



October 2005

Forest Industry News

NEW PROJECTS ANNOUNCED

Planning Phase

Stora Enso, Finland announced that it has made preliminary plans to build a second eucalyptus fiber line at the Veracel Pulp Mill in Brazil.

Charlestown Investments hopes to revive the idled 160,000 t/a dissolving pulp mill in Port Alice, B.C., formerly owned by Doman Industries.

Myllykoski, Prague plans to construct a greenfield SC paper mill in the Czech Republic. The company is still awaiting approval from the local authorities to go ahead with the project, but Metso Paper has already been chosen to supply a 380,000 t/a machine with a width of 11.3 m and a speed of 2,000 m/min, producing a range of uncoated publication papers. J-P will provide engineering services.

Suzano Papel e Celulose will move forward with a new pulp line in Mucuri, Brazil. This mill will initially have capacity to produce 1.0 million t/a of market pulp, growing to 1.1 million t/a, with an estimated total investment - including the industrial plant, and purchase and development of purpose-planted forests - of US\$1.3 billion from 2005 until 2008.

Vinapimex, Vietnam, plans to invest US\$331 million on its Bai Bang mill according to the Vietnam News Agency. The aim is to boost the mill's BHK and bamboo pulp production from 100,000 t/a to 250,000 t/a.

Irving, NB will submit a new EIA to the province of New Brunswick to relocate the biomass energy plant across the street from the former shipyard site to a new location beside its paper mill in Saint John. The biomass energy plant will produce 175,000 lbs/hr of steam and will be fuelled by up to 200,000 tonnes (green) of forest residues. The project involves a \$30 million capital expenditure.

Tembec Inc. plans to produce northern bleached hardwood kraft (NBHK) market pulp when it ramps up a 263,000 t/a market pulp mill in Nackawic, N.B., prior to converting it to dissolving pulp. Birla Group is the joint venture partner.

Votorantim Celulose e Papel's announced the beginning of the social and environmental licensing process for the implementation of a bleached eucalyptus pulp factory to be built in Rio Grande do Sul. Overall investment in the factory and in the forest base is estimated at US\$1.3 billion, and the expected annual volume is one million tonnes of pulp.

Implementation Phase

Mondi Business Paper has started trials on the new PM 31 at its Merebank mill in Durban, South Africa. Commercial production is slated for mid-October.

W Hamburger, Germany has started-up a new box plant at its greenfield site in the Schwarze Pumpe industrial area of the town of Spremberg, in Brandenburg state. The plant will convert output from the site's new containerboard machine. W. Hamburger started commercial production on the 265,000 t/a PM earlier this year. The unit can manufacture testliner, white-top testliner and recycled fluting in a basis weight range of 90-250 g/m².

MERGERS, ACQUISITIONS & PLANT CLOSURES

Cascades, Ontario, told their 160,000 t/a coated and specialty paper mill in Thunder Bay, Ont. that they have until year end to show profit or close. The company announced in August that it would shut the mill's 40,000 t/a PM 5 and associated converting operations and lay off 150 employees.

Norampac Inc., announced that it has completed the acquisition of 3 corrugated products converting plants from SPB Canada Inc., respectively located in Montreal, Quebec, Le Gardeur, Quebec and Belleville, Ontario.

Pasadena Paper has closed the 190,000 t/a coated paper mill in Pasadena, Texas. The mill shut September 21, 2005 for hurricane Rita evacuation and was never restarted due to the subsequent spike in the cost of energy.



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Fraser Papers Inc., announced that it has sold certain assets of its paperboard operations located in Edmundston, New Brunswick to Cascades Inc., for \$5 million. Cascades will be relocating the purchased assets to its facilities. Fraser Papers will record a charge of approximately \$9 million relating to this sale.

Cellu Tissue will indefinitely idle one of three machines by Nov. 21, 2005 at its 50,000 t/a Interlake Paper mill in St. Catharines, Ont. PM 1, which can produce 11,000 t/a of machine-glazed paper, will shut. The fourdrinier PM can make a variety of MG papers, such as waxing base paper, laminating papers, gift-wrapping, fast food sandwich wraps, and toilet tissue over wraps, contacts said. The PM has a Yankee dryer and a 3m trim width.

Weyerhaeuser Company announced that it is closing two operations in Southwestern Washington: a specialty pulp mill in Cosmopolis and a large-log sawmill in Aberdeen. The 140,000 t/a, 50-year-old Cosmopolis mill makes specialty pulp for plastics, photographic papers and cigarette filters. The date operations will cease will be determined in 2006, based on customer contracts. The 81-year-old Aberdeen large log lumber mill produces approximately 125 million board feet per year of softwood lumber used in residential and commercial construction and appearance-grade millwork.

Abitibi-Consolidated Inc. The 194,000 t/a Stephenville, Nfld., mill was slated for closure by the company for Oct. 28, 2005. Last week, Newfoundland provincial, and Newfoundland and Labrador Hydro reached a framework of an agreement with ACI. The agreement requires the government to pay up to C\$150 million over 15 years to ACI to guarantee that the Stephenville mill never shuts down. The deal also calls for ways that ACI can lower energy costs, specifically electricity.

Stora Enso, in a major restructuring, announced closures at four mills totalling 400,000 t/a, the possible sale of as many as four additional mills, and placed another four mills under scrutiny for future decisions within a year. Most of the restructuring is at the company's European mills, although the company announced it was closing PM 31 at Stevens Point, Wis., which has capacity to produce 25,000 t/a of coated paper for packaging and labels.

Weyerhaeuser announced the shutdown of the Prince Albert, Sask., 280,000 t/a uncoated freesheet machine and 130,000 t/a northern bleached softwood market pulp mill.

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	595	Rising
BEKP (Europe)	m. ton	867	485	458	502	526	586	552	576	595	Rising
Newsprint	m. ton	670	585	465	503	547	610	650	605	630	Rising
Uncoated Freesheet	sh.ton	990	715	692	628	676	725	770	700	700	Flat
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	Rising
Lumber #2&Btr.	Mbf	250	286	270	278	394	350	305	310	304	Falling
OSB	Msf	245	159	160	380	369	305	225	205	340	Falling
Canadian Dollar	US\$	0.73	0.65	0.64	0.72	0.77	0.82	0.82	0.79	0.85	Rising

E= estimated