled containerboard capacity in China by 2008. The project involves a new machine at its plant in Wuxi city, Jiangsu province, and the construction of a greenfield mill in the Dushan port zone of Pinghu city, in Zhejiang province, which borders the city of Shanghai. The company aims to install a 400,000 t/yr unit, PM3, at the plant that already houses two recycled containerboard machines with a total capacity of 300,000 t/yr. The firm has already signed a preliminary agreement with the Chinese authorities for the 500,000 t/yr recycled containerboard greenfield mill in Dushan.

Ence, Spain has unveiled a strategic plan for 2007 to 2011; the Spanish forest products group aims to increase its eucalyptus pulp production from 1 million t/yr to 2.35 million t/yr by early next decade. The 1 million t/yr eucalyptus pulp plant in Uruguay will provide the majority of the increase. Ence is yet to announce the location of the mill, but a source indicated that a decision should be made within six months to meet the target start-up date of July 2010.

Ence, Spain plans to spend €270 million (\$344 million) on increasing its eucalyptus market pulp capacity by 250,000 t/yr in Spain by 2009. The firm plans to install a new 200,000 t/yr pulp line at its Navia plant in northern Spain, while the remaining increases will be done over the next 4 years at the company's other two mills in Huelva and Pontevedra through debottlenecking measures.

Implementation Phase

International Paper continues to work on a project to build a new, 200,000 t/yr BCTMP line at its Svetogorsk mill in the Leningrad region of Russia. The firm said it is aiming to start up the line in the 4th quarter and half of the line's output will supply IP's European facilities, while the rest will be sold to the market and used at other IP plants elsewhere.

Stora Enso has started work on a new box plant in Lukhovitsy, southeast of Moscow, in Russia. The 150 million m²/yr facility is scheduled to start-up in the first quarter of 2008 at a cost of €54 million (\$68 million). The plant will produce corrugated packaging, which will be sold to the food, beverage, cigarette and electronics industries in Russia.

Zhejiang Jian Paper Packet, China, Metso Paper will supply a linerboard machine to their mill in Haiyan, Zhejiang province, in 2007. The machine, which will have a capacity of about 450,000 t/yr. The order contains a complete three-ply linerboard machine with a wire width of 7,250 mm and a design speed of 1,100 m/min. It will produce linerboard in a basis weight range of 90-200 g/m².

SCA Tissue / Kimberly-Clark / Eco Fiber, U.S., new or restarted integrated deinked pulp line projects were announced from several companies in the coming year, increasing demand for materials such as sorted office paper, coated book stock, and white ledgers. SCA Tissue will restart a 75,000 t/yr line in January at its Alsip, IL, tissue mill. Kimberly-Clark will start a new 70,000 t/yr line in June at its four-machine 234,000 t/yr tissue mill in Mobile, AL. Also, Eco Fiber will restart its 60,000 t/yr line this month in De Pere, WI, and feed output to a tissue mill in Oconto Falls, WI.

**October 2006**

Seshasayee Paper & Boards, India has started installation of a second-hand pulp line at its Erode plant in Tamil Nadu state, India. The 170,000 t/yr unit will replace the facility's 92,000 t/yr nonwood and bleached kraft pulp line. Start-up is scheduled for mid-2007. The line was previously operated by Sappi Fine Paper North America at one of its mills in Maine.

Guangzhou Paper, China placed an order with Voith Paper Fiber Systems for one of world's largest deinking plants. The plant has a finished stock capacity of 1360 t/d and is designed for improved newsprint. This is Voith Paper's second order from Guangzhou Paper within a short time, since a 650 t/d deinking plant successfully went on stream in April 2006, providing stock for newsprint from 100% recovered paper.

MERGERS, ACQUISITIONS & PLANT CLOSURES

Stora Enso intends to close down its Reisholz mill in Germany and Berghuizer mill in the Netherlands. Reisholz mill, which produces improved super-calendered (SC) papers, has a total production capacity of 215,000 t/yr. The Berghuizer mill, which is part of Stora Enso's Fine Paper division, makes woodfree uncoated (fine) paper, producing 235,000 t/yr. Shutdowns are to be done sometime in 2007.

SAWMILL CLOSURES:

- **Abitibi-Consolidated** indefinitely closed four Quebec sawmills (Outardes, Saint-Thomas, Saint-Raymond, Champneuf) for a total loss of production of 554 mmbf/yr.
- **Cascades** temporarily shut Scierie Lemay in Ascension, Quebec (100 mmbf/yr), putting 200 people out of a job.
- **Tembec** announced a temporary shutdown at its Béarn, La Sarre, and Taschereau sawmills in Quebec. The three sites have a combined annual SPF lumber capacity of 295 mmbf/yr. The total number of affected employees is in excess of 435.
- **Domtar** will indefinitely close the Matagami, Val d'Or, and Lebel-sur-Quevillon sawmills in Quebec, as well as the Nairn Centre sawmill in Ontario. These closures will cut production capacity by approximately 400 mmbf/yr.

DS Smith, UK has halted production at its Taplow plant near Maidenhead, in Berkshire, on the mill's sole machine, a 95,000 t/yr recycled fluting unit.

SAICA stopped production at its French subsidiary Papeterie des Gaves. The Spanish firm has shut down the site in Orthez, southern France. The mill is able to produce up to 55,000 t/yr of recycled containerboard on its PM3 machine.

Tembec, Quebec is splitting its pulp and paper groups into two separate units. After 30 years at Tembec, executive vice president and president of the pulp and paper group Terrence P. Kavanagh has confirmed his intention to retire at the end of the year 2006. Yvon Pelletier will assume the role of executive vice president and president for the newly defined pulp group, while Dan Alexander will have the same responsibilities for the paper group. In related news, a total of U.S. \$242 million has poured into Tembec's coffers from softwood lumber duty deposits. The funds will serve to reduce debt and increase liquidity, according to CEO James Lopez. The sum represents the total amount Tembec is expected to receive.

International Paper and Ilim Pulp, Russia has signed a letter of intent to establish a 50-50 joint venture, the largest foreign-domestic alliance in the Russian forest sector. The joint venture would be created through International Paper purchasing a 50-percent equity interest in Ilim Holding. The total valuation of Ilim Holding in the joint venture is approximately \$1.3 billion. Ilim Pulp operates four pulp and paper mills located in the European and Siberian regions of Russia, and produces approximately 2.5 million t/yr of market pulp, uncoated papers and packaging. Capital investment in the range of approximately \$1.2 billion US is also part of this move.

Cascades shut down its specialty paper mill in Boissy-le-Chatel, France, on October 16, 2006. The plant, which had a capacity of around 50,000 t/yr, manufactured backing for vinyl flooring. Production will be concentrated at the firm's Cap-de-la-Madeleine plant in Quebec, which, can churn out some 50,000 t/yr of the grade.

Myllykoski, Germany continues its restructuring process. The company is accordingly planning to close its Dachau mill with an annual capacity of 230,000 tonnes coated publication paper (LWC) by summer 2007.

Schweitzer-Mauduit, France will shut down two paper machines at its Mauduit mill in Quimperle, northwest France, as part of a restructuring program. The Mauduit mill currently houses 11 PMs, which can produce 61,500 t/yr of cigarette, porous plug wrap and battery separator papers.



PRODUCT PRICE SUMMARY (US\$)

Product	Units	1995	2000	2003	2004	2005	2006E	2007E	Current Price	Comments
NBSK Pulp (N.E.)	m. ton	880	680	525	617	611	680	680	725	Rising
BEKP (Europe)	m. ton	867	652	502	526	587	640	628	660	Flat
Newsprint	m. ton	670	565	503	547	610	670	685	675	Flat
Uncoated Freesheet	sh.ton	990	755	628	676	727	825	800	850	Flat
Light Weight Coated	sh.ton	1,226	1,065	829	859	997	985	1,000	965	Flat
Linerboard	sh.ton	510	470	421	468	478	550	550	565	Flat
Lumber #2&Btr.	Mbf	250	255	278	394	353	300	300	256	Falling
OSB	Msf	245	205	380	369	319	220	180	170	Flat
Canadian Dollar	US\$	0.73	0.67	0.72	0.77	0.83	0.88	0.89	0.88	Falling

E= estimated

