



April / May 2007

Forest Industry News

NEW PROJECTS ANNOUNCED

Planning Phase

[UK] **Aylesford Newsprint** is reviewing a new machine (PM15) that would make newsprint at its mill in Kent. The machine would use 100% recovered paper and would likely be a replacement for the 50 year old, 100,000 t/yr PM13.

[China] **APP China** is moving with a large expansion project of its mill on Hainan Island. The goal is to boost production from 1 million t/yr to 1.78 million t/yr and to increase tissue and fine paper capacity to 2 million t/yr, making it an integrated facility in the next few years. Investment cost is RMB 13.6 billion (\$1.8 billion). Orders for *two* 700,000 t/yr Voith Paper machines have been made, with and anticipated June 2009 start-up. A total of 24 tissue machines are also planned for the site, with 6 of them (28,000 t/yr each) coming from Italian supplier A Celli. A subsequent stage will see 18 machines (each with ~20,000 t/yr capacity) installed from APP's own machine manufacturing facility.

[Vietnam] **Lee & Man Paper Manufacturing** has selected Metso Paper to supply a 400,000 t/yr recycled containerboard machine for a greenfield mill; it plans to build in Vietnam for €40 million (\$54 million).

[Thailand] **Advance Agro** will expand its mill in Prachinburi province with a \$371 million plan including a 420,000 t/yr printing and writing paper machine (PM3). A supplier has not yet been selected to add this third machine to the site's 257,000 t/yr PM1 and 243,000 t/yr PM2.

[Australia] **Protavia** has decided to not move forward with two 350,000 t/yr BCTMP mills in Heywood, Victoria and Penola, South Australia. Instead, the project will advance with one A\$1.3 billion mega-mill in Penola only.

[B.C.] **Interfor** announced the construction of a new sawmill in southern Interior B.C. to replace an existing facility in a C\$100 million project. Construction will begin this summer, with completion projected for late 2008. Lumber capacity of the mill is rated at 280 million board feet.

[France] **SAICA** will spend €400 million (\$532 million) at its plant in Vénizel, northern France. The investment may include a new containerboard machine at the site, which could come online in 2010. The Spanish company first aims to rebuild the mill's PM4, which manufactures 155,000 t/yr of semi-chemical fluting. The €60 million revamp is scheduled to be completed by September 1, 2008.

[Turkey] **Kombassan** is considering a new 200,000 t/yr coated duplex and triplex board machine (BM2) at its mill in Tekirdag, near Istanbul. The machine would supplement the existing 50,000 t/yr BM1.

[Taiwan] **Long Chen Paper** aims to add 900,000 t/yr of recycled containerboard capacity in China by the end of 2008. This includes a 250,000 t/yr fluting machine (PM3) at the Wuxi city plant in Jiangsu province and a new greenfield mill in Pinghu city (Zhejiang province) comprising of a 400,000 t/yr recycled linerboard machine and a 250,000 t/yr fluting unit.

[Australia] **Visy** has received authorization to expand its Tumut facility in New South Wales with the addition of a second kraftliner machine that will take production up from 300,000 to 700,000 t/yr. Project cost is A\$450 million (\$373 million).

[Finland] **UPM** plans to install a new bleaching line at it Tervasaari mill in Valkeakoski for approximately €25 million (\$34 million). The 260,000 t/yr facility will increase its bleached pulp production from 90,000 to 170,000 t/yr of BSKP.

[UK] **The Palm Group** will invest £330 million (€482 million) in a newsprint mill in King's Lynn (90 miles north of London). The new plant will house one of the largest and most advanced paper machines, a 10.5 metre wide unit with a 400,000 t/yr newsprint capacity. The furnish for the new mill will be 100% recycled fibres. Start-up of the new mill is scheduled for summer 2009.

[China] **Nine Dragons Paper** has ordered 4 new board machines from Voith Paper with a combined output of 5,100 t/day or 1.8 million t/yr with start-up anticipated in the next 2 years. Two will be 1,250 t/day recycled fluting units (PM18 & 28) and the other two will be 1,300 t/day recycled linerboard unit (PM27 & 32).



April / May 2007

[Russia] Ruukki Group plans to build an 800,000 t/yr bleached kraft pulp plant in Manturovo, located in the Kostroma region. The group originally was looking at a 300,000 – 500,000 t/yr BCTMP mill in a first phase that included a 300,000 m³/yr softwood sawmill. The decision between the BKP and the BCTMP mill will be made once an environmental permit decision has been made by the Russian government.

Implementation Phase

[Sweden] Stora Enso restarted its #2 deinked pulp (DIP) line at its Hylte newsprint mill in southern Sweden following a rebuild by Voith Paper. The line's capacity was raised from 700 t/day to 800 t/day, during a week-long shut over Easter. The line was restarted on April 16. The Hylte mill produces some 827,000 t/yr of newsprint on 4 machines

[USA] Martin Companies opened an 850 mmsf Oriented Strand Board (OSB) mill in Louisiana, the largest in North America. The newest of its 5 facilities, the Oakdale plant represents an investment of just under 2 years of construction and more than \$200 million. The plant is capable of producing a full range of OSB products from 3/8" to 1 1/8".

[Turkey] Lila Kagit began installing a new 70,000 t/yr crescent former tissue machine at its mill in Corlu, 100km west of Istanbul. The Metso supplied machine is 5.65 m wide, with a design speed of 2,200 m/min.

[China] Sun Paper started commercial production on its 250,000 t/yr fine paper machine in Yanzhou city, Shandong province. The PM21 has a 5.4 m wire width and operating speed of 1,300 m/min. The unit has expanded Sun's total production to 600,000 t/yr.

[Ontario] Bower announced that it will restart its PM4 newsprint machine at the end of May 2007 at the Thunder Bay mill. The 146,000 t/yr machine was idled in Sept. 2006, and now it, and the 2nd machine onsite (250,000 t/yr PM5) are in the process of being converted from newsprint to a mix of directory and kraft bag stock production.

[Sweden] Smurfit Kappa installed a new €70 million (\$93 million) biofuel boiler at its Piteå mill in Sweden. Kvaerner Power, since acquired by Metso, supplied the unit. The plant, which houses two machines, has a 700,000 t/yr kraftliner capacity. PM1 produces unbleached kraftliner, while PM2 makes white-top kraftliner.

[China] Fujian Qingshan Paper Industry started dry tests on a 250,000 t/yr recycled fluting and sack kraft paper machine at its mill in Qingzhou city, Fujian province. The 5.5 m wide PM, which was supplied by Metso Paper Technology (Shanghai), will be fed by an 800 t/day old corrugated container (OCC) line provided by Kadant Black Clawson.

[Ontario] Terrace Bay Pulp started up a second production line at its 350,000 t/yr market NBSK pulp mill in mid-March and plans to revive a third line that will raise its capacity to 450,000 t/yr. Terrace Bay Pulp, a subsidiary of Buchanan Forest Products, acquired the mill in Terrace Bay, ON, and began producing after a seven-month closure last September 2006.

[Jordan] The Nuqul Group began installation of a 54,000 t/yr tissue machine (PM4) at the new Al Snobar Hygienic Paper Mill in Amman. Metso supplied the machine which is 5.5 m wide with a design speed of 2,000 m/min.

[Taiwan] Yuen Foong Yu Paper Manufacturing began production on its new recycled containerboard machine at its mill in Yanzhou city, Jiangsu province, China. The 5.36 m wide Voith unit (PM2) will produce 300,000 t/yr.

[USA] Red Shield Environmental are getting ready to restart pulp operations at the former Georgia Pacific 200,000 tons/yr hardwood kraft market pulp mill in Old Town, Maine. The company said it would not produce pulp or paper, but officials have changed their minds.

[Spain] SCA began commercial production on a second 60,000 t/yr tissue machine (PM6) at its plant in Valls, N.E. Spain. The unit was supplied by PMT Italia along with the stock system for \$72 million. The mill's other unit, PM5 is identical.

[Austria] The Heinzl Group's €101 million (\$75 million) project to boost the market pulp capacity at its Zellstoff Pöls mill in Styria, central Austria, is ahead of schedule. The group aims to reach a maximum capacity of 450,000 t/yr compared to its current 365,000 t/yr. No timeline has been released.

MERGERS, ACQUISITIONS & PLANT CLOSURES

[Quebec] Kruger has announced temporary shutdowns at four of its Quebec sawmills, which produce a total of approximately 400 million board feet annually. The Parent and Gallichan mills will shut down following the Easter break, while the Manic and HCN mills are scheduled for shutdowns in June 2007. The closures will affect more than 1,000 workers.



April / May 2007

[Quebec] **Bowater** has extended a round of temporary layoffs at its newsprint mill in Gatineau. Bowater warns that this is a sign of things to come.

[China] The Chinese government is planning to order the closure of small, inefficient pulp and paper mills across the country. Capacity reductions could total 6.5 million t/yr of paper and board, 2.5 - 3 million t/yr of wood pulp and nonwood pulp, and 2 million t/yr of recovered paper processing capacity. The aim is to eliminate inefficient, outdated facilities across the country, in an effort to reduce pollution and conserve water resources.

[Canada] **UPM** will close its Miramichi, N.B. mill operations in August for up to one year. The nearby groundwood mill will also shutdown. About 600 employees will be impacted. The Miramichi mill has two machines, producing lightweight coated paper, with an annual capacity of 450,000 tonnes. Despite best efforts, Miramichi has not been able to turn its exports to the US profitable. The mill is suffering from unprecedented strength of the Canadian dollar.

[Canada] **UPM** (related to the above item) closed a small New Brunswick sawmill indefinitely on lumber market conditions and regional wood supply, according to a local press report. The Blackville softwood sawmill near Miramichi is shown with production of about 30 mmbf/year and employs 60.

Weyerhaeuser is selling its OSB plant in Miramichi, NB. According to a recent report by Forestweb, the mill, which has a capacity of 430 million ft², has been closed since February.

[Netherlands] **Stora Enso** closed its 111,000 t/yr PM7 at its uncoated woodfree plant in Wapenveld. The mill's other machine, PM8 is a 134,000 t/yr unit that is to be shutdown in October of this year. 80,000 tonnes of the capacity is expected to be transferred to Stora Enso's Nymolla mill in Sweden which already produces 485,000 t/yr.

[Ontario] **St. Marys Paper** ceased operating its last machine, the 124,000 t/yr PM5, in April. The mills 380 employees will be laid off. A local consortium of investors has formed to purchase the 3 machine, 216,000 t/yr facility. The group submitted a bid to purchase and operate to the Receiver, RSM Richter. The local group now makes up the shareholders in a newly incorporated company, 'St. Marys Paper Corp.'

[Russia] Countries that import logs from Russia will face increased export taxes under new legislation. Effective July 1, 2007, softwood logs and large (>15 cm) birch logs will rise 20% (or a minimum of €10/m³), increasing to 25% (min. €15/m³) in 2008, and 80% (min. €50/m³) in 2009. Birch pulpwood logs smaller than 15 cm in diameter appear, for the moment, to be untouched until a 10% (min. €5/m³) increase in 2011.

[USA] **ST Paper** acquired the Oconto Falls Tissue mill in Wisconsin and plans to upgrade the two existing machines with added capacity over the next year. Current production is 70,000 tons/yr. The mill also runs a 46,500 tons/yr deinking line.

[Canada/China] **China International Tourism & Trade Co. Ltd (CITTC)** purchased the non-operational 275,000 t/yr Western Pulp mill in Squamish, B.C. They plan to reassemble the NBSK line in China and supply it with Russian softwood chips.

[Germany] **Mylykoski** will close its lightweight coated paper mill in Dachau, beginning with the 100,000 t/yr PM7 in May 2007, followed by the 130,000 t/yr PM8 in mid-June 2007.

[Canada] **Canfor Corporation** announced today that it will close its Mackenzie, B.C. sawmill indefinitely once the remaining log inventory at the facility has been processed. The sawmill has a capacity of 500 million board feet and employs approximately 450 people. It is anticipated that the indefinite closure will take effect in mid-August 2007 representing 170 million board feet of production that will be removed from the market in 2007.

[USA] **International Paper** announced it will close its Terre Haute, IN., containerboard mill in the fourth quarter of this year. The mill annually produces approximately 200,000 tons of corrugating medium

[USA] **Tembec** announced that its coated paper mill located in St. Francisville, Louisiana will be indefinitely idled, with a target date for idling of July 31, 2007. It will affect approximately 540 employees. The 325,000 tons/yr mill produces coated and specialty papers, primarily used in catalogues, magazines and cover stock.



April / May 2007

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	745	700	655	780	Rising
BEKP (Europe)	m. ton	867	652	587	642	683	614	655	670	Rising
Newsprint	m. ton	670	565	610	668	625	615	635	600	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	920	910	1,000	890	Falling
Linerboard	sh. ton	510	470	478	553	575	560	480	565	Flat
Lumber #2&Btr.	Mbf	250	295	353	296	285	300	320	265	Rising
OSB	Msf	245	205	319	218	170	170	215	153	Rising
Canadian Dollar	US\$	0.73	0.67	0.83	0.88	0.85	0.85	0.85	0.93	Rising

E= estimated

Sources: CIBC World Markets & RISI Info

