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A New Year's Message from the Director

by Patrick McCarthy

The coming of the New Year finds CPBIS in its tenth year of existence. Late in the year 2000, the Alfred P. Sloan Foundation, the pulp and paper industry, the Institute of Paper Science and Technology (now IPST@GT), and The Georgia Institute of Technology joined forces to create the Center for Paper Business and Industry Studies. We have marked a number of important milestones in the course of the past 9 years, as documented in a December 14, 2009 report to the Sloan Foundation, the last one required by the foundation under the terms of its funding of the Center, which has now ended. The report summarizes the Center's research, education, and connectivity accomplishments from January 2001 to the present. They include:

- Research
 - 4 research projects currently in progress
 - 18 final reports
 - 1 book and 24 publications
 - 34 working papers
 - 135 presentations at academic and industry conferences
 - 20 graduate theses, 3 CPBIS Fellowships and 3 student internships
- Education
 - 6 academic courses
 - 8 management development courses with 97 attendees from 34 companies, 2 universities, and 2 NGOs
 - 53 webcasts
- Connectivity
 - 36 sponsoring companies and 14 sponsoring universities and NGOs
 - 20 invited "Distinguished Lectures"
 - 4 forums and workshops
 - 3 hosted conferences
 - Over 100 newsletter issues

I would be remiss if I failed to recognize the extraordinary contributions of people who, during all or

part the first nine years, have devoted significant time and effort to establish, guide and nurture the Center. They include Dr. Jim Ferris, president of IPST, and Dr. Gail Pesyna, Sloan foundation program director (and now vice president) at the Sloan Foundation, both of whom played key roles in the establishment of the Center; and Dr. Jacquelyn McNutt and Dr. Tom McDonough, who worked together to propose and solicit funding for the Center's creation and subsequently served as the Center's executive director and director, respectively. Coordinating our research projects have been Dr. Steve Vallas (now at George Mason University) and Dr. Steve Usselman; Dr. Gus Giebelhaus and Dr. Vinod Singhal shepherded the Center's education initiatives; and Dr. Colleen Walker (now at TAPPI) was the Center's liaison with industry. Mr. David Bell (also now with TAPPI) was instrumental in CPBIS's development efforts and Mr. Bob Patterson, as business manager, jealously guarded the Center's resources while overseeing the Center's webcasts. Ms. Charley Burney, as the Center's Administrative Assistant, has consistently and productively managed the administrative work that our collective efforts generated. In addition, the Center has enjoyed excellent IT staff in the persons of Mr. Charles Andry, Mr. Charles Brookshire, Mr. Stan Corbin, Mr. Bob Davies, and Dr. Emmanuel Lafond. CPBIS has and continues to enjoy the support and counsel of many on both the producer and supplier sides of the industry. Two of the Center's most consistent, ardent and engaged advisors have been Mr. George Weyerhaeuser, Jr. and Ms. Kathy Buckman Gibson. Their advice and counsel have significantly helped CPBIS identify a path that balances the broader research needs and interests of an academic community with the very pressing needs and more focused interests of the Center's industry stakeholders.

The paper industry is fraught with mill closings, bankruptcies, capacity reductions, employment losses, increasing competitive pressures from across

the oceans and from new technologies, and changing environmental and energy policies. There is an urgent need for research that helps companies and communities understand and respond to the changing industrial and competitive landscape and to the market challenges ahead. In its first nine years, CPBIS has implemented a 'Business Led, Research Focused' vision; delivered a significant body of research; developed an expanding network of researchers; trained professionals and students; and connected with industry.

We have funded research on industry costs and bankruptcies, energy and the environment, globalization and global markets, technology and innovation, pricing and consolidation, supply chains and transportation, and the workplace. CPBIS continues to serve as an interdisciplinary research Center whose researchers have expertise in Economics, History, Sociology, Natural Resources and Forest Economics, Public Policy, Human Resources, Management, Marketing, Operations Research, Chemical and Biomolecular Engineering, Industrial and Systems Engineering, Mechanical Engineering, and Paper Science.

In passing the 9 year mark, CPBIS continues in earnest to expand its portfolio of value-added research and industry connectivity. We will also increasingly focus on Center development and sustainability. This will require new sources of funding, new collaborations, re-confirming old relationships, and cultivating new partners. Just as I am confident that the industry will successfully weather today's storms, so too am I confident that CPBIS will successfully meet its current and future challenges. CPBIS and its extended family of researchers and stakeholders are committed to producing and disseminating new knowledge that informs today's decision-makers in these uncertain times.

On behalf of CPBIS, I would also like to welcome Dr. Norman Marsolan as the new Director of IPST at Georgia Tech. From 1989 – 2008, Dr. Marsolan worked for International Paper in various technical managerial positions, as mill manager, Director of Manufacturing Solutions, and most recently Director of Research and Development. Prior to joining IP, Dr. Marsolan was Professor of Chemical Engineering at Louisiana Tech University. Dr. Marsolan also serves as CEO of Marsolan Enterprises. I look forward to working with Dr. Marsolan to identify avenues for collaborative research between CPBIS and IPST at GT.

Stay tuned! In the months ahead, we will keep you abreast of Center developments and contributions. We look forward to serving the industry and working with you. And I hope that 2010 fulfills your each and every wish!!

MillsOnline Updated

Among the most recent updates to the MillsOnline database were the following changes reflecting mill closures:

- International Paper Co. in Pineville, Louisiana, changed date of closure from October to December of 2009
- Smurfit-Stone Container Corp. in Ontonagon, Michigan closed in December 2009
- Smurfit-Stone Container Corp. in Missoula, Montana closed in December 2009
- International Paper Co. (formerly Weyerhaeuser Co.) in Albany, Oregon changed date of closure from October to December of 2009
- International Paper Co. in Franklin, Virginia to close in Spring of 2010

Recent Forestweb Headlines

Every week, Forestweb publishes "Newsbeat," a news report tracking recent developments in and around the paper and forest products industries. Newsbeat is available by subscription from Forestweb. See

<http://www.forestweb.com/Corporate/index.cfm>

Below is a small sampling of headlines from recent issues, together with brief synopses.

January 18

Chinese production of paper, paperboard reaches 84.7 million tonnes during first 11 months of 2009, surging 11.9% year-over-year; pulp output of 17.6 million tonnes drops 2.1%

In November alone, production was up 28.8% year-over-year. At the same time, pulp production in the first eleven months was 17.6 million tonnes, which was 2.1% less than in the same period last year.

Short supply and good demand continue to drive world pulp markets; customers accepting January price hikes

How much longer the current conditions will hold depends on Chinese demand in the coming months as well as on the rate at which the world economy recovers from the current recession.

SFI releases new 2010-2014 forest certification standard; revisions strengthen fiber sourcing requirements, address emerging climate change, bioenergy issues, expand logger training criteria

Sustainable Forestry Initiative® Inc. has released a new standard that reinforces its role in supporting and promoting sustainable forest management.

U.S. Biomass Crop Assistance Program and rising interest in biomass are pushing up wood fiber prices; forest products industry weighs up risks versus merits of BCAP

The American Forest and Paper Association sent a letter Oct. 27 to the Office of Management and Budget (OMB), warning the biomass program could jeopardize the forest products industry, its jobs, and its production of renewable energy.

January 11

In November, U.S. paper and paperboard tops year-ago output for first time in 2009; printing and writing shipments, paperboard production also turn positive

U.S. paper and paperboard production reached 6.74 million tons in November; the volume gain of 2.8% was the first in 2009 to exceed the previous year's total.

CEPI launches new set of guidelines for assessing transport carbon footprint in the European pulp and paper industry

The Confederation of European Paper Industries, has launched a new set of guidelines to help harmonize the way pulp & paper companies measure the share of their products' carbon footprint related to transport.

Wood pellet industry has grown sixfold since 2004, pushing up sawdust, woodchip prices, reports North American Wood Fiber Review

The dramatic expansion has resulted in higher costs for sawdust and wood chips in the regions with the greatest growth, including Western U.S. and Canada.

January 4

World pulp shipments down month-over-month by 2.0% but producers' stocks drop again, with softwood at record low - PPPC

Stocks of World 20 chemical paper-grade market pulp producers dropped in November; November shipments were up 16.4% from the dismal showing of November 2008.

PPPC: North American newsprint data for November reflect continued decline, though not as steeply because of sharp drop in year-earlier figures; mill operating rates continue to improve, inventories grow

The North American newsprint mill operating rate jumped to 88% in November on an adjusted basis to account for idled

capacity, up from 82% a month earlier. However, production through the first 11 months of 2009 was off 29.1% from January-November 2008.

December 21

Year-over-year uncoated woodfree shipments gain for first time in November, rising 3.5%; trend shows yearlong decline is slowing

Shipments showed a year-over-year gain for the first time in 2009. For the 11 months, shipments lagged 2008 by 12.1%, an improvement from deficits as high as 20%.

Fitch: Marginally better volumes will drive earnings for U.S. paper and forest industry in 2010

Shipments and earnings for the paper & forest industry are expected to show some recovery in 2010, though by historical standards demand will still be weak.

Statistics Corner: Newsprint Price Recovery

Our last update on newsprint prices (July, 2009) documented a precipitous, six-month-long free fall that started at the beginning of 2009 and showed little sign of abating. Since then, the picture has changed dramatically, as shown in Figure 1 below.

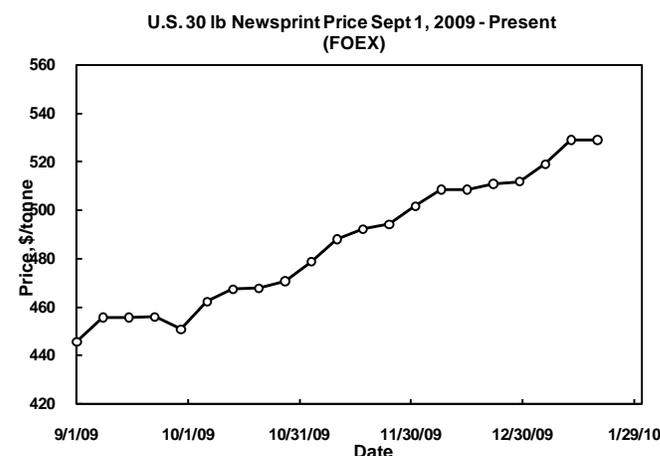


Figure 1. U.S. 30 lb Newsprint Price, Sept 1, 2009 – present.

The upswing can be attributed to increased production costs and decreased production capacity. Despite the recent increase, however, prices are lower than at any time during the previous four years. ■