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## ***Containerboard: The State of the Market***

According to industry observer Harold Cody, the market for containerboard faces two major challenges: significant new capacity and lackluster box demand. In an article in the January/February 2014 issue of *Paper Age*, he points to three major capacity additions: Norampac's 525,000 tpy recycled linerboard machine in Niagara Falls, New York and conversions of newsprint machines to containerboard at SP Fiber in Dublin, Georgia and Atlantic Packaging in Whitby, Ontario. The newsprint conversions together will add 450,000 tpy. The effects of these additions will be exacerbated if Pratt follows through with plans to build a 360,000 tpy mill in Valparaiso, Indiana.

Box demand during 2013 was generally subpar, as a sluggish economy, weak job growth and poor growth in personal income resulted in weak growth in consumer spending. This was especially true in food and beverage, markets that consume large amounts of corrugated board. The decline was corroborated as major food companies reported poor results.

The outlook for 2014 will depend to a large extent on the degree to which the expected improvements in the U.S. and European economies actually materialize. If the economy improves sufficiently to absorb the new capacity and input prices rise, producers are likely to seek price increases later in 2014.

## ***Wooden Cars***

Finnish papermaker UPM-Kymmene ("UPM") is prominent among pulp and paper companies that are proactively transforming themselves to adapt to new market realities. No longer just a paper company, UPM now calls itself "The Biofore Company," and, according to its website, "leads the integration of bio and forest industries into a new, sustainable and innovation-driven future." One manifestation of this is a new biorefinery in Lappeenranta, Finland with a

nameplate capacity of 120 million liters of wood-and-pulping-byproduct-derived biodiesel per year. Another is, yes, "wooden cars." Well, not entirely wooden, but nevertheless cars in which significant numbers of formerly plastic or metal components have been replaced with renewable, wood-derived biocomposites. The "Biofore Concept Car" was designed and manufactured in partnership with Helsinki Metropolia University of Applied Sciences. It will be unveiled at the Geneva International Motor Show in March.

The development has caught the attention of the popular business press. The February 10-16 issue of Bloomberg Business Week features an article entitled "Back to the Future with Wooden Cars." As that article puts it, the company will "showcase an eco-friendly wooden car whose frame is built from tree pulp and plywood; the vehicle also runs on fuel made from papermaking byproducts." Referring to its title, the article states that "Wooden cars present a back-to-the-future moment for automakers. The world's first cars, including Gottlieb Daimler's 1885 two-wheeled Reitwagen, were largely made of timber."

## ***Trend Indicators from Industry Intelligence Inc.***

[Industry Intelligence Inc.](http://www.industryintel.com) has provided market intelligence to more than 600 companies worldwide since it began as Forestweb in 1999. Industry Intelligence delivers a daily report featuring news of the paper and forest products industries. For your subscription visit: <http://www.industryintel.com>

Below is a selection of recent headlines chosen to mirror significant trends in and around the paper and forest products industries.

***Executive at Lincoln Paper in Maine uneasy about competition in tissue sector, both domestic and overseas, expects market oversupply this year due to capacity additions; within Maine, Woodland Pulp in Baileyville might add tissue machine, says official***

Indonesia-based Asia Pulp and Paper's plans to build 57 new tissue machines, if successful, would add 2.9 million metric tons of capacity to the global market and vault the company past major tissue producers such as Kimberly-Clark and Georgia-Pacific to become the largest tissue manufacturer in the world. Domestically, growing demand for tissue makes it an attractive market for U.S. paper manufacturers that are considering converting other types of paper machines to produce tissue.

***First Quality Tissue to add two TAD tissue machines for startup in Q3 2015 and Q3 2016, respectively, totaling about 140,000 tons/year, with sites to be announced; 70,000 tons/year ATMOS tissue machine project under way, expected to start up in Q1 2016***

The company has already installed four state of the art Through-Air-Dried (TAD) machines – two in Lock Haven, Pennsylvania and two in Anderson, South Carolina. These strategic announcements will bring their total number of tissue machines to 7 with an estimated capacity of 500,000 tons.

***FPAC in Canada welcomes federal budget's allocation of additional C\$90.4M for Investments in Forest Industry Transformation program that helps companies develop innovations; renewal of IFIT program expected to create jobs, spur economy***

The "Creating Jobs and Opportunities" budget from the federal Minister of Finance, Jim Flaherty, includes an additional \$90.4 million over four years for the Investments in Forest Industry Transformation (IFIT) program that has already helped Canadian forest product companies develop world-first innovations.

***Fourteen European paper producers sign agreement with Dutch university for further development of 'game changer' new biodegradable solvent that would potentially enable paper industry to achieve high energy savings, use raw materials more efficiently***

"Deep eutectic" solvents consist of a mixture of two compounds that have a much lower melting point than that of the individual components. Such a solvent, developed by Eindhoven University of Technology professor Maaike Kroon, may enable the paper industry to make big energy savings by being used to convert wood to pulp (by dissolving the lignin that holds the fibers together).

***Stora Enso's Skoghall pulp and paperboard mill in Sweden will resume full production by Feb. 11, after losing about 1,000 tonnes/day of coated kraft***

***paperboard, as well as NBSK pulp production since recovery boiler exploded on Jan. 21***

The explosion was caused by water entering the boiler.

***Analyst projects paperless future for freight sector***

While truckers are currently using paper for invoices the retirement of legacy computer systems would facilitate the move to paperless, according to a PricewaterhouseCoopers director. He added that such a shift is taking place in the airline industry.

***Tembec CEO doubts Canada's falling currency will make much of a difference to the country's pulp and paper industry; although the weaker loonie is helping boost exports, it won't bring back all the facilities that closed, jobs that were lost, he says***

The Forest Products Association says the sector lost about 100,000 jobs over the past decade as 48 pulp and paper facilities and 30 wood products operations were closed under the weight of a high dollar.

***Only 1% of European offices are paperless***

Part of the resistance is because of signatures; 80% of U.K. organizations make printouts to get them signed. Another factor is the mailroom; only 14% of European businesses have switched to digital mailrooms.

***TAPPI awards Art Ragauskas its 2014 Gunnar Nicholson Gold Medal, highest honor the association can bestow upon an individual***

Ragauskas is with the Institute of Paper Science and Technology and is Professor, BioEnergy Science Center, School of Chemistry and Biochemistry, at Georgia Institute of Technology. The current focus of his research is on biofuels and bio-based materials.

***Oil industry optimistic that it can convince EPA to further lower 2014 RFS cellulosic ethanol quotas, citing expectation that agency's cellulosic production calculations are too high; agency expects to release final RFS quotas this spring***

The EPA expects to issue the final 2014 Renewable Fuels Standard quotas this spring, probably making at least some revisions to its November proposal. That proposal would require refiners to incorporate 15.21 billion gallons of renewable fuels, including 17 million gallons of cellulosic ethanol.

***Ninety-seven biomass power generation units with combined capacity of 777 MW came online in the US in 2013, compared with 155 biomass units with combined capacity of 580 MW in 2012: FERC***

This brings the total U.S. installed biomass power capacity to 15.74 gigawatts (GW), equivalent to 1.36% of the country's total electrical generating capacity. In

terms of the installed capacity of renewable energy technologies, biomass is second only to wind, which has a total combined capacity of 60.29 GW.

*Oki Pulp and Paper Mills, part of APP's Tjiwi Kimia of Sinar Mas Group, orders key technology for 2 million tonnes/year pulp mill project in South Sumatra, Indonesia, from Valmet; order valued at €340M*

Commercial production is expected to begin in 2016.

## **AF&PA Statistics**

Since our last reporting of American Forest and Paper Association statistics releases, the Association has issued its December 2013 Printing-Writing Report. Key findings were:

- Uncoated free sheet paper shipments in December increased year-over-year for the fourth time in the last six months, with shipments 4 percent ahead of December 2012. For the year, uncoated free sheet shipments were 2 percent below 2012 levels.
- December coated free sheet papers shipments decreased 4 percent compared to December 2012, with 2013 shipments down 2 percent relative to the same twelve months of 2012.
- Uncoated mechanical paper shipments increased 12 percent in December compared to December 2012, the fourth consecutive month of year-over-year increases.

- Coated mechanical shipments of 244,500 tons in December decreased 1 percent compared to December 2012 and were down 9 percent for the year in 2013.

The report can be purchased by contacting Caroline Nealon at [Statistics\\_Publications@afandpa.org](mailto:Statistics_Publications@afandpa.org) or 202-463-2448.

## **Statistics Corner: Brazil's 2013 Pulp Production and Exports**

As shown in Figure 1 below, most of Brazil's 2013 hardwood (eucalyptus) pulp production found its way to export markets. Of the approximately thirteen million tonnes produced, more than nine million was exported. Less than two million tons of softwood (pine) was produced and of that, almost none (eight thousand tonnes) was exported. Instead, Brazil imported more than four hundred thousand tons of the longer-fibered softwood pulp to reinforce its paper grades. A half-million tonnes of high yield pulp was produced, all being retained for domestic use.

Figure 2 shows that most of Brazil's pulp exports were destined for Europe, China and North America. ■

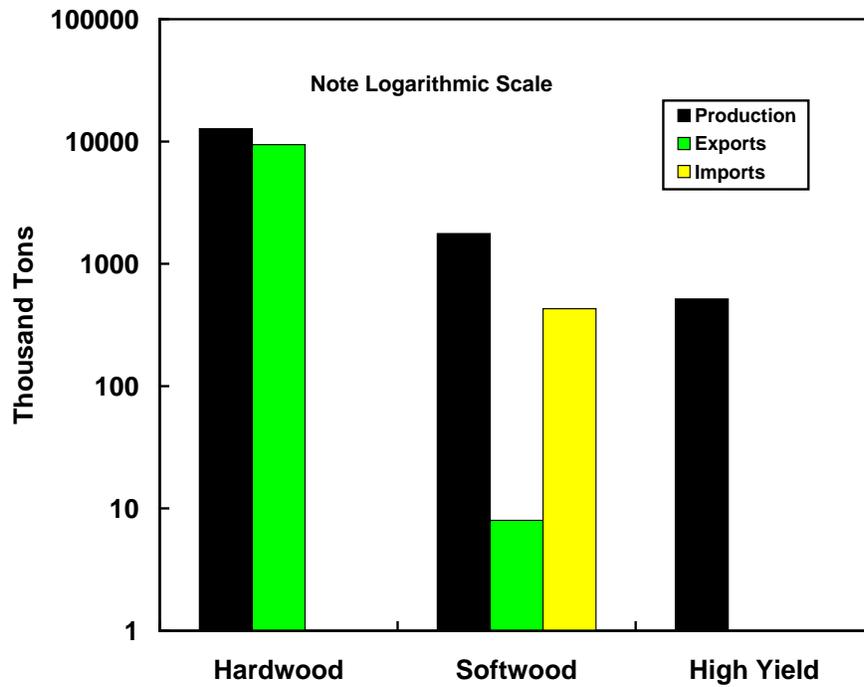


Figure 1. Brazilian 2013 Pulp Production, Exports and Imports (Source: Bracelpa)

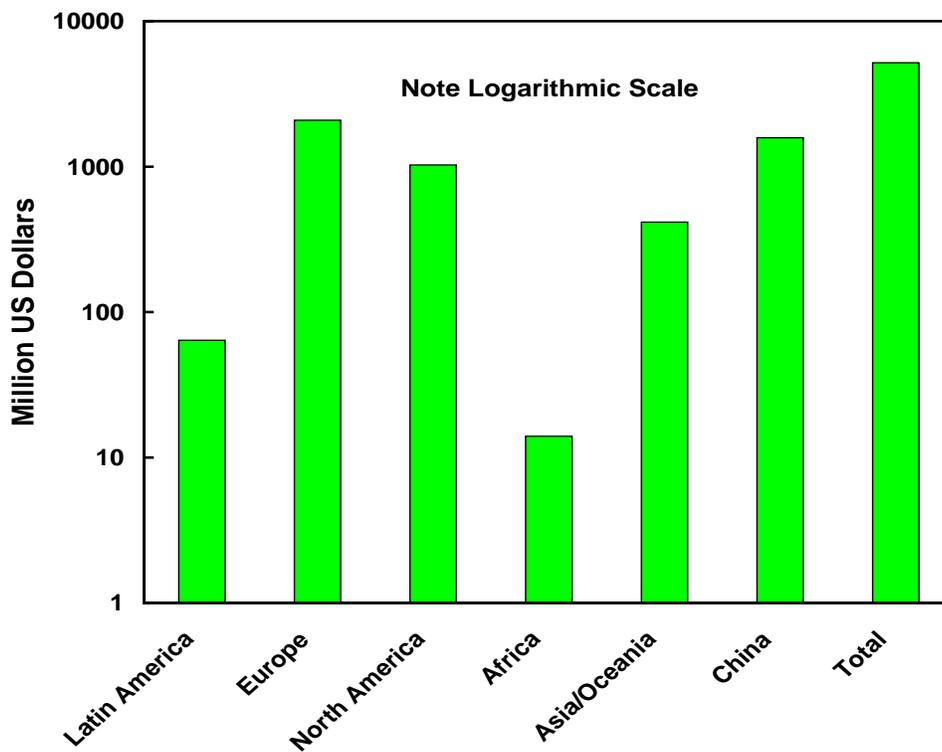


Figure 2. Brazilian 2013 Pulp Exports by Destination (Source: Bracelpa)