



FEBRUARY 2007

# Forest Industry News

## NEW PROJECTS ANNOUNCED

### Planning Phase

[China] State-owned *Fujian Nanping* has unveiled plans to erect a \$129 million greenfield newsprint mill in Nanping, at a site adjacent to its existing 300,000 t/yr newsprint mill. The firm also plans to invest approximately \$50 million towards the development of a 50,000 ha eucalyptus and masson pine plantation near the new mill site.

[Sweden] *Södra Cell* has unveiled plans to increase long fiber pulp capacity at its Värö mill. To this end, the company intends to install a new shoe press in the dryer section and improve the caustic processing plant. At a cost of \$31 million, these projects will raise the mill's capacity by 25,000 t/yr. The firm will invest an additional \$11 million towards the installation of three wind turbine stations, which will have a combined output of 6 MW.

[Norway] *Norske Skog* will spend approximately \$54 million at its Skogn mill in a bid to improve product quality and reduce energy consumption. The plan calls for a reduction in the proportion of wood pulp in the furnish, and a change in the type of filler employed.

[Sweden] *Holmen* has announced plans to install a new, energy efficient thermo-mechanical pulp line at its Braviken mill. The 270,000 t/yr line will displace an older system that had been in place since 1977. The investment will improve both the quality and quantity of pulp produced, while lowering energy consumption.

[Sweden] The *LPC Group* has unveiled an extensive set of plans for the expansion of its business, beginning with the announcement that it has ordered a 40,000 t/yr crescent former unit for its Swedish Tissues mill in Kisa. This machine will serve as replacement for the mill's existing PM3. The group's near-term plans also call for the installation of a 60,000 t/yr tissue unit in the UK, as well as the construction of greenfield mills in Germany and Spain, by 2010.

[Canada] The *Federal Government of Canada* is set to spend an additional \$108.5 million in the nation's forest sector. An investment of \$104 million will go towards promoting innovation and investment in the industry, expanding market opportunities, and developing a national forest pest strategy. The remaining \$4.5 million is earmarked for the establishment of a Human Resource Forest Sector Council that will be tasked with identifying and addressing skills and adjustment issues in the industry.

[China] *Yuen Foong Yu Paper* has stated plans to set up a 400,000 t/yr paper mill in Yangzhou, Jiangsu Province. The \$100 million investment will increase the company's supply high-end corrugated paper and white paper boards. Not a newcomer to the mainland, this Taiwanese company has set up more than ten such plants over the past decade.

### Implementation Phase

[Québec] A modernization project aimed at meeting higher environmental standards is in the works at *SFK Pulp Fund's* kraft mill in Saint-Félicien. The \$17 million investment will enable the mill to cut its carbon emissions by nearly 1600 t/yr, and will bring about a reduction in effluent discharges.

[Québec] *Kruger* will spend \$200 million on the construction of a new de-inking plant at its Trois-Rivières mill. The new plant will enable the company to recycle an additional 422,000 t/yr of recovered paper, pushing the company's total consumption of paper and board to 1,122,000 t/yr. The investment will also allow the company to reduce its energy consumption by 20%.

[Ontario] Through its Forest Sector Prosperity Fund, the *Government of Ontario* is investing \$6 million to help build a new \$27 million biomass co-generation plant at *Norampac's* Trenton mill. Building the plant, which will be fuelled with waste from southern Ontario sawmills, will help secure about 140 jobs in Trenton.

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[China] *Foshan Huaxin Packaging* has started commercial production on a 300,000 t/yr white-lined chipboard machine at a greenfield mill in Zhuhai, Guangdong Province. The new unit is capable of producing a variety of cartonboard grades, though at this stage it will be dedicated to the production of grayback coated duplex board, since domestic demand for the grade is strong.

[China] *Jiangsu Gold Hongye Paper* has started up three 10,000 t/yr tissue machines at its mill in the Suzhou, Jiangsu province. The move is part of the tissue maker's expansion program, through which it aims to install another three 10,000 t/yr units at the plant, with start-up scheduled before September 2007. All six PMs will purportedly focus on making low quality grades for products such as napkins, kitchen rolls and toilet tissue.

[Denmark] As part of an ongoing initiative to reduce its energy costs, *Dalum Papir* has installed a 45 MW biofuel boiler at its deinked pulp and paper mill in Odense.

[France] *UPM* has started up a new 20 MW power plant at its Chapelle Darblay newsprint mill in Grand-Couronne. The plant is equipped with a bubbling fluidized bed boiler, similar to the one that was installed at the company's Shotton newsprint plant in Wales last December 2006.

[Poland] *Industrie Cartarie Tronchetti* has chosen Andritz to be the supplier of a second tissue machine at its mill in Kostrzyn. The 70,000 t/yr machine will convert virgin fiber into tissue and toilet rolls. The cost of the unit is pegged at \$97 million.

[Sweden] *Billerud* has contracted Pöyry to provide engineering services for the rebuild of paper machines at two of its mills, namely Gruvön and Skärblacka. The upgrades, which will cost \$53 million, are primarily aimed at improving the machines' performance and product quality, though minor capacity increases are also anticipated.

[Japan] It has been revealed that the 350,000 t/yr light-weight coated OptiConcept paper production line from Metso Paper that is destined for Japan will be installed at *Oji Paper's* Tomioka mill, for a cool \$130 million. This "all on-line" machine will feature the first on-line multinip calender in Japan. The delivery also includes two winders, various auxiliaries, process systems, air systems and site services.

## **MERGERS, ACQUISITIONS & PLANT CLOSURES**

[England] *M-Real* has closed a 210,000 t/yr coated fine paper mill in Sittingbourne. Though the company intends to keep the plant's equipment, it has yet to decide about the future of the site.

[Germany] *M-real* has also shut down two coated woodfree paper machines with a total capacity of 100,000 t/yr at its mill in Gohrsmühle. The mill's two other paper machines (PM 2 and 3) will remain in operation.

[Maine] *Fraser Papers* has become the sole proprietor of Katahdin Paper, a company comprised of mills in Millinocket (250,000 t/yr capacity, split between newsprint and directory paper) and East Millinocket (185,000 t/yr supercalendered paper). Prior to the \$50 million buyout, Fraser Papers had a 20% stake in the company.

[Washington, USA] *Brookfield Asset Management (BAM)* has entered into a definitive agreement for the acquisition of all outstanding shares of *Longview Fiber*, for a reported sum of \$2.15 billion. Through the deal, BAM will acquire 588,000 acres of timberland in the Pacific Northwest, along with a network of 15 corrugated container plants and a 1,300,000 t/yr integrated mill located in Longview.

[British Columbia] *Catalyst Paper* announced that reductions of approximately 350 positions across the company are to be completed by year-end. Both staff and union positions will be affected. As part of the company's restructuring program, early retirement and severance packages will be extended to approximately 100 workers at the Powell River mill.

[Ontario] *Abitibi-Consolidated* will permanently shut down operations at its Fort William paper mill in Thunder Bay, where production capacity stood at roughly 145,000 t/yr of commercial printing paper. This move will affect 265 employees at the mill, as well as an additional 88 woodlands workers. High production costs and unfavorable market conditions were cited as the reasons behind this decision.



**PRODUCT PRICE SUMMARY (US\$)**

Product	Units	1995	2000	2005	2006	2007E	2008E	Normalized Price	Current Price	Comments
NBSK Pulp (N.E.)	m. ton	880	680	611	681	700	690	655	760	Rising
BEKP (Europe)	m. ton	867	652	587	642	640	644	630	670	Falling
Newsprint	m. ton	670	565	610	668	650	640	635	630	Falling
Uncoated Freesheet	sh. ton	990	755	727	823	800	770	730	810	Flat
Light Weight Coated	sh. ton	1,226	1,065	997	978	940	900	1,000	915	Falling
Linerboard	sh. ton	510	470	478	553	565	550	480	565	Flat
Lumber #2&Btr.	Mbf	250	295	353	296	285	300	320	263	Rising
OSB	Msf	245	205	319	218	180	180	215	152	Rising
Canadian Dollar	US\$	0.73	0.67	0.83	0.88	0.85	0.85	0.85	0.86	Rising

*E= estimated*

*Sources: CIBC World Markets & RISI Info*

