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Forest Industry News

NEW PROJECTS ANNOUNCED

Planning Phase

(Russia) Segezha Pulp and Paper, a subsidiary of Investlesprom, is considering the construction of a new pulp facility at its site in Karelia, northwest Russia. The 'Polar Bear' proposal would see the construction of an 830,000 tonne/yr bleached kraft pulp mill, with its production split between 1/3 hardwood and 2/3 softwood. While some 330,000 tonnes/yr of the facility's output would be used internally, about 500,000 tonnes/yr of the pulp would be sold to the market with an even split between Russian and foreign sales. According to the government of Karelia, the 'Polar Bear' project would represent an investment of about Euro 700 million (\$1 billion). The Segezha mill can already produce some 400,000 tonnes/yr of unbleached kraft pulp. (PPI Europe, Oct. 8, 2008)

(UK) SAICA has received approval from the local authorities to build a new recycled containerboard plant in Greater Manchester, northern England. Construction is likely to begin in December this year. Production is expected to start in mid-2010. The mill will house a 400,000 tonne/yr, 7.8 m wide PM with a speed of up to 1,500 m/min, producing lightweight board in the 75-125 g/m² basis weight range. It will have a dedicated combined heat and power station and an effluent treatment plant. The project is expected to cost £300 million (\$511 million). The mill's output will supply the 20 converting plants in the UK and Ireland that SAICA recently bought from Sweden's SCA. The facilities have a total corrugated packaging capacity of around 600 million m²/yr. (PPI Europe, Oct. 16, 2008)

(Norway) Norske Skog has entered into an agreement with **CHOREN Industries** to cooperate in the development of second-generation biofuel production in Norway. Norske Skog plans to build a NOK 100-200 million (\$18-35 million) prototype production facility at its Follum mill through its subsidiary, Xynergo, established in June 2008 in cooperation with three regional forest owner associations and Statskog, a Norwegian state-owned enterprise responsible for the management of state-owned forest and mountain real estate. If the trial stage is successful, Xynergo will establish full-scale synthetic diesel biomass-to-liquids (BTL) production, with one or two plants located in Norway and the majority most likely situated in regions with lower fibre costs. (PPI Europe, Oct. 16, 2008)

(Latin America) Uruguay's president said that Portugal's **Portucel Soporcel** will invest up to \$4 billion for building a greenfield pulp and paper mill in the country. Portucel in late August said it planned to establish plantations and build a 1.3 million tonnes/yr pulp mill in Uruguay, potentially with a printing and writing paper machine. In Uruguay, the total investment could reach \$6 billion including a new port. (Pulp & Paper Week, Oct. 17, 2008)

(China) China's **Sun Paper** has unveiled plans to establish plantations and a 300,000 tonne/yr bleached hardwood kraft (BHK) pulp mill in Laos, with an initial investment of \$197 million. They aim to develop 100,000 ha of eucalyptus and acacia plantations in Laos' southern province of Savannakhet, which borders Thailand to the west and Vietnam to the east. The firm plans to build the BHK pulp mill in the province's Sepon district. They have submitted the paperwork for the scheme to the governments of both China and Laos for approval, and a company spokesman said that the all clear is expected to be given by early next year. The BHK output of the pulp mill would be channelled into Sun Paper's paper and board production at its plant in Yanzhou city, Shandong province, in an effort to reduce its dependence on market pulp imports. (PPI Asia, Oct. 20, 2008)



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(Brazil) **Ipel** hired Hergen to supply a new tissue machine for its mill located in Indaial, Santa Catarina state. The PM4 installation is scheduled at the end of 2009 and start-up is expected for the second half of 2010. The new TM will be a crescent former with a 16 ft modern steel Yankee dryer with a ribbed inner surface for a production of around 22,000 tonnes/yr. The machine's speed will be 2,000 m/min with a trim width of 2.77 m. (RISI, Dec. 17, 2008)

(Mexico) **SCA** has selected Sahagún city, in Hidalgo state, central Mexico, to build its new 60,000 tonnes/yr dry crepe tissue machine under an investment of \$240 million. The municipality is 60 km from Mexico City and was chosen because of its good infrastructure and the proximity of key markets. SCA aims to start-up the new greenfield tissue mill in August-September 2010. (RISI, Dec. 18, 2008)

Implementation/Start-up Phase

(China) Taiwanese firm **Long Chen Paper** is gearing up to bring three recycled containerboard machines online at its two mills in China by early 2009. Two machines are slated for start-up at the end of this year, the 250,000 tonne/yr fluting PM3 at its plant in Wuxi city, Jiangsu province, and the 400,000 tonne/yr linerboard PM5 at a greenfield mill in the Dushan port zone of Pinghu city, Zhejiang province. The third unit, a 250,000 tonne/yr fluting machine, PM6, is expected to come on stream at the greenfield facility early next year. The equipment is being supplied by Germany's Voith Paper and Gold Star of South Korea. (PPI Asia, Oct. 20, 2008)

(USA) **SCA Tissue** said it started-up the new No. 14 paper machine on Oct. 17 at Barton, AL, finishing a \$145 million investment that was SCA's largest investment worldwide during the past year. The capacity addition, the only major expansion so far in the USA this year, increases annual tissue production at the facility by 70,000 tons/yr to 180,000 tons/yr and allows the firm to grow its away from home (AfH) business with a focus on the US Southeast market. (Pulp & Paper Week, Oct. 24, 2008)

(Indonesia) **Asia Pulp & Paper's subsidiary Indah Kiat Pulp & Paper** has started-up a 700 tonne/day recycled containerboard machine at its Serang mill in West Java, Indonesia. The plant already housed three recycled containerboard machines with a total capacity of 2,800 tonnes/day and two carton board units with a combined capacity of 1,200 tonnes/day. (PPI Asia, Nov. 3, 2008)

(France) The **Smurfit Kappa Group (SKG)** is putting together a fluting machine, PM5, with parts from two defunct machines at its Saillat-sur-Seine mill in France. A recently shuttered Saillat-sur-Seine machine, PM3, will be disassembled for its showers, high pressure cleaners, and felt stretchers, while PM2 from SKG's Alaincourt mill, also in France, which shut down last year, will contribute its fourdrinier, dryer section, reeler and some press section rolls. PM5 will have a wire width of 1.35 m, a production speed of 1,150 m/min and a design speed of 1,350 m/min. Its fluting paper will have a basis weight range of 80 g/m² to 125 g/m². The installation should be done by the end of the year, with production planned to begin next February 2009. (PPI Europe, Nov. 6, 2008)

(Finland) **Stora Enso** has wrapped up an upgrade on board machine 5 (BM) at the Tainionkoski plant, one of the two mills at its complex in Imatra, southeast Finland. The liquid packaging board (LPB) machine, which was refurbished between July and September 2008, got a new dilution controlled headbox from Vaahto, a top former unit from PMT Italia and a control system rebuild from Metso Automation. The work cost some Euro 15 million (\$19 million). While the project was primarily quality driven, a company spokesperson said it has also boosted BM5 capacity by 10,000 tonnes/yr to an estimated 250,000 tonnes/yr. (PPI Europe, Nov. 6, 2008)



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(Germany) Progroup has begun construction of a greenfield corrugating materials facility in Eisenhüttenstadt, eastern Germany. Preparatory work kicked off in August 2008 and building started last month. Installation of the mill's machine, a 650,000 tonne/yr unit to be supplied by Metso Paper, is due to commence in June or July next year. The plant is scheduled to come on stream in February 2010. It will produce recycled containerboard in the 70-130 g/m² basis weight range. The investment is expected to cost around Euro 640 million (\$815 million) in total. It includes a combined heat and power plant that will be commissioned at the beginning of 2011. This will consume refuse from the paper production process and about 250,000 tonnes/yr of refuse-derived fuel. (PPI Europe, Nov. 6, 2008)

(Japan) Oji Paper started trial runs on a 350,000 tonne/yr lightweight coated (LWC) paper machine at its Tomioka mill in Anan city, on Japan's Shikoku island. As part of its 'scrap-and-build' strategy, the group has retired six printing/writing paper machines, PMs 2 to 7, which have a combined capacity of 300,000 tonnes/yr, at the Tomioka plant. (RISI, Dec. 18, 2008)

MERGERS, ACQUISITIONS & PLANT CLOSURES

(Canada) Smurfit-Stone Container will permanently cease production at its 232,000 tonnes/yr Pontiac northern bleached hardwood kraft pulp mill in Portage-du-Fort, QC, the company said today. The closure is targeted for Oct. 31, 2008. The company said the mill, built in 1967, is not core to its transformation strategy. "The rapidly deteriorating conditions in the pulp market necessitate that the company take prompt action to avoid cash losses," president/COO Steve Klinger said. (Pulp & Paper Week, Oct. 17, 2008)

(USA) Three corrugated producers Greif, Smurfit-Stone Container, and Temple-Inland plan to close one box plant each with single corrugators in response to slower demand or as part of productivity improvement/cost reduction programs. Temple-Inland will close its 98 in. corrugator plant in Rome, GA, by Dec. 21, 2008 eliminating 91 jobs. Greif will close its corrugated box plant in Toledo, OH, in December 2008 and eliminate 69 jobs, while Smurfit-Stone plans to close its single 98 in. corrugator in Jacksonville, FL, in first quarter 2009, eliminating 120 jobs. (Pulp & Paper Week, Oct. 31, 2008)

(China) Metso Paper has received regulatory approval to hold a 75% stake in its Chinese joint venture (JV) Valmet-Xian Paper Machinery. The value of the share transactions, which were finalized in September 2008, is approximately Euro 5 million (\$6.3 million). The JV will also obtain certain land-use rights and facilities for around Euro 8-9 million, according to the Finnish firm. The JV supplies narrow and medium sized paper, board and pulp drying machines, mainly to the Chinese market. It also participates in Metso's other deliveries to China and other markets. (PPI Asia, Nov. 3, 2008)

(Finland) Botnia is looking into shutting down its 450,000 tonne/yr bleached hardwood and softwood kraft pulp plant in Kaskinen, Finland, during the first quarter of 2009. The closure could be temporary or permanent. The firm has kicked off statutory negotiations, which will affect 223 employees. The company will decide how long production at the mill will be stopped for during the talks. For the moment, it considers that over 90 days would be necessary. The Kaskinen plant is currently producing 300,000 tonnes/yr of hardwood kraft pulp and 100,000 tonnes/yr of northern bleached softwood kraft pulp. Most of the hardwood fiber is being imported, with birch coming from Russia and the Baltic countries "The availability of the competitively-priced hardwood that Kaskinen needs will become particularly problematic in the future," Botnia CEO Ilkka Hämmälä stated. (PPI Europe, Nov. 6, 2008)



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(Europe) Sappi shareholders and the European Commission (EC) have separately approved the company's plans to buy **M-real's** coated graphic paper business. The sale is now subject to the implementation of Sappi's planned rights offering. The acquisition is partly being paid for through a Euro 450 million (\$571 million) rights sale. M-real announced plans to sell off its coated graphic paper business to the South African producer for Euro 750 million on September 29, 2008. The sale comprises the Kirkniemi and Kangas mills in Finland, the Stockstadt plant in Germany and the Biberist facility in Switzerland, with a total woodfree and mechanical paper capacity of nearly 1.9 million tonnes/yr. (PPI Europe, Nov. 6, 2008)

(Germany) Powerflute has obtained formal approval from the secured lenders of **Papierfabrik Scheufelen** to acquire the insolvent German coated fine paper producer. The deal is still subject to approval by the Finnish firm's board of directors and conclusion of the financing package. Under the terms of the proposed transaction, Powerflute will acquire all of the goodwill, intellectual property, tangible fixed assets, inventories and business operations of Scheufelen from the administrator of its estate. But it will not acquire trade or other receivables, nor assume any of the trade, financial or other liabilities. An initial cash payment of Euro 25 million (\$32 million) is due to the insolvency estate on completion of the deal. Powerflute will then invest up to a further Euro 20 million in working capital and unspecified capital projects during 2009. (PPI Europe, Nov. 6, 2008)

(Canada) Domtar is adding to major uncoated freesheet (UFS) capacity closures this year with the permanent shutdown of its remaining paper machine at Dryden, ON, eliminating 151,000 tons/yr of output as the mill shifts to a market pulp-only operation. The company said Dryden's PM1 and related converting operations will cease by mid-November 2008 due to softening markets, and high costs for energy and woodfiber. (Pulp & Paper Week, Nov. 7, 2008)

(Sweden) Holmen Paper has idled PM2 at its Hallsta mill. The 110,000 tonne/yr unit, which manufactured uncoated mechanical paper, was taken offline on November 2, 2008. It remains on site while the firm looks for a buyer through VanTek, the broker appointed to handle the sale last month. The plant also houses two other machines, the 140,000 tonne/yr supercalendered paper PM3 and the 330,000 tonne/yr uncoated mechanical paper PM11. (RISI, Nov. 10, 2008)

(Russia) Ilim Group has revealed plans to curtail its market pulp production during the fourth quarter at its three plants in Russia. The group aims to reduce the output of its facilities in Bratsk and Ust-Ilimsk in the Irkutsk region by 25-30% due to the fall in pulp demand in China. It also plans to cut production at its Koryazhma plant in the Arkhangelsk region by 10%. The mill's output is sold on the domestic as well as the European market. (PPI Europe, Nov. 20, 2008)

(Canada) AbitibiBowater Inc. announced December 4th, 2008 the permanent closure of its Grand-Falls mill in Newfoundland, Canada citing continued volatile exchange rates, energy and fibre prices and the state for the N.A. newsprint industry. This removes 830,000 tonnes/yr of newsprint and 180,000 tonnes/yr of speciality and coated papers from the market. (RISI, Dec. 12, 2008)

(Canada) Domtar said that its Lebel-sur-Quévillon, QC, pulp mill, which halted production on November 24, 2005 due to unfavourable economic conditions, was now a permanent closure. The mill had production capacity of 300,000 tonnes/yr of NBSK pulp and had about 425 employees. (RISI, Dec. 18, 2008)



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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	840	636	650
BEKP (N.E.)	m. ton	485	458	502	520	587	642	707	783	574	600
Newsprint 48.8 g/m ² (US East)	m. ton	585	465	503	547	610	668	585	695	722	763
Uncoated. Freesheet No.3 Offset 50 lb (US)	sh. ton	715	692	628	676	727	815	832	912	902	930
LWC 34 lb (US)	sh. ton	1,017	867	829	859	997	978	923	1085	1,031	1,070
Linerboard 42 lb (US East)	sh. ton	430	391	371	418	428	488	517	568	490	590
Lumber #2&Btr. (W-SPF 2x4, FOB)	Mbf	286	270	278	394	353	296	250	220	197	189
OSB 7/16" (N-C US)	Msf	159	160	380	369	319	218	160	172	174	173
Canadian Dollar	US\$	0.65	0.64	0.72	0.77	0.83	0.88	0.93	0.95	0.85	0.825

E = estimated

Sources: RISI Monthly Commentaries (December 30, 2008), Wood Markets Monthly (December 2008) & Foreign Exchange Consensus Forecasts (January 12th, 2009)

