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K-C Changing Strategic Focus in Europe

German Reisholz Mill the Next Divestment

On November 9, 2012, Kimberly-Clark (K-C) announced that it was signing an agreement to sell its Reisholz tissue manufacturing mill and its German rolled tissue brands including "Hakle Dry" toilet tissue, "Dick & Durstig" and "Servus", to palero invest, a private equity fund. The sale is part of K-C's global tissue restructuring plan announced in January 2011.

The brands to be divested are not original K-C brands, but have come under K-C ownership through mergers and acquisitions; "Dick & Durstig" and "Servus" were obtained through the merger with Scott Paper in the mid-1990s (originally Feldmühle brands that Scott received through its acquisition of Feldmühle), while "Hakle" became a K-C brand through the acquisition of Attisholz Tissue, which owned the Hakle company in Germany and the Tela company in Switzerland. "Hakle" was once the leading German toilet tissue brand, but it has lost substantial market share in the past 12 years under the pressure of private labels and brands by other companies, such as SCA and Sofidel, and is now rather small. The market shares of both of the other brands have also been in decline, so the divestment decision by K-C can be understood as these are no longer core businesses for the company. The purchase price has not been revealed.

K-C said that a key priority throughout the sale process has been to ensure the future of the mill. The buyer, palero, intends to continue to operate the mill. The existing team shall lead the future stand-alone business, and manufacture and market branded as well as private label products for existing and new customers. The transaction shall be completed in the first quarter of 2013.

Kim Underhill, President, K-C Consumer Europe, commented: "Although this was a tough decision for Kimberly-Clark, this is a strategic divestment and I believe selling Reisholz and the associated rolled bath tissue brands in Germany is the right decision for the future of the mill and people who work there." Felix Frohn-Bernau from palero added: "We strongly believe in the future of the mill, the team and the 'Hakle' brand. We are looking forward to maneuver(ing) the business into a great future on the basis of an experienced and motivated team, a good production facility and a strong brand portfolio."

Further commenting on the sale, Kim Underhill said: "Germany remains a key market for Kimberly-Clark. We enjoy market leading positions with our 'Kleenex', 'DryNites', 'Little Swimmers', 'Camelia' and 'Hakle Moist' brands." This means that K-C does not intend to completely leave the German tissue and absorbent hygienic products businesses, but rather is rationalizing its operations such that its consumer tissue mill will be axed and its "Kleenex" products will be imported from other mills abroad.

K-C will continue to use the "Hakle Moist" brand name for its moist bathroom tissue in Germany for a specific period of time, after which the product will switch to another brand

name. Furthermore, K-C will continue to be the owner of the "Hakle" brand across both dry and moist bathroom tissue categories in Austria and Switzerland.

Palero invest is a small private equity fund based in Luxembourg advised by palero capital GmbH in Munich. Palero aims to create value by operational involvement and to carve out non-core activities from large corporations to subsequently lead the businesses into a successful stand-alone future. The approximately Euro 50 million fund currently holds a portfolio of three companies (Heinrich Kopp GmbH, cenadruck GmbH and Bandfix AG). Heinrich Kopp produces electrical equipment and materials and was acquired from Actuant Corp in March 2011; cenadruck produces flexible packaging and was acquired from Mayr-Melnhof Karton in April 2012; and Bandfix produces self-adhesive labels and was acquired from teas SE in August 2012. The total turnover of these three companies exceeds Euro 130 million.

Two Spanish Tissue Plants Sold in Late 2011; More Divestments to Follow

In Spain, K-C sold its 40,000 tonne per year Aranguren tissue mill and Arceniega converting plant to the Spanish firm Indarkia and the Basque government's venture capital fund Ezten in late 2011. The purchase price was not publicly discussed. The new owners plan to invest Euro 20 million in the two acquired plants over the next three years.

But these divestments do not complete K-C's restructuring plans. In late October the group revealed that it has initiated strategic changes in its Western and Central European businesses. K-C said it would exit the diaper category in Western and Central Europe, with the exception of the Italian market, and divest or exit some lower-margin businesses, mostly in the consumer tissue segment.

Moreover, the group plans to streamline its European manufacturing footprint and administrative organization to align its cost structure with these strategic decisions. "Five manufacturing facilities will be sold or closed, and some production will be transferred to other facilities to improve overall profitability. Total workforce reductions as a result of these actions are expected to be in a range of 1,300 to 1,500 positions," the group said.

In a statement received by RISI, K-C said that, at this time, it is proposing the closure of its diaper mill in Barton, UK; the sale of its diaper mill in Calatayud, Spain; the sale of its toilet tissue mill in Alanno, Italy; and the sale of its toilet and facial tissue mill in Klucze, Poland. Also identified for proposed closure is Kimberly-Clark Professional's Delyn facility at the group's mill in Flint, Wales, which primarily makes hand towels. The remainder of the Flint site will reportedly be unaffected.

"Despite considerable efforts, time and investment, Kimberly-Clark has not been able to build a sustainably profitable nappies [diapers] business in Europe. The re-focus allows Kimberly-Clark Consumer Europe to deliver better returns in the future and place additional resource and investment behind its strongest brands with the greatest opportunity for growth in key markets," the group said.

K-C added that it will work proactively with employees and local employee representatives and ensure the appropriate consultation processes are followed. It is expected that the majority of actions associated with the proposed re-focus will be completed by the end of 2013.

Some Expected Moves but Also Surprises

It has been no secrecy that K-C's baby care business has not been able to reach the profit expectations of the top management and so the divestment of a couple of diaper plants is a logical move. Also, the Reisholz mill in Düsseldorf, Germany, had been for sale for a long time without any major competitor expressing interest in it. The closure of the mill would have been an alternative, but a costly one due to the social costs and layoff compensations K-C would have to bear. A financial investor was a welcome solution, and although there is no price indication for the deal available at the moment, we assume the price for taking over the assets was rather modest.

I personally was somewhat surprised that K-C announced the plan to sell the Klucze mill in Poland, as it is K-C's only mill producing tissue base paper in Eastern Europe, and Poland is a growing market. K-C's brands have also been well represented in several Eastern European markets. However, fierce competition prevails in the Polish tissue markets as there are so many small suppliers that keep the overall price level low. We do not know for sure, but it is possible that the mill's earnings have simply not developed as expected or that there may be major investment needs ahead. Questions remain about the company's whole Eastern European strategy, including Russia. The Russian expansion was ambitious, according to the permitting documents, but so far only a few converting lines are operating in the facility. But as Russia is one of the BRIC countries, it is hard to believe that K-C would have totally stopped the expansion plan, but instead perhaps only delayed it for reasons unknown to us; in Russia many plans tend to change over time because of many kinds of problems.

The sale of the Italian Alanno TAD mill (one 3.5 m trim PM with a capacity of 40,000 tonnes per year) is understandable due to the oversupplied market and tight competition. Alanno is a high-cost mill considering its extensive energy use and the high cost of energy in Italy. But it may not be easy to find a new owner for it.

Another surprise is that K-C will keep its Swiss Niederbipp operation, a small mill in a high-cost country, until further notice. It was generally speculated that this mill would be sold sooner or later, but this does not seem to be happening, or at least is not planned for the very near future, according to some K-C sources. Of course, changes in plans can happen, but the fact that K-C did not sell the rights to the "Hakle" brand in Switzerland and Austria is an indication that K-C intends to remain active in these markets.

If all divestments are realized as planned, K-C's total tissue capacity in Europe will reduce substantially. Before the Spanish divestments, we had a total European capacity of 794,000 tonnes for K-C in our books. The divestments in Spain, Germany, Italy and Poland as well as the possible closure of the Delyn mill in Wales would reduce K-C's total tissue capacity by 192,000 tonnes or by 25% (see table). This would mean that K-C Europe would be in the same size category with Metsä Tissue (before its new Polish PM starts up next year) and WEPA (before its announced divestment of two smaller Italian mills).

Kimberly-Clark's Planned European Tissue Capacity Divestments Since Late 2011

Company/Mill	Location	Country	Capacity	Comments
			1,000 t/a	
Kimberly-Clark S.L., Aranguren Mill	Aranguren-Zalla, Vizcaya, The Basque Country	Spain	40	Sold in late 2011 to a group of investors led by Indarkia; includes the Arceniega converting plant
Kimberly-Clark Ltd., Reisholz Mill	Düsseldorf, Northrhine-Westphalia	Germany	50	Agreement for selling the mill to palero invest signed; completion expected in Q1 2013
Kimberly-Clark Ltd., Delyn Mill	Flint, Flintshire, North Wales	United Kingdom	30	Closure of the wet crepe AfH toweling mill planned
Kimberly-Clark S.p.A., Alanno Mill	Alanno Scalo, Pescara, Abruzzi	Italy	40	Sale of the TAD toweling mill planned
Kimberly-Clark Klucze S.A.	Klucze, Katowice	Poland	32	Mill sale planned
Total capacity to be divested			192	

North America: More Ultra Quality, More Retailer Labels

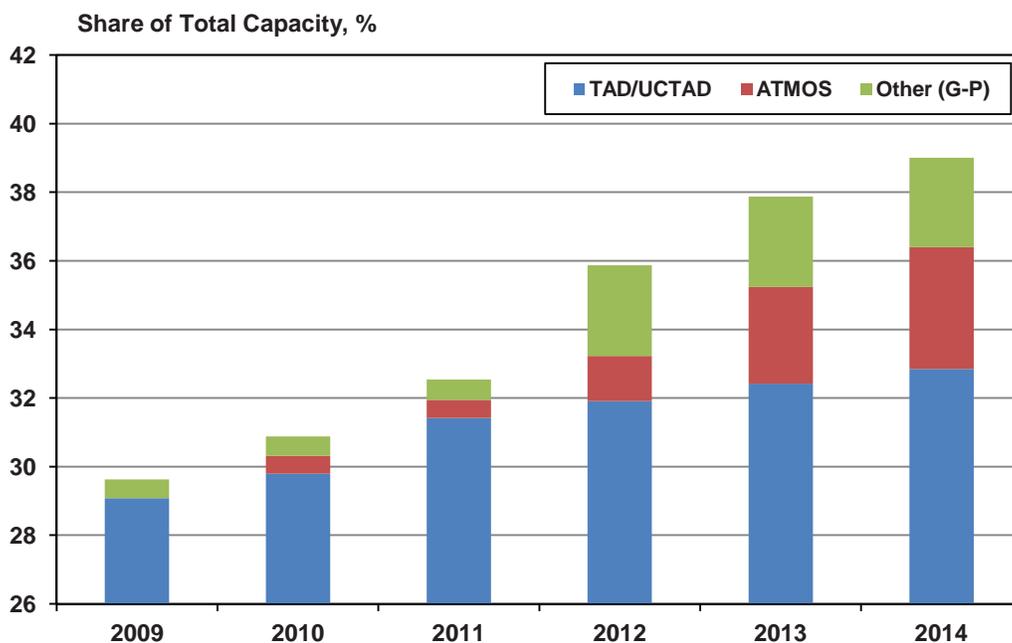
New Investments Increasing the Capacity Share of Ultra Quality

The North American tissue market is experiencing a new investment boom that is culminating in several new capacity start-ups and expansions in late 2012-early 2013. Three new large TAD machines and one new Voith ATMOS technology PM will be starting up at short intervals within the next few months.

First Quality Tissue has already started up its second TAD PM at its new mill in Anderson, South Carolina. Georgia-Pacific's first rebuild for producing higher quality products (based on its own "e-TAD" or "f-TAD" technology) in Crossett, Arkansas, has been completed and the second rebuild in Port Hudson, Louisiana, is in the start-up phase with the new product expected to appear on shop shelves very soon (there has been some delay from our expectations). The new TAD mill of Clearwater Paper in Shelby, North Carolina, will start trials in December and commercial production for converting is expected to begin in January of next year. Wausau Paper's ATMOS PM will also start trials by the end of the year with first shipments expected in early 2013. Kruger's new TAD PM in Memphis, Tennessee, is scheduled for start-up by the end of the first quarter of 2013. SCA had planned an ATMOS rebuild for Menasha, Wisconsin, for 2013, but there has been no recent confirmation of a detailed schedule.

There will be also some new conventional tissue capacity coming in the market around the same time. White Mountain Tissue's new PM in Gorham, New Hampshire, has already been started up and is reportedly running at high capacity utilization. The rebuild project of Tak Investments from an uncoated free sheet machine to tissue machine in Franklin, Virginia, has been slightly delayed, but start-up is now scheduled for mid-December. Florelle Tissue's new, small Chinese tissue machine in Brownville, New York, has also been delayed but is expected to start commercial production by the end of the first quarter of 2013.

Growth of Ultra Category Tissue Capacity in North America, 2009-2014



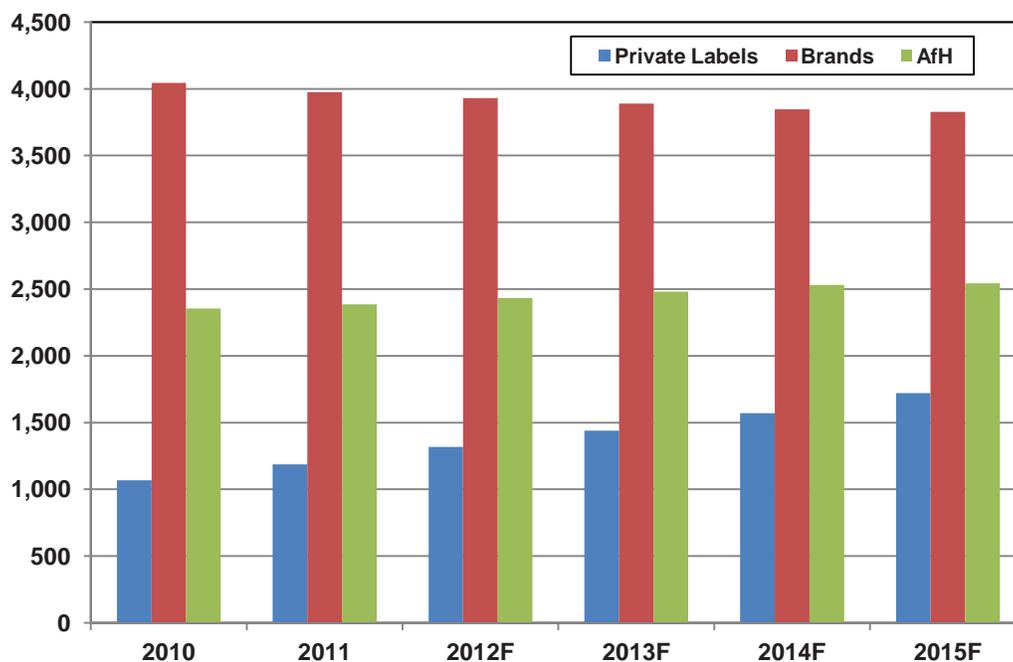
More ultra-quality category tissue machines are expected to come on stream during 2014, and more may be in the works. For example, industry sources suggest that Irving Tissue needs more ultra-quality tissue and is considering an investment at its Toronto mill, but details are still missing. Georgia-Pacific is rumored to be considering further PM modifications but this may depend on the final quality level of their new product from the two rebuilt PMs. There has been no official announcement by the company but the delay with the product launch and the restart of a small, formerly idle PM in Green Bay, Wisconsin, to fulfill base paper needs for "Angel Soft" indicate that the transition phase has not been easy and that the company will continue the trials until the acceptable level of quality is produced.

The main driver for new projects seems to be the need for ultra and premium grade tissue, partly as a reflection of major retailers' decisions to upgrade their private label offerings to be closer to the main brands in quality, and partly due to the brand owners' countermove to develop their brands further. In addition, there is also a clear trend toward higher quality products in the AfH sector as well. The share of ultra-quality capable tissue machines of total tissue capacity is on the rise. Based on our calculations considering only committed projects, the capacity share of ultra-quality PMs will grow from slightly less than 30% in 2009 to about 39% in 2014 (see figure). Additional ultra-quality projects and possible, if not likely, conventional capacity closures could make the share even higher, but our estimate is based on currently known capacity changes.

Retailer Labels Growing in the US Market

Retailer label share developments are displaying opposite trends in the USA and Canada. In the USA, retailer labels have gradually gained more market share; in 2006 they accounted for only about 18% of the total retailer tissue market volume, but our current estimate for 2012 share is around 25%. Quality upgrading has contributed to this growth, but compared to Europe's average private label share of 60% or slightly more, there is still a big difference. But it is expected that this trend will continue.

Expected Growth in the US Tissue Consumption by Business Sector
Thousand Tonnes



In Canada, retailer labels have had an offside position in recent years; in 2006 they accounted for 39% of the consumer tissue volume, but for 2012 only about a 26% share is expected. There are a couple of reasons for this development. First, the largest retailers, led by Loblaw's, have had continuous promotional campaigns for the leading brands (and suppliers have given their full support to these offerings), and strong brands have been available at prices not very different from retailer brand prices. Second, the largest US players have pushed their strong brands into the Canadian market and have been successful, to some extent, with their efforts. Imports from the USA have also been supported by exchange rate developments in recent years.

In the US At-Home tissue market all of the growth in the next few years is expected to be in retailer labels. Brands have already lost some market volume, even the leading players. In its annual report for the fiscal year ending June 30, 2012, Procter & Gamble reported that it had some volume loss in its tissue sales, an unusual situation for the market leader in toilet tissue and household towels. However, in the SEC filed for the next quarter ending September 30, 2012, the company reported a volume gain of 4%, mainly due to strong demand for the lower price category "Charmin Basic" and Bounty Basic" products. In any event, we expect retailer label shares to grow incrementally from 25% in 2012 to about 31% in 2015. If our expectations are correct, the volume growth in private labels between 2010 and 2015 would be about 650,000 tonnes, while brands would record a volume loss of some 220,000 tonnes.

The growth in retailer labels in the US market has recently attracted new investments and new players. Sofidel's entry into the US market through its acquisition of Cellynne is a good example. It is expected that Sofidel will aim at expanding Cellynne in both the private label and AfH sectors at a rapid pace. Two large accounts that Cellynne has in private labels are Family Dollar and Wal-Mart.

Rumors suggest that Sofidel is planning to replace its US parent roll purchases (some 30,000-35,000 tonnes annually) with imports from its own European mills. Imports could also include TAD parent rolls from Sofidel's TAD mill in Belgium, which does not currently have a clear position in the company's European supply chain. By doing so, Sofidel would be able to supply TAD quality to Wal-Mart without a heavy investment in TAD or similar quality in the North American market.

Our market sources say that many others are also interested in the retailer label sector, not only existing AfH suppliers, but also private investment companies. One good question is: Does SCA have any interest in the US retailer label segment? We think there may be interest, but entering this business would require a major acquisition -- and the number of suitable acquisition candidates is limited for such an ambitious company as SCA.

Sustainability Issues Extremely Important

We have written several times about sustainability and its increasing importance to tissue suppliers in this publication, and will not repeat this discussion now. Kimberly-Clark and Cascades have been in the forefront of companies in this discussion, and both use sustainability as a major attribute in their product and company image promotions. But many other companies -- such as SCA, Wausau Paper, von Drehle among others -- have also put in a lot of effort in this area.

In November, SCA announced its commitment that by 2014 all "Tork" products in North America would be made from either 100% recycled fiber or from fresh fiber sourced from suppliers with Chain of Custody certification. The company is also committing to achieve Forest Stewardship Council (FSC) or comparable certification on all Tork products made from fresh fiber in North America by 2014. "We've been leaders in sustainable practices since SCA began 80 years ago," said Don Lewis, President of SCA Americas. "The majority of our Tork products are made from 100% recycled content. We've extended our industry-leading sustainability approach to our recently launched Tork premium products in North America by initially ensuring the fresh fiber comes from only non-controversial sources from suppliers with Chain of Custody certification. And by 2014, the premium products will also have earned FSC or similar certification."

Procter & Gamble (P&G) has recently announced new fiber sourcing goals for the pulp it purchases for its tissue-towel, baby care and feminine hygiene brands. These new goals will help P&G toward the company's long-term environmental sustainability vision, which includes having all products and packaging made from 100% sustainably sourced renewable or recycled materials. The new fiber sourcing goals, developed in collaboration with World Wildlife Fund (WWF), commit that by 2015:

- All of the pulp used in P&G's tissue-towel, baby care and feminine hygiene products will be third-party certified under one of the following five certification programs used in different parts of the world to promote responsible forestry: Forest Stewardship Council (FSC), which will continue to be P&G's preference; Programme for the Endorsement of Forest Certification Systems (PEFC); Sustainable Forestry Initiative (SFI); Brazilian National Forestry Certification Scheme (CERFLOR); or Canada's National Standard for Sustainable Forest Management (CSA-SFM).
- At least 40% of the pulp used in P&G's tissue-towel products will be Forest Stewardship Council (FSC) certified.

"We believe that partnering is essential to deliver our long-term sustainability vision," said Len Sauers, VP of Global Sustainability at P&G. "World Wildlife Fund is an invaluable partner, as they have challenged us and collaborated to work through the complexities of achieving third party-certification for our pulp. We are very proud of this commitment, and we are confident we have the plans in place to deliver the goals by 2015."

"While we don't own or manage forests, we recognize the responsibility and opportunity P&G has to use our pulp procurement decisions to promote responsible management of the world's forest resources," said Stefano Zenezini, VP of Product Supply. P&G has also promised to provide updates on its progress toward the goal in future annual sustainability reports.

It looks like sustainability in one form or another will soon be required throughout the North American tissue industry. We previously reported that Oasis Brands/Mercury Paper had to start purchasing their tissue paper for converting from certificated sources. Long campaigns against the company by NGOs such as WWF and Greenpeace, because of claimed rainforest and tiger habitat destruction by APP's forest activities, resulted in cancelled purchases of these brands by a number of, although not all, retailers. However, the latest market reports indicate that after completely changing its policy, Oasis Brands/Mercury Paper was able to regain Kroger and several other retailers as its clients.

Steel Yankees Gaining Increasingly Market Share

Toscotec Pioneering Steel-Fabricated Yankee Development

Five years ago, we wrote an article about SYD, steel Yankee dryer, by Toscotec (*World Tissue Business Monitor No. 32, May 2007*). We discussed the basic concept and the main advantages, which have not changed much and therefore will not be discussed in detail in this article. However, some of the key advantages include:

- Higher performance or energy savings on the PM due to lower wall thickness and better heat transfer. Many numbers have been published, but with the same performance, energy savings of 5-15%, or even more, are realistic.
- More flexible production process than for cast iron Yankees; also no risk for casting failures and delivery times are normally shorter.
- Working safety -- reduced or no risk of explosion or crack propagation due to elasticity of steel.
- Much less weight than a cast iron Yankee, meaning advantages in transport logistics and installation (vehicles, cranes, etc.).

- Easier maintenance -- fewer parts to repair, small grinding allowance and fewer shut-downs necessary, no reduction of the wall thickness during lifespan due to hard metallic coating.
- Investment cost is normally competitive with cast iron Yankees.

Toscotec celebrated its 100th sale of SYD in Lucca on October 10, 2012. We gathered some statistics regarding the success of steel Yankee dryers for that event and will share some of the results in this article.

Steel Yankee Suppliers

There are not too many steel-fabricated Yankee suppliers worldwide. Toscotec was the forerunner and its first SYD came on stream at the Cartiera della Basilica mill of the Eurovast Group in Lucca, Italy, in 2000. This Yankee had a moderate diameter of only 2,500 mm (8.2 ft). The first 12 ft (3,660 mm) SYD was started up by Idealcart in 2002 and the first 15 ft (4,572 mm) SYD was delivered to WEPA's Giershagen mill in 2006. A 16 ft (4,877 mm) SYD followed in 2010 with the first installation at C&S Paper's Jiangmen mill in Guangdong province, China.

Andritz began fabricated steel Yankees in 2010 and started up its first at Asia Pulp & Paper's (APP) Jambi mill in Indonesia. Andritz has expanded its steel Yankee sales rapidly and now holds the second supplier position globally. Andritz started with a 12 ft steel Yankee, but very soon produced larger dryers with diameters of 16 ft or more. The world largest steel Yankees for tissue production with an 18 ft diameter and 6.15 m shell length were started up this year on two new machines at Hengan Paper's Anhui mill in Jinjiang city, Fujian province, China. Andritz has also delivered the widest steel Yankee with a shell length of 7.4 m, but this was for an MG paper machine in Indonesia, not for tissue. Currently, Andritz has an order for a 22 ft (6,706 mm) steel Yankee for the new MG PM of Zellstoff Pöls in Austria. Andritz has also delivered a couple cylinders to the tobacco industry.

Hergen of Brazil delivered its first steel Yankee in 2006 and has been active mainly in Latin America; it has only one reference outside the region. It has delivered steel Yankees to several Brazilian companies (for example, SEPAC), but also to CMPC's mills and other mills in Bolivia, Ecuador and Peru.

Voith Paper and Comer of Italy are the other known steel Yankee suppliers in the world. Each of them has only one reference, both in Brazil.

Reportedly, Metso Paper has also been considering the possibility of supplying steel Yankees, but currently the company has no reference and we are not sure whether it is advancing with these plans. Metso continues to rely on cast iron Yankees and uses other improvements on the PM (such as a shoe press) to improve energy efficiency.

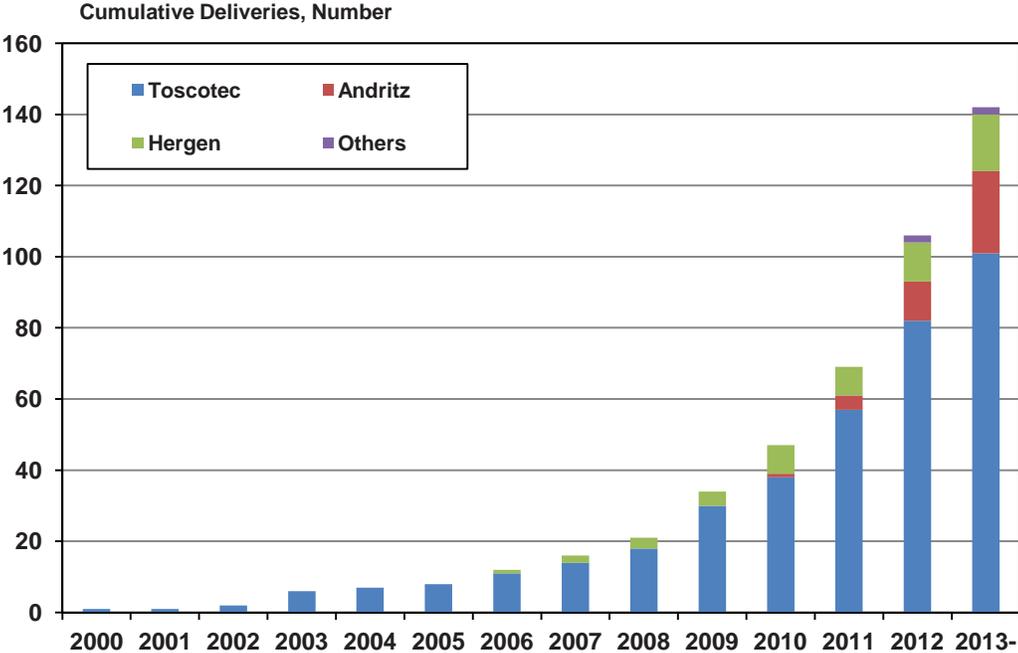
More than 140 Steel Yankees Sold

The total number of steel-fabricated Yankee dryers sold to the tissue industry (excluding sales to other industries) was 142 at the end of September 2012. It can be seen in the figure that since 2009 steel Yankee sales have shown very explosive growth, which is expected to continue.

Europe was the dominating destination in the first years of the steel Yankee business, although some sales were developed in other regions, including such exotic countries as Nigeria and Thailand. The successful installation of the first 15 ft steel Yankee at WEPA's Giershagen mill was probably one of the most important references for the forthcoming success of the innovation.

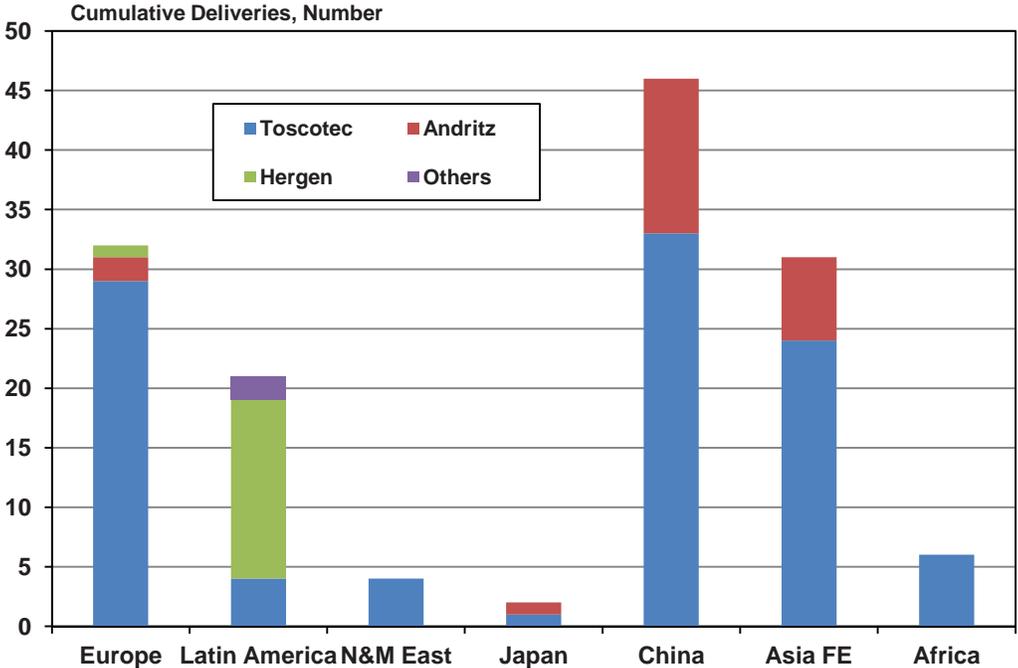
The first steel Yankee in Asia came on stream in Thailand in 2005, but the main business opening took place in 2009 after an Asian-made cast Yankee cylinder exploded at APP's Indonesian mill and a quick replacement was needed. APP decided to replace several Yankees at its mills for security reasons and also used steel-fabricated dryers for some of the new PMs that its subsidiary Jin Shun was assembling for APP's mills in China and Indonesia. Both Toscotec and Andritz benefitted from this development, and Andritz received its first steel Yankee deals from APP's mills in Indonesia (actually the first order was from Vietnam, but the project delayed so that the first start-ups took place in Indonesia).

Explosive Growth in SYD Sales in Recent Years*



* Based on committed orders through the end of September 2012.

Deliveries of Steel Yankees by Region, 2000-2014*



* Based on committed orders through the end of September 2012.

APP's decision encouraged several other companies in China to consider steel Yankees as a real alternative to cast Yankees, whose delivery times had become longer due to the investment boom in new machines. Shortly thereafter, C&S Paper ordered its first new PM equipped with a steel Yankee, followed by Ningxia Bauhinia, YFY, Nanning Phoenix, Vinda Paper and Hengan Paper for its large PMs. In Japan and South Korea, companies became interested in the energy-saving possibilities and ordered some steel Yankees to replace older dryers (as well one steel Yankee for a new PM in South Korea). Recent major orders from China and other Asia are the currently dominating feature of the steel Yankee business.

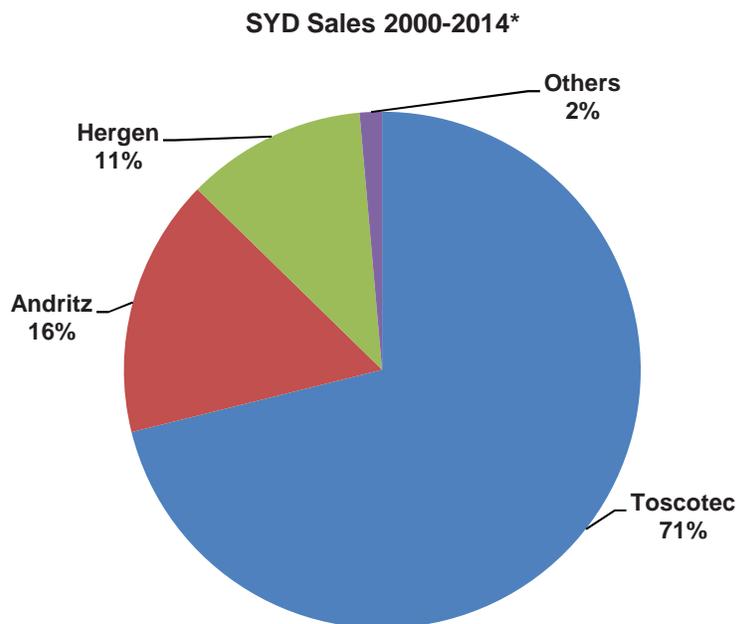
An interesting note is that there is no single steel Yankee order known from a North American mill. Energy saving is not as important in North America as it is in Europe or Asia, and new investment projects do not involve companies with steel Yankee experience. Perhaps North American companies are also more conservative in trying a new technology rather than remaining with the traditional solution. There is also no experience yet with a steel Yankee and a TAD PM or new generation structured tissue making technology (ATMOS, NTT).

Toscotec the Dominant Market Leader

Toscotec is the absolute market leader for steel Yankees worldwide. Based on the number of deliveries and current orders, its market share is more than 70%. In replacement investments, Toscotec's market share is even higher, more than 80%. Recent multi-PM order packages from both C&S Paper and Vinda Paper have improved its position in China.

Andritz has rapidly grown to the number two steel Yankee supplier, mainly based on sales in China. Andritz's market share (16%) would be substantially higher if calculated based on PM capacities, as roughly half of its

Market Shares of SYD Suppliers for Tissue PMs



* Based on committed orders through the end of September 2012.

orders are for double-size (5.5 m wide) tissue machines. Andritz recently sold eight large steel Yankees to two different clients, with further options from one client.

Hergen holds the third supplier position with an 11% market share. It is the dominating steel Yankee supplier in Latin America. Voith and Comer with one delivery each complete the supplier share with tiny market shares.

As a whole, we estimate that currently the share of steel Yankees in new orders is around 50%, and that for Yankee replacements is even slightly higher. This development has taken place very quickly, in just five to six years, from a tiny share to roughly half today. In the tissue industry, we have seldom if ever seen that technological moves happen so quickly -- even Crescent former technology penetration was not as quick as that of steel Yankees.

Overcapacity Threatening China -- Old Mill Closures and Project Delays Helping Only Marginally

Tissue Demand in a Strong Growth Phase

China's tissue consumption showed very strong growth of 12.5% or almost 600,000 tonnes in 2011, the largest volume growth ever in the Chinese market. The main driver of this exploding growth is the fact that tissue products have started to really penetrate inland China, the central and northeastern provinces in particular. Industrialization and economic growth in these parts of the country, such as the Chongqing autonomous region and the province of Sichuan, clearly exceed the national average. The pace of urbanization has accelerated as new metropolitan areas attract workers and building activity is lively. Tissue is winning new consumers; when people move from rural to urban living conditions, their hygienic habits need to change, which benefits the use of tissue products.

Tissue exports from China continued to grow year after year from the late 1990s until 2010, but in 2011 they declined first time in 14 years, although only by 10,000 tonnes. This year, tissue exports will likely grow by more than 10%.

Economic growth has slowed down considerably and will likely remain below 8% for 2012 as a whole. Tissue consumption is expected to be only marginally affected by the weakening economy as private consumption will

Recent Trends in the Chinese Tissue Market

Year	Production	Foreign Trade Including		Consumption
		Imports	Exports	
		Thousand Tonnes		
2001	2,514	23	112	2,425
2002	2,730	26	140	2,616
2003	2,968	27	195	2,800
2004	3,223	37	243	3,017
2005	3,502	34	277	3,259
2006	3,793	31	339	3,485
2007	4,100	26	425	3,701
2008	4,437	25	447	4,015
2009	4,791	25	473	4,343
2010	5,248	32	505	4,775
2011	5,821	46	495	5,372
Growth	+8.8%/a	7.2%/a	+16.0%/a	+8.3%/a

not be hit by the slowing export business. We expect that the growth of Chinese tissue consumption will probably be close to 10% for this year and will continue at a level of 8-10% per year in the coming few years. This could be a conservative estimate as the inland provinces will increasingly contribute to growth. Reports from China and the ongoing construction of new mills and tissue machines in new regions indicate that the tissue business is continuing on its fast expansion track, but we do not expect that the 2011 growth rate will be reached this year.

Huge Capacity Based on Committed Projects and Even More Plans

Investment activity started to accelerate very quickly after the financial crisis, but as it normally takes anywhere from 12-18 months from the order date before the equipment is operational, the consequences of the 2009 recession were clearly seen in new capacity expansions in 2010 and 2011, which were at lower level than the couple of years preceding the recession. In both 2010 and 2011, new projects added some 600,000 tonnes of capacity, but there were also some closures; we were able to identify about 140,000 tonnes of capacity closures in 2010 and 360,000 tonnes in 2011. In 2011, most of the closures were part of the Chinese government's mandatory closure program for old, inefficient and polluting (mostly non-wood) mills; however, these small mills are not listed in detail in our capacity change list.

However, there has been a real rush for new investments from 2012 onward. By the end of October, about 1.0 million tonnes of new Chinese tissue capacity had already come on stream and the two last months of the year are expected to increase the whole year figure to 1.4 million tonnes. Detailed project lists are available in our recently published *Outlook for World Tissue Business Interim Update*. Mandatory closures have continued and will reduce tissue capacity by an estimated 260,000 tonnes this year. In addition, there have been a couple of other closures not on the government's list (including one major mill in Shaanxi), which will increase the total closures in 2012 to some 325,000 tonnes.

New investments continue, although some projects have been delayed from 2012 to 2013 simply as the market, despite growth of 500,000-600,000 tonnes per year, cannot absorb all the new capacity quickly enough to avoid tightening competition for sales volumes. The current outlook is that 2013 will see about 1.6 million tonnes of new capacity starting up, and there may still be unidentified projects with local suppliers that emerge later during the year. We assume that the peak in mandatory closures for tissue mills will be over, but estimate some 200,000 tonnes of shuttered capacity in 2013.

There are already some large projects announced for 2014 onward, which will add more than 500,000 tonnes of new capacity. Most of the projects will not become public before the PM has been ordered, which means that we will see a lot more projects developing and the benchmark of 1 million tonnes could be exceeded once again. Tissue mill closures are assumed to be 150,000 tonnes in 2014.

The largest Chinese tissue suppliers, APP China, the Hengan Group, Vinda Paper and C&S Paper, are all strongly involved in the expansion. They all have numerous new projects in the pipeline and there seems to be an ongoing race for which company can expand fastest! Based on the current outlook, both APP and Hengan will reach a capacity of 1.4 million tonnes by the beginning of 2015, Vinda Paper 1.0 million tonnes (which they have also announced as their target) and C&S Paper at least 800,000 tonnes (more expansion announcements may still emerge). This means that these four companies would control 4.6 million tonnes of tissue capacity in China, provided all goes as planned and no major delays related to the market situation arise. Of these largest players, Vinda Paper is the only one that has not yet purchased a Western-made tissue machine with over 5 m trim (C&S Paper recently ordered its first two large Andritz PMs). Meanwhile, APP has recently said that its tissue capacity will reach 2.0 million tonnes per year in the next five years, spread throughout different regions of China.

There is increasing interest by companies from other branches in entering the Chinese tissue business. Some of these companies are coming from other consumer product businesses (such as Max Fortune, Henan Huliya or Hebei Yihoucheng Commodity), while others are from process or heavy industries (such as the Fushun Mining Group and Shandong Chenming). An interesting note is that many paper and board industry companies are also considering tissue as an additional business. Besides Shandong Chenming, which already operates a tissue mill,

APRIL, Lee & Man Paper Manufacturing, Nine Dragons and Zhejiang Jingxing Paper, to name a few, are all considering a move into the tissue business.

To summarize the project situation, it is amazing how much new tissue capacity is planned. According to the identified projects, committed capacity expansions will add 4.8 million tonnes of new capacity in China between the beginning of 2010 and early 2015. If all potential projects are considered, the new capacity would exceed 6 million tonnes, which corresponds to the current domestic market size -- and this in only six years from 2010 to 2015!

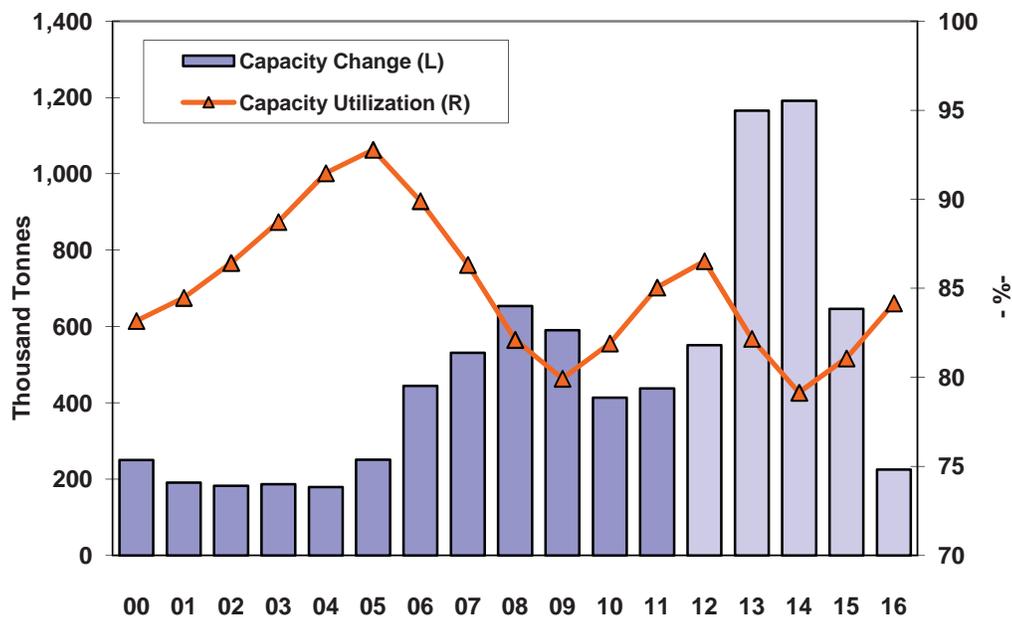
Demand/Supply Outlook

The Chinese tissue industry seems to be in a phase of very rapid structural change; small mills will gradually disappear and tissue will increasingly be made on large, modern machines. In addition, China's tissue exports have rapidly increased and we expect this trend to continue, although some slowdown in export growth can be expected. But too much new capacity is being built in too short of a time and the risk for serious overcapacity in the coming years is obvious.

New investments added more capacity than the market was able to absorb in 2006-2009, and the average capacity utilization nosedived from more than 92% in 2005 to 82% in 2008 and further down to 80% in 2009. Fewer investments in 2009 contributed to a lower effective capacity than the demand increase in 2010, and so the slide in the industry operating rate finally stopped in that year. Major closures of non-wood pulp based capacity and project delays contributed to a further increase in the average operating rate to nearly 82% in 2010, 85% in 2011 and almost 86% in 2012.

A host of new machines will be started up during 2012, and this new capacity will mean a new peak of almost 1.2 million tonnes in effective capacity in 2013. This is too much, more than double the domestic market growth, so the average capacity utilization will decline to 82% in 2013 and further to less than 80% in 2014. We expect this outlook to create additional pressure to close small and inefficient machines, which means that the ongoing

Net Capacity Change* and Capacity Utilization in the Chinese Tissue Industry, 2000-2016



* Based on committed projects only.

structural change in the Chinese tissue industry will probably accelerate (potential additional closures are not taken into account in our calculation). It is also possible, or even likely, that some of the announced project start-ups will be delayed because of the market situation. This could improve operating rates to some extent, but not radically; there will be overcapacity in the Chinese tissue market in 2013-2015.

World Tissue Consumption 2011

Global tissue consumption reached almost 30.5 million tonnes in 2011, up by 1.25 million tonnes from 2010. The volume growth in global tissue consumption was the highest ever. Relative growth accelerated from 3.7% (revised figure) in 2010 to 4.3% in 2011. The recent global growth rates are shown in the table.

The final 2010 growth rate was adjusted downward from 4.1% shown last year to 3.7%, mainly because of some revisions in the statistics (Brazil, for example). The 2011 growth rate of 4.3% is as strong as in 2004, and is the highest annual growth in the past 10 years in relative terms.

Growth in Global Tissue Consumption

	% from Previous Year
2001	3.5
2002	3.8
2003	3.1
2004	4.3
2005	3.2
2006	3.4
2007	3.9
2008	3.7
2009	1.1
2010	3.7
2011	4.3

World Tissue Markets in 2010-2011

Region	2011 Production	2011 Consumption	2010 Consumption	Market Volume Increase 2011	Growth Rate 2011/2010
	Thousand Tonnes				- % -
North America	8,045	8,292	8,185	107	1.3
Western Europe	6,323	6,365	6,265	100	1.6
Eastern Europe	1,452	1,568	1,490	78	5.2
Latin America	3,289	3,356	3,228	128	4.0
Near & Middle East	1,023	1,012	915	97	10.6
Japan	1,782	1,861	1,843	18	1.0
China	5,821	5,372	4,775	597	12.5
Asia Far East	1,783	1,691	1,598	93	5.8
Africa	515	566	536	30	5.6
Oceania	285	382	378	4	1.1
World Total	30,318	30,465	29,213	1,252	4.3

Trend to Premium Products Reducing Volume Growth in North America

In North America, the main recent issue in the US market has been the move toward ultra category products (practically, this currently still refers only the TAD process) in the private label segment. This means a lower average basis weight or less weight per roll if the same sheet count or area manufactured. All of the US consumer tissue growth has recently been in the private label segment, and some brands even lost market volume in 2011. This has been confirmed by some companies, including Procter & Gamble in their annual report for the fiscal year ended June 30, 2012. The AfH sector has shown a good recovery from the deep downturn in 2009.

In Canada, the statistics are showing varying trends. Production grew by more than 3%, but trade statistics are not transparent as many companies like to hide the actual numbers of their trade with the USA. Market reports suggest that imports to Canada have grown slightly, but exports were sluggish because of the relatively weak competitive position of Canadian mills in deliveries to the US market. This means that Canadian apparent consumption shows strong growth of more than 3%, but we think at least one-third of this apparent growth was affected by stock changes. Changes in foreign trade figures are also still possible.

Europe: Tissue Growth Suffering from Uncertain Economic Prospects

Weak economic growth, high indebtedness and continuing budgetary deficits in several European countries shadow practically all businesses, including fast-moving consumer goods such as tissue products. On average, tissue consumption grew by 1.6% in Western Europe, but many countries showed only weak or even no growth. Italy, the UK and the Netherlands were positive surprises, while the largest European tissue market, Germany, remained flat.

In Eastern Europe, developments varied by country. The two largest markets, Russia and Poland, continued on their strong growth path, both recording more than 9% higher tissue consumption in 2011 than in the previous year. In Central Eastern Europe, the tissue business experienced weak expansion in 2011, and in two large markets, Romania and Hungary, tissue consumption contracted by almost 7% and 5.5%, respectively. In both countries, domestic tissue production declined in 2012. Romanian tissue production suffered from liquidity problems by some mills in purchasing raw materials, and imports did not grow enough to replace the lost domestic production. In Hungary, the small Tököl mill closed its doors in April 2011, and the new Higi mill had problems with changing ownership and finances, resulting in low production. Hungary's currency devaluated substantially toward the end of 2011, which made imported tissue 15-20% more expensive within a period of only a few months.

Latin America: Brazil Strong, Mexico Weak

On average, Latin American tissue consumption grew by 4.0% in 2011 after two years of weak 2.5-2.6% growth in 2009-2010. It is typical in Latin America that developments varied considerably by country.

Brazilian tissue consumption is in a strong growth phase. The Brazilian pulp and paper association (BRACELPA) has revised its tissue production numbers recently and so 2010 consumption growth was corrected from 5.7% to 4.1% and 2011 growth was adjusted from 7.5% to 6.4%, which is clearly above the 10-year trend growth of 5.0%. With this strong growth, Brazil passed Mexico to become the largest Latin American tissue market. Brazil's continuing economic growth has improved the average purchasing power and made tissue affordable for an increasing part of population. Tissue consumption growth has also been positively affected by the trend from single-ply to two-ply and even three-ply toilet paper.

We are surprised by the flat tissue consumption statistics for Mexico. In the past three years, the country's tissue consumption has not grown at all and has stabilized at a level slightly below 960,000 tonnes. Mexican tissue production has increased by 30,000-35,000 tonnes per year, but weak imports and growing exports counterbalance it and so apparent consumption has not grown.

The tissue industry in Venezuela continues to suffer from import restrictions and foreign currency regulations, which make it difficult for tissue mills to get the necessary raw materials (Venezuelan mills have used a lot of imported recovered paper) and spare parts for paper machines. Kruger's mill using integrated mechanical pulp in the fiber furnish has been in a better position than mills using imported pulp or recovered paper. Tissue production fell for the third consecutive year, while imports have declined from more than 30,000 tonnes in 2009 to only 13,000 tonnes in 2011. Tissue exports have all but disappeared. The re-election of Hugo Chávez as president in October 2012 most likely means that there will be little change in the country's foreign trade policy for another six years.

Among other Latin American countries, Chile and Colombia showed very strong growth in 2011 while Argentina's tissue consumption contracted slightly. In Chile, part of the growth can be attributed to production recovery and restocking after the consequences of the earthquake. Colombia's tissue consumption has grown strongly in the past few years.

Middle Eastern Markets Growing Despite Political Turbulences

The growth in tissue consumption in the Near and Middle East averaged as much as 10.6% in 2011, after weaker growth of 5.5% in 2010. Volume growth was of the same magnitude with Western Europe. Turkey made a great contribution to the average with its growth rate of more than 15% in 2011. But there was good growth in other large markets of the region as well, including Saudi Arabia, Israel and Iran. Iran's tissue consumption seems to be in a real takeoff phase, and without UN sanctions restricting foreign trade and financial actions with Western countries, tissue imports would obviously have grown more than they did in 2011. Iran's own tissue mills are currently overbooked with orders (delivery time 3-4 months), but this situation should change as new capacity comes on stream in Iran in the next few months.

Political turbulences have disturbed tissue market growth in only a few countries, such as Syria, where the ongoing civil war has effectively stopped many economic activities and disrupted communication and distribution systems. According to our estimates, tissue consumption contracted by more than 10% in Syria in 2011. Bahrain recovered from its political turmoil during 2011, and a new tissue PM was started up at Olayan Kimberly-Clark's mill in August of that year, only slightly delayed from its original start-up schedule.

China Recorded Strongest Growth Ever

China's tissue consumption grew by 12.5% in 2011, more than expected. Volume growth was almost 600,000 tonnes, which is the largest volume growth ever in China. Tissue production grew slightly less (10.9%) than consumption, as exports fell by about 10,000 tonnes. This is an indication of very strong domestic demand in 2011. Tissue market expansion into inland cities continues and new mills are being built not only in the coastal zone, but also in central China, in provinces such as Chongqing and Sichuan, as well as in northern China (Heilongjiang, Liaoning).

Japan's tissue consumption grew by 1.0% in 2011, very similar growth as in 2010 (0.9%). It should be noted that Japan's tissue imports, mainly from China, grew strongly and reached 100,000 tonnes in 2011.

Tissue consumption grew by 5.8% in the Asia Far East region, which is more than the 10-year trend growth (4.9%). The largest regional market, South Korea, showed surprisingly strong growth of 5.5%. Taiwan also recorded sound growth of 3.5%, while there was no growth in Hong Kong. India's tissue market is growing as well, but too slowly to absorb the extra capacity that was built in the country in 2008-2009. Tissue consumption grew substantially in Indonesia, Thailand and Vietnam.

Africa Back on Growth Track

After a fall in 2010 due to Nigeria's major production decline, African tissue consumption grew by 5.6% in 2011, a normal growth rate for the region. North African markets, particularly Egypt, Libya, Tunisia and Algeria, suffered from the political turbulences, and tissue markets were negatively influenced, albeit only marginally. South Africa, the largest regional tissue market, was showed healthy growth of 3.6% in 2011.

Oceania's tissue markets were practically flat, showing only marginal growth of 1.1%. Domestic capacity has been reduced and imports have grown. Imports are increasingly coming from China rather than Indonesia because of environmental issues and the lack of forestry certification for Indonesian pulp used to produce the tissue there.

Recent Tissue Industry News Worldwide

North America

Sofidel Group of Italy Enters North America and Purchases Cellynne Holdings, Florida

On July 5, 2012, Sofidel and Cellynne Corporation announced that they had reached an agreement for the sale of the Cellynne Paper Manufacturer to the Italian paper group. The agreement covers the acquisition of the shares of Cellynne Holdings Inc. with the manufacturing facilities in Haines City, Florida, Green Bay, Wisconsin, and Henderson, Nevada. It has over 300 employees. On August 31, 2012, Sofidel sealed the deal with the owner company, Cellynne Holdings Inc.

Founded in 1988 and headquartered in Haines City, Florida, Cellynne Holdings Inc. is a producer of tissue paper (for hygienic and domestic use) in the AfH and consumer tissue sectors. Its brands include "Heavenly Soft®", "Confidence®" and "Heavenly Choice®", and are manufactured with only the highest of standards of quality in the industry. Cellynne has a tissue capacity of close to 70,000 tonnes per year at its paper mill in Haines City, but its total converting capacity is about 90,000 tonnes per year at the three plants. In addition, the company has outsourced a few thousand tonnes of AfH products, so its sales rate is close to 100,000 tonnes and its parent roll needs from third parties are more than 30,000 tonnes per year. Of its sales volume, roughly two-thirds target the AfH sector and one-third the consumer tissue sector.

With this acquisition, Sofidel, Europe's second biggest paper tissue producer with 25 production sites, a tissue paper capacity of 956,000 tonnes and an aggregate turnover of Euro 1.456 million (2011), now has access both to a new continent and the particularly challenging US market. The decision is consistent with its policy aimed at international growth and innovation, a strategy that began at the end of the 1990s. "This is an important step in the Group's international growth strategy," said Sofidel's CEO, Luigi Lazzareschi. "It raises the Group's overall production capacity to over 1,000,000 metric tons per year and marks its entry into the US market." It is a major private label supplier but its flagship brand, "Regina", is also present in all major markets. Sofidel is a member of the international WWF Climate Savers program and the UN Global Compact.

"Cellynne is a great company. We have full confidence in the expertise and professionalism of its staff and in the efficiency of the factories acquired," added Lazzareschi. "This is a strategic investment that we hope will further strengthen our competitiveness and growth, by entering such a market that is full of opportunities." Its use of recycled fiber and cellulose sourced from sustainably managed forests and its attention both to water- and energy-reduction technologies and CO₂ emissions not only bear testimony to Cellynne's commitment to making environmentally sustainable products, but also the attention it pays to its environmental footprint is also perfectly in line with Sofidel's sustainability policies. Sofidel says is now entering the integration and development phase so as to ensure sustainable growth capable of generating value for its personnel, clients and the communities in which the company operates.

P&G Planning Major Expansion at Its Cape Girardeau, Missouri Mill

In late July 2012, the Cape Girardeau County Commissioners approved a resolution of intent to issue industrial development bonds for an expansion at the local Procter & Gamble (P&G) plant, a project expected to total US\$300 million. Other government approvals are still pending. The project, financed via Chapter 100 bonds, would produce up to 200 construction jobs and 35 full-time positions. The company looks to spend US\$250 million on new equipment as well as US\$50 million on a new building.

Chapter 100 of Missouri statutes allows counties, cities and other municipalities to issue bonds to finance the costs of industrial development projects for private corporations. Government entities can issue bonds at a lower interest rate than conventional financing corporations could receive. As long as the bonds are outstanding, the company can receive tax abatements, resulting in a significant savings. Chapter 100 bonds also allow for a sales tax exemption on construction materials for the project.

Procter & Gamble is an important company for the local economy, and the additional jobs created through this expansion are especially welcome during these uncertain economic times. Going through the Chapter 100 option is not new to the local P&G plant. Nearly US\$1 billion in Chapter 100 bonds have been issued for the local plant since 1998. For the business this financial arrangement provides a level of certainty, and locally the county benefits from the economic activity and jobs generated. P&G's presence has been great for the area. Since P&G's Cape Girardeau County plant opened in 1969, the manufacturing facility has seen eight major expansions. Its most recent expansions occurred in 2002-2004, when the plant expanded its tissue and towel manufacturing capacity and added more space for its baby care lines.

P&G has not released any details on the investment, only that the expansion will add manufacturing capacity necessary to meet future consumer demands. P&G's spokeswoman declined to release any details about the expansion in order to protect the company's strategic plans from its competition. The company currently employs about 1,150 people in its Cape Girardeau facility.

P&G operates three TAD tissue PMs plus converting facilities at Cape Girardeau with a total tissue making capacity of 180,000 tonnes per year. The PMs, all supplied by Metso Paper, were started up in 1999, 2000 and mid-2004. The last expansion had a very similar budget as the investment now discussed. We have a second TAD PM on our capacity expansion list for P&G's Box Elder mill in Utah, which will be delivered by Andritz and started up next year. There has been no official announcement of this project by P&G, but reliable industry sources suggest such an expansion is going on. We cannot confirm at the moment whether the Cape Girardeau plan is in addition to the Utah expansion, or whether P&G decided to move the investment to Cape Girardeau for competitive or economic reasons.

IP Sells Two PMs at Its Franklin Mill to Tak Investments for Tissue Production

Tak Investments, LLC, has announced it has completed a deal to purchase a portion of the papermaking assets at International Paper's (IP) recently reopened mill in Franklin, Virginia. Over the past few months, Tak Investments has been converting one of the mill's former paper machines to tissue production. Tak Investments has established a new subsidiary, ST Tissue, LLC, that will operate at the Franklin mill site. Full-scale tissue making operations will begin in late September or early October, 2012, said ST Tissue VP Sahil Tak, but actually the project has delayed and start-up has been rescheduled for December.

Included in ST Tissue's footprint at the Franklin site are two uncoated free sheet paper machines, a modern fiber recycling plant, warehousing and offices. ST Tissue will utilize sorted office paper (SOP) and old corrugated containers (OCC) recovered from the Mid-Atlantic States as the primary source of fiber. This post-consumer recovered paper will be cleaned and de-inked so that only bright white paper fiber or clean brown (kraft) fiber will remain for use in towel and napkin parent rolls.

"Our tissue converting customers will now be able to depend on a new and very competitive source of both white and brown towel and napkin grades in volumes sufficient to grow their towel and napkin businesses," said Sharad Tak, president of Tak Investments and ST Paper, LLC in Oconto Falls, Wisconsin. "Our goal is to provide paper of consistently high quality that meets or exceeds our customers' expectations for performance and value," added Sharad Tak. ST Tissue will employ approximately 85 full time associates in pulp production, warehousing and tissue production positions. In addition, ST Tissue VP Sahil Tak said that the company's Franklin operation offers potential for future expansion given the excess capacity of the fiber recycling facility and the available production/warehousing space. Additional regional job creation is also very likely to serve the mill's need for supplies and outsourced services.

Maury Keesler, General Manager, notes: "Upon completion, ST Tissue's Franklin tissue machine with its 310" (7.87 m) web width will be among the widest tissue machines in North America and will be an extremely cost-effective producer of many high-volume towel and napkin grades." Additionally, Mr. Keesler reports: "ST Tissue will operate using sustainable raw materials and processes and produce environmentally responsible products. As examples, the machine's drying systems will use super low NOX burners and bleaching will be accomplished using non-chlorine processes. ST Tissue's products are expected to comply with all governmental and private certifications for environmental sustainability." The total project cost of roughly US\$70 million is being funded by Tak Investments in association with Macquarie Bank Limited.

K-C Signs Development Agreement with Booshoot for Its Bamboo Fiber Project

Booshoot, a biotechnology company focused on bamboo forestry, agriculture and nursery wholesale, and Kimberly-Clark have announced an important development agreement that will enable K-C to explore the manufacturing of tissue products containing fiber derived from Booshoot's proprietary bamboo propagation technology. The partnership marks a significant breakthrough for the tissue industry and the planet, as the companies will work together to develop high-yield fiber alternatives that can be grown domestically on a mass agricultural scale in environmentally and socially responsible ways.

Under the agreement, Booshoot will deliver tens of thousands of bamboo starts to be grown in K-C pilot projects. The trials are designed to prove the viability of several species of giant bamboo, including "Moso" (*Phyllostachys edulis*), as scalable and sustainable tree fiber alternatives. Where conventional northern softwood trees take 60 years or more to reach harvestable maturity, Moso grows close to 100 feet tall and is harvestable in less than a decade, producing several times the fiber of traditional timber, and capturing four times the carbon dioxide (a greenhouse gas) of most trees.

"We are pleased to be working with such an established global leader in the tissue industry, and to play a role helping Kimberly-Clark meet their ambitious environmental targets," said Booshoot CEO Jackie Heinricher. "Booshoot has the proven science and production capacity required to eventually produce millions of bamboo plants annually, which will play a critical part in reducing the world's dependence on native forests."

"As a leader in bamboo technology, Booshoot is well positioned to support Kimberly-Clark's objective to develop sustainable fiber alternatives and take them to commercial scale," said Gordon Knapp, President of North American Consumer Tissue for K-C. "Introducing alternatives to natural forest fiber to our supply chain is important to our goals associated with responsible fiber sourcing as well as our goals to improve management of input cost risk and variability."

In 2011 Kimberly-Clark used nearly 750,000 tonnes of primary wood fiber sourced from natural forests. The agreement with Booshoot is designed to help K-C meet its pledge to cut the amount of natural forest fiber it uses in half by the year 2025, an amount equivalent to the fiber used to manufacture more than 3 billion rolls of toilet paper. Booshoot's patent-pending bamboo are "true to type" species that are not genetically modified, producing more biomass on less land, in less time than other traditional forest products. In addition to providing fiber for the paper industry, bamboo from Booshoot is an ideal raw material for everything from textiles to biofuels and building materials.

Cascades Continues to Consolidate Its Operations

Cascades Inc., a leader in the recovery and the manufacturing of green packaging and tissue paper products, continues to consolidate its operations and announced the permanent closure of the Cascades Tissue Group's McNicoll Street plant in the Scarborough district of Toronto. The production of this unit specialized in paper napkin production for the AfH market, mainly for quick service restaurants, and will be redirected to the Laval, Quebec, and Waterford, New York, plants, which also specialized in that market. Approximately 30 employees were affected by this closure, which was effective August 13, 2012. This closure does not affect the company's activities at its Milliken Street plant, also located in Scarborough.

"In line with our restructuring actions to increase our operations' efficiency, this decision was taken to secure our position as leader in the AfH tissue paper sector. This initiative will enable us to maximize the production at Laval and Waterford plants, while continuing to offer a first-class product and service to our customers," stated Suzanne Blanchet, President and CEO of Cascades Tissue Group. Cascades has taken the necessary measures to provide support to employees affected by this closure.

Hoffmaster Group Closing InnoWare Table-Top Plant in Wisconsin

InnoWare Paper Company, a paper tableware manufacturer in Menomonee Falls, Wisconsin, will close its doors on May 1, 2013. About 100 workers will be dislocated. InnoWare is the company followed Duni Americas after Duni sold it to Norwest Equity Partners in 2006. Hoffmaster Group Inc. acquired InnoWare in April 2011 and added the business to its Clintonville-based Creative Converting Consumer Division.

InnoWare operations will be moved to Clintonville, Wisconsin, where Hoffmaster is constructing a 100,000 square foot addition to its existing facility, which is expected to be complete around January 15, 2013. The company plans to hire 40 full-time hourly and 10 full-time salaried employees in Clintonville as a result of the move. The Menomonee Falls employees have been encouraged to apply for those jobs.

Shifting production to Clintonville will allow the company to remain competitive, said Dave Vierthaler, VP of Human Resources at Hoffmaster. He said: "We have identical operations in Clintonville. We are maintaining production. It is a matter of analyzing the business and looking at the simplification of the business."

New Marcal Owner Plans Its Own Energy Plant Due to Sky-High Electricity Costs

Electricity is so expensive in New Jersey that Soundview Paper Co., the new owner of the former Marcal Paper plant in Elmwood Park, is considering building its own power plant to reduce costs. George Wurtz, CEO of Soundview Paper, said it costs as much as five times more to buy industrial power in the Garden State than elsewhere in the country.

"I have been all over Europe, Asia and the USA, 17 states in America, and this is probably one of the most uncompetitive when it comes to electricity," Wurtz said, mentioning Public Service Electric and Gas several times. "We use a lot of electricity in manufacturing. I am investigating building a merchant power plant (natural gas-fired) that would supply Soundview and then sell to the grid."

Wurtz, whose plant employs 550 workers, said that when he has to weigh investing capital and creating jobs in New Jersey, versus states such as South Carolina and Wisconsin, he considers electric costs and workforce here where workers have trouble doing basic mathematics and reading. He said: "But energy is the big one. I can deal with training the folks, but I cannot lower the energy rates unless I get help from the state."

In May 2012 the cost of industrial electricity in New Jersey, calculated in cents per kilowatt hour (kWh), was 10.11, according to the US Energy Information Administration. In contrast, it was 7.08 cents/kWh in Wisconsin and 5.96 cents/kWh in South Carolina.

Soundview Paper Co. will soon request proposals for construction of its own power plant. It is looking into a variety "of potential solutions regarding energy costs at the company, including solar," Wurtz said. That effort also involves exploring the feasibility of building a so-called merchant power plant on the paper recycler and manufacturer's site in Bergen County. Soundview, which acquired struggling Marcal in April, has been researching construction of its own natural-gas fired power plant for more than four months, Wurtz said.

Cellynne's StefcO Industries Starts Up New Tissue Paper Converting Line in Florida

Stefco Industries, the sales arm of Cellynne Holdings (now owned by the Sofidel Group) and a leading paper manufacturer, has announced that it has begun a new paper converting line which will enhance its bathroom tissue and household towel converting capabilities. "Stefco has experienced considerable growth in the past year," says StefcO's Mario Maltais, General Manager. "Increasing our production capabilities was a natural next step."

Stefco's new Line 14 occupies 25,000 square feet (2,300 m²) at its headquarters in Haines City, Florida, and features some of the industry's latest technologies. The PCMC "Forte", noted to be one of the fastest rewinders available on the market, is capable of producing over 60 logs per minute. It can operate at web speeds of up to 800 m/min while maintaining a high level of paper quality and bulk. Another component of the new converting line is the TMC "UNO" high-speed servo sequential multi-roll packaging machine, which is used for wrapping bathroom tissue and household towel rolls in single and double layer formats. The TMC "UNO" has a broad range of pack configuration capabilities.

The "Infinity C-10" automatic case packer is designed to automatically erect a carton, collate the incoming product, fill the case and discharge it onto a live roller conveyor. This machine is utilized to pack roll tissue, roll towels, and bathroom tissue and household towel packs. With state-of-the-art electronics and a minimum of moving mechanical parts, the "Infinity C-10" is able to pack many different case sizes and configurations with minimal change-over time required.

With the installation of the Elettric 80 "Dragon Palletizing Island" and "Barge LGV System", a "Dragon" robot will work in conjunction with the "Fanuc" palletizing robot to automate the palletization of cartons, bundles and poly packs for Display Ready Pallets (DRPs). StefcO has also upgraded its LGV (Laser Guided Vehicles) systems. Now, barge-style LGVs will be used to remove finished goods from the ends for the palletizers and deposit them at the centralized stretch wrapping station.

In addition to the added capacity of Line 14, StefcO is also in the process of upgrading two other existing converting lines at its Haines City location. Its Bretting small roll bath tissue line will begin an upgrade next April, which will include a new cutting-edge winding head and tail sealer. An additional "VTP" wrapper will be inserted into the line along with a new case-packing system. The upgrade will allow for doubled capacity and will improve overall product quality.

Stefco will also upgrade the folding section of its multi-fold converting line. This upgrade will bring added productivity and enhance the quality of StefcO's products. Mario Maltais adds, "Stefco's continued focus on developing innovative, high-quality tissue and towel products will position us to compete even more effectively in the current marketplace."

Von Drehle Receives Recertification from Green Seal for Its Tissue Products

The von Drehle Corporation is proud to announce that they have received recertification under the "Green Seal™ Standard for Sanitary Paper Products -- GS-1." Von Drehle was recently awarded this third-party recertification for its "Preserve®", "Feather Soft®" and "Blue Mist®" towel and tissue products. The new GS-1 standard establishes stricter and more comprehensive guidelines for environmental, health and social requirements for products such as bathroom tissue and paper towels -- for both institutional and retail markets. This standard addresses the primary life-cycle issues for sanitary paper products from product performance, raw materials, manufacturing, packaging and use. For more than two decades, "Green Seal" has been certifying goods and services that meet the highest standards of environmental quality as well as product performance.

The von Drehle Corporation has been, and continues to be, an industry leader when it comes to environmentally responsible manufacturing processes. Von Drehle's paper mill, located in North Carolina, uses only recycled fiber and a chlorine-free process to manufacture their products, and is classified as a "Recycling Center" by the state of North Carolina.

Cintas Receives Environmental Achievement Award from Cascades Tissue Group

Cascades Tissue Group has announced that Cincinnati-based Cintas Corporation received an achievement award in honor of its strong partnership and dedication to furthering Cascades' environmental preferable products. Based on 2011 sales of Cascades 100% recycled, AfH tissue offerings, the distributor conserved 143,533 trees (the equivalent of 358 American football fields). In addition, the carbon dioxide emissions it reduced by not using virgin fiber is equivalent to removing 5,952 cars from the road.

"The support from Cintas is indispensable," said Suzanne Blanchet, Cascades Tissue Group CEO. "By honoring them with an award, we want to recognize their contribution in lowering our environmental footprint, and in informing end-users on the importance of sustainable development."

Offering towel and tissue products nationally under the "Sanis®" brand, Cintas started distributing Cascades Tissue Group AfH products to commercial purchasers in 2001. "Improving the sustainability of our products and supply chain through our strategic sourcing process is a priority at Cintas," said Brian Bensman, Senior Director, Strategic Sourcing, Cintas. "We appreciate the opportunity to work with a recognized supplier like Cascades that provides environmentally responsible paper products made from 100% recycled fiber with "Green Seal" certification. We look forward to providing more of these products to our customers and further reducing our environmental impact."

Orchids Paper Receives Private Label Vendor Award from Dollar General

Orchids Paper Products Company was recently awarded Dollar General's 2012 Pride Award -- Private Label Vendor of the Year. Orchids received this award at Dollar General's recent Annual Vendor Summit in recognition of its innovation, dependability and excellence in its partnership with Dollar General.

"We are very proud and honored to have earned this recognition from such a valued customer and partner as Dollar General. Dollar General is a leader in its field and we are honored to be a long-term supplier to their organization," said Robert Snyder, President and CEO. "The award is a testament to the dedication of our team in achieving world class service and innovation to our customers." Dollar General is the largest value retailer in the United States with annual revenue in 2011 of US\$14.8 billion and currently has more than 10,000 stores in 40 states.

Cascades Tissue Expands its "Moka" Recycled Unbleached Bathroom Tissue Offerings

North America's fourth largest producer of towel and tissue paper, Cascades Tissue Group, has announced commercial line expansions of their "Cascades Moka" 100% recycled unbleached bathroom tissue offerings. In addition to the single roll offering, launched in January, "Cascades Moka" is now available in jumbo rolls (9-inch) and a high capacity format for "Cascades Tandem®" dispensers.

The expansions will help the company meet growing AfH market demand for a product that is novel for North America and the ultimate in sustainable bathroom tissue. The larger formats provide more options to use the product in existing dispensers that are intended for less frequent stocking. Beige in appearance, "Cascades Moka" offers the highest hygienic qualities and softness while significantly reducing the environmental impact associated with manufacturing a highly common, yet also single-use product. In addition to being North America's first bathroom tissue to eliminate chemical whitening, a process introduced solely to enhance aesthetics, "Cascades Moka" gets 80% of its pulp mix from post-consumer material and 20% from recovered corrugated boxes.

The new pulp mix used in this product offers a reduction in overall environmental impact by at least 25% when compared to the pulp mix used in the Cascades 100% recycled white bath tissue -- already regarded as a leading sustainable product. The product is also offset with 100% Green-e® certified renewable wind electricity, saving 2,500 pounds of CO₂ emissions for each ton produced. Since its official launch in January 2012, "Cascades Moka" bathroom tissue has also been made available to corporate and individual purchasers alike through Office Depot. It recently won the Novae Quebec Eco-design Contest, which recognizes the smartest sustainable design ideas. The interest and growth for "Moka" is an indication that customers are now willing to forgo their traditional white bathroom tissue for a greener option.

"As tastes continue to evolve and customers continue to seek the most environmentally preferred options available, we knew the time was right to introduce North America's first-ever beige bathroom tissue," said Cascades Tissue Group CEO Suzanne Blanchet, the brainchild and champion of "Moka" bathroom tissue's development. "The reception has been really positive and we're thrilled to be at the forefront in this step for greater sustainability."

Cascades introduced this concept with the commercial "Moka" napkin line in the late 1990s and sales for the product have experienced double-digit growth over the years, as customers have become more aware of its environmental benefits. Because people change their tastes and habits out in public before modifying behaviors at home, the company believes that the commercial market will continue to serve as the first frontier for sustainable innovations. In addition, the company continues to investigate the potential for a retail launch for the product line as well.

Lincoln Paper & Tissue in Maine Faces Penalties for Manipulating Energy Market

The Federal Energy Regulatory Commission (FERC) is seeking US\$4.4 million in civil penalties plus US\$379,016 in "unjust profits" made by Lincoln Paper & Tissue LLC (LP&T), alleging in documents that the papermaker fraudulently manipulated the energy market with electricity it sold to the New England power grid five years ago.

LP&T President and CEO Keith Van Scotter said FERC's allegations were part of a dispute with the energy regulatory body over interpretations of guidelines for an ISO New England power management plan the company had participated in. "This is stuff that is five years old. The last conversation we had with them was almost two years ago. We are very upset and we strongly dispute their findings," Van Scotter said.

FERC alleged that Van Scotter and other mill managers "deliberately curtailed internal generation at the mill by approximately 3 MW during the five-day period when Lincoln's initial baseline load was established" for the ISO New England power management plan in 2007-2008. "By purchasing energy, instead of producing it on-site, Lincoln reported larger energy consumption to ISO-New England than otherwise would have been the case, therefore establishing a false and inflated baseline," the order said.

Mill leaders have 30 days to show why their alleged violation should not warrant the assessment of the civil penalties and to pay back the US\$379,016 plus interest, according to the FERC document. "It was clear that the program was not particularly well designed. It was developed by ISO and approved by FERC and we had these experts that were advising us, but it seems that was not enough," Van Scotter said. "What they are proposing would ruin us. We don't have that kind of money," he added.

Western Europe

Celtex Starting Up Its New PM in Italy

Celtex Group, an Italian company owned by Alessandro Carrara, with interest in tissue and other hygiene products, has finally started up its new Recard PM at a brownfield mill site located on the famous Via delle Cartiere in Villa Lagarina, Lucca, Italy. The new PM has a trim width of 2.75 m, a speed of 1,500 m/min and an estimated capacity of 23,000 tonnes per year. The start-up date was July 2, 2012.

Reportedly, shortly after the start-up, an unfortunate accident took place at the new mill site with one worker seriously injured and taken to the hospital. We wish him quick recovery and better luck for the new mill!

MC Tissue's Two Recard PMs Expected to Come on Stream Next Year

The projects of another member of the Carrara family, Massimo Carrara, also seem to be moving forward after a long silence regarding start-up schedules. MC Tissue ordered two tissue PMs from Recard long ago, but until now there has been little information available on the construction schedules and exact locations. Both projects have been hit by delays for various reasons. But the most recent news is that the projects are now advancing, and start-ups of both machines can be expected next year.

One of the PMs, with a trim of 3.15 m, a working speed of 1,500 m/min and an estimated capacity of 80 tonnes per day (27,000 tonnes per year), is under construction in Cairo Montenotte, Savona province, in northwest Italy, close to the French border and the tourist region of the Riviera coast. The mill will use the buildings and infrastructure of the former plant of the chemical supplier Kemira. MC Tissue decided for this option as it shortens the time needed for the completion of the project; start-up is expected in February or March 2013.

The other PM, also trimming at 3.15 m but with a higher speed of up to 2,000 m/min and a capacity of 35,000 tonnes per year, will be built at MC Tissue's existing mill located in Tassignano, Lucca. This project was delayed because of the difficulties in permitting, particularly because of the critical groundwater situation in the Lucca industrial plateau. However, the permits have finally been received and civil construction work is beginning. Recard says that this PM is also ready for delivery anytime the client needs the component. We expect the start-up of this PM before or during the summer months of 2013.

SCA Completes Acquisition of G-P's European Tissue Business

SCA's acquisition of Georgia-Pacific's European tissue business was completed on July 19, 2012. The purchase price amounts to Euro 1.32 billion on a debt-free basis. The acquired operations had sales in 2011 of Euro 1.25 billion. G-P has a well-established presence in Europe in both AfH and consumer tissue products. Their products in both segments are marketed under the well-known "Lotus" brand.

"We are pleased that we now have closed the deal. The acquisition is a strategic fit that will strengthen our product offering with well-known brands and geographic reach in Europe. It also leads to substantial synergies," says Jan Johansson, President and CEO of SCA. The annual synergies are estimated at Euro 125 million, with full effect in three years after closing. Related costs are estimated at Euro 130 million.

The closing follows the EU clearance and its requirement that SCA divest G-P's consumer tissue business in the UK, including production capacity; G-P's consumer tissue branded business in Benelux, licensing out the "Lotus" brand for a limited time; and some of G-P's and SCA's retailer branded business in Scandinavia, including production capacity. The businesses that are to be divested account for sales of approximately Euro 200 million, which is in line with the expectations and does not change SCA's evaluation of the deal. SCA said it has six months to sell the required assets, and that there is a lot of interest in them, so it will not be a problem.

...and Reveals Three Assets It Will Sell as Part of G-P Acquisition Deal

SCA has announced that it will divest the 55,000 tonne per year Llangynwyd Mill in Bridgend, United Kingdom, the 22,000 tonne per year Drammen mill in Norway, and the tissue converting plant in Horwich, Lancashire, United Kingdom, as part of the EC clearance requirements for the takeover of G-P's EMEA tissue business.

The sites proposed for sale were made public during SCA's conference call for its first half year 2012 results. According to SCA CEO Jan Johansson, the firm intends to complete the divestments within a six-month timeframe following the G-P deal's closure, as required by the EC. The acquisition of G-P's tissue business was completed on July 19, 2012.

"We have a lot of interested parties in this, and there will be a trustee appointed as well for this process," Johansson told the press conference, adding that the firm started the divestment process long before it got the information from the commission, since "it knew quite well where the problems will be."

The Llangynwyd mill is equipped with G-P-developed "e-TAD" technology and has mainly produced premium private label toilet tissue for Tesco. The mill's older PM was closed several years ago. The Drammen mill is a small single-PM mill with deinking and has high production costs. SCA's rationalization efforts in recent years have included the target of larger mill sizes with more than one PM (capacity of 100,000 tonnes per year or more) plus increasing the emphasis of its own brands, so both divestments match well with its strategy.

Many industry spectators share our opinion that SCA succeeded in this acquisition with limited sacrifices and related divestment obligations. In Scandinavia, it was a surprise that it is enough to divest only the Drammen mill, as SCA's Lilla Edet mill and G-P's Nokia mill in Finland have been the main competitors in recycled fiber-based retailer label tenders. If the Drammen mill is sold to new owners, then it could enter the second supplier position that Nokia used to have. But if the mill needs to be closed, as it is rather old, small and high-cost and not so attractive to potential buyers, then the result would be that there is one less private label supplier in Scandinavia, and consequently, less competition in the private label business. And even if SCA manages to sell Drammen, would the mill be able to compete with SCA's two larger and more cost-efficient mills in private label offerings in the long term?

SCA to Shutter Jönköping Tissue Mill in Southern Sweden

SCA has revealed plans to shut down its 25,000 tonne per year tissue mill in Jönköping, in southern Sweden. The firm confirmed local press reports according to which the 42 employees were informed in mid-September that the site may be closed down. Layoff notices were issued on October 1, 2012.

"So far, we have only initiated negotiations with the union, so there is not much to stay at this stage," a spokesperson said. According to him, the decision to close the Jönköping mill is due to the overcapacity of parent reels that SCA has had for some time. SCA did not provide a timeframe for the planned closure. However, regional media speculate that the site may be shuttered early next year.

UK Tissue Converter Accrol Papers Starts New Investment Program

Accrol Papers, one of the UK's leading independent soft tissue converters, has started a GBP 30 million (US\$49 million) investment project that will create up to 100 jobs over the next two years. According to the firm, the initial phase of the project consists of an GBP 11 million investment in machinery and the construction of a new production facility on its Roman Road/Davyfield Road site in Blackburn, Lancashire. "The work should be completed in the early part of next year and help the company cope with exceptional demand for its products," it said in a statement.

Moreover, Accrol Papers is investing in its own brands which include "Triple Softy" toilet paper and "Thirsty Bubbles" kitchen towels, in addition to providing private label products. According to Majid Hussain, Managing Director of Accrol Papers, this is part of a rapid, continuing and sustainable expansion plan.

At present, Accrol Papers has a manufacturing capacity of more than 75,000 tonnes per year. The firm produces more than 1 million toilet rolls and 250,000 kitchen rolls each day. Founded in 1993, the family-run firm has spent some GBP 25 million on new machinery and premises in recent years. The latest investment was a 120,000 square foot (11,150 m²) office space and warehouse facility in Blackburn that was officially opened in late March 2012.

WEPA to Divest Two Tissue Mills in Italy

The German tissue giant WEPA plans to adapt its capacity in Italy to the sales situation in the country. The firm intends to sell two out of the five tissue mills of its subsidiary WEPA Lucca. A spokesperson for the firm confirmed reports according to which WEPA will part with its Piano della Rocca and Fabbriche di Vallico mills

in the Lucca area. Moreover, WEPA plans to move two converting lines from its Salanetti converting facility to other production units outside of Italy. The spokesperson did not provide details regarding the planned sale of the two production facilities. However, she confirmed that the staff at its Lucca sites went on strike after the planned divestments were announced.

WEPA operates one tissue machine at each of the mills that are to be sold. The unit at the Fabbriche di Vallico facility produces some 17,000 tonnes per year of retail tissue on one older and slow-speed Over Meccanica PM originating from the early 1970s. Although rebuilt 9-10 years ago, the mill is not very attractive to any buyer in part because of the narrow road connection over hills to the mill site. Our local sources commented on the announcement by stating that closure may be a more likely alternative than the sale of this mill. The Piano della Rocca mill has a capacity of nearly 30,000 tonnes per year of mainly napkin stock, including colored grades. This PM was rebuilt by Toscotec in 2010 and is in a good shape. There are no converting facilities at the two mills.

Aquila Holding Acquires French Tissue Paper Company Global Hygiène

Aquila Hygiène Holding, owned by Luc Brami, has acquired the tissue paper company Global Hygiène, based in France. The purchase price of the transaction was not disclosed. Aquila took over the company in a leveraged buyout with the assent of the managing director and the support of three investment funds -- 123 Venture, A Plus Finance and Calliode.

The new managing director, Luc Brami, intends to develop the company's production capacity and its export strategy in Western Europe. Brami told us he is not planning to restructure or reorganize the company at the moment. Global Hygiène specializes in tissue paper and non-woven converting. The firm employs 130 people and had a turnover of Euro 43 million (US\$53.8 million) in 2011.

Metsä Tissue Updates Organization, Restructures Management Team and Axes Jobs

Metsä Tissue, part of Metsä Group and a major European tissue and cooking paper products supplier, will update its organization. As a first step, the Management Team will be restructured. The new roles and responsibilities will be valid from December 1, 2012. "With this change we will reduce complexity as well as clarify roles and responsibilities. Given the regional character of the tissue business, this move will strengthen our organization regionally and bring decision-making closer to our customers," said Mika Joukio, CEO of Metsä Tissue Corporation. "The new organizational structure will support our ambition to improve profitability, stay agile and ensure a strong platform for future growth," Joukio added.

The Management Team of Metsä Tissue Corporation will consist of the following persons:

- Mika Joukio, CEO
- Mariusz Jdrzejewski, SVP, Tissue, Central Eastern Europe
- Jori Sahlsten, SVP, Tissue, Northeastern Europe
- Mark Watkins, SVP, Tissue, Scandinavia
- Christoph Zeiler, SVP, Tissue, Western Europe
- Juha Tilli, SVP, Baking & Cooking
- Markus Holm, CFO
- Ghita Jansson-Kiuru, SVP, Human Resources
- Hubert Schönbein, SVP, Brand Marketing and International Sales
- Lars Warvne, SVP, Technology

Only a few days later, Metsä Tissue announced that it would commence statutory negotiations in its Finnish units. The negotiations were part of company-wide organizational restructuring targeted to improve profitability. The statutory negotiations concerned white-collar personnel in Finland, excluding the frontline sales teams. Roughly 150 employees were involved in the process; the maximum headcount reduction was not expected to exceed 40 and the final outcome was only 19 jobs lost. Metsä Tissue's Finnish offices are based in Espoo and Mänttä.

"Increasing competition and continuous tightening of EU regulation pose additional challenges for Metsä Tissue. Additionally, the Finnish government's stricter national adaptation of EU directives concerning areas such as waste taxation and landfill regulations is a major threat to our competitiveness. By restructuring and reorganizing our operations, we aim to secure our future competitiveness in the growing tissue and cooking paper market," says Metsä Tissue CEO Mika Joukio.

Metsä Tissue Renews Its "Serla" Brand with New Product Quality and Packaging

Metsä Tissue's "Serla" brand is pleased to announce its renewed product range with new product quality and packaging. The renewal means improvements in both household towel and toilet paper quality. The household towel is now softer and more absorbent than before thanks to both raw material and new embossing. White toilet paper has also been completely renewed in Finland. There is now more fresh fiber in the paper and the recycled material has been changed to a whiter grade. The new toilet paper is softer yet sustainably produced -- just as it was before.

"We wanted to create a new generation "Serla" to better meet the needs of today's consumers. We have recognized a greater demand for products that are convenient to use and soft -- both for the user and the environment. Consumers want high-quality products but do not want to give up their sustainable values. This gave us the direction for new 'Serla'," says Brand Director Mia Ropponen. "By changing the fiber mix of the product, we were looking for higher quality without compromising our high environment standards. As mobile and digital habits are changing the way we use paper products, recycled fibers are becoming rare and are being shipped longer and longer distances. Therefore, fresh fibers can sometimes be the most sustainable option."

In addition to the new household towel, the "Serla" logo and package design have been updated in all markets, making the use more convenient and packaging more environmentally friendly. The new package includes an easy-to-open mechanism -- the top tears away cleanly while the rest of the package remains intact keeping the rolls in place. "New packaging design is easy to navigate in the fairly cluttered tissue shelves. Easy opening is a simple but effective novelty which makes your life a little easier," says Ropponen.

The packaging material has also changed for many "Serla" products. "TrioGreen" -- made from sugar cane -- is a renewable material and is thus ideal for packaging sustainably-produced tissue products. According to Ropponen, "Serla" products are recognized as the most environmentally friendly in the tissue category. She continued, "This is the road we want to continue along. 'Serla' will be the pathfinder also in the future for sustainable innovations. It is only natural that 'Serla' is the first in the forest industry to introduce this new packaging material."

New PMT Tissue Sales Manager

Sonia Bertetto has been appointed to the position of Tissue Sales Manager at PMT Italia with the task of consolidating PMT's Tissue Business in its traditional geographic areas and expanding it worldwide; she will report to the PMT Sales Director. Sonia started her career in the paper industry with PMT Italia in 2001. Since then, she has run several projects worldwide as a project manager for different paper grades and tissue, gaining vast experience in engineering to contractual skills to subcontracting and field services management.

Sonia already benefits from the trust of many PMT customers and PMT Italia's top management believes she will boost the company's position in the tissue market thanks to her strong skills and broad experience.

Flooding Damages Stocks at Metsä Tissue's Pauliström Mill in Sweden

Heavy rains in early July caused flooding in parts of the Småland province in southeastern Sweden, leading the Swedish Meteorological and Hydrological Institute to issue class 2 and 3 warnings. Metsä Tissue operates two mills some 10 km apart in the area, the Pauliström mill and the Nyboholm mill, capable of producing about 24,000 tonnes per year of tissue each.

At the Pauliström mill, the water flooded a storage facility for finished products, reaching as high as 15 cm above the floor level in some places. Some water seeped into the production facility at the Nyboholm mill, but caused no damage to machinery and did not interrupt production.

The water did not damage the production facility at the Pauliström plant either, but manufacturing was still halted from July 7 to July 9 as the personnel had to handle the water levels, which were "priority one," according to Mark Watkins, Metsä Tissue's VP of regional operations Scandinavia. Watkins. The workers and the emergency services built dams at both sites and brought the situation under control. The rain also destroyed some parts of the railway network in the region and damaged parts of the railway track between Metsä Tissue's two factories and the company had to use trucks instead of train for delivering goods as the repair work was assessed to last up to four to five weeks.

Eastern Europe

Polish Hanke Tissue to Build Second Tissue PM

Hanke Tissue, located in Kostrzyn, close to the German border in Poland, has decided to expand and build a second tissue PM at its mill site. Recard has received the order for the main parts of the PM, except the Yankee cylinder and Yankee frames which are second-hand components.

The machine features a trim width of 2.8 m, a design speed of 1,500 m/min and a capacity of 60 tonnes per day (21,000 tonnes per year). It will be equipped with a steam hood, and Hanke plans to run the PM at a speed of 1,000 m/min in the beginning, which reduces its capacity to some 15,000 tonnes per year. The start-up is scheduled for autumn 2013.

Turkey's Hayat Kimya to Build a New Large Tissue PM in Russia

The Turkish tissue producer Hayat Kimya is going to expand into Russia. The company is planning to install a 5.6 m wide tissue PM with a capacity of 60,000 tonnes per year in Yelabuga, some 250 km east of Kazan, in the Republic of Tatarstan, Russia. Hayat Kimya will soon collect quotes from machine suppliers and expects to start technical discussions with them in November, according to Paper Group Director Lütfi Aydin.

The plan is to begin building the factory next year and to commission it in the second quarter of 2015. The plant will also house tissue converting equipment for making toilet rolls and kitchen towels. Aydin said that this kind of factory usually costs around US\$100 million to build and requires a workforce of roughly 650 people.

EBRD Financing Metsä Tissue's Projects in Poland and Russia

Metsä Tissue Oyj, part of Metsä Group and a leading European tissue and cooking paper products supplier, has signed a Euro 35 million, 8.5 year credit agreement with the European Bank for Reconstruction and Development (EBRD) for financing further operational improvements in Poland and Russia. The company is carrying out a three-year investment program at its Krapkowice mill in Poland, including two new tissue PMs and a smaller rebuild of its existing PM6. Additionally, the Krapkowice facility will feature a new AfH tissue converting line, which will be installed in a rented warehouse. These investments are part of Metsä Tissue's development program aimed at strengthening the company's market position in Continental Europe, improving its production capacity and enhancing its brand and service offerings. Productivity will additionally be improved by consolidating Polish tissue base paper production at one mill and by further standardizing technology.

Metsä Tissue's tissue capacity is set to reach 90,000 tonnes per year in Poland next year after both new tissue PMs are operational and the PM6 rebuild is complete. This year, Metsä Tissue is finishing the installation of the Voith-supplied 35,000 tonne per year tissue PM7, which is currently in a start-up phase, according to Metsä Tissue CFO Markus Holm. Next year, Metsä Tissue is set to install a third PM at the site. The new 35,000 tonne per year PM8 will also be supplied by Voith. Metsä Tissue declined to specify the trim width and maximum speed of the new PM, but other sources say the trim width is in the 2.8 m category. In 2013, the firm also plans to rebuild the existing 17,000 tonne per year PM6 at Krapkowice. Metsä Tissue declined to comment on the upgrade details but said that the revamp will be not significant. Two old machines, PM11 (25,000 tonnes per year) in Konstancin-Jeziorna, Warsaw, and PM5 (10,000 tonnes per year) in Krapkowice, have been closed.

The loan will also be used for Metsä Tissue's investment in Russia. There, the company will relocate its converting operations to a new converting and distribution facility in the Russian industrial zone of Vorsino in the Kaluga region, in a bid to better serve its customers in the country. The new facility will be built just 55 km away from Metsä Tissue's old converting plant in Naro-Fominsk, which will be closed. Metsä Tissue declined to comment on the planned converting capacity of the Vorsino plant and would not specify which tissue products it will specialize in. The firm said, however, that the Vorsino plant will be its sole facility in Russia.

SCA Breaks Ground for New Tissue PM Project in Russia

SCA has started construction of a new tissue production line at its Sovetsk mill in the Tula region of western Russia. The Euro 130 million (US\$164 million) investment includes a new 60,000 tonne per year tissue PM as well as several converting lines and warehouses. SCA will also build an international distribution center at the site, for which the firm allocated an additional Euro 15 million.

The 5.4 m wide PM, which is scheduled to come online in 2014, will be supplied by A.Celli. The unit will use virgin fiber as the raw material. Its output will be converted into tissue products under the "Tork" and "Zewa" brands on two new converting lines supplied by PCMC.

The mill also intends to begin manufacturing "Tork" products used in the business and institutional sector, such as "Matic" hand towels and two-ply jumbo toilet paper rolls. Most of the production will be sold to the Russian market, with the rest going to the CIS markets. The investment is aimed at strengthening the firm's position in the Russian market.

SCA's tissue plant in Sovetsk currently houses one paper machine, which produces 30,000 tonnes per year of recycled fiber-based tissue. SCA also operates a tissue plant in Svetogorsk, in the Leningrad region, which has a capacity of 52,000 tonnes year after a recent rebuild, and a personal care plant in Veniov, in the Tula region, which produces "Libero" baby diapers and "TENA" incontinence products.

Lithuania's Grigiskes-Manufactured Tissue Products Awarded EU Eco-Label Flower

On August 3, 2012, sanitary paper products manufactured by Grigiskes AB were awarded the EU Eco-Label Flower. Grigiskes is the first company in Lithuania to be awarded this label by the Environmental Protection Agency. The EU eco-label is awarded to goods and services meeting the environmental demands for EU eco-labeling scheme. To produce its eco-products, Grigiskes uses processed pulp or sustainably managed forest fiber thus saving electricity, using sustainable resources and reducing environment pollution. These products contain no harmful substances, are less polluting to the environment and are not dangerous to health.

The EU eco-label will provide an opportunity to better meet the needs of business partners. Also, the company will increase its competitiveness in the Lithuanian and international markets, in particular in the Scandinavian countries, where environmental protection and promotion of organic products are given a major focus. It will significantly enhance the company's opportunities for participation in green procurement (procurement where the contracting authority includes one or more environmental criteria in its public tender conditions, choosing goods, services and work not only by their price and quality, but also by the lower environmental impact in one, several or all phases of the product lifecycle, thus promoting the development of more environmentally friendly products).

With the EU eco-label, the company can participate in international tendering procedures, offering paper products under private labels and present its products on major European trade networks. Until now, exports to Scandinavia and other European countries were very limited, precisely because the company did not have the EU eco-label.

This label is important in the Lithuanian market as well. The Lithuanian government decree obliging budgetary institutions to significantly increase their volumes of green procurements became effective in January 2012. This year, green procurement must total at least 25%, in 2014 no less than 30% and in 2015 no less than 35% of the overall procurement amount, by volumes and by value.

Latin America

New Tissue PMs for CVG and VIPASA in Brazil

CVG, Cahdam Volta Grande, has started up another tissue PM at its mill located in Rio Negrinho, Santa Catarina. The PM has a trim of 2.3 m and its capacity is around 12,000 tonnes per year. The PM has been assembled from various components and it uses recovered paper as raw material. The start-up took place in August. CVG is also planning to purchase a brand new PM later on, but this project is still open.

VIPASA, a newcomer in the tissue business, should start up its new tissue PM in the second quarter of 2013 close to Aracatiba, Viana in Espírito Santo state. This PM will have a trim width of 2.7 m and a speed of 1,500 m/min. We have understood the supplier is Hergen and the PM will have a steel-fabricated Yankee cylinder. The original start-up of the mill was scheduled for 2011, but the financial crisis delayed the project. We estimate the capacity of this PM to be up to 23,000 tonnes per year.

SEPAC Launches Tissue PM4 in Brazil

The new PM4 of SEPAC, installed in the city of Mallet, state of Paraná, was successfully started up in late June 2012. The target was to reach maximum production and speed – respectively, 93 tonnes per day and 1,800 m/min -- with basis weight between 13 g/m² and 33 g/m² by the end of October. The contract for the supply of this new machine, between Voith and SEPAC, was signed in the first quarter of 2011. PM4's specifications include a one-layer headbox, Crescent former, felt section with innovative circuit, suction press roll, 4.8 m diameter Yankee, air hood and complete MCS/DCS automation system comprising 33,000 tonnes per year of capacity.

The predominant production of this machine will be two-ply toilet paper made from 100% virgin fiber (eucalyptus pulp), a tissue market niche with the fastest growth in Brazil. This is a most relevant project for Voith Paper, since it has already achieved successful goals. The new PM4 includes the installation of Voith's very first steel Yankee cylinder, which allows an economy of up to 6% in steam consumption compared to a conventional cast iron Yankee. In addition, the hood is the first thermal oil heated hood supplied by Voith. Voith Paper developed this technology in order to use the resource already existing at the SEPAC plant in Mallet, guaranteeing a great economical and competitive advantage to the client. In addition, the machine also includes the first Voith Paper headbox without recirculation. This new technology results in a 5% reduction in the energy consumption of the fan pump.

SEPAC's PM4 was initially scheduled to start up in April, but a delay in some auxiliary equipment deliveries moved its launch to late June, which did not change the company's strategy, according to one source. With the investment, the facility's capacity will increase from less than 70,000 tonnes per year to up to 100,000 tonnes per year on four machines.

Several Expansion Projects Delayed in Latin America

The total additional capacity from announced new tissue projects for the next two to three years amounts to about 500,000 tonnes per year. But many of these projects are delayed, either for financial or market reasons. In the following we will give a simple update of the time schedules of a number of projects (but timing may again change for various reasons, typical in Latin America!).

We had four new tissue PMs (three in Brazil, one in Colombia) on our capacity change list with start-up dates scheduled for the first half of 2012, but only one of them came on stream, SEPAC in late June, and all four projects were hit by delays. The Brazilian economy has been surprisingly gloomy (GDP grew by only 0.8% in the first quarter of 2012 compared to the first quarter of 2011) and tissue consumption did not grow more than 4.4% in the first half year after 7.6% growth in 2011, so the weak market seems to have contributed to the Brazilian delays.

Dama-Pel's new Comer PM for the Guarulhos, Sao Paulo, mill with a capacity of 25,000 tonnes per year should have started up in the second quarter of 2012, but was delayed by some problems with imports, and although the assembly is complete, the start-up date was actually in October. IPEC (Engenho Central Industria de Papel) targeted its 12,000 tonne per year PM start-up for mid-2012, but the company interrupted construction at Itaocara City, Rio de Janeiro State, as financing was insufficient to complete the project and there is no new deadline for the start-up of the PM, although parts of the equipment have already been delivered by the supplier D'Andrea Agrimport. Productos Familia's 35,000 tonne per year Voith PM for the Cajica mill in Bogota City has experienced several delays (original schedule was for 2009), and this year the expected start-up date was moved again, from April to the third quarter, but there is no official confirmation whether the start-up took place.

In Ecuador, INCASA has stopped the assembly of its new 11,000 tonne per year PM due to financing issues and weak economic conditions in Ecuador with start-up scheduled in 2013 or 2014 instead of this year. The second project in Ecuador, Inpaecsa's new 15,000 tonne per year Hergen PM in Guayaquil, will be manufactured in 2013 and started up by the end of the year. We had estimated the start-up date for late 2012.

Some of the projects are still on schedule. FAPSA's (Fábrica de Papel San Francisco) new 30,000 tonne per year Metso Paper PM in Mexicali, Mexico, is scheduled to start up in the third quarter of 2013 if not earlier. Mili's new 70,000 tonne per year Voith PM will start up in the third quarter of 2013 as originally planned. Mili's PM4 and PM6 rebuilds will be carried out by Voith in September and November this year. The start-up date of Carta Goiás' 30,000 tonne per year Hergen PM is unchanged from the third quarter of 2013. We had a 2012 start-up for IPEL's 27,000 tonne per year Hergen PM, but the supplier said the schedule has always been for 2013. CMPC's new Metso PM with a capacity of 60,000 tonnes per year will come on stream at the Talagante mill in Chile in mid-2013.

Kimberly-Clark's new PM plan is still under wraps. The company said the capacity of the PM will most probably be about 40,000 tonnes per year. K-C has been focusing on double-ply tissue and discontinued single-ply production last year in order to specialize in more value-added products. Because of this, more tissue capacity is needed and is expected to come on stream within the next year and a half (late 2013-early 2014).

New Futura Tissue Converting Line to Come on Stream in Argentina; PM Planned

Futura's new tissue converting line, which represents the latest breakthrough in high-efficiency, value-adding technology, has been sent to its final destination: Papelera San Andrés de Giles, Argentina. The "Tango" line, as Papelera San Andrés de Giles has named its new purchase, was started up in the third quarter this year. "Tango" marks the debut of Futura's revolutionary "JOI 012", which is the first ever embosser to feature a steel marrying roll instead of the industry standard rubber roll. With its "Tango" roll, Futura's patent-protected "JOI Technology" will allow for new nested embossing solutions, with the design flexibility and ease of operation at volumes nearer those associated with point-to-point embossing products.

The "Tango" roll is also easier to clean, and requires less pressure to achieve a high standard of lamination. It also guarantees bulk retention, eliminates re-embossing effects and creates improved pattern definition. Futura's project manager for the "Tango" line, Francesco Pelaia, said, "The industry has for a long time sought to replace rubber with steel, but only now have the technical challenges been overcome: the 'Tango' marrying roll on 'JOI 012' shows no deflection."

The "Tango" line will be used to produce kitchen towels and toilet tissue. For toilet tissue products, point-to-point configuration is used, and "JOI 012" can achieve the switch from nested to point-to-point in as little as

one hour, compared with a whole shift on conventional lines. For such applications, Futura has developed a "random" point-to-point solution, which allows more creative decoration, but with the greater softness which point-to-point allows thanks to the reduced glue requirement. The "Tango" line comprises two "START" unwind stands, an "INFINITY" four color printer unit, "JOI 012" embosser, "F1 Wind & Seal" rewinder, "MOTION" log accumulator, "CUT" system with trim cutter and log saw, and "COREMAX", the coremaking system with flying splice reel change and a core accumulator.

The "Tango" line was demonstrated prior to shipment at a dedicated event at Futura's facility in Lucca, Italy. Tissue makers from around the world attended to see the new technology in action, including the owner of the new line, Maximo Gagliardi of Papelera San Andrés de Giles.

It is rumored that the company is contemplating an increase its tissue-making capacity by installing a new PM with a capacity of 35,000 tonnes per year. The company's management said that they will decide on the project in 2013.

Canoinhas de Papel of Brazil Restarts PM1 after Rebuild

Brazilian tissue producer Cia. Canoinhas de Papel has successfully started up its PM1 after rebuild. The machine was previously equipped with a conventional fourdrinier and was replaced by a new Crescent former supplied by Hergen Paper Machinery. The rebuilt PM is designed for a gross production of 13,000 tonnes per year with 19 g/m² basis weight, running at 1,100 m/min with a paper deckle of 2,000 mm.

The "HCF-800 Smart Plus" is Hergen's latest development and it targets companies that have a low budget and space limitations but "want to improve paper quality and reduce energy costs." One of the main features is its compactness, which Hergen said resulted in low building requirements and low transportation costs.

Canoinhas de Papel said that following the rebuild "the paper quality was impressive," and it added that it has plans to install another "HCF-800" on its PM2 in the near future. The company is situated in the city of Canoinhas, Santa Catarina, South Brazil.

Near and Middle East

Hayat Kimya Close to Start-Up in Iran, Further Expansion Plan in Turkey

Hayat Kimya is on track to launch production at its new tissue factory in Zencan, Iran. Aydin said the company has completed the construction of the factory building and is almost done installing the 65,000 tonne per year Metso Paper machine. He hoped trial runs could start in October.

Hayat Kimya first announced its intention to build a new tissue plant in Iran in July 2009, with the aim of commissioning it in the middle of 2011. Since then, the project has run into some delays and the startup has been postponed a couple of times, which the company has said is due to bureaucracy, among other things.

Hayat Kimya operates one mill in Izmit, northwestern Turkey, where it houses two machines with a combined capacity of some 135,000 tonnes per year of tissue. The site's newest unit, PM2, was started in December 2010. The company also plans to build a second mill in Turkey, which will be located in Mersin on the Mediterranean Coast in southern Turkey. This mill is scheduled to be in the expansion program in 2016.

China

Hengan Group in the Next Expansion Phase in China

Hengan Holdings has ordered eight new world-class tissue PMs, each with a capacity of 60,000 tonnes per year or even slightly more. With eight new PMs, the addition to the Chinese tissue capacity would be almost half a million tonnes! The selection process took one or two months and the final selection included two suppliers, four machines from Andritz and four machines from Metso Paper.

The plan is to install PMs at four mills: Chongqing, Wuhu in Anhui, Weifang in Shandong and Changde in Hunan, each getting one right-handed and one left-handed PM. At the new mills in Chongqing and Wuhu, two machines have recently been started up (Chongqing) or will soon be started up (Wuhu); Weifang and Changde are older mill sites. We expect the new machines to come on stream in the period from late 2013 to mid-2015; however, details on timing have not been officially announced.

New Andritz PMs with Steel Yankees Started Up at Hengan Group's Fujian Mill, China

From January to September of this year, the international technology group Andritz has successfully completed a total of four tissue machine start-ups at Hengan Group's mills in China. The Hengan Group is thus running nine Andritz tissue machines -- two of which are fitted with the largest steel Yankees in operation worldwide.

Two "PrimeLine TM W8" tissue machines were started up at the Chongqing mill and two "PrimeLine TM W6" tissue machines were brought on stream at the Anhui mill in Jinjiang city, Fujian, all ahead of schedule. All four orders included the supply of the complete stock preparation and machine control systems. The steel Yankees of PM15 and PM16 at the Anhui mill are the largest for tissue operating anywhere in the world. With a diameter of 4.9 m and a shell length of 6.2 m, they provide for safe and energy-efficient machine operation.

When the first Anhui PM was commissioned in July, Zhang Qunfu, chief engineer of Hengan Group, said, "We already have eight Andritz machines in operation. The PM15 with the world's largest steel Yankee for tissue is now the icing on the cake." The other Andritz machine with a steel Yankee (PM16) was started up in September.

PM15 and PM16 (both "PrimeLineTM W6" models) have a design speed of 2,100 m/min, a width of 5.6 m and are equipped with energy-saving components such as Yankee head insulation and a re-evaporation system. The scope of supply also included the complete stock preparation and machine control systems.

More PMs to C&S Paper in China

C&S Paper (also known as CNSN Paper, formerly the Zhongshun Group) has reportedly ordered four additional PMs for its two mills in China. Our sources in China say that decisions for four new PMs with a total capacity of more than 180,000 tonnes per year were made in summer 2012.

In Guangdong, C&S Paper has reportedly ordered its first two double-size tissue machines for its flagship mill in Jiangmen, Xinhui District. These PMs with a trim width of 5.6 m and a capacity of 60,000 tonnes per year will be delivered by Andritz. We expect start-up of the first to be in late 2013 or early 2014 and the second to follow a couple of months later.

In Sichuan, C&S Paper Chengdu in Pengzhou will receive two additional PMs from Toscotec. One of the PMs will have a trim width of 2.8 m and capacity of some 26,000-28,000 tonnes per year. The second Toscotec PM will have a trim width of 3.6 m and capacity of about 32,000 tonnes per year. These PMs are expected to come on stream in the latter half of 2013.

C&S Paper of China Confirms It Continues to Invest in Toscotec Tissue PMs

One of the major Chinese tissue producers, C&S Paper, has signed up Toscotec to supply two more new tissue machines with a combined capacity of 58,000 tonnes per year at its mills in China. The deal was struck after C&S Paper brought on line another tissue PM, the third one in the last two years, provided by the Italian supplier at its mill in Tangshan city during the summer.

The new Toscotec machines will be installed at the Chengdu mill located in Pengzhou, Sichuan. One of the machines ("AHEAD-1.5M") will have a trim width of 3,550 mm, a speed of 1,650 m/min, a steam-heated hood, steel Yankee dryer "TT SYD-16FT" and capacity of some 32,000 tonnes per year. The second one ("AHEAD-1.5S") will have a trim width of 2,850 mm, a speed of 1,700 m/min, a gas-fired hood, steel Yankee dryer "TT SYD-12FT" and capacity of some 27,000 tonnes per year.

Toscotec's scope of supply for both machines includes Crescent former tissue machine, machine auxiliaries, hood and dust removal system (provided by Toscotec associated Milltech), electrification and control system. The two PMs will come online in second half of 2013, if everything goes smoothly.

C&S Paper owns six mills in China operating 80 machines, including the new Toscotec units at the Jiangmen and Tangshan sites, with a total tissue capacity of approximately 350,000 tonnes per year at the end of 2012.

Hebei Yihoucheng Commodity Orders New Andritz Tissue PM with a Steel Yankee

International technology Group Andritz has received an order from Hebei Yihoucheng Commodity Co. Ltd., China, to supply a "PrimeLineCOMPACT II" tissue machine with steel Yankee. Start-up is scheduled for the end of 2013.

The tissue machine has a design speed of 1,650 m/min and a width of 2.85 m. The steel Yankee has a diameter of 3.65 m. The scope of supply also includes the complete stock preparation plant, automation and drives.

The machine and other equipment will be manufactured at Andritz's sites in Europe and China. With this turnkey supply, the pulp & paper business area is strengthening Andritz's position as one of the leading suppliers of tissue machines in China, including local services.

Nine Dragons Planning Four Large Tissue PMs in China

Nine Dragons Paper (Holdings) is mulling over installing four 50,000 tonne per year tissue units at its flagship mill in Dongguan city, Guangdong province. A spokesperson from the firm said that the plan for the project is currently in the very initial stage, which is an environmental impact assessment (EIA). More detailed planning, such as a timeline, will be determined according to the prevailing market conditions, including demand and supply forecasts, after government approval is secured. The EIA document was publicized by local environmental authorities on July 17, and was open for public comment until July 23. According to the EIA file, the units will use market pulp as furnish.

The Hong Kong listed packaging giant has long been committed to diversifying its product mix, and has already entered the coated ivoryboard and the printing & writing (P&W) paper sectors. Last year, it started up two P&W paper units with a combined capacity of 450,000 tonnes per year. And it operates two 550,000 tonne per year cartonboard units, enabling it to build its presence in the coated ivoryboard segment.

Nine Dragons is only one board producer looking to join the tissue sector. In 2010, Zhejiang Jingxing Paper announced its plan to build two 34,000 tonne per year tissue units at its mill in Jiaying city, Zhejiang province. The firm currently operates several board units with a combined capacity of 1.04 million tonnes per year. As a first step, the firm is endeavoring to build its sales and marketing channels to promote its brand. It is doing this even before installing tissue machines. This is a practice common to many tissue makers.

Another containerboard giant, Lee & Man Paper Manufacturing, also submitted its plan to construct three tissue machines with a combined capacity of 200,000 tonnes per year to an EIA last year. According to its plan, the firm will dismantle two old recycled containerboard units, PM1 and PM2, with a combined capacity of 100,000 tonnes per year at the Huangchong mill in Dongguan city, Guangdong province, and make space for the tissue machines. However, the project details have yet to be hammered out.

More Project News from China: Henan Luohe Starting Up, More Orders

Henan Luohe Yinge Tissue officially started up its first new 60,000 tonne per year Voith tissue PM on April 16, 2012. The second PM was scheduled to be in commercial operation in September but has been delayed until late 2012. The company says their second expansion phase will include another two Voith PMs, but details on timing and ordering are missing. The expansion project will mean a total capacity increase of 240,000 tonnes per year at an estimated investment cost of RMB 2.2 billion (US\$350 million).

Hebei Baoding Gangxing Paper ordered a second BF-10EX Kawano Zoki tissue PM in April for its mill located in Mancheng, Baoding, Hebei. The new PM will have the same technical details as the first Kawano Zoki PM started up in August 2011: a trim width of 2.76 m, a design speed of 770 m/min and capacity of 12,000 tonnes per year. Start-up is planned for early 2013.

In late May Vinda (Hubei) Paper started building the company's fifth expansion phase, targeting an additional capacity of 80,000 tonnes per year. The plan includes four 20,000 tonne per year tissue PMs from Toscotec. The first pair is expected to come on stream in the first quarter of 2013 and the second pair in the second quarter.

At the end of March 2012, Chongqing Weiermei Paper started building the second phase of its tissue expansion project, which includes a 30,000 tonne per year PM from A.Celli. The PM is expected to start up in late 2012 or early 2013. Somewhat delayed from its original schedule. Mill capacity will increase to 50,000 tonnes per year.

In April, Ningxia Zijinghua (or Bauhinia) Paper brought new A.Celli rewinders online at its Yanghe mill in Yongning County, Ningxia. The company has already started up other converting equipment for automatic handkerchief packaging lines from Dongyang of South Korea, a facial tissue packaging machine from Quanli of Taiwan, one roll packaging line from Optima of Germany, and a single roll packaging line from TMC of Italy.

APP Will Build a New Tissue Mill in Sichuan

On June 26, 2012, Gold Hongye Paper, part of Asia Pulp & Paper (APP), and the Sichuan Ya'an city government signed an agreement for a tissue paper manufacturing and converting project. The total investment will be RMB 1.2 billion (US\$190 million).

APP/Gold Hongye plans to build a tissue mill with a total capacity of 120,000 tonnes per year, which means two large machines. Tissue converting capacity will be between 60,000 tonnes per year and 120,000 tonnes per year. No details on equipment suppliers or start-up schedule were revealed.

Reportedly, Ya'an city economy is healthy and rapidly growing. APP has had plans to install one of its 10 tissue PMs ordered from A.Celli at another mill site in Sichuan, Jinan Pulp & Paper in Suining City, in 2013. It is not known whether the new agreement means a move from Suining city to Ya'an city, or whether the new mill site will be in addition to the Suining city investment plan.

Xiamen Xinyang Starts Up New Metso Paper Tissue PM in China

China's Xiamen Xinyang Paper has fired up a 60,000 tonne per year tissue unit at a greenfield mill in Xiamen city, Fujian province. The PM, supplied by Metso Paper, has a width of 5.6 m and an operating speed of 1,900 m/min. The Finnish supplier's delivery scope included a headbox, a cylinder, a hood, a dust management system, a reel and an automation system.

The machine was originally scheduled to start up in the fourth quarter of 2011, but its construction hit a delay. Civil engineering did not start until early 2011, and installation commenced last December. The unit is the first PM for the firm, which was established in 2009. Fujian Nanping Paper currently holds a 16.80% stake in it, with the rest held by three state-owned local Xiamen companies. Fujian Nanping operates a mill that can produce 480,000 tonnes per year of paper and 50,000 tonnes per year of dissolving pulp in Nanping city, Fujian province.

C&S Paper Starts Up New Toscotec PM in China

China's C&S Paper has started up a 25,000 tonne per year tissue machine at a greenfield plant in Tangshan city, Hebei province. The unit, commissioned in early August, was supplied by Toscotec. It has a width of 3.5 m and a design speed of 1,500 m/min. The machine was scheduled to start up at the end of last year. The firm declined to comment on the delay.

The tissue producer is pressing ahead with the construction and installation of three other Toscotec units at two mills. The identical machines will be 3.6 m wide and have a design speed of 1,600 m/min. The first one was

expected to come online in late September at the firm's site in Chengdu city, in the southwestern province of Sichuan, but the project was delayed to November. The other two machines will go to the firm's existing mill in Jiangmen city, Guangdong province. A contact close to the project said that civil engineering work is almost complete. The Jiangmen start-ups are scheduled for the end of this year.

PMP Successfully Starts Up Two Tissue Machines at Yuen Foong Yu Mill in China

In July of 2011, PMP received an order for two new "Intelli-Tissue™ 1500" machines from Yuen Foong Yu (YFY) for a mill located in Yangzhou City, Jiangsu province, China. The first of the two machines, PM5, was brought online on August 8, 2012, at 5:25 pm. Ming-Fa Tang, the mill spokesman, commented, "It was the fastest assembly and start-up in the history of the YFY Corporation." The YFY and PMP team was very proud of this accomplishment and looks forward to potential future projects. Overall, this is the second "Intelli-Tissue™ 1500" machine installed by YFY with the first machine starting up in 2008 in Beijing, China.

The second 27,000 tonne per year PMPoland tissue unit, PM6, came on stream in September at the same mill in Yangzhou city. The start-up of the two PMs will boost YFY's total tissue paper capacity in China from 59,000 tonnes year to 113,000 tonnes per year. YFY owns another two tissue mills in the country. The Beijing plant houses a 20,000 tonne per year machine. Another facility in Kunshan city, Jiangsu province, operates two units with a combined capacity of 42,000 tonnes per year. All the parent rolls at the two plants are converted on-site into end-use products and sold on the Chinese market.

The two PMP-supplied Crescent former "Intelli-Tissue™ 1500" machines feature a trim of 2.8 m, a maximum operating speed of 1,600 m/min and a capacity of 75 tonnes per day. The machines are designed as "Eco-Tissue" machines, which maximize quality and minimize media consumption. They are able to produce virgin fiber-based tissue with a basis weight range of 13-31.3 g/m² for conversion at the Yangzhou facility into facial tissue, bathroom tissue and kitchen towels. The scope of supply for each machine covered stock preparation, the tissue machine with an "Intelli-Jet V™" headbox, an "Intelli-Former™" Crescent former, an "Intelli-Press™" press section, a 16 ft. Yankee dryer with a high efficiency steam hood, an "Intelli-Reel™" reel and auxiliary systems such as mechanical drives, lubrication system, steam & condensate system and dust removal equipment.

YFY is a corporation comprised of three business units. The Household Products Business Unit has three major brands of tissue paper: "Mayflower", "Tender" and "Delight". Their production lines cover paper products such as toilet paper, tissue paper, facial tissues, paper towels and napkins. The unit is also responsible for producing cosmetic products, such as bio facial masks, for leading brands in the country.

A YFY spokesman said that to save costs, some of the bleached hardwood kraft pulp that feeds the tissue machines will be shipped from Guangdong Dingfeng Paper's 120,000 tonne per year pulp mill in Zhaoqing County, Guangdong province, which it partly owns. Currently, the virgin fiber furnish for tissue production at the plants is bought from the market. Guangdong Dingfeng is a joint-venture between YFY (40%) and its fellow Taiwanese company Chung Hwa Pulp (60%). YFY aims to become a holding firm, following the merger of its fine paper business with Chung Hwa Pulp, effective October 1, 2012. The merger boosted YFY's stake in Chung Hwa Pulp from 9% to 55%, making it the majority shareholder. The move is aimed at streamlining operations through vertical pulp and paper integration between the two companies.

Nanning Phoenix Delays New Andritz PM Start-Up in China

In August, China's Nanning Phoenix Pulp & Paper pushed back the start-up of a new 38,000 tonne per year tissue unit at its mill in Nanning city, in the Guangxi autonomous region, to October. Actually the PM did not start up before late November. The PM was previously slated to come on stream in June.

The machine, supplied by Andritz, has a trim width of 3.65 m and a design speed of 2,000 m/min. The scope of the Austrian firm's supply also included a stock preparation plant, a headbox, a hood and a steel Yankee drying cylinder. In May, the mill restarted a 20,000 tonne per year Kawano Zoki tissue machine after an explosion on

its cast iron dryer last November, which injured one employee. The machine has a trim width of 3.4 m and a design speed of 1,000 m/min.

In addition, the mill currently operates another 12 tissue units with a total capacity of 25,000 tonnes per year, including a 10,000 tonne per year Kawano Zoki unit and 11 domestic machines with a combined capacity of around 15,000 tonnes per year.

Shandong Chenming Restructuring Subsidiaries but Still Planning Tissue Expansion

Shandong Chenming Holdings is aggressively adjusting its operations at some of its subsidiaries in a bid to optimize its product and financial portfolios. The company is targeting high-end sectors and selling some assets producing less value-added products, such as Qihe Chenming Paperboard, which produces low-quality recycled containerboard.

Shandong Chenming has recently started an 850,000 tonne per year white top linerboard unit and is still eyeing several other high value-added paper and board grades, such as tissue and beverage packaging. In late 2010, it started up a 60,000 tonne per year Andritz tissue PM at its mill in Shouguang city, Shandong province, where the headquarters and the white top linerboard PM are also located.

Shandong Chenming has been in discussions with Andritz and Metso Paper for purchasing two or three additional tissue machines, but so far no final decision has yet been made. The most recent information is that the company is planning to build additional tissue PMs with a total capacity of 136,000 tonnes per year at its mill in Wuhan city, Hubei province, operated by Wuhan Chenming Hanyang Paper. The project has been in an environmental impact assessment (EIA) process, conducted by local environmental authorities. Further details are currently not available.

Asia Far East

Nibong Tebal Expanding Its Tissue Business in Malaysia

Malaysian tissue paper and personal care product manufacturer Nibong Tebal Paper Mill Holdings Bhd. (NTPM) is investing about Ringgit 30 million (US\$9 million) in 2012 and 2013 to grow its business in the country, with plans to expand its presence in the southern region, Sabah and Sarawak.

NTPM Managing Director Lee See Jin said that the expansion exercise includes setting up a production line at its plant in Nibong Tebal this year, and establishing warehouses in Sabah and Sarawak next year. "About Ringgit 15 million (US\$4.5 million) is for the new tissue paper production line, to be set up this year, to increase our production capacity by another 30 tonnes per day. This will raise the total tissue paper production capacity per day to 285 tonnes (101,000 tonnes per year). The line should be ready for operation in early 2013."

The remaining investment is for the establishment of two warehouses in Johor, in the south of the Malaysian Peninsula close to Singapore, and Sabah, in the north of the Borneo Island. The Johor warehouse is built for strengthening NTPM's presence in the southern region and for supporting exports to Singapore while the Sabah warehouse will focus on improving service in Sabah, Sarawak and Brunei. Lee said presently NTPM exports mainly tissue products to Brunei and Singapore, which generated about 30% of the group's revenue for the 2012 fiscal year which ended April 2012.

According to our information, NTPM has ordered a new tissue PM from the Chinese supplier Hangzhou Daly Industry. The PM will have a trim width of 2.8 m, a speed of 800 m/min and a capacity of 11,000 tonnes per year. The supplier earlier told us the start-up date to be in mid-2012, but this was probably the schedule for the first component deliveries and so the start-up will follow about half a year later in early 2013.

Oceania

SCA Hygiene Australasia Plans to Close Tissue Converting Plant in New Zealand

Up to 140 Waikato workers will lose their jobs when SCA closes its Te Rapa plant. SCA Hygiene Australasia has told its workforce (understood to number about 190) that most of them will be out of work when the Foreman Road plant closes in early 2014. The workers will be offered counseling and "outplacement support" by the company, along with redundancy entitlements. The company had been weighing its options as part of its "strategic review" of its New Zealand operations.

SCA, which manufactures high-profile brands including "Tena", "Treasures", "Purex", "Handee" and "Sor bent", is understood to have 120 workers in its Te Rapa tissues department, 20 in napkin converting and 50 in its sanitary napkin department. One of the proposals would see the tissue and napkin production moved elsewhere, possibly to its Kawerau plant. SCA Australasia Hygiene President Peter Diplaris said the decision was "not a reflection on the efforts or contribution of our people at Te Rapa. But [it] rather reflects the challenging economic and market environment we continue to operate within, including the pressure of imports."

SCA will go ahead with a NZ\$57 million (US\$46 million) upgrade to its plant at Kawerau in the Bay of Plenty. That plant employs about 200 people. It is unclear if any new jobs will be created as part of the upgrade, but if tissue converting is relocated to Kawerau, a greater work force will most certainly be needed. "If job opportunities do arise in Kawerau, the people from Te Rapa will be able to apply for these in the usual manner," SCA said. However, the upgrade in Kawerau could mean new, highly automated converting lines, which will likely need fewer people than the lines in Te Rapa. We have understood that the smallest PM at Kawerau has not been in operation since April, but we cannot confirm whether the PM is just idle for market reasons or permanently closed. The Kawerau upgrade may also include capacity increases on the two larger PMs.

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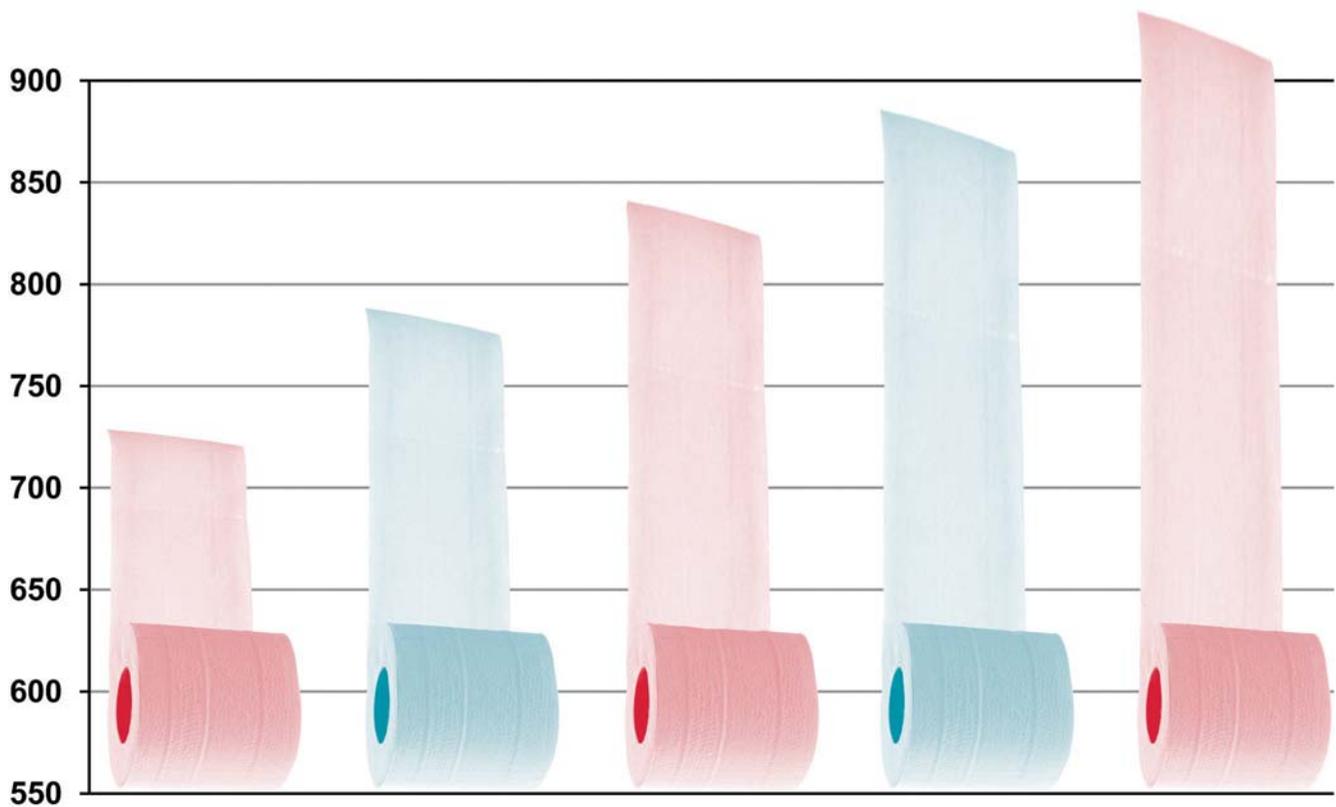
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