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New Year's Message from the Director

By Patrick McCarthy

Happy New Year! I hope that 2011 ended well for all CPBIS stakeholders and that 2012 finds you healthy, relaxed, and with boundless energy to embrace the New Year and its opportunities. Recent data justify optimism that the worst is over for the industry. After a very steep decline during the recession, the industrial production index for pulp, paper, and paperboard mills rose from June 2009 through January 2011, declined in the first half of 2011, and now appears to have leveled off in the latter part of the year.

Consistent with this, employment in the paper and paperboard sector has remained relatively steady during the past two years, hovering around 397,000 workers. In the latter part of 2011, the number of employees rose, reaching 400,000 workers in December, suggesting that 2012 will see additional employment increases.

Although budgets remain exceedingly tight, CPBIS continues to seek better ways for the Center to meet its commitment to serve as a valuable resource for the forest products industry and its stakeholders. Among the Center's activities this past year were:

- Collaborations with the Institute of Paper Science and Technology (IPST), including
 - participation in the IPST Executives Conference, presenting "Remaining Competitive in an Evolving Industry: Seizing Emerging Forest Industry Opportunities in Operations, Process and Product Innovation," and moderating the session, "Strategies for Seizing Opportunities in Process Operations;"
 - presentations on CPBIS and industry trends to representatives of companies in the U.S. paper and allied industries (e.g., Verso

Paper, Domtar, Metso, and Stora Enso) hosted by Norman Marsolan, IPST Director.

- Discussions with media representatives on structural changes occurring in the industry
- Publication of "Bankruptcy Announcements and the Paper Industry," by CY Ho, P. McCarthy and X. Ye in the May-June issue of *Paper360*.
- Completion of the 'Data Center' on the CPBIS web site, which provides up to date data and graphics on a number of economic and industry production, consumption, and price indicators
- Updates for the Center's 'Mills OnLine' database, which provides current information on mills operating in North America
- Monthly newsletter that summarizes current mill activities and news items, provides statistical information, and tracks trends that are relevant to the pulp and paper industry
- Responding to questions and queries from those working in pulp and paper companies, consultants, researchers, and news organizations on a range of industry topics.

Web site statistics indicate the increasing value that the Center's site and its offerings have for the industry. Figure 1 below identifies the number of web site visits and their sources. Visits originating in the USA are by far the most frequent, followed by those from Canada. Outside the top five countries, the Center's site received over 2,000 hits from the rest of the world (ROW), which represents 118 additional countries. Figure 2 shows that USA and Canadian visitors typically spend an average of just over 2 minutes per visit whereas Indian visitors from India spend 3½ minutes per visit. The average number of pages visited is about 2.5 for all visitors and the percentage of new visits ranges between 71% for ROW to 80% for India.

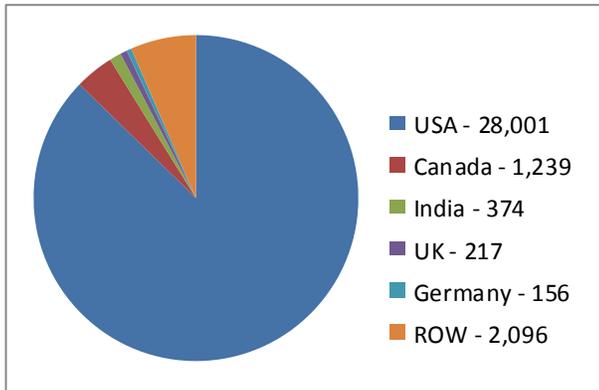


Figure 1. Visits to CPBIS web site, and their sources

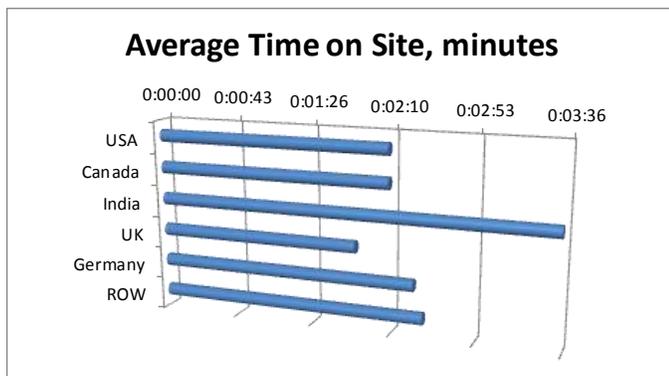


Figure 2. Duration and source of visits to CPBIS site.

How do these statistics compare with those of earlier years? The table below provides statistics for the period, January 1 – December 31, 2010 with those for the same period in 2011. Visits during 2011 increased 47% compared to 2010 and page views increased 42.3%. At the same time, the number of pages per visit and average time on the site decreased 27% and 28%, respectively. The bounce rate was 52% in 2010 and

Statistics	2010	2011	% Change
# Unique Visits	16,165	23,740	46.9%
Page Views	61,055	86,865	42.3%
Pages/Visit	3.78	2.75	-27.2%
Average Time on Site	3:04	2:12	-28.3%

61% in 2011. That the growth in visits exceeds the percentage increase in the bounce rate suggests that impact of CPBIS is growing. At the same time the decrease in average time spent and pages viewed per visit may reflect more targeted searches and the more

user friendly and convenient web site that CPBIS strives to deliver to its stakeholders.

I am confident that in 2012, CPBIS will build upon these outcomes and successes. The Center plans to roll out additional data and research products that will continue to increase connectivity with the Center's varied stakeholders.

The Center also owes significant thanks to two individuals who continually and tirelessly work to help the Center sustain and add to its accomplishments, Dr. Tom McDonough who writes and manages the Center's monthly newsletter, and Ms. Aselia Urmanbetova, a PhD student who manages the web site and Mills OnLine database that many CPBIS stakeholders have used and purchased.

I wish all of you again a very happy new year and know that with your support, encouragement, and suggestions, you will continue to benefit from the Center's knowledgebase.

PIRA Predicts Future Markets for Printing, Packaging

Global printing output was valued at \$785 billion in 2010, growing by around 1% in comparison with 2009, when values fell by more than 5%. In the period to 2016, Pira anticipates growth in the order of 1-1.5% annually, albeit heavily concentrated in emerging and some transitional economies, with demand continuing to fall in mature markets as print comes under further pressure from electronic alternatives. A new report by Pira, "The Future of Global Printing" provides in-depth analysis of worldwide print markets broken down by print process, product and region, with forecasts to 2016.

A similar new report by Pira is "The Future of Global Packaging." After a sharp decline in 2009, global packaging sales recovered in 2010 to just short of the previous year's levels, at \$671 billion. The market is projected to grow by around 4% in 2011, to reach \$696 billion, driven mainly by increasing demand for packaging in emerging and transitional economies. Going forward, Pira predicts growth of 3% per annum, with sales set to exceed \$800 billion by 2016.

Both reports are available from Pira International (<http://www.pira-international.com/Home.aspx>).

Industry Intelligence i2Live Planned Webcasts:

Jan 19: How the mobile media revolution will impact global graphic paper demand

Roman Hohol, Director of Marketing Practice, AMEC will present his views on the outlook for graphic paper demand. The conventional wisdom is that emerging markets will continue to see growth in demand but Hohol argues that for a variety of reasons, graphic paper demand has reached a “tipping point.” Registration is free: <http://www.i2live.net/webcast-tablets-and-graphic-paper-demand/>

Jan. 26: Extended Producer Responsibility (EPR) & its impact on brand owners of paper, board packaging

Victor Bell, president of Environmental Packaging International, will share his understanding of EPR models around the world and the future of an EPR scheme in the U.S. Registration is free: <http://www.i2live.net/webcast-extended-producer-responsibility-epr-its-impact-on-brand-owners-of-paper-board-packaging/>

Feb 16: The end of cheap China and its implications for manufacturing sectors

Shaun Rein, founder of China Market Research Group, will share the highlights of his upcoming book “*The End of Cheap China*” in a special webcast presentation designed exclusively for Industry Intelligence Inc. His insights into the Chinese market will help participants in this event identify and capitalize on emerging trends that will affect their business whether in the U.S. or in China. Registration is \$30 and includes a copy of the book, *The End of Cheap China*. Register here: <http://www.i2live.net/shaun-rein-the-end-of-cheap-china-and-its-implications-for-manufacturing-sectors/>

Recent Forestweb/Industry Intelligence Headlines

Forestweb and its sister company, Industry Intelligence, publish daily and 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.

January 15

Airlaid products market soaring as traditional paper demand continues to fall, Glatfelter CEO says, as new C\$9M line at company's Gatineau, Quebec, nonwovens facility doubles its output of high-absorbency paper used in adult diapers, tampons

As people in emerging economies in Africa, South America, parts of Europe and Asia become more affluent, they are purchasing items such as tampons and sanitary napkins that many North Americans take for granted.

White Birch Paper announces permanent shutdown of its newsprint and directory papers mill in Quebec City, Quebec, day after workers overwhelmingly reject contract offer; union protests decision, says it planned counterproposal

Lawyers for the union will review the company's decision.

Resolute Forest Products drops January softwood paper-pulp prices for North America by US\$20/tonne, to US\$870/tonne for NBSK and US\$830/tonne for SBSK

According to its website, Montreal-based Resolute produces approximately 1.1 million tonnes/year of market pulp at its five facilities in North America.

January 8

Selection of British Columbia-based Stern Partners affiliate Pacific West to buy NewPage Port Hawkesbury mill in Point Tupper, Nova Scotia, is best for operation's long-term viability, say forestry analysts

Should the sale close, the mill would run with one of its two paper machines producing supercalendered and other high grades of paper, Ron Stern, president of Stern Partners, told *The Chronicle Herald*. The newsprint machine would be shut down.

IP, Atlas Holdings close agreement to combine their consumer packaging solutions businesses Shorewood Packaging and AGI World, respectively, to form specialty packaging business AGI-Shorewood

With this transaction and following the closing on Shorewood's Packaging's Chinese businesses later this month, the company will employ nearly 4,000 people worldwide, operating 24 manufacturing facilities.

January 1

Portugal's Portucel Group obtains provisional land use permit for 182,886 ha. in Mozambique to be used as a part of 360,000-ha. zone for eucalyptus plantations, commercial farming; trial plantations under way to select best plant stock for potential yield

More than 50 varieties from different origins are being tested in order to select the best plant stock in terms of potential yields.

Shuttered IP mill site in Virginia on track for multiple reuse; wood pellet, recycled tissue and fluff pulp facilities planned by Franklin Pellets, TAK Investments and IP

The wood pellet plant will have the capacity to produce up to 500,000 tons a year, targeted for sale in Europe. TAK Investments plans to operate a recycled tissue facility at the repurposed mill site, and IP plans to convert one of the mill's idled paper machines and hire 220 workers to produce fluff pulp.

December 25

Four final bids received for idled NewPage Port Hawkesbury mill in Nova Scotia, by Dec. 16 deadline; mill also received C\$3.3M tax refund needed to ensure it will stay solvent until it's sold, says court-appointed monitor Ernst & Young

The mill would be operated under proposals by two of the bidders, while the other two bidders intend to dismantle the facility and sell off the assets.

Survey finds majority of Canadians still believe in printed books, with 37% believing e-readers, tablets will replace printed books

Only 37%. The poll was conducted by Vision Critical in December 2011 among more than 1,000 adult Canadian smartphone or tablet users.

Brazilian land-purchase restrictions on foreign companies could thwart plans by Japanese-controlled Cenibra to double capacity of pulp mill in Belo Oriente

Cenibra, which is controlled by Oji Paper Co., Itochu Corp., and Nippon Paper Group, had planned to double the size of the 1.3 million tonnes per year mill, targeted for startup in 2015 or 2016.

December 18

Indonesian paper manufacturer PT Kertas Basuki Rachmat seeking US\$60M in loans to build second paper mill with capacity of 150,000 tonnes/year, aims to construct mill next year, export paper products

Its first paper mill has a capacity of 10,000 tonnes/year. The company produces uncoated woodfree paper among other paper products.

Renewable fuels company Mascoma awarded US\$80M from U.S. DOE for construction, operation of commercial-scale hardwood-to-cellulosic ethanol facility in Kinross, Michigan; funding in addition to US\$20M previously awarded for R&D of project

DOE will contribute to the costs for construction of the Kinross facility, and the balance of the construction costs will be funded by Valero Energy Corporation and a grant from the State of Michigan.

CelluForce announces start of operations at world's first manufacturing plant for nanocrystalline cellulose, located at Domtar mill in Windsor, Quebec; production to start by end of 2011, increase to 1,000 kg/day in 2012

This nanomaterial can also be incorporated into systems to make structures that are light reflective (tunable from ultraviolet to infrared), impermeable to gas and stable over time.

Commodity dissolving pulp prices show further weakening, reflecting seasonal factors and new capacity, with another capacity conversion plan to come

RBC has lowered its 2012 commodity DP price assumption from \$1,400/mt to \$1,150/mt. Analyst says recent large capacity additions could drive prices as low as \$900/tonne before the market re-balances.

Domtar commissions Metso to supply first commercial installation of LignoBoost technology to its Plymouth, North Carolina, pulp mill; machinery separates, collects lignin from pulping liquor providing additional capacity, to be in operation in early 2013

Separation of a portion of the mill's total lignin production off-loads the recovery boiler and allows an increase in pulp production capacity. The lignin recovered will be used for internal and external applications.

Statistics Corner: Global Fuel Consumption

Figure 3 below shows the consumption of crude oil and liquid fuels by region between January, 2008 and December, 2011. ■

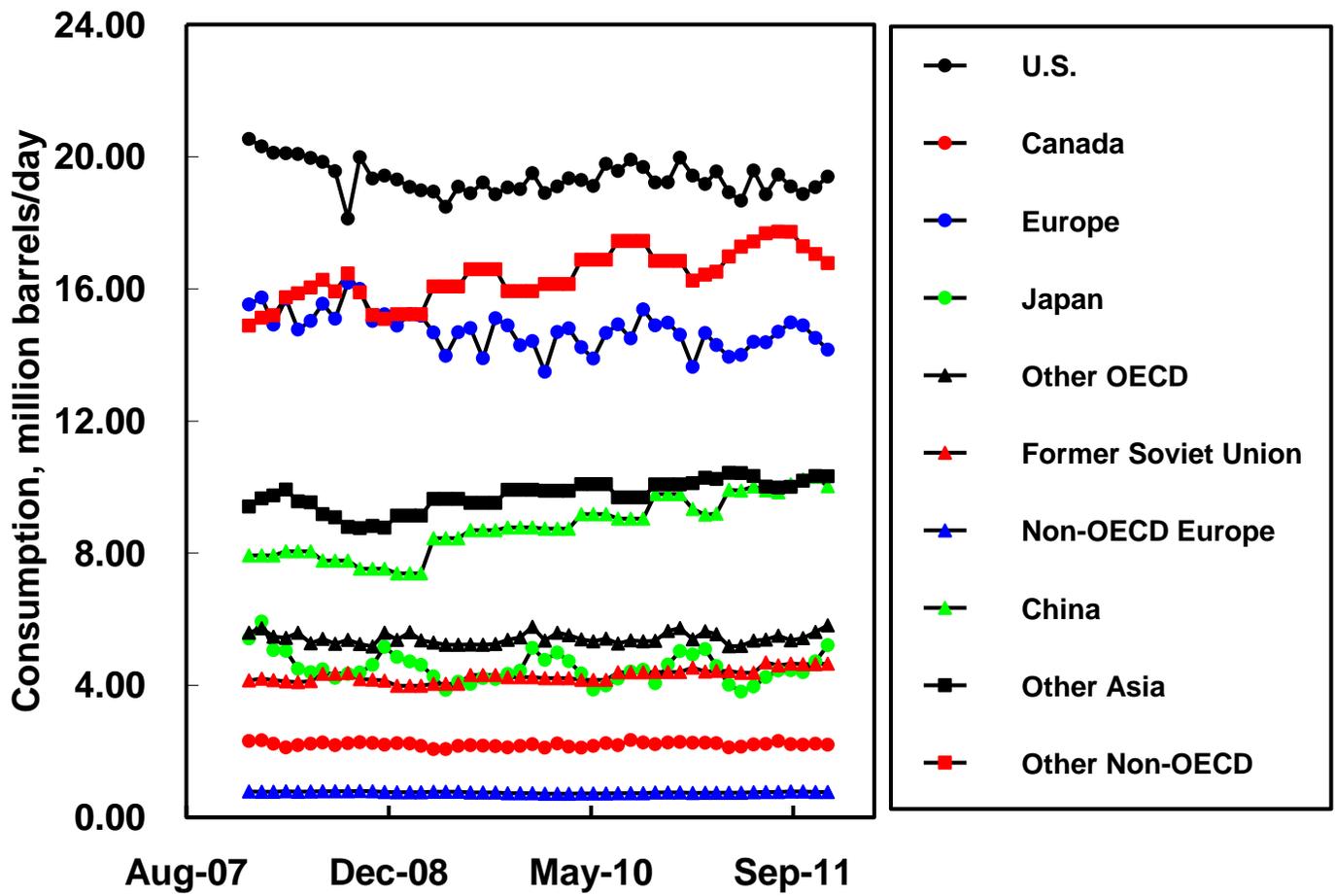


Figure 3. Global consumption of crude oil and liquid fuels (*U.S. Energy Information Administration*)