

Vol. XI, No. 4**July 28, 2011**

EPN Releases New Sustainability Report

The Environmental Paper Network (EPN), which describes itself as “a network of non-profit organizations working together to accelerate social and environmental transformation in the paper industry,” has just released a report that documents EPN’s view of the industry’s progress toward sustainability.

Here are some of the highlights:

- Global paper consumption is still rising, reaching 371 million tonnes in 2009.
- Paper consumption in North America has declined 24% between 2006 and 2009.
- Per capita consumption of paper in North America dropped from more than 652 lbs/year in 2005 to 504 lbs/year in 2009.
- In 2009, total paper consumption in China eclipsed total North American consumption for the first time.
- The United States paper recovery rate rose from 46% in 2000 to a record high 63.4% in 2009. In Canada the reported paper recovery rate in 2009 was 66%.
- Paper is the most commonly recycled product, and yet is still one of the largest single components of landfills in the United States, comprising over 16% of landfill deposits equaling 26 million tons annually. This is down from 42 million tons in 2005 which represented 25% of the waste stream after recycling that year.
- Recycled fiber comprises about 37% of total U.S. pulp production.
- In 2009, approximately 36% of fiber recovered in the United States was exported to Asia, primarily to China.
- The number of acres certified by the Forest Stewardship Council (FSC) in North America has

grown by 66 million acres between January 2007 and January 2011. This represents a doubling of forests managed to the FSC standard and a total 131 million acres certified in North America.

- EPN members cite over 645 environmental paper procurement policies from large purchasers, including 24 Fortune 500 companies.
- Greenhouse gas emissions for the manufacture of pulp and paper in the United States and Canada decreased approximately 33% from 2000 to 2008.
- According to data reported by AF&PA member companies there was no improvement in total energy use per ton of product over the last decade.
- Between 2000 and 2008, discharges of wastewater, total suspended solids, and biochemical oxygen demand per ton of product were virtually unchanged.

The complete report can be downloaded at <http://environmentalpaper.org/state-of-the-paper-industry-2011.php>

AF&PA News

The American Forest and Paper Association last week released three of its ongoing series of industry reports, dealing respectively with printing and writing paper, Kraft paper, and boxboard. Following are brief summaries:

- Total printing-writing paper shipments decreased 5.1% in June compared to June 2010
- All four major printing-writing grades posted decreases
- May exports of uncoated free sheet (UFS) increased year-over-year for the third straight month.
- Inventory of coated free sheet (CFS) decreased for the second time in the last eight months.

- Coated mechanical (CM) inventory month-over-month decreased for the second time this year in June.
- Uncoated mechanical (UM) shipments decreased year-over-year for the third consecutive time
- Total Kraft paper shipments were 135.1 thousand tons, a decrease of 3.5% compared to June 2010, but up 2.5% when compared to May 2011.
- Total unbleached Kraft shipments decreased compared to June 2010.
- Total bleached Kraft shipments were up compared to the same month last year for the fifth time in 2011.
- Total boxboard production decreased by 0.2% compared to June 2010, and was flat from last month.
- Unbleached Kraft folding production decreased over the same month last year, and decreased over last month.
- Solid bleached boxboard and liner production increased over June 2010.
- The production of recycled folding decreased compared to June 2010, and decreased when compared to last month.

Recent Forestweb/Industry Intelligence Headlines

Forestweb and its sister company, Industry Intelligence, publish weekly news reports tracking recent developments in and around the paper and forest products industries. Subscription information is at <http://www.forestweb.com/Corporate/index.cfm>

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

July 24

Temple-Inland rejects IP's US\$30.60/share unsolicited tender offer, saying it undervalues company, future prospects, recommends shareholders to not tender shares

Temple-Inland on July 18 announced that its Board of Directors, after careful consideration with its independent financial and legal advisors, voted unanimously to reject the unsolicited tender offer from International Paper to acquire all outstanding common shares of Temple-Inland at a price of \$30.60 per share in cash.

Adult paperbacks rank No. 1 in U.S. book sales revenue with US\$473.1M in first five months of 2011,

a 17.9% dip year-over-year; e-books follow with revenues of US\$389.7M yet with 160.1% gain: AAP

The popularity of digital publishing formats continues, with downloaded audiobooks also gaining 17.0% year-to-date for calendar year 2011 vs. 2010.

Pulp activity around world continues to slow amid buyer pressure on prices, seasonal factors, subdued business on paper side

How long the trend will continue largely depends on how long Chinese customers will stay out of the market.

July 17

Pulp market slowdown well underway, as eucalyptus producers follow softwood side with drop in July list prices and paper markets decelerate in key regions

Bleached eucalyptus kraft pulp producer Fibria dropped its July list prices by \$30/tonne in North America, to \$900/tonne. The North American list price for northern bleached softwood kraft is \$1,020/tonne, down \$20/tonne.

Fibria inaugurates new pulp bleaching line at its Aracruz pulp production unit in Barra do Riacho, Brazil, representing 110M reais investment to enhance operational efficiency, environmental performance

Fibria's five mills produce 5.25 million tonnes of pulp and 179,000 tonnes of thermal, carbonless and printing papers per year. The Aracruz mill has a capacity of 2.3 million tonnes of bleached pulp per year.

July 10

U.S. EPA exempts biomass-burning facilities from new federal rules curbing GHG emissions for three years while it decides how and whether to craft rules for biomass emissions, says its determinations might take effect in fewer than three years

A study on this position is being sent by EPA to its Science Advisory Board later this year, before the agency decides whether it will create rules for biomass. Opponents of biomass say the benefits of its usage depend on replanting to reabsorb CO2 emissions.

Canada issues last call for proposals for funding under Forest Industry Transformation program, open to forest products companies with existing Canadian manufacturing facilities

The Investments in Forest Industry Transformation (IFIT) program aims to support Canada's forest sector in becoming more economically competitive and environmentally sustainable through targeted investments in advanced technologies.

July 3

Fibria could invest up to 15B Brazilian reais to boost pulp capacity, aims to achieve 10 million tonnes/year

of pulp capacity by 2025 from current 5.25 million tonnes, cut production of non-pulp products
The company plans to reduce paper production.

Seasonal slowdown, reduced prices expected in global pulp markets; major unknown is extent to which Chinese buyers' current resistance will influence other markets

Russia's Ilim Group reduced its China prices by US\$70 per tonne for bleached softwood kraft pulp to \$820/tonne, but northern bleached softwood kraft producers kept their China list price unchanged at \$920/tonne.

Cascades launches small pet homes line made from recycled paperboard, includes cat chalet, cat teepee, water-repellent birdhouse

According to the press release, the company will "launch a new pet homes line for small animals made from recycled cardboard" and the "cat houses are also perfect for lapdogs."

June 26

White Birch Paper to temporarily stop production at end of June at three Quebec mills in Quebec City, Masson Angers, Riviere de Loup, reducing newsprint, directory production by 12,000 tonnes combined

White Birch Paper produces more than 1.3 million tons of newsprint and directory paper with up to 50% recycled content.

Kruger to temporarily shut Quebec's Trois-Rivieres, Brompton, Wayagamack paper mills June 23-June 28 to reduce total newsprint production by 9,000 tonnes, coated paper production by 4,000 tonnes

Kruger, a major producer of publication papers, tissue, lumber and other wood products operates facilities in Quebec, Ontario, British Columbia, Newfoundland and Labrador and the United States.

Statistics Corner: Forest Productivity

As shown in Figures 1 and 2 below, the productivity of Brazil's forests far outstrips that of many of its competitors in the forest products arena. This is true for both deciduous (hardwood) and coniferous (softwood) forests.

Hardwood Forest Productivity

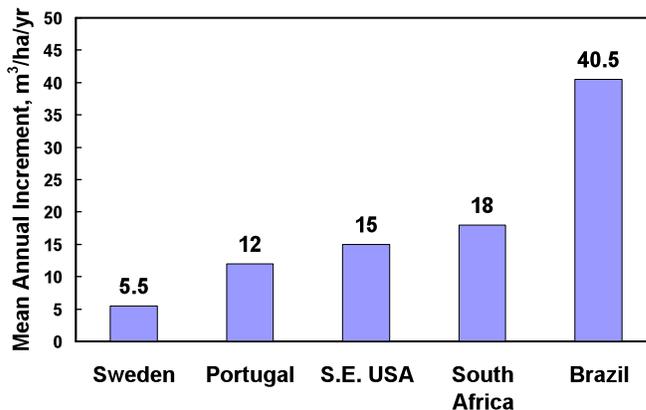


Figure 1. Hardwood forest productivity Source: ABRAF (<http://www.abraflor.org.br/>)

Softwood Forest Productivity

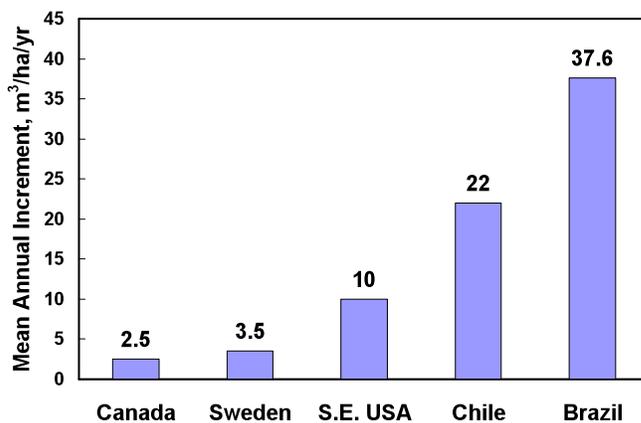


Figure 2. Softwood forest productivity Source: ABRAF (<http://www.abraflor.org.br/>)

The productivity of southeast U.S. hardwood forests amounts to only 37% of what is achieved in Brazilian eucalyptus plantations. Similarly, southeast U.S. softwood growth is only 27% of the value for Brazilian pine plantations. ■